PININFARINA S.p.A.

2007 ANNUAL REPORT

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

A draft of the Consolidated Financial Statements at December 31, 2007 and the Report on Operations was approved by the Board of Directors on March 27, 2008. The financial statements were amended on April 9, 2008 with the inclusion of “Significant Events Occurring Since December 31, 2007” and some balance sheet and income statement items were reclassified, with the required disclosures provided in the accompanying notes.

ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING

APRIL 29, 2008

The Ordinary and Extraordinary Shareholders' Meeting will be held on April 29, 2008 at 3:30 PM in the "Mythos" Room of the offices of Pininfarina S.p.A., 30 Via Nazionale, Cambiano (Turin), on the first calling, or on April 30, 2008, same time and place, on the second calling.

AGENDA

Ordinary Session

1) Approval of the financial statements at December 31, 2007 and applicable resolutions.

2) Authorization to buy and sell treasury shares and applicable resolutions.

3) Reduction in the number of Directors due to a resignation.

4) Strategies and initiatives to maximize the brand's value in different merchandise categories by means that may include the sale of the trademark or the rights to its use. *

Extraordinary Session

1) Motion to authorize the Board of Directors, pursuant to Article 2443 of the Italian Civil Code, to increase the Company's share capital; amendments to Article 5 of the Bylaws and required and related resolutions.

2) Motion to amend the provisions of the Bylaws concerning the deadline for calling Shareholders' Meetings (Article 9) and the maximum number of governance posts that may be held by Statutory Auditors (Article 24).

* This fourth item was added to the Agenda of the Ordinary Shareholders' Meeting pursuant to a request put forth on March 31, 2008 by the shareholders Willcox International Funds S.A. and Fimag Investments Co. S.A., who represent in the aggregate 2.51% of the Company's share capital.

The Notice of the Shareholders' Meeting was published in the March 28, 2008 issue of *Il Sole 24 Ore.*

Honorary Chairman	Sergio	Pininfarina

Board of Directors

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

** Franco Bernabé resigned from the Board of Directors on September 28, 2007.

(1) Member of the Nominations and Compensation Committee.

(2) Member of the Internal Control Committee.

(3) Member of the Strategy Committee.

Board of Statutory Auditors

Chairman	Giacomo	Zunino
Statutory Auditors	Fabrizio	Cavalli
	Piergiorgio	Re
Alternates	Nicola	Treves
	Pier Vittorio	Vietti

Secretary to the Board of Directors	Gianfranco Albertini
Independent Auditors	PricewaterhouseCoopers S.p.A.

*Powers
Under Article 22 of the Bylaws, the Chairman and Chief Executive Officer is the Company's legal representative vis-à-vis external parties and in court proceedings. Accordingly, he is empowered to carry out all actions that are consistent with the Company's purpose and do not conflict with the provisions of Article 2384 of the Italian Civil Code.

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The Group

Profile

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

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

Overview

The Group's performance in 2007 show that two positive trends that began to emerge in 2006 are continuing:

- The manufacturing operations increased their business volume compared with 2006, but were unable to reach operating breakeven;
- The service operations continued to steadily improve their operating profitability, despite a reduction in production volume caused by the completion of development work for Pininfarina manufacturing projects launched in 2005 and 2006, and benefited from continuing growth in the strategically important business of design and engineering services for non-captive customers.

While 2006 was characterized by startup delays for some manufacturing orders and restructuring programs in Italy and Germany, which overburdened the Group's cost structure, the data for 2007 show a sharp increase in EBITDA, but the gain was not large enough to offset the costs of depreciating the capital assets in which the Group invested in previous years in anticipation of higher production volumes than those achieved in 2007.

The unavoidable repercussions on cash flow of the unfavorable results reported at the operating level caused the Company to carry out an in-depth review of available short-term and medium-term alternatives. At the end of this process, it retained Roland Berger and Rothschild as industrial and financial advisor, respectively, for the purpose of developing a strategic plan to achieve profitability and growth objectives that are more consistent with the Group's potential.

While the Italian manufacturing activities were confronted with a challenging situation, the performance of the Group's international operations was significantly better than in 2006. In Sweden, Pininfarina Sverige A.B. and RHTU Sverige A.B. succeeded in achieving their projected profitability targets. In Germany, following an in-depth restructuring completed in 2006, the volume of business and level of profitability reported by Pininfarina Deutschland GmbH and its mpx Entwicklung GmbH subsidiary were in line with expectations. In France, the Matra Automobile Engineering Group continued to increase its production value, inching closer to operating breakeven.

In order to provide the Group with financial stability during time needed to implement the Industrial Plan, the Company asked its lender banks for a moratorium (starting in December 2007) on the repayment of principal installments owed under the different debt amortization plans. The writedown of financial receivables owed by some customers caused a deterioration of the net financial position and of its ratios to shareholders' equity and EBITDA. The recapitalization that is part of the Financial Plan will go a long way in helping the Company's income statement and balance sheet regain their overall equilibrium.

Operating Performance

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

In 2007, the value of production generated by the Pininfarina Group increased to 670.4 million euros, or 13.9% more than the 588.8 million euros reported at December 31, 2006. A breakdown of the overall value of production shows that the manufacturing operations accounted for 80% of the total (76% in 2006), with the design and engineering operations combined accounting for the remaining 20% (24% in 2006).

The value of production contributed increased for the manufacturing operations (536.1 million euros, or 19.5% more than in 2006), but was down slightly for the service operations (134.3 million euros, or 4.3% less than in 2006). This decrease reflects a shift in the product mix away from development projects for in-house production and greater focus on work for non-captive customers.

Consistent with the trend already apparent in the quarterly data, EBITDA were up sharply, improving by 24.7 million euros compared with 2006, turning positive by 12.8 million euros (1.9% of value of production, as against negative EBITDA of 11.9 million euros, or 2% of value of production in 2006). This improvement reflects the positive impact, beginning in the second quarter of 2007, of the program implemented to minimize the cost overruns caused by quality problems and by a shortfall in the production volumes requested by Alfa Romeo and Mitsubishi.

The programs implemented to increase operating efficiency and reduce fixed costs succeeded in bringing the Group back to profitability at the EBITDA level, but the benefits they produced were not large enough to offset the cost of depreciating the capital assets in which the Group invested in previous years in anticipation of substantially higher production volumes than those achieved in 2007.

EBIT were negative by 103.3 million euros (15.4% of value of production), as against negative EBIT of 43.5 million euros in 2006 (7.4% of value of production).

The reason for such a significant deterioration in reported EBIT is better understood when the portion of the loss attributable to operations is separated from the charges generated by extraordinary writedowns. From this perspective, the negative balance of 103.3 million euros is the result of an operating loss of 33.8 million euros and of writedowns required by the results of impairment tests totaling 69.5 million euros. The reason for these writedowns was the realization that it was no longer reasonable to expect that the full production volumes projected contractually for some manufacturing orders would be achieved over the life cycles of those orders. Consequently, the Company wrote down to their estimated realizable value or to their fully depreciated value, based on the production volumes expected through the completion of the respective production runs, the financial receivables and dedicated production assets recognized in previous years in connection with these contracts.

The result from operations, while still negative, showed an improvement compared with the loss of 43.5 million euros reported in 2006, even though it was adversely affected by a reduction in the contribution provided by gains on asset sales, which in 2007 were 7 million euros less than in 2006. If the data are restated to eliminate the impact of writedowns and gains on asset sales, the result from operations shows an improvement of 16.7 million euros.

Net financial expense totaled 10.6 million euros, as against net financial income of 20.8 million euros in 2006. However, the amount reported in 2006 included extraordinary financial income of 22.8 million euros generated by the sale of trading securities. Net of non-recurring components, the increase in financial expense is due to a rise in average indebtedness, the writedown of loans receivable and a reduction in interest income caused by the lower volumes generated by some production orders.

The profit contributed by the Pininfarina Sverige joint venture amounted to 3.3 million euros, as against a loss of 0.9 million euros at December 31, 2006. The Group's Swedish operations have benefited from the continuing commercial success of the Volvo C70, both in Europe and the United States, with production increasing by 34.3% to 20,423 units (15,207 units in 2006).

The loss before taxes amounted to 110.7 million euros (loss of 23.6 million euros in 2006), an amount equal to 16.5% of the value of production (4% in 2006).

The loss for the year, which includes taxes of 3.8 million euros (tax benefit of 1.7 million euros at December 31, 2006), totaled 114.5 million euros (17.1% of the value of production), compared with a loss of 21.9 million euros in 2006 (3.7% of the value of production).

At December 31, 2007, net non-current assets totaled 308.9 million euros, or 8% less than in 2006. Working capital was negative by 58.9 million euros (-29.6 million euros in 2006).

At 25.6 million euros, the provision for termination indemnities was 5.3 million euros lower than at December 31, 2006. The changing conditions that characterized 2007 and reforms of the applicable legislation account for this reduction.

Net capital requirements decreased by 18.7%, falling from 276 million euros in 2006 to 224.4 million euros in 2007.

The loss for the year accounts for most of the reduction in shareholders' equity, which decreased by 116.1 million euros, falling from 155.1 million euros in 2006 to 39 million euros at December 31, 2007.

The net financial position was negative by 185.4 million euros, with the negative balance rising by 64.5 million euros compared with December 31, 2006 (-120.9 million euros). It is worth noting that the deterioration of the financial position is chiefly the result of a writedown of financial receivables amounting to 53.6 million euros.

Projections for the current year call for value of production to increase by about 10%, compared with 2007, and for EBITDA to show significant growth, rising to more than 5% of the value of production, due to the following factors:

- A sharp improvement in the performance of the manufacturing operations, thanks to the launch of new versions of the Alfa Spider and Ford Focus Coupé Cabriolet;
- Building on a trend that began in the second half of 2007, a further reduction in fixed and variable costs, which will be achieved by steadily raising efficiency levels and streamlining the manufacturing organization;
- The launch of service activities related to the development of an electric car.

The result from operations is expected to show a significant improvement, even though it will remain negative.

At the end of 2008, the net financial position should not be much different from the level shown in the preliminary year-end data, due to the impact of the Financial Plan.

Human Resources

The tables below shows the Pininfarina Group's workforce at December 31, 2007 broken down by type of activity and country.

Breakdown by Type of Activity

	Production	Engineering	Styling	Staff functions	TOTAL
2006	1,342	892	181	353	2,768
2007	1,320	857	172	330	2,679

Breakdown by Country

	Italy	France	Germany	Morocco	Sweden	USA	TOTAL
2006	2,016	506	146	30	67	3	2,768
2007	1,874	507	164	59	70	5	2,679

In addition to the staff listed above, Pininfarina Sverige A.B. had 870 employees at December 31, 2007 (838 employees a year earlier).

The coverage provided by the Layoff Benefits Fund available to employees of companies in crisis, which began on January 2, 2007 pursuant to an agreement executed on December 11, 2006, expired on January 1, 2008. In accordance with an agreement signed by the Company and the unions on December 13, 2007, long-term unemployment benefits for up to 220 employees were extended until December 31, 2008. Moreover, under an agreement reached with the public administration, the Company was granted a waiver extending to 2008 coverage of the Special Layoff Benefits Fund for an average of 150 employees. The agreement granting the waiver that extended to 2008 the coverage of the Special Layoff Benefits Fund was signed on January 18, 2008 at a meeting at the Ministry of Labor and Social Policies. During 2007, in order to meet production requirements, the Group used employees seconded by other companies. This situation is expected to recur in 2008. As of the date of this Report, slightly more than 200 persons worked in this capacity at Pininfarina production facilities.

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

Production

In 2007, the manufacturing operations, which were adversely affected by a tornado that hit the Bairo Canavese factory in June, shutting it down completely for more than 15 days and causing further significant losses of productivity in July during the restart phase, completed the first full year of production of the Ford Focus Coupé Cabriolet. At the same time, orders for the Alfa Romeo Brera and Mitsubishi Colt CZC decreased.

An insufficient volume of production and the resulting inability to increase the efficiency of the manufacturing process to a level consistent with the costs needed to meet the required high quality standards caused major operating losses, the effect of which was compounded by the impact of extraordinary writedowns.

The manufacturing operations generated value of production of 536.1 million euros (19.5% more than in 2006), which is equal to 80% of total consolidated value of production (76% the previous year). The result from operations was negative by 37.2 million euros, but the loss was narrower than in 2006, when it totaled 44.9 million euros. When extraordinary writedowns of 69.5 million euros are added to the result from operations, the negative EBIT attributable to this business segment amount to 106.7 million euros.

A total of 29,106 cars were produced in 2007, up from 20,825 cars in 2006 (+39.8%). A production breakdown is as follows:

Complete cars	2007	2006	Change
Alfa Romeo Brera	4,795	8,248	(3,453)
Alfa Romeo Spider	4,535	2,838	1,697
Mitsubishi Colt CZC	4,740	9,110	(4,370)
Ford Focus Coupé Cabriolet	15,036	629	14,407
Total	**29,106**	**20,825**	**8,281**

In 2007, the Pininfarina Sverige joint venture continued to benefit from the commercial success of the Volvo C70, which is built at its production facilities. A total of 20,423 cars (15,207 cars in 2006) were manufactured and marketed in Europe and the United States. RHTU Sverige A.B., a subsidiary that manufactures retractable hard tops for the Volvo convertible, ended the year with higher production volume and greater profitability than in 2006.

Services

The service operations, which include design, industrial design and engineering, reported value of production of 134.3 million euros (140.3 million euros at December 31, 2006). Its contribution of total consolidated value of production decreased to 20%, compared with 24% the previous year. This decrease is due to the growth of the manufacturing operations and reflects a decrease in development projects for in-house production and greater focus on work for non-captive customers. EBIT attributable to this business segment were positive by 3.3 million euros, more than double the 1.4 million euros earned in 2006.

Engineering

In 2007, the engineering operations provided the support needed to continue manufacturing the Ford Focus Coupé Cabriolet, Colt CZC, Alfa Romeo Brera and Volvo C70 models and contributed to the development of the new model year versions of the Alfa Romeo and Ford Focus Coupé Cabriolet that were launched at the beginning of 2008.

Purely engineering projects carried out in Italy included completing the development of the program for the Maserati Granturismo, which was presented in July 2007, and providing the support required for maintenance and design (interior and exterior) activities for the S version.

Also in Italy, assignments in connection with integrated programs with a significant engineering component enabled the Group to strengthen its cooperation with Chinese customers and begin a consulting relationship in India. With regard to China, new activities for two different platforms for Chery and an important project for the Brillance, a car specifically designed for the European market, were started at the beginning of the year. In addition, a turnkey project for two Class A automobiles that will be presented at the Beijing Motor Show during the year of the Olympics was completed successfully for JAC.

Special project assignments included two new programs to develop two special cars.

In France, the Group consolidated its relationship with Renault and PSA.

In Germany, the mpx subsidiary is working on several projects for BMW.

In Morocco, the engineering center was further expanded (more than 60 people will be working on engineering design in the near future) in order to increase the best-cost country capacities available to the Pininfarina Group.

Work has started on the development of an electric car for the Véhicules Electriques Pininfarina-Bolloré S.A.S. joint venture. This assignment, which will draw on the expertise developed by Matra in the development of tractions chains, will be carried out with extensive cooperation between the Italian and French engineering centers.

In 2007, Pininfarina strengthened the interaction and cooperation established within the Group with the Matra companies in France and mpx Entwicklung GmbH in Germany: a single Technical Department, with authority over all of these operations, is focusing on optimizing existing synergies in the three engineering organizations, consolidating the Group's ability to provide engineering services through an organization that is physically present in all major European markets.

The international focus of the engineering operations is demonstrated by their sales mix, with international orders accounting for about 70% of the value of production in 2007.

Design

The main design projects of 2007 are reviewed below:

- Assignments for Ferrari were particularly challenging and required a significant effort to carry out multiple projects for the development of new models. In addition, work was completed on the styling of a new model that will be unveiled at the 2008 Paris Motor Show.

- Work for Maserati included exterior and interior styling development for the Gran Turismo, which was presented at the Geneva Motor Show where it became one of the Show's main attractions drawing accolades from both the public and industry professionals. Other assignments involved conceptual and restyling research for production models.

- Programs for the Fiat Group focused on car exterior and interior styling for various projects and the provision of styling and modeling support services for the restyling of production models.

- The activities carried out for Peugeot involved styling development for a project the styling research for which started the previous year. In addition, Pininfarina was asked to contribute to the definition of a new luxury car, a model of which was put through a test clinic and is being considered for full scale production.

- For clients in the Chinese market, the Group handled styling definition in connection with several projects for Brilliance and Chery. Work for Chery also included the complete exterior and interior styling development for a family of four cars.

- In Japan, activities for established customers continued on schedule.

- A project involving the development of styling research for an SUV for a major new client is also worth mentioning.

- A highly significant development was the Group's entry into the Indian market:
- At the beginning of the year, the Company signed a collaboration agreements with the NID (National Institute of Design), which is India's main industrial design institute;
- subsequently, it signed a contract to provide automotive design services in India to the Sonalika Group, a major Indian industrial group, and work immediately got under way on styling development for an off-road vehicle this client plans to produce.

- Work involving other types of vehicles included the ongoing provision of scheduled support and restyling services for a line of commercial vehicles produced by BMC in Turkey.

- Activities for Prinoth involved styling development for a new cab for a snowcat.

- In addition, the Group competed for the award of a styling definition assignment for a new van that a major Italian carmaker is planning to put into production.

- In the area of special projects, a particularly noteworthy achievement was the success of the Ferrari P4/5 by Pininfarina, a car for which the Group handled both the exterior and interior design, in winning the prestigious Villa d'Este Councours d'Elegance Design Award.

Product Design

The 2007 Semiannual Report mentioned several achievements in the product design area: the Aero Toy Store in Fort Lauderdale, the Hotel Keating in San Diego, the Milan Furniture Show, two Uffix presentations in Eastern Europe, Alenia Aeronautica at Le Bourget and Switch in Las Vegas.

Ten major developments occurred during the second half of the year:

1) In July, as announced in the Semiannual Report, establishment of a new company called Nord Est Design S.r.l. in the Friuli region of Italy;

2) In July, announcement of the Torre Mexico interior design project for Gicsa in Santa Fé/Mexico City;

3) In July, launch of the Mentadent Style Tech toothbrush for Unilever;

4) Also in July, at an event in Essen, selection of the Black Secret LCD monitor by Samsung as the winner of the Red Dot Design Award;

5) In September, presentation of the Gancia wine line in Munich, Germany;

6) Also in September, presentation of the Uffix line of office furniture in Istanbul;

7) In October, inauguration of the Trofarello CEAN Center, a professional development facility for supermarket entrepreneurs and employees of the Carrefour Group built based on an interior design project handled entirely by Pininfarina;

8) Also in October, launch in Belgrade of the Omega line of steam showers and hydromassage systems for Jacuzzi;

9) In November, attendance in collaboration with Primatist of the Luxury Please Show at Vienna's Hofburg Palace;

10) In December, participation together with Snaidero at the Archibrindiamoci 4 event held at the Ardeco showroom in Rome, where the Acropolis kitchen was prominently on display near the showroom's entrance on the via Cristoforo Colombo.

It is worth noting that, in general, these communication events help promote the Pininfarina brand and enhance its value in a large number of geographically diversified areas and businesses.

Communications

In the first half of 2007, consistent with the strategy adopted the previous year, the Group's online and offline communication activities focused on establishing and maintaining an effective communication flow both with external audiences (customers, media, collectors and public institutions) and with parties within the Pininfarina Group, with the goal of strengthening the Company's image and reputation.

In 2007, this process involved publicizing important events (world preview of the Maserati Granturismo, agreement with Sonalika in India, positive performance of Pininfarina Sverige, presentations of products developed by Pininfarina Extra) and leveraging their positive effect to benefit the image of the entire Group.

In response to events occurring after the publication of the Semiannual Report in September and pending the publication of the final version of the Industrial and Financial Plan, the main objectives of the Group's communication effort were extensively revised, making them consistent with the Plan's strategic guidelines that were announced in November. Specifically, ample coverage was provided to the signing of an agreement with Bolloré to manufacture an electric car.

The value of the Company's collection of vintage automobiles was enhanced by disposing of lesser models, restoring some models and remodeling the display space in Cambiano to provide a more effective and complete presentation.

In 2007, following the approval of the Corporate Identity Manual, the Company retained outside consultants to help it carry out a study of the ethical and esthetical values of the Pininfarina brand, with the objective of defining more effectively its brand identity, specifically in connection with the upcoming development of the Pininfarina electric car.

Offline Communications

Attendance at the International Geneva Motor Show continues to represent a fundamental communication event. Products displayed at the 2007 edition of the Motor show included: the Alfa Spider, the Mitsubishi Colt CZC, the Volvo C70 and the Ford Focus, all with special Pininfarina exterior configuration and interiors by Poltrona Frau; the Maserati Granturismo (interior and exterior design by Pininfarina); and the Expert, a commercial vehicle with interior design by Pininfarina. Also important was the Ferrari P4/5 by Pininfarina at the Villa d'Este Councours d'Elegance, where it was honored with the prestigious Villa d'Este Councours d'Elegance Design Award.

Online Communications

The Group's website (www.pininfarina.it and www.pininfarina.com domains), which included new pages (electric cars, vintage car collection, etc.), and those of Pininfarina Extra were upgraded in 2007. In addition, the Pininfarina Sverige website (www.pininfarina.se) went on line during the year.

Web data show that about 30,000 visitors a month accessed the Group's website (counting both the Italian and English versions).

Internal Communications

Internal communication activities, which were consistent with the external communication strategy, were carried out in connection with corporate events (Pininformando, internal portal) and new projects launched at the corporate level (PLEASE and SHAPE).

Pininfarina S.p.A.

Value of production totaled 576.3 million euros at December 31, 2007, or 57.7 million euros more (+11.1%) than the 518.6 million euros reported at the end of 2006.

Net gains on the sale of non-current assets, which decreased from 13.9 to 4.8 million euros (-65.5%), were generated mainly by the sale of vintage automobiles. In 2006, they were the result of the sale of a facility called "Centro 28" in the town of Grugliasco.

The costs incurred for purchases of raw materials and outside services were virtually unchanged, going from 478.0 million euros to 478.6 million euros (+0.6 million euros). However, their ratio to value of production decreased to 83.0%, compared with 92.2% in 2006.

The change in the inventory of raw materials was negative by 10.6 million euros (positive change of 17.3 million euros in 2006).

The value added generated in 2007 totaled 91.9 million euros, compared with 71.8 million euros the year before (+20.1 million euros). It was equal to 15.9% of the value of production, up from 13.8% in 2006.

Labor costs, which decreased from 86.7 million euros to 85.4 million euros (-1.3 million euros), were equal to 14.9% of value of production, compared with 16.7% in 2006.

EBITDA were positive by 6.5 million euros, as against negative EBITDA of 15 million euros at December 31, 2006.

Depreciation and amortization expense increased by 20.4 million euros to 38.8 million euros, an amount equal to 6.7% of production value (3.6% at December 31, 2006).

Additions to provisions and writedowns rose to 73.5 million euros (8.3 million euros in 2006). The 2007 amount includes a charge of 69.5 million euros recognized to write down financial receivables and dedicated capital assets to reflect the results of an impairment test of the fairness of the residual value at which they were carried in the financial statements.

In 2007, EBIT were negative by 105.9 million euros (18.4% of production value), compared with negative EBIT of 41.8 million euros in 2006 (8.0% of production value) in 2006.

Net financial expense amounted to 8.8 million euros, as against net financial income of 23.2 million euros in 2006, when the Group recorded gains totaling about 22.8 million euros on the sale of listed trading securities.

The loss before taxes amounted to 114.7 million euros (loss of 18.5 million euros the previous year).

Income taxes were negative by 2.8 million euros, as against a tax benefit of 2.0 million euros in 2006.

As a result, the year ended with a net loss of 117.4 million euros (-20.4% of production value), compared with a loss of 16.5 million euros at December 31, 2006 (-3.2% of production value).

Among the main items in the balance sheet, net non-current assets totaled 309.9 million euros, down from 334.9 million euros at December 31, 2006 (-7.5%). Working capital was negative by 72.1 million euros, with the negative balance decreasing by 32.3 million euros compared with the end of 2006.

Coverage was provided by the Company's shareholders' equity, which decreased from 173.5 million euros to 56.1 million euros, and by the net financial position, which shows net indebtedness rising from 91.9 million euros to 157.4 million euros.

Group Companies

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

Pininfarina Extra Group

Value of production totaled 5.2 million euros in 2007. This figure consolidates the amount reported by Pininfarina Extra S.r.l. and by its Pininfarina Extra USA Corp. subsidiary, which completed its first full year in business. In 2006, the consolidated value of production amounted to 4.8 million euros. All of the profitability indicators improved marginally compared with the previous year. The 2007 net profit increased to 905,000 euros, up from 858,000 euros a year earlier (+5.5%). The net financial position was positive by 1.7 million euros, for a gain of 0.4 million euros compared with 2006. At December 31, 2007, there were 25 employees on the payroll (23 employees in 2006).

Matra Automobile Engineering Group

In 2007, the MAE Group generated value of production amounting to 68.2 million euros, for a gain of 11.8% compared with the 61 million euros reported in 2006. Despite such a large increase in the value of production, the reported net loss widened to 1.7 million euros (loss of 1.2 million euros in 2006) due to an increase in financial expense and the impact of income taxes (tax benefit in 2006). EBIT, while still negative by 0.3 million euros, were significantly closer to breakeven than in 2006, when the loss amounted to 0.7 million euros. The net financial position was negative by 24.9 million euros, compared with a negative balance of 22.8 million euros at December 31, 2006. The indebtedness is owed exclusively to the Parent Company, Pininfarina S.p.A. At the end of 2007, the MAE Group had 566 employees (536 employees a year earlier).

Within the French group, Matra Automobile Engineering Maroc SAS (MAEM) deserves a special mention. This company, which was established in 2004, has steadily increased the volume of business it does both with other Group companies and non-captive customers. In 2007, it generated 1.8 million euros in value of production (+64% compared with 2006). The net profit rose to 313,000 euros, a ten-fold increase over the previous year. This company, which had 60 employees at December 31, 2007, completed the startup phase and is increasingly asserting itself as a supplier of competitively priced engineering services for the European market.

Pininfarina Deutschland Group

The restructuring the Group's German operations in 2006 was characterized by two main events: the acquisition of mpx Entwicklung GmbH, an engineering company in Munich, and the sale of the manufacturing operations of Pininfarina Deutschland GmbH to a buyer outside the Group. These developments should be taken into account when comparing the data for 2007 and 2006. The value of production increased from 10.2 million euros in 2006 to 14.8 million euros in 2007 (+45%), enabling the German operations to report a net profit of 0.9 million euros, as against a net loss of 3.7 million euros in 2006. Net indebtedness totaled 5.6 million euros (4.9 million euros of which were owed to Pininfarina S.p.A.), down from 6.3 million euros in 2006. At December 31, 2007, the Pininfarina Deutschland Group had 164 employees (146 in 2006).

RHTU Sverige A.B.

This Swedish company ended its third full year in business with a net profit of 0.1 million euros (loss of 1.3 million euros in 2006), thanks to an increase in value of production (5.8 million euros, compared with 3.6 million euros at December 31, 2006) and the achievement of full operating efficiency. The net financial position was positive by 0.7 million euros (negative balance of 1.3 million euros at the end of 2006). At December 31, 2007, the company had 70 employees, up from 67 employees a year earlier.

Pininfarina Sverige A.B.

This joint venture with Volvo Car Corporation reported value of production of 525.8 million euros and a net profit of 5.5 million euros (value of production of 395.8 million euros and a net result of 0.2 million euros in 2006). Production of the C70 model for Volvo reached 20,423 units in 2007, compared with 15,207 units in 2006. The net financial position showed net indebtedness of 181.5 million euros (187.9 million euros at December 31, 2006), which is attributable exclusively to financing used to support the development and tooling programs for the Volvo C70. At December 31, 2007, the Company had 870 employees, compared with 838 employees a year earlier.

In 2007, Pininfarina Sverige distributed shareholders' equity reserves totaling 85 million Swedish kronor. The pro rata share attributable to Pininfarina S.p.A. (60%) amounted to 51 million Swedish kronor, equal to 5.4 million euros.

Significant Events Occurring Since December 31, 2007

From the beginning of 2008 to the date of this Report, the Group used no new financing facilities. Since December 1, 2007, under a moratorium that has been agreed to by the majority of the Company's lender banks, Pininfarina S.p.A. has not been making principal repayments on its long-term debt. The moratorium, which is scheduled to expire on April 30, 2008, should be followed by a rescheduling/refinancing of the overall indebtedness.

Véhicules Electriques Pininfarina-Bolloré S.A.S., a 50-50 joint venture that will market in the future an electric car produced by Pininfarina, was established in France on February, 7, 2008.

On March 10, 2008, the Board of Directors approved a medium- and long-term Industrial and Financial Plan, which is consistent with the strategic guidelines approved by the Board of Directors on November 12, 2007. The objectives of the new Industrial Plan will be to maximize opportunities in the electric car business, refocus the Group's contract vehicle manufacturing services and expand its design and engineering services. The Company intends to be a leader in the market for electric vehicles, introducing by 2010 the first luxury city car under the Pininfarina brand, with zero emissions and zero fuel consumption. This project will thus be fully consistent with the approved guidelines, as they apply to strengthening manufacturing, leveraging knowhow and maximizing brand value. In developing its innovative electric car, Pininfarina will exploit both the outstanding competencies of the entire Pininfarina Group in the areas of design and product and process engineering and the knowhow and strong competitive advantage provided by the cutting edge technology developed by Bolloré, Pininfarina's strategic partner, in the production of the Lithium Metal Polymer batteries that will be installed in the automobile, enabling it to deliver a better performance than competing vehicles. This new opportunity will allow the Company to approach more selectively the contract vehicle manufacturing business, with the specific goal of achieving lower risk and higher profitability than under its current contracts. The joint venture with Volvo will continue to be a strategic asset for the Group in this area. The Group's Design and Engineering operations — which have grown steadily in recent years, enabling Pininfarina to achieve a market share of more than 7% and rank among the top five European companies in this industry — will be a further source of growth: the Design organization, which recently won accolades at the Geneva Motor Show for its Sintesi concept car, will fully leverage its strong position in the luxury goods market to seize opportunities created by growing interest in "green tech design," while the Engineering activities will focus on integrating the proven competencies of the Group's organizations in Italy, France, Germany and Morocco.

The main operating and financial objectives are:

⇒ EBITDA margin higher than 7% by 2010;

⇒ Breakeven result from operations in 2009;

⇒ A ratio of net financial position to EBITDA of less than 1.0x by 2010.

The financial plan calls for an increase of the Company's share capital amounting to about 100 million euros (counting both par value and additional paid-in capital) to be carried out this year through a rights offering for the shareholders of Pininfarina S.p.A., subject to the definition of a plant to reschedule/refinance the existing bank indebtedness, which is currently being negotiated.

Pininfarina Extra S.r.l. was the only subsidiary that declared a dividend distributable to Pininfarina S.p.A. (a total of 291,000 euros, the same as in 2007).

After the end of the fiscal year, at the 2008 Geneva Motor Show, Pininfarina unveiled its new Sintesi concept car. This four-door, four-seat sports car that features leading-edge technology solutions was extremely well received by industry professionals and the media.

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

With regard to the requirements of Article 89 *bis*, Section 5, of the Issuers' Regulations, the Company announces that information about its compliance with the Corporate Governance Code are available on the "Finance" page of its website.

Subsequent to the meeting of the Board of Directors held to approve the draft financial statements, the Company was served with a provisionally enforceable injunction issued by the Court of Milan at the request of Fortis Bank S.A. – N.V. ordering Pininfarina to pay to the abovementioned bank the amount of 35 million euros (the amount of the financing facility provided), plus delinquent interest on the first unpaid installment due on December 31, 2007 and court costs. The action filed by Fortis Bank is based on the clauses of the loan agreement that provide for the *ipso jure* cancellation of the loan agreement if: a) Pininfarina fails to pay on time and in full even a single repayment installment; b) Pininfarina failed to perform its obligations under loan agreements with other financial institutions; c) events have occurred that have an adverse effect on the Company's legal status, balance sheet, income statement and financial position.

This legal action was filed by a single bank, despite the advanced stage of the transparent negotiations to reschedule/refinance its indebtedness that Pininfarina had been conducting for some time with all of the lender banks, while making on time all required interest payments.

The Company has ample grounds to challenge the abovementioned injunction, which it will do within the statutory deadlines. Moreover, it is engaged in discussions with the top management of Fortis Bank and other financial institutions within the context of the negotiations for an overall rescheduling/refinancing of its indebtedness.

ASSESSMENT OF THE GOING CONCERN
AND BUSINESS OUTLOOK

The significant loss incurred in 2007, which came on the heels of losses reported in 2005 and 2006, is the result of the following macro-factors:

- The concentration of development and production startup activities of five new models (including four with retractable hardtops) for four customers (one of which is located in Sweden) within a timeframe originally planned to last 12 months (between July 2005 and June 2006) and actually carried out over a period of 20 months (between October 2005 and July 2007) with a resulting significant increase in financial and operating costs;
- The absorption of cost overruns incurred to achieve the required quality levels, both during the development phase and in production, which could not be reflected in the prices charged to customers;
- The need to prefinance the dedicated capital investments needed for car production, which entailed assuming a higher degree of risk than what is normally associated with the need to achieve the budgeted volumes, as is usually the case in similar business transactions;
- The trend in the target market, which became extremely negative for some models, causing an imbalance between projected incoming cash flows and outgoing cash flows owed to the banks who financed the capital investments.

Equally important are the changes that occurred in the Group's target market. This market, which consists of carmakers, has become increasingly competitive, demanding much higher performance levels than in the past with regard to timing, cost and quality. Against this background, some European contract manufacturers are facing very serious challenges, particularly in view of an expected reduction in the total volume of production that car makers are expected to outsource over the next few years. However, an in-depth analysis carried out at the international level by Roland Berger has shown that the Pininfarina Group has some distinctive advantages over its competitors: it is the only group capable of supplying customers with the entire value chain (styling, development and production), or a portion of it, and has historically been a player in the G Segment (sports cars and/or convertible cars), which is the only segment expected to show growth (average annual growth of +3.3% for 2007-2013) within a contract manufacturing market that is projected to shrink in the coming years (average annual decrease of -2.6% for 2007-2013).

Differently from the manufacturing operations, the Group's service operations have been enjoying steady growth and are on solid ground in terms of their ability to generate production value and profits. However, it is important to keep in mind that manufacturing and services are closely interrelated activities. This combination and the brand's name recognition are the Company's true assets.

The Company responded to the obvious imbalance in its balance sheet and financial position reflected in the results at December 31, 2007 in a manner consistent with the trends that are occurring in its industry and implemented the required corrective actions with sufficient dispatch.

The actions taken thus far, starting in the second half of 2007, are summarized below:

- Roland Berger and Rothschild were retained to serve as industrial advisor and financial advisor, respectively, providing the Company with support in defining a medium/long-term industrial plan that could be used as a basis for immediate actions with regard to financial issues.
- All of the lender banks were asked for a moratorium on the debt outstanding at November 12, 2007 that would enable the company to suspend exclusively the repayment of principal installments from December 1, 2007 to April 30, 2008.

- The Industrial and Financial Plan, which calls for a rights offering to increase the Company's share capital by 100 million euros, was completed and negotiations were started for the establishment of a Placement Guarantee Consortium.
- Negotiations were started with the lender banks for an agreement to reschedule/refinance the Company's outstanding indebtedness, starting in 2008.

The Industrial Plan, which was endorsed by Roland Berger, is based on a four-pronged strategy: repositioning the Group's business, steady growth by the service operations, continuous improvement of the manufacturing processes and implementation of programs to cut manufacturing costs and overhead. With regard to the first aspect of the Plan, the development and production of an electric car (market launch planned for 2010) represents a quantum leap in the Pininfarina business model because, limited to this model, the Group will supply the market directly, through the 50-50 joint venture established with the Bolloré Group in February 2008. A presence in a market segment characterized by a high degree of innovation and expectations of rapid growth in future years should help reposition the Group in a market segment less subject to conventional competition and with higher profit margins. Contract vehicle manufacturing will continue to be an important business, but limited to a new production order that provides greater economic and financial protection than existing contracts. The other elements of the Plan, such as growth by the service operations and the achievement of standards of excellence in manufacturing, represent a logical extension of programs launched in previous years that began to pay dividends, albeit not large enough, in 2007. With regard to the last aspect of the Plan, which concerns reducing manufacturing costs and overhead, the programs currently being implemented and those planned for the future were vetted by industry professionals who reassured the Company as to their effectiveness and endorsed the expectations of future benefits. An immediate action taken in this area will be the rationalization of the car finishing facilities, which will be concentrated at a single location instead of the current two-plant configuration.

The Financial Plan, which is a logical extension of the Industrial Plan, is based on taking action in two main areas: rescheduling/refinancing the Company's debt and increasing its share capital. Actions in these two areas are closely linked, since one is dependent on the other, but need not be taken concurrently. The former is predicated on the parties reaching an agreement and on how the lender banks will assess the effectiveness of the Industrial Plan and the Company's credibility in implementing it. At present, management is confident that it will shortly begin a series of meetings with all of its lenders and that an agreement to reschedule/refinance its indebtedness can be reached in the coming months. The share capital increase, with regard to which the majority shareholder has already agreed to underwrite the applicable pro rata share (both directly and with the involvement of other partners), was on the Agenda of the Shareholders' Meeting convened to approve the 2007 Annual Report. Its implementation, which is predicated on reaching a debt agreement, will be timed to benefit from the best available market conditions.

The following considerations are in order when assessing the current condition of the Company's balance sheet and financial position:

- The 2008 results are expected to be significantly better than those for 2007, particularly with regard to the EBITDA amount, which is viewed as a key performance indicator in terms of its impact on the Group's ability to generate operating cash flow. It is worth noting that the 2007 EBITDA were significantly higher than in the previous year, but not by a sufficient amount. The confidence in the Company's ability to deliver this improvement rests on three considerations: the volumes used in the budgeting process, which are based on very conservative estimates; the steady improvement in the technical and qualitative indicators of manufacturing performance; and the costs savings generated by several programs launched in 2007, to which the Company will add in September the abovementioned consolidation of the car finishing facilities at a single location instead of the current two-plant configuration.

- With regard to the balance sheet, the 100-million-euro share capital increase needed to fund new projects, which was submitted for approval at the April Shareholders' Meeting, will restore the value of the Company's shareholders' equity at an appropriate level with regard to replenishing most of the 2007 loss and in terms of its relationship with the net financial position.
- The amortization plan for the Group's gross indebtedness, which amounted to about 609 million euros at the end of 2007, will be stretched over a longer period of time, compared with the plans currently in effect under the agreements with the individual banks. The expectation is that the average duration will be lengthened from the current about three years to about seven years, with obvious benefits in terms of the cash outflows that will be required each year. The Financial Plan also calls for the divestiture of non-strategic assets to increase the resources available for debt service (equal to about 36 million euros). In addition, the share capital increase will bring 100 million euros in fresh liquidity available for the investments needed to build the electric car, which is a key component of the Group's business strategy for the coming years.

The Board of Directors is fully aware of the fact that the share capital increase and the debt rescheduling/refinancing are essential elements of the Financial Plan upon which the Industrial Plan is based, as was the case for the debt moratorium provided by the majority of the lenders until April 30, 2008. Nevertheless, based on the objective effectiveness of the actions taken thus far and those that will be implemented under the Industrial Plan, and taking into account the indications that have become available and the discussions and negotiations carried out thus far, its is confident that there are concrete possibilities to successfully complete the abovementioned transactions and that the Company and the Group will continue to be viable businesses in the future.

MOTION FOR THE COVERAGE OF NET LOSS

The 2007 fiscal year ended with a loss of 117,448,476 euros, which we recommend that you cover by drawing:

- 1,283,695 euros from Retained earnings
- 47,884,949 euros from the Special reserve
- 11,824,302 euros from the Reserve for treasury stock
- 13,375,262 euros from the Merger surplus reserve
- 12,093,557 euros from the Reserve for grants under Law No. 488/92
- 20,741,478 euros from the Reserve for accelerated depreciation
- 203,957 euros from the Reserve for out-of-period income
- 2,232,280 euros from the Stock option reserve
- 7,808,996 euros from Additional paid-in capital

Turin, March 27, 2008 / April 9, 2008

Andrea Pininfarina
Chairman of the Board of Directors

THE PININFARINA GROUP

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

The financial statement schedules referenced below are provided in Annex 1.

Operating Performance

Net revenues totaled 713.0 million euros, or 186.6 million euros more (+35.4%) than the 526.4 million euros reported in 2006.

The inventory of finished goods and work in process showed a net decrease of 60.5 million euros, compared with a net decrease of 54.3 million euros in 2006.

Other income and revenues totaled 14 million euros, double the 7 million euros reported in 2006.

Value of production grew to 670.4 million euros, for an increase of 81.6 million euros (+13.9%) from the 588.8 million euros booked in 2006. A breakdown by business segment is provided on page 54.

Net of inventory, operating costs for purchases of raw materials and outside services amounted to 531.7 million euros, up from 484.7 million euros in 2006 (+9.7%). Value added, which reflected the positive impact of gains on the disposal of non-current assets (4.9 million euros, compared with 11.9 million euros in 2006), increased to 143.6 million euros, or 27.6 million euros more (+23.9%) than at December 31, 2006. The ratio of value added to value of production was 21.4% (19.7% in 2006).

Labor costs increased to 130.7 million euros in 2007, or 2.2% more than the previous year, when they totaled 127.9 million euros.

EBITDA were positive by 12.8 million euros, as against negative EBITDA of 11.9 million euros in 2006. The ratio of EBITDA to value of production was a positive 1.9% (negative 2.0% in 2006).

Depreciation and amortization amounted to 42.8 million euros (+19.7 million euros compared with the previous year). Additions to provisions and writedowns rose to 73.4 million euros (8.4 million euros in 2006). The 2007 amount includes a charge of 69.5 million euros recognized to write down financial receivables and dedicated capital assets to reflect the results of an impairment test of the fairness of the residual value at which they were carried in the financial statements.

EBIT were negative by 103.3 million euros, compared with negative EBIT of 43.5 million euros in 2006 (-59.8 million euros). The ratio of EBIT to value of production was -15.4% (-7.4% in 2006).

Net financial expense amounted to 10.6 million euros, as against net financial income of 20.8 million euros in 2006, when the Group recorded gains totaling 22.8 million euros on the sale of listed trading securities.

Net other income totaled 3.3 million euros (0.9 million euros in 2006). They reflect mainly a restatement of the value of Pininfarina Sverige A.B., which is consolidated by the equity method.

The loss before taxes, which amounted to 110.7 million euros (loss of 87.1 million euros the previous year), was equal to 16.5% of the value of production (4.0% in 2006).

Income taxes were negative by 3.8 million euros, as against a tax benefit of 1.7 million euros in 2006, when net deferred-tax assets exceeded the liability for current taxes.

The net loss for the year amounted to 114.5 million euros (net loss of 21.8 million euros in 2006), an amount equal to 17.0% of the value of production (3.7% in 2006).

Balance Sheet

At December 31, 2007, net capital requirements were 51.6 million euros less than a year earlier, mainly as a result of the positive contributions provided by non-current assets and the Provision for termination indemnities.

More specifically:

Net non-current assets totaled 308.9 million euros. Intangible assets and property, plant and equipment decreased by 1.1 million euros and 22.9 million euros, respectively, as the net result of additions totaling 35.7 million euros, retirements of 2 million euros, depreciation and amortization of 40.7 million euros and writedowns of 15.9 million euros required by the results of an impairment test. Non-current financial assets decreased by 3.7 million euros as a result of a restatement of the value of the shareholders' equity of Pininfarina Sverige A.B. In 2007, Pininfarina Sverige distributed shareholders' equity reserves totaling 85 million Swedish kronor. The pro rata share attributable to Pininfarina S.p.A. was equal to 5.4 million euros.

Working capital was negative, with the negative balance increasing to 58.9 million euros (negative balance of 29.3 million euros at December 31, 2006).

The provision for termination indemnities totaled 25.6 million euros, or 5.3 million euros less than at the end of 2006.

Capital requirements were covered by:

Shareholders' equity, which decreased by 116.1 million euros, due mainly to the negative difference between the 2007 and 2006 net result.

The net financial position, which ended the year with a higher negative balance (-185.5 million euros) than at December 31, 2006 (-120.9 million euros), due mainly to writedowns of financial receivables totaling 53.6 million euros.

Financial Performance

At December 31, 2007, the net financial position showed a negative balance of 185.5 million euros, compared with a negative balance of 120.9 million euros a year earlier. This negative year-over-year difference of 64.5 million euros is the net result of the following factors:

- An increase of 81.1 million euros in cash and cash equivalents;
- An increase of 1 million euros in current assets held for trading;
- A decrease of 26.7 million euros in current loans receivable and other receivables;
- An increase of 223.3 million euros in short-term debt;
- A decrease of 60.2 million euros in medium- and long-term loans receivable;
- A decrease of 163.6 million euros in medium- and long-term debt.

CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2007

Consolidated Balance Sheet – Assets

	Note ref.	12/31/07	12/31/06
Property, plant and equipment		269,854,859	292,717,136
Land and buildings	6	94,446,177	97,262,193
Land		21,315,991	25,778,147
Buildings		62,440,399	60,435,711
Leased property		10,689,787	11,048,335
Plant and machinery	6	169,227,259	187,852,130
Machinery		31,260,592	27,261,570
Plant		35,788,733	42,168,914
Leased machinery and equipment		102,177,934	118,421,646
Furniture, fixtures and other prop., plant and equip.	6	5,354,622	6,046,720
Furniture and fixtures		1,980,761	2,252,706
Hardware and software		1,997,293	2,537,988
Other prop., plant and equip. (incl. vehic.)		1,376,568	1,256,026
Other leased property, plant and equip.		0	0
Assets under construction	6	826,801	1,556,093
Investment materials		0	0
Intangible assets		7,097,751	8,153,782
Goodwill	7	2,301,012	2,301,012
Licenses and trademarks	7	4,331,596	5,327,799
Other intangibles	7	465,143	524,971
Long-term investments		31,965,176	35,638,952
Subsidiaries		0	0
Associated companies	8	744,800	744,800
Joint ventures	8	30,648,695	34,362,000
Other companies	8	571,681	532,152
Deferred-tax assets	28	5,481,850	23,583,203
Non-current financial assets		206,182,052	266,374,805
Held-to-maturity non-current investments		0	0
Loans and other receivables from:		206,182,052	266,374,805
Outsiders	9	143,517,428	185,806,003
Related parties and joint ventures	9	62,664,624	80,568,802
Available-for-sale non-current financial assets		0	0
Held-for-sale other non-current assets		0	0
TOTAL NON-CURRENT ASSETS		**520,581,688**	**626,467,878**
Inventory	10	21,380,099	42,067,352
Raw materials		16,757,639	28,603,622
Work in process		3,253,524	9,263,584
Finished goods		1,368,936	4,200,146
Contract work in progress	10	1,336,869	403,014
Current financial assets		120,992,876	146,679,580
Current assets held for trading	9	62,862,293	61,863,888
Current loans receivable and other receivables from:		58,130,583	84,815,692
Outsiders	9	40,226,405	66,911,514
Related parties and joint ventures	9	17,904,178	17,904,178
Available-for-sale current financial assets		0	0
Held-to-maturity current investments		0	0
Trade receivables and other receivables		114,075,418	132,487,751
Trade receivables from:		86,284,005	110,224,618
Outsiders	11	80,252,005	101,472,545
Related parties and joint ventures	12	6,032,000	8,752,073
Other receivables	11	27,791,413	22,263,133
Cash and cash equivalents		98,008,444	16,933,218
Cash on hand		1,082,203	271,608
Short-term bank deposits		96,926,241	16,661,610
TOTAL CURRENT ASSETS		**355,793,706**	**338,570,915**
TOTAL ASSETS		**876,375,394**	**965,038,793**

Consolidated Balance Sheet – Liabilities and Shareholders' Equity

	Note ref.	12/31/07	12/31/06
Common shares	13	9,301,042	9,288,847
Additional paid-in capital		34,652,765	34,604,184
Reserve for treasury stock		12,000,000	12,000,000
Statutory reserve		2,231,389	2,231,389
Stock option reserve		2,232,280	2,232,280
Reserve for currency translations		(133,198)	1,506,737
Other reserves		82,251,468	103,152,036
Retained earnings (Loss carryforward)		10,959,948	11,945,400
Profit (Loss) for the year	14	(114,525,048)	(21,883,216)
GROUP INTEREST IN SHAREHOLDERS' EQUITY		38,970,646	155,077,657
Minority interest in shareholders' equity		0	0
TOTAL SHAREHOLDERS' EQUITY		**38,970,646**	**155,077,657**
Long-term borrowings		228,602,431	392,170,705
Liabilities under finance leases	16	156,290,028	282,273,753
Other indebtedness owed to:		72,312,403	109,896,952
Outsiders	16	72,312,403	109,896,952
Related parties and joint ventures		0	0
Deferred-tax liabilities	28	3,255,954	18,083,673
Provision for termination indemnities		25,616,906	30,912,023
Provision for pensions and severance pay		1,107,423	933,938
Provision for termination indemnities	17	24,509,483	29,978,085
TOTAL NON-CURRENT LIABILITIES		**257,475,291**	**441,166,401**
Current borrowings		382,032,482	158,756,819
Due to banks	16	58,429,837	31,331,116
Liabilities under finance leases	16	193,355,300	74,000,953
Bonds outstanding and other borrowings owed to:		130,247,345	53,424,750
Outsiders	16	130,247,345	53,424,750
Related parties and joint ventures		0	0
Other payables		21,573,456	24,955,282
Wages and salaries		10,863,652	11,091,264
Due to social security institutions		6,175,947	6,407,532
Due to employees		362,893	411,827
Other liabilities	18	4,170,964	7,044,659
Trade accounts payable		161,554,656	167,764,794
Accounts payable to outsiders	18	155,591,365	165,282,937
Accounts payable to related parties and joint ventures		434,732	1,973,083
Advances received for work in progress	18	5,528,559	508,774
Provision for current taxes		1,197,751	1,674,522
Income taxes		481,399	253,755
Other taxes		716,352	1,420,767
Provision for other liabilities and charges		6,838,667	8,211,041
Provision for warranties	19	2,146,961	1,021,850
Provision for restructuring programs	19	2,025,047	4,464,000
Other provisions	19	2,666,659	2,725,191
Other liabilities		6,732,444	7,432,277
TOTAL CURRENT LIABILITIES		**579,929,456**	**368,794,735**
TOTAL LIABILITIES		**837,404,748**	**809,961,136**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**876,375,394**	**965,038,793**

Consolidated Income Statement (*)

	Note ref.	12/31/07	12/31/06
Sales and service revenues		712,960,061	526,381,956
Increase in Company-produced non-current assets		3,704,529	1,122,239
Change in inventory of finished goods and work in process		(60,457,983)	54,348,152
Change in contract work in progress		(51,597,494)	47,077,731
Change in inventory of work in process, semifinished goods and finished goods		(8,860,489)	7,270,421
Other income and revenues	20	14,224,062	6,961,206
Value of production		**670,430,669**	**588,813,553**
Gain on the sale of non-current assets	21	5,003,594	13,900,850
Amount earned on the sale of equity investments		0	0
Raw materials and consumables used		(443,567,588)	(392,497,437)
Raw materials and components		(431,589,096)	(408,623,402)
Change in invent. of raw materials, subsidiary materials and consumables		(10,557,138)	17,281,965
Addition to provision for inventory risk		(1,421,354)	(1,156,000)
Other variable production costs		(9,790,412)	(9,883,638)
Consumables		(5,374,509)	(5,482,274)
Utilities		(525,029)	(655,638)
External maintenance costs		(3,890,874)	(3,745,726)
Variable external engineering services		(37,982,499)	(48,413,013)
Wages, salaries and employee benefits		(128,295,102)	(127,856,264)
Production staff, office staff and managers		(115,637,803)	(117,294,517)
Independent contractors		(10,475,115)	(4,840,210)
Social security and other post-employment benefits		(4,654,810)	(5,721,537)
Curtailment of the provision for termination indemnities		2,472,626	0
Depreciation, amortization and writedowns		(120,231,187)	(33,220,981)
Depreciation of property, plant and equipment		(40,760,938)	(20,684,550)
Loss on disposal of property, plant and equipment		(134,201)	(2,031,497)
Amortization of intangibles		(2,041,054)	(2,422,521)
(Additions to provisions/Writedowns)	23	(77,294,994)	(8,082,413)
Utilization of negative goodwill		**0**	**0**
Foreign exchange gains (losses)		251,289	44,311
Other expenses	24	(39,166,901)	(34,362,278)
Profit (Loss) from operations		**(103,348,137)**	**(43,474,897)**
Financial income (expense), net	25	(10,901,783)	19,754,044
Dividends	26	253,599	1,014,495
Value adjustments	27	3,294,067	(804,000)
Nonrecurring income (expense)		0	(56,045)
Profit (Loss) before taxes		**(110,702,254)**	**(23,566,403)**
Income taxes	28	(3,822,794)	1,683,187
Net profit (loss)		**(114,525,048)**	**(21,883,216)**

	12/31/07	31/12/06
Net profit (loss)	(114,525,048)	(21,883,216)
Number of common shares, net	9,301,042	9,288,847
Basic earnings (loss) per share	(12.31)	(2.36)

In order to make the data for 2007 and 2006 more readily comparable, the 2006 amounts for "Additions to provisions/ Writedowns" and "Other expenses" have been restated, with no impact on "Profit (Loss) from operations."

(*) As required by Consob Resolution No. 15519 of July 27, 2006, the impact of transactions with related parties on the income statement of the Pininfarina Group is shown in a separate schedule on the page that follows.

Consolidated Income Statement Pursuant to Consob Resolution No. 15519 of July 27, 2006

	Note ref.	12/31/07	*Amt. with related parties*	12/31/06	*Amt. with related parties*
Sales and service revenues		712,960,061	1,354,880	526,381,956	11,131,157
Increase in Company-produced non-current assets		3,704,529		1,122,239	
Change in inventory of finished goods and work in process		(60,457,983)	0	54,348,152	0
Change in contract work in progress		(51,597,494)		47,077,731	
Change in inventory of work in process, semifinished goods and finished goods		(8,860,489)		7,270,421	
Other income and revenues	20	14,224,062		6,961,206	
Value of production		**670,430,669**	**1,354,880**	**588,813,553**	**11,131,157**
Gain on the sale of non-current assets	21	5,003,594		13,900,850	
Amount earned on the sale of equity investments		*0*		*0*	
Raw materials and consumables used		(443,567,588)		(392,497,437)	0
Raw materials and components		(431,589,096)		(408,623,402)	
Change in invent. of raw materials, subsidiary materials and consumables		(10,557,138)		17,281,965	
Addition to provision for inventory risk		(1,421,354)		(1,156,000)	
Other variable production costs		(9,790,412)	0	(9,883,638)	0
Consumables		(5,374,509)		(5,482,274)	
Utilities		(525,029)		(655,638)	
External maintenance costs		(3,890,874)		(3,745,726)	
Variable external engineering services		(37,982,499)	(5,756)	(48,413,013)	(2,180,903)
Wages, salaries and employee benefits		(128,295,102)	0	(127,856,264)	0
Production staff, office staff and managers		(115,637,803)		(117,294,517)	
Independent contractors		(10,475,115)		(4,840,210)	
Social security and other post-employment benefits		(4,654,810)		(5,721,537)	
Curtailment of the provision for termination indemnities		2,472,626		0	
Depreciation, amortization and writedowns		(120,231,187)		(33,220,981)	0
Depreciation of property, plant and equipment		(40,760,938)		(20,684,550)	
Loss on disposal of property, plant and equipment		(134,201)		(2,031,497)	
Amortization of intangibles		(2,041,054)		(2,422,521)	
(Additions to provisions/Writedowns)	23	(77,294,994)		(8,082,413)	
Utilization of negative goodwill		**0**	**0**	**0**	**0**
Foreign exchange gains (losses)		251,289		44,311	
Other expenses	24	(39,166,901)		(34,362,278)	
Profit (Loss) from operations		**(103,348,137)**	**1,349,124**	**(43,474,897)**	**8,950,254**
Financial income (expense), net	25	(10,901,783)	5,525,660	19,754,044	4,953,023
Dividends	26	253,599		1,014,495	
Value adjustments	27	3,294,067		(804,000)	
Nonrecurring income (expense)		0		(56,045)	
Profit (Loss) before taxes		**(110,702,254)**	**6,874,784**	**(23,566,403)**	**13,903,277**
Income taxes	28	(3,822,794)		1,683,187	
Net profit (loss)		**(114,525,048)**	**6,874,784**	**(21,883,216)**	**13,903,277**

In order to make the data for 2007 and 2006 more readily comparable, the 2006 amounts for "Additions to provisions/ Writedowns" and "Other expenses" have been restated, with no impact on "Profit (Loss) from operations."

Statement of Changes in Consolidated Shareholders' Equity

	12/31/04	Fair value gains (losses)	Translation restatements	Profit (Loss) for the year	Employee stock option plan	Changes to reserves	Dividends	Purchases / Sales of treasury shares	12/31/05
Common shares	9,182,502							129,653	9,312,155
Additional paid-in capital	33,910,650							2,305,211	36,215,861
Reserve for treasury stock	27,434,512					(15,434,512)			12,000,000
Statutory reserve	2,231,389								2,231,389
Stock options reserve	527,691				793,042				1,320,733
Reserve for currency translat.	3,726		(256,590)						(252,864)
Fair value reserve	8,265,701	4,241,812							12,507,513
Other reserves	97,522,513					16,542,470	(3,122,051)		110,942,932
Retained earnings	15,895,428					(3,512,637)			12,382,791
Profit (Loss) for the year	(2,404,679)			(8,103,394)		2,404,679			(8,103,394)
GROUP INTEREST IN SHAREHOLDERS' EQUITY	192,569,433	4,241,812	(256,590)	(8,103,394)	793,042	0	(3,122,051)	2,434,864	188,557,116
Minority interest in profit and res.	0								0
TOTAL SHAREHOLDERS' EQUITY	**192,569,433**	**4,241,812**	**(256,590)**	**(8,103,394)**	**793,042**	**0**	**(3,122,051)**	**2,434,864**	**188,557,116**

	12/31/05	Fair value gains (losses)	Translation restatements	Profit (Loss) for the year	Employee stock option plan	Changes to reserves	Dividends	Purchases / Sales of treasury shares	12/31/06
Common shares	9,312,155							(23,308)	9,288,847
Additional paid-in capital	36,215,861							(1,611,677)	34,604,184
Reserve for treasury stock	12,000,000								12,000,000
Statutory reserve	2,231,389								2,231,389
Stock options reserve	1,320,733				911,547				2,232,280
Reserve for currency translat.	(252,864)		1,759,601						1,506,737
Fair value reserve	12,507,513	(12,507,513)							0
Other reserves	110,942,932					(7,790,896)			103,152,036
Retained earnings	12,382,791					(437,391)			11,945,400
Profit (Loss) for the year	(8,103,394)			(21,883,216)		8,103,394			(21,883,216)
GROUP INTEREST IN SHAREHOLDERS' EQUITY	188,557,116	(12,507,513)	1,759,601	(21,883,216)	911,547	(124,893)	0	(1,634,985)	155,077,657
Minority interest in profit and res.	0								0
TOTAL SHAREHOLDERS' EQUITY	**188,557,116**	**(12,507,513)**	**1,759,601**	**(21,883,216)**	**911,547**	**(124,893)**	**0**	**(1,634,985)**	**155,077,657**

	12/31/06	Fair value gains (losses)	Translation restatements	Profit (Loss) for the year	Employee stock option plan	Changes to reserves	Dividends	Purchases / Sales of treasury shares	12/31/07
Common shares	9,288,847							12,195	9,301,042
Additional paid-in capital	34,604,184							48,581	34,652,765
Reserve for treasury stock	12,000,000								12,000,000
Statutory reserve	2,231,389								2,231,389
Stock options reserve	2,232,280								2,232,280
Reserve for currency translat.	1,506,737		(1,639,935)						(133,198)
Other reserves	103,152,036					(20,900,568)			82,251,468
Retained earnings	11,945,400					(985,452)			10,959,948
Profit (Loss) for the year	(21,883,216)			(114,525,048)		21,883,216			(114,525,048)
GROUP INTEREST IN SHAREHOLDERS' EQUITY	155,077,657	0	(1,639,935)	(114,525,048)	0	(2,804)	0	60,776	38,970,646
Minority interest in profit and res.	0								0
TOTAL SHAREHOLDERS' EQUITY	**155,077,657**	**0**	**(1,639,935)**	**(114,525,048)**	**0**	**(2,804)**	**0**	**60,776**	**38,970,646**

Cash Flow Statement (*)

	Data at 12/31/07	12/31/06
Profit (Loss) for the year	**(114,525,048)**	**(21,883,216)**
Restatements	*120,146,826*	*(669,971)*
- Income taxes	3,822,795	(1,683,187)
- Depreciation of property, plant and equipment	40,760,938	20,684,550
- Amortization of intangibles	2,041,054	2,422,521
- Writedowns and additions to provisions	77,294,994	7,557,502
- Provision for pensions and seniority indemnities	(5,295,117)	2,203,072
- (Gains) Losses on sale of non-current assets	(4,869,393)	(11,869,353)
- Unrealized (gains) losses on derivatives	0	0
- (Gains) Losses on available-for-sale financial assets	(28,632)	(22,815,809)
- (Financial income)	(19,165,908)	(20,074,711)
- Financial expense	29,263,916	23,136,476
- (Dividends)	(253,599)	(1,014,495)
- Value adjustment to shareholders' equity	(3,294,067)	804,000
- Unrealized (gains) losses on foreign exchange transactions	0	0
- Other restatements	(130,154)	(20,537)
Changes in working capital	*21,650,658*	*2,269,533*
- Inventories	20,687,253	(24,483,966)
- Contract work in progress	(933,855)	14,371,316
- Trade accounts receivable	15,692,263	(11,852,236)
- Accounts receivable from joint ventures	2,720,073	1,819,362
- Trade accounts payable	(4,541,633)	36,732,819
- Accounts payable to joint ventures	(1,538,352)	1,973,083
- Other changes	(10,435,092)	(16,290,845)
Cash flow from operating activities	**27,272,435**	**(20,283,654)**
(Financial expense)	(29,263,916)	(23,136,476)
(Income taxes)	(3,822,795)	1,683,187
Net cash flow used in operating activities	**(5,814,275)**	**(41,736,943)**
- Purchases of property, plant and equipment	(18,016,251)	(119,531,349)
- Proceeds from sale of property, plant and equipment	5,126,959	16,763,857
- Non-current loans receivable from borrowers outside the Group	14,333,206	(55,766,880)
- Non-current loans receivable from joint ventures	17,904,179	17,904,177
- Financial income	19,194,540	42,890,520
- Dividends	253,599	1,014,495
- Other equity investments	6,967,843	(1,850,817)
Net cash used in investing activities	**45,764,075**	**(98,575,997)**
- Proceeds from the issuance of shares	0	0
- Purchases of treasury shares	60,776	(1,634,985)
- Borrowings from lenders outside the Group	15,608,668	109,919,090
- Loans payable to joint ventures	(0)	0
- Dividends paid	0	0
Net cash used in financing activities	**15,669,444**	**108,284,105**
- Other non-cash items	(1,642,738)	2,546,255
Increase (Decrease) in cash and cash equivalents	**53,976,506**	**(29,482,580)**
- Cash and cash equivalents at beginning of period	(14,397,898)	15,084,682
Cash and cash equivalents at end of period	**39,578,608**	**(14,397,898)**
Cash and cash equivalents	98,008,445	16,933,218
Bank account overdrafts	(58,429,837)	(31,331,116)
Net cash and cash equivalents at end of period	*39,578,608*	*(14,397,898)*

(*) As required by Consob Resolution No. 15519 of July 27, 2006, the impact of transactions with related parties on the Pininfarina Group refers exclusively to transactions with the Pininfarina Sverige AB joint venture. They are discussed in Notes 8 and 9 to the financial statements of the Pininfarina Group.

Notes to the Consolidated Financial Statements

1. General Information

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

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

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

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

The location of the registered offices and other facilities where the Group companies conduct their business operations is provided on page 86.

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

A draft of the Consolidated Financial Statements at December 31, 2007 was approved by the Board of Directors on March 27, 2008. The financial statements were amended on April 9, 2008 with the inclusion of "Significant Events Occurring Since December 31, 2007" and some balance sheet and income statement items were reclassified, with the required disclosures provided in the accompanying notes.

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

2. Accounting Principles

2.1 Presentation Criteria

As described in detail in the Report on Operations the financial statements of the Pininfarina Group at December 31, 2007 were prepared based on the going concern assumption.

The financial statements of the Pininfarina S.p.A. Group were prepared in accordance with the International Accounting Principles (IFRSs) published by International Standards Board (IASB) and approved by the European Union. These principles are based on the going concern assumption. Information about this issue is provided in the section of the Report on Operations entitled "Assessment of the Company's Viability and Business Outlook."

As required by:

- Legislative Decree No. 38 of February 28, 2005;
- European Regulation No. 1606 of July 19, 2002;
- Article 81 of Issuers' Regulations No. 11971, as amended.

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

With regard to the adoption of IAS 1, the Group chose to use the same financial statement presentation formats as Pininfarina S.p.A., because of their ability to deliver reliable and meaningful information:

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

2.2 Consolidation

(a) Subsidiaries

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

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

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

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

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

A list of the companies consolidated line by line is provided below:

Name	Registered office	% direct interest	% indirect interest	Currency	Share capital	Total assets (12/31/07)	Total liabilities (12/31/07)	Sales revenues in 2007	Net profit (loss) in 2007
Pininfarina Extra S.r.l.	Turin Via Bruno Buozzi, 6	100%	0%	EUR	388,000	4,325,445	1,314,563	4,372,678	782,095
Pininfarina Extra USA Corp.	New York 1 Penn Plaza Suite 3515	0%	100%	USD	10,000	641,271	106,954	1,217,200	272,018
Pininfarina Deutschland GmbH	Leonberg Riedwiesenstr.1	100%	0%	EUR	3,100,000	19,027,384	3,359,764	1,671,987	(43,936)
MPX Entwicklung GmbH	Munich Bavarian 29	0%	100%	EUR	25,000	5,407,759	4,482,939	12,325,664	899,820
Matra Automobile Engineering SAS	Trappes- Cedex 8, avenue J.D'Alembert	100%	0%	EUR	971,200	49,271,067	43,762,476	38,583,503	74,207
CERAM SAS	Mortefontaine	0%	100%	EUR	1,000,000	8,406,162	2,950,063	7,761,468	246,950
D3 SAS	Courbevoie 11, rue Paul Bert	0%	100%	EUR	306,000	10,614,197	10,259,923	16,928,983	(1,391,930)
Plazolles Modelage S.a.r.l.	Garge les Gonesses Zac de l'Argentine 8, rue J.Anquetil	0%	100%	EUR	8,000	2,015,412	906,907	2,173,522	62,598
Matra Automobile Engineering Maroc SAS	Zenata Casablanca - Sidi Bernoussi Km 12 Autoroute de Rabat	0%	100%	MAD	8,000,000	21,555,510	15,179,446	20,047,597	3,457,614
RHTU Sverige A.B.	Uddevalla Varsvagen 1	100%	0%	SEK	100,000	21,402,415	13,174,876	32,801,984	1,224,879

Subsidiaries close their financial statements on the same date as Pininfarina S.p.A.

(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 significant influence, as defined in IAS 28 – Investments in Associates, when it controls between 20% and 50% of the voting rights at a Shareholders' Meeting.

Joint ventures are companies over which the Group exercises joint control, as defined in IAS 31 – Interests in Joint Ventures.

Investments in associated companies and joint ventures are recognized initially at cost and are then valued by the equity method.

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

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

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

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

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

A list of joint ventures is provided below:

Name	Registered office	% direct interest	% indirect interest	Cur-rency	Share capital	Total assets (12/31/07)	Total liabilities (12/31/07)	Sales revenues in 2007	Net profit (loss) in 2007
Pininfarina Sverige A.B.	Uddevalla Varsvagen 1	60%	0%	SEK	8,965,000	3,386,811,995	2,882,788,936	4,856,914,884	50,778,042

(c) Other Companies

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

2.3 Translation of Items Denominated in Foreign Currencies

(a) Functional Currency and Presentation Currency

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

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

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

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

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

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

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

(c) Group Companies

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

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

The table below lists the exchange rates used to translate financial statements denominated in currencies other than the Group's functional currency:

Euro vs currency:	Dec. 31, 2007	Avg. 2007	Dec. 31, 2006	Avg. 2006
- U.S. dollar	1.472	1.370	1.317	1.255
- Swedish kronor	9.441	9.249	9.041	9.257
- Moroccan dirham	11.362	11.220	11.147	11.037

2.4 Property, Plant and Equipment

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

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

The depreciation of buildings and other general-purpose assets is computed on a straight-line basis, so as to distribute each asset's residual carrying value over its estimated useful life.

Special-purpose assets used to produce specific cars under contract manufacturing agreements are depreciated by the units of production method, in accordance with Paragraphs 50 and 60 of IAS 16.

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

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

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

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

2.5 Intangible Assets

(a) Goodwill

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

Goodwill generated upon the purchase of an interest in a subsidiary or affiliated company is included in the value of the investment in the company in question.

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

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

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

(b) Software and Other Licenses

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

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

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

(c) Research and Development Costs

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

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

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

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

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

Development work performed under styling, engineering and production contracts is included in the amount of financial receivables recognized in accordance with IFRIC 4 (see Note 2.17 b below) or, if IFRIC 4 is not applicable, in the value of special-purpose assets that are part of property, plant and equipment.

(d) Other Intangibles

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

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

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

2.6 Recoverable Amount of Assets

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

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

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

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

a) Identification of Cash Generating Units (CGUs) and Allocation of Assets

The identification of the CGUs, carried out in accordance with the recommendations of IAS 36, is consistent with the segment information requirements of IAS 14, according to which disclosures must be provided for two business segments: 1) Styling and engineering, and 2) Manufacturing.
Within the Manufacturing segment, the Group identifies three minimal CGUs, to which it allocates the assets used in connection with the manufacturing contracts for the Alfa Brera and Spider, the Mitsubishi Colt CZC and the Ford Focus convertible.
The following types of assets are allocated to the minimal CGUs:

- Property, plant and equipment;
- Financial receivables recognized in accordance with IFRIC 4 (see Note 2.17 – Leases below).

b) Impairment Test of Financial Receivables Recognized in Accordance with IFRIC 4

Financial receivables recognized in accordance with IFRIC 4 are valued at amortized costs. Consequently, they must be tested for impairment, as required by IAS 39, at each financial statement reference date.
Paragraph 59 of IAS 39 states that an asset or a group of assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that the loss events have an impact on the estimated future cash flows of the asset. As explained in the Report on Operations, the reduction in the production volumes projected contractually over the life cycles of the Alfa Brera and Spider and Mitsubishi orders represents an impairment indicator.
The amount of the writedown recognized in the income statement (53.6 million euros) was determined as the difference between the carrying values of the asset and the present value of its estimated future cash flows, discounted at the effective original interest rate of the financial asset. The estimate of the cash flows, which reflects a conservative assessment of business development, takes into account the guarantee margin.

c) Impairment Test of Property, Plant and Equipment

The impairment test of property provided no evidence that a writedown of the carrying values was required. The carrying values of these assets approximate their fair values, less costs to sell.
On the other hand, because of the abovementioned reduction in the total production volumes projected for the Mitsubishi Colt CZC and Alfa Brera and Spider models, the estimate of the value in use of the corresponding minimal CGUs, determined by computing the present value of the financial flows, required the recognition of an impairment loss by writing down a portion of the dedicated assets, the amount of which is discussed in Note 6 to the financial statements.
The cash flow estimates were based on conservative projections of the volumes that could be achieved in subsequent years.
At this point, there are no impairment indicators with regard to the assets used for the Ford Focus CC order.

2.7 Financial Assets

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

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

(a) Financial Assets Carried at Fair Value Through Profit and Loss

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

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

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

(b) Loans and Other Financial Receivables

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

(c) Held-to-maturity Investments

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

(d) Available-for-sale Financial Assets

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

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

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

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

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

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

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

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

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

2.8 Inventory

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

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

2.9 Trade Receivables and Other Receivables

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

2.10 Cash and Cash Equivalents

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

2.11 Share Capital

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

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

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

2.12 Borrowings

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

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

2.13 Deferred Taxes

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

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

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

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

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

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

Deferred-tax liabilities on components of shareholders' equity are posted directly to shareholders' equity.

2.14 Employee Benefits

(a) Pension Plans

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

For IFRS purposes (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, consists of:

- a defined-benefit pension plan for the benefits that vested prior to the effective date of Legislative Decree No. 252 of December 5, 2005;
- a defined-contribution pension plan for the benefits that vested from 2007 on.

The effect of recomputing the provision based on actual vested benefits at December 31, 2006 and the resulting curtailment allowed pursuant to Paragraph 109 of IAS 19 – Employee Benefits is discussed in detail in the notes to the financial statements.
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 and 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 the Board of Directors with the support of an independent expert, who must be a member of the relevant national board, using the Projected Unit Credit Method. For the current year, in accordance with the instructions provided in a memorandum published in April 2007 by the Italian Board of Actuaries, the liability for vested severance benefits was computed without applying a pro rated amount attributable to past services. 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 expected remaining working life of the employees who are enrolled in the plan.

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

(b) Incentives, Bonuses and Profit Sharing Plans

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

(c) Employee Benefits Paid in Shares of Stock

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

2.15 Provisions for Risks and Charges

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

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

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

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

2.16 Revenue Recognition

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

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

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

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

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

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

2.17 Leases

(a) When the Pininfarina Group Is the Lessee

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

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

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

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

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

(b) When the Pininfarina Group Is the Lessor

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

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

According to IFRIC 4, an arrangement contains a lease if the following conditions are met:
- Fulfillment of the arrangement is dependent on the use of a specific asset;
- The arrangement conveys to the buyer the right to control the use of the asset subject of the arrangement;
- The determination that the arrangement contains a lease is made at the inception of the arrangement;
- It is possible to separate lease-related payments from other payments required under the arrangement.

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

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

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

2.18 Dividend distributions

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

2.19 Financial Expense

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

2.20 Construction Contracts

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

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

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

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

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

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

2.21 Government grants

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

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

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

2.22 Valuations That Affect the Financial Statements

(a) Current and Deferred Taxes

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

In these financial statements, in view of the results that the Group is expected to report over the intermediate term and of the tax loss carryforward, the Company did not recognize any new deferred-tax assets or liabilities.

Based on the same considerations, the deferred-tax liabilities that the Company does not believe will be owed, due to the combined effect of losses brought forward and negative taxable income, and deferred-tax assets that are no longer deemed to be recoverable, which Pininfarina S.p.A. recognized in previous years, were reversed in the 2007 income statement.

Deferred-tax assets recognized by foreign Group companies in accordance with IAS 12 – Income Taxes were retained.

Estimates of deferred-tax assets and liabilities, including those that were not recognized, were made based on the new tax rates of the 2008 Budget Law. These estimates do not take into account future changes in tax rates.

(b) 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.

(c) Impairment

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 beyond the Group's control.

The process of estimating cash flows for the purpose of testing for impairment the assets allocated to the cash generating units is based on production volumes, which, in turn, are estimated based on the production budgets communicated by customers and on conservative estimates of the overall volumes scheduled under the corresponding contracts.

(d) 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 the lessor are affected by changes in the volumes of cars that are manufactured and invoiced. 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.

(e) 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.

(f) Stock Option Plans

In view of the prices at which the Company's shares have traded in recent months and short-term price expectations and taking into account overall market conditions, the Company did not recognize any cost with regard to the 2007 batch of options awarded to eligible beneficiaries.

3. **Managing Financial Risk**

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

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

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

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

The financial risks that affect the Group are summarized below:

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

Currency Risk: The Group borrows in euros. It operates in an international environment and is exposed to fluctuations in currency translation rates, particularly with regard to the value of the Swedish kroner (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. 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: Pininfarina S.p.A. entered into finance leases as lessee to finance capital investments needed to manufacture the Alfa Brera, Alfa Spider, Ford Focus CC and Mitsubishi Colt CZC models. Originally, the repayment plan was structured so that the cash outflows for principal and interest would coincide with the cash inflows from car sales. Delays incurred in connection with the ramping up of production, concurrently with a reduction in orders under the Alfa Brera and Spider and Mitsubishi Colt CZC orders, created an unfavorable misalignment of the abovementioned cash flows, which resulted in the agreement providing a moratorium in principal repayments until April 30, 2008. As explained in the Report on Operations, which should be consulted for additional information, the next step would be an agreement with the lenders to refinance/reschedule the existing debt.
In addition, in order to provide the Pininfarina Sverige AB joint venture with the financial resources needed to develop and manufacture the Volvo C70 convertible, Pininfarina S.p.A. signed loan agreements for medium- and long-term financing facilities with Italian banks and guaranteed the finance leases executed by the Swedish joint venture with the same banks.
No corporate assets have been provided to secure the abovementioned financing facilities and leases and no financial compliance covenants are included in the loan agreements.
The liquidity risk, which is reduced in part by the existence of available assets of a substantial amount, will be affected by the Group's ability to achieve the objectives of the Industrial and Financial Plan. These objective are described in detail in the Report on Operations, which should be consulted for additional information.

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

4. Accounting for Derivatives

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

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

There are three types of hedges:

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

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

(a) Fair Value Hedge

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

(b) Cash Flow Hedge

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

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

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

(c) Hedging of a Net Investment in Foreign Operations

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

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

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

5. Segment Information

a) Primary Segment

Area of Business

The Group is organized on a global scale and operates in two main areas of business: vehicle manufacturing and styling/engineering. These areas of business constitute the primary segment for segment reporting purposes.

The results of this segment at December 31, 2007 are provided below:

(in thousands of euros)

	Manufacturing	**Styling and engineering**	**Total for the Group**
Value of production	549,016	139,859	688,875
Intra-segment value of production	(12,899)	(5,545)	(18,444)
Value of production	**536,117**	**134,314**	**670,431**
EBIT	(106,666)	3,318	(103,348)
Financial income (expense)			(10,648)
Interest in results of associates	3,294		3,294
Profit (Loss) before taxes			(110,702)
Income taxes			(3,823)
Profit (Loss) for the period			(114,525)

The negative EBIT reported by the manufacturing operations reflect impairment losses of 53,642,073 euros and 15,875,000 euros suffered by the financial receivables and property, plant and equipment, respectively. The EBIT reported by the styling and engineering operations were reduced by the write-off of an uncollectible receivable of 3,321,059 euros owed by a Chinese customer.

The results of this segment in 2006 are provided below:

(in thousands of euros)

	Manufacturing	**Styling and engineering**	**Total for the Group**
Value of production	484,241	147,380	631,621
Intra-segment value of production	(35,768)	(7,039)	(42,807)
Value of production	**448,473**	**140,341**	**588,814**
EBIT	(44,867)	1,392	(43,475)
Financial income (expense)			20,713
Interest in results of associates	(804)	0	(804)
Profit (Loss) before taxes			(23,566)
Income taxes			1,683
Profit (Loss) for the period			(21,883)

A breakdown of the segment's assets and liabilities at December 31, 2007 is as follows:

(in thousands of euros)

	Manufac-turing	Styling and engineering	Unallocated	Total for the Group
Assets	617,047	101,071	158,257	**876,375**
Liabilities	578,806	129,615	128,984	**837,405**

A breakdown of the segment's assets and liabilities at December 31, 2006 is as follows:

(in thousands of euros)

	Manufac-turing	Styling and engineering	Unallocated	Total for the Group
Assets	742,381	104,268	118,390	**965,039**
Liabilities	563,570	137,051	109,340	**809,961**

The segment's assets 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 segment's liabilities consist of operating liabilities. The above figures do not include such items as income tax liabilities and borrowings.

b) Secondary segment: Geographic Destination of Sales

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

	12/31/07	12/31/06
ITALY	224.7	300.4
REST OF EU	415.5	217.4
OUTSIDE EU	72.8	8.6
Total	713.0	526.4

6. Property, Plant and Equipment

Land and buildings

	Land	Buildings	Leased property	Total
December 31, 2006				
Cost at December 31, 2006	25,781,564	81,460,206	13,066,662	120,308,432
Accumulated depreciation and impairment	(3,417)	(21,024,495)	(2,018,327)	(23,046,239)
Net value at December 31, 2006	**25,778,147**	**60,435,711**	**11,048,335**	**97,262,193**
Net value at December 31, 2006	25,778,147	60,435,711	11,048,335	97,262,193
Additions	0	538,283	0	538,283
Retirements	(17,970)	(17,003)	0	(34,973)
Depreciation	0	(2,960,778)	(358,548)	(3,319,326)
Reclassification	(4,444,186)	4,444,186	0	0
Impairment	0	0	0	0
Net value at December 31, 2007	**21,315,991**	**62,440,399**	**10,689,787**	**94,446,177**
December 31, 2007				
Cost at December 31, 2007	21,319,408	86,425,672	13,066,662	120,811,742
Accumulated depreciation and impairment	(3,417)	(23,985,273)	(2,376,875)	(26,365,565)
Net value at December 31, 2007	**21,315,991**	**62,440,399**	**10,689,787**	**94,446,177**

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

The revaluations were recognized with offsetting entries posted to shareholders' equity.

Additions to buildings reflect work carried out to renovate the Cambiano and Grugliasco factories.

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

Plant and machinery

	Machinery	Plant	Leased plant machinery	Total
December 31, 2006				
Historical cost	48,176,264	157,005,149	119,419,527	324,600,940
Accumulated depreciation	(20,914,694)	(114,836,235)	(997,881)	(136,748,810)
Net value at December 31, 2006	**27,261,570**	**42,168,914**	**118,421,646**	**187,852,130**
December 31, 2006				
Net value at December 31, 2006	27,261,570	42,168,914	118,421,646	187,852,130
Additions	23,187,561	8,005,495	3,125,722	34,318,779
Retirements	(672,838)	(792,829)	0	(1,465,667)
Depreciation	(7,023,846)	(9,406,847)	(19,369,434)	(35,800,128)
Allocation to the relevant asset categories	197,145	0	0	197,145
Impairment	(11,689,000)	(4,186,000)	0	(15,875,000)
Net value at December 31, 2007	**31,260,592**	**35,788,733**	**102,177,934**	**169,227,259**
December 31, 2007				
Cost at December 31, 2007	70,888,132	164,217,815	122,545,249	357,651,197
Accumulated depreciation and impairment losses	(39,627,540)	(128,429,082)	(20,367,315)	(188,423,937)
Net value at December 31, 2007	**31,260,592**	**35,788,733**	**102,177,934**	**169,227,259**

Machinery increased in 2007 as the net result of purchases of machinery used to produce the Alfa Romeo Brera Coupé and Spider and the Ford Focus Coupé Cabriolet, less deductions for the depreciation for the year and the disposal of numerically controlled milling machines.

The impairment loss reflects a charge recognized to write the carrying amounts of special-purpose machinery and equipment used to manufacture cars under the Alfa Romeo Brera and Mitsubishi Colt CZC production orders to their recoverable value (see Note 2.6 for additional information).

As required by IAS 17 – Leases, the Company recognized under leased plant and machinery the value of assets held under finance leases used for the Ford Focus Coupé Cabriolet production order. This amount increased by 3,125,722 euros in 2007.

Furniture, fixtures and other property, plant and equipment

	Furniture and fixtures	Hardware & software	Other prop., plant and equipment	Total
December 31, 2006				
Historical cost	9,748,630	9,035,513	1,947,523	20,731,666
Accumulated depreciation	(7,495,924)	(6,497,525)	(691,497)	(14,684,946)
Net value at December 31, 2006	**2,252,706**	**2,537,988**	**1,256,026**	**6,046,720**
December 31, 2006				
Net value at December 31, 2006	2,252,706	2,537,988	1,256,026	6,046,720
Additions	168,049	332,190	322,054	822,293
Retirements	0	(167,484)	(302,576)	(470,060)
Depreciation	(573,065)	(883,321)	(185,100)	(1,641,486)
Allocation to the relevant asset categorie	133,071	177,921	286,163	597,155
Impairment	0	0	0	0
Net value at December 31, 2007	**1,980,761**	**1,997,293**	**1,376,568**	**5,354,622**
December 31, 2007				
Cost at December 31, 2007	10,049,750	9,378,140	2,253,164	21,681,054
Accum. depreciation and impairment	(8,068,989)	(7,380,846)	(876,597)	(16,326,432)
Net value at December 31, 2007	**1,980,761**	**1,997,293**	**1,376,568**	**5,354,622**

The increase in Other property, plant and equipment reflects purchases of automobiles and restoration work on a vintage car.

Assets under construction

	Assets under construction
December 31, 2006	
Historical cost	1,556,093
Accumulated depreciation	0
Net value at December 31, 2006	**1,556,093**
December 31, 2006	
Net value at December 31, 2006	1,556,093
Additions	112,346
Allocation to the relevant asset categories	(841,639)
Net value at December 31, 2007	**826,801**
December 31, 2007	
Historical cost	826,801
Accumulated depreciation	0
Net value at December 31, 2007	**826,801**

With the exception of assets held under finance leases, which, in practice, are financing facilities secured by the leased assets, and a mortgage on a building owned by Pininfarina Deutschland GmbH in Renningen, the Company's assets are not encumbered by mortgages or other liens.

7. Intangible Assets

	Goodwill	Licenses and trademarks	Other intangibles	Total
December 31, 2006				
Historical cost	2,301,012	12,658,946	2,516,552	17,476,510
Accumulated amortization	0	(7,331,147)	(1,991,581)	(9,322,728)
Net value at December 31, 2006	**2,301,012**	**5,327,799**	**524,971**	**8,153,782**
December 31, 2006				
Net value at December 31, 2006	2,301,012	5,327,799	524,971	8,153,782
Additions	0	936,009	98,069	1,034,078
Retirements	0	(93,554)	(2,854)	(96,408)
Amortization	0	(1,885,997)	(155,043)	(2,041,040)
Allocation to the relevant asset categorie:	0	47,339	0	47,339
Impairment	0	0	0	0
Net value at December 31, 2007	**2,301,012**	**4,331,596**	**465,143**	**7,097,751**
December 31, 2007				
Cost at December 31, 2007	2,301,012	13,548,740	2,611,767	18,461,519
Accum. amortization and impairment	0	(9,217,144)	(2,146,624)	(11,363,768)
Net value at December 31, 2007	**2,301,012**	**4,331,596**	**465,143**	**7,097,751**

The increase in intangible assets reflects the addition of new management software, the corresponding usage licenses and the development of new functions for the production system.

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

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

8. Equity Investments

Investments in associated companies

	12/31/07	12/31/06	Change
Pasiphae S.a.r.l.	744,800	744,800	0
Total	**744,800**	**744,800**	**0**

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

The carrying amount of Pasiphae S.a.r.l. is net of a provision of 255,200 euros.

Investments in joint ventures

	12/31/06	Purchases	Interest in result	Sales	Other changes	12/31/07
Pininfarina Sverige A.B.	34,362,000	0	3,294,067	0	(7,007,372)	30,648,695
Total	**34,362,000**	**0**	**3,294,067**	**0**	**(7,007,372)**	**30,648,695**

The interest in result, amounting to 3.3 million euros, is equal to 60% of the net profit earned by the joint venture. Other changes includes the Group's pro rata interest in a distribution of reserves (5.4 million euros, equal to 60% of 85,000,000 Swedish kronor) and a change in the reserve for currency translations (1.5 million euros).

Financial highlights of Pininfarina Sverige A.B. are provided below:

Name	Registered office	Country	Currency	% interest held	Share capital	Sharehold. equity	Assets	Liabilities	Revenues	Net profit (loss)
December 31, 2007										
Pininfarina Sverige A.B.	Uddevalla Varsvagen 1	Sweden	SEK	60%	8,965,000	504,023,060	3,386,811,995	2,882,788,936	4,856,914,884	50,778,042
December 31, 2006										
Pininfarina Sverige A.B.	Uddevalla Varsvagen 1	Sweden	SEK	60%	8,965,000	569,501,973	3,812,011,386	3,242,509,413	3,663,561,997	(16,627,447)

Investments in other companies

	12/31/07	12/31/06	Change
Banca Passadore S.p.A.	257,196	257,196	0
Idroenergia Soc. Cons. a.r.l	516	516	0
Unionfidi S.c.r.lp.A. Torino	129	129	0
Midi Ltd	213,840	214,311	(471)
Numero Design Sarl	60,000	60,000	0
Nord Est Design S.r.l.	40,000	0	40,000
Total	**571,681**	**532,152**	**39,529**

There was no change in the investments held directly by Pininfarina S.p.A.: the investment in Banca Passadore S.p.A. was unchanged at 1.07% and those in Idroenergia and Unionfidi remained at less than 0.01%.

In July 2007, Pininfarina Extra S.r.l. purchased a 40% interest in Nord Est Design S.r.l., a company with a capital of 100,000 euros.

9. Financial Assets

Loans and other receivables from outsiders

	12/31/06	Increases	Writedowns	Repayments	12/31/07
Loans receivable	252,717,517	19,619,725	(53,642,074)	(34,951,335)	183,743,833
Total loans receivable	**252,717,517**	**19,619,725**	**(53,642,074)**	**(34,951,335)**	**183,743,833**

The writedown refers to the impairment loss that affected financial receivables under leases in which the Group's Parent Company is the lessor, which were identified as such in accordance with IFRIC 4, applicable to the Alfa Romeo Brera Spider and Coupé and Mitsubishi ZM28 production orders (additional information is provided in Note 2.17 and Note 2.6).

The table below shows separately the current and non-current portions of these receivables:

	12/31/07	12/31/06
Non-current loans and other receiv.	143,517,428	185,806,003
Current loans and other receivables	40,226,405	66,911,514
Total	**183,743,833**	**252,717,517**

None of the non-current receivables is due in more than five years.

Loans and other receivables from affiliated companies and joint ventures

	12/31/07	12/31/06	Change
Non-current loans owed by Pininfarina Sverige AB	62,664,624	80,568,802	(17,904,178)
Current loans owed by Pininfarina Sverige AB	17,904,178	17,904,178	0
Total	**80,568,802**	**98,472,980**	**(17,904,178)**

Loans receivable from joint ventures accrue interest at market rates.

The decrease in receivables owed by Pininfarina Sverige AB reflects amounts repaid in 2007.

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

Held-for-sale current assets

	Equity securities	Fixed income securities	Mutual funds	Total
Value at December 31, 2006	6,076,382	42,625,109	13,162,397	61,863,888
Fair value adjustment recognized in earnings	(788,642)	(482,894)	1,426,173	154,637
Purchases	24,871,234	37,051,066	13,418,831	75,341,131
Sales	(24,317,521)	(38,603,056)	(11,576,786)	(74,497,363)
Value at December 31, 2007	**5,841,453**	**40,590,225**	**16,430,615**	**62,862,293**

The transactions reflected above refer to regular asset management activities carried on an outsourcing basis.

10. Inventory and Contract Work in Progress

	12/31/07	12/31/06	Change
Raw materials	16,757,639	28,603,622	(11,845,983)
Work in process	3,253,524	9,263,584	(6,010,060)
Finished goods	1,368,936	4,200,146	(2,831,210)
Total	**21,380,099**	**42,067,352**	**(20,687,253)**

The decrease in inventory reflects a reduction in production volume compared with 2006.

	12/31/07	12/31/06	Change
Contract work in progress	1,336,869	403,014	933,855
Total	**1,336,869**	**403,014**	**933,855**

As required by IAS 11, contract work in progress is shown net of advances received.

11. Trade Receivables and Other Receivables

Trade receivables from outsiders

	12/31/07	12/31/06	Change
Receivables from customers	81,386,414	102,332,272	(20,945,858)
Allowance for doubtful accounts	(1,134,409)	(859.727)	(274.682)
Total	**80,252,005**	**101,472,545**	**(21.220.540)**

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

Other receivables

	12/31/07	12/31/06	Change
Overpayments to social security institutions	671,608	144,986	526,622
Owed by employees	288,812	865,028	(576,216)
VAT overpayments	11,147,322	5,859,718	5,287,604
Current taxes	410,980	840,975	(429,995)
Advances to suppliers	1,481,804	7,732,285	(6,250,481)
Accrued income and prepaid expense	4,681,347	2,378,228	2,303,119
Sundry receivables	9,109,540	4,441,913	4,667,627
Total	**27,791,413**	**22,263,133**	**5,528,280**

The amount of 9,109,540 euros shown for sundry receivables includes 3,762,178 euros attributable to the Matra Group in connection with a government grant for research costs.

12. Trade receivables owed by joint ventures

Trade receivables owed by joint ventures stem from services provided to Pininfarina Sverige AB in connection with the development of the P15 project. This item decreased to 6,032,000 euros, or 2,720,073 euros less than the 8,752,073 euros owed at the end of 2006.

13. Share Capital

	No. of shares	Common shares	Treasury shares	Total
Balance at January 1, 2006	9,317,000	9,317,000	4,845	9,312,155
Balance at December 31, 2006	9,317,000	9,317,000	28,153	9,288,847
Balance at December 31, 2007	9,317,000	9,317,000	15,958	9,301,042

A total of 9,317,000 common shares, par value of 1 euro each, were outstanding at December 31, 2007.

All issued shares have been fully paid-in.

At December 31, 2007, the Company held 15,958 treasury shares, valued at 470,167 euros.
These shares are held as treasury shares.

14. Earnings per Share

Basic earnings (loss) per share

Basic earnings per share are computed by dividing the profit for the year by the number of common shares outstanding at December 31, 2007 (excluding treasury shares).

	12/31/07	12/31/06
Net profit (loss)	(114,525,048)	(21,883,216)
Number of common shares, net	9,301,042	9,288,847
Basic earnings (loss) per share	(12.31)	(2.36)

Diluted earnings (loss) per share

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

15. Stock Options

In view of the prices at which the Company's shares have traded in recent months and short-term price expectations and taking into account overall market conditions, the Company did not recognize any cost with regard to the 2007 batch of options awarded to eligible beneficiaries.

16. Borrowings

	12/31/07	12/31/06	Change
Non-current	**228,602,431**	**392,170,705**	**(163,568,274)**
Liabilities under finance leases	156,290,028	282,273,753	(125,983,725)
Bonds outstanding and other borrowings	72,312,403	109,896,952	(37,584,549)
Current	**382,032,482**	**158,756,819**	**223,275,663**
Due to banks	58,429,837	31,331,116	27,098,721
Liabilities under finance leases	193,355,300	74,000,953	119,354,347
Bonds outstanding and other borrowings	130,247,345	53,424,750	76,822,595
Total	**610,634,913**	**550,927,524**	**59,707,389**

No Group assets have been pledged as collateral with the exception of assets held under finance leases and a mortgage on a building owned by Pininfarina Deutschland GmbH in Renningen.

The decrease of 6,629,378 euros in current and non-current liabilities under leases (accounted for under IAS 17) reflects primarily the repayment of leasing obligations incurred to finance production orders.

The increase in current and non-current bonds and other borrowings reflects new financing received in 2007.

Short-term bank borrowings were increased to fund contingent working capital requirements.

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

	12/31/07
due within 1 year	382,032,482
due between 1 and 5 years	225,948,906
due after 5 years	2,653,525
Total	**610,634,913**

The table below provides a breakdown of medium- and long-term borrowings by type and maturity:

Borrowings (in thousands of euros)	**Amount at 12/31/06**	**Amount at 12/31/07**	**Amount due within 1 year**	**Amt. due from 1 to 5 years**	**Amount due after 5 years**
Total loans and other facilities	**(163,321)**	**(202,560)**	**(130,247)**	**(72,313)**	**0**
Total obligations under finance leases	**(356,275)**	**(349,645)**	**(193,356)**	**(153,636)**	**(2,653)**
Total liabilities for short-term credit lines	**(31,332)**	**(58,430)**	**(58,430)**	**0**	**0**
Total	**(550,928)**	**(610,635)**	**(382,033)**	**(225,949)**	**(2,653)**

At December 31, 2007, a total of 58.4 million euros had been drawn down from available credit lines totaling about 70 million euros. At December 31, 2007, past due indebtedness amounted to 31.9 million euros.

There are no borrowings in currencies different from the euro. The Company (the Group) is exposed to interest rate fluctuations on some facilities that are tied to the Euribor. The carrying amount of these facilities approximates their fair value.

Some loan agreements and finance leases contain express cancellation clauses which, if exercised, cause the borrower to lose the benefit of repayment in installments and can result in the lender demanding repayment in a lump sum.

As required by IAS 1.65, the entire remaining amount of financing facilities for which the benefit of repayment in installments has been contractually canceled due to the failure to make payments due by December 31, 2007 has been reclassified as short term. Moreover, as a result of the failure to make payments due between December 31, 2007 and the date of preparation of these financial statements, the benefit of repayment in installments is no longer available for an additional 215.5 million euros.

The table below shows the value of the future installments due on finance leases outstanding at December 31, 2007:

(in thousands of euros)	**Install-ments**	**Principal amount**	**Accrued interest**
Within 1 year	208,115	193,356	14,759
From 1 to 5 years	161,114	153,636	7,478
After 5 years	2,768	2,653	115
	371,997	**349,645**	**22,352**

Since December 1, 2007, under a moratorium currently in effect, which has been agreed to by most of the lenders, the Company has not been making principal repayments on its medium/long-term debt. The moratorium agreement will end on April 30, 2008 and will be followed by an agreement to reschedule/refinance the Company's entire indebtedness. The breakdown provided above takes into account only the moratorium agreement.

17. Provision for Termination Indemnities and Benefit Plans

	Pininfarina SpA		Pininfarina Extra Srl		Total	
	12/31/07	12/31/06	12/31/07	12/31/06	12/31/07	12/31/06
Financial coverage:						
Liability for future benefits	24,272,606	29,905,813	236,255	230,573	24,508,861	30,136,386
Present value of coverage	0	0	0	0	0	0
Liability in the balance sheet	**24,272,606**	**29,905,813**	**236,255**	**230,573**	**24,508,861**	**30,136,386**
Actuarial gains (losses) not reflected in the income statement	0	(135,026)	622	(23,277)	622	(158,303)
Cost of services attrib. to prior years	0	0	0	0	0	0
Miscellaneous items	0	0	0	0	0	0
Net liability in the balance sheet	**24,272,606**	**29,770,787**	**236,877**	**207,296**	**24,509,483**	**29,978,083**
Income statement:						
Cost of current service	258,678	2,755,433	35,688	45,165	294,366	2,800,598
Interest costs	1,078,231	1,091,403	9,470	8,605	1,087,701	1,100,008
Actuarial (gains) losses recognized in the current year (attribut. to 2007)	(2,800,662)	0	0	0	(2,800,662)	0
Actuarial (gains) losses (attributable to 2004, 2005, 2006)	135,025	0	0	0	135,025	0
Other changes	0	21,213	0	760	0	21,973
Total cost included in income stat.	**(1,328,728)**	**3,868,049**	**45,158**	**54,530**	**(1,283,570)**	**3,922,579**
Liability in the balance sheet						
Liability at beginning	29,770,787	28,015,996	207,298	228,223	29,978,085	28,244,219
Total costs	(1,328,728)	3,868,049	45,158	54,530	(1,283,570)	3,922,579
Benefits paid	(4,169,453)	(2,113,258)	(15,579)	(75,455)	(4,185,032)	(2,188,713)
Other changes	0	0	0	0	0	0
Liability in the balance sheet at end	**24,272,606**	**29,770,787**	**236,877**	**207,298**	**24,509,483**	**29,978,085**

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

The defined-benefit plans of the Matra Group provide for compensation payable upon reaching the retirement age. Short of reaching that age, employees receive no benefit whatsoever. At December 31, 2007, the provision for pensions and severance pay totaled 1,107,423 euros, compared with 933,938 euros at the end of 2006.

18. Trade Accounts Payable and Other Payables

Accounts payable to outsiders

	12/31/07	12/31/06	Change
Accounts payable to suppliers	155,591,365	165,282,937	(9,691,572)
Advances received for work in progress	5,528,559	508,774	5,019,785
Total	**161,119,924**	**165,791,711**	**(4,671,787)**

Accounts payable to associated companies and joint ventures

	12/31/07	12/31/06	Change
Pininfarina Sverige AB	434,732	1,973,083	(1,538,351)
	434,732	**1,973,083**	**(1,538,351)**

Other liabilities

	12/31/07	12/31/06	Change
Income tax withheld from employees	2,093,714	1,997,661	96,053
Amounts owed to employees	517,175	443,174	74,001
Miscellaneous payables	1,560,075	4,603,824	(3,043,749)
Total	**4,170,964**	**7,044,659**	**(2,873,694)**

19. Provisions for Other Liabilities and Charges

	12/31/06	Additions	Utilizations	Other changes	12/31/07
Provision for warranties	1,021,850	2,276,500	(1,151,389)	0	2,146,961
Provision for restructuring	4,464,000	0	(2,438,953)	0	2,025,047
Other provisions	2,725,191	2,121,000	(2,126,642)	(52,890)	2,666,659
Total	**8,211,041**	**4,397,500**	**(5,716,984)**	**(52,890)**	**6,838,667**

In 2007, the provision for warranties increased due to warranties provided in connection with production orders, net of utilizations recognized in connection with the Mitsubishi production order.

The provision for restructuring charges was used in 2007 in connection with severance packages provided to departing employees. It was established the previous year in connection with corporate restructuring programs.

Other provisions cover primarily estimates of costs that the Company may incur due to risks related to the P15 order.

20. Other Income and Revenues

	12/31/07	12/31/06	Change
Amounts rebilled	597,485	784,808	(187,323)
Out-of-period income	3,095,102	1,421,828	1,673,274
Insurance settlements	3,522,826	25,309	3,497,517
Rebilling of lease payments	251,378	251,378	0
Operating grants	1,020,367	2,040,732	(1,020,365)
Sundry items	5,736,904	2,437,150	3,299,754
Total	**14,224,062**	**6,961,206**	**7,262,856**

Rebilling of lease payments refers to the revenues attributable to 2007 for the buyout value of the leased equipment used for the Pajero Pinin order that is rebillable to Mitsubishi.

The increase in out-of-period income refers mainly to revenues attributable to the previous year earned on the Mitsubishi production order.

The higher value shown for insurance settlements reflects an insurance payment for the damages caused to the Bairo plant by a weather event.

Sundry items of 5,736,904 euros include 3,762,178 euros representing the portion attributable to 2007 of a government grant received by the Matra Group to cover research costs.

21. Gain on the Sale of Non-current Assets

	12/31/07	12/31/06	Change
Gain on the sale of equity investments	0	0	0
Gain on the sale of other assets	5,003,594	13,900,850	(8,897,256)
Total	**5,003,594**	**13,900,850**	**(8,897,256)**

The gain earned in 2007 was generated primarily by the sale of vintage automobiles from the Pininfarina collection.

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

22. Employees

	12/31/07	12/31/06
Executives	48	54
Office staff	1,260	1,288
Production staff	1,371	1,426
Total	**2,679**	**2,768**

At December 31, 2007, the Pininfarina Sverige AB joint venture had 870 employees, who are not included in the data shown in the table above.

In 2007, the Group's average workforce numbered 2,751 employees.

23. Writedowns and Additions to and Utilizations of Provisions

	12/31/07	12/31/06	Change
Additions to/(Utilizations) of allowance for doubt. accounts	178,966	444,709	(265,743)
Additions to/(Utilizations) of provisions for risks	4,306,500	2,105,793	2,200,707
Additions to/(Utilizations) of provis. for disputed tax items	0	543,000	(543,000)
Addition to provision for restructuring programs	0	4,464,000	(4,464,000)
Additions to/(Utilizations) of other provisions	(279,431)	(272,205)	(7,226)
Writedowns of property, plant and equipment	15,875,000	0	15,875,000
Writedowns of receivables	57,213,959	797,116	56,416,843
Total	**77,294,994**	**8,082,413**	**69,212,581**

Writedowns of property, plant and equipment reflects the amount recognized by Pininfarina S.p.A. to lower the carrying amounts of special-purpose equipment used for the Alfa Romeo Brera Spider and Coupé and Mitsubishi COLT CZC production orders to their recoverable value (see Note 2.6 Recoverable Amount of Assets for additional information).

Writedowns of receivables refer mainly to writedowns of financial receivables discussed in Note 9 above.

24. Other Expenses

	12/31/07	12/31/06	Change
Travel expenses	4,105,523	4,787,823	(682,300)
Rentals	7,203,569	7,271,328	(67,760)
Fees paid to Directors and Statutory Auditors	1,567,503	949,667	617,836
Consulting and other services	7,267,711	7,158,995	108,716
Other personnel costs	2,958,781	3,021,539	(62,758)
Telegraph and postage	1,062,545	648,488	414,056
Cleaning and waste disposal services	4,131,725	3,840,700	291,025
Advertising	527,144	734,993	(207,848)
Taxes	493,819	454,652	39,166
Insurance	1,268,585	932,831	335,755
Membership dues	300,734	262,580	38,153
Out-of-period charges	905,037	364,880	540,157
General services	1,851,053	1,391,957	459,095
Losses on asset disposals	161,107	4,722	156,385
Sundry expenses	5,362,065	2,537,123	2,824,942
Total	**39,166,901**	**34,362,278**	**4,804,619**

25. Financial Income (Expense), Net

	12/31/07	12/31/06	Change
Financial expense paid to banks	(2,554,730)	(5,093,427)	2,538,697
Financial expense paid under leases	(17,703,389)	(11,016,285)	(6,687,104)
Financial exp. on medium- and long-term borrowings	(9,422,001)	(6,163,259)	(3,258,742)
Realized losses from marking securities to market	(416,203)	(863,505)	447,302
Total financial expense	**(30,096,323)**	**(23,136,476)**	**(6,959,847)**
Bank interest earned	298,435	101,882	196,552
Realized gains from marking securities to market	2,148,513	3,456,025	(1,307,513)
Interest earned on long-term loans to outsiders	11,193,301	11,563,781	(370,481)
Interest earned on long-term loans to joint ventures	5,525,659	4,953,023	572,635
Gains on trading securities	28,632	22,815,809	(22,787,178)
Total financial income	**19,194,540**	**42,890,520**	**(23,695,985)**
Net financial income (expense)	**(10,901,783)**	**19,754,044**	**(30,655,832)**

The increase in financial expense under leases reflects the beginning of new repayment plans for the Alfa Romeo and Mitsubishi orders.

Gains on trading securities of 22,815,809 euros recognized in 2006 consisted mainly of the net gain earned on the sale of equity investments by the Group's Parent Company, the largest of which was the investment in Banca Intermobiliare.

26. Dividends

	12/31/07	12/31/06	Change
Banca Passadore	48,214	41,250	6,964
San Paolo IMI	0	20,007	(20,007)
Banca Intermobiliare	0	849,420	(849,420)
Italian securities under asset management	201,385	103,818	97,567
Other investments	4,000	0	4,000
Total	**253,599**	**1,014,495**	**(760,896)**

27. Value adjustments

	12/31/07	12/31/06	Change
Revaluation (Writedowns) of equity investments	3,294,067	(804,000)	4,098,067
Total	**3,294,067**	**(804,000)**	**4,098,067**

More detailed information is provided in Note 8.

28. Income taxes for the year

Income taxes for the year

	12/31/07	12/31/06	Change
Current taxes	(549,160)	(3,502,940)	2,953,780
Prepaid taxes	(18,101,353)	2,667,507	(20,768,860)
Deferred taxes	14,827,719	2,518,620	12,309,099
Total	**(3,822,794)**	**1,683,187**	**(5,505,981)**

Deferred-tax Assets and Deferred-tax Liabilities

Deferred-tax assets	12/31/06	Recognized in earnings	12/31/07	Deferred-tax assets and liabilities not recognized at 12/31/07
Leases as lessor/lessee	8,376,658	(8,376,658)	0	21,073,320
Provisions for risks and writedowns	3,451,882	(3,451,882)	0	2,602,886
Sundry differences	446,628	244,558	691,186	28,050
Total deferred-tax assets on temporary differences	**12,275,168**	**(11,583,982)**	**691,186**	**23,704,256**
Deferred-tax assets on tax loss carryforward	**11,308,035**	**(6,517,371)**	**4,790,664**	**38,505,527**
Total deferred-tax assets	**23,583,203**	**(18,101,353)**	**5,481,850**	**62,209,783**
Deferred-tax liabilities				
Revaluation of land and buildings	16,710,912	(13,459,175)	3,251,737	6,052,068
Provision for termination indemnities and other provisions	470,559	(466,342)	4,217	1,076,424
Held-for-sale financial assets	902,202	(902,202)	0	0
Total deferred-tax liabilities on temporary differences	**18,083,673**	**(14,827,719)**	**3,255,954**	**7,128,492**
Net balance (credit)	**5,499,530**	**(3,273,634)**	**2,225,896**	**55,081,291**

As explained in Note 2.22 a, Pininfarina S.p.A. did not recognize new deferred-tax assets or liabilities, the amount of which is shown in a separate schedule that lists unrecognized deferred-tax assets and liabilities.
The impact on the income statement of the derecognition of deferred-tax assets is shown net of the benefit derived from the filing of a consolidated tax return with Pininfarina Extra.

The deferred-tax asset that arises from the tax loss carryforward of the Matra Group was determined by assessing critically its future recoverability, based on updated strategic plans and the corresponding tax plans. The recoverability was also evaluated taking into account the agreements concerning the filing of a national consolidated tax return.

No additional deferred-tax assets were recognized for the 2007 loss on the Matra Group, which would amount to about 1.8 million euros.

As for the Pininfarina Deutschland Group, the deferred-tax assets that would be recognizable on its loss carryforward, computed based on the rates of the tax on commercial activities and the corporate income tax, would amount to about 7.0 million euros.
The amounts shown for deferred-tax liabilities and the deferred-tax asset have been restated to take into account the tax rates that will be in effect after December 31, 2007.

A reconciliation of the theoretical tax rate to the actual tax rate is provided in the financial statements of Pininfarina S.p.A. The tax burden of the other Group companies is reviewed below:

· Pininfarina Extra Srl files a national consolidated tax return with Pininfarina S.p.A.;
· The companies of the Matra Group have no liability for current income taxes because of their ability to use in their national consolidated tax return a tax loss carryforward generated by Matra Automobile Engineering Sas, which are the source of the deferred-tax assets recognized in the consolidated balance sheet;
· Pininfarina Deutschland Gmbh and MPX Entwicklung Gmbh pay no taxes because they are able to offset their tax liability against the tax loss carryforward generated by Pininfarina Deutschland Gmbh.

Other Information

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

Transactions with Related Parties

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

REVENUES RECEIVED FROM:	*Amounts in euros*	*Description*
Pininfarina Sverige AB	1,354,880	Miscellaneous services
	5,525,660	Interest income

COSTS PAID TO:	*Amounts in euros*	*Description*
Pininfarina Sverige AB	5,756	Miscellaneous services

Financing provided to:	*Amount at 12/31/07*	*Max. amount in 2007*
Pininfarina Sverige AB	80,568,801	100,123,643

Material Extraordinary Events and Transactions

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

The balance sheet and income amounts presented below have been restated to eliminate the impact of the following extraordinary transactions:

i. Costs incurred for damages suffered by the Bairo plant due to a weather event, net of insurance settlement.
ii. Sale of some vintage automobiles.
iii. Restatement of the provision for termination indemnities due to the reform of the pension system.
iv. Writedown of financial receivables.
v. Writedowns of property, plant and equipment.
vi. Research grant recognized by the Matra Group.
vii. Acknowledgement of assets by Webasto A.G. related to RHTU A.B.

	Statutory financial statements at 12/31/07	**Statutory financial statements at 12/31/07 net of extraordinary transactions**
Net intangible assets	7,097,751	7,097,751
Net property, plant and equipment	269,854,859	285,995,441
Non-current financial assets	206,182,052	243,346,988
Equity investments	31,965,176	31,965,176
Inventory	22,716,969	22,716,969
Current financial assets	120,992,876	139,403,940
Net trade receivables and other receivables	114,075,418	108,613,240
Deferred-tax assets	5,481,850	5,481,850
Cash and cash equivalents	98,008,444	90,906,621
TOTAL ASSETS	**876,375,394**	**935,527,975**
Reserves	153,495,694	153,495,694
Profit (Loss) for the year	(114,525,048)	(52,784,747)
TOTAL SHAREHOLDERS' EQUITY	**38,970,646**	**100,710,947**
Long-term borrowings	336,221,744	336,221,744
Deferred-tax liabilities	3,255,954	3,255,954
Provision for termination indemnities	25,616,906	28,089,532
Current borrowings	274,413,170	274,413,170
Other payables	21,573,456	21,370,505
Trade accounts payable	161,554,656	156,697,260
Provision for current taxes	1,197,751	1,197,751
Provision for other liabilities and charges	13,571,112	13,571,112
TOTAL LIABILITIES	**837,404,748**	**834,817,028**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**876,375,394**	**935,527,975**

	Statutory financial statements at 12/31/07	Statutory financial statements at 12/31/07 net of extraordinary transactions
Net revenues	712,960,061	709,460,061
Change in inventory of finished goods and work in process	(60,457,983)	(60,457,983)
Other income and revenues	14,224,062	8,876,884
Company-produced non-current assets	3,704,629	3,704,629
Value of production	**670,430,768**	**661,583,590**
Net gain on the sale of non-current assets	4,869,393	101,555
Raw materials and outside services used	(521,185,619)	(515,011,627)
Change in inventory of raw materials	(10,557,138)	(10,557,138)
Value added	**143,557,404**	**136,116,380**
Labor costs	(130,734,102)	(133,003,777)
EBITDA	**12,823,302**	**3,112,603**
Depreciation and amortization	(42,801,992)	(42,801,992)
(Additions to provisions/Writedowns) / Utilizatio	(73,369,348)	(3,852,275)
EBIT	**(103,348,037)**	**(43,541,663)**
Financial income (expense), net	(10,647,684)	(8,713,757)
Other income (expense), net	3,294,067	3,294,067
Profit before taxes	**(110,701,654)**	**(48,961,354)**
Income taxes for the year	(3,823,394)	(3,823,394)
Net profit (loss) for the year	**(114,525,048)**	**(52,784,747)**

Positions or Transactions Arising from Atypical and/or Unusual Dealings

As required by the Consob Communication of July 28, 2006, the Pininfarina Group discloses that in 2007 it was not a party to transactions arising from atypical or unusual dealings, as defined in the abovementioned Communication, according to which atypical and/or unusual dealings are dealings that, because of their significance/material amount, nature of the counterpart, subject of the transaction, method used to determine the sales price and timing of the event, could create doubts as to: the fairness and/or completeness of the information provided in the financial statements, the existence of a conflict of interests, the safety of the corporate assets and the protection of minority shareholders.

Disclosures Provided Pursuant to Article 149-*duodecies* of the Consob Issuers' Regulations

The schedule below, which was prepared pursuant to Article 149-*duodecies* of the Consob Issuers' Regulations, lists the amount attributable to 2007 of the fees charged for independent auditing services and services other than auditing provided by the Independent Auditors and other companies within the same network.

	Party providing the service	Client	Fee amount attributable to 2007
Independent Audit	PricewaterhouseCoopers SpA	Parent Company – Pininfarina S.p.A.	125,000
	PwC Network	Subsidiaries	308,011
Certification services			0
Other services			0
Total			**433,011**

Certification of the consolidated financial statements pursuant to Article 81-ter of Consob Regulation No. 11971 of May 14, 1999, as amended

◊ We, the undersigned, Andrea Pininfarina, in my capacity as Chairman and Chief Executive Officer, and Gianfranco Albertini, in my capacity as Corporate Accounting Documents Officer of Pininfarina S.p.A., attest that, insofar as the provisions of Article 154-*bis*, Sections 3 and 4, of Legislative Decree No. 58 of February 24, 1998 are concerned, the administrative and accounting procedures applied to prepare the 2007 consolidated financial statements are:

- adequate in light of the Company's characteristics; and
- were applied effectively.

◊ Moreover, we certify that the consolidated financial statements at December 31, 2007:

- are consistent with the data in the supporting documents and accounting records;
- were prepared in accordance with the international accounting principles (IAS/IFRS) issued by the International Accounting Standards Board (IASB), as approved by the European Union, and, to the best of our knowledge, are suitable for the purpose of providing a truthful and fair representation of the balance sheet, operating performance and financial position of the issuer and of the companies included in the scope of consolidation.

March 27, 2008

Andrea Pininfarina

Chairman and
Chief Executive Officer

Gianfranco Albertini

Corporate Accounting
Documents Officer

REPORT OF THE BOARD OF STATUTORY AUDITORS
TO THE SHAREHOLDERS' MEETING ON THE
CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2007

Dear Shareholders:

The Board of Directors submits for your approval the consolidated financial statements at December 31, 2007, which comprise the balance sheet, income statement and notes to the financial statements.

The consolidated financial statements at December 31, 2007 show consolidated shareholders' equity of 38,970,646 euros, net of a consolidated net loss of 114,525,048 euros.

The consolidated financial statements at December 31, 2007 were prepared in accordance with the International Financial Reporting Standards (IAS/IFRSs).

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

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

The Report clearly defines the scope of consolidation, which at December 31, 2007 included the Group's Parent Company, 12 subsidiaries, all of which were consolidated line by line, and 2 associated companies, which were valued by the equity method.

The audit performed by PricewaterhouseCoopers S.p.A. has shown that the amounts listed in the consolidated financial statements at December 31, 2007 match the Parent Company's accounting records and the statutory financial statements of the subsidiaries, and are consistent with the official information provided by these companies.

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

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

Today, PricewaterhouseCoopers S.p.A., the independent auditors retained to audit the consolidated financial statements of the Pininfarina Group, issued their report without qualifications stating that, in their opinion, the consolidated financial statements of the Pininfarina Group at December 31, 2007 comply with the applicable statutes.

The abovementioned report required the additional disclosures that are discussed in the Report of the Statutory Auditors on the Statutory Financial Statements, which should be consulted for additional information.

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

- The scope of consolidation has been determined correctly.
- The consolidation procedures and principles adopted are consistent with statutory requirements and were applied correctly.
- The Report on Operations is consistent with the data and disclosures of the consolidated financial statements.
- All of the information used for consolidation purposes applies to the entire administrative period comprising the 2007 fiscal year.
- The valuation criteria applied are consistent with those used in 2006.
- The associated companies Pasiphae S.à.r.l and Pininfarina Sverige AB have been valued by the equity method.

Lastly, the Chief Executive Officer and the Corporate Accounting Documents Officer have issued the certification required pursuant to Article 81-*ter* of Consob Regulation No. 11971/1999, as amended, and Article 154-*bis*, Sections 3 and 4, of the Uniform Financial Code (Legislative Decree No. 58/1998).

Turin, April 11, 2008

THE STATUTORY AUDITORS

(Giacomo Zunino) [signature]

(Piergiorgio Re) [signature]

(Fabrizio Cavalli) [signature]

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

PININFARINA GROUP

CONSOLIDATED FINANCIAL STATEMENTS AS AT
31 DECEMBER 2007

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

To the Shareholders of
Pininfarina SpA

1 We have audited the consolidated financial statements of Pininfarina SpA and its subsidiaries ("Pininfarina Group"), which comprise the balance sheet, income statement, cash flow statement, statement of changes in stockholders' equity and the related explanatory notes as at 31 December 2007. These consolidated financial statements are the responsibility of Pininfarina SpA's Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

The consolidated financial statements present the prior year corresponding figures, for which reference is made to our report dated 24 April 2007.

3 In our opinion, the consolidated financial statements of Pininfarina Group as at 31 December 2007 comply with International Financial Reporting Standards as adopted by the European Union, as well as with regulations issued in accomplishment of article 9 of Law Decree n° 38/2005; accordingly, they give a true and fair view of the financial position, the results of operations, the changes in stockholders' equity and cash flows of Pininfarina Group for the year then ended.

4 Your attention is drawn to the information provided in the section "Assessment of the going concern and Business Outlook" of the "Report of the Board of Directors on Operations" and in the Notes to the Financial Statements concerning the fact that the financial statements have been prepared on a going concern basis on the strength of the actions undertaken by the Directors to resolve the financial difficulties attending a net 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** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 – **Firenze** 50129 Viale Milton 65 Tel. 055471747 – **Genova** 16121 Piazza Dante 7 Tel. 01029041 – **Napoli** 80121 Piazza dei Martiri 30 Tel. 08136181 – **Padova** 35138 Via Vicenza 4 Tel. 049873481 – **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 – **Parma** 43100 Viale Tanara 20/A Tel. 0521242848 – **Roma** 00154 Largo Fochetti 29 Tel. 06570251 – **Torino** 10129 Corso Montevecchio 37 Tel. 011556771 – **Trento** 38100 Via Grazioli 73 Tel. 0461237004 – **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 – **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 – **Udine** 33100 Via Poscolle 43 Tel. 043225789 – **Verona** 37122 Corso Porta Nuova 125 Tel. 0458002561

indebtedness of Euro 185,4 millions and to restore the Group's economic and financial position.
In particular attention is drawn to the foreseen rescheduling/ renewal of bank borrowings and the related increase of share capital the outcomes of which at the present date are still uncertain raising significant doubts about the Group's ability to continue as a going concern.

Turin, 11 April 2008

PricewaterhouseCoopers SpA

Signed by

Paolo Ozino Caligaris
(Partner)

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

ANNEXES

The following Annexes contain additional data that supplement the information shown in the Notes to the Financial Statements and are an integral part of the Notes.

ANNEX 1

Reclassified Income Statement

Reclassified Balance Sheet

Net Financial Position

Reclassified Consolidated Income Statement

(in thousands of euros)

	Data at				
	12/31/07	%	**12/31/06**	%	**Change**
Net revenues	712,960	106.34	526,382	89.40	186,578
Changes in inventory of work in process and finished products	(60,458)	(9.02)	54,348	9.23	(114,806)
Other income and revenues	14,224	2.12	6,961	1.18	7,263
Work performed internally and capitalized	3,705	0.55	1,123	0.19	2,582
Value of production	**670,431**	**100.00**	**588,814**	**100.00**	**81,617**
Net gain on disposal of non-current assets	4,869	0.72	11,869	2.02	(7,000)
Raw materials and outside services	(521,186)	(77.74)	(502,035)	(85.26)	(19,151)
Change in inventory of raw materials	(10,557)	(1.57)	17,282	2.94	(27,839)
Value added	**143,557**	**21.41**	**115,930**	**19.69**	**27,627**
Labor costs (*)	(130,734)	(19.50)	(127,856)	(21.71)	(2,878)
EBITDA	**12,823**	**1.91**	**(11,926)**	**(2.03)**	**24,749**
Depreciation and amortization	(42,802)	(6.38)	(23,107)	(3.92)	(19,695)
(Additions to provisions/ Writedowns)/Utilizations (**)	(73,369)	(10.94)	(8,441)	(1.43)	(64,928)
EBIT	**(103,348)**	**(15.41)**	**(43,474)**	**(7.38)**	**(59,874)**
Net financial income (expense)	(10,648)	(1.59)	20,768	3.53	(31,416)
Other income (expense), net	3,294	0.49	(860)	(0.15)	4,154
Profit before taxes	**(110,702)**	**(16.51)**	**(23,566)**	**(4.00)**	**(87,136)**
Income taxes	(3,823)	(0.57)	1,683	0.29	(5,506)
Profit (Loss) for the year	**(114,525)**	**(17.08)**	**(21,883)**	**(3.72)**	**(92,642)**

(*) Labor costs includes the income statement line item "Wages, salaries and employee benefits" before utilizations of the Provision for restructuring programs totaling 2,439,000 euros.
(**) (Additions to provisions/Writedowns) / Utilizations includes the income statement line items "Additions to provisions /Writedowns" and "Addition to the provision for inventory risk" net of provision utilizations totaling 5,347,000 euros.

Reclassified Consolidated Balance Sheet

(in thousands of euros)

	Data at		
	12/31/07	**12/31/06**	**Change**
Net non-current assets (A)			
Net intangible assets	7,098	8,154	(1,056)
Net property, plant and equipment	269,855	292,717	(22,862)
Equity investments	31,965	35,639	(3,674)
Total A	**308,918**	**336,510**	**(27,592)**
Working capital (B)			
Inventory	22,717	42,470	(19,753)
Net trade receivables and other receivables	114,075	132,488	(18,413)
Deferred-tax assets	5,482	23,583	(18,101)
Trade accounts payable	(161,555)	(167,765)	6,210
Provision for risks and charges	(6,838)	(8,211)	1,373
Other liabilities	(32,758)	(52,145)	19,387
Total B	**(58,877)**	**(29,580)**	**(29,297)**
Net invested capital (C=A+B)	**250,041**	**306,930**	**(56,889)**
Provision for termination indemnities (D)	**25,617**	**30,912**	**(5,295)**
Net capital requirements (E=C-D)	**224,424**	**276,018**	**(51,594)**
Shareholders' equity (F)	**38,971**	**155,078**	**(116,107)**
Net financial position (G)			
Long-term debt	22,420	125,796	(103,376)
(Net liquid assets)	163,033	(4,856)	(167,889)
Total G	**185,453**	**120,940**	**64,513**
Total as in E (H=F+G)	**224,424**	**276,018**	**(51,594)**

The amounts shown for "Net Liquid assets" and "Long-term debt" at 12/31/06 have changed due to the reclassification of the current portion. The "Total net financial position" did not change.

Net Financial Position

(in thousands of euros)

	Data at		
	12/31/07	**12/31/06**	**Change**
Cash and cash equivalents	98,008	16,933	81,075
Current assets held for trading	62,862	61,864	998
Current loans receivable and other receivables	40,226	66,912	(26,686)
Available-for-sale current assets	0	0	0
Loans receivable from associates and joint ventures	17,904	17,904	0
Bank account overdrafts	(58,430)	(31,331)	(27,099)
Current liabilities under finance leases	(193,356)	(74,001)	(119,355)
Loans payable to associates and joint ventures	0	0	0
Current portion of long-term bank debt	(130,247)	(53,425)	(76,822)
Net liquid assets	**(163,033)**	**4,856**	**(167,889)**
Long-term loans and other receivables from outsiders	143,517	185,806	(42,289)
Long-term loans and other receivables from associates and joint ventures	62,665	80,569	(17,904)
Available-for-sale non-current assets	0	0	0
Long-term liabilities under finance leases	(156,290)	(282,274)	125,984
Long-term bank debt	(72,312)	(109,897)	37,585
Long-term debt	**(22,420)**	**(125,796)**	**103,376**
Net financial position	**(185,453)**	**(120,940)**	**(64,513)**

The amounts shown for "Net Liquid assets" and "Long-term debt" at 12/31/06 have changed due to the reclassification of the current portion. The "Total net financial position" did not change.

ANNEX 2

List of Companies Included in the Scope of Consolidation

Key Data of the Principal Group Companies

List of Consolidated Companies

List of Consolidated Companies

Name	Registered office	Country	Share capital	Currency	% interest held directly or indirectly	Consolidated companies	% capital share
Parent Company							
Parent Company							
Pininfarina S.p.A.	Turin Via Bruno Buozzi 6	IT	9,317,000	EUR	-	-	-
List of companies consolidated line by line							
Italian subsidiaries							
Pininfarina Extra S.r.l.	Turin Via Bruno Buozzi 6	IT	388,000	EUR	100	Pininfarina S.p.A.	100
Foreign subsidiaries							
Pininfarina Extra USA Corp.	New York 1, Penn Plaza Suite 3515	USA	10,000	USD	100	Pininfarina Extra S.r.l.	100
Pininfarina Deutschland GmbH	Leonberg Riedwiesenstr. 1	DE	3,100,000	EUR	100	Pininfarina S.p.A.	100
mpx Entwicklung GmbH	Munich Frankfurter Ring 17	DE	25,000	EUR	100	Pininfarina Deutschland GmbH	100
Matra Automobile Engineering SAS	Trappes - cedex 8, avenue J. D'Alembert	FR	971,200	EUR	100	Pininfarina S.p.A.	100
CERAM SAS	Mortefontaine	FR	1,000,000	EUR	100	Matra Automobile Engineering SAS	100
D3 SAS	Courbevoie 11, rue Paul Bert	FR	306,000	EUR	100	Matra Automobile Engineering SAS	100
Plazolles Modelage S.a.r.l.	Garges Les Gonesses Zac de l'Argentine - 9, rue J. Anquetil	FR	8,000	EUR	100	D3 SAS Matra Automobile Engineering SAS	70 30
Matra Automobile Engineering Maroc SAS	Zenata Casablanca - Sidi Bernoussi Km 12, Autoroute de Rabat	MA	8,000,000	MAD	100	Matra Automobile Engineering SAS CERAM SAS	99,9 0,1
RHTU Sverige A.B.	Uddevalla Varsvagen 1	SV	100,000	SEK	100	Pininfarina S.p.A.	100
List of companies valued by the equity method in the consolidated financial statements							
Pininfarina Sverige A.B.	Uddevalla Varsvagen 1	SV	8,965,000	SEK	60	Pininfarina S.p.A.	60
Pasiphae S.a.r.l.	Luxembourg 4, Boulevard Royal	LU	5,000,000	EUR	20	Pininfarina S.p.A.	20

All equity investments listed above are owned outright.

Changes on the Scope of Consolidation

On June 1, 2007, Matra Automobile Engineering SAS absorbed its Matra Developpement SAS subsidiary.

The scope of consolidation did not change compared with December 31, 2006.

List of Unconsolidated Companies

Name	Registered office	Country	Share capital	Currency	% interest held directly or indirectly	Consolidated companies	% capital share
Italian subsidiaries							
Nord Est Design S.r.l.	Maniago (PN) Via Dante 28	IT	100,000	EUR	-	Pininfarina Extra S.r.l.	40
Foreign subsidiaries							
Numero Design S.a.r.l.	Sceaux Sentier des Torque, 4 Chemin du rue d'Aulnay	FR	8,000	EUR	-	D3 SAS	40

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

Pininfarina Extra S.r.l. Group

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

	12/31/07	12/31/06
	(in millions of euros)	
Value of production	5.2	4.8
Net profit	0.9	0.86
Shareholders' equity	3.4	2.8
Net financial position	1.7	1.3

Matra Automobile Engineering Group

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

	12/31/07	12/31/06
	(in millions of euros)	
Value of production	68.2	61.0
Net profit (loss)	(1.7)	(1.2)
Shareholders' equity	8.1	9.8
Net financial position	(24.9)	(22.8)

Pininfarina Deutschland GmbH Group

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

	12/31/07	12/31/06
	(in millions of euros)	
Value of production	14.8	10.2
Net profit (loss)	0.9	(3.7)
Shareholders' equity	16.6	15.7
Net financial position	(5.6)	(6.3)

Andrea Pininfarina
Chairman of the Board of Directors

ANNEX 3

Other Information

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

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

First and last name	Investee company	Number of shares held at 12/31/06	Number of shares bought in 2007	Number of shares sold in 2007	Number of shares held at 12/31/07
Sergio Pininfarina	Pininfarina S.p.A.	189,038 (1)	zero	zero	189,038 (1)
Sergio Pininfarina	Pininfarina S.p.A.	181,500 (2)	zero	zero	181,500 (2)
Sergio Pininfarina	Pininfarina S.p.A.	4,714,360 (3)	zero	zero	4,714,360 (3)
Lorenza Pininfarina	Pininfarina S.p.A.	1,000	2,000	zero	3,000
Giorgia Gianolio	Pininfarina S.p.A.	10,000 (4)	zero	zero	10,000 (4)
General Manager		zero	zero	zero	zero
Executives with strategic responsibilities		zero	zero	zero	zero

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

No stock options are awarded to the members of the Board of Directors.

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

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

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

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

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

YEAR	STRIKE PRICE	NUMBER OF OPTIONS AWARDED	NUMBER OF OPTIONS EXERCISABLE	NUMBER OF OPTIONS EXERCISED
2002	€19.408	187,000	149,766	149,766 (1)
2003	€20.909	202,000	174,760	170,860 (2)
2004	€22.753	214,000	153,689	128,584 (3)
2005	€23.437	218,000	129,668	58,569 (4)
2006	€24.455	215,000	115,336	4,638 (5)
2007	€24.648	215,000	215,000	zero

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

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

(3) The average exercise price was 25.52 euros. These options were exercised in 2005 (29,080), 2006 (53,533) and 2007 (45,971).

(4) The average exercise price was 25.68 euros. These options were exercised in 2006 (16,483) and 2007 (42,086).

(5) The average exercise price was 25.04 euros. These options were exercised in 2007 (4,638).

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

On March 27, 2008, the Board of Directors proposed the purchase of up to 400,000 treasury shares, 250,000 of which will be used for the exercise of stock options.

Disclosure Required by Article 78 of Consob Resolution No. 11791/99

Stock Options Awarded to Executives with Strategic Responsibilities

	Options held at the beginning of the year 2007			Option awared during the year 2007			Options exercised during the year 2007			Options expired during the year	Option held at the end of the year 2007		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11) =1+4 -7-10	(12)	(13)
Post held	Number of options	Average exercise price	Average maturity	Number of options	Average exercise price	Average maturity	Number of options	Average exercise price	Average market-price at the exercise	Number of options	Number of options	Average exercise price	Average maturity
Executives with strategic responsibilities	57,348	23.19	9 months	58,000	24.46	18 months	40,887	23.89	24.01	0	74,461	23.35	9 months

INFORMATION ABOUT SHARE OWNERSHIP PURSUANT TO ARTICLE 123-*BIS* OF THE UNIFORM FINANCIAL CODE (LEGISLATIVE DECREE No. 58/1998)

a) Structure of the Share Capital

The Company's share capital is comprised exclusively of common shares, par value 1 euro each.

The shares are registered shares, issued in dematerialized form.

b) Restrictions on the Share Ownership Rights

There are no restrictions on the transferability of the shares.

c) Significant Equity Interests

Based on the communications received pursuant to Article 120 of the Uniform Financial Code (Legislative Decree No. 58/1998), the following shareholders hold an interest greater than 2% in the Company's share capital:

- PINCAR SAPA – 4,714,360 common shares, equal to about 50.60% of the common share capital;
- INVESTERINGSFORENINGENSPARINDEX – 298,200 common shares, equal to about 3.20% of the common share capital;
- SEGLAP S.s. – 189,038 common shares, equal to about 2.03% of the common share capital;
- FRAMEL S.s. – 186,628 common shares, equal to about 2.00% of the common share capital.

d) Owners of Securities that Convey Special Rights

No securities that convey special rights have been issued.

e) Employee Stock Ownership Plans: Mechanism for the Exercise of Voting Rights

The Company has no employee stock ownership system.

f) Restrictions on Voting Rights

There are no restrictions on voting rights.

g) Shareholders' Agreements, as Defined in Article 122 of the Uniform Financial Code (Legislative Decree No. 58/1998), Known to the Company

The company is not aware of any shareholders' agreements, as defined in Article 122 of the Uniform Financial Code (Legislative Decree No. 58/1998).

h) Provisions Applicable to the Election and Replacement of Directors and to Amendments to the Bylaws

Election of Directors

Directors are elected in accordance with the provisions of Article 15 of the Bylaws:

"The Shareholders' Meeting shall elect a Board of Directors and determine the length of its term of office.

Directors are elected on the basis of slates of candidates.

When multiple slates have been filed, one Director shall be taken from the slate that received the second highest number of votes.

Only shareholders who alone or together with others own a number of voting shares equal to the minimum percentage applicable to the Company pursuant to current laws may submit slates of candidates. This percentage must be stated in the notice of the Shareholders' Meeting.

A shareholder may not file or vote for more than one slate, either personally or through a representative or a nominee company. Shareholders who belong to the same group or are members of a shareholders' agreement concerning the Company's shares may not file or vote for more than one slate, either personally or through a representative or a nominee company. A candidate may be listed only on one slate on penalty of losing the right to be elected.

Candidates shall be listed in the slates in consecutive order and must meet the integrity requirements of the relevant laws.

A candidate who is listed first in consecutive order in a slate shall also meet the independence requirements of the relevant laws.

Slates filed by shareholders shall be deposited at the Company's registered office at least 15 days prior to the date of the Shareholders' Meeting convened to elect a Board of Directors.

Together with each slate, shareholders shall file within the abovementioned deadline certifications attesting their ownership of their interest in the Company and affidavits by the individual candidates stating that they accept the nomination and attest, under their responsibility, that they meet statutory requirements.

Candidates who do not comply with the rules outlined above may not be elected.

Once the Shareholders' Meeting has determined the number of Directors that it plans to elect, the procedure outlined below shall be followed:

1. All except one of the Directors that need to be elected shall be taken from the slate that received the highest number of votes cast by the shareholders, in the consecutive order in which they are listed on the slate;
2. The remaining shareholder shall be elected, pursuant to law, from the slate that received the second highest number of votes, selecting the first of the candidates who are listed in consecutive order on the slate.

Slates that at the Shareholders' Meeting receive a percentage of the votes equal to less than half of the percentage required pursuant to the fifth paragraph of this Article shall not be taken into account.

The rules provided above for the election of the Board of Directors shall not apply unless at least two slates are filed and voted on, nor shall they apply to Shareholders' Meetings convened to replace Directors during the term of office of the Board of Directors. In such cases, the Shareholders' Meeting shall approve resolutions by a relative majority.

Unless the Shareholders' Meeting resolves otherwise, the Directors shall not be bound by the restrictions set forth in Article 2390 of the Italian Civil Code."

Amendments to the Bylaws

The amendments to the Bylaws were approved by the Shareholders' Meeting pursuant to law.

Pursuant to Article 21 of the Bylaws, the Board of Directors is empowered to adopt resolutions with regard to amendments that are required to make the Bylaws consistent with regulatory requirements.

i) Powers of Attorney to Carry Out Capital Increases and Authorizations to Buy Treasury Shares

Capital Increases

No power of attorney has been granted to the Board of Directors for the purpose of carrying out capital increases, as required by Article 2443 of the Italian Civil Code.

Authorizations to Buy Treasury Shares

The Shareholders' Meeting of May 11, 2007 approved a program to buy up to 400,000 treasury shares in accordance with a proposal put forth by the Board of Directors at a meeting on March 27, 2007.

This purchase was necessary to allow the Company to have access to a block of shares that may be used for share exchanges in connection with investments carried out to further the achievement of the corporate purpose. In addition, up to 250,000 of the abovementioned treasury shares may be used to implement stock option plans offered to managers of the Company and its direct subsidiaries.

Any purchased shares will remain available while they are held as treasury stock.

The program to buy treasury shares may be implemented, in one or more installments, over a period of 18 months at a price that may not be lower by more than 15% higher or lower than the share's closing price during the stock market trading session held the day before the purchase.

l) Change of Control Clauses

A change in the control of Pininfarina S.p.A. compared with the current situation would impact the existing contracts with customers and financial institutions as follows:

Contracts with Customers

If a competitor of the Ford Group were to acquire shares of Pininfarina S.p.A. conveying more than 30% of the voting rights, Ford Europe would have the right to cancel its production contracts and claim compensation for any resulting damages.

Contracts with Financial Institutions

Under the agreements governing bank financing facilities and finance leases outstanding with Banca Intesa San Paolo, Banca di Roma, Banca Nazionale del Lavoro, Fortis Bank and Unicredit Banca d'Impresa, these financial institutions have the right to cancel their respective contracts causing the Company to lose the benefit of repayment in installments (Article 1186 of the Italian Civil Code).

m) Severance Indemnities in the Event of Resignation or Dismissal Without Sufficient Grounds or if an Employment Relationship Is Terminated Due to a Tender Offer

The Company is not a party to any agreements with Directors calling for the payment of severance indemnities in the event of resignation or dismissal without sufficient grounds or if an employment relationship is terminated due to a tender offer.

Andrea Pininfarina
Chairman of the Board of Directors

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