

PININFARINA GROUP

ANNUAL FINANCIAL REPORT

AT DECEMBER 31, 2011

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

The financial statements of Pininfarina S.p.A., the Consolidated Financial Statements at December 31, 2011 and the Reports on Operations were approved by the Board of Directors on March 22, 2012.

ORDINARY SHAREHOLDERS' MEETING

MAY 3, 2012

The Ordinary Shareholders' Meeting was convened on May 3, 2012 at 10:30 AM 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, 2011 and applicable resolutions.
- 2) Compensation Report and resolutions required by Article 123 *ter* of Legislative Decree No. 58/1998.
- 3) Election of the Board of Directors, after determining the number of Directors and the length of their term of office, and determination of the compensation of Directors.
- 4) Election of the Board of Statutory Auditors and determination of the compensation of Statutory Auditors.

Honorary Chairman

Sergio Pininfarina

Board of Directors

Chairman*	Paolo	Pininfarina
Chief Executive Officer	Silvio Pietro	Angori
Directors	Gianfranco	Albertini (2)
	Edoardo	Garrone (1) (3)
	Enrico	Parazzini (2) (3)
	Carlo	Pavesio (1)
	Roberto	Testore (1) (2) (3)

(1) Member of the Nominating and Compensation Committee

(2) Member of the Internal Control Committee

(3) Member of the Committee for Transactions with Related Parties

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

(§) Corporate Accounting Documents Officer	Gianfranco	Albertini (§)
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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

Overview

The Group

The most significant issues that arise from a comparison between the consolidated data for the 2011 reporting year and those at December 31, 2010 are summarized below:

- EBITDA were positive, as against a negative balance a year earlier, and the bottom line, while showing a loss, improved significantly compared with 2010.
- The value of production was down sharply, due mainly to the end of the automobile contract manufacturing activities, which were shut down in November 2010, while the styling and engineering operations, which, starting this year, represent the Group's core business, grew overall in terms of business volume - albeit with different contributions by the activities in Italy (decreasing compared with 2010) and outside Italy (increasing) - but reported a segment loss, as against a profit a year earlier.
- Due to the cancellation of the joint venture agreements with Volvo Car Corporation regarding Pininfarina Sverige A.B. and the divestment of the interest held in the Véhicules Electriques Pininfarina Bolloré SAS joint venture, the 2011 income statement no longer include the results of these subsidiaries, which provided a negative contribution of 12.9 million euros to the consolidated net result at December 31, 2010.
- At December 31, 2011, the consolidated shareholders' equity decreased, reflecting the loss for the year, while net financial debt increased, due mainly to different dynamics affecting working capital, the structure of which changed radically as a result of the transformation of the Group's business, consisting earlier mainly of production activities and now tied primarily to services.

More specifically, the consolidated value of production totaled 62 million euros at December 31, 2011, down from 204.6 million euros the previous year. The end of the automobile contract manufacturing activities in 2010, which accounted for the lion's share of the value of production, is the reason for this decrease.

EBITDA (equal to the profit or loss from operations before depreciation, amortization and additions to provisions), which were negative by 6.3 million euros in 2010 (charge of 22.6 million euros for the Mitsubishi arbitration award), improved to a positive balance of 4.7 million euros at December 31, 2011, due to a gain of 8.9 million euros earned on the divestment of the interest held in the Véhicules Electriques Pininfarina Bolloré joint venture.

EBIT (equal to the profit or loss from operations) were negative by 8.7 million euros (the loss reflects in part an addition to provision totaling 3.9 million euros, recognized in connection with the activation of a long-term unemployment benefit procedure for 127 employees of the Group's Parent Company), compared with a negative balance of 20 million euros at December 31, 2010, which reflected a negative impact of 28.5 million euros for the Mitsubishi arbitration award, offset in part by a decrease of 8.5 million euros in depreciation, amortization and writedowns.

While the Group reported net financial income of 0.7 million euros in 2010, it incurred net financial expense of 2.1 million euros in 2011. The following factors account for most of this reduction: the absence of interest income generated by the volumes invoiced for the Alfa Romeo production order (ended in November 2010); a drop in interest earned on loans receivable, the amount of which decreased; and higher figurative charges resulting from the debt amortization plan in effect at December 31, 2011.

While the Group recognized negative valuation adjustments of 12.9 million euros in 2010 (including 12.2 million euros for the pro rata interest in the result of the Pininfarina Sverige A.B. joint venture and 0.7 million euros for the Véhicules Electriques Pininfarina Bolloré SAS joint venture), none were necessary in 2011, due to the decision to cancel the joint venture agreement with Volvo Car

Corporation, which required adjusting the value of the investment in this Swedish company to its estimated realizable value, with no impact on the consolidated income statement, and the disposal of the investment in the French joint venture, which was sold in the first half of 2011.

As a result of the developments reviewed above, the result before taxes was negative by 10.8 million euros, compared with a loss of 32.2 million euros in 2010.

Income taxes totaled 0.7 million euros, compared with 0.9 million euros the previous year.

Consequently, the Group reported a net loss of 11.5 million euros, compared with a net loss of 33.1 million euros at December 31, 2010 (including 28.5 million euros for the Mitsubishi arbitration award).

The Group's shareholders' equity decreased from 21 million euros at December 31, 2010 to 9.6 million euros at December 31, 2011.

The net financial position was negative by 77.9 million euros, compared with a negative balance of 59 million euros at December 31, 2010. The increase of 18.9 million euros in net financial debt reflects a more than proportional reduction in financial receivables from customers and joint ventures, compared with the increase in liquid assets and a decrease in bank debt, due mainly to working capital dynamics.

At December 31, 2011, the Group had 780 employees (830 a year earlier, -6%). The total number does not include 543 people employed at Pininfarina Sverige A.B., as this company is consolidated on a pro rata basis, by the equity method (592 employees at December 31, 2010).

Pininfarina S.p.A.

The salient events concerning Pininfarina S.p.A. that occurred in 2011 are reviewed below.

- The Company signed a contract leasing certain business operations (which include the Bairo Canavese plant and 57 production employees) to B.C. Finizioni Montaggi Carrozzeria S.r.l. (CECOMP Group) for a period from April 1, 2011 to December 31, 2013.

- As for the status of tax disputes, on April 11, 2011, the Government's Legal Services Office served notice on the Company that it was appealing to the Supreme Court of Cassation a decision by which a higher-level tax commission fully upheld the position of Pininfarina S.p.A. in a dispute with the Internal Revenue Agency concerning VAT that began in 2006. The Company is confident that its actions were proper and, consequently, on April 13, 2011, filed with the Clerk of the Supreme Court of Cassation a motion in opposition to the abovementioned appeal.

On April 12, 2011, the Internal Revenue Police, acting further to a tax audit launched in June 2010, served Pininfarina S.p.A. with a Tax Audit Report, the main assessments of which concerned the agreements executed on December 31, 2008 by the Company, its shareholder Pincar S.p.A. (now Pincar S.r.l.) and the Lender Institutions to recapitalize the Company and the tax treatment of these agreements with regard to some indirect taxes. Insofar as the indirect taxes are concerned, on July 25, 2011, the Revenue Agency ruled that these taxes could not be levied on Pininfarina S.p.A., thereby effectively voiding the assessments listed in the Tax Audit Report issued by the Revenue Police. On December 6, 2011, in the matter of the corporate income tax (IRES) assessments, which concerned mainly the agreements executed on December 31, 2008 to recapitalize the Company, Pininfarina S.p.A. reached a settlement with the Revenue Agency. While the Company believes that its conduct was lawful, in order to avoid a lengthy and tiresome dispute and having access to a tax loss carryforward, opted for settling this matter, without incurring any negative economic and financial effects.

- In October 2011, Pininfarina S.p.A. activated a long-term unemployment benefit procedure for the termination of production activities and staff downsizing that affected 127 employees. On December 2, 2011, following negotiations with the labor unions and the Piedmont Regional Administration, the parties signed an agreement that was sanctioned by the Piedmont Regional Administration in a special memorandum filed on December 19, 2011.

As for the issue of compliance with the commitments and restrictions set forth in the Rescheduling Agreement between Pininfarina S.p.A. and the Lender Institutions currently in effect, the Company was not in compliance with the Agreement's financial covenants in 2011. The difficulties encountered in transitioning from a mainly industrial company into a service company profoundly altered business volumes and financial flows, compared with the projections of the Industrial and Financial Plan, launched in 2008. Consequently, the Company, working with the support of Roland Berger as advisor, developed a new 2012-2018 Industrial Plan, the guidelines of which were approved by the Board of Directors on November 14, 2011. A new Financial Plan was then developed with the support of the advisor Banca Leonardo & Co., based on the industrial projections and consisted with the newly adopted industrial scenario. After several meetings and adjustments to the stipulations, the Company and the Lender Institutions mutually agreed to amend some of the terms of the current Rescheduling Agreement, changing the length of the debt amortization plan, the interest rates charged and the applicable financial covenants. The new agreements, the signing of which is expected to occur within a few weeks, will resolve the issue of the lack of compliance of the 2011 data with the financial covenants currently in effect. As required by Paragraph 74 of IAS 1, the indebtedness owed to the Lender Institutions was reclassified to current liabilities, due to the fact that the Company was not in compliance with the financial parameters at the end of 2011.

In view of the accounting data reported by the Company at October 31, 2011, the Board of Directors, meeting on December 19, 2011, was made aware of the occurrence of the conditions referred to in Article 2446 of the Italian Civil Code. It then agreed to convene a Shareholders' Meeting on January 24, 2012, on the first calling, and February 15, 2012, on the second calling, to adopt the required resolutions. The Board of Directors recommended postponing a reduction of the Company's share capital, resulting from the loss reported at October 31, 2011, in view of the tone of the ongoing negotiations with the Lender Institutions, which are expected to have a major positive effect in terms of replenishing the losses incurred and restoring the Company's shareholders' equity to a value significantly above its current level. The Shareholders' Meeting agreed to bring forward the loss at October 31, 2011, amounting to 16,928,528 euros.

Operating Performance of the Group

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 2011 data of the Pininfarina Group show that value of production amounted to 62 million euros, compared with 204.6 million euros at December 31, 2010 (-69.7%). The Operations Sector accounted for 18% of the total value of production (77% in 2010), with the Design and Engineering Sector contributing together the remaining 82% (23% in 2010).

EBITDA were positive by 4.7 million euros (+7.6% of the value of production), up compared with 2010, when EBITDA were negative by 6.3 million euros (-3% of the value of production). However, it is worth mentioning that while 2011 EBITDA were boosted by a gain of 8.9 million euros generated by the sale of the investment in the Véhicules Electriques Pininfarina Bolloré joint venture, those reported in 2010 were after a charge of 22.6 million euros for the Mitsubishi arbitration award.

EBIT were negative by 8.7 million euros (-14% of the value of production), compared with negative EBIT of 20 million euros in 2010 (-9.8% of the value of production). More specifically, in the comparison between 2010 and 2011, while depreciation and amortization expense was down sharply, due essentially to the shutdown of the manufacturing operations, the balance in the "Additions/Utilizations of provisions and writedowns" account increased roughly by the same amount. Noteworthy entries included an addition of 3.9 million euros to the Provision for staff restructuring, due to the activation, in October 2011, of a long-term unemployment benefit procedure for termination of production activities, and the writedown of some Wind Tunnel assets totaling 3.1 million euros.

Financial transactions generated net financial expense of 2.1 million euros, as against net financial income of 0.7 million euros in 2010. The main reasons for this negative change included: the absence of interest income earned on the amounts invoiced for the Alfa Romeo production order (ended in November 2010), a decrease in interest income accrued on lower loans receivable and

liquid assets, and an increase in figurative charges resulting from the debt amortization plan in effect at December 31, 2010.

The "Valuation of Equity investments by the equity method" account (valuation adjustments) had a zero balance at December 31, 2011, due to the cancellation of the joint venture agreements with Volvo Car Corporation, which, starting in 2011, required adjusting the value of the investment in this Swedish company to its estimated realizable value, with no impact on the consolidated income statement. As for the Véhicules Electriques Pininfarina Bolloré joint venture, it is no longer included in the investment portfolio, having been sold in the first half of 2011. The negative contributions provided to the consolidated result by these joint ventures totaled 12.2 million euros for the Swedish company and 0.7 million euros for the French company.

The loss before taxes amounted to 10.8 million euros (loss of 32.2 million euros a year earlier). The net loss for the year, after taxes of 0.7 million euros (0.9 million euros at December 31, 2010), decreased to 11.5 million euros, compared with a net loss of 33.1 million euros in 2010.

Net non-current assets totaled 99 million euros, for a decrease of 8.1 million euros compared with the end of 2010, which includes 3.1 million euros in asset writedowns. Working capital was negative by 4 million euros, compared with a negative balance of 18 million euros at December 31, 2010.

The provision for termination indemnities totaled 7.5 million euros, down from 9 million euros at December 31, 2010.

Net capital requirements increased by 9.3%, rising from 80 million euros in 2010 to 87.4 million euros in 2011.

Shareholders' equity contracted by 11.4 million euros, falling from 21 million euros in 2010 to 9.6 million euros at December 31, 2011. The loss incurred in 2011 is the main reason for this reduction.

The net financial position deteriorated, with the negative balance increasing to 77.9 million euros, compared with a negative balance of 59 million euros at December 31, 2010 (-32%). The negative change of 18.9 million euros is chiefly the result of the change in working capital that occurred in 2011 compared with 2010, due to the transformation of the Groups' business from a mainly manufacturing entity into a service oriented organization.

Human Resources and the Environment

The tables below show the Pininfarina Group's workforce at December 31, 2011 broken down by business sector and country.

Breakdown by Business Sector

	Engineering	Operations	Styling	Staff functions	Total
2011	433	118	101	128	780
2010	371	222	115	122	830

Please note that the number shown for the Operations Sector in 2011 does not include 57 employees transferred to B.C. Finizioni Montaggi Carrozzeria S.r.l., effective April 1, 2011, under a contract to lease certain business operations. However, the total staff at December 31, 2011 does include 127 employees enrolled in the long-term unemployment benefit program activated for termination of business activity.

Breakdown by Country

	Italy	Germany	Morocco	China	Total
2011	461	275	41	3	780
2010	576	214	40	0	830

In addition to the staff listed above, Pininfarina Sverige A.B. had 543 employees at December 31, 2011 (592 employees a year earlier).

Research Activities

In 2011, the Group's research and development activities continued to focus on sustainable mobility, pursued through the optimization of vehicle subsystems, which included the presentation of a static demonstration prototype in Shanghai and the development of specific studies of different alternatives of environmentally compatible gearing chains and powertrains. In addition, the Group engaged in international collaborative activities, within the framework of E.U. projects, in the following areas: development of specific systems and components for electric vehicles, activities in the aero-acoustic field for the optimization of high energy efficiency aircraft and optimization and finalization of product development processes and methods. Lastly, research and development activities included the development of new styling research standards, based on feasibility activities in the area of sustainable mobility. The amount invested in research activities totaled about 4 million euros, which was charged in full to income during the year.

Pininfarina S.p.A.

The coverage provided by the Special Layoff Benefits Fund for Crisis Conditions on September 1, 2010 ended on August 31, 2011. However, in light of Pininfarina's ongoing need to address its crisis situation, the Company signed an agreement making the benefits of the Special Layoff Benefits Fund provided under an extension waiver available, for the period from September 1, 2011 to December 31, 2011, to a number of employees that could be as large as the Group's entire staff. This agreement was executed on July 28, 2011 and was followed, on the same date, by an Institutional Agreement with the Piedmont Regional Administration.

In addition, the long-term unemployment benefit program activated in September 2010 expired in August 2011.

In the meantime, at the beginning of 2011, the Company was provided with an opportunity to lease the business operations consisting of the Bairo Canavese plant and 57 production employees to B.C. Finizioni Montaggi Carrozzeria S.r.l. (CECOMP Group). Consequently, on March 14, 2011, it activated the procedure provided by Article 47 of law No. 428 of December 29, 1990 and Legislative Decree No. 18 of February 2, 2001. An agreement to lease the abovementioned business operations from April 1, 2011 to December 31, 2013 was signed on March 22, 2011. As a result, 57 employees of Pininfarina S.p.A. became employees of B.C. S.r.l. as of April 1, 2011.

In October 2011, Pininfarina S.p.A. activated a long-term unemployment benefit procedure for the termination of production activities and staff downsizing that affected 127 employees. On December 2, 2011, following negotiations with the labor unions and the Piedmont Regional Administration, the parties signed an agreement that was sanctioned by the Piedmont Regional Administration in a special memorandum filed on December 19, 2011.

The salient points of the agreement include a waiver allowing access to the Layoff Benefits Fund until April 30, 2012 and, subsequently, the right to apply for availability of the Special Layoff Benefits Fund for 24 months due to partial termination of business activity. While the Special Layoff Benefits Fund is activated, long-term unemployment benefits will be provided to redundant employees, initially based on non-opposition and, upon expiration of eligibility for the Special Layoff Benefits Fund, in accordance with statutory criteria.

In 2011, 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 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 and environmental protection, 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 380,000 euros were earmarked for this purpose for 2012.

The environmental remediation process carried out at the San Giorgio Canavese plant pursuant to the relevant environmental regulations since December 2008, due to an accident involving an underground gasoil pipeline, was completed in 2011.

An environmental survey carried out in 2011, in connection with the contract executed on December 31, 2009 to sell the plot located at 14/18 Via Pininfarina, in Grugliasco, showed that, at one location, the soil exceeded the statutory hydrocarbon parameter of $C > 12$. The Company immediately began implementation of the remediation process required by the relevant environmental regulations, which is currently ongoing.

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 2011, the Company's environmental management system underwent a maintenance audit by an independent party that covered all of the Italian production facilities and was successfully completed.

Performance of the Group's Business Sectors in 2011

Operations Sector

Following the end of the automobile contract manufacturing activities in 2010, the "Manufacturing Sector" was renamed the "Operations Sector." In 2011, the Operations Sector included mainly activities involving the sale of spare parts for cars made in previous years, costs and revenues attributable to corporate departments and sundry transactions with outsiders, including the income from leasing business operations (comprised of the Bairo Canavese plant and 57 employees) used to manufacture electric cars for a car sharing service planned by the Paris municipal administration. A comparison with the data for 2010 should take this change into account..

The Sector's value of production totaled 11.2 million euros (158.2 million euros in 2010), accounting for 18% of consolidated value of production (77% the previous year). EBIT were negative by 1.3 million euros, compared with negative EBIT of 23.7 million euros in 2010 (please note that, in 2010, the Mitsubishi arbitration award had a negative impact of 28.5 million euros on the sector's results, offset in part by a reduction 10.9 million euros in the estimated amount of certain provisions that were no longer necessary, due to the termination of production activities).

In 2011, the Pininfarina Sverige joint venture increased production by 1.2% compared with the previous year, selling a total of 9,640 Volvo C70 automobiles (9,521 cars in 2010).

Services

The service operations, which include design, industrial design and engineering, reported value of production of 50.8 million euros (46.4 million euros at December 31, 2010; +9.5%), accounting for 82% of the Group's total value of production, up from 23% a year earlier (please note that, in 2010, the Group was still engaged in contract car manufacturing activities and, consequently, the contribution provided by the Service Sector accounted for a smaller percentage of the total). The Sector's EBIT were negative by 7.4 million euros, down sharply compared with the previous year, when EBIT were positive by 3.7 million euros. In 2011, the results of the Service Sector were severely penalized by writedowns of receivables and assets related to operations in Italy.

The main activities carried out in Italy by the Service Sector in 2011 are reviewed below.

Design

Ferrari

World debut of the Ferrari FF, at the 2011 Geneva Motor Show, and the Ferrari 458 Spider, at the 2011 Frankfurt Motor Show. Both models were extremely well received by industry operators and the media.

Activities related to production models included, for completed projects, the development of a new model unveiled at the 2012 Geneva Motor Show and, for ongoing projects, development of new styling for the model that will replace the Ferrari California.

As for unique cars, work began on styling research for a new one-off special Ferrari.

De Tomaso

The Deauville styling model was presented at the 2011 Geneva Motor Show.

Chinese Market

Work continued on styling projects for established Chinese customers. A noteworthy project in this market involved the development of concept car unveiled at the 2011 Shanghai Motor Show.

Another highly significant development was the signing of an agreement with a new important customer for car interior activities.

Other Projects

Several projects involving identity design research and creativity and strategy phases were carried out for various international carmakers.

In the area of special projects, the Company signed a contract for the design, development and construction of a car based on a Rolls Royce platform.

A project in the area of non-automotive transportation systems involved the styling definition for a family of busses for an important Turkish carmaker.

In 2011, work got under way on styling research, followed by construction of a prototype, for the new Pininfarina C A M B I A N O concept car, which was presented at the 2012 Geneva Motor Show.

Industrial Design

The main new projects of 2011 included, in the first half of the year: presentation at the “Salon International de la Haute Horlogerie,” in Geneva, of the “Cambiano edition 2011” chronograph, the second product resulting from a collaboration with Bovet in the watchmaking sector; inclusion of a showcase containing Pininfarina products from the 2010 collection in the booth at the Geneva Motor Show; inauguration of a new, large Snidero showroom in Metz, with presentation of the Ola 20 model in a particularly significant market area, such as Northeast France; presence at the Milan Furniture Show with three products: the “Orbital” table for Calligaris, the “PF3” line of waiting lounge seating systems for Ares Line and the “Coupé” chair for Riva 1920; presentation of the Metalco “Antares” photovoltaic charging station, together with the Pininfarina “Nido EV” electric car, at the Mo Tech Eco – Sustainable Mobility Show, in Rome; “Best of the best 2011” award for men’s watches to the Bovet Tourbillon Ottanta by the prestigious U.S. magazine *Robb Report*; radio advertising campaign by Arexons, consisting of about 900 commercials broadcast nationally, consolidating the Arexons-Pininfarina collaborative relationship. The main events of the second half of the year included: presentation of the B62’ boat in connection with the Primatist Trophy in Arbatax; inauguration of the Juventus Stadium in Turin, for which Pininfarina provided the interior design for the western section, which was extremely well received by the public and the press; presentation at the Turin Manufacturers’ Association of the “Exclusive Brands Turin” business work, created to synergistically promote the business activities of 14 small and medium-size companies, each characterized by a prestigious brand tied to the local territory; presence at the São Paulo Boat Show, with the commercial launch of the Schaefer Phantom 620 boat, for which Pininfarina Extra developed the interior design, and presentation of the Company to the local press; presentation of the interior design project for the SSJ100 commuter aircraft built by a Sukhoi and Alenia Aeronautica joint venture, which is expected to begin commercial service in 2012 with Pininfarina-designed interiors (Western configuration); presentation in Buenos Aires of the “Eximia by Pininfarina” line of high-end tires designed for FATE, the leading producer of tires in Argentina; selection of the Snidero Ola20 kitchen as the recipient of the “Good Design Award 2011” by the Chicago

Athenaeum Museum of Architecture and Design, marking the fourth time that Pininfarina and Snaidero were honored with this award, after receiving it in 1996 for the Ola, in 2004 for the Acropolis and in 2006 for the Venus.

Engineering

The engineering operations were involved in the definition of a new organizational model.

Collaboration with an important Chinese customer involving a turnkey project started in 2011.

Work also began on some assignments for the Fiat Group, including responsibility for the engineering development for the dashboard of the Nuova Punto.

A collaborative project with the MPX subsidiary was activated in connection with the supply of platform and bodywork design services to BMW.

Concept Phase activities were carried out for an OEM in an emerging Asian country.

Other projects completed in 2011 included the design phase of the NIDO3 electric concept car and the development of the HYBUS (working demonstration model), which was officially unveiled and was honored by Legambiente as the 2011 example of green innovation on the automotive industry.

In 2011, the engineering operations continued to provide wind-tunnel testing services to non-captive customers, mainly in the automotive area.

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, are shown on page 25 of this Report.
- 2) There were no past-due amounts (trade related, financial or related to tax or employee benefit liabilities) owed by the Pininfarina Group. 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 89 of this Report.
- 4) As explained in the "Overview" section of this Report, in 2011, Pininfarina S.p.A. was not in compliance with the covenants set forth in the Rescheduling Agreement with the Lender Institutions currently in effect. The Company believes that a new agreements will be signed in the coming weeks, which, inter alia, will resolve the issue of the lack of compliance of the 2011 data with the financial covenants currently in effect.
- 5) Information about the plan to restructure the indebtedness of Pininfarina S.p.A. is provided in the "Overview," "Significant Events Occurring Since December 31, 2011" and "Assessment of the Company as a Going Concern and Business Outlook" sections of this Report, on pages 9, 19 and 28 respectively.
- 6) Information about the progress made in implementing the Industrial Plan is provided in the "Overview" and "Assessment of the Company as a Going Concern and Business Outlook" sections of this Report, on pages 9 and 28, respectively.

Group Companies

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

Pininfarina S.p.A.

in millions of euros	12/31/11	12/31/10	Change
Value of production	33.8	182.8	(149.0)
EBIT	(20.4)	(25.4)	5.0
Net profit (loss)	(22.2)	(27.5)	5.3
Net financial position	(82.9)	(60.9)	(22.0)
Shareholders' equity	13.0	35.2	(22.2)
Number of employees at 12/31	440	555	(115)

Pininfarina Extra Group

in millions of euros	12/31/11	12/31/10	Change
Value of production	4.2	4.2	-
EBIT	1.1	1.1	-
Net profit (loss)	0.7	0.7	-
Net financial position	3.3	2.7	0.6
Shareholders' equity	5.1	4.7	0.4
Number of employees at 12/31	21	21	-

Pininfarina Deutschland Group

in millions of euros	12/31/11	12/31/10	Change
Value of production	22.9	16.4	6.5
EBIT	0.9	0.6	0.3
Net profit (loss)	0.8	0.5	0.3
Net financial position	(1.1)	(2.2)	1.1
Shareholders' equity	18.3	17.5	0.8
Number of employees at 12/31	275	214	61

Pininfarina Maroc SAS

in millions of euros	12/31/11	12/31/10	Change
Value of production	2.0	1.2	0.8
EBIT	0.6	0.0	0.6
Net profit (loss)	0.5	0.0	0.5
Net financial position	1.4	0.6	0.8
Shareholders' equity	1.4	0.9	0.5
Number of employees at 12/31	40	39	1

Pininfarina Automotive Engineering Shanghai Co Ltd

in millions of euros	12/31/11	12/31/10	Change
Value of production	0.1	0.0	0.1
EBIT	(0.4)	0.0	(0.4)
Net profit (loss)	(0.4)	0.0	(0.4)
Net financial position	0.1	0.1	-
Shareholders' equity	0.0	0.1	(0.1)
Number of employees at 12/31	3	0	3

This company was established in 2010 and became operational in 2011.

Pininfarina Sverige AB

in millions of euros	12/31/11	12/31/10	Change
Value of production	285.6	260.5	25.1
EBIT	12.1	9.7	2.4
Net profit (loss)	3.5	5.3	(1.8)
Net financial position	13.8	(34.1)	47.9
Shareholders' equity	80.8	76.4	4.4
Number of employees at 12/31	543	592	(49)

Matra Automobile Engineering SAS, which has not been operational since 2008, reported value of production of 0.1 million euros and a net loss of 0.6 million euros at December 31, 2011 (value of production of 0.2 million euros and a net profit of 0.2 million euros in 2010). The net financial position was positive by 1.3 million euros, compared with a positive balance of 0.8 million euros in 2010. At December 31, 2011, Matra Automobile Engineering had 1 employee (who works mainly in Morocco), the same as at the end of 2010.

The 50% interest held in the **Véhicules Electriques Pininfarina Bolloré SAS** joint venture was sold to the Bolloré Group in the first half of 2011.

Significant Events Occurring Since December 31, 2011

A Shareholders' Meeting, convened pursuant to article 2446 of the Italian Civil Code, was held on February 15, 2012. It resolved to postpone a reduction of the Company's share capital for the loss reported at October 31, 2011 and, consequently, agreed to bring forward the abovementioned loss.

On March 21, 2012, Pininfarina S.p.A. received a communication from the counsel to the Lender Institutions informing it that the proposal to amend the Rescheduling Agreement submitted by the Company had been accepted by the technical entities in charge of the negotiations and submitted by them, with a favorable opinion, to the respective governance bodies. The resolution approval process, which should be completed in a few weeks, is currently under way and, as the Company was informed, some of the Lender Institutions have already approved favorable resolutions. Upon completion of this process, Pininfarina S.p.A. will benefit from a substantial recapitalization and a restructuring of its financial debt, which will be rescheduled over a period longer than the one currently in effect and with sharply lower costs. More detailed information about the amendments to the Rescheduling Agreement is provided in the section of this Report entitled "Assessment of the Company as a Going Concern and Business Outlook."

Other Information

As of the close of the 2011 reporting year, Pininfarina Extra S.r.l. was the only Group company that declared the distribution of a dividend to Pininfarina S.p.A., in the amount of 0.6 million euros.

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 regularly updates 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.

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

Operating Performance

Net revenues totaled 53.9 million euros in 2011, or 150.5 million euros less than in the previous year (204.4 million euros).

The change in inventory of finished goods and work in process became positive by 2.8 million euros, as against a negative change of 1.1 million euros in 2010.

Net other income and revenues totaled 5.3 million euros, up from 1.4 million euros a year earlier.

Consolidated value of production amounted to 62 million euros at December 31, 2011, compared with 204.6 million euros last year. The end of the automobile contract manufacturing activities in 2010, which accounted for the lion's share of the value of production is the reason for this decrease. A breakdown of value of production by business sector is provided on page 64.

Operating expenses, including changes in inventory, totaled 24.6 million euros (165.9 million euros at December 31, 2010). The costs incurred in 2010 included the services provided by the employees of De Tomaso Automobili (on Pininfarina's payroll in 2009) mainly for the production of Alfa Romeo and Ford car bodies.

Value added, which in 2011 benefited from the positive impact of a net gain of 8.9 million euros on the disposal of non-current assets and equity investments (net gain of 2.5 million euros in 2010), grew to 46.4 million euros, compared with 41.2 million euros at December 31, 2010, for an increase amounting to 5.2 million euros in absolute terms.

Labor costs decreased to 41.7 million euros, or 12.2% less than in 2010, when they amounted to 47.5 million euros, due mainly to a staff reduction resulting from the leasing by Pininfarina S.p.A. to BC Finizioni Montaggi Carrozzerie S.r.l. of business operations that included 57 employees at the Bairo Canavese plant, effective as of April 1, 2011.

EBITDA were positive by 4.7 million euros in 2010 (+7.6% of value of production), up from negative EBITDA of 6.3 million euros in 2010 (-3% of value of production). It is worth mentioning that the 2011 EBITDA benefited from a gain of 8.9 million euros generated by the sale of the interest held in the Véhicules Electriques Pininfarina Bolloré joint venture, while those reported in 2010 were penalized by a charge of 22.6 million euros for the Mitsubishi arbitration award.

Depreciation and amortization expense decreased to 4.8 million euros, or 7.6 million euros less than the amount in 2010 (12.4 million euros), due mainly to the shutdown of manufacturing activities and a revision in the estimate of the useful lives of some production facilities. This charge was equal to 7.7% of the value of production (6% a year earlier).

Additions to provisions, net of reversals, and writedowns totaled 8.6 million euros (1.4 million euros at December 31, 2010). Additions to provisions increased to 6.2 million euros (4.8 million euros in 2010) and reversals of provisions amounted to 0.7 million euros (10.9 million euros in 2010). Writedowns, which referred to various assets, totaled 3.1 million euros (7.5 million euros in 2010).

As a result, EBIT were negative by 8.7 million euros, compared with negative EBIT of 20 million euros at December 31, 2010. The ratio of EBIT to value of production was -14% (-9.8% in 2010).

Financial transactions generated net financial expense of 2.1 million euros, as against net financial income of 0.7 million euros in 2010. The following factors account for most of this reduction: the absence of interest income generated by the volumes invoiced for the Alfa Romeo production order (ended in November 2010); a drop in interest earned on loans receivable and liquid assets, the amount of which decreased; and higher figurative charges resulting from the debt amortization plan in effect at December 31, 2010.

The account for valuation of investments in associates by the equity method (valuation adjustments) had a zero balance in 2011, due to the cancellation of the joint venture agreement with Volvo Car Corporation, which required adjusting the value of the investment in this Swedish company to its estimated realizable value, with no impact on the consolidated income statement. In addition, the investment in the Véhicules Electriques Pininfarina Bolloré SAS joint venture is no longer included in the investment portfolio, following its sale in the first half of 2011. The charges recognized in 2010 included 12.2 million euros for the Swedish joint venture and 0.7 million euros for the French joint venture.

The loss before taxes amounted to 10.8 million euros (loss of 32.2 million euros the previous year) The net loss for the year, after taxes of 0.7 million euros (0.9 million euros in 2010), decreased to 11.5 million euros, down from a net loss of 33.1 million euros reported in 2010.

Reclassified Consolidated Income Statement

(in thousands of euros)

	Data for				
	2011	%	2010	%	Change
Sales and service revenues	53,895	86.91	204,407	99.89	(150,512)
Changes in inventory and work in progress	2,782	4.49	(1,133)	(0.55)	3,915
Other income and revenues	5,333	8.60	1,359	0.66	3,974
Value of production	62,010	100.00	204,633	100.00	(142,623)
Net gain (loss) on disposal of non-current assets	8,931	14.40	2,453	1.20	6,478
Raw materials and outside services (*)	(24,519)	(39.54)	(161,758)	(79.05)	137,239
Change in inventory of raw materials	(54)	(0.09)	(4,132)	(2.02)	4,078
Value added	46,368	74.78	41,196	20.13	5,172
Labor costs (**)	(41,656)	(67.18)	(47,455)	(23.19)	5,799
EBITDA	4,712	7.59	(6,259)	(3.06)	10,970
Depreciation and amortization	(4,789)	(7.72)	(12,389)	(6.05)	7,600
(Additions)/Utiliz. of provis. and (Writedowns)	(8,613)	(13.89)	(1,350)	(0.66)	(7,263)
EBIT	(8,690)	(14.01)	(19,998)	(9.77)	11,308
Net financial income (expense)	(2,069)	(3.34)	676	0.33	(2,745)
Valuation of investments by the equity method	-	0.00	(12,895)	(6.30)	12,895
Profit (Loss) before taxes	(10,759)	(17.36)	(32,217)	(15.74)	21,458
Income taxes	(726)	(1.17)	(859)	(0.42)	133
Net profit (loss)	(11,485)	(18.53)	(33,076)	(16.16)	21,591

(*) **Raw materials and outside services** is shown net of utilizations of the provisions for warranties and the provisions for risks amounting to 1,616,000 euros in 2010 and 1,698,000 euros in 2011.

(**) **Labor costs** is shown net of the utilization of the provision for restructuring programs for 1,559,000 euros in 2010 and 1,209,000 euros in 2011.

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 Net financial income (expense) and Dividends.

Statement of Financial Position

At December 31, 2011, net capital requirements were 7.5 million euros more than a year earlier, due mainly to a positive change in net invested capital and a decrease in the provision for termination indemnities.

More specifically:

Net non-current assets totaled 99 million euros, reflecting decreases of 0.3 million euros for intangibles, 6.7 million euros for property, plant and equipment (net balance of additions of 0.5 million euros, retirements of 0.1 million euros, depreciation of 4 million euros and writedowns of 3.1 million euros) and 1.1 million euros for non-current financial assets, due to the sale of the investment in the Véhicules Electriques Pininfarina-Bolloré SAS joint venture. Due to the termination of the corresponding joint venture agreement, the interest held in Pininfarina Sverige A.B., is carried at its estimated realizable value, which was unchanged compared with December 31, 2010.

Working capital decreased by 14.1 million euros to a negative balance of 4 million euros (-18.1 million euros at December 31, 2010).

The provision for termination indemnities totaled 7.5 million euros, down from 9.1 million euros at December 31, 2010.

Capital requirements were covered by:

- Shareholders' equity, which decreased by 11.4 million euros, falling from 21 million euros in 2010 to 9.6 million euros at December 31, 2011, due mainly to the loss incurred in 2011;
- The net financial position, which worsened to a negative balance of 77.9 million euros, compared with a negative balance of 59 million euros at December 31, 2010 (-32%). The deterioration of 18.9 million euros is due mainly to the change in working capital dynamics that occurred in 2011, following to the transformation of the Company's business, originally based on manufacturing activities and now focused on the supply of services.

Reclassified Consolidated Statement of Financial Position

(in thousands of euros)

	Data at		
	12/31/11	12/31/10	Change
Net non-current assets (A)			
Net intangible assets	2,761	3,095	(334)
Net property, plant and equipment	66,466	73,190	(6,724)
Equity investments	29,730	30,861	(1,131)
Total A	98,957	107,146	(8,189)
Working capital (B)			
Inventory	3,788	1,419	2,369
Net trade receivables and other receivables	21,692	28,300	(6,608)
Deferred-tax assets	880	1,012	(132)
Trade accounts payable	(14,195)	(34,901)	20,706
Provisions for risks and charges	(9,233)	(7,214)	(2,019)
Other liabilities (*)	(6,917)	(6,662)	(255)
Total B	(3,985)	(18,046)	14,061
Net invested capital (C=A+B)	94,972	89,100	5,871
Provision for termination indemnities (D)	7,545	9,121	(1,576)
Net capital requirements (E=C-D)	87,427	79,979	7,448
Shareholders' equity (F)	9,556	21,004	(11,447)
Net financial position (G)			
Long-term debt	17,340	173,036	(155,696)
(Net liquid assets)/Net borrowings	60,530	(114,061)	174,591
Total G	77,870	58,975	18,895
Total as in E (H=F+G)	87,427	79,979	7,448

(*) Other liabilities includes the following balance sheet items: Deferred taxes, Other payables, Provision for current taxes and Sundry liabilities.

Financial Performance

The deterioration of 18.9 million euros is due mainly to new working capital dynamics, which changed drastically due to the transformation of the Company's business, originally based on manufacturing activities and now focused on the supply of services.

Consolidated Net Financial Position

(in thousands of euros)

	Data at		
	12/31/11	12/31/10	Change
Cash and cash equivalents	90,729	86,374	4,355
Current assets held for trading	46,042	47,832	(1,790)
Current loans receivable and other receivables	11,292	10,988	304
Loans receivable from related parties and joint ventures	8,952	17,904	(8,952)
Due to banks for overdraft facilities	(17,970)	(26,000)	8,030
Current liabilities under finance leases	(130,729)	(12,200)	(118,529)
Current portion of long-term bank debt	(68,846)	(10,837)	(58,009)
Net liquid assets/(Net borrowings)	(60,530)	114,061	(174,591)
Long-term loans and other receivables from outsiders	-	11,292	(11,292)
Long-term loans and other receivables from related parties and joint ventures	-	8,952	(8,952)
Held-to-maturity non-current assets	257	257	-
Non-current liabilities under finance leases	-	(116,131)	116,131
Long-term bank debt	(17,597)	(77,406)	59,809
Net long-term debt	(17,340)	(173,036)	155,696
NET FINANCIAL POSITION	(77,870)	(58,975)	(18,895)

Consolidated Net Borrowings

(CESR/05-04b recommendations – E.U. Regulation No. 809/2004

(in thousands of euros)

	Data at		Change
	12/31/11	12/31/10	
A. Cash	(90,729)	(86,374)	(4,355)
B. Other liquid assets	-	-	-
C. Securities held for trading	(46,042)	(47,832)	1,790
D. Total liquid fund (A.)+(B.)+(C.)	(136,771)	(134,206)	(2,565)
E. Current financial receivables	(20,244)	(28,892)	8,648
F. Short-term bank account overdrafts	17,970	26,000	(8,030)
Current portion of secured bank loans	7,555	5,037	2,518
Current portion of unsecured bank loans	61,291	5,800	55,491
G. Current portion of non-current debt	68,846	10,837	58,009
H. Other current financial payables	130,729	12,200	118,529
I. Current financial debt (F.)+(G.)+(H.)	217,545	49,037	168,508
J. Debt / Net current Financial (Position)	60,530	(114,062)	174,592
Non-current portion of secured bank loans	17,597	22,783	(5,186)
Non-current portion of unsecured bank loans	-	54,623	(54,623)
K. Non-current bank account overdrafts	17,597	77,406	(59,809)
L. Bonds issued	-	-	-
M. Other non-current financial payables	-	116,131	(116,131)
N. Non-current net financial debt (K.)+(L.)+(M.)	17,597	193,537	(175,940)
O. Net financial debt (J+N)	78,127	79,475	(1,348)

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 2010 and 2011 is shown below:

- At December 31, 2010: 20,500,000 euros
- At December 31, 2011: 257,000 euros

Consolidated Statement of Cash Flows (*)

	2011	2010
Profit (loss) for the period	(11,484,934)	(33,076,486)
- Income taxes	725,909	859,159
- Depreciation of property, plant and equipment	4,043,105	11,592,933
- Amortization of intangibles	745,668	796,431
- Writedowns and additions to provisions	4,039,877	(7,381,569)
- (Gains) Losses on sale of non-current assets	(8,930,609)	(2,693,575)
- Financial expense	4,990,111	3,585,274
- (Financial income)	(3,374,560)	(4,162,744)
- (Dividends)	-	(98,175)
- Value adjustment to shareholders' equity	-	12,895,036
- Other restatements	335,766	335,766
Total Restatements	2,574,803	15,728,536
Changes in working capital		
- (Increase) / decrease inventories	71,586	6,843,416
- (Increase) / decrease contract work in progress	(2,346,299)	689,291
- (Increase) / decrease trade accounts receivable and other receivables	4,311,980	29,485,761
- (Increase) / decrease accounts receivable from joint ventures	1,727,442	1,129,588
- Increase / (decrease) trade accounts payable	(21,119,679)	(32,520,134)
- increase / (decrease) accounts payable to joint ventures	(24,935)	(13,053)
- Other changes	528,93	983,134
Total changes in working capital	16,850,975	6,598,003
Cash flow from operating activities	(25,761,106)	(10,749,947)
(Financial expense)	(1,714,569)	(1,648,978)
(Income taxes)	(431,100)	(461,383)
Net cash flow used in operating activities	(27,906,775)	(12,860,308)
- Purchases of property, plant and equipment	(901,940)	(1,639,637)
- Proceeds from sale of property, plant and equipment	10,112,456	3,139,185
- Non-current loans receivable from borrowers outside the Group	10,988,228	59,472,169
- Non-current loans receivable from joint ventures	18,407,383	18,787,082
- Financial income	2,536,055	2,944,075
- Dividends	-	98,175
- Other equity investments	1,790,320	3,965,878
Net cash used in investing activities	42,932,502	86,366,927
- Proceeds from the issuance of shares	-	-
- Borrowings from lenders outside the Group	(2,678,841)	(56,631,948)
- Other non-cash items	37,645	18,273
Net cash used in financing activities	(2,641,196)	(58,613,675)
Increase (Decrease) in cash and cash equivalents	12,384,531	14,892,944
- Cash and cash equivalents at beginning of the year	60,374,129	45,481,185
Net cash and cash equivalents at end of the year	72,758,660	60,374,185
<i>Composed by:</i>		
Cash and cash equivalents	90,728,823	86,374,129
Bank account overdrafts	(17,970,163)	(26,000,000)

(*) Pursuant to Paragraph 7 of IAS 7 – Statement of Cash Flows, 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 6, 10 and 16 (a) to the financial statements of the Pininfarina Group.

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

1. The New 2012-2018 Industrial Plan and the Amendments to the Rescheduling Agreement

In 2011, the Italian and international economic context within which the Group has been operating proved to be profoundly different from the one projected in the 2008-2017 Industrial and Financial Plan, upon which the agreements executed with the Lender Institutions on December 31, 2008 were based.

The completion of the process launched in 2009 requires the Company to change from an entity that derived its results mainly from manufacturing activities, with a typically industrial asset structure, into a service business that needs a different organization and is characterized by activity volumes and cash flows that are not comparable with those it generated in its previous incarnation.

While some of the major projections of the 2008-2017 Industrial and Financial Plan were realized (closing of the contract manufacturing activities, corporate restructuring consistent with the Group's changed mission, compliance with repayment obligations vis-à-vis credit institutions under the Rescheduling Agreement and with the financial covenants in 2009 and 2010), the considerable delay in the development of a market for electric cars - cornerstone of the Pininfarina Industrial Plan starting in 2012 - coupled with strong competition at the global level for the supply of engineering and styling services to the automotive industry, is having a significant negative impact on the operating results, financial position and cash flow of the Group and Pininfarina S.p.A. in particular.

Operating losses, caused mainly by extraordinary items related to the shutdown of the production activities and writedowns of equity investments in France, Sweden and Morocco, gradually reduced shareholders' equity in 2009 and 2010.

Most of the loss incurred by Pininfarina S.p.A. in 2011 is attributable to the operating difficulties faced by the engineering sector in an environment characterized by the virtual absence of a domestic market and extremely strong international competition. The long-term unemployment benefit procedure activated by the Group's Parent Company on October 11, 2011, which affected 127 employees of the former production sector and related services, contributed to increase the loss for the period by 3.9 million euros due to the effect of the addition made to the restructuring provision.

In view of the considerations expressed above and taking into account the accounting data at September 30, 2011, the failure to comply with the covenants of the 2008 Rescheduling Agreement, based on the financial statements at December 31, 2011, and future economic and financial projections, it has become necessary to amend the 2008 Industrial Plan, in order to reach a new agreement with the Lender Institutions, which will be carried out by amending the 2008 Rescheduling Agreement. The goal is to realign the debt repayment cash flow with the operating cash flow projected in the new Industrial Plan, with sustainable repayment timing and costs, and thus ensure the viability as a going concern of Pininfarina S.p.A.

Therefore, the Company, with the support of the advisor Roland Berger, prepared a new 2012-2018 Industrial Plan, the guidelines of which were approved by the Board of Directors on November 14, 2011. The salient points of the new Industrial Plan, which reflect the business realities faced in 2011, are summarized below:

- Strengthening the Company's engineering and styling operations by implementing the technical and commercial linkage with the German subsidiaries, with the aim to help them seize growth opportunities provided by their favorable position in an active and growing market.
- Further developing the styling and engineering activities in the Asian market, relying in part on the operational growth of a subsidiary established in China at the end of 2010.

- Expanding in the delivery of engineering services in the *E-mobility* market by leveraging the competencies and knowhow acquired in the design of electric cars (*Blue Car* and *Nido*) and buses.
- Maximizing the value of the Group's traditional "*art direction*" activities by deploying dedicated resources and developing *brand licensing* arrangements in partnerships with external players, building on the strength of Pininfarina's image and brand, which are known worldwide.

The Company believes that these strategic objectives, which are consistent with the approach currently pursued, are reasonably achievable over the medium term.

The program implemented to reduce the losses and those required to reposition the Company's business are aimed at significantly downsizing the Group's staff directly employed in production activities and support services, while steadily lowering operating costs. Faced with a considerable delay in the development of the global market for electric cars, cornerstone of the 2008-2017 Industrial Plan, the Company succeeded in replacing the missing orders expected in this area with an income-producing use of some of its assets that involved leasing certain business operations, which included the Bairo Canavese plant and 57 production employees, to B.C. Finizioni Montaggi Carrozzeria S.r.l., a Cecom Group company.

Based on the guidelines of the new 2012-2018 Industrial Plan, work has begun on drafting a new Financial Plan, with the support of the advisor Banca Leonardo & Co. The Plan's content was the subject of constructive discussions between the Lender Institutions and the Company during the November 2011 – March 2012 period.

The abovementioned negotiations resulted in the definition of a *Term Sheet* with the Lender Institutions, the highlights of which concern:

- the utilization of any liquidity in excess of operating needs immediately to service the debt owed to the Financial Institutions;
- the rescheduling of the medium/long-term debt with a 2012-2018 amortization plan (compared with the current plan calling for final repayment by 2015), consistent with the cash flows projected over the horizon of the new Plan;
- the rescheduling of the existing overdraft facilities to 2018, albeit for a smaller amount, and their transformation into medium/long-term debt maturing in 2018;
- a substantial reduction of the interest rates applied to the entire debt, currently charged at market rates.

In this regard, please note that, on March 21, 2012, Pininfarina S.p.A. received a communication from the counsel to the Lender Institutions informing it that the proposal to amend the Rescheduling Agreement submitted by the Company had been accepted by the technical entities in charge of the negotiations and submitted by them, with a favorable opinion, to the respective governance bodies. The resolution approval process, which should be completed in a few weeks, is currently under way and, as the Company was informed, some of the Lender Institutions have already approved favorable resolutions.

2. Situation Governed by Article 2446 of the Italian Civil Code and Recapitalization of Pininfarina S.p.A.

The Board of Directors of Pininfarina S.p.A., meeting on December 19, 2011 to review the operating results and financial position of Pininfarina S.p.A. at October 31, 2011, agreed to convene an Ordinary Shareholders' Meeting on January 24, 2012, on the first calling, and on February 15, 2012, on the second

calling, having on its Agenda resolutions concerning the issues governed by Article 2446 of the Italian Civil Code.

The Shareholders' Meeting, convened on the second calling, agreed to bring forward the loss at October 31, 2011, amounting to 16,928,528 euros.

The restructuring of the indebtedness owed to the Lender Institutions described above represents a substantial modification of the terms of the financial liabilities in accordance with IAS 39 – Financial Instruments: Recognition and Measurement. In accordance with paragraphs 40 and 41 of the abovementioned principle, a substantial modification of the terms shall be accounted for as an extinguishment of the carrying amount of the liability resulting from the 2008 Rescheduling Agreement, with the new liability recognized at fair value and the resulting positive difference recognized as a gain in the income statement. The fair value of the new liability is determined by discounting to their present value the contractual cash flows resulting from the agreement amending the Rescheduling Agreement, using a market rate consistent with the credit rating of the borrower. The resulting recapitalization will be substantial and significantly larger than the share capital amount.

3. Business Outlook for 2012

In 2012, the value of production is expected to be substantially in line with the consolidated amount reported in 2011. EBIT will remain negative, but the loss will be smaller than in 2011, due mainly to continuing challenges faced in developing the automotive activities in Italy.

On the other hand, the implementation of the amendments to the existing Rescheduling Agreement will bring a significant benefit in terms of financial performance, which is expected to help produce a solidly positive net result, made possible by the recapitalization of the Group and the Company.

The net financial position at the end of 2012 is expected to show a deterioration compared with 2011, due to working capital dynamics; as a result of the amendments to the Rescheduling Agreement, the gross debt owed to the Lender Institutions is expected to decrease significantly, mirroring a corresponding reduction in liquid assets needed to service the debt.

The implementation of the amendments to the Rescheduling Agreement will also result in the adoption of new financial covenants, different from those currently in effect. The Company expects to be in compliance with the new covenants in 2012.

4. Conclusions About the Company's Going Concern Viability

The Board of Directors of Pininfarina S.p.A., considering all of the circumstances outlined above, wishes to emphasize that the planned amendment to the Rescheduling Agreement with the Lender Institutions will allow the recapitalization of the Company and the Group and restore more balanced long-term cash flows earmarked for debt repayment.

Considering the results reported in 2011 and the events that took place after December 31, 2011, having performed the required reviews and assessed the relevant uncertainties, the Directors have a reasonable expectation that the Group and the Company will still have adequate resources to continue operating in the foreseeable future and that there are concrete possibilities that they may bring to a successful conclusion the current financial and business restructuring process.

For the reasons, the Board of Directors is continuing to adopt the going concern assumption in the preparation of the financial statements.

MOTION TO COVER THE NET LOSS

The 2011 reporting year ended with a loss of 22,165,315 euros, which we recommend that you agree to bring forward.

Turin, March 22, 2012

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

Consolidated Financial Statements

at December 31, 2011

Consolidated Statement of Financial Position (*)

	Note ref.	12/31/11	12/31/10
Land and buildings	1	59,332,176	61,033,633
Land		16,984,045	16,984,045
Buildings		33,092,536	34,435,444
Leased property		9,255,595	9,914,143
Plant and machinery	1	5,681,546	10,555,592
Machinery		312,357	408,723
Plant		5,369,189	10,146,870
Leased machinery and equipment		-	-
Furniture, fixtures and other property, plant and equipment	1	1,452,409	1,600,868
Furniture and fixtures		256,251	287,399
Hardware & software		738,960	779,718
Other property, plant and equipment (including vehicles)		457,198	533,751
Assets under construction	1	-	-
Property, plant and equipment		66,466,131	73,190,093
Goodwill	2	1,043,495	1,043,495
Licenses and trademarks	2	1,506,384	1,784,778
Other intangibles	2	211,441	266,491
Intangible assets		2,761,320	3,094,764
Joint ventures	3	29,477,683	30,609,018
Other companies	4	252,017	251,717
Equity investments		29,729,700	30,860,735
Deferred-tax assets	18	880,328	1,011,828
Held-to-maturity long-term investments	5	257,247	257,485
Loans and other receivables from:	6	-	20,244,365
Outsiders		-	11,292,276
Related parties and joint ventures		-	8,952,089
Available-for-sale non-current financial assets		-	-
Non-current financial assets		257,247	20,501,850
TOTAL NON-CURRENT ASSETS		100,094,726	128,659,270
Raw materials		118,149	171,776
Work in process		-	-
Finished goods		723,380	646,517
Inventory	8	841,529	818,293
Contract work in progress	9	2,946,839	600,540
Current assets held for trading	7	46,041,811	47,831,894
Current loans receivables and other receivables from:	6	20,244,365	28,892,406
Outsiders		11,292,276	10,988,228
Related parties and joint ventures		8,952,089	17,904,178
Available-for-sale current financial assets		-	-
Current financial assets		66,286,176	76,724,300
Financial derivatives		-	-
Trade receivables from:	10	14,792,307	19,927,420
Outsiders		14,792,307	18,199,977
Related parties and joint ventures		-	1,727,442
Other receivables	11	6,899,951	8,372,829
Trade receivables and other receivables		21,692,258	28,300,249
Cash on hand		1,216,032	1,838,205
Short-term bank deposits		89,512,791	84,535,924
Cash and cash equivalents	12	90,728,823	86,374,129
TOTAL CURRENT ASSETS		182,495,625	192,817,511
Held-for-sale non-current assets		-	-
TOTAL ASSETS		282,590,351	321,476,781

Consolidated Statement of Financial Position (*)

	Note ref.	12/31/11	12/31/10
Common shares	13	30,150,694	30,150,694
Additional paid-in capital	13	-	16,077,451
Reserve for treasury stock	13	175,697	175,697
Statutory reserve	13	2,231,389	2,231,389
Reserve for currency translations	13	2,601,548	2,563,904
Other reserves	13	2,646,208	7,874,050
Retained earnings	13	(16,764,106)	(4,992,913)
Profit (Loss) for the year	13	(11,484,934)	(33,076,486)
GROUP INTEREST IN SHAREHOLDERS' EQUITY		9,556,496	21,003,786
Minority interest in shareholders' equity		-	-
TOTAL SHAREHOLDERS' EQUITY		9,556,496	21,003,786
Liabilities under finance leases		-	116,131,206
Other indebtedness owed to:		17,595,714	77,405,750
Outsiders		17,595,714	77,405,750
Related parties and joint ventures		-	-
Long-term borrowings	14	17,595,714	193,536,956
Deferred-tax liabilities	18	1,813	1,566
Provision for termination indemnities		7,547,822	9,122,951
Other		-	-
Provision for termination indemnities	15	7,547,822	9,122,951
TOTAL NON-CURRENT LIABILITIES		25,145,349	202,661,473
Bank account overdrafts		17,970,163	26,000,000
Liabilities under finance leases		130,728,552	12,199,807
Bonds outstanding and other borrowings owed to:		68,846,302	10,837,102
Outsiders		68,846,302	10,837,102
Related parties and joint ventures		-	-
Current borrowings	14	217,545,017	49,036,909
Wages and salaries		1,595,389	2,153,925
Due to social security institutions		1,844,526	1,487,468
Vacation days, sick days and personal days		1,981,266	1,516,775
Other payables	16	5,421,181	5,158,168
Accounts payable to outsiders		11,471,833	33,003,933
Account payable to associated companies and joint ventures		20,670	45,605
Advances received for work in progress		2,702,338	1,851,082
Trade accounts payable	16	14,194,841	34,900,620
Direct taxes		164,710	42,807
Other taxes		645,800	924,647
Provision for current taxes	16	810,510	967,454
Financial derivatives		-	-
Provision for warranties		267,255	569,010
Provision for restructuring programs		4,934,179	2,405,194
Other provisions		4,031,706	4,239,758
Provision for other liabilities and charges	17	9,233,140	7,213,962
Other liabilities		683,817	534,410
TOTAL CURRENT LIABILITIES		247,888,506	97,811,523
TOTAL LIABILITIES		273,033,855	300,472,995
Liabilities attributable to held-for-sale assets		-	-
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		282,590,351	321,476,781

(*) Pursuant to 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 Income Statement (*)

	Note ref.	2011	2010
Sales and service revenues	19	53,894,967	204,406,919
Increase in Company-produced non-current assets		-	-
Change in inventories of finished goods and work in progress		2,782,041	(1,132,505)
Change in contract work in progress		2,761,847	(215,331)
Change in inventories of work in progress, semifinished and finished goods		20,194	(917,174)
Other income and revenues	20	5,332,930	1,358,145
Total value of production		62,009,937	204,632,559
Gain on the sales of non-current assets	21	8,868,655	2,693,575
<i>Amount earned on the sale of equity investments</i>		8,868,665	2,626,044
Raw materials and components		(5,780,546)	(120,790,160)
Change in inventories of raw materials, subsidiary materials and consumables		(53,627)	(4,131,798)
Provision for inventory risk		-	(415,198)
Raw materials and consumables used		(5,834,173)	(125,337,156)
Consumables		(623,177)	(1,193,865)
External maintenance costs		(925,760)	(1,024,835)
Other variable production costs		(1,548,937)	(2,218,700)
External variable engineering services		(5,508,519)	(3,642,603)
Production staff, office staff and managers		(39,612,377)	(40,918,647)
Independent contractors		-	(4,448,696)
Social security and other post-employment benefits		(2,043,742)	(2,088,072)
Wages, salaries and employee benefits	22	(41,656,120)	(47,455,415)
Depreciation of property, plant and equipment		(4,043,107)	(11,592,933)
Amortization of intangibles		(745,668)	(240,802)
Loss on disposals of property, plant and equipment		(102)	(796,431)
Additions to provisions/Writedowns	23	(8,613,392)	(933,922)
Depreciation, amortization and writedowns		(13,402,268)	(13,564,088)
Foreign exchange gains (losses)		(3,130)	(162,843)
Other expenses	24	(11,678,108)	(34,943,265)
Profit (Loss) from operations		(8,690,606)	(19,997,936)
Financial income (expense), net	25	(2,068,420)	577,470
Dividends	26	-	98,175
Valuation of equity investment by the equity method	27	-	(12,895,036)
Profit (Loss) before taxes		(10,759,026)	(32,217,327)
Income taxes for the year	18	(725,909)	(859,159)
Profit (Loss) for the year		(11,484,934)	(33,076,486)
Attributable to:			
- Shareholders of the controlling company		(11,484,934)	(33,076,486)
- Minority interest		-	-
Profit (loss) diluted for share			
- Profit (Loss) for the year		(11,484,934)	(33,076,486)
- Number of common shares net		30,150,694	30,150,694
- Basic earnings (loss) diluted per share		(0.38)	(1.10)

(*) Pursuant to 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 and in the Note entitled "Other Information."

Consolidated Statement of Comprehensive Income

	2011	2010
Profit (Loss) for the year	(11,484,934)	(33,076,486)
Other components of comprehensive net profit (loss)		
Gains (Losses) from translation of financial statements of foreign value - IAS 21	37,643	5,339,602
Other	-	-
Total components in total comprehensive net profit (loss)	37,643	5,339,602
TOTAL COMPREHENSIVE NET PROFIT (LOSS)	(11,447,291)	(27,736,884)
- Shareholders of the controlling company	(11,447,291)	(27,736,884)
- Minority interest	-	-

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

	Note ref.	2011	Amt.with related parties	2010	Amt.with related parties
Sales and service revenues	19	53,894,967	989,010	204,406,919	1,557,710
Increase in Company-produced non-current assets		-		-	
Change in inventories of finished goods and work in progress		2,782,041	-	(1,132,505)	-
Change in contract work in progress		2,761,847		(215,331)	
Change in inventories of work in progress, semifinished and finished goods		20,194		(917,174)	
Other income and revenues	20	5,332,930		1,358,145	
Total value of production		62,009,937	989,010	204,632,559	1,557,710
Gain on the sales of non-current assets	21	8,930,711		2,693,575	
Amount earned on the sale of equity investments		8,868,665		2,626,044	
Raw materials and components		(5,780,546)		(120,790,160)	
Change in inventories of raw materials, subsidiary materials and consumables		(53,627)		(4,131,798)	
Provision for inventory risk		-		(415,198)	
Raw materials and consumables used		(5834,173)	-	(125,337,156)	-
Consumables		(623,177)		(1,193,865)	
External maintenance costs		(925,760)		(1,024,835)	
Other variable production costs		(1,548,937)	-	(2,218,700)	-
External variable engineering services		(5,508,519)	(83,031)	(3,642,603)	(104,319)
Production staff, office staff and managers		(39,612,377)		(40,918,647)	
Independent contractors		-		(4,448,696)	
Social security and other post-employment benefits		(2,043,742)		(2,088,072)	
Wages, salaries and employee benefits	22	(41,656,120)	-	(47,455,415)	-
Depreciation of property, plant and equipment		(4,043,107)		(11,592,933)	
Amortization of intangibles		(102)		(240,802)	
Loss on disposals of property, plant and equipment		(745,668)		(796,431)	
Additions to provisions/Writedowns	23	(8,613,392)		(933,922)	
Depreciation, amortization and writedowns		(13,402,268)	-	(13,564,088)	-
Foreign exchange gains (losses)		(3,130)		(162,843)	
Other expenses	24	(11,678,108)		(34,943,265)	
Profit (Loss) from operations		(8,690,606)	905,979	(19,997,936)	1,453,391
Financial income (expense), net	25	(2,068,420)	503,204	577,470	882,904
Dividends	26	-		98,175	
Valuation of equity investment by the equity method	27	-		(12,895,036)	
Profit (Loss) before taxes		(10,759,026)	1,409,183	(32,217,327)	2,336,295
Income taxes for the year	18	(725,909)		(859,159)	
Profit (Loss) for the year		(11,484,934)	1,409,183	(33,076,486)	2,336,295

Statement of Changes in Consolidated Shareholders' Equity

	12/31/08	Total Profit (Loss) for the year	Translation restatements	Capital increase	Capital increase expenses	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
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	-	-	(30,746,706)
GROUP INTEREST IN SHAREHOLDERS' EQUITY	10,005,676	(28,557,623)	400	69,846,334	(2,554,501)	48,740,285
Minority interest in profit and res.	-	-	-	-	-	-
TOTAL SHAREHOLDERS' EQUITY	10,005,676	(28,557,623)	400	69,846,334	(2,554,501)	48,740,285

	12/31/09	Total Profit (Loss) for the year	Translation restatements	Capital increase	Capital increase expenses	12/31/10
Common shares	30,150,694	-	-	-	-	30,150,694
Additional paid-in capital	46,442,181	-	(30,364,730)	-	-	16,077,451
Reserve for treasury stock	175,697	-	-	-	-	175,697
Statutory reserve	2,231,389	-	-	-	-	2,231,389
Reserve for currency translat.	(2,775,698)	5,339,602	-	-	-	2,563,904
Other reserves	7,873,665	-	385	-	-	7,874,050
Retained earnings	(4,610,937)	-	(381,976)	-	-	(4,992,913)
Profit (Loss) for the year	(30,746,706)	(33,076,486)	30,746,706	-	-	(33,076,486)
GROUP INTEREST IN SHAREHOLDERS' EQUITY	48,740,285	(27,736,884)	385	-	-	21,003,786
Minority interest in profit and res.	-	-	-	-	-	-
TOTAL SHAREHOLDERS' EQUITY	48,740,285	(27,736,884)	385	-	-	21,003,786

	12/31/10	Total Profit (Loss) for the year	Translation restatements	Capital increase	Capital increase expenses	12/31/11
Common shares	30,150,694	-	-	-	-	30,150,694
Additional paid-in capital	16,077,451	-	(16,077,451)	-	-	-
Reserve for treasury stock	175,697	-	-	-	-	175,697
Statutory reserve	2,231,389	-	-	-	-	2,231,389
Reserve for currency translat.	2,563,904	37,644	-	-	-	2,601,548
Other reserves	7,874,050	-	(5,227,842)	-	-	2,646,208
Retained earnings	(4,992,913)	-	(11,771,193)	-	-	(16,764,106)
Profit (Loss) for the year	(33,076,486)	(11,484,934)	33,076,486	-	-	(11,484,934)
GROUP INTEREST IN SHAREHOLDERS' EQUITY	21,003,786	(11,447,290)	-	-	-	9,556,496
Minority interest in profit and res.	-	-	-	-	-	-
TOTAL SHAREHOLDERS' EQUITY	21,003,786	(11,447,290)	-	-	-	9,556,496

Consolidated Statement of Cash Flows (*)

	2011	2010
Profit (loss) for the period	(11,484,934)	(33,076,486)
- Income taxes	725,909	859,159
- Depreciation of property, plant and equipment	4,043,105	11,592,933
- Amortization of intangibles	745,668	796,431
- Writedowns and additions to provisions	4,039,877	(7,381,569)
- (Gains) Losses on sale of non-current assets	(8,930,609)	(2,693,575)
- Financial expense	4,990,111	3,585,274
- (Financial income)	(3,374,560)	(4,162,744)
- (Dividends)	-	(98,175)
- Value adjustment to shareholders' equity	-	12,895,036
- Other restatements	335,766	335,766
Total Restatements	2,574,803	15,728,536
Changes in working capital		
- (Increase) / decrease inventories	71,586	6,843,416
- (Increase) / decrease contract work in progress	(2,346,299)	689,291
- (Increase) / decrease trade accounts receivable and other receivable	4,311,980	29,485,761
- (Increase) / decrease accounts receivable from joint ventures	1,727,442	1,129,588
- Increase / (decrease) trade accounts payable	(21,119,679)	(32,520,134)
- increase / (decrease) accounts payable to joint ventures	(24,935)	(13,053)
- Other changes	528,93	983,134
Total changes in working capital	16,850,975	6,598,003
Cash flow from operating activities	(25,761,106)	(10,749,947)
(Financial expense)	(1,714,569)	(1,648,978)
(Income taxes)	(431,100)	(461,383)
Net cash flow used in operating activities	(27,906,775)	(12,860,308)
- Purchases of property, plant and equipment	(901,940)	(1,639,637)
- Proceeds from sale of property, plant and equipment	10,112,456	3,139,185
- Non-current loans receivable from borrowers outside the Group	10,988,228	59,472,169
- Non-current loans receivable from joint ventures	18,407,383	18,787,082
- Financial income	2,536,055	2,944,075
- Dividends	-	98,175
- Other equity investments	1,790,320	3,965,878
Net cash used in investing activities	42,932,502	86,366,927
- Proceeds from the issuance of shares	-	-
- Borrowings from lenders outside the Group	(2,678,841)	(56,631,948)
- Other non-cash items	37,645	18,273
Net cash used in financing activities	(2,641,196)	(58,613,675)
Increase (Decrease) in cash and cash equivalents	12,384,531	14,892,944
- Cash and cash equivalents at beginning of the year	60,374,129	45,481,185
Net cash and cash equivalents at end of the year	72,758,660	60,374,185
<i>Composed by:</i>		
Cash and cash equivalents	90,728,823	86,374,129
Bank account overdrafts	(17,970,163)	(26,000,000)

(*) Pursuant to 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 6, 10 and 16 (a) to the financial statements of the Pininfarina Group.

Notes to the Consolidated Financial Statements

GENERAL INFORMATION

Foreword

The core business of the Pininfarina Group (hereinafter the "Group") 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 process of developing new products - design, planning, development, industrialization and manufacturing - or to provide support separately during any one of these phases with the utmost flexibility.

Pininfarina S.p.A., the Group's Parent Company, is listed on Borsa Italiana. Its headquarters are located at 6 via Bruno Buozzi, in Turin. Market investors own 22.66% of its share capital, with the remaining 77.34% held by the following shareholders:

- Pincar S.r.l. 76.06%. Pursuant to the Framework Agreement of December 31, 2008, the shares held by Pincar S.r.l. are encumbered by a senior pledge, without voting rights, for the benefit of the Lender Institutions of Pininfarina S.p.A.
- Segi S.r.l., controlling company of Pincar S.r.l. 0.60%.
- Seglap S.s. 0.63%.
- Treasury shares held by Pininfarina S.p.A. 0.05%.

A complete list of the companies included in the Group, with their complete name and address, is provided on page 93.

The consolidated financial statements of the Group are presented in euros, which is the functional and presentation currency of the Group's Parent Company, which is where most of the activities and consolidated revenues are concentrated, and its main subsidiaries.

The publication of these financial statements was authorized by the Board of Directors of Pininfarina S.p.A. on March 22, 2012.

Financial Statement Schedules

Consistent with the recommendations of IAS 1 – Presentation of Financial Statements, the consolidated financial statements use the same schedules as those of Pininfarina S.p.A., the Group's Parent Company, which include the following:

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

Moreover, as required by Consob Resolution No. 15519 of July 28, 2006, the Group presents the following information in separate schedules:

- The effects of nonrecurring events or transactions or of transactions or events that are not repeated frequently in the normal course of business (pages 90 and 91).

- The effects of transactions or positions with related parties on the income statement and cash flow, as classified by IAS 24 – Related Party Disclosures (pages 36, 37, 39 and 41).
Related-party transactions affecting the statement of financial position are not presented in a separate schedule because they are listed as separate items on the consolidated statement of financial position shown on pages 36 and 37.
- The net financial position balance, with a breakdown of the main components and a listing of amounts payable to or receivable from related parties, is provided on page 25, in the Report on Operations.

Accounting Principles

The consolidated financial statements were prepared based on the going concern assumption, which the Board of Directors deemed appropriate. For exhaustive information, please see the section of the Report on Operations that deals with this issue in detail.

The consolidated financial statements at December 31, 2011 were prepared in accordance with the International Financial Reporting Standards (“IFRSs”), as issued by the International Accounting Standards Board (“IASB”) and adopted by the European Union, and are consistent with the regulations enacted to implement Article 9 of Legislative Decree No. 38/2005.

The designation IFRSs includes the International Financial Reporting Standards, the International Accounting Standards (“IAS”) and all of the interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”), previously called the Standing Interpretation Committee (“SIC”), adopted by the European Commission as of the date of meeting of the Board of Directors convened to approve the draft financial statements and listed in the applicable regulations published by the European Union as of the abovementioned date.

The consolidated financial statements were prepared in accordance with the general principle of the historical cost, except for those items that, pursuant to the IFRSs, must be measured at fair value, as explained below in the section of this Report on valuation criteria.

The accounting principles adopted to prepare the consolidated financial statements at December 31, 2011 are the same as those used for the previous year's financial statements. In addition, the financial statements for the 2011 reporting year were prepared taking into account new accounting principles, new interpretations and amendments to existing principles the adoption of which is mandatory for reporting periods ending after January 1, 2011.

Accounting Principles, Amendments and Interpretations in Effect as of January 1, 2011 that Are not Applicable to the Group

The following amendments, improvements and interpretation, in effect as of January 1, 2011, apply to situations and issues that did not exist within the Group as of the date of this Annual Financial Report, but could have accounting effects on future transactions or agreements.

- IAS 24 – Related Party Disclosures;
- Financial Instruments: Presentation: Classification of Rights Issue: Amendment to IAS 32;
- Prepayments of a Minimum Funding Requirement: Amendment to IFRIC 14;
- IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments;
- Improvements to IAS/IFRS (2010).

The amended and new standards and interpretations listed above had no impact on the Group's financial statements at December 31, 2011, nor on any transaction executed up to the date when these financial statements were approved. The accounting principles, amendments and interpretations applicable in reporting years after December 31, 2011 are not expected to have a material impact on the Group's financial disclosures. The Group did not opt for early adoption of any accounting principle, amendment or interpretation.

VALUATION CRITERIA

Consolidated Financial Statements

The consolidated financial statements include the financial statements of all subsidiaries, from the date the Group acquires their control until the moment when control ceases to exist. Joint ventures and associates are valued by the equity method, in accordance with Paragraph 38 of IAS 31 – Interests in Joint Ventures and Paragraph 11 of IAS 28 – Investments in Associates, respectively.

Expenses, revenues, receivables, payables, gains and losses generated by transactions between Group companies are eliminated in the consolidation process.

When necessary, the accounting principles of subsidiaries, associates and joint ventures are amended to make them consistent with those of the Group's Parent Company.

(a) Subsidiaries, Business Combinations

Subsidiaries 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 exercisable at a Shareholders' Meeting, 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 acquisitions of controlling interests by the purchase method, as allowed by IFRS 3 – Business Combinations: the acquisition cost, plus the fair value of minority interests at the date of acquisition is compared with the fair value of the net identifiable assets purchased, on the same date, including any contingent liabilities. Any excess (full goodwill) is capitalized as goodwill among intangible assets, while any negative difference is immediately recognized as income in profit or loss.

The acquisition cost consists of the cash paid, the fair value of any equity instruments issued and any contingent consideration.

Any minority interest held earlier is remeasured in connection with the business combination, based on the pro rata interest in the net acquired assets, measured at fair value. Any gain over the previous carrying amount is recognized in profit or loss.

Any interests held by minority shareholders at the date of acquisition are recognized in equity at their fair value, if determinable, or, otherwise, at the corresponding pro rata interest in the fair value of the net acquired assets.

Incidental acquisition costs are recognized in profit or loss when incurred.

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

Name	Registered office	% interest held directly or indirectly	Held by	Currency	Share capital
Pininfarina Extra S.r.l.	Turin Via Bruno Buozzi 6	100	Pininfarina S.p.A.	EUR	388,000
Pininfarina Extra USA Corp.	Florida-Fort Lauderdale 1710 West Cypress Creed Road	100	Pininfarina Extra S.r.l.	USD	10,000
Pininfarina Deutschland GmbH	Leonberg Riedwiesenstr. 1	100	Pininfarina S.p.A.	EUR	3,100,000
mpx Entwicklung GmbH	München Frankfurter Ring 17	100	Pininfarina Deutschland GmbH	EUR	25,000
mpx Entwicklung GmbH	Leonberg Riedwiesenstr. 1	100	Pininfarina Deutschland GmbH	EUR	26,000
Matra Automobile Engineering SAS	Paris, 68 rue du Faubourg Saint-Honoré	100	Pininfarina S.p.A.	EUR	971,200
Pininfarina Maroc SAS	Casablanca - 57, Bd Abdelmoumen, Residence EL HADI "A", BP 20360	100	Pininfarina S.p.A. (99,9%) Matra Automobile Engineering SAS (0,1%)	MAD	8,000,000
Pininfarina Automotive Engineering (Shanghai) Co Ltd	Units 418-419, n.569 An Chi Road, Anting Town, Shanghai	100	Pininfarina S.p.A.	CNY	3,702,824

Subsidiaries close their financial statements on the same date as Pininfarina S.p.A., the Group's Parent Company.

The scope of consolidation changed in 2011 due to the sale of the 50% interest held by the Group's parent Company in the Véhicules Electriques Pininfarina Bolloré joint venture to the Bolloré S.A.S. Group.

(b) Acquisition/Disposal of Ownership Interests Subsequent to the Acquisition of Control

Acquisition and disposal of ownership interests subsequent to the acquisition of control that do not result in a loss of control are accounted for as transactions between owners.

In the case of purchases, the difference between the price paid and the pro rata interest in the carrying value of the acquired net assets is recognized in equity. In the case of a sale, then gain or loss is also recognized directly in equity.

If the Group loses control or significant influence, the remaining minority interest is remeasured at fair value and any positive or negative difference compared with fair value is recognized in profit or loss.

(c) 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 carrying amount of investments in associated companies and joint ventures include any goodwill that was recognized at the time of acquisition, less accumulated impairment losses.

In the Group's income statement, the item "valuation of investments by the equity method" 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 comprehensive income.

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 carrying amount 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 contractual obligations or made payments on behalf of the associated company or joint venture.

Gains or losses generated by the Group through transactions with an associated company or a joint venture are eliminated against the value of the investment in the consolidation process.

When there is objective evidence that the value of an investment has been impaired, the Group writes down the investment's carrying amount to its realizable value, which is the greater of its fair value, less cost to sell, and its value in use. Value in use is determined by discounting to present value the future cash flows expected from the investment, determined based on reasonable and demonstrable assumptions.

A list of joint ventures and associated companies is provided below:

Name	Registered office	% interest held directly or indirectly	Held by	Currency	Share capital
Pininfarina Sverige A.B.	Varsvagen 1, Uddevalla, Sweden	60	Pininfarina S.p.A.	SEK	8,965,000
Pininfarina Recchi Buildingdesign S.r.l.	Via Montevecchio 28, Torino, Italy	50	Pininfarina Extra S.r.l.	EURO	100,000

Following the termination of the joint venture agreements, the interest held in the Swedish subsidiary is being carried at its recoverable values, taking into account any transaction costs. The recoverable value of the investment in the Swedish joint venture was determined based on the contractual stipulation with the counterparty Volvo Car Corporation, subsequent to the exercise of the “Notice of Termination” by Pininfarina S.p.A. on December 27, 2010 and February 16, 2011. In the event of the exercise of the exit option by Pininfarina S.p.A., the joint venture agreement calls for a reimbursement price for the value of the investment equal to the value in euros of the pro rata interest in the joint venture’s shareholders’ equity stated in the local currency (SEK), net of non-taxed reserves, but not more than 30 million euros and not less than 15 million euros. At December 31 and as of the preparation of these financial statements, the abovementioned value was 30 million euros.

On April 27, 2011, in a new development compared with the previous year, Pininfarina S.p.A. sold to the Bolloré S.A.S. Group its 50% interest in Véhicules Electriques Pininfarina Bolloré, collecting on the same date a consideration of 10 million euros.

(d) 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 investments are sold. At that point, accumulated gains or losses previously recognized in equity are reflected in the income statement for the period.

If the investments are in companies that are not listed on a regulated market and their fair value cannot be reliably determined, they are valued at cost, written down for any non-reversible impairment losses.

Translation of Items Denominated in Foreign Currencies

(a) Presentation Currency, Translation of Financial Statements Denominated in Currencies Other Than the Euro

The Group’s presentation currency is the euro.

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. At the closing date of the financial statements, 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 period’s closing date. The income statement is translated at the average exchange rate for the reporting period. Translation differences are recognized directly in equity and are shown separately in the reserve for currency translations. As required by IAS 21 – The Effect of Changes in Foreign Exchange Rates, the amount set aside in the reserve is recognized in profit or loss only when the investment is sold.

The table below lists the exchange rates used to translate financial statements denominated in functional currencies different from the presentation currency:

Euro vs currency:	Dec. 31, 2011	Avg. 2011	Dec. 31, 2010	Avg. 2010
- U.S. dollar	1.29	1.39	1.33	1.33
- Swedish kronor	8.91	9.03	9.01	9.54
- Moroccan dirham	11.11	11.26	11.17	11.12
- Renminbi (Yuan)	8.16	9.00	8.63	8.63

(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.

On the closing date of the financial statements, cash assets and liabilities denominated in currencies are converted into euros at the exchange rate in force on that date. All translation differences are recognized in profit or loss, except for differences stemming from loans in foreign currencies that hedge investments in foreign subsidiaries. Any such differences, and the corresponding tax consequences, are recognized directly in equity until the equity investment is sold. It is only at that point that the accumulated translation differences are recognized in profit or loss.

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.

Property, Plant and Equipment

Property, plant and equipment includes buildings, equipment, machinery and other assets used in the production process, including assets held under finance leases. These assets are carried at their purchase or production cost, less accumulated depreciation and impairment losses, except for land, which is not depreciated.

Cost includes all expenses directly attributable to the purchase of an asset, which include the costs incurred to bring an assets to the intended location and make it ready to operate.

The depreciation of buildings and other general-purpose assets is computed on a straight-line basis, so as to distribute each asset's residual carrying value over its estimated useful life. Special-purpose assets used to produce specific cars under contract manufacturing agreements are depreciated by the units of production method, in accordance with Paragraphs 50 and 60 of IAS 16 – Property, Plant and Equipment.

In accordance with IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, a revision of the estimated useful life may be required when there are changes in the circumstances on which the original estimate was based or due to newly obtained information, and the effect of this change must be recognized prospectively in the current year and in future years. In view of the change in utilization conditions and in order to reflect the manner in which future economic benefits will be obtained, the estimated useful lives of the building and other assets included in the San Giorgio Canavese and Bairo Canavese production facilities owned by the Group's Parent Company were modified, starting in the second quarter of 2011.

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

Classes of Asset	Useful lives	
	Bairo and San Giorgio Plants	Other Plants
Land	no depreciated	no depreciated
Buildings and leased property	50	33
Machinery	20	10
Plant	20	10
Leased machinery and equipment	-	5
Furniture and fixtures	10	8
Hardware	-	5
Other property, plant and equipment (incl. Vehicules)	-	5

Land, which is accounted for separately, is not depreciated. Instead, it is tested for impairment when there are indications that the carrying amount is greater than the recoverable value.

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. When an asset is replaced, the carrying amount of the replaced part is derecognized. The costs that do not meet the abovementioned capitalization requirements are recognized in profit or loss in the year they are incurred.

The residual values and useful lives of property, plant and equipment are reviewed at the end of each reporting period and, if necessary, revised prospectively, in accordance with Paragraph 32 and Paragraph 38 of IAS 8 – Accounting Principles, Changes in Accounting Estimates and Errors.

Gains and losses on the sale of property, plant and equipment, determined by comparing the carrying amount with the sales price, are recognized in profit or loss.

In this and subsequent and previous 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.

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.

Intangible Assets

Intangible assets are identifiable non-monetary assets without physical substance that are controllable and capable of producing measurable future economic benefits. They are carried at cost, determined based on the same criteria used for property, plant and equipment.

(a) Goodwill

Goodwill represents the amount by which the acquisition cost exceeds the fair value of the net acquired assets on the acquisition date. Goodwill is not amortized, but the recoverability of its carrying amount is tested at least once a year (impairment test). The impairment test is performed by allocating goodwill to the cash generating units, which are the smallest groups of assets identified by management that are capable of generating cash inflows independently of the cash flows generated by other assets or groups of assets.

When the carrying amount of the net assets of a cash generating unit, including the allocated goodwill, is greater than their recoverable value an asset impairment has occurred. The required writedown is charged first against goodwill, up to its full carrying amount. Any excess of the writedown over the carrying amount of goodwill is then charged, prorated, against the carrying amounts of the assets included in the cash generating unit. Writedowns of goodwill cannot be reversed. Any negative goodwill is recognized as income in the income statement.

(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 Group and which has a high probability of producing greater economic benefits than the costs incurred 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, as defined in IAS 38 – Intangible Assets, are charged to income in the year they are incurred, as required by Paragraph 54 of the abovementioned standard.

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, in terms of technical feasibility, financial ability to implement it and commercial acceptance. Development costs that do not meet these characteristics are treated in the same manner as research costs.

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 are amortized from the date the resulting product is brought to market over the length of time during which they are expected to produce economic benefits, but not more than five years. They are tested for impairment when there is evidence that their carrying amount may be greater than their recoverable value.

The 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.

Development activities related to styling and engineering contracts the product of which is sold to customers are treated as contract costs, as required by IAS 11 – Construction Contracts, and, consequently, do not generate capitalized intangible assets.

Development activities related to styling, engineering and production contracts that convey to the Group a full or partial guarantee that it will recover the investments made on a customer's behalf are included among the aggregate amount of financial receivables recognized in the financial statements, pursuant to IFRIC 4 – Determining Whether and Arrangement Contains a Lease (see the note on page 56 for more details), or, when the requirements for the adoption of this interpretation cannot be met, are added to the value of special-purpose equipment included in property, plant and equipment.

(d) Other Intangible Assets

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

After initial recognition, intangibles with a finite useful life are carried at cost less amortization and any impairment losses. Intangibles with an undefined useful life are also carried at cost, but are not amortized. Instead, they are tested for impairment at least once a year.

The useful lives of other intangibles are reviewed once a year. Any resulting changes are applied prospectively, in accordance with Paragraph 32 and Paragraph 38 of IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors.

Impairment of Non-financial Assets

Intangible assets with an indefinite useful life, including goodwill, must be tested for impairment at least once a year and whenever there is evidence that an impairment may have occurred.

Property, plant and equipment that is depreciated and intangible assets that are amortized are tested for impairment only when there is an indication that their carrying amount may be greater than their recoverable value.

Recoverable value is defined as the greater of the fair value of an asset or cash generating unit, less cost to sell, or its value in use, determined by discounting to present value the asset's future cash flows in accordance with management projections, based on reasonable and demonstrable assumptions that are representative of the best estimate of future economic conditions. The discounting process is carried out using a rate that reflects current market valuations of the time value of money and of specific risks inherent in the asset that are not reflected in the cash flow estimates. In the Group's case, this rate is the weighted average cost of capital (WACC).

When the carrying amount is larger than the recoverable value, the Group recognizes in profit or loss a writedown of an amount equal to that difference. If, subsequently, the reasons that caused the impairment cease to apply, the carrying amount of the asset or cash generating unit is restored up to

the carrying amount that existed before the writedown, after the depreciation or amortization for the period. Writedowns of goodwill are never reversible.

The cash generating units, which are identified consistent with the Group's organizational and business structure, are homogeneous aggregations that generate cash inflows independently, in accordance with the provisions of IAS 36 – Impairment of Assets, and based on two reporting segments identified in accordance with IFRS 8 – Operating Segments: 1) Styling and Engineering, and 2) Operations.

When performing an impairment test, the benchmark applied to determine the recoverability of the carrying amount of real estate assets held by the Group is their fair value, determined based on market valuations available in the archives of the Territorial Agency and, if required, appraisals prepared by independent experts.

Assets Held for Sale

Non-current assets and current and non-current assets of disposal groups, the carrying amount of which will be recovered mainly through a sale rather than through their ongoing use are classified as "assets held for sale."

In the statement of financial position, assets held for sale and the liabilities directly related to those assets are shown separately from the Company's other assets and liabilities, in accordance with Paragraphs 38 to 40 of IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations.

Assets held for sale are not depreciated or amortized and are valued at the lower of their carrying amount or their fair value, less costs to sell. If there is a difference between carrying amount and fair value, less costs to sell, it is recognized in profit or loss as a writedown. Any subsequent reversals of writedowns may be recognized up to the amount of previous writedowns, including writedowns recognized before classification of the asset as held for sale.

Financial Assets

Financial assets are initially recognized based on the trade date, which is the date when the Group undertakes a commitment to buy them.

Financial assets are classified into four categories, in accordance with IAS 39 – Financial Instruments: Recognition and Measurement:

- Financial assets carried at fair value through profit or loss;
- Loans and other financial receivables;
- Held-to-maturity investments;
- Available-for-sale financial investments.

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

This category, in turn includes:

- Financial assets bought mainly for resale over the short term;
- Financial assets classified in this category upon initial recognition, when the requirements for such designation can be met;
- Financial derivatives, except for derivatives designated as hedges.

Financial assets included in this category are measured at fair value, with changes in fair value occurring during the holding period recognized as revenues or expenses in the income statement. Financial instruments included in this category are classified as short-term if they are held for trading or if the Company expects to sell them within 12 months from the date of the financial statements. The classification as a current or non-current asset thus depends on the strategic choice made about the length of the asset's holding period and the actual ability to trade the asset.

Financial assets are derecognized when the right to receive cash flows from those assets ends or is transferred or when the Company substantively transfers to another party all of the risks and benefits inherent in the financial instrument and control over it.

Financial assets cannot be offset against financial liabilities in the financial statements. Offsetting these items and showing the resulting net amount as an asset or a liability is permissible only (i) when there is a legal right that allows it; and (ii) when the Group intends to extinguish the net liability or realize the asset and concurrently extinguish the liability.

(b) Loans and Other Receivables

This category includes non-derivative financial instruments not traded on a regulated market that are expected to produce fixed or determinable payments. The main items in this category are trade receivables, including receivables recognized in accordance with IFRIC 4 – Determining Whether an Arrangement Contains a Lease, and the loan receivable from the Pininfarina Sverige AB joint venture.

Loans and receivables are listed as current assets, except for the portion due after one year, which is classified under non-current assets.

These assets are valued at amortized cost based on the effective interest rate method. If there is objective evidence of impairment, the asset's carrying amount is aligned to the present value of the estimated cash flows expected from the asset, appropriately discounted using the original effective interest rate.

Evidence that a financial asset has been impaired arise when the debtor is in serious financial difficulties, there is a probability that the debtor may be declared bankrupt or become a party to composition with creditors proceedings or there are unfavorable changes in the payment flows, including delays.

Impairment losses are recognized in profit or loss. If, in a subsequent period, the reasons that made it necessary to write down an asset no longer apply, the value of the asset is reinstated up to the amount that would have resulted by applying the amortized cost method, had there been no writedown.

(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.

Upon initial recognition, they are valued at their acquisition cost, including any incidental transaction expenses.

Subsequently, held-to-maturity investments are valued at amortized cost, determined by applying the effective interest rate method, adjusted in the event of impairment. If there is evidence of impairment, the Group applies the same criteria as those described above for the loans and receivables category.

(d) Available-for-sale Financial Investments

Available-for-sale financial investments are those non-derivative financial assets that are explicitly designated as available for sale and those financial assets that do not fall into any of the previous categories. Available-for-sale financial investments are measured at fair value, with any resulting gains or losses posted to a shareholders' equity reserve and recognized in profit or loss only when the corresponding financial asset is actually sold or, in the case of negative cumulative differences, when it becomes apparent that the impairment loss already recognized in equity can no longer be recovered.

If the fair value cannot be determined reliably, the financial instruments in question are valued at cost, adjusted for impairment losses. Writedowns of equity financial instruments cannot be reversed.

If impairment losses are deemed to be no longer recoverable, e.g., in the event of a protracted decline in the market value of a financial asset, the shareholders' equity reserve is reversed in profit or loss.

Derivatives

The Group is not a party to any hedging or speculative financial derivative contracts. The paragraphs that follow, which are not applicable to the Group at this point, are provided exclusively for completeness purposes.

Derivatives are recognized at their fair value at the time the contract is signed. Subsequent to the purchase, financial instruments are also measured at fair value. However the accounting treatment of gains and losses varies depending on whether or not the financial derivative qualifies as a hedging instrument.

Whether a financial instrument qualifies as a hedging instrument is determined in accordance with Paragraph 88 of IAS 39 – Financial Instruments: Recognition and Measurement. Before executing a hedging contract, the Group must document the relationship between the hedging instrument and the hedged item, as well as its risk management strategies and objectives. The Group must also determine whether the requirements for hedge accounting treatment are being met and will continue to be met over the derivative's life.

Hedges can be of three types:

- Fair value hedges;
- Cash flow hedges;
- Hedges of a net investment in a foreign operation.

(a) Fair value hedges

Changes in the fair value of the derivative are recognized in profit or loss concurrently with changes in the fair value of the hedged asset or liability.

(b) Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognized directly in the statement of comprehensive income. The non-effective portion is recognized immediately in profit or loss.

When a hedging instrument reaches maturity and/or is sold or when it no longer meets the requirements to qualify as a hedging instrument, the gains and/or losses accumulated in the statement of comprehensive income are recognized in profit or loss.

(c) Hedges of a net investment in a foreign operation

Hedges of a net investment in a foreign operation are accounted for in a manner similar to the method used for cash flow hedges.

(d) Non-hedging financial derivatives

Financial derivatives that do not qualify for hedge accounting are classified as financial assets and liabilities measured at fair value, with changes in fair value recognized in profit or loss.

Contract work in progress

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. Revenues are accounted for as follows:

- When the outcome of a construction contract cannot be estimated reliably, revenues are 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 is recognized in the year in which the Company's management becomes aware of the loss.

The 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.

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 as a liability under Advances received for contract work in progress.

Financial Expense

Consistent with IAS 23 – Borrowing Costs, financial expense 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 as part of the value of the asset. If these requirements cannot be met, financial expense is recognized in profit or loss on an accrual basis.

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 to sell.

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.

Provisions for writedowns of materials, finished goods, spare parts and other supplies that are deemed to be obsolete or with a slow turnover are computed based on the expected future use of these inventory items and their realizable value. Realizable value is an item’s estimated sales price in the normal course of business, net of all estimated costs to complete the item and selling and distribution costs that the Company expects to incur.

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. Receivables are written down when there is objective evidence that the Group will be unable to collect the full amounts that customers have agreed to pay on the due dates. 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 profit or loss.

Cash and Cash Equivalents

The Cash and cash equivalents account includes cash on hand, readily available bank deposits and other liquid investments due within three months.

Net cash and cash equivalents include cash on hand, readily available bank deposits, other liquid investments due within three months and bank account overdraft facilities. Overdraft utilizations are recognized as current liabilities for bank account overdrafts.

In accordance with Paragraph 8 of IAS 7 – Statement of Cash Flows, the cash flow for the period is equal to the net change in cash and cash equivalents.

Share Capital

The Company’s common share capital is listed in the shareholders’ equity section of the statement of financial position. There are no other classes of shares.

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 Article 2357 of the Italian Civil Code), the price paid, net of any

directly attributable incidental charges, is deducted from shareholders' equity until the treasury shares are canceled, reissued, awarded to employees or resold.

The share capital of Pininfarina S.p.A., the Group's Parent Company, consists of 30,166,652 common shares, par value 1 euros each.

It is worth mentioning that, as a result of the signing of the Framework Agreement on December 31, 2008, the 22,945,566 Pininfarina S.p.A. shares held by the controlling company Pincar S.r.l., which correspond to 76.06% of the Company's share capital, are encumbered by a senior pledge, without voting rights, for the benefit of the Lender Institutions of Pininfarina S.p.A.

Liabilities for Borrowings and Leases

Initially, liabilities for borrowings and leases are recognized at fair value, which corresponds to the cash received less 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 profit or loss on an accrual basis, computed by the effective interest rate method.

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

In accordance with Paragraph 74 of IAS 1 – Presentation of Financial Statements, if the Group is in breach of the provisions of loan agreements and leases on or before the end of the reporting period, with the effect that the remaining debt becomes payable in full on demand, these financial liabilities must be classified as current, even if the Group regained the benefit of deferred payment by reaching an agreement with the lender before the publication date of the financial statements. This is because, at the end of the reporting period, it did not have an unconditional right to defer the payment of the liability for more than 12 months after that date.

Employee Benefits

(a) Pension Plans

The employees of the Pininfarina Group have access to defined-contribution and defined-benefit plans. A portion of the Provision for termination indemnities required pursuant to Article 2120 of the Italian Civil Code qualifies as a defined-benefit plan and, consequently, no dedicated plan assets are required.

Defined-contribution plans are formalized post-employment benefit plans under which the Group pays a contribution to an insurance company or a pension fund and has no further legal or constructive obligations to pay additional sums, should the plan's assets prove to be insufficient to pay vested benefits owed to employees for current or past service. The contributions that the Company pays in exchange for the service of its employees are accounted for as a cost on an accrual basis. The payments made to Fondo Cometa and Previp are included in this category.

Defined-benefit plans are plans that give rise to a future obligation for the Group consisting of the amount of the pension benefits owed to employees at the end of the employment relationship, which amount depends of such factors as age, years of service and salary earned. Under these plans, the Group assumes the actuarial risk and investment risk inherent in the plan.

To determine the present value of the plan's liabilities and service costs, the Group uses the Projected Unit Credit Method, which is based on an actuarial computation determined taking into account demographic variables (mortality rate, employee turnover rate) and financial variables (discount rate, future increases in wages and benefits).

For the purposes of IAS 19 – Employee Benefits, the Provision for termination indemnities attributable to the Group's Italian employees consists of:

- a defined-benefit pension plan for the benefits that vested prior to the effective date of Law No. 296 of December 27, 2006 and related implementation decrees;
- a defined-contribution pension plan for the benefits that vested subsequently.

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

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 ("corridor approach").

If the liability decreases or is extinguished, the Group recognizes the resulting gains or losses when they occur.

(b) Incentives, Bonuses and Profit Sharing Plans

The Group recognizes the costs and the corresponding liabilities that arise from incentives, bonuses and profit sharing plans. The liability is recognized when there is a legal or constructive obligation, it is probable that resources will have to be employed to settle the obligation and the amount of the obligation can be reliably estimated.

(c) Employee Benefits for Termination of Employment

The Group recognizes a liability and the corresponding labor cost when it is demonstrably committed to end the employment relationship with an employee, or a group of employees, before the normal retirement age or when it has undertaken to pay benefits upon the interruption of the employment relationship in connection with incentives for voluntary separation offered to address redundancies. The Group is deemed to be demonstrably committed to terminate the employment relationship if, and only if, it has developed a formal, detailed plan to terminate the employment relationship and there is no realistic possibility to cancel that plan.

(d) Employee Benefits Paid in Shares of Stock

The Group does not have employee benefits paid in shares of stock, such as stock option plans, to which IFRS 2 – Share-based Payment would be applicable.

Provisions for Risks and Charges and Contingent Liabilities

Provisions for risks and charges reflect charges and expenses of a determined nature, the existence of which is certain or probable, the timing or amount of which is uncertain at the end of the reporting period. Provisions are recognized when all of the following conditions are met: (i) it is probable that the Company has a legal or constructive obligation as a result of a past event; (ii) it is probable that settling the obligation will be onerous; and (iii) a reliable estimate can be made of the amount of the obligation.

Provisions are recognized at a figure representative of the best estimate of the amount that the Company would rationally pay to extinguish an obligation or transfer it to a third party at the end of the reporting period. When the effect of the time value of money is material and the payment dates of the obligations can be estimated reliably, the provision must be discounted.

The costs that the Group expects to incur to implement restructuring programs are recognized in the year when a formal program is defined and only when the Group has raised a valid expectation in those affected that it will carry out the restructuring.

The liabilities recognized in the provisions for risks and charges are periodically updated to reflect changes in cost estimates, implementation schedules and the discount rate applied. Revisions to provision estimates are reflected in the same line item of the income statement used when the provision was established.

The notes to the financial statements must include disclosures about contingent liabilities arising from: (i) possible, but not probable, obligations that arise from past events, whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the control of the Company; or (ii) present obligations that arise from past events the amount of which cannot be estimated reliably or the settlement of which will probably not be onerous.

Leases

(a) Finance Leases

Leases in which substantially all of the risks and rewards incidental to the ownership of the corresponding asset are transferred from the leasing company (lessor) to the Group (lessee) qualify as finance leases in accordance with IAS 17 – Leases. They are accounted for as follows:

(a1) Leases When the Group Is the Lessee

The group enters into leases as the lessee to finance investments in property, plant and equipment, as defined earlier in these Notes.

Asset acquired under finance leases are recognized as components of Property, plant and equipment and depreciated over their useful lives or the length of the lease, whichever is shorter. Leased assets are capitalized at the start of the lease at the fair value of the leased asset or at the present value of the lease payments, whichever is lower. Lease payments are broken down into principal repayment and interest, which is determined by applying a constant interest rate to the outstanding balance. The indebtedness owed to the lessor is recognized in the manner described earlier in these Notes for borrowings and leases.

(a2) Leases When the Group Is the Lessor

The Group becomes the lessor when it 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. The existence of such right gives rise to an implied lease in which the Group is the lessor.

The following requirements must be met to apply this interpretation:

- 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;
- 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 Group recognizes a receivable of an amount equal to the present value of the lease payments. The difference between the future cash inflows and their present value represents the interest income component, which is reflected in the income statement over the term of the lease at a constant periodic interest rate.

(b) Operating Leases

If a lease does not meet the requirements to qualify as a finance lease, it is classified as an operating lease: 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.

Income Taxes

(a) Current Taxes

Current taxes are recognized by each Group company based on an estimate of its taxable income, in accordance with the tax rates and laws in effect, or substantially enacted, at the end of the

reporting period in each country, taking into account the agreements for the filing of national consolidated tax returns, applicable exemptions and any available tax credits.

(b) Deferred Taxes

As required by IAS 12 – Income Taxes, deferred taxes are computed on all temporary differences between the tax base and the carrying amount of assets and liabilities in the consolidated financial statements, except for the following two items: (i) goodwill generated by a business combination; and (ii) initial recognition of an asset or a liability 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 estimated 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 and deferred-tax liabilities are classified, respectively, among non-current assets and liabilities and are offset at the individual company level when they refer to taxes for which offsetting is allowed pursuant law. Depending on the outcome of the offsetting process, the resulting balance is carried as a deferred-tax asset or deferred-tax liability. When the results of transactions are recognized directly in equity, the corresponding current taxes and deferred-tax assets or liabilities are also recognized in equity.

Deferred-tax assets are recognized only if it is probable that the Company will earn sufficient taxable income to utilize the deductible differences that originated them. Deferred-tax assets are reviewed at the end of each reporting period 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 taxes on the retained earnings of Group companies are recognized only if there is truly an intention to distribute those earnings and, in any case, if their taxation is not avoided by the filing of a consolidated income tax return.

Revenue Recognition

As required by IAS 18 – Revenues, 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 all of the following conditions are met:

- All significant risks and benefits inherent in the ownership of the asset are transferred to the buyer;
- Effective control ceases as does any other involvement with the goods sold;
- The revenue amount can be reliably estimated;
- An inflow of economic benefits is probable;
- Costs to sell, incurred or projected, can be reliably estimated.

(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. Revenues are recognized when all of the following conditions are met:

- The revenue amount can be reliably estimated;
- An inflow of economic benefits is probable;
- The transaction's level of completion on the date of the financial statements can be reliably measured;
- The costs incurred or projected to deliver the services can be reliably estimated.

Revenues for styling and engineering services provided to customers are recognized in accordance with the percentage of completion method.

(c) Interest, Royalties and Dividends

Interest, royalty and dividend income is recognized only when it is probable that economic benefits will flow to the Group and the amount of these benefits can be reliably estimated.

Interest income is recognized on an accrual basis at amortized cost computed by the effective interest rate method. The effective interest rate is the rate that discounts the cash flows expected from a financial instrument over the instrument's life to the cash initially received or paid.

Royalty income is recognized on an accrual basis, taking into account the substance of the underlying contracts.

Dividends are recognized as revenues in the year in which the shareholders acquire the right to receive payment.

Dividend Distributions

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

Profit or Loss per Share

Basic profit or loss per share is computed by dividing the net profit or loss for the period attributable to the holders of common shares of Pininfarina S.p.A., the Group's Parent Company, by the weighted average number of common shares outstanding during the period.

Diluted profit or loss per share is computed by adjusting the weighted average number of common shares outstanding to reflect the dilutive impact of all potential common shares.

Events Occurring After the Reference Date of the Financial Statements

The events occurring after the reference date of the financial statements are favorable and unfavorable events that occur between the reference date of the financial statements, December 31 for the Group, and the date when the financial statements are approved for publication. There are two types of events: (i) those that provide evidence about situations that existed on the reference date of the financial statements; and (ii) those that are indicative of situations that developed subsequently.

In accordance with IAS 10 – Events After the Reporting Period, in the first instance (i) above, the Group restates the amounts in the draft financial statements to reflect the impact of events occurring after the reference date of the financial statements. In the second instance (ii) above, the Group does not restate the amounts in the financial statements but discloses material events.

Statement of Cash Flows

The statement of cash flows is prepared in accordance with the indirect method, as allowed by IAS 7 – Statement of Cash Flows.

Repayments of financial receivables recognized in accordance with IFRIC 4 – Determining Whether an Arrangement Contains a Lease are recognized as part of the cash flow from investing activities, in the line item “Non-current loans receivable from borrowers outside the Group,” in accordance with the definition of investment activities provided in IAS 7, consistent with the balance sheet and net borrowing structure presented by the Group and pursuant to Paragraph 16-f of IAS 7.

ASSESSMENTS WITH AN IMPACT ON THE FINANCIAL STATEMENTS

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

The going concern assumption is the 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 some of the elements that affect the rendering of an opinion about future events or circumstances.

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

Additions to provisions are made to recognize 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 recognized in the financial statements, pursuant to Paragraph 27 and Paragraph 31, respectively, of IAS 37 – Provisions, Contingent Liabilities and Contingent Assets.

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 the 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 reliably determined.

Contingent assets are unrecognized 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.

(c) Impairment

Investments in 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 current market valuations, the time value of money and specific business risks that are not reflected in the cash flow estimates.

The impairment test of non-financial assets allocated to the cash generating units is based on the expected income flow, the estimate of which is predicated on a plurality of factors, not always under an entity's control.

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 and, if required, appraisals prepared by independent experts hired by the Board of Directors.

(d) Estimate and Hierarchical Ranking of the Fair Value of Financial Instruments

Pursuant to IFRS 7 – Financial Instruments: Disclosures, the classification of financial instruments measured 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 fair value 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 high-rating bonds and government securities, are ranked 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. 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 liabilities are settled, based on tax rates in effect on the date of the financial statements and taking into account changes to the tax laws approved as of that date.

(f) Accounting for the Provision for Termination Indemnities

Following the reform of the supplemental employee benefit system, the portion of the Provision for termination indemnities for the benefits that vested prior to January 1, 2007 constitutes a defined-benefit plan, in accordance with IAS 19 – Employee Benefits. These plans define the amount of the pension benefits owed to employees at the end of the employment relationship, which amount depends of such factors as age, years of service and salary earned. Estimates of these parameters, while conservative and supported by historical series of Company data, can be subject to change. The liability for severance indemnities is determined by management with the support of an independent expert, who is a member of the Italian Board of Actuaries.

FINANCIAL RISK MANAGEMENT

The Group's financial instruments include the following:

- Cash and cash equivalents;
- Current assets held for trading;
- Loans and other receivables owed by outsiders, related parties and joint ventures;
- Loans payable and liabilities under leases;
- Trade receivables and payables.

Assets held for trading consist mainly of government securities, bonds and other financial assets, generally traded on regulated markets, with a low risk profile, held because they are readily salable and provide principal protection.

The Group did not execute any derivative contracts, either for speculative purposes or to hedge cash flows or changes in fair value.

As required by IFRS 7 concerning financial risks, the schedule below lists the types of financial instruments included in the consolidated financial statements and shows the valuation criteria applied in each case:

	Financial instruments measured at fair value with iv difference recognized in:		Financial instruments valued at amortized cost	Investments in unlisted companies valued at cost	Carrying amount at 12/31/11	Fair value at 12/31/11	Carrying amount at 12/31/10	Fair value at 12/31/10
	Income statement	Shareholder's equity						
Assets								
Investments in other companies	-	-	-	252,017	252,017	252,017	251,717	251,717
Loans and other receivables	-	-	20,501,612	-	20,501,612	20,501,612	49,394,256	49,394,256
Current assets held for trading	46,041,811	-	-	-	46,041,811	46,041,811	47,831,894	47,831,894
Trade receivables and other receivables	-	-	21,692,258	-	21,692,258	21,692,258	28,300,248	28,300,248
Cash and cash equivalents	-	-	90,728,823	-	90,728,823	90,728,823	86,374,129	86,374,129
Liabilities								
Liabilities under finance leases	-	-	130,728,552	-	130,728,552	130,728,552	128,331,013	128,331,013
Bonds outstanding and other borrowings	-	-	104,412,179	-	104,412,179	104,412,179	114,242,852	114,242,852
Other payables and Other liabilities	-	-	16,859,924	-	16,859,924	16,859,924	36,951,802	36,951,802

Financial risk factors, as identified in IFRS 7 – Financial Instruments: Disclosures, are summarized below:

- The risk that the fair value or the future cash flows of a financial instrument could fluctuate as a result of changes in market prices (“market risk”). The market risk includes the following risks: currency risk, interest rate risk and price risk.
- The risk that the value or the future cash flows of a financial instrument could fluctuate as a result of changes in foreign exchange rates (“currency risk”).
- The risk that the value or the future cash flows of a financial instrument could fluctuate as a result of changes in market interest rates (“interest rate risk”).
- The risk that the value or the future cash flows of a financial instrument could fluctuate as a result of changes in market prices (other than changes determined by the interest rate risk or the currency risk), irrespective as to whether such fluctuation are determined by factors specific to the financial instrument or its issuer or by factors that affect all similar market-traded financial instruments (“price risk”).
- The risk that one of the parties causes the other party to incur a financial loss by failing to fulfill an obligation (“credit risk”).
- The risk that an entity may be unable to fulfill obligations associated with financial liabilities (“liquidity risk”).

(a) Currency Risk

The Group executed most of its financial instruments in euros, which is its functional and presentation currency. 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), Moroccan dirham (MAD) and Chinese renminbi yuan (CNY).

The loan that Pininfarina S.p.A. provided to the Pininfarina Sverige AB joint venture, which is reflected in the line item “Loans and other receivables from related parties and joint ventures,” is in euros and, consequently, entails no currency risk exposure.

It is also worth noting that, as part of the stipulations with the counterparty in the abovementioned Swedish joint venture, the redemption value of the capital provided by Pininfarina S.p.A. is subject to the currency risk to the extent that, pursuant to the joint venture agreement, should Pininfarina S.p.A. exercise its exit option by 2013, the redemption price will be the value in euros of its pro rata interest in the joint venture’s shareholders’ equity stated in the local currency (SEK), net of non-taxed reserves, but not more than 30 million euros and not less than 15 million euros. As of the writing of this Report, the abovementioned value was greater than 30 million euros.

(b) Interest Rate Risk

The Group executed leases and loan agreements with several Italian credit institutions at standard market rates. Loans and other receivables owed by outsiders and Group companies, including Pininfarina Sverige AB, were executed on the same basis.

The Rescheduling Agreement signed with the Lender Institutions on December 31, 2008 recapitalized the Company by about 241 million euros, without changing the interest rates of the original loan agreements. Moreover, it postponed to January 1, 2012 the start of the accrual and payment of interest.

The Group, as a debtor, is thus exposed to the risk of fluctuation in interest rates as follows:

- 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%.

As a result of the negotiations under way with the Lender institutions, described in detail in the section of the Report on Operations that deals with the Group's viability as a going concern, the interest rates listed above will be significantly reduced, except for the loan provided originally by Fortis Bank (now BNL), which accrues interest at the six-month Euribor plus a spread of 0.9%.

The breakdown of indebtedness by fixed and variable interest rate provided below was made based on the Rescheduling Agreement executed with the Lender Institutions on December 31, 2008.

	12/31/11	%	12/31/10	%
- Fixed interest rate	59,323,376	25%	57,809,455	24%
- Variable interest rate	175,817,355	75%	184,764,410	76%
Gross Financial Debt	235,140,731	100%	242,573,865	100%

As a lender, the Group is not exposed to the risk of fluctuations in interest rates because the loan it provided to Pininfarina Sverige AB will be repaid in full in the first half of 2012, while the facility provided to Pininfarina Automotive Engineering (Shanghai) Co. Ltd., which matures on December 31, 2014, accrues interest at an annual rate of 5.8%, determined as the average of the rates charged in the Chinese market for loans of similar duration.

Short-term operating credit lines accrue interest at the six-month Euribor + a spread of 1%, with regular maturity and payment and the expiration of each utilization period.

(c) Price Risk

Current assets held for trading, which totaled 46 million euros at December 31, 2011, are measured at fair value. Because they consist mainly of government securities and highly rated bonds and other financial assets, most of which are traded on regulated market, the price risk presented by these assets is deemed to be limited.

(d) Credit Risk

Styling and engineering contracts, which are the Group's primary revenue source after the end of the production contracts, are executed with customer located both inside and outside the European Union. For customers outside the E.U., in order to minimize credit risk, the Group seek to align both invoicing and payments with the project completion progress.

Financial transactions are executed exclusively with financial institutions the reliability of which is beyond question.

With regard to receivables arising from the recognition of leases in which the Group is the lessor in accordance with IFRIC 4 – Determining Whether an Arrangement Contains a Lease, the receivable owed by Fiat, totaling 11.3 million euros at December 30, 2011, was collected on February 29, 2012.

(e) Liquidity Risk

The main features of the amendments to the Rescheduling Agreement executed with the Lender Institutions on December 31, 2008, the content of which is explained in detail in the section of the report on Operations that deals with the Group's viability as a going concern and should be consulted for more information, include the following:

- the utilization of any liquidity in excess of operating needs immediately to service the debt owed to the Financial Institutions;
- the rescheduling of the medium/long-term debt with a 2012-2018 amortization plan (compared with the current plan calling for final repayment by 2015), consistent with the cash flows projected over the horizon of the new Plan;
- the rescheduling of the existing overdraft facilities to 2018, albeit for a smaller amount, and their transformation into medium/long-term debt maturing in 2018;
- a substantial reduction of the interest rates applied to the entire debt, currently charged at market rates.

However, it must be emphasized that the liquidity risk is sensitive to the achievement of the targets of the new Industrial and Financial Plan described in detail in the Report on Operations, which should be consulted for additional information.

(f) Risk of Default and Debt Covenants

This risk refers to the possibility that, in addition to the provisions of the Rescheduling Agreement, the leases and 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.

The Group was not in compliance with the financial covenants at December 31, 2011. The implementation of the amendments to the Rescheduling Agreement, which include an express waiver for the failure to comply with the financial covenants based on the data in the financial statements at December 31, 2011, will result in the introduction of new covenants. The Group expects to comply with the new covenants in 2012.

Therefore, the risk of default is deemed to be remote.

SEGMENT INFORMATION

Following the termination of its car manufacturing activities at the end of 2010, the Group, consistent with management's decision to organize its operations based on the different products and services, identifies two reporting segments: (i) Styling and Engineering; and (ii) Operations, which replaces Manufacturing. Within the Styling and Engineering segment, each styling or engineering contract signed with a customer represents an "operating segment," as defined above, consistent with Paragraphs from 5 to 10 of IFRS 8 – Operating Segments. In the Operations area, the operating segments coincide with a series of activities involving mainly the supply of spare parts for cars made in previous years by Pininfarina S.p.A., the leasing of certain business operations for the production of electric cars manufactured for the car sharing service of the City of Paris and support functions. Financial income and expense and income taxes are not allocated to the reporting sectors because the relevant decisions are made by management on an aggregate segment basis. Intra-segment transactions are executed on standard market terms. In accordance with Paragraph 4 of IFRS 8, the Group presents segment information only for its consolidated financial statements.

The schedule that follows shows the Group's segment information for 2011 and provides a comparison with the previous year. The amounts are in thousands of euros.

	Year 2011			Year 2010		
	Operations	Design & Engineering	Total	Operations / Manufacturing	Design & Engineering	Total
	A	B	A + B	A	B	A + B
Segment value of production	18,736	53,763	72,499	166,969	50,111	217,080
Value of production from transactions with other operating segments	(7,566)	(2,923)	(10,489)	(8,767)	(3,680)	(12,447)
Total value of production	11,170	50,840	62,010	158,202	46,431	204,633
Operating profit	(1,331)	(7,360)	(8,691)	(23,722)	3,724	(19,998)
Financial income / (expenses)	-	-	(2,069)	-	-	578
Dividend	-	-	-	-	-	98
Valuation of equity investment by the equity method	-	-	-	(12,150)	(745)	(12,895)
Profit / (loss) before taxes	-	-	(10,760)	-	-	(32,217)
Income taxes	-	-	(726)	-	-	(859)
Profit / (loss) of the year	-	-	(11,485)	-	-	(33,076)
<i>Other information requested by IFRS 8:</i>						
- Depreciation and amortisation	(1,715)	(3,074)	(4,789)	(9,212)	(3,177)	(12,389)
- Impairment	-	(3,688)	(3,688)	(7,124)	(589)	(7,713)
- Non-cash items other than depreciation and amortisation	(3,462)	(1,463)	(4,926)	6,353	9	6,363
- Gains on disposals	8,931	-	8,931	2,453	-	2,453

Please consult the comments provided in the Report on Operations for an analysis of the operating segments.

A breakdown of assets and liabilities by segment is provided below:

	Year 2011				Year 2010			
	Operations	Design & Engineering	No allocated	Totale	Operations/ Manufacturing	Design & Engineering	No allocated	Totale
	A	B	C	A + B + C	A	B	C	A + B + C
Assets	95,341	57,278	129,972	282,590	128,539	59,479	133,459	321,477
Liabilities	138,945	29,010	105,079	273,034	155,239	28,412	116,822	300,473
<i>Segment operating assets include:</i>								
- Investments in associates and joint-ventures accounted for by using the equity method	29,428	50	-	29,478	29,428	50	1,131	30,609
- Intangible assets	-	2,162	600	2,761	-	2,434	660	3,095
- Property, plant and equipment	36,977	28,660	829	66,466	38,471	33,782	936	73,190
- Headcount	118	567	95	780	223	531	76	830

A breakdown of sales by geographic destination is provided below:

	2011	2010
Italy	8,927	78,052
UE	31,124	110,853
Non UE countries	13,843	15,502
Total	53,895	204,407

NOTES TO THE FINANCIAL STATEMENTS

1. Property, Plant and Equipment

The net carrying amount of property, plant and equipment totaled 66.5 million euros at December 31, 2011, down from 73.2 million euros at the end of the previous year, due to the impact of the depreciation for the year and a writedown of the Center for Acoustic and Aerodynamic Research (i.e., the "wind tunnel"). Capital expenditures were limited in 2011 and there were no material commitments to buy property, plant and equipment at the end of the reporting period.

With regard to the industrial facilities in Bairo Canavese and San Giorgio Canavese, we wish to point out that the former was leased to a company of the Ccomp Group from April 1, 2011 to December 31, 2013, while the latter, following the end of contract manufacturing activities, is being used for the remaining activities involving sales of spare parts for car manufactured in the past.

In view of the changed utilization conditions of these assets and taking into account specific technical valuations entrusted to an independent expert, the Company revised the useful lives of assets included in the Buildings, Plant and Machinery, and Furniture and Fixtures categories that are attributable to the two abovementioned industrial facilities, effective as of the second quarter of 2011. This revision of the useful lives resulted in a reduction of 0.8 million euros in the depreciation expense for the year (1.1 million euros on a 12 month basis).

Nevertheless, in view of residual uncertainties about the Group's viability as a going concern, the carrying amount of property, plant and equipment at December 31, 2011, consisting mainly of the San Giorgio and Bairo Canavese real estate complexes, the Cambiano site, the appurtenant generic facilities and the Grugliasco Center for Acoustic and Aerodynamic Research (wind tunnel), was tested for impairment, in accordance with IAS 36 – Impairment of Assets.

When performing the impairment test, the benchmark applied to determine the recoverable value of property, plant and equipment was their fair value, less cost to sell, determined based on real estate quotes available in the archives of the Territorial Agency and, limited to the Bairo and San Giorgio Canavese real estate complexes, on the amounts in the appraisal prepared by an independent expert, with the test result showing that no material writedowns were required. With regard to the Grugliasco Center for Acoustic and Aerodynamic Research, a comparison between its carrying amount and its value in use resulted in a writedown of 3.1 million euros recognized in the income statement under (Additions)/Utilizations of provisions and (Writedowns).

Tables, denominated in euros, showing the changes that occurred in 2011 and a review of the components of property, plant and equipment are provided below:

	Land	Buildings	Leased property	Total
Cost at December 31, 2010	16,984,045	54,629,600	13,066,662	84,680,307
Accumulated depreciation and impairment	-	(20,194,156)	(3,452,519)	(23,646,675)
Net value at December 31, 2010	16,984,045	34,435,444	9,614,143	61,033,632
Additions	-	-	-	-
Retirements	-	-	-	-
Depreciation	-	(1,342,875)	(358,548)	(1,701,423)
Impairment	-	-	-	-
Reclassification	-	-	-	-
Other	-	(33)	-	(33)
Net value at December 31, 2011	16,984,045	33,092,536	9,255,595	59,332,176

Composed by:

Cost at December 31, 2011	16,984,045	54,629,600	13,066,662	84,680,307
Accumulated depreciation and impairment	-	(21,537,064)	(3,811,067)	(25,348,131)

The Land and buildings category reflects the carrying amount of Company owned or leased real estate complexes, including production facilities located at 6 via Castellamonte, in Bairo Canavese (TO) and on Strada provinciale per Caluso, in San Giorgio Canavese (TO); the styling and engineering center at 30 via Nazionale, in Cambiano (TO); a building owned by Pininfarina Deutschland GmbH in Renningen, near Stuttgart, in Germany; and two properties in Turin and Beinasco (TO).

The "Leased property" column reflects the carrying amount of a portion of the Cambiano real estate complex held under a finance lease recognized in accordance with IAS 17 – Leases.

All land and buildings located in Italy, which are owned by Pininfarina S.p.A., the Group's Parent Company, are encumbered by a mortgage for the benefit of Fortis Bank (now Banca Nazionale del Lavoro S.p.A.) securing the remaining indebtedness, which totaled 24.7 million euros at December 31, 2011.

The building owned by Pininfarina Deutschland GmbH is encumbered by a mortgage of 1 million euros securing a loan received by the German subsidiary currently amounting to 500,000 euros.

	Machinery	Plant	Leased plant machinery	Total
Cost at December 31, 2010	61,329,025	162,397,531	122,353,360	346,079,916
Accumulated depreciation and impairment	(60,920,302)	(152,250,661)	(122,353,360)	(335,524,323)
Net value at December 31, 2010	408,723	10,146,870	-	10,555,593
Additions	-	135,196	-	135,196
Retirements	-	(14,560)	-	(14,560)
Depreciation	(96,366)	(1,782,739)	-	(1,879,105)
Impairment	-	(3,115,578)	-	(3,115,578)
Reclassification	10,128	(10,128)	-	-
Other	(10,128)	10,128	-	-
Net value at December 31, 2011	312,357	5,369,190	-	5,681,546
Composed by:				
Cost at December 31, 2011	61,339,153	162,508,039	122,353,360	346,200,552
Accumulated depreciation and impairment	(61,026,796)	(157,138,850)	(122,353,360)	(340,519,006)

At December 31, 2011, the "Plant and machinery" category included: (i) generic production plant and machinery located mainly at the Bairo and San Giorgio Canavese production facilities; and (ii) the carrying amount of the Acoustic and Aerodynamic Research Center (wind tunnel) located in Grugliasco (TO), to which the investments and writedown of 2011 are applicable.

	Furniture and fixtures	Hardware & software	Other prop., plant and equipment	Total
Cost at December 31, 2010	4,252,569	8,064,498	1,813,651	14,130,718
Accumulated depreciation and impairment	(3,965,170)	(7,284,780)	(1,279,900)	(12,529,850)
Net value at December 31, 2010	287,399	779,718	533,751	1,600,868
Additions	102,848	248,505	-	351,353
Retirements	-	(2,155)	(33,799)	(35,953)
Depreciation	(132,694)	(287,129)	(42,755)	(462,577)
Impairment	(293)	(3,343)	-	(3,636)
Reclassification	-	2,066	-	2,066
Other	(1,010)	1,298	-	288
Net value at December 31, 2011	256,251	738,960	457,198	1,452,409

Composed by:

Cost at December 31, 2011	4,354,408	8,314,212	1,779,853	14,448,472
Accumulated depreciation and impairment	(4,098,157)	(7,575,252)	(1,322,655)	(12,996,063)

2. Intangible Assets

At December 31, 2011, the net carrying amount of intangible assets totaled 2.8 million euros, down from 3.1 million euros a year earlier.

A table, denominated in euros, and a review of the components of intangible assets are provided below:

	Goodwill	Licenses and trademarks	Other intangibles	Total
Cost at December 31, 2010	1,043,495	11,887,162	2,070,128	15,000,784
Accumulated depreciation and impairment	-	(10,102,384)	(1,803,637)	(11,906,020)
Net value at December 31, 2010	1,043,495	1,784,778	266,491	3,094,764
Additions	-	304,882	110,194	415,076
Retirements	-	-	-	-
Depreciation	-	(583,292)	(162,376)	(745,668)
Impairment	-	-	(2,868)	(2,868)
Reclassification	-	-	-	-
Other	-	15	-	15
Net value at December 31, 2011	1,043,495	1,506,384	211,441	2,761,320

Composed by:

Cost at December 31, 2011	1,043,495	12,192,059	2,180,322	15,415,876
Accumulated depreciation and impairment	-	(10,685,675)	(1,968,881)	(12,654,556)

Additions for the year refer mainly to software development activities and purchases of licenses by Pininfarina S.p.A., Pininfarina Extra S.r.l., Pininfarina Deutschland and Pininfarina Maroc Sas.

The remaining goodwill of 1,043,495 euros, which is the Group's only intangible asset with an indefinite useful life, originates from the consolidation of Pininfarina Extra S.r.l. Within the Pininfarina Group, the Pininfarina Extra subgroup, which is comprised of Pininfarina Extra S.r.l. and Pininfarina Extra USA Corp., engages in styling activities that are not related to the automotive industry. Consequently, it constitutes a separate cash generating unit. The impairment test performed on the net assets of the Pininfarina Extra subgroup provided no indication that a writedown was required.

The test was performed in the manner described below using the Unlevered Discounted Cash Flow model:

- The operating cash flows from transactions with outsiders by the subgroup were discounted at a rate corresponding to the weighted average cost of capital (WACC), which was equal to 8.32% (7.23% the previous year). Estimates of future cash flows are included in the plans prepared by management, which are based on reasonable and demonstrable assumptions that are representative of the best estimates of future economic conditions.
- The indebtedness to outsiders 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.

As required by IAS 36 – Impairment of Assets, the parameters used to compute the WACC, compared with those for the previous year, are provided below:

- Sector Beta: the parameter used, which is an index of the sector's risk level, was 1.7 (1.6 the previous year).
- Market Risk Premium ("MRP"): 5%, representative of the spread between the yield rate on riskless investments and the yield rate on at risk investments (5% the previous year).
- Risk Free Rate ("RFR"): 5.3%, in line with the previous year.
- Cost of debt: 6.8% (4.5% the previous year).

3. Investments in Joint Ventures

The table below shows the changes that occurred in 2011 in the carrying amount of investments in joint ventures:

	12/31/10	Interest in result	Investment / (disinvestment)	12/31/11
Pininfarina Sverige A.B.	29,427,683	-	-	29,427,683
Véhicules Electriques Pininfarina-Bolloré SAS	1,131,335	-	(1,131,335)	-
Pininfarina Recchi Buildingdesign S.r.l.	50,000	-	-	50,000
Total	30,609,018	-	(1,131,335)	29,477,683

(a) Pininfarina Sverige AB

Following the termination of the joint venture agreements, the interest held in the Swedish subsidiary is being carried at its recoverable values, taking into account any transaction costs. The recoverable value of the investment in the Swedish joint venture was determined based on the contractual stipulation with the counterparty Volvo Car Corporation, subsequent to the exercise of the "Notice of Termination" by Pininfarina S.p.A. on December 27, 2010 and February 16, 2011. In the event of the exercise of the exit option by Pininfarina S.p.A., the joint venture agreement calls for a reimbursement price for the value of the investment equal to the value in euros of the pro rata interest in the joint venture's shareholders' equity stated in the local currency (SEK), net of non-taxed reserves, but not more than 30 million euros and not less than 15 million euros. At December 31 and as of the preparation of these financial statements, the abovementioned value was 30 million euros.

(b) Véhicules Electriques Pininfarina Bolloré SAS

The investment in Véhicules Electriques Pininfarina Bolloré SAS, a 50-50 joint venture with the Bolloré Group, was valued by the equity method until the 2010 reporting year. On April 27, 2011, Pininfarina S.p.A. sold its interest in this joint venture to the Bolloré Group at a price of 10 million euros, generating a gain of 8.9 million euros at the consolidated level.

4. Investments in Other Companies

A breakdown and a review of the investments in other companies is provided below:

	12/31/10	Investment / (disinvestment)	Other changes	12/31/11
Midi Ltd	251,072	-	-	251,072
Idroenergia Soc.Cons. a.r.l.	516	-	-	516
Volksbank Region	-	300	-	300
Unionfidi S.c.r.l.p.A - Turin	129	-	-	129
Total	251,717	300	-	252,017

The main business activity of Midi Plc, a company based in Malta in which Pininfarina Extra S.r.l. holds a 0.6% interest, is real estate development on Manoel Island and a project called "Tigné Point". The carrying amount of this investment in the Group's financial statements is larger than its pro rata interest in the shareholders' equity of this investee company, based on its semiannual financial statements at June 30, 2011.

5. Held to Maturity Assets

The balance of 257,247 euros shown at December 31, 2011 represented 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. This amount was collected on February 14, 2012. A remaining small balance of 6,000 euros will continue to be held in the escrow account until June 30, 2012 to cover any residual bank charges incurred to close the escrow account.

6. Loans and Receivables

The table that follows shows the changes that occurred in loans and receivables from outsiders and joint ventures:

	12/31/10	Reclassif.	Increases	Proceeds	12/31/11
Outsiders	11,292,276	(11,292,276)	-	-	-
Related parties and joint ventures	8,952,089	(8,952,089)	-	-	-
Non-current loans and other receiv.	20,244,365	(20,244,365)	-	-	-
Outsiders	10,988,228	11,292,276	-	(10,988,228)	11,292,276
Related parties and joint ventures	17,904,178	8,952,089	589,757	(18,493,935)	8,952,089
Current loans and other receiv.	28,892,406	20,244,365	589,757	(29,482,163)	20,244,365
Loans and other receivable	49,136,771	-	589,757	(29,482,163)	20,244,365

The balance shown for "Loans and receivables from outsiders" includes financial assets, valued at their amortized cost, which were recognized consistent with the adoption of IFRIC 4 – Determining Whether an Arrangement Contains a Lease. These receivables, which were collected on February 29, 2012, represent the present value of the cash consideration owed to Pininfarina S.p.A. by the Fiat Group as reimbursement for the investments made by Pininfarina S.p.A. for the production of cars. Additional information about these receivables and the adoption of IFRIC 4 is provided in the "Financial Assets – Loans and Receivables" section of the valuation criteria.

The line item "loans and receivables from related parties and joint ventures" represents the outstanding balance of a loan, which accrues interest at regular market rates, provided by Pininfarina S.p.A. to the Pininfarina Sverige AB joint venture to provide it with the financial resources needed to develop the Volvo C70 Convertible and set up the production line at a plant in Uddevalla, Sweden. This loan will be repaid in full by the end of the first half of 2012. A total of 18.5 million euros was collected in 2011.

Even though Pininfarina S.p.A. owns 60% of Pininfarina Sverige AB, this company is valued by the equity method in the consolidated financial statements, as required by Paragraph 38 of IAS 31 – Interests in Joint Ventures and Paragraph 14 of IAS 27 – Consolidated and Separate Financial Statements. Please see Note 3 above for additional information.

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

7. Current assets held for trading

Current assets held for trading consist mainly of government securities and highly rated equity and debt securities, which represent temporary, unrestricted investments of liquid assets that are not subject to a significant risk exposure. However, these investments do not meet all of the requirements needed to qualify as "liquid assets."

These assets are measured at fair value, based on their market prices. Changes in fair value are recognized in the income statement under "Financial income/expense, net."

Management of the investment portfolio is outsourced to top flight counterparties with a market reputation of high reliability.

The balance at December 31, 2011 included a restricted investment of 2,331,494 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 expires on January 30, 2015.

8. Inventory

	12/31/11	12/31/10
Raw materials	1,110,392	1,480,287
(Inventory obsolescence)	(992,243)	(1,308,511)
Finished goods	944,826	646,517
(Finish goods obsolescence)	(221,446)	-
Inventory	841,529	818,293

The table below shows the changes that occurred in 2011 in the provision for inventory writedowns, which reflects the risk for obsolescent and slow turnover items that arose during the phase out of the production activities.

	2011	2010
At the beginning of the year	1,308,511	2,726,000
Additions	-	924,198
Utilizations	(94,822)	(1,832,687)
Other	-	(509,000)
At the end of the year	1,213,689	1,308,511

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

9. Contract Work in Progress

The balance of gross contract work in progress less advances received is shown among current assets as contract work in progress.

The table below shows the balances at December 31 2011 and a comparison with the data for the previous year:

	12/31/11	12/31/10
Contract work in progress	2,946,839	13,361,208
Allowance	-	(12,760,668)
Total Contract Work in Progress	2,946,839	600,540

In 2011, upon the termination of the order for the engineering development of the electric car, Pininfarina S.p.A. determined that certain costs incurred for activities carried out in 2009 were no longer recoverable. Consequently, it wrote off the order inventory, concurrently utilizing the provision for writedown originally recognized for this purpose.

10. Trade Receivables from Customers, Related Parties and Joint Ventures

The following table shows the trade receivable balances at December 31, 2011 and the comparable data for the previous year:

	12/31/11	12/31/10
Receivables IT	5,786,122	7,741,551
Receivables UE	7,002,320	7,174,905
Receivables EXTRA UE	4,378,507	5,727,796
(Allowance for doubtful accounts)	(2,374,642)	(2,444,274)
Total receivables from Customers	14,792,307	18,199,978
Pininfarina Sverige A.B.	-	1,327,442
Véhicules Electriques Pininfarina Bolloré SAS	-	400,000
Total receivables Related Parties and Joint Ventures	-	1,727,442
Total receivables	14,792,307	19,927,420

The balance of the receivable owed by Pininfarina Sverige AB, which reflected technical support services provided pursuant to agreements with Volvo in connection with the production of the Volvo C70 Convertible at the joint venture's factory in Uddevalla, Sweden, was collected in 2011.

A receivable owed by Véhicules Electriques Pininfarina Bolloré for styling services provided by Pininfarina S.p.A. was also collected in 2011.

The Group's main counterparties are top carmakers with a high credit rating. Since there are no receivable insurance contracts, the Group's maximum exposure to the credit risk is equal to the carrying amount of the receivables less the allowance for doubtful accounts. The balance shown for trade receivables represents exclusively receivables denominated in euros.

The following changes occurred in the allowance for doubtful accounts:

	2011	2010
At the beginning of the year	2,444,274	2,241,135
Additions	538,568	527,644
Utilizations	(638,200)	(324,506)
At the end of the year	2,374,642	2,444,273

The addition for the year refers almost exclusively to a receivable owed to Pininfarina S.p.A. by a customer located outside the European Union, which was later written off, with a corresponding utilization of the allowance. The balance of the allowance refers to sundry receivables that are no longer collectible.

11. Other Receivables

A breakdown of "Other receivables" at December 31, 2011 and a comparison with 2010 is provided below:

	12/31/11	12/31/10
VAT overpayments	1,926,823	3,266,984
Current taxes	2,090,565	2,340,091
Receivable from Equitalia	-	-
Advances to suppliers	837,225	615,273
Overpayments to social security institutions	247,367	188,561
Receivable from employees	79,483	7,858
Accrued income and prepaid expense	1,448,879	938,397
Sundry receivables	269,609	1,015,665
Total	6,899,951	8,372,829

The receivable for VAT overpayments decreased due mainly to the amounts invoiced to Italian customers by Pininfarina S.p.A. during the year.

The receivable for tax withholdings decreased due to the refund paid to Pininfarina S.p.A. by the tax authorities for taxes improperly withheld from Chinese customers, net of the increase for new taxes withheld on interest income during the year.

12. Cash and Cash Equivalents

The table below show a breakdown of this account and provides a comparison with the data for the previous year:

	12/31/11	12/31/10
Cash on hand	1,216,032	1,838,205
Short-term bank deposits	89,512,791	84,535,924
Cash and cash equivalents	90,728,823	86,374,129
(Bank account overdrafts)	(17,970,163)	(26,000,000)
Net cash and cash equivalents at end of the year	72,758,660	60,374,129

There were no restrictions encumbering the Group's liquid assets at December 31, 2011 and as of the date when these financial statements were being prepared.

13. Shareholders' Equity

(a) Share Capital

	12/31/11		12/31/10	
	Valore	Nr.	Valore	Nr.
Common share	30,166,652	30,166,652	30,166,652	30,166,652
(Treasury share)	(15,958)	(15,958)	(15,958)	(15,958)
Share Capital	30,150,694	30,150,694	30,150,694	30,150,694

The share capital of Pininfarina S.p.A., the Group's Parent Company, is comprised of 30,166,652 common shares, par value 1 euro each. There are no other classes of shares.

Treasury shares are held consistent with the limits imposed by Article 2357 of the Italian Civil Code. As required by the Framework Agreement of December 31, 2008, the shares held by Pincar S.r.l., equal to 76.06% of the share capital, are encumbered by a senior lien, without voting rights, for the benefit of the Lender Institutions of Pininfarina S.p.A. Detailed information about the Company's shareholders is provided in the "General Information" section of the Notes.

(b) Additional Paid-in Capital

The full amount of this reserve was used to cover the loss incurred in 2010, as per a resolution adopted by the Shareholders' Meeting on April 29, 2011.

(c) Reserve for Treasury Stock

This reserve, which amounted to 175,697 euros, unchanged compared with the previous year, is carried in accordance with the provisions of Article 2357 of the Italian Civil Code

(d) Statutory Reserve

The statutory reserve, which was unchanged compared with December 31, 2010, represents the portion of the earnings of Pininfarina S.p.A., the Group's Parent Company, that, pursuant to the provisions of Article 2430 of the Italian Civil Code, cannot be distributed as dividends.

(e) Reserve for Currency Translations

The reserve for currency translations reflects the cumulative differences from the translation of financial statements of companies with functional currencies different from the euro, which is the Group's presentation currency. These companies are Pininfarina Sverige AB, Pininfarina Maroc SAS and the recently established Pininfarina Automotive Engineering (Shanghai) Co Ltd.

(f) Other reserves

A total of 5,227,842 euros was drawn from this reserve to cover the loss incurred in 2010, as per a resolution adopted by the Shareholders' Meeting on April 29, 2011.

The Group does not have any stock option plans or other instruments requiring share-based payments.

(g) Retained Earnings (Loss Carryforward)

At December 31, 2011, the loss brought forward totaled 16,764,106 euros, with a negative change of 11,771,193 euros compared with December 31, 2010, due to the coverage of the entire loss incurred by the Group's parent Company in 2011.

A schedule showing the classification by utilization option of the reserves of Pininfarina S.p.A., the group's Parent Company, is provided in the notes to the statutory financial statements.

A schedule showing the showing a reconciliation of the result and shareholders' equity of Pininfarina S.p.A. to the corresponding consolidated data is provided in the Report on Operations.

14. Borrowings

The table below shows the changes that occurred in 2011 with regard to the Group's indebtedness:

	12/31/10	Reclassification between current and non- current	Variation of bank overdrafts	Repayment	Figurative interests	12/31/11
Liabilities under financial leases	116,131,206	(116,131,206)	-	-	-	-
Other indebtedness	77,405,750	(59,660,037)	-	(150,000)	-	17,595,714
Non-current liabilities	193,536,956	(175,791,243)	-	(150,000)	-	17,595,714
Bank account overdrafts	26,000,000	-	(8,029,837)	-	-	17,970,163
Liabilities under financial leases	12,199,807	116,131,206	-	-	2,397,540	130,728,552
Other indebtedness	10,837,102	(59,660,037)	-	(2,518,455)	867,618	68,846,302
Current liabilities	49,036,909	175,791,243	(8,029,837)	(2,518,455)	3,265,158	217,545,017
Current and non-current liabilities	242,573,865	-	(8,029,837)	(2,668,455)	3,265,158	235,140,731
<i>Composed by:</i>						
Liabilities under financial leases	128,331,013	-	-	-	2,397,540	130,728,552
Other indebtedness	88,242,852	-	-	(2,668,455)	867,618	86,442,016
Total leasing liabilities and other indebtedness	216,573,865	-	-	(2,668,455)	3,265,158	217,170,568

Other financial debt includes the amounts owed to the Lender Institutions of Pininfarina S.p.A., parties to the Rescheduling Agreement, and to Fortis Bank (now Banca Nazionale del Lavoro S.p.A.) pursuant to the corresponding loan agreements.

The repayment column, totaling 2,668,455 euros, reflects a partial repayment made to Banca Nazionale del Lavoro on January 2, 2012 (formerly Fortis Bank, the only bank that did not join the Framework Agreement) and a repayment of 150,000 euros made by the Pininfarina Deutschland subsidiary on indebtedness owed to Volksbank Region Leonberg (GER).

A breakdown of gross borrowings by maturity is as follows:

	12/31/11	Amount at 12/31/11	Amount due from 1 to 5 years	Amount due after 5 years
Liabilities under financial leases	130,728,552	130,728,552	-	-
Other indebtedness	86,442,016	68,846,302	17,595,714	-
Total leasing liabilities and other indebtedness	217,170,568	199,574,854	17,595,714	-

The table below, which is being provided for the sake of consistency with previous years, shows a breakdown of the Group's borrowings by lender and the changes that occurred in 2011:

	12/31/10	Repayments	Figurative charges	12/31/11
Leasint	28,904,728	-	756,962	29,661,687
MPS Leasing	14,452,364	-	378,481	14,830,845
Selmabipiemme	14,452,364	-	378,481	14,830,845
Release Spa (ex B.Italease)	37,660,433	-	451,338	38,111,771
Lease Group Spa (ex BNP Paribas)	12,078,785	-	168,240	12,247,025
UBI Leasing	6,039,392	-	84,120	6,123,512
Unicredit Leasing Spa (ex LOCAT)	14,742,950	-	179,918	14,922,868
Total Leasing	128,331,013	-	2,397,540	130,728,553
Banca Intesa Sanpaolo Spa	21,807,832	-	313,261	22,121,093
Banca Italease Spa	1,635,469	-	23,520	1,658,989
Unicredit Corporate Banking Spa	10,503,564	-	150,845	10,654,409
Unicredit Corporate Banking Spa (ex B.Roma)	7,270,709	-	104,107	7,374,816
Banca Nazionale del Lavoro	3,304,278	-	47,450	3,351,728
Banca Regionale Europea	3,634,359	-	52,271	3,686,630
Banca Regionale Europea (ex B.Pop.Bergamo)	5,452,107	-	78,282	5,530,389
Banca Popolare di Novara	6,815,002	-	97,881	6,912,883
Volksbank region Leonberg (DE)	650,000	(150,000)	-	500,000
Total Bank	61,073,320	(150,000)	867,617	61,790,937
BNL (Ex Fortis Bank)	27,169,533	(2,518,455)	-	24,651,078
Total	216,573,865	(2,668,455)	3,265,157	217,170,568

A) Transactions with Banca Nazionale del Lavoro S.p.A., formerly Fortis Bank

On June 25, 2008, Pininfarina S.p.A. and Fortis Bank (now Banca Nazionale del Lavoro S.p.A.) entered into an agreement (the "Fortis Agreement"), separate from the Rescheduling Agreement reviewed below, that defines a plan for the repayment of interest-bearing debt in semiannual installments, the last one of which is due on December 31, 2015. This separate agreement will not be affected by the agreement amending the Rescheduling Agreement, currently being finalized, which is described below.

By virtue of the court injunctions served on Pininfarina S.p.A. on March 28, 2008 and April 19, 2008, Fortis Bank S.A. (now Banca Nazionale del Lavoro S.p.A.) was granted court-ordered mortgages on all of the buildings owned by the Company, which secure loans currently totaling about 25 million euros.

B) Loans, Financing Facilities and Finance Leases

b.1) The 2008 Rescheduling Agreement

On December 31, 2008, Pininfarina S.p.A. and its Lender Institutions signed a Framework Agreement governing the Company's recapitalization process, which was completed in September 2009 with a capital increase of 70 million euros, and a Rescheduling Agreement, the main feature of which is the repayment of debt for finance leases and medium/long-term borrowings starting in 2012, with full redemption completed by 2014 and 2015, respectively, and with interest beginning to accrue and becoming payable starting in 2012.

In addition to the express cancellation clauses contained in loan agreements and finance leases, which, if exercised, would cause the borrower to lose the benefit of deferred repayment and could result in the Lender Institutions demanding repayment in a lump sum, the Rescheduling Agreement

contains covenants requiring compliance with the following Financial Parameters, computed based on the consolidated data at December 31, 2011:

- 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 30, 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.

The definitions of the items used to compute the Financial Parameters are provided in Annex 1.

At December 31, 2011, the Company was not in compliance with these parameters. Consequently, as required by Paragraph 74 of IA 1, the indebtedness owed for loans, financing facilities and finance leases was classified as current indebtedness.

b.2) Amendments to the Rescheduling Agreement

Based on the guidelines of the new 2012-2018 Industrial Plan, a new Financial Plan was drafted with the support of the advisor Banca Leonardo & Co. The Plan's content was the subject of constructive discussions between the Lender Institutions and the Company during the November 2011 – March 2012 period, which resulted in the definition of a Term Sheet with the Lender Institutions, the highlights of which concern:

- the utilization of any liquidity in excess of operating needs immediately to service the debt owed to the Financial Institutions;
- the rescheduling of the medium/long-term debt with a 2012-2018 amortization plan (compared with the current plan calling for final repayment by 2015), consistent with the cash flows projected over the horizon of the new Plan;
- the rescheduling of the existing overdraft facilities to 2018, albeit for a smaller amount, and their transformation into medium/long-term debt maturing in 2018;
- a substantial reduction of the interest rates applied to the entire debt, currently charged at market rates.

On March 21, 2012, Pininfarina S.p.A. received a communication from the counsel to the Lender Institutions informing it that the proposal to amend the Rescheduling Agreement submitted by the Company had been accepted by the technical entities in charge of the negotiations and submitted by them, with a favorable opinion, to the respective governance bodies. The resolution approval process, which should be completed in a few weeks, is currently under way.

C) Other Information

Pininfarina S.p.A. is the guarantor of obligations, denominated in euros, under finance leases executed by Pininfarina Sverige AB joint venture, which were not restructured in 2008. At December 31, 2011, the outstanding balance of these leases was about 15 million euros.

In addition, indebtedness totaling 500,000 euros is owed to Volksbank Region Leonberg (GER) by Pininfarina Deutschland, which is the only company consolidated line by line with medium/long-term debt.

Consequently, the Group does not owe any amounts subject to the currency risk. Information about its net borrowings, computed in accordance with Consob Communication No. 6064293 of July 28, 2006, is provided on page 26 of the Report on Operations.

15. Provision for Termination Indemnities

The balance shown for the Provision for termination indemnities represent the present value of liabilities towards employees, determined in accordance with Article 2120 of the Italian Civil Code. As a result of legislative changes introduced four years ago, the benefits vested before January 1, 2007 that are owed to Company employees are accounted for as belonging to a defined-benefit plan, in accordance with IAS 19 – Employee Benefits. The benefits that vested subsequently are accounted for as belonging to a defined-contribution plan.

There are no other defined-benefit plans within the Group.

The table below shows the changes that occurred in 2011:

	12/31/11	12/31/10
Present value of obligation at the beginning of the year	9,122,951	10,955,068
Interest costs	282,094	387,050
Current service costs	11,576	12,156
Net actuarial losses (gains) recognised	335,256	42,596
Total Costs (gains)	628,926	441,802
Benefit paid	(2,204,055)	(2,273,919)
Present value of obligation at the end of the year	7,547,822	9,122,951

In the table above, Benefits paid includes the effect, amounting to 933,236 euros, of a contract to lease certain business operations executed by Pininfarina S.p.A. with a company of the Cecom Group, which resulted in the transfer, until December 31, 2013, of the employment contracts for 57 employees of the abovementioned business operations and the transfer of the corresponding Provision for termination indemnities.

The table below shows the main assumptions used in the actuarial computation of the liability for termination indemnities and provides a comparison with the data for the previous year:

	2011	2010
Annual inflation rate	1.2%	2.0%
Benefit discount rate	2.4%	3.3%
Annual rate of wage increase	0.5% - 2%	0.5% - 2%

16. Trade Accounts Payable and Other Payables

(a) Trade Accounts Payable

	<u>12/31/11</u>	<u>12/31/10</u>
Accounts payable to suppliers	11,471,833	33,003,933
Accounts payable to related parties and joint ventures	20,670	45,605
Advances received for work in progress	2,702,338	1,851,082
Total	14,194,841	34,900,620

The balance at December 31, 2011 does not include any material past-due amounts and reflects payables that will be settled within 12 months from the date of the financial statements.

As was the case the previous year, accounts payable to related parties and joint ventures includes the amount owed to Pininfarina Sverige AB.

The main reason for the increase in Advances received for work in progress is a new contract for the construction of a special car by Pininfarina S.p.A.

(b) Other Payables

	<u>12/31/11</u>	<u>12/31/10</u>
Amounts owed to employees	1,595,389	2,153,925
Income tax withheld from employees	1,844,526	1,487,468
Miscellaneous payables	1,981,266	1,516,775
Total	5,421,181	5,158,168

The balance shown in 2010 for Payables owed to social security institutions reflected the amount owed by the Company to such institutions, net of the credit for the Layoff Benefits Fund payments advanced by the Company.

17. Provisions for Risks and Charges, Contingent Liabilities and Legal Disputes

(a) Provisions for Risks and Charges

A listing and review of the changes that occurred in 2011 in the provisions for risks and charges is provided below:

	<u>12/31/10</u>	<u>Additions</u>	<u>Utilizations</u>	<u>Other changes</u>	<u>12/31/11</u>
Provision for warranties	569,010	-	(301,755)	-	267,255
Provision for restructuring	2,405,194	3,900,000	(1,371,015)	-	4,934,179
Other provisions	4,239,758	2,630,093	(2,085,961)	(752,184)	4,031,706
Total	7,213,962	6,530,093	(3,758,731)	(752,184)	9,233,140

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 Provision for restructuring charges reflects a best estimate of the liability for restructuring programs at the end of the year. The addition for the year, which was recognized in connection with a long-term unemployment benefit program activated for termination of production activities, applicable to 127 employees previous working in that sector and related areas, includes 2.9 million euros for statutory contributions and indemnities and 1 million euros for incidental expenses. The utilization for the year covers the costs incurred for retirement incentives.

Other provisions reflects best estimates of the liabilities that may arise from the renegotiation of certain aspects of the contract with Volvo, the close-out losses on styling and engineering contracts and other minor liabilities arising from disputes with employees and tax disputes of the Matra Automobile Engineering SAS subsidiary.

The "Other changes" column reflects mainly the effects of a revision of the estimated liabilities related to closed-out production activities and the close-out losses on styling and engineering contracts.

(b) Contingent Liabilities and Legal Disputes

(b1) Disputes with the Revenue Administration

On April 11, 2011, the Government's Legal Services Office served notice on the Company that it was appealing to the Supreme Court of Cassation a decision by which a higher-level tax commission fully upheld the position of Pininfarina S.p.A. in a dispute with the Internal Revenue Agency concerning VAT that began in 2006. 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. At this point, it is impossible to predict the decision of the Supreme Court of Cassation with regard to the appeal filed by the Government's Legal Services Office. The Company is confident that its actions were proper and, on April 13, 2011, filed with the Clerk of the Supreme Court of Cassation a motion in opposition to the abovementioned appeal.

On April 12, 2011, the Internal Revenue Police, acting further to a tax audit launched in June 2010, served the Company with a Tax Audit Report, the main assessments of which concerned the agreements executed on December 31, 2008 by the Company, its shareholder Pincar S.p.A. (now Pincar S.r.l.) and the Lender Institutions to recapitalize Pininfarina S.p.A. and the tax treatment of these agreements with regard to some indirect taxes.

On June 17, 2011, the Company filed its defensive briefs with the various offices of the Revenue Agency with jurisdiction over the different types of taxes, specifying the reasons why the abovementioned assessments were unjustified.

Insofar as the indirect taxes are concerned, on July 25, 2011, the Revenue Agency ruled that these taxes could not be levied on Pininfarina S.p.A., thereby effectively voiding the assessments listed in the Tax Audit Report issued by the Revenue Police.

On December 6, 2011, in the matter of the corporate income tax (IRES) assessments, which concerned mainly the agreements executed on December 31, 2008 to recapitalize the Company, Pininfarina S.p.A. reached a settlement with the Revenue Agency. While the Company believes that its conduct was lawful, in order to avoid a lengthy and tiresome dispute and having access to a tax loss carryforward, opted for settling this matter, without incurring any negative economic and financial effects.

18. Current and Deferred Taxes

(a) Deferred Taxes

The table below provides a breakdown of the deferred-tax asset and deferred-tax liabilities recognized in the financial statements:

	12/31/11	12/31/10
Deferred tax assets	880,328	1,011,828
(Deferred tax liabilities)	(1,813)	(1,566)
Total	878,515	1,010,262

The net deferred-tax assets shown on the financial statements refer mainly to the Group's German companies (Pininfarina Deutschland GmbH, MPX Entwicklung GmbH – Munich and MPX Entwicklung GmbH – Stuttgart) and reflect the recoverable portion of the tax loss carryforward, determined based on projected future taxable income and taking into account the agreement for the filing of a national consolidated tax return executed by the abovementioned companies in Germany.

A breakdown and a review of deferred-tax assets and liabilities not recognized in the financial statements are provided below:

	2011	2010
Leases as lessor/lessee	37,935,033	38,962,878
Provisions for risks and writedowns	2,542,330	4,027,218
Sundry differences	-	223,190
A - Total deferred-tax assets	40,477,364	43,213,286
(Revaluation of land and buildings)	(5,488,177)	(5,399,340)
(Provision for termination indemnities and other provisions)	(33,237)	(121,933)
B - (Offsettable deferred-tax assets and liabilities)	(5,521,414)	(5,521,273)
(A+B) - Total	34,955,950	37,692,013
C - Deferred-tax assets over deferred-tax liabilities	27,961,549	62,655,268
(A+B+C) Net balance	62,917,499	100,347,281

The balance of "offsettable" deferred-tax assets and liabilities is computed on all difference between the carrying amount and tax base of the Group's assets and liabilities, in accordance with Paragraph 74 of IAS 12 – Income Taxes, which requires offsetting when there is a legally exercisable right in the same tax jurisdiction.

The balance of "deferred-tax assets over deferred-tax liabilities" is computed by applying the tax rate in effect upstream of the tax losses brought forward, as shown in the annual tax return. The balance is attributable mainly to Pininfarina S.p.A. (9.9 million euros, compared with 44.6 million euros at the end of 2010, keeping in mind that the decrease in the total amount of the tax loss carryforward is due to the settlement of a tax assessment reached by Company on December 6, 2011), the French subsidiary Matra Automobile Engineering SAS (12.9 million euros compared with 12.8 million euros at the end of 2010) and the Pininfarina Deutschland GmbH Group (5.1 million euros compared with 5.3 million euros at the end of 2010).

The table below shows a breakdown by geographic region of the tax loss carryforward and of the deferred-tax asset amounts:

	Tax Loss Carryforward 12/31/11	Deferred-tax Asset 12/31/11	Tax Loss Carryforward 12/31/10	Deferred-tax Asset 12/31/10
Italy	39,954,962	9,887,615	162,048,721	44,563,398
Germany	45,000,000	5,047,174	46,712,000	5,295,414
France	38,876,679	12,945,934	38,427,794	12,796,456
China	323,304	80,826	-	-
Tax Loss Carryforward	120,154,945	27,961,549	247,188,515	62,655,268

The full amount of deferred-tax assets resulting from the computation was not recognized because management does not believe that sufficient taxable income can be generated over the near term to fully utilize the tax loss carryforward and deductible temporary differences.

(b) Current Taxes

A breakdown of the "Income taxes" line item of the income statement is provided below:

	12/31/11	12/31/10
IRES / Local taxes	(158,197)	(13,229)
IRAP	(437,731)	(717,043)
Provision release	1,767	28,463
Total current taxes	(594,161)	(701,809)
Variation of deferred tax asset	(131,500)	(158,149)
Variation of deferred tax liabilities	(247)	799
Deferred taxes	(131,747)	(157,350)
Income tax	(725,909)	(859,159)

The current taxes payable refer mainly to the regional taxes (IRAP) owed by the Group's two main Italian companies: Pininfarina S.p.A. and Pininfarina Extra S.r.l.

Within the Pininfarina Group there are two agreements governing the filing of national consolidated tax returns: (i) one for the Italian companies of the Group, i.e., Pininfarina S.p.A. and Pininfarina Extra S.r.l., (ii) and another one for the Pininfarina Deutschland GmbH Group, which includes this company and its subsidiaries, both called MPX Entwicklung GmbH, located one in Munich and one in Stuttgart.

The tables below provide a reconciliation of the theoretical tax liability to the actual tax liability, broken down between corporate income tax and IRAP.

	Taxable	Taxes
Profit / (loss) before taxes	(10,759,026)	2,489,160
<i>Adjustment for:</i>		
Impairment losses no deductible for fiscal reason	3,055,003	(840,126)
Leasing costs	-	-
Depreciation	688,717	(189,397)
Provision addition / release	(11,307,108)	3,109,455
Other cost no deductibles	15,032,862	(4,133,520)
Gain on the sale VEPB	(8,703,536)	2,872,167
(Carried forward fiscal losses)/ taxes	(11,993,088)	3,307,738

	Taxable	%	Taxes
Profit / (loss) before taxes	(10,759,026)		0
<i>Subsidiaries excluded from IRAP taxation</i>			
Pininfarina Deutschland Group	(950,143)		
Matra Automobiles Engineering SAS	558,960		
Pininfarina Automotive Engineering Co Ltd - Shanghai	368,522		
Pininfarina Maroc SAS	(658,635)		
Consolidated adjustments	(9,533,112)		
Profit (loss) before taxes taxable	(20,973,435)	3.9%	817,964
<i>Adjustment for:</i>			
- Impairment losses no deductible for fiscal reason	3,844,490	3.9%	(149,935)
- Labor cost	25,600,055	3.9%	(998,402)
- Effect for "cuneo fiscale"	(7,412,549)	3.9%	289,089
- Leasing costs	-	3.9%	-
- Depreciation	688,717	3.9%	(26,860)
- Other no deductible costs	9,475,596	3.9%	(369,587)
(Carried forward fiscal losses)/ taxes	(9,749,561)		(437,731)

19. Sales and Service Revenues

	2011	2010
Sales revenues - Italy	1,306,334	67,654,121
Sales revenues - UE	4,586,695	86,786,234
Sales revenues - Non UE countries	159,237	355,803
Services revenues - Italy	7,621,090	10,397,710
Services revenues - UE	26,537,375	24,066,405
Services revenues - Non UE countries	13,684,236	15,146,647
Total	53,894,967	204,406,919

Sales revenues refers mainly to revenues from the sale of automobiles and spare parts. The end of the activities engaged in contract car manufacturing and sales is the main reason for the reduction in sales revenues.

Service revenues refers to revenues from the provision of styling and engineering services.

Segment information is provided on page 64.

20. Other Income and Revenues

	2011	2010
Amounts rebilled	4,420,066	570,705
Out-of-period income	150,936	370,669
Insurance settlements	4,508	103,371
Royalties	306,791	-
Rebilling	114,385	130,895
Operating grants	248,019	65,133
Sundry items	88,225	117,372
Total	5,332,930	1,358,145

Rental and leasing income refers mainly to the proceeds from a contract to lease business operations, executed on April 1, 2011 by Pininfarina S.p.A. and a company of the Ccomp Group, and rent on two building located in Renningen, near Stuttgart, in Germany, owned by the Pininfarina Deutschland GmbH subsidiary.

Out-of-period income refers to out-of-period income and estimating differences, other than errors, resulting from the regular updating of estimates made in previous years

Redevances refers to fees for the use of the trademark under an agreement executed by Pininfarina S.p.A. and the Bolloré S.A. Group in connection with the production of electric cars at the Bairo Canavese plant.

21. Gains on the Sale of Property, Plant and Equipment and Equity Investments

The Gain on the sale of equity investments, amounting to 9,095,840 euros, stems mainly from the sale to the Bolloré Group of the investment held by Pininfarina S.p.A. in the Véhicules Electriques Pininfarina Bolloré SAS 50-50 joint venture. The sale closed on April 27, 2011 and the price of 10 million euros was collected in the second quarter of 2011, generating a gain of 8,868,665 euros.

The total amount also includes a gain of 62,046 euros on the disposal of two vintage cars and other equipment by Pininfarina S.p.A.

22. Wages, Salaries and Employee Benefits

	2011	2010
Wages and salaries	(33,337,447)	(32,850,606)
Employee benefits	(8,483,445)	(9,627,269)
Independent contractors	-	(4,448,696)
Utiliz.Prov.restruct.charges	1,208,515	1,559,229
Wages, Salaries and Employee Benefits	(39,612,377)	(45,367,343)
Addition to Provision for termination indemnities	(2,043,743)	(2,088,073)
Total	(41,656,120)	(47,455,416)

In 2010, the amount shown for Independent contractors reflected the cost of personnel seconded by De Tomaso Automobili employed in the production processes that ended that year.

Utilization of the provision for restructuring charges refers to the amounts paid to employees who left the Company in 2011, in accordance with the separation incentive program.

The Provision for termination indemnities – Defined-benefit plan reflects the costs related to employee termination benefits both for the defined-benefit plan and the defined-contribution plan. Additional information is provided in Note 15.

The table below shows the number of employees December 31, 2011 and, as required by Article 2427 of the Italian Civil Code, the average number of employees, computed by adding and dividing by two the number of employees at the beginning and at the end of the year:

	2011		2010	
	December 31, 2011	Average	December 31, 2010	Average
Executives	26	27	30	31
Office staff	688	683	693	698
Production staff	66	77	107	115
Total	780	787	830	844

23. Additions to Provisions, Utilizations of Provisions and Writedowns

	2011	2010
Additions to allowance for doubt. accounts	(568,570)	(827,782)
Additions to provisions for risks	(6,530,093)	(4,137,999)
Utilization Provisions for Risks and charges	1,604,485	10,917,077
Writedowns of property, plant and equipment	(3,119,214)	(937,656)
Writedowns of receivables	-	(5,947,562)
Total	(8,613,392)	(933,922)

Additions to the allowance for doubtful accounts reflects primarily an addition of 554,478 euros to the allowance of the Group's parent Company and 638,199 euros for losses on receivables recognized in 2011, net of a same-amount utilization of the allowance.

Utilization of provisions for risks and charges and estimate revisions reflects the utilization of the provision for closing losses on production orders, amounting to 852,301 euros, and the revision of the estimates of some liabilities on terminated production activities and closing losses on production orders totaling 752,184 euros.

Comments about additions to the provisions for risks and charges are provided in Note 17, while those about writedowns of property, plant and equipment may be found in Note 1.

24. Other Expenses

	2011	2010
Penalties Mitsubishi dispute	-	(22,616,897)
Travel expenses	(1,576,384)	(1,396,146)
Rentals	(1,974,635)	(2,263,775)
Fees paid to Directors and Statutory Auditors	(1,100,395)	(1,044,007)
Consulting and other services	(2,706,958)	(3,677,859)
Other personnel costs	(718,549)	(666,173)
Telegraph and postage	(353,325)	(337,170)
Cleaning and waste disposal services	(304,983)	(542,244)
Advertising	(479,450)	(277,417)
Taxes	(1,407,215)	(872,616)
Insurance	(410,258)	(294,730)
Membership dues	(80,383)	(40,101)
Out-of-period charges	(80,890)	(38,891)
General services	(156,654)	(63,930)
Losses on asset disposals	-	(273,286)
Sundry expenses	(328,029)	(538,023)
Total	(11,678,108)	(34,943,265)

Detailed information about the penalties related to the Mitsubishi dispute is provided in 2010 Annual Financial Report.

Rentals refers mainly to the cost of operating leases for EDP equipment, forklifts and cars provided to employees. Rental contracts, which constitute operating leases pursuant to IAS 17 – Leases, do not entail special commitments for the Company.

Consulting and other services refers to the fees paid to the Independent Auditors, a breakdown of which is provided on the pages that follow the “Other Information” section of this Report, as required by Article 149-*duodécies* of the Issuers’ Regulations.

The main components of indirect taxes and fees are the taxes owed on outstanding service contracts with some Chinese customers (960,304 euros), municipal property taxes on buildings owned by the Group’s Parent Company (235,370 euros) and sundry taxes and fees for the balance.

25. Financial Income (Expense), Net

	2011	2010
Financial expense paid to banks	(1,086,108)	(1,036,670)
Financial expense paid under leases	(2,850,808)	(1,522,247)
Financial exp. on medium- and long-term borrowings	(1,506,464)	(1,026,357)
Total financial expense	(5,443,380)	(3,585,274)
Bank interest earned	1,147,283	452,547
Realized gains from marking securities to market	335,300	335,765
Interest earned on long-term loans to outsiders	1,388,772	2,491,528
Interest earned on long-term loans to joint ventures	503,205	882,904
Total financial income	3,374,560	4,162,744
Net financial income (expense)	(2,068,820)	577,470

Interest paid – credit lines refers to the use of the credit line in day-to-day operations.

Interest earned – credit lines represents interest accrued on credit balances in the corresponding bank accounts.

The amount shown for Current assets held for trading reflects trading gains and losses and the effect of measuring these assets at fair value, compared with the previous year.

Financial expense paid under finance leases, amounting to 2,850,808 euros, was recognized as a result of the valuation of liabilities by the amortized cost method.

Financial expense on medium/long-term borrowings, amounting to 1,506,464 euros, reflect the valuation of liabilities by the amortized cost method (867,617 euros) and the interest accrued on the debt owed to Fortis Bank (now BNL of the BNP Paribas Group), which is the only bank that refused to sign the Framework Agreement (628,461 euros). The interest owed to Fortis Bank was paid on schedule, in accordance with a separate agreement with this bank, while the interest owed on medium/long-term borrowings will be paid in the first half of 2012.

Interest earned on long-term loans to outsiders, amounting to 1,388,772 euros, originates from the valuation of financial assets recognized by the amortized cost method, in accordance with IFRIC 4.

Interest earned on long-term loans to related parties and joint ventures, amounting to 503,205 euros, refers to the interest accrued, and collected in 2011, on the loan provided to Pininfarina Sverige AB.

A description of the status of the negotiations with the credit institutions aimed at restructuring the Group's indebtedness is provided in Note 14 above and in the Report on Operations.

26. Dividends

	2011	2010
Banca Passadore	-	53,571
Italian securities under asset management	-	44,604
Total	-	98,175

27. Valuation of Equity Investments by the Equity Method

	2011	2010
Pininfarina Sverige AB	-	(12,149,756)
Véhicules Electriques Pininfarina-Bolloré SAS	-	(745,280)
Total	-	(12,895,036)

Information about this item is provided in Note 3.

OTHER INFORMATION

Events Occurring Since December 31, 2011

A review of the events occurring since December 31, 2011 is provided on page 19, in the corresponding section of the Report of the Board of Directors on Operations.

Transactions with related Parties

The table below, which is being presented pursuant to Consob Communication No. DEM/6064293 of July 28, 2006, provides an overview of transactions with related parties, including intra-Group transactions. These transactions were carried out on market terms, consistent with the nature of the goods exchanged or the services provided, and were neither atypical nor unusual, for the purposes of the abovementioned communication.

	Commercial		Financial		Operating		Financial	
	Receivables	Payables	Receivables	Payables	Revenues	Costs	Income	Expense
Pininfarina Sverige AB	-	20,670	8,952,089	-	989,010	83,031	503,204	-
Total	-	20,670	8,952,089	-	989,010	83,031	503,204	-

In addition to the amounts reported in the table above, transactions with other related parties requiring disclosure included legal consulting services provided to Pininfarina S.p.A. by Studio Professionale Pavesio e Associati, related to the Director Carlo Pavesio, for a total amount of 340,588 euros, and commercial consulting services provided by Pantheon Italia S.r.l., related to the Director Roberto Testore, for a total amount of 73,659 euros.

Material Extraordinary Events and Transactions

As required by the Consob Communication No. DEM/6064293 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:

Consolidated Balance Sheet	Statutory financial statements at 12/31/11	Statutory financial statements at 12/31/11 net of extraordinary transactions
Net property, plant and equipment	66,466,131	69,585,345
Net intangible assets	2,761,320	2,761,320
Equity investments	29,729,700	30,861,035
Deferred-tax assets	880,328	880,328
Non-current financial assets	257,247	257,247
NON-CURRENT ASSET	100,094,726	104,325,275
Inventory	841,529	841,529
Contract work in progress	2,946,839	2,946,839
Current financial assets	66,286,176	66,286,176
Financial derivatives	-	-
Net trade receivables and other receivables	21,692,258	21,692,258
Cash and cash equivalents	90,728,823	80,728,823
CURRENT ASSETS	182,495,625	172,495,625
Held-for-sale assets	-	-
TOTAL ASSETS	282,590,351	276,840,900
Share capital and Reserves	21,041,430	21,041,430
Profit (Loss) for the period	(11,484,934)	(13,196,460)
TOTAL SHAREHOLDERS' EQUITY	9,556,496	7,844,970
Long-term borrowings	17,595,714	17,595,714
Deferred-tax liabilities	1,813	1,813
Provision for termination indemnities	7,547,822	7,547,822
NON-CURRENT LIABILITIES	25,145,349	25,145,349
Current borrowings	217,545,017	217,545,017
Other payables	5,421,181	5,421,181
Trade accounts payable	14,194,841	14,194,841
Provision for current taxes	810,510	810,510
Provision for other liabilities and charges	9,916,957	5,879,032
CURRENT LIABILITIES	247,888,506	243,850,581
Liabilities attributable to held-for-sale assets	-	-
TOTAL LIABILITIES	273,033,855	268,995,930
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	282,590,351	276,840,900

Consolidated Income Statement	Statutory financial statements at 12/31/11	Statutory financial statements at 12/31/11 net of extraordinary transactions
Net revenues	53,894,967	53,894,967
Change in inventory of finished goods and work in process	2,782,041	2,782,041
Other income and revenues	5,332,930	5,332,930
VALUE OF PRODUCTION	62,009,937	62,009,937
Net gain on the sale of non-current assets	8,930,711	62,046
Raw materials and outside services used	(5,834,173)	(5,834,173)
Change in inventory of raw materials	(1,548,937)	(1,548,937)
External variable engineering services	(5,508,519)	(5,508,519)
Labor costs	(41,656,119)	(41,656,119)
Depreciation and amortization	(13,402,268)	(6,245,129)
Foreign exchange gains and (losses)	(3,130)	(3,130)
Other expense	(11,677,708)	(11,677,708)
EBIT	(8,690,206)	(10,401,732)
Financial income (expense), net	(2,068,820)	(2,068,820)
Dividend	-	-
Valuation of equity investment by the equity method	-	-
PROFIT (LOSS) BEFORE TAX	(10,759,026)	(12,470,552)
Income taxes for the year	(725,909)	(725,909)
NET PROFIT (LOSS) FOR THE YEAR	(11,484,934)	(13,196,460)

Material extraordinary transactions included the following:

- Sale of the interest held in Véhicules Electriques Pininfarina-Bolloré S.A.S.;
- Addition to the provision for restructuring programs;
- Writedown of the Acoustic and Aerodynamic Research Center;
- Addition to the provision for risks on the Matra Automobile Engineering S.a.s. subsidiary.

Atypical and Unusual Dealings

As required by the Consob Communication No. DEM/6064293 of July 28, 2006, the Pininfarina Group discloses that in 2011 it was not a party to 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 counterparty, 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.

Fees Paid to the Independent Auditors, as per Article 149-*duodecies* of the Issuers' Regulations

The schedule below, which was prepared pursuant to Article 149-*duodecies* of the Consob Issuers' Regulations, lists the amount attributable to 2011 of the fees charged for independent auditing services and services other than auditing provided by PricewaterhouseCoopers S.p.A. and other companies within the same network and by Deloitte & Touche S.p.A.:

Services	Party providing the service	Client	Fee amount attributable to 2011
Independent Audit	PricewaterhouseCoopers SpA	Parent Company – Pininfarina S.p.A.	125,000
	PricewaterhouseCoopers SpA	Pininfarina Extra Srl	10,000
	PwC Network	Subsidiaries	53,961
	Deloitte & Touche SpA	Pininfarina Sverige AB	65,235
Certification Services	-	-	-
Other services	-	-	-
Total			254,196

LIST OF CONSOLIDATED COMPANIES

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

List of companies consolidated line by line

Italian subsidiaries

Pininfarina Extra S.r.l.	Turin Via Bruno Buozzi 6	IT	388,000	EUR	100	Pininfarina S.p.A.	100
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Foreign subsidiaries

Pininfarina Extra USA Corp.	Florida-Fort Lauderdale 1710 West Cypress Creed Road	USA	10,000	USD	100	Pininfarina Extra S.r.l.	100
Pininfarina Deutschland GmbH	Leonberg Riedwiesenstr. 1	DE	3,100,000	EUR	100	Pininfarina S.p.A.	100
mpx Entwicklung GmbH	München Frankfurter Ring 17	DE	25,000	EUR	100	Pininfarina Deutschland GmbH	100
mpx Entwicklung GmbH	Leonberg Riedwiesenstr. 1	DE	26,000	EUR	100	Pininfarina Deutschland GmbH	100
Matra Automobile Engineering SAS	Paris, 68 rue du Faubourg Saint-Honoré	FR	971,200	EUR	100	Pininfarina S.p.A.	100
Pininfarina Maroc SAS	Casablanca - 57, Bd Abdelmoumen, Residence EL HADI "A", BP 20360	MA	8,000,000	DH	100	Pininfarina S.p.A. Matra Automobile Engineering SAS	99,9 0,1
Pininfarina Automotive Engineering (Shanghai) Co Ltd	Units 418-419, n. 569 An Chi Road, Anting Town, Shanghai	PRC	3,702,824	CNY	100	Pininfarina S.p.A.	100

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

Pininfarina Sverige A.B.	Uddevalla Varsvagen 1	SE	8,965,000	SEK	60	Pininfarina S.p.A.	60
Pininfarina Recchi	Torino						
Buildingdesign S.r.l.	Via Montevicchio 28	IT	100,000	EUR	50	Pininfarina Extra S.r.l.	50

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%

	12/31/11 (millions of euros)	12/31/10
Value of production	4.2	4.2
Net profit	0.7	0.7
Shareholders' equity	5.1	4.7
Net financial position	3.3	2.7

Pininfarina Deutschland Group

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

	12/31/11 (millions of euros)	12/31/10
Value of production	22.9	16.4
Net profit	0.8	0.5
Shareholders' equity	18.3	17.5
Net financial debt	(1.1)	(2.2)

Matra Automobile Engineering SAS

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

	12/31/11 (millions of euros)	12/31/10
Value of production	0.1	0.2
Net profit (loss)	(0.6)	0.2
Shareholders' equity	0.3	0.9
Net financial position	1.3	0.8

Pininfarina Maroc SAS

Head office: Casablanca, Morocco
Share capital: MAD 8,000,000
% interest held directly: 100%

	12/31/11 (millions of euros)	12/31/10
Value of production	2.0	1.2
Net profit (loss)	0.5	0.0
Shareholders' equity	1.4	0.9
Net financial position	1.4	0.6

Pininfarina Automotive Engineering Co Ltd

Head office: Shanghai, PRC

Share capital: CNY 3,702,824

% interest held directly: 100%

	12/31/11 (millions of euros)	12/31/10
Value of production	0.1	0.0
Net profit (loss)	(0.4)	0.0
Shareholders' equity	0.0	0.1
Net financial position	0.1	0.1

Paolo Pininfarina
Chairman of the Board of Directors

**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 2011 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, 2011:
- 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 22, 2012

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, 2011

Dear Shareholders:

The Board of Directors submits for your approval the consolidated financial statements at December 31, 2011 of the Pininfarina Group, which are comprised of the Statement of Financial Position, Income Statement, Statement of Comprehensive Income, Statement of Changes in Shareholders' Equity, Statement of Cash Flows and Notes to the Financial Statements.

The consolidated financial statements at December 31, 2011 show consolidated shareholders' equity of 9,556,496 euros, after a consolidated net loss of 11,484,934 euros.

The consolidated financial statements at December 31, 2011 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, 2011 included the Group's Parent Company, 8 subsidiaries, all of which were consolidated line by line, and 2 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, 2011 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, 2011 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 2011 fiscal year.
 - The valuation criteria applied are consistent with those used in the previous fiscal year.
 - The associated companies Pininfarina Sverige AB 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 11, 2012

THE STATUTORY AUDITORS

(Nicola Treves)

(Giovanni Rayneri)

(Mario Montalcini)



**AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND
16 OF LEGISLATIVE DECREE N° 39 DATED 27 JANUARY 2010**

PININFARINA GROUP

**CONSOLIDATED FINANCIAL STATEMENTS AS AT
31 DECEMBER 2011**



**AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 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 Consolidated Statement of Financial Position, the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Statement of Changes in Consolidated Shareholder's Equity, the Consolidated Statement of Cash Flow and the related Notes to the Consolidated Financial Statements as at 31 December 2011. 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.

For the opinion on the consolidated financial statements of the prior period, presented for comparative purposes, reference is made to our report dated 7 April 2011.
- 3 In our opinion, the consolidated financial statements of the Pininfarina Group as at 31 December 2011 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 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 the section "Assessment of the company's viability as a going concern and business outlook", and also reported in the explanatory notes, in relation to the circumstances described therein as well as the conclusion reached, regarding the adoption of the going concern principle in the preparation of the consolidated financial statements.

PricewaterhouseCoopers SpA

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- 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 of the Corporate Governance and ownership structures available on the website www.pininfarina.com at the section "Finanza", 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 the Pininfarina Group as at 31 December 2011.

Turin, 11 April 2012

PricewaterhouseCoopers SpA

Signed by

Piero De Lorenzi
(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 consolidated financial statements referred to in this report.

