



PININFARINA GROUP

Report of the Board of Directors on
Operations in the First Half of 2005

Pininfarina S.p.A. – Share Capital: 9,317,000 euros, fully paid in – Registered Office: 6 Via Bruno Buozzi, Turin

Tax I.D. and Turin Company Register No. 00489110015

Board of Directors

Chairman*	Sergio	PININFARINA
Chief Executive Officer*	Andrea	PININFARINA
Directors	Elisabetta	CARLI
	Mario Renzo	DEAGLIO
	Cesare	FERRERO
	Carlo	PAVESIO
	Lorenza	PININFARINA
	Paolo	PININFARINA
	Franzo	GRANDE STEVENS

Board of Statutory Auditors

Chairman	Giacomo	ZUNINO
Statutory Auditors	Giorgio	GIORGI
	Piergiorgio	RE
Secretary to the Board of Directors	Gianfranco	ALBERTINI
Independent Auditors	PricewaterhouseCoopers S.p.A.	

* Powers

Under Article 22 of the Bylaws, the Chairman and the Chief Executive Officer are the legal representatives of the Company before outsiders and before the 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.

CONTENTS

Review of Operating and Financial Performance	page 7
Consolidated Financial Highlights	page 11
Reclassified Consolidated Income Statement	page 12
Reclassified Consolidated Balance Sheet	page 13
Net Financial Position	page 14
Consolidated Balance Sheet	page 15
Consolidated Income Statement	page 17
Statement of Changes in Shareholders' Equity	page 19
Consolidated Cash Flow Statement	page 23
Companies of the Pininfarina Group	page 24
Notes to the Semiannual Consolidated Financial Statements	page 25
1. General Information	page 25
2. Accounting Principles	page 25
3. Managing Financial Risk	page 38
4. Key Financial Statement Estimates and Valuations	page 40
5. Transition to the IFRSs	page 42
6. Audit of Reconciliation Schedules	page 49
7. Reconciliation of IFRSs and Italian Accounting Principles	page 49
8. Segment Information	page 71
9. List of Companies Consolidated Line by Line	page 73
10. Major Asset Accounts	page 74
11. Share Capital	page 75
12. Earnings per Share	page 76
13. Major Liability Accounts	page 76
14. Contingent Commitments and Liabilities	page 77
15. Major Income Statement Accounts	page 77
16. Financial Statements of Pininfarina S.p.A. at June 30, 2005	page 79
17. Other Information	page 85
18. Annexes:	page 86
Report of the Board of Statutory Auditors on the Consolidated Data at June 30, 2005	
Report of the Independent Auditors on the IFRS Reconciliation Schedules	
Report of the Independent Auditors on the Consolidated Data at June 30, 2005	

The Pininfarina Group

Review of Operating and Financial Performance

The semiannual financial statements at June 30, 2005 are the first to be prepared in accordance with the international accounting principles set forth in IAS 34 and with IFRS guidelines. In order to allow the comparison of homogeneous data, the financial statements for the first half of 2004 and those at December 31, 2004 have been restated in accordance with the same principles. Reconciliation schedules and an explanation of the impact of the transition from national accounting principles to international accounting standards are provided later in this Report.

The main factors that affected the operating and financial performance of the Pininfarina Group during the first six months of 2005 include:

- a transition period for the Group's manufacturing operations, which are busy retooling for new orders;
- steady expansion of the Group's design and engineering operations;
- a gain of 30.2 million euros earned on the sale of the interest in Open Air System GmbH, which was divested following the Group's strategic decision to focus its resources on its core businesses;
- the need to finance all of the Group's development programs while simultaneously retooling for the production of new models.

Production value amounted to 205.5 million euros, or 31.8% less than in the first half of 2004. However, all measurements of profitability showed improvement, both in absolute terms and as a percentage of revenues. The net profit for the period was also up, rising to an amount about 3.5 times higher than the figure earned in the first six months of 2004. The balance of the net financial position, while positive by 48.7 million euros, was lower than the 71.6 million euros reported at December 31, 2004 (76.9 million euros at June 30, 2004).

An analysis of the data in terms of the contribution provided by the different business segments shows that the production value generated by the manufacturing operations amounted to 113.5 million euros (-49.8% compared with the first half of 2004), or 55.3% of the consolidated total (75% a year ago). The process of getting ready for new orders (mentioned above) is the reason for this decrease.

The table below shows the impact of the gradual phasing out of the Alfa Romeo, Ford, Mitsubishi and Peugeot orders.

	6/30/05	6/30/04
Alfa Romeo Spider	0	899
Alfa Romeo GTV	0	313
Ford Streetka	3,130	6,174
Mitsubishi Pajero Pinin	1,591	4,083
Peugeot 406 coupé	0	2,253
TOTAL	4,721	13,722

Production of two important models — the Alfa Romeo Brera, which will be manufactured at Group facilities in Italy, and the Volvo C70, which will be made in Sweden at a factory in Uddevalla — will begin during the second half of 2005. Both cars were presented recently and were extremely well received by the public and the press. Models scheduled to go into production in the first half of 2006 include the Alfa Romeo Spider, the Mitsubishi Colt C.C. and the Ford Focus C.C. These three models will complete the new product line and should enable the manufacturing operations to post new records in output and production value.

Thanks to the upturn in Group manufacturing activity that will take place between the second half of this year and the first six months of 2006, all of the employees who are currently enrolled in the Special Government Layoff Benefits Fund will be rehired.

The Group's service businesses, which include the design, industrial design and engineering operations, generated production value totaling 92 million euros in the first half of 2005, for an increase of 22.2% compared with the data at June 30, 2004. These businesses accounted for 44.7% of total production value, up from 25% a year ago. The growth enjoyed by these operations is evidence of the Group's ability to establish lasting relationships with its existing customers and also to acquire new ones, despite the challenging conditions that exist in all markets, and in the automotive market in particular. In terms of profitability, these operations have not yet reached their full potential. This is due in part to the rapid growth they have experienced: their production value in 2005 is expected to show an increase of about 90% over the 2004 and 2005 period. As these businesses achieve critical mass, they will complete the process of streamlining their organization and increase their contribution to the Group's bottom line.

The main projects carried out by the design operations during the first six months of 2005 are reviewed below.

For Ferrari, the development of projects started last year continued and styling research got under way for two new models.

For Maserati, design work included completion of the restyling of the Quattroporte, and the customer approved the styling development for a new model.

Assignments received from the Peugeot Group included participating in styling research for the exterior of a luxury model.

For Mitsubishi, work included collaboration on designing and building the Sportback prototype, which was presented at the Frankfurt Motor Show.

Pininfarina has also resumed a collaborative relationship with BMC, a Turkish company for which it is undertaking styling development for a new line of commercial vehicles.

In China, work got under way on the styling of an SUV for Changfeng. At the end of 2004, Changfeng signed an agreement to purchase design and engineering services from the Group.

Additional orders from Chinese customers included styling assignments for AviChina (Hafei) and Chery Automobile.

In France, the Cible Group, which bought the Solex brand from Magneti Marelli, asked Pininfarina to conduct styling research on an electric moped. This project resulted in the construction of a prototype that will be unveiled in Paris in the near future.

Work for AnsaldoBreda included a continuation of the collaboration on styling projects for several public transport vehicles.

A number of automobiles styled by Pininfarina were presented to the public during the first half of 2005:

- At the Geneva Motor Show, on the occasion of Pininfarina's 75th birthday, the Group presented:
 - The Birdcage 75th, a prototype developed on a Maserati platform in cooperation with Motorola. It received the Editors' Choice Award for Best Concept Car from *Autoweek*, a U.S. magazine, and was included among the Ten Coolest Concept Cars 2005 by *Forbes*;
 - The Ferrari SuperAmerica, a convertible that Ferrari will manufacture as a limited edition;
 - The AviChina (Hafei) Saibao, another fruit of the long-standing collaborative relationship with this Chinese company that dates back to 1996;
 - The Mitsubishi Colt Coupé-Cabriolet concept car. This new Colt model will be manufactured at a Pininfarina facility in Italy starting in 2006.
- At the Shanghai Motor Show, Pininfarina presented two concept cars:
 - The Brilliance Zun Chi sedan;
 - The Chery M14, the first Chinese car with a retractable hard top, which was named Best New Car at the show.

The main industrial design projects carried out by Pininfarina Extra S.r.l. during the first six months of 2005 included the following:

In January, presentation in New York of the Jacuzzi Morphosis line of tubs for the North American market;

In March, presentation of the Maserati Birdcage 75th prototype at the Geneva Motor Show. Pininfarina Extra S.r.l. contributed support in managing relations with Motorola, defining the product and developing the design of the vehicle's interior;

In April, presentation in Mexico of the i833 limited-edition cellular telephone, which was developed for Motorola and will be distributed by Nextel International in Central and South America;

In May, participation in two promotional events organized by Snaidero — one in Moscow and the other in Novosibirsk, Russia — in connection with the opening of two new showrooms. Also in May, announcement of the launch of a new kitchen line (the fifth since 1991) in the spring of 2006;

In June, participation in the Corporate Innovation Forum at the University of Warsaw and presentation of industrial design opportunities in Poland for Pininfarina. Also in June, presentation of the logo developed for the Turin Museum of Egyptian Antiquities Foundation and presentation in Rapallo of the Primatist G70 Aerotop Evolution motor yacht to an enthusiastic reception by the public and industry press.

As for the engineering operations, the work carried out during the first half of 2005 focused mainly on the development and industrialization of the models that will be manufactured by Pininfarina plants in 2006. Specifically:

- For Volvo, work with the team in Sweden on the new C70 to finalize technical specifications and provide support during production startup;
- For Alfa Romeo, industrialization for the Brera Coupé, which is scheduled to go into production this fall, and additional development work on the Spider, with completion expected early in 2006;

- For Mitsubishi, development of the Colt Coupé-Cabriolet and successful continuation of testing;
- For Ford, development of the Focus Coupé-Cabriolet and start of the second phase of the prototyping process.

The Group also provides engineering services to other manufacturers. An assignment received from PSA in connection with its first model developed for the Chinese market ended in July. Future engineering projects for this French customer will be handled by the Matra Automobile Engineering subsidiary. The Group also provided engineering services to Chery for two automobiles — one midlevel, the other high-end. Another development project, which got under way at the beginning of the year, is being carried out for Changfeng within the framework of a contract signed with this new Chinese customer at the beginning of 2004.

The engineering activities described above are being carried out jointly with the Matra Automobile Engineering subsidiary. This company's integration within the Group is being strengthened by using mixed development teams, sharing work tools and involving Matra Automobile Engineering Maroc in operational decisions.

In the area of new initiatives, negotiations are currently under way to sign important new orders in Europe and China.

The outlook for the rest of the year calls for production value to be about 30% lower than at December 31, 2004, confirming the trend that characterized the first half of the year. The main reasons for this decrease are:

- A reduction in overall manufacturing activity, despite the start of new model production;
- Accounting changes required by the adoption of the IAS principles, particularly with regard to the method by which the Pininfarina Sverige AB joint venture is consolidated.

Year-end EBIT should be close to breakeven and the net financial position should show a somewhat lower balance than at June 30, 2005.

Significant Events Occurring Since June 30, 2005

No events involving Group companies have occurred to date that would significantly alter the Group's balance sheet or financial position since June 30, 2005, or would require adjustments to or disclosures in the notes to the financial statements.

CONSOLIDATED FINANCIAL HIGHLIGHTS

(in thousands of euros)

	<u>Six-month data at</u>		<u>Annual data at</u>
	6/30/05	6/30/04	12/31/04
Operating Data			
Net revenues	155.472	218.159	466.229
Value of production	205.528	301.284	557.772
EBIT	14.978	12.378	8.070
Net financial income	1.984	1.194	1.567
Profit before taxes	12.919	10.121	6.033
Group interest in profit for the year/period	15.683	3.444	(2.405)
Self financing	23.898	12.449	15.451
Balance Sheet Data			
Net non-current assets	194.236	150.875	166.920
Net invested capital	188.877	146.373	146.997
Group interest in shareholders' equity	210.257	198.385	192.569
Net financial position	48.670	76.869	71.584
Indices (%)			
ROS (EBIT/Value of production)	7,29	4,11	1,45
ROI (EBIT/Net invested capital)	7,93	8,46	5,49
ROE (Profit/Shareholders' equity)	7,46	1,74	(1,25)
Net financial income/Value of production	0,97	0,40	0,28

RECLASSIFIED CONSOLIDATED INCOME STATEMENT

(in thousands of euros)

	Six-month data at				Change	Data at
	6/30/05	%	6/30/04	%		12/31/04
Net revenues	155,472	75.65	218,159	72.41	(62,687)	466,229
Changes in inventory of work in process and finished products	46,329	22.54	68,583	22.76	(22,254)	57,617
Other income and revenues	3,726	1.81	14,542	4.83	(10,816)	33,926
Work performed internally and capitalized	0	0.00	0	0.00	0	0
Value of production for the period	205,528	100.00	301,284	100.00	(95,756)	557,772
Net gain on disposal of non-current assets	30,186	14.69	896	0.30	29,290	1,066
Raw materials and outside services	(149,942)	(72.95)	(226,039)	(75.03)	76,097	(423,356)
Change in inventory of raw materials	(9,825)	(4.78)	(2,090)	(0.69)	(7,735)	(8,237)
Value added	75,947	36.95	74,051	24.58	1,895	127,246
Labor costs	(52,753)	(25.67)	(52,670)	(17.48)	(84)	(101,095)
EBITDA	23,194	11.28	21,382	7.10	1,812	26,150
Depreciation and amortization	(8,215)	(4.00)	(9,004)	(2.99)	789	(17,855)
Additions to provisions and reserves	0	0.00	0	0.00	0	(225)
EBIT	14,978	7.29	12,378	4.11	2,601	8,070
Net financial income	1,984	0.97	1,194	0.40	791	1,567
Other income (expense), net	(4,044)	(1.97)	(3,451)	(1.15)	(593)	(3,604)
Profit before taxes	12,919	6.29	10,121	3.36	2,798	6,033
Income taxes for the year/period	2,764	1.34	(6,677)	(2.22)	9,441	(8,438)
Minority interest in profit (loss)	0	0.00	0	0.00	0	0
Profit for the year/period	15,683	7.63	3,444	1.14	12,239	(2,405)

RECLASSIFIED CONSOLIDATED BALANCE SHEET

(in thousands of euros)

	<u>Data at</u>			<u>Data at</u>
	6/30/05	12/31/04	Change	6/30/04
Net non-current assets (A)				
Net intangible assets	6.185	5.744	441	4.705
Net property, plant and equipment	186.796	158.159	28.637	141.239
Investments	1.255	3.017	(1.762)	4.931
Total A	194.236	166.920	27.316	150.875
Working capital (B)				
Inventory	54.406	45.455	8.951	78.914
Net trade receivables and other receivables	91.279	98.290	(7.011)	98.457
Deferred-tax assets	24.757	25.304	(547)	31.424
Trade accounts payable	(104.516)	(125.613)	21.097	(137.824)
Provisions for risks and charges	(8.471)	(4.310)	(4.161)	(3.395)
Other liabilities	(62.815)	(59.049)	(3.766)	(72.079)
Total B	(5.360)	(19.923)	14.563	(4.503)
Net invested capital (C=A+B)	188.876	146.997	41.879	146.372
Provision for termination indemnities (D)	27.289	26.012	1.277	24.856
Net capital requirements (E=C-D)	161.587	120.985	40.602	121.516
Shareholders' equity (F)	210.257	192.569	17.688	198.385
Net financial position (G)				
Long-term debt	59.653	35.983	23.670	(64.022)
(Net liquid assets)	(108.323)	(107.567)	(756)	(12.847)
Total G	(48.670)	(71.584)	22.914	(76.869)
Total as in E (H=F+G)	161.587	120.985	40.602	121.516

NET FINANCIAL POSITION

(in thousands of euros)

	6/30/05	12/31/04	Change	6/30/04
Cash and cash equivalents	15.016	26.568	(11.552)	12.370
Current assets held for trading	85.226	88.410	(3.184)	56.075
Current loans receivable and other receivables	20.999	16.109	4.890	0
Available-for-sale current assets	23.299	19.256	4.043	19.906
Loans receivable from associates and joint ventures	0	0	0	0
Bank account overdrafts	(421)	(468)	47	(1.081)
Current liabilities under finance leases	(35.796)	(42.308)	6.512	(74.423)
Loans payable to associates and joint ventures			0	
Net liquid assets	108.323	107.567	756	12.847
Long-term loans and other receivables from outsiders	91.370	63.800	27.570	37.335
Long-term loans and other receivables from associates and joint ventures	102.818	94.543	8.275	82.412
Long-term liabilities under finance leases	(133.163)	(74.127)	(59.036)	0
Long-term bank debt	(120.678)	(120.199)	(479)	(55.725)
Long-term debt	(59.653)	(35.983)	(23.670)	64.022
Net financial position	48.670	71.584	(22.914)	76.869

Consolidated Balance Sheet — Assets

	6/30/05	12/31/04
Property, plant and equipment	186,795,691	158,158,549
Land and buildings	99,079,267	99,387,973
Land	31,831,533	32,080,329
Buildings	56,561,274	56,455,206
Leased property	10,686,460	10,852,438
Plant and machinery	79,904,337	52,463,212
Machinery	6,771,317	6,430,557
Plant	31,564,457	30,147,655
Leased machinery and equipment	41,568,563	15,885,000
Furniture, fixtures and other property, plant and equipment	4,672,245	4,733,056
Furniture and fixtures	2,285,855	2,520,689
Hardware and software	1,378,100	1,181,365
Other property, plant and equipment (incl. vehicles)	1,008,290	1,031,002
Assets under construction	3,139,842	1,574,308
Intangible assets	6,185,019	5,743,806
Goodwill	2,246,905	2,246,908
Licenses and trademarks	3,568,778	3,118,789
Other intangibles	369,336	378,109
Equity investments	1,254,783	3,016,948
Associated companies	744,800	744,800
Joint ventures	0	1,763,998
Other companies	509,983	508,150
Deferred-tax assets	24,756,529	25,304,441
Non-current financial assets	194,187,986	158,343,537
Loans and other receivables from	194,187,986	158,343,537
Outsiders	91,370,408	63,800,463
Affiliated companies and joint ventures	102,817,578	94,543,074
TOTAL NON-CURRENT ASSETS	413,180,008	350,567,281
Inventory	22,454,575	21,947,537
Raw materials	8,173,677	17,974,856
Work in process	1,356,713	1,978,161
Finished goods	12,924,185	1,994,520
Contract work in progress	31,951,586	23,507,914
Due from customers for contract work	31,951,586	23,507,914
Current financial assets	129,522,745	123,774,668
Current assets held for trading	85,225,664	88,409,981
Current loans receivable and other receivables	20,998,515	16,109,178
from outsiders	20,998,515	16,109,178
Available-for-sale current assets	23,298,566	19,255,509
Trade receivables and other receivables	91,279,254	98,289,931
Trade receivables	62,976,099	69,628,146
from outsiders	42,480,459	44,276,993
from associated companies and joint ventures	20,495,640	25,351,153
Accrued income	930,080	197,051
Other receivables	27,373,075	28,464,734
Cash and cash equivalents	15,015,815	26,568,454
Cash on hand	2,033,053	4,310,526
Short-term bank deposits	12,982,762	22,257,928
TOTAL CURRENT ASSETS	290,223,975	294,088,504
TOTAL ASSETS	703,403,983	644,655,785

Consolidated Balance Sheet — Liabilities and Shareholders' Equity

	6/30/05	12/31/04
Common shares	9,313,311	9,182,502
Additional paid-in capital	36,347,368	33,910,650
Reserve for treasury stock	14,994,867	27,434,512
Statutory reserve	2,231,389	2,231,389
Stock option reserve	791,537	527,691
Reserve for currency translations	39,823	3,726
Fair value reserve	10,802,719	8,265,701
Other reserves	107,670,096	97,522,513
Retained earnings	12,382,791	15,895,428
Profit for the year/period	15,683,137	(2,404,679)
GROUP INTEREST IN SHAREHOLDERS' EQUITY	210,257,038	192,569,433
TOTAL SHAREHOLDERS' EQUITY	210,257,038	192,569,433
LIABILITIES	6/30/05	12/31/04
Long-term borrowings	253,840,756	194,326,300
Liabilities under finance leases	133,162,621	74,127,286
Other indebtedness	120,678,135	120,199,014
to outsiders	120,678,135	120,199,014
Deferred-tax liabilities	30,434,006	31,969,310
Provision for termination indemnities	27,289,044	26,012,249
Provision for pensions and severance pay	183,277	179,205
Provision for termination indemnities	27,105,767	25,833,044
TOTAL NON-CURRENT LIABILITIES	311,563,806	252,307,859
Current borrowings	36,216,381	42,775,329
Bank account overdrafts	420,561	467,781
Liabilities under finance leases	35,795,820	42,307,548
Other payables	28,776,379	26,971,936
Wages and salaries	11,715,987	6,194,266
Due to social security authorities	6,602,654	5,738,852
Vacation days, sick days and personal days	429,518	370,721
Other liabilities	10,028,220	14,668,097
Trade accounts payable	104,516,120	125,613,182
Accounts payable to outsiders	104,516,120	120,696,083
Accounts payable to associated companies and joint ventures	0	4,917,099
Provision for current taxes	3,603,705	107,944
Direct taxes	3,432,632	0
Other taxes	171,073	107,944
Provision for other liabilities and charges	8,470,554	4,310,102
Provision for warranties	3,193,116	2,591,298
Other provisions	5,277,438	1,718,804
TOTAL CURRENT LIABILITIES	181,583,139	199,778,493
TOTAL LIABILITIES	493,146,945	452,086,352
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	703,403,983	644,655,785

Consolidated Income Statement

	Six months ended	
	6/30/05	6/30/04
Sales and service revenues	155,471.985	218,158.610
Change in inventory of finished goods and work in progress	46,329.170	68,582.751
Change in contract work in process	35,815.746	66,996.885
Change in inventory of work in progress, semifinished goods and finished goods	10,513.424	1,585.866
Other income and revenues	3,726.428	14,542.465
TOTAL VALUE OF PRODUCTION	205,527.583	301,283.826
Gain on the sale of non-current assets	30,269.152	915.606
<i>Amount earned on the sale of equity investments</i>	30,247.496	0
Raw materials and consumables used	(89,316.061)	(166,423.612)
Raw materials and components	(79,491.186)	(164,333.773)
Change in inventory of raw materials, subsidiary materials and consumables	(9,824.875)	(2,089.839)
Other variable production costs	(3,838.424)	(4,367.113)
Consumables	(1,893.252)	(2,576.013)
Utilities	(80.288)	(94.775)
External maintenance costs	(1,864.884)	(1,696.325)
Variable external engineering services	(37,993.476)	(32,110.775)
Wages, salaries and employee benefits	(52,753.316)	(52,669.604)
Production staff, office staff and managers	(50,110.696)	(50,495.041)
Independent contractors	(351.957)	(115.578)
Social security and other post-employment benefits	(2,290.663)	(2,058.985)
Depreciation, amortization and writedowns	(8,298.546)	(9,023.660)
Depreciation of property, plant and equipment	(7,409.244)	(8,311.935)
Loss on disposal of property, plant and equipment	(83.289)	(19.449)
Amortization of intangibles	(806.013)	(692.276)
Foreign exchange gains (losses)	222.759	(178.512)
Other expenses	(28,841.325)	(25,048.544)
PROFIT (LOSS) FROM OPERATIONS	14,978.346	12,377.612
Finance costs, net	1,122.127	566.183
Dividends	862.371	627.787
Value adjustments	(4,044.000)	(3,445.012)
Extraordinary income (expense)	0	(5.636)
PROFIT (LOSS) BEFORE TAXES	12,918.844	10,120.934
Income taxes for the year/period	2,764.293	(6,676.580)
PROFIT (LOSS) FOR THE YEAR/PERIOD	15,683.137	3,444.354

Statement of Changes in Consolidated Shareholders' Equity

	1/1/04	Fair value gains (losses)	Cash flow hedges	Translation restate-ments	Net gains (losses) recognized directly in equity	Profit for the period	Total result for the period	Employee stock option plan	Changes to reserves	Dividends	Issue of share capital	Purchases of treasury shares	6/30/04
Common shares	9.192.181											(9.679)	9.182.502
Additional paid-in capital	34.013.017											(102.367)	33.910.650
Reserve for treasury stock	27.951.000												27,951,000
Statutory reserve	2.231.389												2.231.389
Revaluation reserve													
Stock option reserve								263,846					263,846
Coverage reserve													
Translation reserve									(3,875)				(3,875)
Fair value reserve	8.599.119	74,710			74,710		74,710						8,673,829
Other reserves	99.731.524								229,481	(3,124,780)			96,836,225
Retained earnings	15.895.428												15.895.428
Profit for the period						3,444,354	3,444,354						3,444,354
GROUP INT. IN SHAREHOLD. EQ.	197.613.658												198,385,348
Minority interest in profit and reserves													
<u>TOTAL SHAREHOLDERS' EQUITY</u>	197.613.658	74,710			74,710	3,444,354	3,519,064	263,846	225,606	(3,124,780)		(112.046)	198,385,348

Statement of Changes in Consolidated Shareholders' Equity

	1/1/04	Fair value gains (losses)	Cash flow hedges	Translation restate-ments	Net gains (losses) recognized directly in equity	Profit for the period	Total result for the period	Employee stock option plan	Changes to reserves	Dividends	Issue of share capital	Purchases 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 treasury stock	27.951.000											(516.488)	27.434.512
Statutory reserve	2.231.389												2.231.389
Revaluation reserve													
Stock option reserve								527.691					527.691
Coverage reserve													
Translation reserve									3.726				3.726
Fair value reserve	8.599.119	(333.418)			(333.418)		(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 for the period						(2.404.679)	(2.404.679)						(2.404.679)
GROUP INT. IN SHAREHOLD. EQ.	197.613.658												192.569.433
Minority interest													
<u>TOTAL SHAREHOLDERS' EQUITY</u>	197.613.658	(333.418)			(333.418)	(2.404.679)	(2.738.097)	527.691	403.006	(3.124.779)		(112.046)	192.569.433

Statement of Changes in Consolidated Shareholders' Equity

	12/31/04	Fair value gains (losses)	Cash flow hedges	Translation restate-ments	Net gains (losses) recognized directly in equity	Profit for the period	Total result for the period	Employee stock option plan	Changes to reserves	Dividends	Issue of share capital	Purchases of treasury shares	6/30/05
Common shares	9,182,502											130,809	9,313,311
Additional paid-in capital	33,910,650											2,436,718	36,347,368
Reserve for treasury stock	27,434,512								(12,439,645)				14,994,867
Statutory reserve	2,231,389												2,231,389
Revaluation reserve													
Stock option reserve	527,691							263,846					791,537
Coverage reserve													
Translation reserve	3,726								36,097				39,823
Fair value reserve	8,265,701	2,537,018			2,537,018		2,537,018						10,802,719
Other reserves	97,522,513								13,269,634	(3,122,051)			107,670,096
Retained earnings	15,895,428								(3,512,637)				12,382,791
Profit for the period	(2,404,679)					15,683,137	15,683,137		2,404,679				15,683,137
GROUP INT. IN SHAREHOLD. EQ.	192,569,433												210,257,038
Minority interest													
TOTAL SHAREHOLDERS' EQUITY	192,569,433	2,537,018			2,537,018	15,683,137	18,220,155	263,846	(241,872)	(3,122,051)		2,567,527	210,257,038

Cash Flow Statement

	Six-month data at	
	6/30/05	6/30/04
Profit for the period	15,683,137	3,444,354
Restatements	(20,399,580)	17,623,581
- Income taxes	(2,764,293)	6,676,580
- Depreciation of property, plant and equipment	7,409,244	8,311,935
- Amortization of intangibles	806,013	692,276
- Writedowns	1,054,334	505,309
- Provision for pensions and seniority indemnities	1,276,795	84,077
- (Gains) Losses on sale of non-current assets	(30,185,863)	(896,157)
- (Gains) Losses unrealized on derivatives	-	-
- (Gains) Losses on available-for-sale financial assets	-	-
- (Financial income)	(5,286,499)	(3,133,821)
- Financial expense	4,164,372	2,567,638
- (Dividends)	(862,371)	(627,787)
- Value adjustment to shareholders' equity	4,044,000	3,445,012
- Unrealized (gains) losses on foreign exchange transactions	(55,312)	(1,481)
- Other adjustments		
Changes in working capital	(19,567,029)	(10,207,857)
- Inventories	(507,038)	372,576
- Contract work in progress	(8,443,672)	15,973,610
- Trade accounts receivable	7,010,677	8,009,661
- Trade accounts payable	(21,041,750)	(8,086,372)
- Other changes	3,414,754	(26,477,332)
Cash flow from operating activities	(24,283,472)	10,860,078
(Financial expense)	(4,164,372)	(2,567,638)
(Income taxes)	2,764,293	(6,676,580)
Net cash from operating activities	(25,683,551)	1,615,860
- Acquisition of a subsidiary, net of cash acquired		
- Purchases of property, plant and equipment	(39,213,626)	(7,389,033)
- Proceeds from sale of property, plant and equipment	32,105,877	2,036,165
- Non-current financial assets	(39,055,508)	(56,369,112)
- Financial income	5,286,499	3,133,821
- Dividends received	862,371	627,787
- Other equity investments	1,722,341	(528,513)
Net cash used in investing activities	(63,975,597)	(56,873,025)
- Proceeds from issue of share capital		
- Purchases of treasury shares	2,567,527	(112,046)
- Borrowings from lenders outside the Group	52,955,508	33,098,866
- Dividends paid	(3,122,051)	(3,124,779)
Net cash used in financing activities	(11,574,613)	(27,010,984)
- Other non-monetary items	21,974	489,451
Increase (Decrease) in net financial position	(11,552,639)	(26,521,533)
- Cash and cash equivalents at beginning of period	26,568,454	38,892,006
Cash and cash equivalents at end of period	15,015,815	12,370,473

Companies of the Pininfarina Group

(data presented in accordance with the new IAS accounting principles)

The **Matra Automobile Engineering Group** reported value of production of 25.6 million euros and a consolidated loss of 1.9 million euros, compared with 19.1 million euros and 2.6 million euros, respectively, in the first half of 2004. The increase in value of production (+34%) is the reason for the lower loss incurred during the first six months of 2005. These operations, which are now in their second year of activity, are still not profitable. However, given the rapid pace at which revenues have been growing, they should be in the black as early as 2006.

Pininfarina Extra S.r.l. ended the first half of 2005 with value of production of 2.9 million euros, or 61.1% more than in the same period last year (1.8 million euros). The net profit for the period amounted to 299,000 euros, compared with 278,000 euros in the first six months of 2004. The main achievements of Pininfarina Extra S.r.l. during the first half of 2005 were discussed in the review of the Group's industrial design projects.

Pininfarina Deutschland GmbH booked value of production of 3.5 million euros in the first six months of 2005 (4.7 million euros at June 30, 2004) and a loss of 801,000 euros (1.5 million euros last year). Despite a reduction in business activity that is due largely to particularly unfavorable business conditions in the sector of the German economy in which the company operates, the reorganization and repositioning initiatives that the company has been implementing helped reduce losses by about 50%. This achievement bodes well for a return to profitability in 2006.

As of June 30, 2005, **Pininfarina Sverige AB** was still not operational. It will become fully operational in the fourth quarter of 2005, after it acquires the plant in Uddevalla where production of the C70, Volvo's new convertible, is scheduled to start in a few weeks. The investment in Pininfarina Sverige, which is accounted with the equity method, was written down by 4 million euros, due mainly to unrealized foreign exchange translation losses. This joint venture is expected to be in the profitable by the end of this year.

RHTU AB, a Swedish company established in June 2004, had value of production of 705,000 euros and broke even in the first half of 2005. This company manufactures the retractable hard tops that will be installed in the Volvo C70 when production of this model starts at Pininfarina Sverige A.B. in the coming weeks.

PF RE S.A. ended the first half of 2005 with a profit of 658,000 euros, up from 380,000 euros a year ago. Premiums written totaled 273,000 euros (386,000 euros at June 30, 2004). This company, which provided reinsurance services to the Group, is being liquidated, since there is no longer a need to secure coverage for product warranty risks, which is the reason why this company was created.

Pininfarina S.p.A., the Group's Parent Company, reported value of production of 174.9 million euros, compared with 275.2 million euros in the first half of 2004. Profit for the period came to 14.1 million euros, up from 9.7 million euros at June 30, 2004. Most of the remarks made earlier in the review of the Group's performance in the first six months of 2005 apply to the Parent Company as well.

Notes to the Semiannual 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 Company's shares are traded on the Borsa Italiana securities market.

This Consolidated Semiannual Report was approved by the Board of Directors on September 28, 2005.

2. Accounting Principles

2.1 Presentation Criteria

See Paragraphs 5.1 and 5.2 of this Semiannual Report.

2.2 Principles of Consolidation

(a) *Subsidiaries*

Subsidiaries are those companies, including vehicle companies, over which the Pininfarina Group has authority to direct their financial and operating decisions.

Generally, control is deemed to exist when the Group holds more than half of the voting rights, either directly or through shareholder agreements or contingent voting rights. Subsidiaries are consolidated from the moment the Group is able to exercise control and are deconsolidated the moment it ceases to exercise control.

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 for the acquisition is the sum of the consideration paid and any cost directly attributable to the business combination.

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 on 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 losses 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.

2.3 Segment Reporting

A business segment is a group of activities or operations that is engaged in providing products or services and that is subject to risks and returns that are different from those of other business segments. The Pininfarina Group identifies two primary reporting segments: the operations that engage in design and development activities (Design and Engineering) and those that produce motor vehicles on an industrial scale on behalf of customers (Manufacturing).

A geographical segment is a distinguishable component of an entity because it is engaged in providing products or services that are subject to risks and returns that are different from those of other geographical segments. The Pininfarina Group operates mainly in Europe (Italy, France, Germany and Sweden). China is its largest market outside the European Union.

2.4 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.

(c) *Group Companies*

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

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 Translation reserve. 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.

2.5 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.

Impairment: The carrying amount of an item of property, plant and equipment is immediately written down to its recoverable value whenever the former is greater than the latter.

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.

Borrowing costs incurred to construct an item of property, plant and equipment are charged to income in accordance with the treatment suggested by IAS 23.

2.6 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 acquisition of an interest in a subsidiary is recognized as an intangible asset.

Goodwill generated by the acquisition of an interest in an associated company is recognized as an addition to the value of the underlying equity investment.

Goodwill is recognized in the financial statements at the value determined on the date control is acquired and is thereafter adjusted for any impairment loss, based on a test performed at least once a year.

The calculation of a gain or loss on the sale of an equity investment must take into account the carrying amount of the applicable goodwill.

An impairment test is made by comparing the carrying amount of goodwill against the present value of the future cash flow that a basic cash-generating unit is expected to produce.

(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 develop and 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 cost 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.

Development costs incurred in the performance of automobile design, engineering or development contracts are included among the aggregate costs financed by the Company through arrangements that can be identified as leases in accordance with IFRIC 4 (for additional information see Paragraph 5.2.a.4.)

(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.

With the exception of research and development costs, internally produced intangibles cannot be capitalized. These costs are charged to income in the year they are incurred.

Other intangibles are tested once a year for impairment. Such testing can be carried out for individual intangible assets or for entire cash generating units.

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

2.7 Recoverable Amount of Assets (Impairment)

The recoverable amount of intangibles with an indefinite useful life that are not amortized should be tested for impairment whenever there is an indication that their carrying amount may not be recoverable, or 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.

2.8 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, with Changes in Value through profit and loss.

This category is divided into two classes: 1) financial assets held for trading and 2) assets held as negotiable assets from the time of acquisition. 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.

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 assets, 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.

2.9 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.

2.10 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 statement of income.

2.11 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.

2.12 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, distributed to employees or sold.

2.13 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 profit and loss 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.

2.14 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 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 written down to reflect any reduction 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.

2.15 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 establish 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).

2.16 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 includes 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.

2.17 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) *Sales 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.

2.18 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 cost is accounted in profit and loss over the life of the contract.

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 qualifying automobile design, engineering and production contracts.

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.

2.19 Dividend distributions

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

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 a 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 by management in the interim 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 at the time the estimates are made. As a result, these estimates are subject to change.

(c) *Costs*

Costs that arise in a non-uniform way over the course of the year are recognized or deferred in interim financial statements in the same way as they are in the annual financial statements.

(d) *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.

(e) *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.

(f) *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.

(g) *Accounting for the Provision for Termination Indemnities*

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.

(h) 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:

- Expected volatility, which is based on the historical price volatility of Pininfarina S.p.A. shares;
- The free risk rate, which is based on the gross yield on five-year Italian government bonds as determined by the Bank of Italy;
- An estimate of expected dividend distributions, based on dividend expectations for the years 2002 to 2005;
- The possibility of early expiration, which, based on the actual results of previous plans, is deemed to be nil.

3 Managing Financial Risk

3.1 Financial Risk Factors

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 recognizes 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 on the liability side is offset by equivalent rates on the asset side.

3.2 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 in the shareholders' equity section of the balance sheet.

(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.

4. Key Financial Statement Estimates and Valuations

Estimates and disclosures presented in the financial statements are evaluated on an ongoing basis. They are based on historical data and such other factors as expectations about future events the occurrence of which is reasonable to expect.

The Group makes assessments and valuations regarding future events. By definition, the resulting restatements rarely coincide with the final outcome. The assessments and valuations that entail a high risk that the valuation of assets and liabilities will be restated the following year are reviewed below.

(a) *Valuation of the Impairment of Goodwill*

Consistent with its accounting policies, the Group tests goodwill annually for impairment. The recoverable amount of cash generating units is determined by a computation of their value in use. These computations require the use of valuations.

(b) *Income taxes*

The Group is taxed in a number of different jurisdictions. A significant judgment call is necessary to determine the amount of the reserve for taxes. There are numerous transactions and computations that can make the determination of the ultimate tax liability uncertain in the normal course of business.

(c) *Provision for Termination Indemnities*

The actuarial valuation of the amount that should be added to the provision for termination indemnities is determined by the Projected Unit Credit Method (IAS 19). This method uses actuarial assumptions to determine the probability that payment will occur at a given moment in the future and to associate with this event the amount that will have to be paid. The probable cash outflows are then harmonized by means of an appropriate discounting mechanism so as to determine the present value on the date when the value of the termination indemnities is being determined.

(d) *Stock Options*

The valuation of options available for award was made in accordance with the binomial 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 21.90%. 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. Free Risk Rate

The rate used for the purpose of this valuation was 3.67916%, which was the same as the gross yield on the benchmark five-year Italian government bond on July 1, 2004, 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.

5. Transition to IFRS Principles

5.1 Annual Financial Statements at December 31, 2005

The consolidated financial statements at December 31, 2005 will be the first annual financial statements prepared in accordance with International Financial Reporting Standards, as approved by the European Commission (hereinafter referred to individually as IAS/IFRS, or collectively as IFRSs). Pursuant to law, the annual financial statements of Pininfarina S.p.A., the Group's Parent Company, will be prepared in accordance with Italian accounting principles.

5.2 Semiannual Report at June 30, 2005

Pursuant to

- European Regulation No. 1606 of July 19, 2002, and
- Article 81 of Issuer Regulation No. 11971, as amended by CONSOB Resolution No. 14990 of April 14, 2005,

the Pininfarina Group prepared its Semiannual Report at June 30, 2005 in accordance with the IFRSs.

The Group prepared an opening balance sheet at January 1, 2004. This date is generally referred to as the "transition date." The IFRS adoption date for the Pininfarina Group is January 1, 2005.

Consistent with the requirements of Paragraph 8 of IAS 34 Interim Financial Reporting, the Semiannual Report comprises the following minimum components:

- a) Condensed balance sheet;
- b) Condensed income statements;
- c) Condensed statement of changes in shareholders' equity;
- d) Condensed cash flow statement;
- e) Selected explanatory notes required by Paragraph 16 of IAS 34.

The decision to provide limited disclosure, as allowed by Paragraph 8 of IAS 34, can be justified by the presumption that the Group has already published annual financial statements that provide complete disclosure. For this reason, the notes included in this Semiannual Report have been expanded to include all of the information needed to allow readers of the financial statements to understand the impact of the transition to the IFRSs.

As required by Article 81, Paragraph 3, of the abovementioned Issuer Regulation No. 11971, the Semiannual Report also includes the financial statements of the Group's Parent Company. These statements are prepared in accordance with the Italian Civil Code and Italian accounting principles, since the same principles will be used to prepare the Parent Company's annual financial statements at December 31, 2005.

The data at December 31, 2004 that are provided in this Semiannual Report have been restated to comply with the IFRSs that have been approved as of the date of this Semiannual Report. With the exception of those items discussed below, they will be used as comparative data in the consolidated financial statements of the Group at December 31, 2005. The work of updating and interpreting the accounting principles by the entities that have jurisdiction over such matters is still ongoing with regard to certain issues, and the approval of the principles by the European Commission has not been completed. As a result, at this point in time, it is still possible that the data referred to above may change over the coming months.

5.2.a Application of IFRS 1, First-Time Adoption of International Financial Reporting Standards

The closing date of these interim financial statements is June 30, 2005. In the preparation of its interim financial statements, the Pininfarina Group adopted all of the mandatory exceptions to the retrospective application of IFRSs provided in IFRS 1, Paragraphs 27 to 34A, and some of the optional exceptions.

5.2.a.1 Optional Exceptions to the Retrospective Application of IFRSs

The choices made by the Pininfarina Group with regard to the retrospective application of certain IFRSs provisions is described below. More detailed information is provided in the paragraphs that follow.

(a) *IFRS 1, Paragraph 15 – Business Combinations*

The Pininfarina Group adopted the optional exception available under IFRS 1, Appendix B, Business Combinations. As a result, the cost of the combination with the Matra Group, which is based in France, was allocated to assets and liabilities that were identifiable on the data of acquisition (September 30, 2003).

This exemption (IFRS 3, Appendix B1) requires that if any business combination is restated, all later business combinations must be restated. Since September 30, 2003, the Group has not been a party to any business combination that was not recognized in accordance with the provisions of IFRS 3.

Detailed information about this issue is provided below in Paragraph 5.2a6 IFRS 3 – Restatement of the Business Combination with the Matra Group.

(b) *IFRS 1, Paragraph 16 – Fair Value or Revaluation as Deemed Cost*

For certain categories of land and buildings, the Pininfarina Group adopted the option exception provided in IFRS 1, Paragraph 16, Fair Value or Revaluation as Deemed Cost. Detailed information about the impact of this allocation is available in the notes to the reconciliation schedules provided later in this Report.

(c) *IFRS 1, Paragraph 20 – Employee Benefits*

The Pininfarina Group adopted the available optional exemption, choosing to postpone to after the transition date the recognition of actuarial gains and losses generated by valuing the Provision for termination indemnities in accordance with IAS 19, Paragraphs 48 to 62.

(d) *IFRS 1, Paragraphs 21 and 22 – Cumulative Translation Differences*

The Pininfarina Group adopted the available optional exemption, choosing to eliminate the Reserve for currency translations at the transition date. This reserve, which was offset against retained earnings and losses brought forward as of the transition date, originated from the translation of the net assets of subsidiaries from the functional currency of the subsidiaries to the presentation currency (euro).

(e) *IFRS 1, Paragraph 23 – Compound Financial Instruments*

The Group has not issued compound financial instruments and the corresponding exemption does not apply.

(f) *IFRS 1, Paragraph 24 – Assets and Liabilities of Subsidiaries, Associates and Joint Ventures*

Not applicable to the consolidated financial statements.

(g) *IFRS 1, Paragraph 25A – Designation of Previously Recognized Financial Instruments*

The Pininfarina Group opted for early adoption of IAS 32 (Financial Statements: Disclosure and Presentation) and IAS 39 (Financial Statements: Recognition and Measurement). Consequently, the available exemption does not apply.

(h) *IFRS 1, Paragraph 25B – Share-based Payment Transactions*

The Pininfarina Group adopted the exemption provided by IFRS 2, Paragraphs 53 to 59 for the first and second tranche of the 2002/2010 stock option plan. This choice was made in part because these tranches were awarded after November 7, 2002 and the option rights matured at the farthest of the transition date (January 1, 2004) and January 1, 2005.

The third tranche of the plan was valued in accordance with IFRS 2, Share-based Payment.

(i) *IFRS 1, Paragraph 25D – Insurance Contracts*

The Pininfarina Group opted for an early adoption of IFRS 4, Insurance Contracts.

(l) *IFRS 1, Paragraph 25E – Changes in Recognized Liabilities Due to Decommissioning, Reinstatements and Similar Liabilities Included in the Cost of Property, Plant and Equipment*

The Group availed itself of this exemption and measured its liabilities on the transition date in accordance with the provisions of IAS 37 (Provisions, Contingent Liabilities and Contingent Assets), discounting them to the date when they were incurred and recomputing amortization from that date.

5.2.a.2 Exceptions to the Retrospective Application of IFRSs

(a) *IFRS 1, Paragraph 27 – Derecognition of Financial Assets and Financial Liabilities*

Financial assets and financial liabilities that do not meet the requirements of IAS 39 (Financial Instruments: Recognition and Measurement) for inclusion in the financial statements cannot be re-recognized in the financial statements if they were derecognized before the transition date. No items of this kind existed in the financial statements of the Pininfarina Group. There is no impact on the financial statements of the Pininfarina Group because the Group does not use factoring arrangements or other devices for the assignment of receivables.

(b) *IFRS 1, Paragraphs 28 to 30 – Hedge Accounting*

On the date of transition to IFRSs, an entity shall: a) measure all derivatives at fair value; and b) eliminate all deferred losses and gains arising on derivatives that were reported under previous accounting principles as if they were assets or liabilities. Since the Pininfarina Group has not executed derivative contracts, this exception had no impact on its IFRS financial statements.

(c) *IFRS 1, Paragraphs 31 to 34 – Estimates*

Estimates under IFRSs at the date of transition to IFRSs must be consistent with estimates made for the same date under previous accounting principles (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were in error. The Group is in compliance with this exception.

(d) *IFRS 1, Paragraph 34A – Non-current Assets Classified as Held for Sale and Discontinued Operations*

The Pininfarina Group adopted IFRS 5 prospectively, as of the transition date.

5.2.a.3 Early Adoption of Certain IFRSs

The Pininfarina Group opted for early adoption of the international accounting principles listed below. The early adoption of these principles, which went into effect on January 1, 2005, is allowed.

- IAS 39, Financial Instruments: Recognition and Measurement;
- IAS 32, Financial Statements: Disclosure and Presentation.

The Pininfarina Group opted for early adoption of the international accounting principles listed below. The early adoption of these principles, which went into effect on January 1, 2005, is recommended

- IFRS 4, Insurance Contracts;
- IFRS 5, Non-current Assets Held for Sale and Discontinued Operations.

5.2.a.4 IFRIC Interpretations That Have Not Yet Been Approved

In recent months, the IASB (International Accounting Standard Board) and the IFRIC (International Financial Reporting Interpretation Committee) published the following new Principles and Interpretations:

- IAS 39, Amendment to the Fair Value Option;
- IFRS 6, Exploration Rights and Valuation of Mineral Assets;
- IFRIC 2, Members' Shares in Cooperative Entities and Similar Instruments
- IFRIC 3, Emission Rights;
- IFRIC 4, Determining Whether an Arrangement Contains a Lease;
- IFRIC 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds.

The IFRIC interpretations listed above are not relevant to the Pininfarina Group, with the exception of IFRIC 4, Determining Whether an Arrangement Contains a Lease. IFRIC 4 applies to financial statements prepared after January 1, 2006, but early adoption is recommended.

Provided that the requirements listed below are met, IFRIC 4 can be used to identify and separate from an arrangement a lease, which should be valued in accordance with IAS 17 (Leases).

IFRIC 4 applies to arrangements that are not formally leases but convey to one of the parties the right to use certain assets in exchange for a series of payments.

According to IFRIC 4, the following requirements must be met to determine whether an arrangement contains a lease:

- Fulfillment of the arrangement is dependent on the use of a specific asset;
- The arrangement conveys to the buyer the right to use the underlying asset;
- The assessment of whether an arrangement contains a lease must be made at the inception of the arrangement;
- It must be possible to separate payments for the lease from other payments required under the arrangement.

The Pininfarina Group applies IFRIC 4 to the following production contracts:

- Mitsubishi Pajero Pinin;
- Ford Street Ka;
- Alfa 946 Brera;
- Mitsubishi Colt Convertible.

The production contract signed with Ford for the development, engineering and production of the Ford Focus Convertible is accounted for in accordance with IAS 31, Paragraphs 13 to 17 (Equity Investments in Joint Ventures: Jointly Controlled Operations).

Overall, the consequences of the adoption of IFRIC 4 on the balance sheet of the Pininfarina Group consist of the recognition of loans to contract customers in accordance with IAS 17, Paragraph 36 (Leases).

Overall, the consequences of the adoption of IFRIC 4 on the income statement of the Pininfarina Group consist of the following:

- Reversal of the pro rata share of revenues per car earmarked for recovery of capital investments and, when applicable, reversal of the revenues generated by the rebilling to contract customers of payments made under leases for capital assets;
- Recognition of financial income generated by leases in which the Group is the lessor in accordance with IAS 17, Paragraph 39 (Leases).

5.2.a.5 IAS 17 – Leases in Which the Group Is the Lessee

Accounting for finance leases in accordance with the IFRSs instead of Italian accounting principles created significant differences for the Pininfarina Group.

In the financial statements prepared in accordance with Italian accounting principles, the Group accounts for leases in accordance with the allowed method whereby property, plant and equipment financed through leases is recognized in the consolidated financial statements only when the assets have been bought out, while lease payments are recognized as expenses in the income statement.

According to IAS 17, Paragraph 20 (Leases), lessees shall recognize finance leases as assets (property, plant and equipment) and liabilities (loans payable to leasing companies) in their balance sheets at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease.

The consequences of the adoption of IAS 17 are discussed in detail in the notes provided to explain the restatements. Overall, the adoption of IAS 17, Paragraph 20 creates indebtedness toward a leasing company. The recognition of assets is governed by IFRIC 4, for development and production contracts covered by this interpretation, and by IAS 16 (Property, Plant and Equipment), for the remaining contracts.

5.2.a.6 IFRS 3 - Restatement of the Business Combination with the Matra Group

On September 30, 2003, Pininfarina S.p.A. acquired control of the Matra Group, which is based in France, by purchasing the entire share capital of Matra Automobile Engineering SAS.

In the financial statements prepared in accordance with Italian accounting principles, on the date of the first consolidation there were positive consolidation differences attributable to the subsidiaries D-Trois (1,590,000 euros) and Ceram (2,420,000 euros), a negative consolidation difference attributable to the subsidiary Plazolles (493,000 euros) and a negative consolidation difference arising from the elimination of the cost of the investment in Matra Automobile Engineering SAS held by Pininfarina S.p.A. against the shareholders' equity of the Matra Group.

In the financial statements prepared in accordance with Italian accounting principles, positive consolidation differences were amortized based on their estimated useful lives. Negative consolidation differences were posted to a Provision for consolidation risks and charges. This provision was used in the years after the acquisition to offset losses incurred by the French Group, as allowed under Italian accounting principles and IAS 22 (Business Combinations), which was replaced by IFRS 3.

IFRS 3, Paragraph 56b, which must be applied prospectively from the date of transition, prohibits the allocation of a negative consolidation difference to a Provision for consolidation risks and charges that can be used to offset future losses.

Consequently, as part of the transition to the IFRSs, the Pininfarina restated the business combination with the Matra Group. The table below shows the effects under the IFRSs of the acquisition at September 30, 2003 in accordance with IFRS 3, Paragraph 67:

Cost of Business Combination

- Price paid equal to the cost of the equity investment	16,997	
- Incidental acquisition expenses	903	
Total cost	17,900	[a]

Fair value of net acquired assets

Property, plant and equipment	24,513	
Intangible assets	121	
Deferred-tax assets	1,020	
Inventory	408	
Trade receivables and other receivables	13,400	
Cash and cash equivalents	6,328	
Loans and other borrowings	(383)	
Deferred-tax liabilities	(4,018)	
Trade payables and other payables	(16,451)	
Total net acquired assets	24,938	[b]
Negative consolidation difference	(7,038)	[a] - [b]

In order to adjust the carrying value of the acquired assets to their fair value when accounting for this business combination, the Pininfarina Group revalued a property (including both land and building) owned by Matra Automobile Engineering SAS and a building owned by Ceram SAS. The revaluation was recognized on the basis of the real estate values provided in the report prepared by an independent appraiser one year after the date of acquisition.

In accordance with IAS 12 (Income Taxes), the deferred-tax liability on the revaluation amount was computed based on the tax rates in force in France. The table below provides a breakdown of the impact of the entries discussed above on the date of acquisition:

	Carrying value	Revaluation [a]	Deferred taxes [b]	Shareholders' equity [a] - [b]
MAE land	1,680	1,900	627	1,273
MAE building	6,635	7,600	2,508	5,092
Total MAE	8,315	9,500	3,135	6,365
Ceram building	820	2,500	825	1,675
Total Matra Group	9,135	12,000	3,960	8,040

The excess over cost of the buyer's pro rata interest in the net fair value of the assets, liabilities and identifiable contingent liabilities on the date of acquisition (equal to 7,038,000 euros) was charged in full to income on the date of acquisition in accordance with IFRS 3, Paragraph 56b.

The table below provides the requisite disclosure as to the cash outflow incurred by the Pininfarina Group on the date of acquisition:

Cash flow absorbed by acquisition

- Price paid equal to the cost of the equity investment	(16,997)
- Incidental acquisition expenses	(903)
- Acquired cash and cash equivalents	6,328
Total cash flow used for business combination	<u>(11,572)</u>

The effects of accounting for the Matra business combination in accordance with the IFRSs, as opposed to Italian accounting principles, are the following:

- Reversal of positive consolidation differences attributable to Ceram and D-Trois and of the amortization of the consolidation difference;
- Recognition of the revaluation of land and buildings and computation of the depreciation of buildings;
- Recording of the deferred-tax liabilities and recognition in the income statement in proportion to the depreciation of the revaluation amount;
- Reversal of the utilization of the Reserve for consolidation risks and charges.

The effects listed above apply only up to and including the financial statements at June 30, 2004, because in subsequent consolidated financial statements prepared in accordance with Italian accounting principles, the business combination with the Matra Group was restated. The effects of this restatement on the consolidated financial statements prepared in accordance with Italian accounting principles are virtually identical to those required for IFRS financial statements, except for the utilization of the Reserve for consolidation risks and charges, which was used until the end of the 2004 fiscal year and reflected in the financial statements for that year prepared in accordance with Italian accounting principles.

5.2.a.7 IAS 27 – Consolidation of the Pininfarina Sverige AB Joint Venture

Pininfarina Sverige AB, a joint venture in which Pininfarina S.p.A. holds a 60% interest, was consolidated line by line in the financial statements prepared in accordance with Italian accounting principles, based on the fact that Pininfarina S.p.A. exercises statutory control pursuant to Article 2359 of the Italian Civil Code.

IAS 31 (Interests in Joint Ventures) and IAS 27, Paragraph 14 (Consolidated and Individual Financial Statements – Potential Voting Rights) give prevalence to the substance of the agreement, according to which both partners have an equal ability to influence the joint venture's operational and financial decisions. As a result, in IFRS financial statements, Pininfarina Sverige AB is no longer consolidated line by line. Instead, it is valued by the equity method, in accordance with IAS 31, Paragraph 38.

With regard to this issue, it is important to note that the different approach used to value the investment in this joint venture has no impact on the consolidated result, but significantly alters the structure of the balance sheet in the IFRS financial statements. The main changes in balance sheet structure are reviewed below:

- The value of the investment in Pininfarina Sverige AB is re-recognized in the IFRS financial statements at a value that reflects the pro rata interest held in the underlying shareholders' equity;
- Loans receivables owed to Pininfarina S.p.A. by the joint venture, which had been eliminated upon consolidation under Italian accounting principles, are re-recognized in the IFRS consolidated financial statements;
- The design and engineering order, which originated as Contract work in progress in the financial statements of Pininfarina S.p.A. and, after a restatement to eliminate the intra-Group margin, had been classified under Intangible assets in the consolidated financial statements, was re-recognized under Construction contracts, net of advances received, in the IFRS financial statements;
- Loans payable by Pininfarina Sverige AB that were recognized in the consolidated financial statements under Italian accounting principles to reflect the financial accounting of a finance lease, were derecognized in the IFRS financial statements. This indebtedness of the joint venture, while derecognized in the IFRS financial statements, continues to be guaranteed by Pininfarina S.p.A.

6 Audit of Reconciliation Schedules

As for the selection of the independent auditors retained to perform a full audit of the IFRS reconciliation schedules, the CONSOB, considering the highly critical issues raised by the first-time adoption of the IFRSs in Italy, explicitly recommended that issuers entrust this audit to the same auditors who had been retained to audit the consolidated financial statements at December 31, 2004. Consequently, the assignment to perform a full audit of the reconciliations of consolidated shareholders' equity of the Group at January 1, 2004, June 30, 2004 and December 31, 2004, of the consolidated result of the Group in the first half of 2004 and the year ended December 31, 2004 and of the respective notes was entrusted to PricewaterhouseCoopers S.p.A. The findings of the work performed by PricewaterhouseCoopers S.p.A. will be communicated to the financial markets after the publication of this Report, which includes an annex with the abovementioned reconciliations.

7 Reconciliation of IFRSs and Italian Accounting Principles

In accordance with IFRS 1, Paragraphs 39 and 45, the reconciliation provided below provides an explanation of the effects of the transition to the IFRSs.

The first reconciliation shows the impact on shareholders' equity at January 1, 2004, June 30, 2004 and December 31, 2004 (IFRS 1, Paragraph 45b).

The other seven reconciliation (IFRS 1, Paragraph 39a(i)) show the effects of the transition on:

- Shareholders' equity at January 1, 2004;
- Shareholders' equity at June 30, 2004;
- Shareholders' equity at December 31, 2004;
- Reconciliation of IAS/IFRS financial statements to the statutory consolidated financial statements at January 1, 2004 (Annex A);
- Reconciliation of IAS/IFRS financial statements to the statutory consolidated financial statements at June 30, 2004 (Annex B);
- Reconciliation of IAS/IFRS financial statements to the statutory consolidated financial statements at December 31, 2004 (Annex C);
- Reconciliation of the financial statement for the first half of 2004.

ACCOUNTING DETAIL IAS FINANCIAL STATEMENTS OF PININFARINA

Changes in Shareholders' Equity to Reconcile IFRS Restatement Amounts

Description of IFRS restatements of	IAS Notes	1/1/04	IAS Notes	6/30/04	IAS Notes	12/31/04
Pininfarina's shareholders' equity	1/1/04 bridge	(A)	6/30/04 bridge	(B)	12/31/04 bridge	(C)
Valuation of shares at fair value - Pininfarina S.p.A.	1	8,599,119	1	8,673,829	1	8,265,701
Valuation of managed assets at fair value - Pininfarina S.p.A.	2	392,244	2	301,171	2	658,535
Derecognition of multi-year costs - Pininfarina S.p.A.	3	(691,343)	3	(409,571)	3	(347,983)
Redefinition of useful life of equipment of Pininfarina S.p.A.	4	(1,636,023)	4	(1,649,384)	4	(1,780,301)
IFRS 1 - Fair value or revaluation as deemed cost	5	14,492,462	5	14,490,211	5	12,332,864
Leases received - Pininfarina S.p.A.	6	(32,580,505)	6	(18,909,715)	6	(8,891,880)
Leases given - Pininfarina S.p.A.	7	35,128,733	7	23,311,013	7	10,108,509
Actuarial computation of provision for termination indemnities - Pininfarina S.p.A.	8	1,137,800	8	1,082,415	8	1,195,467
Restatement of receivables and payables in foreign currency at year-end exchange rates	9	91,569				
Valuation of inventory at FIFO - Pininfarina S.p.A.	10	(439,509)	10	268,961	10	(348,487)
Derecognition of treasury share asset - Pininfarina S.p.A.	11	(2,997,154)	11	(3,061,040)	11	(2,994,867)
Valuation of loans at amortized cost			12	69,933	12	181,390
Valuation of loans payable under new leases					13	(311,965)
Orders valued by the percentage of completion method - Pininfarina Deutschland	14	68,984	14	247,090	14	33,950
Net effect of derecognition of multi-year costs of Pininfarina Extra and minimum adjustments to entries to the provision for termination indemnities	15	(68,452)	15	33,394	15	133,035
Deconsolidation of PF Sverige	16	(20,973)	16	(463,197)	16	(793,454)
Impact of accelerated depreciation	17	(2,250,982)	17	(2,250,980)		
Reversal of provision for Matra's losses	18	1,434,406			18	1,079,816
Restatement of incidental costs incurred for the Matra acquisition	19	(903,858)	19	(903,858)		
Fair value of Matra property, plant and equip.	20	7,955,413	20	7,775,823	20	131,312
Goodwill originated by Matra acquisition	21	(3,940,000)	21	(3,800,000)	21	
Other adjustments to restatements made to Matra opening balances	22	134,979	22	169,186	22	11,848
Total IFRS restatements		23,906,911		24,975,282		18,663,491

Comments to the Restatements to Shareholders' Equity

All restatements listed in the schedule of reconciliation of shareholders' equity are shown net of the corresponding tax effect, when applicable.

(1) *Valuation of Shares at Fair Value – Pininfarina S.p.A.*

This restatement has to do with the valuation at fair value of the following listed shares: Banca Intermobiliare S.p.A., Beni Stabili S.p.A. and San Paolo S.p.A. In the process of transition to the IFRSs, they were classified as Available-for-sale financial assets. IAS 39, Paragraph 55b, requires that changes in the fair value of these assets be recognized in equity until the assets are sold, at which time the cumulative gain or loss previously recognized in equity is recognized in profit or loss.

(2) *Valuation of Managed Assets at Fair Value – Pininfarina S.p.A.*

This restatement reflects the impact of valuing at fair value the investment portfolios managed by Azimut Fondi, Banca Intermobiliare S.p.A. and Ersel SIM. In accordance with IAS 39, Paragraph 9, these managed assets, which are deemed to be financial assets acquired primarily for the purpose of selling them or repurchasing them over the short term, constitute a subcategory of the class called Financial assets carried at fair value, with changes of value recognized in earnings. Consistent with IAS 39, Paragraph 55a, gains and losses that arise from the valuation at fair value are recognized in the income statement.

(3) *Derecognition of Multi-year Costs – Pininfarina S.p.A.*

This restatement reflects the impact of the elimination of certain types of multi-year costs recognized by Pininfarina S.p.A. that do not meet the requirements of IAS 38, Paragraph 10, for inclusion among the intangible assets and the attribution of goodwill to Pininfarina Deutschland GmbH in connection with the purchase of the Sollner business operations in the caliper business segment, which is also the current core business of this German subsidiary.

(4) *Redefinition of the Useful Life of Equipment – Pininfarina S.p.A.*

This restatement was necessary to adjust the depreciation period of certain production equipment owned by Pininfarina S.p.A. to match its useful life, which is the same as the production run of the respective automobiles.

(5) *IFRS 1 - Fair Value or Revaluation as Deemed Cost*

This restatement shows the impact of adopting the optional exemption to apply retroactively the IFRSs, as allowed under IFRS 1, Paragraphs 16 to 19 ("Fair Value or Revaluation as Deemed Cost"). The adoption of the optional exemption was necessary to separate the value of land from the following properties owned by Pininfarina S.p.A.:

- Grugliasco (TO);
- Cambiano (TO) – portion not covered by a finance lease;
- Bairo Canavese (TO);
- San Giorgio Canavese (TO);

In the financial statements prepared in accordance with the old principles, land that was appurtenant to a building was included in the Land and buildings category and depreciated.

The fair value of land and buildings on the transition date is the value assigned to these assets by an independent appraiser who was retained to provide an expert appraisal.

(6) *Leases Received – Pininfarina S.p.A.*

In the financial statements prepared under Italian accounting principles, the Group recognized finance leases in accordance with accepted practice, i.e., in the consolidated financial statements it recognized the assets financed by means of a lease only upon payment of the asset's buyout amount. Lease payments were recognized as expenses in the income statement.

Under IAS 17, Paragraph 20 (Leases), lessees are required to recognize finance leases as assets (property, plant and equipment) and liabilities (loans payable to leasing companies) in their balance sheets at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease.

This restatement resulted in the recognition of indebtedness toward leasing companies under leases executed in connection with the capital expenditures required for the Ford Street Ka and Mitsubishi Pajero Pinin orders and for a building in Cambiano, where the styling center is located.

(7) *Leases Given – Pininfarina S.p.A.*

This restatement was required to recognize the Ford (Street Ka) and Mitsubishi (Pajero Pinin) production orders in accordance with IFRIC 4. The method of accounting used entails the recognition of a loan receivable from contract customers for the portion that will be recovered by the Pininfarina Group by means of a surcharge on the price at which the cars are being sold. Additional information is provided in Paragraph 5.2a4 - IFRIC Interpretations That Have Not Yet been Approved.

(8) *Actuarial Computations of Provision for Termination Indemnities – Pininfarina S.p.A. and Pininfarina Extra*

The Provision for termination indemnities, computed and recognized in the financial statements prepared under Italian accounting principles in accordance with Article 2120 of the Italian Civil Code, is deemed to be a defined-benefit pension plan, as defined by IAS 19, Paragraphs 48 to 62. It must then be valued as such by the Projected Unit Credit Method (IAS 19, Paragraph 68). This liability was determined by an independent actuary, who is a member of the relevant national board.

(9) *Restatement of Receivables and Payables in Foreign Currencies at Year-end Exchange Rates – Pininfarina S.p.A.*

In previous financial statements, Pininfarina S.p.A. posted to the Provision for foreign exchange fluctuations any liability generated by translating receivables and payables in foreign currencies at the exchange rate in force on the balance sheet date. In keeping with a conservative approach, assets generated by the translation were not recognized.

IAS 21, Paragraphs 23 and 28, requires that foreign currency monetary items be translated using the year-end rate and must be recognized in the income statement. This adjustment was applied only to the data at January 1, 2004 because in subsequent financial statements the Italian accounting method was consistent with the international accounting method.

(10) *Valuation of Inventory at FIFO – Pininfarina S.p.A.*

This restatement reflects the financial impact of switching from the LIFO method (not allowed under IAS 2 - Inventories) to the FIFO method to value inventories.

(11) *Derecognition of Treasury Share Asset – Pininfarina S.p.A.*

Under Italian accounting principles, treasury shares were recognized as a current asset and valued at the lower of cost or market value. Pursuant to law, a corresponding reserve for purchases of treasury shares was included in shareholders' equity. The financial effects of transactions involving treasury shares were reflected in the income statement.

Under IAS 32, Paragraph 33, treasury shares and any trading gain or loss generated after the transition date must be recognized as a deduction from shareholders' equity.

(12) *Valuation of Loans at Amortized Cost – Pininfarina S.p.A.*

This restatement reflects the valuation of loans owed by Pininfarina S.p.A. by the amortized cost method.

(13) *Valuation of Loans Payable Under New Leases – Pininfarina S.p.A.*

This restatement reflects the valuation of loans payable owed by Pininfarina S.p.A. in accordance with IAS 17, which provides different criteria than those used to prepare statutory financial statements in accordance with Italian accounting principles.

(14) *Orders Valued by the Percentage of Completion Method – Pininfarina Deutschland GmbH*

This restatement was necessary to value a long-term order received by Pininfarina Deutschland GmbH in accordance with the percentage of completion method provided by IAS 11, Paragraph 25.

(15) *Derecognition of Multi-year Costs – Pininfarina Extra Srl*

This restatement reflects the net effect of the elimination of certain multi-year costs capitalized by Pininfarina Extra Srl that do not meet the requirements of IAS 38, Paragraph 10, for recognition as intangibles.

(16) *Deconsolidation of Pininfarina Sverige AB*

This restatement reflects the effect of the deconsolidation of Pininfarina Sverige AB. Additional information is provided in paragraph 5.2.a.7 IAS 27 – Consolidation of the Pininfarina Sverige AB Joint Venture.

(18) (19) (20) (21) (22) *Restatement of the Business Combination with the Matra Group*

The entries listed from item (s) to item (v) reflect the impact on the Group's shareholders' equity of the restatement of the data recognized in connection with the purchase of the Matra Group, which is based in France. Additional information is provided in Paragraph 5.2.a.6 IFRS 3 - Restatement of the Business Combination with the Matra Group. The main entries are listed below:

- The provision for consolidation risks and charges was reversed against consolidated shareholders' equity (restatement 18);
- Incidental costs incurred by Pininfarina S.p.A. in connection with its purchase of the Matra Group (restatement 19) were included in the allocation of fair value price to the assets and liabilities that were identifiable at the acquisition date;
- Buildings owned by Matra Automobile Engineering and Ceram were recognized at fair value, determined by an independent appraiser (restatement 20);
- Goodwill generated in the financial statements under Italian accounting principles is derecognized (restatement 21).

IAS/IFRS Financial Statements Reconciled to the Statutory Consolidated Financial Statements of Pininfarina	Note reference	Statutory (a)	IFRS changes (b)	IFRS financial statements (a) + (b)
ANNEX A		1/1/04	1/1/04	1/1/04
Non-current assets	1	193,807,597	61,378,087	255,185,684
Property, plant and equipment	.1.1.	104,311,490	39,959,271	144,270,761
Intangible assets	.1.2.	59,990,543	(55,562,041)	4,428,502
Investments in associates	.1.3.	8,379,823	(531,947)	7,847,876
Deferred-tax assets	.1.4.	19,048,764	20,689,853	39,738,617
Non-current financial assets	.1.5.	2,076,977	56,822,951	58,899,928
Current assets	2	291,138,372	21,549,397	312,687,769
Inventory	.2.1.	34,694,271	(700,412)	33,993,859
Contract work in progress	.2.2.	51,532,581	9,733,639	61,266,220
Trade receivables and other receivables	.2.3.	96,868,304	1,283,592	98,151,896
Current financial assets	.2.4.	69,052,076	11,331,712	80,383,788
Derivatives	.2.5.	-	-	-
Cash and cash equivalents	.2.6.	38,991,140	(99,134)	38,892,006
TOTAL ASSETS		484,945,969	82,927,484	567,873,453
SHAREHOLDERS' EQUITY	3	173,727,727	23,885,931	197,613,658
Share capital	.3.1.	74,153,352	(2,997,154)	71,156,198
Other reserves	.3.2.	102,236,410	8,325,622	110,562,032
Profit (Loss) for the previous year	.3.3.01	(2,683,009)	18,578,437	15,895,428
Profit (Loss) for the current year	.3.3.02	-	-	-
Minority interest in profit (including current)	.3.4.	20,974	(20,974)	-
Non-current liabilities	4	36,467,828	36,112,478	72,580,306
Long-term borrowings	.4.1.	1,868,312	-	1,868,312
Deferred-tax liabilities	.4.2.	7,945,873	37,993,770	45,939,643
Provision for termination indemnities	.4.3.	26,653,643	(1,881,292)	24,772,351
Provisions for other liabilities and charges	.4.4.	-	-	-
Current liabilities	5	274,750,414	22,929,075	297,679,489
Current borrowings	.5.1.	312,226	95,949,343	96,261,569
Trade accounts payable and other payables	.5.2.	251,211,616	(71,585,862)	179,625,754
Provision for current taxes	.5.3.	17,661,152	-	17,661,152
Provision for other liabilities and charges	.5.4.	5,565,420	(1,434,406)	4,131,014
Derivatives	.5.5.	-	-	-
TOTAL LIABILITIES		311,218,242	59,041,553	370,259,795
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		484,945,969	82,927,484	567,873,453

IAS/IFRS Financial Statements Reconciled to the Statutory Consolidated Financial Statements of Pininfarina ANNEX B	Note reference	Statutory (a) 6/30/04	IFRS changes (b) 6/30/04	IFRS financial statements (a) + (b) 6/30/04
Non-current assets	1	223,887,607	78,159,172	302,046,779
Property, plant and equipment	.1.1.	102,385,205	38,854,054	141,239,259
Intangible assets	.1.2.	87,567,167	(82,862,349)	4,704,818
Investments in associates	.1.3.	5,260,019	(328,642)	4,931,377
Deferred-tax assets	.1.4.	19,667,264	11,756,979	31,424,243
Non-current financial assets	.1.5.	9,007,952	110,739,130	119,747,082
Current assets	2	300,176,036	(34,454,605)	265,721,431
Inventory	.2.1.	33,192,660	428,623	33,621,283
Contract work in progress	.2.2.	91,373,758	(46,081,148)	45,292,610
Trade receivables and other receivables	.2.3.	97,622,936	833,673	98,456,609
Current financial assets	.2.4.	64,738,708	11,241,748	75,980,456
Derivatives	.2.5.	-	-	-
Cash and cash equivalents	.2.6.	13,247,974	(877,501)	12,370,473
TOTAL ASSETS		524,063,643	43,704,567	567,768,210
SHAREHOLDERS' EQUITY	3	173,435,253	24,950,095	198,385,348
Share capital	.3.1.	74,153,352	(3,109,200)	71,044,152
Other reserves	.3.2.	99,175,238	8,826,176	108,001,414
Profit (Loss) for the previous year	.3.3.01	(2,683,009)	18,578,437	15,895,428
Profit (Loss) for the current year	.3.3.02	2,326,475	1,117,879	3,444,354
Minority interest in profit (including current)	.3.4.	463,197	(463,197)	-
Non-current liabilities	4	89,337,757	29,060,959	118,398,716
Long-term borrowings	.4.1.	55,725,117	-	55,725,117
Deferred-tax liabilities	.4.2.	6,960,453	30,856,718	37,817,171
Provision for termination indemnities	.4.3.	26,652,187	(1,795,759)	24,856,428
Provision for other liabilities and charges	.4.4.	-	-	-
Current liabilities	5	261,290,633	(10,306,487)	250,984,146
Current borrowings	.5.1.	1,145,236	74,358,394	75,503,630
Trade accounts payable and other payables	.5.2.	253,995,229	(84,664,881)	169,330,348
Provision for current taxes	.5.3.	2,755,552	-	2,755,552
Provision for other liabilities and charges	.5.4.	3,394,616	-	3,394,616
Derivatives	.5.5.	-	-	-
TOTAL LIABILITIES		350,628,390	18,754,472	369,382,862
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		524,063,643	43,704,567	567,768,210
BRIDGE - BS - STATUTORY				
IAS/IFRS Reconciliation				
Consolidated Income Statement				
Net revenues	.6.1.	238,426,805	(20,268,195)	218,158,610
Revenues from multi-year contracts	.6.2.	-	-	-
Change in inventory of finished goods and work in progress	.6.3.	67,275,610	1,307,141	68,582,751
Work performed by the Company and capitalized	.6.4.	-	-	-
Other income and revenues	.6.5.	16,281,841	(1,739,376)	14,542,465
TOTAL VALUE OF PRODUCTION	6	321,984,256	(20,700,430)	301,283,826
Gain on the sale of non-current assets	.7.1.	915,606	-	915,606
Raw materials and consumables used	.7.2.	(166,423,612)	-	(166,423,612)
Other variable production costs	.7.3.	(4,367,113)	-	(4,367,113)
Variable external engineering services	.7.4.	(32,095,677)	(15,098)	(32,110,775)
Wages, salaries and employee benefits	.7.5.	(52,330,152)	(339,452)	(52,669,604)
Depreciation, amortization and writedowns	.7.6.	(9,232,484)	208,824	(9,023,660)
Utilization of negative goodwill	.7.7.	-	-	-
Foreign exchange gains (losses)	.7.8.	(86,943)	(91,569)	(178,512)
Other expenses	.7.9.	(49,033,473)	23,984,929	(25,048,544)
PROFIT (LOSS) FROM OPERATIONS		9,330,408	3,047,204	12,377,612
Finance costs, net	.8.1.	454,056	112,127	566,183
Dividends	.8.2.	627,787	-	627,787
Change in valuation of investments by the equity method	.8.3.	(3,119,626)	(325,386)	(3,445,012)
Extraordinary income (expense)	.8.4.	(5,636)	-	(5,636)
PROFIT (LOSS) BEFORE TAXES		7,286,989	2,833,945	10,120,934
Income taxes for the year/period	.9.1.	(4,870,751)	(1,805,829)	(6,676,580)
Minority interest in profit (loss)	.9.2.	(89,763)	89,763	-
PROFIT (LOSS) FOR THE YEAR/PERIOD		2,326,475	1,117,879	3,444,354

IAS/IFRS Financial Statements Reconciled to the Statutory Consolidated Financial Statements of Pininfarina ANNEX C	Note reference	Statutory (a) 12/31/04	IFRS changes (b) 12/31/04	IFRS financial statements (a) + (b) 12/31/04
Non-current assets	1	260,098,338	89,844,214	349,942,552
Property, plant and equipment	1.1.	116,738,367	41,420,182	158,158,549
Intangible assets	1.2.	107,902,518	(102,158,712)	5,743,806
Investments in associates	1.3.	3,016,948	(624,729)	2,392,219
Deferred-tax assets	1.4.	19,238,820	6,065,621	25,304,441
Non-current financial assets	1.5.	13,201,685	145,141,852	158,343,537
Current assets	2	281,860,239	12,228,265	294,088,504
Inventory	2.1.	22,541,513	(593,976)	21,947,537
Contract work in progress	2.2.	61,016,131	(37,508,217)	23,507,914
Trade receivables and other receivables	2.3.	74,812,602	23,477,329	98,289,931
Current financial assets	2.4.	96,438,466	27,336,202	123,774,668
Derivatives	2.5.	-	-	-
Cash and cash equivalents	2.6.	27,051,527	(483,073)	26,568,454
TOTAL ASSETS		541,958,577	102,072,479	644,031,056
SHAREHOLDERS' EQUITY	3	173,970,956	18,598,477	192,569,433
Share capital	3.1.	73,636,864	(3,109,200)	70,527,664
Other reserves	3.2.	98,967,807	9,583,213	108,551,020
Profit (Loss) for the previous year	3.3.01	(2,683,009)	18,578,437	15,895,428
Profit (Loss) for the current year	3.3.02	3,258,380	(5,663,059)	(2,404,679)
Minority interest in profit (including current)	3.4.	790,914	(790,914)	-
Non-current liabilities	4	160,749,528	91,558,331	252,307,859
Long-term borrowings	4.1.	120,199,014	74,127,286	194,326,300
Deferred-tax liabilities	4.2.	12,586,686	19,382,624	31,969,310
Provision for termination indemnities	4.3.	27,963,828	(1,951,579)	26,012,249
Provision for other liabilities and charges	4.4.	-	-	-
Current liabilities	5	207,238,093	(8,084,329)	199,153,764
Current borrowings	5.1.	498,165	42,277,164	42,775,329
Trade accounts payable and other payables	5.2.	201,431,379	(48,846,261)	152,585,118
Provision for current taxes	5.3.	107,944	-	107,944
Provision for other liabilities and charges	5.4.	5,200,605	(1,515,232)	3,685,373
Derivatives	5.5.	-	-	-
TOTAL LIABILITIES		367,987,621	83,474,002	451,461,623
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		541,958,577	102,072,479	644,031,056
BRIDGE - BS - STATUTORY				
IAS/IFRS Reconciliation				
Consolidated Income Statement				
Net revenues	6.1.	507,600,878	(41,372,244)	466,228,634
Revenues from multi-year contracts	6.2.	-	-	-
Change in inventory of finished goods and work in progress	6.3.	57,507,330	110,021	57,617,351
Work performed by the Company and capitalized	6.4.	-	-	-
Other income and revenues	6.5.	34,744,525	(818,525)	33,926,000
TOTAL VALUE OF PRODUCTION	6	599,852,733	(42,080,748)	557,771,985
Gain on the sale of non-current assets	7.1.	1,066,075	-	1,066,075
Raw materials and consumables used	7.2.	(287,080,954)	(38,619)	(287,119,573)
Other variable production costs	7.3.	(8,776,634)	-	(8,776,634)
Variable external engineering services	7.4.	(81,584,194)	(221,627)	(81,805,821)
Wages, salaries and employee benefits	7.5.	(100,664,321)	(430,796)	(101,095,117)
Depreciation, amortization and writedowns	7.6.	(18,169,090)	313,772	(17,855,318)
Utilization of negative goodwill	7.7.	-	-	-
Foreign exchange gains (losses)	7.8.	1,007,335	(1,568,410)	(561,075)
Other expenses	7.9.	(94,523,493)	40,969,123	(53,554,370)
PROFIT (LOSS) FROM OPERATIONS		11,127,457	(3,057,305)	8,070,152
Finance costs, net	8.1.	(117,554)	1,036,038	918,484
Dividends	8.2.	648,708	-	648,708
Change in valuation of investments by the equity method	8.3.	(5,392,518)	(629,074)	(6,021,592)
Extraordinary income (expense)	8.4.	6,004,346	(3,587,222)	2,417,124
PROFIT (LOSS) BEFORE TAXES		12,270,439	(6,237,563)	6,032,876
Income taxes for the year/period	9.1.	(8,597,107)	159,552	(8,437,555)
Minority interest in profit (loss)	9.2.	(414,952)	414,952	-
PROFIT (LOSS) FOR THE YEAR/PERIOD		3,258,380	(5,663,059)	(2,404,679)

1.1 PROPERTY, PLANT AND EQUIPMENT

Description	1/1/04 (000/euros)	6/30/04 (000/euros)	12/31/04 (000/euros)
a Restatement of value of buildings	19,509	19,504	19,654
b Recognition of assets acquired under finance leases	11,184	11,018	25,886
c Redefinition of the useful lives of equipment	(2,607)	(2,628)	(2,837)
d Restatement of the Matra business combination	11,869	11,621	(182)
e Deconsolidation of Pf Sverige	-	(661)	(1,208)
Other	4	-	107
Total	39,959	38,854	41,420

a. IFRS 1 - Fair Value or Revaluation as Deemed Cost

The Group applied the optional exemption provided under IFRS 1, Paragraphs 16 to 19 ("Fair Value or Revaluation as Deemed Cost") in order to separate the value of land from the following properties owned by Pininfarina S.p.A.:

- Grugliasco - via Pininfarina (TO);
- Cambiano (TO) - portion not covered by a finance lease;
- Bairo Canavese (TO);
- San Giorgio Canavese (TO);

In the financial statements prepared in accordance with the old principles, land that was appurtenant to a building was included in the Land and buildings category and depreciated.

The fair value of land and buildings on the transition date is the value assigned to these assets by an independent appraiser who was retained to provide an expert appraisal.

The revaluation of buildings required the recognition of the resulting tax effect (deferred-tax liability), which was computed on the difference between the carrying amount of the assets and their tax base, in accordance with IAS 12 (see also Paragraph 4.2.a Deferred-tax Liabilities).

The revaluation of land also required the recognition of the resulting tax effect (deferred-tax liability) in accordance with SIC 21 (Income Taxes - Recovery of Revalued Non-depreciable Assets).

The new carrying value attributed to the property located on via Di Vittorio, in Grugliasco, is the same as its carrying amount under Italian accounting principles, due to the fact that this property was appraised and revalued in 1991.

b. IAS 17 - Recognition of Assets Acquired Under Finance Leases

This restatement reflects the recognition of the finance lease held by Pininfarina S.p.A. on a building in Cambiano (TO). In accordance with IAS 17 Paragraph 20, the Pininfarina Group recognizes the fair value of the of the building as property, plant and equipment and the indebtedness toward the leasing company as a financial liability.

The Group also computed and recognized the resulting tax impact, as required under IAS 12.

c. IAS 16 - Redefinition of the Useful Life of Equipment

This restatement was necessary to adjust the depreciation period of certain production equipment owned by Pininfarina S.p.A. to match its useful life, which is the same as the production run of the respective automobiles.

This restatement required the computation and recognition of the resulting tax effect (deferred-tax asset), which was computed on the difference between the carrying amount of the assets and their tax base, in accordance with IAS 12.

d. IFRS 3 - Restatement of the Business Combination with the Matra Group

This adjustment reflects the revaluation of property (land and building) owned by Matra Automobile Engineering SAS and of a building owned by Ceram SAS. The revaluation was carried out as part of the restatement of the business combination in accordance with IFRS 3 as of the date of acquisition. Additional information is provided above in Paragraph 5.2a6 IFRS 3 - Restatement of the Business Combination with the Matra Group.

e. IAS 31/27 - Impact of the Deconsolidation of Pininfarina Sverige AB

This adjusting entry reflects the impact of the deconsolidation of Pininfarina Sverige on intangible assets. For additional information for the reasons for deconsolidation, see above under Paragraph 5.2.a.7 IAS 27 - Consolidation of the Pininfarina Sverige AB Joint Venture.

1.2 INTANGIBLE ASSETS

Description	1/1/04 (000/euros)	6/30/04 (000/euros)	12/31/04 (000/euros)
a Derecognition of multi-year costs	(1,102)	(653)	(555)
b Reallocation of incidental expenses for Matra acquisition	(903)	(903)	-
c Matra consolidation difference	(3,940)	(3,800)	96
d Sollner KG goodwill	-	-	158
e Deconsolidation of Pf Sverige	(49,497)	(77,525)	(101,798)
Other	(120)	19	(61)
Total	(55,562)	(82,862)	(102,159)

a. IAS 38 - Derecognition of Multi-year Costs

This adjustment reflects the derecognition of multi-year costs of Pininfarina S.p.A. and Pininfarina Extra Srl that do not meet the requirements of IAS 38, Paragraph 10, for recognition as intangibles.

This restatement required the computation and recognition of the resulting tax effect (deferred-tax asset), which was computed on the difference between the carrying amount of the assets and their tax base, in accordance with IAS 12.

b. IFRS 3 - Incidental Expenses Incurred for the Matra Acquisition

This reclassification concerns the classification of incidental expenses (mainly legal fees) incurred in connection with the acquisition of the Matra Group, which is based in France. These expenses were classified as intangible assets in the financial statements prepared in accordance with Italian principles but were added to the cost of the business combination under IFRS 3, Paragraph 29. Additional information is provided above in Paragraph 5.2a6 IFRS 3 - Restatement of the Business Combination with the Matra Group.

c. IFRS 3 - Derecognition of First-Level Consolidation Differences Attributed to the Matra Group

This adjustment, which reflects the derecognition of the consolidation differences, net of amortization, that were attributed to the Matra Group in the consolidated financial statements prepared in accordance with the old principles, was made in connection with the restatement of the business combination referred to above in Paragraph 5.2a6 IFRS 3 - Restatement of the Business Combination with the Matra Group.

d. IAS 38 - Sollner KG Goodwill

This adjustment was booked to re-recognize the goodwill booked by Pininfarina Deutschland GmbH in 1995 upon the purchase of the Sollner business operations in the caliper business segment, which is also the current core business of this German subsidiary. In the consolidated financial statements prepared in accordance with the old principles, this goodwill and the carrying amount of the Pininfarina brand had been removed from the financial statements of Pininfarina Deutschland.

This goodwill is being recognized in the IFRS financial statements because it passed the impairment test both at the transition date and at subsequent balance sheet dates.

e. IAS 31/27 - Impact of the Deconsolidation of Pininfarina Sverige AB

This adjustment reflects the impact on intangible assets of the deconsolidation of Pininfarina Sverige AB. For additional information on the reasons for deconsolidation and the impact on the IFRS financial statements, see above under Paragraph 5.2.a.7 IAS 27 - Consolidation of the Pininfarina Sverige AB Joint Venture.

1.3 EQUITY INVESTMENTS IN ASSOCIATED COMPANIES AND JOINT VENTURES

Description	1/1/04 (000/euros)	6/30/04 (000/euros)	12/31/04 (000/euros)
Valuation of Pf Sverige by the equity method	(532)	(329)	(625)
Total	(532)	(329)	(625)

a. IAS 31/27 - Recognition of the Value of the Investment in Pininfarina Sverige AB

The deconsolidation of the Pininfarina Sverige joint Venture (see also Paragraph 5.2.a.7 IAS 27 - Consolidation of the Pininfarina Sverige AB Joint Venture) required Pininfarina S.p.A. to recognize the value of this investment. This equity investment is valued by the equity method.

1.4 DEFERRED-TAX ASSETS

Description	1/1/04 (000/euros)	6/30/04 (000/euros)	12/31/04 (000/euros)
Recognition of credits for taxes on reversal of intangibles	410	-	207
a Recognition of credits for taxes on reversal of equipment reserves	971	977	1,057
b Recognition of credits for taxes on finance leases	19,340	11,225	5,527
Recognition of credits for taxes on changes in inventory	261	-	207
c Deconsolidation of Pf Sverige	-	(504)	(894)
Reversal of Matra effect	-	-	(60)
Sundry entries	(292)	58	23
Total	20,690	11,756	6,067

a. IAS 12 - Redefinition of the Useful Life of Equipment (tax effect)

This item represents the deferred-tax asset generated as a result of the adjustment explained in Paragraph 1.1c.

b. IAS 12 - Leases in Which the Group Is the Lessee (Tax Effect)

This item reflects the tax impact of the recognition of indebtedness toward leasing companies. Additional information is provided in Paragraph 5.2.a.5 IAS 17 - Leases in Which the Group Is the Lessee.

c. IAS 12 – Effect of the Deconsolidation of Pininfarina Sverige AB

This restatement, which is the result of the deconsolidation of the abovementioned joint venture, reflects the reversal of deferred-tax assets recognized on the consolidation adjustment under the old accounting principles.

1.5 NON-CURRENT FINANCIAL ASSETS

Description	1/1/04 (000/euros)	6/30/04 (000/euros)	12/31/04 (000/euros)
a Loans receivable from contract customers	55,982	37,149	63,602
b Deconsolidation of Pf Sverige	840	73,590	81,539
Total	56,822	110,739	145,141

a. IFRIC 4 – Recognition of Loans Receivable from Contract Customers

This restatement stems from the recognition of Ford (Street Ka) and Mitsubishi (Pajero Pinin) production contracts in accordance with IFRIC 4. This approach calls for the recognition of loans receivable from contract customers equal to the portion of capital expenditures that will be recovered by the Pininfarina Group through a surcharge on the price of cars. Additional information is provided above in Paragraph 5.2a4 IFRIC Interpretations That Have Not Yet Been Approved.

b. IAS 31/27 – Impact of the Deconsolidation of Pininfarina Sverige AB

The loans receivable from Pininfarina Sverige AB that Pininfarina S.p.A. recognized in its statutory financial statements were eliminated in the consolidation process, since this joint venture was consolidated lined by line. In the IFRS financial statements, Pininfarina Sverige AB is a joint venture valued by the equity method. As a result, these loans were re-recognized in the IFRS consolidated financial statements.

Additional information about the reasons for the deconsolidation are provided above in Paragraph 5.2.a.7 IAS 27 - Consolidation of the Pininfarina Sverige AB Joint Venture.

2.1 INVENTORY

Description	1/1/04 (000/euros)	6/30/04 (000/euros)	12/31/04 (000/euros)
a Adjustment for restatement of inventory by the FIFO method	(700)	429	(555)
Deconsolidation of Pf Sverige	-	--	(39)
Total	(700)	429	(594)

a. IAS 2 – Valuation of Inventory by the FIFO Method

In the financial statements prepared in accordance with Italian accounting principles, inventory was valued by the LIFO method, which is not allowed under the IFRSs. Consequently, consistent with the requirements of IAS 2, Paragraph 25, inventory was valued by the FIFO method.

2.2 CONSTRUCTION CONTRACTS

Description	1/1/04 (000/euros)	6/30/04 (000/euros)	12/31/04 (000/euros)
a Deconsolidation of Pf Sverige	48,544	75,412	100,273
b Reclassification of advances on contract orders	(38,880)	(121,740)	(137,815)
Other entries	70	247	34
Total	9,734	(46,081)	(37,508)

a. IAS 31/27 - Impact of the Deconsolidation of Pininfarina Sverige AB

As explained in detail in Paragraph 5.2.a.7 IAS 27 - Consolidation of the Pininfarina Sverige AB Joint Venture, this restatement reflects the re-recognition in the IFRS financial statements of the value of a design and engineering contract, which was posted to the Construction contracts account, net of advance billings.

b. IAS 11 - Reclassification of Advances on Contract Orders

In accordance with IAS 11, which deals with accounting for contract work in progress, the underlying orders should be recognized in the financial statements net of advances received.

2.3 TRADE RECEIVABLE AND OTHER RECEIVABLES

Description	1/1/04 (000/euros)	6/30/04 (000/euros)	12/31/04 (000/euros)
a Restatement of accrued income of PF	1,284	834	997
Deconsolidation of Pf Sverige	-	-	22,480
Total	1,284	834	23,477

a. IAS 17 - Reversal of Accrued Income

This adjustment reflects the recognition of prepaid expenses corresponding to the portion payable in subsequent years of interest expense generated by the use of the finance method to account for leases (IAS 17, Paragraph 20).

2.4 CURRENT FINANCIAL ASSETS

Description	1/1/04 (000/euros)	6/30/04 (000/euros)	12/31/04 (000/euros)
a Valuation of securities at fair value	625	480	1,049
b Valuation of available-for-sale securities	13,704	13,823	13,172
c Reversal of treasury shares	(2,997)	(3,061)	(2,995)
d Loans receivable from contract customers	-	-	16,109
Total	11,332	11,242	27,336

a. IAS 39 - Financial assets carried at fair value, through profit and loss.

This restatement reflects the impact of valuing at fair value the investment portfolios managed by Azimut Fondi, Banca Intermobiliare S.p.A. and Ersel SIM. In accordance with IAS 39, Paragraph 9, these managed assets, which are deemed to be financial assets acquired primarily for the purpose of selling them or repurchasing them over the short term, constitute a subcategory of the class called Financial assets carried at fair value, with changes of value recognized in earnings. Consistent with IAS 39, Paragraph 55a, gains and losses that arise from the valuation at fair value are recognized in the income statement.

The booking of this restatement entailed the computation and recognition of the corresponding deferred tax liability in accordance with IAS 12 (see also Paragraph 4.2.a Deferred-tax liabilities).

b. IAS 39 - Available-for-sale Financial Assets

This restatement has to do with the valuation at fair value of listed shares (Banca Intermobiliare S.p.A., Beni Stabili S.p.A. and San Paolo S.p.A.), which were classified as Available-for-sale financial assets. IAS 39, Paragraph 55b, requires that changes in the fair value of these assets be recognized in equity until the assets are sold, at which time the cumulative gain or loss previously recognized in equity is recognized in profit or loss.

Most of the restatement (13,539,000 euros at January 1, 2004, 13,674,000 euros at June 30, 2004 and 12,995,000 euros at December 31, 2004) refers to the shares of Banca Intermobiliare S.p.A., which in the financial statements prepared in accordance with Italian principles were carried at cost, an amount significantly different from the corresponding stock market value (fair value)

The booking of this restatement entailed the computation of the corresponding deferred tax liability in accordance with IAS 12, Paragraph 61 (see also Paragraph 4.2.a Deferred-tax liabilities).

c. IAS 32 – Treasury Shares

Under Italian accounting principles, treasury shares were recognized as a current asset and valued at the lower of cost or market value. Pursuant to law, a corresponding reserve for purchases of treasury shares was included in shareholders' equity. The financial effects of transactions involving treasury shares were reflected in the income statement.

Under IAS 32, Paragraph 33, treasury shares and any trading gain or loss generated after the transition date must be recognized as a deduction from shareholders' equity. The Reserve for treasury shares was reclassified to Retained earnings (Loss carryforward).

d. Loans Receivable from Contract Customers

This item is the current portion of the loans discussed in Paragraph 1.5.a below.

2.6 CASH AND CASH EQUIVALENTS

Description	1/1/04 (000/euros)	6/30/04 (000/euros)	12/31/04 (000/euros)
Deconsolidation of Pf Sverige	(99)	(878)	(483)
Total	(99)	(878)	(483)

a. IAS 31/27 - Impact of the Deconsolidation of Pininfarina Sverige AB

This entry shows the impact on Cash and cash equivalents of the deconsolidation of Pininfarina Sverige AB, which is discussed in detail in Paragraph 5.2.a.7 IAS 27 - Consolidation of the Pininfarina Sverige AB Joint Venture.

4.1 NON-CURRENT LIABILITIES

Description	1/1/04 (000/euros)	6/30/04 (000/euros)	12/31/04 (000/euros)
a Liabilities under finance leases received	-	-	74,127
Total	-	-	74,127

The current portion of liabilities under finance leases received is discussed in Item 5.1.a below.

4.2 DEFERRED-TAX LIABILITIES

Description	1/1/04 (000/euros)	6/30/04 (000/euros)	12/31/04 (000/euros)
a Deferred-tax liabilities on valuation of available-for-sale securities	5,105	5,149	4,907
Deferred-tax liabilities on valuation of financial assets through profit and loss	-	-	391
b Deferred-tax liabilities on revaluations of buildings	7,267	7,267	7,321
Deferred-tax liabilities on adjustments to the provision for termin. indem.	-	-	589
c Deferred-tax liabilities on adjustment made to account for leases	20,853	13,838	6,001
Deferred-tax liabilities on Matra revaluations	3,917	3,845	(50)
Sundry items	852	758	224
Total	37,993	30,857	19,382

a. IAS 12 – Deferred-tax Liabilities on the Valuation of Securities at Fair Value

This entry reflects the tax consequences of the restatements discussed in Paragraphs 2.4.a and 2.4.b.

b. IAS 12 – Deferred-tax Liabilities on the Revaluation of Buildings

This entry reflects the tax consequences of the restatements discussed in Paragraph 5.2a6 IFRS 3 - Restatement of the Business Combination with the Matra Group and Paragraph 1.1.a IFRS 1 - Fair Value or Revaluation as Deemed Cost.

c. IAS 12 – Deferred-tax Liabilities on Leases

This entry reflects the net tax consequences of accounting for leases received in accordance with IAS 17, Paragraph 20 (see Paragraph 5.2a5 IAS 17 - Leases in Which the Group Is the Lessee) and of leases given in accordance with IFRIC 4 (see Paragraph 5.2a4 IFRIC Interpretations That Have Not Yet Been Approved).

4.3 POST-EMPLOYMENT BENEFITS

Description	1/1/04 (000/euros)	6/30/04 (000/euros)	12/31/04 (000/euros)
Restatement of entry concerning Matra employee benefits	(174)	(174)	(174)
Restatement for transition to IFRS treatment of provision for termination indemnities	(1,707)	(1,621)	(1,778)
Total	(1,881)	(1,795)	(1,952)

a. IAS 19 – Provision for Termination Indemnities

The Provision for termination indemnities, computed and recognized in the financial statements prepared under Italian accounting principles in accordance with Article 2120 of the Italian Civil Code, is deemed to be a defined-benefit pension plan, as defined by IAS 19, Paragraphs 48 to 62. It must then be valued as such by the Projected Unit Credit Method (IAS 19, Paragraph 68). This liability was determined by an independent actuary, who is a member of the relevant national board.

The tax impact of this restatement was computed in accordance with IAS 12.

5.1 CURRENT BORROWINGS

Description	1/1/04 (000/euros)	6/30/04 (000/euros)	12/31/04 (000/euros)
Current portion of loans payable under leases	95,949	74,674	41,946
Application of amortized cost method to loans	-	-	331
Restatement of loans payable	-	(316)	-
Total	95,949	74,358	42,277

a. IAS 17 – Accounting for Leases liabilities

As explained in detail in Paragraph 5.2a5 IAS 17 - Leases in Which the Group Is the Lessee, this restatement reflects the liability toward leasing companies under a long-term lease executed to finance the capital expenditures needed for the Ford Street Ka and Mitsubishi Pajero Pinin orders and to erect a building in Cambiano that houses the Style Center.

5.2 TRADE ACCOUNTS PAYABLE AND OTHER PAYABLES

Description	1/1/04 (000/euros)	6/30/04 (000/euros)	12/31/04 (000/euros)
a Derecognition of accrued expenses due to accounting for leases under IAS 17	(31,556)	(32,502)	(25,680)
Deconsolidation of Pf Sverige	(1,003)	69,568	100,475
b Reclassification of advances for derecognition of contract work in progress	(38,880)	(121,740)	(122,613)
Other entries	(146)	10	(1,029)
Total	(71,585)	(84,664)	(48,846)

a. IAS 17 – Derecognition of Accrued Expenses for Lease Payments

In the financial statements prepared in accordance with Italian accounting principles, in order to match the revenues from the sale of automobiles with the payment made under leases received to finance the corresponding capital expenditures, the Group recognized as accrued expenses the portion of lease payments that had not yet been invoiced to Pininfarina S.p.A.

In the IFRS financial statements, these accrued expenses have to be eliminated because the financial statements include the loans payable to the leasing companies (IAS 17, Paragraph 20) and the loans receivable from contract customers (IFRIC 4). For additional information, see Paragraph 5.2.a.4 IFRIC Interpretations That Have Not Yet Been Approved.

b. Reclassification of Advances for Derecognition of Contract Work in Progress

With regard to this item, see comments in Paragraph 2.2.b).

5.4 PROVISIONS FOR OTHER LIABILITIES AND CHARGES

Description	1/1/04 (000/euros)	6/30/04 (000/euros)	12/31/04 (000/euros)
Deconsolidation of Pf Sverige	-	-	(435)
a Impact of the business combination with the Matra Group	(1,434)	-	(1,080)
Total	(1,434)	-	(1,515)

a. Impact of the Business Combination with the Matra Group

See Paragraph 5.2.a6 IFRS 3 Restatement of the Business Combination with the Matra Group.

6.1 SALES AND SERVICE REVENUES

Description	6/30/04 (000/euros)	12/31/04 (000/euros)
a Sales and service revenues	(20,277)	(41,405)
Other restatements	9	33
Total	(20,268)	(41,372)

a. IFRIC 4 – Sales and Service Revenues

This restatement reflects the derecognition of the portion of revenues that represents the recovery of the capital expenditures incurred for the Ford Street Ka order and the rebilling to Mitsubishi of payments under lease in which the Group is the lessee. For more detailed information see Paragraph 5.2.a.4 IFRIC Interpretations That Have Not Yet been Approved.

6.3 CHANGE IN INVENTORY

Description	6/30/04 (000/euros)	12/31/04 (000/euros)
Switch to FIFO to value inventory of raw materials	1,129	145
Ending inventory of contract work in progress of Pininfarina Deutschland	178	(35)
Total	1,307	110

a. IAS 2 - Valuation of Inventory by the FIFO Method

This restatement reflects the impact on the income statement of the switch from LIFO (not allowed under IAS 2) to FIFO to value inventory.

b. IAS 11 - Valuation of contract orders of Pininfarina Deutschland by the percentage of completion

The purpose of this restatement was to value a long-term contract order held by Pininfarina Deutschland GmbH by the percentage of completion method, in accordance with IAS 11, Paragraph 25.

6.5 OTHER INCOME AND REVENUES

Description	6/30/04 (000/euros)	12/31/04 (000/euros)
a Reversal of provision for Matra consolidation risks	(1,434)	(4,550)
b Gain on the sale of production equipment	145	301
c Revenues from the financial statements of Pininfarina Sverige	(288)	0
d Restatement of carrying amounts of PF Deutschland	(162)	(156)
e Difference on accelerated depreciation	0	3,587
Total	(1,739)	(819)

a. IFRS 3 - Reversal of the Reserve for Consolidation Risks and Charges

In the IFRS financial statements, the business combination with the Matra Group was recognized as of the date when Pininfarina S.p.A. purchased Matra Automobile Engineering SAS. More detailed information is provided in Paragraph 5.2.a.6 IFRS 3 - Restatement of the Business Combination with the Matra Group.

The difference between the cost paid and the buyer's pro rata interest in the net fair value of the assets, liabilities and contingent liabilities that were identifiable on the purchase date was recognized in the income statement for the full amount as of the date of purchase, in accordance with IFRS 3, Paragraph 56b.

This restatement refers to the reversal of the portion of the Reserve for consolidation risks and charges that was charged to income in the income statement prepared in accordance with Italian accounting principles to offset the losses incurred by the Matra Group.

b. IAS 16 - Redefinition of the Useful Life of Equipment - Gain

The restatement of the gain recognized in the financial statements prepared in accordance with Italian accounting principles became necessary as a result of the restatement described in Paragraph 1.1., which reflected a redefinition of the useful life of equipment.

c. IAS 31/27 - Impact of the Deconsolidation of Pininfarina Sverige AB

d. IAS 11 – Contract Orders Held by Pininfarina Deutschland GmbH

This restatement corrects an error that existed in the consolidated financial statements at December 31, 2003 and needed to be corrected in the consolidation entries, since the adjustment had already been corrected in the financial statements of Pininfarina Deutschland, which is consolidated line by line.

e. Difference on Accelerated Depreciation

This restatement reflects the difference in the accelerated depreciation recognized in the consolidated financial statements under Italian accounting principles and the IAS consolidated financial statements.

7.2 CHANGE IN RAW MATERIALS AND CONSUMABLES

Description	6/30/04 (000/euros)	12/31/04 (000/euros)
Deconsolidation of Pininfarina Sverige	-	(39)
Total	-	(39)

7.4 VARIABLE EXTERNAL ENGINEERING SERVICES

Description	6/30/04 (000/euros)	12/31/04 (000/euros)
Reversal of multi-year costs that cannot be capitalized under IAS 38	0	(222)
Service costs transferred from property, plant and equipment	(75)	0
Reversal of service costs from financial statements of Pininfarina Sverige	60	0
Total	(15)	(222)

These are smaller, unrelated adjustments.

7.5 LABOR COSTS

Description	6/30/04 (000/euros)	12/31/04 (000/euros)
a Increase in labor costs of PF Spa for recognition of stock options	(264)	(528)
b Difference in amount shown as addition to provision for termination indemnities in statutory and IAS financial statements	(75)	97
Total	(339)	(431)

a. IFRS 2 – Stock Option Plans

This restatement reflects the determination of the fair value of the benefits provided by the Group to the beneficiaries of the last tranche of the stock option plan described in section (h) of Paragraph 5.2.a.1 Optional Exceptions to the Retrospective Application of IFRSs.

b. IAS 19 – Provision for Termination Indemnities

This restatement reflects the net impact of accounting for the Provision for termination indemnities in accordance with IAS 19, Paragraphs 48 to 62.

7.6 DEPRECIATION, AMORTIZATION AND WRITEDOWNS

Description	6/30/04 (000/euros)	12/31/04 (000/euros)
a Amortization of derecognized intangibles	516	736
Difference in depreciation of assets revalued in accordance with IFRS 1	0	146
c Depreciation of building in Cambiano held under a finance lease	(166)	0
b Redefinition of depreciation of equipment	(160)	(531)
Net depreciation of leased assets	0	(226)
d Amortization of PF Extra consolidation difference	78	157
Derecognition of amortization of PF Extra intangibles	0	59
e Increased depreciation of Matra buildings	(252)	0
f Decrease in Ceram and D-Trois amortization	170	0
Other entries	23	(28)
Total	209	314

a. IAS 38 – Elimination of Multi-year Costs

This entry reflects the impact of the reversal of the amortization of the multi-year costs discussed in Paragraph 1.2.a.

b. IAS 16 – Redefinition of the Useful Life of Equipment – Reversal of Depreciation for the period

This restatement was necessary to adjust the depreciation period of certain production equipment owned by Pininfarina S.p.A. to match its useful life, which is the same as the production run of the respective automobiles.

c. IAS 17 - Depreciation of Building in Cambiano Held Under a Finance Lease

This restatement reflects the depreciation of a building in Cambiano that Pininfarina S.p.A. holds under a finance lease. For additional information see Paragraph 5.2.a.5 IAS 17 – Leases in which the Group is the Lessee.

d. IAS 38 – Amortization of Pininfarina Extra Consolidation Difference

This restatement reflects the elimination of the amortization, booked over ten years, of the consolidation difference attributable to Pininfarina Extra. In accordance with IFRS 3, Paragraph 55, goodwill cannot be amortized. It can only be written down for impairment losses.

e. IAS 16 – Depreciation of Matra Group Buildings

This restatement reflects the depreciation of the revaluation amount added to property owned by the subsidiaries Matra Automobile Engineering SAS and Ceram SAS upon the restatement of the business combination. For additional information see Paragraph 5.2.a.6 IFRS 3 – Restatement of the Business Combination with the Matra Group.

f. IAS 38 – Reversal of the Consolidation Differences Attributable to Ceram and D-Trois

In the financial statements prepared in accordance with Italian accounting principles, the consolidation differences attributable to Ceram and D-Trois were amortized over 20 years and 10 years, respectively. As a result of the restatement of the business combination with the Matra Group upon first-time adoption of the IFRSs, which has been discussed in great detail in the preceding paragraphs, these differences were allocated to cover the difference between the higher market value of buildings and their book value. As a result, the amount of the consolidation difference must be derecognized in the IFRS financial statements.

7.8 FOREIGN EXCHANGE DIFFERENCES

Description	6/30/04 (000/euros)	12/31/04 (000/euros)
Adjusting entries to restate foreign exchange differences	(92)	(92)
Entries to reflect gains in financial statements of Pininfarina Sverige	0	(1,477)
Total	(92)	(1,568)

In the financial statements prepared in previous years, Pininfarina S.p.A. added to a Provisions for foreign exchange fluctuations any losses generated by the translation of receivables and payables in foreign currencies at the exchange rate in force on the balance sheet date. Gains, if any, were not recognized.

IAS 21, Paragraphs 23 and 28, requires that any adjustment stemming from the translation of monetary items be made at the exchange rate in force at the end of the year and reflected in the income statement. This restatement was made to recognize the abovementioned adjustment.

7.9 OTHER EXPENSES

Description	6/30/04 (000/euros)	12/31/04 (000/euros)
Reversal of lease payments made	23,869	40,602
Reversal of Matra costs	0	165
Deconsolidation of Pininfarina Sverige	0	87
Reversal of taxes on financing facilities for amortized costs	115	115
Total	23,984	40,969

a. IAS 17 – Reversal of Lease Payments Made

This entry removes from the income statement the lease payments made under leases executed for a building in Cambiano and to finance the capital expenditures needed to finance production of the Ford Street Ka and Mitsubishi lines. For additional information see Paragraph 5.2.a.5 IAS 17 - Leases in which the Group is the Lessee.

b. IAS 38 – Reversal of Substitute Tax on Financing Facilities

This entry reverses the substitute tax on the financing received during the period, which was capitalized as an intangible in the financial statements in accordance with Italian accounting principles but did not meet the capitalization requirements of IAS 38.

8.1 FINANCIAL INCOME AND EXPENSE

Description	6/30/04 (000/euros)	12/31/04 (000/euros)
a Change in fair value of securities	(97)	539
b Interest paid on finance leases received	(1,917)	(3,187)
c Interest earned on finance leases given	1,444	1,533
d Deconsolidation of Pininfarina Sverige	687	1,868
e Use of amortized cost for existing financing facilities	(4)	283
Total	113	1,036

a. IAS 39 - Financial Assets Carried at Fair Value, with Changes of Value Recognized in Earnings

This restatement reflects the impact of valuing at fair value the investment portfolios managed by Azimut Fondi, Banca Intermobiliare S.p.A. and Ersel SIM. In accordance with IAS 39, Paragraph 9, these managed assets are classified as financial assets carried at fair value, with changes of value recognized in earnings. Consistent with IAS 39, Paragraph 55a, the resulting gains and losses are recognized in the income statement.

b. IAS 17 – Interest Paid on Leases

This item represents the interest payable accrued during the period on liabilities recognized in the financial statements in accordance with IAS 17, Paragraph 20. For additional information see Paragraph “5.2.a.5 IAS 17 - Leases in which the Group is the Lessee.

c. IAS 17 - Interest income on Leases

This item represents the interest receivable accrued during the period in accordance with IAS 17, Paragraph 39, on liabilities recognized in the financial statements in accordance with IFRIC 4. For additional information, see Paragraph 5.2.a.4 IFRIC Interpretations That Have Not Yet Been Approved.

d. IAS 31 – Valuation of Pininfarina Sverige AB by the Equity Method

This entry was made to reflect the impact of certain consolidation adjustments on the valuation of this investment by the equity method.

e. Use of Amortized Cost for Financing Facilities

Consistent with IAS 39, the impact of loans payable on the income statement was recomputed by the amortized cost method.

8.3 CHANGES IN THE VALUATION OF INVESTMENTS BY THE EQUITY METHOD

Description	6/30/04 (000/euros)	12/31/04 (000/euros)
PF Sverige deconsolidation entry - equity adjustment	(325)	(629)
Total	(325)	(629)

8.4 EXTRAORDINARY INCOME AND EXPENSE

Description	6/30/04 (000/euros)	12/31/04 (000/euros)
Restatement of entry made to eliminate the impact of tax-related items	0	(3,587)
Total	0	(3,587)

9.1 DEFERRED TAXES

Description	6/30/04 (000/euros)	12/31/04 (000/euros)
a Tax impact of derecognition of intangibles	(167)	(203)
b Deferred taxes on entries to inventories	(421)	0
c Deconsolidation of Pininfarina Sverige	(227)	(231)
d Reversal of deferred-tax asset on leases received	(8,115)	(13,999)
e Reversal of deferred-tax liability on leases given	7,015	14,853
Reversal for the period of entries related to fair value of securities	0	(158)
Other entries	109	(102)
Total	(1,806)	160

a. IAS 38 – Elimination of Multi-year Costs

This entry reflects the tax impact of eliminating multi-year costs recognized by Pininfarina S.p.A. and Pininfarina Extra Srl that do not meet the requirements of IAS 38, Paragraph 10, for inclusion among intangible assets. See also Paragraph 1.2.a.

b. IAS 2 – Valuation of Inventory by the FIFO Method

This restatement reflects the tax impact of the switch from the LIFO method (not allowed under IAS 2) to the FIFO method to value inventory.

c. IAS 31/27 – Impact of the Deconsolidation of Pininfarina Sverige AB

This entry was made to reflect the impact of certain consolidation adjustments on the valuation of this investment by the equity method.

d. IAS 17 – Tax Impact of Restatements Made in Connection with Leases Received

This restatement reflects the reversal of the deferred-tax asset on leases received recognized as a result of the liability incurred toward the leasing company. For additional information, see Paragraph 5.2.a.5 IAS 17 - Leases in Which the Group is the Lessee.

e. IAS 17 – Tax Impact of Restatements Made in Connection with Leases Given

This restatement reflects the reversal of the deferred-tax liability on leases received recognized as a result of the liability incurred toward the leasing company identified in accordance with IFRIC 4. For additional information, see Paragraph 5.2.a.4 IFRIC Interpretations That Have Not Yet Been Approved.

9.2 MINORITY INTEREST IN PROFIT/LOSS

Description	6/30/04 (000/euros)	12/31/04 (000/euros)
Deconsolidation of Pininfarina Sverige	90	415
Total	90	415

Reconciliation of the Cash Flow Statement for the First Half of 2004:

The difference between cash and cash equivalents computed in accordance with IAS principles and the corresponding amount computed in accordance with Italian accounting principles is due to the deconsolidation of Pininfarina Sverige A.B.

8. Segment Information

a) Primary Segment

Business Segment

Segment information at June 30, 2005 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 the six months ended in June 2005 are as follows:

			€/000
	Production	Styling & Engineering	Total for the Group
Value of production	150,016	94,965	244,981
Intra-segment value of production	(36,453)	(3,001)	(39,454)
Value of production	113,563	91,964	205,528
EBIT	16,415	(1,436)	14,978
Financial income/expense			1,984
Interest in profit of associates	(4,044)	0	(4,044)
Profit before taxes			12,919
Income taxes			2,764
Profit for the period			15,683

The results for the six months ended in June 2004 are as follows:

			€/000
	Production	Styling & Engineering	Total for the Group
Value of production	257,628	76,432	334,060
Intra-segment value of production	(31,623)	(1,153)	(32,776)
Value of production	226,005	75,279	301,284
EBIT	14,081	(1,703)	12,378
Financial income/expense			1,188
Interest in profit of associates	(3,445)		(3,445)
Profit before taxes			10,121
Income taxes			(6,677)
Profit for the period			3,444

A breakdown of assets and liabilities at June 30, 2005 by business segment is as follows:

				€/000
	Production	Styling & Engineering	Not allocated	Total for the Group
Assets	464,200	104,741	129,834	698,775
Liabilities	311,645	92,726	84,147	488,518

A breakdown of assets and liabilities at December 31, 2004 by business segment is as follows:

				€/000
	Production	Styling & Engineering	Not allocated	Total for the Group
Assets	329,789	175,515	138,727	644,031
Liabilities	212,787	155,605	83,070	451,462

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:

	6/30/05	€/000 6/30/04
ITALY	57,541	25,431
REST OF EU	92,567	191,259
OUTSIDE THE EU	5,363	1,468
Total	155,471	218,158

9. List of Companies Consolidated Line by Line

<i>Name</i>	<i>Registered Office</i>	<i>Equity capital (euros)</i>	<i>% of direct or indirect control</i>	<i>% interest held</i>
Group Parent Company				
<i>Pininfarina S.p.A</i>	<i>Via Bruno Buozzi 6 - Turin - I</i>	<i>9,317,000</i>		
Italian Subsidiaries				
<i>Pininfarina Extra S.r.l.</i>	<i>Via Bruno Buozzi 6 - Turin - I</i>	<i>388,000</i>	<i>100</i>	<i>100</i>
Foreign Subsidiaries				
<i>PF RE S.a.</i>	<i>6B, route de Trevès - Senningerberg - L</i>	<i>1,250,000</i>	<i>100</i>	<i>100</i>
<i>Pininfarina Deutschland GmbH</i>	<i>Industriestrasse 10 - Renningen - D</i>	<i>3,100,000</i>	<i>100</i>	<i>100</i>
<i>Matra Automobile Engineering SAS</i>	<i>8, avenue J. D'Alembert Trappes - Cedex - F</i>	<i>971,200</i>	<i>100</i>	<i>100</i>
<i>CERAM S.A.S.</i>	<i>Mortefontaine - F</i>	<i>1,000,000</i>	<i>100</i>	<i>0</i>
<i>D3 S.A.S.</i>	<i>11, rue Paul Bert - Courbevoie - F</i>	<i>306,000</i>	<i>100</i>	<i>0</i>
<i>Plazolles Modelage S.a.r.l.</i>	<i>ZAC de l'Argentine - 9, rue J.Anquetil Garges Les Gonesses - F</i>	<i>8,000</i>	<i>100</i>	<i>0</i>
<i>Matra Automobile Engineering Maroc S.A.S.</i>	<i>Km 12, Autoroute de Rabat - Sidi Bernoussi - Zenata Casablanca - MA</i>	<i>MAD 8,000,000</i>	<i>100</i>	<i>0</i>
<i>Matra Developpement S.A.S.</i>	<i>8, avenue J.D'Alembert - Parc d'Activites Pissaloup - Trappes - F</i>	<i>37,000</i>	<i>100</i>	<i>0</i>
<i>RHTU Sverige AB</i>	<i>Varvsvagen 1 - Uddevalla - S</i>	<i>SEK 100,000</i>	<i>100</i>	<i>100</i>

9.1 Companies Valued by the Equity Method

The investment in the Pininfarina Sverige AB joint venture is being valued by the equity method.

9.2 Change in the Scope of Consolidation

Compared with December 31, 2004, the scope of consolidation changed due to the sale of the 50% investment in the Open Air Systems GmbH joint venture (previously valued by the equity method) on January 1, 2005 and to the liquidation of PF Services (a company controlled indirectly through PF RE SA) on June 27, 2005.

10. Major Asset Accounts

Property, Plant and Equipment

	6/30/05	12/31/04	Change
Land and buildings	99,079,267	99,387,973	(308,706)
Plant and machinery	79,904,337	52,463,212	27,441,125
Furniture, fixtures and other prop., plant & equip.	4,672,245	4,733,056	(60,811)
Assets under construction	3,115,665	1,530,307	1,585,358
Investment in materials	24,177	44,001	(19,824)
Total	186,795,691	158,158,549	28,637,142

The increase in property, plant and equipment reflects the recognition equipment acquired under leases to fulfill new production contracts.

Equity Investments in Associated Companies

	6/30/05	12/31/04	Change
Pasiphae S.a.r.l	744,800	744,800	-
Total	744,800	744,800	-

The investment in Pasiphae Sarl did not change.

Equity Investments in Joint Ventures

	6/30/2005	12/31/2004	Change
PF Sverige	0	0	0
Oasys	0	1,763,998	(1,763,998)
Total	0	1,763,998	(1,763,998)

The investment in Oasys was sold in 2005, generating a gain of €30,232,310.

The investment in Pininfarina Sverige is carried at a negative balance following a writedown taken in 2005. This negative balance has been transferred to the provisions for liabilities and charges.

Equity Investments in Other Companies

	6/30/05	12/31/04	Change
Banca Passadore S.p.a.	257,196	257,196	0
Unionfidi S.c.r.l.p.A. Torino	129	129	0
Midi Ltd	215,793	217,257	(1,464)
Idroenergia Soc. cons. a r.l.	516	516	0
Other investments in managed portfolios	36,349	33,052	3,297
Total	509,983	508,150	1,833

Financial Assets

	6/30/05	12/31/04	Change
Non-current financial assets			
Loans and other receivables from outsiders	91,370,408	63,800,463	27,569,945
Current financial assets			
Loans and other receivables from outsiders	20,998,515	16,109,178	4,889,337
Total	112,368,923	79,909,641	32,459,282

Loans and other receivables from outsiders increased by €32,459,282 due to the recognition of loans receivable under leases given, which were identified in accordance with IFRIC 4.

Contract Work in Progress

	6/30/05	12/31/04	Change
Contract work in progress	31,951,586	23,507,914	8,443,672

The gain in contract work in progress reflects the progress made in carrying out development programs, particularly those undertaken for the Volvo P15 and Chery contracts.

11. Share Capital

	Number of shares	Common shares	Treasury shares	Total
At January 1, 2004	9,317,000	9,317,000	124,819	9,192,181
At June 30, 2004	9,317,000	9,317,000	134,498	9,182,502
At December 31, 2004	9,317,000	9,317,000	134,498	9,182,502
At January 1, 2005	9,317,000	9,317,000	134,498	9,182,502
At June 30, 2005	9,317,000	9,317,000	3,689	9,313,311

A total of 9,317,000 shares, par value 1 euro each, has been authorized.
All of the issued shares have been paid in.

At June 30, 2005, the Company held a total of 3,689 treasury shares, with a net value of €86,766. This amount was deducted from shareholders' equity upon the adoption of IAS 32 and IAS 39 in January 2005.
These shares are held as treasury shares.

12. Earnings per Share

a) Basic Earnings per Share

Basic earnings per share are computed by dividing the profit for the period by the number of common shares outstanding at June 30, 2005.

	6/30/05	6/30/04
Profit for the period	15,683,137	3,444,354
Number of common shares, net	9,317,000	9,317,000
Basic earnings per share (in euros)	1.68	0.37

b) Diluted Earnings per Share

Diluted earnings per share are the same as basic earnings per share.

13. Major Liability Accounts

Borrowings

	6/30/05	12/31/04	Change
Long-term borrowings			
Liabilities under finance leases	133,162,621	74,127,286	59,035,335
Bonds and other borrowings	120,678,135	120,199,014	479,121
Current borrowings			
Due to banks	420,561	467,781	(47,220)
Liabilities under finance leases	35,795,820	42,307,548	(6,511,728)
Total indebtedness	290,057,137	237,101,629	52,955,508

No corporate asset has been pledged as collateral.

The Group's Parent Company has guaranteed a loan provided by banks to Pininfarina Sverige A.B.

The increase in indebtedness, amounting to €52,523,607 is due mainly to the recognition of lease obligations (accounted for in accordance with IAS 17) incurred to finance new development and production orders.

The maturity of the Group's long-term indebtedness is as follows:

	6/30/05
Due within one year	36,216,376
Due between one and five years	230,794,152
Due after five years	23,046,608
Total	290,057,136

All of the Group's indebtedness is denominated in euros.

14. Contingent Commitments and Liabilities

At June 30, 2005, the Group's contingent liabilities for guarantees provided on behalf of outsiders amounted to € 619,291, compared with € 3,391,968 at December 31, 2004.

The companies of the Group are parties to certain legal disputes. In the opinion of management and based on the advice of counsel, the outcome of these disputes will not produce significant losses.

Capital Investment Commitments

Capital expenditures in connection with orders for property, plant and equipment that have not yet been reflected in the financial statements amounted to € 3,606,297 at June 30, 2005, compared with € 13,104,242 at December 31, 2004.

15. Major Income Statement Accounts

Depreciation of Property, Plant and Equipment

	6/30/05	6/30/04	Change
Buildings	1,662,150	1,807,790	(145,640)
Plant and machinery	5,316,293	5,903,754	(587,461)
Furniture, fixtures and other property, plant and equipment	430,801	600,391	(169,590)
Total	7,409,244	8,311,935	(902,691)

Amortization of Intangible Assets

	6/30/05	6/30/04	Change
Licenses and trademarks	619,429	640,882	(21,453)
Other intangibles	186,584	51,394	135,190
Total	806,013	692,276	113,737

Finance Costs, Net

	6/30/05	6/30/04	Change
Financial liabilities:			
- Interest on bank loans	(137,968)	(603,901)	465,933
- Interest on lease installments	(2,383,924)	(1,944,041)	(439,883)
- Interest on bonds and other borrowings	(1,642,480)	(19,696)	(1,622,784)
- Financial income - Cash and cash equivalents	86,253	35,298	50,955
- Interest income from outsiders	2,323,812	1,442,939	880,873
- Interest income from associates and joint ventures	1,529,319	752,820	776,499
- Financial income from held-for-sale current assets	1,347,115	902,764	444,351
Total	1,122,127	566,183	555,944

The rise in interest on other borrowings + € 1,622,784 is due to an increase in medium- and long-term bank borrowings.

The gain in interest from outsiders+ € 880,873 reflects an increase in loans to customers.

The increase in interest income from associates is due to an expansion of the loans provided to Pininfarina Sverige.

Value Adjustments

The value adjustment of €3,445,012 shown at June 30, 2004 reflects a writedown of the investment in Oasys. The value adjustment at June 30, 2005 (€4,044,000) is due to a writedown of the investment in Pininfarina Sverige.

Income Taxes for the Period

	6/30/05	6/30/04	Change
Current taxes	(1.181.138)	(6.394.732)	5.213.594
Deferred taxes	3.945.431	(281.848)	4.227.279
Total	2.764.293	(6.676.580)	9.440.873

A breakdown of current taxes at June 30, 2005 is as follows:

Local taxes (IRAP) owed by Pininfarina S.p.A. of €990,182;

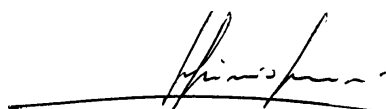
Current income taxes owed by Pininfarina Deutschland of €190,956.

Deferred taxes at June 30, 2005 include €3.296.441 attributable to Pininfarina S.p.A.

A breakdown of deferred-tax assets and deferred-tax liabilities of Pininfarina S.p.A. is as follows:

	6/30/05	6/30/04	Change
Deferred-tax assets	12,723,586	10,043,959	2,679,627
Provision for deferred taxes	(8,147,898)	(8,764,712)	616,813
Net balance	4,575,688	1,279,247	3,296,441

Sergio Pininfarina
Chairman
of the Board of Directors



16. PININFARINA S.p.A.

Financial Statements at June 30, 2005

In accordance with Italian Accounting Principles

ASSETS

6/30/04		6/30/05	12/31/04
	B) NON-CURRENT ASSETS		
	I) Intangible assets:		
	1) Startup and expansion costs		
	2) Research, development and advertising costs		
3,418,486	3) Rights to use intellectual property	2,465,143	2,676,166
	4) Concessions, licenses, trademarks and similar rights		
	5) Goodwill		
15,300	6) Intangible assets under formation	0	0
652,700	7) Other intangibles	461,496	554,553
4,086,486	Total	2,926,639	3,230,719
	II) Fixed assets:		
31,706,081	1) Land and buildings	35,806,291	35,314,603
25,325,699	2) Plant and machinery	29,661,685	28,012,787
5,810,886	3) Industrial and trade equipment	5,388,485	6,036,617
3,307,103	4) Other goods	3,080,420	3,292,994
	5) Fixed assets under construction and advances	2,915,812	1,047,522
66,149,769	Total	76,852,693	73,704,523
	III) Non-current financial assets:		
	1) Investments in:		
43,583,613	a) Subsidiaries	44,700,786	44,987,367
10,552,102	b) Associated companies	1,337,627	10,552,102
	c) Controlling companies		
257,841	d) Other companies	257,841	257,841
	2) Loans receivable from:	0	
	a) Subsidiaries		
	- Due after one year	123,643,241	101,099,695
	b) Associated companies	0	
	- Due after one year	0	13,003,692
	c) Controlling companies	0	
	d) Other companies	0	
	3) Other securities	0	
	4) Treasury shares	0	
54,393,556	Total	169,939,495	169,900,697
124,629,811	Total non-current assets (B)	249,718,827	246,835,939
	C) CURRENT ASSETS		
	I) Inventory:		
24,551,914	1) Raw, ancillary and consumable materials	8,389,526	18,214,401
6,443,452	2) Work in process and semifinished goods	1,356,713	1,801,946
169,502,879	3) Work in progress on job orders	199,747,624	164,427,881
1,374,004	4) Finished products and goods	12,924,185	2,019,520
	5) Advances		
201,872,249	Total	222,418,048	186,463,748
	II) Receivables:		
	1) Trade accounts		
46,849,618	- Due within one year	27,910,353	24,460,937
	2) Due from subsidiaries	0	
209,281	- Due within one year	20,880,852	23,603,822
85,998,484	- Due after one year	0	
	3) Due from associated companies	0	
381,063	- Due within one year	0	2,860,629
8,821,617	- Due after one year	0	

ASSETS (continued)

6/30/04		6/30/05	12/31/04
	3b) Due from other group companies	0	
	- Due within one year	0	
	4) Due from controlling companies	0	
0	- Due within one year	0	0
	4-bis) Tax credits		
	- Due within one year	10,562,988	19,737,001
	- Due after one year	1,227,753	1,282,905
	4-ter) Prepaid taxes		
	- Due within one year	12,723,586	10,043,959
	5) Due from others	0	
27,127,574	- Due within one year	3,806,884	1,847,071
14,457,760	- Due after one year	825,633	792,680
183,845,397	Total	77,938,049	84,629,004
	III) Current financial assets:		
	1) Investments in subsidiaries		
	2) Investments in associated companies		
	3) Investments in controlling companies		
8,386,723	4) Other investments	10,708,226	8,812,853
3,061,040	5) Treasury stock	86,766	2,994,867
49,107,822	6) Other securities	75,268,600	80,437,792
60,555,585	Total	86,063,592	92,245,512
	IV) Liquid assets:		
7,332,138	1) Cash at banks and post offices	7,923,248	19,059,998
	2) Checks in transit		
94,942	3) Cash and cash equivalents on hand	106,028	88,421
7,427,080	Total	8,029,276	19,148,419
453,700,311	Total current assets (C)	394,448,965	382,486,683
D)	PREPAYMENTS AND ACCRUED INCOME		
4,067,726	b) Other prepayments and accrued income	4,184,892	2,762,430
4,067,726	Total prepayments and accrued income (D)	4,184,892	2,762,430
582,397,848	TOTAL ASSETS	648,352,684	632,085,052

LIABILITIES AND SHAREHOLDERS' EQUITY

6/30/04			6/30/05	12/31/04
	A)	SHAREHOLDERS' EQUITY		
9.317.000	I	Share capital	9.317.000	9.317.000
36.885.352	II	Share premium reserve	36.885.352	36.885.352
7.872.866	III	Revaluation reserve	7.872.866	7.872.866
2.231.389	IV	Legal reserve	2.231.389	2.231.389
	V	Reserves under the Bylaws		
	VI	Reserve for purchases of treasury stock	0	
24.439.645		1) for future purchases	14.908.102	24.439.645
3.511.355		2) for past purchases	86.765	2.994.867
	VII	Other reserves:	0	
52.986.055		1) special reserve	73.913.847	53.502.543
203.957		2) reserve for out-of-period income	203.957	203.957
9.355.557		3) reserve for grants under Law No. 488/92	12.093.557	9.355.557
10.994.854		4) reserve for accelerated depreciation	20.336.333	9.613.986
9.746.623		5) free reserve for accelerated depreciation	405.144	11.127.492
13.375.262		6) merger reserves	13.375.262	13.375.262
	VIII	Retained earnings	0	0
7.226.982	IX	Net profit (loss) for the year	14.178.691	13.831.710
188.146.897		Total shareholders' equity (A)	205.808.265	194.751.626
	B)	PROVISIONS FOR RISKS AND CHARGES		
	1)	Provisions for pensions and similar obligations		
4.790.176	2)	Provision for current and deferred taxes	8.147.899	8.764.712
516.470	3)	Other provisions	1.514.000	
5.306.646		Total provisions for risks and charges (B)	9.661.899	8.764.712
25.970.101	C)	PROVISION FOR TERMINATION INDEMNITIES	28.463.913	27.404.408
	D)	PAYABLES		
	1)	Bonds		
	2)	Convertible bonds		
	3)	Loans payable to shareholders		
53.648.243	4)	Due to banks	118.826.230	118.234.624
	5)	Due to other lenders	0	
	6)	Advances	0	
50.168.393		- Due within one year	30.892.401	22.089.246
71.572.027		- Due after one year	117.618.407	100.523.291
	7)	Trade accounts	0	
126.684.631		- Due within one year	92.285.145	108.478.828
	8)	Liabilities represented by credit instruments		
	9)	Due to subsidiaries	0	
1.667.734		- Due within one year	978.904	1.632.348
	10)	Due to associated companies	0	
1.686.899		- Due within one year	0	4.917.099
	11)	Due to the controlling company	0	
		- Due within one year	0	0
	12)	Taxes payable	0	
4.037.912		- Due within one year	1.413.619	1.814.771
	13)	Due to social security authorities	0	
1.944.879		- Due within one year	1.478.074	2.883.962
	14)	Other payables	0	
15.590.890		- Due within one year	16.247.920	11.696.096
3.000.000		- Due after one year	0	
330.001.608		Total payables (D)	379.740.700	372.270.265
	E)	ACCRUED LIABILITIES AND DEFERRED INCOME		
32.972.596	b)	Other accrued liabilities and deferred income	24.677.907	28.894.041
32.972.596		Total accrued liabilities and deferred income (E)	24.677.907	28.894.041
582.397.848		TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	648.352.684	632.085.052
		MEMORANDUM ACCOUNTS		
48.815.500		Securities pledged as collateral	57.213.500	46.860.500
74.591.142		Lease payments outstanding	157.356.422	51.232.064
133.972.292		Third-party equipment held under gratuitous loans	116.114.160	131.512.809
7.800.860		Guarantees and sureties provided to outsiders	619.291	3.391.968
265.179.794		Total memorandum accounts	331.303.373	232.997.341

PROFIT AND LOSS ACCOUNT

12/31/04			6/30/05	6/30/04
	A)	Value of production		
454,045,855	1)	Revenues from sales and services	134,504,370	212,463,370
(3,539,159)	2)	Changes in inventory of work in process, semifinished goods and finished products	10,459,432	456,831
62,984,974	3)	Change in inventory of work in progress on job orders	35,319,743	68,059,972
	4)	Increase in fixed assets constructed internally	0	
33,832,299	5)	Other income and revenues	3,339,553	14,113,358
7,200		including operating grants	3,928	
547,323,969		Total value of production(A)	183,623,098	295,093,531
	B)	Cost of sales		
280,521,203	6)	Raw, ancillary and consumable materials and goods	79,662,838	165,889,174
107,687,221	7)	Services	50,452,614	41,890,679
44,616,424	8)	Use of third-party assets	10,175,240	26,218,118
	9)	Personnel:	0	
50,070,931	a)	wages and salaries	25,781,478	26,867,848
16,909,201	b)	social contributions	8,698,341	9,501,579
4,339,492	c)	termination indemnities	2,070,985	1,958,875
	d)	pension and similar benefits		
	e)	other costs		
	10)	Depreciation, amortization and writedowns:	0	
1,964,862	a)	amortization	761,952	1,164,309
12,829,205	b)	depreciation	6,288,415	6,272,643
	c)	Writedown of non-current assets		
	d)	writedowns of receivables included in current assets	0	242,696
8,191,030	11)	Changes in inventory of raw, ancillary and consumable materials and goods	9,824,875	2,078,517
225,000	12)	Provisions for risks and charges	0	
	13)	Other provisions		
1,480,191	14)	Other operating costs	562,977	1,083,068
528,834,760		Total cost of sales (B)	194,279,715	283,167,506
18,489,209		Difference between sales and cost of sales (A-B)	(10,656,617)	11,926,025
	C)	Financial income and charges:		
	15)	Income from investments in:		
	a)	subsidiaries and associated companies	22,456,392	
627,788	b)	other companies	853,947	627,787
	16)	Other financial income:	0	
	a)	from receivables shown under non-current assets due from:		
	1)	subsidiaries, associates and other Group companies		
	2)	controlling company		
	3)	other companies		
	b)	from securities shown under non-current assets other than equity investments		
	c)	from securities shown under current assets other than equity investments	735,878	516,527
999,006	d)	income other than the above from:		
	1)	subsidiaries, associates and other Group companies	1,735,666	843,530
2,465,230	2)	controlling company	0	
	3)	sundry income	1,323,407	816,435
1,350,806	17)	Interest and other financial charges paid to:		
	a)	subsidiaries, associates and other Group companies	0	0
	b)	controlling company	0	

PROFIT AND LOSS ACCOUNT (continued)

12/31/04			6/30/05	6/30/04
(2.351.557)	c)	others	(3.061.807)	(722.486)
(395.569)	17-bis	Foreign exchange gains (losses)	129.738	
2.695.704		Total financial income and charges (C)	24.173.221	2.081.793
D)		Adjustments to the value of financial assets		
	18)	Revaluations of:		
	a)	equity investments		
	b)	non-current finan. assets other than equity investments		
	c)	securities shown under current assets other than equity investments		
	19)	Writedowns of:		
	a)	equity investments	0	
	b)	non-current finan. assets other than equity investments	0	
	c)	securities shown under current assets other than equity investments		
(256.738)			(130.171)	(175.577)
(256.738)		Total adjustments to the value of financial assets (D)	(130.171)	(175.577)
E)		Extraordinary income and charges		
	20)	Income:		
	a)	Gains on disposals of assets		
6.009.982	b)	Other income	0	
	21)	Charges:	0	
	a)	Losses on disposals of assets		
(4.833)	b)	Other charges	(1.514.000)	(62.151)
6.005.149		Total extraordinary income and charges E)	(1.514.000)	(62.151)
26.933.324		Profit before taxes (A-B+C+D+E)	11.872.433	13.770.090
	22	Income taxes		
(5.750.270)	a)	current taxes	(990.182)	(6.163.442)
(7.351.344)	b)	deferred taxes	3.296.440	(379.666)
13.831.710	26	Net profit	14.178.691	7.226.982

17. Other Information

17.1 Employees

At June 30, 2005, there was an average of 2,630 employees on the payroll, compared with 2,514 employees at June 30, 2004.

As required by Article 126 of Consob Resolution No. 11971/99, the table below provides a list of the equity investments held directly and indirectly by Pininfarina S.p.A.

Name	Total % interest	% direct interest	% indirect interest	
			Matra Automobile Engineering	D3 sas
<i>Pininfarina Extra S.r.l.</i>	100	100		
<i>PF RE S.a.</i>	100	100		
<i>Pininfarina Deutschland GmbH</i>	100	100		
<i>Matra Automobile Engineering SAS</i>	100	100		
<i>CERAM S.A.S.</i>	100	-	100	
<i>D3 S.A.S.</i>	100	-	100	
<i>Plazolles Modelage S.a.r.l.</i>	100	-	30	70
<i>Matra Automobile Engineering Maroc S.A.S.</i>	100	-	100	
<i>Matra Developpement S.A.S.</i>	100	-	100	
<i>RHTU Sverige AB</i>	100	100		
<i>Pininfarina Sverige AB</i>	60	60		
<i>Pasiphae S.à.r.l.</i>	20	20		

The equity investment in Open Air Systems GmbH, a 50-50 joint venture, was sold on January 1, 2005. PF Services, a wholly-owned subsidiary, was liquidated on June 27, 2005.

The equity investments listed above are owned outright.

Annexes

**MINUTES OF THE MEETING OF THE
BOARD OF STATUTORY AUDITORS OF PININFARINA S.P.A
OF OCTOBER 10, 2005**

On this 10th day of October, 2005, the Statutory Auditors Giacomo Zunino, Giorgio Giorgi and Piergiorgio Re met at the Company's offices.

The Statutory Auditors, having reviewed the Report on Operations in the First Half of 2005 of the Group headed by Pininfarina S.p.A., which, as indicated during the previous meeting of the Board of Statutory Auditors of 9/30/05, was provided to them on the occasion of the meeting of the Board of Directors held on 9/28/05, acknowledge that the abovementioned Report was prepared in compliance with the requirements of the applicable laws, regulations and Bylaws and that the information provided by the Board of Directors allows a comparison of the data contained in the Report with those of the corresponding period last year.

The Board of Statutory Auditors further acknowledges that the Report was prepared in accordance with International Financial Reporting Standards (IAS/IFRS), as required by EU Regulation No. 1606 of 7/19/02 and Article 81 of Issuer Regulation No. 11971/1999, as amended by Consob Resolution No. 14990 of 4/14/05. As required by Article 81 of the Issuer Regulation, the Semiannual Report contains the financial statements of the Parent Company, accompanied by the respective notes, prepared in accordance with Italian accounting principles, since these will still be used to prepare the annual financial statements at December 31, 2005.

The Board of Statutory Auditors noted that the Semiannual Report also includes the IFRS reconciliation schedules, as required by Article 81 of Issuer Regulation No. 11971/1999, as amended by Consob Resolution No. 14990 of 4/14/05.

These schedules were audited by the independent auditors PricewaterhouseCoopers S.p.A. and, as stated in the audit report issued by PricewaterhouseCoopers S.p.A. on 9/28/05, were found to be in compliance with the criteria and principles set forth in the abovementioned Article 81 of the Issuer Regulation.

The Report on Operations was the subject of a limited audit performed by PricewaterhouseCoopers S.p.A., which issued an audit report without qualifications on 9/28/05.

Lastly, the Board of Statutory Auditors acknowledges that the scope of consolidation has changed compared with December 31, 2004 due to the sale of the equity investment in Open Air Systems GmbH, on January 1, 2005, and the liquidation of the PF Services S.a. subsidiary on June 27, 2005.

By reviewing the available document and based on the clarifications it requested and received, the Board of Statutory Auditors determined that the consolidation process was performed in accordance with the following criteria:

- wholly owned subsidiaries were consolidated line by line;
- the investment in Pininfarina Sverige AB, which is 60% owned, was valued by the equity method because the Company deems that, as explained in the Semiannual Report, by virtue of an agreement with the other shareholder, it does not exercise the level of control required under the IASs and Article 2359 of the Italian Civil Code.

Based in the foregoing, the Board of Statutory Auditors indicates that it has no remarks to make with respect to the Report on Operations in the First Half of 2005 of the Group headed by Pininfarina S.p.A.

Read, confirmed and signed.

The Statutory Auditors

signed Giacomo Zunino

signed Giorgio Giorgi

signed Piergiorgio Re

PININFARINA SPA

AUDITOR'S REPORT ON THE STATEMENTS OF
RECONCILIATION TO INTERNATIONAL FINANCIAL
REPORTING STANDARDS ("IFRS")

AUDITOR'S REPORT ON THE STATEMENTS OF RECONCILIATION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

To the Board of Directors
of Pininfarina SpA

1. We have audited the accompanying statements of reconciliation to International Financial Reporting Standards (hereinafter, the "IFRS Reconciliation Statements") of the Pininfarina Group. These comprise the consolidated balance sheets as of 1 January 2004, 30 June 2004 and 31 December 2004, the consolidated income statement for the year ended 31 December 2004 and for the six month period ended 30 June 2004 and the related explanatory notes, included in the notes to the interim financial statements for the six month period ended 30 June 2005. These IFRS Reconciliation Statements derive from the consolidated financial statements of the Pininfarina Group as of 31 December 2004, prepared in accordance with the Italian regulations governing the criteria for their preparation, which we have previously audited and on which we issued our auditor's report dated 20 April 2005 and from the interim financial statements as of 30 June 2004 prepared in accordance with the CONSOB regulations and on which we issued our limited review report dated 10 September 2004. The IFRS Reconciliation Statements have been prepared as part of the Group's conversion to International Financial Reporting Standards (IFRS) as adopted by the European Commission. These IFRS Reconciliation Statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these IFRS Reconciliation Statements based on our audit.
2. We conducted our audit in accordance with generally accepted auditing standards. In accordance with such standards our audit was planned and performed to obtain the necessary assurance about whether the IFRS Reconciliation Statements are materially misstated. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the IFRS Reconciliation Statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

The audit carried out on the subsidiary PF RE SA, which represents approximately 0,8 per cent of the consolidated assets, is the responsibility of another auditor.

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 Manzoni 16 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 IFRS Reconciliation Statements identified in paragraph 1 above, taken as a whole, have been prepared in all material respects in accordance with the criteria and principles set out in article 81 of CONSOB Regulation No. 11971/1999 as adopted by Resolution No. 14990 of 14 April 2005.
4. We draw your attention to the fact that the IFRS Reconciliation Statements, have been prepared solely for the purpose of the transition project for the preparation of the first consolidated financial statements compliant with the IFRS endorsed by the European Commission. For this reason they do not include the comparative figures and explanatory notes that would be required in order to fairly present the consolidated financial position and the consolidated result of operations of Pininfarina Group in compliance with IFRS.
5. The IFRS Reconciliation Statements will represent the published comparative figures in the first annual consolidated financial statements compliant with the IFRS; these figures could be modified should there be any amendments or changes to the existing set of the international financial reporting standards before the publication of the first annual consolidated financial statements compliant with the IFRS.

Turin, 28 September 2005

PricewaterhouseCoopers SpA



Massimo Aruga
(Partner)

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

PININFARINA SPA

AUDITOR'S REPORT ON THE LIMITED REVIEW OF THE
CONSOLIDATED INTERIM FINANCIAL REPORTING
PREPARED PURSUANT TO ARTICLE 81 OF CONSOB
REGULATION ADOPTED BY RESOLUTION No. 11971 OF 14
MAY 1999 AND SUBSEQUENT AMENDMENTS

AUDITOR'S REPORT ON THE LIMITED REVIEW OF THE CONSOLIDATED INTERIM FINANCIAL REPORTING PREPARED PURSUANT TO ARTICLE 81 OF CONSOB REGULATION ADOPTED BY RESOLUTION No. 11971 OF 14 MAY 1999 AND SUBSEQUENT AMENDMENTS

To the Shareholders of
Pininfarina SpA

- 1 We have performed a limited review of the consolidated interim financial reporting of Pininfarina SpA for the six-month period ended 30 June 2005 consisting of the consolidated balance sheet, income statement and related comments and explanatory notes. These consolidated interim financial statements are the responsibility of Company's management. Our responsibility is to report on these consolidated interim financial statements based on our limited review. We have also ensured that the management discussion and analysis is consistent with other information in the consolidated interim financial statements.
- 2 Our work was carried out in accordance with the procedures for a limited review recommended by the National Commission for Companies and the Stock Exchange (CONSOB) with deliberation No. 10867 of 31 July 1997. The limited review carried out on the subsidiary company PF RE SA, which represents approximately 0,6 per cent of the consolidated assets, is the responsibility of another auditor.
The limited review consisted principally of inquiries of company personnel about the information reported in the consolidated interim financial statements and about the consistency of the accounting principles utilised therein, as well as the application of analytical review procedures on the data contained in the consolidated interim financial statements. The limited review excluded certain auditing procedures such as compliance testing and verification or validation tests of the assets and liabilities and was therefore substantially less in scope than an audit performed in accordance with generally accepted auditing standards. Accordingly, unlike an audit on the annual consolidated financial statements, we do not express a professional audit opinion on the interim financial statements.
- 3 Regarding the comparative data of the consolidated financial statements of the prior year and the data presented in the interim financial statements relating to the statements of reconciliation to International Financial

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 Montevicchio 37 Tel. 011556771 - **Trento** 38100 Via Manzoni 16 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

Reporting Standards, reference should be made to our reports dated 20 April 2005 and today's date.

The comparative data of the interim consolidated financial reporting for the corresponding period of the previous year derive from the interim consolidated financial statements prepared in accordance with the rules and the accounting principles previously in force, on which we performed a limited review and issued a report dated 10 September 2004.

- 4 Based on our review, no significant changes or adjustments came to our attention that should be made to the interim financial statements identified in paragraph 1 of this report, in order to make them consistent with the criteria for the preparation of consolidated interim financial statements established by article 81 of CONSOB Regulation approved by Resolution No. 11971 of 14 May 1999 and subsequent amendments.

Turin, 28 September 2005

PricewaterhouseCoopers SpA



Massimo Aruga
(Partner)

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

