

pininfarina

PININFARINA GROUP

Quarterly Report at March 31, 2006

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

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

PININFARINA GROUP

Quarterly Report at March 31, 2006

Approved by the Board of Directors
on May 12, 2006

Board of Directors

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

(1) Member of the Appointments and Compensation Committee.

(2) Member of the Internal Control Committee.

Board of Statutory Auditors

Chairman	Giacomo	Zunino
Statutory Auditors	Giorgio	Giorgi
	Piergiorgio	Re

Secretary to the Board of Directors

Gianfranco Albertini

Independent Auditors

PricewaterhouseCoopers S.p.A.

***Powers**

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

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The Pininfarina Group

Review of Operating and Financial Performance

The quarterly financial statements at March 31, 2006 were prepared in accordance with the international accounting principles set forth in IAS 34 and comply with IFRS guidelines. In order to allow the comparison of homogeneous data, the financial statements for the first three months of 2005 have been restated in accordance with the same principles. The accounting principles applied, which are reviewed beginning on page 20 of this Report, are consistent with those used for the data at December 31, 2005.

In the first quarter of 2006, the Pininfarina Group was busy on two fronts. On the manufacturing side, it ramped up production of two new models (the Alfa Romeo Brera and the Volvo C70). Meanwhile, its service businesses continued to develop both future Pininfarina products and design and engineering projects for third parties.

At March 31, 2006, value of production totaled 134.4 million euros, or 34.9% more than in the same period in 2005 (99.6 million euros). Despite this sharp increase in revenues, the Group still reported a loss both at the operating level (-11.4 million euros) and in terms of its bottom line (-8.1 million euros). These results are roughly in line with the forecast provided for 2006, which called for a breakeven year, but only after the Group's activities begin to operate at full capacity in the second half of the year.

If one is to view the 2006 and 2005 quarterly figures in a similar light, it is important to keep in mind the following developments:

- The data for the first quarter of 2005 (EBIT of 21.6 million euros and net profit of 22 million euros) benefited from a gain of 30.2 million euros on the sale of the investment in the Open Air Systems GmbH joint venture;
- In the first quarter of 2005, even though production volume was inadequate, the performance of the Group's regular operations benefited from the gradual end of the production run of the last two cars in the old product line (Ford Streetka and Mitsubishi Pajero Pinin). On the other hand, during the first three months of 2006, the Group was stepping up production of the Alfa Romeo Brera, Mitsubishi Colt CZC and Volvo C70 and preparing to start manufacturing the Alfa Romeo Spider and Ford Focus CC. The cost structure entailed by these two diverging scenarios is clearly more burdensome for the startup situation, with an adverse effect on the operating results reported in the first quarter of 2006.

The net financial position was positive by 26.7 million euros, an improvement over the negative balance of 6.9 million euros at December 31, 2005 (positive balance of 36 million euros at March 31, 2005). An increase in liquidity made possible by changes in working capital requirements and a positive difference between production loans receivable and payable are the main reasons for this improvement.

At March 31, 2006, the Group had 2,738 employees (4.6% more than the 2,618 employees on staff at March 31, 2005). Another 702 were employed by Pininfarina Sverige A.B., the Group's Swedish joint venture.

Performance of the Group's Businesses in the First Three Months of 2006

Manufacturing Operations

The manufacturing operations generated value of production of 97.4 million euros (+72.4%, compared with 56.5 million euros in 2005). This increase is explained by the following factors:

- higher unit output (+8.3%);
- expanded processing assignment due to a change in the production cycle;
- greater unit value of the products manufactured this year as compared with those manufactured in 2005.

The table below provides a breakdown of the number of cars invoiced during the period:

	3/31/06	3/31/05
Alfa Romeo Brera	3,265	0
Ford Streetka	0	1,470
Mitsubishi Pajero Pinin	0	1,591
Mitsubishi Colt CZC	51	0
TOTAL	3,316	3,061

EBIT were negative by 12.1 million euros, compared with positive EBIT of 22.8 million euros at March 31, 2005 (which included a gain of 30.2 million euros on the sale of the investment in Open Air Systems GmbH).

In the coming weeks, the Alfa Romeo Spider will join other recently introduced models on the production line. Manufacture of the Ford Focus CC will follow in the second half of the year, completing the line of products that the Group will be manufacturing in the coming years. The rehiring of employees who were enrolled in the Special Government Layoff Benefits Fund has been virtually completed. To meet the temporary staffing requirements that occur when model production is being ramped up, the Group signed an agreement allowing it to use employees seconded from other businesses (more than 400 employees for all of 2006).

Service Operations

The value of production generated by the Group's service businesses, which include design, industrial design and engineering, amounted to 37 million euros, or 14.2% less than at March 31, 2005, when it amounted to 43.1 million euros. A decrease in development work for Pininfarina products accounts for the shortfall. On the other hand, assignments for non-captive customers increased, allowing the improvement in profitability that started in the second half of 2005 to continue in the first quarter of 2006. Specifically, the EBIT of the service businesses were positive by 0.6 million euros, compared with negative EBIT of 1.2 million euros at March 31, 2005.

Outlook for the Balance of the Year and Significant Events Occurring Since March 31, 2006

Forecasts for the balance of the year call for consolidated value of production to top 700 million euros. The increase over the 2005 figure (383 million euros) will be realized mainly once the full new product line is in place.

For all of 2006, EBIT should be close to breakeven, with the profitability of the Group's regular operations increasing sufficiently in the second half of the year to offset the losses incurred during the first six months of 2006. The net financial position should contract compared with the first three months of the year, reflecting the completion of the Group's capital investment programs.

The early positive feedback that is coming from the international markets strengthens the conviction that the new models, which have required an unprecedented manufacturing and financial effort, will be successful commercially.

Specifically:

- The commercial launch of the Volvo C70 (more than 3,600 cars produced thus far) in March in the United States and Great Britain, and in Italy and the rest of Europe a few days ago, points to greater demand than was originally anticipated;
- The Mitsubishi Colt CZC (over 1,000 units manufactured thus far) seems headed for commercial success. Following its pan-European launch in March and even before the launch of the Open Doors, which is scheduled for June in Europe, orders have been very strong, especially in Germany.
- The award received by the Alfa Romeo Spider, which was voted Cabrio of the Year at the Geneva Motor Show, bodes well for its future on the eve of the start of production. The Spider will complement the Alfa Romeo Brera (more than 6,000 units sold thus far);
- Lastly, the Ford sales network has steadily growing expectations of success for the Focus CC, which, after being previewed in Geneva, will be officially introduced to the public at the London Motor Show in July.

No events involving Group companies have occurred to date that would significantly alter the Group's balance sheet or financial position compared with December 31, 2005.

May 12, 2006



Sergio Pininfarina
Chairman
of the Board of Directors

CONSOLIDATED FINANCIAL HIGHLIGHTS

(in thousands of euros)

	Data at		Data at
	3/31/06	3/31/05	12/31/05
Operating Data			
Net revenues	103,009	57,430	461,426
Value of production	134,416	99,601	383,030
EBIT	(11,431)	21,617	(8,281)
Net financial income	1,060	1,342	1,370
Profit before taxes	(10,552)	21,205	(9,501)
Profit (Loss) for the period	(8,094)	21,958	(8,103)
Cash flow *	(4,102)	25,847	8,270
Balance Sheet Data			
Net non-current assets	249,011	191,332	243,933
Net invested capital	186,654	207,861	224,160
Group interest in shareholders' equity	184,069	217,543	188,557
Net financial position	26,713	36,019	(6,894)
Other Data			
Number of employees at end of period	2,738	2,618	2,733

* Group interest in net profit plus depreciation and amortization.

RECLASSIFIED CONSOLIDATED INCOME STATEMENT

(in thousands of euros)

	Data at				Change	Data at
	3/31/06	%	3/31/05	%		12/31/05
Net revenues	103.009	76,63	57.430	57,66	45.579	461.426
Changes in inventory of work in process and finished products	30.375	22,60	40.083	40,24	(9.708)	(85.206)
Other income and revenues	722	0,54	2.088	2,10	(1.366)	5.391
Work performed internally and capitalized	310	0,23	0	0,00	310	1.419
Value of production for the period	134.416	100,00	99.601	100,00	34.815	383.030
Net gain on disposal of non-current assets	65	0,05	30.236	30,36	(30.171)	32.443
Raw materials and outside services	(126.158)	(93,86)	(70.337)	(68,49)	(55.821)	(296.307)
Change in inventory of raw materials	15.454	11,50	(7.337)	(7,37)	22.791	(5.794)
Value added	23.777	17,69	52.163	54,50	(28.386)	113.372
Labor costs	(31.178)	(23,19)	(26.405)	(26,51)	(4.773)	(102.906)
EBITDA	(7.401)	(5,51)	25.758	27,99	(33.159)	10.466
Depreciation and amortization	(3.992)	(2,97)	(3.889)	(3,90)	(103)	(16.373)
Additions to provisions and reserves	(38)	(0,03)	(252)	(2,38)	214	(2.374)
EBIT	(11.431)	(8,50)	21.617	21,70	(33.048)	(8.281)
Net financial income	1.060	0,79	1.342	1,35	(282)	1.370
Other income (expense), net	(181)	(0,13)	(1.754)	(1,76)	1.573	(2.590)
Profit before taxes	(10.552)	(7,85)	21.205	21,29	(31.757)	(9.501)
Income taxes	2.458	1,83	753	0,76	1.705	1.398
Profit (Loss) for the period	(8.094)	(6,02)	21.958	22,05	(30.052)	(8.103)

RECLASSIFIED CONSOLIDATED BALANCE SHEET

(in thousands of euros)

	Data at		Change	Data at
	3/31/06	12/31/05		3/31/05
Net non-current assets (A)				
Net intangible assets	6.202	6.284	(82)	6.185
Net property, plant and equipment	208.514	203.057	5.457	183.929
Equity investments	34.295	34.592	(297)	1.218
Total A	249.011	243.933	5.078	191.332
Working capital (B)				
Inventory	67.918	32.358	35.560	68.004
Net trade receivables and other receivables	106.972	122.455	(15.483)	97.933
Deferred-tax assets	27.802	20.927	6.875	18.751
Trade accounts payable	(197.366)	(129.079)	(68.287)	(106.665)
Provision for risks and charges	(2.795)	(2.728)	(67)	(4.276)
Other liabilities	(64.888)	(63.706)	(1.182)	(57.218)
Total B	(62.357)	(19.773)	(42.584)	16.529
Net invested capital (C=A+B)	186.654	224.160	(37.506)	207.861
Provision for termination indemnities (D)	29.298	28.709	589	26.337
Net capital requirements (E=C-D)	157.356	195.451	(38.095)	181.524
Shareholders' equity (F)	184.069	188.557	(4.488)	217.543
Net financial position (G)				
Long-term debt	72.806	96.146	(23.340)	51.094
(Net liquid assets)	(99.519)	(89.252)	(10.267)	(87.113)
Total G	(26.713)	6.894	(33.607)	(36.019)
Total as in E (H=F+G)	157.356	195.451	(38.095)	181.524

NET FINANCIAL POSITION

(in thousands of euros)

	Data at		Change	Data at
	3/31/06	12/31/05		3/31/05
Cash and cash equivalents	29.795	15.585	14.210	18.459
Current assets held for trading	60.835	60.865	(30)	83.435
Current loans receivable and other receivables	50.534	59.348	(8.814)	21.000
Available-for-sale current assets	0	0	0	0
Loans receivable from associates and joint ventures	0	0	0	0
Bank account overdrafts	(280)	(501)	221	0
Current liabilities under finance leases	(41.365)	(46.045)	4.680	(35.781)
Loans payable to associates and joint ventures	0	0	0	0
Net liquid assets	99.519	89.252	10.267	87.113
Long-term loans and other receivables from outsiders	158.062	125.095	32.967	61.402
Long-term loans and other receivables from associates and joint ventures	117.485	116.377	1.108	88.337
Available-for-sale non-current assets	32.092	26.015	6.077	23.299
Long-term liabilities under finance leases	(221.373)	(205.205)	(16.168)	(103.163)
Long-term bank debt	(159.072)	(158.428)	(644)	(120.969)
Long-term debt	(72.806)	(96.146)	23.340	(51.094)
Net financial position	26.713	(6.894)	33.607	36.019

Consolidated Balance Sheet – Assets

	Note ref.	<u>3/31/06</u>	<u>12/31/05</u>
Property, plant and equipment	7	<u>208,514,229</u>	<u>203,056,932</u>
Land and buildings		100,226,720	99,677,778
Land		22,618,462	22,619,019
Buildings		67,170,765	66,538,277
Leased property		10,437,493	10,520,482
Plant and machinery		95,593,911	91,413,504
Machinery		5,508,760	5,769,909
Plant		34,233,733	34,853,880
Leased machinery and equipment		55,851,418	50,789,715
Furniture, fixtures and other property, plant and equipment		6,400,036	6,339,239
Furniture and fixtures		2,925,125	3,007,970
Hardware and software		2,469,083	2,292,636
Other property, plant and equipment (incl. vehicles)		1,005,828	1,038,633
Other leased property, plant and equipment		0	0
Assets under construction		6,293,562	5,626,411
Investment in property, plant and equipment		0	0
Intangible assets	8	<u>6,202,026</u>	<u>6,284,212</u>
Goodwill		2,301,012	2,301,012
Licenses and trademarks		3,561,226	3,626,561
Development costs		0	0
Other intangibles		339,788	356,639
Equity investments		<u>34,295,100</u>	<u>34,592,135</u>
Subsidiaries		0	0
Associated companies	9	744,800	744,800
Joint ventures	9	33,018,884	33,373,701
Other companies	9	531,416	473,634
Deferred-tax assets		<u>27,801,599</u>	<u>20,926,810</u>
Non-current financial assets		<u>307,639,598</u>	<u>267,487,405</u>
Held-to-maturity long-term investments		0	0
Loans and other receivables from:		275,547,162	241,472,036
Outsiders	10	158,062,083	125,094,880
Associated companies and joint ventures	10	117,485,079	116,377,156
Held-for-sale non-current financial assets	10	32,092,436	26,015,369
Held-for-sale other non-current assets		<u>0</u>	<u>0</u>
TOTAL NON-CURRENT ASSETS		<u>584,452,552</u>	<u>532,347,494</u>
Inventory	11	<u>41,007,182</u>	<u>17,583,386</u>
Raw materials		28,355,896	12,728,743
Work in process		5,625,795	2,475,939
Finished goods		7,025,491	2,378,704
Contract work in progress	11	<u>26,910,595</u>	<u>14,774,330</u>
Current financial assets		<u>111,369,734</u>	<u>120,211,789</u>
Current assets held for trading	10	60,835,263	60,864,391
Current loans receivable and other receivables from:		50,534,471	59,347,398
Outsiders	10	50,534,471	59,347,398
Associated companies and joint ventures		0	0
Held-for-sale current financial assets		0	0
Held-to-maturity current investments		0	0
Derivatives		<u>0</u>	<u>0</u>
Trade receivables and other receivables		<u>106,971,866</u>	<u>122,454,878</u>
Trade receivables from:		93,082,758	106,296,621
Outsiders		82,835,505	95,725,186
Associated companies and joint ventures	10	10,247,253	10,571,435
Other receivables		13,889,108	16,158,257
Cash and cash equivalents		<u>29,795,372</u>	<u>15,585,498</u>
Cash on hand		266,256	675,260
Short-term bank deposits		29,529,116	14,910,238
TOTAL CURRENT ASSETS		<u>316,054,749</u>	<u>290,609,881</u>
TOTAL ASSETS		<u>900,507,301</u>	<u>822,957,375</u>

Consolidated Balance Sheet – Liabilities and Shareholders' Equity

	Note ref.	3/31/06	12/31/05
Common shares		9,316,280	9,312,155
Additional paid-in capital		36,260,953	36,215,861
Reserve for treasury stock		12,000,000	12,000,000
Statutory reserve		2,231,389	2,231,389
Revaluations reserve		0	0
Stock option reserve		1,570,733	1,320,733
Derivative hedging reserve		0	0
Reserve for currency translations		(420,116)	(252,864)
Fair value reserve		16,320,873	12,507,513
Other reserves		116,407,449	110,942,932
Retained earnings		(1,525,225)	12,382,791
Profit (Loss) for the year		(8,093,598)	(8,103,394)
GROUP INTEREST IN SHAREHOLDERS' EQUITY		184,068,738	188,557,116
Minority interest in shareholders' equity		0	0
TOTAL SHAREHOLDERS' EQUITY		184,068,738	188,557,116
Long-term borrowings		380,445,585	363,632,728
Collateralized borrowings		0	0
Liabilities under finance leases	14	221,373,278	205,204,788
Other indebtedness owed to:		159,072,307	158,427,940
Outsiders	14	159,072,307	158,427,940
Associated companies and joint ventures		0	0
Deferred-tax liabilities		34,006,748	28,026,734
Provision for termination indemnities		29,298,166	28,708,951
Provision for pensions and severance pay		797,332	464,732
Provision for termination indemnities		28,500,834	28,244,219
Provision for other liabilities and charges		0	0
Decommissioning costs		0	0
TOTAL NON-CURRENT LIABILITIES		443,750,499	420,368,413
Current borrowings		41,645,959	46,545,406
Due to banks for overdraft facilities	14	280,480	500,816
Collateralized borrowings		0	0
Liabilities under finance leases	14	41,365,479	46,044,590
Bonds outstanding and other borrowings owed to:		0	0
Outsiders		0	0
Associated companies and joint ventures		0	0
Other payables		25,753,640	32,134,207
Wages and salaries		15,397,949	9,580,474
Due to social security institutions		4,272,358	5,583,737
Other amounts due to employees		302,539	292,928
Other liabilities		5,780,794	16,677,068
Trade accounts payable		197,365,798	129,079,429
Accounts payable to outsiders		197,108,529	129,072,214
Accounts payable to associated companies and joint ventures		257,269	0
Advances received for work in progress		0	7,215
Provision for current taxes		617,545	51,047
Direct taxes		88,187	0
Other taxes		529,358	51,047
Financial derivatives		0	0
Provision for other liabilities and charges		2,795,436	2,727,570
Provision for warranties		762,581	900,000
Provision for legal disputes		0	0
Provision for restructuring programs		0	0
Other provisions		2,032,855	1,827,570
Other liabilities		4,509,686	3,494,187
TOTAL CURRENT LIABILITIES		272,688,064	214,031,846
TOTAL LIABILITIES		716,438,563	634,400,259
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		900,507,301	822,957,375

Consolidated Income Statement

	Note ref.	3/31/06	3/31/05
Sales and service revenues		103,008,671	57,430,370
Increase in Company-produced non-current assets		309,936	0
Change in inventory of finished goods and work in progress		30,375,495	40,082,618
Change in contract work in progress		22,774,971	40,447,288
Change in inventory of work in progress, semifinished goods and finished goods		7,600,524	(364,670)
Other income and revenues	16	722,324	2,087,727
TOTAL VALUE OF PRODUCTION		134,416,426	99,600,715
Gain on the sale of non-current assets	17	65,006	30,236,710
<i>Amount earned on the sale of equity investments</i>		0	32,312,027
Raw materials and consumables used		(83,319,356)	(44,983,619)
Raw materials and components		(98,772,949)	(37,646,489)
Change in inventory of raw materials, subsidiary materials and consumables		15,453,593	(7,337,130)
Provision for inventory risk		0	0
Other variable production costs		(2,390,118)	(1,682,295)
Consumables		(1,169,837)	(889,202)
Utilities		(232,666)	0
External maintenance costs		(987,615)	(793,093)
Variable external engineering services		(14,625,111)	(24,806,330)
Wages, salaries and employee benefits		(31,177,608)	(26,404,681)
Production staff, office staff and managers		(29,673,756)	(25,274,300)
Independent contractors		(142,799)	(42)
Social security and other post-employment benefits		(1,361,053)	(1,130,339)
Cost of profit sharing compensation		0	0
Depreciation, amortization and writedowns		(3,991,886)	(3,889,205)
Depreciation of property, plant and equipment	18	(3,483,783)	(3,605,729)
Amortization of intangibles	19	(508,103)	(283,476)
Utilization of negative goodwill		0	0
Foreign exchange gains (losses)		(15,710)	53,100
Other expenses		(10,392,591)	(6,507,064)
PROFIT (LOSS) FROM OPERATIONS		(11,430,948)	21,617,331
Finance costs, net	20	1,060,185	1,341,237
Dividends		0	0
Value adjustments	21	(187,565)	(1,754,000)
Nonrecurring income (expense)		6,415	0
PROFIT (LOSS) BEFORE TAXES		(10,551,913)	21,204,568
Income taxes for the year	22	2,458,315	753,859
PROFIT (LOSS) FOR THE YEAR		(8,093,598)	21,958,427

	3/31/06	3/31/05
Earnings (Loss) per share	(8,093,598)	21,958,427
Number of common shares, net	9,317,000	9,317,000
Basic earnings (loss) per share	(0.87)	2.36

Statement of Changes in Consolidated Shareholders' Equity

	1/1/04	Fair value gains (losses)	Cash flow hedges	Translation restatements	Net gains (losses) recognized directly in equity	Profit (Loss) for the period	Total result for the period	Employee stock option plan	Changes to reserves	Dividends	Issue of share capital	Purchases/Sales of treasury shares	12/31/04
Common shares	9,192,181											(9,679)	9,182,502
Additional paid-in capital	34,013,017											(102,367)	33,910,650
Reserve for treasury stock	27,951,000											(516,488)	27,434,512
Statutory reserve	2,231,389												2,231,389
Revaluation reserve													
Stock options reserve								527,691					527,691
Derivative hedging reserve													
Reserve for currency translat.									3,726				3,726
Fair value reserve	8,599,119	(333,418)			(333,418)		(333,418)						8,265,701
Other reserves	99,731,524								399,280	(3,124,779)		516,488	97,522,513
Retained earnings	15,895,428												15,895,428
Profit (Loss) for the period						(2,404,679)	(2,404,679)						(2,404,679)
GROUP INTEREST IN SHAREHOLDERS' EQUITY	197,613,658												192,569,433
Minority interest in profit and res.	-												-
TOTAL SHAREHOLDERS' EQUITY	197,613,658	(333,418)			(333,418)	(2,404,679)	(2,738,097)	527,691	403,006	(3,124,779)		(112,046)	192,569,433

	1/1/05	Fair value gains (losses)	Cash flow hedges	Translation restatements	Net gains (losses) recognized directly in equity	Profit (Loss) for the period	Total result for the period	Employee stock option plan	Changes to reserves	Dividends	Issue of share capital	Purchases/Sales of treasury shares	12/31/05
Common shares	9,182,502											129,653	9,312,155
Additional paid-in capital	33,910,650											2,305,211	36,215,861
Reserve for treasury stock	27,434,512								(15,434,512)				12,000,000
Statutory reserve	2,231,389												2,231,389
Revaluation reserve													
Stock options reserve													
Derivative hedging reserve	527,691							793,042					1,320,733
Reserve for currency translat.	3,726			(256,590)	(256,590)		(256,590)						(252,864)
Fair value reserve	8,265,701	4,241,812			4,241,812		4,241,812						12,507,513
Other reserves	97,522,513								16,542,470	(3,122,051)			110,942,932
Retained earnings	15,895,428								(3,512,637)				12,382,791
Profit (Loss) for the period	(2,404,679)					(8,103,394)	(8,103,394)		2,404,679				(8,103,394)
GROUP INTEREST IN SHAREHOLDERS' EQUITY	192,569,433												188,557,116
Minority interest in profit and res.	-												-
TOTAL SHAREHOLDERS' EQUITY	192,569,433	4,241,812		(256,590)	3,985,222	(8,103,394)	(4,118,172)	793,042	-	(3,122,051)		2,434,864	188,557,116

	1/1/06	Fair value gains (losses)	Cash flow hedges	Translation restatements	Net gains (losses) recognized directly in equity	Profit (Loss) for the period	Total result for the period	Employee stock option plan	Changes to reserves	Dividends	Issue of share capital	Purchases/Sales of treasury shares	3/31/06
Common shares	9,312,155											4,125	9,316,280
Additional paid-in capital	36,215,861											45,092	36,260,953
Reserve for treasury stock	12,000,000												12,000,000
Statutory reserve	2,231,389												2,231,389
Revaluation reserve													
Stock options reserve	1,320,733							250,000					1,570,733
Derivative hedging reserve													
Reserve for currency translat.	(252,864)			(167,252)	(167,252)		(167,252)						(420,116)
Fair value reserve	12,507,513	3,813,360			3,813,360		3,813,360						16,320,873
Other reserves	110,942,932								5,464,517				116,407,449
Retained earnings	12,382,791								(13,908,016)				(1,525,225)
Profit (Loss) for the period	(8,103,394)					(8,093,598)	(8,093,598)		8,103,394				(8,093,598)
GROUP INTEREST IN SHAREHOLDERS' EQUITY	188,557,116												184,068,738
Minority interest in profit and res.	-												-
TOTAL SHAREHOLDERS' EQUITY	188,557,116	3,813,360		(167,252)	3,646,108	(8,093,598)	(4,447,490)	250,000	(340,105)	-		49,217	184,068,738

Consolidated Cash Flow Statement

	Data at	
	3/31/06	3/31/05
Profit (Loss) for the period	(8,093,598)	21,958,427
<i>Restatements</i>	1,082,004	(24,772,314)
- Income taxes	(2,458,315)	(753,859)
- Depreciation of property, plant and equipment	3,483,783	3,605,729
- Amortization of intangibles	508,103	283,476
- Writedowns	(44,992)	1,514,000
- Provision for pensions and seniority indemnities	589,215	324,400
- (Gains) Losses on sale of non-current assets	(65,006)	(30,236,710)
- (Gains) Losses on derivatives	0	0
- (Gains) Losses on held-for-sale financial assets	(17,813)	0
- (Financial income)	(5,477,598)	(4,309,147)
- Financial expense	4,375,844	3,101,109
- (Dividends)	0	0
- Value adjustment to shareholders' equity	187,565	1,754,000
- Unrealized (gains) losses on foreign exchange transactions	1,218	(55,312)
- Other restatements	0	0
<i>Changes in working capital</i>	42,627,615	(39,586,168)
- Inventories	(23,423,796)	7,823,250
- Contract work in progress	(12,136,265)	(30,371,332)
- Trade accounts receivable	15,483,012	1,418,194
- Trade accounts payable	68,285,151	(18,892,592)
- Other changes	(5,580,487)	436,312
Cash flow from operating activities	35,616,021	(42,400,055)
(Financial expense)	(4,375,844)	(3,101,109)
(Income taxes)	2,458,315	753,859
Net cash from operating activities	33,698,492	(44,747,305)
- Acquisition of a subsidiary, net of acquired cash	0	0
- Purchases of property, plant and equipment	(9,301,991)	74,216
- Proceeds from sale of property, plant and equipment	0	0
- Non-current financial assets	(27,496,778)	7,417,245
- Financial income	5,477,598	4,309,147
- Dividends received	0	0
- Other equity investments	127,283	1,547,253
Net cash used in investing activities	2,504,604	(31,399,444)
- Proceeds from the issuance of shares	0	0
- Purchases of treasury shares	49,217	0
- Borrowings from lenders outside the Group	11,913,410	22,811,732
- Dividends paid	0	0
Net cash used in financing activities	14,467,231	(8,587,712)
- Other non-cash items	(257,357)	477,884
Increase (Decrease) in cash and cash equivalents	14,209,874	(8,109,829)
- Cash and cash equivalents at beginning of period	15,585,498	26,568,454
Cash and cash equivalents at end of period	29,795,372	18,458,625

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

At March 31, 2006, the **Matra Automobile Engineering Group** reported value of production of 13.5 million euros and a consolidated loss of 0.6 million euros, compared with 12.8 million euros and 1.2 million euros, respectively, in the first three months of 2005. The increase in value of production and an improvement in operating efficiency enabled the group cut its loss in half during the first three months of 2006, moving significantly closer to breakeven.

Pininfarina Extra S.r.l. ended the first quarter of 2006 with value of production of 1.2 million euros, unchanged from the same period last year. The profit for the period amounted to 190,000 euros, compared with 5,000 euros in the first three months of 2005. Pininfarina Extra USA Corp., a wholly owned subsidiary of the Pininfarina Extra S.r.l. that was created to establish a local presence and follow more closely the U.S. operations, became operational in March 2006.

Pininfarina Deutschland GmbH booked value of production of 1.4 million euros in the first three months of 2006 (1.8 million euros at March 31, 2005) and a net loss of 0.5 million euros (0.3 million euros a year earlier). The company is currently implementing a restructuring program that will help it focus its operations on activities with a higher value added that are more integrated with the Group's service sector strategy.

Pininfarina Sverige AB, which became fully operational in November 2005, reported value of production of 63.4 million euros and a loss of 0.3 million euros, caused mainly by the startup costs incurred to begin production of the Volvo C70 convertible (the data reflect the 60% interest held by the Group in this joint venture). At March 31, 2005, the company had generated no value of production and reported a loss of 0.7 million euros. A total of 2,144 cars were produced during the first three months of 2006.

RHTU AB had value of production of 0.9 million euros (0.5 million euros in the first quarter of 2005) and, like the previous year, broke even in the first three months of 2006. This company manufactures the retractable hard tops that are being installed in the Volvo C70 produced by Pininfarina Sverige A.B.

Pininfarina S.p.A., the Group's Parent Company, reported value of production of 118.4 million euros at March 31, 2006, compared with 84.2 million euros in the first three months of 2005 (+40.6%). The loss for the period came to 7 million euros, compared with a profit of 16.9 million euros in the first quarter of 2005. The net financial position showed a positive balance of 44.6 million euros, down from 46.4 million euros in the same period last year. Most of the remarks made in the review of the Group's performance in the first three months of 2006 apply to the Parent Company as well.

Notes to the Quarterly 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 regular segment of the Borsa Italiana securities market.

The consolidated quarterly report was approved by the Board of Directors on May 12, 2006.

2. Accounting Principles

2.1 Presentation Criteria

As required by:

- Legislative Decree No. 38 of February 28, 2002;
- European Regulation No. 1606 of July 19, 2002 ;
- Article 82 of Issuers' Regulation No. 11971, as amended by CONSOB Resolution No. 14990 of April 14, 2005;

the Pininfarina Group prepared its Quarterly Report at March 31, 2006 in accordance with the IFRSs.

Consistent with the requirements of Paragraph 8 of IAS 34 Interim Financial Reporting, the Quarterly Report comprises the following minimum components:

- a) Condensed balance sheet;
- b) Condensed income statement;
- c) Condensed statement of changes in shareholders' equity;
- d) Condensed cash flow statement;
- e) Selected explanatory notes required by Paragraph 16 of IAS 34.

The accounting principles did not undergo changes that would require a restatement of the opening balances. The estimation criteria applied have not changed.

The data at March 31, 2005 included in this Quarterly Report, which have been restated to make them consistent with the IFRSs, are provided for the purpose of comparison with the data in the Group's consolidated financial statements at March 31, 2006.

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are those companies, including vehicle companies, over which the Pininfarina Group has authority to direct their financial and operating decisions.

Generally, control is deemed to exist when the Group holds more than half of the voting rights, either directly or through shareholder agreements or contingent voting rights. Subsidiaries are consolidated from the moment the Group is able to exercise control and are deconsolidated the moment it ceases to exercise control.

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.

(b) Associated Companies and Joint Ventures

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 on 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 losses 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.

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.

(c) Group Companies

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

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 Translation reserve. 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 acquisition of an interest in a subsidiary is recognized as an intangible asset. Goodwill generated by the acquisition of an interest in an associated company is recognized as an addition to the value of the underlying equity investment.

Goodwill is recognized in the financial statements at the value determined on the date control is acquired and is thereafter adjusted for any impairment loss, based on a test performed at least once a year.

The calculation of a gain or loss on the sale of an equity investment must take into account the carrying amount of the applicable goodwill.

An impairment test is made by comparing the carrying amount of goodwill against the present value of the future cash flow that homogeneous groups of assets are expected to produce.

(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 cost 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.

Development costs incurred in the performance of automobile design, engineering or development contracts are included among the aggregate costs financed by the Company through arrangements that can be identified as leases in accordance with IFRIC 4.

(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.

With the exception of research and development costs, internally produced intangibles cannot be capitalized. These costs are charged to income in the year they are incurred.

Other intangibles are tested once a year for impairment. Such testing can be carried out for individual intangible assets or for entire cash generating units.

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 intangibles with an indefinite useful life 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, with changes in value recognized in earnings; b) loans and other financial receivables; c) held-to-maturity investments; and d) held-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 reviews this allocation at the end of each year.

(a) Financial Assets Carried at Fair Value, with Changes in Value Recognized in Earnings

This category is divided into two classes: 1) financial assets held for trading and 2) assets held as negotiable assets from the time of acquisition. 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) Held-for-sale Financial Assets

Held-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 decides not to sell them within 12 months 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 Held-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 Held-for-sale assets are recognized in equity. When securities categorized as Held-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 Held-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 a Held-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 collection amount, net of any incidental charges, and the redemption amount is recognized in earnings on an accrual basis, computed by the effective interest rate method.

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

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.

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

Temporary differences on components of shareholders' equity are posted directly 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, is a defined-benefit pension plan.

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 to a separate entity. The Group has no further statutory or implied obligations to pay additional sums, should the plan's assets prove to be inadequate to pay benefits for current or past service.

The liability recognized in the financial statements for defined-benefit plans is the present value of the obligation on the balance sheet date, adjusted for actuarial gains and losses and for the cost of benefits paid for past service. This liability is determined annually by an independent actuary, who must be a member of the relevant national board, using the Projected Unit Credit Method. The present value of the liability is determined by discounting future outlays at the exchange rate of government securities that are denominated in the same currency as that in which the benefits will be paid and have a maturity that approximates the due date of the underlying pension liability.

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

Benefit costs for past service are recognized immediately in the income statement, except in those cases where changes in benefits are not predicated on the length of service of employees (vesting period). In such cases, benefit costs for past service are amortized on a straight line over the vesting period.

Under defined-contribution plans, the Group makes contributions to public and private pension funds on a statutory, contractual or voluntary basis. Once the Group has made these contributions, it 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 only if the Group expects to receive a refund or a reduction in future payments.

(b) Incentives, Bonuses and Profit Sharing Plans

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

(c) Employee Benefits Paid in Shares of Stock

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

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 present value of the best estimates made by the Company's management of the costs that the Pininfarina Group will incur on the balance sheet date to satisfy the 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) Sales of Goods

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

(b) Provision of Services

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

(c) Interest

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

(d) Royalties

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

(e) Dividends

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

2.17 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 or the term of the lease, whichever is shorter. Leased assets are capitalized at the start of the lease at the fair value of the leased asset or at the present value of the lease payments, whichever is smaller. Lease payments are broken down into principal repayment and interest, which is determined by applying a constant interest rate to the outstanding balance.

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

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

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

(b) When the Pininfarina Group Is the Lessor

The Pininfarina Group applies IFRIC 4 (Determining Whether an Arrangement Contains a Lease) to qualifying automobile design, engineering and production contracts.

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 minimum 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 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.

2.20 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.

2.21 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 at the time the estimates are made. As a result, these estimates are subject to change.

(c) Costs

Costs that arise in a non-uniform way over the course of the year are recognized or deferred in interim financial statements in the same way as they are in the annual financial statements.

(d) 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. Actual results can vary from the estimates in the business plan due to a variety of factors that are outside the control of the Group.

(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

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. The value of options, estimated in accordance with the binomial lattice model, is affected by the following:

- Expected volatility, which is based on the historical price volatility of Pininfarina S.p.A. shares;
- The free risk rate, which is based on the gross yield on five-year Italian government bonds as determined by the Bank of Italy;
- An estimate of expected dividend distributions, based on dividend expectations for the years 2002 to 2005;
- The possibility of early expiration, which, based on the actual results of previous plans, is deemed to be nil.

3. Managing Financial Risk

3.1 Financial Risk Factors

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 recognizes in accordance with IFRIC 4 and short-term bank deposits.

The Group uses other financial instruments, such as trade payables and receivables, for operating purposes. 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*).

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 krona (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. The Group also holds a very substantial amount of highly liquid, unrestricted assets. As a result, viewing the Group as a going concern, the liquidity risk is deemed to be low.

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.

3.2 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.

4. Key Financial Statement Estimates and Valuations

Estimates and disclosures presented in the financial statements are evaluated on an ongoing basis. They are based on historical data and such other factors as expectations about future events the occurrence of which is reasonable to expect.

The Group makes assessments and valuations regarding future events. By definition, the resulting restatements rarely coincide with the final outcome. The assessments and valuations that entail a high risk that the valuation of assets and liabilities will be restated the following year are reviewed below.

(a) Valuation of the Impairment of Goodwill

Consistent with its accounting policies, the Group tests goodwill annually for impairment. The recoverable amount of cash generating units is determined by a computation of their value in use. These computations require the use of valuations.

(b) Income taxes

The Group is taxed in a number of different jurisdictions. A significant judgment call is necessary to determine the amount of the reserve for taxes. There are numerous transactions and computations that can make the determination of the ultimate tax liability uncertain in the normal course of business.

(c) Provision for Termination Indemnities

The actuarial valuation of the amount that should be added to the provision for termination indemnities is determined by the Projected Unit Credit Method (IAS 19). This method uses actuarial assumptions to determine the probability that payment will occur at a given moment in the future and to associate with this event the amount that will have to be paid. The probable cash outflows are then harmonized by means of an appropriate discounting mechanism so as to determine the present value on the date when the value of the termination indemnities is being determined.

(d) Stock Options

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 model incorporates the following assumptions:

1. Volatility

Expected volatility has been annualized and set at 18.32%. The estimate was made based on the historical price volatility of the shares. The time horizon used for estimate purposes was the same as the expected expiration of the option.

2. Risk-free Rate

The rate used for the purpose of this valuation was 2.79175%, which was the same as the gross yield on the benchmark five-year Italian government bond on July 15, 2005, as determined by the Bank of Italy.

3. Dividends

Consistent with the Group's accounting principles, the amount of expected dividends was the same as the amounts paid between 2002 and 2005.

4. Early Expiration

Based on the technical characteristics of the options and an analysis of other stock option plans, this phenomenon appeared to be nonexistent.

5. Segment Information

a) Primary Segment

Business Segment

Segment information at March 31, 2006 shows that the Group is organized on a global scale and operates in two main business segments: vehicle production and styling/engineering.

The results for the first quarter of 2006 are as follows:

			€/000
	Production	Styling & Engineering	Total for the Group
Value of production	107,257	36,495	143,752
Intra-segment value of production	(9,831)	495	(9,336)
Value of production	97,426	36,990	134,416
EBIT	(12,053)	622	(11,431)
Financial income (expense)			1,067
Interest in results of associates	(188)	0	(188)
Profit (Loss) before taxes			(10,552)
Income taxes			2,458
Profit (Loss) for the period			(8,094)

The results for the first quarter of 2005 were as follows:

			€/000
	Production	Styling & Engineering	Total for the Group
Value of production	74,349	44,386	118,735
Intra-segment value of production	(17,839)	(1,295)	(19,134)
Value of production	56,510	43,091	99,601
EBIT	22,777	(1,160)	21,617
Financial income (expense)			1,342
Interest in results of associates	(1,754)	0	(1,754)
Profit (Loss) before taxes			21,205
Income taxes			753
Profit (Loss) for the period			21,958

EBIT at March 31, 2005 included a gain of 30,232,310 euros earned on the sale of the investment in Oasys GmbH.

A breakdown of assets and liabilities at March 31, 2006 by business segment is as follows:

				3/31/06 €/000
	Production	Styling & Engineering	Not allocated	Total for the Group
Assets	585,085	127,643	187,779	900,507
Liabilities	358,936	206,364	151,139	716,439

A breakdown of assets and liabilities at December 31, 2005 by business segment is as follows:

				12/31/05 €/000
	Production	Styling & Engineering	Not allocated	Total for the Group
Assets	543,913	107,228	171,817	822,957
Liabilities	338,021	199,129	97,250	634,400

The assets of the segments consist mainly of property, plant and equipment, intangible assets, inventory and receivables. The above figures do not include deferred-tax assets, equity investments and financial assets.

The liabilities of the segments consist of operating liabilities. The above figures do not include such items as income tax liabilities and borrowings.

b) Secondary segment:

Geographic Destination of Sales

A breakdown of sales by geographic destination is as follows:

	M€	
	<u>3/31/06</u>	<u>3/31/05</u>
ITALY	73.92	4.65
REST OF E.U.	28.10	50.90
OUTSIDE E.U.	1.00	1.88
Total	103.01	57.43

6. List of Companies Included in the Scope of Consolidation

6.1 Companies Consolidated Line by Line

Name	Registered office	Share capital	% interest held directly or indirectly in 2006	% interest held directly or indirectly in 2005
Parent Company				
Pininfarina S.p.A.	Via Bruno Buozzi 6 - Turin - IT	9,317,000 EUR		
Italian subsidiaries				
Pininfarina Extra S.r.l.	Via Bruno Buozzi 6 - Turin - IT	388,000 EUR	100	100
Foreign subsidiaries				
Pininfarina Extra USA Corp.	1 Penn Plaza, Suite 3515 - New York, NY, US	10,000 USD	100	
Pininfarina Deutschland GmbH	Industriestrasse 10 – Renningen - DE	3,100,000 EUR	100	100
Matra Automobile Engineering. SAS	8 avenue J. D'Alembert – Trappes cedex - FR	971,200 EUR	100	100
CERAM S.A.S.	Mortefontaine – FR	1,000,000 EUR	100	100
D3 S.A.S.	11 rue Paul Bert – Courbevoie - FR	306,000 EUR	100	100
Plazolles Modelage S.a.r.l.	ZAC de l'Argentine – 9 rue J. Anquetil Garges Les Gonesses – FR	8,000 EUR	100	100
Matra Automobile Engineering Maroc S.A.S.	Km 12 Autoroute de Rabat - Sidi Bernoussi – Zenata Casablanca – MA	8,000,000 MAD	100	100
Matra Developpement S.A.S.	8 avenue J.D'Alembert – Parc d'Activites Pissaloup - Trappes – FR	37,000 EUR	100	100
RHTU Sverige AB	Varvsvagen 1 - Uddevalla -SE	100,000 SEK	100	100

6.2 Companies Consolidated by the Equity Method

Name	Registered office	Share capital	% interest held directly or indirectly in 2006	% interest held directly or indirectly in 2005
Pasiphae S.a.r.l.	4 Boulevard Royal - LU	5,000,000 EUR	20	20
Pininfarina Sverige AB	Varvsvagen 1 - Uddevalla - SE	8,965,000 SEK	60	60

6.3 Change in the Scope of Consolidation

The scope of consolidation has changed, compared with December 31, 2005, due to the inclusion of Pininfarina Extra USA Corp.

7. Property, plant and equipment

	<u>3/31/06</u>	<u>12/31/05</u>	<u>Change</u>
Land and buildings	100,226,720	99,677,778	548,942
Plant and machinery	95,593,911	91,413,504	4,180,407
Furniture, fixtures and other prop., plant and equip.	6,400,036	6,339,239	60,797
Assets under construction	6,293,562	5,626,411	667,151
Total	208,514,229	203,056,932	5,457,297

As allowed by one of the options provided in Paragraphs 16 to 19 of IFRS 1, the Group's land and buildings were revalued as of January 1, 2004 based on valuations provided by independent appraisers.

The entry offsetting the revaluation amount, net of deferred taxes, was posted to shareholders' equity.

The increase in land and buildings reflects additions made to buildings in Bairo Canavese and Torre Canavese.

The increase in plant and machinery reflects primarily the recognition in accordance with IAS 17 of leased assets acquired for new manufacturing programs.

8. Intangible assets

	<u>3/31/06</u>	<u>12/31/05</u>	<u>Change</u>
Goodwill	2,301,012	2,301,012	0
Licenses and trademarks	3,561,226	3,626,561	(65,335)
Development costs	0	0	0
Other intangibles	339,788	356,639	(16,851)
Total	6,202,026	6,284,212	(82,186)

9. Equity investments

Equity investments in associated companies

	<u>3/31/06</u>	<u>12/31/05</u>	<u>Change</u>
Pasiphae S.a.r.l	744,800	744,800	-
Total	744,800	744,800	-

The carrying value of the investment in Pasiphae Sarl did not change.

Equity investments in joint ventures

	<u>3/31/06</u>	<u>12/31/05</u>	<u>Change</u>
Pininfarina Sverige AB	33,018,884	33,373,701	(354,817)
Total	33,018,884	33,373,701	(354,817)

Pininfarina Sverige was consolidated by the equity method.

Equity investments in other companies

	<u>3/31/06</u>	<u>12/31/05</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	215,793	(1,482)
Other investments in managed portfolios	59,264	0	59,264
Total	<u>531,416</u>	<u>473,634</u>	<u>57,782</u>

10. Non-current financial assets

Loans and other receivables from outsiders

	<u>3/31/06</u>	<u>12/31/05</u>	<u>Change</u>
Non-current loans and other receivables	158,062,083	125,094,880	32,967,203
Current loans and other receivables	50,534,471	59,347,398	(8,812,927)
Total	<u>208,596,554</u>	<u>184,442,278</u>	<u>24,154,276</u>

Non-current loans and other receivables from outsiders increased by 32,967,203 euros due to the recognition of loans receivable under leases given, which were identified in accordance with IFRIC 4.

The decrease of 8,812,927 euros in current loans and other receivables reflects the repayment installments collected based on the number of cars sold in the first quarter of 2006.

Loans and other receivables from associated companies and joint ventures

	<u>3/31/06</u>	<u>12/31/05</u>	<u>Change</u>
<i>Pininfarina Sverige AB</i>	127,732,332	126,948,591	783,741
- non-current	117,485,079	116,377,156	1,107,923
- current	10,247,253	10,571,435	(324,182)
Total	<u>127,732,332</u>	<u>126,948,591</u>	<u>783,741</u>

The increase in loans receivable from Pininfarina Sverige AB reflects support provided for the development of the P15 project, the collection of which has been deferred to provide this company with the necessary financing.

Held-for-sale non-current assets

	<u>San Paolo IMI SpA</u>	<u>Banca Intermobiliare SpA</u>	<u>Beni stabili SpA</u>	<u>Total</u>
Value at January 1, 2006	463,355	25,523,372	28,642	26,015,369
Fair value adjustments posted to shareholders' equity	55,950	6,017,291	3,826	6,077,067
Purchases	0	0	0	0
Sales	0	0	0	0
Impairment losses/Writedowns	0	0	0	0
Value at March 31, 2006	<u>519,305</u>	<u>31,540,663</u>	<u>32,468</u>	<u>32,092,436</u>

The fair value adjustment required by IAS 39 was posted, net of deferred taxes, as an increase to the fair value reserve. These adjustments will be reflected in the income statement only upon the sale of the corresponding financial assets. The adjustment posted to the reserve amounted to 16,320,873 euros.

Held-for-sale current assets

	<u>Equity securities</u>	<u>Fixed income securities</u>	<u>Mutual funds</u>	<u>Total</u>
Value at January 1, 2006	6,039,092	30,165,528	24,659,771	60,864,391
Fair value adjustments posted to the income statement	(311,802)	399,751	(25,324)	62,625
Purchases	4,062,729	12,090,572	13,002,195	29,155,496
Sales	(7,302,136)	(4,291,794)	(17,653,319)	(29,247,249)
Impairment losses/Writedowns	0	0	0	0
Value at March 31, 2006	2,487,883	38,364,057	19,983,323	60,835,263

11. Inventory and contract work in progress

	<u>3/31/06</u>	<u>12/31/05</u>	<u>Change</u>
Raw materials	28,355,896	12,728,743	15,627,153
Work in process	5,625,795	2,475,939	3,149,856
Finished goods	7,025,491	2,378,704	4,646,787
Total	41,007,182	17,583,386	23,423,796

The value of raw materials is shown net of an allowance for inventory obsolescence, which totaled 225,000 euros, unchanged from December 31, 2005.

	<u>3/31/06</u>	<u>12/31/05</u>	<u>Change</u>
Contract work in progress	26,910,595	14,774,330	12,136,265
Total	26,910,595	14,774,330	12,136,265

The increase of 12,136,265 euros in contract work in progress reflects work completed on production orders.

12. Share capital

	<u>Number of shares</u>	<u>Common shares</u>	<u>Treasury shares</u>	<u>Total</u>
Balance at December 31, 2004	9,317,000	9,317,000	134,498	9,182,502
Balance at December 31, 2005	9,317,000	9,317,000	4,845	9,312,155
Balance at March 31, 2006	9,317,000	9,317,000	720	9,316,280

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 March 31, 2006, the Company held a total of 720 of its own shares, the net value of which (20,239 euros) was deducted from shareholders' equity as required by the adoption of IAS 32 and IAS 39 as of January 2005.

These shares are being held as treasury shares.

13. Earnings 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 March 31, 2006.

	<u>3/31/06</u>	<u>12/31/05</u>	<u>3/31/05</u>
Net profit (loss)	(8,093,598)	(8,103,394)	21,958,427
Number of common shares, net	9,317,000	9,317,000	9,317,000
Basic earnings (loss) per share	(0.87)	(0.87)	2.36

b) Diluted earnings (loss) per share

The diluted earnings per share are the same as the basic earnings per share.

14. Borrowings

	<u>3/31/06</u>	<u>12/31/05</u>	<u>Change</u>
Non-current	380,445,585	363,632,728	16,812,857
Liabilities under finance leases	221,373,278	205,204,788	16,168,490
Bonds outstanding and other borrowings	159,072,307	158,427,940	644,367
Current	41,645,959	46,545,406	(4,899,447)
Due to banks	280,480	500,816	(220,336)
Liabilities under finance leases	41,365,479	46,044,590	(4,679,111)
Total	422,091,544	410,178,134	11,913,410

No Group assets have been pledged as collateral.

Liabilities under leases (accounted for under IAS 17), which were incurred to finance new development and production orders, added 16,168,490 euros to total borrowings.

The decrease of 4,679,111 euros in current liabilities under finance leases reflects the payment of installments due under the loan repayment program.

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

	<u>3/31/06</u>
due within 12 months	41,645,959
due between 1 and 5 years	358,585,343
due after 5 years	21,860,242
Total	422,091,544

15. Commitments and contingent liabilities

At March 31, 2006, the Group's contingent liabilities for guarantees provided on behalf of outsiders amounted to 938,200 euros, compared with 4,105,100 euros at December 31, 2005.

The companies of the Group are parties to certain legal disputes. In the opinion of management and based on the advice of counsel, the outcome of these disputes will not produce significant losses.

16. Other income and revenues

	<u>3/31/06</u>	<u>3/31/05</u>	<u>Change</u>
Rebilling of lease payments	39,337	6,337	33,000
Out-of-period income	63,260	178,340	(115,081)
Insurance settlements	0	0	0
Royalties	125,000	125,000	0
Revaluation of tax credits on advance tax payments on provision for severance indemnities	0	0	0
Amounts rebilled	76,325	1,229,771	(1,153,445)
Operating grants	65,935	55,861	10,074
Sundry items	352,467	492,419	(139,952)
Total	<u>722,324</u>	<u>2,087,727</u>	<u>(1,365,403)</u>

17. Gain on the sale of non-current assets

	<u>3/31/06</u>	<u>3/31/05</u>	<u>Change</u>
Gain on the sale of equity investments	0	30,232,310	(30,232,310)
Gain on the sale of other assets	65,006	4,400	60,606
Total	<u>65,006</u>	<u>30,236,710</u>	<u>(30,171,704)</u>

The gain shown as of March 31, 2005 reflects the divestiture of the investment in Oasys GmbH on January 20, 2005.

18. Depreciation of property, plant and equipment

	<u>3/31/06</u>	<u>3/31/05</u>	<u>Change</u>
Land and buildings	837,477	723,286	114,191
	2,391,727		
Plant and machinery		2,668,514	(276,787)
Furniture, fixtures and other property, plant and equip.	254,579	213,929	40,650
Total	<u>3,483,783</u>	<u>3,605,729</u>	<u>(121,946)</u>

19. Amortization of intangibles

	<u>3/31/06</u>	<u>3/31/05</u>	<u>Change</u>
Licenses and trademarks	486,364	450,772	35,592
Other intangibles	21,739	(167,296)	189,035
Total	<u>508,103</u>	<u>283,476</u>	<u>224,627</u>

20. Financial income (expense), net

	<u>3/31/06</u>	<u>3/31/05</u>	<u>Change</u>
Financial expense paid to banks	(165,066)	(72,120)	(92,946)
Financial expense paid under leases	(2,839,574)	(2,346,826)	(492,748)
Financial expense on medium- and long-term borrowings	<u>(1,371,204)</u>	<u>(548,964)</u>	<u>(822,240)</u>
Total financial expense	<u>(4,375,844)</u>	<u>(2,967,910)</u>	<u>(1,407,934)</u>
Bank interest earned	20,058	34,010	(13,952)
Gains from marking securities to market	1,053,866	1,345,063	(291,197)
Interest earned on long-term loans to outsiders	3,236,370	2,356,809	879,561
Interest earned on long-term loans to associated cos.	1,107,922	573,265	534,657
Gains on trading securities	<u>17,813</u>	<u>0</u>	<u>17,813</u>
Total financial income	<u>5,436,029</u>	<u>4,309,147</u>	<u>1,126,882</u>
Net financial income	<u>1,060,185</u>	<u>1,341,237</u>	<u>(281,052)</u>

21. Value adjustments

	<u>3/31/06</u>	<u>3/31/05</u>	<u>Change</u>
Pininfarina Sverige AB writedown	<u>187,565</u>	<u>1,754,000</u>	<u>(1,566,435)</u>
Total	<u>187,565</u>	<u>1,754,000</u>	<u>(1,566,435)</u>

22. Income taxes for the year

	<u>3/31/06</u>	<u>3/31/05</u>	<u>Change</u>
Current taxes	(592,572)	(510,547)	(82,025)
Prepaid taxes	6,883,773	1,708,871	5,174,902
Deferred taxes	<u>(3,832,886)</u>	<u>(444,465)</u>	<u>(3,388,421)</u>
Total	<u>2,458,315</u>	<u>753,859</u>	<u>1,704,456</u>

Other Information

As required by Article 126 of Consob Resolution No. 11971/99, the table below provides a list of the equity investments held directly and indirectly by Pininfarina S.p.A. at March 31, 2006:

<i>Name</i>	<i>Total % interest</i>	<i>% direct interest</i>	<i>% indirect interest</i>		
			Matra Automobile Engineering	D3 sas	Pininfarina Extra Srl
<i>Pininfarina Extra S.r.l.</i>	<i>100</i>	<i>100</i>			
<i>Pininfarina Deutschland GmbH</i>	<i>100</i>	<i>100</i>			
<i>Matra Automobile Engineering SAS</i>	<i>100</i>	<i>100</i>			
<i>CERAM S.A.S.</i>	<i>100</i>	<i>0</i>	<i>100</i>		
<i>D3 S.A.S.</i>	<i>100</i>	<i>0</i>	<i>100</i>		
<i>Plazolles Modelage S.a.r.l.</i>	<i>100</i>	<i>0</i>	<i>30</i>	<i>70</i>	
<i>Matra Automobile Engineering Maroc S.A.S.</i>	<i>100</i>	<i>0</i>	<i>100</i>		
<i>Matra Developpement S.A.S.</i>	<i>100</i>	<i>0</i>	<i>100</i>		
<i>RHTU Sverige AB</i>	<i>100</i>	<i>100</i>			
<i>Pininfarina Extra USA Corp.</i>	<i>100</i>	<i>0</i>			<i>100</i>
<i>Pininfarina Sverige AB</i>	<i>60</i>	<i>60</i>			
<i>Pasiphae S.à.r.l.</i>	<i>20</i>	<i>20</i>			

The equity investments listed above are owned outright.

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