# PININFARINA GROUP

# ANNUAL FINANCIAL REPORT

## AT DECEMBER 31, 2009

Pininfarina S.p.A. – Share Capital: 30,166,652 euros, fully paid-in – Registered Office: 6 Via Bruno Buozzi, Turin
Tax I.D. and Registration No. 00489110015, Turin Company Register

Drafts of the financial statements of PININFARINA S.p.A., the Consolidated Financial Statements at December 31, 2009 and the Reports on Operations were approved by the Board of Directors on March 29, 2010.

## ORDINARY SHAREHOLDERS’ MEETING

## APRIL 30, 2010

The Ordinary Shareholders’ Meeting will be held on April 30, 2010 at 3:00 PM in the “Mythos” Hall, at the offices of Pininfarina S.p.A., 30 Via Nazionale, Cambiano (Turin), on the first calling.

AGENDA

1) Approval of the financial statements at December 31, 2009 and applicable resolutions.

The Notice of the Shareholders’ Meeting was published in the March 31, 2010 issue of *Il Sole 24 Ore.*

| | | |
|---|---|---|
| **Honorary Chairman** | Sergio | Pininfarina |

## Board of Directors

| | | |
|---|---|---|
| Chairman* | Paolo | Pininfarina |
| Chief Executive Officer | Silvio Pietro | Angori |
| Directors | Gianfranco | Albertini (2) |
| | Edoardo | Garrone (1) |
| | Enrico | Parazzini (2) |
| | Carlo | Pavesio (1) |
| | Roberto | Testore (1) (2) |

(1) Member of the Nominating and Compensation Committee

(2) Member of the Internal Control Committee

## Board of Statutory Auditors

| | | |
|---|---|---|
| Chairman | Nicola | Treves |
| Statutory Auditors | Giovanni | Rayneri |
| | Mario | Montalcini |
| Alternates | Alberto | Bertagnolio Licio |
| | Guido | Giovando |

## Secretary to the Board of Directors

| | | |
|---|---|---|
| | Gianfranco | Albertini (§) |

**(§)** Corporate Accounting Documents Officer

| | |
|---|---|
| **Independent Auditors** | PricewaterhouseCoopers S.p.A. |

***Powers**

*Pursuant to Article 22 of the Bylaws, the Chairman is the Company's legal representative vis-à-vis external parties and in court proceedings.*

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# REPORT OF THE BOARD OF DIRECTORS
# ON OPERATIONS

## The Group

## Overview

While the negative trend that affected the Group's target markets in 2008 persisted in 2009, Pininfarina's proven resilience enabled it to achieve its objectives with regard to strengthening its financial position, increasing its operating efficiency and honoring its commitments to the Lender Institutions, as embodied in its Industrial and Financial Plan. The main developments that characterized 2009 included:

- A continuation of the global crisis in the automobile market, with a significant negative impact on the Group's volume of production orders;
- Activity in the service sector holding at a satisfactory level, despite the suspension or cancellation of many new programs by carmakers;
- Obvious interest, in every segment of the automotive industry, in the development and production of environmentally compatible vehicles (electric vehicles, primarily), with high business growth expectations.

As for the financial and industrial restructuring process launched by the Group in 2008, the most significant events that occurred in 2009 are reviewed below:

- Completion of the Second Phase of the Framework Agreement signed with the Lender Institutions on December 31, 2008, which included a rights offering resulting in a capital increase of 69.8 million euros (8.7 million euros in cash), which was fully subscribed and paid-in. This transaction helped Pininfarina S.p.A. strengthen its financial position and enabled it to reduce its gross borrowings by 61.1 million euros (see Note "14. Share Capital" in the Statutory Financial Statements for additional information);

- On December 31, 2009, sale by Pininfarina S.p.A. to De Tomaso Automobili S.p.A. of business operations in a transaction that included the transfer of 900 employees (including 875 factory staff and 25 office staff). This agreement, which required the consent of the Lender Institutions (provided based on a specific certification issued by an expert appraiser pursuant to Article 67 of the Bankruptcy Law), enabled the Company to achieve ahead of schedule the Industrial Plan's objective regarding the downsizing of the production staff and realize substantial savings. Subsequent to this transaction, the Company, working in concert with its customers, moved ahead by a few months in 2010 the end of the production orders for Alfa Romeo and Ford, which are currently partly subcontracted to De Tomaso Automobili. The transfer of the funds corresponding to the provision for termination indemnities covering the 900 employees transferred with the sale of the business operations was financed with the proceeds from the sale of the Grugliasco factory to a company controlled by FinPiemonte Partecipazioni S.p.A.

In Italy, despite a significant decline in value of production (-60.6%), Pininfarina S.p.A. reported positive EBITDA, owing in part to the contribution of nonrecurring gains generated primarily from the sale of business operations. EBIT were negative by 33.9 million euros (equal to about 18% of the loss reported in 2008) due to the impact of the early termination of production orders, which made it necessary to recognize new writedowns of financial receivables and other assets, in addition to those booked in 2008. The amount of the loss was reduced by the positive result from financial transactions, which, compared with 2008, benefited from the drastic reduction in financial expense resulting from the debt restructuring made possible by the Rescheduling Agreement.

As a result, the net loss shrank to 30.4 million euros, an amount about 85% smaller than the loss reported at December 31, 2008.

In the aggregate, the results produced by industrial design and engineering service operations of the Group's foreign subsidiaries were lower than in 2008. The Swedish industrial operations were able to minimize the impact of a 32.5% decrease in value of production, reducing their contribution to the Group's bottom line by just 9.3%. The negative value adjustment recognized with regard to the Véhicules Electriques Pininfarina Bolloré S.A.S. joint venture in France was smaller than in 2008, due mainly to the smaller charge recognized in 2009 to eliminate the margin generated by intra-Group transactions, compared with the previous year.

With regard to the commitments and restrictions of the Rescheduling Agreement between Pininfarina S.p.A. and the Lender Institutions, the data for 2009 show that the Company was in compliance with the covenants of the Agreement with regard both to the EBITDA and liquidity amounts at the end of the year. Additional information about this issue is provided in a later section of this Report that deals with financial covenants.

## Operating Performance

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

The 2009 data of the Pininfarina Group show that value of production amounted to 201.6 million euros, compared with 535.7 million euros at December 31, 2008 (-62.4%). The manufacturing operations accounted for 69% of the total value of production (75% in 2008), with the design and engineering operations contributing together for the remaining 31% (25% in 2008).

Despite the sharp drop in value of production, EBITDA were positive, albeit lower than in 2008, amounting to 2.9 million euros (1.4% of the value of production; positive EBITDA of 6.9 million euros equal to 1.3% of the value of production in 2008).

EBIT were negative by 35.9 million euros (-17.8% of the value of production), compared with negative EBIT of 177.8 million euros in 2008 (-33.2% of the value of production).

In order to understand more clearly the improvement in EBIT, it is helpful to differentiate between operating losses and extraordinary writedowns. Accordingly, the loss of 35.9 million euros reported in 2009 (177.8 million euros in 2008) can be broken down into operating losses of 25.5 million euros (58.8 million euros in 2008) and writedowns required by impairment tests totaling 10.4 million euros (119 million euros in 2008).

Writedowns of financial receivables and other assets, all recognized by the Group's Parent Company, stem from the divestments of business operations and the Grugliasco plant discussed above, as a result of which the end of production orders was moved ahead by a few months in 2010, thereby reducing the production volumes originally projected through the completion of the production orders.

Consequently, the carrying values of the assets earmarked for the fulfillment of the Alfa Romeo and Ford production orders and the receivable owed by the Fiat Group were written down to their recoverable value, determined based on estimates of future car sales volumes and the relevant agreements.

The table below provides a breakdown of the impact of asset writedowns on reported EBIT in 2009 and 2008:

| (in millions of euros) | 2009 | 2008 |
|---|---|---|
| Alfa Romeo contract assets | 1.3 | 14.3 |
| Ford contract assets | 6.1 | 84.7 |
| Matra Automobile Engineering assets | 0.0 | 10.9 |
| **Total asset writedowns** | **7.4** | **109.9** |
| Alfa Romeo financial receivable | 3.0 | 9.1 |
| Mitsubishi financial receivable | 0.0 | 0.0 |
| **Total writedowns of operating financial receivables** | **3.0** | **9.1** |
| **GRAND TOTAL** | **10.4** | **119.0** |

The 2009 operating loss of 25.5 million euros reflects the impact of an addition of 12.8 million euros to a provision for writedowns of the order portfolio related to the electric car project. The establishment of this provision for writedowns was required because of a delay in the signing of a second engineering development contract between Pininfarina S.p.A. and the Véhicules Electriques Pininfarina Bolloré SAS joint venture, with potentially adverse consequences in terms of the concrete possibility of recovering the costs incurred by Pininfarina S.p.A. during the first nine months of 2009. The delay in signing the contract is due both to technical and financial reasons. It also reflects the impact of an aggressive policy of financial incentives provided by the French government to support the development of electric cars and the related technological and production activities, which has caused Bolloré to slow down this project while waiting to see what the final overall financial strategy will look like. In any case, the parties are engaged in an ongoing dialog, seeking an agreement for the continuation of the project as originally planned. The recent presentation of a prototype of the electric car belonging to the joint venture at the Geneva Motor Show, the public statements issued by Bolloré and meetings between the parties are evidence of their unchanging interest in this project.

Financial transactions generated net financial income of 3.1 million euros, as against net financial expense of 21.6 million euros in 2008. This remarkable improvement is due to the beneficial impact of the Rescheduling Agreement signed with the Lender Institutions, which produced a significant reduction in the charge recognized in the income statement for interest owed on medium and long-term borrowings and finance leases, thanks to a moratorium on the accrual and payment of contractual interest through the end of 2011.

The joint ventures provided the following contributions to the consolidated result:

- a positive value adjustment of 3.9 million euros, compared with 4.3 million euros at December 31, 2008, for Pininfarina Sverige A.B.;
- a negative value adjustment of 1.7 million euros for Véhicules Electriques Pininfarina-Bolloré S.A.S. (6.4 million euros in 2008). This amount refers for the most part to the derecognition of 50% of the intra-Group profit generated by services provided by Pininfarina S.p.A. to the joint venture in connection with the development of the electric car.

The loss before taxes totaled 30.5 million euros (loss of 201.5 million euros the previous year). The net loss for the year, after taxes of 0.2 million euros (2.6 million euros in 2008), amounted to 30.7 million euros, compared with a loss of 204.1 million euros in 2008.

At December 31, 2009, net non-current assets totaled 126.9 million euros, or about 29 million euros less than at the end of 2008. The bulk of this decrease (19.2 million euros) is the combined result of the writedowns mentioned above (7.4 million euros) and the sale of the Grugliasco plant (11.8 million euros). Working capital was negative by 23.6 million euros, unchanged compared with December 31, 2008.

At 11 million euros, the provision for termination indemnities was 11.3 million euros less than at the end of 2008. The reduction of the balance in this account to half the amount shown the previous year reflects changes that occurred in 2009 and, above all, the transfer of the portion of the provision attributable to the 900 employees affected by the sale of business operations completed at the end of the year.

Net capital requirements decreased by 16.1%, falling from 110.1 million euros in 2008 to 92.4 million euros in 2009.
Shareholders' equity grew by 38.7 million euros, rising from 10 million euros in 2008 to 48.7 million euros at December 31, 2009. This increase is the net result of a capital increase of 69.8 million euros and incidental expenses of 2.6 million euros, plus a positive change of 2.2 million euros in the translation reserve, offset in part by the loss for the year of 30.7 million euros.

The net financial position, while still negative by 43.7 million euros, showed a significant improvement (+56.3%) compared with December 31, 2008, when net indebtedness totaled 100.1 million euros. The positive impact of the completion of the Second Phase of the Framework Agreement with the Lender Institutions is the main reason for this gain. Specifically, a capital increase executed in 2009 resulted in the cancellation of 61.1 million euros in gross borrowings. This amount represented financial payables owed by Pininfarina S.p.A. that the Lender Institutions conveyed to Pincar S.r.l. (the controlling company of Pininfarina S.p.A.), which Pincar S.r.l. used to underwrite the abovementioned capital increase.

## Human Resources and the Environment

The tables below show the Pininfarina Group's workforce at December 31, 2009 broken down by type of activity and country.

**Breakdown by Type of Activity**

| | Production | Engineering | Styling | Staff functions | TOTAL |
|---|---|---|---|---|---|
| 2008 | 1,195 | 760 | 102 | 230 | 2,287 |
| 2009 | 1,181 | 364 | 106 | 147 | 1,798 |

**Breakdown by Country**

| | Italy | France | Germany | Morocco | Sweden | USA | TOTAL |
|---|---|---|---|---|---|---|---|
| 2008 | 1,724 | 316 | 173 | 58 | 14 | 2 | 2,287 |
| 2009 | 1,590 | - | 167 | 41 | - | - | 1,798 |

In addition to the staff listed above, Pininfarina Sverige A.B. had 694 employees at December 31, 2009 (764 employees a year earlier).

As of January 1, 2010, due to the divestment of some business operations, the Group had 900 fewer employees in Italy, with most of the reduction affecting the production staff.

**Pininfarina S.p.A.**

The coverage provided by the Layoff Benefits Fund under an extension waiver, which began on January 1, 2008 pursuant to an agreement executed on December 13, 2007, expired on December 31, 2008. The long-term unemployment benefits provided under a program activated in 2006 and extended at the end of 2007 also expired at the end of 2008.

However, in light of Pininfarina's ongoing need to address its staff redundancies, a new long-term unemployment benefit program subject of a special agreement with the unions was made available and fully utilized on November 28, 2008. This program, which covers 180 employees, was in effect until December 31, 2009.

At the same time, the Company signed an agreement making the benefits of the Special Layoff Benefits Fund available, under an extension waiver, to an average of 900 employees for all of 2009. In addition, on December 22, 2008, the Company entered into an agreement with the regional administration of Piedmont and, subsequently, to complete the administrative and procedural process, requested a meeting with representatives of the Ministry of Labor for the purpose of defining an agreement at the central government level concerning the Special Layoff Benefits Fund extension waiver for 2009.

On February 20, 2009, waiting for the abovementioned meeting to be scheduled and the abovementioned process to be completed, the Company filed an application with the Ministry of Labor and Social Policies asking that access to the Special Layoff Benefits Fund for companies in crisis be allowed for all of Pininfarina's manufacturing units for any time periods remaining allowed pursuant to law, beyond those already used (Grugliasco until the end of July 2009, Bairo until the end of September 2009, S. Giorgio until the end of October 2009 and Cambiano for all of 2009). On February 17, 2009, in view of these developments, meeting at the offices of the regional administration of Piedmont, the Company, the labor unions and the regional administration signed a joint memorandum of assessment. On February 19, 2009, the regional administration issued a favorable opinion recommending that the application for Special Layoff Benefits Fund benefits be granted for the periods listed above.

Subsequently, in July 2009, the Company completed the administrative process required to access the Special Layoff Benefits Fund under an extension waiver and enable it to meet its needs until August 2010, when, under the applicable regulation, conventional safety-net programs will become available for another five-year period.

As a result, on July 29, 2009, the Company signed an agreement with the Ministry of Labor pursuant to which the benefits of the Special Layoff Benefits Fund were made available, under an extension waiver, until July 2010 for the Grugliasco factory and until August 2010 for the Cambiano, S. Giorgio and Bairo plants. In addition, under an agreement executed in early December 2009, the availability of long-term unemployment benefits was extended until August 31, 2010.

In 2009, there were no job-related fatalities or accidents causing serious or extremely serious injuries to employees on the Company's payroll and no complaints were lodged against the Company by employees or former employees for occupational illnesses or harassment.

However, the Company provided compensation to settle disputes with employees and former employees involving economic/pecuniary damages and/or non-pecuniary damages (e.g., personal injury, pain and suffering, existential and other damages).

With regard to investments in occupational safety, the Company devotes the utmost attention to ensuring that the operational layouts of its facilities are constantly updated in accordance with current regulations. Investments of about 450,000 euros have been earmarked for this purpose in 2010.

In 2009, proceedings concerning the crime of water contamination, caused by an accidental leak of diesel fuel from an underground pipe, were in the preliminary investigative phase. The Company, acting in accordance with the requirements of Legislative Decree No. 152/2006, immediately implemented emergency measures to minimize the environmental impact, following the procedures set forth in the adovementioned statute with regard to environmental monitoring and complying with the requirements of the regulatory authorities. This process is still ongoing.

Since 2005, the statute that governs greenhouse gas emissions (Law No. 216/2004) has been applicable to the Grugliasco (Turin) factory, which, consequently, provides an annual disclosure of its carbon dioxide emissions.

The Company adopted an environmental policy that governs the disposal and recycling of its waste. This policy is available on the Company website.

In addition, Pininfarina S.p.A. adopted an environmental management system that was certified in accordance with the UNI EN ISO 14001 standard of 2004. In 2009, the Company's environmental management system underwent a triennial audit by an independent party that covered all of the Italian production facilities and was successfully completed.

The Grugliasco factory, which was part of the business operations divested in 2009, is currently undergoing a preliminary environmental review requested by the buyer of the property.

## Performance of the Group's Businesses in 2009

*Manufacturing Operations*

The performance of the manufacturing operations was adversely affected by a significant reduction in orders for the cars manufactured under the Alfa Romeo and Ford contracts and the end of production of the Mitsubishi Colt CZC automobile, which ended in July 2008.

Despite the low production volume, compared with the size of the existing operational organization, the Group implemented all feasible programs to maximize efficiency and minimize costs, achieving meaningful results both in absolute terms and in comparison with 2008. In 2009, similarly to what occurred the previous year, the divestment of business operations on the last day of 2009 required the Company to recognize some extraordinary writedowns.

The value of production totaled 138.2 million euros (403.1 million euros in 2008; -65.7%), accounting for 69% of the consolidated value of production (75% the previous year). The result from operations was negative by 18.3 million euros, a significantly smaller amount than the loss of 60 million euros reported at December 31, 2008. When 10.4 million euros in writedowns of financial receivables and other assets (108.1 million euros in 2008) are added, the manufacturing operations show negative EBIT of 28.7 million euros, compared with negative EBIT of 168.1 million euros in 2008.

A total of 6,516 cars were produced in 2009, compared with 21,650 cars in 2008 (-69.9%). A production breakdown is as follows:

| Complete cars | 2009 | 2008 | Change |
|---|---|---|---|
| Alfa Romeo Brera | 1,629 | 3,770 | (2,141) |
| Alfa Romeo Spider | 999 | 2,559 | (1,560) |
| Mitsubishi Colt CZC | 0 | 2,845 | (2,845) |
| Ford Focus Coupé Cabriolet | 3,888 | 12,476 | (8,588) |
| **Total** | **6,516** | **21,650** | **(15,134)** |

In 2009, the Pininfarina Sverige joint venture experienced a reduction in production activity, caused by lower demand both in the North American and European markets, with a 29.4% decrease in the number of Volvo C70 automobiles invoiced (from 12,902 cars in 2008 to 9,105 cars in 2009).

*Service Operations*

The service operations, which include design, industrial design and engineering, reported value of production of 63.4 million euros (132.6 million euros at December 31, 2008). They accounted for 31% of the Group's total value of production, up from 25% a year earlier. In 2008, reported value of production included the contribution by the companies headed by Matra Automobile Engineering and by the operating activities of Matra Automobile Engineering itself (total value of production of about 46 million euros), which were no longer consolidated in 2009. While EBIT were negative by 7.1 million euros (after 12.8 million euros in writedowns related to the development of the electric car), the loss was smaller than in 2008 (negative EBIT of 9.7 million euros).

The main activities carried out in Italy by the service operations in 2009 are reviewed below:

*Design*

The work completed in 2009 in the Design area involved not only activities implemented for established customers and to strengthen the Group's presence in emerging markets, but also important projects outside the automotive field, made possible by a strategy launched in previous years to expand in new areas of design. The main projects included the following:

Ferrari

- Following the definition of a few remaining details, the "458 Italia" was launched to great acclaim at the 2009 Frankfurt Motor Show. Work on defining the design of the Spider version of this car continued is currently ongoing.
- Additional progress was made on defining the exterior styling for a new model scheduled for launch in 2011.
- A project for a new model was started.
- Styling definition activities also included assignments for special customers. Specifically, the P540 Superfast Aperta designed especially for Edward Walson, an American customer, was unveiled at Ferrari's Fiorano test track in December 2009.

Maserati

- The "GranCabrio" model, with both interior and exterior designed by Pininfarina, was presented at the 2009 Frankfurt Motor Show, where it was extremely well received.
- Another project involved providing support in defining the styling for a new model.

Chinese Market

- Styling definition activities were carried out in connection with several projects for the customers Brilliance and Chery. Work for Chery, which is continuing this year, involves several models for which Pininfarina is handling every aspect of styling development, including both exterior and interior design.
- An especially noteworthy development was the award of several prizes to the JAC "B-Cross", the "B-Class" and, more importantly, the "Tojoy" models, for which Pininfarina defined both the exterior and interior styling in previous years.

Indian Market

- The Tata "Pr1ma" concept car was unveiled at the 2009 Geneva Motor Show. This model was very well received both by the public and the customer, who announced during the Show that further development would be pursued with the possibility of production in the future.
- Development activities started in 2008 for two major automotive companies continued in 2009.

In addition, styling and in-depth restyling activities were carried out for a major Iranian carmaker and the related development work is continuing. Advanced research services were provided to a customer in Japan and one in Korea, both manufacturers of international renown.

As part of the strategy to diversify its styling operations, the Company signed a contract with an international company to develop an object representative of its sophisticated automotive technologies.

Projects in the area of non-automotive transportation systems included the following:

- The Company signed an important contract to define the styling for the interior of the Eurostar train, which provides high speed services between London, Paris, Lille and Brussels. A final presentation of this project provided recently met with the customer's full approval.
- Work performed for a major Spanish company involved styling research for a family of high speed trains. This project is still ongoing.
- Other activities included an assignment to define the styling for a family of tractors for an internationally known Italian company.
- The Prinoth Beast, a new snowgroomer for which Pininfarina defined the exterior and interior styling, was presented in March 2009.

Lastly, the Pininfarina Group was honored with the Trophée du Design 2009, awarded by *L'Automobile Magazine*, a French periodical, for having reaffirmed its leadership position in the field of automotive design by signing the two most acclaimed cars of the year: the Ferrari 458 Italia and the Maserati GranCabrio.

*Industrial Design*

The main new projects of 2009 included, in the first half of the year: the launch of a radio advertising campaign for Arexons, with over 1,000 spots aired on Italy's main networks; the presentation of the "Easy Note TR85" notebook for Packard Bell; with Panatta Sport, attendance at the Rimini Wellness Fair, which helped strengthen the customer's commercial success and resulted in a sales increase of about 30%; and, lastly, attendance at the Le Bourget International Air Show, as part of the ongoing collaboration with Alenia Aeronautica on the project for the SSJ 100 regional aircraft.
The main events of the second half of the year included: signing of an agency contract in South Korea and Japan; renewal for three years of the contract with Snaidero, which includes presentation of a Pininfarina designed product, which will anchor the Snaidero line, at Milan's Eurocucina Fair in April 2010; commercial launch of the Lavazza Pininfarina "Black" coffee vending machine, which uses coffee pods and is a complete redesign of the earlier "Family" model; and presentation in Milan of the "Ferrari Coinages by Pininfarina" collection of six art medallions issued in limited edition by Bolaffi.

*Engineering*

In 2009, in addition to the development of the electric car, the Group's engineering activities were involved with:

- Projects for Chinese carmakers (mainly for Chery, involving feasibility studies and styling support, and another customer, involving field support by a dedicated team);

- Projects for Indian customers: Sonalika and concept design activities for Tata;

- Maintenance work related to production orders (mainly Alfa Romeo, Ford and Volvo).

Lastly, the engineering operations continued to provide wind-tunnel testing services to non-captive customers, performed engineering and management activities for Eurostar (high-speed trains) and carried out preliminary work on the electric bus project.

## Pininfarina S.p.A.

Value of production totaled 182.5 million euros at December 31, 2009, or 280.3 million euros less (-60.6%) than the 462.8 million euros reported at the end of 2008.

Net gains on the sale of non-current assets, which decreased from 6.9 million euros to 5.5 million euros (-20.3%), were generated by the divestment of the business operations and real estate in Grugliasco (4.6 million euros in total) and the disposal of the investment in RHTU AB (0.9 million euros). The gains reported in 2008 reflected the divestment of the "Technical Center" in Grugliasco (3.6 million euros) and the investment in Pasiphae Sarl (2.6 million euros) and the sale of some vintage automobiles.

The costs incurred for purchases of raw materials and outside services decreased by 247.4 million euros (a 65% reduction in amount), falling from 380.4 million euros to 133 million euros. Their ratio to value of production contracted from 82.2% in 2008 to 72.9% in 2009.

The change in the inventory of raw materials was negative by 4.3 million euros, as was the case in 2008, when the negative change amounted to 6.6 million euros.

The value added generated in 2009 totaled 50.7 million euros, compared with 82.7 million euros the previous year (-32 million euros). It was equal to 27.8% of the value of production, up from 17.9% in 2008.

Labor costs decreased from 68.8 million euros to 47.5 million euros (-21.3 million euros) and were equal to 26% of the value of production, compared with 14.9% in 2008.

EBITDA were positive by 3.2 million euros (+1.8% of the value of production) compared with positive EBITDA of 13.9 million euros in 2008 (+3% of the value of production).

Depreciation and amortization expense, which decreased 14.2 million euros, or 17.2 million euros less than the amount at December 31, 2008 (31.4 million euros), was equal to 7.8% of the value of production (6.8% a year earlier).

Additions to provisions, net of reversals, and writedowns totaled 23 million euros (173 million euros at December 31, 2008). Additions to provisions decreased to 20.8 million euros (29.3 million euros in 2008) and reversals of provisions amounted to 8.2 million euros (none in 2008). Writedowns, which referred to financial receivables owed by outsiders and to specific assets related to manufacturing orders, totaled 10.4 million euros. In 2008, writedowns were recognized also in connection with financial receivables owed by Group companies and equity investments (143.7 million euros in total).

The table below provides a breakdown of the asset writedowns:

| **(in millions of euros)** | **2009** | **2008** | **TOTAL** |
|---|---|---|---|
| Alfa Romeo contract assets | 1.3 | 14.3 | 15.6 |
| Ford contract assets | 6.1 | 84.7 | 90.8 |
| **Total asset writedowns** | **7.4** | **99.0** | **106.4** |
| Alfa Romeo financial receivable | 3.0 | 9.1 | 12.1 |
| **Total writedowns of operating financial receivables** | **3.0** | **9.1** | **12.1** |
| Investment in Matra Automobile Engineering | 0.0 | 5.9 | 5.9 |
| Investment in RHTU A.B. | 0.0 | 2.1 | 2.1 |
| Financial receivable owed by Matra Automobile Engineering | 0.0 | 27.6 | 27.6 |
| **Total writedowns related to subsidiaries** | **0.0** | **35.6** | **35.6** |
| **GRAND TOTAL** | **10.4** | **143.7** | **154.1** |

In 2009, EBIT were negative by 33.9 million euros, compared with negative EBIT of 190.4 million euros in 2008. The ratio of EBIT to value of production was a negative 18.6% and a negative 41.1%, respectively.

In 2009, net financial income amounted to 3.4 million euros, equal to 1.9% of value of production, as against net financial expense of 19.6 million euros (-4.2% of value of production) in 2008.

The loss before taxes narrowed to 30.6 million euros (-16.7% of value of production), compared with a loss of 210 million euros in 2008 (-45.4% of value of production).

The income tax benefit for the year amounted to 0.2 million euros, reflecting a surplus in the amount of the provision for taxes recognized in 2008 compared with the actual liability, as determined in the consolidated tax return filed with the Pininfarina Extra S.r.l. subsidiary (income tax liability of 0.3 million euros in 2008).

As a result, the year ended with a net loss of 30.4 million euros (-16.7% of value of production), compared with a net loss of 210.3 million euros at December 31, 2008 (-45.4% of value of production).

Among the main items in the statement of financial position, net non-current assets totaled 143.3 million euros, down from 184.7 million euros at December 31, 2008 (-22.4%). The decrease of 41.4 million euros reflects the impact of divestments of non-current assets and asset writedowns (7.3 million euros) and of an extraordinary distribution of reserves by Matra Automobile Engineering SAS (9 million euros).

Working capital was negative by 24.1 million euros, with the negative balance decreasing by 13.5 million euros compared with the end of 2008.

The provision for termination indemnities totaled 10.6 million euros. The transfer of 900 employees to De Tomaso Automobili S.p.A. and other changes that occurred during the year account for the decrease of 11.3 million euros compared with the end of 2008.

Net capital requirements decreased from 125 million euros in 2008 to 108.5 million euros in 2009 (-13.2%).

Shareholders’ equity totaled 62.7 million euros at December 31, 2009. The increase of 36.9 million euros compared with the end of 2008 is the net result of the following items: the share capital increase executed by the Group’s Parent Company on September 28, 2009 (+20.9 million euros), with an attendant increase in additional paid-in capital (+46.4 million euros), net of the loss for the year (-30.4 million euros).

The net financial position was negative by 45.8 million euros, but net indebtedness decreased by 53.4 million euros compared with December 31, 2008, when the negative balance was 99.2 million euros. The reduction in total long-term gross borrowings is mainly the result of the following factors:

- the positive impact of the portion of the share capital increase that resulted in the forgiveness of 61.1 million euros in financial payables owed to the Lender Institutions;

- the payment of the 2009 debt installments owed to the Lender Institutions and Fortis Bank for a total of 45.8 million euros.

Information Required by the Consob Pursuant to Article 114, Section 5, of Legislative Decree No. 58/98:

1) The net financial positions of Pininfarina Group, with current and non-current components listed separately, is shown on page 29-of this Report.

2) There were no past-due amounts (financial or related to tax or employee benefit liabilities) owed by the Pininfarina Group. At the consolidated level, past-due trade payables, which amounted to 0.2 million euros (equal to 0.3% of trade payables at December 31, 2009), related mainly to pending technical/quality disputes concerning supplied items. No actions against the Group have been filed by creditors.

3) The transactions with related parties of the Pininfarina Group are listed in the schedules provided on page 97 of this Report.

4) As explained in the "Overview" section of this Report, in 2009, Pininfarina S.p.A. complied with the covenants set forth in the Rescheduling Agreement with the Lender Institutions currently in effect and, in general, with all of the commitments undertaken by the Company pursuant to the abovementioned agreement. Currently, the Group's operations are in compliance with the covenants stipulated for 2010.

5) The implementation of the plan to restructure the indebtedness of Pininfarina S.p.A. is proceeding according to plan, as explained elsewhere in this Report, including in the "Overview" section, the comments to the net financial position of Pininfarina Group (on page 29) and the sections entitled "Significant Events Occurring Since December 31, 2009" and "Industrial and Financial Plan: Challenges and Risks."

6) Information about the progress made in implementing the Industrial Plan is provided on page 34 of this Report, in the section entitled "Industrial and Financial Plan."

## Group Companies

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

### Pininfarina Deutschland Group

Value of production totaled 12 million euros in 2009, down from 15.1 million euros in 2008, with the German operations reporting a net loss of 859,000 euros, as against a net profit of 1.3 million euros in 2008. Negative conditions in the German engineering market, particularly during the first half of 2009, account for this negative performance both at the revenue and profitability levels. Net indebtedness totaled 3.3 million euros, down from 3.7 million euros at the end of 2008. At December 31, 2009, the Pininfarina Deutschland Group had 167 employees (173 in 2008).

### Pininfarina Extra Group

Value of production totaled 3.7 million euros in 2009 (in 2008, the turnover amounted to 7.3 million euros). This figure consolidates the amount reported by Pininfarina Extra S.r.l. and by its Pininfarina Extra USA Corp. subsidiary. This drastic drop in turnover reflects the impact of an exceptionally challenging year for the global economy that did not spare the market where the Group operates. However, despite a 49% drop in value of production, all operating margins remained positive, with net income totaling 74,000 euros (978,000 euros in 2008). The net financial position was positive by 1.9 million euros, for a gain of 0.1 million euros compared with the previous year. At December 31, 2009, there were 22 employees on the payroll (27 employees in 2008).

### Matra Automobile Engineering

In 2009, this subsidiary generated value of production amounting to 2.1 million euros and incurred a net loss of 1.4 million euros, compared with 52.4 million euros and -25.1 million euros, respectively, in 2008. As explained in earlier reports, in the second half of 2008, in response to increasingly negative conditions in the French engineering market, Pininfarina began to implement a program to divest its investments in the companies of the Matra Automobile Engineering Group. Effective January 1, 2009, the Matra Automobile Engineering S.A.S. sub-holding transferred to a third-party company its employees and operating assets (Fonds de Commerce), retaining only tax assets, such as tax credits for research and the tax loss carryforward, and trade receivables and payables that are gradually being collected and paid. The net financial position was positive by 3 million euros (negative balance of 26.4 million euros at December 31, 2008). At the end of 2009, Matra Automobile Engineering had 1 employee (who works mainly in Morocco), compared with 316 employees at the end of 2008.

### Pininfarina Maroc S.A.S.

In 2009, this company reported a value of production of 1.5 million euros (2.2 million euros in 2008), earning a net profit of 46,000 euros (0.2 million euros a year earlier). At December 31, 2009, Pininfarina Maroc had 40 employees (58 employees at the end of 2008). Its net financial position was positive by 0.5 million euros, as against net indebtedness of 0.4 million euros at the end of 2008.

### RHTU Sverige A.B.

This Swedish company, which transferred its employees and operating assets to the Pininfarina Sverige A.B. joint venture as of January 1, 2009, was liquidated in December. In 2008, it reported a net loss of 0.2 million euros and a positive net financial position of the same amount.

### Pininfarina Sverige A.B.

This joint venture with Volvo Car Corporation reported a value of production of 249.3 million euros and a net profit of 6.2 million euros, compared with 369.6 million euros and 7.2 million euros, respectively, in 2008. A total of 9,105 C70 model cars were produced for Volvo, down from 12,902 cars in 2008. Net indebtedness, which decreased to 88.5 million euros (147 million euros at December 31, 2008), is attributable exclusively to financing used to support the development and tooling programs for the Volvo C70 car. At December 31, 2009, this company had 694 employees, compared with 764 employees a year earlier.

### Véhicules Electriques Pininfarina Bolloré S.A.S.

This 50-50 joint venture established on February 7, 2008 with the Bolloré Group reported a net loss of 0.7 million euros (loss of 1 million euros in 2008), due to the impact of operating expenses and interest expense. At December 31, 2009, the company had net indebtedness totaling 20.9 million euros (14.2 million euros in 2008), all of which was owed to the Bolloré Group, and no employees.

## Significant Events Occurring Since December 31, 2009

*Dispute with the Revenue Administration*

On February 17, 2010, further to a hearing held on November 17, 2009, the Turin Regional Tax Commission handed down its decision on an ongoing dispute that has involved the Company and the revenue administration for the past two years. By this decision, the Regional Tax Commission ruled that the assessment for failure to apply VAT to sales of automobiles by Pininfarina S.p.A. to Peugeot Citroen Automobiles was improper, concurring with the Company’s arguments and rejecting those of the revenue administration.

The focus of the dispute was the contention that VAT should have been levied on the amounts invoiced in 2002 and 2003 by Industrie Pininfarina S.p.A. (merged into Pininfarina S.p.A. in 2004) to Peugeot Citroen Automobiles, whose tax representative in Italy was Gefco Italia S.p.A. On December 14, 2007, the Turin Internal Revenue Agency served on the Company two notices of assessment for additional VAT owed for 2002 and 2003, amounting to 17.7 million euros and 11.7 million euros, respectively. The total amount that the Turin Internal Revenue Agency claimed it was owed by the Company for the two years in question (including taxes and penalties) was about 69.5 million euros. Accepting in part the arguments put forth by Pininfarina S.p.A. in its appeal, subsequent to a hearing held on November 11, 2008, the lower court magistrate ordered that, “in view of the complexity of the case at bar and the difficulties in interpreting the statutes in question,” the penalties on the abovementioned disputed VAT be cancelled. As a result, the amount owed by Pininfarina, while the proceedings continued at the next jurisdictional level, was reduced from about 69.5 million euros to about 30 million euros, plus interest.

The decision handed down by the Regional Commission on February 17, 2010 will become final with the expiration of the appeal deadline on April 4, 2011. However, if the decision is notified by one party to the other party, in the absence of an appeal, the decision becomes final after 60 days from the intervening notification. Within the abovementioned deadlines, either party may challenge those sections of the decision containing unfavorable rulings by appealing to the Court of Cassation.

However, an appeal to the Court of Cassation is a legal remedy available only on the grounds specified in Article 360 of the Code of Civil Procedure. Insofar as this VAT dispute is concerned, the revenue administration can appeal the decision to the Court of Cassation, should it feel that, in its decision, the Regional Tax Commission erred in applying the law (i.e., violation or misapplication of the law: Article 360, No. 3, Code of Civil Procedure) or in assessing a disputed fact of key relevance for the decision (Article 360, No. 5, Code of Civil Procedure). At present, no prediction can be made as to what course the revenue administration may pursue with regard to an appeal. However, it is worth pointing out that the Commission provided ample and detailed grounds for its decision, including with regard to the relevant circumstances of fact, originally at the basis of the assessment and argued in the proceedings, and confirmed the internal regulations and EU principles regarding VAT, which the Company abided by and defended before the lower court judge.

*Repayments to the Lender Institutions*

On March 2, 2010, Pininfarina S.p.A. paid the second installment of 33.8 million euros owed to the Lender Institutions, in accordance with the amortization plan of the Rescheduling Agreement currently in effect.

*Other Information*

None of the subsidiaries of Pininfarina S.p.A. has declared a dividend after the close of the 2009 reporting year.

Pursuant to the provisions of Section 26 of the "Technical Regulations Concerning Minimum Security Measures" set forth in Annex B) to Legislative Decree No. 196 of June 30, 2003, Pininfarina S.p.A. declares that it has updated the Data Security Planning Document referred to in Article 34, Letter G), of the abovementioned Legislative Decree.

*Report on Corporate Governance and the Company's Ownership Structure*

With regard to the requirements of Article 89 bis, Section 2, of the Issuers' Regulations, the Company announces that information about compliance with the Corporate Governance Code (Report on Corporate Governance and the Company's Ownership Structure) is available on the Finance page of the Company website (www.pininfarina.com) and in the additional manners required by current regulations.

## Disclosure Required by Article 79 of Consob Resolution No. 11971/99

## 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 12/31/08 | Number of shares bought in 2009 | Number of shares sold in 2009 | Number of shares held at 12/31/09 |
|---|---|---|---|---|---|
| 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) | 18,231,206 (4) | zero | 22,945,566 (3) |
| Gianfranco Albertini | | zero | zero | zero | zero |
| Silvio Pietro Angori | | 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.r.l.
(4) Shares acquired through subscription in connection with a capital increase

Lorenza Pininfarina relinquished her post on the Board of Directors on April 23, 2009. At that time, she owned 6,000 Pininfarina S.p.A. shares.

There are no plans to award stock options to the members of the Board of Directors.

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

The reclassified financial statements that appear on the pages that follow were prepared in accordance with the provisions of European Regulation No. 1606 of July 19, 2002. As required by the abovementioned E.U. Regulation, since 2005, the Pininfarina Group has been preparing its consolidated financial statements in accordance with the International Financial Reporting Standards ("IFRSs") published by the International Accounting Standards Board ("IASB"). As required by the Italian regulations enacted to implement the abovementioned E.U. Regulation, the financial statements of Pininfarina S.p.A., the Group's Parent Company, which provide comparative data for the previous year, have been prepared in accordance with the abovementioned accounting principles since 2006.

The reclassified financial statements regroup differently the data presented in the financial statements required under current statutes, with the aim of providing a more immediate understanding of the data, without affecting the logic of their presentation. It is important to keep in mind that the data shown for "EBIT" and "Other income (expense)" in the reclassified financial statements have the same meaning as the data shown for "EBIT" and "valuation adjustments" in the IAS/IFRS financial statements.

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

**Operating Performance**

Net revenues totaled 186.2 million euros, or 341.1 million euros less (-65%) than the amount reported in 2008 (527.3 million euros).

The inventory of finished goods and work in process showed a further net decrease of 9 million euros, following a net decrease of 1.9 million euros in 2008.

Other income and revenues totaled 6.4 million euros, down from 10.2 million euros a year earlier (-3.8 million euros).

Value of production decreased to 201.6 million euros, or 334.1 million euros less (-62.4%) than the amount reported at December 31, 2008 (535.7 million euros). A breakdown by business segment is provided on page 72 and page 73.

Net of inventory, operating costs for purchases of raw materials and outside services amounted to 144.5 million euros, down from 413.9 million euros in 2008 (-65.1%).

Value added, which in 2009 benefited from the positive impact of a net gain of 4.7 million euros on the disposal of non-current assets and equity investments (net loss of 0.2 million euros in 2008), decreased to 61.8 million euros (121.7 million euros at December 31, 2008). However, while value added shows a reduction of 59.9 million euros in absolute terms, the ratio of value added to value of production improved from 22.7% to 30.7% (+8 percentage points).

Labor costs totaled 58.9 million euros, or 48.7% less than in 2008 (114.7 million euros).
EBITDA were positive but lower than in the previous year, amounting to 2.9 million euros (positive EBITDA of 6.9 million euros at December 31, 2008). The ratio of EBITDA to value of production was 1.4%, compared with 1.3% in 2008.

Depreciation and amortization decreased to 15.1 million euros, down from 19.9 million euros less than in 2008. Additions to provisions, net of reversals, and writedowns totaled 23.7 million euros (149.8 million euros at December 31, 2008). Additions to provisions decreased to 21.5 million euros (30.8 million euros in 2008) and reversals of provisions amounted to 8.2 million euros (none in 2008). Writedowns, which referred to financial receivables owed by outsiders and to specific assets related to manufacturing orders, totaled 10.4 million euros (119 million euros in 2008).

As a result, EBIT were negative by 35.9 million euros, compared with negative EBIT of 177.8 million euros at December 31, 2008. The ratio of EBIT to value of production was -17.8% (-33.2% in 2008). In 2009, net financial income amounted to 3.1 million euros, equal to 1.5% of the value of production, as against net financial expense of 21.6 million euros (-4% of value of production) in 2008.

The valuation of equity investments by the equity method had a positive effect of 2.2 million euros on the result before taxes (charge of 2.1 million euros at December 31, 2008). These two amounts are the net result of value adjustments to the carrying values of the investments in Pininfarina Sverige A.B. (positive in both years by 3.9 million euros and 4.3 million euros, respectively) and Véhicules Electriques Pininfarina-Bolloré SAS (writedown in both years of 1.7 million euros and 6.4 million euros, respectively). The writedown reflects mainly the derecognition of the Group's 50% share of the intra-Group profits generated by activities performed by Pininfarina S.p.A. for the joint venture in connection with the development of the electric car.

The loss before taxes, which amounted to 30.6 million euros (loss of 201.5 million euros the previous year), was equal to -15.2% of the value of production (-37.6% in 2008). Income tax expense of 0.2 million euros (loss of 2.6 million euros in 2008) reflects the liability for current taxes and tax effects of consolidation entries.

The net loss for the year amounted to 30.7 million euros (net loss of 204.1 million euros in 2008), an amount equal to -15.3% of the value of production (-38.1% in 2008).

# Reclassified Consolidated Income Statement

(in thousands of euros)

| | Data at | | | | |
|---|---|---|---|---|---|
| | **12/31/09** | % | **12/31/08** | % | **Change** |
| Net revenues | 186,176 | 92.34 | 527,304 | 98.43 | (341,128) |
| Change in inventory of work in progress and finished goods | 8,992 | 4.46 | (1,935) | (0.36) | 10,927 |
| Other income and revenues | 6,447 | 3.20 | 10,202 | 1.90 | (3,755) |
| Work performed internally and capitalized | 0 | 0.00 | 117 | 0.02 | (117) |
| **Value of production** | **201,615** | **100.00** | **535,688** | **100.00** | **(334,073)** |
| Net gain/(loss) on disposal of non-current assets | 4,658 | 2.31 | (160) | (0.03) | 4,818 |
| Raw materials and outside services (*) | (140,138) | (69.51) | (407,261) | (76.03) | 267,123 |
| Change in inventory of raw materials | (4,324) | (2.14) | (6,608) | (1.23) | 2,284 |
| **Value added** | **61,811** | **30.66** | **121,659** | **22.71** | **(59,848)** |
| Labor costs (**) | (58,884) | (29.21) | (114,714) | (21.41) | 55,830 |
| **EBITDA** | **2,927** | **1.45** | **6,945** | **1.30** | **(4,018)** |
| Depreciation and amortization | (15,134) | (7.51) | (34,974) | (6.53) | 19,840 |
| (Additions)/Utiliz. of provis. and (Writedowns) | (23,664) | (11.74) | (149,773) | (27.96) | 126,109 |
| **EBIT** | **(35,871)** | **(17.80)** | **(177,802)** | **(33.19)** | **141,931** |
| Net financial income (expense) | 3,074 | 1.52 | (21,619) | (4.04) | 24,693 |
| Value adjustments | 2,231 | 1.11 | (2,090) | (0.39) | 4,321 |
| **Profit before taxes** | **(30,566)** | **(15.17)** | **(201,511)** | **(37.62)** | **170,945** |
| Income taxes | (180) | (0.09) | (2,615) | (0.49) | 2,435 |
| **Net profit (loss)** | **(30,746)** | **(15.25)** | **(204,126)** | **(38.11)** | **173,380** |

(*) **Raw materials and outside services** is shown net of utilizations of the provision for warranties and the provisions for risks and charges amounting to 5,137,000 euros in 2008 and 4,956,000 euros in 2009.

(**) L**abor costs** is shown net of utilizations of the provision for restructuring programs amounting to 1,821,000 euros in 2008 and 2,260,000 euros in 2009.

Pursuant to Consob Resolution No. DEM/6064293 of July 28, 2006, a reconciliation of the data for the period with those in the reclassified statements is provided below:
- **Raw materials and outside services** includes Raw materials and components, Other variable production costs, Variable external engineering services, Foreign exchange gains (losses) and Sundry expenses.
- **Depreciation and amortization** includes depreciation of property, plant and equipment and amortization of intangibles.
-**(Additions)/Utilizations of provisions and (Writedowns)** includes (Additions)/Utilizations of provisions and (Writedowns) and Addition to the provision for inventory risk.
- **Net financial income (expense)** includes Financial income (expense) and Dividends.

**Statement of Financial Position**

At December 31, 2009, net capital requirements were 17.7 million euros less than a year earlier, due mainly to negative changes in net non-current assets and the provision for termination indemnities.

More specifically:

Net non-current assets totaled 126.9 million euros. Intangible assets and property, plant and equipment decreased by 0.8 million euros and 32.4 million euros, respectively, reflecting the impact of additions totaling 0.9 million euros, retirements of 11.8 million euros, depreciation and amortization of 14.1 million euros and writedowns of 7.4 million euros required by the results of an impairment test. Non-current financial assets increased by 4.2 million euros as the net result of the following items: a positive adjustment of 6 million euros to the value of the shareholders' equity of Pininfarina Sverige A.B., less a negative adjustment of 1.7 million euros to the shareholders' equity of Véhicules Electriques Pininfarina-Bolloré SAS.

Working capital was little changed compared with the previous year, showing a negative balance of 23.6 million euros (negative balance of 23.5 million euros at December 31, 2008).

The provision for termination indemnities totaled 11 million euros, or 11.3 million euros less than at the end of 2008.

Capital requirements were covered by:

Shareholders' equity, which increased from 10 million euros at December 31, 2008 to 48.7 million euros at December 31, 2009 (+38.7 million euros) as a result of the share capital increase carried out by the Group's Parent Company in the summer of 2009.

The net financial position was negative by 43.7 million euros, but net indebtedness decreased by 56.4 million euros compared with December 31, 2008. The reduction in total long-term gross borrowings is the mainly the result of the following factors:

- the positive impact of the portion of the share capital increase that resulted in the forgiveness of 61.1 million euros in financial payables owed to the Lender Institutions;

- the payment of the 2009 debt installments owed to the Lender Institutions and Fortis Bank for a total of 45.8 million euros.

## Reclassified Consolidated Statement of Financial Position

(in thousands of euros)

| | Data at 12/31/09 | Data at 12/31/08 | Change |
|---|---|---|---|
| **Net non-current assets (A)** | | | |
| Net intangible assets | 3,732 | 4,553 | (821) |
| Net property, plant and equipment | 84,576 | 116,948 | (32,372) |
| Equity investments | 38,622 | 34,413 | 4,209 |
| **Total A** | **126,930** | **155,914** | **(28,984)** |
| **Working capital (B)** | | | |
| Inventory | 7,534 | 16,873 | (9,339) |
| Net trade receivables and other receivables | 59,631 | 92,092 | (32,461) |
| Non-current assets held for sale | 0 | 7,040 | (7,040) |
| Deferred-tax assets | 1,170 | 1,311 | (141) |
| Trade accounts payable | (62,574) | (92,836) | 30,262 |
| Provisions for risks and charges | (18,957) | (27,066) | 8,109 |
| Other liabilities (*) | (10,366) | (16,004) | 5,638 |
| Non-current liabilities attributable to assets held for sale | 0 | (4,950) | 4,950 |
| **Total B** | **(23,562)** | **(23,540)** | **(22)** |
| **Net invested capital (C=A+B)** | **103,368** | **132,374** | **(29,006)** |
| **Provis. for termination indemnities (D)** | **10,954** | **22,287** | **(11,333)** |
| **Net capital requirements (E=C-D)** | **92,414** | **110,087** | **(17,673)** |
| **Shareholders' equity (F)** | **48,740** | **10,006** | **38,734** |
| **Net financial position (G)** | | | |
| Long-term debt | 65,453 | 116,681 | (51,228) |
| Net borrowings | (21,779) | (16,600) | (5,179) |
| **Total G** | **43,674** | **100,081** | **(56,407)** |
| **Total as in E (H=F+G)** | **92,414** | **110,087** | **(17,673)** |

(*) Other liabilities includes the following statement of financial position items: Deferred taxes, Other payables, Provision for current taxes and Sundry liabilities.

**Financial Performance**

At December 31, 2009, the net financial position showed a negative balance of 43.7 million euros, compared with a negative balance of 100.1 million euros a year earlier. This year-over-year difference of 56.4 million euros is the net result of the following factors:

- A decrease of 87,000 euros in cash and cash equivalents;
- A decrease of 3.8 million euros in current assets held for trading;
- A decrease of 19.9 million euros in current loans receivable and other receivables;
- A decrease of 28.9 million euros in short-term debt;
- A decrease of 30.7 million euros in medium- and long-term loans receivable;
- A decrease of 82 million euros in medium- and long-term debt.

## Consolidated Net Financial Position

(in thousands of euros)

| | Data at | | |
|---|---|---|---|
| | **12/31/09** | **12/31/08** | **Change** |
| Cash and cash equivalents | 75,143 | 75,230 | ( 87) |
| Current assets held for trading | 50,902 | 54,699 | ( 3,797) |
| Current loans receivable and other receivables | 17,688 | 37,541 | ( 19,853) |
| Available-for-sale current assets | 0 | 0 | 0 |
| Loans receivable from associates and joint ventures | 17,904 | 17,904 | 0 |
| Short-term bank debt | ( 29,662) | (37,928) | 8,266 |
| Current liabilities under finance leases | ( 71,273) | (85,060) | 13,787 |
| Loans payable to associates and joint ventures | 0 | 0 | 0 |
| Current portion of long-term bank debt | ( 38,923) | (45,786) | 6,863 |
| **Net borrowings** | **21,779** | **16,600** | **5,179** |
| Long-term loans and other receiv. from outsiders | 70,012 | 82,846 | ( 12,834) |
| Long-term loans and other receivables from associates and joint ventures | 26,856 | 44,760 | ( 17,904) |
| Non-current assets held for sale | 753 | 766 | ( 13) |
| Long-term liabilities under finance leases | ( 91,793) | (142,600) | 50,807 |
| Long-term bank debt | ( 71,281) | (102,453) | 31,172 |
| **Net long-term debt** | **( 65,453)** | **(116,681)** | **51,228** |
| **Net financial position** | **( 43,674)** | **(100,081)** | **56,407** |

## Consolidated Net Borrowings

## (CESR/05-04b)

(in thousands of euros)

| | | Data at | | |
|---|---|---|---|---|
| | | **12/31/09** | **12/31/08** | **Change** |
| A. | Cash | (75,143) | (75,230) | (87) |
| B. | Other liquid assets | 0 | 0 | 0 |
| ***C.*** | ***Securities held for trading*** | ***(50,902)*** | ***(54,699)*** | ***(3,797)*** |
| ***D.*** | ***Total liquid fund (A.)+(B.)+(C.)*** | ***(126,045)*** | ***(129,929)*** | ***(3,884)*** |
| ***E.*** | ***Current financial receivables*** | ***(35,592)*** | ***(55,445)*** | ***(19,853)*** |
| F. | Short-term bank account overdrafs | 29,662 | 37,928 | 8,266 |
| | *Current portion of secured bank loans* | *5,037* | *5,346* | *309* |
| | *Current portion of unsecured bank loans* | *33,886* | *40,440* | *6,554* |
| G. | Current portion of non-current debt | 38,923 | 45,786 | 6,863 |
| H. | Other current financial payables | 71,273 | 85,060 | 13,787 |
| ***I.*** | ***Current financial debt (F.)+(G.)+(H.)*** | ***139,858*** | ***168,774*** | ***28,916*** |
| ***J.*** | ***Debt / Net current Financial (Position)*** | ***(21,779)*** | ***(16,600)*** | ***5,179*** |
| | *Non-current portion of secured bank loans* | *27,920* | *34,657* | *6,737* |
| | *Non-current portion of unsecured bank loans* | *43,361* | *67,796* | *24,435* |
| K. | Non-current bank account overdrafs | 71,281 | 102,453 | 31,172 |
| L. | Bonds issued | 0 | 0 | 0 |
| M. | Other non-current financial payables | 91,793 | 142,600 | 50,807 |
| ***N.*** | ***Non-current net financial debt (K.)+(L.)+(M.)*** | ***163,074*** | ***245,053*** | ***81,979*** |
| **O.** | ***Net financial debt (J+N)*** | **141,295** | **228,453** | **87,158** |

The "Net Borrowings" schedule provided above is presented in accordance with the format recommended by the Consob in Communication DEM No. 6064293 of July 28, 2006, which implements E.U. Regulation CESR/05-04b. Because the purpose of the abovementioned schedule is to show "Net Borrowings," assets are shown with a minus sign and liabilities with a plus sign. In the "Net Financial Position" schedule provided on the previous page, assets are shown with a plus sign and liabilities with a minus sign.

The reason for the difference between the amount of the "Net Financial Position" schedule and that of the "Net Borrowings" schedule is that the latter does not include loans receivable and long-term financial receivables. The total amount of those differences at the end of 2008 and 2009 is shown below:

- At December 31, 2008: 128,372,000 euros
- At December 31, 2009: 97,621,000 euros

# ASSESSMENT OF THE COMPANY'S VIABILITY AS A GOING CONCERN AND BUSINESS OUTLOOK

The reasons why, starting in the second half of 2007, the Company was faced with a profound economic and financial crisis and the actions it took in 2008 to ensure its viability as a going concern were explained in detail in the 2008 Annual Report.

In response to the need to redefine the overall strategies of the Pininfarina Group, the Company developed an Industrial Plan and a related Financial Plan, which were approved by the Board of Directors on November 12, 2008 and December 19, 2008, respectively.

On December 31, 2008, Pininfarina, Pincar S.p.A. (owner of 50.6% of Pininfarina's share capital), Pincar's shareholders and the Lender Institutions executed a Framework Agreement governing the terms and conditions of the actions that each of the signatories will be required to take within the framework of a transaction carried out to recapitalize Pininfarina and restructure its indebtedness, as a prerequisite to ensuring the Company's viability as a going concern and implementing the Industrial and Financial Plan.

The developments that occurred in 2009 concerning the stipulations of the Framework Agreement and the Rescheduling Agreement executed by the abovementioned parties are reviewed below.

## FRAMEWORK AGREEMENT

The agreement, which was designed to ensure that the Company is adequately recapitalized, includes two phases: in the first phase, which was implemented on December 31, 2008, all of the Lender Institutions assigned to Pincar S.r.l. financial receivables owed by Pininfarina S.p.A. for a total amount of 180 million euros, with Pincar then waiving payment of these receivables.

The second phase was implemented on September 28, 2009 as follows: (i) assignment by all of the Lender Institutions of financial receivables owed by Pininfarina for an aggregate amount of 61.1 million euros; (ii) contribution by Pincar of two advances on future capital increases carried out by forgiving receivables that Pincar acquired from the Lender Institutions; and (iii) implementation of a capital increase by means of a rights offering. As part of the capital increase transaction, Pincar agreed to underwrite the entire portion of the capital increase allocated to it under the rights offering as well as the shares corresponding to any unexercised rights, up to a maximum number of shares, enabling it to hold, upon completion of the capital increase, an interest of up to 86% in Pininfarina. In both cases, the shares will be paid-in using the existing advances on future capital increases.

The capital increase, which was designed to recapitalize Pininfarina, marked the conclusion of the restructuring process. As a result of this transaction, which was completed on September 28, 2009, Pininfarina's shareholders' equity increased by 69.8 million euros and its indebtedness toward banks and leasing companies decreased by an amount equal to that of the financial receivables that the Lender Institutions irrevocably assigned to Pincar and which Pincar used to pay-in the newly issued shares (61.1 million euros).

The overall impact of the two phases of the Agreement on the gross indebtedness of Pininfarina S.p.A. was a reduction in long-term bank borrowings of about 241.1 million euros (180 million euros on December 31, 2008 and the balance of 61.1 million euros on September 30, 2009). As a result of the successful completion of the capital increase transaction, Pincar S.r.l. now hold a 76.1% equity interest in Pininfarina S.p.A., which is encumbered by a lean for the benefit of the Lender Institutions. Furthermore, Pincar agreed to sell its entire equity interest in Pininfarina (in August 2009, the Company retained the services of Leonardo & Co. S.p.A. to sell this investment) and use the proceeds from the sale to reimburse the Banks for the financial receivables they assigned to Pincar in the two phases of the Framework Agreement.

**RESCHEDULING AGREEMENT**

Basically, under this agreement, which became effective on December 31, 2008, repayment of obligations under leases and long-term loans will begin in 2012, with the last installments due in 2014 for leases and 2015 for long-term loans. The Company is required to make mandatory early repayments using the following resources: proceeds from asset sales; 75% of any excess cash flow that the Company may generate in 2009, 2010 and 2011 and 40% of any excess cash flow that the Company may generate starting in 2012, until full repayment of its indebtedness in 2015.

The Agreement also calls for three installment payments from available cash resources as follows: the first one upon completion of the second phase of the Framework Agreement (38.7 million euros), the second one on March 2, 2010 (33.7 million euros) and a third one by October 16, 2010 (5 million euros). The first two installments were paid on schedule.

The Rescheduling Agreement may be cancelled if:

- The Framework Agreement is cancelled;
- Failure to pay any amount owed to the Lender Institutions and/or Fortis Bank;
- Occurrence of an event or circumstance that has a Material Prejudicial Effect, defined as a significant deterioration of the balance sheet, financial position and/or profitability and/or operating performance of the Company and the Pininfarina Group as a whole capable of hampering the Company's ability to perform faithfully its payment obligations in accordance with the Financial Documents and/or the Fortis Agreement or to comply with the Financial Parameters.

Because the cancellation clauses have been established exclusively in their interest, the Lender Institutions, at their discretion, may waive them fully or in part.

**Debt Interest**

Pursuant to the Rescheduling Agreement, interest will begin to accrue on lease obligations and long-term loans on 2012 (no interest payments are required for the 2009-2011 period) at the following rates:

(i) Six-month Euribor plus a spread of 1.10% on medium- and long-term loans;

(ii) As originally required under the respective lease agreements, as follows:

- leases with Banca Italease S.p.A.: three-month Euribor plus a spread of 0.9%;

- leases with Locat, BNP Paribas Lease Group and UBI Leasing: three-month Euribor plus a spread of 1.3%;

- leases with Leasint, MPS Leasing & Factoring and Selmabipiemme Leasing: fixed rate of 5.7%;

- building leases with Locat: three-month Euribor plus a spread of 0.83%.

Interest on short-term credit lines (operating lines) is computed at the six-month Euribor plus a spread of 1%, with regular accrual and payment due at the end of each utilization period.

**Covenants**

Pursuant to the Rescheduling Agreement, the Company will be required to comply with some financial covenants.

EBITDA must be better than: (1) (12,100,000) euros on the 2009 Verification Date and (2) (8,500,000) euros on the 2010 Verification Date, it being understood that the amounts shown above in parentheses are negative amounts;

Liquid assets must be higher than: (1) 79,700,000 euros on the 2009 Verification Date and (2) 44,900,000 euros on the 2010 Verification Date;

The net borrowings/shareholders' equity ratio (provided that the borrowing amount is greater than liquid assets), stated in absolute terms, must be equal to or lower than: (1) 2.10 on the December 31, 2011 Verification Date; (2) 1.40 on the June 30, 2012 Verification Date; (3) 1.00 on the December 31, 2012 Verification Date; (4) 1.00 on the June 30, 2013 Verification Date; (5) 1.00 on the December 31, 2013 Verification Date; and (6) 0.50 on subsequent Verification Dates;

The EBITDA/financial expense ratio (provided financial expense is negative on balance), stated in absolute terms, must be equal to or higher than: (1) 1.60 on the December 31, 2011 Verification Date; and (2) 3.00 on subsequent Verification Dates;

The net borrowings/EBITDA ratio, stated in absolute terms, must be equal to or lower than: (1) 9.90 on the December 31, 2011 Verification Date; (2) 2.60 on the June 30, 2012 Verification Date; (3) 1.80 on the December 31, 2012 Verification Date; and (4) 1.00 on subsequent Verification Dates.

Compliance with the covenants will be verified on each Verification Date, starting on December 31, 2009, based on the financial reports (consolidated annual report or semiannual financial statements) published by the Company on its website, in accordance with the compliance requirements applicable each time to publicly traded companies, or supplied to the Lender Institutions, if the Company's shares have been delisted. The Company's compliance with the covenants, or lack thereof, must be certified by means of documents supplied by the Independent Auditors, it being understood that the Agent Bank (IntesaSanpaolo) may reasonably ask the Company at any time to supply any document and/or certification (if the latter exists), which the Company will be required to supply within 15 business days from the date of receipt of the Agent Bank's request. If compliance with the covenants described above is being verified at a date different from December 31 (i.e., June 30), the EBITDA and financial expense that must be used shall be those for the Verification Period that ends on the Verification Date, computed on a pro forma basis as the sum of the EBITDA or financial expense for the various interim periods, extrapolated from the applicable annual report and quarterly and/or semiannual reports (EBITDA at June 30 of each year shall always be computed as the sum of the EBITDA for the first half of the current year and the EBITDA for the second half of the previous year).

Insofar as the covenants for 2009 are concerned, the data provided in these financial statements show that the Company was compliance with both EBITDA and liquidity targets.

The meaning assigned to the terms EBITDA, net borrowings, liquid assets and financial expense for the purpose of verifying compliance with the abovementioned covenants is provided in Annex 1.

**Updated Industrial and Financial Plan**

The **Industrial Plan** approved by the Board of Directors on November 12, 2008, which provided the reference framework for the agreement with the Lender Institutions, is based on four guidelines:

- a different positioning of the Company's business;
- steady growth of the service operations, except for activities in France;
- continuous improvement of the production processes;
- implementation of programs to cut manufacturing costs and overhead.

With regard to the first guideline, the development and production of the electric car (start of commercial production planned for 2011) represents a shift in Pininfarina’s business model, as the Company, only for this product, will supply the market directly through the 50-50 joint venture it established in February 2008 with the Bolloré Group. In 2009, which was the year when the Industrial Plan called for Pininfarina S.p.A. to carry out a portion of the engineering development activities, there was a delay in drawing up the contracts specifying the obligations set forth in general terms in the Joint Venture Agreement that governs the relationship between Pininfarina and Bolloré. The main reason for this delay was the difference in the policies pursued in France and Italy to provide incentives to the siting of production facilities in the environmental mobility sector, which has had an impact on the strategic decisions of both partners. Moreover, sudden shifts in the conditions of the markets, which continue to be heavily penalized by the ongoing recession, require frequent changes in the definition of the project’s technical parameters and delay the definition of the final objectives. Nevertheless, both industrial groups never faltered in their commitment to overcome these obstacles. The recent success of a prototype of the electric car at the Geneva Motor Show confirmed the vitality of this project, which, at this point, is in line with the timetable of Pininfarina’s Industrial and Financial Plan.

Among the other components of the Plan, the growth of the service operations continues to be a primary objective, even though the results reported in 2009 reflect the impact of a challenging economic environment that continues to negatively affect the global automotive industry.

With regard to the objective of cutting manufacturing costs and overhead, Pininfarina not only achieved the Plan’s targets in 2009, but actually succeeded in downsizing ahead of schedule the staff employed by the manufacturing operations and support activities, thanks to the sale of some business operations to De Tomaso Automobili on December 31, 2009.

## Industrial and Financial Plan: Challenges and Risks

The two phases of the Framework Agreement in effect between Pininfarina and the Lender Institutions having been completed, the risks associated with their implementation, as explained in the 2008 Annual report, are no longer relevant.

However, as pointed out in the certification issued by Professor Pisoni on December 31, 2008, there is still a series of general challenges and risks inherent in the Company’s market and industry and those specifically related to the Company and the Group.

**With regard to the Industrial Plan,** general challenges and risks include the *standard risk* entailed by the formulation of assessments with regard to the fairness of any plan projections and related to the physiological level of risk inherent in any business activity; the *industry risk* that arises from the structural crisis of the automobile industry; and the *timing risk* entailed by the Plan’s implementation schedule, which calls for a major restructuring phase during the early years, followed by the start of new activities in subsequent years.

Specific challenges and risks were identified in the following areas: production and marketing of the electric car (compliance with project deadlines, need to establish a distribution network and the future presence of a plurality of OEM operators in this industry); contract manufacturing of electric cars (need to secure contracts quickly enough to begin production on schedule in an environment characterized by the active presence of other OEM operators); and estimates of production volumes (making volume projections poses a challenge in view of the rather long time horizon).

The objectives of reducing the cost of central and staff functions and downsizing the production workforce (savings pursued through a rationalization of personnel expenses) and resetting appropriate production volumes for 2009 and 2010 have essentially been achieved thanks to the abovementioned sale of business operations executed at the end of 2009. Insofar as staff downsizing is concerned, the transaction with De Tomaso resulted in the transfer of 900 employees (875 factory staff and 25 office staff), producing a workforce reduction that exceeded the Plan's projections through 2011. In addition, the early termination of the Alfa Romeo and Ford production contracts, also related to the abovementioned sale of business operations, resulted, in agreement with the customers, in the definition of reliable production volume expectations in the final stage of the contracts.

Other risks that should be taken into account include those related to revenue flows from the engineering operations (an area directly affected by conditions in the market for electric cars, which poses the challenges already mentioned above); divestment of some assets (potential implementation problems and difficulties in estimating the values that could be realized in the current economic environment); and ability to implement the Industrial Plan predicated on the success of specific actions carried out to achieve a manageable level of debt, even though, with regard to this issue, gross indebtedness was substantially reduced in 2009.

**With regard to the Financial Plan,** challenges and risks include: available cash flow for the 2010-2011 period; collection of financial receivables and accrued interest owed by Alfa Romeo and Volvo (related to the debtors' ability to pay at a time when the automobile industry is faced with a structural crisis); uncertainty about the amount that may actually be collected in connection with the dispute with Mitsubishi, which entails, on the one hand, the collection of a receivable (48.4 million euros) and, on the other hand, the risk of payments owed for Pininfarina's alleged failure to perform its obligations, which would cause an increase in financial expense and in the amounts repayable at the end of the rescheduling process; compliance, starting in 2010, with specific covenants concerning EBITDA and liquid asset amounts and indicators from 2011 on.

**Updated Information About the Dispute with Mitsubishi Motor Europe**

Pininfarina is currently a party to arbitration proceedings before the International Chamber of Commerce in Paris (ICC) in an action filed by Mitsubishi (MME) seeking compensation for damages of about 43.4 million euros.

The Company, in addition to totally rejecting MME's claim, in turn filed for arbitration, asking that the Board of Arbitrators find Mitsubishi liable and order it to pay the corresponding damages. Pininfarina, based on two different scenarios, quantified the damages at 155.7 million euros, as a primary claim, or 102.6 million euros, as an alternative claim.

Both Pininfarina and Mitsubishi filed and exchanged expert reports and deposition transcripts, as required by the schedule of filings and hearings issued by the Arbitrators. In the abovementioned filings, both parties essentially reaffirmed their positions. Arbitration hearings during which witnesses and experts were heard were held in Geneva from June 8 to June 13, 2009. At the conclusion of these hearings, the Board of Arbitrators set July 10, 2009 and August 7, 2009 as the deadlines by which the parties were required to file, respectively, their post-hearing memoranda and their closing replying briefs.

The Board of Arbitrators has not yet handed down an arbitration award, which it earlier announced it was planning to do between the end of 2009 and the beginning of 2010.

Based on the considerations described above and the applicable regulations, the Company continues to believe, as it did in 2008, that recognizing in its financial statements a writedown of the corresponding receivable is not necessary.

## Outlook for 2010

At this point, any assessment of the operating performance, financial performance and financial position of the Company and the Group must take into account the following considerations:

- The 2010 reporting year will end with negative EBITDA and EBIT. Specifically, the production orders will come to an end and the service operations will face another challenging year in the markets where they operate. As a result, value of production is expected to decrease by about 20% compared with the amount reported in 2009. While the Company expects to report a net loss for the year, but the amount of the loss will be significantly smaller than in 2009 and in line with the projections of the Industrial and Financial Plan.
- On the balance sheet side, the completion of the second phase of the Framework Agreement with the Lender Institutions provided the Company with sufficient shareholders' equity to implement the Industrial Plan on schedule.
- The Rescheduling Agreement executed with the Lender Institutions and the resulting drastic reduction in medium- and long-term debt that has already occurred and is planned for 2010 will result in a significant reduction of the Company's debt exposure. Specifically, the amortization plans for the remaining medium- and long-term debt, which amounted to about 273 million euros at the end of 2009, run for 5/6 years, depending on the type of facility, and do not require the Company to pay interest or repay principal in 2010 and 2011. In addition, the Industrial Plan calls for the divestment of some non-strategic assets to increase the financial resources available for debt service (in the amount of about 25 million euros). Based on the foregoing considerations, even though the Company's strictly operating activities will not be cash flow positive in 2010, it seems reasonable to project that the existing liquidity will be sufficient to enable the Company to normally pursue its business activities and punctually meet its financial obligations toward all of its stakeholders. At the end of 2010, the net financial position is expected to be in line with the data reported in 2009.
- The projections for the current year are in line with expectations with regard to compliance with the covenants set forth in the current agreements with the Lender Institutions.

## Assessment of the Company's Viability as a Going Concern

The Board of Directors, in view of all of the circumstances presented above, acknowledges the existence of substantial uncertainties, which could justify significant doubts about the ability of the Group and the Company to continue to operate in a manner consistent with the going concern principle.

Nevertheless, in light of the results reported in 2009 and the events that occurred after December 31, 2009, and having performed the necessary reviews and assessed the abovementioned uncertainties, the Board of Directors has a reasonable expectation that the Group and the Company will have adequate resources to continue operating in the foreseeable future and concrete possibilities to successfully finalize the transactions described in the Industrial and Financial Plan, thereby completing the current financial and business restructuring phase.

For these reasons, the Board of Directors is continuing to prepare the consolidated financial statements in accordance with the going concern principle.

# MOTION TO COVER THE NET LOSS

The 2009 reporting year ended with a loss of 30,364,730 euros, which we recommend that you cover in full by drawing the corresponding amount from Additional paid-in capital.

Turin, March 29, 2010

Paolo Pininfarina
Chairman of the Board of Directors

## ANNEX 1

Please note that the covenants mentioned below are applicable as of the 2009 reporting year.

The meanings assigned to the terms EBITDA, net borrowings, liquid assets and financial expense for the purpose of verifying compliance with the abovementioned covenants are as follows:

**"EBITDA,"** in the consolidated financial statements of the Pininfarina Group, is equal to:

(i) the amount of the "Profit (Loss) from operations" in the Consolidated Income Statement schedule;

plus

(ii) up to the amount deducted when computing the "Profit (Loss) from operations," the amount of: (i) amortization of intangibles; (ii) depreciation of property, plant and equipment; (iii) writedowns of non-current assets; (iv) writedowns of receivables included in current assets and liquid assets; (v) additions to provisions for risks; (vi) additions to other provisions; (vii) nonrecurring charges, such as, the following being merely a non-exhaustive example, losses on the disposal of intangible assets and property, plant and equipment;

less

(iii) up to the amount included in the computation of the "Profit (Loss) from operations," the amount of nonrecurring income items, such as, the following being merely a non-exhaustive example, gains on the disposal of intangible assets and property, plant and equipment, it being understood that any grants attributable to the Company's regular manufacturing and commercial operations shall not be treated as nonrecurring items.

"**Borrowings,**" in the consolidated financial statements of the Pininfarina Group, means any indebtedness incurred as a result of:

(i) financing facilities and loans of any type provided in accordance with any technical arrangement;

(ii) bonds and debt securities issued in any form and similar instruments;

(iii) finance leases;

(iv) assignments of receivables (with or without recourse), including those carried out within the framework of factoring or securitization transactions, and discounting arrangements;

(v) deferrals of more than 180 days for the payment of the purchase price of any asset;

(vi) derivative transactions;

(vii) any guarantee or commitment of any kind (recognized or recognizable in the memorandum accounts) that will or could give rise to a cash outlay;

(viii) any counterguarantee or surety provided or recourse or recovery obligations undertaken in connection with guarantees, bonds, letters of credit or similar instruments issued by a bank, a financial intermediary, an insurance company or other party; or

any guarantee, surety or similar commitment undertaken in connection with any of the items listed in Sections (i) to (viii) above.

**"Net borrowings,"** in the consolidated financial statements of the Pininfarina Group, means:

(i) borrowings;

(ii) less liquid assets.

**"Liquid assets"** include the amounts shown in the consolidated statement of financial position for "Cash and cash and cash equivalents," "Current assets held for trading," "Held-for-sale current assets" and "Held-to-maturity current investments," including in this category only unencumbered liquid assets or assets consisting of cash, government securities, other publicly traded debt securities rated "A" or better or other instruments suitable for short-term investments of liquidity (such as, money market funds), net of any indebtedness for bank overdraft facilities (including the Operating Lines).

Insofar as the Pininfarina Group is concerned, **"Net financial expense"** is equal to the algebraic sum of "Financial income," "Financial expense" and "Dividends," as they appear in the consolidated income statement.

# PININFARINA GROUP

# ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

## AT DECEMBER 31, 2009

## Consolidated Statement of Financial Position (*)

| | Note ref. | 12/31/09 | 12/31/08 |
|---|---|---|---|
| **Property, plant and equipment** | | 84,576,075 | 116,948,452 |
| Land and buildings | 6 | 63,177,154 | 71,479,412 |
| Land | | 16,984,045 | 17,142,610 |
| Buildings | | 36,220,418 | 44,005,563 |
| Leased property | | 9,972,691 | 10,331,239 |
| Plant and machinery | 6 | 18,789,977 | 42,218,902 |
| Machinery | | 5,833,477 | 10,198,101 |
| Plant | | 11,948,166 | 30,570,083 |
| Leased machinery and equipment | | 1,008,334 | 1,450,718 |
| Furniture, fixtures and other property, plant and equipment | 6 | 2,080,944 | 2,616,538 |
| Furniture and fixtures | | 399,093 | 663,028 |
| Hardware & software | | 925,420 | 1,028,049 |
| Other property, plant and equipment (including vehicles) | | 756,431 | 925,461 |
| Assets under construction | 6 | 528,000 | 633,600 |
| **Intangible assets** | | 3,732,110 | 4,552,545 |
| Goodwill | 7 | 1,043,495 | 1,043,495 |
| Licenses and trademarks | 7 | 2,393,764 | 3,119,908 |
| Other intangibles | 7 | 294,851 | 389,142 |
| **Equity investments** | | 38,622,053 | 34,412,502 |
| Joint ventures | 8 | 38,182,341 | 33,876,821 |
| Other companies | 8 | 439,712 | 535,681 |
| **Deferred-tax assets** | 35 | 1,169,977 | 1,310,914 |
| **Non-current financial assets** | | 97,621,842 | 128,372,549 |
| Held-to-maturity long-term investments | 9 | 753,247 | 766,292 |
| Loans and other receivables form: | | 96,868,595 | 127,606,257 |
| Outsiders | 9 | 70,012,328 | 82,845,811 |
| Related parties and joint ventures | 9 | 26,856,267 | 44,760,446 |
| Available-for-sale non-current financial assets | | 0 | 0 |
| **TOTAL NON-CURRENT ASSETS** | | **225,722,057** | **285,596,962** |
| **Inventory** | | 6,244,220 | 13,510,479 |
| Raw materials | 10 | 4,718,772 | 9,707,163 |
| Work in process | 10 | 740,894 | 2,802,513 |
| Finished goods | 10 | 784,554 | 1,000,803 |
| **Contract work in progress** | 10 | 1,289,831 | 3,362,442 |
| **Current financial assets** | | 86,494,095 | 110,143,580 |
| Current assets held for trading | 9 | 50,902,010 | 54,698,684 |
| Current loans receivables and other receivables from: | | 35,592,085 | 55,444,896 |
| Outsiders | 9 | 17,687,907 | 37,540,718 |
| Related parties and joint ventures | 9 | 17,904,178 | 17,904,178 |
| Available-for-sale current financial assets | | 0 | 0 |
| **Trade receivables and other receivables** | 11 | 59,630,771 | 92,091,770 |
| Trade receivables from: | | 42,696,078 | 49,632,788 |
| Outsiders | | 39,839,048 | 45,417,522 |
| Related parties and joint ventures | | 2,857,030 | 4,215,266 |
| Other receivables | | 16,934,693 | 42,458,982 |
| **Cash and cash equivalents** | 12 | 75,143,337 | 75,229,700 |
| Cash on hand | | 1,281,793 | 1,575,468 |
| Short-term bank deposits | | 73,861,544 | 73,654,232 |
| **TOTAL CURRENT ASSETS** | | **228,802,254** | **294,337,971** |
| **Held-for-sale non-curret assets** | 13 | **0** | **7,040,001** |
| **TOTAL ASSETS** | | **454,524,311** | **586,974,934** |

(*) As required by Consob Resolution No. 15519 of July 27, 2006, the impact of transactions with related parties on the statement of financial position of the Pininfarina Group is shown in a separate schedule in the Note entitled "Other Information."

## Consolidated Statement of Financial Position

| | Note ref. | 12/31/09 | 12/31/08 |
|---|---|---|---|
| Common shares | 14 | 30,150,694 | 9,301,042 |
| Additional paid-in capital | 15 | 46,442,181 | 26,843,769 |
| Reserve for treasury stock | 16 | 175,697 | 175,697 |
| Statutory reserve | 17 | 2,231,389 | 2,231,389 |
| Reserve for currency translations | 18 | (2,775,698) | (4,964,781) |
| Other reserves | 19 | 7,873,665 | 187,873,265 |
| Retained earnings | | (4,610,937) | (7,328,866) |
| Profit (Loss) for the year | 20 | (30,746,706) | (204,125,840) |
| **GROUP INTEREST IN SHAREHOLDERS' EQUITY** | | **48,740,285** | **10,005,676** |
| **Minority interest in shareholders' equity** | | **0** | **0** |
| **TOTAL SHAREHOLDERS' EQUITY** | | **48,740,285** | **10,005,676** |
| **Long-term borrowings** | 22 | 163,073,835 | 245,053,410 |
| Liabilities under finance leases | | 91,792,791 | 142,600,125 |
| Other indebtedness owed to: | | 71,281,044 | 102,453,285 |
| Outsiders | | 71,281,044 | 102,453,285 |
| **Deferred-tax liabilities** | 35 | 2,365 | 9,451 |
| **Provision for termination indemnities** | 23 | 10,955,068 | 22,287,321 |
| Provision for pensions and severance pay | | 0 | 45,132 |
| Provision for termination indemnities | | 10,955,068 | 22,242,189 |
| **TOTAL NON-CURRENT LIABILITIES** | | **174,031,268** | **267,350,182** |
| **Current borrowings** | 22 | 139,857,834 | 168,773,767 |
| Due to banks | | 29,662,152 | 37,927,769 |
| Liabilities under finance leases | | 71,273,148 | 85,059,761 |
| Bonds outstanding and other borrowings owed to: | | 38,922,534 | 45,786,237 |
| Outsiders | | 38,922,534 | 45,786,237 |
| **Other payables** | 24 | 8,814,308 | 13,092,827 |
| Wages and salaries | | 2,372,810 | 4,236,784 |
| Due to social security institutions | | 879,313 | 3,449,265 |
| Vacation days, sick days and personal days | | 121,455 | 154,621 |
| Other liabilities | | 5,440,730 | 5,252,157 |
| **Trade accounts payable** | 24 | 62,574,036 | 92,835,124 |
| Accounts payable to outsiders | | 61,293,384 | 89,898,357 |
| Account payable to associated companies and joint ventures | | 58,658 | 54,914 |
| Advances received for work in progress | | 1,221,994 | 2,881,853 |
| **Provision for current taxes** | | 440,513 | 1,496,804 |
| Direct taxes | | 26,431 | 1,098,354 |
| Other taxes | | 414,082 | 398,450 |
| **Provision for other liabilities and charges** | 25 | 18,957,116 | 27,066,381 |
| Provision for warranties | | 5,281,529 | 12,274,502 |
| Provision for restructuring programs | | 2,464,423 | 1,678,778 |
| Other provisions | | 11,211,164 | 13,113,101 |
| **Other liabilities** | | 1,108,951 | 1,404,174 |
| **TOTAL CURRENT LIABILITIES** | | **231,752,758** | **304,669,077** |
| **TOTAL LIABILITIES** | | **405,784,026** | **572,019,259** |
| **Liabilities attributable to held-for-sale assets** | 13 | **0** | **4,950,000** |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | | **454,524,311** | **586,974,934** |

## Consolidated Income Statement

| | Note ref. | 12/31/09 | 12/31/08 |
|---|---|---|---|
| Sales and service revenues | 26 | 186,176,485 | 527,304,128 |
| Increase in Company-produced non-current assets | | 0 | 116,602 |
| Change in inventories of finished goods and work in progress | | 8,991,638 | (1,934,498) |
| Change in contract work in progress | | 11,269,506 | (1,146,354) |
| Change in inventories of work in progress, semifinished and finished goods | | (2,277,868) | (788,144) |
| Other income and revenues | 27 | 6,447,250 | 10,201,563 |
| **Total value of production** | | **201,615,373** | **535,687,795** |
| Gain on the sales of non-current assets | 28 | 4,682,266 | 7,103,004 |
| *Amount earned on the sale of equity investments* | 28 | *63,898* | *2,638,870* |
| **Raw materials and consumables used** | | (106,684,924) | (331,795,020) |
| Raw materials and components | | (101,696,533) | (321,664,453) |
| Change in inventories of raw materials, subsidiary materials and consumables | | (4,324,432) | (6,607,830) |
| Provision for inventory risk | | (663,959) | (3,522,737) |
| **Other variable production costs** | | (4,537,717) | (10,104,267) |
| Consumables | | (2,423,499) | (4,871,303) |
| Utilities | | 0 | (557,750) |
| External maintenance costs | | (2,114,218) | (4,675,214) |
| **External variable engineering services** | | (12,143,194) | (29,981,583) |
| **Wages, salaries and employee benefits** | 29 | (58,884,082) | (114,713,970) |
| Production staff, office staff and managers | | (52,042,222) | (106,234,080) |
| Independent contractors | | 0 | (3,741,042) |
| Social security and other post-employment benefits | | (6,841,860) | (4,738,847) |
| **Depreciation, amortization and writedowns** | | (38,158,932) | (188,487,444) |
| Depreciation of property, plant and equipment | | (14,090,755) | (33,459,650) |
| Loss on disposals of property, plant and equipment | | (24,661) | (7,263,163) |
| Amortization of intangibles | | (1,043,569) | (1,514,587) |
| Additions to provisions/Writedowns | 30 | (22,999,947) | (146,250,044) |
| **Foreign exchange gains (losses)** | | (180,941) | 216,768 |
| **Other expenses** | 31 | (21,580,113) | (46,727,186) |
| **Profit (Loss) from operations** | | **(35,872,264)** | **(177,801,903)** |
| Financial income (expense), net | 32 | 2,962,409 | (21,804,055) |
| Dividends | 33 | 111,801 | 185,254 |
| Value adjustments | 34 | 2,230,913 | (2,089,826) |
| **Profit (Loss) before taxes** | | **(30,567,141)** | **(201,510,530)** |
| Income taxes for the year | 35 | (179,565) | (2,615,310) |
| **Profit (Loss) for the year** | | **(30,746,706)** | **(204,125,840)** |
| **Minority interest in shareholders' equity** | | **0** | **0** |

| | 12/31/09 | 12/31/08 |
|---|---|---|
| Profit (Loss) for the period | (30,746,706) | (204,125,840) |
| Number of common shares, net | 30,150,694 | 9,301,042 |
| Basic earnings (loss) per share | (1.02) | (21.95) |

(*) 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 Statement of Comprehensive Income
## (in thousands of euros)

| | 12/31/09 | 12/31/08 |
|---|---|---|
| **Group interest in net profit (loss) (A)** | **(30,747)** | **(204,126)** |
| Gains (Losses) from translation of financial statements of foreign | 2,189 | (4,831) |
| Total other gains (losses), net of tax effect (B) | 2,189 | (4,831) |
| **Total comprehensive net profit (loss) (A)+(B)** | **(28,558)** | **(208,957)** |
| **Minority interest in total comprehensive net profit (loss)** | **0** | **0** |
| **Total comprehensive net profit (loss)** | **(28,558)** | **(208,957)** |
| Shareholders of the controlling company | (28,558) | (208,957) |
| Minority interest | 0 | 0 |

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

| | | 12/31/09 | Amt.with related parties | 12/31/08 | Amt.with related parties |
|---|---|---|---|---|---|
| Sales and service revenues | 26 | 186,176,485 | 8,506,515 | 527,301,128 | 34,905,782 |
| Increase in Company-produced non-current assets | | 0 | | 116,602 | |
| Change in inventories of finished goods and work in progress | | 8,91,638 | 0 | (1,934,498) | 0 |
| Change in contract work in progress | | 11,269,506 | | (1,146,354) | |
| Change in inventories of work in progress, semifinished and finished goods | | (2,277,868) | | (788,144) | |
| Other income and revenues | 27 | 6,447,250 | | 10,201,563 | |
| **Total value of production** | | **201,615,373** | **8,506,515** | **535,687,795** | **34,905,782** |
| Gain on the sales of non-current assets | 28 | 4,682,266 | | 7,103,004 | |
| *Amount earned on the sale of equity investments* | 28 | *63,898* | | *2,638,870* | |
| **Raw materials and consumables used** | | (106,684,924) | 0 | (331,795,020) | 0 |
| Raw materials and components | | (101,696,533) | | 321,664,453) | |
| Change in inventories of raw materials, subsidiary materials | | 4,324,432) | | (6,607,830) | |
| Provision for inventory risk | | (663,959) | | (3,522,737) | |
| **Other variable production costs** | | (4,537,717) | 0 | (10,104,267) | 0 |
| Consumables | | (2,423,499) | | (4,871,303) | |
| Utilities | | 0 | | (557,750) | |
| External maintenance costs | | (2,114,218) | | (4,675,214) | |
| **External variable engineering services** | | (12,143,194) | (9,902) | (29,981,583) | (68,945) |
| **Wages, salaries and employee benefits** | 29 | (58,884,082) | 0 | (114,713,970) | 0 |
| Production staff, office staff and managers | | (52,042,222) | | (106,234,080) | |
| Independent contractors | | 0 | | (3,741,042) | |
| Social security and other post-employment benefits | | (6,841,860) | | (4,738,847) | |
| **Depreciation, amortization and writedowns** | | (38,158,932) | 0 | (188,487,444) | 0 |
| Depreciation of property, plant and equipment | | (14,090,755) | | (33,459,650) | |
| Loss on disposals of property, plant and equipment | | (24,661) | | (7,263,163) | |
| Amortization of intangibles | | (1,043,569) | | (1,514,587) | |
| Writedowns | 30 | (22,999,947) | | (146,250,044) | |
| **Foreign exchange gains (losses)** | | (180,941 | | 216,768 | |
| **Other expenses** | 31 | (21,580,113) | | (46,727,186) | (6,279) |
| **Profit (Loss) from operations** | | **(35,872,264)** | **8,496,613** | **(177,801,903)** | **34,630,558** |
| Financial income (expense), net | 32 | 2,962,409 | 2,016,010 | (21,804,055) | 5,007,246 |
| Dividends | 33 | 111,801 | | 185,254 | |
| Value adjustments | 34 | 2,230,913 | | (2,089,826) | |
| Net loss from held-for-sale assets | | 0 | | 0 | |
| **Profit (Loss) before taxes** | | **(30,567,141)** | **10,512,623** | **(201,510,530)** | **39,837,804** |
| Income taxes for the year | 35 | (179,565) | | (2,615,310) | |
| **Profit (Loss) for the year** | | **(30,746,706)** | **10,512,623** | **(204,125,840)** | **39,837,804** |
| **Minority interest in shareholders' equity** | | **0** | **0** | **0** | **0** |

# Statement of Changes in Consolidated Shareholders' Equity

| | **12/31/06** | Total Profit (Loss) for the year | Translation restatements | Capital increase | Capital increase expenses | Reserve for non-refundable shareholder contributions | **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) |
| Fair value reserve | 0 | | | | | | 0 |
| 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** | **(116,164,983)** | **(2,804)** | **60,776** | **0** | **0** | **38,970,646** |
| **Minority interest in profit and res.** | **0** | | | | | | **0** |
| **TOTAL SHAREHOLDERS' EQUITY** | **155,077,657** | **(116,164,983)** | **(2,804)** | **60,776** | **0** | **0** | **38,970,646** |

| | **12/31/07** | Total Profit (Loss) for the year | Translation restatements | Capital increase | Capital increase expenses | Reserve for non-refundable shareholder contributions | **12/31/08** |
|---|---|---|---|---|---|---|---|
| Common shares | 9,301,042 | | | | | | 9,301,042 |
| Additional paid-in capital | 34,652,765 | | (7,808,996) | | | | 26,843,769 |
| Reserve for treasury stock | 12,000,000 | | (11,824,303) | | | | 175,697 |
| Statutory reserve | 2,231,389 | | | | | | 2,231,389 |
| Stock options reserve | 2,232,280 | | (2,232,280) | | | | 0 |
| Reserve for currency translat. | (133,198) | (4,831,584) | | | | | (4,964,781) |
| Fair value reserve | 0 | | | | | | 0 |
| Other reserves | 82,251,468 | | (74,378,203) | | | 180,000,000 | 187,873,265 |
| **Retained earnings** | 10,959,948 | | (18,288,814) | | | | (7,328,866) |
| **Profit (Loss) for the year** | (114,525,048) | (204,125,840) | 114,525,048 | 0 | | | (204,125,840) |
| **GROUP INTEREST IN SHAREHOLDERS' EQUITY** | **38,970,646** | **(208,957,423)** | **(7,547)** | | **0** | **180,000,000** | **10,005,676** |
| **Minority interest in profit and res.** | 0 | | | | | | |
| **TOTAL SHAREHOLDERS' EQUITY** | **38,970,646** | **(208,957,423)** | **(7,547)** | **0** | **0** | **180,000,000** | **10,005,676** |

| | **12/31/08** | Total Profit (Loss) for the year | Translation restatements | Capital increase | Capital increase expenses | Reserve for non-refundable shareholder contributions | **12/31/09** |
|---|---|---|---|---|---|---|---|
| Common shares | 9,301,042 | | | 20,849,652 | | | 30,150,694 |
| Additional paid-in capital | 26,843,769 | | (26,843,769) | 48,996,682 | (2,554,501) | | 46,442,181 |
| Reserve for treasury stock | 175,697 | | | | | | 175,697 |
| Statutory reserve | 2,231,389 | | | | | | 2,231,389 |
| Stock options reserve | 0 | | | | | | 0 |
| Reserve for currency translat. | (4,964,781) | 2,189,083 | | | | | (2,775,698) |
| Other reserves | 187,873,265 | | (179,999,600) | | | | 7,873,665 |
| **Retained earnings** | (7,328,866) | | 2,717,929 | | | | (4,610,937) |
| **Profit (Loss) for the year** | (204,125,840) | (30,746,706) | 114,525,048 | 0 | | | (30,746,706) |
| **GROUP INTEREST IN SHAREHOLDERS' EQUITY** | **10,005,676** | **(28,557,623)** | **400** | **69,846,334** | **(2,554,501)** | **0** | **48,740,285** |
| **Minority interest in profit and res.** | 0 | | | | | | |
| **TOTAL SHAREHOLDERS' EQUITY** | **10,005,676** | **(28,557,623)** | **400** | **69,846,334** | **(2,554,501)** | **0** | **48,740,285** |

## Consolidated Statement of Cash Flows (*)

| | Data at | |
|---|---|---|
| | 12/31/09 | 12/31/08 |
| **Profit (loss) for the year** | **(30,746,706)** | **(204,125,840)** |
| *Restatements* | *23,449,866* | *197,257,051* |
| - Income taxes | 179,565 | 2,615,310 |
| - Depreciation of property, plant and equipment | 14,090,755 | 33,459,650 |
| - Amortization of intangibles | 1,043,569 | 1,514,587 |
| - Writedowns and additions to provisions | 22,999,947 | 146,250,044 |
| - Provision for pensions and seniority indemnities | (2,332,253) | (2,267,296) |
| - (Gains) Losses on sale of non-current assets | (4,657,605) | 160,159 |
| - (Gains) Losses available for sale financial assets | 0 | (27,946) |
| - (Financial income) | (9,832,244) | (17,468,761) |
| - Financial expense | 6,869,832 | 31,166,124 |
| - (Dividends) | (111,801) | (185,254) |
| - Value adjustment to shareholders' equity | (2,230,913) | 2,089,826 |
| - Other restatements | (2,568,990) | (49,393) |
| *Changes in working capital* | *(7,284,283)* | *(63,366,214)* |
| - Inventories | 7,266,259 | (7,661,016) |
| - Contract work in progress | 2,072,611 | (2,025,573) |
| - Trade accounts receivable and other receivables | 31,102,764 | 3,142,959 |
| - Accounts receivable from joint ventures | 1,358,236 | 1,816,736 |
| - Trade accounts payable | (39,250,341) | (62,252,545) |
| - Accounts payable to joint ventures | 3,744 | (379,818) |
| - Other changes | (9,837,556) | (11,328,989) |
| **Cash flow from operating activities** | **(14,581,123)** | **(70,235,004)** |
| (Financial expense) | (6,869,836) | (31,166,124) |
| (Income taxes) | (179,565) | (2,615,310) |
| **Net cash flow used in operating activities** | **(21,630,524)** | **(104,016,437)** |
| - Purchases of property, plant and equipment | (1,120,923) | (2,340,555) |
| - Proceeds from sale of property, plant and equipment | 68,618 | 6,497,984 |
| - Proceed from sale of cash and cash equivalents from discontinued or discontinuing operations | 2,090,001 | (227,988) |
| - Non-current loans receivable from borrowers outside the Group | 33,496,570 | 60,556,098 |
| - Non-current loans receivable from joint ventures | 17,904,178 | 17,904,178 |
| - Financial income | 9,832,244 | 17,468,662 |
| - Dividends | 111,801 | 185,254 |
| - Other equity investments | (1,978,638) | (5,556,464) |
| **Net cash used in investing activities** | **60,406,851** | **94,487,167** |
| - Proceeds from the issuance of shares | 8,771,794 | 0 |
| - Borrowings from lenders outside the Group | (41,555,351) | 3,843,495 |
| - Loans payable to joint ventures | 0 | 0 |
| **Net cash used in financing activities** | **(32,783,557)** | **3,843,495** |
| - Other non-cash items | 2,189,483 | (4,839,132) |
| - Non-current assets held for sales or belonging to discontinued operations and related liabilities | 0 | 8,248,230 |
| **Increase (Decrease) in cash and cash equivalents** | **8,179,254** | **(2,276,677)** |
| - Cash and cash equivalents at beginning of the year | 37,301,931 | 39,578,608 |
| - Cash and cash equivalents included in discontinued or discontinuing operations | 399,111 | 0 |
| **Cash and cash equivalents at end of the year** | **45,481,185** | **37,301,931** |
| Cash and cash equivalents | 75,143,337 | 75,229,700 |
| Bank account overdrafts | (29,662,152) | (37,927,769) |
| *Net cash and cash equivalents at end of the period* | *45,481,185* | *37,301,931* |

(*) Pursuant to Paragraph 7 of IAS 7 – Cash Flow Statements, transactions that did not produce a change in a cash position are not reflected in the statement provided above. As required by Consob Resolution No. 15519 of July 27, 2006, the impact of transactions with related parties on the Pininfarina Group, which reflects exclusively transactions with the Pininfarina Sverige AB and Véhicules Electriques Pininfarina-Bolloré SAS joint ventures, are discussed in Notes 8 and 9 to the financial statements of the Pininfarina Group.

# Notes to the Financial Statements

## 1. General Information

The Pininfarina Group is centered around a core of automotive operations and is based on the establishment of comprehensive collaborative relationships with carmakers. Operating 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 with the utmost flexibility.

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

The headquarters of Pininfarina S.p.A., the Group's Parent Company, are located at 6 via Bruno Buozzi, in Turin. The Company's shares are traded on the Borsa Italiana securities market.

A list of the registered offices and other facilities where the Group companies conduct their business operations is provided on page 108.

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.

### Changes in the Group's Structure

The following changes occurred in the Group's scope of consolidation compared with December 31, 2008:

- The R.H.T.U Sverige AB subsidiary, which was liquidated on December 22, 2009 following the sale of its business operations to the Pininfarina Sverige AB joint venture, is no longer included in the scope of consolidation. As required by *IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations,* the effects of this sale were recognized in 2008.
- The subsidiaries of Matra Automobile Engineering Sas, which were sold to buyers outside the Group in the fourth quarter of 2008, are no longer included in the scope of consolidation.
- The sale of the assets held by Matra Automobile Engineering Sas was completed on March 27, 2009. In the 2008 financial statements, these assets were classified as assets held for sale and, consequently, the economic effects of the sale were also recognized in 2008, as required by *IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations.* The Matra Automobile Engineering Sas legal entity, which no longer performed any operating activity, collected the research grants owed to it by the French government and still holds a substantial tax loss carryforward, with respect to which, taking a conservative approach, no corresponding deferred-tax assets were recognized. These tax assets were analyzed by French tax professionals, who concluded that the amount involved could be brought forward and was transferable to third parties, provided there was continuity in the performance of engineering activities, even if a change of ownership was involved.

## 2. Relevant Accounting Principles

### 2.1 Principles for the Preparation of the Financial Statements

The consolidated financial statements were prepared in accordance with the going concern principle. As explained in detail in the Report on Operations, which should be consulted for additional information, this approach was deemed to be suitable, based on the conclusions reached by the Board of Directors, despite the existence of substantial uncertainties, which could justify significant doubts about the ability of the Group and the Company to continue to operate in a manner consistent with the going concern principle. The financial statements at December 31, 2009 of the Pininfarina Group were prepared in accordance with the International Financial Reporting Standards (IFRSs) published by the International Accounting Standards Board (IASB) and approved by the European Union.

**2.2 Financial Statement Schedules**

With regard to the adoption of IAS 1 – *Presentation of Financial Statements*, as revised in 2007, the Group has chosen to use the same financial statement presentation formats as Pininfarina S.p.A., because of their ability to deliver reliable and more meaningful information:

- Statement of financial position, in which current and non-currents assets and liabilities are classified separately;
- Income statement and statement of comprehensive income, shown as two separate schedules in which operating costs are classified by type;
- Statement cash flows, in which the cash flow from operating activities is presented in accordance with the "indirect method," as allowed by IAS 7;
- Statement of changes in consolidated shareholders' equity.

Moreover, as required by Consob Resolution No. 15519 of July 27, 2006, income and expense that originate from nonrecurring transactions or from events that do not occur frequently in the normal course of business are specifically identified in the income statement with costs classified by type. The impact of the abovementioned transactions or events is shown in a separate schedule in the "Other Information" section of this Report, on page 97.

Also pursuant to the abovementioned Consob Resolution, in the statement of financial position and statement of cash flows the amounts attributable to positions or transactions with related parties are listed separately from the other amounts in the corresponding accounts.

**2.3 Accounting Principles, Amendments and Interpretations Applied as of January 1, 2009**

The accounting principles adopted to prepare the 2009 consolidated financial statements are the same as those used for the consolidated annual financial statements of the Group for the year ended December 31, 2008, except for changes required by IAS 1, which are reviewed below.

In addition to recommending the use of new names for some financial statement schedules, IAS 1, as revised in 2007, introduces the requirement to disclose either in a single schedule (called statement of comprehensive income) or in two separate schedules (separate income statement and statement of comprehensive income) the components of the profit or loss for the period and income and expense items that are recognized directly in equity resulting from transactions with parties other than the Company's shareholders. Items resulting from transactions with shareholders and the result of the statement of comprehensive income are shown in the statement of changes in shareholders' equity. With regard to the statement of comprehensive income, the Pininfarina Group chose the presentation option of two separate schedules called "consolidated income statement" and "consolidated statement of comprehensive income."

Other newly issued or revised principles that are applicable as of January 1, 2009 are reviewed below:

- The adoption of IFRS 8 – *Operating Segments* did not require the Group to change its internal reporting system and no new operating segments or segment groupings had to be defined for segment reporting purposes.

- IAS 23 – *Borrowing Costs.* The 2007 revision of this standard eliminates the option of recognizing borrowing costs as an expense in the income statement when they are incurred in connection with the purchase, construction or production of "qualifying" assets, i.e., assets the borrowing costs of which may be capitalized. This revision did not have a material accounting impact on the Group in 2009.
- Amendments to IFRS 2 – *Share-based Payments: Vesting Conditions and Cancellations.* This principle was amended to clarify the definition of vesting conditions and specify the accounting treatment that should be applied when a plan is effectively cancelled due to the failure to meet a vesting condition. The adoption of this amendment does not apply to the Group because no stock options have been established.
- Amendments to IAS 32 – *Financial Instruments: Presentation* and to IAS 1 - *Presentation of Financial Statements: Financial instruments with an option to sell at fair value and obligations in the event of liquidation.* These principles were amended to allow, under certain conditions, financial instruments with an option to sell at fair value (puttable at fair value) to be classified as components of shareholders' equity instead of financial liabilities. The adoption of this amendment does not apply to the Group.
- IFRIC 13 – *Customer Loyalty Programs.* This interpretation specifies that goods or services provided free of charge or at a discount ("bonuses" or "points") awarded in connection with customer loyalty programs must be recognized separately from the sale of the product or service for which they are awarded. A portion of the fair value of the consideration received for the sale must be allocated to the bonus points and deferred. This component will be recognized as a revenue during the period when the points are redeemed. The requirement to adopt this revision does not apply to the Group.
- IFRS improvements. In May 2008, the IASB published its first annual standard improvements, which are designed to eliminate inconsistencies and clarify terminology. These improvements include ad hoc transition clauses for each standard. However, the adoption of these improvements did not have any impact on the Group's financial position or operating performance.

**2.4 Accounting Principles, Amendments and Interpretations Applicable After December 31, 2009**

The following accounting principles, amendments and interpretations, which were approved in 2009, are applicable as of 2010:

- IFRS 1 revised, pursuant to which first-time adopters of the IFRSs must prepare a First-time Adoption Document.
- IFRS 3 revised, which introduces changes in how goodwill from a business combination realized through a step acquisition should be measured. Specifically, acquisitions must be recognized on the date when control is acquired and any gain or loss remaining after assets and liabilities and contingent liabilities are measured at fair value must be recognized in profit or loss.
- IAS 27 revised, pursuant to which minority interest in comprehensive net result must be recognized even in the event of a loss and any residual interest held in a former subsidiary must be measured at fair value at the date of loss of control.
- IFRIC 12 – *Service Concession Arrangements,* which introduces changes in the method used to account for activities carried out under concession arrangements.
- IFRIC 15 – *Agreements for the Construction of Real Estate.*

- IFRIC 16 – *Hedges of a Net Investment in a Foreign Operation,* which applies to instances in which the Group wishes to hedge its investment in a foreign entity and qualify the transaction as a hedge pursuant to IAS 39.
- IFRIC 17 – *Distributions of Non-cash Assets to Owners,* which specifies when dividends should be recognized, how they should be valued and, when the dividend is paid, how any differences between the book value of the distributed assets and the book value of the dividend payable should be recognized.
- IFRIC 18 – *Transfers of Assets from Customers,* which defines the recognition criteria applicable to transfers of assets or cash made by customers for the purpose of being hooked to a distribution network. IFRIC 18 must be applied exclusively by entities that are not required to apply IFRIC 12.

In addition, the following amendments will be applicable as of 2011:

- Amendment to IAS 32 – *Classification of Rights Issues,* which clarifies how to account for certain rights, when rights issues are denominated in a currency different from that of the issuer.

- Amendments to IFRIC 9 and IAS 39, which clarify the accounting treatment that should be applied to financial derivatives embedded in other contracts when a hybrid financial asset is reclassified from the category of "carried at fair value through profit and loss" to another category.

**2.5 Principles of 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 date when control is acquired.

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 | Cur-rency | Share capital | Total assets (12/31/09) | Total liabilities (12/31/09) | Sales revenues in 2009 | Net profit (loss) in 2009 |
|---|---|---|---|---|---|---|---|---|---|
| Pininfarina Extra S.r.l. | Turin Via Bruno Buozzi, 6 | 100% | 0% | EUR | 388,000 | 4,703,237 | 933,705 | 3,278,904 | 130,748 |
| Pininfarina Extra USA Corp. | Florida - Fort Lauderdale 1710 West Cypress Creed Road | 0% | 100% | USD | 10,000 | 320,224 | 6,530 | 407,855 | (79,742) |
| Pininfarina Deutschland GmbH | Leonberg Riedwiesenstr.1 | 100% | 0% | EUR | 3,100,000 | 19,644,035 | 2,707,788 | - | (22,642) |
| MPX Entwicklung GmbH | Munich Frankfurter Ring 17 | 0% | 100% | EUR | 25,000 | 4,550,178 | 4,482,474 | 8,967,361 | (209,033) |
| MPX Entwicklung GmbH | Leonberg Riedwiesenstr.1 | 0% | 100% | EUR | 26,000 | 1,153,123 | 988,712 | 2,313,326 | (627,615) |
| Matra Automobile Engineering SAS | Paris, 68 rue du Faubourg Saint-Honoré | 100% | 0% | EUR | 971,200 | 4,497,482 | 3,849,283 | - | (1,410,244) |
| Pininfarina Maroc SAS | Zenata Casablanca - Sidi Bernoussi Km 12 Autoroute de Rabat | 100% | 0% | MAD | 8,000,000 | 14,017,007 | 4,760,671 | 15,625,590 | 46,331 |

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.

Véhicules Electriques Pininfarina Bolloré SAS, a 50-50 joint venture established to develop the electric cart is also valued by the equity method.

A list of joint ventures is provided below:

| Name | Registered office | % direct interest | % indirect interest | Cur-rency | Share capital | Total assets (12/31/09) | Total liabilities (12/31/09) | Sales revenues in 2009 | Net profit (loss) in 2009 |
|---|---|---|---|---|---|---|---|---|---|
| Pininfarina Sverige A.B. | Uddevalla Varsvagen 1 | 60% | 0% | SEK | 8,965,000 | 2,350,221,141 | 985,584,213 | 2,643,016,090 | 65,426,116 |
| Véhicules Electriques Pininfarina-Bolloré SAS | Puteaux 31-32 Quai de Dion Bouton | 50% | 0% | EUR | 20,040,000 | 39,710,283 | 21,440,380 | 0 | (735,000) |
| Pininfarina Recchi Buildingdesign S.r.l. | Torino Via Montevecchio 28 | 0% | 50% | EUR | 100,000 | 91,918 | 1,704 | 0 | (6,093) |

(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 in the income statement for the period.

Investments in small companies are carried at their current value or fair value, if it can be determined. Dividends received from these companies are recognized under Dividends in the income statement.

### 2.6 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.

Cash assets and liabilities denominated in currencies other than the euro are converted into euros at the exchange rate in force on the date of the financial statements. 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-cash 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-cash 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 hyperinflationary economy.

(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 date of the financial statements. 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:

| | Dec. 31, 2009 | Avg. 2009 | Dec. 31, 2008 | Avg. 2008 |
|---|---|---|---|---|
| **Euro vs currency:** | | | | |
| - U.S. dollar | 1.441 | 1.394 | 1.392 | 1.471 |
| - Swedish kronor | 10.252 | 10.621 | 10.870 | 9.595 |
| - Moroccan dirham | 11.335 | 11.253 | 11.191 | 11.347 |

### 2.7 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.

The table below shows the depreciation rates applied to the different classes of assets:

| Classes of assets | Years |
|---|---|
| Buildings | 33 |
| Leased real estate | 33 |
| Plant | 10 |
| Equipment | 10 |
| Leased plant and equipment | 5 |
| Furniture and fixtures | 8 |
| Hardware | 5 |
| Other prop., plant and equip (incl. vehicles) | |

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 – *Property, Plant and Equipment.*

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 date of the financial statements.

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.

### 2.8 Intangible Assets

(a) Goodwill

Goodwill represents the excess 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 on an accrual basis.

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 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 customers 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.

Development work performed under styling, engineering and production contracts is included in the amount of financial receivables recognized in accordance with IFRIC 4 – *Determining Whether an Arrangement Contains a Lease* (see Note 2.21 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 prospectively.

**2.9 Recoverable Amount of Assets**

The recoverable amount of intangibles with an indefinite useful life that are not amortized must 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. (CGUs)

a) Identification of Cash Generating Units and Allocation of Assets

CGUs, which reflect the Group's organizational and business structure, are defined as homogeneous aggregations that generate cash flows independently through the ongoing utilization of the assets allocated to them, in accordance with the recommendations of IAS 36 – *Impairment of Assets,* and based on two operating segments identified in accordance with IFRS 8 – *Segment Information*: 1) Styling and Engineering, and 2) Manufacturing.

Within the Manufacturing segment, the Group identifies other minimal CGUs, to which it allocates the assets used to manufacture automobiles, consisting of property, plant and equipment, and financial receivables recognized in accordance with IFRIC 4 – *Determining Whether an Arrangement Contains a Lease* (see Note 2.21 – Leases, below).

b) Impairment Test of IFRIC 4 Financial Receivables

IFRIC 4 financial receivables are valued at amortized cost. 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 cycle of the Alfa Brera and Spider order represents an impairment indicator.

The amount of the writedown recognized in the income statement (3 million euros) was determined as the difference between the carrying value of the asset and the present value of its future cash flows, discounted at the effective original interest rate of the financial asset.

The cash flows used for discounting purposes were determined based on the amounts set forth in the agreement executed with the Fiat Group in January 2010, which defines both the amount of the remaining capital expenditure reimbursements and the minimum production volumes for 2010, when production of the Alfa Brera and Spider will end.

c) Impairment Test of Property, Plant and Equipment

The impairment test of assets classified in the buildings category produced no indication that the corresponding carrying amounts needed to be written down. The carrying amount of these assets was approximately the same as their fair value, less cost to sell.

On the other hand, based on the agreements with Alfa and Ford, the Group's two largest customers, the estimate of the value in use of the assets attributable to the corresponding minimal CGUs, determined by computing the present value of the cash flows, required the recognition of an impairment loss by writing down plant and equipment by 7.3 million euros.

The cash flow estimates reflected a conservative projection, based on the agreements executed with the Group's carmaker customers, of the production volumes for 2010, which is the final production year for both models.

**2.10 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 reason for 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 classified in this category at 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.

(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 Investments

Available-for-sale financial investments 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 date of the financial statements, 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 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 derecognized when they cease to deliver cash flows, 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 through profit and loss are measured 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-cash securities classified as Available-for-sale assets are recognized in the statement of comprehensive income. When securities classified as Available-for-sale assets are sold or their value is impaired, adjustments to their fair value that accumulated in the statement of comprehensive income are recognized in profit pr loss 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. Specifically:

- In the case of financial assets valued at amortized cost, the required writedown is equal to the difference between their carrying value and the present value of the cash flows expected from the assets, discounted at the original effective interest rate.
- In the case of financial assets valued at cost, the required writedown is equal to the difference between their carrying value and the present value of the cash flows expected from the assets, discounted at the current market rate of return for similar financial assets.

Any impairment of available-for-sale financial assets, which are assets that the Group does not own at this time, must be recognized in accordance with Paragraphs 67 to 70 of IAS 39.

### 2.11 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.

As required by IAS 2 – *Inventories,* 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.

### 2.12 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.

### 2.13 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.

### 2.14 Non-current Assets Held for Sale

Non-current assets held for sale and discontinued operations refer to businesses or assets (or groups of assets) that have been sold or are in the process of being sold, the carrying value of which was or will be recovered mainly through a sale rather than through their ongoing use. These assets are valued at the lower of their net carrying value or their fair value, less costs to sell. In accordance with Paragraphs 38-40 of IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations,* the amounts applicable to non-current assets or a disposal group classified as held for sale must be shown separately on the statement of financial position.

### 2.15 Share Capital

The Company's common share capital is listed in the shareholders' equity section of the statement of financial position.

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 resold.

The share capital of Pininfarina S.p.A. consists of 30,166,652 common shares, par value 1 euros each. There are no other classes of shares.

### 2.16 Liabilities for Borrowings and Leases

Initially, liabilities for borrowings and leases are recognized at fair value, net of any incidental charges. Subsequently, as required by IAS 39 – *Financial Instruments: Recognition and Measurement,* 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.

### 2.17 Deferred Taxes

As required by IAS 12 – *Income 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 date of the financial statements 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 financial statement 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.

### 2.18 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 the purposes of IAS 19 – *Employee Benefits,* 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.

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 actuarial valuation used to determine the corresponding provision is carried out in connection with the preparation of the semiannual and annual report.

The portion of the cumulative amount of the actuarial gains and losses generated by changes in estimates that exceeds by more than 10% the defined-benefit plan's liability 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.

If the liability decreases, the Company recognizes the resulting gains or losses when the decrease occurs.

(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 recognizes a provision only if it is contractually obligated to do so or if there is an implied obligation.

(c) Employee Benefits Paid in Shares of Stock

The Group does not have employee benefits paid in shares of stock (stock option plans).

### 2.19 Provisions for Risks and Charges

Additions are made to the provisions for risks and charges in accordance with IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets* 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 expects to incur on the date of the financial statements to satisfy the obligations.

Provisions established in previous years are reviewed on each reporting date and adjusted to reflect best current estimates.

More detailed information about the provisions for risks is provided in Note 25.

### 2.20 Revenue Recognition

As required by IAS 18 – *Revenue,* revenues 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.

(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.

Pursuant to Paragraph 38a of IAS 27, as revised in 2009, dividends declared by associated companies or joint ventures are recognized in earnings even if they are funded through the distribution of earnings reserves generated prior to the acquisition of the investment. Pursuant to Paragraph 12h of IAS 36, as revised in 2009, the distribution of such earnings reserves is an even that constitutes an impairment and, consequently, triggers the obligation to test the recoverability of the investment's carrying amount.

### 2.21 Leases

(a) When the Pininfarina Group Is the Lessee

Pursuant to Paragraph 8 of IAS 17 – *Leases,* leases covering property, plant and equipment are deemed to be finance leases when the Group assumes substantially all of the risks and rewards incidental to the ownership of the corresponding asset.

Asset acquired under finance leases are recognized as components of Property, plant and equipment and depreciated on a straight-line basis over their useful lives. 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 the interpretation 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 underlying 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.

### 2.22 Dividend Distributions

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

### 2.23 Financial Expense

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

Effective January 1, 2009, the Pininfarina Group adopted IAS 23R – *Borrowing Costs,* which substantially amended the previous version published in 1993. Under this new standard, borrowing costs directly attributable to the purchase, construction or production of an assets for which a substantial period of time will be required before it can be ready for use or for sale must be capitalized.

The adoption of this new reporting standard did not have a material effect in 2009.

### 2.24 Construction Contracts

The Group accounts for styling and engineering contracts in accordance with IAS 11 – *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, as required by Paragraph 25 of IAS 11 – *Construction Contracts.* 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 up to the amount of the costs incurred. If the amount of the advances is larger than that of the costs incurred, the difference is recognized ad a liability under Advances received for contract work in progress.

### 2.25 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.

In accordance with the provisions of Paragraph 17 of IAS 20 – *Accounting for Government Grants and Disclosure of Government Assistance,* 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.

### 2.26 Assessments That Affect the Financial Statements

(a) Assessment of the Company's Viability as a Going Concern

The going concern assumption is a fundamental principle in the preparation of financial statements. Management's assessment with regard to this assumption entails the formulation of an opinion, at a given moment in time, about future events or circumstances that, by their very nature, are uncertain. Any opinion about future developments is based on the information available at the time the opinion is formulated. Subsequent events could contradict an opinion that appeared to be reasonable at the time it was formulated. The size and complexity of an enterprise, the nature and circumstances of its activities and the degree to which it depends on external factors are all elements that affect the rendering of an opinion about future events or circumstances.

(b) Provisions for Risks and Charges, Contingent Liabilities and Assets

Additions to provisions are made to recognized in the financial statements liabilities the maturity and amount of which are uncertain. They are quantified based on management's estimates of the cost that would be incurred to settle the obligations on the date of the financial statements.

Contingent liabilities and assets are not recognize in the financial statements.

Contingent liabilities can either arise from potential obligations related to past events, the occurrence of which is predicated solely on whether or not one or more uncertain future events not totally under a company's control will take place, or represent an existing liability arising from past events, but which is not recognized because it is unlikely that it will result in a cash outlay or because the amount involved cannot be determined with sufficient reliability.

Contingent assets are potential assets arising from past events, the occurrence of which is predicated solely on whether or not one or more uncertain future events not totally under a company's control will take place.

When necessary, management develops estimates with the support of legal counsel and other expert consultants. The Board of Directors used the input of such consultants when assessing the status of the disputes with Mitsubishi and the Revenue Agency.

(c) Impairment

Investments in subsidiaries, associated companies and joint ventures are tested for impairment by estimating their value in use, usually determined in an amount corresponding to the pro rata interest in the investee company's shareholders' equity taken from the consolidated financial statements plus expected operating cash flow and, if the corresponding amount is significant and can be reasonably determined, the cash flow from disposal, net of the cost to sell. Cash flows are determined taking into account management's projections, based on reasonable and demonstrable assumptions, representative of the best estimates of future economic conditions. Cash flows are discounted at a rate consistent with the current valuation of the time value of money and specific business risks that are not reflected in the cash flow estimates.

The impairment test of assets allocated to the cash generating units is based on production volumes, which, in turn, are estimated based on existing contracts with customers, production budgets communicated by customers and conservative estimates of the minimum production volumes scheduled under the corresponding contracts.

The value of real estate assets is tested for impairment by comparing their carrying amount with their fair value, which is based on market valuations provided by the Territorial Agency.

(d) Estimate and Hierarchical Ranking of the Fair Value of Financial Instruments as per IFRS 7

Pursuant to IFRS 7, the classification of financial instruments carried at fair value must be based on the quality of the input sources used for valuation purposes. The IFRS 7 classification is based on the following hierarchical ranking:

- Level 1: Fair value is determined based on prices quoted in an active market for identical assets or liabilities. Financial assets included in the "Current assets held for trading" category, which are government securities and other high-rating listed securities, are classified at Level 1.
- Level 2: Fair value is determined based on inputs that, while different from the quoted prices used in Level 1, can be observed either directly or indirectly. No financial instruments of this type are currently shown in the financial statements.

- Level 3: Fair value is determined based on valuation models the input of which is not based on observable market data. No financial instruments of this type are currently shown in the financial statements.

(e) 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. This estimate is carried out by applying the tax rates and laws in effect, or substantially enacted, on the date of the financial statements.

The valuation of deferred-tax assets and liabilities is predicated on assumptions about the manner in which the Group expects to recover or settle the carrying value of its assets and liabilities, based on the probability that it will generate taxable income in the future. Deferred-tax assets and liabilities are valued using the tax rates that are expected to be in effect in the year when tax assets are recovered or the liabilities are settled, based on tax rates determined taking into account the applicable regulations, as set forth in the statutes in effect on the date of the financial statements.

(f) 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.

The liability for severance indemnities is determined by the Board of Directors with the support of an independent expert, who must be a member of the Italian Board of Actuaries.

**2.27 Events Occurring After the Balance Sheet Date**

The following disclosures are provided pursuant to IAS 10 – *Events Occurring After the Balance Sheet Date.* On February 17, 2010, in the appellate proceedings concerning the ongoing dispute between Pininfarina S.p.A. and the revenue administration, the Turin Regional Tax Commission handed down a decision favorable to the Company, upholding the Company's challenge of the notices of assessment. More detailed information is provided in Note 25 "Provisions for Risks and Charges and Contingent Liabilities."

On March 2, 2010, Pininfarina S.p.A. paid the second installment, amounting to 33.8 million euros, owed to the Lender Institutions in accordance with the Rescheduling Agreement's amortization plan.

**3. Financial Risk Factors**

The Group's financial instruments include the following:

- Cash and cash equivalents;
- Current assets held for trading, which consist mainly of government securities and other traded financial assets with a low risk profile;
- Loans and other receivables owed by outsiders and Group companies;
- Medium- and long-term loans payable;
- Liabilities under leases;
- Trade receivables and payables.

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

Financial risks, as identified in IFRS 7, 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 cash flows*).

*Currency Risk:* The Group borrows in its functional currency, which is the euro. Because it operates in an international environment, it has a limited exposure to fluctuations in the exchange rates of the following currencies versus the euro: Swedish kroner (SEK), U.S. dollar (USD) and Moroccan dirham (MAD).

The loan that Pininfarina S.p.A. provided to the Pininfarina Sverige AB joint venture is in euros and, consequently, entails no currency risk exposure. The currency risk arises only in connection with purchases of certain car components in U.S. dollars. However, due to the low transaction volume and because fluctuation ceilings are provided for in the underlying contracts with the customer, the risk is limited.

*Risk of Changes in Fair Value:* The Group carries on its financial statements some "Current assets held for trading," which it measures at fair value. At December 31, 2009, the fair value of these assets, which consisted mainly of government securities and other highly rated listed securities, amounted to 50.9 million euros.

*Price Risk:* The Group's exposure to price risk is minimal because, by contract, the price at which it sells cars must be sufficient to cover any increases in the cost of purchased components.

*Credit Risk:* The Group does business with a limited number of customers, who are deemed to be reliable counterparts. 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.

The IFRIC 4 receivable owed by Fiat, which totaled 40 million euros at December 31, 2009, including both short and long-term amounts, is not exposed to a significant credit risk, in light of the new agreements executed with this customer in the first quarter of 2010, pursuant to which the full amount will be paid by the first quarter of 2012.

The IFRIC 4 receivable owed by Mitsubishi, amounting to 47.7 million euros at December 31, 2009, has a very high risk exposure, given the dispute pending with this customer. It must be pointed out that the collection of this receivable represents one of the main uncertainties concerning the achievement of the objectives of the Industrial Plan, upon which the Group's ability to operate as a going concern is based. Additional information is provided in the Report on Operations and in Note 25 "Provisions for Risks and Charges and Contingent Liabilities."

*Liquidity Risk*: As a result of the Framework Agreement executed on December 31, 2008 with all of the Lender Institutions, with the exception of Fortis Bank, which was implemented in two phases, the Group was recapitalized by the amount of 250 million euros. In addition, the Group and the abovementioned Lender Institutions signed a Rescheduling Agreement, annexed to the Framework Agreement, the main features of which are:

- a reduction of 250 million euros of the disbursements for principal repayments originally required under lending and financing agreements;
- mandatory early repayments owed by Pininfarina S.p.A. to the Lender Institutions upon the occurrence of certain events involving mainly some asset divestments and the collection of the Mitsubishi receivable;
- a deferral to 2012 of the start of the accrual and payment of interest.

The combination of the financial benefits produced by the Rescheduling Agreement, the cash and cash equivalents, government securities and other financial assets held by the Company, and the availability of the Layoff Benefits Fund until August 2010, when, under the applicable regulation, conventional safety-net programs will become available for another five-year period, significantly reduces the exposure to the liquidity risk, at least for a 12-month period.

The divestment of business operations referred to repeatedly earlier in this Report resulted in a drastic reduction of the Group's staff, with a resulting strong positive impact on cash outflows related to personnel costs.

A quantitative analysis of the liquidity risk exposure is provided below:

- The Rescheduling Agreement calls for the following mandatory repayments in 2010: 33.8 million euros, already paid on March 2, 2010 with resources drawn from liquid assets, and an additional 5 million euros due on October 16, 2010. In addition, the outlay for principal and interest due in 2010 under the agreement signed with Fortis is estimated at 5.5 million euros. The total cash flow earmarked for mandatory debt repayments is thus equal to 44.3 million euros.

- The maximum amount of the operating credit lines, which were renewed for 2010, is 49.8 million euros.

- No other mandatory debt repayments are scheduled in 2010. The Rescheduling Agreement calls for mandatory early repayments only upon the occurrence of certain specific events, i.e., settlement of the dispute with Mitsubishi and collection of the related financial receivables, and the sale of certain non-strategic assets. Because the use of any amounts thus collected to repay the Lender Institutions will take place in a manner designed to ensure a perfect match of cash inflows and outflows, it will have no impact on the net financial position or liquidity covenants for 2010, which amounts to 44.9 million euros.

In view of the considerations provided above and given the amount of the Group's current assets held for trading (about 50 million euros), the liquidity risk appears to be limited for the next 12 months.

However, the liquidity risk will be affected by the Group's ability to achieve the objectives of the Industrial and Financial Plan, which are described in detail in the Report on Operations.

*Risk of Default and Debt Covenants:* This risk refers to the possibility that loan agreements executed by the Group may contain provisions pursuant to which, upon the occurrence of certain events, the counterparties may demand the immediate repayment of the loaned amounts, thereby creating a liquidity risk. At December 31, 2009, the Group was in compliance with the debt covenants. Additional information is provided in the section of the Report on Operations entitled "Assessment of the Company's Viability as a Going Concern and Business Outlook."

*Interest Risk:* The Group receives financing from credit institutions at regular market rates. The Rescheduling Agreement signed with the Lender Institutions on December 31, 2008 did not change the interest rates charged. However, it postponed to 2012 the start of the accrual and payment of interest. The Group is exposed to fluctuations in the following interest rates:

- Medium- and long-term loans: six-month Euribor plus a spread of 1.1%;
- Finance leases with Banca Italease S.p.A.: three-month Euribor plus a spread of 0.9%;
- Finance leases with Locat, BNP Paribas Lease Group and UBI Leasing: three-month Euribor plus a spread of 1.3%;
- Finance leases with Leasint, MPS Leasing & Factoring and Selmabipiemme Leasing: fixed rate of 5.7%;
- Building leases with Locat: three-month Euribor plus a spread of 0.83%.

Interest on short-term credit lines (operating lines) is computed at the six-month Euribor plus a spread of 1%, with regular accrual and payment due at the end of each utilization period.

The table below, which completes the disclosures required by IFRS 7, lists the types of financial instruments included in the consolidated financial statements, showing the valuation criteria applied and, for financial instruments measured at fair value, where they are listed (income statement or shareholders' equity).

| Types of financial instruments | Criteria applied to measure financial instruments in financial statements | | | | | |
|---|---|---|---|---|---|---|
| | Financial instruments measured at fair value with fv difference recognized in: | | Financial instruments valued at amortized cost | Investments in unlisted companies valued at cost | Carrying amount at 12/31/09 | Fair value at 12/31/09 |
| | Income statement | Shareholder's equity | | | | |
| **Assets** | | | | | | |
| Investments in other companies | 0 | 0 | 0 | 439,712 | 439,712 | 439,712 |
| Non-current financial assets (1) | 0 | 0 | 97,621,842 | 0 | 97,621,842 | 97,621,842 |
| Current assets held for trading | 50,902,010 | 0 | 0 | 0 | 50,902,010 | 50,902,010 |
| Current financial assets (2) | 0 | 0 | 35,592,085 | 0 | 35,592,085 | 35,592,085 |
| Trade receivables | 0 | 0 | 42,696,078 | 0 | 42,696,078 | 42,696,078 |
| Other receivables | 0 | 0 | 16,934,693 | 0 | 16,934,693 | 16,934,693 |
| Cash and cash equivalents | 0 | 0 | 75,143,337 | 0 | 75,143,337 | 75,143,337 |
| **Liabilities** | | | | | | |
| Long-term borrowings | 0 | 0 | 163,073,835 | 0 | 163,073,835 | 163,073,835 |
| Current borrowing | 0 | 0 | 139,857,834 | 0 | 139,857,834 | 139,857,834 |
| Trade accounts payable | 0 | 0 | 62,574,036 | 0 | 62,574,036 | 62,574,036 |
| Other payables and Other liabilities | 0 | 0 | 5,440,730 | 0 | 5,440,730 | 5,440,730 |
| Other liabilities | 0 | 0 | 1,108,952 | 0 | 1,108,952 | 1,108,952 |

(1) Includes 70,012,328 euros representing the long-term portion of IFRIC 4 receivables.
(2) Includes 17,687,907 euros representing the long-term portion of IFRIC 4 receivables.

## 4. Accounting for Financial Derivatives

The Group has not executed transactions involving financial 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 at fair value in the financial statements 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 hedges;
- Cash flow hedges;
- Transactions hedging 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 recognized in the consolidated statement of comprehensive income.

(a) Fair Value Hedges

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 Hedges

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 the statement of comprehensive income when incurred.

The amounts accumulated in the statement of comprehensive income 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 hedging 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 an account of the statement of comprehensive income 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 an account of the statement of comprehensive income are transferred to the income statement.

(c) Transactions Hedging 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 profit or loss.

## 5. Operating Segments

The adoption of IFRS 8 – Operating Segments, applicable as of 2009, had no impact of the segment information provided by the Pininfarina Group, which is based on two operating segments: 1) Styling and Engineering, and 2) Manufacturing.

Consistent with the provisions of Paragraphs 5 to 10 of IFRS8, each styling and/or engineering contract signed with a customer represents a separate operating segment within the Styling and Engineering segment.

Within the Production segment, the operating segments coincide with the two current production contracts: Alfa Brera and Spider, and Ford Focus CC.

The table provides the required segment information for 2009 and shows a comparison with the previous year: (amounts in thousands of euros):

| | **Production** | **Styling & Engineering** | **Total for the Group** |
|---|---|---|---|
| Value of production | 148,930 | 67,091 | 216,021 |
| Intra-segment value of production | (10,728) | (3,678) | (14,406) |
| **Value of production** | **138,202** | **63,413** | **201,615** |
| EBIT | (28,757) | (7,114) | (35,871) |
| Financial income (expense) | | | 3,074 |
| Interest in results of associates | 3,973 | (1,742) | **2,231** |
| **Profit (Loss) before taxes** | | | (30,566) |
| Income taxes | | | (180) |
| **Profit (Loss) for the period** | | | **(30,746)** |

The results of by segment at December 31, 2008 are provided below:
(amounts in thousands of euros)

| | **Production** | **Styling & Engineering** | **Total for the Group** |
|---|---|---|---|
| Value of production | 405,374 | 147,820 | 553,194 |
| Intra-segment value of production | (2,248) | (15,258) | (17,506) |
| **Value of production** | **403,126** | **132,562** | **535,688** |
| EBIT | (168,148) | (9,654) | (177,802) |
| Financial income (expense) | | | (21,619) |
| Interest in results of associates | 4,312 | (6,402) | **2,090** |
| **Profit (Loss) before taxes** | | | (201,511) |
| Income taxes | | | (2,615) |
| **Profit (Loss) for the period** | | | **(204,126)** |

A breakdown of each segment's assets and liabilities at December 31, 2009 is as follows:
(amounts in thousands of euros)

| | Manufac-turing | Styling and engineering | Unallocated | Total for the Group |
|---|---|---|---|---|
| **Assets** | 243,449 | 61,895 | 149,180 | **454,524** |
| **Liabilities** | 227,773 | 31,320 | 146,691 | **405,784** |

A breakdown of each segment's assets and liabilities at December 31, 2008 is as follows:
(amounts in thousands of euros)

| | Manufac-turing | Styling and engineering | Unallocated | Total for the Group |
|---|---|---|---|---|
| **Assets** | 230,297 | 98,295 | 258,383 | **586,975** |
| **Liabilities** | 311,524 | 71,351 | 194,094 | **576,969** |

Geographic Destination of Sales

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

| | **12/31/09** | **12/31/08** |
|---|---|---|
| Italy | 67,063 | 152,454 |
| EU | 103,434 | 358,567 |
| Non EU countries | 15,679 | 16,283 |
| **Total** | **186,176** | **527,304** |

## 6. Property, Plant and Equipment

*Land and buildings*

The decreases that occurred in 2009 in the components of this account, as shown in the tables that follow, are mainly the result of two transactions started in October 2009 and completed at the end of the year: 1) sale of the Grugliasco industrial facility to Sviluppo Investimenti e Territorio Srl and 2) sale of plant, equipment and accessories located at that facility in connection with the sale of business operations to De Tomaso Automobili SpA.

As part of the first transaction, Pininfarina S.p.A. sold to Sviluppo Investimenti e Territorio Srl, a subsidiary of FinPiemonte Partecipazioni S.p.A. (a finance company controlled by the Piedmont Regional Administration), the Grugliasco building and the appurtenant land, free of any encumbrance. The sale did not include an adjacent structure that houses the wind tunnel. In addition to the building and the land, the sale included the cogenerating and painting systems, some general purpose equipment, furnishings, sundry equipment and hardware.
The Grugliasco real estate complex was sold to Sviluppo Investimenti e Territorio Srl at a price of 14.4 million euros, which was collected in full early in January 2010. The resulting net gain of 3.7 million euros is recognized in the income statement under "Gain on the sale of non-current assets."

The sales price of the assets included in the business operations sold to De Tomaso Automobili S.p.A. totaled 2 million euros. The resulting net gain was 0.9 million euros, recognized in the income statement under "Gain on the sale of non-current assets."

| | Land | Buildings | Leased property | Total |
|---|---|---|---|---|
| **December 31, 2008** | | | | |
| Cost at December 31, 2008 | 17,146,027 | 79,166,312 | 13,066,662 | 109,379,001 |
| Accumulated depreciation and impairment | (3,417) | (35,160,749) | (2,735,423) | (37,899,589) |
| **Net value at December 31, 2008** | **17,142,610** | **44,005,563** | **10,331,239** | **71,479,412** |
| Additions | 0 | 266,485 | 0 | 266,485 |
| Retiremens | (158,565) | (6,296,611) | 0 | (6,455,176) |
| Depreciation | 0 | (1,755,019) | (358,548) | (2,113,567) |
| Allocation to the relevant asset categories | 0 | 0 | 0 | 0 |
| **Net value at December 31, 2009** | **16,984,045** | **36,220,418** | **9,972,691** | **63,177,154** |
| **December 31, 2009** | | | | |
| Cost at December 31, 2009 | 16,987,462 | 73,136,187 | 13,066,662 | 103,190,311 |
| Accumulated depreciation and impairment | (3,417) | (36,915,769) | (3,093,971) | (40,013,156) |
| **Net value at December 31, 2009** | **16,984,045** | **36,220,418** | **9,972,691** | **63,177,154** |

The amount in the "Lease property" column refers to the Cambiano real estate complex, which is held under a finance lease and accounted for in accordance with IAS 17 – *Leases*.

The buildings and land that Pininfarina S.p.A. owns in Cambiano, San Giorgio and Bairo Canavese are encumbered by a mortgage provided to Fortis Bank to secure the remaining debt of 32.2 million euros at December 31, 2009. Those owned by Pininfarina Deutschland in Germany are encumbered by a mortgage that secures a loan amounting to 750,000 euros.

*Plant and machinery*

| | Machinery | Plant | Leased plant machinery | Total |
|---|---|---|---|---|
| **December 31, 2008** | | | | |
| Cost at December 31, 2008 | 69,857,260 | 166,626,191 | 122,545,249 | 359,028,700 |
| Accumulated depreciation and | (59,659,159) | (136,056,109) | (121,094,531) | (316,809,798) |
| **Net value at December 31, 2008** | **10,198,101** | **30,570,083** | **1,450,718** | **42,218,902** |
| Additions | 540 | 171,168 | 0 | 171,708 |
| Retiremens | (203,232) | (5,032,978) | 0 | (5,236,210) |
| Depreciation | (3,065,743) | (7,593,296) | (442,384) | (11,101,423) |
| Allocation to the relevant asset categories | 0 | 0 | 0 | 0 |
| Impairment | (1,096,189) | (6,166,811) | 0 | 7,263,000) |
| Held-for-sale assets | 0 | 0 | 0 | 0 |
| **Net value at December 31, 2009** | **5,833,477** | **11,948,166** | **1,008,334** | **18,789,977** |
| **December 31, 2009** | | | | |
| Cost at December 31, 2009 | 69,654,568 | 161,764,383 | 122,545,249 | 353,964,198 |
| Accumulated depreciation and | (68,821,091) | (149,816,216) | (121,536,915) | (335,174,221) |
| **Net value at December 31, 2009** | **5,833,477** | **11,948,166** | **1,008,334** | **18,789,977** |

The modest increases shown for 2009 refer to purchases of equipment needed to operate the existing assembly lines that produce the Alfa Romeo Brera Coupé and Spider and the Ford Focus Coupé Cabriolet models.

The sale of the Grugliasco real estate complex to Sviluppo Investimenti e Territorio Srl and the sale of plant and equipment to De Tomaso Automobili S.p.A., which also entailed the transfer of 900 employees (875 factory staff, 20 office staff and 5 managers), made it necessary to enter into negotiations with Fiat and Ford in order to put forward to 2010 the end of the existing production orders. A formal agreement to end production of the Alfa Brera and Spider models in 2010 was signed with Fiat early in 2010. While negotiations with Ford are still ongoing, management believes, based on indications provided by the customer thus far, that the end of production of the Ford Focus CC model in 2010 is an event that is more likely to occur than not occur.

Pursuant to Paragraph 12 of IAS 36 – *Impairment of Assets,* the end of these production orders constitutes a clear impairment indicator. Consequently, the value of the affected property, plant and equipment was compared with the corresponding recoverable value, as described below:

- The carrying amount of real estate assets was compared with their fair value, which was based on real estate prices provided by the Territorial Agency.

- The carrying amounts of plant and machinery, dedicated production equipment and assets held under finance leases, appropriately allocated to the Alfa Romeo and Ford CGUs, was compared with the corresponding value in use amounts, determined based on the expected cash flows for 2010, derived from the production plans included in the Budget approved by the Board of Directors on February 16, 2010, which take into account the impact of the early termination agreement with the two production customers.

The impairment test produced no indication that the value of the buildings owned by the Pininfarina Group in Turin, Cambiano, San Giorgio and Bairo Canavese, in Italy, and in Renningen, in Germany, should be written down. On the other hand, a comparison between the carrying amount and the value in use of plant and machinery, dedicated production equipment and assets held under finance leases allocated to the two CGUs, showed that a writedown of 7.3 million euros was required, which was recognized in the income statement under "(Additions)/Utilizations of provisions and (Writedowns)."

*Furniture, fixtures and other property, plant and equipment*

| | **Furniture and fixtures** | **Hardware & software** | **Other prop., plant and equipment** | **Total** |
|---|---|---|---|---|
| **December 31, 2008** | | | | |
| Cost at December 31, 2008 | 9,149,994 | 9,306,003 | 2,027,252 | 20,483,249 |
| Accumulated depreciation and impairment | (8,486,966) | (8,277,954) | (1,101,792) | (17,866,711) |
| **Net value at December 31, 2008** | **663,028** | **1,028,049** | **925,461** | **2,616,538** |
| Additions | 19,562 | 397,470 | 41,964 | 458,996 |
| Retiremens | (57,637) | (61,187) | 0 | (118,824) |
| Depreciation | (225,860) | (438,911) | (210,994) | (875,765) |
| Allocation to the relevant asset categories | 0 | 0 | 0 | 0 |
| **Net value at December 31, 2009** | **399,093** | **925,420** | **756,431** | **2,080,944** |
| **December 31, 2009** | | | | |
| Cost at December 31, 2009 | 9,111,919 | 9,642,286 | 2,069,217 | 20,823,422 |
| Accumulated depreciation and impairment | (8,712,826) | (8,716,866) | (1,312,786) | (18,742,478) |
| **Net value at December 31, 2009** | **399,093** | **925,420** | **756,431** | **2,080,944** |

The addition to "Hardware and software" is due mainly to purchases of new computer work stations, while the increase in "Other non-current assets" refers to the purchase of an automobile.

The retirements shown for "Furniture and fixtures" and "Hardware and software" refer primarily to the sale of business operations to De Tomaso Automobili S.p.A.

*Assets under construction*

| | Assets under construction |
|---|---|
| **December 31, 2008** | |
| Cost at December 31, 2008 | 633,600 |
| **Net value at December 31, 2008** | **633,600** |
| | |
| **Net value at December 31, 2008** | **633,600** |
| Additions | 0 |
| Impaiment / Accumulated depreciation | (105,600) |
| **Net value at December 31, 2009** | **528,000** |

"Assets under construction" refers to automobiles that will be used as Company cars but have not yet been registered.

The writedown refers to two cars that can no longer be registered, having been used for technical testing purposes.

## 7. Intangible Assets

| | Goodwill | Licenses and trademarks | Other intangibles | Total |
|---|---|---|---|---|
| **December 31, 2008** | | | | |
| Cost at December 31, 2008 | 2,301,012 | 14,249,737 | 2,703,698 | 19,254,447 |
| Accumulated depreciation and impairment | (1,257,517) | (11,129,829) | (2,314,557) | (14,701,903) |
| **Net value at December 31, 2008** | **1,043,495** | **3,119,908** | **389,142** | **4,552,545** |
| Additions | 0 | 175,040 | 48,095 | 223,135 |
| Retiremens | 0 | 0 | 0 | 0 |
| Depreciation | 0 | (901,184) | (142,385) | (1,043,569) |
| Allocation to the relevant asset categories | 0 | 0 | 0 | 0 |
| **Net value at December 31, 2009** | **1,043,495** | **2,393,764** | **294,851** | **3,732,110** |
| **December 31, 2009** | | | | |
| Cost at December 31, 2009 | 2,301,012 | 14,424,777 | 2,751,793 | 19,477,582 |
| Accumulated depreciation and impairment | (1,257,517) | (12,031,013) | (2,456,942) | (15,745,472) |
| **Net value at December 31, 2009** | **1,043,495** | **2,393,764** | **294,851** | **3,732,110** |

The increase in intangible assets is the result of software development activities and purchases of licenses. Foreign companies account for the balance.

The remaining goodwill, amounting to 1,043,495 euros, originates from the consolidation of Pininfarina Extra Srl. An impairment test of the Pininfarina Extra subgroup, which includes Pininfarina Extra Srl and Pininfarina Extra USA Corp., provided no indication that a writedown was required.

The abovementioned test was performed using the Unlevered Discounted Cash Flow model, as follows:

- Operating cash flows generated by Pininfarina Extra Srl and Pininfarina Extra USA Corp. were discounted at a rate equal to the WACC, which amounted to 7.17%;
- The indebtedness and the value of the net assets of the Pininfarina Extra subgroup were then deducted from the amount of the discounted cash flows and the resulting amount was compared with the goodwill carrying amount in the consolidated financial statements.

### 8. Equity Investments

*Investments in joint ventures*

| | 12/31/08 | Purchases | Interest in result | Sales | Other changes | 12/31/09 |
|---|---|---|---|---|---|---|
| Pininfarina Sverige A.B. | 30,208,498 | 0 | 3,972,622 | 0 | 2,074,606 | 36,255,726 |
| Véhicules Electriques Pininfarina-Bolloré SAS | 3,618,323 | 0 | (367,500) | 0 | (1,374,208) | 1,876,615 |
| Pininfarina Recchi Buildingdesign S.r.l. | 50,000 | 0 | 0 | 0 | 0 | 50,000 |
| **Total** | **33,876,821** | **0** | **3,605,122** | **0** | **700,398** | **38,182,341** |

The interest in the net profit of Pininfarina Sverige AB, amounting to 3,972,622 euros, is equal to 60% of the net profit earned by the joint venture in 2009. Other changes includes a change in the reserve for currency translations.

The interest in the loss of Véhicules Electriques Pininfarina-Bolloré SAS, amounting to 367,500 euros, is equal to 50% of the net loss incurred by the joint venture in 2009. "Other changes" refers to the consolidation adjustments booked to derecognize 50% of the margin earned by Pininfarina S.p.A. on the work performed for the joint venture on the development of the electric car.

Financial highlights of the joint ventures are provided below:

| Name | Registered office | Country | Currency | % interest held | Share capital | Sharehold. equity | Assets | Liabilities | Revenues | Net profit (loss) |
|---|---|---|---|---|---|---|---|---|---|---|
| **December 31, 2009** | | | | | | | | | | |
| Pininfarina Sverige A.B. | Uddevalla Varsvagen 1 | Sweden | SEK | 60% | 8,965,000 | 638,404,397 | 2,350,221,141 | 2,210,344,036 | 2,643,016,090 | 65,426,116 |
| Véhicules Electriques Pininfarina Bolloré SAS | Puteaux 31-32 Quai de Dion Bouton | France | EUR | 50% | 20,040,000 | 18,269,903 | 39,710,283 | 15,606,664 | 0 | (735,000) |
| Pininfarina Recchi Buildingdesign S.r.l. | Torino Via Montevecchio 28 | Italy | EUR | 50% | 100,000 | 90,214 | 91,918 | 1,200 | 0 | (6,093) |
| **December 31, 2008** | | | | | | | | | | |
| Pininfarina Sverige A.B. | Uddevalla Varsvagen 1 | Sweden | SEK | 60% | 8,965,000 | 572,978,281 | 2,783,322,316 | 2,210,344,036 | 3,553,394,921 | 68,955,221 |
| Véhicules Electriques Pininfarina Bolloré SAS | Puteaux 31-32 Quai de Dion Bouton | France | EUR | 50% | 20,040,000 | 19,004,903 | 34,611,566 | 15,606,664 | 0 | (1,035,097) |
| Pininfarina Recchi Buildingdesign S.r.l. | Torino Via Montevecchio 28 | Italy | EUR | 50% | 100,000 | 96,308 | 97,508 | 1,200 | 0 | (3,692) |

*Investments in other companies*

| | 12/31/09 | 12/31/08 | 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 | 171,072 | 213,840 | (42,768) |
| Numero Design Sarl | 10,799 | 40,000 | (53,201) |
| **Total** | **439,712** | **535,681** | **(95,969)** |

The investment in Banca Passadore S.p.A., which was unchanged at 1.07%, is carried at an amount close to its fair value. The interests held in Idroenergia and Unionfidi are equal to less than 0.01%.

The decrease in the investment in Nord Est Design S.r.l. (investment held by Pininfarina Extra S.r.l.) reflects a change in the percentage interest held, which went from 40% to 10.8%.

The investment held in Midi Ltd decreased from 1% to 0.80% due to the sale of 25,200 shares by the Pininfarina Extra subsidiary. The resulting gain amounted to 63,898 euros.

### 9. Financial Assets

*Held-to-maturity non-current financial assets*

The amount of 753,247 euros represents the guarantee provided by Matra Automobile Engineering SAS to the buyers of its Ceram SAS subsidiary as protection from any liability that may arise subsequent to the sale. The amount is held in an escrow account at the Rothschild bank, a portion until December 31, 2009 (500,000 euros) and the balance until December 31, 2010 (250,000 euros).

The first portion was released in February 2010. The available amount, after bank fees, was 496,000 euros.

*Loans and other receivables from outsiders*

| | 12/31/09 | Reclassif. | Increases | Collections | Writedowns | 12/31/09 |
|---|---|---|---|---|---|---|
| Non-current loans and other receiv. | 82,845,811 | (2,502,416) | - | (7,331,624) | (2,999,443) | 70,012,328 |
| Current loans and other receivables | 37,540,718 | 2,502,416 | - | (22,355,227) | - | 17,687,907 |
| **Total** | **120,386,529** | **-** | **-** | **(29,686,851)** | **(2,999,443)** | **87,700,235** |

The receivables listed above are financial assets, valued at their amortized cost, that were recognized due to the adoption of IFRIC 4 – *Determining Whether an Arrangement Contains a Lease.* For additional information see Notes 2.9 and 2.21 above.

The non-current amount includes 47,731,824 euros owed by Mitsubishi Motor Europe BV representing the contractual amount earmarked to cover the costs incurred for investments made and financed by Pininfarina S.p.A. to develop the car model and set up the assembly lines. As a result of a dispute with this customer currently pending before the International Chamber of Commerce (ICC) in Paris, production of the Mitsubishi Colt CZC model was halted on July 31, 2008. Additional information about this issue is provided in Note 25 "Provisions for Risks and Charges and Contingent Liabilities" and in the section of the Report on Operations entitled "Assessment of the Company's Viability as a Going Concern and Business Outlook."

The balance of the receivables recognized in accordance with IFRIC 4 are owed by the Fiat Group. Pursuant to an agreement executed by the parties on January 18, 2010, the end of the production contract was put forward to December 31, 2010. The agreement also sets forth the guaranteed production volumes for 2010 and the amount owed as reimbursement for the investments made and financed by Pininfarina S.p.A. to develop car models and set up assembly lines. Based on this agreement, the carrying value of the receivable at December 31, 2009 was adjusted to its recoverable value by means of a writedown of 2,999,443 euros, which was recognized in the income statement under "(Additions)/Utilizations of provisions and (Writedowns)."

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

| | 12/31/08 | Increases | Writedowns | Repayments | 12/31/09 |
|---|---|---|---|---|---|
| Loans receivable | 120,386,529 | 0 | (2,999,443) | (29,696,851) | 87,700,235 |
| **Total loans receivable** | **120,386,529** | **0** | **(2,999,443)** | **(29,686,851)** | **87,700,235** |

The receivables listed above are financial assets, valued at their amortized cost, that were recognized due to the adoption of IFRIC 4 – *Determining Whether an Arrangement Contains a Lease.* See Note 3 above for additional information about the credit risk exposure.

The amount of the writedown reflects the impairment loss suffered by financial receivables under leases in which the Group's Parent Company is the lessor, which were identified as such in accordance with IFRIC 4 – *Determining Whether an Arrangement Contains a Lease*, applicable to the Alfa Romeo Brera Spider and Coupé production orders (additional information is provided in Note 2.9 and Note 2.21 above).

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

| | 12/31/09 | 12/31/08 | Change |
|---|---|---|---|
| Non-current loans and other receiv. | 70,012,328 | 82,845,811 | (12,833,483) |
| Current loans and other receivables | 17,687,907 | 37,540,718 | (19,852,811) |
| **Total** | **87,700,235** | **120,386,529** | **(32,686,294)** |

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

*Loans and other receivables from affiliated companies and joint ventures*

| | 12/31/09 | 12/31/08 | Change |
|---|---|---|---|
| Non-current loans owed by Pininfarina Sverige AB | 26,856,267 | 44,760,446 | (17,904,179) |
| Current loans owed by Pininfarina Sverige AB | 17,904,178 | 17,904,178 | 0 |
| **Total** | **44,760,445** | **62,664,624** | **(17,904,179)** |

Loans receivable from joint ventures accrue interest at market rates.

The decrease in receivables owed by Pininfarina Sverige AB reflects amounts repaid in 2009.

Even though Pininfarina S.p.A. owns 60% of Pininfarina Sverige AB, this company is valued by the equity method, as required by Paragraph 38 of IAS 31 – *Interests in Joint Ventures* and Paragraph 14 of IAS 27 – *Consolidated and Separate Financial Statements.*

The loan owed by Pininfarina Sverige AB, which was intended to provide this subsidiary with a portion of the financial resources needed to develop the Volvo C70 Convertible and set up the production line at a plant in Uddevalla, Sweden, will be repaid in full at the end of the first half of 2012.

*Current assets held for trading*

| | Equity securities | Fixed income securities | Mutual funds | Total |
|---|---|---|---|---|
| **Value at December 31, 2008** | 2,183,965 | 45,692,117 | 6,822,602 | 54,698,684 |
| Fair value adjustment recognized in earnings | 356,804 | 725,802 | 103,526 | 1,186,132 |
| Purchases | 13,420,761 | 105,386,532 | 15,249,214 | 134,056,507 |
| Sales | (14,236,836) | (108,427,816) | (16,374,662) | (139,039,314) |
| **Value at December 31, 2009** | **1,724,694** | **43,376,635** | **5,800,680** | **50,902,009** |

This category includes financial assets held for trading, which do not present a significant credit risk exposure because they consist mainly of government securities and other highly rated instruments.

Management of the investment portfolio is outsourced to top flight counterparties with a market reputation of high reliability. These assets are measured at fair value, based on their market prices.

The balance at December 31, 2009 included a restricted investment of 2,299,999 euros. Of this amount, 2,000,000 euros secure a surety provided to De Tomaso Automobili S.p.A. to cover compensation payment obligations, as is customary in transactions involving the sale of business operations, with a maximum guaranteed liability equal to the sales price. The surety has a term of five years and 30 days from the end of the reporting year.

### 10. Inventory and Contract Work in Progress

*Inventory*

| | 12/31/09 | 12/31/08 | Change |
|---|---|---|---|
| Raw materials | 7,444,772 | 12,743,559 | (5,298,787) |
| Work in process | 740,894 | 2,802,513 | (2,061,619) |
| Finished goods | 784,554 | 1,000,803 | (216,249) |
| Inventory obsolescence | (2,726,000) | (3,036,396) | 310,396 |
| **Total** | **6,244,220** | **13,510,479** | **(7,266,259)** |

The decrease in inventory reflects a reduction in production volumes compared with 2008.

The table below shows the changes that occurred in 2009 in the allowance for inventory obsolescence:

| | 12/31/08 | Additions | Utilizations | 12/31/09 |
|---|---|---|---|---|
| Inventory obsolescence | 3,036,396 | 663,959 | (974,355) | 2,726,000 |
| **Total** | **3,036,396** | **663,959** | **(974,355)** | **2,726,000** |

The addition for the year, amounting to 663,959 euros, reflects primarily writedowns of manufacturing components no longer used in the production process due to technical obsolescence or changes requested by the contracting customer, and based on the production schedules available at the end of the year.

Ancillary production materials that are no longer used in the normal course of the Company's activities were also written down.

Utilizations of the allowance for inventory obsolescence reflect production materials that were scrapped during the year.

*Contract work in progress*

| | 12/31/09 | 12/31/08 | Change |
|---|---|---|---|
| Contract work in progress | 14,050,499 | 3,362,442 | 10,688,057 |
| Allowance | (12,760,668) | 0 | (12,760,668) |
| **Total** | **1,289,831** | **3,362,442** | **(2,072,611)** |

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

The provision for writedowns, amounting to 12.8 million euros, refers to the costs incurred by Pininfarina S.p.A. during the first nine months of 2009 for the engineering development of the electric car. The recognition of this provision, which reflects a conservative approach, is due to Pininfarina SpA's inability, thus far, to execute a second engineering development contract with the Vehicules Electriques Pininfarina Bolloré Sas joint venture, with a potentially negative impact on the concrete possibility of recovering the abovementioned costs. The reasons for the delay are both technical and financial. They also reflect the effect of a vigorous policy of financial support for the development of the electric car and related technological and production activities pursued by the French government, which caused the Bolloré Group to delay the project with Pininfarina until a comprehensive financial strategy can be developed. In any case, the parties are engaged in an ongoing dialog, with the aim of continuing these activities in accordance with the terms of the joint venture agreement.

## 11. Trade Receivables and Other Receivables

*Trade receivables from outsiders*

| | 12/31/09 | 12/31/08 | Change |
|---|---|---|---|
| Receivables from customers | 42,080,183 | 47,166,729 | (5,086,546) |
| Allowance for doubtful accounts | (2,241,135) | (1,749,207) | (491,927) |
| **Total** | **39,839,048** | **45,417,522** | **(5,578,472)** |

The amount shown for "Receivables Italy" includes the receivable owed by Sviluppo Investimenti Territorio S.r.l. (14,400,000 euros) for the sale of the Grugliasco industrial complex and the receivable owed by De Tomaso Automobili S.p.A. (2,000,000 euros) as consideration for the sale of business operations. Both receivables were collected on January 4, 2010.

The net carrying value of trade receivables is deemed to be substantially the same as their fair value.

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

| | 12/31/08 | Additions | Utilizations | 12/31/09 |
|---|---|---|---|---|
| Allowance for doubtful accounts | 1,749,207 | 530,295 | (38,367) | 2,241,135 |
| **Total** | **1,749,207** | **530,295** | **(38,367)** | **2,241,135** |

*Other receivables*

| | 12/31/09 | 12/31/08 | Change |
|---|---|---|---|
| Overpayments to social security institutions | 198,748 | 175,583 | 23,165 |
| Receivable from employees | 5,928 | 4,820 | 1,108 |
| VAT overpayments | 8,480,232 | 27,249,996 | (18,769,764) |
| Current taxes | 2,291,711 | 1,576,818 | 714,893 |
| Receivable from Equitalia | 1,174,571 | 0 | 1,174,571 |
| Advances to suppliers | 921,188 | 994,088 | (72,900) |
| Accrued income and prepaid expense | 1,274,535 | 1,445,130 | (170,596) |
| Sundry receivables | 2,587,783 | 11,012,547 | (8,424,765) |
| **Total** | **16,934,693** | **42,458.982** | **(25,524,289)** |

The large receivable for VAT overpayments shown at December 31, 2008 occurred because, during the first six months of 2008, domestic sales were invoiced without charging VAT, at the request of the Company's largest Italian customer. The cancellation of the request to refrain from charging VAT, starting in the second half of 2008, made it possible to reabsorb the overpaid amount in 2009 through the VAT charged on domestic vehicle sales.

"Current taxes" refers primarily to a receivable for income taxes withheld on payments made by customers outside the European Union.

The receivable owed by Equitalia Nomos S.p.A. represents the installments paid by the Company for the liability entered into the tax rolls in connection with a dispute with the Revenue Administration. On October 2, 2009, upon receiving two tax collection notices, the Company immediately filed with Equitalia an application to pay the corresponding amounts in 72 monthly installments, which was granted on October 9, 2009. Payments made were recorded as advances. As a result of the decision handed down on February 17, 2010 by the Turin Regional Tax Commission in the appellate proceedings, which was favorable to the Company, the installments paid thus far will be recovered by offsetting them against other amounts owed to the Revenue Administration. Additional information is provided in the Report on Operations and the Note to the Provisions for risks and charges.

The change in "Sundry receivables" is due mainly to the collection of a research grant attributable to Matra Automobile Engineering SAS, amounting to 9,286,826 euros.

*Receivables owed by related parties and joint ventures*

Trade receivables owed by joint ventures reflect invoices issued for services provided by Pininfarina S.p.A. pursuant to its agreements with Volvo in connection with the production of the Volvo C70 Convertible by the Pininfarina Sverige AB joint venture at a factory in Uddevalla, Sweden.

### 12. Cash and Cash Equivalents

"Short-term bank deposits" include 5,000,594 euros held in escrow at Banca Intermobiliare. This escrow account was established as part of the transactions with De Tomaso Automobili S.p.A. in connection with a surety provided by Pininfarina S.p.A. to De Tomaso Automobili S.p.A. to guarantee full payment of the liabilities owed to suppliers of services and utilities to the Grugliasco plant, which were transferred to the buyer as part of the business operations. The surety ends on October 15, 2010 or at an earlier date if Pininfarina S.p.A. settles the remaining liabilities.

### 13. Held-for-sale Non-current Assets and Liabilities

On March 27, 2009, the Pininfarina Group completed the sale of the remaining net operating assets held by Matra Automobile Engineering Sas to buyers outside the Group. The net proceeds amounted to 1,486,368 euros. At December 31, 2008, these assets, amounting to 7,040,001 euros, were classified as "Held-for-sale non-current assets." Liabilities of 4,950,000 euros were classified as "Liabilities attributable to held-for-sale non-current assets."

### 14. Share Capital

| | No. of shares | Common shares | Treasury shares | Total |
|---|---|---|---|---|
| Balance at December 31, 2007 | 9,317,000 | 9,317,000 | 15,958 | 9,301,042 |
| Balance at December 31, 2008 | 9,317,000 | 9,317,000 | 15,958 | 9,301,042 |
| Balance at December 31, 2009 | 30,166,652 | 30,166,652 | 15,958 | 30,150,694 |

A total of 30,150,694 common shares, par value of 1 euro each, were outstanding at December 31, 2009.

The increase in the number of shares compared with the previous year is due to the capital increase carried out by Pininfarina S.p.A. in multiple phases, as shown in the table below.

| | | Option rights | Shares | Par value | Capital | Additional paid-in capital | Additional paid-in cap. Reserve |
|---|---|---|---|---|---|---|---|
| Balance before increase | Total shares | | 9,317,000 | 1.00 | 9,317,000 | | |
| | Treasury shares | | (15,958) | 1.00 | (15,958) | | |
| | | | 9,301,042 | 1.00 | 9,301,042 | | |
| Number of new approved shares | | | 20,849,652 | | | | |
| Rights offering ratio | Old shares | | 120 | | | | |
| | New shares | | 269 | | | | |
| | | | 2.242 | | | | |
| Option rights awarded* | | 9,300,960 | 20,849,652 | | | | |
| Portion of capital increase through rights offering | | 5,171,040 | 11,591,748 | 1.00 | 11,591,748 | 2.35 | 27,240,608 |
| Portion of capital increase through Stock Exchange placement | | 711,246 | 1,594,363 | 1.00 | 1,594,363 | 2.35 | 3,746,754 |
| Portion of capital increase through guaranteed coverage of unexercised rights | | 3,418,674 | 7,663,541 | 1.00 | 7,663,541 | 2.35 | 18,009,320 |
| **Total new share capital** | | | **30,150,694** | | **30,150,694** | | **48,996,682** |

* Old shares net of treasury shares and 82 unexercised option rights.

The phases leading to the implementation of the share capital increase are summarized below:

On April 22, 2009, the Lender Institutions informed Pininfarina SpA and Pincar Srl, Pininfarina SpA's majority shareholder, that they approved the second phase of the transaction planned under the Framework Agreement executed on December 31, 2008. The second phase would be implemented through the assignment without recourse, at face value, to Pincar Srl of a portion of the financial receivables owed by Pininfarina SpA to the creditor banks, for an amount of up to 70,000,000 euros. This transaction could include a capital increase carried out by means of a rights offering. The parties agreed that a lien for the benefit of the creditor banks would be established on any additional interest in Pininfarina SpA acquired by Pincar Srl and that any proceeds from the sale of said additional interest would be used to reimburse the creditor banks.

A capital increase of up to 70,000,000 euros was approved by the Board of Directors of Pininfarina SpA on May 22, 2009, pursuant to a mandate received from the Extraordinary Shareholders' Meeting on April 29, 2008, in accordance with Article 2443 of the Italian Civil Code. On the occasion of the abovementioned meeting, the Board of Directors set December 31, 2009 as the final subscription deadline for the newly issued shares. The final terms governing the capital increase were defined by the Board of Directors on July 7, 2009.

On June 19, 2009 Pininfarina SpA, Pincar Srl and the Lender Institutions executed an agreement amending the Framework Agreement of December 31, 2008. Under the amended agreement, Pincar Srl agreed to underwrite any shares corresponding to unexercised rights, up to the amount of 70,000,000 euros and up to a number of shares equal to 85% of the post-increase share capital, including in the abovementioned percentage the interest held in Pininfarina SpA by Segi Srl and Seglap Ss and any treasury shares.

On the same date, Pincar Srl and the Lender Institutions executed a contract by which the creditor banks assigned at face value to Pincar Srl a portion of the receivables owed by Pininfarina SpA to the creditor banks, for an amount of up to 70,000,000 euros, in a transaction carried out in two phases:

- An initial tranche of 35,500,000 euros effective immediately. Concurrently with the assignment of these receivables, as required by the Framework Agreement, Pincar Srl provided Pininfarina

SpA with an advance on future capital contributions of the same amount by irrevocably and unconditionally forgiving the abovementioned receivables, which would be used to pay-in the shares allotted to Pincar Srl under the rights offering carried out in connection with the share capital increase.

- A second tranche of up to 34,500,000 euros, subject to Pincar Srl providing a guarantee that it would underwrite any shares corresponding to unexercised rights issued in connection with the share capital increase.

On July 2, 2009, the Consob authorized Pininfarina SpA to publish a Prospectus, provided it defined the following information about the share capital increase, which the Board of Directors did on July 7, 2009:

- Issuance of 20,849,652 new common shares, par value 1 euro each, with the same characteristics as the outstanding shares, which will be made available to the shareholders through a rights offering proportionately to the number of shares they hold.

- Subscription price of 3.35 euros per share, including 2.35 euros in additional paid-in capital, for shares available through a rights offering on the basis of 269 new common shares for every 120 common shares held. The issue price was determined based on the share price on May 22, 2009, which is the date when the Board of Directors approved the capital increase, taking into account the "extraordinary" nature of the transaction, which constituted the second phase of the recapitalization of Pininfarina SpA and rescheduling of its long-term debt. The abovementioned price represents a 3.6% discount on the Theoretical Ex-Rights Price (TERP), computed on the weighted average price of the shares traded during the period from May 22, 2009, which is the date when the Board of Directors resolved (promptly informing the market) to carry out the mandate it received from the Extraordinary Shareholders' Meeting on April 29, 2008, and July 7, 2009, a discount of 10.7% on the weighted average price of the shares traded during the abovementioned period, and a 4.7% premium on the stock's market price on July 7, 2009.

- Total maximum proceeds from the share capital increase of 68,846,334.20 euros.

- At the same meeting, the Board of Directors set the rights' exercise period (July 13, 2009 to July 31, 2009) and stock market trading period (July 13, 2009 to July 24, 2009).

The Prospectus, which is available on the Company website (www.pininfarina.com) and should be consulted for additional information, was published on July 11, 2009.

The share capital increase was completed on September 28, 2009. The new share capital of Pininfarina S.p.A. amounts to 30,166,652 euros and is comprised of 30,166,652 common shares, par value 1 euro each.

Pincar Srl, consistent with the commitments it had undertaken, exercised all of the rights it had been allotted, acquiring through subscription and paying-in 10,567,665 newly issued Pininfarina SpA common shares, equal to about 50.7% of the shares being offered, for a total consideration of 35,401,677.75 euros. This purchase was funded using an advance of future capital increase of 35,500,000 euros, which Pincar Srl had provided to Pininfarina SpA by forgiving financial receivables assigned to it by the Lender Institutions on June 19, 2009.

In keeping with its commitment with regard to the unexercised rights coverage guarantee, Pincar Srl acquired through subscription and paid-in all of the 7,663,541 common shares remaining unsubscribed, for a total consideration of 25,672,862.35 euros, using for this purpose an advance on future capital contributions provided by forgiving financial receivables subject of an assignment contract signed by the Lender Institutions of Pininfarina SpA and Pincar Srl.

Following the completion of the capital increase, Pincar owns a 76.1% interest in Pininfarina SpA share capital, which increases to 77.3% when the interests held by Segi S.r.l. and Seglap S.s. and the Company's treasury shares are included.

As a result of the share capital increase, the Company's shareholders' equity grew by 69,846,334 euros. A breakdown of this increase is as follows:

- Share capital and additional paid-in capital increased by 20,849,652 euros and 48,996,681 euros, respectively.

- 61,074,540 euros was provided by the shareholder Pincar Srl with non-cash assets and 8,771,794 euros was provided in cash by minority shareholders.

It is worth mentioning that the shares held by Pincar Srl are encumbered by a senior lien for the benefit of the creditor banks and that, in the second half of 2009, Pincar Srl retained the services of Leonardo & Co. SpA for the purpose of selling its Pininfarina SpA shares and reimburse the creditor banks for the financial receivables they assigned to Pincar Srl during the two phases of the Framework Agreement.

### 15. Additional Paid-in Capital

This reserve, the full amount of which was used to cover the net loss incurred in 2008, as per a resolution of the Shareholders' Meeting of April 23, 2009, had grown to 46,442,181 euros at December 31, 2009 as a result of the capital increase, which included additional paid-in capital of 2.35 euros per share, for a total of 48,996,682 euros, less 2,554,500 euros in incidental expenses.

### 16. Reserve for Treasury Stock

This reserve was unchanged compared with December 31, 2008.

### 17. Statutory Reserve

This reserve was unchanged compared with December 31, 2008.

### 18. Reserve for Currency Translations

The change in this reserve, compared with December 31, 2008, reflects the impact of translating into the consolidation currency financial statements denominated in foreign currencies.

### 19. Other Reserves

Changes to "Other reserves" included a deduction of 180,000,000 euros, which was used to cover the net loss incurred in 2008, as per a resolution of the Shareholders' Meeting of April 23, 2009, and an increase of 400 euros, added to the "Special reserve" for dividends not collected in 2003.

The loss incurred in 2008, which amounted to 210,294,171 euros, was covered as follows:

- Utilization of 180,000,000 euros from the "Reserve for non-refundable shareholder contributions," which was established at the end of Phase 1 of the Framework Agreement through the forgiveness of a financial receivable of equal amount owed to Pincar S.r.l., the Group's controlling company. The 2008 Annual Report should be consulted for additional information.

- Utilization of the full balance of 26,843,769 euros available in the "Additional paid-in capital" reserve.

- Utilization of 3,450,402 euros from "Retained earnings."

### 20. Earnings per Share

*Basic earnings per share*

Basic earnings per share are computed by dividing the profit or loss for the year by the number of common shares outstanding at December 31, 2009 (excluding treasury shares).

| | 12/31/09 | 12/31/08 |
|---|---|---|
| Net profit (loss) | (30,746,706) | (204,125,840) |
| Number of common shares, net | 30,150,694 | 9,301,042 |
| Basic earnings (loss) per share | (1.02) | (21.95) |

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

### 21. Stock Options

The Pininfarina Group does not currently have a stock option plan or other arrangements that include stock options

### 22. Borrowings

| | 12/31/09 | 12/31/08 | Change |
|---|---|---|---|
| **Non-current** | **163,073,835** | **245,053,410** | **(81,979,575)** |
| Liabilities under finance leases | 91,792,791 | 142,600,125 | (50,807,334) |
| Bonds outstanding and other borrowings | 71,281,044 | 102,453,285 | (31,172,241) |
| **Current** | **139,857,834** | **168,773,767** | **(28,915,933)** |
| Due to banks | 29,662,152 | 37,927,769 | (8,265,617) |
| Liabilities under finance leases | 71,273,148 | 85,059,761 | (13,786,613) |
| Bonds outstanding and other borrowings | 38,922,534 | 45,786,237 | (6,863,703) |
| **Total** | **302,931,669** | **413,827,177** | **(110,895,508)** |

The decrease of 64,593,947 euros in current and non-current liabilities under finance leases is the net result of the following transactions:

- Reduction of 41,394,309 euros due to an advance on future capital contributions that Pincar Srl, the Company's majority shareholder, provided by forgiving receivables of the same amount. The Lender Institutions had assigned these receivables to Pincar Srl in exchange for a senior lien on the Pininfarina SpA shares and any proceeds that may be generated from the sale of the interests held by Pincar Srl in Pininfarina SpA. Additional information was provided earlier in the Note on "Share capital."
- Reduction of 26,269,423 euros for the repayment made to the creditor banks on September 30, 2009, as required by the Framework Agreement.
- Addition of 3,069,785 euros for accrued interest payable.

The decrease of 38,035,944 euros in other indebtedness, which includes medium- and long-term debt, is the net result of the following transactions:

- Reduction of 19,680,231 euros due to an advance on future capital contributions that Pincar Srl, the Company's majority shareholder, provided by forgiving receivables of the same amount. The Lender Institutions had assigned these receivables to Pincar Srl in exchange for a senior lien on the Pininfarina SpA shares and any proceeds that may be generated from the sale of the interests held by Pincar Srl in Pininfarina SpA. Additional information was provided earlier in the Note on "Share capital."
- Reduction of 12,489,356 euros for the repayment made to the creditor banks on September 30, 2009, as required by the Framework Agreement.
- Payment of 7,046,000 euros to Fortis Bank, the only bank that refused to join the Framework Agreement.
- Addition of 1,179,643 euros for accrued interest payable.

In 2008, as required by Paragraph 40 of IAS 39, the Company verified whether or not a substantial change had occurred in the terms of its borrowings, but concluded that the renegotiated liability did not constitute a new liability, based on Paragraph AG 62 of the Operational Guide of IAS 39 (see page 86, Note 17 "Borrowings," of the 2008 consolidated financial statements). Consequently, based on the cash flows projected in the new plans, as amended by the Rescheduling Agreement, which calls for the repayment of obligations under leases and medium- and long-term facilities to begin in 2012, and provides a moratorium until that date in the contractual accrual and payment of interest charges, the Company developed new financial plans using the amortized cost method and applying a new effective interest rate to maturity. This process required the recognition of interest expense in 2009, which, however, did not require a cash outlay and, consequently, was added to the carrying amount of the liability.

A pro rated breakdown of the financial liabilities eliminated by the Framework Agreement is provided below:

| | Remaining indebtedness at 12/31/08 | Conveyance of receivable at 6/19/09 | Conveyance of receivable at 9/28/09 | Repayments at 9/30/09 | Figurative charges at 12/31/09 | Remaining indebtedness at 12/31/2009 |
|---|---|---|---|---|---|---|
| Banca Intesa | 39,065,588 | 4,128,732 | 2,974,378 | 4,507,735 | 425,779 | 27,880,522 |
| Banca Italease | 2,929,919 | 309,655 | 223,078 | 338,080 | 31,772 | 2,090,878 |
| Unicredit Banca | 18,815,357 | 1,988,542 | 1,432,565 | 2,171,083 | 205,274 | 13,428,441 |
| Banca di Roma | 13,021,862 | 1,376,244 | 991,459 | 1,502,578 | 141,926 | 9,293,507 |
| Banca Nazionale del Lavoro | 5,919,028 | 625,565 | 450,663 | 682,990 | 64,596 | 4,224,406 |
| Banca Regionale Europea | 6,510,931 | 688,122 | 495,730 | 751,289 | 70,580 | 4,646,370 |
| Banca Popolare di Bergamo | 9,766,397 | 1,032,183 | 743,594 | 1,126,934 | 106,583 | 6,970,269 |
| Banca Popolare di Novara | 12,207,995 | 1,290,228 | 929,493 | 1,408,667 | 133,133 | 8,712,740 |
| Leasint (Leasing Alfa) | 50,451,162 | 5,332,041 | 3,841,253 | 5,821,504 | 916,408 | 36,372,772 |
| MPS Leasing (Leasing Alfa) | 25,225,581 | 2,666,020 | 1,920,627 | 2,910,752 | 458,204 | 18,186,387 |
| Selmabipiemme (Leasing Alfa) | 25,225,581 | 2,666,020 | 1,920,627 | 2,910,752 | 458,204 | 18,186,387 |
| Banca Italease (Leasing Ford) | 67,805,510 | 7,166,172 | 5,162,580 | 7,824,003 | 624,208 | 48,276,963 |
| BNP Paribas (Leasing Mitsubishi) | 21,661,229 | 2,289,314 | 1,649,244 | 2,499,466 | 227,864 | 15,451,070 |
| UBI Leasing (Leasing Mitsubishi) | 10,830,614 | 1,144,657 | 824,622 | 1,249,733 | 113,932 | 7,725,534 |
| Locat (Leasing Mitsubishi) | 21,661,229 | 2,289,314 | 1,649,244 | 2,499,466 | 227,864 | 15,451,070 |
| Locat (Leasing Cambiano) | 4,798,980 | 507,191 | 365,385 | 553,749 | 43,102 | 3,415,757 |
| **Total** | **335,896,963** | **35,500,000** | **25,574,540** | **38,758,779** | **4,249,429** | **240,313,073** |
| | | | | | | |
| BANKS | 108,237,077 | 11,439,271 | 8,240,960 | 12,489,356 | 1,179,643 | 77,247,133 |
| LEASING | 227,659,886 | 24,060,729 | 17,333,580 | 26,269,423 | 3,069,786 | 163,065,940 |
| **Total** | **335,896,963** | **35,500,000** | **25,574,540** | **38,758,779** | **4,249,429** | **240,313,073** |

The schedule above does not include the remaining indebtedness for bank overdraft facilities (29,662,152 euros) and the amount owed to Fortis Bank (32,206,443 euros), with whom Pininfarina S.p.A. executed a settlement agreement based on a multi-year amortization plan, the last payment of which is due on December 31, 2015. The balance of 750,000 euros refers to bank indebtedness of the Pininfarina Deutschland subsidiary.

At December 31, 2009, a total of 29.6 million euros had been drawn against available credit lines of up to about 50 million euros (37.5 million euros in 2008, against 50 million euros available). The 50-million-euro ceiling was set in the Rescheduling Agreement.

As required by IAS 1 – *Presentation of Financial Statements* (Paragraphs 60 and following), the Company reclassified its borrowings in accordance with the new maturities set forth in the Framework Agreement, which, basically, call for the repayment of obligations under leases and medium- and long-term facilities to begin in 2012 and sets the final maturity at 2014 for obligations under leases and at 2015 for medium- and long-term facilities and the indebtedness owed to Fortis Bank.

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

| | 12/31/09 | 12/31/08 |
|---|---|---|
| due within 1 year | 139,857,834 | 168,773,768 |
| due between 1 and 5 years | 147,246,632 | 173,009,301 |
| due after 5 years | 15,827,204 | 72,044,109 |
| **Total** | **302,931,669** | **413,827,178** |

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

| **Borrowings** (in thousands of euros) | **Amount at 12/31/08** | **Amount at 12/31/09** | **Amount due within 1 year** | **Amt. due from 1 to 5 years** | **Amount due after 5 years** |
|---|---|---|---|---|---|
| **Total loans and other facilities** | (148,240) | (110,203) | (38,923) | (68,762) | (2,518) |
| **Total obligations under finance leases** | (227,660) | (163,067) | (71,273) | (72,485) | (13,309) |
| **Total liabilities for short-term credit lines** | (37,928) | (29,662) | (29,662) | 0 | 0 |
| **Total** | **(413,827)** | **(302,932)** | **(139,857)** | **(147,247)** | **(15,827)** |

There are no borrowings in currencies different from the euro. The Company is exposed to interest rate fluctuations on some facilities that are tied to the Euribor. Additional information about interest rates paid on indebtedness is provided earlier in this Report in Note 3 "Financial Risk Factors." 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. In addition, the Rescheduling Agreement includes financial covenants based on the consolidated data, with which the Group was in compliance at December 31, 2009. Additional information is provided in the Report on Operations and in Annex I.

By virtue of the court injunctions served on Pininfarina S.p.A. on March 28, 2008 and April 19, 2008, Fortis Bank S.A. was granted-court ordered mortgages on all of the buildings owned by the Company, which secure loans currently totaling about 32.2 million euros.

Pininfarina S.p.A. is the guarantor of obligations under finance leases executed by Pininfarina Sverige AB with the Lender Institutions, which were not restructured. At December 31, 2009, the outstanding balance of these leases was about 70 million euros.

Subsequent to the end of the year, Pininfarina S.p.A., as required by the contractual provisions of the Rescheduling Agreement, paid to the Lender Institutions that were parties to the Agreement, the sum of 33,758,776 euros on March 2, 2010. Consequently, as of the drafting of these financial statements, the Company owed a total of 238,760,741 euros for obligations under leases and medium- and long-term facilities, including the amount owed to Fortis Bank.

## 23. Provision for Termination Indemnities and Benefit Plans

| | Pininfarina SpA | | Pininfarina Extra Srl | | Total | |
|---|---|---|---|---|---|---|
| | 12/31/09 | 12/31/08 | 12/31/09 | 12/31/08 | 12/31/09 | 12/31/08 |
| **Financial coverage:** | | | | | | |
| Liability for future benefits | 10,644,250 | 21,959,566 | 325,802 | 325,802 | 10,987,219 | 22,285,368 |
| Present value of coverage | 0 | 0 | 0 | 0 | 0 | 0 |
| **Liability in the balance sheet** | **10,644,250** | **21,959,566** | **325,802** | **325,802** | **10,987,219** | **22,285,368** |
| Actuarial gains (losses) not reflected in the income statement | 0 | 0 | (32,131) | (43,179) | (32,151) | (43,179) |
| 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** | **10,644,250** | **21,959,566** | **310,818** | **282,623** | **10,955,068** | **22,242,189** |
| **Income statement:** | | | | | | |
| Cost of current service | 0 | 0 | 41,955 | 34,522 | 41,955 | 34,522 |
| Interest costs | 854,614 | 1,073,472 | 12,106 | 11,224 | 866,720 | 1,084,696 |
| Actuarial (gains) losses | 2,584,473 | 0 | 0 | 0 | 2,584,473 | 0 |
| Other changes | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total cost included in income stat.** | **3,439,087** | **1,073,472** | **54,061** | **45,746** | **3,493,148** | **1,119,218** |
| **Liability in the balance sheet** | | | | | | |
| Liability at beginning | 21,959,566 | 24,272,606 | 282,623 | 236,877 | 22,242,189 | 24,509,483 |
| Total costs | 3,439,087 | 1,073,472 | 54,061 | 45,746 | 3,493,148 | 1,119,218 |
| Benefits paid | (2,922,000) | (3,386,512) | (25,866) | 0 | (2,947,866) | (3,386,512) |
| Benefit transferred to De Tomaso Automobili SpA | (11,832,403) | | | | (11,832,403) | |
| Other changes | 0 | 0 | 0 | 0 | 0 | 0 |
| **Liability in the balance sheet at end** | **10,644,250** | **21,959,566** | **310,818** | **282,623** | **10,955,068** | **22,242,189** |

The decrease in the liability for termination indemnities at December 31, 2009 reflects the effect of the contract for the sale of business operations to De Tomaso Automobili S.p.A., pursuant to which Pininfarina S.p.A. transferred to the buyer its existing contractual relationships with 900 production employees and the corresponding pro rata share of the "Provision for termination indemnities," which totaled 11,832,403 euros, determined in accordance with Article 2120 of the Italian Civil Code.

With regard to the valuation of the reduction in liability, acting in accordance with Paragraph 109 of IAS 19 – *Employee Benefits,* Pininfarina S.p.A. recognized in its income statement the actuarial loss generated by the reduction of the defined-benefit plan.

The following valuation assumptions were used in 2009:

1. Annual inflation rate: 2.5%
2. Benefit discount rate: 3.70%
3. Annual rate of wage increase: from 0.5% to 2.0%, depending on the position held.

## 24. Trade Accounts Payable and Other Payables

*Accounts payable to outsiders*

| | 12/31/09 | 12/31/08 | Change |
|---|---|---|---|
| Accounts payable to suppliers | 61,293,384 | 89,898,357 | (28,604,973) |
| Advances received for work in progress | 1,221,994 | 2,881,853 | (1,659,859) |
| **Total** | **62,515,378** | **92,780,210** | **(30,264,832)** |

Trade accounts payable of 61,293,384 euros includes 11,569,944 euros owed by Pininfarina S.p.A. to De Tomaso Automobili S.p.A. in connection with the transfer to De Tomaso of the provision for termination indemnities and accrued vacations attributable to the staff employed in the business operations sold on December 31, 2009. The overall decrease in accounts payable is consistent with the reduction in business volume that occurred in 2009 compared with the previous year.

Pursuant to the terms of the sales agreement, the amount owed to De Tomaso Automobili S.p.A. was paid on January 4, 2010.

*Accounts payable to associated companies and joint ventures*

| | 12/31/09 | 12/31/08 | Change |
|---|---|---|---|
| Pininfarina Sverige AB | 58,658 | 54,914 | 3,744 |
| **Total** | **58,658** | **54,914** | **3,744** |

*Other liabilities*

| | 12/31/09 | 12/31/08 | Change |
|---|---|---|---|
| Income tax withheld from employees | 1,222,700 | 1,602,328 | (379,628) |
| Amounts owed to employees | 692,668 | 541,250 | 151,418 |
| Miscellaneous payables | 3,525,362 | 3,108,579 | 416,783 |
| **Total** | **5,440,730** | **5,252,157** | **188,573** |

## 25. Provisions for Risks and Charges and Contingent Liabilities

| | 12/31/08 | Additions | Utilizations | Other changes | 12/31/09 |
|---|---|---|---|---|---|
| Provision for warranties | 12,274,502 | 441,320 | (3,443,134) | (3,991,159) | 5,281,529 |
| Provision for restructuring | 1,678,778 | 3,045,614 | (2,259,969) | 0 | 2,464,423 |
| Other provisions | 13,113,101 | 3,972,689 | (1,677,783) | (4,196,843) | 11,211,164 |
| **Total** | **27,066,381** | **7,459,623** | **(7,380,886)** | **(8,188,002)** | **18,957,116** |

The “Provision for warranties” covers the best estimate of the Company’s contractual and statutory obligations with regard to costs entailed by warranties provided on certain components of the vehicles it manufactured for a specific period, starting from the sale of the vehicles to end customers. The abovementioned estimate was determined based on the Company’s experience, specific contractual terms and product specification, and defect incidence data generated by the statistical survey systems of the Company’s customers.

The revision of 3,991,159 euros applied to the estimated amount of the “Provision for warranties,” which is attributable to the Ford Focus CC model, based on the number of vehicles in circulation, was carried out based on the evidence of a reduction in the average cost for warranty-covered repairs for vehicles produced after the first quarter of 2008, which featured a permanent solution for the roof system problems that had been the main cause of the warranty charges. Considering that most of the vehicles produced before the abovementioned date have already been repaired under warranty, that the problem causing the warranty charges has been resolved and does not affect vehicles produced after the first quarter of 2008, that after two years from the start of production of vehicles free of this problem reliable statistical series are available, and that Pininfarina S.p.A. is responsible for warranty costs in excess of specific contractual targets, the existing estimates were revised.

The utilization for the year, amounting to 3,443,134 euros, reflects charges for repairs under warranty provided to Ford, Mitsubishi and Alfa Romeo customers.

The “Provision for restructuring charges” reflects a best estimate of the liability for restructuring charges, which includes an estimate of the costs that the Company expects to incur in connection with the long-term unemployment benefit program and retirement incentives established under an agreement signed in November 2008 with the labor unions covering up to 180 employees, and takes into account a new agreement signed on July 29, 2009, which provides retirement incentives and a new long-term unemployment benefit program, subject to the non-opposition requirement.

"Other provisions" reflects best estimates of the liabilities that may arise from the renegotiation of certain aspects of the contracts with Ford and Volvo, of the liabilities related to disputes with some suppliers, caused by the interruption of production of the Mitsubishi Colt CZC model in mid-2008 and the changes made in the 2008 model year to the Alfa Brera and Spider vehicles, and of the estimated cost of dismantling the existing production lines at the Grugliasco plant, as required by the contract signed with De Tomaso Automobili S.p.A. on December 31, 2009.

The revision of 4,196,843 euros recognized in 2009 reflects the positive conclusion of the negotiations carried out with the counterparties during the year, which resulted in a reduction of the amounts owed.

The disclosure required by Paragraph 86 of IAS 37 with regard to contingent liabilities, which specifically arise from the litigation with the revenue administration and with Mitsubishi, is provided in the Report on Operations.

### 26. Revenues

| | 12/31/09 | 12/31/08 | Change |
|---|---|---|---|
| Sales revenues - Italy | 55,416,019 | 130,279,043 | (74,863,024) |
| Sales revenues - UE | 77,910,814 | 290,607,381 | (212,696,567) |
| Sales revenues - Non UE countries | 80,954 | 97,026 | (16,072) |
| Services revenues - Italy | 11,647,278 | 22,174,646 | (10,527,369) |
| Services revenues - UE | 25,523,387 | 67,959,811 | (42,436,424) |
| Services revenues - Non UE countries | 15,598,034 | 16,186,221 | (588,187) |
| **Total** | **186,176,485** | **527,304,128** | **(341,127,643)** |

### 27. Other Income and Revenues

| | 12/31/09 | 12/31/08 | Change |
|---|---|---|---|
| Amounts rebilled | 664,250 | 588,909 | 75,341 |
| Out-of-period income | 2,293,326 | 2,633,362 | (340,036) |
| Insurance settlements | 446,574 | 244,975 | 201,600 |
| Royalties | 208,333 | 500,000 | (291,667) |
| Rebilling | 590,604 | 182,715 | 407,889 |
| Operating grants | 1,600,277 | 4,511,934 | (2,911,657) |
| Sundry items | 643,886 | 1,539,668 | (895,783) |
| **Total** | **6,447,250** | **10,201,563** | **(3,754,312)** |

"Out-of-period income" refers mainly to price differences attributable to previous years. The main component of "Insurance settlements" is the payment received in 2009 for the damage caused by a hail storm to the Cambiano plant. The amount shown for 2008 refers to the tornado that damaged the San Giorgio Canavese factory.

"Research grants" refers mainly to the income recognized by the Matra Automobile Engineering Sas subsidiary in connection with research projects subsidized by the French government, the full amount of which was collected in 2009.

### 28. Gains on the Sale of Non-current Assets

| | 12/31/09 | 12/31/08 | Change |
|---|---|---|---|
| Gain on the sale of equity investments | 63,898 | 2,638,870 | (2,574,972) |
| Gain on the sale of other assets | 4,618,368 | 4,464,134 | 154,234 |
| **Total** | **4,682,266** | **7,103,004** | **(2,420,738)** |

The "Gain on the sale of equity investments" refers to the sale by Pininfarina Extra of a portion of its investment in Midi Ltd.

The gain reported in 2008 referred to the sale by Pininfarina S.p.A. of its 20% equity interest in Phasiphae S.a.r.l.

The "Gain on the sale of other assets" was generated primarily by the sale of the Grugliasco industrial complex to Sviluppo Investimenti e Territorio Srl, for 3,690,076 euros, and the disposal of assets included in the business operations sold to De Tomaso Automobili S.p.A., for 925,572 euros.

**29. Employees**

| | 12/31/09 | 12/31/08 | Change |
|---|---|---|---|
| Wages and salaries | 41,038,596 | 82,172,265 | (41,133,669) |
| Employee benefits | 13,263,596 | 25,703,027 | (12,439,431) |
| Independent contractors | 0 | 3,918,946 | (3,918,946) |
| Addition to Provision for termination indemnities | 6,841,860 | 4,740,952 | 2,100,908 |
| Utiliz.Prov.restruct.charges | (2,259,969) | (1,821,220) | (439,749) |
| **Total** | **58,884,082** | **114,713,970** | **(55,829,888)** |

"Wages and salaries" and "Employee benefits" decreased due to the following factors:

- An increased use of the Layoff Benefits Fund by the Group's Parent Company (in 2009, hours covered by the Layoff Benefits Fund were equal to 57.7% of total hours, compared with 22.1% in 2008) and a decrease in the number of employees;
- A change in the scope of consolidation, compared with 2008, related to the companies of the Matra Group, which were no longer included in the consolidation in 2009, and the sale of the operating activities of Matra Automobile Engineering at the end of 2008. In addition, the RHTU A.B. subsidiary, in Sweden, sold its operating activities to Pininfarina Sverige A.B. at the end of 2008 and began the liquidation process in 2009, completing it in December.

In 2009, Pininfarina S.p.A. did not use independent contractors and, unlike in 2008, this account had a zero balance at the end of the year. The addition to the provision for termination indemnities reflects the actuarial loss of 2,584,473 euros recognized in the income statement in accordance with Paragraph 109 of IAS 19 – *Employee Benefits.* The increase in the utilization of the "Provision for restructuring charges" reflects the higher average amounts disbursed in 2009.

| | 12/31/09 | 12/31/08 | Change |
|---|---|---|---|
| Executives | 33 | 40 | (7) |
| Office staff | 745 | 1,016 | (271) |
| Production staff | 1,020 | 1,231 | (211) |
| **Total** | **1,798** | **2,287** | **(489)** |

At December 31, 2009, the Pininfarina Sverige A.B. joint venture had 694 employees, who are not included in the data shown in the table above.
In 2009, the Group's average workforce numbered 1,852 employees (excluding the Swedish operations, which had an average workforce of 694 employees).

The table below shows the impact of the sale of business operations executed on December 31, 2009:

| | 12/31/09 | 1/1/10 | Change |
|---|---|---|---|
| Executives | 27 | 27 | 0 |
| Office staff | 523 | 498 | (25) |
| Production staff | 1,018 | 143 | (875) |
| **Total** | **1,568** | **668** | **(900)** |

### 30. Additions/Utilizations of Provisions and Writedowns

| | 12/31/09 | 12/31/08 | Change |
|---|---|---|---|
| Additions to/(Utilizations) of allowance for doubt. accounts | 519,249 | 945,223 | (425,974) |
| Additions to/(Utilizations) of provisions for risks | 19,951,883 | 25,394,620 | (5,442,737) |
| Additions to other provisions | 268,409 | 474,429 | (206,020) |
| Utilization Provisions for Risks and charges | (8,188,002) | 0 | (8,188,002) |
| Writedowns of property, plant and equipment | 7,368,400 | 109,864,126 | (102,495,726) |
| Writedowns of receivables | 3,026,807 | 9,571,646 | (6,544,839) |
| Writedowns of receivables | 53,201 | 0 | 53,201 |
| **Total** | **22,999,947** | **146,250,044** | **(123,250,097)** |

The addition of 19,951,883 euros to the "Provisions for risks and restructuring charges" includes 7,191,215 euros added to the "Provisions for risks and charges" (see Note 25 above for more details) and 12,760,668 euros for the writedown of the costs incurred during the first nine months of 2009 to develop the electric car (see Note 10 above for more details).

"Writedowns of property, plant and equipment" amounting to 7,368,400 euros reflects the impairment loss suffered by the assets of the Alfa Romeo and Ford CGUs as a result of the decision to end production at the end of 2010 (see Note 5 above for more details).

"Writedowns of financial receivables from outsiders," amounting to 2,999,443 euros, refers exclusively to the receivable owed by the Fiat Group, which was recognized in accordance with IFRIC 4. The writedown reflects the impact of an agreement signed on January 18, 2010, by which the parties defined the amounts owed to Pininfarina S.p.A. as reimbursement of the investments it made to develop the car models and prepare the production lines (see Note 9 above for more details).

"Writedown of equity investments" reflects the decrease of the investment held by Pininfarina Extra S.r.l. in Nord Est Design S.r.l. that reflects a reduction of the ownership percentage from 40% to 10.8%.

### 31. Other Expenses

| | 12/31/09 | 12/31/08 | Change |
|---|---|---|---|
| Travel expenses | 1,377,974 | 4,154,046 | (2,776,073) |
| Rentals | 3,238,639 | 6,579,165 | (3,340,525) |
| Fees paid to Directors and Statutory Auditors | 932,138 | 1,012,140 | (80,002) |
| Consulting and other services | 9,236,135 | 18,253,187 | (9,017,051) |
| Other personnel costs | 602,299 | 2,332,052 | (1,729,753) |
| Telegraph and postage | 423,994 | 879,320 | (455,327) |
| Cleaning and waste disposal services | 1,214,228 | 3,266,159 | (2,051,931) |
| Advertising | 143,409 | 640,544 | (497,136) |
| Taxes | 581,080 | 2,537,328 | (1,956,249) |
| Insurance | 828,658 | 1,081,086 | (252,428) |
| Membership dues | 175,747 | 373,246 | (197,500) |
| Out-of-period charges | 328,877 | 198,191 | 130,686 |
| General services | 225,047 | 798,881 | (573,834) |
| Losses on asset disposals | 530,408 | 1,367,441 | (837,033) |
| Sundry expenses | 1,741,482 | 3,254,400 | (1,512,918) |
| **Total** | **21,580,113** | **46,727,186** | **(25,147,073)** |

The main components of "Consulting and other services" are the costs incurred by the Group for services used to implement Phase II of the Framework Agreement. Incidental expenses directly attributable to the capital increase, amounting to 2,554,500 euros, were reclassified as a deduction from "Additional paid-in capital."

Other changes reflect a change in the scope of consolidations, which at December 31, 2008 included the Matra Group, and lower costs related to the downsizing of the Group's operating activities.

### 32. Financial Income (Expense), Net

| | 12/31/09 | 12/31/08 | Change |
|---|---|---|---|
| Financial expense paid to banks | (1,430,799) | (3,107,011) | 1,676,212 |
| Financial expense paid under leases | (3,069,786) | (19,992,019) | 16,922,233 |
| Financial exp. on medium- and long-term borrowings | (2,369,251) | (12,134,415) | 9,765,164 |
| Realized losses from marking securities to market | 0 | (4,067,319) | 4,067,319 |
| **Total financial expense** | **(6,869,836)** | **(39,300,764)** | **32,430,928** |
| Bank interest earned | 635,394 | 2,080,711 | (1,445,317) |
| Realized gains from marking securities to market | 2,702,657 | 2,377,920 | 324,737 |
| Interest earned on long-term loans to outsiders | 4,478,183 | 8,002,886 | (3,534,703) |
| Interest earned on long-term loans to joint ventures | 2,016,010 | 5,007,246 | (2,991,236) |
| Gains on trading securities | 0 | 27,946 | (27,946) |
| **Total financial income** | **9,832,244** | **17,496,709** | **(7,664,465)** |
| **Net financial income (expense)** | **2,962,409** | **(21,804,055)** | **24,766,463** |

"Financial expense paid to banks," amounting to 1,422,026 euros, refers to the interest charges accrued and paid for the utilization of credit lines. "Bank interest earned," amounting to 576,121 euros, reflects interest earned on credit balances in checking accounts.

"Financial expense paid under leases," amounting to 3,069,786 euros, were recognized as a result of the valuation of liabilities by the amortized cost method. Pursuant to the Rescheduling Agreement executed with the Lender Institutions on December 31, 2008, interest charges will be payable starting in 2012. Their amount decreased significantly compared with 2008, due to the beneficial effect of the restructuring process, which was completed on September 30, 2009, culminating in a capital increase.

"Financial expense on medium- and long-term borrowings," amounting to 2,350,067 euros, originate from the valuation of liabilities by the amortized cost method. Also in the case of medium- and long-term borrowings, interest charges will be payable starting in 2012, except for the interest accrued on the debt owed to Fortis Bank, which is the only bank that refused to sign the Framework Agreement. The balance of the financial expense owed to Fortis Bank in 2009 amounted to 1,170,424 euros. The decrease compared with the previous year is explained by the same reasons above for interest charges owed on finance leases.

The "Gain on financial assets held for trading," amounting to 2,702,657 euros, includes both the gains realized during the year from trading activities and those generated by measuring these assets at fair value at December 31, 2009.

"Interest earned on long-term loans to outsiders," amounting to 4,478,183 euros, originate from the valuation of financial assets recognized in accordance with IFRIC 4 by the amortized cost method. The decrease compared with 2008 reflects a reduction in the number of cars produced in 2009 and the writedown of a financial receivable owed by Alfa Romeo.

### 33. Dividends

| | 12/31/09 | 12/31/08 | Change |
|---|---|---|---|
| Banca Passadore | 53,571 | 53,571 | 0 |
| Italian securities under asset management | 58,230 | 131,683 | (73,453) |
| **Total** | **111,801** | **185,254** | **(73,453)** |

### 34. Valuation of Equity Investments by the Equity Method

| | 12/31/09 | 12/31/08 | Change |
|---|---|---|---|
| Pininfarina Sverige AB | 3,972,622 | 4,311,850 | (339,228) |
| Véhicules Electriques Pininfarina-Bolloré SAS | (1,741,708) | (6,401,676) | 4,659,968 |
| **Total** | **2,230,913** | **(2,089,826)** | **4,320,740** |

See Note 8 for more detailed information.

### 35. Income Taxes for the Year

*Income taxes for the year*

| | 12/31/09 | 12/31/08 | Change |
|---|---|---|---|
| Current taxes | (494,909) | (1,161,853) | 666,944 |
| Reduction in previous year's addition to prov. | 449,195 | 0 | 449,195 |
| Prepaid taxes | (155,214) | (4,088,086) | 3,932,872 |
| Deferred taxes | 21,364 | 2,634,629 | (2,613,265) |
| **Total** | **(179,565)** | **(2,615,310)** | **2,435,745** |

The current-tax expense for 2009 reflects mainly the estimate of the liability of Pininfarina S.p.A. and Pininfarina Extra S.r.l. for regional taxes (IRAP).

The benefit of 449,195 euros is the result of the following process: in the closing phase of the financial statements at December 31, 2008, Pininfarina SpA computed current taxes conservatively by applying the changes affecting the corporate income tax (IRES) also to the IRAP, absent any clarifications from the Ministry, which were provided after the financial statements were approved (CM 36/E and 39/E of July 2009), and estimated the deduction from IRAP taxable income attributable to payroll taxes. The final tax computation produced a larger reduction in IRAP taxable income, generating a benefit for the Company in terms of a decrease of 449,195 euros in its IRAP liability. As required by Paragraph 36 of IAS 8, the effect of the change in the estimate was recognized in the income statement.

*Prepaid and deferred taxes*

The consolidation entries are the main reason for the changes in prepaid and deferred taxes in 2009.

In 2008, the change in prepaid taxes reflected the reversal in earnings of the entire amount of the prepaid taxes of the Matra Group (4,707,813 euros), the recognition of a credit of 820,326 euros for the Pininfarina Deutschland Group under the agreements for the filing of a national consolidated tax return and other changes caused by consolidation entries.

Also in 2008, the change in deferred taxes is due mainly to the elimination of the tax liability for the revaluation of the Trappes real estate complex following the impairment of this asset.

*Deferred-tax assets and deferred-tax liabilities*

| **Deferred-tax assets** | **12/31/09** | **12/31/08** |
|---|---|---|
| Leases as lessor/lessee | 29,264,853 | 41,453,679 |
| Provisions for risks and writedowns | 9,449,817 | 8,296,693 |
| Sundry differences | 229,154 | 360,838 |
| **Total deferred-tax assets on temporary differences** | **38,943,825** | **50,111,210** |
| **Deferred-tax assets on tax loss carryforward** | **69,077,454** | **62,440,785** |
| **Deferred-tax liabilities** | | |
| Revaluation of land and buildings | 5,448,489 | 5,772,351 |
| Provision for termination indemnities and other provisions | 161,858 | 978,674 |
| Held-for-sale financial assets | - | - |
| **Total deferred-tax liabilities on temporary differences** | **5,610,347** | **6,751,025** |
| **Net balance (credit)** | **102,410,933** | **105,800,970** |

The unrecognized deferred-tax assets resulting from the tax loss carryforward of Matra Automobiles Engineering SAS amounts to 12,553,378 euros.

As for the Pininfarina Deutschland Group, the deferred-tax assets that would be recognizable on its tax loss carryforward, computed based on the rates of the tax on commercial activities and the corporate income tax, would amount to 5,510,284 euros.

The amounts shown for deferred-tax liabilities and the deferred-tax asset have been restated to take into account the tax rates in effect after December 31, 2009.

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.;
- 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

Disclosure Required Pursuant to Consob Communication No. DEM/6064293 of July 28, 2006.

**Transactions with related Parties of the Pininfarina Group at December 31, 2009**

Transactions with related parties and intra-Group transactions were neither atypical nor unusual and were conducted in the normal course of business by the companies of the Group.

These transactions were carried out on market terms, consistent with the nature of the goods exchanged or the services provided.

| (in thousands of euros) | Trade receivables | Trade payables | Financial receivables | Financial payables | Revenues | Expenses | Financial income | Financial expense |
|---|---|---|---|---|---|---|---|---|
| Pininfarina Sverige AB | 2,848 | 59 | 44,760 | 0 | 1,109 | 10 | 2,016 | 0 |
| Véhicules Electriques Pininfarina Bolloré S.A.S. | 0 | 0 | 0 | 0 | 7,398 | 0 | 0 | 0 |
| **Total** | **2,848** | **59** | **44,760** | **0** | **8,507** | **10** | **2,016** | **0** |

The table below shows the maximum exposure to Pininfarina Sverige in 2009:

| (in thousands of euros) | Amount at 12/31/09 | amount in 2009 |
|---|---|---|
| Pininfarina Sverige AB | 44,760 | 63,754 |

***Compensation of Directors, Statutory Auditors and Executives with Strategic Responsibilities***

The table below lists the compensation payable to Directors and Statutory Auditors of Pininfarina S.p.A. for their services:

| (in thousands of euros) | 12/31/09 | 12/31/08 |
|---|---|---|
| Directors | 562 | 942 |
| Statutory Auditors | 88 | 70 |
| **Total compensation** | **650** | **1,012** |

The total cost incurred in 2009 for the compensation of executives of Pininfarina S.p.A. with strategic responsibilities amounted to about 3.4 million euros.

*Other Related Parties*

Transactions with other related parties requiring disclosure include legal consulting services provided by Studio Professionale Pavesio e Associati, related to the Director Carlo Pavesio, for a total amount of about 423,000 euros.

*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 statement of financial position and income statement amounts presented below have been restated to eliminate the impact of the following extraordinary transactions:

i. Share capital increase, net of incidental expenses;
ii. Research grant recognized by Matra Automobiles Engineering SAS;
iii. Revisions of the estimate of the provisions for risks and charges;
iv. Writedown of the order inventory;
v. Writedown of financial assets;
vi. Writedown of property, plant and equipment to recognize impairment;
vii. Sale of the Grugliasco industrial complex;
viii. Sale of business operations.

| **Consolidated Balance Sheet** | **Statutory financial statements at 12/31/09** | **Statutory financial statements at 12/31/09 net of extraordinary transactions** |
|---|---|---|
| Net intangible assets | 3,732,110 | 3,732,110 |
| Net property, plant and equipment | 84,576,075 | 103,623,426 |
| Non-current financial assets | 97,621,842 | 100,621,285 |
| Equity investments | 38,622,053 | 38,622,053 |
| Inventory | 7,534,051 | 19,615,606 |
| Current financial assets | 86,494,095 | 86,494,095 |
| Net trade receivables and other receivables | 59,630,771 | 42,009,210 |
| Deferred-tax assets | 1,169,977 | 1,169,978 |
| Cash and cash equivalents | 75,143,337 | 65,510,071 |
| Held-for-sale assets | 0 | 0 |
| **TOTAL ASSETS** | **454,524,311** | **461,397,834** |
| | | |
| Reserves | 79,486,991 | 11,333,686 |
| Profit (Loss) for the period | (30,746,706) | (25,059,654) |
| **TOTAL SHAREHOLDERS' EQUITY** | **48,740,285** | **(13,725,968)** |
| | | |
| Long-term borrowings | 163,073,835 | 224,148,375 |
| Deferred-tax liabilities | 2,365 | 2,365 |
| Provision for termination indemnities | 10,955,068 | 22,787,471 |
| Current borrowings | 139,857,834 | 139,857,834 |
| Other payables | 8,814,308 | 8,551,849 |
| Trade accounts payable | 62,574,036 | 50,546,615 |
| Provision for current taxes | 440,513 | 975,224 |
| Provision for other liabilities and charges | 20,066,067 | 28,254,069 |
| Liabilities attributable to held-for-sale assets | 0 | 0 |
| **TOTAL LIABILITIES** | **405,784,026** | **475,123,802** |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | **454,524,311** | **461,397,834** |

| **Consolidated Income Statement** | **Statutory financial statements at 12/31/09** | **Statutory financial statements at 12/31/09 net of extraordinary transactions** |
|---|---|---|
| Net revenues | 186,176,485 | 186,176,485 |
| Change in inventory of finished goods and work in process | 8,991,638 | 8,991,638 |
| Other income and revenues | 6,447,250 | 5,140,174 |
| **Value of production** | **201,615,373** | **200,308,296** |
| Net gain on the sale of non-current assets | 4,657,605 | 41,956 |
| Raw materials and outside services used | (140,138,497) | (142,235,520) |
| Change in inventory of raw materials | (4,324,432) | (4,324,432) |
| **Value added** | **61,810,049** | **53,790,300** |
| Labor costs | (58,884,082) | (58,884,082) |
| **EBITDA** | **2,925,967** | **(5,093,782)** |
| Depreciation and amortization | (15,134,324) | (15,134,324) |
| (Additions to provisions/Writedowns) / Utilizations | (23,663,906) | (9,507,910) |
| **EBIT** | **(35,872,264)** | **(29,736,018)** |
| Financial income (expense), net | 3,074,210 | 3,074,210 |
| Other income (expense), net | 2,230,913 | 2,230,913 |
| **Profit before taxes** | **(30,567,141)** | **(24,430,894)** |
| Income taxes for the year | (179,565) | (628,760) |
| **Net profit (loss) for the year** | **(30,746,706)** | **(25,059,654)** |

***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 2009 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.

## Disclosure 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 2009 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 2009 |
|---|---|---|---|
| **Independent Audit** | PricewaterhouseCoopers SpA | Parent Company – Pininfarina S.p.A. | 125,000 |
| | PwC Network | Subsidiaries | 137,615 |
| **Certification services** | | | 0 |
| **Other services** | PricewaterhouseCoopers SpA | Parent Company – Pininfarina S.p.A. | 68,000 |
| **Total** | | | **330,615** |

Other services provided to the Group's Parent Company reflects fees for services received in connection with the share capital increase.

## Certification of the consolidated financial statements pursuant to Article 154 *bis* of Legislative Decree No. 58/98

◊ We, the undersigned, Paolo Pininfarina, in my capacity as Chairman of the Board of Directors, 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 2009 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, 2009:

- were prepared in accordance with the International Accounting Principles, as approved by the European Union pursuant to (CE) Regulation No. 1606/2002 of the European Parliament and Council of July 19, 2002;
- are consistent with the data in the supporting documents and accounting records;
- 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.

The Report on Operations provides a reliable analysis of the operating performance and result and of the position of the issuer and of the companies included in the scope of consolidation, as well as a description of the main risks and uncertainties to which they are exposed.

March 29, 2010

Paolo Pininfarina

Chairman of the Board of Directors

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, 2009**

Dear Shareholders:

The Board of Directors submits for your approval the consolidated financial statements at December 31, 2009 of the Pininfarina Group, which are comprised of the statement of financial position, income statement and notes to the financial statements.

The consolidated financial statements at December 31, 2009 show consolidated shareholders' equity of 48,740,285 euros, after a consolidated net loss of 30,746,706 euros.

The consolidated financial statements at December 31, 2009 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, 2009 included the Group's Parent Company, 7 subsidiaries, all of which were consolidated line by line, and 3 associated companies and joint ventures, 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, 2009 are consistent with 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, 2009 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 was 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 accounting period consisting of the 2009 fiscal year.
- The valuation criteria applied are consistent with those used in 2008.
- The associated companies Pininfarina Sverige AB, Véhicules Electriques Pininfarina Bolloré SAS and Pininfarina Recchi Buildingdesign S.r.l. were valued by the equity method.

Lastly, the Chairman of the Board of Directors 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 14, 2010

THE STATUTORY AUDITORS

(Nicola Treves)

(Giovanni Rayneri)

(Mario Montalcini)

PRICEWATERHOUSECOOPERS

AUDITORS' REPORT IN ACCORDANCE WITH
ARTICLE 156 OF LEGISLATIVE DECREE N° 58
DATED 24 FEBRUARY 1998 (NOW ARTICLE 14 OF
LEGISLATIVE DECREE N° 39 DATED 27 JANUARY 2010)

PININFARINA GROUP

CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2009

## AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 156 OF LEGISLATIVE DECREE N° 58 DATED 24 FEBRUARY 1998 (NOW ARTICLE 14 OF LEGISLATIVE DECREE N° 39 DATED 27 JANUARY 2010)

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, the statement of comprehensive income, the cash flow statement, the statement of changes in consolidated shareholders' equity and the related explanatory notes as at 31 December 2009. The directors of Pininfarina SpA are responsible for the preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005. 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. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the consolidated financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our audit opinion.

The audit of the consolidated financial statements as at 31 December 2009 was conducted in compliance with the law in force during the period then ended.

For the opinion on the consolidated financial statements of the prior period, whose comparative figures were retrospectively adjusted following the introduction of the IAS 1 revised and are presented for comparative purposes, reference is made to our report dated 7 April 2009.

3 In our opinion, the consolidated financial statements of Pininfarina SpA as at 31 December 2009 comply with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005; accordingly, they have been drawn up clearly and give a true and fair view

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** 70124 Via Don Luigi Guanella 17 Tel. 0805640211 – **Bologna** Zola Predosa 40069 Via Tevere 18 Tel. 0516186211 – **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 – **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 – **Genova** 16121 Piazza Dante 7 Tel. 01029041 – **Napoli** 80121 Piazza dei Martiri 58 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** 38122 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

of the financial position, results of operations, changes in equity and cash flows of the Pininfarina Group for the period then ended.

4 We draw attention to what is referred in the Report of the Board of Directors on Operations in section "Assessment of the company's viability as a going concern and Business outlook", also reported in the explanatory notes, in relation to the events and circumstances, broadly described by the directors and to which reference is made, triggering substantial uncertainties which could raise significant doubts about the ability of the Pininfarina Group to continue as a going concern and the decision to continue applying the going concern principle when preparing the consolidated financial statements.

5 The directors of Pininfarina SpA are responsible for the preparation of the Report of the Board of Directors on Operations in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the Report of the Board of Directors on Operations and on the Corporate Governance and ownership structures available on the website www.pininfarina.com at the section "Financial", limited to the information provided for in accordance with the article 123-bis, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) of the Legislative Decree 58/98, with the financial statements, as required by the law. For this purpose, we have performed the procedures required under Auditing Standard no. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by Consob. In our opinion the Report of the Board of Directors on Operations and the information, provided for in accordance with the article 123-bis, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) of the Legislative Decree 58/98, presented in the specific section of the same report, are consistent with the consolidated financial statements of Pininfarina SpA as at 31 December 2009.

Turin, 14 April 2010

PricewaterhouseCoopers SpA

Signed by

Paolo Ozino Caligaris
(Partner)

*This report has been translated from the original which was issued in accordance with Italian legislation. We have not examined the translation of the financial statements referred to in this report.*

# ANNEX 1

List of Companies Included in the Scope of Consolidation

Key Data of the Principal Group Companies

# List of Consolidated Companies

## Parent Company

| Name | Registered office | Country | Share capital | Currency | % interest held directly or indirectly | Consolidated companies | % capital share |
|---|---|---|---|---|---|---|---|
| Parent Company<br>**Pininfarina S.p.A.** | Turin<br>Via Bruno Buozzi 6 | IT | 30,166,652 | EUR | - | - | - |

## List of companies consolidated line by line

| Name | Registered office | Country | Share capital | Currency | % interest held directly or indirectly | Consolidated companies | % capital share |
|---|---|---|---|---|---|---|---|
| **Italian subsidiaries** | | | | | | | |
| Pininfarina Extra S.r.l. | Turin<br>Via Bruno Buozzi 6 | IT | 388,000 | EUR | 100 | Pininfarina S.p.A. | 100 |
| **Foreign subsidiaries** | | | | | | | |
| Pininfarina Extra USA Corp. | Florida-Fort Lauderdale<br>1710 West Cypress Creed Road | USA | 10,000 | USD | 100 | Pininfarina Extra S.r.l. | 100 |
| Pininfarina Deutschland GmbH | Leonberg<br>Riedwiesenstr. 1 | DE | 3,100,000 | EUR | 100 | Pininfarina S.p.A. | 100 |
| mpx Entwicklung GmbH | München<br>Frankfurter Ring 17 | DE | 25,000 | EUR | 100 | Pininfarina Deutschland GmbH | 100 |
| mpx Entwicklung GmbH | Leonberg<br>Riedwiesenstr. 1 | DE | 26,000 | EUR | 100 | Pininfarina Deutschland GmbH | 100 |
| Matra Automobile Engineering SAS | Paris,<br>68 rue du Faubourg Saint-Honoré | FR | 971,200 | EUR | 100 | Pininfarina S.p.A. | 100 |
| Pininfarina Maroc SAS | Casablanca - 57, Bd Abdelmoumen,<br>Residence EL HADI "A", BP 20360 | MA | 8,000,000 | MAD | 100 | Pininfarina S.p.A.<br>Matra Automobile Engineering SAS | 99,9<br>0,1 |

## List of companies valued by the equity method in the consolidated financial statements

| Name | Registered office | Country | Share capital | Currency | % interest held directly or indirectly | Consolidated companies | % capital share |
|---|---|---|---|---|---|---|---|
| Pininfarina Sverige A.B. | Uddevalla<br>Varsvagen 1 | SE | 8,965,000 | SEK | 60 | Pininfarina S.p.A. | 60 |
| Véhicules Electriques Pininfarina-Bolloré SAS | Puteaux<br>31-32 Quai de Dion Bouton | FR | 20,040,000 | EUR | 50 | Pininfarina S.p.A. | 50 |
| Pininfarina Recchi Buildingdesign S.r.l. | Torino<br>Via Montevecchio 28 | IT | 100,000 | EUR | 50 | Pininfarina Extra S.r.l. | 50 |

All equity investments listed above are owned outright.

# 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)<br>Viale Venezia 24 | IT | 100,000 | EUR | - | Pininfarina Extra S.r.l. | 10,8 |

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

### Pininfarina Extra Group

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

| | 12/31/09 | 12/31/08 |
|---|---|---|
| | (millions of euros) | |
| Value of production | 3.7 | 7.3 |
| Net profit | 0.1 | 1.0 |
| Shareholders' equity | 4.0 | 4.1 |
| Net financial position | 2.0 | 1.8 |

### Matra Automobile Engineering Group

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

| | 12/31/09 | 12/31/08 |
|---|---|---|
| | (millions of euros) | |
| Value of production | 2.1 | 52.4 |
| Net loss | (1.4) | (25.1) |
| Shareholders' equity | 0.6 | (16.5) |
| Net borrowings | 3.0 | (26.4) |

### Pininfarina Deutschland Group

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

| | 12/31/09 | 12/31/08 |
|---|---|---|
| | (millions of euros) | |
| Value of production | 12 | 15.1 |
| Net profit (loss) | (0.9) | 1.3 |
| Shareholders' equity | 17.0 | 17.8 |
| Net borrowings | (3.3) | (3.7) |

Paolo Pininfarina
Chairman of the Board of Directors