PININFARINA S.p.A.

2008 ANNUAL REPORT

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

A draft of the financial statements of PININFARINA S.p.A., the Consolidated Financial Statements at December 31, 2008 and the Report on Operations were approved by the Board of Directors on March 23, 2009.

ORDINARY SHAREHOLDERS’ MEETING

APRIL 23, 2009

The Ordinary Shareholders’ Meeting will be held on April 23, 2009 at 10:00 AM in the “Mythos” Hall of the offices of Pininfarina S.p.A., 30 Via Nazionale, Cambiano (Turin), on the first calling, or on April 24, 2009, same time and place, on the second calling.

AGENDA

1) Approval of the financial statements at December 31, 2008 and applicable resolutions.
2) Election of the Board of Directors — after determining the number of Directors — and determination of its annual compensation.
3) Election of the Board of Statutory Auditors and determination of its annual compensation.

The Notice of the Shareholders’ Meeting was published in the March 24, 2009 issue of *Il Sole 24 Ore.*

Honorary Chairman

Honorary Chairman	Sergio	Pininfarina

Board of Directors

Chairman *	Paolo	Pininfarina (2) (3)
Provisional Deputy Chairperson	Lorenza	Pininfarina (3)
Directors	Gianfranco	Albertini
	Silvio Pietro	Angori
	Mario Renzo	Deaglio (2) (3)
	Edoardo	Garrone (1) (3)
	Carlo	Pavesio (1) (2) (3)

(1) Member of the Nominating and Compensation Committee

(2) Member of the Internal Control Committee

(3) Member of the Strategy Committee

Board of Statutory Auditors

Chairman	Nicola	Treves
Statutory Auditors	Giovanni	Rayneri
	Mario	Montalcini
Alternates	Alberto	Bertagnolio Licio

Secretary to the Board of Directors

Gianfranco Albertini

Independent Auditors

PricewaterhouseCoopers S.p.A.

* 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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ON OPERATIONS

Pininfarina faced exceptional challenges in 2008, both on a human level, due to the passing of Andrea, its Chairman and Chief Executive Officer, on August 7, and on a corporate level, due to the critical condition of its financial position, which significantly worsened during the second half of the year following the onset of a global crisis of epochal proportions that affected every sector of the economy, but had an especially dramatic impact on the automobile industry.

The Group

Overview

In 2008, business conditions in the market where the Group operates were shaped by the following major developments:

- a global crisis of the automobile market, will al major carmakers slashing their production volumes;
- an even deeper crisis for conventional contract vehicles manufacturing (CVM), which is the business within which Pininfarina's production activities operate;
- a major interest in electric vehicles throughout the automotive industry, with development opportunities in the design and production of these vehicles, in a business expected to enjoy significant growth rates.

During the year, Pininfarina was busy on two fronts: it continued the process of restructuring its balance sheet and financial position, which began in the second half of 2007, and steadily reduced its manufacturing costs, while at the same time giving maximum priority to the development of the electric car, which the Pininfarina-Bolloré joint venture will being to market in 2011, following its worldwide presentation at the Paris Motor Show in September 2008.

In Italy, Pininfarina S.p.A. reported a significant decline in value of production (-19.7%). Nevertheless, its 2008 EBITDA that were not only positive but actually higher than those achieved in 2007, owing in part to a greater contribution from nonrecurring items than in the previous year. The need to make further adjustments to the carrying values of financial receivables and other assets, in addition to those recognized in 2007, produced a large loss at the EBIT level, which, when combined with the impact of interest expense and taxes, translated into a substantial net loss for the year.

Contrary to the problems faced by the Group's manufacturing operations in Italy, its industrial design and international activities performed better overall than in 2007. All Group companies in Sweden, Germany and Morocco achieved their profitability targets.

France provided the only exception to the generally positive results reported by the Group's international operations. The Matra Automobile Engineering subsidiary and the companies within its group were dramatically affected by a slump in demand for engineering services that occurred as a direct consequence of the rapid deterioration of the automotive market and the resulting immediate decision by carmaker to perform in-house previously outsourced activities or put on hold existing development programs. As a result, the only available choice was to divest the French operations, also in view of the fact that the asset writedowns that would unquestionable result from the divestment would be smaller than the large and continuous operating losses that the Group would have to recognized in 2009 and beyond.

Benefits at the organizational level and reduction in operating costs are the reasons why Pininfarina S.p.A. decided to sell the operating assets of RHTU A.B., a Swedish subsidiary, to the Pininfarina Sverige A.B. joint venture, effective as of January 1, 2009.

On December 31, 2008, as part of the process of restoring its financial position and balance sheet to a position of overall equilibrium, the Company entered into a Framework Agreement with its Lender Institution, which is discussed in greater detail later in this Report. The purpose of this Agreement, which was negotiated over a period of more than one year, is to enable the Company and the Group to implement the activities detailed in the Industrial Plan and Financial Plan approved by the Board of Directors in the fourth quarter of 2008.

Operating Performance

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

The 2008 data of the Pininfarina Group show that value of production amounted to 535.7 million euros, compared with 670.4 million euros at December 31, 2007 (-20.1%). The manufacturing operations accounted for 75% of the total value of production (80% in 2007), with the design and engineering operations contributing together for the remaining 25% (20% in 2007).

While the percentage contribution provided by the manufacturing operations decreased, reflecting a 25.6% reduction in the number of cars invoiced (value of production of 403.1 million euros; -24.8% compared with 2007), the service operations performed roughly in line with the previous year (value of production of 132.6 million euros; -1.3% compared with 2007).

Consistent with the trend in the quarterly reports, EBITDA were positive, albeit lower than in 2007, amounting to 6.9 million euros at December 31, 2008 (1.3% of the value of production; positive EBITDA of 18.4 million euros equal to 2.7% of the value of production in 2007).

EBIT were negative by 177.8 million euros (-33.2% of the value of production), compared with negative EBIT of 103.3 million euros in 2007 (-15.4% of the value of production).

To understand more clearly the significant deterioration in EBIT a distinction should be made between operating loss and extraordinary writedowns. Accordingly, the loss of 177.8 million euros (103.3 million euros in 2007) can be broken down into an operating loss of 58.8 million euros (33.8 million euros in 2007) and impairment-related asset writedowns totaling 119 million euros (69.5 million euros in 2007).

These writedowns were recognized to reflect the fact that the overall production volumes contractually scheduled over the length of the Alfa Romeo and Ford production orders needed to be lowered, based on the number of cars already produced and the projections provided in the Industrial Plan approved by the Board of Directors of Pininfarina S.p.A.

Consequently, the carrying value of the assets earmarked for the fulfillment of the Alfa Romeo and Ford production orders was written down to their recoverable value, determined based on estimates of future car sales volumes, as set forth in the Industrial Plan approved by the Board of Directors on November 12, 2008.

In addition to these charges, the net assets of Matra Automobile Engineering SAS were classified as held-for-sale assets and written down accordingly.

The table below provides a breakdown of the impact of asset writedowns on reported EBIT in 2008 and 2007:

(in millions of euros)	**2008**	**2007**	**TOTAL**
Alfa Romeo contract assets	14.3	11.7	26.0
Ford contract assets	84.7	0.0	84.7
Mitsubishi contract assets	0.0	4.2	4.2
Matra Automobile Engineering assets	10.9	0.0	10.9
Total asset writedowns	**109.9**	**15.9**	**125.8**
Alfa Romeo financial receivable	9.1	28.4	37.5
Mitsubishi financial receivable	0.0	25.2	25.2
Total writedowns of operating financial receivables	**9.1**	**53.6**	**62.7**
GRAND TOTAL	**119.0**	**69.5**	**188.5**

The operating loss was 25.0 million euros larger than the loss of 33.8 million euros reported in 2007, due mainly to an increase of 20.2 million euros in the Provisions for risks. An addition to the provision for warranties, recognized as a result of the larger statistical base required by an increase in the number of vehicles in circulation, and the recognition of an estimate of the liability arising from commitments toward suppliers as a result of the suspension of production of the Mitsubishi Colt CZC vehicle account for most of the increase.

Net financial expense totaled 21.6 million euros, up from 10.6 million euros in 2007. The increase of 11 million euros reflects the combined impact of a writedown of financial receivables owed by Alfa Romeo, a decrease of 3.2 million euros in interest income caused by the reduction in sales volume, the late interest charge of 1 million euros paid to Fortis Bank to settle a pending dispute with Pininfarina S.p.A., an increase of 5.5 million euros in interest expense due to a rise in average indebtedness and higher interest rates, compared with 2007, and sundry charges totaling 1.3 million euros.

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

- a positive value adjustment of 4.3 million euros, compared with 3.3 million euros at December 31, 2007, for Pininfarina Sverige A.B.;
- a negative value adjustment of 6.4 million euros for Véhicules Electriques Pininfarina-Bolloré S.A.S. (this company did not exist in 2007). This amount refers for the most part to the derecognition of 50% of the intra-Group profit generated by services provided by Pininfarina S.p.A. to the joint venture in connection with the development of the electric car.

The loss before taxes totaled 201.5 million euros (loss of 110.7 million euros the previous year), an amount equal to a negative 37.6% of the value of production (-16.5% of the value of production in 2007).

The net loss for the period, after taxes of 2.6 million euros (3.8 million euros in 2007), amounted to 204.1 million euros (-38.1% of the value of production), compared with a loss of 114.5 million euros in 2007 (-17.1% of the value of production).

At December 31, 2008, net non-current assets totaled 155.9 million euros, or about 50% less than at the end of 2007, due mainly to the asset writedowns mentioned earlier in this Report (110 million euros) and the reclassification of assets earmarked for divestment (7 million euros) from non-current assets to working capital. Working capital was negative by 23.5 million euros (negative working capital of 58.9 million euros in 2007), net of assets and liabilities earmarked for divestment, with the negative balance decreasing by 35.3 million euros.

At 22.3 million euros, the provision for termination indemnities was 3.3 million euros less than at December 31, 2007. The changing conditions that characterized 2008 and a reform of the applicable legislation account for this reduction.

Net capital requirements decreased by 50.9%, falling from 224.4 million euros in 2007 to 110.1 million euros in 2008.

Shareholders' equity shrank by 29 million euros, falling from 39 million euros in 2007 to 10 million euros at December 31, 2008. Aside from some minor items, the decrease of 29 million euros is essentially the net result of the loss for the year (204.1 million euros) and an increase in reserves of 180 million euros that reflects the signing of the Framework Agreement with the Lender Institutions.

The net financial position, while still negative by 100.1 million euros, showed an improvement of 85.4 million euros compared with December 31, 2007, when net indebtedness totaled 185.5 million euros. It is worth noting that the reduction of 180 million euros in medium- and long-term bank borrowings shown at December 31, 2008 was offset by a 9-million-euro writedown of financial receivables owed by outsiders, unfavorable changes in working capital requirements penalized by the performance of the industrial operations, a sharp increase in interest expense paid to the Lender Institutions and the cash outlays required for additions to operating assets and equity investments.

Human Resources and Environmental Issues

The tables below shows the Pininfarina Group's workforce at December 31, 2008 broken down by type of activity and country.

Breakdown by Type of Activity

	Production	Engineering	Styling	Staff functions	TOTAL
2007	1,320	857	172	330	2,679
2008	1,195	760	102	230	2,287

Breakdown by Country

	Italy	France	Germany	Morocco	Sweden	USA	TOTAL
2007	1,874	507	164	59	70	5	2,679
2008	1,724	316	173	58	14	2	2,287

In addition to the staff listed above, Pininfarina Sverige A.B. had 764 employees at December 31, 2008 (870 employees a year earlier).

Pininfarina S.p.A.

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

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

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

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

In 2008, in order to meet production requirements, the Group used employees seconded by other companies. These arrangements gradually expired during the second half of 2008.

In 2008, there were no job-related fatalities or accidents causing serious or extremely serious injuries to employee on the Company's payroll and no complaint were lodged against the Company by employees or former employees for occupational illnesses or harassment.

With regard to investments in occupational safety, the Company devotes the utmost attention to ensuring that the operational layouts of its facilities are constantly updated in accordance with current regulations. Investments of about 500,000 euros have been earmarked for this purpose in 2009.

In 2008, there were no instance of environmental damages and no fines/penalties were imposed on the Company for environmental crimes or damages. Since 2005, the statute that governs greenhouse gas emissions (Law No. 316/2004) has been applicable to the Grugliasco factory, which, consequently, provides an annual disclosure of its carbon dioxide emissions.

The Company has 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 accordance with the UNI EN ISO 14001 standard in 2004.

Performance of the Group's Businesses in 2008

Manufacturing Operations

The performance of the manufacturing operations was adversely affected by a significant reduction in orders for the car manufactured under the Alfa Romeo and Ford contracts and the end of production of the Mitsubishi Colt CZC automobile caused by litigation and the beginning of arbitration proceedings.

The low production volume compared with the size of the existing operational organization caused major operating losses, the effect of which was compounded by extraordinary writedowns.

The value of production totaled 403.1 million euros (-24.8% compared 2007) accounting for 75% of the consolidated value of production (80% the previous year). The result from operations was negative by 60 million euros, a significantly larger amount than the loss of 37.2 million euros reported at December 31, 2007. When 108.1 million euros in writedowns of assets and financial receivables (69.5 million euros in 2007) are added, the manufacturing operations show negative EBIT of 168.1 million euros, compared with negative EBIT of 106.7 million euros in 2007.

A total of 21,650 cars were produced in 2008, compared with 29,106 cars in 2007 (-25.6%). A production breakdown is as follows:

Complete cars	**2008**	**2007**	**Change**
Alfa Romeo Brera	3,770	4,795	(1,025)
Alfa Romeo Spider	2,559	4,535	(1,976)
Mitsubishi Colt CZC	2,845	4,740	(1,895)
Ford Focus Coupé Cabriolet	12,476	15,036	(2,560)
Total	**21,650**	**29,106**	**(7,456)**

In 2008, the Pininfarina Sverige joint venture continued to benefit from the commercial success of the Volvo C70 in Europe. In the United States, however, sales were severely penalized first by the weakness of the U.S. dollar and, later, by an across-the-board sudden decrease in demand, especially during the second half of the year.

The RHTU Sverige A.B. subsidiary, which supplies the retractable hardtop for the Volvo convertible, ended the year with lower value of production and profitability than in 2007, due to a decrease in the production of the Volvo C70. In order to maximize the synergies that exist between this company's operations and those of Pininfarina Sverige A.B., RHTU's business operations (personnel and contracts) were transferred to the joint venture as of January 1, 2009. RHTU Sverige A.B. is currently being liquidated.

Service Operations

The service operations, which include design, industrial design and engineering, reported value of production of 132.6 million euros (134.3 million euros at December 31, 2007). They accounted for 25% of the Group's total value of production, up from 20% a year earlier. EBIT were negative by 9.7 million euros, as against positive EBIT of 3.3 million euros in 2007.

Starting in the second half of 2008, conditions deteriorated rapidly in the French market for engineering services. In order to avoid large future losses, Pininfarina S.p.A. decided to sell its investments in the French subsidiaries, which burdened the reported EBIT of the service operations with a loss of 26.1 million euros (including 17.8 million euros for writedowns of property, plant and equipment and intangibles and losses on sales of equity investments).

The positive performance of the styling and engineering operations in Italy, Germany and Morocco (total positive EBIT of 16.4 million euros) was not sufficient to offset the impact of the losses recorded in France.

The main activities carried out in Italy by the service operations in 2008 are reviewed below:

Design

In the Styling area, the assignments received in 2008 originated both from a number of consolidated collaborative relationship and from new partnerships, in addition to those related to the Pininfarina BLUECAR project. Work performed in 2008 included development of the styling research and subsequent completed definition of the exterior and interior of the Pininfarina BLUECAR, which was unveiled at the 2008 Paris Motor Show.

In addition, the "Sintesi," a vehicle featuring a number of significant innovations, such as "Liquid Packaging" and "Transparent Mobility," was developed within an extremely tight deadline and presented at the 2008 Geneva Motor Show.

Work for Ferrari involved managing the final definition phase of the "California" model, which was unveiled at the 2008 Paris Motor Show, and carrying out styling development activities for two new cars that will be presented in the near future.

Assignments performed for Maserati included developing and defining the exterior and interior styling for a car that will be launched in 2009 and defining the final details for the restyled "Quattroporte," which was unveiled at the 2008 Paris Motor Show.

The design operations also developed a project for Peugeot, which is currently still classified, and the "Hyperion" model for Rolls Royce, which was presented at Pebble Beach.

Other projects included research for the exterior and interior of a commercial vehicle for a major carmaker, completion of the style definition phases of five cars for Chinese manufacturers, beginning of the development of a car for an Indian manufacturer and start of research work for the Tata "Prima," which was presented recently at the 2009 Geneva Motor Show.

Industrial Design

Major new projects completed in the first six months of 2008 included the presentation of the Smily simulation unit for Saratoga on the occasion of the inauguration of the Dental School at the Lingotto, in Turin, and the establishment of Pininfarina-Recchi Building Design S.r.l., a 50-50 joint venture that will provide integrated design and engineering services with a high value added in the areas of architecture and interior design. Other noteworthy developments included the presentation of the Morfeus "Fluxair" resting system at the Milan Furniture Show, real estate projects in Mexico and the presentation of a mockup of the SSJ100 in Venice for Alenia Aeronautica. The main assignments handled during the second half of the year included the presentation of the third version of the G53 Aerotop Primatist motor yacht at the Genoa Boat Show and presentation of the interior design for the new stadium owned by the Juventus Football Club, which is scheduled to open in 2011 in the area formerly occupied by the Delle Alpi Stadium in Turin. Among the Turin World Design Capital events, the "Design Ability" show was particularly important. This show, which was held in Cambiano, presented ten design projects specifically developed for the disabled, half of which were the result of research activities completed in 2008. The show had over 1,000 visitors and received very positive reviews.

Engineering

In 2008, in addition to the development of the electric car, the Group's engineering activities were involved with:

- projects for Chinese carmakers, including Chery (A0 e B25) and Brilliance (M2 Wagon);

- development work for Prinoth (snowcat);

- projects for customers in India: Sonalika and initial work for the Tata X2Suv (first target setting hypothesis, benchmarking and initial motor installation);

- maintenance work related to the existing production orders (Alfa Romeo, Ford, Volvo and Mitsubishi until order completion).

Lastly, the engineering operations continued to provide wind-tunnel testing services to non-captive customers.

Communications

Pininfarina responded to the challenges discussed earlier in this Report by choosing a communication strategy based on understatement, which it pursued with fairness and consistency. While this decision was dictated by objective corporate and market difficulties, it is especially significant because it reflects a type of conduct, both by the Family and management, that is in the Company's DNA.

While the Group's communications were unavoidably affected by the challenges posed by the operating environment and, consequently, based on a smaller budget than in the past, especially in the fourth quarter of the year, a major effort was devoted to the provision of financial communications, which included about 30 press releases, 14 of which were issued in the months following to the publication of the Semiannual Report on August 12, 2008.

Product communications were developed mainly in connection with the Company's presence at the Geneva and Paris motor shows in March and October, respectively.

At the Geneva Motor Show, the Company presented the "Sintesi" concept car, an event that had been announced for some weeks before the motor show with a countdown of digital messages that, little by little, unveiled the car's styling and technology solutions, with detailed information provided in a special brochure and a press conference held at the Pininfarina booth. With its classic four-door and four-seat sports design, the Sintesi was chosen as the winner by the jury of the Red Dot Design Award 2008 among 1,900 concept cars from 48 countries and was immediately extremely well received by the trade press, which praised its intelligent design: its sharp and aerodynamic silhouette of its shell hides a "summation" of the features of the car of the future, a truly visionary laboratory on wheels. While the car's design is not an exercise in beauty just for beauty's sake, it is not oblivious of the rules of aesthetics, which it emphasizes by seamlessly joining interior and exterior design and shaping mechanical parts — mix of fuel cells, drive train and batteries — to accommodate passenger comfort and safety within the context of a vehicular environment interconnected through a distributed intelligence system that can create a new harmony among automobiles and between automobiles and the environment.

The Paris Motor Show was the venue chosen to unveil the California, a Ferrari coupé-cabriolet, product of the ongoing historic collaborative relationship between Ferrari and Pininfarina, and the B0, a preview of the electric car that was created and is being developed by the Pininfarina-Bolloré joint venture. This car, which was recently presented at 2009 Geneva Motor Show as the "Pininfarina BlueCar," the name under which it will be marketed, generated enormous interest among industry operators, the media and the public, showing that this project is moving in the right direction, significantly ahead of the competitions, under the banner of innovation: what makes this car different from anything that the competition is offering is not only its aesthetical beauty, but also its innovative design as a car created from the start as an electric vehicle, rather than a modified production model, that can deliver the surprising performance made possible by the technology developed by the Bolloré Group. This past December, the Pininfarina-Bolloré electric car was featured at an event organized a the Dream show, an exhibit of dream cars and concept cars from the 1950s to today organized at Torino Esposizioni.

Projects carried out consistent with the pursuit of greater integration of the communication activities of Pininfarina and Pininfarina Extra included handling about 30 events/product launches for Pininfarina Extra, ranging from the Saratoga Smily launch to the presentation of the Gorenje Black Collection, the Alenia Aeronautica press conference and the Ability Design show.

The selection of Turin as World Design Capital was a key development in 2008, in which the Company participated by supporting a series of initiatives and event that included the Automotive News Europe Conference, the Piemonte Torino Design show, the Innovation Guided by Design international convention and the Dream and Design Ability shows mentioned above.

Public relations activities included the Job One event for the Ford Focus CC held at the Bairo facility in February 2008, attendance at concours d'elegance at Villa d'Este, with the Dino 206 Competizione, and Pebble Beach, with the Hyperion, a special car based on a Rolls Royce frame, and numerous organized visits of the Cambiano Collection by collectors and car enthusiasts.

Pininfarina S.p.A.

Value of production totaled 462.8 million euros at December 31, 2008, or 113.4 million euros less (-19.7%) than the 576.2 million euros reported at the end of 2007.

Net gains on the sale of non-current assets, which increased from 4.8 million euros to 6.9 million euros (+43.8%), were generated mainly by the divestment of the Technical Center real estate complex in Grugliasco (3.6 million euros), the disposal of the investment in Pasiphae Sarl (2.6 million euros) and the sale of some vintage automobiles. The gain recorded in 2007 was exclusively the result of the disposal of vintage automobiles.

The costs incurred for purchases of raw materials and outside services decreased by 95.1 million euros (a 20% reduction in amount), falling from 475.5 million euros in 2007 to 380.4 million euros in 2008. Their ratio to value of production was virtually unchanged: 82.5% in 2007 and 82.2% in 2008.

The change in the inventory of raw materials was negative by 6.6 million euros, as was the case in 2007, when the negative change amounted to 10.6 million euros.

The value added generated in 2008 totaled 82.7 million euros, compared with 95.0 million euros the previous year (-12.3 million euros). It was equal to 17.9% of the value of production, up from 16.5% in 2007.

Labor costs decreased from 83 million euros to 68.8 million euros (-14.2 million euros) and were equal to 14.9% of value of production, compared with 14.4% in 2007.

EBITDA were positive by 13.9 million euros, for an increase of 1.9 million euros over the 12 million reported at December 31, 2007. The EBITDA amount was equal to 3% of value of production in 2997, up from 2.1% in 2007.

Depreciation and amortization expense, which decreased by 7.4 million euros to 31.4 million euros, was equal to 6.8% of the value of production, about the same percentage as at December 31, 2007 (6.7%).

Additions to provisions and writedowns rose to 173 million euros (79.1 million euros at December 31, 2007). The 2008 amount includes charges totaling 143.7 million euros (69.5 million euros a year earlier) for writedowns of financial receivables owed by outsiders and Group companies, of specific assets related to manufacturing orders and of equity investments. Additions conservatively added to provisions for miscellaneous risks account for the balance of 29.3 million euros (9.6 million euros in 2007). The table below provides a breakdown of the asset writedowns:

(in millions of euros)	2008	2007	TOTAL
Alfa Romeo contract assets	14,3	11,7	26,0
Ford contract assets	84,7	0,0	84,7
Mitsubishi contract assets	0,0	4,2	4,2
Total asset writedowns	**99,0**	**15,9**	**114,9**
Alfa Romeo financial receivable	9,1	28,4	37,5
Mitsubishi financial receivable	0,0	25,2	25,2
Total writedowns of operating financial receivables	**9,1**	**53,6**	**62,7**
Investment in Matra Automobile Engineering	5,9	0,0	5,9
Investment in RHTU A.B.	2,1	0,0	2,1
Financial receivable owed by Matra Automobile Engineering	27,6	0,0	27,6
Total writedowns related to subsidiaries	**35,6**	**0,0**	**35,6**
GRAND TOTAL	**143,7**	**69,5**	**213,2**

In 2008, EBIT were negative by 190.4 million euros (-41.1% of value of production), compared with negative EBIT of 105.9 million euros in 2007 (-18.4% of the value of production).

Net financial expense amounted to 20 million euros, compared with net financial expense of 8.8 million euros in 2007. The ratio of net financial expense to value of production was 4.2% in 2008 and 1.5% in 2007.

The loss before taxes widened to 210 million euros (-45.4% of value of production), compared with a loss of 114.7 million euros in 2007 (-19.9% of value of production).

The income tax liability for the year amounted to 0.3 million euros in 2008, compared with 2.8 million euros in 2007.

As a result, the year ended with a net loss of 210.3 million euros (-45.4% of value of production), compared with a net loss of 117.5 million euros at December 31, 2007 (-20.4% of value of production).

Among the main items in the balance sheet, net non-current assets totaled 184.7 million euros, down from 309.9 million euros at December 31, 2007 (-40.4%). Asset writedowns totaling 99 million euros are the main reason for this 125.2-million-euro reduction.

Working capital was negative by 37.7 million euros, with the negative balance decreasing by 34.4 million euros compared with the end of 2007.

The provision for termination indemnities totaled 22 million euros. The decrease of 2.3 million euros compared with the end of 2007 is the direct result of the payroll changes that occurred in 2008.

Net capital requirements decreased from 213.5 million euros in 2007 to 125 million euros in 2008 (-41.4%).

The reduction of 30.3 million euros in shareholders' equity, which declined from 56.1 million euros at the end of 2007 to 25.8 million euros at December 31, 2008, is equal to the difference between the loss of 210.3 million euros incurred in 2008 and the increase of 180 million euros in reserves recognized following the signing of the Framework Agreement with the Lender Institutions. Information about the positive effect that the second phase of the Framework Agreement is expected to have on shareholders' equity is provided in the section of this Report entitled "Outlook for 2009."

The net financial position was negative by 99.2 million euros, with net indebtedness decreasing by 58.2 million euros compared with December 31, 2007, when the negative balance was 157.4 million euros. This improvement reflects the positive impact of a reduction of 180 million euros in medium- and long-term bank borrowings recognized on December 31, 2008, offset in part by writedowns of financial receivables owed by Group companies and outsiders totaling 36.7 million euros, an unfavorable change in net working capital that reflected the negative performance of the manufacturing operations, a sharp increase in interest paid to the Lender Institutions and the cash flow used for investments in operating assets and equity investments.

Group Companies

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

Pininfarina Extra Group

Value of production totaled 7.3 million euros in 2008. This figure consolidates the amount reported by Pininfarina Extra S.r.l. and by its Pininfarina Extra USA Corp. subsidiary, which completed its second full year in business. In 2007, the consolidated value of production amounted to 5.2 million euros. All of the profitability indicators improved slightly compared wit the previous year. The 2008 net profit increased to 978,000 euros, up from 905,000 euros a year earlier (+8%). The net financial position was positive by 1.8 million euros, for a gain of 0.1 million euros compared with the end of 2007. At December 31, 2008, there were 27 employees on the payroll (25 employees in 2007).

Matra Automobile Engineering Group

In 2008, the MAE Group generated value of production amounting to 52.4 million euros, or 23.2% less than the 68.2 million euros reported in 2007. In the second half of 2008, in response to the increasingly negative conditions of the French engineering market, Pininfarina S.p.A. began to implement a program to divest its investments in the companies of the MAE Group, which resulted in the disposal of D Trois S.A.S. and Plazolles S.A.R.L., effective October 1, 2008, and Ceram S.A.S., effective December 1, 2008. Subsequently, the Matra Automobile Engineering S.A.S. sub-holding transferred to a third-party company its employees and operating assets (Fonds de Commerce), effective January 1, 2009, retaining ownership of tax assets, such as tax credits for research and the tax loss carryforward. The Group plans to sell this company, which is its only remaining French subsidiary, in 2009. In 2008, the portion of the consolidated net loss attributable to the MAE Group, including the writedowns recognized in connection with the abovementioned divestments of equity investments, amounted to 28.9 million euros (loss of 25.1 million euros in its local financial statements, compared with a loss of 1.7 million euros at December 31, 2007), compared with a contribution of 1.8 million euros to the consolidated net loss in 2007. The net financial position was negative by 26.4 million euros (negative balance of 24.9 million euros at December 31, 2007), with the entire indebtedness owed to Pininfarina S.p.A., the Group’s Parent Company. At the end of 2008, the MAE Group had 316 employees (507 a year earlier, not counting the employees of the Pininfarina Maroc SAS subsidiary, which is now controlled directly by Pininfarina S.p.A.).

Pininfarina Deutschland Group

The value of production increased from 14.8 million euros in 2007 to 15.1 million euros in 2008 (+2%) and the net profit grew to 1.3 million euros, compared with 0.9 million euros in 2007. Net indebtedness totaled 3.7 million euros, down sharply from the 5.6 million euros owed at the end of 2007. At December 31, 2008, the Pininfarina Deutschland Group had 173 employees (164 in 2007).

RHTU Sverige A.B.

This Swedish subsidiary ended its fourth and last year in business with a net loss of 0.2 million euros (net profit of 0.1 million euros in 2007), due mainly to a decrease in value of production (3.7 million euros, compared with 5.8 million euros at December 31, 2007) caused by cutbacks in the production of the Volvo C70 model, the retractable hard top of which is supplied by RHTU Sverige A.B.. The net financial position was positive by 0.2 million euros, down from 0.7 million euros at the end of 2007. At December 31, 2008, the company had 14 employees, compared with 70 employees a year earlier. In order to maximize the manufacturing and qualitative synergies that existed between the operations of RHTU Sverige A.B. and Pininfarina Sverige, owing in part to the fact that the former operated inside the manufacturing facilities of the latter, Pininfarina, with the consent of Volvo Car Corporation, transferred the operating assets of RHTU to the Pininfarina Sverige joint venture effective January 1, 2009 and immediately placed RHTU in liquidation.

Pininfarina Sverige A.B.

This joint venture with Volvo Car Corporation reported value of production of 369.6 million euros and a net profit of 7.2 million euros, compared with 525.8 million euros and 5.5 million euros, respectively, in 2007. A total of 12,902 C70 cars were produced for Volvo, down from 20,423 cars in 2007. A major effort to control costs enabled Pininfarina Sverige to improve its bottom line despite a year-over-year decrease in value of production. Net indebtedness, which decreased to 147 million euros (181.5 million euros at December 31, 2007) is attributable exclusively to financing used to support the development and tooling programs for the Volvo C70 car. At December 31, 2008, this company had 764 employees, compared with 870 employees a year earlier.

Pininfarina Maroc S.A.S.

In 2008, this company, which became a direct subsidiary of Pininfarina S.p.A., the Group's Parent Company, on May 1, 2008, increased its value of production to 2.2 million euros (1.8 million euros in 2007; +22%), earning a net profit of 0.2 million euros (0.3 million euros a year earlier). Because of the transfer of this company's ownership from Matra Automobile Engineering to the Group's Parent Company, it became necessary to carry out certain activities locally, which caused a temporary reduction in profitability. At December 31, 2008, Pininfarina Maroc had 58 employees (one less than at the end of 2007) and its net indebtedness totaled 0.4 million euros (0.5 million euros at the end of 2007).

Véhicules Electriques Pininfarina Bolloré S.A.S.

This 50-50 joint venture established on February 7, 2008 with the Bolloré Group reported a net loss of 1 million euros, due to the impact of operating expenses (mainly costs incurred in connection with the Paris Motor Show and for corporate communications) and interest expense. This company, which has been established to market in the future the electric car currently being developed by Pininfarina S.p.A., will not be operational until 2011, the year when the electric car will be available for sale. At December 31, 2008, the company had net indebtedness totaling 14.2 million euros, all of which was owed to the Bolloré Group, and no employees.

Significant Events Occurring Since December 31, 2008

Corporate Events

The resignation of Pier Vittorio Vietti from the Board of Statutory Auditors on November 14, 2008, at a time when an Alternate Auditor was not available, made it necessary to convene an Ordinary Shareholders' Meeting to fill the vacancies on the Board of Statutory Auditors. The Shareholders' Meeting, which was held on January 29, 2009, elected Nicola Treves and Giovanni Rayneri as Statutory Auditors and Mario Montalcini and Alberto Bertagnolio Licio as Alternate Auditors. The Shareholders' Meeting also confirmed the appointments to the Company's Board of Directors of Gianfranco Albertini and Silvio Pietro Angori, who had been coopted by the Board on August 12, 2008.

Subsequently, on February 16, 2009, Giacomo Zunino, the Chairman of the Board of Statutory Auditors, resigned for personal reasons. On the same occasion, Nicola Treves took over as Chairman of the Board of Statutory Auditors and Mario Montalcini became a Statutory Auditor.

The Director Elisabetta Carli submitted her resignation in a letter received on March 21, 2009, due to the consolidation into Segi S.r.l. (a company under the full control of the Pininfarina family) of 99.9% of Pincar S.p.A. (a company formerly owned by the Pininfarina, Carli and Piglia families), which owns 50.6% of the Pininfarina S.p.A. shares. The Board of Directors resolved to leave all decisions regarding this matter to the Shareholders' Meeting convened to approve the financial statements at December 31, 2008 and elect the Company's new governance bodies.

Pininfarina Extra S.r.l. was the only subsidiary that declared a dividend distributable to Pininfarina S.p.A. (amounting to 145,500 euros).

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

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

Dispute with the Revenue Administration

On February 26, 2009, in a new development concerning the dispute between the Company and the revenue administration that was the subject of disclosures provided in the 2008 Semiannual Report and the Quarterly Report at September 30, 2008, the Turin Provincial Tax Commission informed Pininfarina S.p.A. that it had handed down a decision in the tax dispute that was pending before the Commission. By this decision, the lower court magistrate upheld in part the arguments of the Turin Internal Revenue Agency.

The focus of the dispute is the contention that VAT should have been levied on the amounts invoiced in 2002 and 2003 by Industrie Pininfarina S.p.A. (merged into Pininfarina S.p.A. in 2004) to Peugeot Citroen Automobiles, whose tax representative in Italy was Gefco Italia S.p.A.. On December 14, 2007, the Turin Internal Revenue Agency served on the Company two notices of assessment for additional VAT owed for 2002 and 2003, amounting to 17.7 million euros and 11.7 million euros, respectively.

The total amount that the Turin Internal Revenue Agency claims is owed by the Company for the two years in question (including taxes and penalties) is about 69.5 million euros. On February 12, 2008, the Company challenged the notices of assessment in a motion filed with the Turin Provincial Tax Commission. A merit hearing was held on November 11, 2008.

Accepting in part the argument put forth by Pininfarina S.p.A. in its appeal, the lower court magistrate ordered that, "in view of the complexity of the case at bar and the difficulties in interpreting the statute in question," the penalties on the abovementioned disputed VAT be cancelled. As a result, the amount owed by Pininfarina, while the proceedings continue at the next jurisdictional level, was reduced from about 69.5 million euros to about 30 million euros, plus interest.

The Company, considering that the sales transactions involved items that were transferred abroad with no resulting damage for the Italian treasury, is confident that the position taken by the lower court judge will be reversed, once the appeal that it will file shortly is heard, in light of the interpretations and arguments put forth in the decision handed down by the lower court, which, in the opinion of the Company and its counsel, are inaccurate both formally and substantively.

The Company also wishes to point out that the Rescheduling Agreement signed on December 31, 2008 specifically requires that any "material event" (and any action taken in response to it) must be communicated to the Lender Banks. While this dispute with the revenue administration was known to the parties and, consequently, expressly mentioned in the Agreement, if it should be resolved unfavorably for Pininfarina, after pursuing its disposition at every available level of the judicial system, requiring the payment of a substantial amount, it could be construed as an event causing a "substantial prejudicial effect," which, pursuant to the Rescheduling Agreement, is any event that could impair Pininfarina's ability to faithfully perform its financial obligations under the Agreement. If an event causing a "substantial prejudicial effect' were to occur, the Creditor Banks could avail themselves of their right to cancel the Rescheduling Agreement and demand the immediate repayment of Pininfarina's debt exposure, which, in turn, would have an impact on Pininfarina's viability as a going concern.

The Directors, comforted in their belief by opinions provided by highly respected expert in the field in question, concluded that it is unlikely that any cash outlay will be required and, considering that the abovementioned dispute is still going through the judicial process, chose not to recognize a provision for risk and charges.

Operating Performance, Financial Position and Financial Performance

of the Pininfarina Group

Operating Performance

Net revenues totaled 527.3 million euros, or 185.7 million euros less (-26%) than the amount reported in 2007 (713 million euros).

The inventory of finished goods and work in process showed a further net decrease of 1.9 million euros, following a net decrease of 60.5 million euros in 2007.

Other income and revenues totaled 10.2 million euros, down from 14.2 million euros a year earlier (-4 million euros).

Value of production decreased to 535.7 million euros, or 134.7 million euros less (-20.1%) that the amount reported at December 31, 2007 (670.4 million euros). A breakdown by business segment is provided on page 73.

Net of inventory, operating costs for purchases of raw materials and outside services amounted to 413.9 million euros, down from 528.6 million euros in 2007 (-21.7%).

Value added, which in 2008 did not benefit from the positive impact of a net gains on the disposal of non-current assets and equity investment (net loss of 0.2 million euros in 2008, as against a net gain of 4.9 million euros in 2007), decreased to 121.7 million euros (146.7 million euros at December 31, 2007). However, while value added shows a reduction 25 million euros in absolute terms, the ratio of value added to value of production improved from 21.9% to 22.7% (+0.8 percentage points).

Labor costs totaled 114.7 million euros, or 10.6% less than in 2007 (128.3 million euros).

EBITDA were positive but lower than the previous year, amounting to 6.9 million euros (positive EBITDA of 18.4 million euros at December 31, 2007). The ratio of EBITDA to value of production was 1.3%, compared with 2.7% in 2007.

Depreciation and amortization decreased to 35 million euros (-7.8 million euros compared with the previous year) but additions to provisions and writedowns rose to 149.8 million euros (78.9 million euros in 2007). The 2008 amount includes a charge of 119 million euros (69.5 million euros in 2007) recognized to write down financial receivables and dedicated capital assets to reflect the results of an impairment test of the value at which they were carried in the financial statements.

As a result, EBIT were negative by 177.8 million euros, compared with negative EBIT of 103.3 million euros at December 31, 2007 (-74.5 million euros). The ratio of EBIT to value of production was -33.2% (-15.4% in 2007).

Net financial expense, which amounted to 21.6 million euros (net financial expense of 10.6 million euros in 2007), was equal to -4.0% of value of production (-1.6% in 2007).

Value adjustments were negative by 2.1 million euros (positive balance of 3.3 million euros at December 31, 2007) as the net result of adjustments made to the carrying value of the investments in Pininfarina Sverige A.B. (upward adjustments of 4.3 million euros in 2008 and 3.3 million euros in 2007) and in Véhicules Electriques Pininfarina-Bolloré SAS (writedown of 6.4 million euros, which reflects mainly the derecognition of the Group's 50% share of the intra-Group profits generated by activities performed by Pininfarina S.p.A. for the joint venture in connection with the development of the electric car).

The loss before taxes, which amounted to 201.5 million euros (loss of 110.7 million euros the previous year), was equal to -37.6% of the value of production (-16.5% in 2007).

The income tax liability totaled 2.6 million euros (3.8 million euros in 2007), due mainly to the derecognition of the deferred-tax assets attributable to Matra's tax loss carryforward.

The net loss for the year amounted to 204.1 million euros (net loss of 114.5 million euros in 2007), an amount equal to -38.1% of the value of production (-17.1% in 2007).

Reclassified Consolidated Income Statement

(in thousands of euros)

	Datia at				
	12/31/08	%	**12/31/07**	%	**Change**
Net revenues	527,304	98.44	712,960	106.34	(185,656)
Change in inventory of work in progress and finished goods	(1,935)	(0.36)	(60,458)	(9.02)	58,523
Other income and revenues	10,202	1.90	14,224	2.12	(4,022)
Work performed internally and capitalized	117	0.02	3,705	0.55	(3,588)
Value of production	**535,688**	**100.00**	**670,431**	**100.00**	**(134,743)**
Net gain(loss) on disposal of non-current assets	(160)	(0.03)	4,869	0.73	(5,029)
Raw materials and outside services (*)	(407,261)	(76.03)	(518,090)	(77.28)	110,829
Change in inventory of raw materials	(6,608)	(1.23)	(10,557)	(1.57)	3,949
Value added	**121,659**	**22.71**	**146,653**	**21.87**	**(24,994)**
Labor costs (**)	(114,714)	(21.41)	(128,295)	(19.14)	13,581
EBITDA	**6,945**	**1.30**	**18,358**	**2.74**	**(11,413)**
Depreciation and amortization	(34,974)	(6.53)	(42,802)	(6.38)	7,828
Additions to provisions/Writedowns	(149,773)	(27.96)	(78,904)	(11.77)	(70,869)
EBIT	**(177,802)**	**(33.19)**	**(103,348)**	**(15.42)**	**(74,454)**
Net financial income (expense)	(21,619)	(4.04)	(10,648)	(1.59)	(10,971)
Value adjustments	(2,090)	(0.39)	3,294	0.49	(5,384)
Profit before taxes	**(201,511)**	**(37.62)**	**(110,702)**	**(16.51)**	**(90,809)**
Income taxes	(2,615)	(0.49)	(3,823)	(0.57)	1,208
Net profit (loss)	**(204,126)**	**(38.11)**	**(114,525)**	**(17.08)**	**(89,601)**

(*) **Raw materials and outside services** is shown net of utilizations of the provision for warranties and the provisions for risks and charges amounting to 3,096,000 euros in 2007 and 5,137,000 euros in 2008.

(**) **Labor costs** is shown net of utilizations of the provision for restructuring programs amounting to 2,439,000 euros in 2007 and 1,821,000 euros in 2008.

Pursuant to Consob Resolution No. DEM/6064293 of July 28, 2006, a reconciliation of the data for the period with the 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 intangible assets.
- **Additions to provisions/Writedowns** includes Addition to provisions/Writedowns and Addition to provision for inventory risk.
- **Net financial income (expense)** includes Financial income (expense) and dividends.

Balance Sheet

At December 31, 2008, net capital requirements were 114.3 million euros less than a year earlier, due mainly to negative changes in net non-current assets and the provision for termination indemnities, offset in part by a positive change in working capital.

More specifically:

Net non-current assets totaled 155.9 million euros. Intangible assets and property, plant and equipment decreased by 2.5 million euros and 152.9 million euros, respectively, reflecting the impact of additions totaling 4.2 million euros, retirements of 8.5 million euros, depreciation and amortization of 33.5 million euros, writedowns of 107.2 million euros required by the results of an impairment test and reclassification of 7.9 million euros. Non-current financial assets increased by 2.5 million euros as the net result of the following items: a deduction of 0.4 million-euros for a restatement of the value of the shareholders' equity of Pininfarina Sverige A.B.; an addition of 3.6 million euros resulting from the subscription and subsequent increase of the share capital of Véhicules Electriques Pininfarina-Bolloré SAS totaling 10 million euros, less a subsequent writedown of its shareholders' equity amounting to 6.4 million euros; and the disposal, in March 2008, of the investment in Pasiphae Sarl, which had a carrying value of 0.7 million euros.

Working capital was again negative, with the negative balance decreasing to 23.5 million euros (negative balance of 58.9 million euros at December 31, 2007).

The provision for termination indemnities totaled 22.3 million euros, or 3.3 million euros less than at the end of 2007.

Capital requirements were covered by:

Shareholders' equity, which decreased from 39 million euros to 10 million euros at December 31, 2008. Aside from some minor changes, the year-over-year reduction of 29 million euros is the net result of a loss for the year of 204.1 million euros, offset in part by an increase of 180 million euros in equity reserves made possible by the execution of the Framework Agreement between Pininfarina S.p.A. and the Lender Institutions.

The net financial position, while negative by 100.1 million euros, showed an improvement of 85.4 million euros compared with December 31, 2007. It is worth noting that the reduction of 180 million euros in medium- and long-term bank borrowings shown at December 31, 2008 by the Group's Parent Company was offset by a 9.1-million-euro writedown of financial receivables owed by outsiders, unfavorable changes in working capital requirements penalized by the performance of the industrial operations, a sharp increase in interest expense paid to the Lender Institutions and the cash outlays required for additions to operating assets and equity investments.

Reclassified Consolidated Balance Sheet

(in thousands of euros)

	Data at		
	12/31/08	**12/31/07**	**Change**
Net non-current assets (A)			
Net intangible assets	4.553	7.098	(2.545)
Net property, plant and equipment	116.948	269.855	(152.907)
Equity investments	34.413	31.965	2.448
Total A	**155.914**	**308.918**	**(153.004)**
Working capital (B)			
Inventory	16.873	22.717	(5.844)
Net trade receivables and other receivables	92.092	114.075	(21.983)
Non-current assets held for sale	7.040	0	7.040
Deferred-tax assets	1.311	5.482	(4.171)
Trade accounts payable	(92.836)	(161.555)	68.719
Provisions for risks and charges	(27.066)	(6.838)	(20.228)
Other liabilities (*)	(16.004)	(32.758)	16.754
Non-current liabilities attributable to assets held for sale	(4.950)	0	(4.950)
Total B	**(23.540)**	**(58.877)**	**35.337**
Net invested capital (C=A+B)	**132.374**	**250.041**	**(117.667)**
Provis. for termination indemnities (D)	**22.287**	**25.617**	**(3.330)**
Net capital requirements (E=C-D)	**110.087**	**224.424**	**(114.337)**
Shareholders' equity (F)	**10.006**	**38.971**	**(28.965)**
Net financial position (G)			
Long-term debt	116.681	22.420	94.261
Net borrowings	(16.600)	163.033	(179.633)
Total G	**100.081**	**185.453**	**(85.372)**
Total as in E (H=F+G)	**110.087**	**224.424**	**(114.337)**

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

Financial Performance

At December 31, 2008, the net financial position showed a negative balance of 100.1 million euros, compared with a negative balance of 185.5 million euros a year earlier. This year-over-year difference of 85.4 million euros is the net result of the following factors:

- A decrease of 22.8 million euros in cash and cash equivalents;
- A decrease of 8.2 million euros in current assets held for trading;
- A decrease of 2.7 million euros in current loans receivable and other receivables;
- A decrease of 213.3 million euros in short-term debt;
- A decrease of 77.8 million euros in medium- and long-term loans receivable;
- An increase of 16.4 million euros in medium- and long-term debt.

Net Financial Position

(in thousands of euros)

	Data at		
	12/31/08	**12/31/07**	**Change**
Cash and cash equivalents	75.230	98.008	(22.778)
Current assets held for trading	54.699	62.862	(8.163)
Current loans receivable and other receivables	37.541	40.226	(2.685)
Available-for-sale current assets	0	0	0
Loans receivable from associates and joint ventures	17.904	17.904	0
Short-term bank debt	(37.928)	(58.430)	20.502
Current liabilities under finance leases	(85.060)	(193.356)	108.296
Loans payable to associates and joint ventures	0	0	0
Current portion of long-term bank debt	(45.786)	(130.247)	84.461
Net borrowings	**16.600**	**(163.033)**	**179.633**
Long-term loans and other receiv. from outsiders	82.846	143.517	(60.671)
Long-term loans and other receivables from associates and joint ventures	44.760	62.665	(17.905)
Non-current assets held for sale	766	0	766
Long-term liabilities under finance leases	(142.600)	(156.290)	13.690
Long-term bank debt	(102.453)	(72.312)	(30.141)
Net long-term debt	**(116.681)**	**(22.420)**	**(94.261)**
Net financial position	**(100.081)**	**(185.453)**	**85.372**

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

As explained in detail in last year's Annual Report, in the second half of 2007, the Company took action in response to a developing economic and financial crisis and retained Roland Berger and Rothschild as industrial advisor and financial advisor, respectively, to help it develop a medium-/long-term industrial plan that could be used a basis for immediate action on the financial side.

The developments that brought about the Company's economic and financial crisis are discussed below and are presented together with an overview of the actions that will be taken under the plan (with the attendant risks and challenges) and of the agreements reached with the Lender Institutions (Framework Agreement and Rescheduling Agreement) pursuant to the plan.

The large loss suffered in 2007, coming on the heels of those incurred in 2006 and 2005, which were mainly caused by the concurrent impact of development and startup costs for five new models, the need to finance the capital expenditures specifically required to produce the new models, demand trends in the consumer market (highly negative for some models) and changes in the Group's target market in which carmakers drastically curtailed outsourced production volumes, are the primary reasons for a crisis that, unbeknown at that time, would become even more serious when the global economic crisis arose in October 2008. The crisis that engulfed the world's markets had an especially severe effect on the automobile industry, causing all carmakers to drastically cut production, and heightened the difficulties faced by the conventional contract vehicle manufacturing industry, which is Pininfarina's area of business. In addition, in response to the sharp decrease in demand for the engineering services provided by the Matra Automobile Engineering subsidiary and the companies it controls, which occurred when carmakers opted to perform internally previously outsourced activities and put on hold existing development programs, the Company chose to divest all of its French operations. These negative developments affected the Company's 2008 financial statements, causing losses at the operating level, writedowns for the impairment of financial receivables caused by an across-the-board decrease in production volumes, writedowns recognized in connection with the divestment of the Matra operations, an increase in net financial expense that reflected the decrease in interest income cause by a drop in volumes and the other negative development described above.

In 2007, in response to the need to redefine the overall strategies of the Pininfarina Group in terms of market position, organization of manufacturing and administrative processes and financial balance, the Company developed the abovementioned Industrial and Financial Plan, which was approved by the Board of Directors on March 10, 2008. In April, the Plan was presented to the Lender Institutions and the financial markets and its key features were disclosed in the Report of the Board of Directors in the 2007 Annual Report. In 2008, the Company was engaged in lengthy negotiations with the Lender Institutions that were often prominently featured in the news media and resulted in the singing, on the last day of the year, of an agreement of fundamental importance for the Group's viability as a going concern. An overview of the main phases of this process is provided below.

On June 25, 2008, after lengthy and complex negotiations, Pininfarina and Fortis Bank signed a settlement agreement that, in addition to other clauses, provides for a multi-year plan for the repayment of the indebtedness owed to the bank, with the last installment due on December 31, 2015. The dispute with this banks arose when the Company was served with two provisionally enforceable court injunctions (on March 28, 2008 and April 19, 2008) ordering it to pay to Fortis Bank S.A. a total amount of 45 million euros, plus delinquent interest, corresponding to a medium-term credit line and a revolving operating facility. By virtue of these injunctions, Fortis petitioned for and was granted a court ordered mortgage on land and buildings owned by the Company.

On August 1, 2008, in order to allow negotiations with the Lender Institutions to proceed and take the necessary steps to carry out the share capital increase described in the Industrial and Financial Plan, the Company and the Lender Institutions entered into a Standstill Agreement, valid until September 30, 2008, pursuant to which the operating credit line would be maintained and Pininfarina was granted a moratorium on principal repayments due on its medium- and long-term debt exposure.

On August 7, 2008, Andrea Pininfarina was killed in a tragic accident. Toward the end of September, in view of the significant, sudden and widespread deterioration of conditions in the international automobile market, the Board of Directors found it necessary to revise the Industrial and Financial Plan. A revised Industrial and Financial Plan was presented to the Lender Institutions on October 31, 2008. Subsequently, a proposal to recapitalize the Company and reschedule its indebtedness was submitted to the Lender Institutions.

On November 12, 2008, the Board of Directors approved the revised Industrial Plan and the guidelines of the revised Financial Plan.

During the period from November 12 and November 18, 2008, Pininfarina and the Lender Institutions executed a new Standstill Agreement, valid until December 31, 2008. The purpose of the new agreement was to allow the Lender Institution to review and assess the proposal submitted by the Company, retain the services of an expert appraiser to certify that the Industrial and Financial Plan was reasonable and complete the procedures required to secure the approval of their governance bodies.

On December 3, 2008, Pininfarina signed a non-binding term sheet that, based on the status of the negotiations at that time, provided a description of the key aspects of the transaction to recapitalize Pininfarina and restructure its indebtedness. Subsequently, the Lender Institutions informed Pininfarina that they would submit the abovementioned term sheet to their governance bodies for approval.

On December 19, 2008, the Company's Board of Directors approved the new Financial Plan and, on December 31, 2008, the expert appraiser (Pietro Pisoni, Tenured Professor of Accounting at Turin's Economics University) delivered his report, certifying the feasibility of the Industrial and Financial Plan.

Lastly, on December 31, 2008, Pininfarina, Pincar S.p.A. (a company that owns 50.6% of Pininfarina's share capital), Pincar's shareholders and the Lender Institutions executed a

Framework Agreement governing the terms and conditions of the actions that each of the signatories will be required to take within the framework of a transaction carried to recapitalize Pininfarina and restructure its indebtedness, as a prerequisite to ensure that the Company's viability as a going concern and implement the Industrial and Financial Plan.

In order to allow a clearer understanding of the Framework Agreement and the related Rescheduling Agreement that the Company reached with the Lender Institutions, an overview of the key provisions of these agreements is provided below.

FRAMEWORK AGREEMENT

The Framework Agreement includes of two phases: the first phase was executed on December 31, 2008, while the second phase must be completed by June 30, 2009.

In the first phase, the Lender Institutions assigned without recourse to Pincar S.p.A. financial receivables totaling 180 million euros. Concurrently, Pincar S.p.A. forgave in their entirety the receivables owed by Pininfarina S.p.A. that it acquired from the Lender Institutions. Pincar further agreed to sell its entire equity interest in Pininfarina and use the proceeds from such sale to pay a supplement to the consideration on 1 euro originally paid to the Lender Institutions for the abovementioned transfer of receivables.

The second phase could be carried out in accordance with different methods, as described below:

1) Sale of the Pininfarina trademark to a company controlled by the Banks for a price of not less than 70 million euros. The trademark's value and corresponding sales price was determined by an independent expert appraiser (Salvatore Vicari, Dean of the School of Management at the Bocconi University, in Milan). The company owning the trademark would grant to Pininfarina the exclusive use of the trademark against payment of royalties determined consistent with the value of the trademark and would provide Pininfarina with an option, exercisable at any time, to buy back the trademark at the current market price, as determined by an independent expert appraiser. Such a transactions would be executed only after the Court of Turin approved a debt restructuring agreement, pursuant to Article 182 *bis* of the Bankruptcy Law. The company acquiring the trademark would pay the purchase price by assuming an equal amount of debt owed to the Banks by Pininfarina, which would be released from all related obligations.

2) Should the trademark be valued at less than 70 million euros, the Banks would cover the difference between the abovementioned amount and the trademark's sales price by assigning without recourse to Pincar S.p.A., in one or more installments, a portion of their financial receivables, with the same method used for the first phase. Concurrently with the assignment of the financial receivables, Pincar S.p.A. would provide Pininfarina S.p.A with an advance on future capital increases by forgiving a portion of the assigned financial receivables owed by its subsidiary for an amount large enough to enable it to underwrite its pro rate share (50.6%) of a future capital increase that would be available to all shareholders through a rights offering. Subsequently, Pincar S.p.A. would provide an additional advance on future capital increases by forgiving a portion of the assigned financial receivables it received from the Banks for an amount large enough to underwrite any unsubscribed portion of the abovementioned capital increase.

3) The parties reserved the right to evaluate in good faith alternative solutions to provide Pininfarina S.p.A. with 70 million euros in equity capital, which, counting the effect of the transactions completed during the first phase, would raise to the total to 250 million euros.

The overall effect of the Agreement on the gross indebtedness of Pininfarina S.p.A. would be a reduction of its medium- and long-term bank borrowings totaling 250 million euros through a transaction for 180 million euros, carried out on December 31, 2008, and another one for the remaining 70 million euros, expected to occur before June 30, 2009.

However, the Framework Agreement:

- provides no alternative solutions, should there be no indications of interest from potential buyers of the Pininfarina shares owned by Pincar;
- does not provide the Creditor Banks with the right to appoint representatives to the Board of Directors of Pininfarina, or of companies of the Group headed by Pininfarina, and contains no provisions concerning the governance of Pininfarina or Pincar;
- contains no further stipulations regarding the actual implementation of the abovementioned capital increase, its amount, its terms and conditions and timing of its implementation.

Phase 1 of the Framework Agreement was completed on December 31, 2008, with none of its cancellation clauses becoming applicable. The Agreement expressly states that, once financial receivables have been forgiven, the effects of the forgiveness cannot be undone.

With regard to Phase 2, the effectiveness of the Framework Agreement will be suspended if any of the following conditions were to occur:

- Failure to complete the following activities by June 30, 2009:

(i) Delivery by Pininfarina S.p.A. to the Creditor Banks of an appraisal of the trademark's value;

(ii) Preparation by Pininfarina S.p.A. of the documents required by Article 182-*bis* and Article 161 of the Bankruptcy Law, filing of the abovementioned documents with the Court of Turin and approval by the Court o Turin of a debt restructuring agreement pursuant to Article 182-*bis* of the Bankruptcy Law, but only if the second phase of the Framework Agreement is carried out through the abovementioned trademark sale option;

(iii) If the second phase of the Framework Agreement is carried out by means of a capital increase by Pininfarina S.p.A., issuance by the CONSOB of a confirmation that the Creditor Banks would not be required to launch a tender offer or would be exempted from complying with this requirement.

If any of the cancellation clauses set forth in Items ii) and iii) above is not satisfied and a written waiver is not provided by the Creditor Banks, the Agreement shall be cancelled.

- Only if the second phase of the Framework Agreement is carried out through the trademark sale option, the refusal by the Court of Turin to approve the Restructuring Agreement pursuant to Article 182-*bis* of the Bankruptcy Law by a decision that has become final.

Thus far, the Company has met all of its contractual obligations by the scheduled contractual deadlines.

RESCHEDULING AGREEMENT

Basically, under this agreement, which became effective on December 31, 2008, repayment of obligations under leases and medium- and long-term loans will begin on 2013 (or 2012, if Phase 2 is carried out through the assignment without recourse of financial receivables), with the last installments due on 2014 for leases and 2015 for medium- and long-term loans.

The Company is required to make mandatory early repayments using the following resources:

(i) proceeds from asset sales;

(ii) 75% of any cash flow that the Company may generate in 2009, 2010, 2011 and 2012 (or 2009, 2010 and 2011, if Phase 2 is carried out through a further assignment of receivables without recourse);

(iii) 40% of any cash flow that the Company may generate starting in 2013 (or 2012, if Phase 2 is carried out through a further assignment of receivables without recourse), until full repayment of its indebtedness in 2015.

The Agreement also provides for the repayment of about 12 million euros in medium- and long-term loans and about 25 million euros in lease obligations, using the cash available as per the financial statements, on the first business day following the issuance of the court decree approving the Restructuring Agreement pursuant to Article 182-*bis* of the Bankruptcy Law or, if Phase 2 is carried out exclusively through the assignment of financial receivable to Pincar, on the day the Restructuring Agreement is signed. Additional repayment of equal amount are due on March 2, 2010.

The rescheduling Agreement may also be cancelled if:

- The Framework Agreement is cancelled;
- Phase 2 of the Framework Agreement is not completed by June 30, 2009;
- Only if the second phase of the Framework Agreement is carried out through the trademark sale option, the refusal by the Court of Turin to approve the Restructuring Agreement pursuant to Article 182-*bis* of the Bankruptcy Law by a decision that has become final.
- Failure to pay any amount owed to the Lender Institutions and/or Fortis Bank;
- Occurrence of an event or circumstance that has a Material Prejudicial Effect, defined as a significant deterioration of the balance sheet, financial positions and/or profitability and/or operating performance of the Company and the Pininfarina Group as a whole capable of

hampering the Company’s ability to perform faithfully its payment obligations in accordance with the Financial Documents and/or the Fortis Agreement or to comply with the Financial Parameters.

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

Debt Interest

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

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

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

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

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

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

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

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

Covenants

Pursuant to the Rescheduling Agreement, the Company will be required to comply with some financial covenants, which may vary depending on how Phase 2 is carried out.

The following covenants shall apply, if Phase 2 entails the sale of the trademark to a company controlled by the Banks:

EBITDA must be better than: (1) (15,600,000) euros on the 2009 Verification Date and (2) (12,000,000) euros on the 2010 Verification Date, it being understood that the amount shown above in parentheses are negative amounts;

Liquid assets must be higher than: (1) 76,300,000 euros on the 2009 Verification Date and (2) 40,700,000 euros on the 2010 Verification Date;

The net borrowings/shareholders' equity ratio (provided that the borrowing amount is greater than liquid assets), stated in absolute terms, must be equal to or lower than: (1) 3.30 on the December 31, 2011 Verification Date; (2) 2.50 on the June 30, 2012 Verification Date; (3) 1.70 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) 0.5 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) 0.80 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) 20.30 on the December 31, 2011 Verification Date; (2) 4.00 on the June 30, 2012 Verification Date; (3) 2.90 on the December 31, 2012 Verification Date; and (4) 1.00 on subsequent Verification Dates.

The following covenants shall apply, if Phase 2 is carried out without the sale of the transfer of the trademark:

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

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

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

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

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

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

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

Updated Industrial and Financial Plan

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

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

With regard to the first guideline, the development and production of the electric car (start of commercial production planned for 2011) represents a shift in Pininfarina's business model, as the Company, only for this product, will supply the market directly through the 50-50 joint venture it established in February 2008 with the Bolloré Group. Involvement in a market segment characterized by strong innovation and expectations of rapid growth in the coming years should lead to a market position less exposed to conventional competition and with higher profit margins. Also in the area of electric cars, contract manufacturing will continue to be an important part of the Group's activities.

The Plan guidelines concerning the growth of the service operations and the achievement of standards of excellence in manufacturing represent a logical extension of programs launched in previous years that had already began to produce results, albeit still insufficient, in 2007.

With regard to the last guideline — cutting manufacturing costs and overhead — the activities carried out in 2008 and those planned for the future demonstrate the effectiveness of the strategies pursued by the Company to achieve immediate benefits that also provide long-lasting advantages.

The **Financial Plan,** a logical extension of Industrial Plan of which the Rescheduling Agreement is the most visible manifestation, is based on two cornerstones: the rescheduling of the Company's indebtedness and its recapitalization. Throughout the negotiations with the Lender Institutions, both issues were always viewed as equally important, as shown by the fact that they were addressed concurrently upon the signing of the Framework Agreement on December 31, 2008.

Industrial and Financial Plan: Challenges and Risks

Pursuant to one of the conditions precedent for the implementation of Phase 1 of the Framework Agreement between Pininfarina and the Lender Institutions, the Company was required to provide, no later than January 31, 2009, a certification by an expert professional confirming that the proposed plan to rebalance the financial position of the Pininfarina Group (the Industrial and Financial Plan) was reasonable. The certification issued by Professor Pisoni on December 31, 2008 also mentions general challenges and risks inherent in the Company's market and industry and those specifically related to the Company and the Group.

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

Specific challenges and risks were identified in the following areas: production and marketing of the electric car (compliance with project deadlines, need to establish a distribution network and the future presence of a plurality of OEM operators in this industry); contract manufacturing of electric cars (need to secure contracts quickly enough to begin production on schedule in an environment characterized by the active presence of other OEM operators); estimates of production volumes (making volume projections poses a challenge in view of the rather long time horizon); reduction of overhead (savings would be achieved by a rationalization of personnel expenses resulting from the implementation of the Industrial Plan in the manner and timing intended); accurate revised projection of production volumes for the 2008-2011 period (while projections have been revised downward, making estimates is difficult, given the extremely critical conditions of the automobile industry); revenue flows from the engineering operations (an area directly affected by conditions in the market for electric cars, which poses the challenges already mentioned above); divestment of some assets (potential implementation problems and difficulties in estimating the values that could be realized in the current economic environment); ability to implement the Industrial Plan predicated the success of specific actions carried out to achieve a manageable level of debt.

With regard to the Financial Plan, challenges and risks include: available cash flow for the 2009-2011 period (heavily dependent on the collection of financial receivables owed by Alfa Romeo and Volvo); collection of financial receivables and accrued interest owed by Alfa Romeo and Volvo (related to the debtors' ability to pay at a time when the automobile industry is faced with a structural crisis); uncertainty about the amount that may actually be collected in connection with the dispute with Mitsubishi, which entails, on one hand, the collection of a receivable (48.4 million euros) and, on the other hand, the risk of payments owed for Pininfarina's alleged failure to perform its obligations, which would cause an increase in financial expense and in the amounts repayable at the end of the rescheduling process; existence of a condition precedent that predicates the implementation of Phase 2 of the Framework Agreement on the approval of the restructuring agreement pursuant to Article 182-*bis* by a court decree that has become final (if the implementation of Phase 2 entails the sale of the Pininfarina Trademarks); compliance, starting in 2009, with specific covenants concerning EBITDA and liquid asset amounts in 2009 and 2010 and ration from 2011 on.

In addition to the information provided above, other issues and events that altered in part the challenges, risks and uncertainties of the Industrial and Financial Plan require disclosure. Specifically, the disposal of the French operations was successfully completed in the first quarter of 2009, with the exception of some minor assets that are currently being divested. In addition, it is important to keep in mind that, while there is a condition precedent that predicates the implementation of Phase 2 of the Framework Agreement on the approval of the restructuring agreement pursuant to Article 182-*bis* by a court decree that has become final, the Framework Agreement also contains a provisions pursuant to which, once financial receivables have been forgiven, the effects of the forgiveness cannot be undone.

Outlook for 2009

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

- The 2009 reporting year will end with negative EBITDA and EBIT. Specifically, while at the operating level the manufacturing operations are performing well in terms of quality and efficiency, their projected results will be penalized by an expected 50% reduction in car sales compared with 2008. The reason for such a large shortfall in orders include the negative performance of the global economy, which is proving to be particularly burdensome for the automobile industry, and the approaching expiration of the existing manufacturing orders, which are nearing the end of their life cycle. Even incisive cost reduction programs will not be sufficient to compensate the effect of the reduction in value of production, which will also occur in the styling and engineering area. Consequently, the year will end with in the red but, consistent with the projections of the Industrial and Financial Plan, the loss will be much smaller and not comparable with those reported in 2007 and 2008.
- On the balance sheet side, the projected completion of the second phase of the Framework Agreement with the Lender Institutions by June 30, 2009 will inject a further 70 million euros to the Company's shareholders' equity, which was already boosted by an addition of 180 million euros upon the completion of the first phase on December 31, 2008. This new capital infusion will enable the Company to absorb the 2009 loss without need for additional transactions.
- The debt rescheduling agreement executed with the Lender Institutions and the resulting drastic reduction in medium- and long-term debt that has already occurred and is planned for the near future (for an aggregate amount of 250 million euros, out of a total indebtedness of 558 million euros at November 30, 2008) resulted in a significant improvement of the Company's financial position. Specifically, the amortization plans for the remaining medium- and long-term debt, which amounted to about 375 million euros at the end of 2008, run for 6 or 7 seven years, depending on the type of facility, and do not require the Company to pay interest or repay principal from 2009 to 2011. In addition to the future reduction of 70 million euros in debt (Framework Agreement), the Industrial Plan calls for the divestment of some non-strategic assets to increase the financial resources available for debt service (equal to about 36 million euros). Based on the foregoing considerations, even though the Company's strictly operating activities will not be cash flow positive in 2009, it seems reasonable to project that the existing liquidity will be sufficient to enable the Company to normally pursue its business activities and punctually meet its financial obligations toward all of its stakeholders. At the end of 2009, the net financial position is expected to show an improvement compared with 2008.

Updated Information About the Dispute with Mitsubishi Motor Europe

Pininfarina is currently a party to arbitration proceedings before the International Chamber of Commerce in Paris (ICC) in an action filed by Mitsubishi (MME) seeking compensation for damages of about 43.4 million euros.
The Company, in addition to totally rejecting MME's claim, in turn filed for arbitration, asking that the Board of Arbitrators find Mitsubishi liable for damages and order it to pay the corresponding amounts. Pininfarina, based on two different scenarios, quantified the damages at 155.7 million euros, as a primary claim, or 102.6 million euros, as a subordinate claim.
On January 16, 2009, both parties filed their briefs, which included supporting documents, expert reports and written depositions. Specifically, Pininfarina produced an new report by TUV Sud Automotive GmbH, a top certification, consulting and auditing firm highly regarded in the international automobile industry, by means of which it refuted all complaints concerning vehicle quality, based in part on specific and detailed comparisons with the base model produced by Mitsubishi and other relevant vehicles in the target market segment.
The ICC joined both actions into unified arbitration proceedings and issued a procedural order providing an initial schedule of the deadlines for entering documents into the record and setting forth the dates of the arbitration hearings scheduled to hear the depositions of witnesses and expert professionals, which will be held in Geneva from June 8 to June 13, 2009.
Pininfarina, using documentary evidence, witness depositions and opinions of expert professionals, who include both industry experts (TUV Sud Automotive GmbH) and financial consultants (KPMG LLP) for a detailed quantification of the disputed damages, is providing an accurate demonstration of the fairness of its arguments. At this point, it seems reasonable to expect that an arbitration award will be handed down in 2010.
Based on the considerations described above and the applicable regulations, the Company did not deem it necessary to writedown in its financial statements the corresponding receivables.

Dispute with the Revenue Administration

Information about this issue is provided on page 22, in the section of this Report entitled "Significant Events Occurring Since December 31, 2008."

Assessment of the Company's Viability as a Going Concern

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

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

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

MOTION TO COVER THE NET LOSS

The 2008 fiscal year ended with a loss of 210,294,171 euros, which we recommend that you cover by drawing:

- 180,000,000 euros from the Reserve for non-refundable shareholder contributions;

- 26,843,769 euros from Additional paid-in capital;

- 3,450,402 euros from Retained earnings.

Turin, March 23, 2009

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 but do not apply to the reporting year ended December 31, 2008.

The meaning assigned to the terms EBITDA, net borrowings, liquid assets and financial expense for the purpose of verifying compliance with the abovementioned covenants is 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 form;

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 the 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 asses.

"Liquid assets" include the amounts shown in the consolidated balance sheet for "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 overdrafts facilities (including the Operating Lines).

"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, 2008

Consolidated Balance Sheet – Assets

	Note ref.	12/31/08	12/31/07
Property, plant and equipment		116,948,452	269,854,859
Land and buildings	6	71,479,412	94,446,177
Land		17,142,610	21,315,991
Buildings		44,005,563	62,440,399
Leased property		10,331,239	10,689,787
Plant and machinery	6	42,218,902	169,227,259
Machinery		10,198,101	31,260,592
Plant		30,570,083	35,788,733
Leased machinery and equipment		1,450,718	102,177,934
Furniture, fixtures and other property, plant and equipment	6	2,616,538	5,354,622
Furniture and fixtures		663,028	1,980,761
Hardware & software		1,028,049	1,997,293
Other property, plant and equipment (including vehicles)		925,461	1,376,568
Assets under construction	6	633,600	826,801
Intangible assets		4,552,545	7,097,751
Goodwill	7	1,043,495	2,301,012
Licenses and trademarks	7	3,119,908	4,331,596
Other intangibles	7	389,142	465,143
Equity investments		34,412,502	31,965,176
Associated companies	8	0	744,800
Joint ventures	8	33,876,821	30,648,695
Other companies	8	535,681	571,681
Deferred-tax assets	29	1,310,914	5,481,850
Non-current financial assets		128,372,549	206,182,052
Held-to-maturity long-term investments		766,292	0
Loans and other receivables form:		127,606,257	206,182,052
Outsiders	9	82,845,811	143,517,428
Related parties and joint ventures	9	44,760,446	62,664,624
Available-for-sale non-current financial assets		0	0
Held-for-sale other non-current assets		0	0
TOTAL NON-CURRENT ASSETS		**285,596,962**	**520,581,688**
Inventory		13,510,479	21,380,099
Raw materials	10	9,707,163	16,757,639
Work in process	10	2,802,513	3,253,524
Finished goods	10	1,000,803	1,368,936
Contract work in progress	10	3,362,442	1,336,869
Current financial assets		110,143,580	120,992,876
Current assets held for trading	9	54,698,684	62,862,293
Current loans receivables and other receivables from:		55,444,896	58,130,583
Outsiders	9	37,540,718	40,226,405
Related parties and joint ventures	9	17,904,178	17,904,178
Available-for-sale current financial assets		0	0
Held-to-maturity current investments		0	0
Trade receivables and other receivables		92,091,770	114,075,418
Trade receivables from:		49,632,788	86,284,005
Outsiders	11	45,417,522	80,252,005
Related parties and joint ventures	12	4,215,266	6,032,000
Other receivables	11	42,458,982	27,791,413
Cash and cash equivalents		75,229,700	98,008,444
Cash on hand		1,575,468	1,082,203
Short-term bank deposits		73,654,232	96,926,241
TOTAL CURRENT ASSETS		**294,337,971**	**355,793,706**
Held-for-sale non-curret assets	13	**7,040,001**	0
TOTAL ASSETS		**586,974,934**	**876,375,394**

Consolidated Balance Sheet – Liabilities and Shareholders' Equity

	Note ref.	12/31/08	12/31/07
Common shares	14	9,301,042	9,301,042
Additional paid-in capital		26,843,769	34,652,765
Reserve for treasury stock		175,697	12,000,000
Statutory reserve		2,231,389	2,231,389
Stock option reserve		0	2,232,280
Reserve for currency translations		(4,964,781)	(133,198)
Other reserves		187,873,265	82,251,468
Retained earnings		(7,328,866)	10,959,948
Profit (Loss) for the year	15	(204,125,840)	(114,525,048)
GROUP INTEREST IN SHAREHOLDERS' EQUITY		**10,005,676**	**38,970,646**
Minority interest in shareholders' equity		**0**	**0**
TOTAL SHAREHOLDERS' EQUITY		**10,005,676**	**38,970,646**
Long-term borrowings		245,053,410	228,602,431
Liabilities under finance leases	17	142,600,125	156,290,028
Other indebtedness owed to:		102,453,285	72,312,403
Outsiders	17	102,453,285	72,312,403
Related parties and joint ventures		0	0
Deferred-tax liabilities	29	9,451	3,255,954
Provision for termination indemnities		22,287,321	25,616,906
Provision for pensions and severance pay		45,132	1,107,423
Provision for termination indemnities	18	22,242,189	24,509,483
TOTAL NON-CURRENT LIABILITIES		**267,350,182**	**257,475,291**
Current borrowings		168,773,767	382,032,482
Due to banks	17	37,927,769	58,429,837
Liabilities under finance leases	17	85,059,761	193,355,300
Bonds outstanding and other borrowings owed to:		45,786,237	130,247,345
Outsiders	17	45,786,237	130,247,345
Related parties and joint ventures		0	0
Other payables		13,092,827	21,573,456
Wages and salaries		4,236,784	10,863,652
Due to social security institutions		3,449,265	6,175,947
Vacation days, sick days and personal days		154,621	362,893
Other liabilities	19	5,252,157	4,170,964
Trade accounts payable		92,835,124	161,554,656
Accounts payable to outsiders	19	89,898,357	155,591,365
Account payable to associated companies and joint ventures	19	54,914	434,732
Advances received for work in progress	19	2,881,853	5,528,559
Provision for current taxes		1,496,804	1,197,751
Direct taxes		1,098,354	481,399
Other taxes		398,450	716,352
Provision for other liabilities and charges		27,066,381	6,838,667
Provision for warranties	20	12,274,502	1,546,961
Provision for restructuring programs	20	1,678,778	2,025,047
Other provisions	20	13,113,101	3,266,659
Other liabilities		1,404,174	6,732,444
TOTAL CURRENT LIABILITIES		**304,669,077**	**579,929,456**
TOTAL LIABILITIES		**572,019,259**	**837,404,748**
Liabilities attributable to held-for-sale assets	13	**4,950,000**	**0**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**586,974,934**	**876,375,394**

(*) In order to make the data for 2008 and 2007 more readily comparable, the 2007 amounts for "Provisions for warranties" and "Other provisions" have been reclassified to the "Provision for CIG legal expenses."

The separate balance sheet required by Consob Resolution No. 15519 of July 27, 2006 is not being provided because transactions with related parties are already disclosed in the regular balance sheet. With regard to transactions with Directors and Statutory Auditors, the item "Other payables – Other liabilities" includes 128,244 euros recognized as the liability for the compensation owed for the year.

Consolidated Income Statement (*)

	Note ref.	12/31/08	12/31/07
Sales and service revenues		527,304,128	712,960,061
Increase in Company-produced non-current assets		116,602	3,704,529
Change in inventories of finished goods and work in progress		(1,934,498)	(60,457,983)
Change in contract work in progress		(1,146,354)	(51,597,494)
Change in inventories of work in progress, semifinished and finished goods		(788,144)	(8,860,489)
Other income and revenues	21	10,201,563	14,224,062
Total value of production		**535,687,795**	**670,430,669**
Gain on the sales of non-current assets	22	7,103,004	5,003,594
Amount earned on the sale of equity investments		*2,638,870*	*0*
Raw materials and consumables used		(331,795,020)	(443,567,588)
Raw materials and components		(321,664,453)	(431,401,096)
Change in inventories of raw materials, subsidiary materials and consumables		(6,607,830)	(10,557,138)
Provision for inventory risk		(3,522,737)	(1,609,354)
Other variable production costs		(10,104,267)	(9,790,412)
Consumables		(4,871,303)	(5,374,509)
Utilities		(557,750)	(525,029)
External maintenance costs		(4,675,214)	(3,890,874)
External variable engineering services		(29,981,583)	(37,982,499)
Wages, salaries and employee benefits		(114,713,970)	(128,295,102)
Production staff, office staff and managers		(106,234,080)	(115,637,803)
Independent contractors		(3,741,042)	(10,475,115)
Social security and other post-employment benefits		(4,738,847)	(4,654,810)
Curtailment		0	2,472,626
Depreciation, amortization and writedowns		(188,487,444)	(120,231,187)
Depreciation of property, plant and equipment		(33,459,650)	(40,760,938)
Loss on disposals of property, plant and equipment		(7,263,163)	(134,201)
Amortization of intangibles		(1,514,587)	(2,041,054)
Additions to provisions/Writedowns	24	(146,250,044)	(77,294,994)
Utilization of negative goodwill		0	0
Foreign exchange gains (losses)		216,768	251,289
Other expenses	25	(46,727,186)	(39,166,901)
Profit (Loss) from operations		**(177,801,903)**	**(103,348,137)**
Financial income (expense), net	26	(21,804,055)	(10,901,783)
Dividends	27	185,254	253,599
Value adjustments	28	(2,089,826)	3,294,067
Profit (Loss) before taxes		**(201,510,530)**	**(110,702,254)**
Income taxes for the period	29	(2,615,310)	(3,822,794)
Profit (Loss) for the period		**(204,125,840)**	**(114,525,048)**
Minority interest in shareholders' equity		**0**	**0**

	12/31/08	12/31/07
Profit (Loss) for the period	(204,125,840)	(114,525,048)
Number of common shares, net	9,301,042	9,301,042
Basic earnings (loss) per share	(21.95)	(12.31)

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

(**) In order to make the data for 2008 and 2007 more readily comparable, the 2007 amounts for “Raw materials and components” and “Addition to provision for inventory risk” reflects a reclassification required by a utilization of the allowance for raw material obsolescence totaling 188,000 euros, with no impact on “Profit (Loss) from operations.”

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

	Note	**12/31/08**	Amt.with related parties	**12/31/07**	Amt.with related parties
Sales and service revenues		527,301,128	34,905,782	712,960,061	1,354,880
Increase in Company-produced non-current assets		116,602		3,704,529	
Change in inventories of finished goods and work in progress		(1,934,498)	0	(60,457,983)	0
Change in contract work in progress		(1,146,354)		(51,597,494)	
Change in inventories of work in progress, semifinished and finished goods		(788,144)		(8,860,489)	
Other income and revenues	21	10,201,563		14,224,062	
Total value of production		**535,687,795**	**34,905,782**	**670,430,669**	**1,354,880**
Gain on the sales of non-current assets	22	7,103,004		5,003,594	
Amount earned on the sale of equity investments		*2,638,870*		*0*	
Raw materials and consumables used		(331,795,020)	0	(443,567,588)	0
Raw materials and components		321,664,453)		(431,401,096)	
Change in inventories of raw materials, subsidiary materials		(6,607,830)		(10,557,138)	
Provision for inventory risk		(3,522,737)		(1,609,354)	
Other variable production costs		(10,104,267)	0	(9,790,412)	0
Consumables		(4,871,303)		(5,374,509)	
Utilities		(557,750)		(525,029)	
External maintenance costs		(4,675,214)		(3,890,874)	
External variable engineering services		(29,981,583)	(68,945)	(37,982,499)	(5,756)
Wages, salaries and employee benefits		(114,713,970)	0	(128,295,102)	0
Production staff, office staff and managers		(106,234,080)		(115,637,803)	
Independent contractors		(3,741,042)		(10,475,115)	
Social security and other post-employment benefits		(4,738,847)		(4,654,810)	
Curtailment		0		2,472,626	
Depreciation, amortization and writedowns		(188,487,444)	0	(120,231,187)	0
Depreciation of property, plant and equipment		(33,459,650)		(40,760,938)	
Loss on disposals of property, plant and equipment		(7,263,163)		(134,201)	
Amortization of intangibles		(1,514,587)		(2,041,054)	
Writedowns	24	(146,250,044)		(77,294,994)	
Foreign exchange gains (losses)		216,768		251,289	
Other expenses	25	(46,727,186)	(6,279)	(39,166,901)	
Profit (Loss) from operations		**(177,801,903)**	**34,630,558**	**(103,348,137)**	**1,349,124**
Financial income (expense), net	26	(21,804,055)	5,007,246	(10,901,783)	5,525,660
Dividends	27	185,254		253,599	
Value adjustments	28	(2,089,826)		3,294,067	
Net loss from held-for-sale assets		0		0	
Profit (Loss) before taxes		**(201,510,530)**	**39,837,804**	**(110,702,254)**	**6,874,784**
Income taxes for the period	29	(2,615,310)		(3,822,794)	
Profit (Loss) for the period		**(204,125,840)**	**39,837,804**	**(114,525,048)**	**6,874,784**
Minority interest in shareholders' equity		**0**	**0**	**0**	**0**

(**) In order to make the data for 2008 and 2007 more readily comparable, the 2007 amounts for “Raw materials and components” and “Addition to provision for inventory risk” reflects a reclassification required by a utilization of the allowance for raw material obsolescence, with no impact on “Profit (Loss) from operations.”

For information about the balance sheet required by the abovementioned Resolution, please see the note on page 47.

Statement of Changes in Consolidated Shareholders’ Equity

	12/31/05	Fair value gains (losses)	Translation restatements	Profit (Loss) for the year	Employee stock option plan	Changes to reserves	Dividends	Purchase/ Sales of treasury shares	Reserve for non-refundable shareholder contributions	12/31/06
Common shares	9,312,155							(23,308)		9,288,847
Additional paid-in capital	36,215,861							(1,611,677)		34,604,184
Reserve for treasury stock	12,000,000									12,000,000
Statutory reserve	2,231,389									2,231,389
Stock options reserve	1,320,733				911,547					2,232,280
Reserve for currency translat.	(252,864)		1,759,601							1,506,737
Fair value reserve	12,507,513	(12,507,513)								0
Other reserves	110,942,932					(7,790,896)				103,152,036
Retained earnings	12,382,791					(437,391)				11,945,400
Profit (Loss) for the period	(8,103,394)			(21,883,216)		8,103,394				(21,883,216)
GROUP INTEREST IN SHAREHOLDERS' EQUITY	188,557,116	(12,507,513)	1,759,601	(21,883,216)	911,547	(124,893)	0	(1,634,985)		155,077,657
Minority interest in profit and res.	0									0
TOTAL SHAREHOLDERS' EQUITY	**188,557,116**	**(12,507,513)**	**1,759,601**	**(21,883,216)**	**911,547**	**(124,893)**	**0**	**(1,634985)**		**155,077,657**

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

	12/31/07	Fair value gains (losses)	Translation restatements	Profit (Loss) for the year	Employee stock option plan	Changes to reserves	Dividends	Purchase/ Sales of treasury shares	Reserve for non-refundable shareholder contributions	12/31/08
Common shares	9,301,042									9,301,042
Additional paid-in capital	34,652,765					(7,808,996)				26,843,769
Reserve for treasury stock	12,000,000					(11,824,303)				175,697
Statutory reserve	2,231,389									2,231,389
Stock options reserve	2,232,280					(2,232,280)				0
Reserve for currency translat.	(133,198)		(4,831,584)							(4,964,782)
Other reserves	82,251,468					(74,378,203)			180,000,000	187,873,265
Retained earnings	10,959,948					(18,288,814)				(7,328,866)
Profit (Loss) for the period	(114,525,048)			(204,125,840)		114,525,048				(204,125,840)
GROUP INTEREST IN SHAREHOLDERS' EQUITY	38,970,646	0	(4,831,584)	(204,125,840)	0	(7,547)	0	0	180,000,000	10,005,676
Minority interest in profit and res.										
TOTAL SHAREHOLDERS' EQUITY	**38,970,646**	**0**	**(4,831,584)**	**(204,125,840)**	**0**	**(7,547)**	**0**	**0**	**180,000,000**	**10,005,676**

Cash Flow Statement (*)

	Data at 12/31/08	12/31/07
Profit (loss) for the period	**(204,125,840)**	**(114,525,048)**
Restatements	*197,257,051*	*120,146,826*
- Income taxes	2,615,310	3,822,795
- Depreciation of property, plant and equipment	33,459,650	40,760,938
- Amortization of intangibles	1,514,587	2,041,054
- Writedowns and additions to provisions	146,250,044	77,294,994
- Provision for pensions and seniority indemnities	(2,267,296)	(5,295,117)
- (Gains) Losses on sale of non-current assets	160,159	(4,869,393)
- Unrealized (gains) losses on derivatives	0	0
- (Gains) Losses available for sale financial assets	(27,946)	(28,632)
- (Financial income)	(17,468,761)	(19,165,908)
- Financial expense	31,166,124	29,263,916
- (Dividends)	(185,254)	(253,599)
- Value adjustment to shareholders' equity	2,089,826	(3,294,067)
- Other restatements	(49,393)	(130,154)
Changes in working capital	*(63,366,214)*	*21,650,658*
- Inventories	(7,661,016)	20,687,253
- Contract work in progress	(2,025,573)	(933,855)
- Trade accounts receivable and other receivables	3,142,959	15,692,263
- Accounts receivable from joint ventures	1,816,736	2,720,073
- Trade accounts payable	(62,252,545)	(4,541,633)
- Accounts payable to joint ventures	(379,818)	(1,538,352)
- Other changes	(11,328,989)	(10,435,092)
Cash flow from operating activities	**(70,235,004)**	**27,272,435**
(Financial expense)	(31,166,124)	(29,263,916)
(Income taxes)	(2,615,310)	(3,822,795)
Net cash flow used in operating activities	**(104,016,437)**	**(5,814,275)**
- Purchases of property, plant and equipment	(2,340,555)	(18,016,251)
- Proceeds from sale of property, plant and equipment	6,497,984	5,126,959
- Non-current loans receivable from borrowers outside the Group	60,556,098	14,333,206
- Non-current loans receivable from joint ventures	17,904,178	17,904,179
- Financial income	17,468,662	19,194,540
- Dividends	185,254	253,599
- Other equity investments	(5,556,464)	6,967,843
Net cash used in investing activities	**94,715,155**	**45,764,075**
- Proceeds from the issuance of shares	0	0
- Purchases of treasury shares	0	60,776
- Borrowings from lenders outside the Group	3,843,495	15,608,668
- Loans payable to joint ventures	0	0
- Dividends paid	0	0
Net cash used in financing activities	**3,843,495**	**15,669,444**
- Other non-cash items	(4,839,132)	(1,642,738)
- Non-current assets held for sales or belonging to discontinued operations and related liabilities	8,248,230	0
Increase (Decrease) in cash and cash equivalents	**(2,048,689)**	**53,976,506**
- Cash and cash equivalents at beginning of the period	39,578,608	(14,397,898)
- Cash attributable to available-for-sale assets	(227,988)	0
Cash and cash equivalents at end of the period	**37,301,931**	**39,578,608**
Cash and cash equivalents	75,229,700	98,008,445
Bank account overdrafts	(37,927,769)	(58,429,837)
Net cash and cash equivalents at end of the period	*37,301,931*	*39,578,608*

(*) Pursuant to Paragraph 7 of IAS 7 – Cash Flow Statements, transactions that did not produce a change in a cash position are not reflected in the statement provided above. As required by Consob Resolution No. 15519 of July 27, 2006, the impact of transactions with related parties on the Pininfarina Group refers exclusively to transactions with the Pininfarina Sverige AB joint venture. They are discussed in Notes 11 and 24 to the financial statements of Pininfarina S.p.A. and Notes 8 and 9 to the financial statements of the Pininfarina Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General Information

The Pininfarina Group is centered around a core of automotive operations and based on the establishment of comprehensive collaborative relationships with carmakers. Operating as a global partner, its highly flexible approach enables it to work with customers through the entire product development process — design, planning, development, industrialization and manufacturing — or to provide support during any one of these phases.

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

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

A list of the registered offices and other facilities where the Group companies conduct their business operations is provided on page 106.

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

2. Accounting Principles

2.1.1 Presentation Criteria

As described in detail in the Report on Operations the financial statements of the Pininfarina Group at December 31, 2008 were prepared in accordance with the going concern principle.

The financial statements at December 31, 2008 of the Pininfarina Group were prepared in accordance with the International Accounting Principles (IFRSs) published by International Standards Board (IASB) and approved by the European Union. The consolidated financial statements were prepared in accordance with the going concern principle. As explained in detail in the Report on Operations, which should be consulted for additional information, this approach was deemed to be suitable, based on the conclusions reached by the Board of Directors, despite the existence of substantial uncertainties, which could justify significant doubts about the ability of the Group and the Company to continue to operate in a manner consistent with the going concern principle.

As required by:

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

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

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

- Consolidated balance sheet: prepared with assets and liabilities divided into the current and non-current categories and "Non-current assets held for sale" and "Non-current liabilities related to assets held for sale" shown separately, as required by IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations;*
- Consolidated income statement: prepared with costs classified by type;

– Consolidated cash flow statement: prepared showing the cash flow from operating activities by the indirect method, as allowed by IAS 7 – *Cash Flow Statements,* and showing separately the total cash flow from "Assets/Liabilities held for sale," as required by IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations;*
– Statement of changes in consolidated shareholders' equity.

As required by Consob Resolution No. 15519 of July 27, 2006, the income statement prepared with costs classified by type also shows separately all income and expense amounts arising from nonrecurring transactions or events that do not recur frequently in the normal course of business. The effects of these transactions and events is shown on schedules provided for this purpose on pages 95 and 96.
As required by the abovementioned Consob resolution, balances of positions or transactions with related parties are shown separately from the corresponding items on the balance sheet and cash flow statement.

2.1.2. New Accounting Principles and Interpretations Recently Published by IASB/IFRIC and Approved by the European Commissions

By Regulation No. 1358/2007, issued on November 21, 2007, the European Commission approved IFRS 8 – Operating Segments, applicable as of January 1, 2009, replacing IAS 14 – Segment Reporting. Under this new reporting standard, companies are required to base information they provide in segment information disclosures on the structure that management uses to make operating decisions. The adoption of this new reporting standard will not have a material effect on the Pininfarina Group.

By Regulation No. 1274/2008, issued on December 17, 2008, the European Commission approved an updated version of IAS 1 – Presentation of Financial Statements, applicable as of January 1, 2009. This new standard introduces the requirement to provide a statement of comprehensive income, which includes income and expense items that, pursuant to an express IFRS provision, are recognized directly in equity. The adoption of this principle will merely require the Company and the Group to provide different financial statement disclosures.

By Regulation No. 1260/2008 issued on December 10, 2008, the European Commission approved an updated version of IAS 23 – Borrowing Costs, also applicable as of January 1, 2009. Under this new standard, borrowing costs incurred in connection with the purchase, construction or production of assets for which, normally, a substantial period of time is required before they can be ready for use or for sale must be capitalized. The adoption of this new reporting standard will not have a material effect on the Company and the Group.

By Regulation No. 1261/2008, issued on December 16, 2008, the European Commission approved an updated version of IFRS 2 – Share Based Payment, applicable as of January 1, 2009, which specifies the criteria that must be adopted in the event of cancellation of equity instruments awarded to employees and specifies that only conditions based on employee service and company performance qualify as plan vesting conditions. The adoption of this new reporting standard will not have a material effect on the Company and the Group.

By Regulation No. 1262/2008, issued on December 16, 2008, the European Commission approved IFRIC 13 – Customer Loyalty Programs, effective with the financial statements for reporting years beginning on or after July 1, 2008. This interpretation, which defines the recognition and measurement criteria for loyalty programs offered by companies to their customers, offering them bonuses, discounts or free products based on their purchases, does not apply to the Company or the Group.

By Regulation No. 53/2009, issued on January 21, 2009, the European Commission approved amendments to IAS 1 – Presentation of Financial Statements and IAS 32 – Financial Instruments:

Presentation, which specifies the conditions that must be satisfied to qualify puttable financial instruments as equity instruments. Pursuant to this amendment, financial instruments issued by an enterprise that, in the event of the enterprise's liquidation, require the issuer to deliver to the holders of these instruments a pro rated portion of its net assets should also be classified as equity instruments. The amendments made to the provisions of IAS 1 and IAS 32, which will be effective as of January 1, 2009, will no effect on the Company or the Group.

2.1.3 New Accounting Principles and Interpretations Recently Published by the IASB/IFRIC Not Yet Approved by the European Commissions

On January 10, 2008. the IASB published updated versions of IFRS 3 – Business Combinations and IAS 27 – Consolidated and Separate Financial Statement. These new versions require that incidental costs related to business combinations and the effect of conditional payments be recognized in earnings. They also provide the option of recognizing the full amount of goodwill generated by a business combination, including the minority interest. The new version of IAS 27 also requires the recognition in equity of the effects of purchases/sales of equity interest subsequent to the acquisition of control/without loss of control.

The provisions of these new versions of IFRS 3 and IAS 27 will applicable starting with reporting year that begins on or after July 1, 2009. The Company and Group will adopt them insofar as they are applicable to them.

On November 30, 2006, the IFRIC published IFRIC 12 – Service Concession Arrangements. This interpretation, which defines the recognition and measurement criteria for agreements between public and private sector parties for the development, financing, management and maintenance of infrastructures under concession arrangements, does not apply to the Company or the Group.

On July 3, 2008, the IFRIC published IFRIC 16 - Hedges of a Net Investment in a Foreign Operation, which defines the recognition and measurement criteria for hedges of net investments in foreign operations. According to this interpretation, only translation differences between the functional currency of the foreign operations and the functional currency of the parent company may be hedged. The provisions of IFRIC 16, which will be applicable starting with the financial statements for the reporting year that begins on or after October 1, 2008, are not expected to have an impact on the Company or the Group.

On November 27, 2008, the IFRIC published IFRIC 17 – Distributions of Non-cash Assets to Owner, applicable starting with the financial statements for the reporting year that begins on or after July 1, 2009. This interpretation defines the recognition and measurement criteria applicable to distribution to shareholders of non-cash assets or, at the shareholder's discretion, either non-cash assets or cash. Specifically, pursuant to this interpretation, the value of such distributions must be determined based on the fair value of the assets that are being distributed. This interpretation does not apply to and will have no impact on the Company or the Group.

On January 29, 2009, the IFRIC published IFRIC 18 - Transfers of Assets from customers, which defines the recognition and measurement criteria applicable to transfers of assets made by customers for the purpose of being hooked to a network used for the supply of goods or services. If the conditions of this interpretations are met, assets received from customers must be recognized at fair value. Depending on the characteristics of the customer/supplier relationship, the revenues attributable to the hookup service can be recognized either at the time of hookup or, contractual provisions notwithstanding, over length of the supply relationship or the useful life of the asset, whichever is shorter.

The provisions of IFRIC 18, which will apply to transactions executed after July 1, 2009, are not expected to have an impact on the Company or the Group.

2.2 Changes in the Group's Structure

The following changes occurred in the Group's structure at December 31, 2008, compared with December 31, 2007:

- The following companies were added to the Group:
  a. MPX Entwicklungs GmbH Leonberg;
  b. Véhicules Electriques Pininfarina-Bolloré SAS (50-50 joint venture with the Bolloré Group);
  c. Pininfarina Recchi Buildingdesign S.r.l. (50-50 joint venture with Recchi Ingegneria e Partecipazioni S.p.A).
- The following companies are no longer part of the Group:
  a. Pasiphae S.a.r.l.;
  b. CERAM SAS;
  c. D3 SAS;
  d. Plazolles Modelage S.a.r.l.;

During the first half of 2008, ownership of Matra Automobile Engineering Maroc S.A.S., which changed its name to Pininfarina Maroc SAS in 2009, was transferred by Matra Automobile Engineering S.A.S. to Pininfarina S.p.A. This change of ownership did not alter the scope of consolidation and no gain or loss was recognized in the consolidated financial statements.

In December 2008, the manufacturing operations of RHTU Sverige A.B. were transferred to the Pininfarina Sverige A.B. joint venture.

The following information is relevant with regard to the assets of Matra Automobile Engineering SAS :

- Further to the commitment undertaken by the Directors of Pininfarina S.p.A. at the end of December 2008 to divest to operations of the Group's French companies, Matra Automobile Engineering SAS conveyed its operating assets, which included a building located in Trappes, to a "newco," while assuming employee-related liabilities. The "newco" was sold to an outside buyer in January 2009. A condition precedent for the closing of this transaction is the sale of the Trappes building, with regard to which the Trappes municipal administration has right of first refusal. The net proceeds from this transaction will be about 2 million euros, an amount equal to the difference between the value of the Trappes building (7,040,000 euros) and the amount of employee-related liabilities owed to the buyers (4,950,000 euros), reflected on the balance sheet as "Non-current assets held for sale" and "Non current liabilities related to assets held for sale," respectively.
- As a result of the sale described above, Matra Automobile Engineering SAS is now a dormant company that hold receivables owed by the French tax administration and a tax loss carryforward amount, which is reflected in the financial statements through the recognition of deferred-tax assets. In January 2009, Pininfarina SpA receive a letter with a non-binding offer to buy Matra Automobile Engineering SAS and its assets.

With regard to the first of the two issues discussed above, based on sales negotiation carried out early in 2009, the Group decided to classify the Trappes building in its consolidated financial statements as an non-current asset held for sale, as required by IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations. This decision was justified by the compliance of the proposed transactions with the requirements of Paragraph 7 (the sale must be highly probable) and Paragraph 8 (management must be committed to a plan to sell the asset) of IFRS 5 on the balance sheet date.

With regard to the second of the two issues discussed above, because the requirements of Paragraphs 7 and 8 of IFRS 5 were met only after the balance sheet date, the assets in question were not classified in accordance with IFRS 5. As required by Paragraph 12 of IFRS 5, adequate disclosure about these assets was provided in the consolidated financial statements.

2.3 Consolidation

(a) Subsidiaries

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

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

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

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

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

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

Name	Registered office	% direct interest	% indirect interest	Cur-rency	Share capital	Total assets (12/31/08)	Total liabilities (12/31/08)	Sales revenues in 2008	Net profit (loss) in 2008
Pininfarina Extra S.r.l.	Turin Via Bruno Buozzi, 6	100%	0%	EUR	388,000	5,424,077	1,639,797	6,360,338	1,064,398
Pininfarina Extra USA Corp.	New York 1 Penn Plaza Suite 3515	0%	100%	USD	10,000	528,032	121,173	1,404,463	(127,458)
Pininfarina Deutschland GmbH	Leonberg Riedwiesenstr.1	100%	0%	EUR	3,100,000	19,474,273	2,235,387	1,109,077	714,150
MPX Entwicklung GmbH	Munich Frankfurter Ring 17	0%	100%	EUR	25,000	4,923,758	4,408,065	10,310,781	447,989
MPX Entwicklung GmbH	Leonberg Riedwiesenstr.1	0%	100%	EUR	26,000	1,013,444	740,370	2,930,157	108,663
Matra Automobile Engineering SAS	Trappes- Cedex 8, avenue J.D'Alembert	100%	0%	EUR	971,200	27,378,848	42,404,515	30,483,317	(20,534,257)
Pininfarina Maroc SAS	Zenata Casablanca - Sidi Bernoussi Km 12 Autoroute de Rabat	100%	0%	MAD	8,000,000	24,289,419	15,554,444	25,108,751	2,358,912
RHTU Sverige A.B.	Uddevalla Varsvagen 1	100%	0%	SEK	100,000	17,841,497	11,326,818	35,908,967	(1,712,860)

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

(b) Associated Companies and Joint Ventures

Associated companies are companies over which the Group exercises a significant influence, but not control. The Group is deemed to exercise significant influence, as defined in IAS 28 – *Investments in Associates,* when it controls between 20% and 50% of the voting rights at a Shareholders' Meeting.

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

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

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

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

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

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

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

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

A list of joint ventures is provided below:

Name	Registered office	% direct interest	% indirect interest	Cur-rency	Share capital	Total assets (12/31/08)	Total liabilities (12/31/08)	Sales revenues in 2008	Net profit (loss) in 2008
Pininfarina Sverige A.B.	Uddevalla Varsvagen 1	60%	0%	SEK	8,965,000	2,783,322,316	2,210,344,036	3,553,394,921	68,955,221
Véhicules Electriques Pininfarina-Bolloré SAS	Puteaux 31-32 Quai de Dion Bouton	50%	0%	EUR	20,040,000	34,611,566	15,606,664	0	(1,035,097)
Pininfarina Recchi Buildingdesign S.r.l.	Torino Via Montevecchio 28	0%	50%	EUR	100,000	97,508	1,200	0	(3,692)

(c) Other Companies

Investments in other companies that constitute available-for-sale financial assets are valued at fair value, if available, and any resulting gains or losses are recognized in equity until the assets are sold or their value is impaired. At that point, accumulated gains or losses previously recognized in equity are reflected on the income statement for the period. Investments in small companies are carried at their current value or fair value, if it can be determined. Dividends received from these companies are recognized under Dividends in the income statement.

2.4 Translation of Items Denominated in Foreign Currencies

(a) Functional Currency and Presentation Currency

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

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

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

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

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

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

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

(c) Group Companies

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

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

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

	Dec. 31, 2008	Avg. 2008	Dec. 31, 2007	Avg. 2007
Euro vs currency:				
- U.S. dollar	1.392	1.471	1.472	1.370
- Swedish kronor	10.870	9.595	9.441	9.249
- Moroccan dirham	11.191	11.347	11.362	11.220

2.5 Property, Plant and Equipment

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

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

The depreciation of 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.*

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

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

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

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

2.6 Intangible Assets

(a) Goodwill

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

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

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

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

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

(b) Software and Other Licenses

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

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

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

(c) Research and Development Costs

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

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

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

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

The Pininfarina Group carries out development work on behalf of its clients under contracts that involve the styling, engineering and manufacture of automobiles or just design and engineering work. These contracts with outsiders, which are covered by the provisions of IAS 11 – *Construction Contracts*, are handled on an inventory basis and, consequently, do not generate capitalized intangible assets.

Development work performed under styling, engineering and production contracts is included in the amount of financial receivables recognized in accordance with IFRIC 4 – *Determining Whether an Arrangement Contains a Lease* (see Note 2.19 b below) or, if IFRIC 4 is not applicable, in the value of special-purpose assets that are part of property, plant and equipment.

(d) Other Intangibles

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

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

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

2.7 Recoverable Amount of Assets

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

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

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

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

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

The identification of the CGUs, carried out in accordance with the recommendations of IAS 36 – *Impairment of Assets*, is consistent with the segment information requirements of IAS 14 – *Segment Information*, according to which disclosures must be provided for two business segments: 1) Styling and engineering, and 2) Manufacturing.

Within the Manufacturing segment, the Group identifies three minimal CGUs, to which it allocates the assets used in connection with the manufacturing contracts for the Alfa Brera and Spider, the Mitsubishi Colt CZC and the Ford Focus convertible.
The following types of assets are allocated to the minimal CGUs:

- Property, plant and equipment;
- Financial receivables recognized in accordance with IFRIC 4 – *Determining Whether an Arrangement Contains a Lease* (see Note 2.19 – Leases below).

b) Impairment Test of Financial Receivables Recognized in Accordance with IFRIC 4 – *Determining Whether an Arrangement Contains a Lease*

Financial receivables recognized in accordance with IFRIC 4 – *Determining Whether an Arrangement Contains a Lease* are valued at amortized costs. Consequently, they must be tested for impairment, as required by IAS 39 – *Financial Instruments: Recognition and Measurement*, at each financial statement reference date.
Paragraph 59 of IAS 39 states that an asset or a group of assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that the loss events have an impact on the estimated future cash flows of the asset. As explained in the Report on Operations, the reduction in the production volumes projected contractually over the life cycles of the Alfa Brera and Mitsubishi orders represents an impairment indicator.
The amount of the writedown recognized in the income statement (9.1 million euros) was determined as the difference between the carrying values of the asset and the present value of its estimated future cash flows, discounted at the effective original interest rate of the financial asset. The estimate of the cash flows, which reflects a conservative assessment of business development, takes into account the guarantee margin.

c) Impairment Test of Property, Plant and Equipment

As a result of the developments described in Section 2.2 above, the carrying value of the Trappes building owned by the Matra Automobile Engineering SAS subsidiary, having been classified in accordance with IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations,* was adjusted to the asset's fair value, which is its net value in the sales agreement.

On the other hand, because of the abovementioned reduction in the total production volumes projected for the Ford Focus Convertible and Alfa Brera and Spider models, the estimate of the value in use of the corresponding minimal CGUs, determined by computing the present value of the financial flows, required the recognition of an impairment loss by writing down a portion of the dedicated assets, the amount of which is discussed in Note 6 to the financial statements.

The cash flow estimates were based on conservative projections of the volumes that could be achieved in subsequent years, consistent with the volumes projected in the Industrial Plan approved by the Board of Directors on November 12, 2008.

2.8 Financial Assets

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

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

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

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

(b) Loans and Other Financial Receivables

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

(c) Held-to-maturity Investments

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

(d) Available-for-sale Financial Investments

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

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

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

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

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

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

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

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

At the end of each fiscal year, the Group tests its financial assets for objective indications of the existence of impairment losses. Specifically:

- in the case of financial assets valued at amortized cost, the required writedown is equal to the difference between their carrying value and the present value of the cash flows expected from the assets, discounted at the original effective interest rate;

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

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

2.9 Inventory

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

As required by IAS 2 – *Inventories,* cost is determined by the FIFO ("first-in, first-out") method. The cost of finished goods and semifinished goods includes design, raw materials and direct labor costs, as well as other direct costs and other indirect costs that can be allocated to the manufacturing operations based on a normal level of production capacity. This costing formula does not include borrowing costs.

2.10 Trade Receivables and Other Receivables

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

2.11 Cash and Cash Equivalents

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

2.12 Non-current Assets Held for Sale

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

2.13 Share Capital

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

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

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

The share capital of Pininfarina S.p.A. consists of 9,317,000 common shares, par value 1 euros each. There are no other classes of shares.

2.14 Borrowings

Initially, borrowings are recognized at fair value, net of any incidental charges. Subsequently, as required by IAS 39 – *Financial Instruments: Recognition and Measurement,* they are valued by the amortized cost method. Any difference between the collection amount, net of any incidental charges, and the redemption amount is recognized in earnings on an accrual basis, computed by the effective interest rate method.

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

As explained in the Report on Operations, upon the implementation of Phase 1 of the Framework Agreement, the Group recognized the elimination of financial liabilities, with the offsetting entry posted to special shareholders' equity reserve, that resulted from the forgiveness of a financial payable owed to a shareholder.

Moreover, as required by Paragraph 40 of IAS 39 – *Financial Instruments: Recognition and Measurement,* the Group verified whether or not a substantial change had occurred in the terms of the liability. Because, based on Paragraph AG62 of the Operational Guide of IAS 39, the present value discounted in accordance with the new terms at the original effective interest rate is different from the value discounted at the original effective interest rate by less 10%, the Group concluded that the renegotiated liability did not constitute a new liability.

2.15 Deferred Taxes

As required by IAS 12 – *Income Taxes,* deferred taxes are computed on all temporary differences between the carrying amount of assets and liabilities and the amount attributed to those assets and liabilities for tax purposes. Temporary differences are not computed on:

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

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

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

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

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

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

2.16 Employee Benefits

(a) Pension Plans

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

For the purposes of IAS 19 – *Employee Benefits*, the Provision for termination indemnities attributable to employees of the Pininfarina Group, computed in accordance with Article 2120 of the Italian Civil Code, consists of:

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

Defined-benefit plans are pension plans in which the pension benefit that an employee will receive at the end of the employment relationship is defined based on such factors as age, years of services and salary earned.
Defined-contribution plans are plans under which the Group pays a fixed contribution and has no further statutory or implied obligations to pay additional sums, should the plan's assets prove to be inadequate to pay benefits for current or past service.

The liability recognized in the financial statements for defined-benefit plans is the present value of the obligation on the balance sheet date, adjusted for actuarial gains and losses and for the cost of benefits paid for past service.

This liability is determined annually by the Board of Directors with the support of an independent expert, who must be a member of the relevant national board, using the Projected Unit Credit Method. For the current year, in accordance with the instructions provided in a memorandum published in April 2007 by the Italian Board of Actuaries, the liability for vested severance benefits was computed without applying a pro rated amount attributable to past services. The present value of the liability is determined by discounting future outlays at the exchange rate of government securities that are denominated in the same currency as that in which the benefits will be paid and have a maturity that approximates the due date of the underlying pension liability.

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

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

(b) Incentives, Bonuses and Profit Sharing Plans

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

(c) Employee Benefits Paid in Shares of Stock

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

In view of the stock market price of the Company's shares, the beneficiaries of option grants signed an agreement waiving their right to exercise the options in exchange for a cash considerations that was recognized as a labor cost. As a result of the abovementioned agreement, the options no longer had any value and the recognition of a corresponding reserve was no longer required.

2.17 Provisions for Risks and Charges

Additions are made to the provisions for risks and charges in accordance with IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets* when:

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

Additions to these provisions are based on the present value of the best estimates made by the Company's management of the costs that the Pininfarina Group expects to incur on the balance sheet date to satisfy the obligations.

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

More detailed information about the provisions for risks is provided in Note 20.

2.18 Revenue Recognition

As required by IAS 18 – *Revenue,* revenues reflect the fair value of the goods and services sold, net of VAT, returns, discounts and intra-Group transactions. Revenues are recognized as follows:

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

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

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

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

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

2.19 Leases

(a) When the Pininfarina Group Is the Lessee

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

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

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

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

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

(b) When the Pininfarina Group Is the Lessor

The Pininfarina Group applies 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 – *Determining Whether an Arrangement Contains a Lease* applies to those arrangements that, while not having the legal formalities of a lease, convey to one of the parties the right to use certain assets in exchange for a series of payments.

According to IFRIC 4 – *Determining Whether an Arrangement Contains a Lease*, an arrangement contains a lease if the following conditions are met:

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

In other words, IFRIC 4 – *Determining Whether an Arrangement Contains a Lease* can be used to identify a lease and separate it from an underlying arrangement between the parties and measure the lease in accordance with IAS 17 – *Leases*.

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

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

2.20 Dividend distributions

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

2.21 Financial Expense

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

Effective January 1, 2009, the Company adopted IAS 23R – *Borrowing Costs,* which substantially amended the previous version published in 1993. Under this new standard, borrowing costs directly attributable to the purchase, construction or production of an assets for which a substantial period of time will be required before it can be ready for use or for sale must be capitalized. The adoption of this new reporting standard will not have a material effect

2.22 Construction Contracts

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

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

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

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

The Pininfarina Group allocates contract costs and revenues to each fiscal year by the percentage of completion method, as required by Paragraph 25 of IAS 11 – *Construction Contracts.* The percentage of completion is the ratio of total costs incurred through the reporting date and the overall estimated costs needed to complete the contract. Costs incurred in a given fiscal year in connection with activities that have not yet been performed are excluded from the percentage of completion computation. Instead, they are recognized as inventory, advances or other assets, depending on their nature.

Progress billings on account are included in Contract work in progress up to the amount of the costs incurred. If the amount of the advances is larger than that of the costs incurred, the difference is recognized ad a liability under Advances received for contract work in progress.

2.23 Government Grants

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

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

In accordance with the provisions of Paragraph 17 of IAS 20 – *Accounting for Government Grants and Disclosure of Government Assistance,* government grants toward the purchase of property, plant and equipment are recognized as deferred income and credited to the income statement in proportion to the depreciation of the assets for which they were awarded.

2.24 Valuations That Affect the Financial Statements

(a) Current and Deferred Taxes

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

The valuation of deferred-tax assets and liabilities is predicated on the manner in which the Group expects to recover or extinguish the carrying value of its assets and liabilities, based on the probability that it will generate taxable income in the future.

For the sake of full disclosure, the notes to the financial statements include an estimate of deferred-tax assets and liabilities determined in accordance with current tax rates. These estimates do not take into account future changes in tax rates.

(b) Estimate of Fair Value

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

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

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

Management adjusts the value of trade receivable consistent with their estimated realizable value.

(c) Impairment

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

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

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

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

(e) Design, Engineering and Production Contracts

Contracts covering design, engineering and production orders are subject to change while they are being performed (e.g., engineering change requests) and these changes are anticipated and provided for in the contracts. As a result, it is possible that the cash flows expected from these contracts could change.

(f) Accounting for the Provision for Termination Indemnities

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

3. Managing Financial Risk

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

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

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

The financial risks that affect the Group are summarized below:

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

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

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

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

Pininfarina S.p.A. holds financial assets measured at fair value with changes in fair value recognized in earnings that are recognized in the financial statements at a value of 54.2 million euros. The credit risk exposure entailed by these assets is not significant because they consist mainly of government securities and other highly rated securities.

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

Credit Risk: The Group does business with a limited number of customers. In all cases, the Group's customers are deemed to be reliable counterparts, and financial transactions are executed exclusively with financial institutions the reliability of which is beyond question. Receivables recognized upon the accounting of leases in which the Group is the lessor identified in accordance with IFRIC 4 are booked under the assumption that the Group will continue to operate as a going concern and that such receivables will be collected upon the payment of the price of its cars and not based on a right held by the Group, even in the event of liquidation or other composition with creditors proceedings.

Liquidity Risk: On December 31, 2008, Pininfarina S.p.A. entered into a Framework Agreement will all of the Lender Institutions, with the exception of Fortis Bank. As a result of the execution of the Framework Agreement, which includes two phases and is designed to recapitalize the Company for an amount of 250 million euros, the Company and the abovementioned Lender Institutions also signed a Rescheduling Agreement, annexed to the Framework Agreement, the main features of which are:

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

The combination of the financial benefits produced by the Rescheduling Agreement, the cash and cash equivalents, government securities and other financial assets held by the Company and the availability of the Layoff Benefits Fund for all of 2009 significantly reduce the exposure to the liquidity risk, at least for a 12-month period.

However, the liquidity risk will be affected by the Group’s ability to achieve the objectives of the Industrial and Financial Plan. These objective are described in detail in the Report on Operations, which should be consulted for additional information.

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

4. Accounting for Derivatives

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

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

There are three types of hedges:

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

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

(a) Fair Value Hedge

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

(b) Cash Flow Hedge

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

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

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

(c) Hedging of a Net Investment in Foreign Operations

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

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

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

5. Segment Information

a) Primary Segment

Areas of Business

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

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

(in thousands of euros)

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

The reason for the negative EBIT reported by the engineering operations, as against positive EBIT in 2007, is the operating loss incurred by the Group French companies (D-Trois Sas, Plazolles Sarl and Matra Automobile Engineering Sas), prior to their divestment or the divestment of a portion of their assets, as a result of the slump in demand for engineering services that occurred when French OEM carmakers were forced to insource these activities.

The heavy loss reported by the manufacturing operations is largely due to the recognition of the impairment losses discussed in the Report on Operations and the notes to the financial statements.

The results of this segment in 2007 are provided below:

(in thousands of euros)

	Manufacturing	**Styling and engineering**	**Total for the Group**
Value of production	549,016	139,859	688,875
Intra-segment value of production	(12,899)	(5,545)	(18,444)
Value of production	**536,117**	**134,314**	**670,431**
EBIT	(106,666)	3,318	(103,348)
Financial income (expense)			(10,648)
Interest in results of associates	3,294	0	3,294
Profit (Loss) before taxes			(110,702)
Income taxes			(3,823)
Profit (Loss) for the period			(114,525)

A breakdown of the segment's assets and liabilities at December 31, 2008 is as follows:

(in thousands of euros)

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

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

(in thousands of euros)

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

b) Secondary segment: Geographic Destination of Sales

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

	12/31/08	12/31/07
ITALY	152,454	224,739
REST OF EU	358,567	415,482
OUTSIDE EU	16,283	72,739
Total	**527,304**	**712,960**

6. Property, Plant and Equipment

Land and buildings

	Land	Buildings	Leased property	Total
December 31, 2007				
Cost at December 31, 2007	21,319,408	86,425,672	13,066,662	120,811,742
Accumulated depreciation and impairment	(3,417)	(23,985,273)	(2,376,875)	(26,365,565)
Net value at December 31, 2007	**21,315,991**	**62,440,399**	**10,689,787**	**94,446,177**
Net value at December 31, 2007	21,315,991	62,440,399	10,689,787	94,446,177
Additions	0	278,416	0	278,416
Retiremens	(593,381)	(4,077,776)	0	(4,671,157)
Depreciation	0	(2,818,107)	(358,548)	(3,176,655)
Allocation to the relevant asset categories	0	0	0	0
Impairment	0	(8,357,368)	0	(8,357,368)
Held-for-sale assets	(3,580,000)	(3,460,001)	0	(7,040,001)
Net value at December 31, 2008	**17,142,610**	**44,005,563**	**10,331,239**	**71,479,412**
December 31, 2008				
Cost at December 31, 2008	17,146,027	79,166,312	13,066,662	109,379,001
Accumulated depreciation and impairment	(3,417)	(35,160,749)	(2,735,423)	(37,899,589)
Net value at December 31, 2008	**17,142,610**	**44,005,563**	**10,331,239**	**71,479,412**

Additions to buildings reflect renovation costs and urban development charges attributable to the Cambiano, Grugliasco and Bairo factories.

Divestments reflects the sale of the "Technical Center" building complex and appurtenant land in Grugliasco in June 2008. This transaction generated a gains of 3,576,288 euros.

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

As a result of the developments described in Note 2.3 above, a building located in Trappes owned by the Matra Automobile Engineering SAS subsidiary was reclassified in accordance with IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations* (see the "Assets held for sale" line item). As a result, its carrying value was restated to reflect its fair value, identified as its net contractual sales value, which require the recognition of an impairment loss amounting to 7,505,000 euros.

Plant and machinery

	Machinery	Plant	Leased plant machinery	Total
December 31, 2007				
Cost at December 31, 2007	70,888,132	164,217,815	122,545,249	357,651,196
Accumulated depreciation and impairment	(39,627,540)	(128,429,082)	(20,367,315)	(188,423,937)
Net value at December 31, 2007	**31,260,592**	**35,788,733**	**102,177,934**	**169,227,259**
Net value at December 31, 2007	31,260,592	35,788,733	102,177,934	169,227,259
Additions	573,016	2,700,250	0	3,273,266
Retiremens	(1,603,888)	(291,874)	0	(1,895,762)
Depreciation	(5,493,061)	(7,598,343)	(16,068,216)	(29,159,620)
Allocation to the relevant asset categories	0	0	0	0
Impairment	(14,538,558)	(28,683)	(84,659,000)	(99,226,241)
Held-for-sale assets	0	0	0	0
Net value at December 31, 2008	**10,198,101**	**30,570,083**	**1,450,718**	**42,218,902**
December 31, 2008				
Cost at December 31, 2008	69,857,260	166,626,191	122,545,249	359,028,700
Accumulated depreciation and impairment	(59,659,159)	(136,056,108)	(121,094,531)	(316,809,798)
Net value at December 31, 2008	**10,198,101**	**30,570,083**	**1,450,718**	**42,218,902**

The modest increases shown for 2008 refer to work performed on the assembly lines used to produce the Alfa Romeo Brera Coupé and Spider and the Ford Focus Coupé Cabriolet models.

The crisis that engulfed the automobile industry in 2008 had a negative impact on the production plans of Alfa Romeo and Ford, the two largest customers of Pininfarina S.p.A. On November 12, 2008, in response to these developments, the Board of Directors of Pininfarina S.p.A. approved an Industrial Plan that reflects a significant reduction of the contractual production volumes projected for the Alfa Brera, Alfa Spider and Ford Focus CC models. Pursuant to Paragraph 12 of IAS 36 – *Impairment of Assets*, this reduction constitutes a clear impairment indicator.

The method used to allocate property, plant and equipment to the minimal cash generating units is described in Note 2.7.a above.

An impairment loss is deemed to have occurred when the carrying amount of an asset or a minimal cash-generating unit exceeds its recoverable value, which is the higher of the asset's value in use and its fair value less costs to sell.

Pininfarina S.p.A. used the following approach to determine whether an impairment loss had occurred:

- The carrying amount of buildings was compared with their fair value, determined on the basis of real estate prices provided by the Territorial Agency and, with regard to the building in Grugliasco, confirmed by recent sales of adjacent properties (the complex called Centro 28 in 2006 and the Technical Center in 2008).
- The carrying amount of plant and machinery, allocated as required to the Alfa Romeo and Ford minimal cash generating units together with the special-purpose production equipment and assets held under finance leases, was compared with the corresponding value in use.

The value in use of plant, machinery and special-purpose production equipment was determined by discounting at a rate equal to the Weighed Average Cost of Capital (WACC) the net flows from each minimal cash generating unit.

The cash flows were determined based the estimates of future car production provided in the Industrial Plan approved by the Board of Directors on November 12, 2008.

As required by Paragraph 50 of IAS 36, the cash flows generated by financing activities and related to tax payments or refunds were excluded from the cash flows used for impairment test purposes.

The discount rate used (WACC) was 7.17%. It was determined based on the following parameters:

- Sector Beta: the value used for this parameter, which is indicative of a sector's risk level, amounts 1.6. The risk coefficient is proportional to the variance from a level of 1.
- Market Risk Premium (MRP): it amounts 5.81% and represents the difference between the risk free rate and the rate of return on market investments.
- Risk Free Rate (RFR): it amounts to 1.4%, consistent with the rate of return on ten-year Italian Treasury Bonds.
- Borrowing cost: it amounts to 4.5%, consistent with the average contractual rates charged on borrowings and finance leases.

A comparison between the carrying amount of these assets and their recoverable value, determined as their value in use, required the recognition of an impairment writedown amounting to 98.9 million euros.

Sensitivity analysis: an increase of one percentage points in the WACC (8.17%) produces a writedown of 99.5 million euros; a reduction of one percentage point in the WACC (6.17%) produces a writedown of 98.4 million euros.

The buildings in Grugliasco, Bairo and San Giorgio Canavese are encumbered by mortgages for the benefit of Fortis Bank, securing indebtedness of 35 million euros. At December 31, 2008, the remaining indebtedness owed to Fortis Bank amounted to 39.2 million euros.

Because finance leases are in effect loans secured by an asset, the corresponding assets are owned by the leasing companies.

Furniture, fixtures and other property, plant and equipment

	Furniture and fixtures	Hardware & software	Other prop., plant and equipment	Total
December 31, 2007				
Cost at December 31, 2007	10,049,750	9,378,140	2,253,164	21,681,054
Accumulated depreciation and	(8,068,989)	(7,380,847)	(876,597)	(16,326,433)
Net value at December 31, 2007	**1,980,761**	**1,997,293**	**1,376,568**	**5,354,621**
Net value at December 31, 2007	1,980,761	1,997,293	1,376,568	5,354,621
Additions	181,030	419,523	35,784	636,337
Retiremens	(1,080,786)	(491,660)	(367,296)	(1,939,742)
Depreciation	(403,894)	(514,633)	(204,847)	(1,123,373)
Allocation to the relevant asset categories	0	0	105,600	105,600
Impairment	(14,084)	(382,473)	(20,348)	(416,905)
Held-for-sale assets	0	(1)	0	0
Net value at December 31, 2008	**663,028**	**1,028,049**	**925,461**	**2,616,538**
December 31, 2008				
Cost at December 31, 2008	9,149,994	9,306,003	2,027,252	20,483,249
Accumulated depreciation and impairment	(8,486,966)	(8,277,954)	(1,101,792)	(17,866,711)
Net value at December 31, 2008	**663,028**	**1,028,049**	**925,461**	**2,616,538**

The increase in Hardware and software is due mainly to purchases of computer work stations.

Impairment reflects writedowns of some minor assets owned by Matra Automobile Engineering SAS recognized when these business operations (divested in 2009) were reclassified in accordance with IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations.*

Assets under construction

	Assets under construction
December 31, 2007	
Cost at December 31, 2007	826,801
Accumulated depreciation	0
Net value at December 31, 2007	**826,801**
Net value at December 31, 2007	**826,801**
Additions	0
Allocation to the relevant asset categories	(193,201)
Held-for-sale assets	0
Net value at September 30, 2008	**633,600**
December 31, 2008	
Cost at December 31, 2008	633,600
Accumulated depreciation	0
Net value at December 31, 2008	**633,600**

7. Intangible Assets

	Goodwill	Licenses and trademarks	Other intangibles	Total
December 31, 2007				
Cost at December 31, 2007	2,301,012	13,548,740	2,611,767	18,461,519
Accumulated depreciation and impairment	0	(9,217,144)	(2,146,624)	(11,363,768)
Net value at December 31, 2007	**2,301,012**	**4,331,596**	**465,143**	**7,097,751**
Net value at December 31, 2007	2,301,012	4,331,596	465,143	7,097,751
Additions	0	945,767	181,597	1,127,364
Retiremens	0	(244,770)	(89,666)	(334,436)
Depreciation	0	(1,349,569)	(165,018)	(1,514,587)
Allocation to the relevant asset categories	0	0	0	0
Impairment	(1,257,517)	(563,116)	(2,914)	(1,823,547)
Held-for-sale assets	0	0	0	0
Net value at December 31, 2008	**1,043,495**	**3,119,908**	**389,142**	**4,552,245**
December 31, 2008				
Cost at December 31, 2008	2,301,012	14,249,737	2,703,698	19,254,447
Accumulated depreciation and impairment	(1,257,517)	(11,129,829)	(2,314,557)	(14,701,903)
Net value at December 31, 2008	**1,043,495**	**3,119,908**	**389,142**	**4,552,245**

The increase in intangible assets is the result of software development activities.

Impairment reflects the writedown of the goodwill recognized in 2006 in connection with the acquisition of the Drime business operations by Matra Development, later merged into Matra Automobile Engineering SAS. The abovementioned writedown was recognized because the proceeds from the sale of these business operations, completed in 2009, were lower than the corresponding carrying amount.

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

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

- Operating cash flows generated by Pininfarina Extra Srl and Pininfarina Extra USA Corp, net of intra-Group cash flows, were discounted at a rate equal to the WACC, which amounted to 7.17% (information about the WACC computation method is provided in the previous Note).
- The indebtedness and the value of the net assets of the Pininfarina Extra subgroup were then deducted from the amount of the discounted cash flows and the resulting amount was compared with goodwill's carrying amount in the consolidated financial statements.

8. Equity Investments

Investments in associated companies

In the first quarter of 2008, Pininfarina S.p.A. sold its investment in Pasiphae S.a.r.l. earning a gain of 2,638,870 euros. The carrying amount of this investment was 744,800 euros.

Investments in joint ventures

	12/31/07	Purchases	Interest in result	Sales	Other changes	12/31/08
Pininfarina Sverige A.B.	30,648,695	0	4,311,850	0	(4,752,047)	30,208,498
Véhicules Electriques Pininfarina-Bolloré SAS	0	10,020,000	(517,549)	0	(5,884,128)	3,618,323
Pininfarina Recchi Buildingdesign S.r.l.	0	50,000	0	0	0	50,000
Total	**30,648,695**	**10,070,000**	**3,794,301**	**0**	**(10,636,175)**	**33,876,821**

The interest in the net profit of Pininfarina Sverige AB, amounting to 4,311,850 euros, is equal to 60% of the net profit earned by the joint venture in 2008. Other changes includes a change in the reserve for currency translations.

In February 2008, Pininfarina S.p.A. established a 50-50 joint venture with Bolloré SA for the purpose of marketing an electric car. The joint venture was provided with a share capital of 40,000 euros (20,000 euros contributed by Pininfarina), which was increased in October with an additional contribution of 20 million euros (10 million euros contributed by Pininfarina).
The interest in the loss 517,549 euros is equal to 50% of the total net loss incurred in 2008, before consolidation adjustments and the derecognition of the unrealized intra-Group margin, listed in the Other changes column and reflected in the income statement.

In March 2008, Pininfarina Extra S.r.l. established a 50-50 joint venture with Recchi Ingegneria e Partecipazioni S.p.A. The new company, called Pininfarina Recchi Buildingdesign S.r.l., will offer integrated services in the areas of design and engineering applied to real estate construction.
This company, which has a paid-in capital of 25,000 euros, is not yet operational.

Financial highlights of the joint ventures are provided below:

Name	Registered office	Country	Currency	% interest held	Share capital	Sharehold. equity	Assets	Liabilities	Revenues	Net profit (loss)
December 31, 2008										
Pininfarina Sverige A.B.	Uddevalla Varsvagen 1	Sweden	SEK	60%	8,965,000	572,978,281	2,783,322,316	2,210,344,036	3,553,394,921	68,955,221
Véhicules Electriques Pininfarina Bolloré SAS	Puteaux 31-32 Quai de Dion Bouton	France	EUR	50%	20,040,000	19,004,903	34,611,566	15,606,664	0	(1,035,097)
Pininfarina Recchi Buildingdesign S.r.l.	Torino Via Montevecchio 28	Italy	EUR	50%	100,000	96,308	97,508	1,200	0	(3,692)
December 31, 2007										
Pininfarina Sverige A.B.	Uddevalla Varsvagen 1	Sweden	SEK	60%	8,965,000	504,023,060	3,386,811,995	2,882,788,936	4,856,914,884	50,778,042

Investments in other companies

	12/31/08	12/31/07	Change
Banca Passadore S.p.A.	257,196	257,196	0
Idroenergia Soc. Cons. a.r.l	516	516	0
Unionfidi S.c.r.lp.A. Torino	129	129	0
Midi Ltd	213,840	213,840	0
Numero Design Sarl	0	60,000	(60,000)
Nord Est Design S.r.l.	64,000	40,000	24,000
Total	**535,681**	**571,681**	**(36,000)**

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

The decrease in the investment in Numero Design S.a.r.l. reflects the sale of D Trois SAS in the third quarter of 2008.

9. Financial Assets

Held-to-maturity non-current financial assets

The amount of 766,292 euros represents the maximum guarantee amount provided by Matra Automobile Engineering SAS to the buyers of its Ceram SAS subsidiary as protection from any liability that may arise subsequent to the sale. The amount held in a bank escrow account is 500,000 euros until December 31, 2009 and 250,000 euros until December 31, 2010.

Loans and other receivables from outsiders

	12/31/07	Increases	Writedowns	Repayments	12/31/08
Loans receivable	183,743,833	0	(9,110,073)	(54,247,231)	120,386,529
Total loans receivable	**183,743,833**	**0**	**(9,110,073)**	**(54,247,231)**	**120,386,529**

The receivables listed above are financial assets, valued at their amortized cost, that were recognized due to the adoption of IFRIC 4 – *Determining Whether an Arrangement Contains a Lease.* Information about the potential credit risk is provided in Note 3 above.

The amount of the writedown reflects the impairment loss suffered by financial receivables under leases in which the Group's Parent Company is the lessor, which were identified as such in accordance with IFRIC 4 – *Determining Whether an Arrangement Contains a Lease*, applicable to the Alfa Romeo Brera Spider and Coupé production orders (additional information is provided in Note 2.19 to Note 2.7).

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

	12/31/08	12/31/07	Change
Non-current loans and other receiv.	82,845,811	143,517,428	(60,671,617)
Current loans and other receivables	37,540,718	40,226,405	(2,685,687)
Total	**120,386,529**	**183,743,833**	**(63,357,304)**

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

Loans and other receivables from affiliated companies and joint ventures

	12/31/08	12/31/07	Change
Non-current loans owed by Pininfarina Sverige AB	44,760,446	62,664,624	(17,904,178)
Current loans owed by Pininfarina Sverige AB	17,904,178	17,904,178	0
Total	**62,664,624**	**80,568,802**	**(17,904,178)**

Loans receivable from joint ventures accrue interest at market rates.

The decrease in receivables owed by Pininfarina Sverige AB reflects amounts repaid in 2008.

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

Held-for-sale current assets

	Equity securities	Fixed income securities	Mutual funds	Total
Value at December 31, 2007	5,841,453	40,590,225	16,430,615	62,862,293
Fair value adjustment recognized in earnings	(2,398,413)	(693,821)	(1,560,720)	(4,652,954)
Purchases	26,916,114	77,888,022	19,906,866	124,711,002
Sales	(28,175,189)	(72,092,309)	(27,954,160)	(128,221,658)
Value at December 31, 2008	**2,183,965**	**45,692,117**	**6,822,601**	**54,698,684**

The financial assets included in this category do not present a significant credit risk exposure because they consist mainly of government securities and other highly rated instruments. During the first quarter of 2009, most of the portfolio was converted into Italian treasury securities.

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

10. Inventory and Contract Work in Progress

	12/31/08	12/31/07	Change
Raw materials	9,707,163	16,757,639	(7,050,476)
Work in process	2,802,513	3,253,524	(451,011)
Finished goods	1,000,803	1,368,936	(368,133)
Total	**13,510,479**	**21,380,099**	**(7,869,620)**

The decrease in inventory reflects a reduction in production volume compared with 2007.

The value shown for raw materials is net of an allowance for inventory obsolescence amounting to 3,036,396 euros.

The table below shows the changes that occurred in 2008 in the allowance for inventory obsolescence:

	12/31/07	Reclassification	Additions	Utilizations	12/31/08
Inventory obsolescence	2,802,354	(1,656,341)	3,522,737	(1,632,354)	3,036,396
Total	**2,802,354**	**(1,656,341)**	**3,522,737**	**(1,632,354)**	**3,036,396**

The reclassification of 1,656,341 euros reflects the transfer to the Provisions for risks and charges of the estimated amount of the liability for contractual obligations toward some suppliers of components for the 2008 model year Alfa Brera and Spider cars and of the estimated amount of other liabilities arising from the stoppage of production of the Mitsubishi Colt CZC automobile.

The increase of 3,522,737 euros, compared with the previous year, is due mainly to the writedown of components included in the inventory of Pininfarina S.p.A. that were required to manufacture the Mitsubishi Colt CZC automobile, the production of which ceased in the second half of 2008.

	12/31/08	12/31/07	Change
Contract work in progress	3,362,442	1,336,869	2,025,573
Total	**3,362,442**	**1,336,869**	**2,025,573**

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

Advances received totaled 3,656,968 euros in 2007. No advances were received in 2008.

11. Trade Receivables and Other Receivables

Trade receivables from outsiders

	12/31/08	12/31/07	Change
Receivables from customers	47,166,729	81,386,414	(34,219,685)
Allowance for doubtful accounts	(1,749,207)	(1,134,409)	(614,798)
Total	**45,417,522**	**80,252,005**	**(34,834,483)**

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

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

Other receivables

	12/31/08	12/31/07	Change
Overpayments to social security institutions	175,583	671,608	(496,025)
Receivables from employees	4,820	288,812	(283,992)
VAT overpayments	27,249,996	11,147,322	16,102,674
Current taxes	1,576,818	410,980	1,165,838
Advances to suppliers	994,088	1,481,804	(487,716)
Accrued income and prepaid expense	1,445,130	4,681,347	(3,236,217)
Sundry receivables	11,012,547	9,109,540	1,903,007
Total	**42,458,982**	**27,791,413**	**14,667,569**

The increase in receivables for VAT overpayments, attributable to Pininfarina S.p.A., occurred because, during the first six months of 2008, domestic sales were invoiced without charging VAT, at the request of the Company's largest Italian customer. Even though the request to refrain from charging VAT was later cancelled, the substantial drop in shipment to the abovementioned customer and to other, smaller customers that occurred during the second half of the year significantly slowed the process of reabsorbing the overpaid amount.

The change in sundry receivables is due mainly to a government grant for research costs attributable to Matra Automobile Engineering SAS, amounting to 4,217,572 euros.

12. Trade Receivables Owed by Joint Ventures

Trade receivables owed by joint ventures stem from services provided by Pininfarina S.p.A. pursuant to its agreements with Volvo in connection with the production of the Volvo C70 Convertible at the joint venture's Uddevalla factory, in Sweden. This item decreased by 1,816,734 euros, falling from 6,032,000 euros in 2007 to 4,215,266 euros in 2008.

13. Non-current Assets/Liabilities Held for Sale

D-Trois, Ceram and Plazolles, three companies included in the design and engineering operations, were sold during the second half of 2008. This divestment, carried out consistent with the objectives of the Industrial Plan, became necessary to stop the cash drain caused by the French subgroup.

At the end of December 2008, Matra Automobile Engineering SAS conveyed its operating assets (property, plant and equipment, intangible assets and contracts) to a "newco," to which it also transferred its 300 employees. Early in 2009, it sold the "newco" to buyers outside the Group together with a building located in Trappes. A condition precedent for the closing of this transaction is the waiver by the Trappes municipal administration of its right of first refusal with regard to the building. As required by IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations,* the carrying amount of the divested assets was adjusted to match the value recovered through the sale. Non-current assets held for sale, amounting to 7,040,001 euros, reflect the recoverable value of the Trappes real estate complex and other divested non-current assets. Non-current liabilities related to assets held for sale include the amounts owed to the buyers for employee liabilities.

The table below shows the impact on the income statement of discontinued operations and of non-current assets held for sale:

	12/31/08	Adoption of IFRS 5 12/31/08
Sales and service revenues	527,304,128	486,139,698
Increase in Company-produced non-current assets	116,602	116,602
Change in inventories of finished goods and work in progress	(1,934,498)	(1,945,697)
Change in contract work in progress	(1,146,354)	(1,157,553)
Change in inventories of work in progress, semifinished and finished goods	(788,144)	(788,144)
Other income and revenues	10,201,563	5,067,105
Total value of production	**535,687,795**	**489,377,707**
Gain on the sales of non-current assets	7,103,004	7,011,112
Amount earned on the sale of equity investments	*2,638,870*	*2,638,870*
Raw materials and consumables used	(331,795,020)	(329,564,707)
Raw materials and components (**)	(321,664,453)	(319,434,140)
Change in inventories of raw materials, subsidiary materials and consumables	(6,607,830)	(6,607,830)
Provision for inventory risk (**)	(3,522,737)	(3,522,737)
Other variable production costs	(10,104,267)	(8,913,342)
Consumables	(4,871,303)	(4,796,851)
Utilities	(557,750)	0
External maintenance costs	(4,675,214)	(4,116,491)
External variable engineering services	(29,981,583)	(18,418,819)
Wages, salaries and employee benefits	(114,713,970)	(89,701,457)
Production staff, office staff and managers	(106,234,080)	(81,953,603)
Independent contractors	(3,741,042)	(3,115,154)
Social security and other post-employment benefits	(4,738,847)	(4,632,700)
Curtailment	0	0
Depreciation, amortization and writedowns	(188,487,444)	(167,355,536)
Depreciation of property, plant and equipment	(33,459,650)	(31,297,375)
Loss on disposals of property, plant and equipment	(7,263,163)	(382,393)
Amortization of intangibles	(1,514,587)	(1,151,178)
Additions to provisions/Writedowns	(146,250,044)	(134,524,590)
Foreign exchange gains (losses)	216,768	217,202
Other expenses	(46,727,186)	(34,445,220)
Profit (Loss) from operations	**(177,801,903)**	**(151,793,058)**
Financial income (expense), net	(21,804,055)	(21,788,320)
Dividends	185,254	185,254
Value adjustments	(2,089,826)	(2,089,826)
Profit (Loss) before taxes	**(201,510,530)**	**(175,485,951)**
Income taxes for the period	(2,615,310)	(344,541)
Profit (Loss) for the year from continuing operations	**(204,125,840)**	**(175,830,492)**
Result from discontinued or discontinuing operations	0	(28,295,348)
Profit (Loss) for the period	**(204,125,840)**	**(204,125,840)**

The table below shows the loss per share computed without and with the effect attributable to non-current assets held for sale and discontinued operations:

	12/31/08	12/31/08
Profit (Loss) for the period	(204,125,840)	(175,830,492)
Number of common shares, net	9,301,042	9,301,042
Basic earnings (loss) per share	(21.95)	(18.90)

The cash flow attributable to non-current assets held for sale and discontinued operations was negative by 227,987 euros.

14. Share Capital

	No. of shares	Common shares	Treasury shares	Total
Balance at January 1, 2007	9,317,000	9,317,000	28,153	9,288,847
Balance at December 31, 2007	9,317,000	9,317,000	15,958	9,301,042
Balance at December 31, 2008	9,317,000	9,317,000	15,958	9,301,042

A total of 9,317,000 common shares, par value of 1 euro each, were outstanding at December 31, 2008. All issued shares have been fully paid-in.

At December 31, 2008, the Company held 15,958 of its own shares, valued at 62,939 euros.

These shares are held as treasury shares.

Further to the signing of the Framework Agreement with the Lender Institutions on December 31, 2008, the 4,714,360 common shares of Pininfarina S.p.A. held by Pincar S.p.A., formerly Pincar Sapa di Sergio Pininfarina & C., are encumbered by a senior pledge for the benefit of the creditor banks.

15. Earnings per Share

Basic earnings per share

Basic earnings per share are computed by dividing the profit or loss for the year by the number of common shares outstanding at December 31, 2008 (excluding treasury shares).

	12/31/08	12/31/07
Net profit (loss)	(204,125,840)	(114,525,048)
Number of common shares, net	9,301,042	9,301,042
Basic earnings (loss) per share	(21.95)	(12.31)

The diluted earnings per share are the same as the basic earnings per share.
The loss per share net of the effect attributable to non-current assets held for sale and discontinued operations is shown in Note 13 above.

16. Stock Options

On July 22, 2008, Pininfarina S.p.A. amended its stock option plan regulations, enabling executives to exercise as of July 2008 grants of stock options they received in 2006 and 2007 that were not yet exercisable. None of the beneficiaries exercised their options, due to the deterioration of market conditions and of Company's performance. As of December 31, 2008, all beneficiaries had expressly waived their right to exercise the stock options in exchange for an alternative lump-sum incentive. This incentive, totaling 763,000 euros, was recognized on the income statement under labor costs.

17. Borrowings

	12/31/08	12/31/07	Change
Non-current	**245,053,410**	**228,602,431**	**(16,450,979)**
Liabilities under finance leases	142,600,125	156,290,028	(13,689,903)
Bonds outstanding and other borrowings	102,453,285	72,312,403	30,140,882
Current	**168,773,767**	**382,032,482**	**(213,258,715)**
Due to banks	37,927,769	58,429,837	(20,502,068)
Liabilities under finance leases	85,059,761	193,355,300	(108,295,539)
Bonds outstanding and other borrowings	45,786,237	130,247,345	(84,461,108)
Total	**413,827,177**	**610,634,913**	**(196,807,736)**

The changes in liabilities under finance leases and other borrowings, which reflect the elimination of financial obligations made possible by the implementation of Phase 1 of the Framework Agreement, executed to recapitalize Pininfarina S.p.A. and restructure its indebtedness, include 121,998,063 euros in current and non-current liabilities under finance leases and 58,001,937 euros in other borrowings.

The change in other financial liabilities also reflects the payments made by Pininfarina S.p.A. to Fortis Bank, amounting to 5,673,000 euros, and the reclassification of 9,925,442 euros in indebtedness owed to Fortis Bank from liabilities for bank overdraft facilities to other financial liabilities.

At December 31, 2008, a total of 37.5 million euros had been drawn from credit lines usable up to 50 million euros (57.9 million euros drawn at the end of 2007 from credit lines usable up to 70 million euros).

Moreover, as required by Paragraph 40 of IAS 39, the Group verified whether or not a substantial change had occurred in the terms of the liability. Because, based on Paragraph AG62 of the Operational Guide of IAS 39 the present value discounted in accordance with the new terms at the original effective interest rate is different from the value discounted at the original effective interest rate by less 10%, the Group concluded that the renegotiated liability did not constitute a new liability.

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

	Indebtedness before agreement	Pro rated agreement amount	Remaining indebtedness at 12/31/08
Banca Intesa	60,000,002	(20,934,414)	39,065,588
Banca Italease	4,500,000	(1,570,081)	2,929,919
Unicredit Banca	28,898,104	(10,082,747)	18,815,357
Banca di Roma	20,000,000	(6,978,138)	13,021,862
Banca Nazionale del Lavoro	9,090,909	(3,171,881)	5,919,028
Banca Regionale Europea	10,000,000	(3,489,069)	6,510,931
Banca Popolare di Bergamo	15,000,000	(5,233,603)	9,766,397
Banca Popolare di Novara	18,750,000	(6,542,004)	12,207,995
Leasint (Leasing Alfa)	77,486,860	(27,035,698)	50,451,162
MPS Leasing (Leasing Alfa)	38,743,430	(13,517,849)	25,225,581
Selmabipiemme (Leasing Alfa)	38,743,430	(13,517,849)	25,225,581
Banca Italease (Leasing Ford)	104,141,033	(36,335,523)	67,805,510
BNP Paribas (Leasing Mitsubishi)	33,269,018	(11,607,789)	21,661,229
UBI Leasing (Leasing Mitsubishi)	16,634,509	(5,803,895)	10,830,614
Locat (Leasing Mitsubishi)	33,269,018	(11,607,789)	21,661,229
Locat (Leasing Cambiano)	7,370,650	(2,571,671)	4,798980
Total	**515,896,963**	**(180,000,000)**	**335,896,963**

The schedule above does not include the remaining indebtedness for bank overdraft facilities (37,524,755 euros) and the amount owed to Fortis Bank (39,252,443 euros), with whom Pininfarina S.p.A. executed a settlement agreement based on a multi-year amortization plan, the last payment of which is due on December 31, 2015.

A building owned by Pininfarina Deutschland in Renningen is encumbered by a mortgage securing a loan of 750,000 euros.

As requires by IAS 1 – *Presentation of Financial Statements* (Paragraphs 60 and following), Pininfarina S.p.A. reclassified its borrowings in accordance with the new maturities set forth in the Framework Agreement, which, basically, call for the repayment of obligations under leases and medium- and long-term facilities to begin in 2013 (or 2012, depending on how Phase 2 is implemented) and sets 2014 and 2015, respectively, as the final maturity for obligations under leases and medium- and long-term facilities, and in the settlement agreement executed with Fortis Bank.

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

	12/31/08	12/31/07
due within 1 year	168,773,768	382,032,482
due between 1 and 5 years	173,009,301	225,948,906
due after 5 years	72,044,109	2,653,525
Total	**413,827,178**	**610,634,913**

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

Borrowings (in thousands of euros)	**Amount at 12/31/07**	**Amount at 12/31/08**	**Amount due within 1 year**	**Amt. due from 1 to 5 years**	**Amount due after 5 years**
Total loans and other facilities	(202,560)	(148,239)	(45,786)	(66,838)	(35,615)
Total obligations under finance leases	(349,645)	(227,660)	(85,060)	(106,171)	(36,429)
Total liabilities for short-term credit lines	(58,430)	(37,928)	(37,928)	0	0
Total	**(610,635)**	**(413,827)**	**(168,774)**	**(173,009)**	**(72,044)**

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

Some loan agreements and finance leases contain express cancellation clauses which, if exercised, cause the borrower to lose the benefit of repayment in installments and can result in the lender demanding repayment in a lump sum. Information about the cancellation clauses of the Rescheduling Agreement is provided in the Report on Operations.

By virtue of the court injunctions served on Pininfarina S.p.A. on March 28, 2008 and April 19, 2008, Fortis Bank S.A. was granted court ordered mortgages on all of the buildings owned by the Company, which secure loans currently totaling about 39.2 million euros.

Pininfarina S.p.A. is the guarantor of obligations under finance leases executed by Pininfarina Sverige AB with the same credit institutions. At December 31, 2008, the outstanding balance of these leases was 96 million euros.

18. Provision for Termination Indemnities and Benefit Plans

	Pininfarina SpA		**Pininfarina Extra Srl**		**Total**	
	12/31/08	**12/31/07**	**12/31/08**	**12/31/07**	**12/31/08**	**12/31/07**
Financial coverage:						
Liability for future benefits	21,959,566	24,272,606	325,802	236,255	22,285,368	24,508,861
Present value of coverage	0	0	0	0	0	0
Liability in the balance sheet	**21,959,566**	**24,272,606**	**325,802**	**236,255**	**22,285,368**	**24,508,861**
Actuarial gains (losses) not reflected in the income statement	0	0	(43,179)	622	(43,179)	622
Cost of services attrib. to prior years	0	0	0	0	0	0
Miscellaneous items	0	0	0	0	0	0
Net liability in the balance sheet	**21,959,566**	**24,272,606**	**282,623**	**236,877**	**22,242,189**	**24,509,483**
Income statement:						
Cost of current service	0	258,678	34,522	35,688	34,522	294,366
Interest costs	1,073,472	1,078,231	11,224	9,470	1,084,696	1,087,701
Actuarial (gains) losses recognized in the current year (attribut. to 2007)	0	(2,800,662)	0	0	0	(2,800,662)
Actuarial (gains) losses (attributable to 2004, 2005, 2006)	0	135,025	0	0	0	135,025
Other changes	0	0	0	0	0	0
Total cost included in income stat.	**1,073,472**	**(1,328,728)**	**45,746**	**45,158**	**1,119,218**	**(1,283,570)**
Liability in the balance sheet						
Liability at beginning	24,272,606	29,770,787	236,877	207,298	24,509,483	29,978,085
Total costs	1,073,472	(1,328,728)	45,746	45,158	1,119,218	(1,283,570)
Benefits paid	(3,386,512)	(4,169,453)	0	(15,579)	(3,386,512)	(4,185,032)
Other changes	0	0	0	0	0	0
Liability in the balance sheet at end	**21,959,566**	**24,272,606**	**282,623**	**236,877**	**22,242,189**	**24,509,483**

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

The following valuation assumptions were used in 2008:

Annual inflation rate: 2.5%;

Benefit discount rate: 3.85%;

Annual rate of wage increase: from 1.5% to 2.3%, depending on the position held.

19. Trade Accounts Payable and Other Payables

Accounts payable to outsiders

	12/31/08	12/31/07	Change
Accounts payable to suppliers	89,898,357	155,591,365	(65,693,008)
Advances received for work in progress	2,881,853	5,52,8559	(2,646,706)
Total	**92,780,210**	**161,119,924**	**(68,339,714)**

Accounts payable to associated companies and joint ventures

	12/31/08	12/31/07	Change
Pininfarina Sverige AB	54,914	434,732	(379,818)
	54,914	**434,732**	**(379,818)**

Other liabilities

	12/31/08	12/31/07	Change
Income tax withheld from employees	1,602,328	2,093,714	(491,386)
Amounts owed to employees	541,250	517,175	24,075
Miscellaneous payables	3,108,579	1,560,075	1,548,504
Total	**5,252,157**	**4,170,964**	**1,081,193**

20. Provisions for Risks and Charges and Contingent Liabilities

	12/31/07	Additions	Utilizations	Other changes	12/31/08
Provision for warranties	1,546,961	12,167,180	(1,439,639)	0	12,274,502
Provision for restructuring	2,025,047	1,474,952	(1,821,221)	0	1,678,778
Other provisions	3,266,659	12,226,917	(3,727,156)	1,346,681	13,113,101
Total	**6,838,667**	**25,869,049**	**(6,988,016)**	**1,346,681**	**27,066,381**

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 addition for the year brought the value of the provision in line with the best estimate of future warranty costs for the fleet of cars currently in circulation. The amount of the addition reflects an expansion in the base of the statistical survey required by an increase in the number of vehicles in circulation with highly complex components (e.g., retractable hardtop) that were not produced in the past.

The utilization for the year reflects charges for repairs under warranty provided to Ford and Mitsubishi customers.

The provision for restructuring charges reflects an estimate of the costs that the Company expects to incur in connection with the adoption of the long-term unemployment benefit program established under an agreement signed in November 2008 with the labor unions (FIM, FIOM and UILM) and the Unified Labor Organizations for the Bairo Canavese, Cambiano, Grugliasco and San Giorgio Canavese plants and covering up to 180 employees.

In addition to the reclassification of 1.7 million euros from the allowance for inventory writedowns mentioned in Note 10, Other provisions covers the estimated costs of the liability toward some suppliers that arose when production of the Mitsubishi Colt CZC vehicle was stopped and certain suppliers of components for the Alfa Brera and Spider cars caused by the change in model year, as well as the best estimate of the liability that could arise from the renegotiation of some aspects of the contract with Ford.

The disclosure required by Paragraph 86 of IAS 37 with regard to continent liabilities is provided in the section of the Report on Operations entitled "Assessment of the Company's Viability as a Going Concern and Business Outlook," which specifically discusses issues related to litigation with the revenue administration and Mitsubishi.

21. Other Income and Revenues

	12/31/08	12/31/07	Change
Amounts rebilled	1,237,210	848,863	388,347
Out-of-period income	2,741,036	3,095,102	(354,066)
Insurance settlements	244,975	3,522,826	(3,277,851)
Operating grants	4,278,740	4,782,545	(503,805)
Sundry items	1,699,601	1,974,726	(275,125)
Total	**10,201,563**	**14,224,062**	**(4,022,499)**

Out-of-period income refers mainly to price differences attributable to previous years. The insurance settlement recognized in 2008 covers the damages caused by a hail storm to the San Giorgio Canavese plant. The amount shown for 2007 refers to the tornado that damaged the Bairo Canavese factory.

Compared with December 31, 2007, the government grant of 3,762,178 euros received by Matra Automobile Engineering SAS to cover research costs was reclassified from Sundry items to Operating grants. At December 31, 2008, this grant amounted to 4,217,572.

22. Gains on the Sale of Non-current Assets

	12/31/08	12/31/07	Change
Gain on the sale of equity investments	2,638,870	0	2,638,870
Gain on the sale of other assets	4,464,134	5,003,594	(539,460)
Total	**7,103,004**	**5,003,594**	**2,099,410**

The gain on the sale of equity investments refers tot he sale of the investment in Pasiphae S.a.r.l. by Pininfarina S.p.A.

The gain on the sale of other assets refers was generated by the sale of the Technical Center real estate complex in Grugliasco, which Pininfarina S.p.A. completed in June at a price of 3,543,008 euros, and of some vintage cars.

23. Employees

	12/31/08	12/31/07	Change
Executives	40	48	(8)
Office staff	1,016	1,260	(244)
Production staff	1,231	1,371	(140)
Total	**2,287**	**2,679**	**(392)**

At December 31, 2008, the Pininfarina Sverige AB joint venture had 764 employees, who are not included in the data shown in the table above.
In 2008, the Group's average workforce numbered 2,542 employees.

24. Additions to Provisions and Writedowns

	12/31/08	12/31/07	Change
Additions to/(Utilizations) of allowance for doubt. accounts	945,223	178,966	766,257
Additions to/(Utilizations) of provisions for risks	25,394,620	4,306,500	21,088,120
Additions to/(Utilizations) of other provisions	474,429	(279,431)	753,860
Writedowns of property, plant and equipment	109,864,126	15,875,000	93,989,126
Writedowns of receivables	9,571,646	57,213,959	(47,642,313)
Total	**146,250,044**	**77,294,994**	**68,955,050**

Information about the Provisions for risks is provided in Note 20 above.

Writedowns of property, plant and equipment reflects the amount recognized by the Company to lower the carrying amounts of special-purpose equipment used for the Alfa Romeo Brera and Spider and Ford Focus Convertible production orders to their recoverable value (see Note 6) and the amount by which the assets of the divested Matra Automobile Engineering SAS business operations were written down.

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

25. Other Expenses

	12/31/08	12/31/07	Change
Travel expenses	4,154,046	4,105,523	48,523
Rentals	6,579,165	7,203,569	(624,404)
Fees paid to Directors and Statutory Auditors	1,012,140	1,567,503	(555,363)
Consulting and other services	18,253,187	7,267,711	10,985,476
Other personnel costs	2,332,058	2,958,781	(626,723)
Telegraph and postage	879,320	1,062,545	(183,225)
Cleaning and waste disposal services	3,266,159	4,131,725	(865,566)
Advertising	640,544	527,144	113,400
Taxes	2,537,328	493,819	2,043,509
Insurance	1,081,086	1,268,585	(187,499)
Membership dues	373,246	300,734	72,512
Out-of-period charges	198,191	905,037	(706,846)
General services	2,166,316	1,851,053	315,263
Losses on asset disposals	0	161,107	(161,107)
Sundry expenses	3,254,400	5,362,065	2,107,665)
Total	**46,727,186**	**39,166,901**	**7,560,285**

The main components of Consulting and other services are the costs incurred by the Group for services used to develop the Industrial Plan, the Financial Plan and the Framework Agreement signed with the creditor banks on December 31, 2008.

26. Financial Income (Expense), Net

	12/31/08	12/31/07	Change
Financial expense paid to banks	(3,107,011)	(2,554,730)	(552,281)
Financial expense paid under leases	(19,992,019)	(17,703,389)	(2,228,630)
Financial exp. on medium- and long-term borrowings	(12,134,415)	(9,422,001)	(2,712,414)
Realized losses from marking securities to market	(4,067,319)	(416,203)	(3,651,116)
Total financial expense	**(39,300,764)**	**(30,096,323)**	**(9,204,441)**
Bank interest earned	2,080,711	298,435	1,782,276
Realized gains from marking securities to market	2,377,920	2,148,513	229,407
Interest earned on long-term loans to outsiders	8,002,886	11,193,301	(3,190,415)
Interest earned on long-term loans to joint ventures	5,007,246	5,525,659	(518,413)
Gains on trading securities	27,946	28,632	(686)
Total financial income	**17,496,709**	**19,194,540**	**(1,697,831)**
Net financial income (expense)	**(21,804,055)**	**(10,901,783)**	**(10,902,272)**

The increase in financial expense paid under leases and financial expense on medium- and long-term borrowings is mainly due to an increase in interest rates, compared with 2007, and reflects the interest paid to Fortis Bank in accordance with the settlement of a dispute.

Interest earned on long-term loans represents the interest income recognized by the company as required by IFRIC 4 – *Determining Whether an Arrangement Contains a Lease.* The decrease compared with the previous year is consistent with the reduction in the number of cars produced in 2008 and reflects a writedown of the financial receivable owed by Alfa Romeo.

27. Dividends

	12/31/08	12/31/07	Change
Banca Passadore	53,571	48,214	5,357
Italian securities under asset management	131,683	201,385	(69,702)
Other investments	0	4,000	(4,000)
Total	**185,254**	**253,599**	**(68,345)**

28. Value Adjustments

	12/31/08	12/31/07	Change
Pininfarina Sverige AB	4,311,850	3,294,067	1,017,783
Véhicules Electriques Pininfarina-Bolloré SAS	(6,401,676)	0	(6,401,676)
Total	**(2,089,826)**	**3,294,067**	**(5,383,893)**

More detailed information is provided in Note 8.

29. Income Taxes for the Year

Income taxes for the year

	12/31/08	12/31/07	Change
Current taxes	(1,692,479)	(1,709,694)	17,215
Tax consolidation benefit	530,626	1,160,534	(629,908)
Prepaid taxes	(4,088,086)	(18,101,353)	14,013,267
Deferred taxes	2,634,629	14,827,719	(12,193,091)
Total	**(2,615,310)**	**(3,822,794)**	**1,207,484**

In 2008, the Group's Parent Company did not recognize any new deferred-tax assets or liabilities.

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

The change in deferred taxes is due mainly to the elimination of the tax liability for the revaluation of the Treppes real estate complex following the impairment of this asset.

Deferred-tax Assets and Deferred-tax Liabilities

Deferred-tax assets	**12/31/08**	**12/31/07**
Leases as lessor/lessee	41,453,679	21,073,320
Provisions for risks and writedowns	8,296,693	2,602,886
Sundry differences	360,838	28,050
Total deferred-tax assets on temporary differences	**50,111,210**	**23,704,256**
Deferred-tax assets on tax loss carryforward	**62,440,785**	**38,505,527**
Deferred-tax liabilities		
Revaluation of land and buildings	5,772,351	6,052,068
Provision for termination indemnities and other provisions	978,674	1,076,424
Held-for-sale financial assets	-	-
Total deferred-tax liabilities on temporary differences	**6,751,025**	**7,128,492**
Net balance (credit)	**105,800,970**	**55,081,291**

As mentioned above, Pininfarina S.p.A. did not recognize any deferred-tax assets or liabilities. The amounts corresponding to these items are provided in a separate schedule that lists unrecognized deferred-tax assets and liabilities.

Consistent with a conservative approach, the deferred-tax asset arising from the tax loss carryforward of Matra Automobile Engineering SAS was written off.

The unrecognized deferred-tax assets resulting from the tax loss carryforward of the Matra Group amounts to 10,890,000 euros.

As for the Pininfarina Deutschland Group, the deferred-tax assets that would be recognizable on its loss carryforward, computed based on the rates of the tax on commercial activities and the corporate income tax, would amount to about 6 million euros.

The amounts shown for deferred-tax liabilities and the deferred-tax asset have been restated to take into account the tax rates in effect after December 31, 2008.

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

- Pininfarina Extra Srl files a national consolidated tax return with Pininfarina S.p.A.;
- Pininfarina Deutschland GmbH and MPX Entwicklung GmbH pay no taxes because they are able to offset their tax liability against the tax loss carryforward generated by Pininfarina Deutschland GmbH.

Other Information

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

Transactions with Related Parties

The transactions executed by Pininfarina S.p.A. with related parties in 2008 are summarized below:

REVENUES RECEIVED FROM:	*Amounts in euros*	*Description*
Pininfarina Sverige AB	1,192,110	Miscellaneous services
	5,007,246	Interest income
Véhicules Electriques Pininfarina Bolloré SAS	33,713,672	Miscellaneous services

COSTS PAID TO:	*Amounts in euros*	*Description*
Pininfarina Sverige AB	75,224	Miscellaneous services

Financing provided to:	*Amount at 12/31/08*	*Max. amount in 2008*
Pininfarina Sverige AB	62,664,623	82,557,541

Material Extraordinary Events and Transactions

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

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

i. Disposal of the investment in Pasiphae S.a.r.l.;
ii. Sale of vintage automobiles;
iii. Sale of the Technical Center;
iv. Writedown of non-current financial receivables;
v. Writedowns of property, plant and equipment due to impairment;
vi. Forgiveness of a financial payable owed to a shareholder;
vii. Research grant recognized by Mae Automobile Engineering SAS;
viii. Impairment loss of assets held for sale of the Matra Group;
ix. Derecognition of deferred tax assets of Matra Automobile Engineering SAS.

Consolidated Balance Sheet	**Statutory financial statements at 12/31/08**	**Statutory financial statements at 12/31/08 net of extraordinary transactions**
Net intangible assets	4,552,545	5,115,727
Net property, plant and equipment	116,948,452	235,223,987
Non-current financial assets	128,372,549	139,787,406
Equity investments	34,412,502	35,197,302
Inventory	16,872,921	16,872,921
Current financial assets	110,143,580	110,143,580
Net trade receivables and other receivables	92,091,770	78,812,020
Deferred-tax assets	1,310,914	5,441,487
Cash and cash equivalents	75,229,700	71,388,700
Held-for-sale assets	7,040,001	0
TOTAL ASSETS	**586,974,934**	**697,983,130**
Reserves	214,131,515	31,686,099
Profit (Loss) for the period	(204,125,840)	(89,303,512)
TOTAL SHAREHOLDERS' EQUITY	**10,005,676**	**(57,617,413)**
Long-term borrowings	245,053,410	258,737,883
Deferred-tax liabilities	9,451	2,486,101
Provision for termination indemnities	22,287,321	22,764,755
Current borrowings	168,773,767	335,089,294
Other payables	13,092,827	15,915,301
Trade accounts payable	92,835,124	90,639,851
Provision for current taxes	1,496,804	1,496,804
Provision for other liabilities and charges	28,470,555	28,470,555
Liabilities attributable to held-for-sale assets	4,950,000	0
TOTAL LIABILITIES	**576,969,259**	**755,600,544**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**586,974,934**	**697,983,130**

Consolidated Income Statement	Statutory financial statements at 12/31/08	Statutory financial statements at 12/31/08 net of extraordinary transactions
Net revenues	537,304,128	527,304,128
Change in inventory of finished goods and work in process	(1,934,498)	(1,934,498)
Other income and revenues	10,201,563	5,983,991
Company-produced non-current assets	116,602	116,602
Value of production	**535,687,795**	**531,470,223**
Net gain on the sale of non-current assets	(160,159)	(7,065,685)
Raw materials and outside services used	(407,260,722)	(405,852,615)
Change in inventory of raw materials	(6,607,830)	(6,607,830)
Value added	**121,659,084**	**111,944,093**
Labor costs	(114,713,970)	(113,063,877)
EBITDA	**6,945,114**	**(1,119,784)**
Depreciation and amortization	(34,974,237)	(34,974,237)
(Additions to provisions/Writedowns) / Utilizations	(149,772,781)	(30,844,262)
EBIT	**(177,801,903)**	**(66,938,282)**
Financial income (expense), net	(21,618,801)	(19,314,017)
Other income (expense), net	(2,089,826)	(2,089,826)
Profit before taxes	**(201,510,530)**	**(88,342,125)**
Income taxes for the period	(2,615,310)	(961,387)
Net profit (loss) for the period	**(204,125,840)**	**(89,303,512)**

Positions or Transactions Arising from Atypical and/or Unusual Dealings

As required by the Consob Communication of July 28, 2006, the Pininfarina Group discloses that in 2008 it was not a party to transactions arising from atypical or unusual dealings, as defined in the abovementioned Communication, according to which atypical and/or unusual dealings are dealings that, because of their significance/material amount, nature of the counterpart, subject of the transaction, method used to determine the sales price and timing of the event, could create doubts as to: the fairness and/or completeness of the information provided in the financial statements, the existence of a conflict of interests, the safety of the corporate assets and the protection of minority shareholders.

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

The schedule below, which was prepared pursuant to Article 149-*duodecies* of the Consob Issuers' Regulations, lists the amount attributable to 2008 of the fees charged for independent auditing services and services other than auditing provided by the Independent Auditors and other companies within the same network.

	Party providing the service	Client	Fee amount attributable to 2008
Independent Audit	PricewaterhouseCoopers SpA	Parent Company – Pininfarina S.p.A.	125,000
	PwC Network	Subsidiaries	257,004
Certification services			0
Other services	PricewaterhouseCoopers SpA	Parent Company – Pininfarina S.p.A.	180,000
Total			**562,004**

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

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

◊ We, the undersigned, Paolo Pininfarina, in my capacity as Chairman of the Board of Directors, and Gianfranco Albertini, in my capacity as Corporate Accounting Documents Officer of Pininfarina S.p.A., attest that, insofar as the provisions of Article 154-*bis*, Sections 3 and 4, of Legislative Decree No. 58 of February 24, 1998 are concerned, the administrative and accounting procedures applied to prepare the 2008 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, 2008:

- 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, and comply with the regulations enacted to implement Article 9 of Legislative Decree No. 38/2005;
- 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 23, 2009

Paolo Pininfarina	Gianfranco Albertini
Chairman of the Board of Directors	Corporate Accounting Documents Officer

REPORT OF THE BOARD OF STATUTORY AUDITORS
TO THE SHAREHOLDERS' MEETING ON THE
CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2008

Dear Shareholders:

The Board of Directors submits for your approval the consolidated financial statements at December 31, 2008 of the Pininfarina Group, which are comprised of the balance sheet, income statement and notes to the financial statements.

The consolidated financial statements at December 31, 2008 show consolidated shareholders' equity of 10,005,676 euros, after a consolidated net loss of 204,125,840 euros.

The consolidated financial statements at December 31, 2008 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, 2008 included the Group's Parent Company, 8 subsidiaries, all of which were consolidated line by line, and 3 associated companies and joint ventures, which were valued by the equity method.

The audit performed by PricewaterhouseCoopers S.p.A. has shown that the amounts listed in the consolidated financial statements at December 31, 2008 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, 2008 comply with the applicable statutes.

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

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

- The scope of consolidation has been determined correctly.
- The consolidation procedures and principles adopted are consistent with statutory requirements and were applied correctly.
- The Report on Operations is consistent with the data and disclosures of the consolidated financial statements.
- All of the information used for consolidation purposes applies to the entire accounting period consisting of the 2008 fiscal year.
- The valuation criteria applied are consistent with those used in 2006.
- The associated companies Pininfarina Sverige AB, Véhicules Electriques Pininfarina Bolloré SAS and Pininfarina Recchi Buildingdesigns 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 7, 2009

THE STATUTORY AUDITORS

(Nicola Treves) [signature]

(Giovanni Rayneri) [signature]

(Mario Montalcini) [signature]

PRICEWATERHOUSECOOPERS

AUDITORS' REPORT IN ACCORDANCE WITH
ARTICLE 156 OF LEGISLATIVE DECREE No. 58
DATED 24 FEBRUARY 1998

PININFARINA GROUP

CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2008

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 156 OF LEGISLATIVE DECREE No. 58 DATED 24 FEBRUARY 1998

To the Shareholders of
Pininfarina SpA

1 We have audited the consolidated financial statements of Pininfarina SpA and its subsidiaries ("Pininfarina Group"), which comprise the balance sheet, income statement, cash flow statement, statement of changes in consolidated shareholders' equity and the related explanatory notes as at 31 December 2008. 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, which are presented for comparative purposes, reference is made to our report dated 11 April 2008.

3 In our opinion, the consolidated financial statements of Pininfarina SpA as at 31 December 2008 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.

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. 3.754.400,00 Euro i.v., C.F. e P. IVA e Reg. Imp. Milano 12979880155 Iscritta al n. 43 dell'Albo Consob – Altri Uffici: **Bari** 70124 Via Don Luigi Guanella 17 Tel. 0805640211 – **Bologna** 40122 Via delle Lame 111 Tel. 051526611 – **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 – **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 – **Genova** 16121 Piazza Dante 7 Tel. 01029041 – **Napoli** 80121 Piazza dei Martiri 30 Tel. 08136181 – **Padova** 35138 Via Vicenza 4 Tel. 049873481 – **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 – **Parma** 43100 Viale Tanara 20/A Tel. 0521242848 – **Roma** 00154 Largo Fochetti 29 Tel. 06570251 – **Torino** 10129 Corso Montevecchio 37 Tel. 011556771 – **Trento** 38100 Via Grazioli 73 Tel. 0461237004 – **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 – **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 – **Udine** 33100 Via Poscolle 43 Tel. 043225789 – **Verona** 37122 Corso Porta Nuova 125 Tel. 0458002561

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

5 The directors of Pininfarina SpA are responsible for the preparation of the Report of the Board of Directors on Operations in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the Report of the Board of Directors on Operations with the financial statements, as required by art. 156, paragraph 4-bis, letter d), of Legislative Decree 58/98. 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 is consistent with the consolidated financial statements of Pininfarina SpA as at 31 December 2008.

Turin, 7 April 2009

PricewaterhouseCoopers SpA

Signed by

Paolo Ozino Caligaris
(Partner)

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

(2)

ANNEX 1

List of Companies Included in the Scope of Consolidation

Key Data of the Principal Group Companies

List of Consolidated Companies

List of Consolidated Companies

Name	Registered office	Country	Share capital	Currency	% interest held directly or indirectly	Consolidated companies	% capital share
Parent Company							
Parent Company							
Pininfarina S.p.A.	Turin Via Bruno Buozzi 6	IT	9,317,000	EUR	-	-	-
List of companies consolidated line by line							
Italian subsidiaries							
Pininfarina Extra S.r.l.	Turin Via Bruno Buozzi 6	IT	388,000	EUR	100	Pininfarina S.p.A.	100
Foreign subsidiaries							
Pininfarina Extra USA Corp.	New York 1, Penn Plaza Suite 3515	USA	10,000	USD	100	Pininfarina Extra S.r.l.	100
Pininfarina Deutschland GmbH	Leonberg Riedwiesenstr. 1	DE	3,100,000	EUR	100	Pininfarina S.p.A.	100
mpx Entwicklung GmbH	Munich Frankfurter Ring 17	DE	25,000	EUR	100	Pininfarina Deutschland GmbH	100
mpx Entwicklung GmbH	Leonberg Riedwiesenstr. 1	DE	26,000	EUR	100	Pininfarina Deutschland GmbH	100
Matra Automobile Engineering SAS	Trappes - cedex 8, avenue J. D'Alembert	FR	971,200	EUR	100	Pininfarina S.p.A.	100
Pininfarina Maroc SAS	Casablanca - Residence EL HADI "A" 57, Bd Abdelmoumen	MA	8,000,000	MAD	100	Pininfarina S.p.A. Matra Automobile Engineering SAS	99,9 0,1
RHTU Sverige A.B.	Uddevalla Varsvagen 1	SE	100,000	SEK	100	Pininfarina S.p.A.	100
List of companies valued by the equity method in the consolidated financial statements							
Pininfarina Sverige A.B.	Uddevalla Varsvagen 1	SE	8,965,000	SEK	60	Pininfarina S.p.A.	60
Véhicules Electriques Pininfarina-Bolloré SAS	Puteaux 31-32 Quai de Dion Bouton	FR	20,040,000	EUR	50	Pininfarina S.p.A.	50
Pininfarina Recchi Buildingdesign S.r.l.	Torino Via Montevecchio 28	IT	100,000	EUR	50	Pininfarina Extra S.r.l.	50

All equity investments listed above are owned outright.

List of Unconsolidated Companies

Name	Registered office	Country	Share capital	Currency	% interest held directly or indirectly	Consolidated companies	% capital share
Italian subsidiaries							
Nord Est Design S.r.l.	Maniago (PN) Via Dante 28	IT	100,000	EUR	-	Pininfarina Extra S.r.l.	40

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%

	12/31/08	12/31/07
	(in millions of euros)	
Value of production	7.3	5.2
Net profit	1.0	0.9
Shareholders' equity	4.1	3.4
Net financial position	1.8	1.7

Matra Automobile Engineering Group

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

	12/31/08	12/31/07
	(in millions of euros)	
Value of production	52.4	68.2
Net loss	(25.1)	(1.7)
Shareholders' equity	(16.5)	8.1
Net borrowings	(26.4)	(24.9)

Pininfarina Deutschland Group

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

	12/31/08	12/31/07
	(in millions of euros)	
Value of production	15.1	14.8
Net profit	1.3	0.9
Shareholders' equity	17.8	16.6
Net borrowings	(3.7)	(5.6)

Paolo Pininfarina
Chairman of the Board of Directors

ANNEX 2

Other Information

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

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

First and last name	Investee company	Number of shares held at 12/31/07	Number of shares bought in 2008	Number of shares sold in 2008	Number of shares held at 12/31/08
Sergio Pininfarina	Pininfarina S.p.A.	189,038 (1)	zero	zero	189,038 (1)
Sergio Pininfarina	Pininfarina S.p.A.	181,500 (2)	zero	zero	181,500 (2)
Sergio Pininfarina	Pininfarina S.p.A.	4,714,360 (3)	zero	zero	4,714,360 (3)
Lorenza Pininfarina	Pininfarina S.p.A.	3,000	zero	zero	3,000
Giorgia Gianolio	Pininfarina S.p.A.	10,000 (4)	zero	zero	10,000 (4)
Gianfranco Albertini		zero	zero	zero	zero
Silvio Pietro Angori		zero	zero	zero	zero
Executives with strategic responsibilities		zero	zero	zero	zero

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

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

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

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

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

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

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

YEAR	EXERCISE PRICE	NUMBER OF OPTIONS AWARDED	NUMBER OF OPTIONS EXERCISABLE	NUMBER OF OPTIONS EXERCISED
2002	€ 19.408	187,000	149,766	149,766 (1)
2003	€ 20.909	202,000	174,760	170,860 (2)
2004	€ 22.753	214,000	153,689	128,584 (3)
2005	€ 23.437	218,000	129,668	58,569 (4)
2006	€ 24.455	215,000	115,336	4,638 (5)
2007	€ 24.648	215,000	142,873	zero
TOTAL			**866,092**	**512,417**

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

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

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

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

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

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

In July 2008, as a result of the extremely low stock market price of the shares, 353,675 vested and unexercised options were cancelled, with the Company agreeing to provide the beneficiaries with a different type of incentive compensation.

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

Stock Options Awarded to Directors, General Managers and Executives with Strategic Responsibilities

		Options held at the beginning of the year 2008			Option awared during the year 2008			Options exercised during the year 2008			Options expired during the year	Option held at the end of the year 2008		
(A)	(B)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11) =1+4 -7-10	(12)	(13)
Name	Post held	Number of options	Average exercise price	Average maturity	Number of options	Average exercise price	Average maturity	Number of options	Average exercise price	Average market-price at the exercise	Number of options	Number of options	Average exercise price	Average maturity
Gianfranco Albertini	Chief Financial Officer and Corporate	11,200		9 months	7,000		18 months	-	-	-	18,200	-	-	-
Silvio Pietro Angori	Chief General	-			31,333		18 months	-	-	-	31,333	-	-	-
	Executives with strategic responsibilities	63,261	0	9 months	33,606	0	18 months	-	-	-	96,867	-	-	-

No stock option grants are being provided to the members of the Board of Directors.

All of the beneficiaries of stock option grants, who are listed by name, are employees of Pininfarina S.p.A.

As explained in the notes to the financial statements (Note 20 in the financial statements of Pininfarina S.p.A. and Note 16 in the consolidated financial statements), Pininfarina S.p.A. and the beneficiaries entered into an agreement with the beneficiaries expressly waiving their right to exercise the stock options in exchange for an alternative type of incentive compensation.

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

Information required pursuant to Article 123-*bis*, Section 1, of Legislative Decree No. 58/1998:

a) Structure of the Share Capital

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

The shares are registered shares, issued in dematerialized form.

b) Restrictions on the Share Ownership Rights

There are no restrictions on the transferability of the shares.

c) Significant Equity Interests

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

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

d) Owners of Securities that Convey Special Rights

No securities that convey special rights have been issued.

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

The Company has no employee stock ownership system.

f) Restrictions on Voting Rights

As required by the terms of the Framework Agreement, which was disclosed to the market on December 30, 2008, all of the Pininfarina shares held by Pincar were pledged for the benefit of the Creditor Banks to secure the performance of the obligations undertaken by Pincar and Pininfarina toward the Creditor Banks pursuant to the Framework Agreement and the Rescheduling Agreement. Pursuant to the Pledge Agreements: (i) all dividends and other distributions payable with respect to the Pininfarina shares or with respect to financial instruments issued by Pininfarina and owned by Pincar shall be paid to the Creditor Banks; and (ii) the pledgor shall retain control of the voting rights, it being understood that, in the event of default (e.g., Pininfarina's failure to perform some contractual obligations), the Creditor Banks shall have the option of exercising the voting rights.

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

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

h) Change of Control Clauses

VE Pininfarina-Bolloré

On December 20, 2007, Pininfarina and Bolloré S.A. (**Bolloré**) entered into an agreement to establish a joint venture for the purpose of producing a fully electric, high-end city car marketed under the Pininfarina brand (the **Electric Car Project**). Accordingly, Pininfarina and Bolloré established VE Pininfarina-Bolloré, a 50-50 joint venture company based in France that will market the Electric Car.

The stipulations of the Electric Car Project require that, should there be a change in the parties that control one of the partners (which would occur, for example, if the Pininfarina family or the Bolloré family were to own, directly or indirectly, an interest of less than 30% in the respective companies or if a third party, acting individually or in conjunctions with others, were to acquire an interest greater than 30% in the share capital of Pininfarina or the Bolloré Group) the partners will seek to resolve this situation with the mediation of the Chairmen of Pininfarina and the Bolloré Group.

If this situation cannot be resolved within two months from the start of the mediation effort, both partners, if there a protracted disagreement, or the partner that did not suffer a change of control, shall the right to notify the other partner an offer to buy the remaining interest in the share capital of VE Pininfarina-Bolloré. The partner receiving notice of the offer to buy will have a period of four months from the receipt of the notice to sell its shares. If that is not the case, the partner who issued the offer to buy will have the right to sell its shares to the other partner at the same price as in the earlier offer to buy.

Contracts with Customers

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

Contracts with Financial Institutions

If Sergio Pininfarina, Lorenza Pininfarina, Paolo Pininfarina and the heirs of Andrea Pininfarina, severally or jointly, cease to hold, directly or indirectly, at least 30.1% of Pininfarina’s voting rights for reasons other than the disposal transactions set forth in the Framework Agreement, the Rescheduling Agreement will be cancelled, without retroactive effect, upon the abovementioned occurrence being communicated to the Agent Bank.

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

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

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

Election of Directors

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

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

Directors are elected on the basis of slates of candidates.

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

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

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

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

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

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

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

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

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

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

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

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

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

Amendments to the Bylaws

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

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

Further to powers it was awarded, as described in Section m) below, the Board of Directors is authorized to amend Article 5 of the Bylaws with regard to the amount of the share capital and the number of shares of which it is comprised in connection with the implementation of capital increase installments, before the end of the five-year period for which the abovementioned powers were granted.

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

Capital Increases

Acting pursuant to Article 2443 of the Italian Civil Code, the Extraordinary Shareholders' Meeting of April 29, 2008 provided the Board of Directors, for a period of up to five years from the date of the abovementioned Shareholders' Meeting, with the power to carry out contributory share capital increases, on a divisible basis and in one or more installments. The share capital increase, which may include the issuance of warrants, requiring in such a case that a portion of it be reserved for the exercise of the warrants, may not larger than 100,000,000 euros in par value and will be carried out by means of a rights offering for the common shares, not applicable to any treasury shares held by the Company.

Authorizations to Buy Treasury Shares

The Shareholders' Meeting of April 29, 2008 approved a program to buy up to 400,000 treasury shares in accordance with a motion approved by the Board of Directors at a meeting on March 27, 2008.

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

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

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

n) Adoption of the Corporate Governance Code

Pininfarina S.p.A. first adopted the Corporate Governance Code for Publicly Traded Companies in 2004. In 2006, the Company implemented corporate governance rules that were consistent with the new Corporate Governance Code for Publicly Traded Companies published on March 14, 2006. The Company's Report on Corporate Governance is available online at: www.pininfarina.com.

o) Main Characteristics of the Existing Risk Management and Internal Control Systems, as They Apply to the Process of Providing Separate and Consolidated Financial Disclosures

Information about these issues is provided in the 2008 Report on Corporate Governance.

p) Composition and Operating Procedures of the Corporate Governance Bodies

Information about these issues is provided in the 2008 Report on Corporate Governance.

Paolo Pininfarina
Chairman of the Board of Directors