Pininfarina Group - Interim financial report

Turin, *1 August 2014* – The Board of Directors of Pininfarina S.p.A., chaired by Paolo Pininfarina, met today and approved the Group's interim financial report for the first half of 2014. The key financial figures of the Pininfarina Group as at and the first six months of 2014 and 2013 are as follows:

(€'million)	FIRST HALF 2014	FIRST HALF 2013	31/12/2013	Variation *
Value of production	40.0	40.0		-
EBITDA	-0.5	-2.1		1.6
EBIT	-2.1	-2.8		0.7
Loss for the period	-4.5	-6.3		1.8
Net financial debt	-51.6	-41.8	-36.4	-15.2
Equity	25.0	33.4	29.4	-4.4

* Variations in the statement of financial position figures relate to the corresponding figures at 31 December 2013.

EBITDA is the operating profit or loss gross of amortisation, depreciation and 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 most significant issues that arise from an analysis of the consolidated figures for the first six months of 2014 are summarised below:

- the value of production (revenue) is in line with the corresponding figures for the first half of 2013;

- EBITDA and EBIT are negative, but show a considerable improvement compared to the corresponding period of the previous year, with EBITDA approximating break-even;

- compared to the first six months of 2013, the Group's Italian automotive operations reduced significantly their loss, the German subsidiaries' profit margins are slightly smaller, while profitability improved in China. The turnover of industrial design activities is good and their profitability increased;

- the loss for the period decreased by roughly 29% thanks to smaller operating losses and a reduction in net financial expense for the period;

- the Group's financial position at 30 June 2014 deteriorated compared to 31 December 2013, as a result of the loss for the period and the reduction in liquidity due to net working capital trends and the outlays required by several tax disputes.

Specifically, **value of production** came to €40 million for the reporting period, substantially in line with the corresponding period of the previous year (€39.5 million).
EBITDA is a negative €0.5 million, showing a sharp improvement on the €2.1 million loss of the first half of 2013, including as a result of gains on the sale of assets of €0.7 million. **EBIT** decreased by roughly €0.7 million from €2.8 million to €2.1 million.
Net financial expense decreased to €2.2 million, down by €0.9 million on the corresponding period of the previous year. The improvement is mainly due to the decrease in interest expense (realised and unrealised) calculated on a smaller amount of loans and borrowings due to the repayments made compared to the first half of 2013 and fair value gains on securities in portfolio.
The **loss before taxes** amounts to €4.3 million, compared to €6.0 million for the six months ended 30 June 2013. The **loss for the period** (net of taxes of €154 thousand) totals €4.5 million, down by €1.8 million on the €6.3 million loss for the first half of 2013.

Net financial debt rose to €51.6 million from €36.4 million at 31 December 2013 (€41.8 million at 30 June 2013). The €15.2 million increase in net financial debt is caused by the advances due for a number of tax disputes (€6.6 million), with the difference (€8.6 million) mainly due to net working capital trends.

Equity attributable to the owners of the parent decreased from €29.4 million at 31 December 2013 to €25 million (€33.4 million at 30 June 2013) as a result of the loss for the period.

The **headcount** decreased by 18.4% from 817 at 30 June 2013 to 667. The figure at 30 June 2013 included 31 employees of Pininfarina Maroc, which was sold at the end of 2013. Moreover, the redundancy programme due to discontinuation of production activities launched in October 2011 and involving 87 employees terminated in May 2014.

Performance by business segment

Operations segment
In addition to the sale of spare parts for cars manufactured in previous years and business lease income, this segment includes the costs of the support and property management functions of the parent, Pininfarina S.p.A.. Value of production decreased by 25.5% from €4.7 million for the first half of 2013 to €3.5 million.
Segment EBIT worsened by €0.6 million, or 15.4%, to a negative €4.5 million from a negative €3.9 million in the corresponding period of the previous year. The decrease in turnover and rise in the operating loss are mainly attributable to a reduction in sales of spare parts and smaller business lease income for the Bairo Canavese facility, which were partly offset by gains on the sale of assets of approximately €0.7 million.

Services segment

This segment, comprising the design and engineering businesses, recognised value of production of €36.5 million, up by €4.9% compared to the first half of 2013 (€34.8 million).
Segment EBIT amounted to a positive €2.4 million, an increase from the €1.0 million for the six months ended 30 June 2013, thanks to an improvement in profitability recorded by most of the group companies.

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 tables showing the net financial debt of the Pininfarina Group and Pininfarina S.p.A., 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) Compliance with the financial covenants in force for the current reporting year will be checked when the annual consolidated financial statements at 31 December 2014 are approved. At present, the Group is expected to comply with such covenants.
5) The parent's debt restructuring plan is proceeding in accordance with the current agreements.
6) The business plan's implementation progress is unchanged with respect to that described in the directors' report on the 2013 annual financial statements.

The key financial figures of the parent, Pininfarina S.p.A., are summarised below.:

(€'million)	FIRST HALF 2014	FIRST HALF 2013	31/12/2013	Variation *
Value of production	23.8	23.6		0.2
EBITDA	-1.9	-3.1		1.2
EBIT	-3.2	-3.4		0.2
Loss for the period	-4.3	-5.9		1.6
Net financial debt	-52.6	-42.2	-39.2	-13.4
Equity	27.9	38.0	32.1	-4.2

* Variations in the statement of financial position figures relate to the corresponding figures at 31 December 2013.

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 period

On 30 May 2014, the tax authorities notified Pincar S.r.l., the parent of Pininfarina S.p.A., of 14 orders for payment of taxes and decisions to impose penalties ("Orders"), for a total amount of €1,217,250.40, including interest accrued up to the Order issue date. With such Orders, the tax authorities allege that Pincar failed to pay the registration tax on certain agreements signed by Pincar and the lending institutions in Lugano (Switzerland) in 2009.The ultimate parent appealed against the Orders in July 2014. The lending institutions were notified of similar orders for payment of their pro rata portion of tax, penalties and interest. Under the Rescheduling Agreement, Pininfarina agreed to directly pay or reimburse "any and all costs, taxes and related legal costs incurred by the lending institutions in connection with the drafting, negotiation, signing, execution and implementation of the financial documentation". Based on this obligation and in order to avoid any additional outlays, the Board of Directors of Pininfarina S.p.A. resolved to grant a loan of €603,000 to the ultimate parent, which did not have the funds necessary to make the advance payment required by the law for appeals. The loan accrues annual interest at market rates and has a term of ten years. It can be used only for the tax purposes mentioned above and bears an acceleration clause. Pininfarina S.p.A. had already granted a €964,000 loan to Pincar S.r.l. in February 2014, with the same terms and for the same reasons as above (alleged failure to pay the registration tax on the agreements signed by Pincar and the lending institutions in Lugano (Switzerland) on 31 December 2008.

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

Outlook for 2014

Consolidated value of production for 2014 is expected to be in line with the 2013 figure and the EBIT is forecast to be positive.

The net financial debt at the end of 2014 is expected to worsen compared to 31 December 2013, mainly due to a decrease in liquidity as a result of net working capital trends, the outlays required by several tax disputes and the accumulated unrealised losses resulting from the measurement of financial liabilities at amortised cost.

Contacts:
Pininfarina:
Gianfranco Albertini, CFO and Investor Relators, tel. +39.011.9438367
Francesco Fiordelisi, Corporate and Product Communication Manager, tel. +39.011.9438105/335.7262530
Studio Mailander:
Carolina Mailander, tel. +39.011.5527311/335.6555651

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 term “EBIT” used in the reclassified income statement corresponds to the “Operating profit (loss)” presented in the IFRS-compliant financial statements.

PININFARINA GROUP

RECLASSIFIED INCOME STATEMENT

(€'000)

	First half 2014	%	First half 2013	%	Variation	2013
Revenue from sales and services	36,372	90.87	30,808	77.99	5,564	69,064
Change in inventories and contract work in progress	1,307	3.26	4,581	11.60	(3,274)	3,325
Other revenue and income	2,346	5.87	4,115	10.41	(1,769)	7,369
Value of production	**40,025**	**100.00**	**39,504**	**100.00**	**521**	**79,758**
Net gains on the sale of non-current assets	**705**	**1.76**	2	0.01	**703**	**1**
Materials and services (*)	(15,736)	(39.32)	(16,506)	(41.78)	770	(35,295)
Change in raw materials	(556)	(1.38)	(58)	(0.15)	(498)	494
Value added	**24,438**	**61.06**	**22,942**	**58.08**	**1,496**	**44,958**
Labour cost (**)	(24,899)	(62.21)	(24,998)	(63.28)	98	(47,535)
EBITDA	**(461)**	**(1.15)**	**(2,056)**	**(5.20)**	**1,595**	**(2,577)**
Amortisation and depreciation	(1,678)	(4.19)	(1,697)	(4.29)	19	(3,392)
(Additions to)/utilisation of provisions and impairment losses	17	0.04	922	2.32	(905)	2,634
EBIT	**(2,122)**	**(5.30)**	**(2,831)**	**(7.17)**	**709**	**(3,335)**
Net financial expense	(2,192)	(5.47)	(3,133)	(7.93)	941	(5,776)
Share of profit (loss) of equity-accounted investees	5	0.01	**5**	**0.0116**	0	(3)
Loss before taxes	**(4,309)**	**(10.76)**	**(5,959)**	**(15.09)**	**1,650**	**(9,114)**
Income taxes	(154)	(0.39)	(231)	(0.58)	77	(112)
Loss from continuing operations	**(4,463)**	**(11.15)**	**(6,190)**	**(15.67)**	**1,727**	**(9,226)**
Loss from discontinued operations	**-**	**-**	**(89)**	(0.23)	89	**(1,161)**
Loss for the period	**(4,463)**	**(11.15)**	**(6,279)**	**(15.90)**	**1,816**	**(10,387)**

(*) **Materials and services** are net of utilisations of the provisions for product warranty and risks (€277 thousand and €44 thousand for the first six months of 2013 and 2014, respectively).
(**) **Labour cost** is net of utilisations of the restructuring and other provisions (€769 thousand and €1,647 thousand for the first six months of 2013 and 2014, 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.

Following the sale of the investment in the subsidiary Pininfarina Maroc SAS, effective as from 1 December 2013, the 2013 half year figures have been restated in accordance with IFRS 5 to separate the results of discontinued operations.

PININFARINA GROUP

RECLASSIFIED STATEMENT OF FINANCIAL POSITION

	30.06.2014	31.12.2013	Variation	30.06.2013
Net non-current assets (A)				
Net intangible assets	2,698	2,772	(74)	3,066
Net property, plant and equipment and investment property	61,951	63,008	(1,057)	63,915
Equity investments	307	303	4	361
Total A	**64,956**	**66,083**	**(1,127)**	**67,342**
Working capital (B)				
Inventories	7,337	6,587	750	7,290
Net trade receivables and other assets	33,457	23,175	10,282	31,174
Assets held for sale	-	-	-	-
Deferred tax assets	1,015	947	68	934
Trade payables	(14,335)	(15,211)	876	(12,054)
Provisions for risks and charges	(977)	(2,698)	1,721	(4,890)
Other liabilities (*)	(9,611)	(5,911)	(3,700)	(7,335)
Total B	**16,886**	**6,889**	**9,997**	**15,119**
Net invested capital (C=A+B)	**81,842**	**72,972**	**8,870**	**82,461**
Post-employment benefits (D)	**5,239**	**7,146**	**(1,907)**	**7,225**
Net capital requirements (E=C-D)	**76,603**	**65,826**	**10,777**	**75,236**
Equity (F)	**24,955**	**29,419**	**(4,464)**	**33,431**
Net financial debt (G)				
Non-current loans and borrowings	81,052	7,442	73,610	90,940
Net current financial debt	(29,404)	28,965	(58,369)	(49,135)
Total G	**51,648**	**36,407**	**15,241**	**41,805**
Total as in E (H=F+G)	**76,603**	**65,826**	**10,777**	**75,236**

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

PININFARINA GROUP

NET FINANCIAL DEBT

(€'000)

	30.06.2014	31.12.2013	Variation	30.06.2013
Cash and cash equivalents	13,175	18,394	(5,219)	31,768
Current assets held for trading	30,711	41,952	(11,241)	52,312
Current loans and receivables	-	-	-	-
Loan assets - related parties and joint ventures	-	-	-	-
Current bank overdrafts	-	-	-	-
Current financial lease liabilities	(5,827)	(51,992)	46,165	(16,898)
Current portion of bank loans and borrowings	(8,655)	(37,319)	28,664	(18,047)
Net current financial position (debt)	**29,404**	**(28,965)**	**58,369**	**49,135**
Non-current loans and receivables - third parties	-	-	-	-
Non-current loans and receivables - related parties and joint ventures	1,119	80	1,039	51
Non-current held-to-maturity investments	-	-	-	-
Non-current finance lease liabilities	(47,731)	-	(47,731)	(49,942)
Non-current bank loans and borrowings	(34,440)	(7,522)	(26,918)	(41,049)
Non-current loans and borrowings	**(81,052)**	**(7,442)**	**(73,610)**	**(90,940)**
NET FINANCIAL DEBT	**(51,648)**	**(36,407)**	**(15,241)**	**(41,805)**

Cash and cash equivalents include a restricted account of €5,000,000. Reference should be made to note 12 for further details.

Current assets held for trading include restricted assets of €2,402,065. Reference should be made to note 7 for further details.

Following the lending institutions' waiver of their rights arising from the group's failure to comply with the 2013 consolidated EBITDA covenant on 2 April 2014, liabilities have been reclassified in line with the due dates provided for by the Rescheduling Agreement.

PININFARINA S.p.A.

RECLASSIFIED INCOME STATEMENT

(€'000)

	First half 2014	%	First half 2013	%	Variation	2013
Revenue from sales and services	21,235	89.24	16,641	70.37	4,594	38,155
Change in inventories and contract work in progress	600	2.52	3,529	14.92	(2,929)	3,469
Other revenue and income	1,961	8.24	3,479	14.71	(1,518)	6,423
Value of production	**23,796**	**100.00**	**23,649**	**100.00**	**147**	**48,047**
Net gains on the sale of non-current assets	**705**	**2.96**	**2**	**0.01**	**703**	**(769)**
Materials and services (*)	(13,122)	(55.14)	(13,393)	(56.62)	271	(29,153)
Change in raw materials	(556)	(2.34)	(58)	(0.25)	(498)	494
Value added	**10,823**	**45.48**	**10,200**	**43.14**	**623**	**18,619**
Labour cost (**)	(12,757)	(53.61)	(13,299)	(56.23)	542	(24,592)
EBITDA	**(1,934)**	**(8.13)**	**(3,099)**	**(13.09)**	**1,165**	**(5,973)**
Amortisation and depreciation	(1,275)	(5.36)	(1,287)	(5.44)	12	(2,562)
(Additions to)/utilisation of provisions and impairment losses	30	0.13	981	4.15	(951)	1,257
EBIT	**(3,179)**	**(13.36)**	**(3,405)**	**(14.38)**	**226**	**(7,278)**
Net financial expense	(1,207)	(5.07)	(2,498)	(10.56)	1,291	(5,109)
Loss before taxes	**(4,386)**	**(18.43)**	**(5,903)**	**(24.94)**	**1,517**	**(12,387)**
Income taxes	118	0.50	(16)	(0.07)	134	463
Loss for the period	**(4,268)**	**(17.94)**	**(5,919)**	**(25.01)**	**1,651**	**(11,924)**

(*) Materials and services are net of utilisations of the provisions for product warranty and risks (€277 thousand and €44 thousand for the first six months of 2013 and 2014, respectively).
(**) Labour cost is net of utilisations of the restructuring and other provisions (€567 thousand and €1,647 thousand for the first six months of 2013 and 2014, respectively).

As required by Consob resolution no. DEM/6064293 of 28 July 2006, a reconciliation of the data in the interim 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)

	30.06.2014	31.12.2013	Variation	30.06.2013
Net non-current assets (A)				
Net intangible assets	1,059	1,028	31	959
Net property, plant and equipment and investment property	52,565	53,457	(892)	54,108
Equity investments	21,578	21,578	-	22,848
Total A	**75,202**	**76,063**	**(861)**	**77,915**
Working capital (B)				
Inventories	6,315	6,271	44	5,778
Net trade receivables and other assets	24,988	16,254	8,734	23,564
Trade payables	(13,234)	(14,260)	1,026	(10,577)
Provisions for risks and charges	(977)	(2,698)	1,721	(4,845)
Other liabilities	(7,118)	(3,653)	(3,465)	(4,856)
Total B	**9,974**	**(1,914)**	**8,060**	**9,064**
Net invested capital (C=A+B)	**85,176**	**77,977**	**7,199**	**86,979**
Post-employment benefits (D)	**4,685**	**6,629**	**(1,944)**	**6,722**
Net capital requirements (E=C-D)	**80,491**	**71,348**	**9,143**	**80,257**
Equity (F)	**27,858**	**32,121**	**(4,263)**	**38,033**
Net financial debt (G)				
Non-current loans and borrowings	77,987	4,003	73,984	85,885
Net current financial debt	(25,354)	35,224	(60,578)	(43,661)
Total G	**52,633**	**39,227**	**13,406**	**42,224**
Total as in E (H=F+G)	**80,491**	**71,348**	**9,143**	**80,257**

PININFARINA S.p.A.

NET FINANCIAL DEBT

(€'000)

	30.06.2014	31.12.2013	Variation	30.06.2013
Cash and cash equivalents	9,389	12,398	(3,009)	27,112
Current assets held for trading	30,711	41,952	(11,241)	51,742
Current loans and receivables	-	-	-	-
Loan assets - related parties and joint ventures	-	-	-	-
Current bank overdrafts	-	-	-	-
Current financial lease liabilities	(5,827)	(51,991)	46,164	(16,898)
Loans and borrowings - related parties and joint ventures	(264)	(264)	-	(248)
Current portion of bank loans and borrowings	(8,655)	(37,319)	28,664	(18,047)
Net current financial position (debt)	**25,354**	**(35,224)**	**60,578**	**43,661**
Non-current loans and receivables - third parties	-	-	-	-
Non-current loans and receivables - related parties and joint ventures	3,884	3,019	865	4,606
Non-current held-to-maturity investments	-	-	-	-
Non-current finance lease liabilities	(47,731)	-	(47,731)	(49,942)
Non-current bank loans and borrowings	(34,140)	(7,022)	(27,118)	(40,549)
Non-current loans and borrowings	**(77,987)**	**(4,003)**	**(73,984)**	**(85,885)**
NET FINANCIAL DEBT	**(52,633)**	**(39,227)**	**(13,406)**	**(42,224)**

Cash and cash equivalents include a restricted account of €5,000,000.

Current assets held for trading include restricted assets of €2,402,065.

Following the lending institutions' waiver of their rights arising from the group's failure to comply with the 2013 consolidated EBITDA covenant on 2 April 2014, liabilities have been reclassified in line with the due dates provided for by the Rescheduling Agreement.

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
Pincar S.r.l.	-	-	987,323	-	-	-	23,323	-
Goodmind S.r.l.	-	-	131,841	-	12,000	-	1,841	-
Total	**-**	**-**	**1,119,164**	**-**	**12,000**	**-**	**25,164**	**-**

Related party transactions - Pininfarina S.p.A.

	Commercial		Financial		Operating		Financial	
	Assets	Liabilities	Assets	Liabilities	Revenue	Expense	Income	Expense
Pincar S.r.l.	-	-	987,323	-	-	-	23,323	-
Pininfarina Extra S.r.l.	61,367	255,900	339,446	263,560	184,707	255,641	1,001,040	-
Goodmind S.r.l.	-	-	-	-	12,000	-	-	-
Pininfarina Deutschland GmbH	-	-	304,279	-	-	-	2,103	-
mpx Entwicklung GmbH Monaco	-	768,931	2,252,677	-	-	1,677,898	16,210	-
Pininfarina Automotive Engineering (Shanghai) Co Ltd	408,026	71,811	-	-	65,450	119,391	-	-
Total	**469,393**	**1,096,642**	**3,883,725**	**263,560**	**262,157**	**2,052,930**	**1,042,676**	-

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

In addition to the above figures, Studio Professionale Pavesio e Associati, related to the director Carlo Pavesio, provided legal assistance to the parent for total fees of €259,311 and Pantheon Italia S.r.l., related to the director Roberto Testore, provided commercial assistance for total fees of €30,470.

Fees to directors, statutory auditors and key management personnel

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

(€'000)	First half 2014	First half 2013
Directors	306	346
Statutory auditors	51	51
Total	**357**	**397**

The total fees to Pininfarina S.p.A.'s key management personnel approximate €0.8 million for the first six months of 2014.