



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

**DRAFT 2016 FINANCIAL STATEMENTS
EVENTS AFTER THE REPORTING DATE
GOING CONCERN AND OUTLOOK FOR 2017
ANNUAL REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE
REMUNERATION REPORT
CALLING OF SHAREHOLDERS' MEETING**

Cambiano, 21 March 2017 – The Board of Directors of Pininfarina S.p.A., chaired by Paolo Pininfarina, met today and approved the draft separate and consolidated financial statements, the annual report on corporate governance and ownership structure, the remuneration report and called the ordinary shareholders' meeting.

The 2016 and 2015 key financial figures of the Pininfarina Group are as follows:

(€'million)	Draft 2016 financial statements	2015	Variation
Revenue	68.9	82.8	-13.9
EBITDA	0.9	1.5	-0.6
EBIT	-2.9	-12.4	9.5
Net financial expense	-3.1	-5.2	2.1
Gain on the extinguishment of financial liabilities	26.5	-	26.5
Profit (loss) for the year	20.5	-18.2	38.7
Net financial debt	-17.7	-47.7	30.0
Equity	30.5	9.8	20.7

EBITDA is the operating profit or loss gross of amortisation, depreciation, provisions, impairment losses, reversals of impairment losses and utilisation of provisions.

EBIT is the operating profit or loss.

Pursuant to article 154-bis.2 of the Consolidated finance act, the manager in charge of financial reporting, Gianfranco Albertini, states that the financial disclosures provided in this press release are consistent with the relevant documentation, ledgers and accounting records.

The Group

The Group recorded revenue of €68.9 million for the year, down 16.8% on 2015, mainly due to the smaller engineering services provided in Italy and Germany. The design and limited series cars activities also lost impetus, partly offset by the rise in royalties.

EBITDA (gross operating profit) at €1.5 million decreased by €0.9 million due to the aforesaid contraction in business volumes, the costs incurred for the debt restructuring agreement with the lending institutions and the sale of the majority investment in Pininfarina S.p.A. to the Mahindra Group during the year.

EBIT (operating loss) was a negative €2.9 million compared to a negative €12.4 million for the previous year, mainly a result of provisions and impairment losses on assets (the latter at the San Giorgio Canavese facility, which has been inactive since 2010 and not expected to be used for production in the future) of roughly €10.8 million.

The Group's net financial expense for the year showed a marked improvement on the previous year, thanks, in particular, to the reduction in its interest expense calculated on a strongly reduced debt after the coming into force (on 30 May 2016) of the new Rescheduling Agreement with the lending institutions. Following this agreement, which entailed the settlement and extinguishment of roughly 58% of the parent's debt and the rescheduling of the residual debt to 2025, Pininfarina S.p.A. has recognised a gain of approximately €26.5 million on the extinguishment of financial liabilities.

The Group recognised an income tax benefit of €10 thousand for 2016 compared to a tax expense of €0.6 million for 2015, mainly due to the tax benefits availed of by Pininfarina Extra S.r.l. provided for by the Patent Box Decree.

As a result of the above, the Group recorded a profit for the year of €20.5 million compared to a loss of €18.2 million for the previous year.



Equity increased from €9.8 million to €30.5 million, mainly as a result of the profit for the year. Net financial debt decreased from €47.7 million at 31 December 2015 to €17.7 million at the reporting date. This improvement was achieved thanks to the new Rescheduling Agreement and the settlement and extinguishment of part of the debt which decreased more than proportionally compared to the cash used to pay it. Outstanding principal due by the parent to the lending institutions on its loans and borrowings decreased from €97.8 million at 31 December 2015 to €41.2 million at the reporting date. The workforce numbered 578 at the reporting date (31 December 2015: 621, -7%).

2016 performance by business segment

Operations

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 incurs the costs of the support and property management functions of the parent, Pininfarina S.p.A.. It recognised revenue of €11.4 million (€7.2 million in 2015; +58%), accounting for 16.6% of consolidated revenue (8.7% in 2015). The increase is mainly due to the trademark licence agreement signed by Pininfarina S.p.A. and Mahindra & Mahindra Limited. This segment's EBIT was a negative €4 million, compared to a negative €20.8 million in 2015 when it recorded impairment losses on assets and accruals for a redundancy programme totalling roughly €10.8 million.

Services

This segment, comprising the design, industrial design and engineering businesses, recognised revenue of €57.4 million (€75.6 million in 2015; -24%), making up 83.4% of the consolidated figure (91.3% in 2015). The reduction was principally due to the smaller engineering activities carried out in Italy and Germany. Segment EBIT amounted to €1.2 million, down on the €8.4 million operating profit for 2015.

The key financial figures of the parent are summarised below:

(€million)	Draft 2016 financial statements	2015	Variation
Revenue	36.8	45.2	-8.4
EBITDA	-0.1	-3.5	3.4
EBIT	-2.3	-16.4	14.1
Net financial expense	-1.1	-4.2	3.1
Gain on the extinguishment of financial liabilities	26.5	-	26.5
Profit (loss) for the year	23.3	-20.3	43.6
Net financial debt	-22.7	-54.1	31.4
Equity	32.0	8.6	23.4

EBITDA is the operating profit or loss gross of amortisation, depreciation, provisions, impairment losses, reversals of impairment losses and utilisation of provisions. EBIT is the operating profit or loss.

Events after the reporting date

On 27 February 2017, Pininfarina S.p.A. signed a trade agreement with Hybrid Kinetic Group Limited, listed on the Hong Kong stock exchange and specialised in the business of electric cars. The agreement covers the development of an electric vehicle from styling the concept to development, engineering development, virtual and physical validation for series production. The contact is worth €65 million and has a term of four years.

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



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) Tables showing the net financial debt of Pininfarina S.p.A. and the Pininfarina Group, with separate classification of current and non-current items, are attached hereto.
- 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 tables showing the parent's and Group's related party transactions are attached hereto.
- 4) Under the existing Rescheduling Agreement, there is just one financial covenant, to be checked quarterly beginning from 31 March 2018: consolidated equity at a minimum level of €30,000,000.
- 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.

Going concern and outlook for 2017

Going concern

In accordance with the agreement signed on 14 December 2015 and disclosed to the market on that date, on 30 May 2016, Pincar S.r.l. in liquidation sold its entire investment in Pininfarina S.p.A. (76.063% of its share capital) to PF Holding B.V., a company under Dutch law owned by TechMahindra Limited and Mahindra & Mahindra Limited. Pursuant to the relevant legislation, the Dutch company then launched a mandatory takeover bid for the rest of Pininfarina S.p.A.'s share capital (7,205,128 shares or 23.88%) on 11 July 2016; based on the final outcome of the bid, during the Acceptance Period (11 July - 29 July 2016), 22,348 Pininfarina ordinary shares, equal to roughly 0.0741% the share capital and 0.3102% of the ordinary shares covered by the offer, were tendered, for a total amount of €24,582.80. Considering the tendered Pininfarina ordinary shares, the 22,945,566 Pininfarina ordinary shares equal to 76.07% of Pininfarina's share capital already directly held by the Bidder before the Acceptance Period and the parent's treasury shares in portfolio (15,958, or 0.05% of its share capital), PF Holding B.V. holds 22,967,914 ordinary shares of the parent, equal to 76.1368% of its share capital. Given the definitive outcome of the takeover bid, Pininfarina S.p.A.'s float has remained substantially unchanged compared to the period before the bid.

Again on 30 May 2016, once Pininfarina S.p.A.'s Rescheduling Agreement with its lending institutions became effective, the parent settled and extinguished its debt with the banks that chose this option (equal to approximately 58% of its €97.8 million nominal debt before the transaction) and rescheduled to 2025 its approximate €41 million debt with the banks that decided to remain its creditors. The rescheduled debt is secured by a first demand surety issued by the Mahindra Group. PF Holdings B.V. granted an interest-bearing (annual 0.25% interest rate) loan of €16 million to Pininfarina S.p.A., in order for the latter to be able to meet its payment obligations on the same date on which it had to repay its debt (30 May 2016).

On 21 November 2016, and as provided for in the Financial plan, Pininfarina's shareholders resolved to increase share capital against payment by a maximum of €26,532,528, to be carried out by instalments before 31 July 2017. The majority shareholder has agreed to subscribe €20,000,000 using (if necessary) the loan already granted to Pininfarina. The parent will file the Prospectus, prepared using the 2016 consolidated figures approved by the board of directors, with Consob (the Italian commission for listed companies and the stock exchange), which is required to offer the new shares to its shareholders that have the right of first refusal.

Therefore, the first few conditions provided for in the new 2016-2025 business and financial plan, approved on 27 November 2015, have been met.

Considering all the above, assessing the effects of the debt Rescheduling Agreement and the proximity of the share capital increase envisaged by the Investment Agreement, the Board of Directors no longer believes that there are any doubts as to the Pininfarina Group's ability to continue as a going concern, also thanks to the industrial, financial and capital stability of the Mahindra Group.



Outlook for 2017

Consolidated revenue for 2017 is expected to be higher than the 2016 figure and the EBIT is forecast to be positive.

Net financial debt at 31 December 2017 should improve thanks to completion of the capital increase approved by the parent's shareholders on 21 November 2016.

Annual report on corporate governance and ownership structure and Remuneration report

The Board of Directors also approved the **Annual report on corporate governance and ownership structure and the Remuneration report** for 2016. They will be available in the "Finance - Corporate governance" section of the parent's website (www.pininfarina.com) as from 20 April 2017, as well as through the other methods provided for by current legislation.

Lastly, the Board of Directors called the **shareholders' meeting** for **12 May 2017, at 11.30 a.m.** at **Pininfarina S.p.A.'s offices in Cambiano (TO)** on first call and, if necessary, for 15 May 2017 on second call, same time and place. The agenda includes the approval of the 2016 financial statements and allocation of the profit for the year and the approval of the 2016 remuneration report.

The Board of Directors did not propose any dividend distribution.

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RECLASSIFIED FINANCIAL STATEMENTS (*)

(*) The reclassified financial statements group the figures presented in the legally-required statements to improve their understanding, without however changing their presentation logic.

The terms “EBITDA” and “EBIT” as used in the reclassified financial statements are the “operating profit or loss”, gross of amortisation, depreciation, provisions, impairment losses, reversals of impairment losses and utilisation of provisions, and “operating profit or loss” presented in the IFRS financial statements, respectively.

PININFARINA GROUP
Reclassified income statement
(€'000)

	2016	%	2015	%	Variation
Revenue from sales and services	62,660	90.98	75,126	90.73	(12,466)
Change in inventories and contract work in progress	(4,018)	(5.82)	2,045	2.47	(6,063)
Other revenue and income	10,227	14.84	5,635	6.80	4,592
Revenue	68,869	100.00	82,806	100.00	(13,937)
Net gains on the sale of non-current assets	14	0.02	50	0.06	(36)
Materials and services (*)	(24,840)	(36.07)	(33,696)	(40.69)	8,856
Change in raw materials	54	0.08	29	0.03	25
Value added	44,097	64.03	49,189	59.40	(5,092)
Labour cost (**)	(43,231)	(62.77)	(47,689)	(57.59)	4,458
EBITDA	866	1.26	1,500	1.81	(634)
Amortisation and depreciation	(3,143)	(4.56)	(3,397)	(4.10)	254
(Additions to)/utilisation of provisions and impairment losses	(601)	(0.87)	(10,506)	(12.69)	9,905
EBIT	(2,878)	(4.17)	(12,403)	(14.98)	9,525
Net financial expense	(3,074)	(4.46)	(5,202)	(6.28)	2,128
Gain on the extinguishment of financial liabilities	26,459	38.42	-	-	26,459
Share of profit of equity-accounted investees	14	0.02	12	0.01	2
Profit (loss) before taxes	20,521	29.81	(17,593)	(21.25)	38,114
Income taxes	10	0.01	(576)	(0.69)	586
Profit (loss) for the year	20,531	29.82	(18,169)	(21.94)	38,700

(*) **Materials and services** are net of utilisations of the provisions for product warranty and risks (€150 thousand and €62 thousand for 2015 and 2016, respectively).

(**) **Labour cost** is net of utilisations of the restructuring provision (€403 thousand and €701 thousand for 2015 and 2016, 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.



PININFARINA GROUP
Reclassified statement of financial position
(€'000)

	31.12.2016	31.12.2015	Variation
Net non-current assets (A)			
Net intangible assets	1,809	2,252	(443)
Net property, plant and equipment and investment property	50,111	51,383	(1,272)
Equity investments	337	323	14
Total A	52,257	53,958	(1,701)
Working capital (B)			
Inventories	1,749	5,721	(3,972)
Net trade receivables and other assets	18,376	22,395	(4,019)
Deferred tax assets	1,002	926	76
Trade payables	(12,925)	(10,722)	(2,203)
Provisions for risks and charges	(421)	(1,266)	845
Other liabilities (*)	(6,981)	(8,545)	1,564
Total B	800	8,509	(7,709)
Net invested capital (C=A+B)	53,057	62,467	(9,410)
Post-employment benefits (D)	4,927	4,980	(53)
Net capital requirements (E=C-D)	48,130	57,487	(9,357)
Equity (F)	30,464	9,830	20,634
Net financial debt (G)			
Non-current loans and borrowings	25,997	66,122	(40,125)
Net current financial position	(8,331)	(18,465)	10,134
Total G	17,666	47,657	(29,991)
Total as in E (H=F+G)	48,130	57,487	(9,357)

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

PININFARINA GROUP
Net financial debt
(€'000)

	31.12.2016	31.12.2015	Variation
Cash and cash equivalents	27,783	20,996	6,787
Current assets held for trading	-	16,359	(16,359)
Current finance lease liabilities	-	(11,654)	11,654
Loans and borrowings - related parties and joint ventures	(16,024)	-	(16,024)
Current portion of bank loans and borrowings	(3,428)	(7,236)	3,808
Net current financial position	8,331	18,465	(10,134)
Non-current loans and receivables - related parties	134	269	(135)
Non-current finance lease liabilities	-	(40,774)	40,774
Non-current bank loans and borrowings	(26,131)	(25,617)	(514)
Non-current loans and borrowings	(25,997)	(66,122)	40,125
NET FINANCIAL DEBT	(17,666)	(47,657)	29,991

Pininfarina S.p.A. Reclassified income statement

(€'000)

	2016	%	2015	%	Variation
Revenue from sales and services	31,630	85.93	38,809	85.91	(7,179)
Change in inventories and contract work in progress	(4,032)	(10.95)	1,626	3.60	(5,658)
Other revenue and income	9,210	25.02	4,738	10.49	4,472
Revenue	36,808	100.00	45,173	100.00	(8,365)
Net gains on the sale of non-current assets	2	0.01	50	0.11	(48)
Materials and services (*)	(14,738)	(40.04)	(24,946)	(55.22)	10,208
Change in raw materials	54	0.15	29	0.06	25
Value added	22,126	60.11	20,306	44.95	1,820
Labour cost (**)	(22,242)	(60.43)	(23,806)	(52.70)	1,564
EBITDA	(116)	(0.32)	(3,500)	(7.76)	3,384
Amortisation and depreciation	(2,216)	(6.02)	(2,505)	(5.54)	289
(Additions to)/utilisation of provisions and impairment losses	82.00	0.22	(10,417)	(23.06)	10,499
EBIT	(2,250)	(6.11)	(16,422)	(36.35)	14,172
Net financial expense	(1,132)	(3.08)	(4,180)	(9.25)	3,048
Gain on the extinguishment of financial liabilities	26,459	71.88	-	-	26,459
Profit (loss) before taxes	23,077	62.70	(20,602)	(45.60)	43,679
Income taxes	190	0.52	339	0.75	(149)
Profit (loss) for the year	23,267	63.21	(20,263)	(44.85)	43,530

(*) **Materials and services** are net of utilisations of the provisions for product warranty and risks (€150 thousand and €9 thousand for 2015 and 2016, respectively).

(**) **Labour cost** is net of utilisations of the restructuring provision (€403 thousand and €701 thousand for 2015 and 2016, respectively).

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

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



Pininfarina S.p.A.
Reclassified statement of financial position

(€'000)

	31.12.2016	31.12.2015	Variation
Net non-current assets (A)			
Net intangible assets	585	896	(311)
Net profit, plant and equipment and intangible assets	40,360	41,360	(1,000)
Equity investments	21,578	21,578	-
Total A	62,523	63,834	(1,311)
Working capital (B)			
Inventories	1,010	4,988	(3,978)
Net trade receivables and other assets	10,180	13,366	(3,186)
Trade payables	(9,844)	(8,416)	(1,428)
Provisions for risks and charges	(414)	(1,206)	792
Other liabilities	(4,489)	(5,459)	970
Total B	(3,557)	3,273	(6,830)
Net invested capital (C=A+B)	58,966	67,107	(8,141)
Post-employment benefits (D)	4,225	4,383	(158)
Net capital requirements (E=C-D)	54,741	62,724	(7,983)
Equity (F)	32,005	8,619	23,386
Net financial debt (G)			
Non-current loans and borrowings	24,235	64,104	(39,869)
Net current financial position	(1,499)	(9,999)	8,500
Total G	22,736	54,105	(31,369)
Total as in E (H=F+G)	54,741	62,724	(7,983)

Pininfarina S.p.A.
Net financial debt

(€'000)

	31.12.2016	31.12.2015	Variation
Cash and cash equivalents	21,149	12,778	8,371
Current assets held for trading	-	16,359	(16,359)
Current finance lease liabilities	-	(11,654)	11,654
Loans and borrowings - related parties	(16,282)	(248)	(16,034)
Current portion of bank loans and borrowings	(3,368)	(7,236)	3,868
Net current financial position	1,499	9,999	(8,500)
Non-current loans and receivables - related parties	1,686	1,987	(301)
Non-current finance lease liabilities	-	(40,774)	40,774
Non-current bank loans and borrowings	(25,921)	(25,317)	(604)
Non-current loans and borrowings	(24,235)	(64,104)	39,869
NET FINANCIAL DEBT	(22,736)	(54,105)	31,369



Related party transactions - Pininfarina Group

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
PF Holding BV	-	-	-	16,024,000	-	-	-	24,000
Pincar S.r.l. in liquidation	-	-	-	-	-	400,000	4,612	-
Goodmind S.r.l.	-	-	133,997	-	32,000	-	3,997	-
Mahindra&Mahindra Limited	361,500	-	-	-	6,287,008	-	-	-
Tech Mahindra (Americas) Inc.	2,317	-	-	-	19,412	-	-	-
Tech Mahindra Ltd (India)	32,913	-	-	-	29,726	-	-	-
Total	396,730	-	133,997	16,024,000	6,368,146	400,000	8,609	24,000

The expense relating to Pincar S.r.l. in liquidation shows the liquidation costs incurred by Pininfarina S.p.A. in accordance with the investment agreement signed by the parties.

The balances with the Mahindra group companies relate to transactions carried out after the acquisition of the investment.

In addition to the above figures, Studio Professionale Pavesio e Associati, related to Carlo Pavesio (director of Pininfarina S.p.A. until 2 August 2016), provided legal assistance to the company and Pininfarina Extra S.r.l. for fees of €54,193 and €2,033, respectively.

Directors' and statutory auditors' fees

	2016	2015
(€000)		
Directors	789	1,015
Statutory Auditors	110	111
Total	899	1,126

Related party transactions - Pininfarina S.p.A.

	Commercial		Financial		Operating		Financial	
	Assets	Liabilities	Assets	Liabilities	Revenue	Expense	Income	Expense
PF Holding BV	-	-	-	16,024,000	-	-	-	24,000
Pincar S.r.l. in liquidation	-	-	-	-	-	400,000	4,612	-
Pininfarina Extra S.r.l.	181,058	63,523	185,232	257,838	486,927	103,842	931,200	-
Goodmind S.r.l.	-	-	-	-	32,000	-	-	-
Pininfarina Deutschland Holding GmbH	-	-	-	-	-	-	1,000,000	-
Pininfarina Deutschland GmbH	40,250	-	1,501,071	-	374,250	73,332	14,178	-
Pininfarina Automotive Enginnerign (Shanghai) Co Ltd	574,903	-	-	-	153,085	-	-	-
Mahindra&Mahindra Limited	361,500	-	-	-	6,287,008	-	-	-
Tech Mahindra Limited	11,288	-	-	-	11,288	-	-	-
Total	1,168,999	63,523	1,686,303	16,281,838	7,344,557	577,174	1,949,990	24,000

The financial assets and liabilities with Pininfarina Extra S.r.l. relate to the domestic tax consolidation agreement.

The expense relating to Pincar S.r.l. in liquidation shows the liquidation costs incurred by Pininfarina S.p.A. in accordance with the investment agreement signed by the parties.



The balances with the Mahindra group companies relate to transactions carried out after the acquisition of the investment.

In addition to the above figures, Studio Professionale Pavesio e Associati, related to Carlo Pavesio (director until 2 August 2016), provided legal assistance to the company for fees of €54,193.

Fees to directors, statutory auditors and key management personnel:

Fees to the company's directors and statutory auditors for their respective duties are as follows:

	2016	2015
(€000)		
Directors	474	625
Statutory Auditors	101	102
Total	575	727

The 2016 total fees to Pininfarina S.p.A.'s key management personnel approximate €2.2 million.