

*pininfarina*

**PININFARINA GROUP**

**Semiannual Report at June 30, 2007**

Pininfarina S.p.A – Share Capital: 9,317,000 euros, fully paid in. Registered Office: 6 Via Bruno Buozzi

Tax I.D. and Turin Company Register No. 00489110015

PININFARINA GROUP

Semiannual Report at June 30, 2007

Approved by the Board of Directors  
on September 10, 2007

## **Honorary Chairman**

Sergio Pininfarina

## **Board of Directors**

Chairman and Chief Executive Officer *	Andrea	Pininfarina (3)
Deputy Chairman	Paolo	Pininfarina (2) (3)
Directors	Franco	Bernabè (1) (3)
	Elisabetta	Carli
	Mario Renzo	Deaglio (2) (3)
	Edoardo	Garrone (1) (3)
	Carlo	Pavesio (2) (3)
	Lorenza	Pininfarina (3)
	Sergio	Pininfarina (1)

(1) Member of the Appointments and Compensation Committee

(2) Member of the Internal Control Committee

(3) Member of the Strategic Committee

## **Board of Statutory Auditors**

Chairman	Giacomo	Zunino
Statutory Auditors	Fabrizio	Cavalli
	Piergiorgio	Re

## **Secretary to the Board of Directors**

(*) Corporate Accounting Documents Officer	Gianfranco	Albertini (*)
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## **Independent Auditors**

PricewaterhouseCoopers S.p.A.

### **\*Powers**

*Under Article 22 of the Bylaws, the Chairman and Chief Executive Officer is the legal representative of the Company before outsiders and before the courts. Accordingly, he is 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.*



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Report of the Independent Auditors on the Consolidated Data at June 30, 2007



## **Pininfarina Group**

### **Review of Operating and Financial Performance**

Consolidated value of production totaled 378.3 million euros at June 30, 2007, or 22.3% more than the 309.2 million euros reported in the first six months of 2006. The increase in business turnover reflects the contribution provided by the production of the Ford Focus Coupè Cabriolet, which is the last of the five models in the Group's product line. This model was not in production in the first half of 2006. A comparison with the data for the first six months of 2007 with those for the same period last year shows a sharp increase in activity by the manufacturing operations (albeit with still negative margins) and a value of production by the service operations (design and engineering) roughly in line with the same period last year, but with margins back in the black.

When reviewing the results for the first half of 2007, it is important to keep in mind that a tornado hit the Bairo Canavese factory on June 15, 2007 causing major damage and forcing a complete shutdown of the facility for more than two weeks. As a result, production on the Ford and Mitsubishi orders was suspended until July 2, which is when the plant began the gradual process of resuming its activity. The margin shortfall caused by the loss of revenues at a moment when the level of production was at its highest has made it impossible to achieve the announced goal of reporting breakeven EBIT in the second quarter of 2007.

At June 30, 2007, EBITDA (equal to the profit or loss from operations before depreciation, amortization and additions to provisions) were positive by 7.4 million euros, for an improvement of 10.5 million euros compared with the first six months of 2006 (negative EBITDA of 3.1 million euros).

A comparison of reported EBITDA for the first two quarters of 2007 shows a significant trend reversal. Thanks to the return to positive operating cash flow, EBITDA improved from a negative 2.6 million euros in the first three months of 2007 to a positive 10 million euros in the second quarter of the year, for a sequential quarterly gain of 12.6 million euros.

However, this improvement was not enough to achieve breakeven at the operating level, as EBIT were negative by 2.1 million euros, compared with negative EBIT of 11.4 million euros in the first quarter of the year.

In the first half of 2007, EBIT (equal to the profit or loss from operations) were negative by 13.5 million euros, the same amount as at June 30, 2006. However, while the final amounts may be the same, the components are not, making the figure for each six-month period different. Specifically, the result for the first half of 2007 was adversely affected by the June production stoppage and includes gains on the sale of non-current assets that were 10.3 million euros lower than in the same period last year.

Net financial expense amounted to 4.4 million euros, compared with net financial income of 2.3 million euros at June 30, 2006. There are two main reasons for this difference: a change in the net financial position and a sharp reduction in dividends received from companies outside the Group, as most of these investments were sold during the second half of 2006.

Other income, net of other expenses, (valuation adjustments) totaled 1.5 million euros (0.4 million euros at June 30, 2006). It reflects the Group's pro rata interest in the result reported by the Pininfarina Sverige A.B. joint venture, which has been performing successfully, in line with expectations.

At June 30, 2007, the loss before taxes amounted to 16.4 million euros (loss of 10.8 million euros in the first half of 2006).

Income taxes, which had been positive by 2 million euros in the first half of 2006, added a further 4.8 million euros to the reported loss. The negative change of 6.8 million euros is due primarily to different amounts of deferred-tax assets and liabilities reported in the two half-year periods under comparison.

The net loss for the first six months of 2007 totaled 21.2 million euros, compared with a loss of 8.9 million euros in the same period last year.

The net financial position was negative by 88.3 million euros (negative balance of 3.7 million euros at June 30, 2006), compared with a negative balances of 120.9 million euros at December 31, 2006. The main reason for this sharp improvement is a change in working capital, which became negative by a larger amount, consistent with a recurring seasonal increase in manufacturing activity between the first and the second half of the year.

At June 30, 2007, the Group had 2,813 employees, or 85 more than the 2,728 employees who were on its payroll a year earlier. It is important to keep in mind that mpx Entwicklung GmbH, a German Group company, was not consolidated in the first half of 2006. Specifically, the Group's German operations had 163 employees at June 30, 2007, compared with 70 employees 12 months earlier. The data provided above do not include the 870 employees who work for Pininfarina Sverige A.B. (780 employees at June 30, 2006).

A review of the data by business segment shows that the value of production totaled 310.2 million euros in the first half of 2007 (+30.3% compared with the same period last year), accounting for 82% of total consolidated value of production (77% in the first six months of 2006). The completion of the startup process and the start of full production of the Ford Focus Coupè Cabriolet model accounts for this improvement.

A comparison between the number of vehicles invoiced in the first six months of 2006 and 2007 is provided below:

	<u>6/30/07</u>	<u>6/30/06</u>	<u>12/31/06</u>
Alfa Romeo Brera	2,647	5,961	8,248
Alfa Romeo Spider	3,407	85	2,838
Mitsubishi Colt CZC	2,653	4,482	9,110
Ford Focus Coupè Cabriolet	7,586	0	629
<b>TOTAL</b>	<b><u>16,293</u></b>	<b><u>10,528</u></b>	<b><u>20,825</u></b>

EBIT were negative by 15.9 million euros, compared with negative EBIT of 10 million euros at June 30, 2006.

In Sweden, Pininfarina Sverige A.B. sold 10,511 Volvo C70 automobiles, or 87% more than the 5,621 cars shipped during the first half of 2006.

The service operations, which include the design, industrial design and engineering operations, reported a value of production totaling 68.1 million euros, compared with 71.1 million euros at June 30, 2006 (-4.2%). The contribution provided to total consolidated value of production was 18%, compared with 23% in the first half of 2006. The large gains reported by the manufacturing operations now that all models are in production accounts for this decrease.

A comparison of the data reported by the Group's various business operations for the first six months of 2007 and 2006 show an improved performance by the Group's foreign companies, which were operating at a loss last year and reported breakeven EBIT at June 30, 2007. As a result, consolidated EBIT improved to a positive 2.4 million euros, compared with a loss of 3.5 million euros at June 30, 2006.

### **Outlook for the Balance of 2007**

Projections call for consolidated value of production to reach about 680 million euros by the end of the year, an increase of about 15% compared with December 31, 2006. The reduction of about 800 million euros compared with the previous forecast is attributable mainly to the manufacturing operations, which were adversely affected by the shutdown caused in June by a tornado that hit the Bairo Canavese factory, with production resuming gradually only in July. A general decrease in orders received for the various production contracts was also a factor.

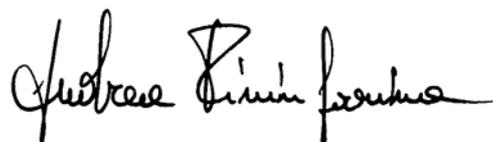
EBITDA are expected to remain largely positive, but EBIT projections are negative.

The net financial position will worsen compared with the data at June 30, 2007 due to changes in working capital, as the contribution provided by this item tends to decrease during the second half of the year, and to a steady stream of payments to financial institutions to repay borrowings that were used to fund the Group's capital investments.

### **Significant Events Occurring Since June 30, 2007**

No significant events that would require disclosure occurred after June 30, 2007.

Andrea Pininfarina  
Chairman  
of the Board of Directors

A handwritten signature in black ink, appearing to read "Andrea Pininfarina". The signature is written in a cursive, flowing style.

## Consolidated Financial Highlights

(amounts in thousand of euros)

	Data at		Data at
	6/30/07	6/30/06	12/31/06
<b>Operating Data</b>			
Net revenues	367,445	266,613	526,382
Value of production	378,341	309,217	588,814
EBIT	(13,515)	(13,518)	(43,474)
Financial income (expense), net (a)	(4,419)	2,305	20,768
Profit (Loss) before taxes	(16,426)	(10,837)	(23,566)
Profit (Loss) for the period	(21,212)	(8,866)	(21,883)
Cash flow *	875	1,451	1,224
<b>Balance Sheet Data</b>			
Net non-current assets (b)	338,415	283,973	336,510
Net invested capital (c)	247,479	213,150	306,930
Group interest in shareholders' equity	133,567	179,627	155,078
Net financial position (d)	(88,257)	(3,706)	(120,940)

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

(a) This item includes the amounts recognized as financial income (expense) and dividends

(b) This item includes property, plant and equipment, intangibles and non-current financial assets.

(c) See the reclassified balance sheet on page 12.

(d) See the net financial position on page 13.

The reclassified financial statements contain unaudited data. They regroup the data presented in the financial statements required under current statutes differently, with the objective of providing a more immediate understanding of the data, without affecting the logic of their presentation. It is important to keep in mind that the data shown for "EBIT" and "Other income (expense)" in the reclassified financial statements have the same meaning as the data shown for "EBIT" and "valuation adjustments" in the IAS/IFRS financial statements.

## Reclassified Consolidated Income Statement

(amounts in thousand of euros)

	Data at		Data at		Change	Data at
	6/30/07	%	6/30/06	%		12/31/06
Net revenues	367,445	97.12	266,613	86.22	100,832	526,382
Changes in inventory of work in progress and finished goods	5,269	1.39	38,302	12.39	(33,033)	54,348
Other income and revenues	5,451	1.44	3,614	1.17	1,837	6,961
Work performed internally and capitalized	176	0.05	688	0.22	(512)	1,123
<b>Value of production</b>	<b>378,341</b>	<b>100.00</b>	<b>309,217</b>	<b>100.00</b>	<b>69,124</b>	<b>588,814</b>
Net gain on disposal of non-current assets	3,116	0.82	13,385	4.33	(10,269)	11,869
Raw materials and outside services	(306,825)	(81.10)	(277,134)	(89.63)	(29,691)	(502,035)
Change in inventory of raw materials	2,646	0.70	20,466	6.62	(17,820)	17,282
<b>Value added</b>	<b>77,278</b>	<b>20.42</b>	<b>65,934</b>	<b>21.32</b>	<b>11,344</b>	<b>115,930</b>
Labor costs *	(69,925)	(18.48)	(69,000)	(22.31)	(925)	(127,856)
<b>EBITDA</b>	<b>7,353</b>	<b>1.94</b>	<b>(3,066)</b>	<b>(0.99)</b>	<b>10,419</b>	<b>(11,926)</b>
Depreciation, amortization and writedowns	(22,087)	(5.83)	(10,418)	(3.37)	(11,669)	(23,107)
Additions to provisions and reserves	1,219	0.32	(34)	(0.01)	1,253	(8,441)
<b>EBIT</b>	<b>(13,515)</b>	<b>(3.57)</b>	<b>(13,518)</b>	<b>(4.37)</b>	<b>3</b>	<b>(43,474)</b>
Financial income (expense), net	(4,419)	(1.17)	2,305	0.75	(6,724)	20,768
Other income (expense), net	1,508	0.40	376	0.12	1,132	(860)
<b>Profit before taxes</b>	<b>(16,426)</b>	<b>(4.34)</b>	<b>(10,837)</b>	<b>(3.50)</b>	<b>(5,589)</b>	<b>(23,566)</b>
Income taxes	(4,786)	(1.26)	1,971	0.64	(6,757)	1,683
<b>Profit (Loss) for the period</b>	<b>(21,212)</b>	<b>(5.60)</b>	<b>(8,866)</b>	<b>(2.86)</b>	<b>(12,346)</b>	<b>(21,883)</b>

\* At June 30, 2007, labor costs are shown net of a nonrecurring gain generated by the recomputation of the present value of the accrued provision for termination indemnities at December 31, 2006 and the resulting curtailment, recognized in accordance with Paragraph 109 of IAS 19 "Employee Benefits."

## Reclassified Consolidated Balance Sheet

(amount in thousand of euros)

	Data at		Change	Data at
	6/30/07	12/31/06		6/30/06
<b>Net non-current assets (A)</b>				
Net intangible assets	7,623	8,154	(531)	6,322
Net property, plant and equipment	294,490	292,717	1,773	241,022
Equity investments	36,302	35,639	663	36,629
<b>Total A</b>	<b>338,415</b>	<b>336,510</b>	<b>1,905</b>	<b>283,973</b>
<b>Working capital (B)</b>				
Inventory	42,523	42,470	53	75,833
Net trade receivables and other receivables	146,407	132,488	13,919	138,109
Deferred-tax assets	19,402	23,583	(4,181)	31,814
Trade accounts payable	(225,153)	(167,765)	(57,388)	(238,994)
Provision for risks and charges	(7,175)	(8,211)	1,036	(2,908)
Other liabilities	(66,940)	(52,145)	(14,795)	(74,677)
<b>Total B</b>	<b>(90,936)</b>	<b>(29,580)</b>	<b>(61,356)</b>	<b>(70,823)</b>
<b>Net invested capital (C=A+B)</b>	<b>247,479</b>	<b>306,930</b>	<b>(59,451)</b>	<b>213,150</b>
<b>Provision for termination indemnities (D)</b>	<b>25,655</b>	<b>30,912</b>	<b>(5,257)</b>	<b>29,817</b>
<b>Net capital requirements (E=C-D)</b>	<b>221,824</b>	<b>276,018</b>	<b>(54,194)</b>	<b>183,333</b>
<b>Shareholders' equity (F)</b>	<b>133,567</b>	<b>155,078</b>	<b>(21,511)</b>	<b>179,627</b>
<b>Net financial position (G)</b>				
Long-term debt	109,569	125,796	(16,227)	74,942
(Net liquid assets)	(21,312)	(4,856)	(16,456)	(71,236)
<b>Total G</b>	<b>88,257</b>	<b>120,940</b>	<b>(32,683)</b>	<b>3,706</b>
<b>Total as in E (H=F+G)</b>	<b>221,824</b>	<b>276,018</b>	<b>(54,194)</b>	<b>183,333</b>

The amounts shown at December 31, 2006 and June 30, 2006 for “net liquid assets” and “long-term debt” have been restated due to the reclassification of short-term installments. The total “net financial position” did not change.

## Consolidated Net Financial Position

(amounts in thousand of euros)

	Data at		Change	Data at
	6/30/07	12/31/06		6/30/06
Cash and cash equivalents	89,327	16,933	72,394	41,050
Current assets held for trading	62,913	61,864	1,049	58,473
Current loans receivable and other receivables	43,873	66,912	(23,039)	83,039
Available-for-sale current assets	0	0	0	0
Loans receivable from associates and joint ventures	17,904	17,904	0	17,904
Due to banks	(26,112)	(31,331)	5,219	(672)
Current liabilities under finance leases	(94,813)	(74,001)	(20,812)	(83,113)
Loans payable to associates and joint ventures	0	0	0	0
Loans payable to banks	(71,780)	(53,425)	(18,355)	(45,445)
<b>Net liquid assets</b>	<b>21,312</b>	<b>4,856</b>	<b>16,456</b>	<b>71,236</b>
Long-term loans and other receivables from outside	196,192	185,806	10,386	126,640
Long-term loans and other receivables from associates and joint ventures	71,617	80,569	(8,952)	89,521
Available-for-sale non current assets	0	0	0	29,365
Long-term liabilities under finance leases	(253,036)	(282,274)	29,238	(214,413)
Long-term bank debt	(124,342)	(109,897)	(14,445)	(106,055)
<b>Net long-term debt</b>	<b>(109,569)</b>	<b>(125,796)</b>	<b>16,227</b>	<b>(74,942)</b>
<b>Net financial position</b>	<b>(88,257)</b>	<b>(120,940)</b>	<b>32,683</b>	<b>(3,706)</b>

The amounts shown at December 31, 2006 and June 30, 2006 for “net liquid assets” and “long-term debt” have been restated due to the reclassification of short-term installments. The total “net financial position” did not change.

## Consolidated Balance Sheet – Assets

	Note ref.	6/30/07	12/31/06
<b>Property, plant and equipment</b>		<u>294,489,985</u>	<u>292,717,136</u>
Land and buildings	7	95,916,165	97,262,193
Land		25,777,467	25,778,147
Buildings		59,269,637	60,435,711
Leased property		10,869,061	11,048,335
Plant and machinery	7	192,250,602	187,852,130
Machinery		38,648,513	27,261,570
Plant		40,990,677	42,168,914
Leased machinery and equipment		112,611,412	118,421,646
Furniture, fixtures and other property, plant and equipment	7	5,209,320	6,046,720
Furniture and fixtures		2,083,466	2,252,706
Hardware & software		2,189,680	2,537,988
Other property, plant and equipment (including vehicles)		936,174	1,256,026
Other leased property, plant and equipment		0	0
Assets under construction	7	<u>1,113,898</u>	<u>1,556,093</u>
<b>Intangible assets</b>		<u>7,622,583</u>	<u>8,153,782</u>
Goodwill	8	2,301,012	2,301,012
Licenses and trademarks	8	4,849,906	5,327,799
Other intangibles	8	<u>471,665</u>	<u>524,971</u>
<b>Equity investments</b>		<u>36,302,202</u>	<u>35,638,952</u>
Subsidiaries		0	0
Associated companies	9	744,800	744,800
Joint ventures	9	35,025,250	34,362,000
Other companies	9	<u>532,152</u>	<u>532,152</u>
<b>Deferred-tax assets</b>		<u>19,401,843</u>	<u>23,583,203</u>
<b>Non-current financial assets</b>		<u>267,808,805</u>	<u>266,374,805</u>
Held-to-maturity long-term investments		0	0
Loans and other receivables form:		267,808,805	266,374,805
Outsiders	10	196,192,093	185,806,003
Related parties and joint ventures	10	71,616,712	80,568,802
Available-for-sale non-current financial assets		0	0
<b>Held-for-sale other non-current assets</b>		<u>0</u>	<u>0</u>
<b>TOTAL NON-CURRENT ASSETS</b>		<u><b>625,625,418</b></u>	<u><b>626,467,878</b></u>
<b>Inventory</b>	11	41,983,515	42,067,352
Raw materials		31,362,879	28,603,622
Work in process		5,752,707	9,263,584
Finished goods		4,867,929	4,200,146
<b>Contract work in progress</b>	11	<u>539,896</u>	<u>403,014</u>
<b>Current financial assets</b>		<u>124,690,131</u>	<u>146,679,580</u>
Current assets held for trading	10	62,912,790	61,863,888
Current loans receivables and other receivables from:		61,777,341	84,815,692
Outsiders	10	43,873,163	66,911,514
Related parties and joint ventures	10	17,904,178	17,904,178
Available-for-sale current financial assets		0	0
Held-to-maturity current investments		0	0
<b>Derivatives</b>		<u>0</u>	<u>0</u>
<b>Trade receivables and other receivables</b>		<u>146,407,360</u>	<u>132,487,751</u>
Trade receivables from:		126,288,658	110,224,618
Outsiders		119,058,331	101,472,545
Related parties and joint ventures		7,230,327	8,752,073
Other receivables		<u>20,118,702</u>	<u>22,263,133</u>
<b>Cash and cash equivalents</b>		<u>89,326,983</u>	<u>16,933,218</u>
Cash on hand		603,048	271,608
Short-term bank deposits		88,723,935	16,661,610
<b>TOTAL CURRENT ASSETS</b>		<u><b>402,947,885</b></u>	<u><b>338,570,915</b></u>
<b>TOTAL ASSETS</b>		<u><b>1,028,573,303</b></u>	<u><b>965,038,793</b></u>

## Consolidated Balance Sheet – Liabilities and Shareholders' Equity

	Note ref.	6/30/07	12/31/06
Common shares	12	9,300,945	9,288,847
Additional paid-in capital		34,654,818	34,604,184
Reserve for treasury stock		12,000,000	12,000,000
Statutory reserve		2,231,389	2,231,389
Stock option reserve		2,732,280	2,232,280
Reserve for currency translations		625,822	1,506,737
Other reserves		82,274,211	103,152,036
Retained earnings		10,959,948	11,945,400
Profit (Loss) for the year	13	<u>(21,212,075)</u>	<u>(21,883,216)</u>
<b>GROUP INTEREST IN SHAREHOLDERS' EQUITY</b>		<b><u>133,567,338</u></b>	<b><u>155,077,657</u></b>
<b>Minority interest in shareholders' equity</b>		<b><u>0</u></b>	<b><u>0</u></b>
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b><u>133,567,338</u></b>	<b><u>155,077,657</u></b>
<b>Long-term borrowings</b>		<b><u>377,377,899</u></b>	<b><u>392,170,705</u></b>
Collateralized liabilities		0	0
Liabilities under finance leases	14	253,036,271	282,273,753
Other indebtedness owed to:		124,341,628	109,896,952
Outsiders	14	124,341,628	109,896,952
Related parties and joint ventures		0	0
<b>Deferred-tax liabilities</b>		<b><u>18,432,175</u></b>	<b><u>18,083,673</u></b>
<b>Provision for termination indemnities</b>		<b><u>25,654,945</u></b>	<b><u>30,912,023</u></b>
Provision for pensions and severance pay		944,163	933,938
Provision for termination indemnities	15	<u>24,710,782</u>	<u>29,978,085</u>
<b>Provision for other liabilities and charges</b>		<b><u>0</u></b>	<b><u>0</u></b>
Decommissioning costs		0	0
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b><u>421,465,019</u></b>	<b><u>441,166,401</u></b>
<b>Current borrowings</b>		<b><u>192,705,563</u></b>	<b><u>158,756,819</u></b>
Due to banks	14	26,112,484	31,331,116
Collateralized liabilities		0	0
Liabilities under finance leases	14	94,813,374	74,000,953
Bonds outstanding and other borrowings owed to:		71,779,705	53,424,750
Outsiders	14	71,779,705	53,424,750
Related parties and joint ventures		0	0
<b>Other payables</b>		<b><u>40,527,781</u></b>	<b><u>24,955,282</u></b>
Wages and salaries		19,747,197	11,091,264
Due to social security institutions		3,565,725	6,407,532
Vacation days, sick days and personal days		565,398	411,827
Other liabilities		<u>16,649,461</u>	<u>7,044,659</u>
<b>Trade accounts payable</b>		<b><u>225,152,540</u></b>	<b><u>167,764,794</u></b>
Accounts payable to outsiders		221,887,260	165,282,937
Account payable to associated companies and joint ventures		671,178	1,973,083
Advances received for work in progress		<u>2,594,102</u>	<u>508,774</u>
<b>Provision for current taxes</b>		<b><u>1,231,692</u></b>	<b><u>1,674,522</u></b>
Direct taxes		735,111	253,755
Other taxes		<u>496,581</u>	<u>1,420,767</u>
<b>Financial derivatives</b>		<b><u>0</u></b>	<b><u>0</u></b>
<b>Provision for other liabilities and charges</b>		<b><u>7,175,364</u></b>	<b><u>8,211,041</u></b>
Provision for warranties	16	1,499,269	1,021,850
Provision for restructuring programs	16	3,602,198	4,464,000
Other provisions	16	<u>2,073,897</u>	<u>2,725,191</u>
<b>Other liabilities</b>		<b><u>6,748,006</u></b>	<b><u>7,432,277</u></b>
<b>TOTAL CURRENT LIABILITIES</b>		<b><u>473,540,945</u></b>	<b><u>368,794,735</u></b>
<b>TOTAL LIABILITIES</b>		<b><u>895,005,965</u></b>	<b><u>809,961,136</u></b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b><u>1,028,573,303</u></b>	<b><u>965,038,793</u></b>

## Consolidated Income Statement

	Note ref.	6/30/07	6/30/06
Sales and service revenues		367,444,918	266,613,197
Increase in Company-produced non-current assets		176,520	688,281
Change in inventories of finished goods and work in progress		5,268,788	38,301,839
Change in contract work in progress		7,776,184	31,129,694
Change in inventories of work in progress, semifinished and finished goods		(2,507,396)	7,172,145
Other income and revenues	17	<u>5,451,254</u>	<u>3,614,075</u>
<b>Total value of production</b>		<b><u>378,341,480</u></b>	<b><u>309,217,392</u></b>
Gain on the sales of non-current assets	18	3,142,953	13,388,049
<i>Amount earned on the sale of equity investments</i>		0	0
<b>Raw materials and consumables used</b>		<u>(260,253,516)</u>	<u>(201,824,897)</u>
Raw materials and components		(262,899,463)	(222,290,985)
Change in inventories of raw materials, subsidiary materials and consumables		2,645,947	20,466,088
<b>Other variable production costs</b>		<u>(5,107,098)</u>	<u>(5,582,528)</u>
Consumables		(2,668,365)	(2,761,440)
Utilities		(261,294)	(397,431)
External maintenance costs		<u>(2,177,439)</u>	<u>(2,423,657)</u>
<b>External variable engineering services</b>		<u>(18,284,388)</u>	<u>(28,768,641)</u>
<b>Wages, salaries and employee benefits</b>		<u>(69,924,954)</u>	<u>(69,000,090)</u>
Production staff, office staff and managers		(65,139,737)	(63,845,129)
Independent contractors		(6,660,097)	(2,298,903)
Social security and other post-employment benefits		(2,910,631)	(2,856,058)
Curtailement	19	<u>4,785,511</u>	0
<b>Depreciation, amortization and writedowns</b>		<u>(22,113,704)</u>	<u>(10,420,546)</u>
Depreciation of property, plant and equipment	20	(21,113,544)	(9,298,651)
Loss on disposals of property, plant and equipment		(26,576)	(2,644)
Amortization of intangibles	21	(973,584)	(1,018,398)
Writedowns		<u>0</u>	<u>(100,853)</u>
<b>Utilization of negative goodwill</b>		<u>0</u>	<u>0</u>
<b>Foreign exchange gains (losses)</b>		16,086	18,764
<b>Other expenses</b>		<u>(19,299,401)</u>	<u>(20,545,604)</u>
<b>Profit (Loss) from operations</b>		<b><u>(13,514,714)</u></b>	<b><u>(13,518,101)</u></b>
Financial income (expense), net	22	(4,573,299)	1,301,133
Dividends	23	153,024	1,003,736
Value adjustments	24	1,508,884	376,300
Non-recurring income (expense)		<u>0</u>	<u>0</u>
<b>Profit (Loss) before taxes</b>		<b><u>(16,426,105)</u></b>	<b><u>(10,836,932)</u></b>
Income taxes for the period	25	<u>(4,785,970)</u>	<u>1,971,245</u>
<b>Profit (Loss) for the period</b>		<b><u>(21,212,075)</u></b>	<b><u>(8,865,687)</u></b>
		<u>6/30/07</u>	<u>6/30/06</u>
Profit (Loss) for the period		(21,212,075)	(8,865,687)
Number of common shares, net		9,300,945	9,218,981
Basic earnings (loss) per share		(2.28)	(0.96)

## Statement of Changes in Consolidated Shareholders' Equity

	12/31/05	Fair value gains (losses)	Translation restatements	Profit (Loss) for the year	Employee stock option plan	Changes to reserves	Dividends	Purchases / Sales of treasury shares	6/30/06
Common shares	9,312,155							(93,174)	9,218,981
Additional paid-in capital	36,215,861							(2,990,420)	33,225,441
Reserve for treasury stock	12,000,000								12,000,000
Statutory reserve	2,231,389								2,231,389
Stock options reserve	1,320,733				500,000				1,820,733
Reserve for currency transl.	(252,864)		611,013						358,149
Fair value reserve	12,507,513	2,101,870							14,609,383
Other reserves	110,942,932					(7,859,701)			103,083,231
<b>Retained earnings</b>	12,382,791					(437,391)			11,945,400
<b>Profit (Loss) for the period</b>	(8,103,394)			(8,865,687)		8,103,394			(8,865,687)
<b>GROUP INTEREST IN SHAREHOLDERS' EQUITY</b>	188,557,116	2,101,870	611,013	(8,865,687)	500,000	(193,698)	0	(3,083,594)	179,627,020
Minority interest in profit and res.	0								0
<b>TOTAL SHAREHOLDERS' EQUITY</b>	188,557,116	2,101,870	611,013	(8,865,687)	500,000	(193,698)	0	(3,083,594)	179,627,020

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

	12/31/06	Fair value gains (losses)	Translation restatements	Profit (Loss) for the year	Employee stock option plan	Changes to reserves	Dividends	Purchases / Sales of treasury shares	6/30/07
Common shares	9,288,847							12,098	9,300,945
Additional paid-in capital	34,604,184							50,634	34,654,818
Reserve for treasury stock	12,000,000								12,000,000
Statutory reserve	2,231,389								2,231,389
Stock options reserve	2,232,280				500,000				2,732,280
Reserve for currency transl.	1,506,737		(880,915)						625,822
Fair value reserve	0								0
Other reserves	103,152,036					(20,877,825)			82,274,211
<b>Retained earnings</b>	11,945,400					(985,452)			10,959,948
<b>Profit (Loss) for the period</b>	(21,883,216)			(21,212,075)		21,883,216			(21,212,075)
<b>GROUP INTEREST IN SHAREHOLDERS' EQUITY</b>	155,077,657	0	(880,915)	(21,212,075)	500,000	19,939	0	62,732	133,567,338
Minority interest in profit and res.	0								0
<b>TOTAL SHAREHOLDERS' EQUITY</b>	155,077,657	0	(880,915)	(21,212,075)	500,000	19,939	0	62,732	133,567,338

## Consolidated Cash Flow Statement

	Data at	
	6/30/07	6/30/06
<b>Profit (loss) for the period</b>	<b>(21,212,075)</b>	<b>(8,865,687)</b>
<b>Restatements</b>	<b>20,443,055</b>	<b>(6,718,251)</b>
- Income taxes	4,785,970	(1,971,245)
- Depreciation of property, plant and equipment	21,113,544	9,298,651
- Amortization of intangibles	973,584	1,018,398
- Writedowns	(1,031,244)	377,622
- Provision for pensions and seniority indemnities	(5,257,077)	1,108,540
- (Gains) Losses on sale of non-current assets	(3,116,377)	(13,385,405)
- (Gains) Losses on derivative financial instruments	0	0
- (Gains) Losses available for sale on disposal financial assets	(13,676)	0
- (Financial income)	(9,242,068)	(10,087,028)
- Financial expense	13,829,043	8,296,248
- (Dividends)	(153,024)	(1,003,736)
- Value adjustment to shareholders' equity	(1,508,884)	(376,300)
- Unrealized (gains) losses on foreign exchange transactions	0	6,004
- Other	63,264	0
<b>Changes in working capital</b>	<b>62,322,655</b>	<b>50,665,068</b>
- Inventories	83,837	(27,726,980)
- Contract work in progress	(136,882)	(15,748,602)
- Trade accounts receivable	(15,441,354)	(16,218,160)
- Account receivable from joint ventures	1,521,746	563,824
- Trade accounts payable	58,626,387	109,298,370
- Account payable to joint ventures	(1,301,905)	610,135
- Other changes	18,970,826	(113,519)
<b>Cash flow from operating activities</b>	<b>61,553,635</b>	<b>35,081,130</b>
(Financial expense)	(13,829,043)	(8,296,248)
(Income taxes)	(4,785,970)	1,971,245
<b>Net cash from operating activities</b>	<b>42,938,622</b>	<b>28,756,127</b>
- Acquisition of a subsidiary, net of cash acquired	(23,580,383)	(51,302,885)
- Purchases of property, plant and equipment	3,367,982	16,368,050
- Non-current financial assets	11,603,359	(24,093,270)
- Non-current financial assets from associated companies	8,952,089	8,952,088
- Financial income	9,255,744	10,087,028
- Dividend received	153,024	1,003,736
- Other equity investments	845,635	(1,660,119)
<b>Net cash used in investing activities</b>	<b>10,597,450</b>	<b>(40,645,372)</b>
- Purchases of treasury shares	62,732	(3,083,594)
- Long-term borrowings from lenders outside the Group	24,374,570	38,848,209
- Long-term borrowings from associated companies	0	0
- Dividends paid	0	0
<b>Net cash used in financing activities</b>	<b>24,437,302</b>	<b>35,764,615</b>
- Other non-cash items	(360,977)	917,315
<b>Increase (Decrease) in cash and cash equivalents</b>	<b>77,612,397</b>	<b>24,792,685</b>
- Cash and cash equivalents at beginning of the period	(14,397,898)	15,585,498
<b>Cash and cash equivalents at the end of the period</b>	<b>63,214,499</b>	<b>40,378,183</b>
Cash and cash equivalents	89,326,983	41,050,035
Due to banks	(26,112,484)	(671,852)
<i>Cash and cash equivalents at the end of the period</i>	<b>63,214,499</b>	<b>40,378,183</b>

## **Companies of the Pininfarina Group** (data presented in accordance with the IAS accounting principles)

The **Pininfarina Extra S.r.l.** Group ended the first half of 2007 with value of production of 2.3 million euros, the same as in the first six months of 2006. The company's performance during the abovementioned two periods was also comparable in terms of profit before taxes (0.6 million euros) and net profit (0.4 million euros).

At June 30, 2007, the **Matra Automobile Engineering** Group reported value of production of 34.5 million euros and a consolidated loss of 0.5 million euros, compared with 29.5 million euros and 1.4 million euros, respectively, in the first half of 2006. An increase in value of production (+16.9%), the positive impact of ongoing restructuring programs and nonrecurring gains contributed to the reduction in net loss achieved during the first six months of 2007.

The **Pininfarina Deutschland GmbH** Group booked value of production of 7.5 million euros in the first six months of 2007 (3.0 million euros at June 30, 2006) and a net profit 0.5 million euros (net loss of 2.7 million euros last year). When comparing the performance during the first half of 2006 and 2007, please note that this year's data include the contribution of mpx Entwicklung GmbH, a company based in Munich (Germany) that was acquired after June 30, 2006. The strategy of focusing the German operations on the provision of engineering services and the in-depth restructuring of the Group's lead company in Germany in 2006 are producing the expected results and are generating valuable synergies with other service companies within the Group.

**Pininfarina Sverige AB** ended the first half of 2007 with value of production of 270.1 million euros and a net profit of 2.3 million euros (155.9 million euros and 461,000 euros, respectively, at June 30, 2006). It invoiced 10,511 cars and had 870 employees (5,621 cars and 780 employees at June 30, 2006). During the first six months of 2007, the Volvo Car Corporation joint venture reached a stable level of production, owing in part to the commercial success of the Volvo C70 convertible both in Europe and the United States.

At June 30, 2007, **RHTU AB** reported value of production of 2.1 million euros and a net loss of 284,000 euros (value of production of 2.0 million euros and a net loss of 532,000 euros at June 30, 2006). The company's ability to cut sharply its net loss while its value of production was virtually unchanged attests to the success of the efforts it is making to achieve breakeven.

**Pininfarina S.p.A.**, the Group's Parent Company, reported value of production of 331.9 million euros, compared with 276.4 million euros in the first half of 2006 (+20%). The loss for the period came to 21.4 million euros, compared with a net loss of 5.8 million euros at June 30, 2006. An analysis of the reasons for the increase of 15.6 million euros in net loss shows that the bottom line figure for the first half of 2006 benefited from larger gains earned on the disposal of non-current assets than in the first six months of 2007 (+10.3 million euros). In addition, as a result of changes in the balance of deferred-tax assets and liabilities, the tax effect was less favorable in the first half of 2007 than in the same period last year, with the negative differential amounting to 6.3 million euros. The net financial position was negative by 57.4 million euros, as against a positive balance of 21.7 million euros at June 30, 2006. The factors that affected the Group's operating and financial performance in the first six months of 2007 are valid for the most part for the Parent Company as well.

## Notes to the Semiannual Consolidated Financial Statements

### 1. General Information

The Pininfarina Group is an industrial enterprise that is centered around a core of automotive operations and based on the establishment of comprehensive collaborative 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 Group has production and development facilities in Italy, France, Germany, Sweden and Morocco. Its customers are located mainly in Italy, France, Great Britain and China.

Pininfarina is a corporation that has its registered office at 6 via Bruno Buozzi, in Turin.

The Company's shares are traded on the Borsa Italiana securities market.

This Consolidated Semiannual Report was approved by the Board of Directors on September 10, 2007.

### 2. Accounting Principles

The Semiannual Report and the consolidated financial statements at June 30, 2007 were prepared in accordance with the provisions of Consob Regulation No. 11971 of May 14, 1999, as amended, and the regulations enacted to implement Article 9 of Legislative Decree No. 38/2005.

This Semiannual Report is consistent with the requirements of the International Financial Reporting Standards ("IFRS") and relevant interpretations issued by the International Accounting Standards Board ("IASB") and adopted by the European Union.

The accounting principles applied to the preparation of this Semiannual Report are the same as those used for the consolidated annual financial statements at December 31, 2006.

No changes in accounting principles that would have required a restatement of the comparable balances reported in previous periods occurred during the first six months of 2007.

The methods used to compute estimates also did not change appreciably.

The Pininfarina Group chose this Semiannual Report to start recognizing the accounting impact on Pininfarina S.p.A. of the changes made to the rules that govern the Provision for termination indemnities by Law No. 296 of December 27, 2006 (2007 Budget Law) and subsequent Decrees and Regulations enacted early in 2007. Specifically, the Group recomputed the present value of vested benefits at December 31, 2006 and the resulting curtailment, recognized in accordance with Paragraph 109 of IAS 19 "Employee Benefits." This restatement reduced the operating loss by 4.8 million euros.

As required by Paragraph 8 of IAS 34 "Interim Financial Reporting," the Semiannual Report includes the following minimum components:

- Balance sheet;
- Income statement;
- Statement of changes in shareholders' equity;
- Cash flow statement;
- Specific accompanying notes required by Paragraph 16 of IAS 34.

## 2.2 Consolidation

### (a) Change in the Scope of Consolidation

The scope of consolidation changed compared with the first half of 2006 due to the inclusion of the engineering operations of mpx. The impact of this transaction on the consolidated data at June 30, 2007 are summarized below:

- Total assets: 5,109,000 euros;
- Net indebtedness: 150,000 euros in cash and cash equivalents;
- Value of production: 6,582,000 euros;
- Operating profit (EBIT): 539,000 euros.

### (b) Subsidiaries

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

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

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

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

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

### (c) Associated Companies and Joint Ventures

Associated companies are companies over which the Group exercises a significant influence, but not control.

The Group is deemed to exercise a significant influence when it controls between 20% and 50% of the voting rights. Investments in associated companies and joint ventures are recognized initially at cost and are then valued by the equity method.

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

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

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

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

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

#### (d) Other Companies

Investments in other companies that constitute available-for-sale financial assets are valued at fair value, if available, and any resulting gains or losses are recognized in equity until the assets are sold or their value is impaired. At that point, accumulated gains or losses previously recognized in equity are reflected on the income statement for the period. Investments in small companies for which a fair value may not be available are carried at cost, adjusted for any impairment losses. Dividends received from these companies are recognized as Other income (expense) generated from equity investment transactions.

### 2.3 Translation of Items Denominated in Foreign Currencies

#### (a) Functional Currency and Presentation Currency

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

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

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

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

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

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

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

#### (c) Group Companies

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

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

## 2.4 Property, Plant and Equipment

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

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

The depreciation of property, plant and equipment is computed on a straight-line basis, so as to distribute each asset's residual carrying value over its remaining useful life.

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

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

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

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

## 2.5 Intangible Assets

### (a) Goodwill

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

Goodwill generated by the purchase of an interest in a subsidiary or affiliated company is recognized as an increase in the value of the investment in the company in question.

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

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

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

### (b) Software and Other Licenses

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

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

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

### (c) Research and Development Costs

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

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

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

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

The Pininfarina Group carries out development work on behalf of its clients under contracts that involve the styling, engineering and manufacture of automobiles or just design and engineering work. These contracts, which are covered by the provisions of IAS 11 – Construction Contracts, are handled on an inventory basis and, consequently, do not generate capitalized intangible assets. Styling activities carried out for internal use are deemed to be the same as research activities and the resulting costs are charged to income when incurred.

### (d) Other Intangibles

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

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

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

## 2.6 Recoverable Amount of Assets

The recoverable amount of any intangibles with an indefinite useful life held by the Group that are not amortized should be tested for impairment at least once a year.

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

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

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

## 2.7 Financial Assets

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

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

(a) Financial Assets Carried at Fair Value through profit and loss

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

Any derivatives that do not qualify as hedges are included in the held-for-trading class.

Financial assets that fall into these two classes are listed as current assets when they are held for trading or are expected to be sold within 12 months from the balance sheet date.

(b) Loans and Other Financial Receivables

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

(c) Held-to-maturity Investments

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

(d) Available-for-sale Financial Assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale and those non-derivative financial assets that do not fall into any of the previous categories. These assets are listed as current assets, unless management plans to sell them after one year from the balance sheet date.

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

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

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

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

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

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

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

At the end of each fiscal year, the Group tests its financial assets for objective indications of the existence of impairment losses. In the case of financial assets that represent equity investments categorized as Available-for-sale assets, a significant and prolonged decline in their fair value, as compared to their cost, is one of the elements that should be considered in determining a loss of value. If this type of evidence exists for a financial asset categorized as an Available-for-sale asset, the accumulated loss, calculated as the difference between the asset's cost and its current fair value (net of previous writedowns), is reversed out of shareholders' equity and posted to the income statement. Writedowns that have been recognized in earnings cannot be reversed.

## 2.8 Inventory

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

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

## 2.9 Trade Receivables and Other Receivables

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

## 2.10 Cash and Cash Equivalents

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

## 2.11 Share Capital

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

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

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

## 2.12 Borrowings

Initially, borrowings are recognized at fair value, net of any incidental charges. Subsequently, they are valued by the amortized cost method. Any difference between the collected loan proceeds, net of any incidental charges, and the redemption amount is recognized in earnings on an accrual basis, computed by the effective interest rate method.

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

### 2.13 Deferred Taxes

Deferred taxes are computed on all temporary differences between the carrying amount of assets and liabilities and the amount attributed to those assets and liabilities for tax purposes. Temporary differences are not computed on:

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

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

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

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

Provisions to cover taxes that could result from the distribution of retained earnings of subsidiaries are recognized only if the Group is specifically planning to transfer those earnings.

Deferred taxes arising from items that are offset directly against entries posted to shareholders' equity are also posted to shareholders' equity.

### 2.14 Employee Benefits

#### (a) Pension Plans

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

Based on IFRS guidelines (IAS 19), the Provision for termination indemnities attributable to employees of the Pininfarina Group, computed in accordance with Article 2120 of the Italian Civil Code, can be classified as follows:

- A defined-benefit pension plan for the benefits vested before the date when Legislative Decree No. 252 of December 5, 2005 went into effect;
- A defined-contribution pension plan for the benefits that vested starting in 2007.

The impact of recomputing the present value of vested benefits at December 31, 2006 and the resulting curtailment, recognized in accordance with Paragraph 109 of IAS 19 "Employee Benefits," are discussed in detail in the Notes to the financial statements.

Defined-benefit plans are pension plans in which the pension benefit that an employee will receive at the end of the employment relationship is defined based on such factors as age, years of services and salary earned.

Defined-contribution plans are plans under which the Group pays a fixed contribution and has no further statutory or implied obligations to pay additional sums, should the plan's assets prove to be inadequate to pay benefits for current or past service.

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

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

(b) Incentives, Bonuses and Profit Sharing Plans

The Group recognizes the costs and liabilities that arise from profit sharing plans in accordance with a formula that is based essentially on the profit attributable to shareholders. The Group recognizes a provision only if it is contractually obligated to do so or if established practice is sufficient to create an implied obligation.

(c) Employee Benefits Paid in Shares of Stock

Executives of Pininfarina S.p.A. and Pininfarina Extra S.r.l. are awarded Company stock options based on their responsibilities and the achievement of predetermined objectives. The right to exercise these options vests after one year of service, if certain personal objectives are reached. The fair value of the options is a labor cost of the fiscal year and is added to a special equity reserve for the duration of the option vesting period. When the options are exercised, the amount collected, net of any transaction costs, is added to share capital (the portion corresponding to the par value of the shares) and to additional paid-in capital (the amount paid in excess of par value).

## 2.15 Provisions for Risks and Charges

Additions are made to the provisions for risks and charges when:

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

Additions to these provisions are based on the best estimates made by the Company's Directors of the costs that the Pininfarina Group will incur to satisfy these obligations.

The provisions for risks and charges reflect primarily the best available estimates of the Group's liability for future warranty costs on the pool of cars in circulation that the Group has manufactured. The warranty commitment stems from contractual obligations to customers.

The provisions for risks and charges also include amounts set aside to cover the Group's pro rata share in losses of associated companies and joint ventures, in those cases where Pininfarina is contractually obligated to cover those losses.

## 2.16 Revenue Recognition

Revenues should reflect the fair value of the goods and services sold, net of VAT, returns, discounts and intra-Group transactions. Revenues are recognized as follows:

(a) Sale of Goods

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

(b) Provision of Services

Service revenues are recognized based on the progress made in delivering the services in question during the year in which they are being provided.

(c) Interest

Interest income is recognized on an accrual basis at amortized cost computed by the effective interest rate method.

(d) Royalties

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

(e) Dividends

Dividends are recognized in the year in which the shareholder acquire the right to receive payment.

## 2.17 Leases

(a) When the Pininfarina Group Is the Lessee

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

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

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

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

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

(b) When the Pininfarina Group Is the Lessor

The Pininfarina Group applies IFRIC 4 "Determining Whether an Arrangement Contains a Lease" to eligible contracts for the design, engineering and production of automobiles.

IFRIC 4 applies to those arrangements that, while not having the legal formalities of a lease, convey to one of the parties the right to use certain assets in exchange for a series of payments.

According to IFRIC 4, an arrangement contains a lease if the following conditions are met:

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

In other words, IFRIC 4 can be used to identify a lease and separate it from an underlying arrangement between the parties and measure the lease in accordance with IAS 17 "Leases."

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

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

## 2.18 Dividend distributions

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

## 2.19 Financial Expense

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

## 2.20 Construction Contracts

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

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

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

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

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

Progress billings on account are included in Contract work in progress.

## 2.21 Government grants

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

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

Government grants toward the purchase of property, plant and equipment are recognized as deferred income and credited to the income statement in proportion to the depreciation of the assets for which they were awarded.

## 2.22 Valuations That Affect the Financial Statements

### (a) Seasonal Factors

The operations of the Pininfarina Group are not affected by seasonal factors. On the other hand, the Pininfarina Group is affected by the cycles of orders placed with its manufacturing operations to design, engineer and, most importantly, produce automobiles.

### (b) Current and Deferred Taxes

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

Estimates of deferred taxes are made based on the tax rates in force in the countries in which the Group operates. These estimates do not take into account future changes in tax rates.

(c) Estimate of Fair Value

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

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

The fair value of receivables is assumed to approximate their face value, net of valuation adjustments made to reflect collectibility.

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

(e) Impairment of Goodwill

An estimate of the impairment of goodwill is made by discounting the cash flows anticipated in the business plan prepared by the Group's management.

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

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

(g) Accounting for the Provision for Termination Indemnities (PTI)

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

(h) Stock Option Plans

The fair value of the benefits awarded to beneficiaries of stock option plans is incorporated in the value of the options the beneficiaries are entitled to receive.

### 3. Managing Financial Risk

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

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

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

The financial risks that affect the Group are summarized below:

- The risk that the value of a financial instrument could fluctuate as a result of changes in foreign exchange rates (currency risk);

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

The valuation of options available for award was made in accordance with the binomial lattice model, which is based on the original approach developed by Cox, Ross and Rubinstein.

The computation result depends on the assumptions used for option price volatility, risk-free tax rate and expected dividends.

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

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

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

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

*Credit Risk:* The Group does business with a limited number of customers. In all cases, the Group's customers are deemed to be reliable counterparts, and financial transactions are executed exclusively with financial institutions the reliability of which is beyond question. The high credit standing that the Group enjoys with financial institutions is demonstrated by the fact that none of its assets have been used to collateralize loans and these loans are not subject to restrictive covenants. Receivables recognized upon the accounting of leases in which the Group is the lessor identified in accordance with IFRIC 4 are booked under the assumption that the Group will continue to operate as a going concern and that such receivables will be collected upon the payment of the price of its cars and not based on a right held by the Group, even in the event of liquidation or other composition with creditors proceedings.

*Liquidity Risk:* The Group has entered into finance leases as lessee to finance capital investments. All or part of these capital investments will be reimbursed by the Group's customers when they pay for their cars.

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

#### **4. Accounting for Derivatives**

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

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

There are three types of hedges:

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

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

(a) Fair Value Hedge

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

(b) Cash Flow Hedge

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

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

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

(c) Hedging of a Net Investment in Foreign Operations

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

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

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

## 5. Segment Information

### a) Primary Segment

#### Business Segment

Segment information at June 30, 2007 shows that the Group is organized on a global scale and operates in two main business segments: vehicle production and styling/engineering. These two businesses are the primary reporting segments.

The results for the first half of 2007 are as follows:

			€/000
	Production	Styling & Engineering	Total for the Group
Value of production	328,216	72,162	400,378
Intra-segment value of production	(17,969)	(4,068)	(22,037)
<b>Value of production</b>	<b>310,247</b>	<b>68,094</b>	<b>378,341</b>
EBIT	(15,905)	2,390	(13,515)
Financial income (expense)			(4,419)
Interest in results of associates	1,508	0	1,508
<b>Profit (Loss) before taxes</b>			<b>(16,426)</b>
Income taxes			(4,786)
<b>Profit (Loss) for the period</b>			<b>(21,212)</b>

The results for the first half of 2006 were as follows:

			€/000
	Production	Styling & Engineering	Total for the Group
Value of production	272,080	74,841	346,921
Intra-segment value of production	(33,972)	(3,732)	(37,704)
<b>Value of production</b>	<b>238,108</b>	<b>71,109</b>	<b>309,217</b>
EBIT	(10,030)	(3,488)	(13,518)
Financial income (expense)			2,305
Interest in results of associates	376	0	376
<b>Profit (Loss) before taxes</b>			<b>(10,837)</b>
Income taxes			1,971
<b>Profit (Loss) for the period</b>			<b>(8,866)</b>

### b) Secondary Segment

#### Geographic Destination of Sales

A breakdown of sales by geographic destination is as follows:

	<u>6/30/07</u>	<u>6/30/06</u>
ITALY	150,490	150,925
REST OF E.U.	213,139	113,323
OUTSIDE E.U.	3,816	2,365
<b>Total</b>	<b>367,445</b>	<b>266,613</b>

## 6. List of Consolidated Companies

### List of Consolidated Companies

Name	Registered office	Country	Share capital	Currency	% interest held directly or indirectly	Consolidated companies	% capital share
<b>Parent Company</b>							
Parent Company							
<b>Pininfarina S.p.A.</b>	Turin Via Bruno Buozzi 6	IT	9,317,000	EUR	-	-	-

### List of companies consolidated line by line

<b>Italian subsidiaries</b>							
Pininfarina Extra S.r.l.	Turin Via Bruno Buozzi 6	IT	388,000	EUR	100	Pininfarina S.p.A.	100
<b>Foreign subsidiaries</b>							
Pininfarina Extra USA Corp.	New York 1, Penn Plaza Suite 3515	USA	10,000	USD	100	Pininfarina Extra S.r.l.	100
Pininfarina Deutschland GmbH	Leonberg Riedwiesenstr. 1	DE	3,100,000	EUR	100	Pininfarina S.p.A.	100
mpx Entwicklung GmbH	Munich Frankfurter Ring 17	DE	25,000	EUR	100	Pininfarina Deutschland GmbH	100
Matra Automobile Engineering SAS	Trappes - cedex 8, avenue J. D'Alembert	FR	971,200	EUR	100	Pininfarina S.p.A.	100
CERAM SAS	Mortefontaine	FR	1,000,000	EUR	100	Matra Automobile Engineering SAS	100
D3 SAS	Courbevoie 11, rue Paul Bert	FR	306,000	EUR	100	Matra Automobile Engineering SAS	100
Plazolles Modelage S.a.r.l.	Garges Les Gonesses Zac de l'Argentine - 9, rue J. Anquetil	FR	8,000	EUR	100	D3 SAS Matra Automobile Engineering SAS	70 30
Matra Automobile Engineering Maroc SAS	Zenata Casablanca - Sidi Bernoussi Km 12, Autoroute de Rabat	MA	8,000,000	MAD	100	Matra Automobile Engineering SAS CERAM SAS	99,9 0,1
Numero Design S.a.r.l.	Sceaux Sentier des Torque, 4 Chemin du rue d'Aulnay	FR	8,000	EUR	-	D3 SAS	40
RHTU Sverige A.B.	Uddevalla Varsvagen 1	SV	100,000	SEK	100	Pininfarina S.p.A.	100

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

Pininfarina Sverige A.B.	Uddevalla Varsvagen 1	SV	8,965,000	SEK	60	Pininfarina S.p.A.	60
Pasiphae S.a.r.l.	Luxembourg 4, Boulevard Royal	LU	5,000,000	EUR	20	Pininfarina S.p.A.	20

All equity investments listed above are owned outright.

On June 1, 2007, Matra Automobile Engineering SAS absorbed its Matra Developpement SAS subsidiary.

The scope of consolidation did not change compared with December 31, 2006.

## 7. Property, Plant and Equipment

	<u>6/30/07</u>	<u>12/31/06</u>	<u>Change</u>
Land and buildings	95,916,165	97,262,193	(1,346,028)
Plant and machinery	192,250,602	187,852,130	4,398,472
Furniture, fixtures and other property, plant and equipment	5,209,320	6,046,720	(837,400)
Assets under construction	1,113,898	1,556,093	(442,195)
<b>Total</b>	<b><u>294,489,985</u></b>	<b><u>292,717,136</u></b>	<b><u>1,772,849</u></b>

On January 1, 2004, as allowed under the recognition options provided in IFRS 1, Paragraphs 16-19, land and buildings owned by the Group were revalued based on reports by independent appraisers.

The revaluations, net of deferred taxes, were recognized with offsetting entries posted to shareholders' equity.

The decrease in the value of Land and buildings is due to the depreciation for the period.

The increase in Plant and machinery is due mainly to the recognition in accordance with IAS 17 of equipment leased for new production contracts.

## 8. Intangible Assets

	<u>6/30/07</u>	<u>12/31/06</u>	<u>Change</u>
Goodwill	2,301,012	2,301,012	0
Licenses and trademarks	4,849,906	5,327,799	(477,893)
Other intangibles	471,665	524,971	(53,306)
<b>Total</b>	<b><u>7,622,583</u></b>	<b><u>8,153,782</u></b>	<b><u>(531,199)</u></b>

The decrease in intangible assets is due to the amortization for the period.

## 9. Equity Investments

### *Investments in associated companies*

	<u>6/30/07</u>	<u>12/31/06</u>	<u>Change</u>
Pasiphae S.a.r.l	744,800	744,800	0
<b>Total</b>	<b><u>744,800</u></b>	<b><u>744,800</u></b>	<b><u>0</u></b>

There was no change in the value of the investment in Pasiphae Sarl.

### *Investments in joint ventures*

	<u>6/30/07</u>	<u>12/31/06</u>	<u>Change</u>
Pininfarina Sverige AB	35,025,250	34,362,000	663,250
<b>Total</b>	<b><u>35,025,250</u></b>	<b><u>34,362,000</u></b>	<b><u>663,250</u></b>

The change reflects the adjustment made to the investment's carrying amount to reflect the Group's pro rata interest in the underlying shareholders' equity and the net difference between the amount reflected in the income statement to recognize the Group's interest in net profit and the corresponding change in the reserve for currency translations.

*Investments in other companies*

	<u>6/30/07</u>	<u>12/31/06</u>	<u>Change</u>
Banca Passadore S.p.a.	257,196	257,196	0
Idroenergia Soc. cons. a r.l.	516	516	0
Unionfidi S.c.r.l.p.A. Torino	129	129	0
Midi Ltd	214,311	214,311	0
Numero Design Sarl	60,000	60,000	0
<b>Total</b>	<b><u>532,152</u></b>	<b><u>532,152</u></b>	<b><u>0</u></b>

## 10. Financial Assets

*Loans and other receivables from outsiders*

	<u>6/30/07</u>	<u>12/31/06</u>	<u>Change</u>
Non current loans and other receivables	196,192,093	185,806,003	10,386,090
Current loans and other receivables	43,873,163	66,911,514	(23,038,351)
<b>Total</b>	<b><u>240,065,256</u></b>	<b><u>252,717,517</u></b>	<b><u>(12,652,261)</u></b>

Loans and other receivables from outsiders, which increased by a total of 12,652,261 euros, refer to loans receivable under leases in which the Group's Parent Company is the lessor that were identified as such in accordance with IFRIC 4.

*Loans and other receivables from related parties and joint ventures*

	<u>6/30/07</u>	<u>12/31/06</u>	<u>Change</u>
<i>Pininfarina Sverige AB</i>			
-non-current	71,616,712	80,568,802	(8,952,090)
-current	17,904,178	17,904,178	0
<b>Total</b>	<b><u>89,520,890</u></b>	<b><u>98,472,980</u></b>	<b><u>(8,952,090)</u></b>

The decrease reflects the repayment of loans provided to Pininfarina Sverige AB.

Even though Pininfarina S.p.A. owns 60% of Pininfarina Sverige AB, this company is valued by the equity method, as required by IAS 31, Paragraph 38, and IAS 27, Paragraph 14.

*Held-for-sale current assets*

	<u>Equity securities</u>	<u>Fixed income securities</u>	<u>Mutual funds</u>	<u>Total</u>
<b>Value at December 31, 2006</b>	6,076,382	42,625,109	13,162,397	61,863,888
Fair value adjustment posted to the income statement	(287,114)	(281,543)	(473,447)	(1,042,104)
Purchases	12,024,152	26,646,776	8,359,771	47,030,699
Sales	(12,904,147)	(22,990,371)	(9,045,175)	(44,939,693)
<b>Value at June 30, 2007</b>	<b><u>4,909,273</u></b>	<b><u>45,999,971</u></b>	<b><u>12,003,546</u></b>	<b><u>62,912,790</u></b>

## 11. Inventory and Contract Work in Progress

	<u>6/30/07</u>	<u>12/31/06</u>	<u>Change</u>
Raw materials	31,362,879	28,603,622	2,759,257
Work in process	5,752,707	9,263,584	(3,510,877)
Finished goods	4,867,929	4,200,146	667,783
<b>Total</b>	<b><u>41,983,515</u></b>	<b><u>42,067,352</u></b>	<b><u>(83,837)</u></b>

The value of raw materials is shown net of an allowance for inventory obsolescence of 1,193,000 euros.

	<u>6/30/07</u>	<u>12/31/06</u>	<u>Change</u>
Contract work in progress	539,896	403,014	136,882
<b>Total</b>	<b><u>539,896</u></b>	<b><u>403,014</u></b>	<b><u>136,882</u></b>

## 12. Share Capital

	<u>Number of shares</u>	<u>Common shares</u>	<u>Treasury shares</u>	<u>Total</u>
Balance at December 31, 2005	9,317,000	9,317,000	4,845	9,312,155
Balance at June 30, 2006	9,317,000	9,317,000	98,019	9,218,981
Balance at December 31, 2006	9,317,000	9,317,000	28,153	9,288,847
Balance at June 30, 2007	9,317,000	9,317,000	16,055	9,300,945

The total number of authorized shares was 9,317,000, each with a par value of 1 euro.

All issued shares have been fully paid-in.

At June 30, 2007, the Company held a total of 16,055 of its own shares, the net value of which (401,214 euros) was deducted from shareholders' equity as required by the adoption of IAS 32.

These shares are held as treasury shares.

## 13. Earnings (loss) per Share

### a) Basic earnings (loss) per share

Basic earnings per share are computed by dividing the profit for the year by the number of common shares outstanding at the end of the period, less treasury shares:

	<u>6/30/07</u>	<u>12/31/06</u>	<u>6/30/06</u>
Net profit (loss) for the period	(21,212,075)	(21,883,216)	8,865,687
Number of common shares, net	9,300,945	9,288,847	9,218,981
Basic earnings (loss) per share	(2.28)	(2.36)	(0.96)

### b) Diluted earnings (loss) per share

The diluted earnings (loss) per share are the same as the basic earnings per share.

## 14. Borrowings

	<u>6/30/07</u>	<u>12/31/06</u>	<u>Change</u>
<b>Non-current</b>	<b><u>377,377,899</u></b>	<b><u>392,170,705</u></b>	<b><u>(14,792,806)</u></b>
Liabilities under finance leases	253,036,271	282,273,753	(29,237,482)
Bonds outstanding and other borrowings	124,341,628	109,896,952	14,444,676
<b>Current</b>	<b><u>192,705,563</u></b>	<b><u>158,756,819</u></b>	<b><u>33,948,744</u></b>
Due to banks	26,112,484	31,331,116	(5,218,632)
Liabilities under finance leases	94,813,374	74,000,953	20,812,421
Bonds outstanding and other borrowings	71,779,705	53,424,750	18,354,955
<b>Total</b>	<b><u>570,083,462</u></b>	<b><u>550,927,524</u></b>	<b><u>19,155,938</u></b>

No Group assets have been pledged as collateral.

The increase of 19,155,938 euros is the net result of a reduction of 64,935,510 euros for repayment of finance lease obligations and bank borrowings and an addition of 84,091,448 euros caused by new medium- and long-term bank borrowings and the recognition of finance lease obligations in accordance with IAS 17.

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

	<u>6/30/07</u>
due within 12 months	192,705,563
due between 1 and 5 years	373,484,322
due after 5 years	<u>3,893,577</u>
<b>Total</b>	<b><u>570,083,462</u></b>

## 15. Provision for Termination Indemnities

	Pininfarina SpA		Pininfarina Extra Srl		Total	
	6/30/07	12/31/06	6/30/07	12/31/06	6/30/07	12/31/06
<b>Financial coverage:</b>						
Liability for future benefits	24,472,052	29,905,813	255,643	230,573	24,727,695	30,136,386
Present value of coverage	0	0	0	0	0	0
<b>Liability in the balance sheet</b>	<b>24,472,052</b>	<b>29,905,813</b>	<b>255,643</b>	<b>230,573</b>	<b>24,727,695</b>	<b>30,136,386</b>
Actuarial gains (losses) not reflected in the income statement	0	(135,024)	(16,913)	(23,277)	(16,913)	(158,301)
Cost of services attributable to prior years	0	0	0	0	0	0
Miscellaneous items	0	0	0	0	0	0
<b>Liability in the balance sheet</b>	<b>24,472,052</b>	<b>29,770,789</b>	<b>238,730</b>	<b>207,296</b>	<b>24,710,782</b>	<b>29,978,085</b>
<b>Income statement:</b>						
Cost of current service	1,179,439	2,755,433	44,837	45,165	1,224,276	2,800,598
Interest costs	603,870	1,091,403	4,630	8,603	608,500	1,100,006
Actuarial (gains) losses recognized in the current year (attributable to 2007)	(4,785,511)	0	0	0	(4,785,511)	0
Actuarial (profit) losses attributable to 2004, 2005 and 2006	135,026	0	0	0	135,026	0
Other changes	0	21,213	291	760	291	21,973
<b>Total (revenues)/costs included in the income statement</b>	<b>(2,867,176)</b>	<b>3,868,049</b>	<b>49,758</b>	<b>54,528</b>	<b>(2,817,418)</b>	<b>3,922,577</b>
<b>Liability in the balance sheet</b>						
Liability at the beginning of the period	29,770,789	28,015,994	207,296	228,223	29,978,085	28,244,217
Total (revenues)/ costs included in the income statement	(2,867,176)	3,868,049	49,758	54,528	(2,817,418)	3,922,577
Benefits paid	(2,431,561)	(2,113,254)	(18,324)	(75,455)	(2,449,885)	(2,188,709)
Other changes	0	0	0	0	0	0
<b>Liability in the balance sheet at the end of the period</b>	<b>24,472,052</b>	<b>29,770,789</b>	<b>238,730</b>	<b>207,296</b>	<b>24,710,782</b>	<b>29,978,085</b>

## 16. Provisions for Other Liabilities and Charges

	<u>6/30/07</u>	<u>12/31/06</u>	<u>Change</u>
Provision for warranties	1,499,269	1,021,850	477,419
Provision for restructuring programs	3,602,198	4,464,000	(861,802)
Other provisions	2,073,897	2,725,191	(651,294)
<b>Total</b>	<b>7,175,364</b>	<b>8,211,041</b>	<b>(1,035,677)</b>

The provision for warranties increased during the first half of 2007 due to additions made by the Group's Parent Company to cover warranty costs associated with production orders.

The decrease in the provision for restructuring programs reflects the utilization for the period.

The reduction in other provisions is due mainly to the utilizations for the period.

## 17. Other Income and Revenues

	<u>6/30/07</u>	<u>6/30/06</u>	<u>Change</u>
Rental income	13,243	45,674	(32,431)
Insurance settlements	1,958,502	10,125	1,948,377
Royalties	250,000	250,000	0
Amounts rebilled	174,026	269,348	(95,322)
Operating grants	0	2,040,733	(2,040,733)
Capital grants	121,267	131,870	(10,604)
Sundry items	2,934,216	866,325	2,067,891
<b>Total</b>	<b>5,451,254</b>	<b>3,614,075</b>	<b>1,837,179</b>

## 18. Gain on the Sale of Non-current Assets

	<u>6/30/07</u>	<u>6/30/06</u>	<u>Change</u>
Gain on the sale of equity investments	0	0	0
Gain on the sale of other assets	3,142,953	13,388,049	(10,245,096)
<b>Total</b>	<b>3,142,953</b>	<b>13,388,049</b>	<b>(10,245,096)</b>

The gain earned in the first half of 2007 was generated by the sale of vintage automobiles owned by the Group's Parent Company.

The gain earned in the same period last year was chiefly the result of the sale of the "Area Centro 28" real estate complex, located in Grugliasco, on June 29, 2006.

## 19. Curtailment of the Provision for Termination Indemnities

The curtailment gain (4.8 million euros) reflects the impact of the changes made to the rules that govern the provision for termination indemnities by Law No. 296 of December 27, 2006 ("2007 Budget Law") and subsequent decrees and regulations enacted early in 2007.

The abovementioned statutory changes required a recomputation of the present value of vested benefits at December 31, 2006, which resulted in a curtailment, recognized in accordance with Paragraph 109 of IAS 19 "Employee Benefits."

## 20. Depreciation of Property, Plant and Equipment

	<u>6/30/07</u>	<u>6/30/06</u>	<u>Change</u>
Land and buildings	1,530,006	1,612,261	(82,255)
Plant and machinery	19,157,625	7,155,256	12,002,369
Furniture, fixture and other property, plant and equipment	425,913	531,134	(105,221)
<b>Total</b>	<b>21,113,544</b>	<b>9,298,651</b>	<b>11,814,893</b>

The main reason for the increase is the depreciation attributable to the assets used for production orders that were recognized as Group assets in accordance with IAS 17.

## 21. Amortization of Intangibles

	<u>6/30/07</u>	<u>6/30/06</u>	<u>Change</u>
Licenses and trademarks	816,840	974,905	(158,065)
Other intangibles	156,744	43,493	113,251
<b>Total</b>	<b>973,584</b>	<b>1,018,398</b>	<b>(44,814)</b>

## 22. Financial Income (Expense), Net

	<u>6/30/07</u>	<u>6/30/06</u>	<u>Change</u>
Financial expense paid to banks	(1,195,387)	(1,941,260)	745,873
Financial expense paid under leases	(8,533,165)	(3,546,977)	(4,986,188)
Financial expense on medium and long-term borrowings	(4,100,491)	(2,837,062)	(1,263,429)
<b>Total financial expense</b>	<b>(13,829,043)</b>	<b>(8,325,299)</b>	<b>(5,503,744)</b>
Bank interest earned	30,786	50,932	(20,146)
Gains from marking securities to market	1,102,157	366,356	735,801
Interest earned on long-term loans to outsiders	5,595,606	6,956,637	(1,361,031)
Interest earned on long-term loans to associated cos.	2,513,519	2,223,456	290,063
Gains on trading securities	13,676	29,051	(15,375)
<b>Total financial income</b>	<b>9,255,744</b>	<b>9,626,432</b>	<b>(370,688)</b>
<b>Net financial income (expense)</b>	<b>(4,573,299)</b>	<b>1,301,133</b>	<b>(5,874,432)</b>

The increase in financial expense is mainly the result of the full repayment of obligations under finance leases used to finance the purchase of production assets and a corresponding increase in medium- and long-term bank borrowings.

## 23. Dividends

	<u>6/30/07</u>	<u>6/30/06</u>	<u>Change</u>
Banca Passadore	48,214	41,250	6,964
San Paolo IMI	0	20,007	(20,007)
Banca Intermobiliare	0	849,420	(849,420)
Italian securities under asset management	98,994	92,217	6,777
Other securities	5,816	842	4,974
<b>Total</b>	<b>153,024</b>	<b>1,003,736</b>	<b>(850,712)</b>

The decrease in dividends reflects the sale of Banca Intermobiliare and San Paolo IMI shares in the fourth quarter of 2006.

#### 24. Value Adjustments

	<u>6/30/07</u>	<u>6/30/06</u>	<u>Change</u>
Revaluation (Writedown) of investment in Pininfarina Sverige AB	1,508,884	376,300	1,132,584
<b>Total</b>	<b><u>1,508,884</u></b>	<b><u>376,300</u></b>	<b><u>1,132,584</u></b>

This item reflects the pro rata share of the net profit reported by Pininfarina Sverige A.B. that was recognized in the Group's consolidated financial statements.

#### 25. Income Taxes for the Period

	<u>6/30/07</u>	<u>6/30/06</u>	<u>Change</u>
Current taxes	(1,055,805)	(2,537,020)	1,481,215
Prepaid taxes	(3,381,663)	11,614,541	(14,996,204)
Deferred taxes	(348,502)	(7,106,276)	6,757,774
<b>Total</b>	<b><u>(4,785,970)</u></b>	<b><u>1,971,245</u></b>	<b><u>(6,757,215)</u></b>

Current taxes decreased due mainly to a reduction in the amount subject to local taxes (IRAP) caused by changes in the applicable regulations. The change in prepaid and deferred taxes reflects the cancellation of temporary differences on lease obligations and their recovery.

#### 26. Guarantees Provided

Pininfarina S.p.A. provided a surety in the amount of 174,326,360 euros to a credit institution with which Pininfarina Sverige A.B. signed a finance lease agreement.

## Other Information

### Information Required Pursuant to Consob Communication No. DEM/6064293 of July 28, 2006

#### *Transactions with related parties*

The transactions involving the Pininfarina Group and Pininfarina Sverige AB that were executed during the first half of 2007 are summarized below:

#### REVENUES

Miscellaneous services	722,375.00	euros
Interest income	2,513,519.00	euros

#### EXPENSES

Miscellaneous services	9,986.00	euros
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#### LOANS PROVIDED TO:

	Amount at 6/30/07
Pininfarina Sverige A.B.	89,520,890.00 euros

#### *Significant nonrecurring events and transactions*

The tables that follow show the impact of extraordinary events or transactions and transactions and events that occur only infrequently in the normal course of business.

Specifically, the tables that follow show for the various items of the balance sheet and income statement the corresponding amounts net of the impact of non recurring transactions. In the first half of 2007, these transactions concerned the following:

1. Ascertained costs caused by damage to the Bairo plant and expected insurance settlement;
2. Sale of some vintage automobiles;
3. Restatement of the provision for termination indemnities following the reform of the retirement benefit regulations.

<i>(in thousands of euros)</i>	Statutory financial statements at 6/30/07	Statutory financial statements at 6/30/07 net of extraordinary transactions
<b>BALANCE SHEET</b>		
Net intangible assets	7,623	7,623
Net property, plant and equipment	294,490	294,731
Non-current financial assets	267,809	267,809
Equity investments	36,302	36,302
Inventory	42,523	43,945
Current financial assets	124,690	124,690
Net trade receivables and other receivables	146,407	143,955
Deferred-tax assets	19,402	19,402
Cash and cash equivalents	89,327	86,494
<b>TOTAL ASSETS</b>	<b>1,028,573</b>	<b>1,024,950</b>
Other reserves	154,779	154,779
Profit (Loss) for the year	(21,212)	(27,394)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>133,567</b>	<b>127,385</b>
Long-term borrowings	377,378	377,378
Deferred-tax liabilities	18,432	16,887
Provision for termination indemnities	25,655	30,337
Current borrowings	192,706	192,706
Other payables	47,276	47,276
Trade accounts payable	225,153	224,575
Provision for taxes	1,232	1,232
Provision for other liabilities and charges	7,175	7,175
<b>TOTAL LIABIL. AND SHAREHOLD. EQUITY</b>	<b>1,028,573</b>	<b>1,024,950</b>

<i>(in thousands of euros)</i>	Statutory financial statements at 6/30/07	Statutory financial statements at 6/30/07 net of extraordinary transactions
<b>INCOME STATEMENT</b>		
Net revenues	367,445	367,445
Change in inventory of finished goods and work in process	5,269	5,269
Other income and revenues	5,451	3,499
Company-produced non-current assets	176	176
<b>Value of production for the period</b>	<b>378,341</b>	<b>376,388</b>
Net gain on the sale of non-current assets	3,116	24
Raw materials and outside services used	(306,826)	(304,826)
Change in inventory of raw materials	2,646	2,646
<b>Value added</b>	<b>77,278</b>	<b>74,232</b>
Labor costs	(69,925)	(74,607)
<b>EBITDA</b>	<b>7,353</b>	<b>(375)</b>
Depreciation and amortization	(22,087)	(22,087)
Additions to provisions	1,219	1,219
<b>EBIT</b>	<b>(13,515)</b>	<b>(21,243)</b>
Financial income (expense), net	(4,419)	(4,420)
Other income (expense), net	1,508	1,508
<b>Profit before taxes</b>	<b>(16,426)</b>	<b>(24,154)</b>
Income taxes for the period	(4,786)	(3,241)
<b>Net profit (loss) for the period</b>	<b>(21,212)</b>	<b>(27,394)</b>

*Positions or Transactions Arising from Atypical and/or Unusual Dealings*

The Pininfarina Group was not a party to transactions arising from atypical or unusual dealings.



**PININFARINA SPA**

**AUDITORS' REPORT ON THE LIMITED REVIEW OF INTERIM  
FINANCIAL REPORTING FOR THE SIX-MONTH PERIOD  
ENDED 30 JUNE 2007 PREPARED IN ACCORDANCE WITH  
ARTICLE 81 OF CONSOB REGULATION APPROVED BY  
RESOLUTION No. 11971 OF 14 MAY 1999 AND  
SUBSEQUENT AMENDMENTS AND INTEGRATIONS**

**AUDITORS' REPORT ON THE LIMITED REVIEW OF INTERIM FINANCIAL REPORTING FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2007 PREPARED IN ACCORDANCE WITH ARTICLE 81 OF CONSOB REGULATION APPROVED BY RESOLUTION No. 11971 OF 14 MAY 1999 AND SUBSEQUENT AMENDMENTS AND INTEGRATIONS**

To the Shareholders of  
Pininfarina SpA

1. We have performed a limited review of the consolidated financial statements consisting of balance sheet, income statement, changes in shareholders' equity and cash flows (hereinafter "Accounting Statements") and related illustrative notes included in the interim financial reporting of Pininfarina SpA for the six-month period ended 30 June 2007. The interim financial reporting is the responsibility of Pininfarina SpA's Directors. Our responsibility is to issue this report based on our limited review. We have also checked the part of the notes related to the information on operations for the sole purpose of verifying the consistency with the remaining part of the interim financial reporting.
2. Our work was conducted in accordance with the criteria for a limited review recommended by the National Commission for Companies and the Stock Exchange (CONSOB) with resolution no. 10867 of 31 July 1997. The limited review consisted principally of inquiries of company personnel about the information reported in the interim financial statements and about the consistency of the accounting principles utilised therein as well as the application of analytical review procedures on the data contained in the interim financial statements. The limited review excluded certain auditing procedures such as compliance testing and verification and validation tests of the assets and liabilities and was therefore substantially less in scope than an audit performed in accordance with generally accepted auditing standards. Accordingly, unlike the audit on the annual consolidated financial statements, we do not express a professional audit opinion on the interim financial reporting.
3. Regarding the comparative data of the prior year consolidated financial statements and of the prior year interim financial reporting presented in the Accounting Statements, reference should be made to our reports dated 24 April 2007 and 12 September 2006.

4. Based on our review, no significant changes or adjustments came to our attention that should be made to the consolidated Accounting Statements and related illustrative notes, identified in paragraph 1 of this report, in order to make them consistent with IAS 34 and with the criteria for the preparation of interim financial reporting established by Article 81 of the CONSOB Regulation approved by Resolution no. 11971 of 14 May 1999 and subsequent amendments and integrations.

Turin, 10 September 2007

PricewaterhouseCoopers SpA

Signed by

Paolo Ozino Caligaris  
(Partner)

This report has been translated into the English language solely for the convenience of international readers.

