ANNUAL REPORT

2002

CONTENTS

ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING MAY 15, 2003

The Ordinary and Extraordinary Shareholders' Meetings will be held on May 15, 2003 at 10:00 AM in Room B of the offices of Pininfarina Studi e Ricerche S.p.A., 30 Via Nazionale, Cambiano (Turin), on the first calling, and on May 16, 2003, same time and place, on the second calling.

AGENDA

Ordinary Session

1. Financial statements at December 31, 2002, appropriation of net profit for the year and related and required resolutions.
2. Election of the Board of Directors and determination of the annual compensation payable to Directors.
3. Election of the members and Chairman of the Board of Statutory Auditors and determination of the annual compensation payable to permanent Statutory Auditors.
4. Resolutions required pursuant to Articles 2357 and 2357 *ter* of the Italian Civil Code.

Extraordinary Session

1. Motion to merge Industrie Pininfarina S.p.A. and Pininfarina Ricerca e Sviluppo S.p.A. into Pininfarina S.p.A., with resulting changes in the Company's corporate purpose and, if required, reduction of its capital stock pursuant to Article 2437 of the Italian Civil Code and amendments to Articles 2 and 5 of the Bylaws. Approval of related and required resolutions.

The Notice of the Shareholders' Meeting was published on April 14, 2003 in issue No. 87 of the Official Gazette of the Italian Republic.

BOARD OF DIRECTORS

Sergio Pininfarina	*Chairman and Co-Chief Executive Officer**
Andrea Pininfarina	*Co-Chief Executive Officer** *Deputy Chairman*
Lorenza Pininfarina	*Deputy Chairmen*
Paolo Pininfarina	
Mario Arcelli	*Directors*
Elisabetta Carli	
Mario Renzo Deaglio	
Cesare Ferrero	
Franzo Grande Stevens	

BOARD OF STATUTORY AUDITORS

Lamberto Jona Celesia	*Chairman*
Giorgio Giorgi	*Statutory Auditors*
Giacomo Zunino	
Piergiorgio Re	*Alternates*
Nicola Treves	

Gianfranco Albertini	*Secretary to the Board of Directors*
Reconta Ernst & Young S.p.A.	*Independent Auditors*

**Powers*

Under Article 22 of the Bylaws, the Chairman and his Co-Chief Executive Officer are the legal representatives of the Company before outsiders and before the courts. Accordingly, they are empowered to carry out all actions that are consistent with the Bylaws and do not conflict with the provisions of Article 2384 of the Italian Civil Code.

REPORT OF THE BOARD OF DIRECTORS ON OPERATIONS

THE GROUP

Overview

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

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

Operating Performance

The Company's performance in 2002 shows its ability to respond quickly to a significant shortfall in production volume, which, as discussed in the 2001 Annual Report, was not unexpected. While production volume fell by 28.61%, EBIT declined by 18.03% and net profit increased by 60.21%, owing in part to the tax savings made possible by the Tremonti Law.

The Group's operating results are reviewed below.

Net revenues totaled 485.8 million euros, a decrease of 215.6 million euros (-30.73%) compared with 2001. A smaller contribution by the Group's manufacturing operations, which ceased work on the Peugeot 306 Cabriolet order in July and did not start production of the new Ford Streetka model until December, accounts for this decrease. Design and engineering revenues were also lower than in 2001 due to delays in the start of some new orders.

The value of production came to 529.8 million euros, down 212.4 million euros (-28.61%) compared with the previous year.

Operating costs, net of inventory, included 416.6 million euros for purchases of raw materials and outside services (-32.08%) and 74.7 million euros in personnel costs (-12.63%). Depreciation, amortization and provisions were about the same as in 2001.

EBIT amounted to 20.9 million euros, a decrease of 4.6 million euros, or 18.03%, from the figure at December 31, 2001. EBIT were equivalent to 3.94% of the value of production (3.44% in 2001).

Despite an increase in investment resources, the negative impact of unfavorable conditions in the financial markets and lower interest rates caused net financial income to decline by 73.84% to 1.6 million euros. Net other expense totaled 10.4 million euros (-11.11%).

Profit before taxes decreased to 12.1 million euros, or 8.1 million euros less (-39.90%) than in 2001. It was equivalent to 2.29% of the value of production (2.73% in 2001).

Income taxes fell to 2.8 million euros (10.9 million euros in 2001), thanks to the tax benefits provided by the Tremonti Law. The tax liability was equivalent to 23.14% of profit before taxes (53.69% in 2001).

Net profit, which at 14.9 million euros was equivalent to 2.81% of the value of production (1.26% in 2001), grew by 60.21%, or 5.6 million euros, compared with the previous year.

Cash flow, which is equal to the Group's interest in net profit plus depreciation and amortization, increased by 20% to 32.4 million euros. Capital investments grew to 22.6 million euros (13.2 million euros in 2001) and research and development outlays rose to 26.2 million euros (19.8 million euros in 2001).

At December 31, 2002, net non-current assets had a carrying value of 102.8 million euros, or 3.10% less than a year earlier. Working capital was still negative (-26.7 million euros), but the negative balance decreased by 9.8 million euros compared with the end of 2001.

The net financial position showed a surplus of 116.4 million euros, an improvement of 3.83%.

The outlook for 2003 calls for an increase of more than 30% in the value of production, with gains in all areas of business. Startup costs on the Ford Streetka order, which will account for about 50% of total manufacturing volume in 2003, will have a negative impact on the Group's operating margins, which will be lower than in 2002.

PININFARINA S.P.A.

The 2002 fiscal year ended with a net profit of 2.9 million euros. The decrease of 42%, or 2.1 million euros, from 2001 was caused by a drop in dividend income and other financial income and by an increase in nonfinancial charges. Income from equity investments fell from 7.4 million euros to 6.9 million euros (-6.75%) and other financial income shrank by 70% to 0.6 million euros (2.0 million euros in 2001). Losses on equity securities transactions due to the difficult conditions in the financial markets in 2002 are the main reason for this decline.

At 5.8 million euros, other operating income was up 26.08% compared with the previous year. It includes royalties paid by Group companies as a percentage of revenues, which were down 0.6 million euros (-35.29%), and services provided by the Communications, Administration, Finance, Marketing and Human Resources Departments to Group companies and outside customers, which grew by 50%, or 1.5 million euros.

Operating costs rose by 71.73%, or 3.3 million euros, with the biggest increases occurring in personnel expense, which was up 1.8 million euros due to a staff expansion (from 21 to 37 employees), and nonfinancial services, which were up 1.3 million euros as a result of higher public relations expenses (related in part to the inauguration of the new engineering center) and business development initiatives.

Pininfarina S.p.A. had no extraordinary income in 2002 (extraordinary charges of 127,000 euros in 2001).

Profit before taxes came to 3.7 million euros, or 3.7 million euros less than in 2001.

Income taxes for the year, which declined by 1.6 million euros to 0.8 million euros, were equivalent to 21.62% of profit before taxes (32.43% in 2001).

Shareholders' equity, which includes a restricted reserve for treasury stock, increased by 107,700 euros (+2.32%) to 110,200 euros. Net financial assets were also up, rising to 63.7 million euros, or 24.65% more than the 51.1 million euros reported at the end of 2001. The main reason for this improvement is the inclusion of the net financial assets of Pininfarina International S.p.A. following its merger into Pininfarina S.p.A. in 2002. Net financial assets consist of listed securities (8.9 million euros), bonds and publicly traded mutual funds (54.3 million euros) and liquid assets (0.5 million euros).

In July 2002, the subsidiary Pininfarina Ricerca e Sviluppo S.p.A. used available reserves to increase its share capital from 3.0 million euros to 4.5 million euros. The merger of the subsidiary Pininfarina International S.p.A. into Pininfarina S.p.A. became effective in December.

Transactions with Subsidiaries, Associated Companies and Related Parties, and Other Information

By drawing on its expertise and its organizational skills, Pininfarina S.p.A. provides its subsidiaries and associated companies with services that help them improve quality and increase efficiency. In 2002, these services, which were provided on market terms, consisted primarily of the following:

1. Support in connection with administrative, financial, corporate, personnel, image and marketing issues;
2. Loans received from Group companies;
3. Loans provided to Group companies;
4. Miscellaneous purchases.

In 2002, contracts that govern the services referred to in Item 1 above generated the following revenues:

Industrie Pininfarina S.p.A.	4,816,947.71 euros
Pininfarina Ricerca e Sviluppo S.p.A.	462,312.75 euros
Pininfarina Deutschland GmbH	78,022.80 euros
Pininfarina Extra S.r.l.	61,917.14 euros

At December 31, 2002, loans from Group companies (Item 2 above) totaled 600,000 euros, reflecting financing provided by the Industrie Pininfarina S.p.A. subsidiary. During the year, this subsidiary provided loans of up to 600,000 euros, which accrued interest at the official bank rate totaling 4,705.97 euros.

At December 31, 2002, loans provided to Group companies (Item 3 above) totaled 40,000 euros, all owed by Pininfarina Extra S.r.l. These loans, which accrued interest at the official bank rate, generated financial income of 3,725.21 euros. The highest amount loaned to this subsidiary during the year was 315,000 euros. In the first quarter of 2002, Pininfarina Ricerca e Sviluppo S.p.A. received a loan of 980,000 euros, which generated interest income of 3,185.00 euros.

Outlays incurred for miscellaneous purchases (Item 4 above) included the following:

To Industrie Pininfarina S.p.A. 156,049.21 euros for the use of office space and services by the Communications Department.

To Pininfarina Ricerca e Sviluppo S.p.A. 145,159.69 euros for costs incurred to operate the Pininfarina Museum, marketing services and rent.

To Pininfarina Deutschland GmbH 760.39 euros for miscellaneous expenses.

To Pininfarina Extra S.r.l. 827.57 euros for advertising materials.

In December 2002, Pininfarina International S.p.A. was merged into Pininfarina S.p.A. This transaction generated a surplus upon merger of 2,768,783 euros, and gave Pininfarina S.p.A. 100% ownership of Pininfarina Deutschland GmbH. In addition, the Company acquired investments in PF RE S.A. and Pasiphae S.à r.l. (20% interest). Both companies are based in Luxembourg.

No atypical or unusual transactions were carried out with related parties in 2002.

At December 31, 2002, Pininfarina S.p.A. held 145,500 treasury shares.

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

At its meeting of March 27, 2002, the Board of Directors approved a stock option plan 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 three-year (2002-2004) stock option plan is for the benefit of executives of Pininfarina Group companies. In each year of the plan, the beneficiaries are awarded a certain number of options that become exercisable when the beneficiaries achieve specific objectives set by the Company. The individual strike price of the options is equal to the average of the closing prices of the ordinary shares on each of the trading days between the date the options are awarded and the same day of the previous month. The options vest at the end of each year, based on the ability of the beneficiaries to achieve their assigned objectives. Vested options are exercisable on a pro rata basis within three years from the date of award. As of the date of this report, no options had vested. A total of 192,000 options were awarded in 2002 and 212,000 options will be awarded this year. No special arrangements have been made to help executives exercise their options. The strike price of the options awarded in 2002 is 19.408 euros. The Regular Stockholders' Meeting of May 15, 2002 authorized the Board of Directors to purchase up to 350,000 treasury shares to be used for the conversion of stock options.

As required by Consob Resolution No. 11971 of May 14, 1999 (Regulations Implementing Legislative Decree No. 58/98), the table below provides a breakdown of the interest held in the Company by its Directors and Statutory Auditors.

Shares Held by Directors, Statutory Auditors, General Managers and Their Immediate Families

First and last name	Investee company	Number of shares held at 12/31/01	Number of shares bought	Number of shares sold	Number of shares held at 12/31/02
Sergio Pininfarina	Pininfarina S.p.A.	282,038 (1)	none	none	282,038 (1)
Sergio Pininfarina	Pininfarina S.p.A.	181,500 (2)	none	none	181,500 (2)
Sergio Pininfarina	Pininfarina S.p.A.	4,670,160 (3)	none	none	4,670,160 (3)
Sergio Pininfarina	Pininfarina S.p.A.	44,200 *(3)	none	none	44,200*
Cesare Ferrero	Pininfarina S.p.A.	286 **	none	none	286
Giorgia Gianolio	Pininfarina S.p.A.	none (4)	10,000	none	10,000

* *Savings shares.*

** *Including 105 registered savings shares.*

(1) *Full ownership. Shares held indirectly through the subsidiary Seglap S.s.*

(2) *Full ownership. Shares held indirectly through the subsidiary Segi S.r.l.*

(3) *Full ownership. Shares held indirectly through the subsidiary Pincar S.a.p.a.*

4) *Held by Sergio Pininfarina's wife.*

The fees paid to Directors and Statutory Auditors by the Parent Company and its subsidiaries, for any reason and in any form, are shown in a special section of the Notes to the Statutory Financial Statements.

GROUP COMPANIES

Industrie Pininfarina S.p.A.

The key financial data for 2002 are provided below:

(in thousands of euros)	**12/31/02**	12/31/01	Change
Value of production	491,254	697,784	(206,530)
EBIT	16,488	16,805	(317)
Net financial income	1,297	1,587	(290)
Net profit for the year	17,571	8,259	9,312
Shareholders' equity	59,051	45,259	13,792
Net invested capital	25,423	27,309	(1,886)
Net financial position	53,650	41,355	12,295

In 2002, Industrie Pininfarina S.p.A. responded quickly to a sharp drop in production volume. As a result, even though value of production decreased by 29.59%, EBIT declined by just 1.78% compared with 2001. Net profit almost doubled, thanks to the tax savings made possible by the Tremonti Law.

A detailed analysis is provided below.

- The value of production totaled 491.3 million euros, compared with 697.8 million euros in 2001.
- The ratio of EBIT to value of production improved by 0.95 percentage points, rising from 2.41% in 2001 to 3.36% in 2002.
- Net financial income added 1.3 million euros to profit before taxes, compared with 1.6 million euros in 2001.

The Open Air Systems GmbH joint venture, which was established in February 2002, began commercial operations and steadily added new resources to handle a growing number of customer projects. At December 31, 2002, it had generated value of production of 9.3 million euros and had negative EBIT of 2.6 million euros. The high rate at which new contracts are being signed justifies the expectation that this company will become a major profit center for the Group by 2005.

Products

In 2002, the production of complete cars and car bodies declined to 26,945 units, compared with 41,766 units in 2001 (-35.48%) with across-the-board declines for all models. As for changes in the order mix, work on the Peugeot 306 Cabriolet ended in July and production of the Ford Streetka began in December.

A breakdown of the production of complete cars and car bodies is provided below:

Complete cars	2002	2001
Mitsubishi Pajero Pinin	11,300	12,181
Peugeot 406 Coupé	10,476	17,362
Peugeot 306 Cabriolet	2,095	5,897
Alfa Romeo Spider	1,896	3,207
Alfa Romeo GTV	1,020	2,853
Ford Streetka	37	1
	26,824	**41,501**
Car bodies		
Bentley Azure Corniche	78	194
Rolls Royce	42	67
Mitsubishi Pajero Pinin	1	0
Peugeot 406 Coupé	–	1
Alfa Romeo Spider	–	2
Alfa Romeo Spider	–	1
	121	**265**
Total	**26,945**	**41,766**

The production of complete cars and car bodies generated 85.80% of net revenues (91.00% in 2001); the design, prototype construction, experimentation and testing operations contributed 8.61% (5.36% in 2001); industrialization and tooling for new production generated 0.09% (0.21% in 2001); and miscellaneous items accounted for the remaining 5.50% (3.43% in 2001).

A breakdown of exports, which came to 82.71% of net revenues (84.48% in 2001), is as follows: European Union 82.60% (84.41% in 2001) and Japan and other destinations 0.11% (0.07% in 2001). The remaining 17.29% was sold to domestic customers, who in turn exported 79.49% of these units.

The process of concentrating the engineering operations at the associated company Pininfarina Ricerca e Sviluppo S.p.A. was completed in the second half of 2002 with the transfer of 127 employees. As a result of this restructuring effort, Industrie Pininfarina S.p.A. is now fully focused on the Group's manufacturing operations.

Capital Expenditures

During 2002, capital expenditures totaled 14.6 million euros, up from 7.3 million euros in 2001. A total of 3.6 million euros was earmarked for the 50-50 joint venture Open Air Systems GmbH. The biggest increase occurred in additions to property, plant and equipment, mainly in connection with the start of production of the Ford Streetka.

Research and Development

A total of 4.9 million euros was allocated for research and development in 2002, down from 6.5 million euros in 2001. These outlays were used to fund aerodynamic and aeroacoustic studies needed to develop future models and improve production vehicles, as well as to carry out technological research on innovative prototypes. Work done in cooperation with the Group company Pininfarina Ricerca e Sviluppo S.p.A. included feasibility studies and the styling and design of models that could lead to production applications. Applied research focused on the use of parameter-based software for bodywork design and the development of innovative solutions for manufacturing applications.

Personnel

At December 31, 2002, the company had 1,731 employees (1,371 production staff and 360 managers and office staff), compared with 2,088 employees (1,624 production staff and 464 managers and office staff) at the end of 2001. The decrease of 357 employees reflects the transfers of 127 employees to the associated company Pininfarina Ricerca e Sviluppo S.p.A. The average payroll for the year included 1,865 employees (1,443 production staff and 422 managers and office staff).

Total absenteeism (illness, accidents, justified absences and strikes) was equivalent to 8.67% (9.61% in 2001). Productivity increased by 1.65 percentage points.

The Government Layoff Benefits Fund was utilized to draw an amount equivalent to 28.93% of the hours that could theoretically be worked by employees on the factory payroll (6.05% in 2001).

Per capita labor costs were 8.75% higher than in 2001 due to a number of factors, including a different mix in the professional staff, an increase in the share of the layoff benefits paid by the company and a rise in base pay, as required by the national labor contract.

Production of the Ford Streetka got under way in December and is progressing in accordance with all schedule, cost and quality targets. As a result, all employees were removed from the Government's layoff benefits program and 150 new jobs were offered for a period of at least six months to employees of Fiat Auto and its suppliers under seconding arrangements. The Ford Streetka has been extremely well received by the media and by motorists, who had a chance to admire it at the recent International Geneva Motor Show.

For 2003, the company expects a strong upturn in production volume and value. The total output of complete cars should rise to more than 40,000 units and value of production is expected to increase to 645 million euros, close to the level it reached in 2001. However, profitability could be lower than in 2002 due to the costs incurred to begin production of the Ford Streetka, which will account for 50% of the company's total manufacturing output in 2003.

Pininfarina Ricerca e Sviluppo S.p.A.

The key financial data for 2001 are provided below:

(in thousands of euros)	**12/31/02**	12/31/01	Change
Value of production	35,227	31,849	3,378
EBIT	278	1,185	(907)
Net financial income	(1,453)	(166)	(1,287)
Net profit for the year	19	98	(79)
Shareholders' equity	15,988	15,969	19
Net invested capital	27,641	19,373	8,268
Net financial position	(6,485)	(258)	(6,227)

Pininfarina Ricerca e Sviluppo S.p.A. virtually broke even in 2002, as the recognition of deferred-tax assets helped turn a loss of 1.2 million euros into a net profit of 19,000 euros.

The company's operating performance was markedly better in the second half of the year. By December 31, 2002, EBIT, which had been negative by 2.8 million euros at the end of June, were marginally positive (300,000 euros). Over the same period, the pretax number improved by 68.42%, as the loss shrank from 3.8 million euros for the first half to 1.2 million euros for the full year.

The value of production totaled 35.2 million euros (+10.69%) at December 31, 2002 and purchases of raw materials and outside services were up 2.33% to 17.5 million euros. Personnel costs increased by 29.50% to 15.8 million euros, reflecting a significant payroll expansion (+57.45%, or 131 employees compared with the previous year) caused by the strategic decision to concentrate all engineering personnel at Pininfarina Ricerca e Sviluppo S.p.A.

Because of the rapid expansion of its facilities and resources in 2002, the company was unable to maximize the efficiency of its employees. This was also due to the need to provide adequate training and to delays in the start of some programs. These delays were caused, especially in the first half of the year, by unfavorable business conditions. Nevertheless, average productivity increased to 76.80% (74.44% in 2001).

A review of the company's engineering and design operations is provided below.

Engineering

The Engineering Department continued to expand its facilities and staff. On October 14, 2002, it inaugurated a new Engineering Center with an event that was attended by Romano Prodi, President of the European Commission, and by other important government representatives and members of the business community. The new facility, which was built in Cambiano, gives greater visibility and independence to the engineering operations.

The personnel buildup continued, with the goal of reaching a staff of more than 400 by the end of 2003. Significant developments that occurred in 2002 included an agreement with Volvo in October to provide engineering development for a new car. The engineering work being performed for Jaguar, for a car scheduled to go into production at the end of 2003, and for Hafei is progressing on schedule.

Design

The main design projects included styling work for the Ferrari Enzo, which was unveiled in 2002 at the Tokyo Museum of Modern Art on the occasion of the Artdynamic Show and was officially introduced at the Paris Motor Show. This car, which occupies the summit of automotive technology, represented a major challenge, because the design had to incorporate ambitious aerodynamic specifications. The Enzo instantly became a huge commercial success, to the point that Ferrari was forced to increase the production run from 349 to 399 to meet customer demand. At the same events in Tokyo and Paris, Maserati used drawings and scale models to preview the styling of the Quattroporte, which was also designed by Pininfarina Ricerca e Sviluppo. The Quattroporte is scheduled for launch in 2003.

The company continued to collaborate with Daewoo, designing the Nubira, a new car introduced in 2002, while developing projects for its traditional customers Alfa Romeo and Peugeot.

In 2002, work on transportation systems included the presentation of a gondola system for ski slopes developed for Sigma, a French company of the Poma Group, and of the Leitwolf, a snowcat designed for Leitner Snow.

On July 26, 2002, the Extraordinary Shareholder's Meeting approved an increase in the company's share capital from 3.0 million euros to 4.5 million euros. The capital increase of 1.5 million euros, which was funded with the special reserve, is earmarked for a specific capital investment program, and its implementation was necessary in order to secure financing available under the Territorial Pact for the Southern District of Turin.

No significant events occurred after the end of the year. Based on the existing order backlog, 2003 should show a strong rebound both in value of production and operating results, with EBIT and net profit rising by substantial amounts.

Pininfarina Extra S.r.l.

The key financial data for 2002 are provided below.

(in thousands of euros)	12/31/02	12/31/01	Change
Value of production	2,564	2,406	158
EBIT	549	260	289
Net financial income (expense)	(9)	(5)	(4)
Net profit for the year	258	107	151
Shareholders' equity	1,028	770	258
Net invested capital	1,175	1,050	125
Net financial position	(1)	(169)	168

The value of production totaled 2,564,000 euros in 2002, or 6.56% more than in 2001.

At 1,491,000 euros, sales and service revenues were 9.71% higher than in 2001. Royalty income increased by 6.68% to 1,054,000 euros, but other revenues and income declined to 19,000 euros, compared with 59,000 euros in 2001.

All profitability indicators were sharply higher than in 2001, with EBITDA rising to 727,000 euros (+63.37%) and reclassified EBIT reaching 549,000 euros (+111.53%).

The revenues generated by manufacturers licensed to use the Pininfarina brand name totaled 32 million euros, or 8.57% less than in 2001. The decline reflects the life cycle of certain products that are scheduled for replacement in 2003 and 2004.

During the year, the company's staff decreased from 17 to 16 employees.

Significant developments that occurred after the salient events already discussed in the 2002 Semiannual Report (agreement with Impresa Rosso to develop the Snos Center in Turin; presentation of the Acropolis kitchen system designed for Snaidero; commercial launch of Lange's World Cup ski boots; and design of the company's new offices in Area 2D) are reviewed below.

1) In September, at the MACEF Show in Milan, presentation of the Ego vase, which is the first product developed jointly with Venini, the leading producer of Murano glass.

2) In October, at the ORGATEC Office Furniture Show in Cologne, introduction of a family of office chairs designed for Ares Line, a company based in Vicenza that has a significant presence in the international market.

3) Also in October, at the SMAU Show in Milan, the awarding of the SMAU Industrial Design prize to a wireless projector designed for Dicom.

4) In November, participation in the "Ground Zero....Ground Heroes" benefit auction held in Campione d'Italia. Pininfarina Extra S.r.l. built one of the five one-of-a-kind tables made of Kauri, a thousand-year-old wood, designed by such famous architects as Renzo Piano, Antonio Citterio, Terry Dwan and Mario Botta. The auction raised more than 175,000 euros, which were donated to the FDNY Columbia Association and will be used to provide scholarships for the children of firemen and police officers killed on September 11, 2001.

5) Also in November, construction of 6 kiosks for an EU research project on electronic voting called E-poll. The kiosks were tested on the occasion of a referendum held by the city of Cremona.

6) In December, start of the sale of housing units in the Tigné Point South development in Malta. The development has been extremely successful, and 135 of the 200 housing units available at Tigné Point South have already been sold. Delivery of the units is scheduled for the summer of 2004.

In 2002, the company handled a significant increase in design work, reflecting the success of its new sales organization, while at the same time continuing to develop projects for its traditional clients.

In 2002, research and development outlays totaled 387,418.96 euros. These expenses, which were incurred in connection with the various projects described below, were charged in full to income in 2002, in accordance with the principle of matching revenues and expenses, and as required under Article 74, Section 1, of Presidential Decree No. 917/1986. The company's research and development work included the following:

- An innovative communication system for the implementation of industrial design services.
- A new user interface for video projectors.
- A new approach to designing office furniture.
- A new system to manage order data.

More specifically:

- Definition and development of an innovative communication system for the implementation of industrial design services. The purpose of this project was to address the problems inherent in the central phase of the product development process by developing effective methods and tools for handling the flow of information. The new system, which permits the efficient processing of corporate knowhow and an accurate assessment of available knowledge, can be expanded to meet increases in customer requirements.
- A new user interface for video projectors. Ergonomics was a key consideration in developing the solutions adopted for this device, which makes use of electroluminescent film.
- Development of a new approach to designing office furniture. This study focused on system modularity, with the goals of maximizing the ergonomics of each workstation and facilitating the interface between workstations.
- Development of a new system to manage order data. The implementation of this program is designed to help manage current orders and, at the same time, assess the profitability of new orders and company projects.

The studies discussed above are expected to help the company increase its market penetration and strengthen its financial position. A market study currently under way is seeking to measure the visibility of the Group's brand and define those areas and businesses that offer the best opportunities for the company's existing co-branding strategy. In addition, as part of a program launched to develop a Group Quality Management System, the company is implementing the measures necessary to earn ISO 9001 certification by the end of 2003.

In 2003, revenues are expected to increase to about 2,700,000 euros, but the profit margin could shrink by a few percentage points due to higher intra-Group expenses (increase in rent expense and rebilling of costs by the Parent Company) and to an increase in personnel expenses caused by the new national labor agreement.

Pininfarina Deutschland GmbH

Pininfarina Deutschland GmbH earned a net profit of 37,000 euros, compared with 439,000 euros in 2001. Over the same period, the value of production fell from 13.9 million euros to 12.0 million euros (-13.66%).

The decline in business activity reflects the dearth of new orders received from German carmakers in 2002. The company's staff increased from 83 to 89 employees.

Net borrowings held steady at 1.3 million euros, as did shareholders' equity, which totaled 23.1 million euros.

New orders are expected to increase in 2003, but the profitability indicators should hold at about the same level as in 2002.

Pininfarina RE S.A.

Pininfarina RE S.A. ended the year with 143,000 euros in income from insurance operations (loss of 25,000 euros in 2001). Financial assets totaled 4.8 million euros (4.7 million euros in 2001).

Pininfarina Services S.A.

Pininfarina Services S.A. reported net income of 26,000 euros (50,000 euros in 2001) and net financial assets of 265,000 euros (260,000 euros in 2001).

SIGNIFICANT EVENTS OCCURRING SINCE DECEMBER 31, 2002

Industrie Pininfarina S.p.A. declared dividends for the 2002 fiscal year, producing investment income (including tax credits) of 11.8 million euros (5.9 million euros in 2001) for Pininfarina S.p.A. The other Group companies did not declare dividends, in view of the capital investment programs they expect to carry out in 2003.

The transfer to the Parent Company of central-staff personnel employed by the operating companies became effective on January 1, 2003, causing the Parent Company's payroll to increase to 117 units (37 at December 31, 2002).

In March, the Enjoy concept car was presented to wide acclaim at the Geneva International Motor Show. This small roadster, built around a Lotus powertrain, uses a light and durable frame made of extruded aluminum components. It can be configured for use on the racetrack or on the road.

In recent years, the Pininfarina Group has been pursuing a reorganization program that included the following:

1) Merger of the smaller companies into their parent companies (Progetcar S.r.l. into Industrie Pininfarina S.p.A. in 1999; Pro-Tools S.r.l. and Pininfarina International S.p.A. into Pininfarina S.p.A. in 2001 and 2002, respectively).
2) Restructuring of its operations into business units, with each unit being provided with expanded human and technical resources (period from 2000 to 2002).

The purpose of this effort is to enhance the Group's competitiveness by enabling it to respond effectively to two new developments — the growing customer demand for global services and the increasing concentration of the automotive industry — that can be addressed only by a lean organization capable of making decisions very quickly.

The Board of Directors has asked the shareholders to take a further step in pursuit of this strategy and approve the merger by absorption of the subsidiaries Industrie Pininfarina S.p.A. and Pininfarina Ricerca e Sviluppo S.p.A.

This merger, by streamlining the organization and simplifying the Group's structure through the concentration at Pininfarina S.p.A. of the activities performed by the absorbed companies, fulfills three strategic objectives:

(a) Combine in a single company organized by business units all of the activities and services that the Pininfarina Group can perform on behalf of its customers.

(b) Develop a consistent approach, a uniform style of interaction and a unified relationship with customers and suppliers, generating, whenever possible, economies of scale and eliminating unnecessary paperwork.

(c) Develop important synergies by using operating and administrative organizations that are smaller and therefore more flexible and less costly.

MOTION FOR THE APPROPRIATION OF NET PROFIT

The 2002 fiscal year ended with a net profit of 2,881,143.00 euros. Since the statutory reserve is already equivalent to one-fifth of the capital stock (the maximum allowed under Article 2430 of the Italian Civil Code), the Board proposes the distribution of dividends, before statutory tax withholdings, in the amounts shown below:

0.34+0.0414 euros (equivalent to 4.14% of par value) on each of the 65,908 savings shares	25,137.31 euros
0.34 euros on each of the 9,251,092 ordinary shares	3,145,371.28 euros
Utilization of the special reserve	(289,365.59) euros
Net profit	**2,881,143.00 euros**

Without affecting the dividend per share, we propose that, as of the coupon presentation date, the unpaid dividends on treasury shares be retained in the special reserve.

Because of the taxes paid by the Company, the dividends convey a tax credit of the type allowed under Article 105, Section 1, Letter A, of Presidential Decree No. 917/86, i.e. a full tax credit.

Coupon No. 3 for both ordinary and savings shares must be presented on May 26, 2003. The dividend will be payable on May 29, 2003.

Turin, March 27, 2003

Sergio Pininfarina

Chairman of the Board of Directors

THE PININFARINA GROUP

CONSOLIDATED FINANCIAL HIGHLIGHTS

(in euros)	**12/31/02**	12/31/01
Operating Data		
Net revenues	485,826	701,457
Value of production	529,819	742,221
EBITDA	38,510	43,300
EBIT	20,861	25,501
Net financial income	1,635	6,473
Profit before taxes	12,138	20,282
Group interest in net profit`	14,914	9,349
Cash flow*	32,387	26,960
Balance Sheet Data		
Net fixed assets	102,810	106,150
Net invested capital	76,092	69,587
Group interest in shareholders' equity	166,663	154,689
Net financial position	116,437	112,100
Performance Indicators (%)		
EBITDA/Net revenues	7.27	5.83
ROS (EBIT/net revenues)	3.94	3.44
ROI (EBIT/net invested capital)	27.41	36.53
ROE (net profit/shareholders' equity)	8.95	6.03
Net financial income/Value of production	0.31	0.87
Other Data		
Capital investments for the year	22,555	13,190
Research and development outlays	26,224	19,819

** Group interest in net profit plus depreciation and amortization.*

OPERATING PERFORMANCE, FINANCIAL POSITION AND FINANCIAL PERFORMANCE OF THE PININFARINA GROUP

OPERATING PERFORMANCE

The Group's net revenues amounted to 485.8 million euros, or 215.6 million euros less (-30.73%) than in 2001. This decrease reflects a drop in manufacturing revenues caused by the end, in July, of production of the Peugeot 306 Cabriolet, which was not replaced by the Ford Streetka until December. Design and engineering revenues were also down compared with the previous year due to delays in the start of work on new orders.

The value of production decreased by 212.4 million euros, or 28.61%, to 529.8 million euros. A breakdown by business segment is provided below:

(in thousands of euros)	2002	%	2001	%	Change
Production of complete cars and replacement parts	435,797	82.3	639,626	86.2	(203,829)
Design, engineering and prototypes	66,321	12.5	78,099	10.5	(11,778)
Other	27,701	5.2	24,496	3.3	3,205
Total	**529,819**	**100.0**	**742,221**	**100.0**	**(212,402)**

Operating costs, which are net of inventory, followed the same downward trend as revenues, with purchases of raw materials and outside services totaling 416.6 million euros (-32.08%). Consequently, value added decreased to 113.2 million euros, or 15.6 million euros less (-12.11%) than in 2001. The ratio of value added to the value of production improved by 4.01 percentage points, rising to 21.36% (17.35% in 2001).

At 74.7 million euros, personnel costs were 12.63% less than in the previous year, as the average payroll shrank by 8.41% to 2,231 employees, 205 fewer than at December 31, 2001.

EBITDA came to 38.5 million euros, down 11.08%, or 4.8 million euros, compared with 2001.

Depreciation and amortization totaled 17.5 million euros, virtually unchanged (-0.56%) from the previous year. Provisions amounted to 0.2 million euros, about the same as in 2001.

EBIT — down 18.03%, or 4.6 million euros, to 20.9 million euros — were equivalent to 3.94% of the value of production (3.44% in 2001).

Despite an increase in investment resources, the negative impact of unfavorable conditions of the financial markets and lower interest rates caused net financial income to decline by 73.84% to 1.6 million euros. Net other expense totaled 10.4 million euros (-11.11%).

Profit before taxes decreased to 12.1 million euros, or 8.1 million euros less (-39.90%) than in 2001. It was equivalent to 2.29% of the value of production (2.73% in 2001).

Income taxes fell to 2.8 million euros (10.9 million euros in 2001), thanks to the tax benefits provided by the Tremonti Law. The tax liability was equivalent to 23.14% of profit before taxes (53.69% in 2001).

Net profit, which at 14.9 million euros was equivalent to 2.81% of the value of production (1.26% in 2001) grew by 60.21%, or 5.6 million euros, compared with the previous year.

An analysis of the operating performance is provided in Annex 1.

FINANCIAL POSITION

At December 31, 2002, net capital requirements were 7.6 million euros more than a year earlier as a result of the following changes:

- Net non-current assets totaled 102.8 million euros. The decline of 5.2 million euros in fixed assets is the net result of additions amounting to 22.4 million euros, depreciation of 17.5 million euros, retirements of 21.7 million euros and reversals of depreciation of 11.6 million euros. Financial assets increased by 1.9 million euros.

- Working capital was still negative (-26.7 million euros), but the negative balance decreased by 9.8 million euros compared with the end of 2001, as current liabilities declined more than current assets.
- At 25.9 million euros, the reserve for termination indemnities was 1.1 million euros lower than at December 31, 2001 due to an increase in utilizations.

Capital requirements were covered by:

- Shareholders' equity, which increased by 12 million euros as the net result of the transfer to retained earnings of the unappropriated 2001 net profit and of the difference between the 2002 and 2001 net profit. In 2002, shareholders' equity was equivalent to 1.62 times net non-current assets (1.46 times in 2001).
- Net financial assets, which increased by 4.3 million euros (+3.83%).

An analysis of the financial position is provided in Annex 1.

FINANCIAL PERFORMANCE

In 2002, net financial assets increased by 3.6 million euros due to the following changes:

- Cash flow from operating activities decreased by 14 million euros, reflecting an increase in working capital requirements.
- Investing activities absorbed 7.8 million euros more than in 2001.
- Cash flow from financing activities decreased by 1.9 million euros due to lower funding requirements.
- The net profit distributed was 3.2 million euros, the same as in 2001.

An analysis of the financial performance is provided in Annex 1.

CONSOLIDATED FINANCIAL STATEMENTS
AT DECEMBER 31, 2002

BALANCE SHEET

ASSETS

(in euros)	12/31/02	12/31/01
B) NON-CURRENT ASSETS		
I) Intangible assets:		
3 rights to use intellectual property	2,463,745	2,228,265
5 goodwill		
6 intangible assets under formation	20,000	
7 others	3,747,506	4,457,621
Total	**6,231,251**	**6,685,886**
II) Fixed assets:		
1 land and buildings	48,634,246	49,675,144
2 plant and machinery	32,885,738	35,517,154
3 industrial and trade equipment	4,595,663	6,240,523
4 other goods	3,991,588	4,111,986
5 Fixed assets under construction and advances	3,119,833	2,459,554
Total	**93,227,068**	**98,004,361**
III) Financial assets:		
1 investments in:		
a) associated companies	2,866,941	1,000,000
d) other companies	484,779	459,732
Total	**3,351,720**	**1,459,732**
TOTAL NON-CURRENT ASSETS B)	**102,810,039**	**106,149,979**
C) CURRENT ASSETS		
I) Inventory:		
1 raw, ancillary and consumable materials	24,026,703	25,992,664
2 work in process and semifinished goods	16,932,824	16,166,334
3 work in progress on job orders	27,442,198	11,881,844
4 finished products and goods	181,413	241,808
Total	**68,583,138**	**54,282,650**
II) Receivables:		
1 trade accounts	44,838,514	74,187,637
3 due from associated companies	243,090	
5 due from others	19,029,984	20,090,876
Total	**64,111,588**	**94,278,513**
III) Current financial assets:		
3 other investments	8,901,906	9,217,394
4 treasury stock	2,754,169	2,017,371
5 other securities	88,904,522	57,538,030
Total	**100,560,597**	**68,772,795**
IV) Liquid assets:		
1 cash at banks and post offices	17,278,005	45,214,860
2 checks outstanding	-	311,842
3 cash and cash equivalents on hand	55,389	44,510
Total	**17,333,394**	**45,571,212**
TOTAL CURRENT ASSETS C)	**250,588,717**	**262,905,170**
D) PREPAYMENTS AND ACCRUED INCOME		
Other prepayments and accrued income	3,313,474	3,217,821
TOTAL PREPAYMENTS AND ACCRUED INCOME D)	**3,313,474**	**3,217,821**
TOTAL ASSETS	**356,712,230**	**372,272,970**

LIABILITIES AND SHAREHOLDERS' EQUITY

(in euros)	12/31/02	12/31/01
A) SHAREHOLDERS' EQUITY		
I Share capital	9,317,000	9,317,000
II Share premium reserve	36,885,352	36,885,352
III Revaluation reserve	1,578,884	1,578,884
IV Legal reserve	2,231,389	2,231,389
V Reserve for treasury stock	25,000,000	25,000,000
VII Other reserves:	32,271,583	27,647,962
VII Consolidation reserve	44,464,634	42,679,545
IX Net profit for the year	14,914,026	9,349,217
TOTAL SHAREHOLDERS' EQUITY A)	**166,662,868**	**154,689,349**
B) RESERVES FOR RISKS AND CHARGES		
2 Reserve for taxation	8,879,106	10,860,866
3 Other provisions	4,595,740	3,831,027
TOTAL RESERVES FOR RISKS AND CHARGES B)	**13,474,846**	**14,691,893**
C) RESERVE FOR TERMINATION INDEMNITIES	25,865,625	26,997,779
	25,865,625	**26,997,779**
D) PAYABLES		
1 Bonds		
3 Due to banks	1,459,177	2,243,641
4 Due to other lenders	–	1,132,322
5 Advances	22,215,939	8,913,179
6 Trade accounts	108,562,992	142,427,276
9 Due to associated companies	145,227	
11 Taxes payable	2,343,027	7,233,085
12 Due to social security authorities	2,862,552	3,394,616
13 Other payables	9,241,776	9,706,639
TOTAL PAYABLES D)	**146,830,690**	**175,050,758**
E) ACCRUED LIABILITIES AND DEFERRED INCOME		
Other accrued liabilities and deferred income	3,878,201	843,191
TOTAL ACCRUED LIABILITIES AND DEFERRED INCOME E)	**3,878,201**	**843,191**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**356,712,230**	**372,272,970**
MEMORANDUM ACCOUNTS AND OTHER COMMITMENTS		
Securities pledged as collateral	39,474,000	27,900,000
Third-party equipment held under gratuitous loans	133,972,292	133,972,292
Lease payments outstanding	135,336,698	79,047,712
Guarantees and sureties	7,401,612	380,420
Commitments to buy mutual funds	1,500,000	–
TOTAL MEMORANDUM ACCOUNTS AND OTHER COMMITMENTS	**317,684,602**	**241,300,424**

PROFIT AND LOSS ACCOUNT

(in euros)		12/31/02	12/31/01
A) VALUE OF PRODUCTION			
1	Revenues from sales and services	485,825,603	701,456,574
2	Changes in inventory of work in progress, semifin. goods and fin. products	16,266,448	16,063,556
4	Increase in fixed assets constructed internally	25,564	204,462
5	Other income and revenues	27,701,492	24,496,037
TOTAL VALUE OF PRODUCTION A)		**529,819,107**	**742,220,629**
B) COST OF SALES			
6	Raw, ancillary and consumable materials and goods	349,177,815	529,138,166
7	Services	42,342,364	47,476,267
8	Use of third-party assets	28,874,181	25,536,468
9	Personnel:		
	a) wages and salaries	53,038,627	60,656,871
	b) social contributions	17,276,564	20,444,232
	c) termination indemnities	4,350,403	4,408,456
10	Depreciation, amortization and writedowns:		
	a) amortization	2,675,191	2,752,683
	b) depreciation	14,798,181	14,858,532
	d) writedowns of receivables	139,382	376,733
11	Changes in inventory of raw, ancillary and consumable materials and goods	1,765,080	16,465,302
12	Provisions for risks	176,204	188,447
14	Other operating costs	1,494,777	2,617,683
TOTAL COST OF SALES B)		**516,108,769**	**724,919,840**
DIFFERENCE BETWEEN SALES AND COST OF SALES (A-B)		**13,710,338**	**17,300,789**
C) FINANCIAL INCOME AND CHARGES			
15	Income from investments in:		
	other companies	1,031,696	2,693,704
16	Other financial income:		
	b) from securities shown under current assets other than equity investments	1,758,979	2,324,456
	d) income other than the above	5,516,686	4,487,964
17	Interest and other financial charges:		
	paid to others	(6,672,544)	(3,033,407)
TOTAL FINANCIAL INCOME AND CHARGES C)		**1,634,817**	**6,472,717**
D) ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS			
18	Revaluations of:		
	a) equity investments		
19	Writedowns of:		
	a) equity investments	(1,690,361)	
	b) non-current financial assets which do not constitute equity investments	(1,531,116)	(1,875,001)
TOTAL ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS D)		**(3,221,477)**	**(1,875,001)**
E) EXTRAORDINARY INCOME AND CHARGES			
20	Income	73,589	83,260
21	Charges	(59,618)	(1,700,223)
TOTAL EXTRAORDINARY INCOME AND CHARGES E)		**13,971**	**(1,616,963)**
PROFIT BEFORE TAXES (A-B+C+D+E)		**12,137,649**	**20,281,542**
22	Income taxes for the year	2,776,377	(10,932,325)
26	**NET PROFIT FOR THE YEAR**	**14,914,026**	**9,349,217**

CONTENT, SCOPE OF CONSOLIDATION AND STRUCTURE OF THE FINANCIAL STATEMENTS

As required under Art 1, Section 1, of Law No. 69 of March 26, 1990, the consolidated financial statements have been prepared in accordance with the provisions of Legislative Decree No. 127 of April 9, 1991, enacted to implement EEC Directives No. 78/660 and No. 83/349, which deal with corporate matters and the preparation of annual and consolidated financial statements.

The consolidated financial statements for the Group include the financial statements of Pininfarina S.p.A., the Group's Parent Company, and the subsidiaries in which it holds directly or indirectly a majority of the votes that can be cast at the Regular Shareholders' Meeting. These companies are consolidated on a line-by-line basis.

Companies in which the Group holds an investment of limited value are recognized at purchase or subscription cost.

A list of the Group's equity investments is provided in Annex 2.

The financial statements used for consolidation purposes are those approved by the Shareholders' or Partners' Meetings of the individual companies, restated when necessary to reverse entries made exclusively for tax purposes and adjusted to conform with the rules that govern the preparation of consolidated financial statements, which have been applied consistently throughout the Group.

The fiscal years of all companies included in the scope of consolidation end on December 31 of each year.

PRINCIPLES OF CONSOLIDATION

The Group's subsidiaries have been consolidated on a line-by-line basis, which entails the recognition of all assets and liabilities, revenues and expenses of the individual subsidiaries.

In 2002, Pininfarina International S.p.A. was absorbed by Pininfarina S.p.A.

In previous fiscal years, the minority interest in the equity capital and reserves of subsidiaries was recognized in a separate equity account called "minority interest in equity capital and reserves." The minority interest in consolidated net profit was recognized in an item called "minority interest in net profit (loss) for the fiscal year."

The principal adjustments required for the transition from a mere aggregation of the data to the consolidation of the individual balance sheets and profit and loss accounts are listed below:

- Elimination of the equity investments in the companies included in the scope of consolidation and of the corresponding interests in the underlying shareholders' equities. Any resulting negative difference is posted to a caption of shareholders' equity called "consolidation difference." Positive differences are allocated to the asset accounts of the companies included in the scope of consolidation whenever possible or, if appropriate, recognized in an asset caption called "consolidation difference."
- Elimination of receivables and payables between companies included in the scope of consolidation, and of all revenues and charges stemming from transactions carried out by these companies. In addition, all gains and losses arising from transactions between consolidated companies and involving components of shareholders' equity are eliminated, if material.
- Derecognition of value adjustments and provisions carried out exclusively for tax purposes.
- Derecognition of dividends received from consolidated companies.

The translation of financial statements denominated in currencies that are not legal tender in Italy was carried out by applying to the captions of the balance sheet and profit and loss account the official fixed exchange rate set for the currencies of the countries that adopted the euro as their currency.

VALUATION CRITERIA

Assets and liabilities are valued in accordance with uniform criteria.

The valuation criteria are the same as those used in the financial statements of the company that prepares the consolidated financial statements and are consistent with those used in the previous fiscal year, except for the method used to recognize financial leases.

The most significant valuation criteria are reviewed below.

NON-CURRENT ASSETS

Intangible Assets

Intangible assets, which consist of capitalized costs, are recognized at cost, including incidental expenses. They are booked with the approval of the Board of Statutory Auditors and amortized on a straight-line basis based on their remaining useful life or for a maximum period of five years, whichever is shorter.

When fully amortized, intangible assets are removed from the balance sheet.

Fixed Assets

Fixed assets are recognized at purchase, production or contribution cost, including incidentals. The cost is adjusted for inflation, when allowed under special purpose laws. These assets are depreciated annually on a straight-line basis.

Depreciation is computed on a straight-line basis in accordance with rates that reflect the remaining useful lives of the assets.

The rates used are as follows:

Industrial and commercial buildings	3%
Plant and machinery	from 10 to 25%
Office furniture and equipment	12%
Electronic and electromechanical equipment	from 18 to 20%
Vehicles	from 20 to 25%

Assets put into operation during the course of the fiscal year are depreciated at half the regular rate.

Maintenance costs are charged directly to income in the year they are incurred.

Leased Assets

Financial leases are recognized by recording on an accrual basis the lease payments owed to the leasing company and reflecting in the memorandum accounts the value of the remaining lease payments outstanding. Until the year ended December 31, 2001, production assets acquired under financial leases were recognized as non-current assets and depreciated as of the date of the lease agreement or the date when their construction was completed, whichever came later. At the same time, the Company recognized a financial liability, which was reduced as the principal was paid down. The financial impact of this change in accounting method is discussed in detail in the notes to the balance sheet.

Equity Investments

Equity investments are recognized at purchase or subscription cost. Their carrying value is written down only when there is a permanent loss in value. The original value is reinstated in subsequent years if the reasons for the writedown are no longer valid.

Equity investments in associated companies are valued by the equity method.

Inventory

Inventory is valued at the lower of cost or net realizable value, determined in accordance with the following criteria:

- Raw materials are valued at the average annual purchase cost determined by the LIFO method with periodic increments.
- Semi-finished goods are valued at their manufacturing cost.

– Work in process and semifinished goods is valued by the percentage of completion method.

– Finished products are valued at the average annual manufacturing cost determined by the LIFO method with periodic increments.

Receivables and Payables

Receivables and payables are recognized at their face value. Receivables are written down to their net realizable value by means of a special reserve. Receivables and payables in foreign currencies are translated into euros at the exchange rate in force on the respective transaction dates. The difference between this figure and the amount actually paid or received is recognized in the profit and loss account among financial income and charges.

Differences between the value assigned to foreign receivables and payables by applying the average exchange rates for the month of December and the value determined by applying transaction-date rates are recognized in the profit and loss account among financial income and charges.

Current Financial Assets

Publicly traded securities are recognized at cost or market value at the end of the fiscal year, whichever is lower. Other government or government-backed securities are recognized at the lower of cost or year-end market value, which is supplied by the bank that provides asset management services to the Group.

PREPAYMENTS, ACCRUALS AND DEFERRALS

These items are recognized on an accrual basis in accordance with the general principle of matching revenues and expenses attributable to the same fiscal year.

INCOME TAXES

The computation of the income tax liability for the year is based on estimates of the income taxes owed by the consolidated companies, determined in accordance with the laws and tax rates applicable at December 31, 2002. The tax liability is net of any tax credits conveyed by dividends distributed by Group companies.

In particular, the reserve for deferred taxes includes the tax liability on temporary differences between taxable income, as shown in the statutory financial statements, and the profit before taxes obtained by reversing entries made in the financial statements of the Parent Company and certain subsidiaries to obtain tax benefits that would not be available otherwise.

RESERVE FOR TERMINATION INDEMNITIES

This reserve covers all termination indemnities owed to the employees at the end of the fiscal year, based on the laws and collective bargaining agreements in force at December 31, 2002. As in previous fiscal years, the reserve for termination indemnities is adjusted in accordance with the prevailing case law to reflect the impact of transfers of Group employees from production staff positions to office staff positions.

Advance payments on future withholding taxes, made pursuant to law in 1997 and 1998, are recognized in the “due from others” account. The revaluation for the fiscal year is recognized in the “financial income and charges” account.

REVENUES AND EXPENSES

Revenues and expenses are recognized in the financial statements on an accrual basis using a conservative approach. Revenues and income and costs and expenses are shown net of returns, discounts, allowances and bonuses. Dividend income is booked when the dividends are collected.

RESEARCH, DEVELOPMENT AND ADVERTISING EXPENSES

These expenses are charged to income in the year they are incurred.

GRANTS PROVIDED BY PUBLIC INSTITUTIONS

Starting with 1999, revenues stemming from grants provided by public institutions to support specific investment programs are recognized on an accrual basis, taking into account the useful lives of the assets for which they were received. The portion of the grants attributable to the fiscal year is recognized as part of the value of production in the "other income and revenues" account. If the amount of the grants that institutions have approved but not yet paid cannot be determined reliably, the respective revenues are computed based on a conservative estimate of the expected grant.

Capital grants approved before 1999 that have not yet been disbursed for their full amount are recognized as extraordinary income when they are actually received.

COMPARISON WITH THE PRIOR YEAR'S FINANCIAL STATEMENTS

The annexed financial statements lists for each item the corresponding amount for the 2001 fiscal year. In the 2002 financial statements, certain items have been reclassified. To ensure a meaningful comparison, the corresponding data in the 2001 financial statements have also been reclassified.

ASSETS

NON-CURRENT ASSETS

Intangible Assets (amounts in euros)

Schedule of Changes to Intangible Assets and Accumulated Amortization

Historical Cost	Balance at 12/31/01 (a)	Additions (b)	Eliminations (c)	Balance at 12/31/02 (d=a+b-c)	Net intangible assets at 12/31/02
Rights to use intellectual property	5,191,261	1,277,609	895,512	5,573,358	2,463,745
Others	8,823,468	925,895	2,470,663	7,278,700	2,547,044
Intangib. assets under construct. and advances		20,000	0	20,000	20,000
Consolidation difference	1,412,135	0	0	1,412,135	1,200,462
Total	**15,426,864**	**2,223,504**	**3,366,175**	**14,284,193**	**6,231,251**

Accumulated Amortization	Balance at 12/31/01 (e)	Increases (f)	Decreases (g)	Balance at 12/31/02 (h=e+f-g)
Rights to use intellectual property	2,962,996	1,042,128	895,512	3,109,612
Others	5,723,274	1,476,098	2,467,716	4,731,656
Consolidation difference	54,708	156,965	0	211,673
Total	**8,740,978**	**2,675,191**	**3,363,228**	**8,052,941**

Additions refer to application software bought off the shelf or developed by software houses and to costs incurred for drawings and projects that have a multi-year useful life.

Fixed Assets (amounts in euros)

Schedule of Changes to Fixed Assets and Accumulated Depreciation

Historical Cost	Balance at 12/31/01 (d=a+b-c)	Additions (b)	Disposals (c)	Balance at 12/31/02 (d=a+b-c)	Net fixed assets at 12/31/02 (e=d-l)
Land and buildings	69,074,631	1,698,138	885,078	69,887,691	48,634,246
Plant and machinery	119,029,809	5,540,510	318,071	124,252,248	32,885,738
Industrial and trade equipment	49,736,767	2,122,766	5,432,291	46,427,242	4,595,663
Other goods	16,353,482	1,067,309	2,626,884	14,793,907	3,991,588
Fixed assets under construction	2,459,554	9,791,828	9,131,549	3,119,833	3,119,833
Total	**256,654,243**	**20,220,551**	**18,393,873**	**258,480,921**	**93,227,068**

Accumulated Depreciation	Balance at 12/31/01 (l=f+g+h-i)	Increases (g)	Decreases (i)	Balance at 12/31/02 (l=f+g+h-i)
Land and buildings	19,399,486	1,853,957	0	21,253,443
Plant and machinery	83,512,656	8,161,850	308,000	91,366,506
Industrial and trade equipment	43,496,245	3,744,064	5,408,731	41,831,578
Other goods	12,241,495	1,038,309	2,477,486	10,802,318
Total	**158,649,882**	**14,798,181**	**8,194,217**	**165,253,845**

New capital investments refer primarily to production facilities and equipment and to engineering and management information systems. The balances at December 31, 2001 and decreases for the year reflect the impact of the change in the accounting method used to recognize financial leases. Additional information is provided in the Valuation Criteria section of this Report.

Revaluations of fixed assets carried out during the fiscal year are shown in the table below. No writedowns were taken during the period.

(in euros)	Revaluation as per Law No. 72/83	Revaluation as per Law No. 413/91	Total
Industrial buildings	944,590	5,349,505	6,294,095
Plant and machinery	461,199	0	461,199
Industrial and trade equipment	222,232	0	222,232
Office furniture and equipment	50,137	0	50,137
Vehicles	47,662	0	47,662
Total	**1,725,820**	**5,349,505**	**7,075,325**

In 2001 and 2002, certain Group companies entered into financial leases with Sanpaolo Leasint for the construction of prototypes and equipment needed for a production order and with Locat S.p.A. for the construction of a new industrial facility. As of December 31, 2002, these two leasing companies had not yet charged any lease payments, since construction of the assets subject of the leases had not been completed. If the Company were to record these transactions in accordance with IAS 17, fixed assets under construction and advances, including capitalized costs, would increase by about 50.6 million euros, while loans due to other lenders would increase by the same amount. Moreover, land and advances to suppliers would, respectively, increase and decrease by 1.12 million euros. Accounting for these transactions in accordance with IAS 17 would have no impact on shareholders' equity at December 31, 2002 or on the profit and loss account.

Financial Assets

Investments in:

Associated Companies

(in euros)	12/31/02	12/31/01	Change
Open Air Systems GmbH	2,070,302	0	2,070,302
Pasiphae S.à r.l.	796,639	1,000,000	(203,361)
Total	**2,866,941**	**1,000,000**	**1,866,941**

Adjustments to the carrying value of the investments in associated companies at December 31, 2002 required the following writedowns:

(in euros)	
Open Air Systems GmbH	1,487,000
Pasiphae S.à r.l.	203,361
Total	**1,690,361**

These adjustments to the carrying value of the investments were recognized as adjustments to the value of financial assets.

Other Companies

(in euros)	12/31/02	12/31/01	Change
Banca Passadore S.p.A.	257,196	257,196	0
Investments with professional managers	227,583	202,536	25,047
Total	**484,779**	**459,732**	**25,047**

CURRENT ASSETS

Inventory

(in euros)	12/31/02	12/31/01	Change
Raw, ancillary and consumable materials	24,026,703	25,992,664	(1,965,961)
Work in process and semifinished goods	16,932,824	16,166,334	766,490
Work in process on job orders	27,442,198	11,881,844	15,560,354
Finished products and goods	181,413	241,808	(60,395)
Total	**68,583,138**	**54,282,650**	**14,300,488**

The value of the inventory at year-end market prices is not significantly different from the value determined by the LIFO method. The increase in work in process on job orders reflects primarily progress made on large orders by Pininfarina Ricerca e Sviluppo S.p.A..

Receivables

Trade Accounts

(in euros)	12/31/02	12/31/01	Change
Trade accounts receivable	48,763,969	78,625,916	(29,861,947)
Allowance for doubtful accounts	(3,925,455)	(4,438,279)	512,824
Total	**44,838,514**	**74,187,637**	**(29,349,123)**

The decrease in trade accounts receivable reflects the collection before December 31, 2002 of invoices for products shipped at the end of the year. At December 31, 2001, invoices for items shipped were still outstanding and were collected shortly after the end of the year.

Due from associated companies

(in euros)	12/31/02	12/31/01	Change
Open Air Systems Italian branch	10,596	0	10,596
Open Air Systems GmbH	232,494	0	232,494
Total	**243,090**	**0**	**243,090**

Due from Others

(in euros)	12/31/02	12/31/01	Change
Due from tax authorities for interest on tax refunds receivable	2,918,050	333,694	2,584,356
Prepaid taxes on employee severance indemnities	1,691,421	2,051,866	(360,445)
Tax prepayments	4,862,945	1,152,698	3,710,247
Due from tax authorities for VAT	5,296,433	14,405,553	(9,109,120)
Due from social security authorities	985,489	745,470	240,019
Grants receivable under Law No. 488/92	0	226,343	(226,343)
Advances to suppliers	1,663,591	440,990	1,222,601
Other receivables	1,612,055	734,262	877,793
Total	**19,029,984**	**20,090,876**	**(1,060,892)**

The decrease in the amount due from tax authorities for VAT is due to the collection of a VAT overpayment following the filing of a request for refund by Pininfarina S.p.A. The change in the amount due for tax prepayments is discussed in the note to the reserves for risks and charges.

Current Financial Assets

Other Investments

(in euros)	12/31/02	12/31/01	Change
Sanpaolo IMI S.p.A.	221,157	221,157	0
Banca Intermobiliare S.p.A.	3,596,800	3,596,800	0
Treasury shares	3,694,275	2,977,210	717,065
Other shares with professional managers	6,196,380	6,263,405	(67,025)
Reserve for fluctuations in the value of listed securities	(2,052,537)	(1,823,807)	(228,730)
Total	**11,656,075**	**11,234,765**	**421,310**

Other Securities

(in euros)	12/31/02	12/31/01	Change
Government and government-backed securities	13,290,562	38,115,301	(24,824,739)
Securities of special credit or medium-term fin. institutions	45,613,960	17,537,661	28,076,299
Commercial paper	30,000,000	1,885,068	28,114,932
Total	**88,904,522**	**57,538,030**	**31,366,492**

The carrying value of these securities has been adjusted by adding a provision of 1,531,116 euros to the reserve for fluctuations in the value of listed securities.

Liquid Assets

(in euros)	12/31/02	12/31/01	Change
Cash at banks and post offices	17,278,005	45,214,860	(27,936,855)
Cash and cash equivalents on hand	55,389	356,352	(300,963)
Total	**17,333,394**	**45,571,212**	**(28,237,818)**

Cash at banks reflects temporary liquidity generated by cash management and asset management transactions.

PREPAYMENTS AND ACCRUED INCOME

Other Prepayments and Accrued Income

(in euros)	12/31/02	12/31/01	Change
Accrued income	446,419	662,004	(215,585)
Prepayments	2,867,055	2,555,817	311,238
Total	**3,313,474**	**3,217,821**	**95,653**

A breakdown of accrued income is as follows:

(in euros)	
Accrued interest income	279,906
Accrued insurance claim payments	54,559
Other out-of-period income	111,954
Total	**446,419**

A breakdown of prepayments is as follows:

(in euros)	
Prepaid rental and leasing installments	2,438,509
Pro-rata share of insurance premiums	31,134
Prepaid maintenance fees	209,728
Other prepayments	187,684
Total	**2,867,055**

LIABILITIES AND SHAREHOLDERS' EQUITY

SHAREHOLDERS' EQUITY

Share capital totaled 9,317,000 euros. A breakdown is provided below.

	Common shares	Savings shares	Total shares
Balance at 12/31/02	**9,251,092**	**65,908**	**9,317,000**

The **share premium reserve** was unchanged at 36,885,352 euros.

The **revaluation reserve** was unchanged at 1,578,884 euros. It is recognized in the financial statements before any taxes payable upon distribution, since the Company does not intend to use it in a fashion that will render it taxable.

The **legal reserve** was unchanged at 2,231,389 euros.

The **reserve for treasury stock** was unchanged at 25 million euros.

The changes affecting **other reserves** are reviewed below:

The **special reserve** increased from 27,647,962 euros to 32,271,583 euros due to the appropriation of net profit at December 31, 2001 (+1,854,839 euros) and the merger by absorption of Pininfarina International S.p.A. (+2,768,783 euros).

The **consolidation reserve** grew from 42,679,545 euros to 44,464,634 euros. This change reflects the difference stemming from the elimination of equity investments in companies included in the scope of consolidation and the respective pro-rata interests in the underlying shareholders' equities.

A reconciliation between the shareholders' equity and net profit of Pininfarina S.p.A. and the shareholders' equity and net profit of the Group at December 31, 2002 is provided below.

(in euros)	Net profit for the year	Shareholders' equity
Shareholder's equity and net profit of Pininfarina S.p.A.	**2,881,143**	**110,165,351**
Net profit of companies consolidated on a line-by-line basis; difference between the carrying value of investments included in the consolidation and the interest in the underlying shareholder's equity	16,423,808	58,816,036
Elimination of intra-Group dividends	(3,780,000)	
Adjustments to restate the financial statements of consolidated companies in accordance with standard Group principles for consolidated financial statements and other consolidation adjustments	(610,925)	(2,318,519)
Shareholder's equity and net profit of the Pininfarina Group	**14,914,026**	**166,662,868**

The Parent Company's shareholders' equity includes reserves totaling 1,578,884 euros the taxation of which has been deferred. No provision has been established for the tax liability on these reserves because at present the Company does not anticipate executing transactions that will make these reserves taxable.

A breakdown of the changes in shareholders' equity is provided in Annex 1.

RESERVES FOR RISKS AND CHARGES

Reserve for taxation

At December 31, 2002, this reserve amounted to 8,879,000 euros, or 1,982,000 euros less than the 10,861,000 euros reported at the end of 2001. This change reflects temporary differences between the amounts recognized for tax purposes and those shown in the financial statements of the individual companies included in the scope of consolidation.

(in euros)	
Reserve at the beginning of the year	10,860,866
Utilizations	(1,981,760)
Provisions	0
Reserve at the end of the year	**8,879,106**

The following table shows the deferred-tax asset and deferred-tax liability at December 31, 2002.

(in euros)	
Reserve for deferred taxes	8,879,106
Deferred-tax assets (due from others)	(4,862,000)
Net deferred-tax liability	**4,017,106**

The reserve for deferred taxes and the deferred-tax assets have been computed in accordance with the tax rates currently applicable to fiscal years ending after December 31, 2002.

The main temporary differences that required the recognition of a deferred-tax asset or liability at December 31, 2002 are as follows:

(in euros)	**12/31/02**	12/31/01
Accelerated depreciation and amortization	8,245,329	9,728,262
Deferred capital gains	632,621	1,133,231
Taxed reserves	(1,873,024)	(1,122,550)
Tax-loss carryforward	(2,944,222)	–
Sundry items	(43,598)	(29,913)
Net deferred-tax liability	**4,017,106**	**9,709,030**

Other Provisions

(in euros)	**12/31/02**	12/31/01	Change
Reserve for the Mitsubishi order warranty	3,909,562	3,831,027	78,535
Reserve for foreign exchange risks	686,178	–	686,178
Total	**4,595,740**	**3,831,027**	**764,713**

The reserve for the Mitsubishi order warranty covers anticipated obligations for a three-year warranty provided in connection with the Mitsubishi order. The reserve for foreign exchange risks reflects the net loss generated by comparing the values of assets and liabilities in foreign currencies translated at year-end exchange rates with the corresponding historical values.

RESERVE FOR TERMINATION INDEMNITIES

(in euros)	
Balance at 12/31/01	**26,997,779**
Provision for the year	4,349,980
Utilization upon termination of employment relationships	(4,282,299)
Utilization for advances	(358,148)
Utilization for supplemental pension funds	(672,221)
Transfers	(101,397)
Advance payments of substitute tax	(68,069)
Balance at 12/31/02	**25,865,625**

The balance at December 31, 2002 is fully adequate to fund all termination benefits vested pursuant to law and collective bargaining agreements.

PAYABLES

Due to Banks

At December 31, 2002, the amount due to banks totaled 1,459,177 euros, or 784,464 euros less than the 2,243,641 euros owed at the end of 2001.

Advances

Advances, which totaled 22,215,939 euros (8,913,179 euros at December 31, 2001), represent advance billings on orders in process.

Trade Accounts

Trade accounts amounted to 108,562,992 euros, down from 142,427,276 euros at December 31, 2001.

Due to Associated Companies

(in euros)	12/31/02	12/31/01	Change
Open Air Systems Italian branch	139,052	0	139,052
Open Air Systems GmbH	6,175	0	6,175
Total	**145,227**	**0**	**145,227**

Taxes Payable

(in euros)	12/31/02	12/31/01	Change
Tax liability for the current year	226,645	4,679,010	(4,452,365)
Liability for income taxes owed by employees	1,977,185	2,290,235	(313,050)
Liability for income taxes owed by outsiders	83,198	183,812	(100,614)
Other taxes payable	55,999	80,028	(24,029)
Total	**2,343,027**	**7,233,085**	**(4,890,058)**

Due to Social Security Authorities

(in euros)	12/31/02	12/31/01	Change
Due to Inps - Inail	2,487,256	3,018,186	(530,930)
Due to Inpdai	119,833	119,972	(139)
Due to other institutions	255,463	256,458	(995)
Total	**2,862,552**	**3,394,616**	**(532,064)**

Other Payables

(in euros)	12/31/02	12/31/01	Change
Allocations for wages and social security contributions	6,666,151	6,303,573	362,578
Fees payable to the Board of Directors and Board of Statutory Auditors	262,962	284,675	(21,713)
Allocations for anticipated obligations	88,872	1,389,209	(1,300,337)
Allocations for capital investments	2,034,949	1,509,949	525,000
Miscellaneous payables	188,842	219,233	(30,391)
Total	**9,241,776**	**9,706,639**	**(464,863)**

ACCRUED LIABILITIES AND DEFERRED INCOME

Other Accrued Liabilities and Deferred Income

(in euros)	12/31/02	12/31/01	Change
Accrued liabilities	538,655	700,517	(161,862)
Deferred income	3,339,546	142,674	3,196,872
Total	**3,878,201**	**843,191**	**3,035,010**

A breakdown of accrued liabilities is as follows:

(in euros)	
Accrued bank charges	29,710
Accrued insurance premiums	253,901
Accrued taxes and fees and sundry contributions	61,888
Accrued travel expenses	29,483
Sundry accrued expenses	163,673
Total	**538,655**

A breakdown of deferred income is as follows:

(in euros)	
Deferrals for amounts billed in advance	3,254,639
Miscellaneous deferred income	84,907
Total	**3,339,546**

COMMITMENTS AND GUARANTEES

At December 31, 2002, commitments and guarantees included securities provided as collateral (39,474,000 euros), lease payments outstanding (135,336,698 euros), sureties (7,401,612 euros), third-party equipment held under gratuitous loans (133,972,292 euros) and commitments to purchase mutual funds (1,500,000 euros).

VALUE OF PRODUCTION

Revenues from Sales and Services

A breakdown of consolidated revenues by geographical area of destination is as follows:

(in euros)	2002	%	2001	%	Change
Italy	84,533,400	17.4	111,328,430	15.9	(26,795,030)
Other countries	401,292,203	82.6	590,128,144	84.1	(188,835,941)
Total	**485,825,603**	**100.0**	**701,456,574**	**100.0**	**(215,630,971)**

A breakdown of the value of production by product line is provided below.

(in thousands of euros)	2002	%	2001	%	Change
Complete cars and replacement parts	435,797	82.3	639,626	86.2	(203,829)
Design, engineering and prototypes	66,321	12.5	78,099	10.5	(11,778)
Other products	27,701	5.2	24,496	3.3	3,205
Total	**529,819**	**100.0**	**742,221**	**100.0**	**(212,402)**

A breakdown of 2002 design and engineering revenues is as follows: design 11.7 million euros, engineering 54.6 million euros. This breakdown was not available in 2001.

Other Income and Revenues

(in euros)	2002	2001	Change
Gains on the disposal of assets	83,831	67,878	15,953
Rebilled expenses	3,208	447,913	(444,705)
Rent	444,617	465,432	(20,815)
Insurance settlements	765,782	175,484	590,298
Operating out-of-period income	2,012,979	685,799	1,327,180
Rebilled duties on Mitsubishi contract	–	1,012,108	(1,012,108)
Rebilled tool lease payments on Mitsubishi contract	24,058,001	21,148,624	2,909,377
Miscellaneous income and revenues	333,074	492,799	(159,725)
Total	**27,701,492**	**24,496,037**	**3,205,455**

COST OF SALES

Purchases of materials and services (raw, ancillary and consumable materials and goods; services; use of third-party assets) decreased to 529,138,166 euros, or 179,960,351 euros less than the 349,177,815 euros paid in 2001.

A breakdown of personnel costs is as follows:

(in euros)	2002	2001	Change
Wages and salaries	53,038,627	60,656,871	(7,618,244)
Social security contributions	17,276,564	20,444,232	(3,167,668)
Addition to the reserve for termination indemnities	4,350,403	4,408,456	(58,053)
Total	**74,665,594**	**85,509,559**	**(10,843,965)**

A breakdown of the Group's staff, including temporary and seconded employees, is as follows:

	2002	2001	Change
Executives	39	32	7
Office staff	678	663	15
Production staff	1,514	1,741	(227)
Total payroll	**2,231**	**2,436**	**(205)**

In 2002, the average payroll numbered 2,278 employees, compared with 2,546 employees in 2001.

Depreciation, Amortization and Writedowns

Amortization and Depreciation

(in euros)	2002	2001	Change
Amortization	2,675,191	2,752,683	(77,492)
Depreciation	14,798,181	14,858,532	(60,351)
Total	**17,473,372**	**17,611,215**	**(137,843)**

A breakdown of depreciation and amortization for the different classes of assets is shown in the notes to the balance sheet.

Writedowns of Receivables Included in Working Capital

This item consists exclusively of the allocation to the allowance for doubtful accounts, which amounted to 139,382 euros, or 237,351 euros less than the 376,733 euros reported in 2001.

Changes in Inventory of Raw, Ancillary and Consumable Materials and Goods

The decrease of 1,765,080 euros over 2001 is due almost entirely to the implementation of a more efficient inventory management system.

Provisions for Risks

(in euros)	2002	2001	Change
Addition to the reserve for risks	176,204	188,447	(12,243)
Total	**176,204**	**188,447**	**(12,243)**

The provision booked in 2002 reflects an inventory writedown by Pininfarina Ricerca e Sviluppo S.p.A.

Other Operating Costs

(in euros)	2002	2001	Change
Non-deductible taxes and fees	279,911	495,340	(215,429)
Deductible taxes and fees	153,627	260,297	(106,670)
Losses on the disposal of assets	24,550	74,710	(50,160)
Operating out-of-period charges	1,011,522	1,632,523	(621,001)
Miscellaneous operating costs	25,167	154,813	(129,646)
Total	**1,494,777**	**2,617,683**	**(1,122,906)**

FINANCIAL INCOME AND CHARGES

Income from Investments

Income from Investments in Other Companies

Income from investments in other companies declined by 1,662,008 euros to 1,031,696 euros, down from 2,693,704 euros in 2001. This item includes gains on managed assets totaling 367,737 euros and dividends of 58,594 euros from Banca Passadore S.p.A., 31,261 euros from San Paolo IMI S.p.A., 3,400 euros from Beni Stabili S.p.A. and 570,704 euros from Banca Intermobiliare S.p.A.

Other Financial Income

Income from Securities Shown Under Current Assets Other than Equity Investments

This item, which amounted to 1,758,979 euros, or 565,477 euros less than the 2,324,456 euros reported in 2001, includes gains earned on the securities portfolio and interest from commercial paper.

Other Income

(in euros)	**2002**	2001	Change
Bank interest earned	321,613	306,803	14,810
Gains on securities transactions	2,326,126	3,585,652	(1,259,526)
Foreign exchange gains and other financial income	2,498,827	318,013	2,180,814
Miscellaneous interest income	370,120	277,496	92,624
Total	**5,516,686**	**4,487,964**	**1,028,722**

Interest and Other Financial Charges

Amounts Paid to Others

(in euros)	**2002**	2001	Change
Bank interest paid	587,069	569,455	17,614
Losses on securities transactions	4,606,214	2,132,453	2,473,761
Foreign exchange losses and other financial charges	1,424,919	269,824	1,155,095
Miscellaneous interest expense and other charges	54,342	61,675	(7,333)
Total	**6,672,544**	**3,033,407**	**3,639,137**

ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS

Writedowns

(in euros)	**2002**	2001	Change
Writedowns of equity investments	1,690,361	–	1,690,361
Writedowns of current financial assets	1,531,116	1,875,001	(343,885)
Total	**3,221,477**	**1,875,001**	**1,346,476**

Writedowns were taken to adjust the carrying values of the equity investments listed below, fixed income securities and treasury shares to their year-end market values.

(in euros)	
Phasiphae S.à r.l.	203,361
Open Air Systems GmbH	1,487,000
Other investments	1,531,116

EXTRAORDINARY INCOME AND CHARGES

Income

Other Income

(in euros)	**2002**	2001	Change
Out-of-period income	73,589	83,260	(9,671)
Total	**73,589**	**83,260**	**(9,671)**

Charges

Other Charges

(in euros)	**2002**	2001	Change
Out-of-period charges	59,681	1,700,223	(1,640,542)
Total	**59,681**	**1,700,223**	**(1,640,542)**

INCOME TAXES FOR THE YEAR

(in euros)	**2002**	2001	Change
Current taxes	5,041,914	9,395,235	(4,353,321)
Deferred taxes	(7,818,291)	1,537,000	(9,355,291)
Total	**(2,776,377)**	**10,932,235**	**(13,708,612)**

A reconciliation of the theoretical tax liability and the actual tax liability is as follows:

(in thousands of euros)	
Theoretical corporate income tax liability on profit before taxes	4,352
Dual income tax benefit and Tremonti Bis Law tax subsidies	(10,587)
Other permanent differences	92
Corporate income tax liability	**(6,143)**
Regional production tax liability on adjusted taxable base	3,320
Other permanent differences	47
Regional production tax liability	**3,367**
Income tax for the year	**(2,776)**

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING OF PININFARINA S.P.A. ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002, AS REQUIRED BY ARTICLE 41 OF LEGISLATIVE DECREE NO. 127/91

Dear Shareholders:

The consolidated financial statements at December 31, 2002, which were provided to us by the Board of Directors within the statutory deadlines together with the Report on Operations, were prepared in accordance with the format and procedures set forth in Legislative Decree No. 127/91. They show share capital and equity reserves totaling 151,748,842 euros and a net profit for the year amounting to 14,914,026 euros.

The audit performed by Reconta Ernst & Young S.p.A. has shown that the amounts listed in the financial statements match those that appear in the Parent Company's accounting records and in 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.

The determination of the scope of consolidation, the choice of the principles used for the consolidation of equity investments and the procedures used for that purpose are consistent with the provisions of Legislative Decree No. 127/91.

The consolidated financial statements are technically correct, and, overall, comply with the provisions of the applicable laws.

The Report on Operations presents fairly the financial position and operating performance during the 2002 fiscal year and reviews subsequent events affecting the operations of the companies included in the scope of consolidation.

Our examination of the Report on Operations has shown it to be consistent with the consolidated financial statements.

The valuation criteria applied are consistent with those used in 2001, except for the method used to recognize financial leases. In 2002, the Company recorded on an accrual basis the lease payments owed to the leasing company and reflected in the memorandum accounts the value of the remaining lease payments outstanding. In the past, production assets acquired under financial leases were recognized as non-current assets and depreciated normally. At the same time, the Company recognized a financial liability, which was reduced as the principal was paid down.

In addition, associated companies have been valued by the equity method. In the case of Open Air Systems, the use of this method produced a value adjustment of 1,487,302 euros, which is reflected in the profit and loss account.

Turin, April 15, 2003

The Statutory Auditors

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Auditors Report

pursuant to article 156 of Legislative Decree of February 24,1998, n.58

(Translation from the original Italian text)

To the Shareholders
of Pininfarina S.p.A.

1, We have audited the consolidated financial statements of Pininfarina S.p.A. as of and for the year ended December 31, 2002. These financial statements are the responsibility of the management of Pininfarina S.p.A.. Our responsibility is to express an opinion on these financial statements based on our audit.

2, Our audit was made in accordance with auditing standards and procedures recommended by CONSOB. In accordance with such standards and procedures we planned and performed our audit to obtain the information necessary in order to determine whether the consolidated financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles applied and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the consolidated financial statements of the prior year, which are presented for comparative purposes as required by the law, reference should be made to our auditors' report dated April 24, 2002.

3, In our opinion, the consolidated financial statements of Pininfarina S.p.A. comply with the Italian regulations governing consolidated financial statements; accordingly, they clearly present and give a true and fair view of the consolidated financial position of Pininfarina S.p.A. as of December 31, 2002, and the consolidated results of its operations for the year then ended.

4, The Board of Directors of Pininfarina S.p.A. has approved the porposal to merge the subsidiaries Industrie Pininfarina S.p.A. and Pininfarina Ricerca e Sviluppo S.p.A. into the parent company Pininfarina S.p.A.. The project is aimed at completing the reorganization of the Pininfarina Group and will be submitted for approval to the shareholders' meetings of the companies involved.

Turin, April 11, 2003

Reconta Ernst & Young S.p.A.

Mario Lamprati

Mario Lamprati
(Partner)

ANNEXES

The following Annexes contain additional data that supplement the information shown in the notes to the financial statements and are an integral part of the notes.

ANNEX 1

Analysis of Operating Performance

Net Financial Assets

Analysis of Financial Position

Analysis of Cash Flow

Statement of Changes in Shareholders' Equity

ANALYSIS OF OPERATING PERFORMANCE

(in thousands of euros)	12/31/02	%	12/31/01	%	Change
Net revenues	**485,826**	**91.70**	**701,457**	**94.51**	**(215,631)**
Changes in inventory of work in process and finished products	16,266	3.07	16,064	2.16	202
Other income and revenues	27,701	5.23	24,496	3.30	3,205
Fixed assets constructed internally	26	0.00	204	0.03	(178)
Value of production	**529,819**	**100.00**	**742,221**	**100.00**	**(212,402)**
Raw materials and outside services	(414,878)	(78.31)	(596,946)	(80.43)	182,068
Changes in inventory of raw materials	(1,765)	(0.33)	(16,465)	(2.22)	14,700
Value added	**113,176**	**21.36**	**128,810**	**17.35**	**(15,634)**
Personnel costs	(74,666)	(14.09)	(85,510)	(11.52)	10,844
EBITDA	**38,510**	**7.27**	**43,300**	**5.83**	**(4,790)**
Depreciation and amortization	(17,473)	(3.30)	(17,611)	(2.37)	138
Provisions	(176)	(0.03)	(188)	(0.03)	12
EBIT	**20,861**	**3.94**	**25,501**	**3.44**	**(4,640)**
Net financial income	1,635	0.31	6,473	0.87	(4,838)
Other income (charges), net	(10,358)	(1.96)	(11,692)	(1.58)	1,334
Profit before taxes	**12,138**	**2.29**	**20,282**	**2.73**	**(8,144)**
Income taxes	2,776	0.52	(10,932)	(1.47)	13,708
Net profit	**14,914**	**2.81**	**9,349**	**1.26**	**5,565**

NET FINANCIAL ASSETS

(in thousands of euros)	12/31/02	12/31/01	Change
Liquid assets	17,333	45,571	(28,238)
Fixed-income securities, net	88,905	57,538	31,367
Listed equity securities, net	11,656	11,235	421
Short-term bank borrowings	–	–	–
Net short-term financial assets	**117,894**	**114,344**	**3,550**
Long-term bank debt	(1,457)	(2,244)	787
Net financial position	**116,437**	**112,100**	**4,337**

ANALYSIS OF FINANCIAL POSITION

(in thousands of euros)	12/31/02	12/31/01	Change
A) Net non-current assets			
Net intangible assets	6,231	6,686	(455)
Net fixed assets	93,227	98,004	(4,777)
Net financial assets	3,352	1,460	1,892
	102,810	**106,150**	**(3,340)**
B) Working capital			
Inventory	68,583	54,283	14,300
Trade accounts receivable, net	45,082	74,188	(29,106)
Other assets	22,343	23,309	(966)
Trade accounts payable	(108,708)	(142,427)	33,719
Taxes payable	(13,475)	(14,692)	1,217
Other liabilities	(40,543)	(31,224)	(9,319)
	(26,718)	**(36,563)**	**9,845**
C) Net invested capital (A+B)	**76,092**	**69,587**	**6,505**
D) Reserve for termination indemnities	**25,866**	**26,998**	**(1,132)**
E) Net capital requirements (C-D)	**50,226**	**42,589**	**7,637**
F) Shareholders’ equity			
Share capital	9,317	9,317	0
Reserves	142,432	136,023	6,409
Net profit for the year	14,914	9,349	5,565
	166,663	**154,689**	**11,974**
G) Net financial position			
Long-term debt	1,457	2,244	(787)
Net financial assets	(117,894)	(114,344)	(3,550)
	(116,437)	**(112,100)**	**(4,337)**
H) Total as in E (F+G)	**50,226**	**42,589**	**7,637**

ANALYSIS OF CASH FLOW

(in thousands of euros)	12/31/02	12/31/01	Change
A. Net liquid assets at January 1	**114,344**	**90,890**	**23,454**
B. Cash flow from operating activities			
Net profit (loss) for the year	14,914	9,349	5,565
Depreciation and amortization	17,473	17,611	(138)
(Gains) Losses on sale of non-current assets	(66)	2,045	(2,111)
Change in working capital	(9,845)	9,023	(18,868)
Net change in reserve for termination indemnities	(1,132)	957	(2,089)
Other changes	(1,299)	(4,980)	3,681
	20,045	**34,005**	**(13,960)**
C. Cash flow from investing activities			
Investments in fixed, intangible and financial assets	(22,555)	(8,120)	(14,435)
Proceeds from sale or redemption value of non-current assets	8,250	1,584	6,666
	(14,305)	**(6,536)**	**(7,769)**
D. Cash flow from financing activities	**980**	**(878)**	**1,858**
E. Distribution of net profit	**(3,170)**	**(3,137)**	**(33)**
F. Net cash flow for the period (B+C+D+E)	**3,550**	**23,454**	**(19,904)**
G. Net liquid assets at December 31 (A+F)	**117,894**	**114,344**	**3,550**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(in thousands of euros)	Share Capital	Share premium reserve	Revaluation reserve	Legal reserve	Reserve for treasury stock	Other reserves	Consolidation reserve	Net profit for the year	Total
Total at 12/31/00	**9,624**	**36,885**	**1,563**	**1,924**	**25,823**	**19,318**	**36,889**	**10,734**	**142,760**
Dividend distribution	–	–	–	–	–	–	–	(3,116)	(3,116)
Transfer to reserves	(307)	–	–	307	(823)	6,026	514	(5,717)	–
Net profit for the year	–	–	–	–	–	–	–	9,349	9,349
Total at 12/31/01	**9,317**	**36,885**	**1,579**	**2,231**	**25,000**	**27,648**	**42,680**	**9,349**	**154,689**
Dividend distribution	–	–	–	–	–	–	–	(3,170)	(3,170)
Transfer to the special reserve	–	–	–	–	–	4,624	(2,769)	(1,855)	–
Net profit for the year	–	–	–	–	–	–	–	14,914	14,914
Other changes							4,555	(4,324)	231
Total at 12/31/02	**9,317**	**36,885**	**1,579**	**2,231**	**25,000**	**32,272**	**44,466**	**14,914**	**166,664**

Sergio Pininfarina

Chairman of the Board of Directors

Annex 2

List of Companies Included
in the Scope of Consolidation

Key Data of the
Principal Group Companies

LIST OF COMPANIES CONSOLIDATED ON A LINE-BY-LINE BASIS

Name	Registered office	Capital stock (in euros)	% interest held directly or indirectly in 2002	% interest held directly or indirectly in 2001
Parent Company				
Pininfarina S.p.A.	Turin	9,317,000		
Subsidiaries				
Industrie Pininfarina S.p.A.	Turin	6,300,000	100	100
Pininfarina Ricerca e Sviluppo S.p.A.	Turin	4,150,000	100	100
PF RE S.A.	Luxembourg	1,250,000	100	100
Pininfarina Services S.A.	Luxembourg	32,000	100	100
Pininfarina Extra S.r.l.	Turin	388,000	100	100
Pininfarina Deutschland GmbH	Renningen	3,100,000	100	100

KEY DATA OF THE PRINCIPAL GROUP COMPANIES

INDUSTRIE PININFARINA S.P.A.

Head office	Turin
Share capital (in euros)	6,300,000
Direct % interest held	100%

(in thousands of euros)	**2002**	2001
Value of production	491,254	697,784
EBIT	16,488	16,805
Net profit	17,751	8,259
Shareholders' equity	59,051	45,259
Capital expenditures	14,605	7,270
Net financial position	53,650	41,355

PININFARINA RICERCA E SVILUPPO S.P.A.

Head office	Turin
Share capital (in euros)	4,150,000
Direct % interest held	100%

(in thousands of euros)	**2002**	2001
Value of production	35,227	31,849
EBIT	278	1,185
Net profit	19	98
Shareholders' equity	15,988	15,969
Capital expenditures	2,344	3,946
Net financial position	(6,485)	(258)

PININFARINA DEUTSCHLAND GMBH

Head office	Renningen
Share capital (in euros)	3,100,000
Direct % interest held	100%

(in thousands of euros)	**2002**	2001
Value of production	12,047	13,901
EBIT	(293)	49
Net profit	37	439
Shareholders' equity	23,126	23,090
Capital expenditures	683	342
Net financial position	(1,299)	(1,254)

PININFARINA EXTRA S.R.L.

Head office	Turin
Share capital (in euros)	388,000
% interest held:	100%

(in thousands of euros)	**2002**	2001
Value of production	2,564	2,406
EBIT	549	260
Net profit	258	107
Shareholders' equity	1,028	770
Capital expenditures	86	395
Net financial position	(1)	(169)