ANNUAL REPORT 2004

PININFARINA S.p.A.

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

CONTENTS

ORDINARY SHAREHOLDERS' MEETING
MAY 10, 2005

The Ordinary Shareholders' Meetings will be held on May 10, 2005 at 10:30 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, 2005, same time and place, on the second calling

AGENDA

1. Financial statements at December 31, 2004, appropriation of net profit for the year and related and required resolutions.
2. 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.

The Notice of the Shareholders' Meeting was published in the April 8, 2005 issue of Il Sole 24 Ore.

BOARD OF DIRECTORS

Sergio Pininfarina (1)	*Chairman**
Andrea Pininfarina	*Chief Executive Officer**
Elisabetta Carli	*Directors*
Mario Renzo Deaglio (2)	
Cesare Ferrero (1) (2)	
Carlo Pavesio (2)	
Lorenza Pininfarina	
Paolo Pininfarina	
Franzo Grande Stevens (1)	

(1) Member of the Appointments and Compensation Committee.
(2) Member of the Internal Control Committee.

BOARD OF STATUTORY AUDITORS

Giacomo Zunino	*Chairman*
Giorgio Giorgi	*Statutory Auditors*
Piergiorgio Re	
Nicola Treves	*Alternates*
Pier Vittorio Vietti	

Gianfranco Albertini	*Secretary to the Board of Directors*
PricewaterhouseCoopers 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 that is 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 salient events of 2004 included the signing of final agreements for a complete renewal of the portfolio of production contracts and the launching of initiatives that helped strengthen the Group's direct presence in foreign markets.

The contracts signed in 2004 officially established the styling, development and manufacturing activities that Pininfarina is expected to carry out in the production of new Ford and Mitsubishi convertibles. These vehicles and the models that are being developed for Alfa Romeo (the Brera and the convertible derived from it) and Volvo will constitute the Group's product mix for the coming years.

The Group also consolidated its international presence. In Sweden, where it is already present through Pininfarina Sverige A.B. (a joint venture with Volvo Car Corporation), it established a new subsidiary called RHTU Sverige AB, which will manufacture retractable roofs for a Volvo convertible scheduled for production in the near future. In France, the companies that were established in 2003 were joined by two new subsidiaries — Matra Automobile Engineering Maroc S.A.S. and Matra Développement S.A.S. — that will broaden the range of development services offered to French and international customers.

Operating Performance

In 2004, the Pininfarina Group reported value of production of 601.8 million euros, compared with 779.2 million euros in 2003 (-22.8%). A breakdown of value of production shows that the manufacturing operations contributed 74% (87% in 2003) and the design and engineering operations the remaining 26% (13% in 2003).

The two developments that shaped the Group's operating results in 2004 were a decrease in the value of production and a rise in the contribution provided by the design and engineering operations, both in absolute terms and as a percentage of total revenues. As expected, the Alfa Romeo and Peugeot production orders came to completion concurrently with the start of the renewal of the manufacturing mix. The design and engineering operations grew steadily in 2004, increasing their value of production by 52% to 155 million euros, compared with 102 million euros in 2003.

The Group countered the sharp decline in overall value of production by increasing operating efficiency and improving its business mix. As a result, profitability at the operating level remained satisfactory. The ratio of EBITDA to value of production improved by 0.6 percentage points, rising from 5.8% in 2003 to 6.4% in 2004. EBIT, which are after the same depreciation and amortization expense as in 2003 but higher provisions, were equal to 3.1% of the value of production (3.4% in 2003).

The Group's operating results are reviewed below:

Net revenues totaled 507.6 million euros, or 180.9 million euros less (-26.27%) than in 2003.

The value of production came to 601.8 million euros, compared with 779.2 million euros the previous year (-22.77%).

Operating costs, net of inventory, included 463.3 million euros for purchases of raw materials and outside services (-27.19%) and 100.2 million euros in personnel costs (+2.45%). Depreciation, amortization and provisions came to 19.5 million euros, or 4.84% more than in 2003.

EBIT amounted to 18.7 million euros, a decrease of 7.8 million euros (-29.43%) from the figure at December 31, 2003. EBIT were equal to 3.11% of the value of production (3.40% in 2003).

The decrease in the net financial position caused a reduction in financial income, which fell to 1.8 million euros (4.0 million euros in 2003). Net other expense totaled 8.3 million euros, the same as in 2003.

As a result, profit before taxes decreased to 12.3 million euros, or 9.9 million euros less (-44.59%) than in 2003. It was equal to 2.04% of the value of production (2.85% in 2003).

Income taxes totaled 8.6 million euros, compared with 12.1 million euros in 2003. The tax liability was equal to 69.92% of profit before taxes (54.50% in 2003).

The minority interest in net income, which amounted to 415,000 euros (net loss attributable to minority shareholders of 19,000 euros in 2003), reflects the 40% interest held by Volvo Car Corporation in the Pininfarina Sverige AB joint venture.

At 3.3 million euros, net profit was 6.8 million euros lower (-67.32%) than in 2003. It was equal to 0.54% of the value of production (1.30% in 2003).

Cash flow, which is equal to the Group's interest in net profit plus depreciation and amortization, decreased by 24.11% to 21.4 million euros. Capital investments grew to 75.1 million euros (42.9 million euros in 2003).

At December 31, 2004, net non-current assets had a carrying value of 227.8 million euros, or 31.75% more than a year earlier. Working capital was negative by 42.2 million euros, with the negative balance decreasing by 36.8 million euros as compared with the end of 2003.

The net financial position showed a surplus of 16 million euros (105.9 million euros at December 31, 2003). This sharp decline was caused by the need to finance the simultaneous development of all of the new models that will begin to go into production during the second half of 2005.

The outlook for 2005 calls for the value of production to decrease by about 10% compared with 2004. This decline reflects a slowdown by the manufacturing operations, which will be winding down the production of Ford and Mitsubishi models during the first six months of the year. Production of the new Alfa Romeo and Volvo will begin ramping up in the second half of the year, and the new Mitsubishi and Ford models will start rolling off the assembly line in the first six months of 2006.

Human Resources

The tables below provide a breakdown of the workforce of the Pininfarina Group by type of activity and by country.

Breakdown by Type of Activity

	Production	Engineering	Styling	Staff functions	Total
2003	1,377	660	160	289	**2,486**
2004	1,309	781	178	317	**2,585**

Breakdown by Country

	Italy	France	Germany	Sweden	Total
2003	2,107	280	99	0	**2,486**
2004	2,106	377	96	6	**2,585**

The start of new model production in the second half of 2005 will enable the Group to rehire all of the employees who are currently enrolled in the Government Layoff Benefits Fund.

The Swedish subsidiaries, Pininfarina Sverige A.B and RHTU Sverige A.B., are also scheduled to become fully operational during the second half of 2005, when they start production work for Volvo, adding about 700 new employees to the Group's payroll.

PININFARINA S.P.A.

The merger through incorporation of Industrie Pininfarina S.p.A. and Pininfarina Ricerca e Sviluppo S.p.A. into Pininfarina S.p.A. on January 1, 2004 transformed the Group's Parent Company from a holding company into an industrial enterprise. In the comments that follow, the data for 2003 have been restated to provide comparable aggregate data for the merged companies and the Group Parent Company.

The 2004 fiscal year ended with a net profit of 13.8 million euros. The main reason for the decrease of 2.5 million euros from 2003 (-15.34%) is the 27.73% decline in value of production experienced by the manufacturing operations as the Alfa Romeo and Peugeot production orders came to completion just as the renewal of the manufacturing mix was getting under way.

EBIT amounted to 18.5 million euros, or 9.2 million euros less (-33.21%) than in 2003. The ratio of 2004 EBIT to value of production was 3.38%, compared with 3.66% the previous year. Net financial income decreased from 5 million euros to 2.7 million euros, chiefly as a result of a reduction in average available liquid assets and a rise in borrowings caused by the need to finance the simultaneous development of the various models that will begin to go into production during the second half of 2005.

At 26.9 million euros, the profit before taxes was 16.72% less than in 2003. Profit before taxes was down less than the value of production due mainly to the reversal of accelerated depreciation taken before 1999 and now derecognized to eliminate the impact of items booked solely for tax purposes, in accordance with the new accounting standards.

Income taxes, which totaled 13.1 million euros (2.9 million euros less than in 2003), were equal to 48.70% of profit before taxes (49.53% in 2003).

Turning to the balance sheet, net non-current assets increased to 132.7 million euros, up from 127.8 million euros at December 31, 2003 (+3.83%). Working capital was negative by 17.9 million euros. The negative balance decreased by 5 million euros as compared with the end of 2003.

Shareholders' equity increased by 5.87%, rising from 184.0 million euros at the end of 2003 to 194.8 million euros at December 31, 2004. At the same time, the net financial position improved from 101.9 million euros to 104.3 million euros (+2.35%).

The performance of the Company's individual operations is reviewed below.

Production

The manufacturing operations are currently in the process of renewing their order portfolio. As mentioned earlier, the end of the Alfa Romeo and Peugeot contracts in the second half of 2004 and a decrease in orders for the Ford Streetka (which is scheduled to go out of production in 2005, together with the Mitsubishi models) produced a 47.2% decrease in the number of cars manufactured, from 43,286 units in 2003 to 22,869 units in 2004.

A production breakdown is as follows:

	2004	2003
Complete cars		
Alfa Romeo Spider	1,119	2,094
Alfa Romeo GTV	589	1,521
Ford Streetka	8,562	23,579
Mitsubishi Pajero Pinin	8,673	8,704
Peugeot 406 Coupé	3,926	7,386
	22,869	**43,284**
Car bodies		
Mitsubishi Pajero Pinin	0	1
Peugeot 406 Coupé	0	1
	0	2
Total	**22,869**	**43,286**

When comparing the two years, it is important to keep in mind that the data for 2003 reflect the impact of the great success enjoyed by the Ford Streetka in the year of its commercial launch. Despite the decrease in output, the operating result was positive thanks to the efforts made to cut costs and the improved margins earned on all orders.

In Uddevalla, Sweden, work is continuing on the construction of prototypes for a new Volvo convertible. This car, which was developed in Italy, will be manufactured in Sweden by the Pininfarina Sverige A.B. subsidiary, starting in the second half of 2005. The production lines for the Alfa Romeo Brera and the convertible based on the same platform are being readied, with production of the Brera scheduled to start in the second half of 2005. The convertible version will follow in the spring of 2006. Over the next few months, work will begin on setting up the production lines that will be used to manufacture new models for Mitsubishi and Ford in 2006.

Engineering

The main event that characterized the performance of the engineering operations in 2004 was the start of full development of convertible models for Ford and Mitsubishi. Both cars will be manufactured by Pininfarina beginning in first half of 2006.

Prototype testing has already started for both projects, with positive results, confirming that the technical design of both cars is a success.

Additional projects that will lead to production assignments involved the development of new models for Volvo and Alfa Romeo, which have already reached the final industrialization phase.

Among the engineering assignments for models that will be manufactured directly by customers, work continued on schedule on models for Peugeot - Citroën and Chery. Negotiations on new projects for this Chinese company have reached an advanced stage. They involve the development of new cars and the production of prototypes that will be presented at the Shanghai and Frankfurt Motor Shows later this year.

Also in China, where Pininfarina continued to work with AviChina – Hafey on two projects that are currently being finalized, it established a major development project with Changfeng, a new Chinese customer, this past November. These new orders are evidence that the Group is continuing to expand its presence in the rapidly growing Chinese market.

In view of the positive business prospects that have opened up in this market, Pininfarina decided to open an office in Beijing. The establishment of a local presence will help the Group become firmly established in the Chinese market and allow it to directly monitor the production startup of projects it has developed while achieving better coordination with local suppliers.

Design

The design operations were particularly busy in 2004, working on several projects that were developed in collaboration with other Company departments.

Work on models that will be manufactured by Pininfarina included the development of retractable-top convertibles for Ford (the Focus Vignale concept car was presented at the Paris Motor Shown in 2004) and Mitsubishi (the Colt Coupé – Cabriolet was unveiled at the Geneva Motor Show in 2005).

Projects developed with the engineering operations involved two platforms for Chery Automobile Co., a Chinese company, that are being used in different automobile configurations.

Assignments received by the design operations in 2004 also included work for such established customers as the PSA Group and the Ferrari-Maserati Group.

The resumption of a collaborative relationship with a prestigious German carmaker was especially gratifying.

The following new cars designed by Pininfarina were unveiled in 2004:

– the Ferrari 612 Scaglietti, a 2+2 coupé with a 12-cylinder engine that is at the top of the Ferrari model line;
– the Peugeot 1007, an innovative compact minivan with sliding doors;
– the Ferrari F430, a new car with a centrally placed 8-cylinder engine.

At the Paris Motor Show, as part of an installation that highlighted the comprehensive range of services that Pininfarina can offer through its three departments, the Company presented the Nido prototype. This prototype is the result of a project developed with the Italian Ministry of Education, Research and Universities than embodies an innovative approach to passive safety and is consistent with Pininfarina's well-known concern for an issue that is always worthy of attention.

The Group was especially proud to receive the Red Dot Design Award, by which the Essen Design Center honors the Design Team of the Year.

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

Pininfarina S.p.A. draws on its expertise and organizational skills to provide its subsidiaries and associated companies with services that help them improve quality and increase efficiency. In 2004, 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.

Billed to:	Amount	Description	Billed by:	Amount	Description
Pininfarina Extra S.r.l.	1,505.00	Miscellaneous sales	Pininfarina Extra S.r.l.	3,077.62	Miscellaneous purchases
	367,352.05	Miscellaneous services		2,656.55	Miscellaneous services
	8,000.00	Design services			
Open Air Systems	63,630.20	Miscellaneous sales	Open Air Systems	24,364,555.00	Miscellaneous services
	105,000.00	Equipment			
	481,956.04	Design services			
	3,505,358.93	Miscellaneous services			
	1,960.21	Rebilled costs			
	248,281.58	Interest receivable			
Matra	345,540.08	Miscellaneous services	Matra	3,967,630.00	Miscellaneous services
	260,410.53	Interest receivable			
Pininfarina Deutschland	88,625.69	Interest receivable	Pininfarina Deutschland	50.00	Miscellaneous purchases
				150,000.00	Miscellaneous services
				94,063.75	Miscellaneous expenses
RHTU Sverige	3,058.36	Miscellaneous sales			
	48,459.40	Miscellaneous services			
Pininfarina Sverige	1,867,911.00	Interest receivable			
PF Services	706,000.00	Insurance settlements	PF Services	433,650.00	Mitsubishi car warranties

Loans provided to:	Amount at 12/31/04	Maximum balance in 2004	Accrued interest
Matra Automobile Engineering S.A.S.	15,989,821.00	15,989,821.00	260,410.53
Open Air Systems GmbH	12,750,000.00	12,750,000.00	253,692.00
Pininfarina Deutschland GmbH	3,100,000.00	3,100,000.00	88,625.69
Pininfarina Sverige AB	79,671,471.63	79,671,471.63	1,867,910.74

No transactions were carried out with related parties.

At December 31, 2004, Pininfarina S.p.A. held 134,498 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	Number of options awarded	Number of options exercisable	Number of options exercised
2002	€ 19.408	187,000	149,388	57,505 *
2003	€ 20.909	212,000	176,560	24,872**
2004	€ 22.753	214,000		

* *The average exercise price was 23.80 euros. These options were exercised in November 2003 (20,681) and May 2004 (36,824).*

** *The average exercise price was 23.07 euros. All of these options were exercised in May 2004.*

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

On March 31, 2005, the Board of Directors proposed the purchase of up to 400,000 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 and last name	Investee company	Number of shares held at 12/31/03	Number of shares bought in 2004	Number of shares sold in 2004	Number of shares held at 12/31/04
Sergio Pininfarina	Pininfarina S.p.A.	282,038 (1)	zero	zero	282,038 (1)
Sergio Pininfarina	Pininfarina S.p.A.	181,500 (2)	zero	zero	181,500 (2)
Sergio Pininfarina	Pininfarina S.p.A.	4,670,160 (3)	44,200	zero	4,714,360 (3)
Sergio Pininfarina	Pininfarina S.p.A.	44,200 *(3)	zero	44,200	zero *
Cesare Ferrero	Pininfarina S.p.A.	286 *	zero	zero	286
Giorgia Gianolio	Pininfarina S.p.A.	10,000 (4)	zero	zero	10,000

**(3) Savings shares converted into ordinary shares on May 28, 2004.*

**(3) Including 105 registered savings shares converted into ordinary shares on May 28, 2004.*

(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

Pininfarina Extra S.r.l.

The key financial data for 2004 are provided below:

(in thousands of euros)	12/31/04	12/31/03	Change
Value of production	**4,314**	2,517	1,797
EBIT	**1,066**	422	644
Net financial income	**(72)**	(2)	(70)
Net profit for the year	**543**	202	341
Shareholders' equity	**1,773**	1,230	543
Net invested capital	**1,151**	1,108	43
Net financial position	**828**	288	540

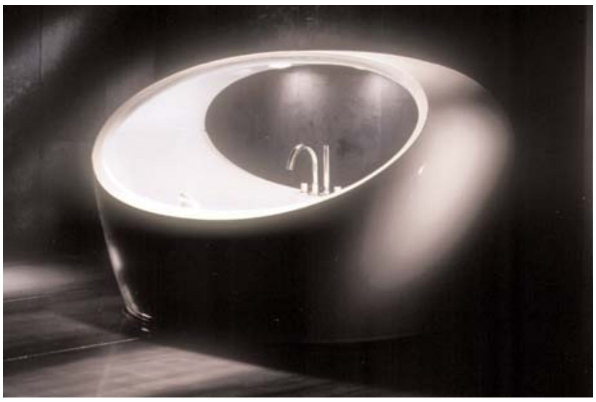
In 2004, the company's twentieth year of operation, Pininfarina Extra achieved all-time highs in terms of value of production and net profit.

Value of production jumped 71%, rising from 2.517 million euros in 2003 to 4.314 million euros in 2004. A breakdown shows that sales and service revenues totaled 2.646 million euros (+117%) and royalties amounted to 1.640 million euros (+28%).

EBIT, which increased to 1.066 million euros (153% more than in 2003), were equal to 24.7% of the value of production (16.8% in 2003), in line with some of the best ratios ever achieved by the company.

After going through a period of adjustment in 2002 and 2003, revenues generated by manufacturers licensed to use the Pininfarina brand name were up significantly, to a record 40 million euros. The increase from 28 million euros in 2003 reflects the introduction of several new products.

During 2004, the company's staff increased from 17 to 22 employees.



Salient Events in 2004

In the first half of the year: presentation of video projectors for 3M, the Countdown Watch for the Turin 2006 Winter Olympics and the Jacuzzi Morphosis line; announcement of an agreement to design the Olympic torch; and inauguration of the Cambiano 1 facilities.

During the rest of 2004: development and consolidation of a three-year design contract with Motorola iDEN, which required the allocation of 15 employees and outside consultants. Some of these resources are working at Cambiano and some have been dispatched to a Motorola facility in Plantation, Florida.

The most significant developments in the second half of 2004 are reviewed below:

- In July, at an event in Essen, Pininfarina Extra S.r.l. and the design operations of the Parent Company, Pininfarina S.p.A., received the “Red Dot Design Award – Design Team;”
- Also in July, the products of the 3M-Pininfarina collaboration are presented in Moscow;
- In August, the first Pininfarina-Motorola iDEN “i833” cellular telephone is presented at an event in Laguna Seca, California;
- In September, the town of Ladispoli (near Rome) tests its electronic voting system using kiosks designed by Pininfarina Extra S.r.l.;
- Also in September, the “XTen” office chair designed for Ares Line goes on sale;
- In October, Pininfarina Extra S.r.l. makes a presentation on “The bathroom of the future” at the KDD Interior Design Convention in New York;
- In November, the “Scappino-Pininfarina” line of sunglasses is launched in the Mexican market.

Matra Automobile Engineering Group

The first consolidated financial statements of the MAE Group show value of production of 46 million euros. Comparable data for 2003 are not available, since Pininfarina S.p.A. completed the acquisition of this French Group in September 2003. The net loss for the year, which amounted to 4.6 million euros, is attributable to the startup costs incurred in the first year of operation. This loss will have no impact on the consolidated net profit of the Pininfarina Group, since it was offset fully by utilizing available reserves for losses. The net financial position was negative by 10.7 million euros (gross indebtedness of 16.3 million euros is owed exclusively to Pininfarina S.p.A.), compared with a positive balance of 4.9 million euros at December 31, 2003. At the end of 2004, the MAE Group had 377 employees (280 employees a year earlier). The outlook for 2005 calls for revenues to increase and operating losses to decrease significantly, owing in part to synergies that are being developed with other operations of the Pininfarina Group. Two new companies (Matra Automobile Engineering Maroc S.A.S. and Matra Développement S.A.S.) were established in 2004 to offer customers an expanded range of increasingly competitive services.

Pininfarina Deutschland GmbH

Even though the value of production decreased from 14 million euros in 2003 to 9.2 million euros in 2004, Pininfarina Deutschland GmbH was able to cut its loss for the year to 1.9 million euros, down from 3 million euros in 2003.

While business conditions in the sector of the German economy in which the company operates remain unfavorable, the company should be able to significantly improve its profitability in 2005 by stepping up its integration with the rest of the Pininfarina Group, particularly with regard to new manufacturing projects.

At December 31, 2004, Pininfarina Deutschland GmbH had 96 employees (103 in 2003).

At the end of 2004, net indebtedness totaled 5.2 million euros, compared with 1.8 million euros a year earlier.

PF RE S.A.

PF RE S.A. ended 2004 with 10,000 euros in income from insurance operations (income of 64,000 euros in 2003). Financial assets totaled 4.3 million euros (4.8 million euros at December 31, 2003). The PF Services S.A. subsidiary reported net income of 18,000 euros (21,000 euros in 2003) and financial assets of 249,000 euros (335,000 euros in 2003). These two companies have no staff.

Pininfarina Sverige A.B.

This joint venture with Volvo Car Corporation, in which Pininfarina S.p.A. holds a 60% interest, will become fully operational in the second half of 2005, after it acquires a plant that will be used to produce a new Volvo convertible. In 2004, the company's first full year of operation, net profit totaled 9.4 million Swedish kroners. At the end of the year, the net financial position was negative by 730.7 million Swedish kroners, reflecting borrowings incurred exclusively to finance the development of the new Volvo car. The company's entire gross indebtedness of 735.2 million Swedish kroners is owed to Pininfarina S.p.A. At this point, the company still has no staff.

RHTU Sverige A.B.

This wholly owned subsidiary of Pininfarina S.p.A. was established in June 2004. It ended its first fiscal year with a loss of 8,780 Swedish kroners and value of production of 3,281,533 Swedish kroners. Its startup phase will be completed during the second half of 2005, when it will begin producing retractable roofs that will be installed in the new Volvo car manufactured by Pininfarina Sverige A.B. At December 31, 2004, the company had 6 employees.

SIGNIFICANT EVENTS OCCURRING SINCE DECEMBER 31, 2004

In January 2005, Pininfarina S.p.A. completed the negotiations with Webasto A.G. on the sale of the interest Pininfarina S.p.A. held in the 50-50 joint venture Open Air Systems GmbH. This transaction, which generated a gain of 22.2 million euros on the profit and loss account of the Group's Parent Company, reflects the decision of both parties to focus on their respective core businesses while at the same time maintaining a close relationship in the manufacturing area. The Pininfarina Group will continue to install roof systems in its cars that it will manufacture on behalf of Open Air Systems, which will supply the necessary engineering services.

Pininfarina Extra S.r.l. was the only subsidiary that declared dividends distributable to Pininfarina S.p.A. (a total of 252,000 euros). The other subsidiaries were in the process of implementing major capital investment programs, mostly in connection with the startup of new activities.

At the Geneva Motor Show, which was held after the close of the 2004 fiscal year, Pininfarina offered a world preview of three new products:

– The Birdcage 75th, a concept car built with Motorola on a Maserati platform, which was named Best Concept Car, one of the Editors' Choice Awards given by Autoweek, a prestigious U.S. magazine;

– The AviChina (Hafei) Saibao, a demonstration model that showcases Pininfarina's design and engineering capabilities;

– The Mitsubishi Colt Coupé – Cabriolet, a concept car that was designed and engineered by Pininfarina. The corresponding production model will be manufactured by the Group in Italy starting in the spring of 2006.

The Geneva Motor Show, where the cars presented by Pininfarina met with accolades from both the public and the press, provided an ideal venue to celebrate the Company's 75th birthday.

As required by Consob Communication No. DME/5015175 of March 10, 2005, Pininfarina S.p.A. has announced that it is currently in the process of identifying and quantifying the differences that would result by applying the IAS/IFRS accounting principles instead of the Italian accounting principles to the consolidated financial statements of the Group.

The IAS/IFRS principles will be applied starting with the Report on Operations in the First half of 2005.

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

MOTION FOR THE APPROPRIATION OF NET PROFIT

The 2004 fiscal year ended with a net profit of 13,831,710.00 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 that the net profit be appropriated as follows:

A dividend of 0.34 euros on each of the 9,317,000 ordinary shares	€	3,167,780.00
Allocation to the Reserve under Law No. 488/92, which will be restricted until completion of the subsidized portion of the capital investment program included in Project No. 28776-12 approved by the Ministry of Production Activities with Decree No. 134700 of December 20, 2004	€	2,738,000.00
Allocation to the special reserve	€	7,925,930.00
Net profit	€	**13,831,710.00**

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.

Coupon No. 5 must be presented on May 23, 2005. The dividend will be payable on May 26, 2005.

Turin, March 31, 2005.

Sergio Pininfarina

Chairman of the Board of Directors

THE PININFARINA GROUP

CONSOLIDATED FINANCIAL HIGHLIGHTS

(in thousands of euros)	12/31/04	12/31/03
Operating Data		
Net revenues	507,566	688,549
Value of production	601,769	779,215
EBITDA	38,292	45,107
EBIT	18,737	26,514
Net financial income	1,789	4,010
Profit before taxes	12,270	22,190
Group interest in net profit	3,258	10,145
Cash flow*	21,406	28,239
Balance Sheet Data		
Net fixed assets	227,811	172,874
Net invested capital	185,565	93,779
Group interest in shareholders' equity	173,906	173,707
Net financial position	15,952	105,927
Other Data		
Capital investments for the year	75,161	42,897
Number of employees at December 31	2,585	2,486

** 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 507.6 million euros, or 180.9 million euros less (-26.27%) than in 2003. This decrease reflects the transition period that the manufacturing operations are experiencing, with existing production orders coming to a close between the second half of 2004 and the first half of 2005 and new orders scheduled to get under way in the second half of this year.

The value of production decreased by 177.4 million euros, or 22.77%, to 601.8 million euros. A breakdown by business segment is provided below:

(in thousands of euros)	12/31/04	%	12/31/03	%
Production of complete cars and replacement parts	447,027	74.3	677,408	86.9
Design, engineering and prototypes	154,742	25.7	101,807	13.1
Total	**601,769**	**100.0**	**779,215**	**100.0**

Operating costs, net of inventory, included 463.3 million euros for purchases of raw materials and outside services (-27.19%). Consequently, value added decreased to 138.5 million euros, or 4.4 million euros less (-3.07%) than in the previous year. The ratio of value added to the value of production was 23.02% (18.34% in 2003).

At 100.2 million euros, personnel costs were 2.45% higher than in the previous year, as the year-end payroll grew by 4% to 2,585 employees, 99 more than at December 31, 2003.

EBITDA came to 38.3 million euros, or 6.8 million euros less than in 2003 (-15.08%). The ratio of EBITDA to value of production improved to 6.36% (5.79% in 2003).

Depreciation and amortization amounted to 18.1 million euros, unchanged from 2003. Provisions totaled 1.4 million euros (0.5 million euros in 2003).

EBIT decreased by 7.8 million euros (-29.43%) to 18.7 million euros. The ratio of EBIT to value of production was 3.11% (3.40% in 2003).

The need to simultaneously finance all of the development projects for the various models that are scheduled to go into production and the startup of companies outside Italy produced a sharp reduction in average available liquid assets. This development had a negative impact on net financial income, which decreased from 4 million euros in 2003 to 1.8 million euros in 2004. Net other expense totaled 8.3 million euros, about the same as in the previous year.

Profit before taxes decreased to 12.3 million euros, or 9.9 million euros less (-44.59%) than in 2003. It was equal to 2.04% of the value of production (2.85% in 2003).

Income taxes totaled 8.6 million euros, down from 12.1 million euros in 2003. The tax liability was equal to 69.92% of profit before taxes (54.50% in 2003).

Minority interest in net profit, which is a reflection of the consolidation of Pininfarina Sverige A.B., amounted to 415,000 euros.

Net profit fell by 67.33% to 3.3 million euros, or 6.8 million euros less than in 2003. It was equal to 0.54% of the value of production (1.30% in 2003).

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

FINANCIAL POSITION

At December 31, 2004, net capital requirements were 90.2 million euros more than a year earlier, mainly as a result of the capitalization of costs incurred in the development of new production orders. More specifically:

- Net non-current assets totaled 227.8 million euros. Intangible assets and fixed assets increased by 60.3 million euros as the net result of additions totaling 130.7 million euros, depreciation and amortization of 18.5 million euros, retirements of 56.7 million euros and reversals of depreciation and amortization of 10.8 million euros. Financial assets decreased by 5.3 million euros;

- Working capital was negative by 42.2 million euros, with the negative balance decreasing by 36.8 million euros as current assets increased proportionately more than current liabilities;
- The reserve for termination indemnities totaled 27.6 million euros, or 1.6 million euros more than at the end of 2003

Capital requirements were covered by:

- Shareholders' equity, which increased by 0.2 million euros as the net result of the transfer to retained earnings of the unappropriated 2003 net profit and of the negative difference between the 2004 and 2003 net profit;
- The net financial position showed a positive balance of 16 million euros, or 90 million euros less than at the end of 2003. This large decrease reflects the need to finance simultaneously all of the development projects for the various models that are scheduled to go into production starting in the second half of 2005.

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

FINANCIAL PERFORMANCE

In 2004, net financial assets decreased by 28.5 million euros as the net result of the following changes:

- Operating activities required 45.6 million euros more than in 2003, due to an increase in working capital requirements and a reduction in net profit;
- Investing activities in non-current assets absorbed 34.5 million euros more than at December 31, 2003;
- Cash flow from financing activities increased by 118.4 million euros;
- The net profit distributed was 3.1 million euros, the same as in 2003.

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

CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2004

BALANCE SHEET

ASSETS

(in euros)	12/31/04	12/31/03
B) NON-CURRENT ASSETS		
I) Intangible assets:		
3 rights to use intellectual property	3,116,659	4,170,989
6 intangible assets under formation	101,797,730	52,767,456
7 others	2,980,951	3,061,519
Total	**107,895,340**	**59,999,964**
II) Fixed assets:		
1 land and buildings	69,062,818	57,939,026
2 plant and machinery	29,664,224	30,512,750
3 industrial and trade equipment	9,699,634	7,456,759
4 other goods	5,590,118	8,055,529
5 fixed assets under construction and advances	2,684,350	351,435
Total	**116,701,144**	**104,315,499**
III) Financial assets:		
1 investments in:		
a) associated companies	2,508,798	7,901,316
d) other companies	706,143	657,490
Total	**3,214,941**	**8,558,806**
TOTAL NON-CURRENT ASSETS B)	**227,811,425**	**172,874,269**
C) CURRENT ASSETS		
I) Inventory:		
1 raw, ancillary and consumable materials	18,543,833	26,956,711
2 work in process and semifinished goods	1,978,161	16,239,686
3 work in progress on job orders	61,016,131	42,122,288
4 finished products and goods	2,019,520	908,168
Total	**83,557,645**	**86,226,853**
II) Receivables:		
1 trade accounts	44,228,378	69,408,255
3 due from associated companies	15,864,321	1,951,859
5 due from others	40,486,721	41,310,453
Total	**100,579,420**	**112,670,567**
III) Current financial assets:		
3 other investments	8,812,853	11,562,193
4 treasury stock	2,994,867	2,997,154
5 other securities	87,008,701	57,703,963
Total	**98,816,421**	**72,263,310**
IV) Liquid assets:		
1 cash at banks and post offices	24,569,511	35,697,245
3 cash and cash equivalents on hand	104,062	78,696
Total	**24,673,573**	**35,775,941**
TOTAL CURRENT ASSETS C)	**307,627,059**	**306,936,671**
D) PREPAYMENTS AND ACCRUED INCOME		
Other prepayments and accrued income	3,704,288	4,587,973
TOTAL PREPAYMENTS AND ACCRUED INCOME D)	**3,704,288**	**4,587,973**
TOTAL ASSETS	**539,142,772**	**484,398,913**

BALANCE SHEET

LIABILITIES AND SHAREHOLDERS' EQUITY

(in euros)	12/31/04	12/31/03
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	7,872,866	1,578,884
IV Legal reserve	2,231,389	2,231,389
V Reserve for treasury stock	27,434,512	27,951,000
VII Other reserves:		
a) miscellaneous reserves	86,115,531	85,577,414
IX Net profit for the year	3,258,378	10,144,734
Total shareholders' equity	**173,115,029**	**173,685,773**
c) minority interest in share capital and reserves	790,914	20,974
TOTAL CONSOLIDATED SHAREHOLDERS' EQUITY	**173,905,942**	**173,706,747**
B) RESERVES FOR RISKS AND CHARGES		
2 Reserve for taxation	12,576,212	7,749,873
3 Other provisions	5,554,133	6,834,176
TOTAL RESERVES FOR RISKS AND CHARGES B)	**18,130,345**	**14,584,049**
C) RESERVE FOR TERMINATION INDEMNITIES	27,610,623	25,998,571
	27,610,623	**25,998,571**
D) PAYABLES		
1 Bonds		
3 Due to banks	120,542,783	2,113,616
4 Due to other lenders	152,943	–
5 Advances	22,185,056	38,879,559
6 Trade accounts		
– Due within one year	118,107,259	141,425,614
– Due after one year	–	994,581
9 Due to associated companies	4,917,099	695,266
11 Taxes payable	2,604,486	19,552,250
12 Due to social security authorities	5,648,788	3,333,938
13 Other payables due within one year	15,223,514	25,026,039
13b Other payables due after one year	–	3,000,000
TOTAL PAYABLES D)	**289,381,928**	**235,020,863**
E) ACCRUED LIABILITIES AND DEFERRED INCOME		
Other accrued liabilities and deferred income	30,113,934	35,088,683
TOTAL ACCRUED LIABILITIES AND DEFERRED INCOME E)	**30,113,934**	**35,088,683**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**539,142,772**	**484,398,913**
MEMORANDUM ACCOUNTS AND OTHER COMMITMENTS		
Securities pledged as collateral	46,860,500	43,180,000
Third-party equipment held under gratuitous loans	131,512,809	133,972,292
Lease payments outstanding	51,232,064	107,722,642
Sureties	3,391,968	6,265,606
Commitments to buy mutual funds	–	1,500,000
TOTAL MEMORANDUM ACCOUNTS AND OTHER COMMITMENTS	**232,997,341**	**292,640,540**

PROFIT AND LOSS ACCOUNT

(in euros)		12/31/04	12/31/03
A) VALUE OF PRODUCTION			
1	Revenues from sales and services	507,565,583	688,549,251
2	Changes in inventory of work in progress, semifinished goods and finished products	5,743,670	14,336,771
4	Increase in fixed assets constructed internally	51,728,626	48,757,052
5	Other income and revenues	36,730,318	27,572,348
TOTAL VALUE OF PRODUCTION A)		**601,768,197**	**779,215,422**
B) COST OF SALES			
6	Raw, ancillary and consumable materials and goods	283,981,378	488,328,987
7	Services	128,118,634	81,338,965
8	Use of third-party assets	47,729,647	75,958,834
9	Personnel:		
	a) wages and salaries	71,110,096	71,736,295
	b) social contributions	24,711,944	21,657,493
	c) termination indemnities	4,396,553	4,433,168
10	Depreciation, amortization and writedowns:		
	a) amortization	2,765,085	3,175,701
	b) depreciation	15,383,386	14,918,745
	d) writedowns of receivables	6,744	285,488
11	Changes in inventory of raw, ancillary and consumable materials and goods	8,187,878	(2,973,735)
12	Provisions for risks	1,407,059	499,393
14	Other operating costs	2,839,320	1,749,070
TOTAL COST OF SALES B)		**590,637,724**	**761,108,404**
DIFFERENCE BETWEEN SALES AND COST OF SALES (A-B)		**11,130,473**	**18,107,018**
C) FINANCIAL INCOME AND CHARGES			
15	Income from investments in:		
	other companies	627,788	801,182
16	Other financial income:		
	b) from securities shown under current assets other than equity investments	999,006	1,386,723
	d) income other than the above	1,697,672	3,915,417
17	Interest and other financial charges:		
	paid to others	(1,535,282)	(2,092,867)
TOTAL FINANCIAL INCOME AND CHARGES C)		**1,789,184**	**4,010,455**
D) ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS			
18	Revaluations of:		
	a) equity investments		
19	Writedowns of:		
	a) equity investments	(5,392,518)	(1,215,625)
	b) non-current financial assets which do not constitute equity investments	(256,738)	(339,134)
TOTAL ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS D)		**(5,649,256)**	**(1,554,759)**
E) EXTRAORDINARY INCOME AND CHARGES			
20	Income	5,224,069	1,690,685
21	Charges	(224,004)	(63,328)
TOTAL EXTRAORDINARY INCOME AND CHARGES E)		**5,000,065**	**1,627,357**
PROFIT BEFORE TAXES (A-B+C+D+E)		**12,270,466**	**22,190,071**
22	Income taxes	(8,597,136)	(12,064,011)
23	Minority interest in net (profit) loss	(414,952)	18,674
26	**NET PROFIT**	**3,258,378**	**10,144,734**

CONTENT, SCOPE OF CONSOLIDATION AND STRUCTURE OF THE FINANCIAL STATEMENTS

INTRODUCTION

Criteria for the Preparation and Presentation of the Financial Statements

The financial statements for the year ended December 31, 2004 have been prepared in accordance with the provisions of Legislative Decree No. 127 of April 9, 1991.

More specifically, the financial statements were drawn up in accordance with the general provisions that govern their presentation (Article 2423 of the Italian Civil Code) and preparation (Article 2423 bis) and the valuation criteria provided for their individual components (Article 2426), without making use of any of the waivers available under Article 2423, Section 4, of the Italian Civil Code.

In addition, the balance sheet and profit and loss account are consistent with the statutory format provided in the Italian Civil Code, as amended by Legislative Decree No. 6 of January 17, 2003.

The consolidated financial statements of 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.

Investments in joint ventures are valued by the equity method.

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.

Information about the nature of the Group's businesses; significant events occurring after the end of the fiscal year; transactions with subsidiaries, associated companies, controlling companies and related parties; and other information concerning its various operations is provided in the Report on Operations.

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.

– Write-off of value adjustments and provisions carried out exclusively for tax purposes.

– Write-off 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 lives or for a maximum period of five years, whichever is shorter.

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

Fixed Assets

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

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

The rates used are as follows:

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

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

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

Leased Assets

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, 2004, 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.

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 and joint ventures 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.
- Finished products are valued at the average annual manufacturing cost determined by the LIFO method with periodic increments.
- Work in progress on job orders is valued by the percentage of completion method based on incurred costs. This method has been applied consistently to all of the orders that the Company is currently developing.

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 year-end exchange rate 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, 2004.

Deferred-tax liabilities and assets are recognized by posting them, respectively, to the “reserve for deferred taxes” and “due from others,” which is a current asset account. The corresponding tax credits and deferred taxes are reflected in the profit and loss account under “income taxes.”

In keeping with a conservative approach, assets that originate from tax credits are recognized when there is a reasonable certainty that in future years, when the underlying temporary differences are reversed, the Company will earn taxable income in excess of the differences that will be reversed. Liabilities for deferred taxes are not recognized when it is unlikely that such liabilities will in fact materialize.

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, 2004. 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.

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.

COMPARISON WITH THE PRIOR YEAR’S FINANCIAL STATEMENTS

The annexed financial statements list for each item the corresponding amount for the 2003 fiscal year. In the 2004 financial statements, certain items have been reclassified. To ensure a meaningful comparison, the corresponding data in the 2003 financial statements have also been reclassified.

ASSETS

NON-CURRENT ASSETS

Intangible Assets (amounts in euros)

Schedule of Changes to Intangible Assets

Historical Cost

	Balance at 12/31/03 (a)	Additions and reclassifications (b)	Eliminations and reclassifications (c)	Balance at 12/31/04 (d=a+b-c)	Net intangible assets at 12/31/04
Rights to use intellectual property	7,919,913	1,279,635	895,138	8,304,410	3,116,659
Others	8,278,741	43,661,849	42,514,785	9,425,805	2,094,419
Intangible assets under construction	52,767,456	52,979,691	3,949,417	101,797,730	101,797,730
Consolidation difference	1,412,135	–	–	1,412,135	886,532
Total	**70,378,245**	**97,921,175**	**47,359,340**	**120,940,080**	**107,895,340**

and Accumulated Amortization

Accumulated Amortization

	Percentage rate	Balance at 12/31/03 (e)	Increases (f)	Decreases and reclassifications (g)	Balance at 12/31/04 (h=e+f-g)
Rights to use intellectual property	10/20	3,748,924	1,617,636	178,809	5,187,751
Others	20/25	6,260,719	990,485	(80,182)	7,331,386
Consolidation difference	10	368,638	156,965	–	525,603
Total		**10,378,281**	**2,765,086**	**98,627**	**13,044,740**

Additions refer to application software developed by software houses. The main reason for the increase in intangible assets compared with 2003 is the capitalization of costs incurred in connection with an order from Volvo.

Fixed Assets (amounts in euros)

Schedule of Changes to Fixed Assets and Accumulated Depreciation

Historical Cost

	Balance at 12/31/03 (a)	Additions and reclassifications (b)	Disposals and reclassifications (c)	Balance at 12/31/04 (d=a+b-c)	Net fixed assets at 12/31/04 (e=d-i)
Land and buildings	81,096,418	14,286,973	(2,550,007)	97,933,398	69,062,818
Plant and machinery	112,590,421	7,434,825	8,717,749	111,307,497	29,664,224
Industrial and trade equipment	41,749,053	4,326,155	(1,540,400)	47,615,608	9,699,634
Other goods	15,815,026	2,765,261	3,069,136	15,511,151	5,590,118
Fixed assets under construction	351,435	3,960,697	1,627,782	2,684,350	2,684,350
Total	**251,602,353**	**32,773,911**	**9,324,260**	**275,052,004**	**116,701,144**

Accumulated Depreciation

	Percentage rate	Balance at 12/31/03 (f)	Increases (g)	Decreases and reclassifications (h)	**Balance at 12/31/04 (i=f+g-h)**
Land and buildings	3	23,157,393	3,051,553	(2,661,634)	28,870,580
Plant and machinery	10/22	82,077,671	8,196,951	8,631,349	81,643,273
Industrial and trade equipment	25	34,292,294	2,896,834	(726,846)	37,915,974
Other goods	12/25	7,759,497	1,588,048	(573,488)	9,921,033
Total		**147,286,855**	**15,733,386**	**4,669,381**	**158,350,860**

Revaluations of fixed assets carried out during the fiscal year are shown in the table below.

The table also shows a breakdown of the portion of these revaluations that still remains after the retirements of assets carried out between 1983 and December 31, 2004.

	Historical cost	Law No. 72/83	Revaluation as per Law No. 413/91	Carrying value before accumul. depreciation
Land and buildings	91,639,303	944,590	5,349,505	97,933,398
Plant and machinery	111,201,620	105,877		111,307,497
Industrial and trade equipment	47,615,608			47,615,608
Other goods	15,511,151			15,511,151
Total	**265,967,682**	**1,050,467**	**5,349,505**	**272,367,654**

Additions refer primarily to production facilities and equipment and to engineering and management information systems.

In accordance with sound accounting principles, a final adjustment was made to adjust the amounts at which acquired assets and liabilities were being carried to fair value. This adjustment, which was based on a report provided by an independent appraiser in the second half of 2004, affected land and buildings (12,000,000 euros before tax impact), the consolidation difference (reversal of prior-period differences totaling 4,009,000 euros), the reserve for deferred taxes (3,960,000 euros) and the consolidation reserve for risks and future charges (7,074,000 euros). The latter reserve was used in 2003 (1,609,000 euros) and in 2004 (4,550,000 euros) to cover the losses incurred by the Matra Group following its purchase.

The table below shows the impact that the recognition of finance leases in accordance with IAS 17 would have had on the consolidated financial statements at December 31, 2004.

Impact on the Balance Sheet

Assets	Amount
a) Leases outstanding	
Value of assets acquired under finance leases at the end of the previous year, net of accumulated depreciation of 50,945,784 euros	57,703,976
- Assets acquired under finance leases that can be bought out during the year	-851,324
- Depreciation for the year	-29,628,137
+ / - adjustments to/reversals of writedowns of assets acquired under finance leases	0
Year-end value of assets acquired under finance leases, net of accumulated depreciation of 80,573,921 euros	**27,224,515**
b) Liabilities	
Implied liabilities under finance leases at the end of the previous year (comprising 45,094,402 euros due within one year and 24,871,448 euros due within five years)	69,965,850
+ Implied liabilities acquired during the year	
- Principal repayments and buyout payments during the year	-43,785,304
Year-end implied liabilities under finance leases (including 17,098,285 euros due within one year, 7,755,836 euros due within five years and 1,326,425 euros due after five years).	**26,180,546**
d) Total gross impact at the end of the year (a-b)	**1,043,969**
e) Tax impact	**388,878**
f) Impact on the balance sheet at the end of the year (d-e)	**655,090**

Impact on the Profit and Loss Account

Reversal of payments under finance leases	40,720,273
Recognition of financial charges under finance leases	-2,546,639
Recognition of:	
depreciation expense on:	
leases outstanding	-29,628,137
bought-out assets	
adjustments to/reversals of writedowns of assets acquired under finance leases	
Impact on profit before taxes	**8,545,497**
Recognition of tax impact	**-3,183,200**
Impact on net profit of the recognition of leases by the financial method	**5,362,297**

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

	Revaluation as per Law No. 72/83	Revaluation as Law No. per 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

	12/31/04	12/31/03	Change
Open Air Systems GmbH	1,763,998	7,156,516	(5,392,518)
Pasiphae S.a.r.l	744,800	744,800	–
Total	**2,508,798**	**7,901,316**	**(5,392,518)**

Adjustments to the carrying value of the investments in associated companies at December 31, 2004 required the following writedowns:

Open Air Systems GmbH	5,392,518 euros

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

Other Companies

	12/31/04	12/31/03	Change
Banca Passadore S.p.A.	257,196	257,196	–
Midi Ltd	217,257	217,435	(178)
Idroenergia Soc. cons. a r.l.	516	516	–
Other companies	231,174	182,343	48,831
Total	**706,143**	**657,490**	**48,653**

CURRENT ASSETS

Inventory

	12/31/04	12/31/03	Change
Raw, ancillary and consumable materials	18,543,833	26,956,711	(8,412,878)
Work in process and semifinished goods	1,978,161	16,239,686	(14,261,525)
Work in process on job orders	61,016,131	42,122,288	18,893,843
Finished products and goods	2,019,520	908,168	1,111,352
Total	**83,557,645**	**86,226,853**	**(2,669,208)**

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 under development.

RECEIVABLES

Trade Accounts

	12/31/04	12/31/03	Change
Trade accounts receivable	46,320,227	73,598,384	(27,278,157)
Allowance for doubtful accounts	(2,091,849)	(4,190,129)	2,098,280
Total	**44,228,378**	**69,408,255**	**(25,179,877)**

Due from associated companies

	12/31/04	12/31/03	Change
Open Air Systems S.r.l	1,384,227	54,432	1,329,795
Open Air Systems GmbH	14,480,094	1,897,427	12,582,667
Total	**15,864,321**	**1,951,859**	**13,912,462**

The balance owed by Open Air Systems GmbH consists mainly of loans provided in connection with the development of the P15 Volvo order.

Due from Others

	12/31/04	12/31/03	Change
Due from tax authorities for interest on tax refunds receivable	0	3,493,921	(3,493,921)
Prepaid taxes on employee severance indemnities	1,282,905	1,392,664	(109,759)
Tax prepayments	17,775,393	18,142,628	(367,235)
Due from tax authorities for VAT	17,073,528	15,122,577	1,950,951
Due from social security authorities	1,326,846	172,402	1,154,444
Advances to suppliers	401,031	227,065	173,966
Other receivables	2,627,018	2,759,196	(132,178)
Total	**40,486,721**	**41,310,453**	**(823,732)**

A breakdown of tax prepayments by Group company is as follows:

Company	Tax prepayments
Pininfarina S.p.A.	10,043,959
Matra Automobile Engineering SAS	3,759,276
Pininfarina Deutschland GmbH for tax loss carryforward	1,655,072
Elimination of intra-Group margins with Pininfarina Sverige AB	2,317,086
Total	**17,775,393**

Current Financial Assets

Other Investments

	12/31/04	12/31/03	Change
San Paolo IMI S.p.A.	221,157	221,157	0
Banca Intermobiliare S.p.A.	5,861,920	5,861,920	0
Other shares with professional managers	2,820,543	5,664,593	(2,844,050)
Reserve for fluctuations in the value of listed securities	(90,767)	(185,477)	94,710
Total	**8,812,853**	**11,562,193**	**(2,749,340)**

As required by Article 2427, Section 10, of the Italian Civil Code, disclosure is hereby made that there is a material difference, amounting to 13.2 million euros, between the carrying value and the market value of the securities listed as other investments in the Current Assets section of the balance sheet.

Treasury Shares

	12/31/04	12/31/03	Change
Treasury shares	3,511,355	3,328,722	182,633
Reserve for fluctuations in the value of listed securities	(516,488)	(331,568)	(184,920)
Total	**2,994,867**	**2,997,154**	**(2,287)**

Other Securities

	12/31/04	12/31/03	Change
Government and government-backed securities	38,306,872	12,226,261	26,080,611
Securities of special credit or medium-term financial institutions	46,323,874	42,266,468	4,057,406
Commercial paper	2,377,955	3,211,234	(833,279)
Total	**87,008,701**	**57,703,963**	**29,304,738**

Liquid Assets

	12/31/04	12/31/03	Change
Cash at banks and post offices	24,569,511	35,697,245	(11,127,734)
Cash and cash equivalents on hand	104,062	78,696	25,366
Total	**24,673,573**	**35,775,941**	**(11,102,368)**

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

PREPAYMENTS AND ACCRUED INCOME

Other Prepayments and Accrued Income

	12/31/04	12/31/03	Change
Accrued income	186,583	241,166	(54,583)
Prepayments	3,517,705	4,346,807	(829,102)
Total	**3,704,288**	**4,587,973**	**(883,685)**

A breakdown of accrued income is as follows:

Accrued interest income	133,514
Other accrued income	53,069
Total	**186,583**

A breakdown of prepayments is as follows:

Prepaid rental and leasing installments	2,381,049
Pro-rata share of insurance premiums	86,064
Prepaid maintenance fees	23,427
Other prepayments	1,027,165
Total	**3,517,705**

LIABILITIES AND SHAREHOLDERS' EQUITY

SHAREHOLDERS' EQUITY

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

	Ordinary shares	Savings shares	Total shares
Balance at 12/31/04	**9,317,000**	**–**	**9,317,000**

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

The **revaluation reserve** increased by 6,293,982 euros due to the merger with and absorption of Industrie Pininfarina S.p.A. and Pininfarina Ricerca e Sviluppo S.p.A.

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

The **reserve for treasury stock** decreased by 516,488 euros.

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

The **special reserve** increased as a result of the following additions: 21,263,958 euros due to the merger with and absorption of Industrie Pininfarina S.p.A. and Pininfarina Ricerca e Sviluppo S.p.A.; 5,446,152 due to the appropriation of the 2003 net profit; and 516,488 euros due to a reclassification from the reserve for treasury stock.

Reserve for Out-of-period Income – The increase of 167,997 reflects the merger with and absorption of Industrie Pininfarina S.p.A. and Pininfarina Ricerca e Sviluppo S.p.A.

Reserve for Grant Received Pursuant to Law No. 488.92 – The entire reserve (9,355,557 euros) stems from the merger with and absorption of Industrie Pininfarina S.p.A. and Pininfarina Ricerca e Sviluppo S.p.A. It includes 9,309,665 euros to guarantee a program of subsidized investments that are part of Project No. 28767-12 and 45,892 euros to guarantee a program of subsidized investments that are part of Project No. 21517.

Reserve for Accumulated Accelerated Depreciation and Unrestricted Reserve for Accelerated Depreciation – In 2004, these reserves increased to 20,741,478 euros as a result of the following entries: 18,260,040 euros due to the merger with and absorption of Industrie Pininfarina S.p.A. and Pininfarina Ricerca e Sviluppo S.p.A. and 2,481,438 euros for the addition of the accelerated depreciation taken in 2003 to the reserve for accumulated accelerated depreciation.

Accelerated depreciation totaling 3,210,926 euros was reclassified to the unrestricted reserve.

Merger Reserves – These reserves increased by 68,429,451 euros due to the merger with and absorption of Industrie Pininfarina S.p.A. and Pininfarina Ricerca e Sviluppo S.p.A. but were reduced by a charge of 57,822,972 euros to replenish certain reserves of the absorbed companies.

The **consolidation reserve** fell from 56,496,726 euros to -11,073,085 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, 2004 is provided below (in euros):

	Net profit for the year	Shareholders' equity
Shareholder's equity and net profit of Pininfarina S.p.A.	**13,831,710**	**194,751,626**
Elimination of net profit and statutory equity of consolidated cos.	(4,847,955)	38,044,272
Elimination of equity investments	–	(44,987,367)
Valuation of investments in associated cos. by the equity method	(5,392,518)	(8,043,304)
Elimination of intra-Group dividends	–	–
Elimination of intra-Group transactions executed for consideration	(1,380,716)	(4,217,004)
Revaluations of assets, net of tax impact	(458,465)	8,625,032
Writedowns of assets, net of tax impact	1,315,170	(9,187,497)
Miscellaneous	606,104	(1,079,816)
Consolidated shareholder's equity and net profit	**3,673,330**	**173,905,942**

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

RESERVES FOR RISKS AND CHARGES

Reserve for Taxation

This reserve amounted to 12,576,000 euros, compared with 7,749,000 euros reported at the end of 2003. 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.

Reserve at the beginning of the year	7,749,873
Utilizations	(2,243,599)
Provisions	7,069,938
Reserve at the end of the year	**12,576,212**

The following table shows the deferred-tax assets and deferred-tax liabilities at December 31, 2004:

Reserve for deferred taxes	(12,576,212)
Deferred-tax assets (due from others)	17,775,393
Net deferred-tax assets	**5,199,181**

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, 2004.

The main temporary differences that required the recognition of deferred-tax assets or liabilities at December 31, 2004 are as follows:

	12/31/04	12/31/03
Accelerated depreciation and amortization	(7,220,118)	(7,483,069)
Deferred capital gains	(319,605)	(264,843)
2% reserve on multi-year contracts	(1,224,989)	–
Revaluation of Matra buildings	(3,811,500)	–
Taxed reserves	423,343	1,099,454
Tax-loss carryforward	5,414,348	3,857,640
Recognition of leasing costs outstanding	9,472,152	11,537,846
Elimination of intra-Group margins	2,317,086	1,626,739
Sundry items	148,464	18,988
Net deferred-tax assets	**5,199,181**	**10,392,755**

Tax prepayments attributable to Pininfarina Deutschland GmbH and the Matra Group (1,655,072 euros and 3,357,276 euros, respectively) have been recognized to the extent that they may be in fact recovered in the future, based on current development plans.

Other Provisions

	12/31/04	12/31/03
Reserve for the Mitsubishi order warranty	2,591,298	3,742,567
Reserve for foreign exchange risks	–	521,088
Consolidation reserve for future risks and charges	1,079,816	1,434,406
Other reserves for risks and charges	1,883,019	1,136,115
Total	**5,554,133**	**6,834,176**

RESERVE FOR TERMINATION INDEMNITIES

Balance at January 1, 2004	25,998,571
Utilization upon termination of employment relationships	(1,124,437)
Utilization for advances	(729,708)
Provision for the year	4,396,554
Transfers	(17,154)
Utilization for contributions to the COMETA/FIPDAP funds	(838,808)
Advance payments of substitute tax	(74,395)
Balance at 12/31/04	**27,610,623**

The balance at December 31, 2004 is fully adequate to fund all termination benefits vested pursuant to law and collective bargaining agreements.

PAYABLES

Due to Banks

At December 31, 2004, the amount due to banks totaled 120,542,783 euros, compared with 2,113,616 euros owed at the end of 2003.

Advances

Advances, which totaled 22,185,056 euros (38,879,559 euros at December 31, 2003), represent advance billings on orders in process.

Trade Accounts

Trade accounts amounted to 118,107,259 euros, down from 141,425,614 euros at December 31, 2003.

Due to Associated Companies

	12/31/04	12/31/03	Change
Open Air Systems S.r.l.	4,917,099	627,217	4,289,882
Open Air Systems GmbH	–	68,052	(68,052)
Total	**4,917,099**	**695,269**	**4,221,830**

Taxes Payable

	12/31/04	12/31/03	Change
Tax liability for the current year	632,414	17,321,235	(16,688,821)
Liability for income taxes owed by employees	1,836,798	2,054,006	(217,208)
Liability for income taxes owed by outsiders	35,105	27,932	7,173
Other taxes payable	100,169	149,059	(48,890)
Total	**2,604,486**	**19,552,232**	**(16,947,746)**

Due to Social Security Authorities

	12/31/04	12/31/03	Change
Due to Inps - Inail	2,937,448	3,104,694	(167,246)
Due to Inpdai	7,535	–	7,535
Due to other institutions	2,703,805	229,244	2,474,561
Total	**5,648,788**	**3,333,938**	**2,314,850**

Other Payables (due within one year)

	12/31/04	12/31/03	Change
Allocations for wages and social security contributions	6,277,461	14,361,468	(8,084,007)
Fees payable to the Board of Directors and Board of Statutory Auditors	265,160	181,617	83,543
Allocations for anticipated obligations	–	2,240,970	(2,240,970)
Allocations for capital investments	1,879,954	421,896	1,458,058
Miscellaneous payables	6,800,827	7,820,088	(1,019,261)
Total	**15,223,402**	**25,026,039**	**(9,802,637)**

ACCRUED LIABILITIES AND DEFERRED INCOME

Other Accrued Liabilities and Deferred Income

	12/31/04	12/31/03	Change
Accrued liabilities	27,526,550	32,210,611	(4,684,061)
Deferred income	2,587,384	2,878,072	(290,688)
Total	**30,113,934**	**35,088,683**	**(4,974,749)**

A breakdown of accrued liabilities is as follows:

Accrued bank charges	1,340,183
Accrued insurance premiums	75,198
Accrued taxes and fees and sundry contributions	63,295
Accrued travel expenses	196,572
Accrued lease payments	25,428,596
Sundry accrued expenses	422,706
Total	**27,526,550**

A breakdown of deferred income is as follows:

Miscellaneous deferred income	2,587,384
Total	**2,587,384**

COMMITMENTS AND GUARANTEES

At December 31, 2004, commitments and guarantees included securities provided as collateral (46,860,500 euros), lease payments outstanding (51,232,064 euros), sureties (3,391,968 euros) and third-party equipment held under gratuitous loans (131,512,809 euros).

VALUE OF PRODUCTION

Revenues from Sales and Services

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

	12/31/04	%	12/31/03	%
Italy	96,124,964	19	75,071,297	11
Other countries	411,440,619	81	613,477,954	89
Total	**507,565,583**	**100**	**688,549,251**	**100**

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

	12/31/04	%	12/31/03	%
Complete cars and replacement parts	413,194,517	69	649,624,112	83
Design, engineering and prototypes	154,741,381	26	101,807,211	13
Other products	33,832,299	6	27,784,099	4
Total	**601,768,197**	**100**	**779,215,422**	**100**

Other Income and Revenues

	12/31/04	12/31/03	Change
Gains on the disposal of assets	1,066,075	370,721	695,354
Rebilled expenses	320,677	145,256	175,421
Rent	0	345,290	(345,290)
Insurance settlements	769,538	713,056	56,482
Operating out-of-period income	5,688,630	697,823	4,990,807
Rebilled equipment-lease payments	24,981,783	24,604,292	377,491
Sundry items	3,903,615	695,910	3,207,705
Total	**36,730,318**	**27,572,348**	**9,157,970**

COST OF SALES

Purchases of materials and services (raw, ancillary and consumable materials and goods; services; use of third-party assets) decreased to 459,829,659 euros, or 185,797,127 euros less than the 645,626,786 euros paid in 2003.

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

	12/31/04	12/31/03	Change
Wages and salaries	71,110,096	71,736,295	(626,199)
Social security contributions	24,711,944	21,657,493	3,054,451
Addition to the reserve for termination indemnities	4,396,553	4,433,168	(36,615)
Total	**100,218,593**	**97,826,956**	**2,391,637**

The change in personnel costs reflects the purchase of the Matra Group and the enrollment of some employees in the Layoff Benefits Fund.

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

Number of employees	12/31/04	12/31/03	Change
Executives	55	40	15
Office staff	1,069	947	122
Production staff	1,461	1,499	-38
Total number of employees	**2,585**	**2,486**	**99**

In 2004, the average payroll numbered 2,537 employees, compared with 2,728 employees in 2003.

Depreciation, Amortization and Writedowns

Amortization and Depreciation

	12/31/04	12/31/03	Change
Amortization	2,765,085	3,175,701	(410,616)
Depreciation	15,383,386	14,918,745	464,641
Total	**18,148,471**	**18,094,446**	**54,025**

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 6,744 euros, or 278,744 euros less than the 285,488 euros reported in 2003.

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

The decrease of 8,187,878 euros is due to a decline in manufacturing activity.

Provisions for Risks

	12/31/04	12/31/03	Change
Addition to the reserve for risks	1,407,059	499,393	907,666
Total	**1,407,059**	**499,393**	**907,666**

This reserve covers primarily the risk of losses on Matra orders.

Other Operating Costs

	12/31/04	12/31/03	Change
Non-deductible taxes and fees	309,148	270,790	38,358
Deductible taxes and fees	277,453	182,308	95,145
Losses on the disposal of assets	41,774	64,334	(22,560)
Operating out-of-period charges	866,745	738,267	128,478
Miscellaneous operating costs	1,344,200	493,371	850,829
Total	**2,839,320**	**1,749,070**	**1,090,250**

FINANCIAL INCOME AND CHARGES

Income from Investments

Income from Investments in Other Companies

Income from investments in other companies declined by 173,394 euros to 627,788 euros, down from 801,182 euros in 2003. A breakdown is as follows:

Banca Passadore S.p.A.	37,500
Banca Intermobiliare S.p.A.	509,652
San Paolo IMI S.p.A.	13,689
Beni Stabili S.p.A.	632
Income from other Italian securities	66,315
Total	**627,788**

Other Financial Income

Income from Securities Shown Under Current Assets Other than Equity Investments

This item, which amounted to 999,006 euros, or 387,717 euros less than the 1,386,723 euros earned in 2003, includes gains earned on the securities portfolio and interest from commercial paper.

Other Income

	12/31/04	12/31/03	Change
Bank interest earned	77,469	186,598	(109,129)
Gains on securities transactions	976,853	2,758,517	(1,781,664)
Foreign exchange gains and other financial income	271,161	816,049	(544,888)
Miscellaneous interest income	372,189	154,253	217,936
Total	**1,697,672**	**3,915,417**	**(2,217,745)**

Interest and Other Financial Charges

Amounts Paid to Others

	12/31/04	12/31/03	Change
Bank interest paid	444,882	621,813	(176,931)
Losses on securities transactions	0	2,392,001	(2,392,001)
Foreign exchange losses and other financial charges	519,783	1,261,365	(741,582)
Miscellaneous interest expense and other charges	570,617	(2,182,312)	2,752,929
Total	**1,535,282**	**2,092,867**	**(557,585)**

ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS

Writedowns

	12/31/04	12/31/03	Change
Writedowns of equity investments	5,392,518	1,215,625	4,176,893
Writedowns of current financial assets	–	339,134	(339,134)
Writedowns of equity investments	256,738	–	256,738
Total	**5,649,256**	**1,554,759**	**4,094,497**

Writedowns were taken to adjust the carrying values of the equity investments and fixed income securities listed below:

Open Air Systems GmbH	5,392,518

EXTRAORDINARY INCOME AND CHARGES

Income

Other Income

	12/31/04	12/31/03	Change
Out-of-period income	673,583	81,749	591,834
Utilization of the consolidation reserve for future risks and charges	4,550,486	1,608,936	2,941,550
Total	**5,224,069**	**1,690,685**	**3,533,384**

The consolidation reserve for future risks and charges was used to cover the loss incurred by the Matra Group.

Charges

Other Charges

	12/31/04	12/31/03	Change
Out-of-period charges	224,004	63,328	160,676
Total	**224,004**	**63,328**	**160,676**

INCOME TAXES FOR THE YEAR

	12/31/04	12/31/03	Change
Current taxes	6,585,440	30,694,927	(24,109,487)
Deferred taxes	2,011,696	(18,630,916)	20,642,612
Total	**8,597,136**	**12,064,011**	**(3,466,875)**

A reconciliation of the theoretical tax liability and the actual tax liability is as follows (in thousands of euros):

Theoretical corporate income tax liability on profit before taxes	4,049
Other permanent differences	987
Corporate income tax liability	**5,036**
Regional production tax liability on adjusted taxable base	521
Other permanent differences	3,040
Regional production tax liability	**3,561**
Income tax for the year	**8,597**

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING ON THE CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2004

Dear Shareholders:

The Board of Directors submits for your approval the consolidated financial statements at December 31, 2004, which comprise the balance sheet, profit and loss account and notes to the financial statements.

The consolidated financial statements at December 31, 2004 show Group interest in consolidated shareholders' equity of 169,856,650 euros, net of consolidated net profit of 3,258,378 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, 2004 included the Group's Parent Company, 12 subsidiaries, all of which were consolidated line by line, and 2 associated companies, which were valued by the equity method.

The audit performed by PricewaterhouseCoopers S.p.A. has shown that the amounts listed in the consolidated financial statements at December 31, 2004 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 20, 2005, PricewaterhouseCoopers 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, 2004 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 2004 fiscal year.
- The valuation criteria applied are consistent with those used in 2003. The same was also true for the method used to account for finance leases. With regard to finance leases, the notes to the financial statements provide the disclosures required by Document OIC 1 about the impact that recognition of finance leases in accordance with the method recommended by IAS 17 would have had on the consolidated financial statements at December 31, 2004.
- The associated companies Pasiphae S.à.r.l and Open Air Systems GmbH have been valued by the equity method. In the case of Open Air Systems GmbH, the use of this method produced a value adjustment of 5,392,518 euros, which is reflected in the profit and loss account.

Turin, April 21, 2005

The Statutory Auditors (Giacomo Zunino)

(Giorgio Giorgi)

(Piergiorgio Re)

PRICEWATERHOUSECOOPERS

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 156 OF LAW DECREE N° 58 DATED 24 FEBRUARY 1998

To the Shareholders of
Pininfarina SpA

1 We have audited the consolidated financial statements of Pininfarina SpA (the Pininfarina group) as of December 31, 2004. These consolidated financial statements are the responsibility of Pininfarina's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards and criteria recommended by CONSOB. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the consolidated financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our opinion.

The financial statements of certain subsidiaries constituting some 1.2 per cent of consolidated assets at 31 December 2004 and some 0.4 per cent of consolidated net revenues for the year then ended, were audited by other auditors whose reports have been furnished to us.

For the opinion on the consolidated financial statements of the prior period, which are presented for comparative purposes as required by law, reference is made to the report issued by Reconta Ernst & Young SpA dated April 23, 2004.

3 In our opinion, the consolidated financial statements of Pininfarina SpA (the Pininfarina group) as of December 31, 2004 comply with the laws governing the criteria for their preparation; accordingly, they give a true and fair view of the financial position and of the results of operations of the group.

4 As illustrated in the board of directors' report effective from January 1, 2004 Pininfarina SpA has merged through incorporation the subsidiaries Industrie Pininfarina SpA and Pininfarina Ricerca e Sviluppo SpA.

Turin, April 20, 2005

PricewaterhouseCoopers SpA

Massimo Aruga
(Partner)

“This report has been translated from the original which was issued in accordance with Italian legislation”

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)	12/31/04	%	12/31/03	%	Change
Net revenues	507,566	84.35	688,549	88.36	(180,983)
Changes in inventory of work in process and finished products	5,744	0.95	14,337	1.84	(8,593)
Other income and revenues	36,730	6.10	27,572	3.54	9,158
Fixed assets constructed internally	51,729	8.60	48,757	6.26	2,972
Value of production	**601,769**	**100.00**	**779,215**	**100.00**	**(177,446)**
Raw materials and outside services	(455,070)	(75.62)	(639,255)	(82.04)	184,185
Changes in inventory of raw materials	(8,188)	(1.36)	2,974	0.38	(11,162)
Value added	**138,511**	**23.02**	**142,934**	**18.34**	**(4,423)**
Personnel costs	(100,219)	(16.65)	(97,827)	(12.55)	(2,392)
EBITDA	**38,292**	**6.36**	**45,107**	**5.79**	**(6,815)**
Depreciation and amortization	(18,148)	(3.02)	(18,094)	(2.32)	(54)
Provisions	(1,407)	(0.23)	(499)	(0.06)	(908)
EBIT	**18,737**	**3.11**	**26,514**	**3.40**	**(7,777)**
Net financial income	1,789	0.30	4,010	0.51	(2,221)
Other income (charges), net	(8,256)	(1.37)	(8,334)	(1.07)	78
Profit before taxes	**12,270**	**2.04**	**22,190**	**2.85**	**(9,920)**
Income taxes	(8,597)	(1.43)	(12,064)	(1.55)	3,467
Minority interest in net (profit) loss	(415)	(0.07)	19	–	(434)
Net profit	**3,258**	**0.54**	**10,145**	**1.30**	**(6,887)**

NET FINANCIAL ASSETS

(in thousands of euros)	12/31/04	12/31/03	Change
Liquid assets	24,674	35,776	(11,102)
Fixed-income securities, net	87,009	57,704	29,305
Listed equity securities, net	11,808	14,559	(2,751)
Loans receivable from associated companies	13,004	–	13,004
Net short-term financial assets	**136,495**	**108,039**	**28,456**
Long-term bank debt	(120,543)	(2,112)	(118,431)
Net financial position	**15,952**	**105,927**	**(89,975)**

ANALYSIS OF FINANCIAL POSITION

(in thousands of euros)	12/31/04	12/31/03	Change
A) Net non-current assets			
Net intangible assets	107,895	60,000	47,895
Net fixed assets	116,701	104,315	12,386
Net financial assets	3,215	8,559	(5,344)
Total A	**227,811**	**172,874**	**54,937**
B) Working capital			
Inventory	83,558	86,227	(2,669)
Trade accounts receivable, net	47,089	71,360	(24,271)
Other assets	44,191	45,898	(1,707)
Trade accounts payable	(123,024)	(146,904)	23,880
Reserve for risks and charges	(18,130)	(14,584)	(3,546)
Other liabilities	(75,930)	(121,092)	45,162
Total B	**(42,246)**	**(79,095)**	**36,849**
C) Net invested capital (A+B)	**185,565**	**93,779**	**91,786**
D) Reserve for termination indemnities	**27,611**	**25,999**	**1,612**
E) Net capital requirements (C-D)	**157,954**	**67,780**	**90,174**
F) Shareholders' equity			
Share capital	9,317	9,317	–
Reserves	161,331	154,245	7,086
Net profit for the year	3,258	10,145	(6,887)
Total F	**173,906**	**173,707**	**199**
G) Net financial position			
Long-term debt	120,543	2,112	118,431
Net financial assets	(136,495)	(108,039)	(28,456)
Total G	**(15,952)**	**(105,927)**	**89,975**
H) Total as in E (F+G)	**157,954**	**67,780**	**90,174**

ANALYSIS OF CASH FLOW

(in thousands of euros)	12/31/04	12/31/03	Change
A. Net liquid assets at January 1	**108,039**	**117,894**	**(9,855)**
B. Cash flow from operating activities			
Net profit (loss) for the year	3,258	10,145	(6,887)
Depreciation and amortization	18,148	18,094	54
(Gains) Losses on sale of non-current assets	(875)	(325)	(550)
Change in working capital	(36,849)	3,833	(40,682)
Net change in reserve for termination indemnities	1,612	133	1,479
Other changes	1,307	368	939
Total B	**(13,399)**	**32,248**	**(45,647)**
C. Cash flow from investing activities			
Investments in fixed and intangible assets	(73,214)	(37,690)	(35,524)
Investments in financial fixed assets	(1,947)	(5,207)	3,260
Proceeds from sale or redemption value of non-current assets	1,709	3,915	(2,206)
Total C	**(73,452)**	**(38,982)**	**(34,470)**
D. Cash flow from financing activities	**118,431**	**–**	**118,431**
E. Distribution of net profit	**(3,124)**	**(3,121)**	**(3)**
F. Net cash flow for the period (B+C+D+E)	**28,456**	**(9,855)**	**38,311**
G. Net liquid assets at December 31 (A+F)	**136,495**	**108,039**	**28,456**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	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 at 12/31/03	**9,317,000**	**36,885,352**	**1,578,884**	**2,231,389**	**27,951,000**	**29,080,688**	**56,496,726**	**20,974**	**10,144,734**	**173,706,747**
Other changes			6,293,982		(516,488)	71,232,706	(67,569,811)	354,988	(10,144,734)	(349,357)
Dividend distribution	–	–	–	–	–	(3,124,778)			–	(3,124,778)
Minority interest in share capital and reserves								414,952		414,952
Net profit for the year	–	–	–	–	–	–			3,258,378	3,258,378
Total at 12/31/04	**9,317,000**	**36,885,352**	**7,872,866**	**2,231,389**	**27,434,512**	**97,188,616**	**(11,073,085)**	**790,914**	**3,258,378**	**173,905,942**

Sergio Pininfarina

Chairman of the Board of Directors

ANNEX 2

List of Companies Included
in the Scope of Consolidation

Key Data of the Principal Group Companies

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

Name	Registered office	Share capital (in euros)	% interest held directly or indirectly in 2004	% interest held directly or indirectly in 2003
Parent Company				
Pininfarina S.p.A.	6 Via Bruno Buozzi – Turin – IT	9,317,000		
Italian Subsidiaries				
Pininfarina Extra S.r.l.	6 Via Bruno Buozzi – Turin – IT	388,000	100	100
Foreign Subsidiaries				
PF RE S.a.	6B route de Trevès – Senningerberg – LU	1,250,000	100	100
PF Services S.a.	17 rue Beaumont – Luxembourg – LU	32,000	100	100
Pininfarina Deutschland GmbH	10 Industriestrasse – Renningen – DE	3,100,000	100	100
Matra Automobile Engineering. SAS	8 avenue J. D'Alembert – Trappes Cedex – FR	971,200	100	100
CERAM S.A.S.	Mortefontaine – FR	1,000,000	100	100
D3 S.A.S.	11 rue Paul Bert – Courbevoie – FR	306,000	100	100
Plazolles Modelage S.a.r.l.	ZAC de l'Argentine – 9 rue J. Anquetil Garges Les Gonesses – FR	8,000	100	100
Matra Automobile Engineering Maroc S.A.S.	Km 12, Autoroute de Rabat – Sidi Bernoussi – Zenata Casablanca – MA	MAD 8,000,000	100	0
Matra Developpement S.A.S.	8 avenue J.D'Alembert – Parc d'Activites de Pissaloup – Trappes – FR	37,000	100	0
RHTU Sverige AB	1 Varvsvagen – Uddevalla – SE	SEK 100,000	100	0
Pininfarina Sverige AB	1 Varvsvagen – Uddevalla – SE	SEK 8,965,000	60	60

The investments in the associated companies Open Air Systems GmbH and Pasiphae S.a.r.l. were valued by the equity method.

KEY DATA OF THE PRINCIPAL GROUP COMPANIES

PININFARINA EXTRA S.R.L.

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

(euro/000)	12/31/04	12/31/03
Value of production	4,314	2,517
EBIT	1,066	422
Net profit	543	202
Shareholders' equity	1,773	1,230
Capital expenditures	209	71
Net financial position	828	288

PININFARINA DEUTSCHLAND GMH

Head office:	Renningen - DE
Share capital:	3,100,000 euros
% interest held directly:	100%

(euro/000)	12/31/04	12/31/03
Value of production	9,183	13,638
EBIT	(1,708)	(3,218)
Net profit	(1,894)	(2,999)
Shareholders' equity	18,072	20,128
Capital expenditures	64	1,726
Net financial position	(5,265)	(1,661)

MATRA AUTOMOBILE ENGINEERING GROUP

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

(euro/000)	12/31/04	12/31/03 (3 months)
Value of production	45,966	9,105
EBIT	(6,159)	(3,043)
Net profit	(4,550)	(1,608)
Shareholders' equity	14,225	18,431
Capital expenditures	4,830	748
Net financial position	(10,663)	4,948

Sergio Pininfarina

Chairman of the Board of Directors