



Quarterly report of the Pininfarina group

Turin – The Board of Directors of Pininfarina S.p.A. met today under the chairmanship of Sergio Pininfarina and approved the report on the Group's operations in the first quarter of 2005.

Production value decreased by 31.2% compared with the first quarter of 2004. This decline in business volume, which was fully expected, was caused by the renewal of the Group's portfolio of production orders. The change in the manufacturing mix started when work on the Alfa Romeo and Peugeot orders came to an end in the second half of 2004. The order for Mitsubishi was completed in April 2005, and production of a Ford model is expected to end in July of this year. During the last four months of 2005, production is scheduled to start on two new models: the Brera coupé for Alfa Romeo and a convertible for Volvo, which will be manufactured in Sweden. Production of the Alfa Romeo spider and of convertibles for Ford and Mitsubishi is set to begin in 2006.

The contribution of the design and engineering operations is increasing steadily, confirming that the trend that characterized all of 2004 is continuing. In the first quarter of 2005, these operations accounted for 53.7% of consolidated production value (27.6% last year), offsetting a lower contribution from the manufacturing operations. Compared with first quarter of 2004, the Group's service operations have grown by 33.7%. Consolidated Financial Highlights (in millions of euros):

Even though production value decreased, personnel costs were virtually unchanged compared with the first three months of 2004. This is because the savings generated by enrolling some of the production staff in the Layoff Benefits Fund were offset by new hiring by the service operations (their staff grew by 4.7%, increasing from 2,500 employees at March 31, 2004 to 2,618 employees as of the end of the first quarter of 2005). This staff expansion will support the growth that all Group operations are expected to experience in the coming years. Since the amount charged for depreciation, amortization and provisions was the same as in the first three months of 2004, EBIT for the first quarter of 2005 were lower than in the same period last year.

On the other hand, profit before taxes and net profit were sharply higher (about eight times and thirteen times larger, respectively, than the corresponding amounts in 2004), due mainly to the gain earned on the sale of the Group's 50% interest in Open Air Systems GmbH (29.6 million euros). The disposal of the investment in this joint venture was previously announced in the press release that discussed the 2004 preliminary results.

The net financial position was negative by 10.5 million euros, compared with a positive balance of 16 million euros at December 31, 2004. The need to finance the development of new manufacturing orders accounts for this change. Several significant events occurred during the first quarter of 2005. At the Geneva Motor Show, the Group offered a world preview of the Birdcage 75th, a tribute to the Maserati of the future that was developed in cooperation with Motorola to celebrate Pininfarina's 75th birthday. The Birdcage received the Editors' Choice Award for Best Concept Car from Autoweek, a U.S. magazine.].

Matra Automobile Engineering S.A.S., a Group subsidiary, opened an engineering center in Casablanca. The center currently employs 40 young Moroccan engineers, and the staff is expected to increase to 80 employees by 2006. This investment is consistent with the Group's strategy of growing its automobile business. Pininfarina opened an office in China with the goal of helping the Group become firmly established in the Chinese market while achieving better coordination with local suppliers and directly monitoring the production startup of the projects it develops. In April, in an effort to underscore the leading role it has been playing in supplying Chinese carmakers with design and engineering services, Pininfarina took advantage of the Shanghai Motor Show to unveil the CHERY M14 concept car, which was named Best New Car. This model is the first example of the close collaboration established with Chery Automobile. Other products unveiled at the same show included the Brilliance Splendor and Avichina-Hafei Saibao sedans. The Group's manufacturing operations are expected to reach full production capacity in 2006. Of the five new models that are currently being developed, manufacturing of the first two (the Alfa Romeo Brera and



Volvo convertible) will not start ramping up until sometime in the last four months of this year, with production of the other three (the Alfa Romeo spider and Ford and Mitsubishi convertibles) scheduled to start in the first half of 2006. Because of the timing of the production schedule and the resulting cost structure, this year's value of production is expected to decrease by 10% compared with 2004, causing the Group to report negative EBIT. On the other hand, once the manufacturing operations complete this transition phase (while the design and engineering activities continue to enjoy steady growth), production value should rise past the one-billion-euro mark, starting in 2006.

The year-end net financial position is expected to deteriorate compared with the first quarter. The start of new-model production between the second half of 2005 and the first six months of 2006 will enable the Group to rehire all of the employees who are currently enrolled in the Government Layoff Benefits Fund. Also later this year, the Swedish subsidiaries, Pininfarina Sverige A.B and RHTU Sverige A.B., will begin production of a new Volvo convertible.

As a result, they will hire about 700 new employees, increasing the Group's total staff to about 3,300 employees. As for the issues related to the adoption of the IAS/IFRS, the process of identifying and quantifying the main differences between the Italian accounting principles and the new international principles that must be applied to the preparation of consolidated financial statements has been completed. A special team that includes representatives of the independent auditors will handle the transition. The main accounting issues and their impact on the Group's information system have also been identified. The work is now focused on how to resolve implementation problems and verify compliance with the new international principles. The IAS/IFRS principles will be applied starting with the Semiannual Report on Operations at June 30, 2005.

With regard to the nonrecurring audit work required by the transition to the IAS/IFRS principles, PricewaterhouseCoopers S.p.A. has been retained to audit the opening balance sheet at January 1, 2004 and perform a limited audit of comparative consolidated data at June 30, 2004 that will be used in the Semiannual Report on Operations at June 30, 2005