Semiannual Report of the Pininfarina Group

Wednesday, 28 September 2005

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

The semiannual financial statements at June 30, 2005 are the first to be prepared in accordance with the international accounting principles set forth in IAS 34 and in accordance with IFRS guidelines. In order to allow the comparison of homogeneous data, the financial statements for the first half of 2004 and those at December 31, 2004 have been restated in accordance with the same principles.

The main factors that affected the operating and financial performance of the Pininfarina Group during the first six months of 2005 include:

- a transition period for the Group’s manufacturing operations, which are busy retooling for new orders;
- steady expansion of the Group’s design and engineering operations;
- a gain of 30.2 million euros earned on the sale of the interest in Open Air System GmbH, which was divested following the Group’s strategic decision to focus its resources on its core businesses;
- the need to finance all of the Group’s development programs simultaneously, while retooling for the production of new models.

Consolidated Financial Highlights (in millions of euros):

	First half	**First half**
	2005	**2004**
Production value	205.5	301.3
EBIT*	15.0	12.4
Net profit	15.7	3.4
Net financial position	48.7	76.9

Production value amounted to 205.5 million euros, or 31.8% less than in the first half of 2004. However, all profitability indicators improved, both in absolute terms and as a percentage of revenues. The net profit for the period was also up, rising to an amount about 3.5 times higher than the figure earned in the first six months of 2004. The balance of the net financial position, while positive by 48.7 million euros, was lower than the 71.6 million euros reported at December 31, 2004 (76.9 million euros at June 30, 2004).

An analysis of the data in terms of the contribution provided by the different business segments shows that the production value generated by the manufacturing operations amounted to 113.5 million euros (-49.8% compared with the first half of 2004), or 55.3% of the consolidated total (75% a year ago). The process of getting ready for new orders (mentioned above) is the reason for this decrease.

Production of two important models — the Alfa Romeo Brera, which will be manufactured at Group facilities in Italy, and the Volvo C70, which will be made by Pininfarina Sverige at a factory staffed with more than 700 employees — will start during the second half of 2005. Both cars were presented at the Frankfurt Motor Show, where they were extremely well received by the public and industry press. Models scheduled to go into production in the first half of 2006 include the Alfa Romeo Spider, the Mitsubishi Colt C.C. and the Ford

Focus C.C. These three models will complete the new product line, enabling the manufacturing operations to post new records in output and production value.

Thanks to the upturn in manufacturing activity that will take place between the second half of this year and the first six months of 2006, all of the employees who are currently enrolled in the Special Government Layoff Benefits Fund will be rehired. In 2006, the Group's total staff should number more than 3,300 employees.

The Group's service businesses, which include the design and engineering operations, generated production value totaling 92 million euros in the first half of 2005, for an increase of 22.2% compared with the data at June 30, 2004. These businesses accounted for 44.7% of total production value, up from 25% a year ago. The growth enjoyed by these operations is evidence of the Group's ability to establish lasting relationships with its existing customers and acquire new ones, despite the high level of competition found in all markets and the automotive market in particular.

The outlook for the rest of the year calls for production value to be about 30% lower than at December 31, 2004, confirming the trend that characterized the first half of the year. The main reasons for this decrease are:

- A reduction in overall manufacturing activity, despite the start of new model production;
- Accounting changes required by the adoption of the IAS principles, particularly with regard to the method by which the Pininfarina Sverige AB joint venture is consolidated.

Year-end EBIT should be close to breakeven and the net financial position should show a somewhat lower balance than at June 30, 2005.

Consolidated Financial Statements of the Pininfarina Group
at June 30, 2005
Reclassified Consolidated Income Statement

(in thousands of euros)

	Six-month data at					**Data at**
	6/30/05	**%**	**6/30/04**	**%**	**Change**	**12/31/04**
Net revenues	155,472	75.65	218,159	72.41	(62,687)	466,229
Changes in inventory of work in process and finished products	46,329	22.54	68,583	22.76	(22,254)	57,617
Other income and revenues	3,726	1.81	14,542	4.83	(10,816)	33,926
Increase in non-current assets constructed	0	0.00	0	0.00	0	0

internally						
Value of production for the period	**205,528**	**100.00**	**301,284**	**100.00**	**(95,756)**	**557,772**
Net gain on the sale of non-current assets	30,186	14.69	896	0.30	29,290	1,066
Purchases of raw materials and outside services	(149,942)	(72.95)	(226,039)	(75.03)	76,097	(423,356)
Change in inventory of raw materials	(9,825)	(4.78)	(2,090)	(0.69)	(7,735)	(8,237)
Value added	**75,947**	**36.95**	**74,051**	**24.58**	**1,895**	**127,246**
Personnel costs	(52,753)	(25.67)	(52,670)	(17.48)	(84)	(101,095)
EBITDA	**23,194**	**11.28**	**21,382**	**7.10**	**1,812**	**26,150**
Depreciation and amortization	(8,215)	(4.00)	(9,004)	(2.99)	789	(17,855)
Provisions	0	0.00	0	0.00	0	(225)
EBIT	**14,978**	**7.29**	**12,378**	**4.11**	**2,601**	**8,070**
Net financial income	1,984	0.97	1,194	0.40	791	1,567
Other income (expense), net	(4,044)	(1.97)	(3,451)	(1.15)	(593)	(3,604)
Profit before taxes	**12,919**	**6.29**	**10,121**	**3.36**	**2,798**	**6,033**

Income taxes	2,764	1.34	(6,677)	(2.22)	9,441	(8,438)
Minority interest in net (profit) loss	0	0.00	0	0.00	0	0
Net profit	**15,683**	**7.63**	**3,444**	**1.14**	**12,239**	**(2,405)**

Consolidated Financial Statements of the Pininfarina Group
at June 30, 2005
Reclassified Consolidated Balance Sheet

(in thousands of euros)

	Data at			**Data at**
	6/30/05	**12/31/04**	**Change**	**6/30/04**
Net non-current assets (A)				
Net intangible assets	6,185	5,744	441	4.705
Net property, plant and equipment	186,796	158,159	28,637	141.239
Net non-current financial assets	1,255	3,017	(1,762)	4.931
Total A	**194,236**	**166,920**	**27,316**	**150.875**
Working capital (B)				
Inventory	54,406	45,455	8,951	78.914
Net trade receivables and other receivables	91,279	98,290	(7,011)	98.457
Deferred-tax assets	24,757	25,304	(547)	31.424
Trade payables	(104,516)	(125,613)	21,097	(137.824)
Provision for other liabilities and charges	(8,471)	(4,310)	(4,161)	(3.395)
Other liabilities	(62,815)	(59,049)	(3,766)	(72.079)
Total B	**(5,360)**	**(19,923)**	**14,563**	**(4.503)**
Net invested capital (C=A+B)	**188,876**	**146,997**	**41,879**	**146.372**
Provision for termination indemnities (D)	**27,289**	**26,012**	**1,277**	**24.856**
Net capital requirements (E=C-D)	**161,587**	**120,985**	**40,602**	**121.516**
Shareholders' equity (F)	**210,257**	**192,569**	**17,688**	**198.385**
Net financial position (G)				
Long-term debt	59,653	35,983	23,670	(64.022)
(Net liquid assets)	(108,323)	(107,567)	(756)	(12.847)

Total G	**(48,670)**	**(71,584)**	**22,914**	**(76.869)**
Total as in E (H=F+G)	**161,587**	**120,985**	**40,602**	**121.516**

Pininfarina S.p.A.
Reclassified Income Statement
(in accordance with Italian accounting principles)

(in thousands of euros)

12/31/04		**6/30/05**	**%**	**6/30/04**	**%**	**Change**
454,046	**Net revenues**	**134,504**	**73.25**	**226,576**	**76.78**	**(92,072)**
59,446	Changes in inventory of work in process, finished products and contract work	45,779	24.93	68,517	23.22	(22,738)
33,832	Other income and revenues	3,340	1.82	-	-	3,340
547,324	**Value of production for the period**	**183,623**	**100.00**	**295,093**	**100.00**	**(111,470)**
(434,304)	Purchases of raw materials and outside services	(140,854)	(76.71)	(235,081)	(79.66)	94,227
(8,191)	Change in inventory of raw, ancillary and consumable materials and merchandise	(9,825)	(5.35)	(2,079)	(0.70)	(7,746)
104,829	**Value added**	**32,944**	**17.94**	**57,933**	**19.63**	**(24,989)**
(71,320)	Personnel costs	(36,551)	(19.91)	(38,328)	(12.99)	1,777
33,509	**EBITDA**	**(3,607)**	**(1.96)**	**19,605**	**6.64**	**(23,212)**
(14,794)	Depreciation and amortization	(7,050)	(3.84)	(7,437)	(2.52)	387
(225)	Additions to provisions	-	-	(243)	(0.08)	243
18,490	**EBIT**	**(10,657)**	**(5.80)**	**11,925**	**4.04**	**(22,582)**
2,696	Net financial income (expense)	24,173	13.16	2,082	0.71	22,091
(257)	Adjustments to the value of financial assets	(130)	(0.07)	(176)	(0.06)	46
6,005	Other income (expense), net	(1,514)	(0.82)	(61)	(0.02)	(1,453)
26,934	**Profit before taxes**	**11,872**	**6.47**	**13,770**	**4.67**	**(1,898)**
(13,102)	Income taxes	2,306	1.26	(6,543)	(2.22)	8,849

13,832	**Net profit**	**14,178**	**7.72**	**7,227**	**2.45**	**6,951**

Pininfarina S.p.A.
Reclassified Balance Sheet
(in accordance with Italian accounting principles)

(in thousands of euros)

6/30/04			**6/30/05**	**12/31/04**	**Change**
	A.	**Net non-current assets**			
4,086		Net intangible assets	2,927	3,231	(304)
66,150		Net property, plant and equipment	76,853	73,705	3,148
54,394		Net non-current financial assets	46,296	55,797	(9,501)
124,630			**126,076**	**132,733**	**(6,657)**
3,061	**B.**	**Treasury shares**	**87**	**2,995**	**(2,908)**
	C.	**Working capital**			
201,872		Inventory	222,418	186,464	35,954
47,440		Trade receivables	48,791	50,926	(2,135)
45,653		Other assets	33,332	36,466	(3,134)
(71,572)		Customer advances	(148,510)	(122,613)	(25,897)
(180,207)		Taxes payable	(93,264)	(115,028)	21,764
(5,307)		Provision for risks and charges	(9,662)	(8,765)	(897)
(57,546)		Other liabilities	(43,818)	(45,289)	1,471
(19,667)			**9,287**	**(17,839)**	**27,126**
108,024	**D.**	**Invested capital net of operating liabilities (A+B+C)**	**135,450**	**117,889**	**17,561**
(25,970)	**E.**	**Provision for termination indemnities**	**(28,464)**	**(27,404)**	**(1,060)**
82,054	**F.**	**Net capital requirements (D+E)**	**106,986**	**90,485**	**16,501**

	G.	**Covered by: Shareholders' equity**			
9,317		Paid-in share capital	9,317	9,317	0
7,873		Revaluation reserves	7,873	7,873	0
65,168		Retained earnings	76,754	67,065	9,689
10,995		Reserve for accelerated depreciation	20,336	9,614	10,722
9,356		Reserve for grants (pursuant to Law No. 488/92)	12,094	9,356	2,738
73,536		Other reserves	65,169	74,700	(9,531)
7,227		Net profit for the period	14,179	13,832	347
183,472			**205,722**	**191,757**	**13,965**
4,675	**H.**	**Restricted reserve**	**87**	**2,995**	**(2,908)**
	I.	**Net indebtedness (liquid assets)**			
0		Long-term debt	118,826	118,235	591
(106,093)		(Net liquid assets)	(217,649)	(222,502)	4,853
(106,093)			**(98,823)**	**(104,267)**	**5,444**
82,054	**L.**	**Total as in F (G+H+I)**	**106,986**	**90,485**	**16,501**