



pininfarina



PRESS RELEASE

## Semiannual Report of the Pininfarina Group Outlook for the Balance of 2007

Turin, September 10, 2007 – The Board of Directors of Pininfarina S.p.A. met today under the chairmanship of Andrea Pininfarina and approved the report on operations of the Group in the first half of 2007. The table below shows the highlights from the consolidated financial statements at June 30, 2007 and provides a comparison with those for the first half of 2006:

(in thousands of euros)	First half 2007	First half 2006	Amount of change
Value of production	378.3	309.2	+69.1
EBITDA	7.4	-3.1	+10.5
EBIT	-13.5	-13.5	-
Net profit (loss)	-21.2	-8.9	-12.3
Net financial position	-88.3	-3.7	-84.6

EBITDA represents the profit or loss from operations before depreciation, amortization and additions to provisions. EBIT represents the profit or loss from operations.

A review of the main developments that affected the Group's operating performance in the first half of 2007 and a comparison with the data for the same period in 2006 is provided below:

- an **increase in activity by the manufacturing operations** (albeit with still negative margins) that, while consistent with the product life cycle, was below expectations;
- a **value of production by the service operations** (design and engineering) roughly in line with the same period last year, but with **margins back in the black**;
- a **positive performance in terms of EBITDA** for the first half of the year, due to the reestablishment of a positive cash flow in the second quarter of 2007;
- a **positive contribution by the foreign service companies**, which, taken as a whole, achieved breakeven EBIT;
- a **significant improvement in net financial position**, compared both with December 31, 2006 and March 31, 2007;
- **EBIT still negative**;
- a larger **net loss** attributable in part to different amounts of deferred-tax assets and liabilities reported in the two half-year periods under comparison.
- Confirmation that, while full-year 2007 **EBITDA will be positive**, **EBIT** are expected to be **negative**.



The Group's operating performance in the first half of 2007 was adversely affected by the **tornado** that hit the Bairo Canavese factory on June 15, 2007 causing major damage and forcing a complete shutdown of the facility for more than two weeks. Production on the Ford and Mitsubishi orders was suspended until July 2, which is when the plant began the gradual process of resuming its activity. The resulting margin shortfall, occurring at a moment when the level of production was at its highest, has made it impossible to achieve the announced goal of reporting breakeven EBIT in the second half of 2007.

More specifically, the Semiannual Report shows that **consolidated value of production** totaled **378.3 million euros at June 30, 2007**, or **22.3% more** than the 309.2 million euros reported in the first half of 2006. The increase in business turnover reflects the contribution provided by the production of the Ford Focus Coupè Cabriolet, which is the last of the five models in the Group's product line. This model was not in production in the first half of 2006.

**EBITDA** were **positive by 7.4 million euros**, for an **improvement of 10.5 million euros compared with the first six months of 2006** (negative EBITDA of 3.1 million euros). A comparison of reported EBITDA for the last three quarters shows a **significant trend reversal**: EBITDA, which were negative by 5 million euros in the fourth quarter of 2006, improved to a negative 2.6 million euros in the first three months of 2007 and, **thanks to the return to positive operating cash flow, became positive by 10 million euros** in the second quarter of 2007.

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

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

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

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

At June 30, 2007, the **loss before taxes** amounted to **16.4 million euros** (loss of 10.8 million euros in the first half of 2006). Income taxes, which had been positive by 2 million



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

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

The **net financial position** was **negative by 88.3 million euros** (negative balance of 3.7 million euros at June 30, 2006), **compared with negative balances of 120.9 million euros and 131.8 million euros at December 31, 2006 and March 31, 2007, respectively.** The main reason for this **sharp improvement** is a change in working capital, which became negative by a larger amount concurrently with an increase in manufacturing activity, consistent with a recurring seasonal difference in manufacturing activity between the first and the second half of the year.

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

A review of the data by business segment shows that the **manufacturing operations** shipped 16,293 cars in the first six months of 2007, compared with 10,528 cars in the same period last year. The value of production totaled 310.2 million euros in the first half of 2007, accounting for 82% of total consolidated value of production (77% in the first six months of 2006). The completion of the startup process and the start of full production of the Ford Focus Coupè Cabriolet model accounts for this improvement. EBIT were negative by 15.9 million euros, compared with negative EBIT of 10 million euros at June 30, 2006.

In Sweden, Pininfarina Sverige A.B. sold 10,511 Volvo C70 automobiles, or 87% more than the 5,621 cars shipped during the first half of 2006. This increase is consistent with the planned production cycle.

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

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



## Outlook for the Balance of 2007

Projections call for **consolidated value of production** to reach **about 680 million euros** by the end of the year, for an **increase of about 15%** compared with December 31, 2006. The reduction of about 800 million euros compared with the previous forecast is due, on the one hand, to a shortfall in orders received for the various production contracts, compared with expectations, and, on the other, to the shutdown caused by a tornado that hit the Bairo Canavese factory .

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

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

**Pininfarina Group** – With a history that dates back to 1930, Pininfarina is today a leading supplier of automotive services, offering carmakers creative solutions that combine proprietary knowhow and flexibility at every step of **design, product and process engineering and of niche vehicle production**, acting either as a partner in a complete turnkey cycle or as the supplier of specific services. The Company has more than **3,000 employees** and offices in **Italy, France, Germany, Sweden, Morocco and China**. The current production line includes five new models: **Volvo C70, Alfa Romeo Brera, Alfa Romeo Spider, Ford Focus CC and Mitsubishi Colt CZC**. The Group's portfolio of **customers** includes, among many others, Ferrari, Maserati, Peugeot-Citroën, Renault, Jaguar, Honda, Daewoo, Hyundai, AviChina, Brilliance, Chery, Changfeng and JAC. **Pininfarina Extra**, a Group company that has been in business for 20 years, specializes in **interior and product design** for such high-profile customers as Motorola, Jacuzzi, Gancia, Lavazza, Snaidero and 3M.



## RECLASSIFIED FINANCIAL STATEMENTS (\*)

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



**PININFARINA GROUP**  
**RECLASSIFIED CONSOLIDATED INCOME STATEMENT**

(in thousands of euros)

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

**PININFARINA GROUP**  
**RECLASSIFIED CONSOLIDATED BALANCE SHEET**

(in thousands of euros)

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

The data shown "Net liquid assets" and "Long-term debt" at December 31, 2006 and June 30, 2007 have been restated due to the reclassification of short-term amounts. The total net financial position is unchanged.



**PININFARINA GROUP**  
**CONSOLIDATED NET FINANCIAL POSITION**

(in thousands of euros)

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

The data shown "Net liquid assets" and "Long-term debt" at December 31, 2006 and June 30, 2007 have been restated due to the reclassification of short-term amounts. The total net financial position is unchanged.