



(Translation from the Italian original which remains the definitive version)

PININFARINA GROUP

Interim financial report at 30 September 2018

Pininfarina S.p.A. - Share capital €54,287,128 fully paid-up - Registered office in Turin, Via Bruno Buozzi 6
Tax Code and Turin Company Registration no. 00489110015

The Board of Directors approved this interim financial report at 30 September 2018 on 13 November 2018.

Board of Directors

Chairman *	Paolo	Pininfarina (4)
Chief Executive Officer	Silvio Pietro	Angori (4)
Directors	Manoj	Bhat
	Romina	Guglielmetti (2) (3)
	Chander Prakash	Gurnani
	Jay	Itzkowitz (1) (2) (3)
	Licia	Mattioli (1) (2)
	Sara	Miglioli (3)
	Antony	Sheriff (1)

- (1) Member of the Nomination and Remuneration Committee
(2) Member of the Control and Risk Committee
(3) Member of the Committee for Transactions with Related Parties
(4) Responsible for the Internal Control and Risk Management System

Board of Statutory Auditors

Chairman	Massimo	Miani
Standing Statutory Auditors	Antonia	Di Bella
	Alain	Devalle
Alternate Statutory Auditors	Luciana	Dolci
	Fausto	Piccinini

Secretary to the Board of Directors and Manager in charge of financial reporting

Gianfranco Albertini

Independent Auditors

KPMG S.p.A.

***Powers**

Pursuant to article 22 of the bylaws, the Chairman is the parent's legal representative vis-à-vis third parties and in court proceedings.

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Pininfarina Group

Directors' report

Operating and financial performance

The most significant issues arising from the comparison between the consolidated figures for the first nine months of 2018 and those for the corresponding period of the previous year are summarised below:

- revenue increased by 26% boosted by the larger contribution of the design, prototyping and limited series manufacturing activities;
- the gross operating profit and operating profit were both very satisfactory and show a significant jump on the corresponding period of 2017;
- compared to the first nine months of 2017, the Group's Italian automotive operations show an increase in profits while the German subsidiaries recorded a decrease in revenue and, hence, operating losses. The industrial design segment's contribution was stable while the Chinese operations' business volumes and profitability continue to grow;
- the profit for the period is more than five times that for the corresponding period of 2017 thanks to the Group's satisfactory operating performance;
- the Group's net financial position at 30 September 2018 decreased compared to 31 December 2017 mainly due to changes in its working capital. Equity includes the profit for the period and is roughly 6% greater than that at 31 December 2017.

Specifically, revenue came to €78 million for the reporting period compared to €62.1 million for the corresponding period of 2017 (+26%).

The gross operating profit rose by 74% to €8 million, compared to €4.6 million for the first nine months of 2017. The operating profit increased to €5.4 million from €2.3 million in the corresponding period of the previous year.

Net financial expense rose to €1.7 million from €1.4 million for the first nine months of 2017. The increase is mainly due to the interest expense relating to the amortised-cost measurement of liabilities arising from an advisory services agreement in connection with a long-term engineering contract which was not in force in the corresponding period of the previous year.

The profit before taxes amounts to €3.6 million compared to €0.9 million for the nine months ended 30 September 2017, while the profit for the period came to €2.7 million, compared to €0.5 million in the corresponding period of the previous year.

The net financial position decreased to €9.6 million from €12 million at 31 December 2017 (€14.1 million at 30 September 2017).

Equity of €62.1 million shows an increase of €3.3 million, or 6%, on 31 December 2017 (€58.8 million), mostly as a result of the profit for the period.

The headcount increased by 4.5% (27 units) from 605 at 30 September 2017 to 632, principally involving the parent and the Chinese subsidiary.

On 14 May 2018, the parent, Pininfarina S.p.A., incorporated Pininfarina Engineering S.r.l., which it wholly owns, manages and coordinates. The two companies signed a business unit transfer agreement on 25 June 2018, which became effective on 1 July 2018, whereby the parent transferred its “Engineering” business unit, consisting of the engineering activities partly carried out directly by it and partly by its subsidiary Pininfarina Deutschland GmbH, which was included in the transfer, to its wholly-owned subsidiary.

In its order of 13 September 2018, the Supreme Court of Cassation definitely ruled in the parent’s favour with respect to its appeal against the 2002 and 2003 tax notices about the alleged non-payment of VAT on the sale of goods to the Peugeot-Citroen Group. The amount claimed was roughly €29.4 million plus interest.

Performance by business segment

Operations segment

In addition to the revenue on the sale of spare parts for cars manufactured in previous years, royalties for the use of the trademark in the automotive segment and business lease income, this segment bears the costs of the support and property management functions of the parent, Pininfarina S.p.A.. Segment revenue came to €5.3 million compared to €8 million for the first nine months of 2017. The reduction is mostly due to the smaller sales of spare parts and the recognition of gains on the one-off sale of rights to a concept car in the corresponding period.

Despite the large contraction in revenue, the segment’s operating loss of €3.5 million is in line with that for the first nine months of 2017 (€3.4 million), mainly thanks to the smaller costs incurred.

Services segment

This segment, comprising the design and engineering businesses, recognised revenue of €72.7 million, up 34% compared to the first nine months of 2017 (€54.1 million), boosted by the growth of all services.

The segment’s operating profit increased to €8.8 million compared to €5.7 million in the corresponding period of the previous year.

Information required by Consob (the Italian Commission for listed companies and the stock exchange) pursuant to article 114.5 of Legislative decree no. 58/98

- 1) The net financial position of the Pininfarina Group and Pininfarina S.p.A., with separate classification of current and non-current items, is respectively shown on pages 13 and 59 hereof.
- 2) The Group has no past-due liabilities (of a commercial, financial, tax or social security nature). No actions against the Group have been filed by creditors.
- 3) The Group's and parent's related party transactions are respectively detailed on pages 49 and 62 hereof.
- 4) Under the existing Rescheduling Agreement, there is just one financial covenant, to be checked annually beginning from 31 March 2018: consolidated equity at a minimum level of €30,000,000. It had been complied with at the first verification date.
- 5) The parent's debt restructuring plan is proceeding in accordance with the current agreements.
- 6) Implementation of the business plan approved by the board of directors on 27 November 2015 continues as forecast.

Events after the reporting period

There are no significant events that occurred after the reporting date.

Outlook for 2017

Consolidated revenue and the operating profit are expected to improve in 2018 compared to the previous year, while the Group expects a decrease in its net financial position unlike the previous forecasts.

13 November 2018

Chairman
of the Board of Directors
(Paolo Pininfarina)

Group companies

Pininfarina S.p.A.

€'million	30.09.2018	30.09.2017	Variation	31.12.2017
Revenue	49.9	37.1	12.8	
Operating profit	4.3	1.2	3.1	
Profit for the period	2.9	0.5	2.4	
Net financial position	3.6	11.2	(7.6)	7.5
Equity	63.3	59.5	3.8	59.8
Number of employees at the reporting date	203	292	(89)	303

Pininfarina Engineering S.r.l. (*)

€'million	30.09.2018	30.09.2017	Variation	31.12.2017
Revenue	5.0			
Operating loss	(0.1)			
Loss for the period	(0.1)			
Net financial position	2.2			
Equity	19.6			
Number of employees at the reporting date	126			

Pininfarina Deutschland Group

€'million	30.09.2018	30.09.2017	Variation	31.12.2017
Revenue	15.3	16.7	(1.4)	
Operating loss	(1.3)	(0.4)	(0.9)	
Loss for the period	(1.3)	(0.4)	(0.9)	
Net financial debt	(1.6)	(1.1)	(0.5)	(0.1)
Equity	16.8	18.2	(1.4)	18.1
Number of employees at the reporting date	225	243	(18)	233

Pininfarina Shanghai Co Ltd

€'million	30.09.2018	30.09.2017	Variation	31.12.2017
Revenue	5.1	2.9	2.2	
Operating profit	1.1	0.3	0.8	
Profit for the period	0.8	0.2	0.6	
Net financial position	1.0	0.2	0.8	0.8
Equity	1.8	0.8	1.0	1.0
Number of employees at the reporting date	37	31	6	34

Pininfarina Extra Group

€'million	30.09.2018	30.09.2017	Variation	31.12.2017
Revenue	6.6	6.1	0.5	
Operating profit	1.3	1.2	0.1	
Profit for the period	1.1	1.0	0.1	
Net financial position	4.4	3.7	0.7	3.8
Equity	7.6	6.6	1.0	7.2
Number of employees at the reporting date	41	39	2	40

(*) commenced operations on 1 July 2018

Reclassified income statement

(€'000)

	Nine months ended					
	30.09.2018	%	30.09.2017	%	Variation	2017
Revenue from sales and services	69,456	89.04	55,212	88.91	14,244	79,642
Change in inventories and contract work in progress	2,752	3.53	1,343	2.16	1,409	50
Other revenue and income	5,797	7.43	5,546	8.93	251	7,410
Revenue	78,005	100.00	62,101	100.00	15,904	87,102
Net gains on the sale of non-current assets	184	0.24	1	-	183	137
Materials and services (*)	(32,915)	(42.20)	(24,554)	(39.54)	(8,361)	(35,245)
Change in raw materials	65	0.08	69	0.11	(4)	85
Value added	45,339	58.12	37,617	60.57	7,722	52,079
Labour cost (**)	(37,305)	(47.82)	(33,023)	(53.18)	(4,282)	(44,596)
Gross operating profit	8,034	10.30	4,594	7.39	3,440	7,483
Amortisation and depreciation	(2,655)	(3.41)	(2,281)	(3.67)	(374)	(3,023)
(Additions to)/utilisation of provisions and impairment losses	(2)	0.00	(12)	(0.02)	10	(232)
Operating profit	5,377	6.89	2,301	3.70	3,076	4,228
Net financial expense	(1,748)	(2.24)	(1,396)	(2.25)	(352)	(2,107)
Gain on the extinguishment of financial liabilities	-	-	-	0.00	-	-
Share of profit (loss) of equity-accounted investees	(50)	(0.06)	10	0.02	(60)	12
Profit before taxes	3,579	4.59	915	1.47	2,664	2,133
Income taxes	(868)	(1.11)	(419)	(0.67)	(449)	(821)
Profit for the period/year	2,711	3.48	496	0.80	2,215	1,312

(*) **Materials and services** are net of utilisations of the provisions for product warranty and risks (€1.3 thousand and €2.9 thousand for the first nine months of 2017 and 2018, respectively).

(**) **Labour cost** is net of utilisations of the restructuring provision (€6.9 thousand and €42.4 thousand for the first nine months of 2017 and 2018, respectively).

As required by Consob resolution no. DEM/6064293 of 28 July 2006, a reconciliation of the data in the condensed interim consolidated financial statements with those in the reclassified schedules is provided below:

- Materials and services include raw materials and components, other variable production costs, external variable engineering services, exchange rate gains and losses and other expenses.
- Amortisation and depreciation comprise amortisation of intangible assets and depreciation of property, plant and equipment and investment property.
- (Additions to)/utilisation of provisions and impairment losses include additions to/utilisation of provisions, impairment losses and inventory write-downs.
- Net financial expense comprises net financial expense and dividends.

Reconciliation between the parent's profit and equity and consolidated profit and equity

The parent's profit and equity as at and for the period ended 30 September 2018 are reconciled with the Group's relevant figures below.

	Profit for the nine months ended		Equity	
	30.09.2018	30.09.2017	30.09.2018	30.09.2017
Pininfarina S.p.A.'s interim separate financial statements	2,930,012	458,388	63,294,467	59,473,936
- Subsidiaries' contribution	543,527	745,551	4,521,118	4,034,646
- Goodwill of Pininfarina Extra S.r.l.	-	-	1,043,497	1,043,497
- Elimination of trademark licence in Germany	-	-	(6,749,053)	(6,749,053)
- Intragroup dividends	(776,000)	(717,800)	-	-
- Share of profit of equity-accounted investees	13,217	10,086	13,217	10,086
Consolidated financial statements	2,710,756	496,225	62,123,246	57,813,112

Reclassified statement of financial position

(€'000)

	30.09.2018	31.12.2017	Variation	30.09.2017
Net non-current assets (A)				
Net intangible assets	7,356	1,672	5,684	1,671
Net property, plant and equipment and investment property	49,604	49,557	47	49,443
Equity investments	828	349	479	347
Total A	57,788	51,578	6,210	51,461
Working capital (B)				
Inventories	4,669	1,876	2,793	3,150
Net trade receivables and other assets	33,387	31,439	1,948	20,214
Assets held for sale	-	252	(252)	-
Deferred tax assets	873	881	(8)	969
Trade payables	(30,021)	(26,784)	(3,237)	(19,148)
Provisions for risks and charges	(546)	(596)	50	(405)
Other liabilities (*)	(8,866)	(7,010)	(1,856)	(7,704)
Total B	(504)	58	(562)	(2,924)
Net invested capital (C=A+B)	57,284	51,636	5,648	48,537
Post-employment benefits (D)	4,739	4,789	(50)	4,788
Net capital requirements (E=C-D)	52,545	46,847	5,698	43,749
Equity (F)	62,123	58,803	3,320	57,813
Net financial (position) debt (G)				
Non-current loans and borrowings	24,946	24,275	671	27,290
Net current financial position	(34,524)	(36,231)	1,707	(41,354)
Total G	(9,578)	(11,956)	2,378	(14,064)
Total as in E (H=F+G)	52,545	46,847	5,698	43,749

(*) Other liabilities include the following items: deferred tax liabilities, other financial liabilities, current tax liabilities and other liabilities.

Net financial position

(€'000)

	30.09.2018	31.12.2017	Variation	30.09.2017
Cash and cash equivalents	25,435	39,785	(14,350)	44,782
Current assets held for trading	12,780	-	12,780	-
Current bank overdrafts	(137)	-	(137)	-
Current portion of bank loans and borrowings	(3,554)	(3,554)	-	(3,428)
Net current financial position	34,524	36,231	(1,707)	41,354
Non-current loans and receivables - third parties	-	-	-	-
Non-current loans and receivables - related parties	652	100	552	133
Non-current held-to-maturity investments	-	-	-	-
Non-current finance lease liabilities	-	-	-	-
Non-current bank loans and borrowings	(25,598)	(24,375)	(1,223)	(27,423)
Non-current loans and borrowings	(24,946)	(24,275)	(671)	(27,290)
NET FINANCIAL POSITION	9,578	11,956	(2,378)	14,064

Net financial position (Consob)
(CESR recommendations no. 05-04b – EU Regulation no. 809/2004)

(€'000)

	30.09.2018	31.12.2017	Variation	30.09.2017
A. Cash	(25,435)	(39,785)	14,350	(44,782)
B. Other cash equivalents	-	-	-	-
C. Securities held for trading	(12,780)	-	(12,780)	-
D. Total cash and cash equivalents (A.)+(B.)+(C.)	(38,215)	(39,785)	1,570	(44,782)
E. Current loan assets	-	-	-	-
F. Current bank loans and borrowings	137	-	137	-
<i>Current portion of secured bank loans</i>	60	60	-	60
<i>Current portion of unsecured bank loans</i>	3,494	3,494	-	3,368
G. Current portion of non-current debt	3,554	3,554	-	3,428
H. Other current loans and borrowings	-	-	-	-
I. Current financial debt (F.)+(G.)+(H.)	3,691	3,554	137	3,428
J. Net current financial position	(34,524)	(36,231)	1,707	(41,354)
<i>Non-current portion of secured bank loans</i>	105	150	(45)	165
<i>Non-current portion of unsecured bank loans</i>	25,493	24,225	1,268	27,258
K. Non-current bank loans and borrowings	25,598	24,375	1,223	27,423
L. Bonds issued	-	-	-	-
M. Other non-current loans and borrowings	-	-	-	-
N. Net non-current financial debt (K.)+(L.)+(M.)	25,598	24,375	1,223	27,423
O. Net financial position (J+N)	(8,926)	(11,856)	2,930	(13,931)

The “Net financial position” set out above is presented in accordance with the format recommended by Consob in Communication DEM no. 6064293 of 28 July 2006, implementing CESR (now ESMA) recommendation no. 05-04b. Because the purpose of this table is to show “Net financial debt”, assets are shown with a minus sign and liabilities with a plus sign. On the contrary, in the “Net financial position” table provided on the previous page, assets are shown with a plus sign and liabilities with a minus sign.

The reason for the difference between the amount of the “Net financial position” on the previous page and on this page is that the latter does not include non-current loan assets. The total amount of these differences at the relevant reporting dates is shown below:

- At 30 September 2018: €652 thousand
- At 31 December 2017: €100 thousand
- At 30 September 2017: €133 thousand

Pininfarina Group

**Condensed interim consolidated financial statements
as at and for the nine months ended 30 September 2018**

Statement of financial position

	Note	30.09.2018	31.12.2017
Land and buildings	1	33,977,736	34,629,271
Land		7,655,314	7,655,314
Buildings		26,322,422	26,973,957
Leased property		-	-
Plant and machinery	1	5,197,158	4,806,912
Machinery		1,688,581	1,425,392
Plant		3,508,577	3,381,520
Leased machinery and equipment		-	-
Furniture, fixtures and other assets	1	2,692,813	2,120,014
Furniture and fixtures		899,011	886,083
Hardware and software		1,189,561	700,913
Other assets, including vehicles		604,241	533,018
Assets under construction		257,704	248,803
Property, plant and equipment		42,125,411	41,805,000
Investment property	2	7,478,640	7,751,920
Goodwill	3	1,043,495	1,043,495
Licences and trademarks	3	701,560	554,097
Other	3	5,610,870	74,653
Intangible assets		7,355,925	1,672,245
Associates	4	576,121	96,694
Joint ventures		-	-
Other companies	5	252,017	252,017
Equity investments		828,138	348,711
Deferred tax assets	17	873,703	880,553
Held-to-maturity investments		-	-
Loans and receivables	6	652,138	100,470
Third parties		-	-
Related parties		652,138	100,470
Available-for-sale financial assets		-	-
Non-current financial assets		652,138	100,470
TOTAL NON-CURRENT ASSETS		59,313,955	52,558,899
Raw materials		265,803	200,895
Work in progress		-	-
Finished goods		211,369	191,854
Inventories	7	477,172	392,749
Contract work in progress	8	4,191,753	1,483,347
Assets held for trading	9	12,779,511	-
Loans and receivables		-	-
Third parties		-	-
Related parties		-	-
Available-for-sale financial assets		-	-
Current financial assets		12,779,511	-
Derivatives		-	-
Trade receivables	10	24,106,378	17,988,325
Third parties		18,243,342	17,366,866
Related parties		5,863,036	621,459
Other assets	11	9,280,923	13,450,528
Trade receivables and other assets		33,387,301	31,438,853
Cash in hand and cash equivalents		14,842	17,254
Short-term bank deposits		25,420,635	39,767,360
Cash and cash equivalents	12	25,435,477	39,784,614
TOTAL CURRENT ASSETS		76,271,214	73,099,563
Assets held for sale		-	252,426
TOTAL ASSETS		135,585,169	125,910,888

Statement of financial position

	Note	30.09.2018	31.12.2017
Share capital	13	54,271,170	54,271,170
Share premium reserve	13	2,053,660	2,053,660
Reserve for treasury shares	13	175,697	175,697
Legal reserve	13	6,063,759	6,033,331
Stock option reserve	13	1,724,851	1,172,170
Translation reserve	13	(33,953)	(50,950)
Other reserves	13	2,646,208	2,646,208
Losses carried forward	13	(7,488,902)	(8,810,453)
Profit for the period/year	13	2,710,756	1,311,709
EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT		62,123,246	58,802,542
Equity attributable to non-controlling interests		-	-
EQUITY		62,123,246	58,802,542
Finance lease liabilities		-	-
Other loans and borrowings		25,597,815	24,374,769
Third parties		25,597,815	24,374,769
Related parties		-	-
Non-current loans and borrowings	14	25,597,815	24,374,769
Deferred tax liabilities	17	-	2,915
Italian post-employment benefits		4,739,043	4,789,063
Other		-	-
Post-employment benefits		4,739,043	4,789,063
TOTAL NON-CURRENT LIABILITIES		30,336,858	29,166,747
Bank overdrafts		136,782	-
Finance lease liabilities		-	-
Other loans and borrowings		3,553,899	3,553,899
Third parties		3,553,899	3,553,899
Related parties		-	-
Current loans and borrowings	14	3,690,681	3,553,899
Wages and salaries payable		4,207,165	2,554,857
Social security charges payable		722,536	1,225,841
Other		1,205,414	1,248,660
Other financial liabilities	15	6,135,115	5,029,358
Third parties		16,196,561	15,115,347
Related parties		414,066	491,180
Advances for contract work in progress		13,410,079	11,177,804
Trade payables	15	30,020,706	26,784,331
Direct tax liabilities		-	-
Other tax liabilities		859,577	1,029,416
Current tax liabilities	17	859,577	1,029,416
Derivatives		-	-
Provision for product warranty		53,236	53,243
Restructuring provision		186,454	228,900
Other provisions		306,493	313,838
Provisions for risks and charges	16	546,183	595,981
Third parties		672,803	948,614
Related parties		1,200,000	-
Other liabilities	15	1,872,803	948,614
TOTAL CURRENT LIABILITIES		43,125,065	37,941,599
TOTAL LIABILITIES		73,461,923	67,108,346
Liabilities associated with assets held for sale		-	-
TOTAL LIABILITIES AND EQUITY		135,585,169	125,910,888

Pursuant to Consob resolution no. 15519 of 27 July 2006, an ad hoc statement of financial position showing related party transactions has not been prepared as these are already shown in the condensed interim consolidated financial statements schedules. As for transactions with other related parties, such as directors and statutory auditors, "Trade payables - third parties" include accrued fees for the period/year of €118,743 and €34,500 relating to Pininfarina S.p.A. and Pininfarina Extra S.r.l., respectively.

Income statement

	Note	Nine months ended 30.09.2018	of which: related parties	Nine months ended 30.09.2017	of which: related parties
Revenue from sales and services	18	69,455,754	7,583,790	55,211,792	3,583,183
Internal work capitalised		-		-	
Change in inventories and contract work in progress		2,751,896		1,343,297	
Change in contract work in progress		2,732,381		1,225,182	
Change in finished goods and work in progress		19,515		118,115	
Other revenue and income	19	5,797,442	1,205,333	5,545,633	3,774,000
Revenue		78,005,092	8,789,123	62,100,722	7,357,183
Gains on sale of non-current assets and equity investments		184,074	-	500	-
<i>Gain on sale of equity investments</i>		-		-	
Raw materials and components	20	(6,333,343)		(5,935,114)	
Change in raw materials		64,908		68,903	
Inventory write-downs		-		-	
Raw materials and consumables		(6,268,435)	-	(5,866,211)	-
Consumables		(1,154,510)		(1,139,688)	
External maintenance		(908,013)		(941,775)	
Other variable production costs		(2,062,523)	-	(2,081,463)	-
External variable engineering services	21	(14,780,728)	(1,273,328)	(7,017,457)	(565,304)
Blue collars, white collars and managers		(36,323,515)		(32,157,551)	
Independent contractors and temporary workers		-		-	
Social security contributions and other post-employment benefits		(981,722)		(865,921)	
Wages, salaries and employee benefits	22	(37,305,237)	-	(33,023,472)	-
Depreciation of property, plant and equipment and investment property		(2,047,763)		(1,958,513)	
Amortisation of intangible assets		(607,513)		(322,052)	
Losses on sale of non-current assets and equity investments		-		-	
(Additions to)/utilisation of provisions and impairment losses	23	(1,842)		(12,062)	
Amortisation, depreciation and impairment losses		(2,657,118)	-	(2,292,627)	-
Net exchange rate losses		(39,434)		(130,095)	
Other expenses	24	(9,698,459)	-	(9,388,350)	-
Operating profit		5,377,232	7,515,795	2,301,547	6,791,879
Net financial income (expense)	25	(1,758,461)	1,668	(1,409,807)	(16,899)
Gain on the extinguishment of financial liabilities		-		-	
Dividends		10,108		13,309	
Share of profit (loss) of equity-accounted investees		(49,853)		10,086	
Profit before taxes		3,579,026	7,517,463	915,135	6,774,980
Income taxes	17	(868,270)		(418,910)	
Profit for the period		2,710,756	7,517,463	496,225	6,774,980
Of which:					
- Profit for the period attributable to the owners of the parent		2,710,756		496,225	
- Profit for the period attributable to non-controlling interests		-		-	
Basic/diluted earnings per share:					
- Profit for the period attributable to the owners of the parent		2,710,756		496,225	
- Number of ordinary shares, net		54,271,170		54,271,170	
- Basic/diluted earnings per share		0.05		0.01	

Statement of comprehensive income

	Nine months ended 30.09.2018	Nine months ended 30.09.2017
Profit for the period	2,710,756	496,225
Other comprehensive income (expense):		
Items that will not be reclassified to profit or loss:		
- Actuarial gains on defined benefit plans - IAS 19	46,633	8,242
- Income taxes	(6,363)	(269)
- Other	-	-
Total items of other comprehensive income (expense) that will not be reclassified to profit or loss, net of tax effect:	40,270	7,973
Items that will or may be subsequently reclassified to profit or loss:		
- Gains (losses) from translation of financial statements of foreign operations - IAS 21	16,997	(157,514)
- Other	-	-
Total items of other comprehensive income (expense) that will be subsequently reclassified to profit or loss, net of tax effect:	16,997	(157,514)
Total other comprehensive income (expense), net of tax effect	57,267	(149,541)
Comprehensive income	2,768,023	346,684
Of which:		
- Comprehensive income attributable to the owners of the parent	2,768,023	346,684
- Comprehensive income attributable to non-controlling interests	-	-
Of which:		
- Comprehensive income from continuing operations	2,768,023	346,684
- Comprehensive income from discontinued operations	-	-

Pursuant to Consob resolution no. 15519 of 27 July 2006, the effects of related party transactions on the income statement of the Pininfarina Group are shown in the table provided above and in the "Other Information" section of the notes.

Statement of changes in equity

	31.12.2016	Comprehensive income	Stock option reserve	Allocation of prior year profit	Proceeds from the issue of shares	Capital increase transaction costs	30.09.2017
Share capital	30,150,694	-	-	-	24,120,476	-	54,271,170
Share premium reserve	-	-	-	-	2,412,047	(358,387)	2,053,660
Reserve for treasury shares	175,697	-	-	-	-	-	175,697
Legal reserve	6,033,331	-	-	-	-	-	6,033,331
Stock option reserve	157,793	-	828,126	-	-	-	985,919
Translation reserve	124,112	(157,514)	-	-	-	-	(33,402)
Other reserves	2,646,208	-	-	-	-	-	2,646,208
Losses carried forward	(29,354,877)	7,973	-	20,531,208	-	-	(8,815,696)
Profit for the period/year	20,531,208	496,225	-	(20,531,208)	-	-	496,225
EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT	30,464,166	346,684	828,126	-	26,532,523	(358,387)	57,813,112
Equity attributable to non-controlling interests	-	-	-	-	-	-	-
EQUITY	30,464,166	346,684	828,126	-	26,532,523	(358,387)	57,813,112

	31.12.2017	Comprehensive income	Stock option reserve	Allocation of prior year profit	Proceeds from the issue of shares	Capital increase transaction costs	30.09.2018
Share capital	54,271,170	-	-	-	-	-	54,271,170
Share premium reserve	2,053,660	-	-	-	-	-	2,053,660
Reserve for treasury shares	175,697	-	-	-	-	-	175,697
Legal reserve	6,033,331	-	-	30,428	-	-	6,063,759
Stock option reserve	1,172,170	-	552,681	-	-	-	1,724,851
Translation reserve	(50,950)	16,997	-	-	-	-	(33,953)
Other reserves	2,646,208	-	-	-	-	-	2,646,208
Losses carried forward	(8,810,453)	40,270	-	1,281,281	-	-	(7,488,902)
Profit for the period/year	1,311,709	2,710,756	-	(1,311,709)	-	-	2,710,756
EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT	58,802,542	2,768,023	552,681	-	-	-	62,123,246
Equity attributable to non-controlling interests	-	-	-	-	-	-	-
EQUITY	58,802,542	2,768,023	552,681	-	-	-	62,123,246

Statement of cash flows

	Nine months ended 30.09.2018	Nine months ended 30.09.2017
Profit for the period	2,710,756	496,225
<i>Adjustments:</i>		
- Income taxes	868,270	418,910
- Depreciation of property, plant and equipment and investment property	2,047,763	1,958,513
- Amortisation of intangible assets	607,513	322,052
- Impairment losses, provisions and change in accounting estimates	(101,660)	(843,511)
- Gains on the sale of non-current assets	(184,074)	(500)
- Financial expense	1,760,444	1,511,452
- Financial income	(1,983)	(181,171)
- Dividends	-	-
- Share of (profit) loss of equity-accounted investees	49,853	(10,086)
- Other adjustments	520,897	758,493
Total adjustments	5,567,023	3,934,152
<i>Change in working capital:</i>		
- Increase in inventories	(77,812)	(169,253)
- Increase in contract work in progress	(2,708,406)	(1,213,651)
- Increase in trade receivables and other assets	(2,492,709)	(892,702)
- Increase in trade receivables from related parties and joint ventures	(5,241,577)	(274,009)
- Increase in trade payables, other financial liabilities and other liabilities	3,304,030	2,873,115
- Increase/(decrease) in trade payables to related parties and joint ventures	(77,114)	494,681
- Increase in advances for contract work in progress and deferred income	2,232,275	3,154,241
- Other changes	(713,582)	-
Total changes in working capital	(5,774,895)	3,972,422
Gross cash flows from operating activities	2,502,884	8,402,799
- Interest expense	(208,264)	(154,050)
- Income taxes	(515,379)	(55,359)
NET CASH FLOWS FROM OPERATING ACTIVITIES	1,779,241	8,193,390
- Purchases of non-current assets and equity investments	(3,107,989)	(1,613,623)
- Proceeds from the sale of non-current assets and equity investments	436,500	500
- Proceeds from the sale of discontinued operations, net of cash sold	-	-
- Increase in loans and receivables - third parties	-	-
- Increase in loans and receivables - related parties and joint ventures	(550,000)	-
- Repayment of loans and receivables - third parties	-	-
- Repayment of loans and receivables - related parties and joint ventures	-	3,997
- Proceeds from the sale of assets held for trading	(12,974,594)	-
- Financial income	315	98,273
- Dividends collected	-	-
- Other changes	(161,174)	(127,086)
CASH FLOWS USED IN INVESTING ACTIVITIES	(16,356,942)	(1,637,939)
- Proceeds from the issue of shares	-	10,488,634
- Increase in finance lease liabilities and other loans and borrowings - third part	136,782	-
- Increase in other loans and borrowings - related parties and joint ventures	-	-
- Repayment of finance lease liabilities and other loans and borrowings - third part	(45,000)	(45,000)
- Repayment of other loans and borrowings - related parties and joint ventures	-	-
- Dividends paid	-	-
- Other changes/Other non-cash items	-	-
CASH FLOWS FROM FINANCING ACTIVITIES	91,782	10,443,634
TOTAL CASH FLOWS	(14,485,919)	16,999,085
Opening net cash and cash equivalents	39,784,614	27,783,369
Net cash and cash equivalents of companies that left the consolidation scope	-	-
Closing net cash and cash equivalents	25,298,695	44,782,454
<i>Of which:</i>		
- Cash and cash equivalents	25,435,477	44,782,454
- Bank overdrafts	(136,782)	-

Pursuant to Consob resolution no. 15519 of 27 July 2006, the impact of transactions with related parties, which are those with the ultimate parent, PF Holding B.V., the Mahindra group companies and the associates Goodmind S.r.l. and Signature S.r.l., are disclosed in notes 6, 10, and 15 to the condensed interim consolidated financial statements.

Income statement for the third quarter

Revenue from sales and services	20,999,123	20,665,535
Internal work capitalised	-	-
Change in inventories and contract work in progress	(181,901)	(79,486)
Change in contract work in progress	(215,734)	34,411
Change in finished goods and work in progress	33,833	(113,897)
Other revenue and income	1,919,570	1,887,691
Revenue	22,736,792	22,473,740
Gains on sale of non-current assets and equity investments	-	-
<i>Gain on sale of equity investments</i>	-	-
Raw materials and components	(1,824,891)	(2,315,973)
Change in raw materials	(18,436)	(7,155)
Inventory write-downs	-	-
Raw materials and consumables	(1,843,327)	(2,323,128)
Consumables	(290,238)	(188,419)
External maintenance	(301,632)	(371,190)
Other variable production costs	(591,870)	(559,609)
External variable engineering services	(3,656,300)	(3,310,130)
Blue collars, white collars and managers	(11,833,060)	(10,631,322)
Independent contractors and temporary workers	-	-
Social security contributions and other post-employment benefits	(344,028)	(310,051)
Wages, salaries and employee benefits	(12,177,088)	(10,941,373)
Depreciation of property, plant and equipment and investment property	(684,848)	(656,964)
Amortisation of intangible assets	(76,881)	(109,831)
Losses on sale of non-current assets and equity investments	-	-
(Additions to)/utilisation of provisions and impairment losses	-	198
Amortisation, depreciation and impairment losses	(761,729)	(766,597)
Net exchange rate losses	(10,968)	(83,595)
Other expenses	(3,403,973)	(2,844,356)
Operating profit	291,537	1,644,952
Net financial expense	(486,910)	(423,897)
Gain on the extinguishment of financial liabilities	-	-
Dividends	10,108	13,309
Share of profit (loss) of equity-accounted investees	(15,830)	2,936
Profit (loss) before taxes	(201,095)	1,237,300
Income taxes	(192,319)	(137,513)
Profit (loss) for the period	(393,414)	1,099,787

Statement of comprehensive income for the third quarter

	Q3 2018	Q3 2017
Profit (loss) for the period	(393,414)	1,099,787
Other comprehensive expense:		
Items that will not be reclassified to profit or loss:		
- Actuarial gains (losses) on defined benefit plans - IAS 19	25,068	(37,076)
- Income taxes	(1,914)	2,985
- Other	-	-
Total items of other comprehensive expense that will not be reclassified to profit or loss, net of tax effect:	23,154	(34,091)
Items that will or may be subsequently reclassified to profit or loss:		
- Losses from translation of financial statements of foreign operations - IAS 21	(32,265)	(43,650)
- Other	-	-
Total items of other comprehensive expense that will be subsequently reclassified to profit or loss, net of tax effect:	(32,265)	(43,650)
Total other comprehensive expense, net of tax effect	(9,111)	(77,741)
Comprehensive income (expense)	(402,525)	1,022,046
Of which:		
- Comprehensive income (expense) attributable to the owners of the parent	(402,525)	1,022,046
- Comprehensive income (expense) attributable to non-controlling interests	-	-
Of which:		
- Comprehensive income (expense) from continuing operations	(402,525)	1,022,046
- Comprehensive income (expense) from discontinued operations	-	-

Notes to the condensed interim consolidated financial statements

GENERAL INFORMATION

Foreword

The core business of the Pininfarina Group (the “Group”) is based on the establishment of comprehensive partnerships with carmakers. Operating as a global partner enables it to work with customers through the entire process of developing new products, including design, planning, development, industrialisation and manufacturing, or to provide support separately during any one of these phases with the utmost flexibility.

Pininfarina S.p.A., the Group’s parent, is listed on the Italian Stock Exchange. Its registered office is in Via Bruno Buozzi 6, Turin. Market investors own 23.82% of its share capital, with the remaining 76.18% held by the following shareholders:

- PF Holdings BV 76.15%;
- treasury shares held by Pininfarina S.p.A. 0.03%.

A list of the group companies, with their complete name and address, is provided later on.

The condensed interim consolidated financial statements are presented in Euros, the functional and presentation currency of the parent, where most of the activities and consolidated revenue are concentrated, and its main subsidiaries.

All amounts are presented in Euros, unless stated otherwise.

The Board of Directors approved these condensed interim consolidated financial statements on 13 November 2018. They were authorised for publication within the legal terms.

Basis of presentation

In accordance with IAS 1 - Presentation of Financial Statements, the condensed interim consolidated financial statements are the same as those of the parent. They include the following schedules:

- statement of financial position, in which current and non-current assets and liabilities are classified separately;
- income statement and statement of comprehensive income, shown as two separate schedules in which costs are classified by nature;
- statement of cash flows, presented in accordance with the indirect method, as allowed by IAS 7 - Statement of cash flows;
- statement of changes in equity.

These schedules present the corresponding prior year annual or interim figures for comparative purposes.

In accordance with IAS 34 - Interim Financial Reporting, the notes to the condensed interim consolidated financial statements are presented in a condensed format and do not include all the disclosure required for annual financial statements, since they cover only those items that, because of their amount, composition or change, are deemed essential to understand the Group’s financial performance, financial position and cash flows. Consequently, these condensed interim consolidated financial statements should be read in conjunction with the 2017 annual consolidated financial statements.

Moreover, as required by Consob resolution no. 15519 of 28 July 2006, the Group presents the following information in separate schedules:

- net financial position, with a breakdown of the main components and balances with related parties (page 13 of the directors' report);
- the effects of non-recurring events or transactions, i.e., those transactions or events that are not repeated frequently in the normal course of business (pages 51 and 52).

Related party transactions are not presented in separate schedules because they are listed as separate items in the statement of financial position (pages 16 and 17).

Basis of preparation

These condensed interim consolidated financial statements are prepared on a going concern basis, which the directors deemed appropriate.

They comply with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union. They are also consistent with the regulations enacted to implement article 9 of Legislative decree no. 38/2005. The term IFRS includes the International Financial Reporting Standards, the International Accounting Standards ("IAS") and all interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously called the Standing Interpretations Committee ("SIC"), endorsed by the European Commission as of the date of the Board of Directors' meeting convened to approve the condensed interim consolidated financial statements and listed in the applicable regulations published by the European Union as of the above-mentioned date.

These condensed interim consolidated financial statements are prepared in accordance with the general principle of historical cost, except for those items that, pursuant to the IFRS, are measured at fair value, as explained in the "Accounting policies" section.

The accounting policies adopted to prepare these condensed interim consolidated financial statements at 30 September 2018 are the same as those used in the 2017 annual consolidated financial statements, except as noted in the following section.

As part of the process of preparing these condensed interim consolidated financial statements, management was required to make estimates and assumptions, based on the information available as of the date hereof, which have an impact on the carrying amounts of revenue, expenses, assets and liabilities. Should actual circumstances prove to be different from those upon which the estimates and assumptions are based, the accounting effects of the resulting revisions will be recognised in the reporting period when the actual circumstances occur. Moreover, generally speaking, non-current assets are fully tested for impairment only in connection with the preparation of the annual financial statements, unless there are impairment indicators.

Post-employment benefits at 30 September 2018 have been measured prospectively.

Standards, amendments and interpretations applicable from 1 January 2018

Listed below are the new standards or amendments to existing standards applicable to annual periods beginning on or after 1 January 2018:

IFRS 15 - Revenue from contracts with customers

IFRS 15 provides a single model to establish if, when and to what extent an entity shall recognise revenue. It replaces the recognition requirements set out in IAS 18 - Revenue, IAS 11 - Construction contracts and IFRIC 13 - Customer loyalty programmes.

IFRS 15 is applicable to annual periods beginning on or after 1 January 2018. The Group has applied it from 1 January 2018.

It has not had a significant impact on the condensed interim consolidated financial statements.

IFRS 9 - Financial instruments

The IASB published the definitive version of IFRS 9 - Financial instruments in July 2014.

IFRS 9 is applicable to annual periods beginning on or after 1 January 2018. The Group has applied it from 1 January 2018.

It has not had a significant impact on the condensed interim consolidated financial statements.

New standards published but not yet adopted

IFRS 16 - Leases

IFRS 16 introduces a single model for recognising leases in lessees' financial statements, whereby lessees shall recognise an asset representing their right of use to the leased asset and a liability for its obligation to make lease payments. Exemptions are provided for short-term and low value leases. The recognition model for lessors is substantially unchanged from that currently applied, i.e., they continue to classify leases as operating or finance.

IFRS 16 supersedes the current requirements for leases, including IAS 17 - Leases, IFRIC 4 - Determining whether an arrangement contains a lease, SIC-15 - Operating leases - Incentives and SIC-27 - Evaluating the substance of transactions involving the legal form of a lease.

IFRS 16 will be applicable to annual periods beginning on or after 1 January 2019. Earlier adoption is allowed for entities that apply IFRS 15 at the first adoption date of IFRS 16 or that have already applied it. The Group will apply it from 1 January 2019.

The Group is currently assessing the impact of application of the new standard.

ACCOUNTING POLICIES

Condensed interim consolidated financial statements

The condensed interim consolidated financial statements include the interim financial statements of all subsidiaries from the date the Group acquires control until such control ceases to exist. Joint ventures (if any) and associates are measured using the equity method.

Intragroup expenses, revenue, receivables, payables, gains and losses are eliminated in the consolidation process.

When necessary, the accounting policies of subsidiaries, associates and joint ventures are amended to make them consistent with those of the parent.

(a) Subsidiaries and business combinations

A list of the companies consolidated line by line is provided below:

Name	Registered office	Investment %	Held by	Currency	Share/quota capital
Pininfarina Extra S.r.l.	Via Bruno Buozzi 6, Turin, Italy	100%	Pininfarina S.p.A.	€	388,000
Pininfarina of America Corp.	501 Brickell Key Drive, Suite 200, Miami FL 33131 USA	100%	Pininfarina Extra S.r.l.	USD	10,000
Pininfarina Engineering S.r.l.	Via Nizza 262/25, Turin, Italy	100%	Pininfarina S.p.A.	€	100,000
Pininfarina Deutschland Holding GmbH	Riedwiesenstr. 1, Leonberg, Germany	100%	Pininfarina Engineering S.r.l.	€	3,100,000
Pininfarina Deutschland GmbH	Frankfurter Ring 81, Munich, Germany	100%	Pininfarina Deutschland Holding GmbH	€	25,000
Pininfarina Shanghai Co. Ltd	Unit 1, Building 3, Lane 56, Antuo Road, Anting, 201805, Jiading district, Shanghai, China	100%	Pininfarina S.p.A.	CNY	3,702,824

On 14 May 2018, the parent, Pininfarina S.p.A., incorporated Pininfarina Engineering S.r.l., which it wholly owns, manages and coordinates.

The two companies signed a business unit transfer agreement on 25 June 2018, which became effective on 1 July 2018, whereby the parent transferred its “Engineering” business unit, consisting of the engineering activities partly carried out directly by it and partly by its subsidiary Pininfarina Deutschland GmbH, which was included in the transfer, to its wholly-owned subsidiary.

The business unit’s fair value at 31 March 2018 was appraised pursuant to article 2465 of the Italian Civil Code and is made up as follows:

	31.03.2018
Assets:	
Property, plant and equipment and intangible assets	197,548
Investment in Pininfarina Deutschland Holding GmbH	19,399,941
Cash and cash equivalents	2,712,053
Liabilities:	
Post-employment benefits and remuneration accrued by the business unit's employees	2,100,775
Deferred income on ongoing contracts	611,278
Total net assets	19,597,489

As a consideration for the transfer, Pininfarina Engineering S.r.l. increased its share quota capital by €50,000 and recognised a share premium for the remainder of €19,547,489.

The changes in the assets and liabilities from the appraisal date (31 March 2018) and the contribution’s effective date have been settled between the parties, keeping the fair value of the business unit’s net assets unchanged.

The reporting date of the subsidiaries is the same as that of the parent, Pininfarina S.p.A..

(b) Acquisition/sale of investments subsequent to the acquisition of control

Acquisitions and sales of investments subsequent to the acquisition of control that do not result in a loss of control are accounted for as owner transactions.

In the case of acquisitions, the difference between the consideration paid and the pro rata interest in the carrying amount of the net assets acquired is recognised in equity. In the case of sales, the resulting gain or loss is also recognised directly in equity.

If the Group loses control or significant influence, the remaining non-controlling interest is remeasured at fair value and any positive or negative difference between its carrying amount and fair value is recognised in profit or loss.

(c) Associates

Associates are listed below:

Name	Registered office	Investment %	Held by	Currency	Quota capital
Goodmind S.r.l.	Via Nazionale 30, Cambiano, Italy	20%	Pininfarina Extra S.r.l.	€	20,000
Signature S.r.l.	Via Paolo Frisi 6, Ravenna, Italy	24%	Pininfarina S.p.A.	€	10,000

(d) Other companies

Investments in other companies that are available-for-sale financial assets are measured at fair value, if feasible, and any resulting gains or losses are recognised in equity until the investments are sold. At that point, fair value gains or losses accumulated in equity are reclassified to the income statement for the period.

If the investments are not listed on a regulated market and their fair value cannot be reliably determined, they are measured at cost, adjusted for any impairment losses, which cannot be reversed.

Translation of foreign currency captions

(a) Presentation currency and translation of financial statements denominated in currencies other than the Euro

The Group's presentation currency is the Euro.

The table below lists the exchange rates used to translate financial statements denominated in functional currencies different from the presentation currency:

Euro vs currency	30.09.2018	First nine months of 2018	30.09.2017	First nine months of 2017
US dollar - USD	1.16	1.19	1.18	1.11
Chinese renminbi (yuan) - CNY	7.97	7.78	7.86	7.58

(b) Foreign currency assets, liabilities and transactions

Transactions carried out in currencies other than the Euro are initially translated at the exchange rate in force on the date of the transaction.

At the reporting date, monetary assets and liabilities denominated in foreign currencies are retranslated into Euros at the closing rate. All resulting exchange rate gains and losses are recognised in profit or loss, except for those stemming from foreign currency loans that hedge investments in foreign operations. Any such gains or losses, net of the related tax effects, are recognised directly in equity. When the equity investment is sold, the accumulated translation differences are reclassified to profit or loss.

Non-monetary items that are carried at historical cost are translated into Euros at the exchange rate in force when the underlying transaction was initially recognised. Non-monetary items that are carried at fair value are translated into Euros at the exchange rate in force on the measurement date.

None of the group companies operate in a hyperinflationary economy.

TYPES OF FINANCIAL INSTRUMENTS AND FAIR VALUE HIERARCHY

The financial instruments held by the Group include:

- cash and cash equivalents;
- financial assets held for trading;
- non-current loan liabilities;
- trade receivables and payables and loans and receivables - related parties.

As required by IFRS 7, the table below lists the types of financial instruments included in the condensed interim consolidated financial statements and shows the measurement criteria adopted:

	Financial instruments at fair value through:		Fair value hierarchy	Financial instruments at amortised cost	Equity investments measured at cost	Carrying amount at 30.09.2018	Carrying amount at 31.12.2017
	profit or loss	equity					
Assets:							
Equity investments in other companies	-	-		-	252,017	252,017	252,017
Loans and receivables	-	-		652,138	-	652,138	100,470
Assets held for trading	12,779,511	-	Level 1	-	-	12,779,511	-
Trade receivables and other assets	-	-		33,387,301	-	33,387,301	32,103,294
Liabilities:							
Finance lease liabilities	-	-		-	-	-	-
Other loans and borrowings	-	-		29,288,496	-	29,288,496	27,928,668
Trade payables and other liabilities	-	-		31,226,120	-	31,226,120	28,595,298

In addition, net cash and cash equivalents are measured at fair value which usually equals their nominal amount.

Pursuant to IFRS 7 – Financial Instruments: Disclosures, the classification of financial instruments at fair value is based on the quality of the inputs used for measurement purposes. The IFRS 7 classification is based on the following fair value hierarchy:

- Level 1: fair value is determined based on prices quoted on an active market for identical assets or liabilities.
- Level 2: fair value is determined based on inputs that, while different from the quoted prices used in Level 1, can be observed either directly or indirectly. These condensed interim consolidated financial statements do not present any financial instruments of this type.
- Level 3: fair value is determined based on valuation models, the inputs of which are not based on observable market data. These condensed interim consolidated financial statements do not present any financial instruments of this type.

FINANCIAL RISK MANAGEMENT

Financial risk factors, as identified in IFRS 7 – Financial Instruments: Disclosures, are described below:

- Market risk: the risk that the fair value or the future cash flows of a financial instrument could fluctuate as a result of changes in market prices. Market risk includes the following other types of risk: currency risk, interest rate risk and price risk.
- Currency risk: the risk that the fair value or the future cash flows of a financial instrument could fluctuate as a result of changes in exchange rates.
- Interest rate risk: the risk that the fair value or the future cash flows of a financial instrument could fluctuate as a result of changes in interest rates.
- Price risk: the risk that the fair value or the future cash flows of a financial instrument could fluctuate as a result of changes in market prices (other than changes covered by the interest rate and currency risks), irrespective as to whether such fluctuations are determined by factors specific to the financial instrument or its issuer or by factors that affect all similar market-traded financial instruments.
- Credit risk: the risk that one of the parties causes the other party to incur a financial loss by failing to fulfil an obligation.
- Liquidity risk: the risk that an entity may be unable to fulfil obligations associated with financial liabilities.

(a) Currency risk

The Group entered into most of its financial instruments in Euros, which is its functional and presentation currency. Although it operates in an international environment, its exposure to fluctuations in exchange rates is limited to of the following currencies against the Euro: US dollar (USD), and Chinese Yuan (CNY).

(b) Interest rate risk

The Restructuring Agreement signed by Pininfarina S.p.A. with the lending institutions, effective from 30 May 2016 to 31 December 2025, defined a fixed contractual interest rate of 0.25% per annum, based on a year of 360 days.

If the six-month Euribor exceeds 4% during an interest accruing period, the contractual interest rate will be increased by the difference between the actual six-month Euribor and 4%.

The Group is exposed to interest rate risk solely in connection with the loan provided by Volksbank Region Leonberg to Pininfarina Deutschland GmbH, which accrues interest at the three-month Euribor plus a spread of 0.55%.

Interest on the short-term operating lines is computed at a fixed rate ranging between 4.74% and 6.40%, with regular accrual and payment in arrears at the end of each utilisation period.

A breakdown of the Group's financial debt by fixed and variable interest rates is as follows:

	30.09.2018	%	31.12.2017	%
- Fixed rate	28,986,714	99.0%	27,718,668	99.2%
- Variable rate	301,782	1.0%	210,000	0.8%
Gross financial debt with third parties	29,288,496	100.0%	27,928,668	100.0%

Due to the new structure of the interest rates on the medium to long-term financing that, at variable rates, accounts for 1% of total indebtedness with third parties, the Group has not performed a sensitivity analysis.

(c) Price risk

Because the Group primarily operates within the Eurozone, its exposure to the risk of fluctuations in commodity prices is currently immaterial.

(d) Credit risk

Styling and engineering contracts, which are the Group's primary revenue source, are agreed with highly rated customers located both inside and outside the European Union. In order to minimise the credit risk from non-EU customers, the Group seeks to align both progress billings and their collection with the relevant contract's stage of completion.

The Group did not carry out transactions involving the derecognition of financial assets, such as the factoring of trade receivables without recourse.

(e) Liquidity risk

In brief, the Rescheduling Agreement effective as of 30 May 2016 entailed:

- settlement and extinguishment of 56.74% of the nominal amount of the parent's debt with the lending institutions that accepted this option, in addition to the interest accrued up to the effective date;
- the rescheduling of the nominal amount of the debt with the lending institutions that accepted this option, totalling €41.5 million, from 2016 to 2025;
- the application of a fixed interest rate of 0.25% per annum, based on a year of 360 days, increased by the difference between this rate and the six-month Euribor, should the latter exceed 4%.

The cash flows of the above-mentioned agreement have been determined on the basis of the 2016-2025 business and financial plan that ensures the parent's and the Group's financial stability.

Consequently, over the medium to long term, the liquidity risk is directly correlated to the achievement of the business plan targets.

A breakdown of the contractual amount of the Group's financial debt is set out below.

	Carrying amount 30.09.2018	Contractual cash flows	Of which: due within one year	Of which: due from one to five years	Of which: due after five years
Term financing	29,288,496	38,110,955	3,690,681	17,995,445	16,424,829
Other loans and borrowings - third parties	29,288,496	38,110,955	3,690,681	17,995,445	16,424,829

The Group holds net cash and cash equivalents and assets held for trading in its portfolio totalling €38.1 million. Consequently, it is not exposed to liquidity risk in the foreseeable future.

(f) Risk of default and debt covenants

This risk relates to the possibility that the new Rescheduling Agreement between Pininfarina S.p.A. and the lending institutions that came into force on 30 May 2016 may include acceleration clauses that would give rise to liquidity risk.

The Rescheduling Agreement requires that, as of the verification date of 31 March of each year, the financial covenant shall be at least equal to the minimum consolidated equity, i.e., €30 million. The covenant will be checked until the expiry of the loan in 2025.

The Mahindra Group granted a first demand surety to the lending institutions that is enforceable if Pininfarina S.p.A. fails to meet its obligations.

SEGMENT REPORTING

Operating segments are identified in accordance with paragraphs 5 to 10 of IFRS 8 – Operating segments. In the Operations business segment, the operating segments coincide with a series of activities mainly involving the supply of spare parts for cars manufactured by Pininfarina S.p.A., the lease of the business for the production of electric cars for the car sharing service and support functions.

Financial income and expense and income taxes are not allocated to the reporting segments because management makes the relevant decisions on an aggregate segment basis. Intra-segment transactions are carried out at market conditions. In accordance with IFRS 8.4, the Group presents segment reporting in its consolidated financial statements only.

The Group's business segments are not affected by seasonal factors.

Segment reporting as at and for the nine months ended 30 September 2018 and 2016 is set out below. Amounts are in thousands of Euros.

	Nine months ended 30 September 2018			Nine months ended 30 September 2017		
	Operations	Design & engineering		Operations	Design & engineering	
		A	B		A	B
	A	B	A + B	A	B	A + B
Revenue	6,744	74,529	81,273	8,306	54,443	62,749
(Intra-segment revenue)	(1,484)	(1,784)	(3,268)	(266)	(382)	(648)
Revenue - third parties	5,260	72,745	78,005	8,040	54,061	62,101
Operating profit (loss)	(3,462)	8,839	5,377	(3,391)	5,692	2,301
Net financial expense			(1,748)			(1,396)
Provento da cancellazione passività finanziaria			-			-
Dividends			-			-
Share of profit (loss) of equity-accounted investees	-	(50)	(50)	-	10	10
Profit before taxes	-	-	3,579	-	-	915
Income taxes	-	-	(868)	-	-	(419)
Profit from continuing operations	-	-	2,711	-	-	496
<i>Other information required by IFRS 8:</i>						
- Amortisation and depreciation	(1,234)	(1,421)	(2,655)	(1,240)	(1,041)	(2,281)
- Impairment losses	-	(6)	(6)	-	(20)	(20)
- Provisions/change in accounting estimates	-	4	4	-	8	8
- Net gains on the sale of non-current assets	181	3	184	-	1	1

Reference should be made to the directors' report for an analysis of the operating segments.

Sales are broken down by geographical segment below:

	Nine months ended	
	30.09.2018	30.09.2017
Italy	11,742	10,506
EU	18,532	20,230
Non-EU countries	39,182	24,476
Revenue from sales and services	69,456	55,212

NOTES TO THE CAPTIONS

1. Property, plant and equipment

The carrying amount of property, plant and equipment at 30 September 2018 increased to €42.1 million from €41.8 million at 31 December 2017.

Changes in property, plant and equipment and an analysis of the items making up the captions are set out below.

	Land	Buildings	Total
Historical cost	12,291,743	63,969,570	76,261,313
Accumulated depreciation and impairment losses	(4,636,429)	(36,995,613)	(41,632,042)
Carrying amount at 31 December 2017	7,655,314	26,973,957	34,629,271
Reclassification: Historical cost	-	-	-
Reclassification: Acc. depreciation and imp. losses	-	-	-
Additions	-	195,750	195,750
Disposals: Historical cost	-	-	-
Disposals: Acc. depreciation and imp. losses	-	-	-
Depreciation	-	(847,383)	(847,383)
Impairment losses	-	-	-
Reclassifications	-	1,689	1,689
Other changes	-	(1,591)	(1,591)
Carrying amount at 30 September 2018	7,655,314	26,322,422	33,977,736
<i>Of which:</i>			
Historical cost	12,291,743	64,165,320	76,457,063
Accumulated depreciation and impairment losses	(4,636,429)	(37,842,898)	(42,479,327)

Land and buildings include the carrying amounts of real estate complexes, comprising the production facilities located in Via Castellamonte 6, Bairo Canavese (TO) and Strada provinciale per Caluso, San Giorgio Canavese (TO), the styling and engineering sites in Via Nazionale 30, Cambiano (TO) and a property in Beinasco (TO).

The parent completed the disposal of the six property units in Turin commenced in 2017, recognising a gain of €181,074.

The carrying amount of the Bairo Canavese facility is less than its value in use calculated on the basis of the contractual terms in place with the current tenant until the end of the depreciation period and discounting estimated future cash flows.

The carrying amount of the San Giorgio Canavese facility is substantially in line with the appraisal available to the parent, which was updated in March 2018.

Considering the above, the parent does not believe there are any indications of impairment for either of these industrial facilities.

All land and buildings located in Italy are owned by Pininfarina S.p.A..

	Machinery	Plant	Total
Historical cost	6,470,797	83,977,820	90,448,617
Accumulated depreciation and impairment losses	(5,045,405)	(80,596,300)	(85,641,705)
Carrying amount at 31 December 2017	1,425,392	3,381,520	4,806,912
Reclassification: Historical cost	-	-	-
Reclassification: Acc. depreciation and imp. losses	-	-	-
Additions	387,165	528,017	915,182
Disposals: Historical cost	-	-	-
Disposals: Acc. depreciation and imp. losses	-	-	-
Depreciation	(123,976)	(400,960)	(524,936)
Impairment losses	-	-	-
Reclassifications	-	-	-
Other changes	-	-	-
Carrying amount at 30 September 2018	1,688,581	3,508,577	5,197,158

Of which:

Historical cost	6,857,962	84,505,837	91,363,799
Accumulated depreciation and impairment losses	(5,169,381)	(80,997,260)	(86,166,641)

Plant and machinery at 30 September 2018 include generic production plant and machinery, mainly based at the Bairo and Cambiano facilities.

Additions of the period are mainly due to machinery and plant installed at the Cambiano facility and the investments made by Pininfarina Engineering S.r.l. to furnish its new Turin offices.

	Furniture and fixtures	Hardware and software	Other assets	Total
Historical cost	3,612,115	5,681,110	934,627	10,227,852
Accumulated depreciation and impairment losses	(2,726,032)	(4,980,197)	(401,609)	(8,107,838)
Carrying amount at 31 December 2017	886,083	700,913	533,018	2,120,014
Reclassification: Historical cost	-	-	-	-
Reclassification: Acc. depreciation and imp. losses	-	-	-	-
Additions	133,706	708,845	132,144	974,695
Disposals: Historical cost	-	-	(28,134)	(28,134)
Disposals: Acc. depreciation and imp. losses	-	-	28,134	28,134
Depreciation	(122,193)	(219,709)	(60,262)	(402,164)
Impairment losses	-	-	-	-
Reclassifications	189	(107,104)	(43,884)	(150,799)
Other changes	1,226	106,616	43,225	151,067
Carrying amount at 30 September 2018	899,011	1,189,561	604,241	2,692,813

Of which:

Historical cost	3,746,010	6,282,851	994,753	11,023,614
Accumulated depreciation and impairment losses	(2,846,999)	(5,093,290)	(390,512)	(8,330,801)

Additions to hardware and software for the reporting period relate to the purchase of IT equipment for technological upgrading, mainly attributable to the parent, Pininfarina Engineering S.r.l. and Pininfarina Extra S.r.l..

The increase in the caption "Other assets" relates to company cars purchased by the parent and the subsidiary Pininfarina of America Co Ltd..

2. Investment property

The Group's investment property consists of buildings owned by Pininfarina Deutschland Holding GmbH in Renningen, near Stuttgart, Germany, which are leased to third parties.

They are mortgaged to secure a loan received by the German subsidiary (€165,000).

The market value of property, calculated in the appraisal available to the parent, exceeds its carrying amount.

	Land	Buildings	Total
Historical cost	5,807,378	12,226,555	18,033,933
Accumulated depreciation and impairment losses	-	(10,282,013)	(10,282,013)
Carrying amount at 31 December 2017	5,807,378	1,944,542	7,751,920
Reclassification: Historical cost	-	-	-
Reclassification: Acc. depreciation and imp. losses	-	-	-
Additions	-	-	-
Disposals: Historical cost	-	-	-
Disposals: Acc. depreciation and imp. losses	-	-	-
Depreciation	-	(273,280)	(273,280)
Impairment losses	-	-	-
Reclassifications	-	-	-
Other changes	-	-	-
Carrying amount at 30 September 2018	5,807,378	1,671,262	7,478,640
<i>Of which:</i>			
Historical cost	5,807,378	12,226,555	18,033,933
Accumulated depreciation and impairment losses	-	(10,555,293)	(10,555,293)

3. Intangible assets

The carrying amount of intangible assets at 30 September 2018 increased to €7.4 million from €1.7 million at 31 December 2017.

	Goodwill	Licences	Other	Total
Historical cost	1,043,495	6,101,968	2,182,947	9,328,410
Accumulated amortisation and impairment losses	-	(5,547,871)	(2,108,293)	(7,656,164)
Carrying amount at 31 December 2017	1,043,495	554,097	74,654	1,672,246
Reclassification: Historical cost	-	-	-	-
Reclassification: Acc. amortisation and imp. losse	-	-	-	-
Additions	-	379,035	105,146	484,181
Disposals: Historical cost	-	-	-	-
Disposals: Acc. amortisation and imp. losses	-	-	-	-
Amortisation	-	(231,572)	(375,941)	(607,513)
Impairment losses	-	-	-	-
Reclassifications	-	-	5,807,011	5,807,011
Other changes	-	-	-	-
Carrying amount at 30 September 2018	1,043,495	701,560	5,610,870	7,355,925
<i>Of which:</i>				
Historical cost	1,043,495	6,481,003	8,095,104	15,619,602
Accumulated amortisation and impairment losses	-	(5,779,443)	(2,484,234)	(8,263,677)

The Group's only intangible asset with an indefinite useful life, goodwill of €1,043,495, originates from the consolidation of Pininfarina Extra S.r.l.. The Pininfarina Extra subgroup, which is comprised of Pininfarina Extra S.r.l., Pininfarina of America Corp. and the associate Goodmind S.r.l., engages in styling activities that are not related to the automotive industry. Consequently, it constitutes a separate cash generating unit.

The increase in "Other" is due to the reclassification, made to comply with IFRS 15, of the prepayment recognised in 2017 related to an advisory services agreement that Pininfarina S.p.A. signed in connection with a long-term engineering contract.

The asset was recognised at the amount of the liability with the supplier (see note 15) discounted on the basis of the payment plan agreed with the supplier. It is amortised in line with the stage of completion of the engineering contract. Before the adoption of IFRS 15, the Group would have recognised the same effect as a cost for services in profit or loss rather than amortisation.

4. Investments in associates

They include:

	<u>30.09.2018</u>	<u>31.12.2017</u>
Goodmind S.r.l.	109,911	96,694
Signature S.r.l.	466,210	-
Investments in associates	576,121	96,694

Goodmind S.r.l., incorporated in July 2012, provides communication services to companies and public sector entities. The Group's share of its profit for the period is €13,217. The associate had eight employees at the reporting date.

Signature S.r.l., incorporated in February 2018, mainly operates in the stationery sector. The parent has a 24% interest therein.

The investment's carrying amount equals its acquisition cost of €329,280 plus the injection of €200,000 for the future capital increase and the Group's share of the associate's loss for the period (€63,070).

5. Equity investments in other companies

Equity investments in other companies did not change from the previous year end and are as follows:

	<u>30.09.2018</u>
Midi Plc	251,072
Idroenergia Soc. Cons. a.r.l.	516
Volksbank Region Leonberg	300
Unionfidi S.c.r.l.p.A. Turin	129
Equity investments in other companies	252,017

6. Loans and receivables

Changes in loans and receivables are set out below:

	31.12.2017	Increase	Interest income	Collection	30.09.2018
Goodmind S.r.l.	100,470	-	1,668	-	102,138
Signature S.r.l.*	-	550,000	-	-	550,000
Loans and receivables - related parties	100,470	550,000	1,668	-	652,138

* non-interest bearing

The amount due from the associate Goodmind S.r.l. shows the loan provided by Pininfarina Extra S.r.l. to finance its activities.

The amount due from the associate Signature S.r.l. refers to the loan granted by Pininfarina S.p.A. to fund its start-up phase.

7. Inventories

Raw materials mainly consist of various materials used for the production of cars and prototypes at the Cambiano facility. Finished goods mainly comprise car spare parts manufactured by the Group, which are sold to carmakers.

The table below shows a breakdown of inventories and the allowance for inventory write-down:

	30.09.2018	31.12.2017
Raw materials	619,380	561,083
Allowance for inventory write-down	(353,577)	(360,188)
Finished goods	211,369	191,854
Allowance for inventory write-down	-	-
Inventories	477,172	392,749

	2018		2017	
	Allowance for raw materials write- down	Allowance for finished goods write-down	Allowance for raw materials write-down	Allowance for finished goods write-down
Opening balance	360,188	-	377,954	-
Additions	-	-	-	-
Utilisations	(6,611)	-	(17,766)	-
Other changes	-	-	-	-
Nominal amount at 30 September	353,577	-	360,188	-

The allowance for raw material write-down reflects the risk of obsolete and slow-moving items.

8. Contract work in progress

Contract work in progress shows the balance of gross contract work in progress less progress payments and advances.

The change for the period is due to the progress of certain styling and engineering contracts from customers inside and outside the European Union.

9. Assets held for trading

Assets held for trading, which totalled €12.8 million at 30 September 2018, are measured at fair value. As they mainly consist of government bonds (investment grade), are traded in regulated markets and have low risk profiles, the price risk presented by these assets is deemed to be limited.

A breakdown of these assets by nature is provided below:

	30.09.2018	%
Italian government or government-guaranteed bonds	410,996	3.32
Foreign government or government-guaranteed bonds	210,801	1.67
Bank and insurance bonds	7,277,045	55.82
Other bonds	4,880,669	39.19
Assets held for trading	12,779,511	100.00

The fair value loss for the period has been recognised in profit or loss as a financial expense (see note 25).

10. Trade receivables - third and related parties

The following table shows trade receivables at 30 September 2018 and 31 December 2014:

	30.09.2018	31.12.2017
Italy	1,939,978	3,578,663
EU	4,231,814	4,770,572
Non-EU countries	12,507,186	9,474,440
(Loss allowance)	(435,636)	(456,809)
Third parties	18,243,342	17,366,866
Signature S.r.l.	57,452	-
Mahindra&Mahindra Group	3,265,864	464,031
Tech Mahindra Group	33,433	157,428
Automobili Pininfarina GmbH	2,506,287	-
Related parties	5,863,036	621,459
Trade receivables	24,106,378	17,988,325

The Group's main counterparties are top carmakers with a high credit rating. Since there are no insurance contracts on receivables, the Group's maximum exposure to credit risk is equal to the carrying amount of the receivables less the loss allowance. The Group did not factor any receivables. Trade receivables are mostly denominated in Euros.

The increase in trade receivables from third parties is in line with the increase in revenue compared to the corresponding period of the previous year, while the rise in trade receivables from related parties is substantially related to the receivables from the Mahindra & Mahindra Group and Automobili Pininfarina GmbH.

Changes in the loss allowance are set out below:

	30.09.2018	31.12.2017
Opening balance	456,809	1,119,529
Additions	6,197	13,760
Utilisations	(27,370)	(676,480)
Other changes	-	-
Closing balance	435,636	456,809

11. Other assets

The following table shows other assets at 30 September 2018 and 31 December 2017:

	30.09.2018	31.12.2017
VAT	4,467,124	3,716,864
Withholding taxes	3,534,243	2,948,090
Prepayments and accrued income	720,349	6,477,454
Advances to suppliers	136,988	41,800
Amounts due from INAIL (the Italian Workers' Compensation Authority) and INPS (the Italian social security institution)	70,080	4,475
Amounts due from employees	9,550	40,147
Other	342,589	221,698
Other assets	9,280,923	13,450,528

The decrease in prepayments and accrued income is due to the reclassification to intangible assets (see note 3).

The VAT asset is mainly attributable to the parent, which received the partial reimbursement of the VAT assets that arose in 2017 in July 2018 (€3,600,000).

12. Cash and cash equivalents

The table below shows a breakdown of this caption and a comparison with the previous year-end corresponding figures:

	30.09.2018	31.12.2017
Cash in hand and cash equivalents	14,842	17,254
Short-term bank deposits	25,420,635	39,767,360
Cash and cash equivalents	25,435,477	39,784,614
(Bank overdrafts)	(136,782)	-
Net cash and cash equivalents	25,298,695	39,784,614

The decrease is mainly due to cash of €12.8 million invested in current financial assets held for trading and working capital trends.

The bank overdrafts relate to the credit facilities drawn down by Pininfarina Deutschland GmbH.

Reference should be made to the statement of cash flows on page 21 for details of the cash flows for the period.

13. Equity

(a) Share capital

	30.09.2018		31.12.2017	
	Nominal amount	No.	Nominal amount	No.
Ordinary shares	54,287,128	54,287,128	54,287,128	54,287,128
(Treasury shares)	(15,958)	(15,958)	(15,958)	(15,958)
Share capital	54,271,170	54,271,170	54,271,170	54,271,170

The parent's share capital is comprised of 54,287,128 ordinary shares, with a unit nominal amount of €1. There are no other classes of shares.

Treasury shares are held in accordance with the limits imposed by article 2357 of the Italian Civil Code.

Detailed information about the parent's shareholders is provided in the "General information" section of these notes.

(b) Share premium reserve

This reserve is unchanged from the previous year end.

(c) Reserve for treasury shares

This reserve of €175,697, unchanged from the previous year end, is recognised in accordance with the provisions of article 2357 of the Italian Civil Code.

(d) Legal reserve

The legal reserve of €6,063,759 increased by €30,428 from the previous year end, as provided for by the resolution for the allocation of the profit for the previous year. Pursuant to the provisions of article 2430 of the Italian Civil Code, is available to cover any losses.

(e) Stock option reserve

Pursuant to article 114-bis of the Consolidated Finance Act, on 21 November 2016, the shareholders approved a stock option plan that provides for the free assignment of options for the subscription of ordinary shares to the parent's employees. The ratio is one share for each option. The plan aims at incentivising attainment of the parent's objectives and retaining employees. The plan provides that the maximum number of shares to be assigned to the beneficiaries is 2,225,925 and that the option's exercise price is €1.10 for each share. The plan term is seven years (2016-2023).

The reserve increased by the plan cost pertaining to the period.

The options are measured using the Black-Scholes valuation approach, whose assumptions are as follows:

1. Volatility: 80% (three year average)
2. Risk-free rate: -0.41% (the average of the three instalments considered)
3. Dividends: no dividends are expected during the plan term
4. Average share price: €1.10
5. Vesting conditions: permanence of the employment agreement
6. Settlement method: equity instruments
7. Cost for the year: €552,681
8. Carrying amount at the reporting date: €1,724,851

(f) Translation reserve

The translation reserve reflects the cumulative differences from the translation of financial statements of companies with functional currencies other than the Euro, which is the Group's presentation currency. These companies are Pininfarina Automotive Engineering (Shanghai) Co Ltd. and Pininfarina of America Corp..

(g) Other reserves

Other reserves are unchanged from the previous year end.

(h) Losses carried forward

Losses carried forward totalled €7,488,902 at the reporting date, down by €1,321,551 from the 31 December 2017 figure. The decrease is due to the profit for 2017 of €1,311,709, net of the allocation to the legal reserve of €30,428, and the effect for the period of the adoption of IAS 19 (revised), quantified at €40,270.

The table reconciling the parent's profit and equity as at and for the period ended 30 September 2018 with the Group's relevant figures is provided in the directors' report, to which reference is made.

14. Loans and borrowings

Rescheduling Agreement

(a) Rescheduling Agreement

The new Rescheduling Agreement (the "Agreement") between Pininfarina S.p.A. and its lending institutions became effective on 30 May 2016. Its effects are summarised below:

- settlement and extinguishment of 56.74% of the nominal amount of the parent's debt with the lending institutions that accepted this option, in addition to the interest accrued up to the effective date;
- the rescheduling of the nominal amount of the debt with the lending institutions that accepted this option, totalling €41.5 million, to 2025;
- the application of a fixed interest rate of 0.25% per annum, based on a year of 360 days, increased by the difference between this rate and the six-month Euribor, should the latter exceed 4%.

(b) Fair value of restructured debt

The fair value of the restructured debt was determined by discounting the cash flows as per the Rescheduling Agreement to their present value using a 6.5% rate, determined with the assistance of a third-party financial advisor, as the sum of 1) the return on risk-free investments and 2) a credit spread attributed to Pininfarina S.p.A..

The table below summarises the changes in loans and borrowings:

	31.12.2017	Change in bank overdrafts	Unrealised interest	Repayment	Current/non-current reclassification	30.09.2018
Finance lease liabilities	-		-	-	-	-
Other loans and borrowings	24,374,769		1,268,046	-	(45,000)	25,597,815
Non-current portion	24,374,769		1,268,046	-	(45,000)	25,597,815
Bank overdrafts	-	136,782	-	-	-	136,782
Finance lease liabilities	-		-	-	-	-
Other loans and borrowings	3,553,899		-	(45,000)	45,000	3,553,899
Current portion	3,553,899	136,782	-	(45,000)	45,000	3,690,681
Current and non-current portions	27,928,668	136,782	1,268,046	(45,000)	-	29,288,496

The increase in bank overdrafts is due to the credit facilities drawn down by Pininfarina Deutschland GmbH.

Other loans and borrowings include the amounts due to the parent's lending institutions, parties to the Agreement, pursuant to the relevant loan and financing agreements.

A breakdown of the contractual cash flows by maturity is provided in paragraph (e) of the "Financial risk management" section.

A breakdown of changes by lender is set out below:

	31.12.2017	Unrealised interest	Repayment	30.09.2018
Intesa Sanpaolo S.p.A.	17,943,386	820,857	-	18,764,243
Banca Nazionale del Lavoro S.p.A.	1,056,206	48,318	-	1,104,524
Ubi Banca S.p.A. (formerly Banca Regionale Europea S.p.A.)	4,217,769	192,950	-	4,410,719
Selmabipiemme Leasing S.p.A.	4,501,307	205,921	-	4,707,228
Volksbank Region Leonberg (GER)	210,000	-	(45,000)	165,000
Other loans and borrowings	27,928,668	1,268,046	(45,000)	29,151,714

Other information

Pininfarina Deutschland Holding GmbH has a €165,000 loan with Volksbank Region Leonberg (GER). It is the only subsidiary with non-current debt.

Consequently, the Group's loans and borrowings are not subject to currency risk.

15. Trade payables, other financial liabilities and other liabilities

(a) Trade payables

	30.09.2018	31.12.2017
Third parties	16,196,561	15,115,347
Related parties	414,066	491,180
Advances for contract work in progress	13,410,079	11,177,804
Trade payables	30,020,706	26,784,331

Trade payables to third parties include roughly €5.8 million arising from an advisory services agreement that the parent signed in connection with a long-term contract.

The amount due under the agreement is recognised at the discounted value of the payment plan in place with the service provider.

The reporting-date balance comprises amounts that will be paid within twelve months of the reporting date, except for the trade payable described above, which will be settled over the term of the contract to which it relates. The portion due within one year amounts to approximately €3 million.

(b) Other financial liabilities

	30.09.2018	31.12.2017
Wages and salaries payable	4,207,165	2,554,857
Social security charges payable	722,536	1,225,841
Other	1,205,414	1,248,660
Other financial liabilities	6,135,115	5,029,358

(c) Other liabilities

This caption comprises the parent's deferred royalty income relating to the brand licence agreement signed with Mahindra & Mahindra Ltd, deferred business lease payments and accrued expenses of the subsidiaries.

16. Provisions for risks and charges, contingent liabilities and litigation

(a) Provisions for risks and charges

Changes in provisions for risks and charges are set out below, with a comment on the main changes:

	31.12.2017	Additions	Utilisations	Other changes	30.09.2018
Provision for product warranty	53,243	-	(7)	-	53,236
Restructuring provision	228,900	-	(42,446)	-	186,454
Other provisions	313,838	16,182	(23,527)	-	306,493
Provisions for risks and charges	595,981	16,182	(65,980)	-	546,183

The restructuring provision reflects the best estimate of the liability for restructuring at the reporting date.

Other provisions reflect the estimated liabilities that may arise from losses to complete styling and engineering contracts, potential disputes with former employees and environmental risks. The column titled “Additions” shows the effects of unrealised losses to complete long-term contracts, which are also shown in “Utilisations”.

(b) Contingent liabilities and litigation

The Supreme Court of Cassation definitely ruled in the parent’s favour with respect to its appeal against the 2002 and 2003 tax notices about the alleged non-payment of VAT on the sale of goods to the Peugeot-Citroen Group. The amount claimed was roughly €29.4 million plus interest.

There are no contingent liabilities or litigation to report at the reporting date.

17. Current and deferred taxes

(a) Deferred taxes

The table below provides a breakdown of deferred tax assets and liabilities:

	<u>30.09.2018</u>	<u>31.12.2017</u>
Deferred tax assets	873,703	880,553
(Deferred tax liabilities)	-	(2,915)
Net deferred tax assets	873,703	877,638

The net deferred tax assets shown in the condensed interim consolidated financial statements mainly refer to the German companies. They reflect the recoverable portion of the tax loss carryforwards, determined based on forecast future taxable profit and taking into account the agreement for the filing of a national consolidated tax return signed by the German companies, headed by the subsidiary Pininfarina Extra S.r.l..

Deferred tax assets decreased due to the disappearance of the temporary differences of the subsidiary Pininfarina Extra S.r.l..

Since the Group reported a taxable profit for 2017 after several years in which it recorded losses, the directors did not recognise the deferred tax assets relating to tax loss carryforwards in the condensed interim consolidated financial statements at 30 September 2018, as they deemed it prudent to wait for a consolidation of this turnaround.

(b) Current taxes

Income taxes recognised in profit or loss are detailed below:

	Nine months ended	
	30.09.2018	30.09.2017
Income taxes	(429,977)	(244,221)
IRAP (Regional tax on production activities)	(416,967)	(139,861)
Adjustment to prior year tax consolidation benefit	4,214	-
Addition to prior period provision	(23,522)	(2,962)
Current taxes	(866,252)	(387,044)
Change in deferred tax assets	(2,018)	(31,866)
Change in deferred tax liabilities	-	-
Net deferred taxes	(2,018)	(31,866)
Income taxes	(868,270)	(418,910)

18. Revenue from sales and services

	Nine months ended	
	30.09.2018	30.09.2017
Sales - Italy	967,833	640,123
Sales - EU	460,889	1,336,841
Sales - Non-EU countries	4,709,510	2,965,447
Services - Italy	10,774,300	9,866,192
Services - EU	18,070,702	18,893,263
Services - Non-EU countries	34,472,520	21,509,926
Revenue from sales and services	69,455,754	55,211,792

Sales refer mainly to revenue from sales of spare parts, equipment and prototypes. Services show amounts invoiced for styling and engineering services.

Segment reporting is provided on page 32.

19. Other revenue and income

	Nine months ended	
	30.09.2018	30.09.2017
Royalties	4,072,000	3,973,000
Lease income	1,321,499	1,334,455
Rebilling	98,285	83,148
Prior period income	44,979	82,723
Insurance compensation	43,501	1,950
Grants for research and training	35,112	21,476
Sundry	182,066	48,881
Other revenue and income	5,797,442	5,545,633

Royalties mainly refer to fees for the brand licence agreement signed with Mahindra & Mahindra Ltd. and the licence to use the Pininfarina trademark granted to the Bolloré S.A. Group in connection with the electric cars manufactured at the Bairo Canavese facility.

Lease income mainly refers to the business lease signed by Pininfarina S.p.A. and a third party and leases for the two buildings located in Renningen, near Stuttgart, in Germany, owned by the subsidiary Pininfarina Deutschland Holding GmbH.

Prior period income refers to prior period income and estimation differences, other than errors, resulting from the normal updating of estimates made in previous years.

20. Raw materials and components

Raw materials and components mainly include purchases of equipment and materials used for the styling and engineering contracts and spare parts resold by the parent.

21. External variable engineering services

External variable engineering services mainly refer to design and technical services.

22. Wages, salaries and employee benefits

	Nine months ended	
	30.09.2018	30.09.2017
Wages and salaries	(29,454,328)	(26,168,666)
Social security contributions	(6,911,633)	(5,995,857)
Independent contractors	-	-
Utilisation of restructuring provision	42,446	6,972
Blue collars, white collars and managers	(36,323,515)	(32,157,551)
Post-employment benefits - defined contribution plan	(981,722)	(865,921)
Wages, salaries and employee benefits	(37,305,237)	(33,023,472)

Post-employment benefits – defined contribution plan reflect the costs related to post-employment benefits both for defined benefit and defined contribution plans.

A breakdown of the actual number of employees at 30 September 2018 and the average number for the period is set out below, as per article 2427 of the Italian Civil Code, calculated by adding the number of employees at the beginning and end of the period and dividing the result by two:

	30.09.2018		30.09.2017	
	reporting date	average	reporting date	average
Managers	26	26	24	23
White collars	583	573	554	536
Blue collars	23	25	27	25
Total	632	624	605	584

The business lease currently in force involved the transfer of 47 employment contracts.

23. Additions to/utilisation of provisions and impairment losses

	Nine months ended	
	30.09.2018	30.09.2017
Net impairment losses on loans and receivables	(6,197)	(19,806)
Additions to provisions for risks and charges	(16,182)	(59,791)
Utilisation and revised estimates of provisions for risks an	20,537	67,535
Additions to/utilisation of provisions and impairment	(1,842)	(12,062)

Utilisation and revised estimates of provisions for risks and charges include the utilisation and revised estimates of the provision for losses to complete contracts.

Reference should be made to note 16 for details of additions to the provisions for risks and charges.

24. Other expenses

	Nine months ended	
	30.09.2018	30.09.2017
Travel expenses	(1,186,263)	(1,167,348)
Leases	(1,628,181)	(1,890,281)
Directors' and statutory auditors' fees	(741,070)	(551,329)
Consulting and other services	(2,492,742)	(2,211,391)
Other personnel costs	(933,965)	(741,034)
Postal expenses	(299,674)	(295,212)
Cleaning and waste disposal services	(214,791)	(233,044)
Advertising	(504,794)	(675,961)
Indirect taxes	(519,942)	(563,852)
Insurance	(306,898)	(407,413)
Membership fees	(79,452)	(84,267)
Prior period expense	(21,327)	(9,225)
General services and other expenses	(769,360)	(557,993)
Other expenses	(9,698,459)	(9,388,350)

Consulting and other services mainly include IT, administrative and commercial consultancy fees.

General services and other expenses include costs for general services, guarantees and settlements in court.

Leases mainly refer to IT equipment, forklift trucks and cars used by employees. These are operating leases pursuant to IAS 17 – Leases and do not entail special commitments for the group companies.

25. Net financial expense

	Nine months ended	
	30.09.2018	30.09.2017
Interest and commission expense on credit facilities	(135,077)	(74,111)
Interest expense on loans and financing	(1,341,233)	(1,417,454)
Interest expense on loans from the ultimate parent	-	(19,889)
Expense on assets held for trading	(119,667)	-
Interest expense on trade payables	(164,467)	-
Financial expense	(1,760,444)	(1,511,454)
Bank interest income	315	18,365
Interest income on loans and receivables - third parties	-	384
Interest income on loans and receivables - related parties	1,668	2,990
Sales of unopted rights	-	79,908
Financial income	1,983	101,647
Net financial expense	(1,758,461)	(1,409,807)

Interest and commission expense refers to interest paid on credit facilities and bank fees.

Interest expense on non-current loans and financing of €1,341,233 comprises the effect of amortised-cost accounting (€1,268,046) and interest accrued under the existing Agreement (€71,649). The remainder relates to foreign companies.

Interest expense on trade payables of €164,467 relates to the amortised-cost measurement of liabilities arising from an advisory services agreement that the parent signed in connection with a long-term engineering contract.

Bank interest income accrued on the current account credit balances.

Interest income on loans and receivables - related parties accrued on the loans granted to the associate Goodmind S.r.l. by Pininfarina Extra S.r.l..

OTHER INFORMATION

Events after the reporting period

On 10 October 2018, the parent's Board of Directors approved the merger of Pininfarina Extra S.r.l. into Pininfarina S.p.A..

There are no other significant events that occurred after the reporting date.

Related party transactions

The table below, which is presented pursuant to Consob communication no. DEM/6064293 of 28 July 2006, summarises related party transactions, including intragroup transactions. These transactions were carried out at market conditions, consistent with the nature of the goods exchanged or services provided. They were neither atypical nor unusual for the purposes of the above-mentioned communication.

	Commercial		Financial		Operating		Financial	
	Assets	Liabilities	Assets	Liabilities	Revenue	Expense	Income	Expense
Goodmind S.r.l.	-	-	102,138	-	5,333	-	1,668	-
Signature S.r.l.	57,452	26,916	550,000	-	98,200	63,674	-	-
Tech Mahindra Ltd	23,318	265,794	-	-	82,318	846,969	-	-
Tech Mahindra GmbH	10,115	-	-	-	93,823	-	-	-
Mahindra&Mahindra Ltd	3,265,864	-	-	-	5,672,515	-	-	-
Mahindra Graphic Research Design S.r.l.	-	121,356	-	-	-	362,685	-	-
Ssangyong Motor Company	-	-	-	-	415,794	-	-	-
Automobili Pininfarina GmbH	2,506,287	-	-	-	2,421,140	-	-	-
Total	5,863,036	414,066	652,138	-	8,789,123	1,273,328	1,668	-

Intragroup transactions include:

- Goodmind S.r.l.: loan agreement with Pininfarina Extra S.r.l. and lease for equipped office premises with the parent, terminated in February 2018;
- Signature S.r.l.: loan agreement with the parent, purchases and sales of goods with Pininfarina Extra S.r.l.;
- Tech Mahindra Ltd: services agreements with Pininfarina Deutschland GmbH, Pininfarina S.p.A. and Pininfarina of America Corp.; sales of goods by Pininfarina Extra S.r.l. and recharge of costs incurred by Pininfarina S.p.A. on the company's behalf.
- Tech Mahindra GmbH: lease agreement for equipped office premises with Pininfarina Deutschland GmbH;

- Mahindra & Mahindra Ltd: brand licence agreement and engineering services agreements with Pininfarina S.p.A. and Pininfarina Engineering S.r.l. and sales of goods and services by Pininfarina Extra S.r.l.;
- Mahindra Graphic Research Design S.r.l.: engineering services agreements with Pininfarina S.p.A. and Pininfarina Engineering S.r.l.;
- Ssangyong Motor Company: design services agreement with Pininfarina S.p.A.;
- Automobili Pininfarina GmbH: lease for equipped office premises with Pininfarina Deutschland GmbH and design and engineering agreement with Pininfarina S.p.A..

In addition to the above figures, Studio Starcllex - Studio Legale Associato Guglielmetti, related to Romina Guglielmetti (director of Pininfarina S.p.A.), provided legal assistance to the parent for €27,000, while Greta Pininfarina provided employee services to Pininfarina Extra S.r.l. for a cost of approximately €14,000.

On 26 September 2018, Pininfarina Engineering S.r.l. signed an engineering services agreement with Mahindra & Mahindra Ltd (“M&M”) for the development of a project to design the upper body systems of the body shell, integration of the body shell with the main operating systems and implementation of the performance requested of a new Mahindra vehicle based on its new platform. Pininfarina Engineering S.r.l. will receive a fee of €10,375,000.00 for its services to be provided over roughly 16 months. This fee qualifies the transaction as a “major transaction” pursuant to the relevant legislation. The services provided are part of the “company’s normal business activities” and are rendered “on an arm’s length basis”.

Directors’ and statutory auditors’ fees

(€'000)	Nine months ended	
	30.09.2018	30.09.2017
Directors	658	468
Statutory auditors	83	83
Total	741	551

Significant non-recurring transactions

As required by Consob communication no. DEM/6064293 of 28 July 2006, the effects of non-recurring events or transactions, i.e., those events or transactions that do not occur frequently during the normal course of business, are shown in the tables below:

	30.09.2018	30.09.2018, net of significant non-recurring transactions
Property, plant and equipment	42,125,411	42,377,837
Investment property	7,478,640	7,478,640
Intangible assets	7,355,925	7,355,925
Equity investments	828,138	298,858
Deferred tax assets	873,703	873,703
Non-current financial assets	652,138	102,138
NON-CURRENT ASSETS	59,313,955	58,487,101
Inventories	477,172	477,172
Contract work in progress	4,191,753	4,191,753
Current financial assets	12,779,511	12,779,511
Derivatives	-	-
Trade receivables and other assets	33,387,301	33,387,301
Cash and cash equivalents	25,435,477	26,081,257
CURRENT ASSETS	76,271,214	76,916,994
Assets held for sale	-	-
TOTAL ASSETS	135,585,169	135,404,095
Share capital and reserves	59,412,490	59,412,490
Profit from continuing operations	2,710,756	2,529,682
EQUITY	62,123,246	61,942,172
Non-current loans and borrowings	25,597,815	25,597,815
Deferred tax liabilities	-	-
Post-employment benefits and other provisions	4,739,043	4,739,043
NON-CURRENT LIABILITIES	30,336,858	30,336,858
Current loans and borrowings	3,690,681	3,690,681
Other financial liabilities	6,135,115	6,135,115
Trade payables	30,020,706	30,020,706
Current tax liabilities	859,577	859,577
Provisions for risks and charges	546,183	546,183
Other liabilities	1,872,803	1,872,803
CURRENT LIABILITIES	43,125,065	43,125,065
TOTAL LIABILITIES	73,461,923	73,461,923
TOTAL LIABILITIES AND EQUITY	135,585,169	135,404,095

	Nine months ended	
	30.09.2018	30.09.2018, net of significant non-recurring transactions
Revenue from sales and services	69,455,754	69,455,754
Internal work capitalised	-	-
Change in finished goods and contract work in progress	2,751,896	2,751,896
Other revenue and income	5,797,442	5,797,442
REVENUE	78,005,092	78,005,092
Net gains on sale of non-current assets and equity investments	184,074	3,000
Raw materials and consumables	(6,268,435)	(6,268,435)
Other variable production costs	(2,062,523)	(2,062,523)
External variable engineering services	(14,780,728)	(14,780,728)
Wages, salaries and employee benefits	(37,305,237)	(37,305,237)
Amortisation and depreciation, impairment losses and provisions	(2,657,118)	(2,657,118)
Net exchange rate losses	(39,434)	(39,434)
Other expenses	(9,698,459)	(9,698,459)
OPERATING PROFIT	5,377,232	5,196,158
Net financial expense	(1,758,461)	(1,758,461)
Share of loss of equity-accounted investees	(49,853)	(49,853)
PROFIT BEFORE TAXES	3,579,026	3,397,952
Income taxes	(868,270)	(868,270)
PROFIT FOR THE PERIOD	2,710,756	2,529,682

The transactions identified as significant and non-recurring are as follows:

- a) Disposal of four property units in Turin.
The impact of this transaction on the net financial position and cash flows amounts to €433,500.
- b) Acquisition of an investment in Signature S.r.l., injection for a future capital increase and loan agreement from the parent.
The impact of this transaction on the net financial position and cash flows amounts to €1,079,280.

Atypical and unusual transactions

As required by Consob communication no. DEM/6064293 of 28 July 2006, the Pininfarina Group specifies that it did not carry out atypical or unusual transactions during the year, as defined in the above-mentioned Communication, according to which atypical and/or unusual transactions are transactions that, because of their significance/material amount, nature of the counterparty, subject, method used to determine the transfer price and timing of the event, could create doubts as to: the accuracy/completeness of the disclosure provided in the financial statements, the existence of a conflict of interest, the safeguarding of corporate assets and the protection of non-controlling investors.

Pininfarina S.p.A.

**Interim separate financial statements
as at and for the nine months ended 30 September 2018**

Statement of financial position

	30.09.2018	31.12.2017
Land and buildings	33,975,964	34,618,826
Land	7,655,314	7,655,314
Buildings	26,320,650	26,963,512
Leased property	-	-
Plant and machinery	4,942,204	4,731,532
Machinery	1,688,581	1,425,392
Plant	3,253,623	3,306,140
Leased machinery and equipment	-	-
Furniture, fixtures and other assets	1,034,417	807,183
Furniture and fixtures	25,413	19,329
Hardware and software	555,305	371,284
Other assets, including vehicles	453,699	416,570
Assets under construction	-	248,803
Property, plant and equipment	39,952,585	40,406,344
Investment property	-	-
Goodwill	-	-
Licences and trademarks	433,635	450,680
Other	5,449,674	-
Intangible assets	5,883,309	450,680
Subsidiaries	21,824,995	21,577,447
Associates	466,210	-
Joint ventures	-	-
Other companies	645	645
Equity investments	22,291,850	21,578,092
Deferred tax assets	-	-
Held-to-maturity investments	-	-
Loans and receivables	2,098,116	1,500,000
Third parties	-	-
Related parties	2,098,116	1,500,000
Available-for-sale financial assets	-	-
Non-current financial assets	2,098,116	1,500,000
TOTAL NON-CURRENT ASSETS	70,225,860	63,935,116
Raw materials	265,803	200,895
Work in progress	-	-
Finished goods	49,132	38,133
Inventories	314,935	239,028
Contract work in progress	797,955	1,168,154
Assets held for trading	12,779,511	-
Loans and receivables	-	-
Third parties	-	-
Related parties	-	-
Available-for-sale financial assets	-	-
Current financial assets	12,779,511	-
Derivatives	-	-
Trade receivables	13,766,447	9,756,817
Third parties	8,390,637	8,948,194
Related parties	5,375,810	808,623
Other assets	7,807,723	12,435,776
Trade receivables and other assets	21,574,170	22,192,593
Cash in hand and cash equivalents	8,831	9,371
Short-term bank deposits	18,009,514	34,054,431
Cash and cash equivalents	18,018,345	34,063,802
TOTAL CURRENT ASSETS	53,484,916	57,663,577
Assets held for sale	-	252,426
TOTAL ASSETS	123,710,776	121,851,119

Statement of financial position

	30.09.2018	31.12.2017
Share capital	54,271,170	54,271,170
Share premium reserve	2,053,660	2,053,660
Reserve for treasury shares	175,697	175,697
Legal reserve	6,063,759	6,033,331
Stock option reserve	1,724,851	1,172,170
Other reserves	2,646,208	2,646,208
Losses carried forward	(6,570,890)	(7,165,362)
Profit for the period/year	2,930,012	608,558
EQUITY	63,294,467	59,795,432
Finance lease liabilities	-	-
Other loans and borrowings	25,492,815	24,224,769
Third parties	25,492,815	24,224,769
Related parties	-	-
Non-current loans and borrowings	25,492,815	24,224,769
Deferred tax liabilities	-	-
Italian post-employment benefits	2,701,426	4,046,976
Other	-	-
Post-employment benefits	2,701,426	4,046,976
TOTAL NON-CURRENT LIABILITIES	28,194,241	28,271,745
Bank overdrafts	-	-
Finance lease liabilities	-	-
Other loans and borrowings	3,824,261	3,828,475
Third parties	3,493,899	3,493,899
Related parties	330,362	334,576
Current loans and borrowings	3,824,261	3,828,475
Wages and salaries payable	1,588,915	1,888,292
Social security charges payable	359,677	1,014,776
Other	465,442	1,012,770
Other financial liabilities	2,414,034	3,915,838
Third parties	12,905,832	13,571,580
Related parties	1,621,161	507,407
Advances for contract work in progress	9,024,515	10,537,040
Trade payables	23,551,508	24,616,027
Direct tax liabilities	-	-
Other tax liabilities	392,796	234,335
Current tax liabilities	392,796	234,335
Derivatives	-	-
Provision for product warranty	53,236	53,243
Restructuring provision	186,454	228,900
Other provisions	299,779	307,124
Provisions for risks and charges	539,469	589,267
Third parties	300,000	600,000
Related parties	1,200,000	-
Other liabilities	1,500,000	600,000
TOTAL CURRENT LIABILITIES	32,222,068	33,783,942
TOTAL LIABILITIES	60,416,309	62,055,687
Liabilities associated with assets held for sale	-	-
TOTAL LIABILITIES AND EQUITY	123,710,776	121,851,119

Pursuant to Consob resolution no. 15519 of 27 July 2006, an ad hoc statement of financial position showing related party transactions has not been prepared as these are already shown in the interim separate financial statements schedules. As for transactions with other related parties, such as directors and statutory auditors, "Trade payables - third parties" include accrued fees for the period of €118,743.

Income statement

	Nine months ended 30.09.2018	<i>Of which: related parties</i>	Nine months ended 30.09.2017	<i>Of which: related parties</i>
Revenue from sales and services	45,199,546	7,275,967	32,191,833	3,890,647
Internal work capitalised	-		-	
Change in inventories and contract work in progress	(359,200)		(14,039)	
Change in contract work in progress	(370,199)		(108,858)	
Change in finished goods and work in progress	10,999		94,819	
Other revenue and income	5,059,505	3,605,333	4,922,175	3,774,000
Revenue	49,899,851	10,881,300	37,099,969	7,664,647
Gains on sale of non-current assets and equity investments	184,074	-	500	-
<i>Gain on sale of equity investments</i>	-		-	
Raw materials and components	(5,963,227)		(5,909,532)	
Change in raw materials	64,908		68,903	
Inventory write-downs	-		-	
Raw materials and consumables	(5,898,319)	-	(5,840,629)	-
Consumables	(915,175)		(952,677)	
External maintenance	(624,275)		(707,929)	
Other variable production costs	(1,539,450)	-	(1,660,606)	-
External variable engineering services	(12,996,420)	(2,488,905)	(3,831,774)	(364,451)
Blue collars, white collars and managers	(16,861,087)		(16,431,833)	
Independent contractors and temporary workers	-		-	
Social security contributions and other post-employment benefits	(758,999)		(788,466)	
Wages, salaries and employee benefits	(17,620,086)	-	(17,220,299)	-
Depreciation of property, plant and equipment and investment property	(1,505,922)		(1,437,335)	
Amortisation of intangible assets	(522,673)		(261,762)	
Losses on sale of non-current assets and equity investments	-		-	
(Additions to)/utilisation of provisions and impairment losses	4,355		7,744	
Amortisation, depreciation and impairment losses	(2,024,240)	-	(1,691,353)	-
Net exchange rate losses	(3,221)		(52,996)	
Other expenses	(5,703,032)	(7,844)	(5,559,293)	
Operating profit	4,299,157	8,384,551	1,243,519	7,300,196
Net financial income (expense)	(1,717,252)	7,914	(1,377,694)	(10,977)
Dividends	776,000	776,000	717,800	717,800
Share of loss of equity-accounted investees	(63,070)		-	
Profit before taxes	3,294,835	9,168,465	583,625	8,007,019
Income taxes	(364,823)		(125,237)	
Profit for the period	2,930,012	9,168,465	458,388	8,007,019

Statement of comprehensive income

	Nine months ended	
	30.09.2018	30.09.2017
Profit for the period	2,930,012	458,388
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
- Actuarial gains on defined benefit plans - IAS 19	16,342	7,122
- Income taxes	-	-
- Other	-	-
Total items of other comprehensive income that will not be reclassified to profit or loss, net of tax effect:	16,342	7,122
Items that will or may be subsequently reclassified to profit or loss:		
- Gains (losses) from translation of financial statements of foreign operations - IAS 21	-	-
- Other	-	-
Total items of other comprehensive income that will be subsequently reclassified to profit or loss, net of tax effect:	-	-
Total other comprehensive income, net of tax effect	16,342	7,122
Comprehensive income	2,946,354	465,510

Pursuant to Consob resolution no. 15519 of 27 July 2006, the effects of related party transactions on the income statement of Pininfarina S.p.A. are shown in the table provided above and in the "Other Information" section of the notes.

Reclassified income statement
(€'000)

	Nine months ended					
	30.09.2018	%	30.09.2017	%	Variation	2017
Revenue from sales and services	45,200	90.58	32,192	86.77	13,008	46,592
Change in inventories and contract work in progress	(359)	(0.72)	(14)	(0.04)	(345)	312
Other revenue and income	5,059	10.14	4,922	13.27	137	6,568
Revenue	49,900	100.00	37,100	100.00	12,800	53,472
Net gains on the sale of non-current assets	184	0.37	1	-	183	137
Materials and services (*)	(26,206)	(52.52)	(17,015)	(45.86)	(9,191)	(25,316)
Change in raw materials	65	0.13	69	0.19	(4)	85
Value added	23,943	47.98	20,155	54.33	3,788	28,378
Labour cost (**)	(17,620)	(35.31)	(17,220)	(46.42)	(400)	(23,747)
Gross operating profit	6,323	12.67	2,935	7.91	3,388	4,631
Amortisation and depreciation	(2,028)	(4.06)	(1,699)	(4.58)	(329)	(2,233)
(Additions to)/utilisation of provisions and impairment losses	4	0.01	8	0.02	(4)	(186)
Operating profit	4,299	8.62	1,244	3.35	3,055	2,212
Net financial expense	(941)	(1.89)	(660)	(1.78)	(281)	(1,361)
Share of loss of equity-accounted investees	(63)	(0.13)	-	-	(63)	-
Profit before taxes	3,295	6.60	584	1.57	2,711	851
Income taxes	(365)	(0.73)	(126)	(0.34)	(239)	(242)
Profit for the period/year	2,930	5.87	458	1.23	2,472	609

(*) **Materials and services** are net of utilisations of the provisions for product warranty and risks (€1.3 thousand and €2.9 thousand for the first nine months of 2017 and 2018, respectively).

(**) **Labour cost** is net of utilisations of the restructuring provision (€6.9 thousand and €42.4 thousand for the first nine months of 2017 and 2018, respectively).

As required by Consob resolution no. DEM/6064293 of 28 July 2006, a reconciliation of the data in the separate financial statements with those in the reclassified schedules is provided below:

- Materials and services include raw materials and components, other variable production costs, external variable engineering services, exchange rate gains and losses and other expenses.
- Amortisation and depreciation comprise amortisation of intangible assets and depreciation of property, plant and equipment and investment property.
- (Additions to)/utilisation of provisions and impairment losses include additions to/utilisation of provisions, impairment losses and inventory write-downs.
- Net financial expense comprises net financial expense and dividends.

Reclassified statement of financial position
(€'000)

	30.09.2018	31.12.2017	Variation	30.09.2017
Net non-current assets (A)				
Net intangible assets	5,883	451	5,432	468
Net property, plant and equipment and investment property	39,953	40,406	(453)	40,203
Equity investments	22,292	21,578	714	21,578
Total A	68,128	62,435	5,693	62,249
Working capital (B)				
Inventories	1,113	1,407	(294)	1,065
Net trade receivables and other assets	21,574	22,193	(619)	10,782
Assets held for sale	-	252	(252)	-
Trade payables	(23,552)	(24,616)	1,064	(16,231)
Provisions for risks and charges	(539)	(589)	50	(398)
Other liabilities	(4,308)	(4,750)	442	(5,205)
Total B	(5,712)	(6,103)	391	(9,987)
Net invested capital (C=A+B)	62,416	56,332	6,084	52,262
Post-employment benefits (D)	2,701	4,047	(1,346)	4,035
Net capital requirements (E=C-D)	59,715	52,285	7,430	48,227
Equity (F)	63,294	59,795	3,499	59,474
Net financial (position) debt (G)				
Non-current loans and borrowings	23,395	22,725	670	25,758
Net current financial position	(26,974)	(30,235)	3,261	(37,005)
Total G	(3,579)	(7,510)	3,931	(11,247)
Total as in E (H=F+G)	59,715	52,285	7,430	48,227

Net financial position
(€'000)

	30.09.2018	31.12.2017	Variation	30.09.2017
Cash and cash equivalents	18,018	34,064	(16,046)	40,631
Current assets held for trading	12,780	-	12,780	-
Current finance lease liabilities	-	-	-	-
Loans and borrowings - related parties	(330)	(335)	5	(258)
Current portion of bank loans and borrowings	(3,494)	(3,494)	-	(3,368)
Net current financial position	26,974	30,235	(3,261)	37,005
Non-current loans and receivables - related parties	2,098	1,500	598	1,500
Non-current finance lease liabilities	-	-	-	-
Non-current bank loans and borrowings	(25,493)	(24,225)	(1,268)	(27,258)
Non-current loans and borrowings	(23,395)	(22,725)	(670)	(25,758)
NET FINANCIAL POSITION	3,579	7,510	(3,931)	11,247

Statement of changes in equity

	31.12.2016	Comprehensive income	Stock option reserve	Allocation of prior year profit	Proceeds from the issue of shares	Capital increase transaction costs	30.09.2017
Share capital	30,150,694	-	-	-	24,120,476	-	54,271,170
Share premium reserve	-	-	-	-	2,412,047	(358,387)	2,053,660
Reserve for treasury shares	175,697	-	-	-	-	-	175,697
Legal reserve	6,033,331	-	-	-	-	-	6,033,331
Stock option reserve	157,793	-	828,126	-	-	-	985,919
Other reserves	2,646,208	-	-	-	-	-	2,646,208
Losses carried forward	(30,424,802)	7,122	-	23,267,243	-	-	(7,150,437)
Profit for the period/year	23,267,243	458,388	-	(23,267,243)	-	-	458,388
EQUITY	32,006,164	465,510	828,126	-	26,532,523	(358,387)	59,473,936

	31.12.2017	Comprehensive income	Stock option reserve	Allocation of prior year profit	Proceeds from the issue of shares	Capital increase transaction costs	30.09.2018
Share capital	54,271,170	-	-	-	-	-	54,271,170
Share premium reserve	2,053,660	-	-	-	-	-	2,053,660
Reserve for treasury shares	175,697	-	-	-	-	-	175,697
Legal reserve	6,033,331	-	-	30,428	-	-	6,063,759
Stock option reserve	1,172,170	-	552,681	-	-	-	1,724,851
Other reserves	2,646,208	-	-	-	-	-	2,646,208
Losses carried forward	(7,165,362)	16,342	-	578,130	-	-	(6,570,890)
Profit for the period/year	608,558	2,930,012	-	(608,558)	-	-	2,930,012
EQUITY	59,795,432	2,946,354	552,681	-	-	-	63,294,467

Statement of cash flows

	Nine months ended	
	30.09.2018	30.09.2017
Profit for the period	2,930,012	458,388
<i>Adjustments:</i>		
- Income taxes	364,823	122,275
- Depreciation of property, plant and equipment and investment property	1,505,922	1,437,335
- Amortisation of intangible assets	522,673	261,762
- Impairment losses, provisions and change in accounting estimates	(108,332)	(216,266)
- Gains on the sale of non-current assets	(184,074)	(500)
- Financial expense	1,725,171	1,485,341
- Financial income	(7,919)	(107,647)
- Dividends	(776,000)	(717,800)
- Other adjustments	526,700	908,034
Total adjustments	3,568,964	3,172,534
<i>Change in working capital:</i>		
- Increase in inventories	(69,296)	(145,956)
- Decrease in contract work in progress	370,199	108,858
- Increase in trade receivables and other assets	(510,064)	(688,110)
- (Increase)/decrease in trade receivables - related parties	(4,567,187)	85,161
- Increase/(decrease) in trade payables, other financial liabilities and other liabilities	(2,366,337)	2,876,730
- Increase in trade payables - related parties	1,113,754	262,234
- Increase/(decrease) in advances for contract work in progress and deferred income	(1,512,525)	3,483,365
- Other changes	(192,870)	-
Total changes in working capital	(7,734,326)	5,982,282
Gross cash flows from (used in) operating activities	(1,235,350)	9,613,204
- Financial expense	(172,991)	(127,939)
- Income taxes	(354,824)	-
NET CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES	(1,763,165)	9,485,265
- Purchases of non-current assets and equity investments	(1,977,282)	(1,424,071)
- Proceeds from the sale of non-current assets and equity investments	436,500	500
- Increase in loans and receivables - third parties	-	-
- Increase in loans and receivables - related parties	(550,000)	-
- Repayment of loans and receivables - third parties	-	-
- Repayment of loans and receivables - related parties	7,079	195,215
- Proceeds from the sale of assets held for trading	(12,974,594)	-
- Financial income	5	18,827
- Dividends collected	776,000	717,800
- Other changes	-	-
CASH FLOWS USED IN INVESTING ACTIVITIES	(14,282,292)	(491,729)
- Proceeds from the issue of shares	-	10,488,634
- Increase in finance lease liabilities and other loans and borrowings - third parties	-	-
- Increase in other loans and borrowings - related parties	-	-
- Repayment of finance lease liabilities and other loans and borrowings - third parties	-	-
- Repayment of other loans and borrowings - related parties	-	-
- Dividends paid	-	-
- Other changes	-	-
CASH FLOWS FROM FINANCING ACTIVITIES	-	10,488,634
TOTAL CASH FLOWS	(16,045,457)	19,482,170
Opening net cash and cash equivalents	34,063,802	21,149,281
Closing net cash and cash equivalents	18,018,345	40,631,451
<i>Of which:</i>		
- Cash and cash equivalents	18,018,345	40,631,451
- Bank overdrafts	-	-

Pursuant to Consob resolution no. 15519 of 27 July 2006, the effects of related party transactions are shown in the "Other information" section of the notes.

OTHER INFORMATION

Events after the reporting period

On 10 October 2018, the company's Board of Directors approved the merger of Pininfarina Extra S.r.l. into Pininfarina S.p.A..

There are no other significant events that occurred after the reporting date.

Related party transactions

The table below, which is presented pursuant to Consob communication no. DEM/6064293 of 28 July 2006, summarises related party transactions, including intragroup transactions. These transactions were carried out at market conditions, consistent with the nature of the goods exchanged or services provided. They were neither atypical nor unusual for the purposes of the above-mentioned communication.

	Commercial		Financial		Operating		Financial	
	Assets	Liabilities	Assets	Liabilities	Revenue	Expense	Income	Expense
Goodmind S.r.l.	-	-	-	-	5,333	-	-	-
Signature S.r.l.	-	-	550,000	-	-	-	-	-
Pininfarina Extra S.r.l.	98,985	11,717	47,281	330,362	261,141	169,091	776,000	-
Pininfarina Engineering S.r.l.	2,556,213	1,343,650	-	-	2,050,232	1,103,004	-	-
Pininfarina Deutschland GmbH	-	-	1,500,835	-	-	-	7,914	-
Pininfarina Shanghai Co. Ltd	77,450	-	-	-	106,270	15,000	-	-
Tech Mahindra (Shanghai) Co Ltd	-	-	-	-	-	-	-	-
Tech Mahindra Ltd	7,200	265,794	-	-	37,360	846,969	-	-
Mahindra&Mahindra Limited	133,364	-	-	-	5,614,223	-	-	-
Mahindra Europe S.r.l.	-	-	-	-	1,364	-	-	-
Mahindra Graphic Research Design S.r.l.	-	-	-	-	-	362,685	-	-
Automobili Pininfarina GmbH	2,502,598	-	-	-	2,389,583	-	-	-
Ssangyong Motor Company	-	-	-	-	415,794	-	-	-
Total	5,375,810	1,621,161	2,098,116	330,362	10,881,300	2,496,749	783,914	-

Intragroup transactions include:

- Goodmind S.r.l.: lease for equipped office premises terminated in February 2018;
- Signature S.r.l.: loan agreement;
- Pininfarina Extra S.r.l.: lease for equipped office premises and services agreements. The financial liability with Pininfarina Extra S.r.l. relates to the national tax consolidation agreement;
- Pininfarina Engineering S.r.l.: sale of goods to furnish its offices during the construction phase, lease for the equipped premises and services agreements;
- Pininfarina Deutschland GmbH: loan agreement;
- Pininfarina Shanghai Co Ltd: services agreement;
- Tech Mahindra Ltd: services agreement;
- Mahindra & Mahindra Ltd: brand licence agreement and engineering services agreements;
- Mahindra Graphic Research Design S.r.l.: engineering services agreements
- Automobili Pininfarina GmbH: design and engineering agreement;
- Ssangyong Motor Company: design services agreement

In addition to the above figures, Studio Starcllex - Studio Legale Associato Guglielmetti, related to Romina Guglielmetti (director of Pininfarina S.p.A.), provided legal assistance to the company for €27,000.

Directors' and statutory auditors' fees

	Nine months ended	
(€'000)	30.09.2018	30.09.2017
Directors	463	273
Statutory auditors	76	76
Total	539	349

The total fees to Pininfarina S.p.A.'s key management personnel approximate €1.1 million for the first nine months of 2018.

Significant non-recurring transactions

As required by Consob communication no. DEM/6064293 of 28 July 2006, the effects of non-recurring events or transactions, i.e., those events or transactions that do not occur frequently during the normal course of business, are shown in the tables below:

	30.09.2018	30.09.2018 net of significant non- recurring transactions
Property, plant and equipment	39,952,585	40,237,725
Intangible assets	5,883,309	6,007,783
Equity investments	22,291,850	21,515,022
Non-current financial assets	2,098,116	1,548,116
NON-CURRENT ASSETS	70,225,860	69,308,646
Inventories	314,935	314,935
Contract work in progress	797,955	797,955
Current financial assets	12,779,511	12,779,511
Trade receivables and other assets	21,574,170	21,518,499
Assets held for sale	-	-
Cash and cash equivalents	18,018,345	21,426,178
CURRENT ASSETS	53,484,916	56,837,078
TOTAL ASSETS	123,710,776	126,145,724
Share capital and reserves	60,364,455	60,364,455
Profit for the period	2,930,012	2,748,938
EQUITY	63,294,467	63,113,393
Non-current loans and borrowings	25,492,815	25,492,815
Post-employment benefits and other provisions	2,701,426	3,993,082
NON-CURRENT LIABILITIES	28,194,241	29,485,897
Current loans and borrowings	3,824,261	3,824,261
Other financial liabilities	2,414,034	3,569,522
Trade payables	23,551,508	23,720,386
Current tax liabilities	392,796	392,796
Provisions for risks and charges	539,469	539,469
Other liabilities	1,500,000	1,500,000
CURRENT LIABILITIES	32,222,068	33,546,434
TOTAL LIABILITIES	60,416,309	63,032,331
TOTAL LIABILITIES AND EQUITY	123,710,776	126,145,724

	Nine months ended	
	30.09.2018	30.09.2018 net of significant non- recurring transactions
Revenue from sales and services	45,199,546	45,199,546
Internal work capitalised	-	-
Change in inventories and contract work in progress	(359,200)	(359,200)
Other revenue and income	5,059,505	5,059,505
Revenue	49,899,851	49,899,851
Gains on sale of non-current assets and equity investments	184,074	3,000
Raw materials and consumables	(5,898,319)	(5,898,319)
Other variable production costs	(1,539,450)	(1,539,450)
External variable engineering services	(12,996,420)	(12,996,420)
Wages, salaries and employee benefits	(17,620,086)	(17,620,086)
Amortisation, depreciation and impairment losses	(2,024,240)	(2,024,240)
Net exchange rate losses	(3,221)	(3,221)
Other expenses	(5,703,032)	(5,703,032)
Operating profit	4,299,157	4,118,083
Net financial expense	(1,717,252)	(1,717,252)
Gain on the extinguishment of financial liabilities	-	-
Dividends	776,000	776,000
Share of loss of equity-accounted investees	(63,070)	(63,070)
Profit before taxes	3,294,835	3,113,761
Income taxes	(364,823)	(364,823)
Profit for the period	2,930,012	2,748,938

The transactions identified as significant and non-recurring are as follows:

- a) Disposal of four property units in Turin.
The impact of this transaction on the net financial position and cash flows amounts to €433,500.
- b) Acquisition of an investment in Signature S.r.l., injection for a future capital increase and loan agreement from the parent.
The impact of this transaction on the net financial position and cash flows amounts to €1,079,280.
- c) Incorporation of Pininfarina Engineering S.r.l. and contribution of the “Engineering” business unit.
The impact of this transaction on the net financial position and cash flows amounts to €2,762,053.

Atypical and unusual transactions

As required by Consob communication no. DEM/6064293 of 28 July 2006, the Pininfarina Group specifies that it did not carry out atypical or unusual transactions during the year, as defined in the above-mentioned Communication, according to which atypical and/or unusual transactions are transactions that, because of their significance/material amount, nature of the counterparty, subject, method used to determine the transfer price and timing of the event, could create doubts as to: the accuracy/completeness of the disclosure provided in the financial statements, the existence of a conflict of interest, the safeguarding of corporate assets and the protection of non-controlling investors.