PININFARINA S.p.A.

2006 ANNUAL REPORT

Pininfarina S.p.A. – Share Capital: 9,317,000 euros, fully paid in – Registered Office: 6 Via Bruno Buozzi, Turin
Tax I.D. and Registration No. 00489110015, Turin Company Register

ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING

MAY 11, 2007

The Ordinary and Extraordinary Shareholders' Meeting will be held on May 11, 2007 at 11:30 AM in the "Mythos" Room of the offices of Pininfarina S.p.A., 30 Via Nazionale, Cambiano (Turin), on the first calling, or on May 14, 2007, same time and place, on the second calling.

AGENDA

Ordinary Session

1. Approval of the financial statements at December 31, 2006 and appropriation of net profit.

2. Authorization to buy and sell treasury shares.

3. Extension of the assignment to audit the statutory and consolidated financial statements .

Extraordinary Session

1. Amendments to the Bylaws to make them consistent with the provisions of Law No. 262/05, as amended.

The Notice of the Shareholders' Meeting was published in Il Sole 24 Ore dated April 10, 2007.

Honorary Chairman

	Sergio	*Pininfarina*

Board of Directors

*Chairman and Chief Executive Officer**	*Andrea*	*Pininfarina (3)*
Vice Chairman	*Paolo*	*Pininfarina (2) (3)*
Directors	*Franco*	*Bernabè (1) (3)*
	Elisabetta	*Carli*
	Mario Renzo	*Deaglio (2) (3)*
	Edoardo	*Garrone (1)(3)*
	Carlo	*Pavesio (2) (3)*
	Lorenza	*Pininfarina **(3)***
	Sergio	*Pininfarina (1)*

(1) Member of the Appointments and Compensation Committee.

(2) Member of the Internal Control Committee.

(3) Member of the Strategy Committee.

Board of Statutory Auditors

Chairman	*Giacomo*	*Zunino*
Statutory Auditors	*Fabrizio*	*Cavalli*
	Piergiorgio	*Re*
Alternates	*Nicola*	*Treves*
	PierVittorio	*Vietti*

Secretary to the Board of Directors

Gianfranco Albertini

Independent Auditors

PricewaterhouseCoopers S.p.A.

***Powers**

Under Article 22 of the Bylaws, the Chairman and Chief Executive Officer are the legal representatives of the Company in front of external parties and courts. Accordingly, they are empowered to carry out all actions that are consistent with the Bylaws and do not conflict with the provisions of Article 2384 of the Italian Civil Code.

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The Group

Profile

The Pininfarina Group is an industrial enterprise whose core business is focused on automotive operations and based on the establishment of comprehensive relationships with carmakers.

Pininfarina operates as a global partner. Its highly flexible approach enables it to work with customers through the entire product development process — design, planning, development, industrialization and manufacturing — or to provide support during any one of these phases.

Overview

In 2006, the Group completely renovated its product line in Italy and consolidated its foreign manufacturing and engineering operations.

At the same time, delays in the startup of some manufacturing orders and the restructuring programs launched in Italy and Germany placed a steadily increasing strain on the Group's cost structure and financial position.

The manufacture of several new models — Mitsubishi Colt CZC, Alfa Romeo Spider and Ford Focus Coupé Cabriolet — got under way in 2006. However, in the case of the Alfa Romeo and Ford models mentioned above, the start of production was on average six months behind schedule.

Outside Italy, the Group's Swedish operations, which include Pininfarina Sverige A.B. (a joint Venture with Volvo Car Corporation) and RHTU Sverige AB (a manufacturer of retractable-roof systems for Volvo), completed their first year of production. In Germany, Pininfarina Deutschland GmbH underwent an in-depth restructuring process that included acquiring MPX Entwicklung GmbH (an engineering company based in Munich) and selling its manufacturing operations. In France, the Matra Automobile Engineering Group grew both in terms of the value of production it generated and the resources it deployed, thereby strengthening the range of services it can offer to French and international customers.

A breakdown of the data by type of business shows that the Company's performance in 2006 was the result of two contrasting developments:

- The manufacturing operations increased their value of production, but this improvement has not yet translated into better EBIT;
- The service operations reported a decrease in the level of activity, but improved their profitability at the operating level.

Specifically, the manufacturing operations more than doubled their revenues but, due to the reasons explained above, their operating loss widened to 44.9 million euros (-7.7 million euros in 2005). On the other hand, the service operations reported positive EBIT of 1.4 million euros (negative EBIT of 0.6 million euros in 2005) despite a 17% decrease in value of production. A shift in the business mix, with the emphasis starting to shift on work done for non-captive customers and away from internal Pininfarina assignments, and the steady progress made in bringing newly started foreign companies to normal operating efficiency account for this improvement.

Unavoidably, this negative result and an increase in costs had an impact on the availability of financial resources, particularly during the second half of the year. In addition, the effect of an increase in working capital requirements was magnified by the start of repayments of financing facilities received to fund production programs. In 2007, the achievement of a more stable level of production and the contribution of foreign companies will produce a complete reversal of this trend and a positive cash flow from operations.

Operating Performance

In 2005, as required by European Regulation No. 1606 of July 19, 2002, the Pininfarina Group prepared its consolidated financial statements in accordance with the International Financial Reporting Standards ("IFRSs") published by the International Accounting Standards Board ("IASB").

In 2006, the value of production generated by the Pininfarina Group increased to 588.8 million euros, or 53.7% more than the 383 million euros reported at December 31, 2005. A breakdown of the overall value of production shows that the manufacturing operations accounted for 76% of the total (56% in 2005), with the design and engineering operations combined accounting for the remaining 24% (44% in 2005).

The value of production contributed was up sharply for the manufacturing operations (448.5 million euros, or 108.8% more than in 2005), but decreased for the service operations (140.3 million euros, or 16.6% less than in 2005).

EBIT were negative by 43.5 million euros (7.4% of value of production), as against negative EBIT of 8.3 million euros in 2005 (2.2% of value of production), reflecting primarily the impact of the loss incurred by the manufacturing operations. On the other hand, the service businesses returned to profitability at the operating level, despite the fact that some operations were still in the consolidation phase. It is also important to keep in mind that the results at December 31, 2005 benefited from the gains generated by the sale of the investment in Open Air Systems GmbH and the liquidation of the PF RE SA subsidiary, which yielded a combined total of 32.2 million euros. The data for 2006 include a gain of 13.7 million euros on the sale of non-current assets. When extraordinary items are excluded, the negative change in EBIT amounts to 16.7 million euros instead of 35.2 millions. In addition, EBIT were reduced by the conservative decision to add about 12 million euros to the provision for restructuring charges to cover contingent liabilities and other nonrecurring costs.

Net financial income totaled 20.8 million euros (1.4 million euros in 2005). Financial income included about 23 million euros in gains on the sale of equity securities held as investments.

Net other expenses totaled 0.9 million euros (2.6 million euros in 2005). They reflect mainly a restatement of the value of Pininfarina Sverige A.B., which is consolidated by the equity method.

The loss before taxes amounted to 23.6 million euros (loss of 9.5 million euros in 2005), an amount equal to 4% of the value of production (2.5% in 2005).

Because net deferred-tax assets exceeded the liability for current taxes, the Group ended 2006 with a tax asset of 1.7 million euros (+1.4 million euros in 2005).

The net loss for the year amounted to 21.9 million euros (net loss of 8.1 million euros in 2005), an amount equal to 3.7% of the value of production (2.1% in 2005).

At December 31, 2006, net non-current assets totaled 336.5 million euros, or 38% more than in 2005. Working capital was negative by 29.6 million euros, (-19.8 million euros in 2005).

The provision for termination indemnities grew to 30.9 million euros, or 2.2 million euros more than at December 31, 2005.

Net capital requirements increased from 195.4 million euros in 2005 to 276 million euros in 2006 (+41.2%).

Coverage is provided by shareholders' equity of 155 million euros (33.5 million euros less than at the end of 2005).

The Group's net financial position was negative by 120.9 million euros, compared with a negative balance of 6.9 million euros in 2005.

The outlook for 2007 calls for a consolidated value of production in excess of 800 million euros. The manufacturing operations, having completed the renewal of the product line, will contribute most of the increase over 2005. In terms of profitability, after a negative first quarter caused by the production start-up for the Ford Focus Coupé Cabriolet order, the Group expects to report positive operating results for the remainder of the year. The net financial position should deteriorate further, as the positive impact of favorable changes in working capital will be more than offset by the cash outlays required to repay financing facilities received to fund production programs.

Human Resources

The tables below provide a breakdown of the Pininfarina Group's workforce by type of activity and country.

Breakdown by Type of Activity

	Production	Engineering	Styling	Staff functions	TOTAL
2005	1,355	847	185	346	2,733
2006	1,342	892	181	353	2,768

Breakdown by Country

	Italy	France	Germany	Morocco	Sweden	USA	TOTAL
2005	2,119	447	81	32	54	0	2,733
2006	2,016	506	146	30	67	3	2,768

In addition to the staff listed above, Pininfarina Sverige A.B. had 838 employees at December 31, 2006 (671 employees a year earlier).

All of the employees who had been enrolled in the Special Layoff Benefits Fund were rehired in 2006. At the same time, in accordance with an agreement reached with the labor unions on December 11, 2006 about the need to reorganize the Group and reduce overhead, the Group's staff became eligible for the Special Layoff Benefits Fund due to a corporate crisis situation (for a period of 12 months starting on January 2, 2007) and long-term unemployment benefits for up to about 220 employees, starting on January 15, 2007. At the same time, in order to meet production requirements, the Group used employees seconded by other companies. As of the date of this Report, about 500 persons worked in this capacity at Pininfarina production facilities.

The performance of the Group's individual operations is reviewed below:

Production

In 2006, the manufacturing operations saw an increase in the level of activity, with work starting on the Mitsubishi Colt CZC, Alfa Romeo Spider and Ford Coupé Cabriolet orders. The concurrent start of production of multiple models and the resulting impossibility to stabilize manufacturing processes, coupled with an absolute commitment to adhere to the highest quality standards, undermined the original plans, causing significant delays that could not be fully made up in 2006.

In the second and fourth quarters in particular, due to the delays in the start of production of the Alfa Romeo and Ford models mentioned above, manufacturing output was insufficient to cover attributable operating costs. A total of 20,825 cars were produced in 2006, up from 8,119 cars in 2005 (+156%). A production breakdown is as follows:

Complete cars	2006	2005
Alfa Romeo Brera	8,248	1,630
Alfa Romeo Spider	2,838	0
Mitsubishi Colt CZC	9,110	0
Ford Focus CC	629	0
Ford Streetka	0	4,898
Mitsubishi Pajero Pinin	0	1,591
Total	20,825	8,119

The Pininfarina Sverige joint venture, which manufactures the Volvo C70 model, completed its first full production year in 2006. In Sweden, the Uddevalla plant turned out 15,207 cars (172 cars in 2005) that were sold in the European and U.S. markets. This model's commercial success should result in a further sharp increase in production in 2007. RHTU Sverige A.B., a Swedish subsidiary that manufactures retractable hard tops for the Volvo convertible, also reached full production in 2006.

Engineering

In 2006, the engineering operations were heavily involved in starting up production of the Colt CZC, Alfa Spider and Ford Focus Coupé Cabriolet models at Pininfarina plants. In addition, they continued to provide the support needed to continue manufacturing the Alfa Romeo Brera and Volvo C70 models.

Purely engineering projects included assignments that consolidated the Group's collaboration with Chinese clients. Work for Chanfeng and Chery included completion of the CF2 and Chery M projects, respectively. In addition, work on a project for JAC continued according to plans.

New orders included the Maserati M145 Coupé project, which involved assignments in product engineering for the interior and exterior and process engineering for the bodywork.

Also in the engineering area, the Group devoted significant technical and financial resources to the upgrading of its wind-tunnel facility, to which it added a recently developed "T Belt" system that provides better ground-effect simulation and can be used to simulate a speed of up to 250 km/h.

Special projects included the development of the Ferrari P 4/5 by Pininfarina and 612 Scaglietti K cars, which were extremely well received.

The acquisition of MPX Entwicklung GmbH in Munich and a closer interaction with the Matra Group in France have significantly strengthened Pininfarina's ability to provide engineering services through an organization that is physically present in all major European markets. The international focus of the engineering operations is demonstrated by their sales mix, with international orders accounting for about 50% of the value of production in 2006.

Design

The main design projects of 2006 are reviewed below:

Projects for Ferrari, which unveiled the 599 GT Fiorano at the Geneva Motor Show, involved styling definition for two new cars.

Work for Maserati included completion of the styling development for the GranTurismo, which was successfully introduced at the Geneva Motor Show.

An assignment for Fiat Auto focused on styling research for a new Lancia-branded car.

Work for Peugeot included designing the interior for the Expert, a commercial minivan that was unveiled at the Pininfarina booth at the Geneva Motor Show, and providing styling research for a new project.

A number of styling development projects for Chinese clients were completed or started in 2006. Specifically, cars of different types and for different market segments were developed for JAC, including a model that will be introduced at the next Shanghai Motor Show. Pininfarina styled both the interior and exterior of these cars, which will be brought to market starting in 2008. Additional work in China included continuation of a styling research assignment for a new minivan for AviChina (Hafei) and restyling of a car that will be marketed under the Buick brand by SGM (Shanghai General Motors).

The resumption of collaborative relationships with prestigious Japanese carmakers on styling projects was a particularly significant development.

Special Project assignments included the interior and exterior design for two cars developed for two U.S. collectors: the Ferrari 612 Scaglietti "K" by Pininfarina and the Ferrari P4/5 by Pininfarina.

Work involving other means of transportation included the following:

- For BMC, a Turkish company, further work on the design of the interior for a heavy-load vehicle and restyling of a truck already in production;
- for Ansaldobreda, with whom the Group has a long-standing collaborative relationship, further styling research work for public transportation equipment;
- for Prinoth, styling development for a new snowcat;
- For Groupe CIBLE – Solex, a French company, restyling of the VeloSolex, a landmark motorized bicycle. Commercial distribution of a version with an electric motor recently began in France and will be extended later to other countries in Europe.

For the Group's product design operations, 2006 was a year of very intense activity. The main design completed during the first six months of the year included the Fluid ski booths for Lange, products for the Torino 2006 Winter Olympics, attendance at the Milan Furniture Show, Switch Bowling products and the Primatist G46' yacht. The main products introduced during the second half of 2006 included the following

- the Uffix "Luna" line of executive office furniture presented in Saint Petersburg and Moscow;

- the "Asti, Prosecco and Rosé" line of sparkling wines developed for Gancia;

- the "Venus" kitchen line unveiled at Snaidero's Florence showroom.

In the United States, where work under a service contract with Motorola ended in the first quarter of 2007, the Group is developing new opportunities in other areas (aeronautics and interior design). As a result, it expects that revenues generated in this country in 2007 will be about the same as in 2006.

Communications

The online and offline communications activities carried out by the Group in 2006 were guided by a strategy designed to establish and maintain an effective flow of communications both with external audiences (customers, media, collectors and public institutions) and with parties within the Pininfarina Group, with the goal of strengthening the Company's image and reputation and providing greater support for the Group's commercial endeavors.

In 2006, the effectiveness of this strategy was enhanced by some favorable developments:

• The international media coverage that the Olympic Torch and the Olympic Brazier received early in 2006 in connection with the Torino 2006 Winter Olympics;

• The presentation to the media and subsequent commercial launch of four of the five cars currently in production: the Volvo C70, the Mitsubishi Colt CZC, the Alfa Spider, the Ford Focus Coupé-Cabriolet and the Ferrari 599 GTB Fiorano;

• The presentation of two one-of-a-kind cars: the Ferrari 612 Scaglietti "K" by Pininfarina and the Ferrari P4/5 by Pininfarina.

<u>Offline Communications</u>

International Motor Shows.

Attendance at the main international motor shows continues to be one of the pillars of the Group's communications strategy. At the same time, it provides opportunities to develop commercial contacts. The work carried out in 2006 to present the Group's production and special cars at the main motor shows was particularly important. Specifically:

- Cars unveiled at the Geneva International Motor Show included the Alfa Spider, the Mitsubishi Colt CZC and the Volvo C70, all with special Pininfarina exterior configuration and Poltrona Frau interior; the Ferrari 599 GTB Fiorano; and an Alfa Spider with production configuration.

- At the Paris Motor Show, the Group presented two production cars, the Alfa Spider and the Ford Focus Coupé-Cabriolet, and the Ferrari P4/5 by Pininfarina.

Concours d'Elegance

The Group's presence a the Villa d'Este and Pebble Beach Concours d'Elegance was also significant. At the first event, it provided a world preview of the Ferrari Scaglietti "K" by Pininfarina. The same car was also shown at the Pebble Beach Concours d'Elegance, which provided a venue for the presentation of the Ferrari P4/5 by Pininfarina for the U.S. market.

In September, the Group invited representatives of the main industry publications in Europe and Japan to the Ceram racetrack for a road test of the Ferrari P4/5 by Pininfarina. Coverage of this event produced hundreds of online and offline articles and more than 30 automotive magazine covers.

Online Communications

A new Group website (www.pininfarina.it and www.pininfarina.com domains), with totally renovated graphics, contents and interactive capability, went online on July 30, 2006. In addition, the graphics used by the Pininfarina Extra website and the Matra Group websites were made consistent with those of the Group website. Access data confirmed the growing popularity of the Group's website, with the number of visitors increasing to about 30,000 a month (counting both the Italian and English versions), with a high of 40,000 hits when the press kit for Ferrari P4/5 by Pininfarina was made available online.

In order to provide an even higher level of communications, the Group developed an online newsletter that will be published more frequently than the offline version.

Corporate Identity

In September, a Corporate Identity Manual was approved and distributed to all Group companies. The purpose of the Manual is to ensure a correct and consistent use of the logo in internal communications and in external communications released to clients.

Pininfarina S.p.A.

The financial statements at December 31, 2006 were prepared in accordance with International Financial Reporting Standards (IFRSs). In order to allow the comparison of homogeneous data, the 2005 financial statements have been restated in accordance with the same standards.

Value of production totaled 518.6 million euros at December 31, 2006, or 197.9 million euros more (+61.7%) than the 320.7 million euros reported at the end of 2005.

Gains on the sale of non-current assets decreased from 24.4 million euros to 13.9 million euros (-43.0%). The main transaction completed in 2006 in this area was the sale of a facility called "Centro 28" in the town of Grugliasco. In 2005, the largest gains were generated by the sale of the investment in Open Air Systems GmbH and the liquidation of the PF RE SA subsidiary.

The increase in the value of production produced a corresponding rise in the cost of raw materials and outside services, which went from 266.6 million euros to 478.0 million euros (+211.3 million euros in absolute terms, +79.3%).

The change in the inventory of raw materials was positive by 17.3 million euros (negative change of 5.8 million euros in 2005).

The value added generated in 2006 totaled 71.8 million euros, compared with 72.7 million euros the year before (-0.9 million euros). It was equal to 13.8% of the value of production, down from 22.7% in 2005.

Labor costs, which increased to 86.7 million euros (+16.5 million euros), were equal to 16.7% of value of production, compared with 21.9% in 2005.

EBITDA were negative by 15 million euros, as against positive EBITDA of 2.5 million euros at December 31, 2005.

EBIT were negative by 41.8 million euros (negative EBIT of 12.9 million euros in 2005), after deducting depreciation and amortization of 18.4 million euros and additions to provisions totaling 8.3 million euros (13 million euros and 2.4 million euros., respectively, in 2005).

Net financial income amounted to 23.2 million euros, up from 2.2 million euros in 2005. Gains earned on the sale of listed equity securities held for investment purposes (about 22.8 million euros) account for most of this improvement.

The loss before taxes amounted to 18.5 million euros (loss of 17.0 million euros in 2005).

Because net deferred-tax assets exceeded the liability for current taxes, the Company ended 2006 with a tax asset of 2 million euros (tax asset of 3.1 million euros in 2005).

The year ended with a loss of 16.5 million euros (loss of 13.9 million euros at December 31, 2005).

Turning to the balance sheet, net non-current assets totaled 334.9 million euros, up from 239.5 million euros at December 31, 2005 (+39.8%). Working capital was negative by 39.8 million euros, with the negative balance decreasing by 19.8 million euros compared with the end of 2005.

Coverage was provided by the Company's shareholders' equity, which decreased from 203.3 million euros to 173.5 million euros (-14.7%), and by the net financial position, which went from a positive balance of 11.7 million euros to a negative balance of 91.9 million euros.

Group Companies

The data are presented in accordance with the IAS/IFRS accounting principles.

Pininfarina Extra Group

Value of production totaled 4.8 million euros in 2006. This figure consolidates the amount reported by Pininfarina Extra S.r.l. and by its Pininfarina Extra USA Corp. subsidiary, which was established in the first half of the year. In 2005, the value of production booked by the Italian company alone amounted to 5.6 million euros. However, despite this decrease, all of the profitability indicators improved, with EBIT totaling 1.5 million euros, up from 1.1 million euros in 2005 (+36.3%). The 2006 net profit amounted to 0.9 million euros, compared with 0.7 million euros a year earlier (+28.6%). The net financial position was positive by 1.6 million euros, about the same as in 2005. There were 23 employees on the payroll (22 employees in 2005).

Matra Automobile Engineering Group

In 2006, the MAE Group generated value of production amounting to 61 million euros, for a gain of 16.4% compared with the 52.4 million euros reported in 2005. Such a large increase in the value of production produced a sharp reduction in the reported net loss, which contracted to 1.2 million euros (loss of 3 million euros in 2005). This significant improvement reflects the completion of the operations' startup phase that started in 2004. The net financial position was negative by 22.8 million euros, compared with a negative balance of 15.1 million euros at December 31, 2005. The indebtedness is owed exclusively to the Parent Company, Pininfarina S.p.A. At the end of 2006, the MAE Group had 536 employees (479 employees a year earlier).

Pininfarina Deutschland Group

The Group's German operations underwent a major change in 2006 as a result of two events: the acquisition of an engineering company in Munich, in July, and the sale of the manufacturing operations to a company outside the Group, in October. The combined operations of Pininfarina Deutschland GmbH and its MPX Entwicklung GmbH subsidiary, which constitute the third engineering hub of the Pininfarina Group (after those established in Italy and France), can look forward to attractive growth and profitability opportunities. The value of production increased from 7.5 million euros in 2005 to 10.2 million euros in 2006 (+36%) and the net loss decreased to 3.7 million euros (1.4 million euros at December 31, 2005). It is also worth noting that the 2006 loss reflects the impact of extraordinary restructuring charges and that the newly acquired operations provided a positive contribution only in the closing months of the year. Net indebtedness totaled 6.3 million euros (5 million euros of which were owed to the Parent Company, Pininfarina S.p.A.), up from 5.1 million euros in 2005. At December 31, 2006, the Pininfarina Deutschland Group had 146 employees (81 in 2005).

RHTU Sverige A.B.

This wholly owned subsidiary of Pininfarina S.p.A. ended its second full year with a loss of 1.3 million euros (breakeven in 2005). Value of production amounted to 3.6 million euros, compared with 1.8 million euros at December 31, 2005. The company was faced with major challenges in 2006 and achieved full operating capability only in the second half of the year. Production of retractable hard tops for the Volvo C70, which is being manufactured by Pininfarina Sverige A.B., is now running at full capacity and output is expected to increase in 2007. The net financial position was negative by 1.3 million euros, with the entire amount owed to the Parent Company, Pininfarina S.p.A. (positive balance of 0.1 million euros at the end of 2005). At December 31, 2006, the company had 67 employees, up from 54 employees a year earlier.

Pininfarina Sverige A.B.

This joint venture with Volvo Car Corporation reported value of production of 395.8 million euros and a net loss of 1.8 million euros (value of production of 21.3 million euros and a net loss of 0.6 million euros in 2005). Production of the C70 model for Volvo reached 15,207 units in 2006, the first year when the company operated at full capacity, and significant growth is expected in 2007. The net financial position showed net indebtedness of 187.9 million euros (212.2 million euros at December 31, 2005), which is attributable exclusively to the need to fund development and tooling programs for the Volvo C70. At December 31, 2006, the Company had 838 employees, compared with 671 employees a year earlier.

Significant Events Occurring Since December 31, 2006

As of the date of this Report, no events have occurred that would make the asset base or financial position of the Group's companies materially different from those reflected on the balance sheet at December 31, or require restatements of or additional notes to the financial statements.

From the beginning of 2007 to the date of this Report, the Group used new financing facilities totaling 24.5 million euros. At the same time, repayment of bank debt and finance lease obligations scheduled for the first quarter of 2007 totaled 40 million euros.

Pininfarina Extra S.r.l. was the only subsidiary that declared a dividend distributable to Pininfarina S.p.A. (a total of 291,000 euros). The other subsidiaries were in the process of implementing major capital investment programs, mostly in connection with the startup or development of new activities.

In 2007, the company used its booth at the Geneva Motor Show for a world preview of the Maserati GranTurismo, a car for which Pininfarina has designed both the exterior and interior. This car was received enthusiastically both by the press and the public and was honored with the "Best in Show" award by Autoweek.

In accordance with the provisions of Item 26 of the "Technical Regulations on Minimum Safety Measures" appended as Annex B) to Legislative Decree No. 196 of June 30, 2003, notice is hereby given that Pininfarina S.p.A. has updated its Safety Planning Document in accordance with the requirements of Article 34, Letter G), of the abovementioned Legislative Decree.

MOTION FOR THE COVERAGE OF NET LOSS

The 2006 fiscal year ended with a loss of 16,540,173 euros, which we recommend that you cover in its entirety, drawing an equal amount from the available balance of the special reserve.

Turin, March 27, 2007

Andrea Pininfarina
Chairman of the Board of Directors

THE PININFARINA GROUP

Consolidated Financial Highlights

(amounts in thousands of euros)

	Data at	
	12/31/06	**12/31/05**
Operating Data		
Net revenues	526,382	461,426
Value of production	588,814	383,029
EBIT	(43,475)	(8,281)
Net financial income (a)	20,768	1,370
Profit (Loss) before taxes	(23,566)	(9,501)
Net loss	(21,883)	(8,103)
Cash flow*	1,224	8,270
Balance Sheet Data		
Net non-current assets (b)	336,510	243,933
Net invested capital (c)	306,930	224,160
Group interest in shareholders' equity	155,078	188,557
Net financial position (d)	(120,940)	(6,894)
Other Data		
Number of employees at December 31	2,768	2,733

* Group interest in net profit plus depreciation and amortization.

(a) This item includes the amounts recognized as financial income (expense) and dividends.
(b) This item includes property, plant and equipment, intangibles and non-current financial assets.
(c) See the reclassified balance sheet on page 78.
(d) See the net financial position on page 79.

Operating Performance, Financial Position and Financial Performance of the Pininfarina Group

Operating Performance

Net revenues totaled 526.4 million euros, or 65.0 million euros more (+14.1%) than the 461.4 million euros reported in 2005. The reasons for this improvement are explained in the Report of the Board of Directors that appears earlier in this Report.

The inventory of finished goods and work in process showed a net increase of 54.3 million euros, as against a net decrease of 85.2 million euros in 2005.

Other income and revenues totaled 7 million euros, or 29.6% more than the 5.4 million euros reported in 2005.

Value of production totaled 588.8 million euros, for an increase of 205.8 million euros (+53.7%) from the 383.0 million euros booked in 2005. A breakdown by business segment is provided on page 50.

Net of inventory, operating costs for purchases of raw materials and outside services amounted to 484.7 million euros, up from 302.1 million euros in 2005 (+60.4%). Value added, which reflected the positive impact of gains on the disposal of non-current assets (11.9 million euros, compared with 32.4 million euros in 2005), increased to 115.9 million euros, or 2.6 million euros more (+2.2%) than at December 31, 2005. The ratio of value added to value of production was 19.7% (29.6% in 2005).

Labor costs increased to 127.9 million euros (+24.3%), as the average payroll grew by 6.8% to 2,836 employees, 180 more than at December 31, 2005.

EBITDA were negative by 11.9 million euros, as against positive EBITDA of 10.5 million euros in 2005. The ratio of EBITDA to value of production was a negative 2% (a positive 2.7% in 2005).

Depreciation and amortization amounted to 23.1 million euros (+6.7 million euros compared with the previous year). Additions to provisions, which were booked mainly in anticipation of personnel restructuring charges, totaled 8.4 million euros (2.4 million euros in 2005).

EBIT were negative by 43.5 million euros, compared with negative EBIT of 8.3 million euros in 2005. The ratio of EBIT to value of production was -7.4% (-2.2% in 2005).

Net financial income amounted to 20.8 million euros, up from 1.4 million euros in 2005. Gains earned on the sale of listed equity securities held for investment purposes (22.8 million euros) account for most of this improvement.

Net other expense totaled 0.9 million euros (2.6 million euros in 2005). They reflect mainly a restatement of the value of Pininfarina Sverige A.B., which is consolidated by the equity method.

The loss before taxes, which amounted to 23.6 million euros (loss of 9.5 million euros in 2005), was equal to -4% of the value of production (-2.5% in 2005).

Because net deferred-tax assets exceeded the liability for current taxes, the Group ended 2006 with a tax asset of 1.7 million euros (+1.4 million euros in 2005).

The net loss for the year amounted to 21.9 million euros (net loss of 8.1 million euros in 2005), an amount equal to -3.7% of the value of production (-2.1% in 2005).

A reclassified income statement is provided in Annex 1.

Balance Sheet

At December 31, 2006, net capital requirements were 80.6 million euros more than a year earlier, mainly as a result of an increase in net non-current assets.

More specifically:

Net non-current assets totaled 336.5 million euros. Intangible assets and property, plant and equipment increased by 91.5 million euros as the net result of additions totaling 120.5 million euros, depreciation and amortization of 23.1 million euros and retirements of 5.9 million euros. Non-current financial assets increased by 1 million euros as a result of a restatement of the value of the shareholders' equity of Pininfarina Sverige A.B..

Working capital was negative, with the negative balance increasing to 29.6 million euros, or 9.8 million euros more than at December 31, 2005.

The provision for termination indemnities totaled 30.9 million euros, or 2.2 million euros more than at the end of 2005.

Capital requirements were covered by:

Shareholders' equity, which decreased by 33.5 million euros, due mainly to the negative difference between the 2006 and 2005 net loss and changes in reserve balances.

The net financial position, which ended the year with a higher negative balance (-120.9 million euros) than at December 31, 2005 (-6.9 million euros). This negative change reflects the need to simultaneously fund all of the Group's new product development projects and the impact of changes in working capital.

A reclassified balance sheet is provided in Annex 1.

Financial Performance

At December 31, 2006, the net financial position showed a negative balance of 120.9 million euros, compared with a negative balance of 6.9 million euros a year earlier. This negative year-over-year difference of 114 million euros is the net result of the following factors:

- An increase of 1.4 million euros in cash and cash equivalents;
- An increase of 1 million euros in current assets held for trading;
- An increase of 7.6 million euros in current loans receivable and other receivables;
- An increase of 82.4 million euros in short-term debt;
- An increase of 42.8 million euros in medium- and long-term loans receivable;
- An increase of 58.4 million euros in medium- and long-term debt;
- A decrease of 26.0 million euros in non-current financial assets;

An analysis of cash flow is provided in Annex 1.

CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2006

Consolidated Balance Sheet – Assets

		Note ref.	12/31/06	12/31/05
Property, plant and equipment			292,717,136	203,056,932
Land and buildings		6	97,262,193	99,677,778
	Land		25,778,147	22,619,019
	Buildings		60,435,711	65,538,277
	Leased property		11,048,335	10,520,482
Plant and machinery		6	187,852,130	91,413,504
	Machinery		27,261,570	5,769,919
	Plant		42,168,914	34,853,880
	Leased machinery and equipment		118,421,646	50,789,715
Furniture, fixtures and other property, plant and equipment		6	6,046,720	6,339,239
	Furniture and fixtures		2,252,706	3,007,970
	Hardware and software		2,537,988	2,292,636
	Other property, plant and equipment		1,256,026	1,038,633
Assets under construction		6	1,556,093	5,626,411
Intangible assets			8,153,782	6,284,212
Goodwill		7	2,301,012	2,301,012
Licenses and trademarks		7	5,327,799	3,626,561
Other intangibles		7	524,971	356,639
Equity investments			35,638,952	34,592,135
Subsidiaries			0	0
Associated companies		8	744,800	744,800
Joint ventures		8	34,362,000	33,373,701
Other companies		8	532,152	473,634
Deferred-tax assets		27	23,583,203	20,926,810
Non-current financial assets			284,278,983	267,487,405
Held-to-maturity long-term investments			0	0
Loans and other receivables from:			284,278,983	241,472,036
	Outsiders	9	185,806,003	125,094,880
	Related parties and joint ventures	9	98,472,980	116,377,156
Available-for-sale non-current financial assets		9	0	26,015,369
Held-for-sale other non-current assets			0	0
TOTAL NON-CURRENT ASSETS			**644,372,056**	**532,347,494**
Inventory		10	42,067,352	17,583,386
Raw materials			28,603,622	12,728,743
Work in process			9,263,584	2,475,939
Finished goods			4,200,146	2,378,704
Contract work in progress		10	403,014	14,774,330
Current financial assets			128,775,402	120,211,789
Current assets held for trading		9	61,863,888	60,864,391
Current loans receivable and other receivables from:			66,911,514	59,347,398
	Outsiders	9	66,911,514	59,347,398
	Related parties and joint ventures		0	0
Available-for-sale current financial assets			0	0
Held-to-maturity current investments			0	0
Derivatives			0	0
Trade receivables and other receivables			132,487,751	122,454,878
Trade receivables from:			110,224,618	106,296,621
	Outsiders	11	101,472,545	95,725,186
	Related parties and joint ventures	12	8,752,073	10,571,435
Other receivables		11	22,263,133	16,158,257
Cash and cash equivalents			16,933,218	15,585,498
Cash on hand			271,608	675,260
Short-term bank deposits			16,661,610	14,910,238
TOTAL CURRENT ASSETS			**320,666,737**	**290,609,881**
TOTAL ASSETS			**965,038,793**	**822,957,375**

Consolidated Balance Sheet – Liabilities and Shareholders' Equity

	Note ref.	12/31/06	12/31/05
Common shares	**13**	9,288,847	9,312,155
Additional paid-in capital		34,604,184	36,215,861
Reserve for treasury stock		12,000,000	12,000,000
Statutory reserve		2,231,389	2,231,389
Revaluation reserve		0	0
Stock option reserve		2,232,280	1,320,733
Derivative hedging reserve		0	0
Reserve for currency translations		1,506,737	(252,864)
Fair value reserve		0	12,507,513
Other reserves		103,152,036	110,942,932
Retained earnings		11,945,400	12,382,791
Profit (Loss) for the year	**14**	(21,883,216)	(8,103,394)
GROUP INTEREST IN SHAREHOLDERS' EQUITY		155,077,657	188,557,116
Minority interest in shareholders' equity		0	0
TOTAL SHAREHOLDERS' EQUITY		**155,077,657**	**188,557,116**
Long-term borrowings		392,170,705	333,812,871
Collateralized debt		0	0
Liabilities under finance leases	**16**	282,273,753	205,204,788
Other indebtedness owed to:		109,892,952	128,608,083
Outsiders	**16**	109,896,952	128,608,083
Related parties and joint ventures		0	0
Deferred-tax liabilities	**27**	18,083,673	28,026,734
Provision for termination indemnities		30,912,023	28,708,951
Provision for pensions and severance pay		933,938	464,732
Provision for termination indemnities	**17**	29,978,085	28,244,219
Provision for other liabilities and charges		0	0
Decommissioning costs		0	0
TOTAL NON-CURRENT LIABILITIES		**441,166,401**	**390,548,556**
Current borrowings		158,756,819	76,365,263
Due to banks	**16**	31,331,116	500,816
Collateralized debt		0	0
Liabilities under finance leases	**16**	74,000,953	46,044,590
Bonds outstanding and other borrowings owed to:		53,424,750	29.819.857
Outsiders	**16**	53,424,750	29.819.857
Related parties and joint ventures		0	0
Other payables		24,955,282	32,134,207
Wages and salaries		11,091,264	9,580,474
Due to social security institutions		6,407,532	5,583,737
Vacation days, sick days and personal days		411,827	292,928
Other liabilities	**18**	7,044,659	16,677,068
Trade accounts payable		167,764,794	129,079,429
Accounts payable to outsiders	**18**	165,282,937	129,072,214
Accounts payable to associated companies and joint ventures	**18**	1,973,083	0
Advances received for work in progress	**18**	508,774	7,215
Provision for current taxes		1,674,522	51,047
Direct taxes		253,755	0
Other taxes		1,420,767	51,047
Financial derivatives		0	0
Provision for other liabilities and charges		8,211,41	2,727,570
Provision for warranties	**19**	1,021,850	900,000
Provision for restructuring programs	**19**	4,464,000	0
Other provisions	**19**	2,725,191	1,827,570
Other liabilities		7,432,277	3,494,187
TOTAL CURRENT LIABILITIES		**368,794,735**	**243,851,703**
TOTAL LIABILITIES		**809,961,136**	**634,400,259**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**965,038,793**	**822,957,375**

Consolidated Income Statement

	Note ref.	12/31/06	12/31/05
Sales and service revenues		526,381,956	461,425,526
Increase in Company-produced non-current assets		1,122,239	1,418,990
Change in inventory of finished goods and work in progress		54,348,152	(85,206,183)
Change in contract work in progress		*47,077,731*	*(86,342,317)*
Change in inventory of work in progress, semifinished goods and finished goods		*7,270,421*	*1,136,134*
Other income and revenues	**20**	6,961,206	5,390,896
TOTAL VALUE OF PRODUCTION		**588,813,553**	**383,029,229**
Gain on the sale of non-current assets	**21**	13,900,850	32,442,882
Amount earned on the sale of equity investments		*0*	*32,323,748*
Raw materials and consumables used		(392,497,437)	(165,767,798)
Raw materials and components		(408,623,402)	(159,973,719)
Change in inventory of raw materials, subsidiary materials and consumables		17,281,965	(5,794,079)
Provision for inventory risk		(1,156,000)	0
Other variable production costs		(9,883,638)	(9,719,001)
Consumables		(5,482,274)	(3,843,252)
Utilities		(655,638)	(2,330,049)
External maintenance costs		(3,745,726)	(3,545,700)
Variable external engineering services		(48,413,013)	(88,288,397)
Wages, salaries and employee benefits		(127,856,264)	(102,905,994)
Production staff, office staff and managers		(117,294,517)	(97,647,185)
Independent contractors		(4,840,210)	(507,313)
Social security and other post-employment benefits		(5,721,537)	(4,751,496)
Cost of profit sharing compensation		0	0
Depreciation, amortization and writedowns		(25,138,568)	(16,372,545)
Depreciation of property, plant and equipment		(20,684,550)	(15,026,620)
Loss on disposal of property, plant and equipment		(2,031,497)	0
Amortization of intangibles		(2,422,521)	(1,345,925)
Writedowns		0	0
Utilization of negative goodwill		0	0
Foreign exchange gains (losses)		44,311	301,556
Other expenses	**22**	(42,444,691)	(41,001,919)
PROFIT (LOSS) FROM OPERATIONS		**(43,474,897)**	**(8,281,987)**
Finance income (Expense), net	**24**	19,754,044	453,957
Dividends	**25**	1,014,495	916,542
Value adjustments	**26**	(804,000)	(2,620,233)
Nonrecurring income (expense)		(56,045)	30,723
PROFIT (LOSS) BEFORE TAXES		**(23,566,403)**	**(9,500,998)**
Income taxes for the year	**27**	1,683,187	1,397,604
PROFIT (LOSS) FOR THE YEAR		**(21,883,216)**	**(8,103,394)**

	12/31/06	12/31/05
Earnings (Loss) per share	(21,883,216)	(8,103,394)
Number of common shares, net	9,288,847	9,312,155
Basic earnings (loss) per share	(2.36)	(0.87)

Statement of Changes in Consolidated Shareholders' Equity

	01/01/04	Fair value gains (losses)	Translation restatements	Profit (Loss) for the year	Employee stock option plan	Changes to reserves	Dividends	Purchases /Sales of treasury shares	12/31/04
Common Shares	9,192,181							(9,679)	9,182,502
Additional paid-in capital	34,013,017							(102,367)	33,910,650
Reserve for trasury stock	27,951,000							(516,488)	27,434,512
Statutory reserve	2,231,389								2,231,389
Stock option reserve					527,691				527,691
Reserve for currency translations			3,726						3,726
Fair value reserve	8,599,119	(333,418)							8,265,701
Other reserves	99,731,524					399,280	(3,124,779)	516,488	97,522,513
Retained earnings	15,895,428								15,895,428
Profit (Loss) for the year				(2,404,679)					(2,404,679)
GROUP INTEREST IN SHAREHOLDERS' EQUITY	**197,613,658**	**(333,418)**	**3,726**	**(2,404,679)**	**527,691**	**399,280**	**(3,124,779)**	**(112,046)**	**192,569,433**
Minority interest in shareholders' equity									0
TOTAL SHAREHOLDERS' EQUITY	**197,613,658**	**(333,418)**	**3,726**	**(2,404,679)**	**527,691**	**399,280**	**(3,124,779)**	**(112,046)**	**192,569,433**

	12/31/04	Fair value gains (losses)	Translation restatements	Profit (Loss) for the year	Employee stock option plan	Changes to reserves	Dividends	Purchases /Sales of treasury shares	12/31/05
Common Shares	9,182,502							129,653	9,312,155
Additional paid-in capital	33,910,650							2,305,211	36,215,861
Reserve for trasury stock	27,434,512					(15,434,512)			12,000,000
Statutory reserve	2,231,389								2,231,389
Stock option reserve	527,691				793,042				1,320,733
Reserve for currency translations	3,726		(256,590)						(252.864)
Fair value reserve	8,265,701	4,241,812							12,507,513
Other reserves	97,522,513					16,542,470	(3,122,051)		110,942,932
Retained earnings	15,895,428					(3,512,637)			12,382,791
Profit (Loss) for the year	(2,404,679)			(8,103,394)		2,404,679			(8,103,394)
GROUP INTEREST IN SHAREHOLDERS' EQUITY	**192,569,433**	**4,241,812**	**(256,590)**	**(8,103,394)**	**793,042**	**0**	**(3,122,051)**	**2,434,864**	**188,557,116**
Minority interest in shareholders' equity									
TOTAL SHAREHOLDERS' EQUITY	**192,569,433**	**4,241,812**	**(256,590)**	**(8,103,394)**	**793,042**	**0**	**(3,122,051)**	**2,434,864**	**188,557,116**

	12/31/05	Fair value gains (losses)	Translation restatements	Profit (Loss) for the year	Employee stock option plan	Changes to reserves	Dividends	Purchases /Sales of treasury shares	12/31/06
Common Shares	9,312,155							(23,308)	9,288,847
Additional paid-in capital	36,215,861							(1,611,677)	34,604,184
Reserve for trasury stock	12,000,000								12,000,000
Statutory reserve	2,231,389								2,231,389
Stock option reserve	1,320,733				911,547				2,232,280
Reserve for currency translations	(252.864)		1,759,601						1,506,737
Fair value reserve	12,507,513	(12,507,513)							0
Other reserves	110,942,932					(7,790,896)			103,152,036
Retained earnings	12,382,791					(437,391)			11,945,400
Profit (Loss) for the year	(8,103,394)			(21,883,216)		8,103,394			(21,883,216)
GROUP INTEREST IN SHAREHOLDERS' EQUITY	**188,557,116**	**(12,507,513**	**1,759,601**	**(21,883,216)**	**911,547**	**(124,893)**	**0**	**(1,634,985)**	**155,077,657**
Minority interest in shareholders' equity									
TOTAL SHAREHOLDERS' EQUITY	**188,557,116**	**(12,507,513)**	**1,759,601**	**(21,883,216)**	**911,547**	**(124,893)**	**0**	**(1,634,985)**	**155,077,657**

Cash Flow Statement

	Data at	
	12/31/06	**12/31/05**
Profit (Loss) for the year	**(21,883,216)**	**(8,103,394)**
Restatements	**(669,971)**	**(13,102,221)**
- Income taxes	(1,683,187)	(1,397,604)
- Depreciation of property, plant and equipment	20,684,550	15,026,620
- Amortization of intangibles	2,422,521	1,345,925
- Writedowns and additions to provisions	7,557,502	481,955
- Provision for pensions and seniority indemnities	2,203,072	2,696,702
- (Gains) Losses on sale of non-current assets	(11,869,353)	(32,442,882)
- Unrealized (Gains) Losses on derivatives	0	0
- (Gains) Losses on available-for-sale financial assets	(22,815,809)	0
- (Financial income)	(20,074,711)	(11,026,783)
- Financial expense	23,136,476	10,572,826
- (Dividends)	(1,014,495)	(916,542)
- Value adjustment to shareholders' equity	804,000	2,620,233
- Other restatements	(20,537)	(62,671)
Changes in working capital	**2,269,533**	**56,564**
- Inventories	(24,483,966)	4,364,151
- Contract work in progress	14,371,316	8,733,584
- Trade accounts receivable	(10,032,874)	(24,164,947)
- Trade accounts payable	38,705,902	3,528,918
- Other changes	(16,290,845)	7,594,858
Cash flow from operating activities	**(20,283,654)**	**(21,149,051)**
(Financial expense)	(23,136,476)	(10,572,826)
(Income taxes)	1,683,187	1,397,604
Net cash flow used in operating activities	**(41,736,943)**	**(30,324,273)**
- Purchases of property, plant and equipment	(119,531,349)	(64,924,329)
- Proceeds from sale of property, plant and equipment	16,763,857	35,555,877
- Non-current loans receivable from borrowers outside the Group	(55,766,880)	(79,505,095)
- Non-current loans receivable from Group companies	17,904,177	(21,834,082)
- Financial income and gains from available-for-sale financial assets	42,890,520	11,026,783
- Dividends received	1,014,495	916,542
- Other equity investments	(1,850,817)	(34,820,149)
Net cash used in investing activities	**(140,312,940)**	**(183,908,726)**
- Proceeds from the issuance of shares	0	0
- Purchases of treasury shares	1,634,985	2,434,864
- Borrowings from lenders outside the Group	109,919,090	172,575,689
- Loans payable to affiliates, subsidiaries and joint ventures	0	0
- Dividends paid	0	(3,122,051)
Net cash used in financing activities	**(32,028,835)**	**(12,020,224)**
- Other non-cash items	2,546,255	536,452
Increase (Decrease) in cash and cash equivalents	**(29,482,580)**	**(11,483,772)**
- Cash and cash equivalents at beginning of period	15,084,682	26,568,454
Net Cash and cash equivalents at end of period	**14,397,898**	**15,084,682**
Cash and cash equivalents	16,933,218	15,585,498
Bank account overdrafts	(31,331,116)	(500,816)
Net cash and cash equivalents at end of period	**14,397,898**	**15,084,682**

Notes to the Annual Consolidated Financial Statements

1. General Information

The Pininfarina Group is an industrial enterprise that is centered around a core of automotive operations and based on the establishment of comprehensive collaborative relationships with carmakers.

Pininfarina operates as a global partner. Its highly flexible approach enables it to work with customers through the entire product development process — design, planning, development, industrialization and manufacturing — or to provide support during any one of these phases.

The Group has production and development facilities in Italy, France, Germany, Sweden and Morocco. Its customers are located mainly in Italy, France, Great Britain and China.

Pininfarina is a corporation that has its registered office at 6 via Bruno Buozzi, in Turin.

The location of the registered offices and other facilities where the Group companies conduct their business operations is provided on page 83.

The Company's shares are traded on the regular segment of the Borsa Italiana securities market.

The draft Consolidated Annual Report was approved by the Board of Directors on March 27 2007.

The consolidated financial statements of the Pininfarina Group are presented in euros, which is the currency used in the main markets in which the Group operates.

2. Accounting Principles

2.1 Presentation Criteria

As required by:

- Legislative Decree No. 38 of February 28, 2002;
- European Regulation No. 1606 of July 19, 2002.

The consolidated financial statements include a balance sheet, an income statement, a cash flow statement and a statement of changes in shareholders' equity.

With regard to the adoption of IAS 1, the Group chose to use the following financial statement presentation formats, because of their ability to deliver reliable and meaningful information:

- Balance sheet: assets and liabilities are divided into the current and non-current categories;
- Income statement: the individual items have been classified by type.

2.2 Consolidation

(a) Subsidiaries

These are companies over which the Group exercises control, as defined in IAS 27 – *Consolidated Financial Statements and Separate Financial Statements*. Control is presumed to exist when the Group controls more than half of the voting rights, either directly or as a result of shareholders' agreements or potential voting rights. Subsidiaries are consolidated from the moment the Group is able to exercise control and are deconsolidated when control ends.

The Group accounts for the acquisition of controlling interests by the purchase method. This method, which is provided in IFRS 3, Business Combinations, requires that the acquiree's identifiable assets and liabilities be recognized at their fair value as of the acquisition date

The cost of acquisition is the sum of the price paid plus any incidental charges.

Any difference between the cost paid and the Group's pro rata interest in the fair value of the net assets it acquired is capitalized and recognized as goodwill, if positive, or charged directly to income, if negative.

Revenues and expenses and receivables and payables that arise from transactions between Group companies are eliminated in the consolidation process. When necessary, the accounting principles of subsidiaries are amended to make them consistent with those of the Group's Parent Company.

(b) Associated Companies and Joint Ventures

Associated companies are companies over which the Group exercises a significant influence, but not control.

The Group is deemed to exercise a significant influence when it controls between 20% and 50% of the voting rights. Investments in associated companies and joint ventures are recognized initially at cost and are then valued by the equity method.

The Group's investments in associated companies and joint ventures include any goodwill that was recognized at the time of acquisition, less accumulated impairment losses.

The Group's income statement reflects the Group's pro rata interest in the result of associated companies and joint ventures. If an associated company or a joint venture recognizes an adjustment that entails a direct charge to shareholders' equity, the Group recognizes its pro rata share of the charge and shows it in its statement of changes in shareholders' equity.

The Group's pro rata interest in losses incurred by an associated company or a joint venture is recognized in the Group's financial statements until the value of the corresponding equity investment is written off. Any additional loss is posted to the provisions for risks and charges only to the extent that the Group has undertaken obligations or made payments on behalf of the associated company or joint venture.

Gains generated through transactions with an associated company or a joint venture are eliminated against the value of the investment. The same is done for losses, unless the losses stem from an impairment of the assets subject of the transaction. When necessary, the accounting principles of associated companies and joint ventures are amended to make them consistent with those of the Group's Parent Company.

Consistent with the provisions of Paragraph 38 of IAS 31 – *Interests in Joint Ventures* and Paragraph 14 of IAS 27 – *Consolidated Financial Statements and Separate Financial Statements*, the 60% interest held in Pininfarina Sverige A.B. is valued by the equity method in the consolidated financial statements.

(c) Other Companies

Investments in other companies that constitute available-for-sale financial assets are valued at fair value, if available, and any resulting gains or losses are recognized in equity until the assets are sold or their value is impaired. At that point, accumulated gains or losses previously recognized in equity are reflected on the income statement for the period. Investments in small companies for which a fair value may not be available are carried at cost, adjusted for any impairment losses. Dividends received from these companies are recognized as Other income (expense) generated from equity investment transactions.

2.3 Translation of Items Denominated in Foreign Currencies

(a) Functional Currency and Presentation Currency

The financial statements of subsidiaries, associated companies and joint ventures are presented in the corresponding functional currency, which is the currency used in their primary business environment. The presentation currency of the Pininfarina Group is the euro.

(b) Assets, Liabilities and Transactions in Currencies Other Than the Euro

Transactions executed in currencies other than the euro are recognized initially at the exchange rate in force on the date of the transaction.

Monetary assets and liabilities denominated in currencies other than the euro are converted into euros at the exchange rate in force on the balance sheet date. All translation differences are recognized in the income statement, except for differences stemming from loans in foreign currencies that hedge investments in foreign subsidiaries. These differences, and the corresponding tax consequences, are recognized directly in equity until the equity investment is sold, at which point the translation differences are recognized in the income statement.

Non monetary items that are carried at historical cost are translated into euros at the exchange rate in force when the underlying transaction was first recognized.

Non monetary items that are carried at fair value are translated into euros at the exchange rate in force on the date when each item's fair value was determined.

No company of the Pininfarina Group operates in a high-inflation economic environment.

(c) Group Companies

The assets and liabilities of Group companies that use a functional currency different from the euro are translated into euros at the exchange rate in force on the balance sheet date. The income statement is translated at the average exchange rate for the reporting period. Translation differences are recognized directly in equity and are shown separately in the reserve for currency translations. When an investee company is sold, the corresponding portion of this reserve is reflected in the income statement.

Goodwill and fair value adjustments to the assets and liabilities of foreign companies are translated into euros at the year-end exchange rate.

2.4 Property, Plant and Equipment

All classes of property, plant and equipment are carried at their historical cost, less accumulated depreciation and impairment losses, except for land, which is carried at its historical cost less impairment losses. Cost includes all expenses directly attributable to the purchase.

Costs incurred after an asset has been acquired can be capitalized only if it is likely that they will produce future economic benefits and if the costs can be measured reliably.

The depreciation of property, plant and equipment is computed on a straight-line basis, so as to distribute each asset's residual carrying value over its remaining useful life.

Extraordinary maintenance costs that have been capitalized and added to the carrying value of an existing asset are depreciated over the residual useful life of the asset or over the period of time until the next maintenance overhaul, whichever is shorter.

The residual values and useful lives of property, plant and equipment are reviewed and changed, if necessary, on the balance sheet date.

Gains and losses on the sale of property, plant and equipment are recognized in the income statement. They represent the difference between an item's carrying amount and its sales price.

In this and subsequent sections of these notes, the term "impairment" shall mean the adjustment made to the carrying amount of a non-current asset to make it consistent with the asset's recoverable value.

2.5 Intangible Assets

(a) Goodwill

Goodwill represents the excess of the price paid for net identifiable assets at the time of their acquisition over their fair value.

Goodwill generated by the purchase of an interest in a subsidiary or affiliated company is recognized as an increase in the value of the investment in the company in question.

Goodwill is tested for impairment at least once a year and, if an impairment loss is detected, its carrying amount is adjusted accordingly.

Any gain or loss generated by the sale of an equity investment must also take into account the carrying amount of the corresponding goodwill.

An impairment test is performed by comparing the carrying amount of goodwill with the present value of the cash flows that homogeneous groups of assets are expected to generate.

(b) Software and Other Licenses

The cost actually incurred to secure software licenses and other similar licenses, including the expenses required to put them into use, are capitalized and amortized over the estimated useful lives of the licenses (three to five years).

The costs incurred to maintain software are treated as operating expenses and charged to income in the year they are incurred.

Costs incurred to develop software that can be identified and controlled by the Pininfarina Group and which has a high probability of producing greater economic benefits than the costs incurred during a single year are capitalized as an intangible asset and amortized over the useful life of the corresponding asset (not more than three years).

(c) Research and Development Costs

Research costs are charged to income in the year they are incurred.

Development costs, other than those referred to in the paragraph below, are capitalized as intangible assets only if they can be measured reliably and it is clear that the project for which they are being incurred has a high chance of success, both in terms of technical feasibility and commercial acceptance. Development costs that do not meet these characteristics are treated as operating expenses.

Development costs that were charged to income in previous years may not be capitalized at a later date, even if they then meet the requirements for capitalization.

Development costs with a finite useful life are amortized from the date the resulting product was brought to market over the length of time during which they are expected to produce economic benefits, but not more than five years.

The Pininfarina Group carries out development work on behalf of its clients under contracts that involve the styling, engineering and manufacture of automobiles or just design and engineering work. These contracts, which are covered by the provisions of IAS 11 – *Construction Contracts*, are handled on an inventory basis and, consequently, do not generate capitalized intangible assets. Styling activities carried out for internal use are deemed to be the same as research activities and the resulting costs are charged to income when incurred.

(d) Other Intangibles

Other intangibles acquired separately are capitalized at cost. Those acquired through business combinations are capitalized at their fair value as of the date of acquisition.

After initial recognition, intangibles with a finite useful life are carried at cost less depreciation and impairment losses. Intangibles with an undefined useful life are carried at cost less impairment losses.

The useful lives of other intangibles are reviewed once a year. Any resulting changes are applied from that point on.

2.6 Recoverable Amount of Assets

The recoverable amount of intangibles with an indefinite useful life that are not amortized should be tested for impairment at least once a year.

Assets that are amortized are tested for impairment only when there is an indication that their carrying amount may not be recoverable.

The amount of the impairment writedown should be equal to the difference between an assets' carrying amount and its recoverable amount, computed as the greater of the asset's sales price (net of transaction costs) and its value in use.

The recoverable amount of the assets is determined by grouping basic cash generating units.

2.7 Financial Assets

The Group divides its investments into four categories: a) financial assets carried at fair value through profit and loss; b) loans and other financial receivables; c) held-to-maturity investments; and d) available-for-sale financial assets.

The basis for this classification is the reasoning behind an asset's acquisition. Management allocates financial assets to the appropriate category at the time of purchase and reviews this allocation at the end of each year.

(a) Financial Assets Carried at Fair Value through profit and loss

This category is divided into two classes: 1) financial assets held for trading and 2) assets designated into the category from the inception. An asset is included in this category if it was acquired mainly to be resold over the short term or if it was placed in this category by the Company's management.

Any derivatives that do not qualify as hedges are included in the held-for-trading class.

Financial assets that fall into these two classes are listed as current assets when they are held for trading or are expected to be sold within 12 months from the balance sheet date.

(b) Loans and Other Financial Receivables

Loans and other financial receivables are non-derivative financial assets that entail fixed or determinable payments, are not traded on a regulated market and are not held for trading. They are listed as current assets, except for the portion due after one year, which is classified under non-current assets.

(c) Held-to-maturity Investments

These are non-derivative financial assets that entail fixed or determinable payments and have a fixed maturity and which the Group plans and has the financial ability to hold to maturity.

(d) Available-for-sale Financial Assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale and those non-derivative financial assets that do not fall into any of the previous categories. These assets are listed as current assets, unless management decides not to sell them within 12 months from the balance sheet date, in which case they are reclassified under non-current assets.

Purchases and sales of financial assets are recognized on the transaction date, which is the date when the Group agrees to buy or sell an asset.

All financial assets (except for financial assets carried at fair value) whose changes in value are recognized in earnings, are initially recognized at their fair value, plus transaction costs.

Financial assets are removed from the financial statements when they cease to deliver cash flow, or the right to receive such cash flow is transferred, or when the Group effectively transfers all of the risks and benefits inherent in ownership to a third party.

Following their purchase, assets that are categorized either as Available-for-sale financial assets or as Financial assets carried at fair value (whose changes in value are recognized in earnings) are valued at fair value. The assets included in the other two categories (Loans and other financial receivables and Held-to-maturity investments) are valued at their amortized cost, computed by the effective interest method.

Realized and unrealized gains and losses from changes in the fair value of financial assets categorized as Financial assets carried at fair value (whose changes in value are recognized in earnings) are reflected in the income statement in the year when they are generated.

Unrealized gains and losses from changes in the fair value of non-monetary securities categorized as Available-for-sale assets are recognized in equity. When securities categorized as Available-for-sale assets are sold or their value is impaired, adjustments to their fair value that have accumulated in a separate shareholders' equity reserve are recognized in earnings as a gain or loss on the sale.

The fair value of investments in listed securities is based on current bid prices. If an active market is not available for these financial assets or they are unlisted equity securities, fair value is determined by the Group using such valuation techniques as making reference to market transactions involving similar instruments or discounting future cash flows, adjusted as necessary to reflect the specific characteristics of the issuers.

At the end of each fiscal year, the Group tests its financial assets for objective indications of the existence of impairment losses. In the case of financial assets that represent equity investments categorized as Available-for-sale assets, a significant and prolonged decline in their fair value, as compared to their cost, is one of the elements that should be considered in determining a loss of value. If this type of evidence exists for a financial asset categorized as an Available-for-sale asset, the accumulated loss, calculated as the difference between the asset's cost and its current fair value (net of previous writedowns), is reversed out of shareholders' equity and posted to the income statement. Writedowns that have been recognized in earnings cannot be reversed.

2.8 Inventory

Inventory is carried at cost or estimated net realizable value, whichever is smaller. Net realizable value is the selling price in the ordinary course of business, less the variable costs necessary to make the sale.

Cost is determined by the FIFO ("first-in, first-out") method. The cost of finished goods and semifinished goods includes design, raw materials and direct labor costs, as well as other direct costs and other indirect costs that can be allocated to the manufacturing operations based on a normal level of production capacity. This costing formula does not include borrowing costs.

2.9 Trade Receivables and Other Receivables

Trade receivables are initially recognized at fair value. Subsequently, they are valued at amortized cost computed by the effective interest rate method, net of writedowns for uncollectible accounts. Writedowns of receivables are accounted for as if there was objective evidence that the Group will be unable to collect the full amounts that customers have agreed to pay on the dates due. The amount of the writedown, which should correspond to the difference between the carrying amount of the receivables and the present value of future collections, discounted at the effective interest rate, is recognized in the income statement.

2.10 Cash and Cash Equivalents

The Cash and cash equivalents account includes cash on hand, readily available bank deposits, overdraft facilities and liquid investments due within three months. Overdraft utilizations are recognized as current liabilities.

2.11 Share Capital

The Company's common share capital is listed in the shareholders' equity section of the balance sheet.

Incidental expenses incurred to issue share capital or options are recognized under shareholders' equity.

If a Group company buys shares of Pininfarina S.p.A. or Pininfarina S.p.A. purchases treasury shares (within the constraints of the applicable statutes), the price paid, net of any directly attributable incidental charges, is deducted from shareholders' equity until the shares are canceled, reissued, awarded to employees or sold.

2.12 Borrowings

Initially, borrowings are recognized at fair value, net of any incidental charges. Subsequently, they are valued by the amortized cost method. Any difference between the collection amount, net of any incidental charges, and the redemption amount is recognized in earnings on an accrual basis, computed by the effective interest rate method.

The portion of borrowings that is due within one year is listed among current liabilities. The portion due after one year is recognized as a non-current liability only if the Group has an unconditional contractual right to defer repayment.

2.13 Deferred Taxes

Deferred taxes are computed on all temporary differences between the carrying amount of assets and liabilities and the amount attributed to those assets and liabilities for tax purposes. Temporary differences are not computed on:

- Goodwill generated by a business combination;
- Initial recognition of assets and liabilities upon the execution of a transaction that is not a business combination and has no impact on reported results for the period or on taxable income.

Deferred-tax liabilities are computed using the tax rates in force in the business environments in which the companies of the Group operate and in accordance with the tax laws that have been enacted, or which can be deemed to have been virtually enacted, as of the balance sheet date and which are expected to apply when the temporary differences that required the recognition of a deferred-tax liability are reversed.

Deferred-tax assets are recognized only if it is likely that the Company will have earned sufficient taxable income to offset them when the temporary differences that required their recognition are reversed.

Deferred-tax assets are reviewed at each balance sheet date and are adjusted to reflect changes in the expectation that the Company will earn sufficient taxable income in the future to utilize all or part of the deferred-tax assets.

Deferred-tax liabilities are computed on temporary differences generated in connection with equity investments in subsidiaries, associated companies and joint ventures, except in those cases where the reversal of the temporary differences can be controlled by the Group and it is unlikely to occur in the near future.

Temporary differences on components of shareholders' equity are posted directly to shareholders' equity.

2.14 Employee Benefits

(a) Pension Plans

The employees of the Pininfarina Group have access to defined-contribution and defined-benefit plans. None of these plans has dedicated plan assets.

Based on IFRS guidelines (IAS 19), the Provision for termination indemnities attributable to employees of the Pininfarina Group, computed in accordance with Article 2120 of the Italian Civil Code, is a defined-benefit pension plan.

Defined-benefit plans are pension plans in which the pension benefit that an employee will receive at the end of the employment relationship is defined based on such factors as age, years of services and salary earned.

Defined-contribution plans are plans under which the Group pays a fixed contribution to a separate entity. The Group has no further statutory or implied obligations to pay additional sums, should the plan's assets prove to be inadequate to pay benefits for current or past service.

The liability recognized in the financial statements for defined-benefit plans is the present value of the obligation on the balance sheet date, adjusted for actuarial gains and losses and for the cost of benefits paid for past service. This liability is determined annually by an independent actuary, who must be a member of the relevant national board, using the Projected Unit Credit Method. The present value of the liability is determined by discounting future outlays at the exchange rate of government securities that are denominated in the same currency as that in which the benefits will be paid and have a maturity that approximates the due date of the underlying pension liability.

The portion of the cumulative amount of the actuarial gains and losses generated by changes in estimates that is larger than 10% of the fair value of plan assets or 10% of the plan's liabilities, whichever is greater, is recognized in the income statement on a pro rata basis over the average remaining working life of the employees who are enrolled in the plan.

Benefit costs for past service are recognized immediately in the income statement, except in those cases where changes in benefits are not predicated on the length of service of employees (vesting period). In such cases, benefit costs for past service are amortized on a straight line over the vesting period.

Under defined-contribution plans, the Group makes contributions to public and private pension funds on a statutory, contractual or voluntary basis. Once the Group has made these contributions, it incurs no further obligation. Contributions are reflected in the income statement as part of labor costs when they become due. Contributions made in advance are recognized as a prepaid expense only if the Group expects to receive a refund or a reduction in future payments.

(b) Incentives, Bonuses and Profit Sharing Plans

The Group recognizes the costs and liabilities that arise from profit sharing plans in accordance with a formula that is based on the profit attributable to shareholders, with appropriate adjustments. The Group sets aside a provision only if it is contractually obligated to do so or if established practice is to create such a provision.

(c) Employee Benefits Paid in Shares of Stock

The Group's management, at its sole discretion and from time to time, awards bonuses to key employees in the form of options to buy Company shares. The right to exercise the options vests after one year of service, if certain personal objectives are reached. The fair value of the options is a labor cost of the fiscal year and is added to a special equity reserve for the duration of the option vesting period. When the options are exercised, the amount collected, net of any transaction costs, is added to share capital (the portion corresponding to the par value of the shares) and to additional paid-in capital (the amount paid in excess of par value).

2.15 Provisions for Risks and Charges

Additions are made to the provisions for risks and charges when:

- The Group incurs a statutory or implied obligation as a result of past events;
- It is likely that resources will have to be expended to satisfy this obligation;
- The amount of the obligation can be determined reliably.

Additions to these provisions are based on the present value of the best estimates made by the Company's management of the costs that the Pininfarina Group will incur on the balance sheet date to satisfy the obligations.
The provisions for risks and charges reflect primarily the best available estimates of the Group's liability for future warranty costs on the pool of cars in circulation that the Group has manufactured. The warranty commitment stems from contractual obligations to customers.

The provisions for risks and charges also include amounts set aside to cover the Group's pro rata share in losses of associated companies and joint ventures, in those cases where Pininfarina is contractually obligated to cover those losses.

2.16 Revenue Recognition

Revenues should reflect the fair value of the goods and services sold, net of VAT, returns, discounts and intra-Group transactions. Revenues are recognized as follows:

(a) Sale of Goods
Revenues are recognized when the Company has transferred all significant risks and benefits inherent in ownership, and the revenue amount can be estimated reliably.

(b) Provision of Services
Service revenues are recognized based on the progress made in delivering the services in question during the year in which they are being provided.

(c) Interest
Interest income is recognized on an accrual basis at amortized cost computed by the effective interest rate method. The effective interest rate is the rate used to accurately discount the cash flows that a financial instrument is expected to generate over its life.

(d) Royalties
Royalty income is recognized on an accrual basis, taking into account the terms of the underlying contracts.

(e) Dividends
Dividends are recognized in the year in which the shareholders acquire the right to receive payment.

2.17 Leases
(a) When the Pininfarina Group Is the Lessee
Leases covering property, plant and equipment are deemed to be finance leases when the Pininfarina Group assumes substantially all of the risks and rewards incidental to the ownership of an asset.

An asset acquired under a finance lease is recognized as a component of Property, plant and equipment and depreciated over the life of the asset or the term of the lease, whichever is shorter. Leased assets are capitalized at the start of the lease at the fair value of the leased asset or at the present value of the lease payments, whichever is smaller. Lease payments are broken down into principal repayment and interest, which is determined by applying a constant interest rate to the outstanding balance.

The current portion of the indebtedness to the lessor is recognized as a current liability and the portion due after one year is booked as a non-current liability.

The interest paid is charged to income over the term of the lease.

Leases in which the lessor (third party) retains substantially all of the risks and rewards incidental to ownership are recognized as operating leases. Payments, net of any incentives received from the lessor, are recognized in the income statement on an accrual basis over the term of the lease.

(b) When the Pininfarina Group Is the Lessor

The Pininfarina Group applies IFRIC 4 (Determining Whether an Arrangement Contains a Lease) to investments in plant and machinery acquired for special purposes under some contracts for the design, engineering and production of automobiles.

IFRIC 4 applies to those arrangements that, while not having the legal formalities of a lease, convey to one of the parties the right to use certain assets in exchange for a series of payments.

According to IFRIC 4, an arrangement contains a lease if the following conditions are met:

- Fulfillment of the arrangement is dependent on the use of a specific asset;
- The arrangement conveys to the buyer the right to control the use of the asset subject of the arrangement;
- The determination that the arrangement contains a lease is made at the inception of the arrangement;
- It is possible to separate lease-related payments from other payments required under the arrangement.

In other words, IFRIC 4 can be used to identify a lease and separate it from an underlying arrangement between the parties and measure the lease in accordance with IAS 17 (Leases).

When a finance lease exists, the Pininfarina Group recognizes a receivable of an amount equal to the present value of minimum lease payments. The difference between the gross amount of the receivable and its present value, which represents the interest income component, is reflected in the income statement over the term of the lease at a constant periodic interest rate.

The Group does not own assets leased to third parties under operating leases.

2.18 Dividend distributions

The Pininfarina Group recognizes a liability for dividends that become payable when a dividend distribution is approved by the Shareholders' Meeting.

2.19 Financial Expense

Consistent with Paragraph 7 of IAS 23, financial expense is charged to income in the year it is incurred.

2.20 Construction Contracts

Costs incurred in connection with construction contracts are recognized when incurred.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognized only to the extent of contract costs incurred and presumed recoverable.

When the outcome of a construction contract can be estimated reliably and it is likely that the contract will be profitable, revenues are recognized on an accrual basis over the life of the contract.

Conversely, if it is likely that the contract will produce a loss (that is, total contract costs exceed contract revenues), the entire loss should be recognized in the year in which the Company's management becomes aware of the loss.

The Pininfarina Group allocates contract costs and revenues to each fiscal year by the percentage of completion method. The percentage of completion is the ratio of total costs incurred through the reporting date and the overall estimated costs needed to complete the contract. Costs incurred in a given fiscal year in connection with activities that have not yet been performed are excluded from the percentage of completion computation. Instead, they are recognized as inventory, advances or other assets, depending on their nature.

Progress billings on account are included in Contract work in progress.

2.21 Government grants

Government grants are recognized in the financial statements at fair value only when there is reasonable certainty that the Group has satisfied all of the requirements set forth in the terms of the grants.

Government grant revenues are reflected in the income statement in proportion to the costs incurred.

Government grants toward the purchase of property, plant and equipment are recognized as deferred income and credited to the income statement in proportion to the depreciation of the assets for which they were awarded.

2.22 Valuations That Affect the Financial Statements

(a) Seasonal Factors

The operations of the Pininfarina Group are not affected by seasonal factors. On the other hand, the Pininfarina Group is affected by the cycles of orders placed with its manufacturing operations to design, engineer and, most importantly, produce automobiles.

(b) Current and Deferred Taxes

The computation of current taxes made in the financial statements represents a best estimate of the weighted average of the tax liability that will be reflected in the annual financial statements.

Estimates of deferred taxes are made based on the tax rates in force in the countries in which the Group operates. These estimates do not take into account future changes in tax rates.

(c) Estimate of Fair Value

The fair value of financial instruments that are traded on an active market is based on their market value on the balance sheet date. The reference market price for financial assets held by the Pininfarina Group is their current sales price (purchase price for financial liabilities).

The Group does not hold financial instruments that are not traded on an active market. Consequently, it does not use valuation techniques or make assumptions about the market conditions on the balance sheet date.

The fair value of receivables is assumed to approximate their face value, net of valuation adjustments made to reflect collectibility.

The fair value of financial liabilities is determined for reporting purposes by discounting the contractual cash flows at an interest rate that approximates the market rate at which the Group borrows.

(d) Impairment of Goodwill

An estimate of the impairment of goodwill is made by discounting the cash flows anticipated in the business plan prepared by the Group's management. Actual results can vary from the estimates in the business plan due to a variety of factors that are outside the control of the Group.

(e) Financial Plans of Leases in Which the Group Is Either the Lessor or the Lessee

Financial plans prepared to account for leases in which the Group is either the lessor or the lessee are by their very nature affected by the trend of future cash flows. In any event, leases in which the Group is either the lessor or the lessee are accounted for in compliance with the terms of the leases. Contracts covering design, engineering and production orders are subject to change while they are being performed (e.g., engineering change requests) and these changes are anticipated and provided for in the contracts. As a result, it is possible for the cash flows expected from these contracts to change.

(f) Accounting for the Provision for Termination Indemnities (PTI)

The provision for termination indemnities is akin to a defined-benefit plan (a defined-benefit plan is one in which the pension benefit payable to employees at the end of the employment relationship is predefined based on such factors as age, years of service and salary). Estimates of these factors, while made conservatively based on historical Company data, are subject to change.

As of January 1, 2007, the Budget Law and related implementation decrees introduced significant changes to the regulations that govern the PTI, which include giving employees the right to decide how their vesting PTI should be invested. Specifically, employees will be allowed to decide whether new PTI contributions should be channeled to a pension investment of their choice or should be held by the Company (in which case, the Company will deposit the PTI contribution in a treasury account at the INPS). Currently, given the uncertainties that exist with regard to the interpretation of this newly enacted provision, the potentially different interpretations of IAS 19 as to how the vesting PTI should be qualified and the resulting changes in the actuarial computations applied to the vested PTI and the impossibility to predict employee choices with regard to the vesting PTI (individual employees have until June 30, 2007), it would be premature to modify the actuarial computations applied to the vested PTI at December 31, 2006.

(g) Stock Option Plans

The fair value of the benefits awarded to beneficiaries of stock option plans is incorporated in the value of the options the beneficiaries are entitled to receive. The value of options, estimated in accordance with the binomial lattice model, is affected by the following:

1. Volatility
   Expected annualized volatility was set at 23.21%. The estimate was made based on the historical price volatility of the shares. The time horizon used for estimate purposes was the same as the expected expiration of the option.
2. Risk-free Rate
   The rate used for the purpose of this valuation was 3.9754%, which was the same as the gross yield on the benchmark five-year Italian government bond on July 3, 2006, as determined by the Bank of Italy.
3. Dividends
   Consistent with the Group's accounting principles, the amount of expected dividends was the same as the amounts paid between 2002 and 2005.
4. Early Expiration
   Based on the technical characteristics of the options and an analysis of other stock option plans, this phenomenon appeared to be nonexistent.

3. Managing Financial Risk

The financial instruments that the Group uses to finance its operations include bank borrowings, leases in which it is the lessee, leases in which it is the lessor and are recognized in accordance with IFRIC 4 and short-term bank deposits.

The Group uses other financial instruments, such as trade payables and receivables, for operating purposes.

The Group's cash resources are managed centrally by Pininfarina S.p.A.

The Group does not execute transactions involving derivatives such as interest rate swaps and forward currency contracts, either for speculative purposes or as cash flow hedges or to hedge changes in fair value.

The financial risks that affect the Group are summarized below:

- The risk that the value of a financial instrument could fluctuate as a result of changes in foreign exchange rates (currency risk);
- The risk that the fair value of a financial instrument could change as a result of changes in market interest rates (interest rate risk on fair value);
- The risk that the value of a financial instrument could fluctuate due to changes in market prices (price risk);
- The risk that the counterpart could fail to perform its obligations (credit risk);
- The risk of facing difficulties in securing the financial resources needed to meet commitments arising from financial instruments (liquidity risk);
- The risk that future financial flows of a financial instrument could fluctuate due to changes in market interest rates (interest risk on financing instruments).

Currency Risk: The Group borrows in euros. It operates in an international environment and is exposed to fluctuations in currency translation rates, particularly with regard to the value of the Swedish krona (SEK) and U.S. dollar (USD) versus the euro. The currency risk arises from the following commercial transactions:

- Sales of automobiles to Volvo through the Swedish joint venture Pininfarina Sverige AB. In this case, the currency risk is assumed by the counterpart pursuant to the terms of the underlying contracts.
- Purchases of automobile components in U.S. dollars. In this case, the currency risk is minimal because the underlying contract sets maximum variability thresholds.

Risk of Changes in Fair Value: The investment portfolio of Pininfarina S.p.A. consists of securities of top-rated companies. These assets are subject to significant changes in fair value caused by changes in stock market prices.

Price Risk: The Group's exposure to price risk is minimal because the price at which it sells cars is defined contractually.

Credit Risk: The Group does business with a limited number of customers. In all cases, the Group's customers are deemed to be reliable counterparts, and financial transactions are executed exclusively with financial institutions the reliability of which is beyond question. The high credit standing that the Group enjoys with financial institutions is demonstrated by the fact that none of its assets have been used to collateralize loans and these loans are not subject to restrictive covenants. Receivables recognized upon the accounting of leases in which the Group is the lessor identified in accordance with IFRIC 4 are booked under the assumption that the Group will continue to operate as a going concern and that such receivables will be collected upon the payment of the price of its cars and not based on a right held by the Group, even in the event of liquidation or other composition with creditors proceedings.

Liquidity Risk: The Group has entered into finance leases as lessee to finance capital investments. All or part of these capital investments will be reimbursed by the Group's customers when they pay for their cars. The Group also holds a very substantial amount of highly liquid, unrestricted assets. As a result, viewing the Group as a going concern, the liquidity risk is deemed to be low.

Interest Risk on Fair Value and Financing Instruments: The Group receives financing from credit institutions at regular market rates. The Group is exposed to changes in interest rates, but its exposure in terms of interest payable is substantially offset by changes in interest receivable.

4. Accounting for Derivatives

The Group has not executed transactions involving derivatives, either for hedging or speculative purposes. The paragraphs that follow are not applicable to the Group at this point. They are provided solely for information purposes.

Derivatives are recognized in the financial statements at fair value when the contracts are signed. Valuations made subsequent to the purchase of the financial instruments are made at fair value, but the accounting treatment of gains and losses differs according to whether a financial instrument is classified as a hedge.

There are three types of hedges:

- Fair value hedge;
- Cash flow hedge;
- Hedging of a net investment in foreign operations.

Before entering into a hedging contract, the Group documents the relationship between the hedge and the instrument that is being hedged and the Group's risk management strategies and objectives. The Group also assesses whether the derivative possesses and will continue to possess over its life the effectiveness requirements needed to qualify it for recognition as a hedge. Changes in the fair value of hedging instruments are recorded in the fair value reserve listed in the statement of changes in shareholders' equity.

(a) Fair Value Hedge

Changes in the fair values of fair value hedges are reflected in the income statement together with the changes in fair value of the hedged assets or liabilities.

(b) Cash Flow Hedge

The portion of the gain or loss on a hedging instrument that can be classified as effective is recognized directly in equity. The non-effective portion is reflected in earnings when incurred.

The amounts accumulated in a shareholders' equity account are transferred to the income statement in the year or years in which the planned transaction covered by the hedge has an impact on the income statement (for example, when a planned sale is executed).

When a financial instrument matures and/or is sold, or when it no longer meets the requirements for classification as a hedge, the gains and/or losses accumulated in a shareholders' equity account are held in that account until the planned transaction covered by the hedge has an impact on the income statement. If, instead, the Group no longer believes that the planned transactions will be executed, the gains and/or losses accumulated in a shareholders' equity account are transferred to the income statement.

(c) Hedging of a Net Investment in Foreign Operations

Instruments that hedge a net investment in foreign operations are accounted for in the same manner as cash flow hedges.

(d) Financial Instruments That Do Not Meet the Requirements to Be Classified as Hedges

Financial instruments that do not meet the requirements to be classified as hedges are classified among financial assets or liabilities carried at fair value, with changes of value recognized in earnings.

5. Segment Information

a) Primary Segment: Business Segment

Segment information at December 31, 2006 shows that the Group is organized on a global scale and operates in two main business segments: vehicle production and styling/engineering.

The results for 2006 are as follows:

	Production	Styling & Engineering	Total for the Group €/000
Value of production	484,241	147,380	631,621
Intra-segment value of production	(35,768)	(7,039)	(42,807)
Value of production	**448,473**	**140,341**	**588,814**
EBIT	(44,867)	(1,392)	(43,475)
Financial income (expense)			20,713
Interest in results of associates	(804)	-	(804)
Profit (Loss) before taxes			(23,566)
Income taxes			1,683
Profit (Loss) for the period			(21,883)

The results for 2005 were as follows:

	Production	Styling & Engineering	Total for the Group €/000
Value of production	304,603	174,260	478,863
Intra-segment value of production	(89,764)	(6,069)	(95,833)
Value of production	**214,839**	**168,191**	**383,030**
EBIT	(7,671)	(611)	(8,282)
Financial income (expense)			1,401
Interest in results of associates	(2,620)	-	(2,620)
Profit (Loss) before taxes			(9,501)
Income taxes			1,398
Profit (Loss) for the period			(8,103)

A breakdown of assets and liabilities at December 31, 2006 by business segment is as follows:

	Production	Styling & Engineering	Not allocated	€/000 Total for the Group
Assets	742,381	104,268	118,390	**965,039**
Liabilities	563,570	137,051	109,340	**809,961**

A breakdown of assets and liabilities at December 31, 2005 by business segment is as follows:

	Production	Styling & Engineering	Not allocated	€/000 Total for the Group
Assets	543,913	107,228	171,817	**822,957**
Liabilities	338,021	199,129	97,250	**634,400**

The assets of the segments consist mainly of property, plant and equipment, intangible assets, inventory and receivables. The above figures do not include deferred-tax assets, equity investments and financial assets.

The liabilities of the segments consist of operating liabilities. The above figures do not include such items as income tax liabilities and borrowings.

b) Secondary segment: Geographic Destination of Sales

A breakdown of sales by geographic destination is as follows (in million of euros):

	12/31/06	12/31/05
ITALY	300.4	157.6
REST OF EU	217.4	296.7
OUTSIDE EU	8.6	7.1
Total	**526.4**	**461.4**

6. Property, Plant and Equipment

Land and buildings

	Land	Buildings	Leased property	Total
December 31, 2005				
Historical cost	22,622,436	84,820,269	12,180,261	119,622,966
Accumulated depreciation	(3,417)	(18,281,992)	(1,659,779)	(19,945,188)
Net value at December 31, 2005	**22,619,019**	**66,538,277**	**10,520,482**	**99,677,778**
Net value at December 31, 2005	22,619,019	66,538,277	10,520,482	99,677,778
Additions	0	4,195,112	886,401	5,081,513
Retirements	(1,363)	(4,394,684)	0	(4,396,047)
Depreciation	0	(2,742,503)	(358,548)	(3,101,051)
Allocation to the relevant asset categories	3,160,491	(3,160,491)	0	0
Impairment losses	0	0	0	0
Net value at December 31, 2006	**25,778,147**	**60,435,711**	**11,048,335**	**97,262,193**
December 31, 2006				
Cost at December 31, 2006	25,781,564	81,460,206	13,066,662	120,308,432
Accumulated depreciation and impairment losses	(3,417)	(21,024,495)	(2,018,327)	(23,046,239)
Net value at December 31, 2006	**25,778,147**	**60,435,711**	**11,048,335**	**97,262,193**

On January 1, 2004, as allowed under the recognition options provided in IFRS 1, pages 16-19, certain land and buildings owned by the Group were revalued based on reports by independent appraisers.

The revaluations, net of deferred taxes, were recognized with offsetting entries posted to shareholders' equity.

The higher retirements shown for "Buildings" reflect the June 2006 sale of the "Area Centro 28" real estate complex, located in Grugliasco, and the reclassification of some land amounts to the corresponding account, as required by the 2007 Budget Law (Law No. 296 of December 27, 2006). Additions reflect the cost of enlarging the Bairo Canavese and Torre Canavese buildings.

As required by IAS 17, the Company recognized as property, plant and equipment, under the leased buildings heading, the value of the finance lease applicable to a building in Cambiano. In 2006, the lease amount increased by 886,401 euros.

Plant and machinery

	Machinery	Plant	Leased machinery and equip.	Total
December 31, 2005				
Historical cost	20,095,921	141,257,697	50,886,581	212,240,199
Accumulated depreciation	(14,326,012)	(106,403,817)	(96,866)	(120,826,695)
Net value at December 31, 2005	**5,769,909**	**34,853,880**	**50,789,715**	**91,413,504**
Net value at December 31, 2005	5,769,909	34,853,880	50,789,715	91,413,504
Foreign exchange differences	5,060	3,786	0	8,846
Additions	23,383,809	12,429,086	73,357,790	109,170,685
Retirements	(974,880)	(1,316)	(21,372)	(997,568)
Depreciation	(6,588,682)	(8,432,418)	(901,015)	(15,922,115)
Allocation to the relevant asset categories	5,666,354	3,315,896	(4,803,472)	4,178,778
Impairment	0	0	0	0
Net value at December 31, 2006	**27,261,570**	**42,168,914**	**118,421,646**	**187,852,130**
December 31, 2006				
Cost at December 31, 2006	48,176,264	157,005,149	119,419,527	324,600,940
Accumulated depreciation and impairment losses	(20,914,694)	(114,836,235)	(997,881)	(136,748,810)
Net value at December 31, 2006	**27,261,570**	**42,168,914**	**118,421,646**	**187,852,130**

Machinery increased in 2006 due to purchases of machinery used to produce the Alfa Romeo Brera Coupé and Spider.

The increase in leased plant assets reflects the adoption of IAS 17 by the Group's Parent Company to account for financing in connection with the Ford Focus Coupé Cabriolet production order. The increase attributable to the adoption of IAS 17 amounts to 73,354,488 euros.

Furniture, fixtures and other property, plant and equipment

	Furniture and fixtures	Hardware and Software	Other prop., plant and equipment	Total
December 31, 2005				
Historical cost	9,868,808	7,856,361	1,637,632	19,362,801
Accumulated depreciation	(6,860,838)	(5,563,725)	(598,999)	(13,023,562)
Net value at December 31, 2005	3,007,970	2,292,636	1,038,633	6,339,239
Net value at December 31, 2005	3,007,970	2,292,636	1,038,633	6,339,239
Foreign exchange differences	1,140	0	0	1,140
Additions	247,971	767,190	391,896	1,407,057
Retirements	(369,289)	(45,101)	(82,005)	(496,395)
Depreciation	(635,086)	(933,800)	(92,498)	(1,661,384)
Allocation to the relevant asset categories	0	457,063	0	457,063
Impairment losses	0	0	0	0
Net value at December 31, 2006	**2,252,706**	**2,537,988**	**1,256,026**	**6,046,720**
December 31, 2006				
Cost at December 31, 2006	9,748,630	9,035,513	1,947,523	20,731,666
Accumulated depreciation and impairment losses	(7,495,924)	(6,497,525)	(691,497)	(14,684,946)
Net value at December 31, 2006	**2,252,706**	**2,537,988**	**1,256,026**	**6,046,720**

Assets under construction

	Assets under construction
December 31, 2005	
Historical cost	5,626,411
Accumulated depreciation	0
Net value at December 31, 2005	**5,626,411**
December 31, 2006	
Net value at December 31, 2005	5,626,411
Additions	565,523
Allocation to the corresponding asset categories	(4,635,841)
Net value at December 31, 2006	**1,556,093**

7. Intangible Assets

	Goodwill	Licenses and trademarks	Other intangibles	Total
December 31, 2005				
Historical cost	2,301,012	8,647,160	2,236,247	13,184,419
Accumulated amortization		(5,020,599)	(1,879,608)	(6,900,207)
Net value at December 31, 2005	2,301,012	3,626,561	356,639	6,284,212
Net value at December 31, 2005	2,301,012	3,626,561	356,639	6,284,212
Foreign exchange differences	0	0	2,731	2,731
Additions	0	4,011,844	301,862	4,313,706
Retirements	0	(58)	(24,288)	(24,346)
Amortization	0	(2,310,548)	(111,973)	(2,422,521)
Net value at December 31, 2006	**2,301,012**	**5,327,799**	**524,971**	**8,153,782**
December 31, 2006				
Cost at December 31, 2006	2,301,012	12,658,946	2,516,552	17,476,510
Accumulated depreciation and impairment losses	0	(7,331,147)	(1,991,581)	(9,322,728)
Net value at December 31, 2006	**2,301,012**	**5,327,799**	**524,971**	**8,153,782**

Goodwill includes the consolidation difference of Pininfarina Extra S.r.l. and the goodwill generated in 2005, when the Matra Group bought the Drime business operations. Goodwill was not written down, as the results of the impairment test were positive.

The impairment test was performed by computing the present value of cash generating units consisting of Pininfarina Extra S.r.l. and the Drime business operations. Expected cash flows, net of borrowing costs, were discounted to present value taking into account the business plans prepared by management and using a rate that was consistent with the weighted average cost of capital.

In July 2006, the Pininfarina Group signed an agreement purchasing the net assets of MSX International Engineering GmbH, which cosseted mainly of human resources and the order and customer portfolios, for a net cash outlay of 3.5 million euros.

8. Equity Investments

Investments in associated companies

	12/31/06	12/31/05	Change
Pasiphae S.a.r.l	744,800	744,800	0
Total	**744,800**	**744,800**	**0**

There was no change in the value of the investment in Pasiphae Sarl.

Investments in joint ventures

	12/31/06	12/31/05	Change
Pininfarina Sverige AB	34,362,000	33,373,701	988,299
Total	**34,362,000**	**33,373,701**	**988,299**

The change reflects the adjustment made to the investment's carrying amount to reflect the Group's pro rata interest in the underlying shareholders' equity and the net difference between the amount reflected in the income statement and the corresponding change in the reserve for currency translations.

Investments in other companies

	12/31/06	12/31/05	Change
Banca Passadore S.p.a.	257,196	257,196	0
Idroenergia Soc. cons. a r.l.	516	516	0
Unionfidi S.c.r.l.p.A. Torino	129	129	0
Midi Ltd	214,311	215,793	(1,482)
Numero Design Sarl	60,000	0	60,000
Total	**532,152**	**473,634**	**58,518**

In December 2006, as a result of a stock dividend declared by Banca Passadore S.p.A., the number of shares held by Pininfarina S.p.A. increased from 375,000 to 535,713. The percentage interest held by the Company was unchanged at 1.07%.

9. **Financial Assets**

Loans and other receivables from outsiders

	12/31/06	12/31/05	Change
Non current loans and other receiv.	185,806,003	125,094,880	60,711,123
Current loans and other receivables	66,911,514	59,347,398	7,564,116
Total	**252,717,517**	**184,442,278**	**68,275,239**

Loans and other receivables from outsiders, which increased by a total of 68,275,239 euros, refer to loans receivable under leases in which the Group's Parent Company is the lessor that were identified as such in accordance with IFRIC 4.

Loans and other receivables from related parties and joint ventures

	12/31/06	12/31/05	Change
Pininfarina Sverige AB	98,472,980	116,377,156	(17,904,176)
Total	**98,472,980**	**116,377,156**	**(17,904,176)**

The decrease in receivables owed by Pininfarina Sverige AB reflects the partial payment of receivables from services provided in connection with the development of the P15 project, the collection of which has been deferred to provide this company with the necessary financing.

Even though Pininfarina S.p.A. owns 60% of Pininfarina Sverige AB, this company is valued by the equity method, as required by IAS 31 , Paragraph 38 and IAS 27 , Paragraph 14.

Held-for-sale non-current assets

	San Paolo IMI SpA	Intermobiliare SpA	Beni Stabili SpA	Total
Value at December 31, 2005	463,355	25,523,372	28,642	26,015,369
Fair value adjustment posted to shareholders' equity	0	0	0	0
Purchases/Reclassifications	0	0	0	0
Sales	(463,355)	(25,523,372)	(28,642)	(26,015,369)
Value at December 31, 2006	**0**	**0**	**0**	**0**

During the second half of 2006, the Company sold its held-for-sale non-current assets, generating an overall gain of 22,771,346 euros.

A breakdown of this gain is as follows:

1. Banca Intermobiliare S.p.A. 22,376,226 euros;
2. San Paolo IMI S.p.A. 358,793 euros;
3. Beni Stabili S.p.A. 36,328 euros.

Held-for-sale current assets

	Equity securities	Fixed income securities	Mutual funds	Total
Value at December 31, 2005	6,039,092	29,165,528	25,659,771	60,864,391
Fair value adjustment posted to the income statement	25,969	140,617	247,287	413,873
Purchases	35,351,122	34,492,543	14,125,982	83,969,647
Sales	(35,339,801)	(21,173,579)	(26,870,643)	(83,384,023)
Value at December 31, 2006	**6,076,382**	**42,625,109**	**13,162,397**	**61,863,888**

10. Inventory and Contract Work in Progress

	12/31/06	12/31/05	Change
Raw materials	28,603,622	12,728,743	15,874,879
Work in process	9,263,584	2,475,939	6,787,645
Finished goods	4,200,146	2,378,704	1,821,442
Total	**42,067,352**	**17,583,386**	**24,483,966**

The rise in inventory reflects an increase in production volume compared with 2005.

	12/31/06	12/31/05	Change
Contract work in progress	403,014	14,774,330	(14,371,316)
Total	**406,014**	**14,774,330**	**(14,371,316)**

Contract work in progress decreased due to the completion of work on development programs, particularly the work performed on the P15 order.

11. Trade Receivables and Other Receivables

Trade receivables from outsiders

	12/31/06	12/31/05	Change
Receivables from customers	102,332,272	96,927,147	5,405,125
Allowance for doubtful accounts	(809,727)	(1,201,961)	342,235
Total	**101,472,545**	**95,725,186**	**5,747,359**

The utilization of the allowance for doubtful accounts reflects primarily the writeoff of receivables owed by a company in bankruptcy proceedings and other receivables that were deemed to be uncollectible.

The allowance for doubtful accounts was computed based on the assessment of the risk presented by some minor receivables.

Other receivables

	12/31/06	12/31/05	Change
Overpayments to social security institutions	144,986	1,369,121	(1,224,135)
Owed by employees	865,028	1,126,924	(261,896)
VAT overpayments	5,859,718	722,461	5,137,257
Current taxes	840,975	2,385,447	(1,544,472)
Advances to suppliers	7,732,285	1,798,274	5,934,011
Accrued income	2,378,228	3,812,435	(1,434,207)
Sundry receivables	4,441,913	4,943,595	(501,682)
Total	**22,263,133**	**16,158,257**	**6,104,876**

12. Trade receivables owed by joint ventures

Trade receivables owed by joint ventures stem from services provided to Pininfarina Sverige AB in connection with the development of the P15 project. This item decreased to 8,752,073 euros, or 1,819,362 euros less than the 10,571,435 euros owed at the end of 2005.

13. Share Capital

	Number of shares	Common shares	Treasury shares	Total
Balance at January 1, 2005	9,317,000	9,317,000	134,498	9,182,502
Balance at December 31, 2005	9,317,000	9,317,000	4,845	9,312,155
Balance at December 31, 2006	9,317,000	9,317,000	28,153	9,288,847

The total number of authorized shares was 9,317,000, each with a par value of 1 euro.
All issued shares have been fully paid-in.
At December 31, 2006, the Company held 28,153 treasury shares, valued at 706,640 euros.
These shares are held as treasury shares.

14. Earnings per Share

Basic earnings (loss) per share

Basic earnings per share are computed by dividing the profit for the year by the number of common shares outstanding at December 31, 2006.

	12/31/06	12/31/05
Net profit (loss)	(21,883,216)	(8,103,394)
Number of common shares, net	9,288,847	9,312,155
Basic earnings (loss) per share	(2.36)	(0.87)

Diluted earnings (loss) per share

The diluted earnings per share are the same as the basic earnings per share.

15. Stock Options

	Average exercise price	Number of shares
At January 1, 2005	20.773	521,623
Awarded	23.437	218,000
Exercised	21.023	(175,653)
At December 31, 2005	**21.744**	**563,970**
At January 1, 2006	21.744	563,970
Awarded	24.455	215,000
Exercised	21.777	(161,692)
At December 31, 2006	**22.659**	**617,278**

The stock options were exercised as follows:

- 91,676 at 20.909 euros per share;
- 53,533 at 22.753 euros per share;
- 16,483 at 23.437 euros per share.

As a result of the adoption of IFRS 2, a total of 911,547 euros was recognized as the cost of stock options in 2006.

This cost produced an increase of the same amount in the stock option reserve.
The 2002-2004 and 2005-2007 stock option plans are reserved for executives of the Pininfarina Group who meet certain predetermined individual targets. The valuation of options available for award was made in accordance with the binomial lattice model, which is based on the original approach developed by Cox, Ross and Rubinstein. The model incorporates the following assumptions:

1. Volatility: Expected volatility has been annualized and set at 23.21%. The estimate was made based on the historical price volatility of the shares. The time horizon used for estimate purposes was the same as the expected expiration of the option.
2. Risk-free Rate: The rate used for the purpose of this valuation was 3.9754%, which was the same as the gross yield on the benchmark five-year Italian government bond on July 3, 2006, as determined by the Bank of Italy.
3. Dividends: Consistent with the Group's accounting principles, the amount of expected dividends was the same as the amounts paid between 2002 and 2005.
4. Early Expiration: Based on the technical characteristics of the options and an analysis of other stock option plans, this phenomenon appeared to be nonexistent.

16. Borrowings

	12/31/06	12/31/05	Change
Non-current	**392,170,705**	**333,812,871**	**58,357,834**
Liabilities under finance leases	282,273,753	205,204,788	77,068,965
Bonds outstanding and other borrowings	109,896,952	128,608,083	(18,711,131)
Current	**158,756,819**	**76,365,263**	**82,391,556**
Due to banks	31,331,116	500,816	30,830,300
Liabilities under finance leases	74,000,953	46,044,590	27,956,363
Bonds outstanding and other borrowings	53,424,750	29,813,857	23,604,893
Total	**550,927,524**	**410,178,134**	**140,749,390**

No Group assets have been pledged as collateral.

Liabilities under leases (accounted for under IAS 17), which were incurred to finance new development and production orders, added a total of 105,025,328 euros to total borrowings.

A breakdown of long-term borrowings by maturity is as follows:

	12/31/06
due within 12 months	158,756,819
due between 1 and 5 years	384,594,710
due after 5 years	7,575,995
Total	**550,927,524**

17. Provision for Termination Indemnities and Benefit Plans

	Pininfarina SpA		Pininfarina Extra Srl		Total	
	12/31/06	12/31/05	12/31/06	12/31/05	12/31/06	12/31/05
Financial coverage:						
Liability for future benefits	29,905,813	30,934,935	230,573	272,799	30,136,386	31,207,734
Present value of coverage	0	0	0	0	0	0
Liability in the balance sheet	**29,905,813**	**30,934,935**	**230,573**	**272,799**	**30,136,386**	**31,207,734**
Actuarial gains (losses) not reflected in the income statement	(135,024)	(2,918,939)	(23,277)	(44,576)	(158,301)	(2,963,515)
Cost of services attributable to prior years	0	0	0	0	0	0
Miscellaneous items	0	0	0	0	0	0
Liability in the balance sheet	**29,770,789**	**28,015,996**	**207,296**	**228,223**	**29,978,085**	**28,244,219**
Income statement:						
Cost of current service	2,755,433	2,556,456	45,165	37,296	2,800,598	2,593,752
Interest costs	1,091,403	1,121,868	8,603	8,701	1,100,006	1,130,569
Actuarial losses recognized in the current year	0	0	0	0	0	0
Other changes	21,213	1,009,422	760	17,753	21,973	1,027,175
Total cost included in the income statement	**3,868,049**	**4,687,746**	**54,528**	**63,750**	**3,922,577**	**4,751,496**
Liability in the balance sheet						
Liability at January 1	28,015,994	25,646,736	228,223	186,307	28,244,217	25,833,043
Total costs	3,868,049	4,687,746	54,528	63,750	3,922,577	4,751,496
Benefits paid	(2,113,254)	(2,318,486)	(75,455)	(21,834)	(2,188,709)	(2,340,320)
Other changes	0	0	0	0	0	0
Liability in the balance sheet at December 31	**29,770,789**	**28,015,996**	**207,296**	**228,223**	**29,978,085**	**28,244,219**

The Group avails itself of the option provided under IAS 19, according to which the amount in excess of 10% of the fair value of plan assets or 10% of the plan's liabilities of define-benefit plans can be recognized in the income statement on a pro rata basis over the average remaining working life of the employees who are enrolled in the plan.

The following assumptions were used when valuing the provision for 2006:

1. Annual rate of inflation of 2%
2. Benefit discount rate of 4.25%
3. Annual salary increases of 1.5% to 2.5%, depending on employee classification.

The defined-benefit plans of the Matra Group provide for compensation payable upon reaching the retirement age. Short of reaching that age, employees receive no benefit whatsoever. At December 31, 2006, the provision for pensions and severance pay totaled 933,938 euros, compared with 464,732 euros at the end of 2005.

18. Trade Accounts Payable and Other Payables

Accounts payable to outsiders

	12/31/06	12/31/05	Change
Accounts payable to suppliers	165,282,937	129,072,214	36,210,723
Advances received for work in progress	508,774	7,215	501,559
Total	**165,791,711**	**129,079,429**	**36,712,282**

Accounts payable to associated companies and joint ventures

	12/31/06	12/31/05	Change
Pininfarina Sverige A.B.	1,973,083	0	1,973,083
Total	**1,973,083**	**0**	**1,973,083**

Other liabilities

	12/31/06	12/31/05	Change
Income tax withheld from employees	1,972,325	1,707,875	264,450
Income tax withheld from outsiders	25,336	39,579	(14,243)
Amounts owed to employees	443,174	368,973	74,201
VAT payable	0	8,938,943	(8,938,943)
Miscellaneous payables	4,603,824	5,621,698	(1,017,874)
Total	**7,044,659**	**16,677,068**	**(9,632,409)**

19. Provisions for Other Liabilities and Charges

	12/31/05	Additions	Utilizations	12/31/06
Provision for warranties	900,000	846,850	(725,000)	1,021,850
Provision for restructuring programs	0	4,464,000	0	4,464,000
Other provisions	1,827,570	1,801,943	(904,322)	2,725,191
Total	**2,727,570**	**7,112,793**	**(1,629,322)**	**8,211,041**

The utilization of the provision for warranties reflects the partial utilization in 2006 of the Mitsubishi provision by the Group's Parent Company. The additions refer to warranties provided in connection with the Alfa Romeo and Mitsubishi orders.

A total of 4,464,000 euros was added to the provision for restructuring charges in connection with the corporate restructuring that Pininfarina S.p.A. is currently carrying out.

Other provisions includes 543,000 euros set aside to cover the best estimate of the cost that could result from tax audits of the Group's Parent Company performed in 2006 by the Italian tax administration and the Treasury enforcement unit . The provision's balance decreased due to a utilization required to cover out-of-period charges related to the Rover Group.

20. Provision for Taxes

	12/31/06	12/31/05	Change
Amounts rebilled	784,808	758,866	25,942
Out-of-period income	1,421,829	713,738	708,091
Insurance settlements	25,309	33,518	(8,209)
Rebilling of lease payments	251,378	1,752,561	(1,501,183)
Operating grants	2,040,732	717,982	1,322,750
Sundry items	2,437,150	1,414,231	1,022,919
Total	**6,961,206**	**5,390,896**	**1,570,310**

21. Gain on the Sale of Non-current Assets

	12/31/06	12/31/05	Change
Gain on the sale of equity investments	0	32,323,748	(32,323,748)
Gain on the sale of other assets	13,900,850	119,134	13,781,716
Total	**13,900,850**	**32,442,882**	**(18,542,032)**

The gain earned in 2006 was generated by the sale of the "Area Centro28" real estate complex, located in Grugliasco, on June 29, 2006.

The gain shown for 2005 (32,323,748 euros in total) includes 30,232,310 euros earned on the sale of the investment in Oasys GmbH and 2,091,472 generated by the liquidation of Pininfarina Re S.A.

22. Employees

	12/31/06	12/31/05	Change
Executives	54	65	(11)
Office staff	1,288	1,257	31
Production staff	1,426	1,411	15
Total	**2,768**	**2,733**	**35**

At December 31, 2006, the Pininfarina Sverige AB joint venture had 838 employees.

In 2006, the Group's average workforce numbered 2,836 employees.

23. Other Expenses

	12/31/06	12/31/05	Change
Additions to the allowance for doubtful accounts	444,709	361,064	83,645
Additions to the provisions for risks	2,105,793	2,133,760	(27,967)
Additions to the provisions for taxes	543,000	0	543,000
Additions to the provisions for restructurings	4,464,000	0	4,464,000
Travel expenses	4,787,823	4,572,323	215,500
Rentals	7,271,328	5,987,769	1,283,559
Fees paid to Directors and Statutory Auditors	949,667	1,357,000	(407,333)
Consulting and other services	7,158,995	9,676,434	(2,517,439)
Other personnel costs	3,021,539	2,678,707	342,832
Telegraph and postage	648,488	826,314	(177,826)
Cleaning and waste disposal services	3,840,700	2,423,896	1,416,804
Advertising	734,993	3,296,249	(2,561,256)
Taxes	454,652	511,729	(57,077)
Insurance	932,831	1,082,101	(149,270)
Membership dues	262,580	244,338	18,242
Out-of-period charges	364,880	333,439	31,441
Loss on receivables	797,116	0	797,116
General services	1,391,957	1,459,686	(67,729)
Losses on asset disposals	4,722	25,115	(20,393)
Sundry expenses	2,264,918	4,031,995	(1,767,077)
Total	**42,444,691**	**41,001,919**	**1,442,772**

24. Financial Income (Expense), Net

	12/31/06	12/31/05	Change
Financial expense paid to banks	(5,093,427)	(416,195)	(4,677,232)
Financial expense paid under leases	(11,016,285)	(6,156,872)	(4,859,413)
Financial expense on medium- and long-term borrowings	(6,163,259)	(4,067,628)	(2,095,631)
Realized losses from marking securities to market	(863,505)	0	(863,505)
Total financial expense	**(23,136,476)**	**(10,640,695)**	**(12,495,781)**
Bank interest earned	101,882	105,640	(3,758)
Gains from marking securities to market	3,456,025	2,714,552	741,473
Interest earned on long-term loans to outsiders	11,563,781	4,786,162	6,777,619
Interest earned on long-term loans to associated cos.	4,953,023	3,420,429	1,532,594
Gains on trading securities	22,815,809	67,869	22,747,940
Total financial income	**42,890,520**	**11,094,652**	**31,795,868**
Net financial income	**19,754,044**	**453,957**	**19,300,087**

Gains on trading securities, which amounted to 22,815,809 euros consist mainly of gains stemming from the sale of equity investments by the Group's Parent Company in the second half of 2006. The largest holding sold was the investment in Banca Intermobiliare.

25. Dividends

	12/31/06	12/31/05	Change
Banca Passadore	41,250	37,500	3,750
San Paolo IMI	20,007	16,497	3,510
Banca Intermobiliare	849,420	594,594	254,826
Italian securities under asset management	103,818	267,951	(164,133)
Total	**1,014,495**	**916,542**	**97,953**

26. Value adjustments

	12/31/06	12/31/05	Change
Revaluation (Writedowns) of equity investments	(804,000)	(2,620,233)	1,816,233
Total	**(804,000)**	**(2,620,233)**	**1,816,233**

27. Income taxes for the year

Income taxes for the year

	12/31/06	12/31/05	Change
Current taxes	(3,502,940)	(1,977,869)	(1,525,071)
Prepaid taxes	2,667,507	(3,064,261)	5,731,768
Deferred taxes	2,518,620	6,439,734	(3,921,114)
Total	**1,683,187**	**1,397,604**	**285,583**

Deferred-tax assets

	12/31/06	12/31/05	Change
Taxed provisions	3,451,881	1,098,782	2,353,099
Loss carryforward	11,308,035	10,115,039	1,192,996
Impact of accounting for leases	8,376,658	7,264,570	1,112,088
Other items	446,629	2,448,419	(2,001,790)
Total deferred-tax assets	**23,583,203**	**20,926,810**	**2,656,393**

Deferred-tax liabilities

	12/31/06	12/31/05	Change
Deferred asset gains	157,628	238,617	(80,989)
Accelerated depreciation	5,920,810	7,637,420	(1,716,610)
Measurement of securities at fair value	902,202	8,172,813	(7,270,611)
Revaluation of buildings	10,632,474	10,946,503	(314,029)
Other items	470,559	1,031,381	(560,822)
Total deferred-tax liabilities	**18,083,673**	**28,026,734**	**(9,943,061)**

The provisions for deferred taxes and the deferred-tax assets were adjusted based on the tax rates that are expected to be in effect after 2006.

A reconciliation of the theoretical tax liability to the actual tax liability is as follows:

Profit before taxes	(23,566,403)
Corporate income tax (IRES) rate	33%
Theoretical IRES liability based on profit before taxes	7,776,908
Tax liability on permanent differences	(495,155)
Tax liability on temporary differences	(3,060,498)
Total IRES tax liability	**4,221,256**
Local taxes (IRAP) rate	4.25%
Theoretical IRAP liability based on profit before taxes	1,001,572
Tax liability on permanent differences	(3,170,695)
Tax liability on temporary differences	(368,946)
Total IRAP tax liability	**(2,538,069)**
Income taxes for the year	**1,683,187**

Other Information

Disclosures required by CONSOB Communication No. DEM/6064293 of July 28, 2006

Transactions with Related Parties

The transactions executed by Pininfarina S.p.A. with related parties are summarized below:

REVENUES RECEIVED FROM	*Amounts in euros*	*Description*
Pininfarina Sverige AB	11,131,157.44	Miscellaneous services
	4,953,023.17	Interest income

COSTS PAID TO	*Amounts in euros*	*Description*
Pininfarina Sverige AB	2,180,903.45	Miscellaneous services

Financing provided to:	*Amount at 12/31/06*	*Max. amount in 2006*
Pininfarina Sverige AB	98,472,979	107,425,068

Balance sheet and income statement highlights of Pininfarina Sverige A.B. are provided below (amounts in euros):

ASSETS	
non-current	316,874,377
current	104,772,384
LIABILITIES	
non-current	226,454,057
current	132,200,063
Revenues	395,767,303
Expenses	(397,615,992)
Net profit (loss)	(1,796,293)

Material Extraordinary Events and Transactions

As required by the Consob Communication of July 28, 2006, the tables that follow show the impact of extraordinary events or transactions and transactions and events that occur only infrequently in the normal course of business.

Specifically, the tables that follow show the impact on the balance sheet and income statement of the June 29, 2006 sale of the "Area Centro 28" real estate complex, located in Grugliasco, the sale of investment assets and the addition to the provision for restructuring charges.

BALANCE SHEET	***Statutory financial statements at 12/31/06***	***Statutory financial statements at 12/31/06 net of extraordinary transactions***
Net intangible assets	8,153,782	8,153,782
Net property, plant and equipment	292,717,136	295,568,065
Non-current financial assets	284,278,983	313,266,374
Equity investments	35,638,952	35,638,952
Inventory	42,470,366	42,470,366
Current financial assets	128,775,402	128,775,402
Net trade receivables and other receivables	132,487,751	124,337,751
Deferred-tax assets	23,583,203	22,110,083
Cash and cash equivalents	16,933,218	(20,071,206)
TOTAL ASSETS	**965,038,793**	**950,249,569**
Fair value reserve	0	14,372,457
Other reserves	176,960,873	176,960,873
Profit (Loss) for the year	(21,883,216)	(42,645,513)
TOTAL SHAREHOLDERS' EQUITY	**155,077,657**	**148,687,817**
Long-term borrowings	392,170,705	392,170,705
Deferred-tax liabilities	18,083,673	14,148,289
Provision for termination indemnities	30,912,023	30,912,023
Current borrowings	158,756,819	158,756,819
Other payables	27,531,309	27,531,309
Trade accounts payable	167,764,794	167,764,794
Provision for taxes	6,530,772	6,530,772
Provision for other liabilities and charges	8,211,041	3,747,041
TOTAL LIABILITIES	**809,961,136**	**801,561,752**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**965,038,793**	**950,249,569**

	Statutory financial statements at 12/31/06	*Statutory financial statements at 12/31/06 net of extraordinary transactions*
INCOME STATEMENT		
Net revenues	526,381,956	526,381,956
Change in inventory of finished goods and work in process	54,348,152	54,348,152
Other income and revenues	6,961,206	6,961,206
Company-produced non-current assets	1,122,239	1,122,239
Value of production for the year	**588,813,553**	**588,813,553**
Net gain on the sale of non-current assets	11,869,353	(1,426,456)
Raw materials and outside services used	(502,035,136)	(502,035,136)
Change in inventory of raw materials	17,281,965	17,281,965
Value added	**115,929,735**	**102,633,926**
Labor costs	(127,856,264)	(127,856,264)
EBITDA	**(11,926,529)**	**(25,222,338)**
Depreciation and amortization	(23,107,071)	(23,260,333)
Additions to provisions	(8,441,297)	(3,977,297)
EBIT	**(43,474,897)**	**(52,459,968)**
Financial income (expense), net	21,854,080	(917,267)
Other income (expense), net	(1,945,586)	(1,945,586)
Profit before taxes	**(23,566,403)**	**(55,322,821)**
Income taxes for the year	1,683,187	12,677,308
Net profit (loss) for the year	**(21,883,216)**	**(42,645,513)**

Positions or Transactions Arising from Atypical and/or Unusual Dealings

As required by the Consob Communication of July 28, 2006, the Pininfarina Group discloses that in 2006 it was not a party to transactions arising from atypical or unusual dealings, as defined in the abovementioned Communication, according to which atypical and/or unusual dealings are dealings that, because of their significance/material amount, nature of the counterpart, subject of the transaction, method used to determine the sales price and timing of the event, could create doubts as to: the fairness and/or completeness of the information provided in the financial statements, the existence of a conflict of interests, the safety of the corporate assets and the protection of minority shareholders.

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING ON THE CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2006

Dear Shareholders:

The Board of Directors submits for your approval the consolidated financial statements at December 31, 2006, which comprise the balance sheet, income statement and notes to the financial statements.

The consolidated financial statements at December 31, 2006 show consolidated shareholders' equity of 155,077,657 euros, net of a consolidated net loss of 21,883,216 euros.

The consolidated financial statements at December 31, 2006 were prepared in accordance with the International Financial Reporting Standards (IAS/IFRSs).

The consolidated financial statements were provided to us within the statutory deadline, together with the statutory financial statements and the Report on Operations.

The Report on Operations presents fairly the operating results, balance sheet, financial position and individual and consolidated performance of Pininfarina S.p.A. and its subsidiaries during and after the close of the fiscal year, and provides a breakdown by principal lines of business of the Group's revenues and consolidated results.

The Report clearly defines the scope of consolidation, which at December 31, 2006 included the Group's Parent Company, 12 subsidiaries, all of which were consolidated line by line, and 2 associated companies, which were valued by the equity method.

The audit performed by PricewaterhouseCoopers S.p.A. has shown that the amounts listed in the consolidated financial statements at December 31, 2006 match the Parent Company's accounting records and the statutory financial statements of the subsidiaries, and are consistent with the official information provided by these companies.

The financial statements provided to the Parent Company by the subsidiaries for consolidation purposes were prepared by the respective corporate governance bodies. They were reviewed by the entities and/or individuals that have authority over the individual companies pursuant to local laws and by the independent auditors as part of their audit of the consolidated financial statements.

The Board of Statutory Auditors did not review these financial statements, as allowed by specific statutes (Uniform Financial Code and Article 41, Section 3 of Legislative Decree No. 127 of April 9, 1991).

On April 24, 2007, PricewaterhouseCoopers S.p.A., the independent auditors retained to audit the consolidated financial statements of the Pininfarina Group, issued their report, which states that, in their opinion, the consolidated financial statements of the Pininfarina Group at December 31, 2006 comply with the applicable statutes. The abovementioned report contained no qualifications and did not require additional disclosures.

Based on the checks and tests we made, we attest to the following:

- The scope of consolidation has been determined correctly.
- The consolidation procedures and principles adopted are consistent with statutory requirements and were applied correctly.
- The Report on Operations is consistent with the data and disclosures of the consolidated financial statements.
- All of the information used for consolidation purposes applies to the entire administrative period comprising the 2006 fiscal year.
- The valuation criteria applied are consistent with those used in 2005.
- The associated companies Pasiphae S.à.r.l and Pininfarina Sverige AB have been valued by the equity method.

Turin, April 26, 2007

THE STATUTORY AUDITORS

(Giacomo Zunino)

(Piergiorgio Re)

(Fabrizio Cavalli)

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 156 OF LAW DECREE N° 58 DATED 24 FEBRUARY 1998

To the Shareholders of
Pininfarina SpA

1 We have audited the consolidated financial statements of Pininfarina SpA and its subsidiaries ("Pininfarina Group"), which comprise the balance sheet, income statement, cash flow statement, statement of changes in stockholders' equity and the related explanatory notes as at 31 December 2006. These consolidated financial statements are the responsibility of Pininfarina SpA's Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards and criteria recommended by CONSOB. In accordance with those standards and criteria, the audit has been planned and performed to obtain the necessary assurance about whether the consolidated financial statements are free of material misstatement and, taken as a whole, are reliable. An audit includes examining, on a sample basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles used and the reasonableness of the estimates made by the Directors. We believe that our audit provides a reasonable basis for our opinion.

The consolidated financial statements present the prior year corresponding figures, for which reference is made to our report dated 26 April 2006.

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. 3.754.400,00 Euro i.v., C.F. e P. IVA e Reg. Imp. Milano 12979880155 Iscritta al n. 43 dell'Albo Consob – Altri Uffici: **Bari** 70125 Viale della Repubblica 110 Tel. 0805429863 – **Bologna** 40122 Via delle Lame 111 Tel. 051526611 – **Brescia** 25124 Via Cefalonia 70 Tel. 0302219811 – **Firenze** 50129 Viale Milton 65 Tel. 0554627100 – **Genova** 16121 Piazza Dante 7 Tel. 01029041 – **Napoli** 80121 Piazza dei Martiri 30 Tel. 0817644441 – **Padova** 35137 Largo Europa 16 Tel. 0498762677 – **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 – **Parma** 43100 Viale Tanara 20/A Tel. 0521242848 – **Roma** 00154 Largo Fochetti 29 Tel. 06570251 – **Torino** 10129 Corso Montevecchio 37 Tel. 011556771 – **Trento** 38100 Via Grazioli 73 Tel. 0461237004 – **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 – **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 – **Udine** 33100 Via Poscolle 43 Tel. 043225789 – **Verona** 37122 Corso Porta Nuova 125 Tel. 0458002561

3 In our opinion, the consolidated financial statements of Pininfarina Group as at 31 December 2006 comply with International Financial Reporting Standards as adopted by the European Union, as well as with regulations issued in accomplishment of article 9 of Law Decree n° 38/2005; accordingly, they give a true and fair view of the financial position, the results of operations, the changes in stockholders' equity and cash flows of Pininfarina Group for the year then ended.

Turin, 24 April 2007

PricewaterhouseCoopers SpA

Signed by

Massimo Aruga
(Partner)

This report has been translated from the original which was issued in accordance with Italian legislation.

ANNEXES

The following Annexes contain additional data that supplement the information shown in the notes to the financial statements and are an integral part of the notes.

ANNEX 1

Reclassified Income Statement

Reclassified Balance Sheet

Net Financial Position

Reclassified Consolidated Income Statement

(in thousands of euros)

	Data at				
	12/31/06	%	**12/31/05**	%	**Change**
Net revenues	526,382	89.40	461,426	120.47	64,956
Changes in inventory of work in process and finished products	54,348	9,23	(85,206)	(22.25)	139,554
Other income and revenues	6,961	1.18	5,391	1.41	1,570
Work performed internally and capitalized	1,123	0.19	1,419	0.37	(296)
Value of production	**588,814**	**100.00**	**383,030**	**100.00**	**205,784**
Net gain on disposal of non-current assets	11,869	2.02	32,443	8.47	(20,574)
Raw materials and outside services	(502,035)	(85.26)	(296,307)	(77.36)	(205.728)
Change in inventory of raw materials	17,282	2.94	(5,794)	(1.51)	23.076
Value added	**115,930**	**19.69**	**113,372**	**29.60**	**2.558**
Labor costs	(127,856)	(21.71)	(102,906)	(26.87)	(24.950)
EBITDA	**(11,926)**	**(2.03)**	**10,466**	**2.73**	**(22.392)**
Depreciation and amortization	(23,107)	(3.92)	(16,373)	(4.27)	(6,734)
Additions to provisions and reserves	(8,441)	(1.43)	(2,374)	(0.62)	(6,067)
EBIT	**(43,474)**	**(7.38)**	**(8,281)**	**(2.16)**	**(35,193)**
Net financial income	20,768	3.53	1,370	0.36	19,398
Other income (expense), net	(860)	(0.15)	(2,590)	(0.68)	1,730
Profit before taxes	**(23,566)**	**(4.00)**	**(9,501)**	**(2.48)**	**(14,065)**
Income taxes	1,683	0.29	1,398	0.36	285
Profit (Loss) for the year	**(21,883)**	**(3.72)**	**(8,103)**	**(2.12)**	**(13,780)**

Reclassified Consolidated Balance Sheet

(in thousands of euros)

	Data at		
	12/31/06	**12/31/05**	**Change**
Net non-current assets (A)			
Net intangible assets	8,154	6,284	1,870
Net property, plant and equipment	292,717	203,057	89,660
Equity investments	35,639	34,592	1,047
Total A	**336,510**	**243,933**	**92,577**
Working capital (B)			
Inventory	42,470	32,358	10,112
Net trade receivables and other receivables	132,488	122,455	10,033
Deferred-tax assets	23,583	20,927	2,656
Trade accounts payable	(167,765)	(129,079)	(38,686)
Provision for risks and charges	(8,211)	(2,728)	(5,483)
Other liabilities	(52,145)	(63,706)	11,561
Total B	**(29,580)**	**(19,773)**	**(9,807)**
Net invested capital (C=A+B)	**306,930**	**224,160**	**82,770**
Provision for termination indemnities (D)	**30,912**	**28,709**	**2,203**
Net capital requirements (E=C-D)	**276,018**	**195,451**	**80,567**
Shareholders' equity (F)	**155,078**	**188,557**	**(33,479)**
Net financial position (G)			
Long-term debt	107,892	66,326	41,566
(Net liquid assets)	13,048	(59,432)	72,480
Total G	**120,940**	**6,894**	**114,046**
Total as in E (H=F+G)	**276,018**	**195,451**	**80,567**

Net Financial Position

(in thousands of euros)

	Data at		
	12/31/06	**12/31/05**	**Change**
Cash and cash equivalents	16,933	15,585	1,348
Current assets held for trading	61,864	60,865	999
Current loans receivable and other receivables	66,912	59,348	7,564
Available-for-sale current assets	0	0	0
Loans receivable from associates and joint ventures	0	0	0
Bank account overdrafts	(31,331)	(501)	(30,830)
Current liabilities under finance leases	(74,001)	(46,045)	(27,956)
Loans payable to associates and joint ventures	0	0	0
Current portion of long-term bank debt	(53,425)	(29,820)	(23,605)
Net liquid assets	**(13,048)**	**59,432**	**(72,480)**
Long-term loans and other receivables from outsiders	185,806	125,095	60,711
Long-term loans and other receivables from associates and joint ventures	98,473	116,377	(17,904)
Available-for-sale non-current assets	0	26,015	(26,015)
Long-term liabilities under finance leases	(282,274)	(205,205)	(77,069)
Long-term bank debt	(109,897)	(128,608)	18,711
Long-term debt	**(107,892)**	**(66,326)**	**(41,566)**
Net financial position	**(120,940)**	**(6,894)**	**(114,046)**

ANNEX 2

List of Companies Included in the Scope of Consolidation

Key Data of the Principal Group Companies

List of Consolidated Companies

Name	Registered office	Country	Share capital	Currency	% interest held directly or indirectly	Consolidated companies	% capital share
Parent Company							
Parent Company							
Pininfarina S.p.A.	Turin Via Bruno Buozzi 6	IT	9,317,000	EUR	-	-	-
List of companies consolidated line by line							
Italian subsidiaries							
Pininfarina Extra S.r.l.	Turin Via Bruno Buozzi 6	IT	388,000	EUR	100	Pininfarina S.p.A.	100
Foreign subsidiaries							
Pininfarina Extra USA Corp.	New York 1, Penn Plaza Suite 3515	USA	10,000	USD	100	Pininfarina Extra S.r.l.	100
Pininfarina Deutschland GmbH	Leonberg Riedwiesenstr. 1	DE	3,100,000	EUR	100	Pininfarina S.p.A.	100
MPX Entwicklung GmbH	Munich Bavarian 29	DE	25,000	EUR	100	Pininfarina Deutschland GmbH	100
Matra Automobile Engineering SAS	Trappes - cedex 8, avenue J. D'Alembert	FR	971,200	EUR	100	Pininfarina S.p.A.	100
CERAM SAS	Mortefontaine	FR	1,000,000	EUR	100	Matra Automobile Engineering SAS	100
D3 SAS	Courbevoie 11, rue Paul Bert	FR	306,000	EUR	100	Matra Automobile Engineering SAS	100
Plazolles Modelage S.a.r.l.	Garges Les Gonesses Zac de l'Argentine - 9, rue J. Anquetil	FR	8,000	EUR	100	D3 SAS	70
						Matra Automobile Engineering SAS	30
Matra Automobile Engineering Maroc SAS	Zenata Casablanca - Sidi Bernoussi Km 12, Autoroute de Rabat	MA	8,000,000	MAD	100	Matra Automobile Engineering SAS	99,9
						CERAM SAS	0,1
Matra Developpement SAS	Parc d'Activites Pissaloup - Trappes 8, Avenue J. D'Alembert	FR	37,000	EUR	100	Matra Automobile Engineering SAS	100
Numero Design S.a.r.l.	Sceaux Sentier des Torque, 4 Chemin du rue d'Aulnay	FR	8,000	EUR	-	D3 SAS	40
RHTU Sverige A.B.	Uddevalla Varsvagen 1	SV	100,000	SEK	100	Pininfarina S.p.A.	100
List of companies consolidated by the equity method							
Pininfarina Sverige A.B.	Uddevalla Varvsvagen 1	SV	8,965,000	SEK	60	Pininfarina S.p.A.	60
Pasiphae S.a.r.l.	Luxembourg 4, Boulevard Royal	LU	5,000,000	EUR	20	Pininfarina S.p.A.	20

Changes on the Scope of Consolidation

The scope of consolidation changed, compared with December 31, 2005, due to the inclusion of Pininfarina Extra USA Corp and MPX Entwicklung GmbH.

Key Data of the Principal Group Companies
(data in accordance with the IAS/IFRSs)

Pininfarina Extra S.r.l. Group

Head office: Turin - IT
Share capital: 388,000 euros
% interest held: 100%

	12/31/06	12/31/05
	(millions of euros)	
Value of production	4.8	5.6
Net profit	0.86	0.74
Shareholders' equity	2.8	2.2
Net financial position	1.3	1.6

Matra Automobile Engineering Group

Head office: Trappes - FR
Share capital: 971,200 euros
% interest held directly: 100%

	12/31/06	12/31/05
	(millions of euros)	
Value of production	61.0	52.4
Net loss	(1.2)	(3.0)
Shareholders' equity	9.8	11.2
Net indebtedness	(22.8)	(15.1)

Pininfarina Deutschland GmbH Group

Head office: Leonberg - DE
Share capital: 3,100,000 euros
% interest held directly: 100%

	12/31/06	12/31/05
	(millions of euros)	
Value of production	10.2	7.5
Net loss	(3.7)	(1.4)
Shareholders' equity	15.7	16.2
Net indebtedness	(6.3)	(5.1)

Andrea Pininfarina
Chairman of the Board of Directors

Disclosure Required by Consob Resolution No. 11791/99, Article 79

Equity Investments Held by Members of Corporate Governance Bodies, General Managers, Executives with Strategic Responsibilities and Their Immediate Families

First and last name	**Investee company**	**Number of shares held at 12/31/05**	**Number of shares bought in 2006**	**Number of shares sold in 2006**	**Number of shares held at 12/31/06**
Sergio Pininfarina	Pininfarina S.p.A.	282,038 (1)	none	93,000	189,038 (1)
Sergio Pininfarina	Pininfarina S.p.A.	181,500 (2)	none	none	181,500 (2)
Sergio Pininfarina	Pininfarina S.p.A.	4,714,360 (3)	none	none	4,714,360 (3)
Lorenza Pininfarina	Pininfarina S.p.A	none	1,000	none	1,000
Cesare Ferrero	Pininfarina S.p.A.	286	none	286	none
Giorgia Gianolio	Pininfarina S.p.A.	10,000 (4)	none	none	10,000 (4)
Executives with strategic responsibilities		none	none	none	none

(1) Full ownership. Shares held indirectly through the subsidiary Seglap S.s.
(2) Full ownership. Shares held indirectly through the subsidiary Segi S.r.l.
(3) Full ownership. Shares held indirectly through the subsidiary Pincar S.a.p.a
(4) Held by Sergio Pininfarina’s wife.

No stock options will be awarded to the members of the Board of Directors.

Disclosures Required Pursuant to Consob Resolution No. 11508 of February 15, 2000

At its meetings of March 27, 2002 and March 31, 2005, the Board of Directors approved two stock option plans designed to enhance the loyalty of certain employees, whose contribution it deemed to be especially important for the furtherance of the Company's objectives, while at the same time taking advantage of certain tax benefits and lowering the burden of benefit contributions.

The stock option plans are three-year plans (from 2002 to 2004 the first one and from 2005 to 2007 the second one). They are for the benefit of executives of Pininfarina Group companies located in Italy. In each year of each plan, the beneficiaries are awarded a certain number of options that become exercisable when the beneficiaries achieve specific objectives set by the Company.

The individual strike price of the options is equal to the average of the closing prices of the ordinary shares on each of the trading days between the date the options are awarded and the same day of the previous month.

The options vest at the end of each year, based on the ability of the beneficiaries to achieve their assigned objectives. Vested options are exercisable on a pro rata basis within three years from the date of award. As of the date of this report, the status of awarded options was as follows:

YEAR	STRIKE PRICE	NUMBER OF OPTIONS AWARDED	NUMBER OF OPTIONS EXERCISABLE	NUMBER OF OPTIONS EXERCISED
2002	€ 19.408	187,000	149,766	149,766 (1)
2003	€ 20.909	202,000	174,760	170,860 (2)
2004	€ 22.753	214,000	153,689	96,956 (3)
2005	€ 23.437	218,000	129,668	36,840 (4)
2006	€ 24.455	215,000	215,000	none

(1) The average exercise price was 23.50 euros. These options were exercised in 2003 (20,681), 2004 (36,824) and 2005 (92,261).

(2) The average exercise price was 24.29 euros. These options were exercised in 2004 (24,872), 2005 (54,312) and 2006 (91,676).

(3) The average exercise price was 25.59 euros. These options were exercised in 2005 (29,080), 2006 (53,533) and 2007 (14,343).

(4) The average exercise price was 25.74 euros. These options were exercised in 2006 (16,483) and 2007 (20,357).

No special arrangements have been made to help executives exercise their options.

On March 27, 2007, the Board of Directors proposed the purchase of up to 400,000 treasury shares, 250,000 of which will be used for the exercise of stock options.

Disclosure Required by Consob Resolution No. 11791/99, Article 78
Stock Options Awarded to Executives with Strategic Responsibilities

	Options held at the beginning of the year			Option awarded during the year			Options exercised during the year			Options expired during the year	Option held at the end of the year		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11) =1+4 -7-10	(12)	(13)
Post held	Number of options	Average exercise price	Average maturity	Number of options	Average exercise price	Average maturity	Number of options	Average exercise price	Average market-price at the exercise	Number of options	Number of options	Average exercise price	Average maturity
Executives with strategic responsibilities	58,875	21.95	9 months	40,579	23.44	18 months	42,106	24.99	24.67	0	57,348	23.19	9 months

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