ANNUAL REPORT 2003

PININFARINA S.p.A.

Share Capital: 9.317.000 euros, fully paid in
Registered Office: 61 Corso Stati Uniti, Turin
Tax I.D. and Registration No. 00489110015, Turin Company Register

CONTENTS

ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING
MAY 11, 2004

The Ordinary and Extraordinary Shareholders' Meetings will be held on May 11, 2004 at 10:00 AM in the "Mythos" Room of the offices of Pininfarina S.p.A., 30 Via Nazionale, Cambiano (Turin), on the first calling, and on May 12, 2004, same time and place, on the second calling.

AGENDA

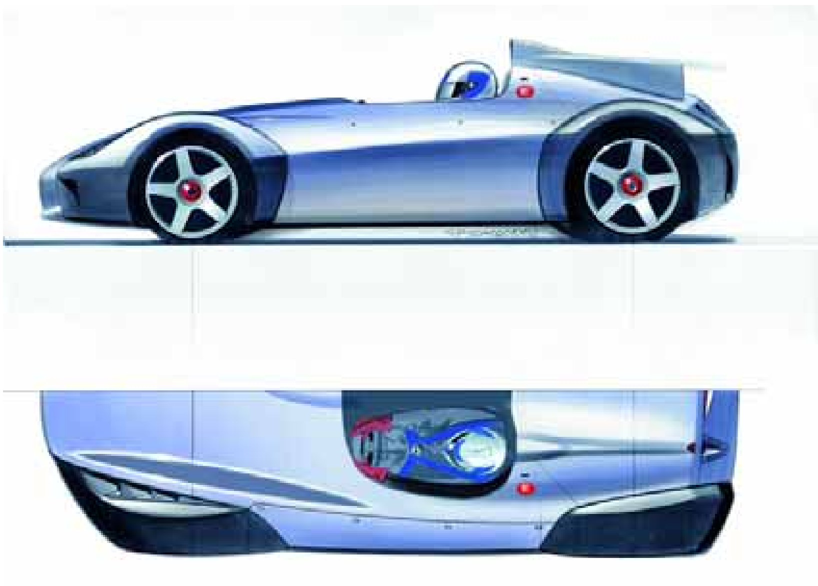
Ordinary Session

1. Financial statements at December 31, 2003 of Pininfarina S.p.A., appropriation of net profit for the year and related and required resolutions.
2. Financial statements at December 31, 2003 of Industrie Pininfarina S.p.A. and Pininfarina Ricerca e Sviluppo S.p.A. and related and required resolutions.
3. Election of a Statutory Auditor, an Alternate Auditor and the Chairman of the Board of Statutory Auditors.
4. Selection of the Independent Auditors for three years, from 2004 to 2006.
5. Resolutions required pursuant to Articles 2357 and 2357 ter of the Italian Civil Code and Article 132 of Legislative Decree No. 58 of February 24, 1998..
6. Resolutions concerning the compensation of the Board of Directors.

Extraordinary Session

1. Motion to amend Articles 3, 6, 8, 9, 10, 11, 12, 16, 17, 18, 20, 21, 22 and 24 of the Articles of Association and insert two new articles concerning accounting control and the right of shareholders to demand redemption of their shares; related and required resolutions.
2. Motion to order the mandatory conversion of savings shares into newly issued ordinary shares, ranking for dividends as of January 1, 2004. The conversion will be one-for-one with no equalization payment.

The Notice of the Shareholders' Meeting was published on April 9, 2004 in issue No. 84 of the Official Gazette of the Italian Republic.



BOARD OF DIRECTORS

Sergio Pininfarina	*Chairman**
Andrea Pininfarina	*Chief Executive Officer**
Elisabetta Carli	*Directors*
Mario Renzo Deaglio	
Cesare Ferrero	
Carlo Pavesio	
Lorenza Pininfarina	
Paolo Pininfarina	
Franzo Grande Stevens	

BOARD OF STATUTORY AUDITORS

Giacomo Zunino	*Chairman*
Giorgio Giorgi	*Statutory Auditors*
Piergiorgio Re	
Nicola Treves	*Alternate*

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 the 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.

The year just ended witnessed important developments for the future of the Group, which streamlined its corporate organization, with Pininfarina S.p.A. absorbing its two main operating companies (Pininfarina Ricerca e Sviluppo S.p.A. and Industrie Pininfarina S.p.A.), and completed a series of agreements and acquisitions that enabled it to make a quantum leap in terms of international presence and product line expansion.

In France, on September 16, 2003, the Group acquired 100% of Matra Automobile Engineering S.A.S. and its subsidiaries D3 S.A.S., Ceram S.A.S. and Plazolles Modelage S.a.r.L. In Sweden, on November 17, 2003, it established Pininfarina Sverige A.B., a joint venture with Volvo Car Corporation in which Pininfarina S.p.A. holds a 60% interest.

Operating Performance

In 2003, the Group posted a sharp gain in value of production (+47.07% compared with 2002). All other indicators of profitability were also up, with the exception of net profit, which did not benefit fully, as it had in the previous year, from the tax savings available under the Tremonti Law.

The Group's operating results are reviewed below.

Net revenues totaled 688.5 million euros, or 202.7 million euros more (+41.72%) than in 2002. All of the Group's operations contributed to this result, but the largest gain came in the manufacturing area, as production of the Ford Streetka reached full capacity.

The value of production came to 779.2 million euros, up from 529.8 million euros (+47.07%) compared with the previous year.

Operating costs, net of inventory, included 636.3 million euros for purchases of raw materials and outside services (+52.73%) and 97.8 million euros in personnel costs (+30.92%). Depreciation, amortization and provisions were 18.6 million euros, or 5.68% more than in 2002.

EBIT amounted to 26.5 million euros, an increase of 5.6 million euros (+26.79%) from the figure at December 31, 2002. EBIT were equivalent to 3.40% of the value of production (3.94% in 2002).

Improved conditions in the financial markets helped net financial income rise to 4.0 million euros (1.6 million euros in 2002). Net other expense totaled 8.3 million euros (-20.19%).

Profit before taxes increased to 22.2 million euros, or 10.1 million euros more (+83.47%) than in 2002. It was equivalent to 2.85% of the value of production (2.29% in 2002).

Income taxes totaled 12.1 million euros, compared with a credit of 2.8 million euros in 2002. The expiration of the tax benefits provided by the Tremonti Law, which were available for all of 2002, is the main reason for this sharp increase. The tax liability was equivalent to 54.50% of profit before taxes (23.14% in 2002).

The net loss attributable to minority shareholders, which amounted to 19,000 euros, reflects the 40% interest held by Volvo Car Corporation in the Pininfarina Sverige AB joint venture.

Because of the increased tax burden mentioned above, net profit fell by 32.21% to 10.1 million euros, or 4.8 million euros less than in 2002. It was equivalent to 1.30% of the value of production (2.81% in 2002).

Cash flow, which is equal to the Group's interest in net profit plus depreciation and amortization, decreased by 12.96% to 28.2 million euros. Capital investments grew to 42.9 million euros (22.6 million euros in 2002).

At December 31, 2003, net non-current assets had a carrying value of 172.9 million euros, or 68.19% more than a year earlier. Working capital was negative by 79.1 million euros, with the negative balance increasing by 52.4 million euros compared with the end of 2002.

The net financial position showed a surplus of 105.9 million euros, but was down 9.02% from a year earlier.

The outlook for 2004 calls for value of production to decrease by about 10% compared with 2003. This decline will be due primarily to the beginning of a new cycle of manufacturing orders for the 2004-2005 period, offset only in part by increased demand for the Group's design and engineering services, which are expected to grow by about 50% compared with 2003.

PININFARINA S.P.A.

The 2003 fiscal year ended with a net profit of 8.6 million euros. The increase of 5.7 million euros from 2002 (+196.55%) was due primarily to a gain in dividend income and higher other financial income. Income from equity investments rose from 6.9 million euros to 12.6 million euros (+82.60%), and other financial income grew by 2.7 million euros, rising from 575,000 euros to 3.3 million euros. Gains on equity securities transactions made possible by favorable conditions in the financial markets in 2003 are the main reason for this improvement.

At 13.7 million euros, other operating income was up 136.06% compared with the previous year. It includes royalties paid by Group companies as a percentage of revenues, which increased by 0.5 million euros (+40.83%), and services provided by the Communications, Administration, Finance, Marketing and Human Resources Departments to Group companies and outside customers, which grew by 7.4 million euros (+160.25%).

Operating costs rose by 103.96%, or 8.2 million euros, with the biggest increases occurring in personnel expense, which was 4.8 million euros higher than in 2002 due to staff expansion (from 37 to 137 employees), and nonfinancial services, which were up 3.2 million euros as a result of the expenses incurred to centralize the Group's administrative, marketing, personnel and general services at Pininfarina S.p.A. Depreciation and amortization increased by 0.3 million euros, due mainly to the amortization of higher capitalized costs for the development of improved security software and legal support in connection with the acquisition of Matra Automobile Engineering S.A.S.

Extraordinary charges reflect the expenses incurred to take advantage of a tax amnesty in Italy.

Profit before taxes came to 13.1 million euros, or 9.4 million euros more than in 2002.

Income taxes for the year, which increased by 3.7 million euros to 4.5 million euros, were equivalent to 34.58% of profit before taxes (21.62% in 2002).

Shareholders' equity, which includes a restricted reserve for treasury stock, increased from 110.2 million euros to 115.6 million euros (+4.90%). However, net financial assets decreased, falling to 62.3 million euros, or 2.19% less than the 63.7 million euros reported at the end of 2002. Net financial assets consist of listed securities (11.6 million euros), bonds and publicly traded mutual funds (50.1 million euros), and liquid assets (0.5 million euros).

In August 2003, Pininfarina S.p.A. underwrote its pro-rata share of a capital increase carried out by Banca Intermobiliare S.p.A., subscribing 566,280 shares at a cost of 2,265,000 euros. The interest held in Banca Intermobiliare S.p.A. remained unchanged at 2.26% (3,397,680 shares held).

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

Pininfarina S.p.A. draws on its expertise and its organizational skills to provide its subsidiaries and associated companies with services that help them improve quality and increase efficiency. In 2003, 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 2003, contracts that govern the services referred to in Item 1 above generated the following revenues:

Industrie Pininfarina S.p.A.	euros	11,337,810.32
Pininfarina Ricerca e Sviluppo S.p.A.	euros	2,002,477.19
Pininfarina Extra S.r.l.	euros	146,744.73
Matra Automobile Engineering S.A.S.	euros	109,479.37

At December 31, 2003, loans from Group companies (Item 2 above) totaled 5,665,000 euros, reflecting financing provided by the Industrie Pininfarina S.p.A subsidiary. Interest charges totaled 32,720.07 euros. 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, 2003, loans provided to Group companies (Item 3 above) totaled 1.4 million euros, all owed by Matra Automobile Engineering S.A.S. No interest has accrued on these loans since they were granted on December 31, 2003.

During 2003, Pininfarina Extra S.r.l. received financing of up to 120,000 euros, which generated interest income of 330.83 euros.

At December 31, 2002, loans provided to Group companies totaled 40,000 euros, all owed by Pininfarina Extra S.r.l. These loans generated financial income of 3,725.21 euros. In the first half 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. 1,678,326.44 euros for the use of office space and services by various Departments.

To Pininfarina Ricerca e Sviluppo S. p. A. 443,007.43 euros for costs incurred to operate the Pininfarina Museum, marketing services and rent.

To Pininfarina Deutschland GmbH 72,637.19 euros for miscellaneous expenses.

To Pininfarina Extra S.r.l. 12,804.58 euros for promotional material.

No atypical or unusual transactions were carried out with related parties in 2003.

At December 31, 2003, Pininfarina S.p.A. held 124,819 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, the status of awarded options was as follows:

Year	Strike price (euros)	Number of options awarded	Number of options exercisable	Number of options exercised
2002	19.408	192,000	148,376	20,681*
2003	20.909	212,000	—	—

* *The average strike price was 25.12 euros. All options were exercised in November 2003.*

No special arrangements have been made to help executives exercise their options. The Regular Shareholders' Meeting of May 15, 2003 authorized the Board of Directors to purchase up to 404,000 treasury shares to be used for the exercise 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 name and last name	Investee company	Number of shares held at 12.31.2002	Number of shares bought in 2003	Number of shares sold in 2003	Number of shares held at 12.31.2003
Pininfarina Sergio	Pininfarina S.p.A.	282,038 (1)	zero	zero	282,038 (1)
Pininfarina Sergio	Pininfarina S.p.A.	181,500 (2)	zero	zero	181,500 (2)
Pininfarina Sergio	Pininfarina S.p.A.	4,670,160 (3)	zero	zero	4,670,160 (3)
Pininfarina Sergio	Pininfarina S.p.A.	44,200 *(3)	zero	zero	44,200*
Ferrero Cesare	Pininfarina S.p.A.	286 **	zero	zero	286
Gianolio Giorgia	Pininfarina S.p.A.	10,000 (4)	zero	zero	10,000

* *Savings shares*
** *Including 105 registered saving 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 2003 are provided below:

(in thousands of euros)	12.31.2003	12.31.2002	Change
Value of production	731,977	491,254	240,723
EBIT	28,363	16,488	11,875
Net financial income	1,882	1,297	585
Net profit for the year	15,766	17,571	(1,805)
Shareholders' equity	67,257	59,051	8,206
Net invested capital	53,312	25,423	27,889
Net financial position	32,414	53,650	(21,236)

The main event that affected the Company's performance in 2003 was the sales success of the Ford Streetka automobile, which had a major positive impact on manufacturing output and revenues. Moreover, a favorable shift in the product mix resulted in better profit margins than in 2002. The Company invoiced a total of 43,286 complete cars and car bodies in 2003, compared with 26,945 units a year earlier (+60.6%). All profitability indicators improved compared with 2002 due to two main factors: a reduction of the startup costs incurred to begin production on the Ford order and a positive contribution by other car models that have entered the final production phase. In addition, styling and technical improvements made to the Alfa Romeo and Peugeot models have made these cars more desirable to motorists.

In 2003, the Company was awarded ISO/TS 16949 quality certification, becoming the first business to achieve this quality milestone as an "integrated supplier of design, engineering and production services to the automotive industry." Also in 2003, the production facilities of Industrie Pininfarina received ISO 14001 environmental certification.

The joint venture agreement signed in September 2003 with Volvo Car Corporation was an especially important strategic development. Under this agreement, in November 2003, Pininfarina S.p.A acquired a 60% interest in Pininfarina Sverige A.B., a company based in Uddevalla that was incorporated under Swedish law. Starting in 2005, Pininfarina Sverige A.B. will produce a new Volvo convertible that will be sold in Europe and the United States. This transaction is important for two reasons: It establishes a long-term corporate alliance with the owner of a prestigious brand and demonstrates that the Pininfarina Group is now able to function as a full-service partner for its customers, establishing manufacturing facilities away from its traditional venues.

The Open Air Systems GmbH joint venture ended the year with major contracts to develop and produce retractable roof systems in its portfolio. This business, which was launched in 2002 and is still in the startup phase, operated at a loss in 2003. Nevertheless, the current order backlog and the upcoming start of the revenue-generation phase should enable Open Air Systems GmbH to become profitable in 2006.

A detailed analysis is provided below:

- The value of production totaled 732 million euros, compared with 491.3 million euros in 2002.
- The ratio of EBITDA to value of production decreased by 0.38 percentage points, falling from 6.17% in 2002 to 5.79% in 2003.
- The ratio of EBIT to value of production improved to 3.87%, or 0.51 percentage points more than the 3.36% reported a year earlier.
- Net financial income added 1.9 million euros to profit before taxes, compared with 1.3 million euros in 2002.

Products

In 2003, the production of complete cars and car bodies increased to 43,286 units, compared with 26,945 units in 2002 (+60.64%). This sharp increase reflects the impact of the Ford Streetka order, which was in its first year of production and accounted for 54.47% of the total. The output of other car models decreased by 26.43% compared with 2002, as production is scheduled to end in 2004 for the Alfa Romeo and Peugeot orders and in the first half of 2005 for the *Mitsubishi* order.

A breakdown of the production of complete cars and car bodies is as follows:

Complete cars	2003	2002
Mitsubishi Pajero Pinin	8,704	11,300
Peugeot 406 Coupé	7,386	10,476
Peugeot 306 cabriolet	0	2,095
Alfa Romeo spider	2,094	1,896
Alfa Romeo GTV	1,521	1,020
Ford Streetka	23,579	37
	43,284	26,824
Car bodies		
Bentley Azure Corniche	0	78
Rolls Royce	0	42
Mitsubishi Pajero Pinin	1	1
Peugeot 406 Coupé	1	0
	2	121
Total	43,286	26,945

The production of complete cars and car bodies generated 88.89% of net revenues (85.80% in 2002); the design, prototype construction, experimentation and testing operations contributed 7.06% (8.61% in 2002); industrialization and tooling for new production generated 0.12% (0.09% in 2002); and miscellaneous items accounted for the remaining 3.93% (5.50% in 2002).

A breakdown of exports, which came to 89.35% of net revenues (82.71% in 2002), is as follows: European Union 89.30% (82.60% in 2002) and Japan and other destinations 0.05% (0.11% in 2002). The remaining 10.65% was sold to domestic customers, who in turn exported 80.66% of these units.

Capital expenditures

During 2003, capital expenditures totaled 21.1 million euros, up from 14.6 million euros in 2002. A total of 6.2 million euros was used to increase the company's investment in Open Air Systems GmbH. The biggest increase occurred in additions to property, plant and equipment, mainly in connection with the new *Ford Streetka* production order.

Personnel

At December 31, 2003, the company had 1,574 employees (1,273 production staff and 301 managers and office staff), or 157 fewer than at the end of 2002, when its payroll numbered 1,731 employees (1,371 production staff and 360 managers and office staff). The average payroll for the year included 1,847 employees (1,547 production

staff and 300 managers and office staff).

Total absenteeism (illness, accidents, justified absences and strikes) was equivalent to 9.33% (8.67% in 2002). Productivity decreased by 5.2 percentage points.

The Government Layoff Benefits Fund was utilized to draw an amount equivalent to 4.35% of the hours that could theoretically be worked by employees on the factory payroll (28.93% in 2002).

Per capita labor costs were 8.45% lower than in 2002 due to a number of factors, including a different mix in the professional staff and a decrease in the share of the layoff benefits paid by the company.

Pininfarina Ricerca e Sviluppo S.p.A.

The key financial data for 2003 are provided below:

(in thousands of euros)	12.31.2003	12.31.2002	Change
Value of production	63,013	35,227	27,786
EBIT	1,708	278	1,430
Net financial charges	(941)	(1,453)	512
Net profit for the year	(476)	19	(495)
Shareholders' equity	15,513	15,988	(475)
Net invested capital	11,027	27,641	(16.614)
Net financial position	9,632	(6,485)	16,117

The loss of 476,000 euros reported by the company in its final fiscal year was due entirely to the impact of taxes, as it had earned 767,000 euros on a pretax basis (pretax loss of 1.2 million euros in 2002).

Demonstrating the vitality of its businesses upon completing the expansion and reorganization process launched in 2001, the company posted a 78.97% gain in value of production, which rose from 35.2 million euros in 2002 to 63.0 million euros in 2003, and an increase in EBIT from 278,000 euros to 1.7 million euros during the same period.

Purchases of raw materials and outside services amounted to 40.0 million euros (17.5 million euros in 2002). Personnel costs increased by 22.78% to 19.4 million euros (15.8 million euros in 2002), reflecting a rise in average payroll from 275 to 345 employees.

EBITDA, which grew to 3.5 million euros (1.9 million euros in 2002), were equal to 5.58% of the value of production, about the same as in the previous year when the ratio was 5.3%.

EBIT, which are net of depreciation, amortization and provisions totaling 1.8 million euros (1.6 million euros in 2002), rose to 1.7 million euros (2.71% of the value of production), compared with 278,000 euros in 2002 (0.79% of the value of production).

Net financial charges decreased to 941,000 euros, down from 1.4 million euros the previous year. Income taxes were 1.2 million euros, compared with a tax credit of 1.2 million euros in 2002, when the company benefited from the tax savings available under the Tremonti Law.

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

Engineering

The Engineering Department enjoyed large gains in value of production and profitability compared with 2002, as it became fully engaged in fulfilling new orders and completed the reorganization and expansion process it launched in 2001.

The acquisition of the engineering operations of Matra Automobiles, which were transferred to a new company called Matra Automobile Engineering, represented an important and decisive step in the process of strengthening the company's presence in this business.

This acquisition, coupled with the direct hiring of specialized personnel by Pininfarina Ricerca e Sviluppo S.p.A., swelled the payroll of the engineering operations to more than 600 employees. The purchase of Matra Automobiles will enable the company to strengthen its traditional engineering activities while helping it to expand and consolidate its presence in the areas of mechanical engineering, electronics, and vehicle instrumentation, thanks to its access to the testing equipment operated by CERAM, a company of the Matra Automobile Group.

Moreover, ownership of facilities in France represents a significant commercial advantage when dealing with French carmakers, whose product development programs rely to a steadily increasing extent on the support of partners capable of delivering engineering services.

Among the projects carried out during the year, work continued on schedule on engineering development assignments received from Volvo and Hafei. For Jaguar, the company completed the engineering development for the X-type Estate, which then went into production, and provided technical support during the car's commercial launch by dispatching a dedicated team located directly at the customer's production facility.

Three new large development project orders were acquired in 2003: one from Alfa Romeo for a car that will be manufactured by Pininfarina; another from Peugeot, which is broadening an existing relationship to include engineering services; and a third from Saic Chery, a Chinese company.

The Chinese project is especially important technically and financially because it involves the complete development of two families of cars.

Design

An important achievement of the design operations was the unveiling of the Enjoy at the 2003 Geneva Motor Show. This roadster prototype, which can be configured for highway driving or racing, was named "Most Fun" car by Autoweek, a U.S. magazine, and received a special prize in the annual "Most Beautiful Car in the World 2003" contest.

Another significant development was the official presentation of the Maserati Quattroporte at the Frankfurt Motor Show. Through the design of this car, Pininfarina played a leading role in helping Italian industry re-establish its presence in the market for luxury sedans by launching a model with enormous emotional appeal. The Quattroporte has been honored with numerous awards for its styling, including:

- "Most Beautiful Car in the World 2003" prize, awarded by Automobilia magazine.
- Inclusion among the "100 Most Beautiful Objects in the World" by GQ, an English-language magazine published by Condé Nast.
- The "Best Cars 2004" award for the Luxury Sedans segment awarded just recently in Stuttgart by Auto Motor und Sport, a German magazine.

During the year, the company continued to strengthen its relationship with its established customers: Alfa Romeo, Peugeot and the Ferrari-Maserati Group.

In China, it launched a collaborative project with Shenyang Brilliance Jinbei Automobile Co. involving the development of styling solutions for two car models.

In 2003, projects involving other transportation systems included the presentation of the design for a 20-meter boat that will be built by the Primatist boatyard and completion of the development work for the Sirio trams that Ansaldo-Breda is building for the cities of Athens and Bergamo.

Pininfarina Extra S.r.l.

The key financial data for 2003 are provided below:

(in thousands of euros)	12.31.2003	12.31.2002	Change
Value of production	2,517	2,564	(47)
EBIT	422	549	(127)
Net financial charges	(2)	(9)	7
Net profit for the year	202	258	(56)
Shareholders' equity	1,230	1,028	202
Net invested capital	1,108	1,175	(67)
Net financial position	288	(1)	289

In 2003, the company's nineteenth year of operation, value of production totaled 2,517,000 euros, or 1.83% less than in 2002. EBIT amounted to 422,000 euros. As expected, the company's profit margin shrank by a few percentage points compared with 2002 (EBIT/Production value down from 21.41% to 16.77%) due to the concurrent impact of several factors, including unfavorable market conditions, higher labor costs and overhead, and renewal of product lines by licensees.

At 1,217,000 euros, sales and service revenues were 18.37% lower than in 2002, but royalty income increased by 21.44% to 1,280,000 euros. The revenues generated by manufacturers licensed to use the Pininfarina brand name decreased by 12.5% compared with 2002, falling from 32 million euros to about 28 million euros. However, they are expected to rebound in 2004 thanks to the introduction of new product lines by several major licensees (Bric's, Estel, Lavazza and Savio).

At December 31, 2003, Pininfarina Extra had 17 employees.

The importance of the company's knowhow and the beneficial impact of the successful integration of its design operations is demonstrated by its ability to generate value added of 1.5 million euros, which is an average of more than 90,000 euros per employee.

Significant developments that occurred after the salient events already discussed in the 2003 Semiannual Report (presentation of the Bric's luggage line, Riva 1920 living room furniture and new Lavazza vending machines) are reviewed below:

- In September, start of a design project for a leading international manufacturer of cellular telephones;
- In November:

  Announcement of a new collaborative relationship with Besson for the development of alpine skiing equipment that will be tested in the Pininfarina wind tunnel.

  Presentation at the Milan Triennal Show of the Bravo and Encore, two videoprojectors designed for 3M, a world leader in this area of business;
- In December, receipt of ISO 9001 certification; announcement of a Pininfarina Snaidero collaborative project in Kiev, marking the fifth renewal of the design cooperation agreement with this customer for three years, from 2004 to 2006 (by 2006, the relationship with Snaidero will have extended over a period of almost 20 years); and start of design projects for new clients in the field of accessories (watches, glasses, etc.).

Matra Automobile Engineering S.A.S.

Pininfarina S.p.A. acquired control of Matra Automobile Engineering on September 16, 2003. As a result, for financial statement consolidation purposes, only the data for the fourth quarter of 2003 were taken into account. During that period, the value of production totaled 9.1 million euros, but the company reported a loss of 1.6 million euros, which had been anticipated since its operations are in the startup phase. The net financial position was positive by 4.9 million euros, and Matra Automobile Engineering had 280 employees at December 31, 2003.

Pininfarina Deutschland GmbH

Pininfarina Deutschland GmbH reported a net loss of 3 million euros, compared with a net profit of 37,000 euros in 2002. The value of production increased to 14.0 million euros, or 12% more than the 12.5 million euros reported in 2003.

The main reason for the loss is a decrease in productivity caused by a renovation of the production facilities and the increased use of outsourced services to complete a major order within the contract deadline.

The company had 103 employees at December 31, 2003 (89 a year earlier).

Net borrowings totaled 1.8 million euros, compared with 1.3 million euros at the end of 2002. Shareholders' equity amounted to 20.1 million euros.

Pininfarina RE S.A.

Pininfarina RE S.A. ended 2003 with 64,000 euros in income from insurance operations (income of 143,000 euros in 2002). Financial assets totaled 4.8 million euros, about the same as in the previous year. The Pininfarina Services S.A. subsidiary reported net income of 21,000 euros (26,000 euros in 2002) and financial assets of 335,000 euros (265,000 euros in 2002).

Pininfarina Sverige A.B.

This company, in which Pininfarina S.p.A. acquired a 60% interest on November 17, 2003, will close its first fiscal year on December 31, 2004. Exclusively for the purpose of inclusion in the consolidated financial statements of the Pininfarina Group, Pininfarina Sverige reported a loss of 423,910 Swedish kroner (about 46,000 euros) and a net financial position of 900,000 Swedish kroner (about 99,000 euros) at December 31, 2003.

SIGNIFICANT EVENTS OCCURRING SINCE DECEMBER 31, 2003

The merger by absorption of Industrie Pininfarina S.p.A. and Pininfarina Ricerca e Sviluppo S.p.A. into Pininfarina S.p.A., the Group's Parent Company, became effective on January 1, 2004. The merger had been approved by the shareholders at the Meeting held on May 15, 2003.

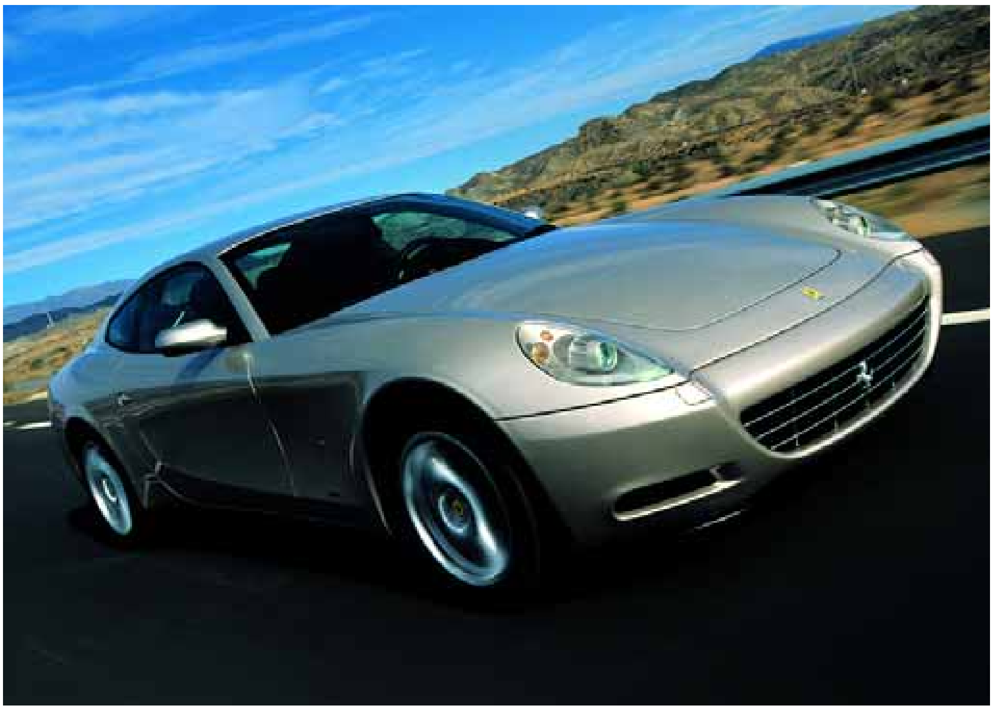
Following the merger and the resulting change in corporate purpose, two shareholders holding a total of 71,375 ordinary shares validly exercised the right to have their shares redeemed. Pininfarina S.p.A. purchased all of these shares and added them to its portfolio of treasury shares.

In view of the capital investment program scheduled for 2004, the companies of the Group did not distribute any dividends to the Group's Parent Company.

After the close of the 2003 fiscal year, the new Ferrari 612 Scaglietti, a 2+2 coupé that is at the top of the Ferrari line, was presented at the Detroit and Geneva Motor Shows.

Pininfarina, which designed this car, was thus able to display side by side two highly prestigious new products at its booth at the Geneva Motor Show: the Ferrari 612 Scaglietti and the Maserati Quattroporte, both brought to market in a period of less than six months.

As required by the provisions of Legislative Decree No. 196 of June 30, 2003, Uniform Privacy Code, Pininfarina S.p.A. is working to complete an update of its safety guidelines within the statutory deadline.



MOTION FOR THE APPROPRIATION OF NET PROFIT

The 2003 fiscal year ended with a net profit of 8,570,931.00 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
Allocation to the special reserve	5,400,422.41	euros
Net profit	8,570,931.00	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.

Due to the combined effect of Article 40 of Decree Law No. 269 of September 30, 2003, as it was amended when it was converted into Law No. 326 of November 24, 2003, and of Article 4 of Legislative Decree No. 344 of December 12, 2003, a tax credit is available to taxpayers whose tax period is different from the calendar year, but only if such taxpayers collect the income before the end of the fiscal year that includes December 31, 2003.

Because of the taxes paid by the Company, the dividends convey a full tax credit.

Coupon No. 4, both for ordinary and savings shares, must be presented on May 24, 2004. The dividend will be payable on May 27, 2004.

Turin, March 29, 2004

Sergio Pininfarina
Chairman of the Board of Directors

Matra Automobile Engineering – Trappes (Francia)

CERAM – Mortefontaine (Francia)

D3 – Courbevoie (Francia)

Pininfarina Sverige – Uddevalla (Svezia)

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL HIGHLIGHTS

(in euros)	12.31.2003	12.31.2002
Operating Data		
Net revenues	688,549	485,826
Value of production	779,215	529,819
EBITDA	45,107	38,510
EBIT	26,514	20,861
Net financial income	4,010	1,635
Profit before taxes	22,190	12,138
Group interest in net profit	10,145	14,914
ACash flow*	28,239	32,387
Balance Sheet Data		
Net fixed assets	172,874	102,810
Net invested capital	93,779	76,092
Group interest in shareholders’ equity	173,707	166,663
Net financial position	105,927	116,437
Performance indicators (%)		
EBITDA/net revenues	5.79	7.27
ROS (EBIT/net revenues)	3.40	3.94
ROI (EBIT/net invested capital)	28.27	27.41
ROE (net profit/shareholders’ equity)	5.84	8.95
Net financial income/value of production	0.51	0.31
Other Data		
Capital investments for the year	42,897	22.555

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

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

OPERATING PERFORMANCE

Net revenues totaled 688.5 million euros, or 202.7 million euros more (+41.72%) than in 2002. All of the Group's operations contributed to this result, but the largest gain came in the manufacturing area as production of the Ford Streetka model reached full capacity.

The value of production increased by 229.4 million euros, or 47.07%, to 779.2 million euros. A breakdown by business segment is provided below:

(in millions of euros)	2003	%	2002	%	Change
Production of complete cars and replacement parts	649,624	83.4	435,797	82.3	213,827
Design, engineering and prototypes	101,807	13.0	66,321	12.5	35,486
Other	27,784	3.6	27,701	5.2	83
Total	779,215	100.0	529,819	100.0	249,396

Operating costs, net of inventory, included 636.3 million euros for purchases of raw materials and outside services (+52.73%). Consequently, value added increased to 142.9 million euros, or 29.7 million euros more (+26.23%). The ratio of value added to the value of production was 18.34% (21.36% in 2002).

At 97.8 million euros, personnel costs were 30.92% higher than in the previous year, as the year-end payroll grew by 11.43% to 2,486 employees, 255 more than at December 31, 2002.

EBITDA came to 45.1 million euros, or 6.6 million euros more than in 2002 (+17.14%). The ratio of EBITDA to value of production declined to 5.79% (7.27% in 2002).

Depreciation and amortization increased to 18.1 million euros (+3.42%). Provisions amounted to 0.5 million euros, more than double the amount booked in 2002.

EBIT grew by 5.6 million euros (+26.79%) to 26.5 million euros. The ratio of EBIT to value of production was 3.40% (3.94% in 2002).

Improved conditions in the financial markets helped net financial income more than double compared with the previous year, rising to 4.0 million euros (1.6 million euros in 2002). Net other expense totaled 8.3 million euros (-20.19%).

Profit before taxes increased to 22.2 million euros, or 10.1 million euros more (+83.47%) than in 2002. It was equivalent to 2.85% of the value of production (2.29% in 2002).

Income taxes totaled 12.1 million euros, compared with a credit of 2.8 million euros in 2002. The tax liability was equivalent to 54.50% of profit before taxes (23.14% in 2002). In 2002, the tax burden had been reduced by the tax benefits available under the Tremonti Law.

The net loss attributable to minority shareholders, which amounted to 19,000 euros, reflects the consolidation of the Pininfarina Sverige AB joint venture.

Net profit fell by 32.21% to 10.1 million euros, or 4.8 million euros less than in 2002. It was equivalent to 1.30% of the value of production (2.81% in 2002).

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

FINANCIAL POSITION

At December 31, 2003, net capital requirements were 17.6 million euros more than a year earlier as a result of the following changes:

- Net non-current assets totaled 172.9 million euros. The increase of 64.9 million euros in intangible and fixed assets is the net result of additions amounting to 88.5 million euros, depreciation and amortization of 18.1 million euros, retirements of 39.3 million euros and reversals of depreciation and amortization of 33.8 million euros. Financial assets increased by 5.2 million euros.
- Working capital was negative by 79.1 million euros. The negative balance increased by 52.4 million euros compared with the end of 2002, as current liabilities increased proportionately more than current assets.

- At 26.0 million euros, the reserve for termination indemnities was about the same as at December 31, 2002 due to an increase in utilizations.

Capital requirements were covered by:

- Shareholders' equity, which increased by 7.0 million euros as the net result of the transfer to retained earnings of the unappropriated 2002 net profit and of the difference between the 2003 and 2002 net profit. In 2003, shareholders' equity was equivalent to 1 time net non-current assets (1.62 times in 2002).
- Net financial assets, which decreased by 10.5 million euros (-9.02%).

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

FINANCIAL PERFORMANCE

In 2003, net financial assets decreased by 9.9 million euros as the net result of the following changes:

- Cash flow from operating activities increased by 12.2 million euros, reflecting a decrease in working capital requirements.
- Investing activities absorbed 24.7 million euros more than in 2002.
- Cash flow from financing activities decreased by 1 million euros.
- The net profit distributed was 3.1 million euros, about the same as in 2002.

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

CONSOLIDATED FINANCIAL STATEMENTS
AT DECEMBER 31, 2003

BALANCE SHEET ASSETS

(in euros)	12.31.2003	12.31.2002
B)NON-CURRENT ASSETS:		
I) Intangible assets		
3 Rights to use intellectual property	4,170,989	2,463,745
5 Goodwill		
6 Intangible assets under formation	52,767,456	20,000
7 Others	3,061,519	3,747,506
Total	59,999,964	6,231,251
II) Fixed assets		
1 Land and buildings	57,939,026	48,634,246
2 Plant and machinery	30,512,750	32,885,738
3 Industrial and trade equipment	7,456,759	4,595,663
4 Other goods	8,055,529	3,991,588
5 Fixed assets under construction and advances	351,435	3,119,833
Total	104,315,499	93,227,068
III) Financial assets		
1 Investments in:		
a) associated companies	7,901,316	2,866,941
d) other companies	657,490	484,779
Total	8,558,806	3,351,720
TOTAL NON CURRENT ASSETS B)	172,874,269	102,810,039
C)CURRENT ASSETS		
I) Inventory		
1 Raw, ancillary and consumable materials	26,956,711	24,026,703
2 Work in process and semifinished goods	16,239,686	7,495,941
3 Work in progress on job orders	42,122,288	36,879,081
4 Finished products and goods	908,168	181,413
Total	86,226,853	68,583,138
II) Receivables		
1 Trade accounts	69,408,255	44,838,514
3 Due from associated companies	1,951,859	243,090
5 Due from others	41,310,453	19,029,984
Total	112,670,567	64,111,588
III) Current financial assets		
3 Other investments	11,562,193	8,901,906
4 Treasury stock	2,997,154	2,754,169
5 Other securities	57,703,963	88,904,522
Total	72,263,310	100,560,597
IV) Liquid assets		
1 Cash at banks and post offices	35,697,245	17,278,005
3 Cash and cash equivalents on hand	78,696	55,389
Total	35,775,941	17,333,394
TOTAL CURRENT ASSETS C)	306,936,671	250,588,717
D)PREPAYMENTS AND ACCRUED INCOME		
Other prepayments and accrued income	4,587,973	3,313,474
TOTAL PREPAYMENTS AND ACCRUED INCOME D)	4,587,973	3,313,474
TOTAL ASSETS	484,398,913	356,712,230

BALANCE SHEET

LIABILITIES AND SHAREHOLDERS' EQUITY

(in euros)		12.31.2003	12.31.2002
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	27,951,000	25,000,000
VII	Other reserves:		
	a) Miscellaneous reserves	29,080,688	32,271,583
	b) Consolidation reserve	56,496,726	44,464,634
	c) Minority interest in share capital and reserves	20,974	
IX	Net profit for the year	10,144,734	14,914,026
TOTAL SHAREHOLDERS' EQUITY A)		173,706,747	166,662,868
B) RESERVE FOR RISKS AND CHARGES			
2	Reserve for taxation	7,749,873	8,879,106
3	Other provisions	6,834,176	4,595,740
TOTAL RESERVES FOR RISKS AND CHARGES B)		14,584,049	13,474,846
C) RESERVE FOR TERMINATION INDEMNITIES		25,998,571	25,865,625
		25,998,571	25,865,625
D) PAYABLES			
1	Bonds		
3	Due to banks	2,113,616	1,459,177
4	Due to other landers	–	–
5	Advances	38,879,559	22,215,939
6	Trade accounts		
	– Due within one year	141,425,614	108,562,992
	– Due after one year	994,581	–
9	Due to associated companies	695,266	145,227
11	Taxes payable	19,552,250	2,343,027
12	Due to social security authorities	3,333,938	2,862,552
13	Other payables due within one year	25,026,039	9,241,776
13b	Other payables due after one year	3,000,000	–
TOTAL PAYABLES D)		235,020,863	146,830,690
E) ACCRUED LIABILITIES AND DEFERRED INCOME			
Other accrued liabilities and deferred income		35,088,683	3,878,201
TOTAL ACCRUED LIABILITIES AND DEFERRED INCOME E)		35,088,683	3,878,201
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		484,398,913	356,712,230
MEMORANDUM ACCOUNTS AND OTHER COMMITMENTS			
Securities pledged as collateral		43,180,000	39,474,000
Third-party equipment held under gratuitous loans		133,972,292	133,972,292
Lease payments outstanding		107,722,642	135,336,698
Sureties		6,265,606	7,401,612
Commitments to buy mutoal funds		1,500,000	1,500,000
TOTAL MEMORANDUM ACCOUNTS AND OTHER COMMITMENTS		292,640,540	317,684,602

PROFIT AND LOSS ACCOUNT

(in euros)		12.31.2003	12.31.2002
A) VALUE OF PRODUCTION			
1	Revenues from sales and services	688,549,251	485,825,603
2	Changes in inventory of work in progress, semifinished goods and finished products	14,336,771	16,266,448
4	Increase in fixed assets constructed internally	48,757,052	25,564
5	Other income and revenues	27,572,348	27,701,492
TOTAL VALUE OF PRODUCTION A)		779,215,422	529,819,107
B) COSTS OF SALES			
6	Raw, ancillary and consumable materials and goods	488,328,987	349,177,815
7	Services	81,338,965	42,342,364
8	Use of third-party assets	75,958,834	28,874,181
9	Personnel:		
	a) wages and salaries	71,736,295	53,038,627
	b) social contributions	21,657,493	17,276,564
	c) termination indemnities	4,433,168	4,350,403
10	Depreciation, amortization and writedowns		
	a) amortization	3,175,701	2,675,191
	b) depreciation	14,918,745	14,798,181
	d) writedowns of receivables	285,488	139,382
11	Changes in inventory of raw, ancillary and consumable materials and goods	(2,973,735)	1,765,080
12	Provisions for risks	499,393	176,204
14	Other operating costs	1,749,070	1,494,777
TOTAL COST OF SALES B)		761,108,404	516,108,769
DIFFERENCE BETWEEN SALES AND COST OF SALES (A-B)		18,107,018	13,710,338
C) FINANCIAL INCOME AND CHARGES			
15	Income from investments in:		
	other companies	801,182	1,031,696
16	Other financial income:		
	b) from securities shown under current assets other than equity investments	1,386,723	1,758,979
	d) income other than the above	3,915,417	5,516,686
17	Interest and other financial charges		
	paid to others	(2,092,867)	(6,672,544)
TOTAL FINANCIAL INCOME AND CHARGES C)		4,010,455	1,634,817
D) ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS			
18	Revaluations of:		
	a) equity investments		
19	Writedowns of:		
	a) equity investments	(1,215,625)	(1,690,361)
	b) non-current financial assets wich do not constitute equity investments	(339,134)	(1,531,116)
TOTAL ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS D)		(1,554,759)	(3,221,477)
E) EXTRAORDINARY INCOME AND CHARGES			
20	Income	1,690,685	73,589
21	Charges	(63,328)	(59,618)
TOTAL EXTRAORDINARY INCOME AND CHARGES E)		1,627,357	13,971
PROFIT BEFORE TAXES (A-B+C+D+E)		22,190,071	12,137,649
22	Income taxes for the year	(12,064,011)	2,776,377
23	Minority interest in net (profit) loss	18,674	–
26	NET PROFIT FOR THE YEAR	10,144,734	14,914,026

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, and revenues and expenses of the individual subsidiaries.

The minority interest in the equity capital and reserves of subsidiaries is recognized in a separate equity account called "minority interest in equity capital and reserves." The minority interest in consolidated net profit is 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.

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	dal 10 al 25%
office furniture and equipment	12%
electronic and electromechanical equipment	dal 18 al 20%
vehicles	dal 20 al 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

Finance 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. The potential impact on the consolidated financial statements at December 31, 2003, if the accounting methods provided in IAS 17 were to be used to record lease transactions, is explained in detail in the notes to the individual items of the financial statements.

In order to ensure the correct matching of revenues and expenses, the lease installments payable under contracts related to the construction of prototypes and for equipment needed for a manufacturing order that started in 2003 were recognized based on the percentage of the total output required under the contract that was actually produced during the year.

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, 2003. 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, 2003. 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 list for each item the corresponding amount for the 2002 fiscal year. In the 2003 financial statements, certain items have been reclassified. To ensure a meaningful comparison, the corresponding data in the 2002 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 12.31.2002 (a)	Additions (b)	Eliminations (c)	Balance at 12.31.2003 (d=a+b-c)	Net intangible assets 12.31.2003
Rights to use intellectual property	5,573,357	3,182,942	836,386	7,919,913	4,170,989
Others	7,278,698	1,164,393	164,350	8,278,741	2,018,022
Intangible assets under construction	20,000	52,767,456	20,000	52,767,456	52,767,456
Consolidation difference	1,412,135	0	0	1,412,135	1,043,497
Total	14,284,190	57,114,791	1,020,736	70,378,245	59,999,964

Accumulated amortization	Balance at 12.31.2002 (e)	Additions (f)	Eliminations (g)	Balance at 12.31.2003 (h=e+f-g)
Rights to use intellectual property	3,109,612	1,475,698	836,386	3,748,924
Others	4,731,655	1,543,037	13,973	6,260,719
Consolidation difference	211,673	156,965	0	368,638
Total	8,052,940	3,175,700	850,359	10,378,281

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. The main reason for the increase compared with 2002 is the capitalization of 48,544,214 euros in costs incurred in connection with an order from Volvo.

This amount reflects the charges actually incurred on a project involving design and development work on an order that will be put into production during the second half of 2005.

Fixed assets (amounts in euros)

Schedule of Changes to Fixed Assets and Accumulated Depreciation

Historical Cost	Balance at 12.31.2002 (d=a+b-c)	Additions (b)	Disposals (c)	Balance at 12.31.2003 (d=a+b-c)	Net fixed assets at 12.31.2003 (e=d-l)
Land and buildings	69,887,691	11,208,728	0	81,096,419	57,939,026
Plant and machinery	124,252,248	6,215,212	17,877,039	112,590,421	30,512,750
Industrial and trade equipment	46,427,242	8,068,062	12,746,251	41,749,053	7,456,759
Other goods	14,793,907	5,535,010	4,513,891	15,815,026	8,055,529
Fixed assets under construction	3,119,834	351,435	3,119,834	351,435	351,435
Total	258,480,922	31,378,447	38,257,015	251,602,354	104,315,499

Accumulated depreciation	Balance at 12.31.2002 (l=f+g+h-i)	Increases (g)	Decreases (i)	Balance at 12.31.2003 (l=f+g+h-i)
Land and buildings	21,253,446	1,903,947	0	23,157,393
Plant and machinery	91,366,506	8,525,861	17,814,696	82,077,671
Industrial and trade equipment	41,831,577	3,143,229	10,682,512	34,292,294
Other goods	10,802,319	1,345,708	4,388,530	7,759,497
Total	165,253,848	14,918,745	32,885,738	147,286,855

New capital investments refer primarily to production facilities and equipment and to engineering and management information systems.

In 2002 and 2003, several Group companies entered into leasing agreements with San Paolo Leasint S.p.A. for the construction of prototypes and equipment needed to fill a production order, and with Locat S.p.A. for the construction of a new manufacturing facility. Starting in 2003, these leasing companies began issuing invoices for lease installments since construction of the assets subject of the lease agreements had been completed and the assets had been delivered to their users. If the Company had recognized these transactions in a manner consistent with IAS 17, production fixed assets (net of the depreciation taken based on the production output actually generated) would have increased by about 28.1 million euros and the value of land and building would have been 12.0 million euros greater, while the amount due to other lenders would have increased by about 67.5 million euros. As of the same date, the balance shown for invoices receivable and prepaid expenses would have been lower by 31.1 million euros and 1 million euros, respectively. Accounting for these transactions in accordance with IAS 17 would have increased shareholders' equity at December 31, 2003 and the net profit by about 2.7 million euros before theoretical tax consequences.

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

Financial assets

Investments in:

Associated Companies

(in euros)	12.31.2003	12.31.2002	Change
Open Air Systems GmbH	7,156,516	2,070,302	5,086,214
Pasiphae S.à r.l.	744,800	796,639	(51,839)
Totale	7,901,316	2,866,941	5,034,375

During 2003, Open Air Systems GmbH was recapitalized at 6,250,000 euros.

Adjustments to the carrying value of the investments in associated companies at December 31, 2003 required the following writedowns:

(in euros)	
Open Air Systems GmbH	1,163,786
Pasiphae S.à r.l.	51,839
Total	1,215,625

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

Other Companies

(in euros)	12.31.2003	12.31.2002	Change
Banca Passadore S.p.A.	257,196	257,196	0
Midi Ltd	217,435	227,454	(10,019)
Idroenergia Soc.cons.a r.l.	516	0	516
Other companies	182,343	129	172,066
Total	657,490	484,779	172,711

CURRENT ASSETS

Inventory

(in euros)	12.31.2003	12.31.2002	Change
Raw, ancillary and consumable materials	26,956,711	24,026,703	2,930,008
Work in process and semifinished goods	16,239,686	16,932,824	(693,138)
Work in process on job orders	42,122,288	27,442,198	14,680,090
Finished products and goods	908,168	181,413	726,755
Total	86,226,853	68,583,138	17,643,715

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 for the Volvo P15 and Alfa Romeo 946 programs.

RECEIVABLES

Trade accounts

(in euros)	12.31.2003	12.31.2002	Change
Trade accounts receivable	73,598,384	48,763,969	24,834,415
Allowance for doubtful accounts	(4,190,129)	(3,925,455)	(264,674)
Total	69,408,255	44,838,514	24,569,741

The increase in trade accounts receivable is the direct result of the rise in revenues.

Due from associated companies

(in euros)	12.31.2003	12.31.2002	Change
Italian subsidiary of Open Air Systems	54,432	10,596	43,836
Open Air Systems GmbH	1,897,427	232,494	1,664,933
Total	1,951,859	243,090	1,708,769

Due from Others

(in euros)	12.31.2003	12.31.2002	Change
Due from tax authorities for interest on tax refunds receivable	3,493,921	2,918,050	575,871
Prepaid taxes on employee severance indemnities	1,392,664	1,691,421	(298,757)
Tax prepayments	18,142,628	4,862,945	13,279,683
Due from tax authorities for VAT	15,122,577	5,296,433	9,826,144
Due from social security authorities	172,402	985,489	(813,087)
Grant receivable under Law No. 488/92	0	0	0
Advances to suppliers	227,065	1,663,591	(1,436,526)
Other receivables	2,759,196	1,612,055	1,147,141
Total	41,310,453	19,029,984	22,280,469

Current financial assets

Other investments

(in euros)	12.31.2003	12.31.2002	Change
Sanpaolo IMI S.p.A.	221,157	221,157	0
Banca Intermobiliare S.p.A.	5,861,920	3,596,800	2,265,120
Treasury shares	3,328,722	3,694,275	(365,553)
Other shares with professional managers	5,664,593	6,196,380	(531,787)
Reserve for fluctuations in the value of listed securities	(517,045)	(2,052,497)	1,535,452
Total	14,559,347	11,656,115	2,903,232

Other securities

(in euros)	12.31.2003	12.31.2002	Change
Government and government-baked securities	12,226,261	13,290,562	(1,064,301)
Securities of special credit or medium-term fin. institutions	42,266,468	45,613,960	(3,347,492)
Commercial paper	3,211,234	30,000,000	(26,788,766)
Total	57,703,963	88,904,522	(31,200,559)

The carrying value of these securities has been adjusted by adding a provision of 339,134 euros to the reserve for fluctuations in the value of listed securities.

Liquid assets

(in euros)	12.31.2003	12.31.2002	Change
Cash at banks and post offices	35,697,245	17,278,005	18,419,240
Cash and cash equivalents on hand	78,696	55,389	23,307
Total	35,775,941	17,333,394	18,442,547

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)	12.31.2003	12.31.2002	Change
Accrued income	241,166	446,419	(205,253)
Prepayments	4,346,807	2,867,055	1,479,752
Total	4,587,973	3,313,474	1,274,499

A breakdown of accrued income is as follows:

(in euros)	
Accrued interest income	214,554
Accrued insurance claim payments	26,556
Other out-of-period income	56
Total	241,166

A breakdown of prepayments is as follows:

(in euros)	
Prepaid rental and leasing installments	3,135,661
Pro-rata share of insurance premiums	73,393
Prepaid maintenance fees	213,805
Other prepayments	923,948
Total	4,346,807

LIABILITIES AND SHAREHOLDERS' EQUITY

SHAREHOLDERS' EQUITY

Share capital totaled 9,317,000 euros, broken down as follows:

(in euros)	Ordinary shares	Savings shares	Total shares
Balance at 12.31.2003	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** increased from 25 million euros to 27,951,000 euros.

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

The **special reserve** decreased from 32,271,583 euros to 29,080,688 euros due to the transfer of 2,951,000 euros to the reserve for treasury stock and 239,895 euros in dividend distributions.

The **consolidation reserve** grew from 44,464,634 euros to 56,496,726 euros.

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, 2003 is provided below (in euros).

(in euros)	Net profit for the year	Shareholders' equity
Shareholder's equity and net profit of Pininfarina S.p.A.	8,570,931	115,615,244
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	9,713,320	64,032,881
Elimination of intra-Group dividends	(7,560,000)	
Adjustments to restate the financial statements of consolidated companies in accordance with standard Group principles for consolidated financial statements and other consolidation adjustments	(579,517)	(5,941,378)
Shareholder's equity and net profit of the Pininfarina Group	10,144,734	173,706,747

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, 2003, this reserve amounted to 7,750,000 euros, or 1,129,000 euros less than the 8,879,000 euros reported at the end of 2002. 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	8,879,106
Utilization	(1,129,233)
Provisions	0
Reserve at the end of the year	7,749,873

The following table shows the deferred-tax asset and deferred-tax liability at December 31, 2003.

(in euros)	
Reserve for deferred taxes	(7,749,873)
Deferred-tax assets (due from others)	18,142,628
Net deferred-tax asset	10,392,755

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, 2003.

The main temporary differences that required the recognition of a deferred-tax asset or liability at December 31, 2003 are as follows:

(in euros)	12.31.2003	12.31.2002
Accelerated depreciation and amortization	(7,483,069)	(8,245,329)
Deferred capital gains	(264,843)	(632,621)
Taxed reserves	1,099,454	1,873,024
Tax-loss carryforward	3,857,640	2,944,222
Recognition of leasing costs outstanding	11,537,846	0
Elimination of intra-Group margins	1,626,739	0
Sundry items	18,988	43,598
Net deferred-tax asset (liability)	10,392,755	(4,017,106)

Other provisions

(in euros)	12.31.2003	12.31.2002	Change
Reserve for the Mitsubishi order warranty	3,742,567	3,909,562	(166,995)
Reserve for foreign exchange risks	521,088	686,178	(165,090)
Consolidation reserve for future risks and charges	1,434,406	0	1,434,406
Other reserves for risks and charges	1,136,115	0	1,136,115
Total	6,834,176	4,595,740	3,847,372

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. The reserve for future risks and charges reflects the difference between the carrying value of the investment in the Matra Group and the value of the underlying shareholders' equity. Utilizations for the period totaled 1,608,936 euros.

RESERVE FOR TERMINATION INDEMNITIES

(in euros)	
Balance at January 1, 2003	25,865,625
Utilization upon termination of employment relationships	(3,154,656)
Utilization for advances	(379,250)
Provision for the year	4,460,157
Transferts	(6,885)
Utilization for contributions to the COMETA/FIPDAP funds	(716,578)
Advance payments of substitute tax	(69,842)
Balance at 12/31/03	25,998,571

The balance at December 31, 2003 is fully adequate to fund all termination benefits vested pursuant to law and collective bargaining agreements.

PAYABLES

Due to Banks

At December 31, 2003, the amount due to banks totaled 2,113,616 euros, or 654,439 euros more than the 1,459,177 euros owed at the end of 2002.

Advances

Advances, which totaled 38,879,559 euros (22,215,939 euros at December 31, 2002), represent advance billings on orders in process for *Harbin, Jaguar* and *Saic Chery.*

Trade Accounts

Trade accounts amounted to 141,425,614 euros, up from 108,562,992 euros at December 31, 2002.

Due to Associated Companies

(in euros)	12.31.2003	12.31.2002	Change
Italian subsidiary of Open Air Systems	627,214	139,052	488,162
Open Air Systems GmbH	68,052	6,175	61,877
Total	695,266	145,227	550,039

Taxes Payable

(in euros)	12.31.2003	12.31.2002	Change
Tax liability for the current year	17,321,253	226,645	17,094,608
Liability for income taxes owed by employees	2,054,006	1,977,185	76,821
Liability for income taxes owed by outsiders	27,932	83,198	(55,266)
Other taxes payable	149,059	55,999	93,060
Total	19,552,250	2,343,027	17,209,223

Due to Social Security Authorities

(in euros)	12.31.2003	12.31.2002	Change
Due to Inps - Inail	3,104,694	2,487,256	617,438
Due to Inpdai	0	119,833	(119,833)
Due to other institutions	229,244	255,463	(26,219)
Total	3,333,938	2,862,552	471,386

Other Payables (due within one year)

(in euros)	12.31.2003	12.31.2002	Change
Allocations for wages and social security contributions	14,361,468	6,666,151	7,695,317
Fees payable to the Board of Directors and Board of Statutory Auditors	181,617	262,962	(81,345)
Allocations for anticipated obligations	2,240,970	88,872	2,152,098
Allocations for capital investments	421,896	2,034,949	(1,613,053)
Miscellaneous payables	7,820,088	188,842	5,848,246
Total	25,026,039	9,241,776	14,001,263

Miscellaneous payables includes 1,783,000 euros payable in July 2004 in connection with the acquisition of M.A.E. S.A.S.

Other Payables (due after one year):

The entire amount of 3,000,000 euros, which is payable in 2005, represents the balance owed on the acquisition of Matra Automobile Engineering SAS.

ACCRUED LIABILITIES AND DEFERRED INCOME

Other Accrued Liabilities and Deferred Income

(in euros)	12.31.2003	12.31.2002	Change
Accrued liabilities	32,210,611	538,655	31,671,956
Deferred income	2,878,072	3,339,546	(461,474)
Total	35,088,683	3,878,201	31,210,482

A breakdown of accrued liabilities is as follows:

(in euros)	
Accrued bank charges	84,292
Accrued insurance premiums	201,013
Accrued taxes and fees and sundry contributions	158,650
Accrued travel expenses	28,447
Accrued lease payments for the Streetka car order	30,974,085
Sundry accrued expenses	764,124
Total	32,210,611

A breakdown of deferred income is as follows:

(in euros)	
Deferrals for amounts billed in advance	2,597,372
Miscellaneous deferred income	280,700
Total	2,878,072

COMMITMENTS AND GUARANTEES

At December 31, 2003, commitments and guarantees included securities provided as collateral (43,180,000 euros), lease payments outstanding (107,722,642 euros), sureties (6,265,606 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)	12.31.2003	%	12.31.2002	%	Change
Italy	75,071,297	10.9	84,533,400	17.4	(9,462,103)
Other countries	613,477,954	89.1	401,292,203	82.6	212,185,751
Total	688,549,251	100.0	485,825,603	100.0	202,723,648

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

(in thousands of euros)	12.31.2003	%	12.31.2002	%	Change
Complete cars and replacement parts	649,624	83.4	435,797	82.3	213,827
Design, engineering and prototypes	101,807	13.0	66,321	12.5	35,486
Other products	27,784	3.6	27,701	5.2	83
Total	779,215	100.0	529,819	100.0	249,396

Other Income and Revenues

(in euros)	2003	2002	Change
Gains on the disposal of assets	370,721	83,831	286,890
Rebilled expenses	145,256	3,208	142,048
Rent	345,290	444,617	(99,327)
Insurance settlements	713,056	765,782	(52,726)
Operating out-of-period income	697,823	2,012,979	(1,315,156)
Rebilled duties on Mitsubishi contract	24,604,292	24,058,001	546,291
Rebilled tool lease payments on Mitsubishi contract	695,910	333,074	362,836
Total	27,572,348	27,701,492	(129,144)

COST OF SALES

Purchases of materials and services (raw, ancillary and consumable materials and goods; services; use of third-party assets) increased to 645,626,786 euros, or 225,232,426 euros more than the 420,394,360 euros paid in 2002.

A breakdown of **personnel costs** is as follows:

(euro)	2003	2002	Change
Wages and salaries	71,736,295	53,038,627	18,697,668
Social security contributions	21,657,493	17,276,564	4,380,929
Addition to the reserve for termination indemnities	4,433,168	4,350,403	82,765
Total	97,826,956	74,665,594	23,161,362

The increase in personnel costs reflects the purchase of Matra Group companies.

A breakdown of the Group's staff is as follows:

Number of employees	2003	2002	Change
Executives	40	39	1
Office staff	947	678	269
Production staff	1,499	1,514	(15)
Total number of employees	2,486	2,231	255

In 2003, the average payroll numbered 2,728 employees, compared with 2,278 employees in 2002.

DEPRECIATION, AMORTIZATION AND WRITEDOWNS

Amortization and Depreciation

(in euros)	2003	2002	Change
Amortization	3,175,701	2,675,191	500,510
Depreciation	14,918,745	14,798,181	120,564
Total	18,094,446	17,473,372	621,074

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 285,488 euros, or 146,106 euros more than the 139,382 euros reported in 2002.

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

The rise of 2,973,735 euros is due to the increase in production.

Provisions for Risks

(in euros)	2003	2002	Change
Addition to the reserve for risks	499,393	176,204	323,189
Total	499,393	176,204	323,189

Other Operating Costs

(in euros)	2003	2002	Change
Non-deductible taxes and fees	270,790	279,911	(9,121)
Deductible taxes and fees	182,308	153,627	28,681
Losses on the disposal of assets	64,334	24,550	39,784
Operating out-of-period charges	738,267	1,011,522	(273,255)
Miscellaneous operating costs	493,371	25,167	468,204
Total	1,749,070	1,494,777	254,293

FINANCIAL INCOME AND CHARGES

Income from Investments

Income from Investments in Other Companies

Income from investments in other companies declined by 230,514 euros to 801,182 euros, down from 1,031,696 euros in 2002. This item includes dividends of 95,929 euros form managed assets, 58,594 euros from Banca Passadore S.p.A., 16,453 euros from San Paolo IMI S.p.A., 548 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 1,386,723 euros, or 372,253 euros less than the 1,758,979 euros reported in 2002, includes gains earned on the securities portfolio and interest from commercial paper.

Other Income

(in euros)	2003	2002	Change
Bank interest earned	186,598	321,613	(135,015)
Gains on securities transactions	2,758,517	2,326,126	432,391
Foreign exchange gains and other financial income	816,049	2,498,827	(1,682,778)
Miscellaneous interest income	154,253	370,120	(215,867)
Total	3,915,417	5,516,686	(1,601,269)

Interest and Other Financial Charges

Amounts Paid to Others

(in euros)	2003	2002	Change
Bank interest paid	621,813	587,069	34,744
Losses on securities transactions	2,392,001	4,606,214	(2,214,213)
Foreign exchange losses and other financial charges	1,261,365	1,424,919	(163,554)
Miscellaneous interest expense and other charges	(2,182,312)	54,342	(2,236,654)
Total	2,092,867	6,672,544	(4,579,677)

ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS

Writedowns

(in euros)	2003	2002	Change
Writedowns of equity investments	1,215,625	1,690,361	(474,736)
Writedowns of current financial assets	339,134	1,531,116	(1,191,982)
Total	1,554,759	3,221,477	(1,666,718)

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.	51,839
Open Air Systems GmbH	1,163,786
Other investments	339,134

EXTRAORDINARY INCOME AND CHARGES

Income

Other Income

(in euros)	2003	2002	Change
Out-of-period income	81,749	73,589	8,160
Utilization of the consolidation reserve for future risks and charges	1,608,936	0	1,608,936
Total	1,690,685	73,589	1,617,096

The consolidation reserve for future risks and charges was used to cover the loss incurred by the Matra Group in the fourth quarter of 2003.

Charges

Other charges

(in euros)	2003	2002	Change
Out-of-period charges	63,328	59,618	3,647
Total	63,328	59,618	3,647

INCOME TAXES FOR THE YEAR

(in euros)	2003	2002	Change
Current taxes	30,694,927	5,041,914	25,653,013
Deferred taxes	(18,630,916)	(7,818,291)	(10,812,625)
Total	12,064,011	(2,776,377)	14,840,388

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	7.545
Dual income tax benefit	(465)
Other permanent differences	(60)
Corporate income tax liability	7.020
Regional production tax liability on adjusted taxable base	5.010
Other permanent differences	34
Regional production tax liability	5.044
Income tax for the year	12.064

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING ON THE CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2003

Dear Shareholders:

The Board of Directors submits for your approval the consolidated financial statements at December 31, 2003, which comprise the balance sheet, profit and loss account and notes to the financial statements.

The consolidated financial statements at December 31, 2003 show Group interest in consolidated shareholders' equity of 163,541,039 euros, net of consolidated net profit of 10,144,734 euros.

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

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

The Report clearly defines the scope of consolidation, which at December 31, 2003 included the Group's Parent Company and 11 subsidiaries, all of which are consolidated line by line.

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 consolidated financial statements at December 31, 2003 match the Parent Company's accounting records and the statutory financial statements of the subsidiaries, and are consistent with the official information provided by these companies.

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

The Board of Statutory Auditors did not review these financial statements.

On April 23, 2004, Reconta Ernst & Young S.p.A., the independent auditors retained to audit the consolidated financial statements of the Pininfarina Group, issued their report, which states that, in their opinion, the consolidated financial statements of the Pininfarina Group at December 31, 2003 comply with the applicable statutes.

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

- The scope of consolidation has been determined correctly;
- The consolidation procedures adopted are consistent with statutory requirements and were applied correctly;
- Our review of the Report on Operations found that the Report is consistent with the consolidated financial statements;
- All of the information used for consolidation purposes applies to the entire administrative period comprising the 2003 fiscal year;
- The valuation criteria applied are consistent with those used in 2002. The same was also true for the method used to account for finance leases;
- Associated companies have been valued by the equity method. In the case of Open Air Systems GmbH and Pasiphae S.à.r.l., the use of this method produced a value adjustment of 1,215,625 euros, which is reflected in the profit and loss account.

Turin, April 26, 2004

The Statutory Auditors Giacomo Zunino

Giorgio Giorgi

Piergiorgio Re

ERNST & YOUNG

Reconta Ernst & Young S.p.A.
Corso Vittorio Emanuele II, 83
10126 Torino

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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, 2003. 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.

   The responsibility for the audit of the financial statements of certain subsidiaries, which represent respectively 12% and 3% of consolidated total assets and consolidated total revenues, is of other auditors.

   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 21, 2003.

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, 2003, and the consolidated results of its operations for the year then ended.

4. As disclosed in the Report of the Board of Directors on Operations, effective January 1, 2004 the subsidiaries Industrie Pininfarina S.p.A. and Pininfarina Ricerca e Sviluppo S.p.A. have merged into the parent company Pininfarina S.p.A..

Turin, April 23, 2004

Mario Lamprati

Reconta Ernst & Young S.p.A.
signed by: Mario Lamprati (Partner)

Reconta Ernst & Young S.p.A.
Sede Legale: 00196 Roma - Via G.D. Romagnosi, 18/A
Capitale Sociale € 1.111.000,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la C.C.I.A.A. di Roma
Codice fiscale e numero di iscrizione 00434000584
P.I. 00891231003
(vecchio numero R.I. 6697/89 - numero R.E.A. 250904)

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)	12.31.2003	%	12.31.2002	%	Change
Net revenues	688,549	88.36	485,826	91.70	202,723
Changes in inventory of work in process and finished products	14,337	1.84	16,266	3.07	(1,929)
Other income and revenues	27,572	3.54	27,701	5.23	(129)
Fixed assets constructed internally	48,757	6.26	26	0.00	48,731
Value of production	779,215	100.00	529,819	100.00	249,396
Raw materials and outside services	(639,255)	(82.04)	(414,878)	(78.31)	(224,377)
Changes in inventory of raw materials	2,974	0.38	(1,765)	(0.33)	4,739
Value added	142,934	18.34	113,176	21.36	29,758
Personnel cost	(97,827)	(12.55)	(74,666)	(14.09)	(23,161)
EBITDA	45,107	5.79	38,510	7.27	6,597
Depreciation and amortization	(18,094)	(2.32)	(17,473)	(3.30)	(621)
Provisions	(499)	(0.06)	(176)	(0.03)	(323)
EBIT	26,514	3.40	20,861	3.94	5,653
Net financial income	4,010	0.51	1,635	0.31	2,375
Other income (charges), net	(8,334)	(1.07)	(10,358)	(1.96)	2,024
Profit before taxes	22,190	2.85	12,138	2.29	10,052
Income taxes	(12,064)	(1.55)	2,776	0.52	(14,840)
Minority interest in net (profit) loss	19				
Net profit	10,145	1.30	14,914	2.81	(4,769)

NET FINANCIAL ASSETS

(in thousands of euros)	12.31.2003	12.31.2002	Change
Liquid assets	35,776	17,333	18,443
Fixed-income securities, net	57,704	88,905	(31,201)
Listed equity securities, net	14,559	11,656	2,903
Short-term bank borrowings	–	–	–
Net short-term financial assets	108,039	117,894	(9,855)
Long-term bank debt	(2,112)	(1,457)	(654)
Net financial position	105,927	116,437	(10,509)

ANALYSIS OF FINANCIAL POSITION

(in thousands of euros)	12.31.2003	12.31.2002	Change
A) Net non-current assets			
Net intangible assets	60,000	6,231	53,769
Net fixed assets	104,315	93,227	11,088
Net financial assets	8,559	3,352	5,207
	172,874	102,810	70,064
B) Working capital			
Inventory	86,227	68,583	17,644
Trade accounts receivable, net	71,360	45,082	26,278
Other assets	45,898	22,343	23,555
Trade accounts payable	(146,904)	(108,708)	(38,196)
Taxes payable	(14,584)	(13,475)	(1,109)
Other liabilities	(121,092)	(40,543)	(80,549)
	(79,095)	(26,718)	(52,377)
C) Net invested capital (A+B)	93,779	76,092	17,687
D) Reserve for termination indemnities	25,999	25,866	133
E) Net capital requirements (C-D)	67,780	50,226	17,554
F) Shareholders' equity			
Share capital	9,317	9,317	0
Reserves	154,245	142,432	11,813
Net profit for the year	10,145	14,914	(4,769)
	173,707	166,663	7,044
G) Net financial position			
Long-term debt	2,112	1,457	655
Net financial assets	(108,039)	(117,894)	9,855
	(105,927)	(116,437)	10,510
H) Total as in E (F+G)	67,780	50,226	17,554

ANALYSIS OF CASH FLOW

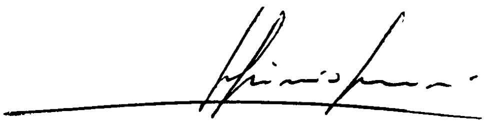
(in thousands of euros)	12.31.2003	12.31.2002	Change
A. Net liquid assets at January, 1	117,894	114,344	3,550
B. Cash flow from operating activities			
Net profit (loss) for the year	10,145	14,914	(7,282)
Depreciation and amortization	18,094	17,473	621
(Gains) Losses on sale of non-current assets	(325)	(66)	(259)
Change in working capital	3,833	(9,845)	14,141
Net change in reserve for termination indemnities	133	(1,132)	1,265
Other changes	368	(1,299)	3,717
	32,248	20,045	12,203
C. Cash flow from investing activities			
Investments in fixed, intangible and financial assets	(42,897)	(22,555)	(20,342)
Proceeds from sale or redemption value of non-current assets	3,915	8,250	(4,335)
	(38,982)	(14,305)	(24,677)
D. Cash flow from financing activities	0	980	(980)
E. Distribution of net profit	(3,121)	(3,170)	49
F. Net cash flow for the period (B+C+D+E)	(9,855)	3,550	(13,405)
G. Net liquid assets at December, 31 (A+F)	108,039	117,894	(9,855)

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	Share Capital	Total
Total a 12.31.2002	9,317	36,885	1,579	2,231	25,000	32,272	44,464	–	14,914	166,662
Other changes	–	–	–	–	–	–	12,033	–	(12,033)	–
Dividend distribution	–	–	–	–	–	(240)	–	–	(2,881)	(3,121)
Transfer to the special reserve	–	–	–	–	2,951	(2,951)	–	–	0	0
Minority interest in net (profit) loss	–	–	–	–	–	–	–	21	–	21
Net profit for the year	–	–	–	–	–	–	–	–	10,145	10,145
Total at 12.31.2003	9,317	36,885	1,579	2,231	27,951	29,081	56,497	21	10,145	173,707

Chairman of the Board of Directors

Sergio Pininfarina



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	Share capital (euros)	% interest held directly or indirectly in 2003	% interest held directly or indirectly in 2002
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
Matra Automobile Engineering SAS	Trappes	971,200	100	0
CERAM S.A.S.	Mortefontaine	1,000,000	100	0
D3 S.A.S.	Courbevoie	306,000	100	0
Plazolles Modelage S.a.r.l.	Garge-le-Gonesse	8,000	100	0
Pininfarina Sverige A.B.	Uddevalla	99,119	60	0

KEY DATA OF PRINCIPAL GROUP COMPANIES

INDUSTRIE PININFARINA S.P.A.

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

(in thousands of euros)	12.31.2003	12.31.2002
Value of production	731,977	491,254
EBIT	28,363	16,488
Net profit	15,766	17,751
Shareholders' equity	67,257	59,051
Capital expenditures	21,100	14,605
Net financial position	32,414	53,650

PININFARINA EXTRA S.R.L.

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

(in thousands of euros)	12.31.2003	12.31.2002
Value of production	2,517	2,564
EBIT	422	549
Net profit	202	258
Shareholders' equity	1,230	1,028
Capital expenditures	71	86
Net financial position	288	(1)

PININFARINA DEUTSCHLAND GMBH

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

(in thousands of euros)	12.31.2003	12.31.2002
Value of production	13,638	12,047
EBIT	(3,218)	(293)
Net profit	(2,999)	37
Shareholders' equity	20,128	23,126
Capital expenditures	1,726	683
Net financial position	(1,661)	(1,299)

MATRA GROUP

Head office	Trappes
Share capital	971,200 euros
Direct % interest held	100%

(in thousands of euros)	12.31.2003
Value of production	9,105
EBIT	(3,043)
Net profit	(1,608)
Shareholders' equity	18,431
Capital expenditures	748
Net financial position	4,948

PININFARINA RICERCA E SVILUPPO S.P.A.

Head office	Turin
Share capital	4,500,000 euros
Direct % interest held	100%

(in thousands of euros)	12.31.2003	12.31.2002
Value of production	63,013	35,227
EBIT	1,708	278
Net profit	(476)	19
Shareholders' equity	15,513	15,988
Capital expenditures	2,647	2,344
Net financial position	9,632	(6,485)

Sergio Pininfarina

Chairman of the Board of Directors