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

# PININFARINA GROUP

# Interim financial report at 30 June 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 June 2018 on 2 August 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.

## CONTENTS

## Pininfarina Group

## Directors' report

**Operating and financial performance**

The most significant issues that arise from a comparison of the H1 2018 and H1 2017 consolidated financial figures include the increase in revenue and the strong improvement in gross operating profit, operating profit and profit for the period. The net financial position remained positive and equity increased as a result of the profit for the period. In particular:

- revenue jumped by 39.6% on the first half of 2017, thanks to the greater contribution of all automotive segments;
- the gross operating profit more than tripled compared to the first half of 2017, mainly due to the contributions of the Italian and Chinese operations. As a result, the operating profit also improved significantly;
- compared to the first six months of 2017, the Group's Italian automotive operations show an increase in revenue and profit margins while the German subsidiaries recorded a decrease in revenue and, hence, operating losses. The Chinese operations continued to grow as did the industrial design segment;
- net financial expense, mainly comprising unrealised interest expense, rose by 30%;
- the profit for the period came to €3.1 million compared to a loss of €0.6 million for the six months ended 30 June 2017;
- the Group's equity, which includes the profit for the period, increased compared to 31 December 2017 while its net financial position, albeit decreasing over the previous year end, remained positive.

Specifically, revenue came to €55.3 million for the reporting period compared to €39.6 million for the corresponding period of 2017 (+39.6%).

The gross operating profit amounts to €7.0 million, compared to €2.2 million for the first six months of 2017. The operating profit increased to €5.1 million from €0.7 million in the corresponding period of the previous year.

Net financial expense rose to €1.3 million from €1.0 million for the first six 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 €3.8 million, compared to a loss of €0.3 million for the six months ended 30 June 2017. The profit for the period (net of taxes of €0.7 million) totals €3.1 million, compared to the €0.6 million loss for the first half of 2017.

The net financial position decreased to €3.8 million from €12 million at 31 December 2017 (€8.3 million at 30 June 2017). The 8.2 million decrease is mainly due to working capital trends, with significant amounts collected a few days after the reporting date.

Equity attributable to the owners of the parent increased from €58.8 million at 31 December 2017 to €62.3 million (€56.5 million at 30 June 2017) mostly as a result of the profit for the period.

The headcount increased by 34 units from 592 at 30 June 2017 to 626 at the reporting date.

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, whereby the parent (the transferor) 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 transferee).

The transfer became effective on 1 July 2018.

The above transaction is part of the parent’s investment streamlining policy, aimed at gathering the Group’s various operations into single legal entities. The incorporation of a special company that received the Italian and, indirectly, through the transfer of the investment in Pinfarina Deutschland Holding, the German engineering operations, will improve the Group’s management efficiency, including thanks to the integration between the technical and human resources already based and active in Italy and Germany and those of the Mahindra Group based in India.

**Performance by business segment**

The corporate reorganisation discussed above did not affect the classification of operating segments at the reporting date, as it took effect on 1 July 2018. Accordingly, the information provided below is consistent with the previous reporting periods.

**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 mainly bears the costs of the parent’s support and property management departments. It recognised revenue of €4.1 million (€5.8 million in H1 2017), down 29% mainly as a result of the one-off sale of rights to a concept car in Q1 2016.

The segment’s operating loss amounts to €2.3 million in line with the same period of 2017.

**Design & Engineering segment**

This segment, comprising the design and engineering businesses, recognised revenue of €51.2 million, rocketing by 51.5% compared to the first six months of 2017 (€33.8 million), principally due to the activities carried by the parent. The increase was mainly driven by the rise in services provided to non-EU countries and related to the progress of the large contracts acquired in the previous year, as well as Italian services provided to important customers in the automotive segment.

The segment’s operating profit increased to €7.4 million, compared to €3 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 61 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 51-52 and 64-65 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.

**Outlook for 2017**

Consolidated revenue, the operating profit and net financial position are all expected to improve in 2018 compared to the previous year.

2 August 2018

Chairman
of the Board of Directors
(Paolo Pininfarina)
(signed on the original)

## Group companies

**Pininfarina S.p.A.**

| €'million | 30.06.2018 | 30.06.2017 | Variation | 31.12.2017 |
|---|---|---|---|---|
| Revenue | 37.6 | 22.5 | 15.1 | |
| Operating profit | 3.8 | 0.0 | 3.8 | |
| Profit (loss) for the period | 3.2 | (0.3) | 3.5 | |
| Net financial position (debt) | (0.6) | 5.7 | (6.3) | 7.5 |
| Equity | 63.4 | 58.5 | 4.9 | 59.8 |
| Number of employees at the reporting date | 321 | 287 | 34 | 303 |

**Pininfarina Extra Group**

| €'million | 30.06.2018 | 30.06.2017 | Variation | 31.12.2017 |
|---|---|---|---|---|
| Revenue | 4.7 | 4.3 | 0.4 | |
| Operating profit | 1.3 | 0.9 | 0.4 | |
| Profit for the period | 1.0 | 0.6 | 0.4 | |
| Net financial position | 4.4 | 3.3 | 1.1 | 3.8 |
| Equity | 7.5 | 6.3 | 1.2 | 7.2 |
| Number of employees at the reporting date | 45 | 38 | 7 | 40 |

**Pininfarina Deutschland Group**

| €'million | 30.06.2018 | 30.06.2017 | Variation | 31.12.2017 |
|---|---|---|---|---|
| Revenue | 10.1 | 11.3 | (1.2) | |
| Operating loss | (0.8) | (0.4) | (0.4) | |
| Loss for the period | (0.8) | (0.3) | (0.5) | |
| Net financial debt | (1.0) | (1.1) | 0.1 | (0.1) |
| Equity | 17.3 | 18.3 | (1.0) | 18.1 |
| Number of employees at the reporting date | 224 | 240 | (16) | 233 |

**Pininfarina Shanghai Co Ltd**

| €'million | 30.06.2018 | 30.06.2017 | Variation | 31.12.2017 |
|---|---|---|---|---|
| Revenue | 3.4 | 1.9 | 1.5 | |
| Operating profit | 0.8 | 0.1 | 0.7 | |
| Profit for the period | 0.5 | 0.1 | 0.4 | |
| Net financial position | 1.0 | 0.5 | 0.5 | 0.8 |
| Equity | 1.5 | 0.7 | 0.8 | 1.0 |
| Number of employees at the reporting date | 36 | 27 | 9 | 34 |

**Pininfarina Engineering S.r.l.**, incorporated on 14 May 2018, was still inactive at the reporting date. Both its equity and cash and cash equivalents amounted to €50 thousand.

# Reclassified income statement

(€'000)

| | First half 2018 | % | First half 2017 | % | Variation | 2017 |
|---|---|---|---|---|---|---|
| Revenue from sales and services | 48,457 | 87.67 | 34,546 | 87.18 | 13,911 | 79,642 |
| Change in inventories and contract work in progress | 2,934 | 5.31 | 1,423 | 3.60 | 1,511 | 50 |
| Other revenue and income | 3,878 | 7.02 | 3,658 | 9.22 | 220 | 7,410 |
| **Revenue** | **55,269** | **100.00** | **39,627** | **100.00** | **15,642** | **87,102** |
| **Net gains on the sale of non-current assets** | **184** | **0.33** | **1** | **-** | **183** | **137** |
| Materials and services (*) | (23,426) | (42.38) | (15,439) | (38.96) | (7,987) | (35,245) |
| Change in raw materials | 83 | 0.15 | 76 | 0.19 | 7 | 85 |
| **Value added** | **32,110** | **58.10** | **24,265** | **61.23** | **7,845** | **52,079** |
| Labour cost (**) | (25,128) | (45.47) | (22,082) | (55.72) | (3,046) | (44,596) |
| **Gross operating profit** | **6,982** | **12.63** | **2,183** | **5.51** | **4,799** | **7,483** |
| Amortisation and depreciation | (1,894) | (3.43) | (1,514) | (3.82) | (380) | (3,023) |
| (Additions to)/utilisation of provisions and impairment losses | (2) | 0.00 | (12) | (0.03) | 10 | (232) |
| **Operating profit** | **5,086** | **9.20** | **657** | **1.66** | **4,429** | **4,228** |
| Net financial expense | (1,272) | (2.30) | (986) | (2.50) | (286) | (2,107) |
| Share of profit (loss) of equity-accounted investees | (34) | (0.06) | 7 | 0.02 | (41) | 12 |
| **Profit (loss) before taxes** | **3,780** | **6.84** | **(322)** | **(0.82)** | **4,102** | **2,133** |
| Income taxes | (676) | (1.23) | (282) | (0.71) | (394) | (821) |
| **Profit (loss) for the period/year** | **3,104** | **5.61** | **(604)** | **(1.53)** | **3,708** | **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 H1 2017 and H1 2018, respectively).
(**) **Labour cost** is net of utilisations of the restructuring provision (€4.6 thousand and €39.3 thousand for H1 2017 and H1 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 June 2018 are reconciled with the Group’s relevant figures below.

| | Profit (loss) for the period | | Equity | |
|---|---|---|---|---|
| | First half 2018 | First half 2017 | 30.06.2018 | 30.06.2017 |
| **Pininfarina S.p.A.'s interim separate financial statements** | **3,151,609** | **(277,388)** | **63,316,497** | **58,520,225** |
| - Subsidiaries' contribution | 722,514 | 384,476 | 4,722,532 | 3,726,675 |
| - 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 (loss) of equity-accounted investees | 6,047 | 7,150 | 6,047 | 7,150 |
| **Consolidated financial statements** | **3,104,170** | **(603,562)** | **62,339,520** | **56,548,494** |

## Reclassified statement of financial position

(€'000)

| | 30.06.2018 | 31.12.2017 | Variation | 30.06.2017 |
|---|---|---|---|---|
| **Net non-current assets (A)** | | | | |
| Net intangible assets | 7,158 | 1,672 | 5,486 | 1,684 |
| Net property, plant and equipment and investment property | 49,520 | 49,557 | (563) | 49,679 |
| Equity investments | 844 | 349 | 495 | 344 |
| **Total A** | **57,522** | **51,578** | **5,418** | **51,707** |
| **Working capital (B)** | | | | |
| Inventories | 4,892 | 1,876 | 3,016 | 3,233 |
| Net trade receivables and other assets | 38,427 | 31,439 | 6,988 | 20,781 |
| Assets held for sale | - | 252 | (252) | - |
| Deferred tax assets | 874 | 881 | (7) | 885 |
| Trade payables | (27,948) | (26,784) | (1,238) | (14,563) |
| Provisions for risks and charges | (549) | (596) | 47 | (414) |
| Other liabilities (*) | (9,905) | (7,010) | (2,295) | (8,506) |
| **Total B** | **5,791** | **58** | **6,259** | **1,416** |
| **Net invested capital (C=A+B)** | **63,313** | **51,636** | **11,677** | **53,123** |
| **Post-employment benefits (D)** | **4,737** | **4,789** | **(52)** | **4,846** |
| **Net capital requirements (E=C-D)** | **58,576** | **46,847** | **11,729** | **48,277** |
| **Equity (F)** | **62,340** | **58,803** | **3,537** | **56,548** |
| **Net financial (position) debt (G)** | | | | |
| Non-current loans and borrowings | 24,525 | 24,275 | 250 | 26,846 |
| Net current financial position | (28,289) | (36,231) | 7,942 | (35,117) |
| **Total G** | **(3,764)** | **(11,956)** | **8,192** | **(8,271)** |
| **Total as in E (H=F+G)** | **58,576** | **46,847** | **11,729** | **48,277** |

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

## Net financial position

(€'000)

| | 30.06.2018 | 31.12.2017 | Variation | 30.06.2017 |
|---|---|---|---|---|
| Cash and cash equivalents | 19,335 | 39,785 | (20,450) | 38,545 |
| Current assets held for trading | 12,508 | - | 12,508 | - |
| Current finance lease liabilities | - | - | - | - |
| Loans and borrowings - related parties and joint ventures | - | - | - | - |
| Current portion of bank loans and borrowings | (3,554) | (3,554) | - | (3,428) |
| **Net current financial position** | **28,289** | **36,231** | **(7,942)** | **35,117** |
| Non-current loans and receivables - third parties | - | - | - | - |
| Non-current loans and receivables - related parties | 652 | 100 | 552 | 132 |
| Non-current held-to-maturity investments | - | - | - | - |
| Non-current finance lease liabilities | - | - | - | - |
| Non-current bank loans and borrowings | (25,177) | (24,375) | (802) | (26,978) |
| **Non-current loans and borrowings** | **(24,525)** | **(24,275)** | **(250)** | **(26,846)** |
| **NET FINANCIAL POSITION** | **3,764** | **11,956** | **(8,192)** | **8,271** |

## Net financial position (Consob)

## (CESR recommendations no. 05-04b – EU Regulation no. 809/2004)

(€'000)

| | 30.06.2018 | 31.12.2017 | Variation | 30.06.2017 |
|---|---|---|---|---|
| Cash | (19,335) | (39,785) | 20,450 | (38,545) |
| Other cash equivalents | - | - | - | - |
| Securities held for trading | (12,508) | - | (12,508) | - |
| ***Total cash and cash equivalents (A.)+(B.)+(C.)*** | ***(31,843)*** | ***(39,785)*** | ***7,942*** | ***(38,545)*** |
| ***Current loan assets*** | - | - | - | - |
| **Current bank loans and borrowings** | - | - | - | - |
| *Current portion of secured bank loans* | 60 | 60 | - | - |
| *Current portion of unsecured bank loans* | 3,494 | 3,494 | - | 3,428 |
| **Current portion of non-current debt** | **3,554** | **3,554** | - | **3,428** |
| Other current loans and borrowings | - | - | - | - |
| ***Current financial debt (F.)+(G.)+(H.)*** | ***3,554*** | ***3,554*** | - | ***3,428*** |
| ***Net current financial position*** | ***(28,289)*** | ***(36,231)*** | ***7,942*** | ***(35,117)*** |
| *Non-current portion of secured bank loans* | 120 | 150 | (30) | 285 |
| *Non-current portion of unsecured bank loans* | 25,057 | 24,225 | 832 | 26,693 |
| **Non-current bank loans and borrowings** | **25,177** | **24,375** | **802** | **26,978** |
| Bonds issued | - | - | - | - |
| Other non-current loans and borrowings | - | - | - | - |
| ***Net non-current financial debt (K.)+(L.)+(M.)*** | ***25,177*** | ***24,375*** | ***802*** | ***26,978*** |
| **Net financial position (J+N)** | **(3,112)** | **(11,856)** | **8,744** | **(8,139)** |

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 June 2018: €652 thousand
- At 31 December 2017: €100 thousand
- At 30 June 2017: €132 thousand

# Pininfarina Group

# Condensed interim consolidated financial statements as at and for the six months ended 30 June 2018

## Statement of financial position

| | Note | 30.06.2018 | 31.12.2017 |
|---|---|---|---|
| Land and buildings | 1 | 34,080,169 | 34,629,271 |
| Land | | 7,655,314 | 7,655,314 |
| Buildings | | 26,424,855 | 26,973,957 |
| Leased property | | - | - |
| Plant and machinery | 1 | 4,999,704 | 4,806,912 |
| Machinery | | 1,707,704 | 1,425,392 |
| Plant | | 3,292,000 | 3,381,520 |
| Leased machinery and equipment | | - | - |
| Furniture, fixtures and other assets | 1 | 2,274,647 | 2,120,014 |
| Furniture and fixtures | | 854,518 | 886,083 |
| Hardware and software | | 820,662 | 700,913 |
| Other assets, including vehicles | | 599,467 | 533,018 |
| Assets under construction | | 595,637 | 248,803 |
| **Property, plant and equipment** | | **41,950,157** | **41,805,000** |
| **Investment property** | **2** | **7,569,734** | **7,751,920** |
| Goodwill | 3 | 1,043,495 | 1,043,495 |
| Licences and trademarks | 3 | 601,299 | 554,097 |
| Other | 3 | 5,513,258 | 74,653 |
| **Intangible assets** | | **7,158,052** | **1,672,245** |
| Associates | 4 | 591,951 | 96,694 |
| Joint ventures | | - | - |
| Other companies | 5 | 252,017 | 252,017 |
| **Equity investments** | | **843,968** | **348,711** |
| **Deferred tax assets** | **16** | **873,781** | **880,553** |
| Held-to-maturity investments | | - | - |
| Loans and receivables | 6 | 651,576 | 100,470 |
| Third parties | | - | - |
| Related parties | | 651,576 | 100,470 |
| Available-for-sale financial assets | | - | - |
| **Non-current financial assets** | | **651,576** | **100,470** |
| **TOTAL NON-CURRENT ASSETS** | | **59,047,268** | **52,558,899** |
| Raw materials | | 284,239 | 200,895 |
| Work in progress | | - | - |
| Finished goods | | 177,536 | 191,854 |
| **Inventories** | **7** | **461,775** | **392,749** |
| **Contract work in progress** | **8** | **4,429,868** | **1,483,347** |
| Assets held for trading | | 12,507,673 | - |
| Loans and receivables | | - | - |
| Third parties | | - | - |
| Related parties | | - | - |
| Available-for-sale financial assets | | - | - |
| **Current financial assets** | | **12,507,673** | **-** |
| **Derivatives** | | **-** | **-** |
| Trade receivables | 9 | 27,362,320 | 17,988,325 |
| Third parties | | 22,414,855 | 17,366,866 |
| Related parties | | 4,947,465 | 621,459 |
| Other assets | 10 | 11,064,574 | 13,450,528 |
| **Trade receivables and other assets** | | **38,426,894** | **31,438,853** |
| Cash in hand and cash equivalents | | 67,787 | 17,254 |
| Short-term bank deposits | | 19,267,000 | 39,767,360 |
| **Cash and cash equivalents** | **11** | **19,334,787** | **39,784,614** |
| **TOTAL CURRENT ASSETS** | | **75,160,997** | **73,099,563** |
| **Assets held for sale** | | **-** | **252,426** |
| **TOTAL ASSETS** | | **134,208,265** | **125,910,888** |

## Statement of financial position

| | Note | 30.06.2018 | 31.12.2017 |
|---|---|---|---|
| Share capital | 12 | 54,271,170 | 54,271,170 |
| Share premium reserve | 12 | 2,053,660 | 2,053,660 |
| Reserve for treasury shares | 12 | 175,697 | 175,697 |
| Legal reserve | 12 | 6,063,759 | 6,033,331 |
| Stock option reserve | 12 | 1,538,600 | 1,172,170 |
| Translation reserve | 12 | (1,688) | (50,950) |
| Other reserves | 12 | 2,646,208 | 2,646,208 |
| Losses carried forward | 12 | (7,512,056) | (8,810,453) |
| Profit for the period/year | 12 | 3,104,170 | 1,311,709 |
| EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT | | 62,339,520 | 58,802,542 |
| Equity attributable to non-controlling interests | | - | - |
| **EQUITY** | | **62,339,520** | **58,802,542** |
| Finance lease liabilities | | - | - |
| Other loans and borrowings | | 25,176,518 | 24,374,769 |
| Third parties | | 25,176,518 | 24,374,769 |
| Related parties | | - | - |
| **Non-current loans and borrowings** | **13** | **25,176,518** | **24,374,769** |
| **Deferred tax liabilities** | **16** | **174** | **2,915** |
| Italian post-employment benefits | | 4,737,344 | 4,789,063 |
| Other | | - | - |
| **Post-employment benefits** | | **4,737,344** | **4,789,063** |
| **TOTAL NON-CURRENT LIABILITIES** | | **29,914,036** | **29,166,747** |
| Bank overdrafts | | - | - |
| 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** | **13** | **3,553,899** | **3,553,899** |
| Wages and salaries payable | | 3,640,300 | 2,554,857 |
| Social security charges payable | | 815,741 | 1,225,841 |
| Other | | 1,087,413 | 1,248,660 |
| **Other financial liabilities** | **14** | **5,543,454** | **5,029,358** |
| Third parties | | 17,719,269 | 15,115,347 |
| Related parties | | 522,039 | 491,180 |
| Advances for contract work in progress | | 9,706,802 | 11,177,804 |
| **Trade payables** | **14** | **27,948,110** | **26,784,331** |
| Direct tax liabilities | | - | - |
| Other tax liabilities | | 990,997 | 1,029,416 |
| **Current tax liabilities** | **16** | **990,997** | **1,029,416** |
| **Derivatives** | | - | - |
| Provision for product warranty | | 53,236 | 53,243 |
| Restructuring provision | | 189,654 | 228,900 |
| Other provisions | | 306,493 | 313,838 |
| **Provisions for risks and charges** | **15** | **549,383** | **595,981** |
| Third parties | | 968,866 | 948,614 |
| Related parties | | 2,400,000 | - |
| **Other liabilities** | **14** | **3,368,866** | **948,614** |
| **TOTAL CURRENT LIABILITIES** | | **41,954,709** | **37,941,599** |
| **TOTAL LIABILITIES** | | **71,868,745** | **67,108,346** |
| **Liabilities associated with assets held for sale** | | **-** | **-** |
| **TOTAL LIABILITIES AND EQUITY** | | **134,208,265** | **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 €48,501 and €17,250 relating to Pininfarina S.p.A. and Pininfarina Extra S.r.l., respectively.

## Income statement

| | Note | First half 2018 | *of which: related parties* | First half 2017 | *of which: related parties* |
|---|---|---|---|---|---|
| Revenue from sales and services | 17 | 48,456,631 | 2,191,124 | 34,546,257 | 2,989,220 |
| Internal work capitalised | | - | | - | |
| Change in inventories and contract work in progress | | 2,933,797 | | 1,422,783 | |
| Change in contract work in progress | | 2,948,115 | | 1,190,771 | |
| Change in finished goods and work in progress | | (14,318) | | 232,012 | |
| Other revenue and income | 18 | 3,877,872 | 2,405,333 | 3,657,942 | 2,516,000 |
| **Revenue** | | **55,268,300** | **4,596,457** | **39,626,982** | **5,505,220** |
| **Gains on sale of non-current assets and equity investments** | | **184,074** | **-** | **500** | **-** |
| *Gain on sale of equity investments* | | - | | - | |
| Raw materials and components | 19 | (4,508,452) | | (3,619,141) | |
| Change in raw materials | | 83,344 | | 76,058 | |
| Inventory write-downs | | - | | - | |
| **Raw materials and consumables** | | **(4,425,108)** | **-** | **(3,543,083)** | **-** |
| Consumables | | (864,272) | | (951,269) | |
| External maintenance | | (606,381) | | (570,585) | |
| **Other variable production costs** | | **(1,470,653)** | **-** | **(1,521,854)** | **-** |
| **External variable engineering services** | 20 | **(11,124,428)** | **(947,895)** | **(3,707,327)** | **(240,325)** |
| Blue collars, white collars and managers | | (24,490,455) | | (21,526,229) | |
| Independent contractors and temporary workers | | - | | - | |
| Social security contributions and other post-employment benefits | | (637,694) | | (555,870) | |
| **Wages, salaries and employee benefits** | 21 | **(25,128,149)** | **-** | **(22,082,099)** | **-** |
| Depreciation of property, plant and equipment and investment property | | (1,362,915) | | (1,301,549) | |
| Amortisation of intangible assets | | (530,632) | | (212,221) | |
| Losses on sale of non-current assets and equity investments | | - | | - | |
| (Additions to)/utilisation of provisions and impairment losses | 22 | (1,842) | | (12,260) | |
| **Amortisation, depreciation and impairment losses** | | **(1,895,389)** | **-** | **(1,526,030)** | **-** |
| **Net exchange rate losses** | | **(28,466)** | | **(46,500)** | |
| **Other expenses** | 23 | **(6,294,486)** | **-** | **(6,543,994)** | **-** |
| **Operating profit** | | **5,085,695** | **3,648,562** | **656,595** | **5,264,895** |
| **Net financial expense** | 24 | **(1,271,551)** | **1,106** | **(985,910)** | **(17,907)** |
| **Dividends** | | **-** | | **-** | |
| **Share of profit (loss) of equity-accounted investees** | | **(34,023)** | | **7,150** | |
| **Profit before taxes** | | **3,780,121** | **3,649,668** | **(322,165)** | **5,246,988** |
| **Income taxes** | 16 | **(675,951)** | | **(281,397)** | |
| **Profit (loss) for the period** | | **3,104,170** | **3,649,668** | **(603,562)** | **5,246,988** |
| **Of which:** | | | | | |
| - Profit (loss) for the period attributable to the owners of the parent | | 3,104,170 | | (603,562) | |
| - Profit (loss) for the period attributable to non-controlling interests | | - | | - | |
| **Basic/diluted earnings (loss) per share:** | | | | | |
| - Profit (loss) for the period attributable to the owners of the parent | | 3,104,170 | | (603,562) | |
| - Number of ordinary shares, net | | 54,271,170 | | 30,150,694 | |
| - Basic/diluted earnings (loss) per share | | 0.06 | | (0.02) | |

## Statement of comprehensive income

| | First half 2018 | First half 2017 |
|---|---|---|
| **Profit (loss) for the period** | **3,104,170** | **(603,562)** |
| **Other comprehensive income (expense):** | | |
| **Items that will not be reclassified to profit or loss:** | | |
| - Actuarial gains on defined benefit plans - IAS 19 | 21,565 | 45,318 |
| - Income taxes | (4,449) | (3,254) |
| - Other | - | - |
| **Total items of other comprehensive income (expense) that will not be reclassified to profit or loss, net of tax effect:** | **17,116** | **42,064** |
| Items that will or may be subsequently reclassified to profit or loss: | | |
| - Gains (losses) from translation of financial statements of foreign operations - IAS 21 | 49,262 | (113,864) |
| - Other | - | - |
| **Total items of other comprehensive income (expense) that will be subsequently reclassified to profit or loss, net of tax effect:** | **49,262** | **(113,864)** |
| **Total other comprehensive income (expense), net of tax effect** | **66,378** | **(71,800)** |
| **Comprehensive income (expense)** | **3,170,548** | **(675,362)** |
| **Of which:** | | |
| - Comprehensive income (expense) attributable to the owners of the parent | 3,170,548 | (675,362) |
| - Comprehensive income (expense) attributable to non-controlling interests | - | - |
| **Of which:** | | |
| - Comprehensive income (expense) from continuing operations | 3,170,548 | (675,362) |
| - Comprehensive income (expense) 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 expense | Stock option reserve | Allocation of prior year profit | Proceeds from the issue of shares | Capital increase transaction costs | 30.06.2017 |
|---|---|---|---|---|---|---|---|
| Share capital | 30,150,694 | - | - | - | - | - | 30,150,694 |
| Share premium reserve | - | - | - | - | - | - | - |
| Reserve for treasury shares | 175,697 | - | - | - | - | - | 175,697 |
| Legal reserve | 6,033,331 | - | - | - | - | - | 6,033,331 |
| Stock option reserve | 157,793 | - | 641,874 | - | - | - | 799,667 |
| Translation reserve | 124,112 | (113,864) | - | - | - | - | 10,248 |
| Other reserves | 2,646,208 | - | - | - | 26,445,333 | (327,517) | 28,764,024 |
| Losses carried forward | (29,354,877) | 42,064 | - | 20,531,208 | - | - | (8,781,605) |
| Profit (loss) for the period/year | 20,531,208 | (603,562) | - | (20,531,208) | - | - | (603,562) |
| EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT | 30,464,166 | (675,362) | 641,874 | - | 26,445,333 | (327,517) | 56,548,494 |
| Equity attributable to non-controlling interests | - | - | - | - | - | - | - |
| **EQUITY** | **30,464,166** | **(675,362)** | **641,874** | **-** | **26,445,333** | **(327,517)** | **56,548,494** |

| | 31.12.2017 | Comprehensive income | Stock option reserve | Allocation of prior year profit | Proceeds from the issue of shares | Capital increase transaction costs | 30.06.2018 |
|---|---|---|---|---|---|---|---|
| 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 | - | 366,430 | - | - | - | 1,538,600 |
| Translation reserve | (50,950) | 49,262 | - | - | - | - | (1,688) |
| Other reserves | 2,646,208 | - | - | - | - | - | 2,646,208 |
| Losses carried forward | (8,810,453) | 17,116 | - | 1,281,281 | - | - | (7,512,056) |
| Profit for the period/year | 1,311,709 | 3,104,170 | - | (1,311,709) | - | | 3,104,170 |
| EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT | 58,802,542 | 3,170,548 | 366,430 | - | - | - | 62,339,520 |
| Equity attributable to non-controlling interests | - | - | - | - | - | - | - |
| **EQUITY** | **58,802,542** | **3,170,548** | **366,430** | **-** | **-** | **-** | **62,339,520** |

## Statement of cash flows

| | First half 2018 | First half 2017 |
|---|---|---|
| Profit (loss) for the period | 3,104,170 | (603,562) |
| *Adjustments:* | | |
| - Income taxes | 675,951 | 281,397 |
| - Depreciation of property, plant and equipment and investment property | 1,362,915 | 1,301,549 |
| - Amortisation of intangible assets | 530,632 | 212,221 |
| - Impairment losses, provisions and change in accounting estimates | (97,925) | (762,836) |
| - Gains on the sale of non-current assets | (184,074) | (500) |
| - Financial expense | 1,272,672 | 1,004,361 |
| - Financial income | (1,121) | (18,453) |
| - Dividends | - | - |
| - Share of (profit) loss of equity-accounted investees | 34,023 | (7,150) |
| - Other adjustments | 304,114 | 570,074 |
| ***Total adjustments*** | **3,897,187** | **2,580,663** |
| *Change in working capital:* | | |
| - Increase in inventories | (69,026) | (306,878) |
| - Increase in contract work in progress | (2,946,521) | (1,175,662) |
| - (Increase)/decrease in trade receivables and other assets | (8,447,873) | 383,636 |
| - Increase in trade receivables from related parties and joint ventures | (4,326,006) | (2,115,273) |
| - Increase in trade payables, other financial liabilities and other liabilities | 5,731,140 | 2,283,023 |
| - Increase in trade payables to related parties and joint ventures | 30,859 | 172,287 |
| - Increase/(decrease) in advances for contract work in progress and deferred | (1,471,002) | 566,000 |
| - Other changes | (907,639) | - |
| ***Total changes in working capital*** | **(12,406,068)** | **(192,867)** |
| **Gross cash flows from operating activities** | **(5,404,711)** | **1,784,234** |
| - Interest expense | (150,262) | (107,158) |
| - Income taxes | - | (55,359) |
| **NET CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES** | **(5,554,973)** | **1,621,717** |
| - Purchases of non-current assets and equity investments | (2,089,320) | (1,087,454) |
| - 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 | (12,669,640) | - |
| - Financial income | 15 | 16,471 |
| - Dividends collected | - | - |
| - Other changes | 7,591 | (165,178) |
| **CASH FLOWS USED IN INVESTING ACTIVITIES** | **(14,864,854)** | **(1,231,664)** |
| - Proceeds from the issue of shares | - | 10,401,444 |
| - Increase in finance lease liabilities and other loans and borrowings - third part | - | - |
| - Increase in other loans and borrowings - related parties and joint ventures | - | - |
| - Repayment of finance lease liabilities and other loans and borrowings - third p | (30,000) | (30,000) |
| - Repayment of other loans and borrowings - related parties and joint ventures | - | - |
| - Dividends paid | - | - |
| - Other changes/Other non-cash items | - | - |
| **CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES** | **(30,000)** | **10,371,444** |
| **TOTAL CASH FLOWS** | **(20,449,827)** | **10,761,497** |
| 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** | **19,334,787** | **38,544,866** |
| *Of which:* | | |
| - Cash and cash equivalents | 19,334,787 | 38,544,866 |
| - Bank overdrafts | - | - |

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, 9, and 14 to the condensed interim consolidated financial statements.

## Income statement for the second quarter

| | Q2 2018 | Q2 2017 |
|---|---|---|
| Revenue from sales and services | 23,237,659 | 19,693,346 |
| Internal work capitalised | - | - |
| Change in inventories and contract work in progress | 1,747,186 | (464,268) |
| | - | - |
| Change in contract work in progress | 1,751,738 | (691,215) |
| Change in finished goods and work in progress | (4,552) | 226,947 |
| Other revenue and income | 1,860,279 | 1,845,120 |
| **Revenue** | **26,845,124** | **21,074,198** |
| **Gains on sale of non-current assets and equity investments** | **101,229** | **500** |
| *Gain on sale of equity investments* | - | - |
| Raw materials and components | (1,918,425) | (2,427,818) |
| Change in raw materials | 65,329 | 50,628 |
| Inventory write-downs | - | - |
| **Raw materials and consumables** | **(1,853,096)** | **(2,377,190)** |
| Consumables | (441,116) | (608,268) |
| External maintenance | (294,621) | (296,239) |
| **Other variable production costs** | **(735,737)** | **(904,507)** |
| **External variable engineering services** | **(4,864,179)** | **(2,087,555)** |
| Blue collars, white collars and managers | (12,876,036) | (10,812,176) |
| Independent contractors and temporary workers | - | - |
| Social security contributions and other post-employment benefits | (330,366) | (266,944) |
| **Wages, salaries and employee benefits** | **(13,206,402)** | **(11,079,120)** |
| Depreciation of property, plant and equipment and investment property | (686,869) | (664,066) |
| Amortisation of intangible assets | (266,317) | (105,971) |
| Losses on sale of non-current assets and equity investments | - | - |
| (Additions to)/utilisation of provisions and impairment losses | 6,843 | (17,585) |
| **Amortisation, depreciation and impairment losses** | **(946,343)** | **(787,622)** |
| **Net exchange rate losses** | **(6,125)** | **(55,541)** |
| **Other expenses** | **(3,379,122)** | **(3,300,385)** |
| **Operating profit** | **1,955,349** | **482,778** |
| **Net financial expense** | **(716,598)** | **(512,092)** |
| **Dividends** | **-** | **-** |
| **Share of profit (loss) of equity-accounted investees** | **(36,819)** | **3,194** |
| **Profit (loss) before taxes** | **1,201,932** | **(26,119)** |
| **Income taxes** | **(194,584)** | **(222,783)** |
| **Profit (loss) for the period** | **1,007,348** | **(248,902)** |

## Statement of comprehensive income for the second quarter

| | Q2 2018 | Q2 2017 |
|---|---|---|
| **Profit (loss) for the period** | **1,007,348** | **(248,902)** |
| **Other comprehensive income (expense):** | | |
| **Items that will not be reclassified to profit or loss:** | | |
| - Actuarial gains (losses) on defined benefit plans - IAS 19 | (53,879) | 31,367 |
| - Income taxes | (161) | (3,254) |
| - Other | - | - |
| **Total items of other comprehensive income (expense) that will not be reclassified to profit or loss, net of tax effect:** | **(54,040)** | **28,113** |
| Items that will or may be subsequently reclassified to profit or loss: | | |
| - Gains (losses) from translation of financial statements of foreign operations - IAS 21 | 71,107 | (98,883) |
| - Other | - | - |
| **Total items of other comprehensive income (expense) that will be subsequently reclassified to profit or loss, net of tax effect:** | **71,107** | **(98,883)** |
| **Total other comprehensive income (expense), net of tax effect** | **17,067** | **(70,770)** |
| **Comprehensive income (expense)** | **1,024,415** | **(319,672)** |
| **Of which:** | | |
| - Comprehensive income (expense) attributable to the owners of the parent | 1,024,415 | (319,672) |
| - Comprehensive income (expense) attributable to non-controlling interests | - | - |
| **Of which:** | | |
| - Comprehensive income (expense) from continuing operations | 1,024,415 | (319,672) |
| - 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 2 August 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 have the same basis of presentation as that 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 disclosures 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 53 and 54).

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 at 30 June 2018 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 June 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.

Actuarial valuations of post-employment benefits are performed in connection with the preparation of the condensed interim consolidated financial statements at 30 June and annual consolidated financial statements.

**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 Engineering S.r.l. | Via Bruno Buozzi 6, Turin, Italy | 100% | Pininfarina S.p.A. | € | 50,000 |
| Pininfarina of America Corp. | 501 Brickell Key Drive, Suite 200, Miami FL 33131 USA | 100% | Pininfarina Extra S.r.l. | USD | 10,000 |
| Pininfarina Deutschland Holding GmbH | Riedwiesenstr. 1, Leonberg, Germany | 100% | Pininfarina S.p.A. | € | 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 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 | 30.06.2018 | First half 2018 | 30.06.2017 | First half 2017 |
|---|---|---|---|---|
| US dollar - USD | 1.17 | 1.21 | 1.14 | 1.08 |
| Chinese renminbi (yuan) - CNY | 7.72 | 7.71 | 7.74 | 7.45 |

**(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 30.06.2018 | 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 | - | - | | 651,576 | - | 651,576 | 100,470 |
| Assets held for trading | 12,507,673 | - | Level 1 | - | - | 12,507,673 | - |
| Trade receivables and other assets | - | - | | 38,426,894 | - | 38,426,894 | 32,103,294 |
| **Liabilities:** | | | | | | | |
| Other loans and borrowings | - | - | | 28,730,417 | - | 28,730,417 | 27,928,668 |
| Trade payables and other liabilities | - | - | | 28,509,547 | - | 28,509,547 | 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:

| | **30.06.2018** | **%** | **31.12.2017** | **%** |
|---|---|---|---|---|
| - Fixed rate | 28,550,417 | 99.4% | 27,718,668 | 99.2% |
| - Variable rate | 180,000 | 0.6% | 210,000 | 0.8% |
| **Gross financial debt with third parties** | **28,730,417** | **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 0.6% 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 30.06.2018** | **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 | 28,730,417 | 37,989,173 | 3,553,899 | 18,010,445 | 16,424,829 |

The Group holds net cash and cash equivalents and assets held for trading in its portfolio totalling €31.8 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 six months ended 30 June 2018 and 2017 is set out below. Amounts are in thousands of Euros.

| | First half 2018 | | | First half 2017 | | |
|---|---|---|---|---|---|---|
| | **Operations** | **Design & engineering** | **Total** | **Operations** | **Design & engineering** | **Total** |
| | A | B | A + B | A | B | A + B |
| Revenue | 4,251 | 51,508 | 55,759 | 5,954 | 34,132 | 40,086 |
| (Intra-segment revenue) | (162) | (328) | (490) | (157) | (302) | (459) |
| **Revenue - third parties** | **4,089** | **51,180** | **55,269** | **5,797** | **33,830** | **39,627** |
| **Operating profit (loss)** | **(2,341)** | **7,427** | **5,086** | **(2,353)** | **3,010** | **657** |
| Net financial expense | | | (1,272) | | | (986) |
| Gain on the extinguishment of financial liabilities | | | - | | | - |
| Dividends | | | - | | | - |
| Share of profit (loss) of equity-accounted investees | - | (34) | (34) | - | 7 | 7 |
| **Profit (loss) before taxes** | - | - | **3,780** | - | - | **(322)** |
| Income taxes | - | - | (676) | - | - | (282) |
| **Profit (loss) for the period** | - | - | **3,104** | - | - | **(604)** |
| *Other information required by IFRS 8:* | | | | | | |
| - Amortisation and depreciation | (817) | (1,077) | (1,894) | (821) | (692) | (1,514) |
| - Impairment losses | - | (6) | (6) | - | (13) | (13) |
| - Provisions/change in accounting estimates | - | 4 | 4 | - | 1 | 1 |
| - 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.

A breakdown of assets and liabilities by business segment is set out below:

| | 1H 2018 | | | | 1H 2017 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Operations** | **Design & engineering** | **Unallocated** | **Total** | **Production / Operations** | **Design & engineering** | **Unallocated** | **Total** |
| | A | B | C | A + B + C | A | B | C | A + B + C |
| Assets | 23,096 | 65,827 | 44,759 | 133,682 | 23,699 | 48,500 | 43,085 | 115,283 |
| Liabilities | 3,385 | 24,162 | 43,796 | 71,343 | 2,696 | 18,893 | 37,146 | 58,735 |
| *Of which: other information required by IFRS 8:* | | | | | | | | |
| - Equity-accounted investments | - | 592 | - | 592 | - | 92 | - | 92 |
| - Intangible assets | - | 6,677 | 481 | 7,158 | - | 1,206 | 479 | 1,684 |
| - Property, plant and equipment and investment property | 22,209 | 26,103 | 682 | 48,994 | 22,868 | 25,854 | 958 | 49,679 |
| - Assets held for sale | | | - | - | | | | |
| - Employees | 94 | 482 | 50 | 626 | 78 | 467 | 47 | 592 |

The unallocated segment consists of captions specifically related to centralised functions.

Sales are broken down by geographical segment below:

| | First half 2018 | First half 2017 |
|---|---|---|
| Italy | 9,819 | 5,205 |
| EU | 10,822 | 14,217 |
| Non-EU countries | 27,816 | 15,125 |
| **Revenue from sales and services** | **48,457** | **34,548** |

## NOTES TO THE CAPTIONS

### 1. Property, plant and equipment

The carrying amount of property, plant and equipment at 30 June 2018 decreased to €41.4 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. losse | - | - | - |
| Additions | - | 16,451 | 16,451 |
| Disposals: Historical cost | - | - | - |
| Disposals: Acc. depreciation and imp. losses | - | - | - |
| Depreciation | - | (565,595) | (565,595) |
| Impairment losses | - | - | - |
| Reclassifications | - | 1,347 | 1,347 |
| Other changes | - | (1,305) | (1,305) |
| **Carrying amount at 30 June 2018** | **7,655,314** | **26,424,855** | **34,080,169** |
| *Of which:* | | | |
| Historical cost | 12,291,743 | 63,986,021 | 76,277,764 |
| Accumulated depreciation and impairment losses | (4,636,429) | (37,561,166) | (42,197,595) |

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 two properties in Turin and 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 | 363,620 | 180,287 | 543,907 |
| Disposals: Historical cost | - | - | - |
| Disposals: Acc. depreciation and imp. losses | - | - | - |
| Depreciation | (81,308) | (269,807) | (351,115) |
| Impairment losses | - | - | - |
| Reclassifications | - | - | - |
| Other changes | - | - | - |
| **Carrying amount at 30 June 2018** | **1,707,704** | **3,292,000** | **4,999,704** |
| *Of which:* | | | |
| Historical cost | 6,834,417 | 84,158,107 | 90,992,524 |
| Accumulated depreciation and impairment losses | (5,126,713) | (80,866,107) | (85,992,820) |

Plant and machinery at 30 June 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.

| | 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 | 48,649 | 293,606 | 103,585 | 445,840 |
| Disposals: Historical cost | - | - | (28,134) | (28,134) |
| Disposals: Acc. depreciation and imp. losses | - | - | 28,134 | 28,134 |
| Depreciation | (81,436) | (143,771) | (38,809) | (264,016) |
| Impairment losses | - | | - | - |
| Reclassifications | (337) | (132,962) | (39,526) | (172,825) |
| Other changes | 1,559 | 102,876 | 41,199 | 145,634 |
| **Carrying amount at 30 June 2018** | **854,518** | **820,662** | **599,467** | **2,274,647** |
| *Of which:* | | | | |
| Historical cost | 3,660,427 | 5,841,754 | 970,552 | 10,472,733 |
| Accumulated depreciation and impairment losses | (2,805,909) | (5,021,092) | (371,085) | (8,198,086) |

Additions of the year in hardware and software refer to the purchase of IT equipment to update technology, while those classified under other assets consist of a company car purchased by the parent.
Assets under construction and payments on account of €595,637 increased over the previous year end due to payments on account that the Group made in the first half of 2018.

## 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 (€180,000).
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 | - | (182,186) | (182,186) |
| Impairment losses | - | - | - |
| Reclassifications | - | - | - |
| Other changes | - | - | - |
| **Carrying amount at 30 June 2018** | **5,807,378** | **1,762,356** | **7,569,734** |
| *Of which:* | | | |
| Historical cost | 5,807,378 | 12,226,555 | 18,033,933 |
| Accumulated depreciation and impairment losses | - | (10,464,199) | (10,464,199) |

## 3. Intangible assets

The carrying amount of intangible assets at 30 June 2018 increased to €7.2 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 | - | 209,428 | 5,807,010 | 6,016,438 |
| Disposals: Historical cost | - | - | - | - |
| Disposals: Acc. depreciation and imp. losses | - | - | - | - |
| Amortisation | - | (162,226) | (368,406) | (530,632) |
| Impairment losses | - | - | - | - |
| Reclassifications | - | - | - | - |
| Other changes | - | - | - | - |
| **Carrying amount at 30 June 2018** | **1,043,495** | **601,299** | **5,513,258** | **7,158,052** |
| *Of which:* | | | | |
| Historical cost | 1,043,495 | 6,311,396 | 7,989,957 | 15,344,848 |
| Accumulated amortisation and impairment losses | - | (5,710,097) | (2,476,699) | (8,186,796) |

Goodwill of €1,043,495, which is the Group's only intangible asset with an indefinite useful life, originates from the consolidation of Pininfarina Extra S.r.l.. Within the Pininfarina Group, 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. No indicators of impairment were identified during the period.
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 application of IFRS 15, the Group would have recognised a service cost in profit or loss rather than an amortisation charge.

**4. Investments in associates**

They include:

| | 30.06.2018 | 31.12.2017 |
|---|---|---|
| Goodmind S.r.l. | 102,741 | 96,694 |
| Signature S.r.l. | 489,210 | - |
| **Investments in associates** | **591,951** | **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 €6,047. 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.

**5. Equity investments in other companies**

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

| | 30.06.2018 |
|---|---|
| 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 | 30.06.2018 |
|---|---|---|---|---|---|
| Goodmind S.r.l. | 100,470 | - | 1,106 | - | 101,576 |
| Signature S.r.l * | - | 550,000 | - | - | 550,000 |
| Loans and receivables - related parties | **100,470** | **550,000** | **1,106** | **-** | **651,576** |

* 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:

| | 30.06.2018 | 31.12.2017 |
|---|---|---|
| Raw materials | 644,427 | 561,083 |
| Allowance for inventory write-down | (360,188) | (360,188) |
| Finished goods | 177,536 | 191,854 |
| Allowance for inventory write-down | - | - |
| **Inventories** | **461,775** | **392,749** |

The allowance for raw material write-down is unchanged from the previous year end and 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 €12.5 million at 30 June 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:

| | 30.06.2018 | % |
|---|---|---|
| Italian government or government-guaranteed bonds | 415,770 | **3.32** |
| Foreign government or government-guaranteed bonds | 209,235 | ***1.67*** |
| Bank and insurance bonds | 6,981,080 | ***55.82*** |
| Other bonds | 4,901,588 | ***39.19*** |
| **Assets held for trading** | **12,507,673** | *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 June 2018 and 31 December 2017:

| | 30.06.2018 | 31.12.2017 |
|---|---|---|
| Italy | 2,808,056 | 3,578,663 |
| EU | 4,250,782 | 4,770,573 |
| Non-EU countries | 15,791,653 | 9,474,440 |
| (Loss allowance) | (435,636) | (456,809) |
| **Third parties** | **22,414,855** | **17,366,866** |
| Signature S.r.l. | 38,552 | - |
| Mahindra&Mahindra Group | 4,838,793 | 464,031 |
| Tech Mahindra Group | 49,936 | 157,428 |
| Ssangyong Motor Company | 4,000 | - |
| Automobili Pininfarina GmbH | 16,184 | - |
| **Related parties** | **4,947,465** | **621,459** |
| **Trade receivables** | **27,362,320** | **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 approximate 40% increase in revenue compared to the corresponding period of the previous year, while the rise in trade receivables from related parties is due to the brand licence agreement, the fee for which was collected in July.

Changes in the loss allowance are set out below:

| | First half 2018 | 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 June 2018 and 31 December 2017:

| | 30.06.2018 | 31.12.2017 |
|---|---|---|
| VAT | 6,989,157 | 3,716,864 |
| Withholding taxes | 2,886,181 | 2,948,090 |
| Prepayments and accrued income | 673,904 | 6,477,454 |
| Advances to suppliers | 96,119 | 212,371 |
| Amounts due from INAIL (the Italian Workers' Compensation Authority) and INPS (the Italian social security institution) | 35,999 | 7,343 |
| Amounts due from employees | 1,800 | 4,475 |
| Other | 381,414 | 83,931 |
| **Other assets** | **11,064,574** | **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:

| | 30.06.2018 | 31.12.2017 |
|---|---|---|
| Cash in hand and cash equivalents | 67,787 | 17,254 |
| Short-term bank deposits | 19,267,000 | 39,767,360 |
| **Cash and cash equivalents** | **19,334,787** | **39,784,614** |
| (Bank overdrafts) | - | - |
| **Net cash and cash equivalents** | **19,334,787** | **39,784,614** |

The decrease is mainly due to cash of €12.5 million invested in current financial assets held for trading and working capital trends, with significant amounts collected a few days after the reporting date.
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

| | 30.06.2018 | | 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: €366,430

8. Carrying amount at the reporting date: €1,538,600

**(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 €7,512,056 at the reporting date, down by €1,298,397 from the 31 December 2017 figure. The decrease is due to the profit for 2017 of €1,311,709 and the effect for the period of the adoption of IAS 19 (revised), quantified at €13,312.

The table reconciling the parent's profit and equity as at and for the period ended 30 June 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 | Unrealised interest | Repayment | Current/non-current reclassification | 30.06.2018 |
|---|---|---|---|---|---|
| Finance lease liabilities | - | - | - | - | - |
| Other loans and borrowings | 24,374,769 | 831,749 | - | (30,000) | 25,176,518 |
| **Non-current portion** | **24,374,769** | **831,749** | **-** | **(30,000)** | **25,176,518** |
| Bank overdrafts | - | - | - | - | - |
| Finance lease liabilities | - | - | - | - | - |
| Other loans and borrowings | 3,553,899 | - | (30,000) | 30,000 | 3,553,899 |
| **Current portion** | **3,553,899** | **-** | **(30,000)** | **30,000** | **3,553,899** |
| **Current and non-current portions** | **27,928,668** | **831,749** | **(30,000)** | **-** | **28,730,417** |

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 | 30.06.2018 |
|---|---|---|---|---|
| Intesa Sanpaolo S.p.A. | 17,943,386 | 538,424 | - | 18,481,810 |
| Banca Nazionale del Lavoro S.p.A. | 1,056,206 | 31,693 | - | 1,087,899 |
| Ubi Banca S.p.A. (formerly Banca Regionale Europea S.p.A.) | 4,217,769 | 126,562 | - | 4,344,331 |
| Selmabipiemme Leasing S.p.A. | 4,501,307 | 135,070 | - | 4,636,377 |
| Volksbank Region Leonberg (GER) | 210,000 | - | (30,000) | 180,000 |
| **Other loans and borrowings** | **27,928,668** | **831,749** | **(30,000)** | **28,730,417** |

### Other information

Pininfarina Deutschland Holding GmbH has a €180,000 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

| | 30.06.2018 | 31.12.2017 |
|---|---|---|
| Third parties | 17,193,293 | 15,115,347 |
| Related parties | 522,039 | 491,180 |
| Advances for contract work in progress | 9,706,802 | 11,177,804 |
| **Trade payables** | **27,422,134** | **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**

| | 30.06.2018 | 31.12.2017 |
|---|---|---|
| Wages and salaries payable | 3,640,300 | 2,554,857 |
| Social security charges payable | 815,741 | 1,225,841 |
| Other | 1,087,413 | 1,248,660 |
| **Other financial liabilities** | **5,543,454** | **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 | 30.06.2018 |
|---|---|---|---|---|---|
| Provision for product warranty | 53,243 | - | (7) | - | 53,236 |
| Restructuring provision | 228,900 | - | (39,246) | - | 189,654 |
| Other provisions | 313,838 | 16,182 | (23,527) | - | 306,493 |
| **Provisions for risks and charges** | **595,981** | **16,182** | **(62,780)** | **-** | **549,383** |

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**

**VAT**

The parent is involved in a tax dispute relating to two tax assessment notices served by the tax authorities in 2007 and relating to allegedly incorrect invoicing practices in 2002 and 2003 by Industrie Pininfarina S.p.A. (which merged into the parent in 2004) with Gefco Italy S.p.A., as the customer Peugeot Citroen Automobiles' tax representative in Italy.
The tax authorities raised one objection for VAT purposes for 2002, which it repeated for 2003, finding that the company had not applied VAT on certain sales of goods that the parent had considered non-taxable, along with other less material findings.

The tax authorities also raised certain objections relating to IRPEG (income tax) and IRAP for 2003 as well.

The higher assessed taxes in these notices amounted to €17.7 million for 2002 and €12 million for 2003. The total amount claimed in the notices, including taxes and sanctions, was €69.5 million.

The parent lodged two separate appeals against the notices before the Turin provincial tax court, challenging the legitimacy and grounds of all their findings. In a ruling issued on 17 February 2009, the Turin provincial tax court confirmed the legitimacy of the main finding relating to VAT, but cancelled the sanctions applied for both years and the other minor findings for 2003, “given the complexity of the case and the difficulty in interpreting the applied regulation”.
The amount due from the parent was reduced from roughly €69.5 million to around €29.4 million.

The parent appealed the ruling before the Turin regional tax court, claiming the partial amendment of the first-level ruling, with specific regard to the cancellation of the main VAT finding and the cancellation of other less material findings with respect to IRES (corporate income tax) and IRAP (regional tax on production activities) which the first-level judge had not cancelled.

The tax authorities appeared in the hearing to argue against the parent’s appeal and to file an appeal of its own with respect to the sanctions on the main VAT finding and the material findings cancelled by the first-level judge.

On 17 February 2010, the Turin regional tax court lodged a ruling in which: (i) it admitted the parent’s appeal against the VAT finding, therefore deciding that the parent is not obliged to pay any amount in this respect; and (ii) partially confirmed the legitimacy of certain IRES and IRAP findings against the parent, amounting to approximately €230,000, in the tax assessment notice for 2003.

In 2011, the tax authorities appealed before the Supreme Court of Cassation against the Turin regional tax court’s ruling and the parent argued against the appeal in court by filing a counter-appeal and claiming the inadmissibility and lack of grounds of the tax authorities’ appeal.

The total amount claimed is roughly €29.4 million, plus the legal interest that would be applied in the inauspicious event that the parent loses the case, in which case, it could exercise its right as taxpayer to offset the VAT due against that paid. On 10 May 2018, the Supreme Court of Cassation heard the case relating to the Turin regional tax court’s ruling of 17 February 2010 which admitted Pininfarina S.p.A.’s appeal, cancelling the VAT assessment notices issued by the tax authorities for 2002 and 2003. While awaiting the outcome of the hearing, Pininfarina S.p.A. still expects the dispute to end in its favour, as it remains confident about the grounds of its arguments.

The parent’s directors, supported by reliable expert opinions stating that the tax authorities’ claims are without grounds and that any financial expenditure is unlikely and based on the outcome of the first two levels of judgement, believe that the risk of this tax dispute is only potential with any financial expenditure improbable. Accordingly, they have not accrued any amounts for this purpose in the condensed interim consolidated financial statements as at and for the six months ended 30 June 2018 pursuant to IAS 37.

### 17. Current and deferred taxes

#### (a) Deferred taxes

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

| | 30.06.2018 | 31.12.2017 |
|---|---|---|
| Deferred tax assets | 873,781 | 880,553 |
| (Deferred tax liabilities) | (174) | (2,915) |
| **Net deferred tax assets** | **873,607** | **877,638** |

The net deferred tax assets shown in the 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 June 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:

| | First half 2018 | First half 2017 |
|---|---|---|
| Income taxes | (388,274) | (152,617) |
| IRAP (Regional tax on production activities) | (288,076) | (13,007) |
| Release of prior period provision | - | (2,962) |
| **Current taxes** | **(676,350)** | **(168,586)** |
| Change in deferred tax assets | 399 | (112,811) |
| Change in deferred tax liabilities | - | - |
| **Net deferred taxes** | **399** | **(112,811)** |
| **Income taxes** | **(675,951)** | **(281,397)** |

## 18. Revenue from sales and services

| | First half 2018 | First half 2017 |
|---|---|---|
| Sales - Italy | 178,856 | 341,030 |
| Sales - EU | 386,071 | 887,284 |
| Sales - Non-EU countries | 2,164,993 | 2,831,042 |
| Services - Italy | 9,640,182 | 4,863,549 |
| Services - EU | 10,436,010 | 13,329,533 |
| Services - Non-EU countries | 25,650,519 | 12,293,817 |
| **Revenue from sales and services** | **48,456,631** | **34,546,257** |

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

| | First half 2018 | First half 2017 |
|---|---|---|
| Royalties | 2,764,000 | 2,570,000 |
| Lease income | 882,444 | 889,637 |
| Rebilling | 63,691 | 55,932 |
| Prior period income | 44,979 | 74,192 |
| Insurance compensation | 43,501 | 1,950 |
| Sundry | 79,257 | 46,755 |
| Grants for research and training | - | 19,476 |
| **Other revenue and income** | **3,877,872** | **3,657,942** |

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

| | First half 2018 | First half 2017 |
|---|---|---|
| Wages and salaries | (19,863,493) | (17,433,202) |
| Social security contributions | (4,666,208) | (4,097,675) |
| Independent contractors | - | - |
| Utilisation of restructuring provision | 39,246 | 4,648 |
| **Blue collars, white collars and managers** | **(24,490,455)** | **(21,526,229)** |
| **Post-employment benefits - defined contribution plan** | (637,694) | (555,870) |
| **Wages, salaries and employee benefits** | **(25,128,149)** | **(22,082,099)** |

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 June 2018 and the average number for the reporting 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 reporting period and dividing the result by two:

| | First half 2018 | | First half 2017 | |
|---|---|---|---|---|
| | **reporting date** | **average** | **reporting date** | **average** |
| Managers | 26 | 26 | 23 | 23 |
| White collars | 577 | 570 | 544 | 530 |
| Blue collars | 23 | 27 | 25 | 24 |
| **Total** | **626** | **623** | **592** | **577** |

The business lease currently in force involved the transfer of 48 employment contracts.

## 23. Additions to/utilisation of provisions and impairment losses

| | First half 2018 | First half 2017 |
|---|---|---|
| Net impairment losses on loans and receivables | (6,197) | (13,063) |
| Additions to provisions for risks and charges | (16,182) | (36,898) |
| Utilisation and revised estimates of provisions for risks ar | 20,537 | 37,701 |
| **Additions to/utilisation of provisions and impairment** | **(1,842)** | **(12,260)** |

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 15 for details of additions to the provisions for risks and charges.

### 24. Other expenses

| | First half 2018 | First half 2017 |
|---|---|---|
| Travel expenses | (714,489) | (784,386) |
| Leases | (1,151,733) | (1,241,469) |
| Directors' and statutory auditors' fees | (561,597) | (369,367) |
| Consulting and other services | (1,344,853) | (1,619,228) |
| Other personnel costs | (588,422) | (490,376) |
| Postal expenses | (172,901) | (197,066) |
| Cleaning and waste disposal services | (140,084) | (161,120) |
| Advertising | (398,191) | (593,548) |
| Indirect taxes | (377,684) | (361,933) |
| Insurance | (207,094) | (256,926) |
| Membership fees | (54,656) | (59,741) |
| Prior period expense | (21,327) | (9,236) |
| General services and other expenses | (561,455) | (399,598) |
| **Other expenses** | **(6,294,486)** | **(6,543,994)** |

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

| | First half 2018 | First half 2017 |
|---|---|---|
| Interest and commission expense on credit facilities | (101,782) | (54,113) |
| Interest expense on loans and financing | (880,229) | (930,361) |
| Interest expense on loans from the ultimate parent | - | (19,889) |
| Expense on assets held for trading | (126,194) | - |
| Interest expense on trade payables | (164,467) | - |
| **Financial expense** | **(1,272,672)** | **(1,004,363)** |
| Bank interest income | 15 | 16,471 |
| Interest income on loans and receivables - related parties | 1,106 | 1,982 |
| **Financial income** | **1,121** | **18,453** |
| **Net financial expense** | **(1,271,551)** | **(985,910)** |

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

Interest expense on non-current loans and financing of €880,229 comprises the effect of amortised-cost accounting (€831,749) and interest accrued under the existing Agreement (€47,493). 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 2 August 2018, the boards of directors of Pininfarina S.p.A. and Pininfarina Extra S.r.l. (wholly owned by the parent) met and approved, inter alia, the merger of Pininfarina Extra S.r.l. into Pininfarina S.p.A.. Accordingly, the related procedure commenced and the merger is expected to take effect from 1 January 2019.

The transaction aims at streamlining the ownership structure of the group headed by Pininfarina S.p.A. for the following reasons:

- reducing the control chain, with financial and economic benefits deriving from the optimisation of the structure and related costs;

- operating commercial strategies and synergies from a single central unit;

- completing the Group’s corporate reorganisation by concentrating the design and engineering in specific and separate “legal entities”, in order for the Pininfarina Group to be faster and more flexible in addressing the demand of the various markets in which it operates.

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. | - | - | 101,576 | - | 5,333 | - | 1,106 | - |
| Signature S.r.l. | 38,552 | 24,198 | 550,000 | - | 46,600 | 36,867 | - | - |
| Tech Mahindra Ltd | 24,327 | 326,937 | - | - | 49,568 | 548,343 | - | - |
| Tech Mahindra GmbH | 25,609 | - | - | - | 42,466 | - | - | - |
| Mahindra&Mahindra Ltd | 4,838,792 | - | - | - | 4,031,095 | - | - | - |
| Mahindra Graphic Research Design S.r.l. | - | 170,904 | - | - | - | 362,685 | - | - |
| Ssangyong Motor Company | 4,000 | - | - | - | 407,794 | - | - | - |
| Automobili Pininfarina GmbH | 16,184 | - | - | - | 13,600 | - | - | - |
| **Total** | **4,947,465** | **522,039** | **651,576** | **-** | **4,596,457** | **947,895** | **1,106** | **-** |

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 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.;

- Ssangyiong Motor Company: design services agreement with Pininfarina S.p.A.

- Automobili Pininfarina GmbH: lease agreement for equipped office premises with Pininfarina Deutschland GmbH;

In addition to the above figures, Studio Starclex - Studio Legale Associato Guglielmetti, related to Romina Guglielmetti (director of Pininfarina S.p.A.), provided legal assistance to the parent for €18,000, while Greta Pininfarina provided employee services to Pininfarina Extra S.r.l. for a cost of approximately €13,000.

**Directors' and statutory auditors' fees**

| (€'000) | First half 2018 | First half 2017 |
|---|---|---|
| Directors | 505 | 313 |
| Statutory auditors | 56 | 57 |
| **Total** | **561** | **370** |

**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:

| | 30.06.2018 | 30.06.2018, net of significant non-recurring transactions |
|---|---|---|
| Property, plant and equipment | 41,950,157 | 42,202,583 |
| Investment property | 7,569,734 | 7,569,734 |
| Intangible assets | 7,158,052 | 7,158,052 |
| Equity investments | 843,968 | 264,688 |
| Deferred tax assets | 873,781 | 873,781 |
| Non-current financial assets | 651,576 | 101,576 |
| **NON-CURRENT ASSETS** | **59,047,268** | **58,170,414** |
| Inventories | 461,775 | 461,775 |
| Contract work in progress | 4,429,868 | 4,429,868 |
| Current financial assets | 12,507,673 | 12,507,673 |
| Derivatives | - | - |
| Trade receivables and other assets | 38,426,894 | 38,426,894 |
| Cash and cash equivalents | 19,334,787 | 20,030,567 |
| **CURRENT ASSETS** | **75,160,997** | **75,856,777** |
| **TOTAL ASSETS** | **134,208,265** | **134,027,191** |
| Share capital and reserves | 59,235,350 | 59,235,350 |
| Profit from continuing operations | 3,104,170 | 2,923,096 |
| **EQUITY** | **62,339,520** | **62,158,446** |
| Non-current loans and borrowings | 25,176,518 | 25,176,518 |
| Deferred tax liabilities | 174.00 | 174 |
| Post-employment benefits and other provisions | 4,737,344 | 4,737,344 |
| **NON-CURRENT LIABILITIES** | **29,914,036** | **29,914,036** |
| Current loans and borrowings | 3,553,899 | 3,553,899 |
| Other financial liabilities | 5,543,454 | 5,543,454 |
| Trade payables | 27,948,110 | 27,948,110 |
| Current tax liabilities | 990,997 | 990,997 |
| Provisions for risks and charges | 549,383 | 549,383 |
| Other liabilities | 3,368,866 | 3,368,866 |
| **CURRENT LIABILITIES** | **41,954,709** | **41,954,709** |
| **TOTAL LIABILITIES** | **71,868,745** | **71,868,745** |
| **TOTAL LIABILITIES AND EQUITY** | **134,208,265** | **134,027,191** |

| | First half 2018 | First half 2018, net of significant non-recurring transactions |
|---|---|---|
| Revenue from sales and services | 48,456,631 | 48,456,631 |
| Internal work capitalised | - | - |
| Change in finished goods and contract work in progress | 2,933,797 | 2,933,797 |
| Other revenue and income | 3,877,872 | 3,877,872 |
| **REVENUE** | **55,268,300** | **55,268,300** |
| Net gains on sale of non-current assets and equity investments | 184,074 | 3,000 |
| Raw materials and consumables | (4,425,108) | (4,425,108) |
| Other variable production costs | (1,470,653) | (1,470,653) |
| External variable engineering services | (11,124,428) | (11,124,428) |
| Wages, salaries and employee benefits | (25,128,149) | (25,128,149) |
| Amortisation and depreciation, impairment losses and provisions | (1,895,389) | (1,895,389) |
| Net exchange rate losses | (28,466) | (28,466) |
| Other expenses | (6,294,486) | (6,294,486) |
| **OPERATING PROFIT** | **5,085,695** | **4,904,621** |
| Net financial expense | (1,271,551) | (1,271,551) |
| Share of loss of equity-accounted investees | (34,023) | (34,023) |
| **PROFIT BEFORE TAXES** | **3,780,121** | **3,599,047** |
| Income taxes | (675,951) | (675,951) |
| **PROFIT FOR THE PERIOD** | **3,104,170** | **2,923,096** |

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. with payment of the initial quota capital of €50,000.

**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 six months ended 30 June 2018

## Statement of financial position

| | 30.06.2018 | 31.12.2017 |
|---|---|---|
| Land and buildings | 34,076,419 | 34,618,826 |
| Land | 7,655,314 | 7,655,314 |
| Buildings | 26,421,105 | 26,963,512 |
| Leased property | - | - |
| Plant and machinery | 4,932,633 | 4,731,532 |
| Machinery | 1,707,704 | 1,425,392 |
| Plant | 3,224,929 | 3,306,140 |
| Leased machinery and equipment | - | - |
| Furniture, fixtures and other assets | 1,003,105 | 807,183 |
| Furniture and fixtures | 26,023 | 19,329 |
| Hardware and software | 512,383 | 371,284 |
| Other assets, including vehicles | 464,699 | 416,570 |
| Assets under construction | 69,661 | 248,803 |
| **Property, plant and equipment** | **40,081,818** | **40,406,344** |
| **Investment property** | - | - |
| Goodwill | - | - |
| Licences and trademarks | 480,629 | 450,680 |
| Other | 5,449,674 | - |
| **Intangible assets** | **5,930,303** | **450,680** |
| Subsidiaries | 21,627,447 | 21,577,447 |
| Associates | 489,210 | - |
| Joint ventures | - | - |
| Other companies | 645 | 645 |
| **Equity investments** | **22,117,302** | **21,578,092** |
| **Deferred tax assets** | - | - |
| Held-to-maturity investments | - | - |
| Loans and receivables | 2,133,806 | 1,500,000 |
| Third parties | - | - |
| Related parties | 2,133,806 | 1,500,000 |
| Available-for-sale financial assets | - | - |
| **Non-current financial assets** | **2,133,806** | **1,500,000** |
| **TOTAL NON-CURRENT ASSETS** | **70,263,229** | **63,935,116** |
| Raw materials | 284,239 | 200,895 |
| Work in progress | - | - |
| Finished goods | 30,292 | 38,133 |
| **Inventories** | **314,531** | **239,028** |
| **Contract work in progress** | **2,609,953** | **1,168,154** |
| Assets held for trading | 12,507,673 | - |
| Loans and receivables | - | - |
| Third parties | - | - |
| Related parties | - | - |
| Available-for-sale financial assets | - | - |
| **Current financial assets** | **12,507,673** | **-** |
| **Derivatives** | **-** | **-** |
| Trade receivables | 19,906,532 | 9,756,817 |
| Third parties | 15,014,614 | 8,948,194 |
| Related parties | 4,891,918 | 808,623 |
| Other assets | 10,005,698 | 12,435,776 |
| **Trade receivables and other assets** | **29,912,230** | **22,192,593** |
| Cash in hand and cash equivalents | 11,362 | 9,371 |
| Short-term bank deposits | 13,585,611 | 34,054,431 |
| **Cash and cash equivalents** | **13,596,973** | **34,063,802** |
| **TOTAL CURRENT ASSETS** | **58,941,360** | **57,663,577** |
| **Assets held for sale** | **-** | **252,426** |
| **TOTAL ASSETS** | **129,204,589** | **121,851,119** |

## Statement of financial position

| | 30.06.2018 | 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 | 1,538,600 | 1,172,170 |
| Other reserves | 2,646,208 | 2,646,208 |
| Losses carried forward | (6,584,206) | (7,165,362) |
| Profit for the period/year | 3,151,609 | 608,558 |
| **EQUITY** | **63,316,497** | **59,795,432** |
| Finance lease liabilities | - | - |
| Other loans and borrowings | 25,056,518 | 24,224,769 |
| Third parties | 25,056,518 | 24,224,769 |
| Related parties | - | - |
| **Non-current loans and borrowings** | **25,056,518** | **24,224,769** |
| **Deferred tax liabilities** | - | - |
| Italian post-employment benefits | 3,972,453 | 4,046,976 |
| Other | - | - |
| **Post-employment benefits** | **3,972,453** | **4,046,976** |
| **TOTAL NON-CURRENT LIABILITIES** | **29,028,971** | **28,271,745** |
| Bank overdrafts | - | - |
| Finance lease liabilities | - | - |
| Other loans and borrowings | 3,828,475 | 3,828,475 |
| Third parties | 3,493,899 | 3,493,899 |
| Related parties | 334,576 | 334,576 |
| **Current loans and borrowings** | **3,828,475** | **3,828,475** |
| Wages and salaries payable | 2,497,817 | 1,888,292 |
| Social security charges payable | 683,723 | 1,014,776 |
| Other | 814,160 | 1,012,770 |
| **Other financial liabilities** | **3,995,700** | **3,915,838** |
| Third parties | 15,464,343 | 13,571,580 |
| Related parties | 591,540 | 507,407 |
| Advances for contract work in progress | 8,940,195 | 10,537,040 |
| **Trade payables** | **24,996,078** | **24,616,027** |
| Direct tax liabilities | - | - |
| Other tax liabilities | 496,199 | 234,335 |
| **Current tax liabilities** | **496,199** | **234,335** |
| **Derivatives** | **-** | **-** |
| Provision for product warranty | 53,236 | 53,243 |
| Restructuring provision | 189,654 | 228,900 |
| Other provisions | 299,779 | 307,124 |
| **Provisions for risks and charges** | **542,669** | **589,267** |
| Third parties | 600,000 | 600,000 |
| Related parties | 2,400,000 | - |
| **Other liabilities** | **3,000,000** | **600,000** |
| **TOTAL CURRENT LIABILITIES** | **36,859,121** | **33,783,942** |
| **TOTAL LIABILITIES** | **65,888,092** | **62,055,687** |
| **Liabilities associated with assets held for sale** | **-** | **-** |
| **TOTAL LIABILITIES AND EQUITY** | **129,204,589** | **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 €48,501.

## Income statement

| | First half 2018 | *Of which: related parties* | First half 2017 | *Of which: related parties* |
|---|---|---|---|---|
| Revenue from sales and services | 32,725,605 | 2,232,325 | 19,404,345 | 3,174,084 |
| Internal work capitalised | - | | - | |
| Change in inventories and contract work in progress | 1,433,958 | | (111,266) | |
| Change in contract work in progress | 1,441,799 | | (314,058) | |
| Change in finished goods and work in progress | (7,841) | | 202,792 | |
| Other revenue and income | 3,415,439 | 2,405,333 | 3,207,705 | 2,516,000 |
| **Revenue** | **37,575,002** | **4,637,658** | **22,500,784** | **5,690,084** |
| **Gains on sale of non-current assets and equity investments** | **184,074** | **-** | **500** | **-** |
| *Gain on sale of equity investments* | - | | - | |
| Raw materials and components | (4,428,583) | | (3,468,363) | |
| Change in raw materials | 83,344 | | 76,058 | |
| Inventory write-downs | - | | - | |
| **Raw materials and consumables** | **(4,345,239)** | **-** | **(3,392,305)** | **-** |
| Consumables | (724,481) | | (799,728) | |
| External maintenance | (425,020) | | (427,153) | |
| **Other variable production costs** | **(1,149,501)** | **-** | **(1,226,881)** | **-** |
| **External variable engineering services** | **(9,423,216)** | **(1,087,382)** | **(1,423,455)** | **(47,873)** |
| Blue collars, white collars and managers | (13,054,140) | | (10,939,851) | |
| Independent contractors and temporary workers | - | | - | |
| Social security contributions and other post-employment benefits | (569,467) | | (505,307) | |
| **Wages, salaries and employee benefits** | **(13,623,607)** | **-** | **(11,445,158)** | **-** |
| Depreciation of property, plant and equipment and investment property | (1,008,007) | | (953,522) | |
| Amortisation of intangible assets | (490,073) | | (174,194) | |
| Losses on sale of non-current assets and equity investments | - | | - | |
| (Additions to)/utilisation of provisions and impairment losses | 4,355 | | 803 | |
| **Amortisation, depreciation and impairment losses** | **(1,493,725)** | **-** | **(1,126,913)** | **-** |
| **Net exchange rate gains (losses)** | **(1,931)** | | **861** | |
| **Other expenses** | **(3,890,255)** | | **(3,910,037)** | |
| **Operating profit** | **3,831,602** | **3,550,276** | **(22,604)** | **5,642,211** |
| **Net financial expense** | **(1,237,016)** | **5,354** | **(969,622)** | **(13,722)** |
| **Dividends** | **776,000** | **776,000** | **717,800** | **717,800** |
| **Share of profit (loss) of equity-accounted investees** | **(40,070)** | | | |
| **Profit before taxes** | **3,330,516** | **4,331,630** | **(274,426)** | **6,346,289** |
| **Income taxes** | **(178,907)** | | **(2,962)** | |
| **Profit (loss) for the period** | **3,151,609** | **4,331,630** | **(277,388)** | **6,346,289** |

## Statement of comprehensive income

| | First half 2018 | First half 2017 |
|---|---|---|
| **Profit (loss) for the period** | **3,151,609** | **(277,388)** |
| **Other comprehensive income:** | | |
| **Items that will not be reclassified to profit or loss:** | | |
| - Actuarial gains on defined benefit plans - IAS 19 | 3,026 | 31,759 |
| - Income taxes | - | - |
| - Other | - | - |
| **Total items of other comprehensive income that will not be reclassified to profit or loss, net of tax effect:** | **3,026** | **31,759** |
| 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** | **3,026** | **31,759** |
| **Comprehensive income (expense)** | **3,154,635** | **(245,629)** |

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)

| | First half 2018 | % | First half 2017 | % | Variation | 2017 |
|---|---|---|---|---|---|---|
| Revenue from sales and services | 32,726 | 87.09 | 19,404 | 86.23 | 13,322 | 46,592 |
| Change in inventories and contract work in progress | 1,434 | 3.82 | (111) | (0.49) | 1,545 | 312 |
| Other revenue and income | 3,415 | 9.09 | 3,208 | 14.26 | 207 | 6,568 |
| **Revenue** | **37,575** | **100.00** | **22,501** | **100.00** | **15,074** | **53,472** |
| **Net gains on the sale of non-current assets** | **184** | **0.49** | **1** | **-** | **183** | **137** |
| Materials and services (*) | (18,892) | (50.28) | (10,029) | (44.57) | (8,863) | (25,316) |
| Change in raw materials | 83 | 0.22 | 76 | 0.34 | 7 | 85 |
| **Value added** | **18,950** | **50.43** | **12,549** | **55.77** | **6,401** | **28,378** |
| Labour cost (**) | (13,624) | (36.26) | (11,445) | (50.86) | (2,179) | (23,747) |
| **Gross operating profit** | **5,326** | **14.17** | **1,104** | **4.91** | **4,222** | **4,631** |
| Amortisation and depreciation | (1,498) | (3.98) | (1,128) | (5.01) | (370) | (2,233) |
| (Additions to)/utilisation of provisions and impairment losses | 4 | 0.01 | 1 | - | 3 | (186) |
| **Operating profit (loss)** | **3,832** | **10.20** | **(23)** | **(0.10)** | **3,855** | **2,212** |
| Net financial expense | (461) | (1.23) | (251) | (1.12) | (210) | (1,361) |
| Share of profit (loss) of equity-accounted investees | (40) | (0.11) | - | - | (40) | |
| **Profit (loss) before taxes** | **3,331** | **8.86** | **(274)** | **(1.22)** | **3,605** | **851** |
| Income taxes | (179) | (0.47) | (3) | ( 0.01) | (176) | (242) |
| **Profit (loss) for the period/year** | **3,152** | **8.39** | **(277)** | **(1.23)** | **3,429** | **609** |

(*) **Materials and services** are net of utilisations of the provisions for product warranty and risks (€1.3 thousand and €2.9 thousand for H1 2017 and H1 2018, respectively.
(**) **Labour cost** is net of utilisations of the restructuring provision (€4.6 thousand and €39.3 thousand for H1 2017 and H1 2018, respectively).
As required by Consob resolution no. DEM/6064293 of 28 July 2006, a reconciliation of the data in the 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.

## Reclassified statement of financial position
(€'000)

| | 30.06.2018 | 31.12.2017 | Variation | 30.06.2017 |
|---|---|---|---|---|
| **Net non-current assets (A)** | | | | |
| Net intangible assets | 5,930 | 451 | 5,479 | 479 |
| Net property, plant and equipment and investment property | 40,082 | 40,406 | (324) | 40,305 |
| Equity investments | 22,117 | 21,578 | 579 | 21,578 |
| **Total A** | **68,129** | **62,435** | **5,734** | **62,362** |
| **Working capital (B)** | | | | |
| Inventories | 2,924 | 1,407 | 1,517 | 975 |
| Net trade receivables and other assets | 29,912 | 22,193 | 7,719 | 11,920 |
| Assets held for sale | - | 252 | (252) | - |
| Trade payables | (24,996) | (24,616) | (380) | (11,512) |
| Provisions for risks and charges | (543) | (589) | 46 | (407) |
| Other liabilities | (7,491) | (4,750) | (2,740) | (6,361) |
| **Total B** | **(194)** | **(6,103)** | **5,910** | **(5,385)** |
| **Net invested capital (C=A+B)** | **67,935** | **56,332** | **11,644** | **56,977** |
| **Post-employment benefits (D)** | **3,972** | **4,047** | **(75)** | **4,123** |
| **Net capital requirements (E=C-D)** | **63,963** | **52,285** | **11,719** | **52,854** |
| **Equity (F)** | **63,316** | **59,795** | **3,562** | **58,520** |
| **Net financial (position) debt (G)** | | | | |
| Non-current loans and borrowings | 22,923 | 22,725 | 198 | 25,281 |
| Net current financial position | (22,276) | (30,235) | 7,959 | (30,947) |
| **Total G** | **647** | **(7,510)** | **8,157** | **(5,666)** |
| **Total as in E (H=F+G)** | **63,963** | **52,285** | **11,719** | **52,854** |

## Net financial position
(€'000)

| | 30.06.2018 | 31.12.2017 | Variation | 30.06.2017 |
|---|---|---|---|---|
| Cash and cash equivalents | 13,597 | 34,064 | (20,467) | 34,573 |
| Current assets held for trading | 12,508 | - | 12,508 | - |
| Current finance lease liabilities | - | - | - | - |
| Loans and borrowings - related parties | (335) | (335) | - | (258) |
| Current portion of bank loans and borrowings | (3,494) | (3,494) | - | (3,368) |
| **Net current financial position** | **22,276** | **30,235** | **(7,959)** | **30,947** |
| Non-current loans and receivables - related parties | 2,134 | 1,500 | 634 | 1,517 |
| Non-current finance lease liabilities | - | - | - | - |
| Non-current bank loans and borrowings | (25,057) | (24,225) | (832) | (26,798) |
| **Non-current loans and borrowings** | **(22,923)** | **(22,725)** | **(198)** | **(25,281)** |
| **NET FINANCIAL POSITION (DEBT)** | **(647)** | **7,510** | **(8,157)** | **5,666** |

# Statement of changes in equity

| | 31.12.2016 | Comprehensive expense | Stock option reserve | Allocation of prior year profit | Proceeds from the issue of shares | Capital increase transaction costs | 30.06.2017 |
|---|---|---|---|---|---|---|---|
| Share capital | 30,150,694 | - | - | - | - | - | 30,150,694 |
| Share premium reserve | - | - | - | - | - | - | - |
| Reserve for treasury shares | 175,697 | - | - | - | - | - | 175,697 |
| Legal reserve | 6,033,331 | - | - | - | - | - | 6,033,331 |
| Stock option reserve | 157,793 | - | 641,874 | - | - | - | 799,667 |
| Other reserves | 2,646,208 | - | - | - | 26,445,333 | (327,517) | 28,764,024 |
| Losses carried forward | (30,424,802) | 31,759 | - | 23,267,243 | - | - | (7,125,800) |
| Profit (loss) for the period/year | 23,267,243 | (277,388) | - | (23,267,243) | - | - | (277,388) |
| **EQUITY** | **32,006,164** | **(245,629)** | **641,874** | **-** | **26,445,333** | **(327,517)** | **58,520,225** |

| | 31.12.2017 | Comprehensive income | Stock option reserve | Allocation of prior year profit | Proceeds from the issue of shares | Capital increase transaction costs | 30.06.2018 |
|---|---|---|---|---|---|---|---|
| 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 | - | 366,430 | - | - | - | 1,538,600 |
| Other reserves | 2,646,208 | - | - | - | - | - | 2,646,208 |
| Losses carried forward | (7,165,362) | 3,026 | - | 578,130 | - | - | (6,584,206) |
| Profit for the period/year | 608,558 | 3,151,609 | - | (608,558) | - | - | 3,151,609 |
| **EQUITY** | **59,795,432** | **3,154,635** | **366,430** | **-** | **-** | **-** | **63,316,497** |

## Statement of cash flows

| | First half 2018 | First half 2017 |
|---|---|---|
| **Profit (loss) for the period** | **3,151,609** | **(277,388)** |
| *Adjustments:* | | |
| - Income taxes | 178,907 | 2,962 |
| - Depreciation of property, plant and equipment and investment property | 1,008,007 | 953,522 |
| - Amortisation of intangible assets | 490,073 | 174,194 |
| - Impairment losses, provisions and change in accounting estimates | (132,464) | (77,993) |
| - Gains on the sale of non-current assets | (184,074) | (500) |
| - Financial expense | 1,242,375 | 992,532 |
| - Financial income | (5,359) | (22,910) |
| - Dividends | (776,000) | (717,800) |
| - Other adjustments | 277,806 | 641,874 |
| ***Total adjustments*** | **2,099,271** | **1,945,881** |
| *Change in working capital:* | | |
| - Increase in inventories | (75,503) | (277,657) |
| - (Increase)/decrease in contract work in progress | (1,441,799) | 314,058 |
| - Increase in trade receivables and other assets | (9,428,984) | (99,686) |
| - Increase in trade receivables - related parties | (4,083,295) | (1,641,283) |
| - Increase in trade payables, other financial liabilities and other liabilities | 4,565,495 | 2,344,613 |
| - Increase/(decrease) in trade payables - related parties | 84,133 | (47,462) |
| - Increase/(decrease) in advances for contract work in progress and deferred income | (1,596,845) | 916,208 |
| - Other changes | (192,870) | - |
| ***Total changes in working capital*** | **(12,169,668)** | **1,508,791** |
| **Gross cash flows from operating activities** | **(6,918,788)** | **3,177,284** |
| - Financial expense | (119,965) | (95,330) |
| - Income taxes | - | - |
| **NET CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES** | **(7,038,753)** | **3,081,954** |
| - Purchases of non-current assets and equity investments | (1,425,446) | (966,443) |
| - 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 | 4,505 | 172,142 |
| - Proceeds from the sale of assets held for trading | (12,669,640) | - |
| - Financial income | 5 | 16,743 |
| - Dividends collected | 776,000 | 717,800 |
| - Other changes | - | - |
| **CASH FLOWS USED IN INVESTING ACTIVITIES** | **(13,428,076)** | **(59,258)** |
| - Proceeds from the issue of shares | - | 10,401,444 |
| - 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** | **-** | **10,401,444** |
| **TOTAL CASH FLOWS** | **(20,466,829)** | **13,424,140** |
| Opening net cash and cash equivalents | 34,063,802 | 21,149,281 |
| **Closing net cash and cash equivalents** | **13,596,973** | **34,573,421** |
| *Of which:* | | |
| - Cash and cash equivalents | 13,596,973 | 34,573,421 |
| - 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 2 August 2018, the boards of directors of Pininfarina S.p.A. and Pininfarina Extra S.r.l. (wholly owned by the parent) met and approved, inter alia, the merger of Pininfarina Extra S.r.l. into Pininfarina S.p.A.. Accordingly, the related procedure commenced and the merger is expected to take effect from 1 January 2019.

The transaction aims at streamlining the ownership structure of the group headed by Pininfarina S.p.A. for the following reasons:

- reducing the control chain, with financial and economic benefits deriving from the optimisation of the structure and related costs;

- operating commercial strategies and synergies from a single central unit;

- completing the Group's corporate reorganisation by concentrating the design and engineering in specific and separate "legal entities", in order for the Pininfarina Group to be faster and more flexible in addressing the demand of the various markets in which it operates.

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. | 62,358 | 93,699 | 82,957 | 334,576 | 161,909 | 161,354 | 776,000 | - |
| Pininfarina Deutschland GmbH | - | - | 1,500,849 | - | - | - | 5,354 | - |
| Pininfarina Shangai Co. Ltd | - | - | - | - | - | 15,000 | - | - |
| Tech Mahindra Ltd | 8,560 | 326,937 | - | - | 26,560 | 548,343 | - | - |
| Mahindra&Mahindra Limited | 4,817,000 | - | - | - | 4,032,062 | - | - | - |
| Mahindra Graphic Research Design S.r.l. | - | 170,904 | - | - | - | 362,685 | - | - |
| Ssangyong Motor Company | 4,000 | - | - | - | 411,794 | - | - | - |
| **Total** | **4,891,918** | **591,540** | **2,133,806** | **334,576** | **4,637,658** | **1,087,382** | **781,354** | - |

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 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;

- Ssangyiong Motor Company: design services agreement

In addition to the above figures, Studio Starclex - Studio Legale Associato Guglielmetti, related to Romina Guglielmetti (director of Pininfarina S.p.A.), provided legal assistance to the company for €18,000.

**Directors' and statutory auditors' fees**

| (€'000) | First half 2018 | First half 2017 |
|---|---|---|
| Directors | 375 | 183 |
| Statutory auditors | 52 | 52 |
| **Total** | **427** | **235** |

The total fees to Pininfarina S.p.A.'s key management personnel approximate €0.8 million for the first six 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:

| | 30.06.2018 | 30.06.2018, net of significant non-recurring transactions |
|---|---|---|
| Property, plant and equipment | 40,081,818 | 40,334,244 |
| Intangible assets | 5,930,303 | 5,930,303 |
| Equity investments | 22,117,302 | 21,538,022 |
| Non-current financial assets | 2,133,806 | 1,583,806 |
| **NON-CURRENT ASSETS** | **70,263,229** | **69,386,375** |
| Inventories | 314,531 | 314,531 |
| Contract work in progress | 2,609,953 | 2,609,953 |
| Current financial assets | 12,507,673 | 12,507,673 |
| Trade receivables and other assets | 29,912,230 | 29,912,230 |
| Cash and cash equivalents | 13,596,973 | 14,292,753 |
| **CURRENT ASSETS** | **58,941,360** | **59,637,140** |
| **TOTAL ASSETS** | **129,204,589** | **129,023,515** |
| Share capital and reserves | 60,164,888 | 60,164,888 |
| Profit for the period | 3,151,609 | 2,970,535 |
| **EQUITY** | **63,316,497** | **63,135,423** |
| Non-current loans and borrowings | 25,056,518 | 25,056,518 |
| Post-employment benefits and other provisions | 3,972,453 | 3,972,453 |
| **NON-CURRENT LIABILITIES** | **29,028,971** | **29,028,971** |
| Current loans and borrowings | 3,828,475 | 3,828,475 |
| Other financial liabilities | 3,995,700 | 3,995,700 |
| Trade payables | 24,996,078 | 24,996,078 |
| Current tax liabilities | 496,199 | 496,199 |
| Provisions for risks and charges | 542,669 | 542,669 |
| Other liabilities | 3,000,000 | 3,000,000 |
| **CURRENT LIABILITIES** | **36,859,121** | **36,859,121** |
| **TOTAL LIABILITIES** | **65,888,092** | **65,888,092** |
| **TOTAL LIABILITIES AND EQUITY** | **129,204,589** | **129,023,515** |

| | First half 2018 | First half 2018, net of significant non-recurring transactions |
|---|---|---|
| Revenue from sales and services | 32,725,605 | 32,725,605 |
| Incrementi d'immobilizzazioni per lavori interni | - | - |
| Change in inventories and contract work in progress | 1,433,958 | 1,433,958 |
| Other revenue and income | 3,415,439 | 3,415,439 |
| **Revenue** | **37,575,002** | **37,575,002** |
| Gains on sale of non-current assets and equity investments | 184,074 | 3,000 |
| Raw materials and consumables | (4,345,239) | (4,345,239) |
| Other variable production costs | (1,149,501) | (1,149,501) |
| External variable engineering services | (9,423,216) | (9,423,216) |
| Wages, salaries and employee benefits | (13,623,607) | (13,623,607) |
| Amortisation, depreciation and impairment losses | (1,493,725) | (1,493,725) |
| Net exchange rate losses | (1,931) | (1,931) |
| Other expenses | (3,890,255) | (3,890,255) |
| **Operating profit** | **3,831,602** | **3,650,528** |
| Net financial expense | (1,237,016) | (1,237,016) |
| Provento da cancellazion passività finanziaria | - | - |
| Dividends | 776,000 | 776,000 |
| Share of profit (loss) of equity-accounted investees | (40,070) | (40,070) |
| **Profit before taxes** | **3,330,516** | **3,149,442** |
| Income taxes | (178,907) | (178,907) |
| **Profit for the period** | **3,151,609** | **2,970,535** |

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. with payment of the initial quota capital of €50,000.

### 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.

**Statement on the condensed interim consolidated financial statements pursuant to article 154-bis of Legislative decree no. 58/98**

◊ The undersigned Paolo Pininfarina, as chairman, and Gianfranco Albertini, as manager in charge of financial reporting of Pininfarina S.p.A., also considering the provisions of article 154-bis.3/4 of Legislative decree no. 58 of 24 February 1998, state that the administrative and accounting policies adopted for the preparation of the condensed interim consolidated financial statements:

- are adequate in relation to the Group's characteristics and
- have been effectively applied during the period.

◊ Moreover, they state that

- The condensed interim consolidated financial statements:

  - have been prepared in accordance with the International Financial Reporting Standards endorsed by the European Community pursuant to (EC) regulation no. 1606/2002 issued by the European Parliament and Council on 19 July 2002 and, in particular, IAS 34 - Interim financial reporting and the measures implementing article 9 of Legislative decree no. 38/2005;
  - are consistent with the accounting ledgers and records;
  - are suitable to give a true and fair view of the financial position, financial performance and cash flows of the issuer and the group of companies included in the consolidation scope;
  - the directors' report includes a description of the key events of the period and their impact on the condensed interim consolidated financial statements, as well as a description of the main risks and uncertainties for the second half of the year and information about significant related party transactions.

2 August 2018

| | |
|---|---|
| Chairman | Manager in charge of financial reporting |
| Paolo Pininfarina<br>(signed on the original) | Gianfranco Albertini<br>(signed on the original) |

KPMG

KPMG S.p.A.
Revisione e organizzazione contabile
Corso Vittorio Emanuele II, 48
10123 TORINO TO
Telefono +39 011 8395144
Email it-fmauditaly@kpmg.it
PEC kpmgspa@pec.kpmg.it

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

# Report on review of condensed interim consolidated financial statements

To the Shareholders of
Pininfarina S.p.A.

## Introduction

We have reviewed the accompanying condensed interim consolidated financial statements of the Pininfarina Group comprising the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes thereto, as at and for the six months ended 30 June 2018. The parent's directors are responsible for the preparation of these condensed interim consolidated financial statements in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union. Our responsibility is to express a conclusion on these condensed interim consolidated financial statements based on our review.

## Scope of Review

We conducted our review in accordance with Consob (the Italian Commission for Listed Companies and the Stock Exchange) guidelines set out in Consob resolution no. 10867 dated 31 July 1997. A review of condensed interim consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the condensed interim consolidated financial statements.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements of the Pininfarina Group as at and for the six months ended 30 June 2018 have not been prepared, in all material respects, in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union.

Turin, 3 August 2018

KPMG S.p.A.

(signed on the original)

Piercarlo Miaja
Director of Audit