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

PININFARINA S.p.A.

2019 annual financial report

Pininfarina S.p.A. - Share capital €54,287,128 fully paid-up - Registered office in Turin, Via Montecuccoli 9
Tax Code and Turin Company Registration no. 00489110015

On 23 March 2020, the Board of Directors approved the separate financial statements of Pininfarina S.p.A., the consolidated financial statements as at and for the year ended 31 December 2019 and the directors' report.

ORDINARY SHAREHOLDERS' MEETING

11 MAY 2020

The shareholders are called for their ordinary meeting on first call at 11.00 am at the "Sergio Pininfarina" conference room of Pininfarina S.p.A. in Via Nazionale 30, Cambiano (Turin) on 11 May 2020.

AGENDA

1. Approval of financial statements at 31.12.2019; any related and consequent resolutions.
2. Remuneration Report and resolutions pursuant to Article 123-ter of Legislative Decree no. 58 of 24 February 1998:
    a. Approval of the first section pursuant to paragraph 3-bis;
    b. Resolution on the second section of the report pursuant to paragraph 6.

Board of Directors

Chairman *	Paolo	Pininfarina
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)
	Sara	Miglioli (2)
	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.

Letter to PININFARINA S.p.A.'s shareholders

Dear shareholders,

2019 was blighted by the substantial slowdown of the global automotive segment with sales volumes down 4% on the previous year.

The most significant downturn was seen in the Chinese and US markets. This led to car manufacturers revising and curbing development plans for new vehicles due to the lower funds available for self-financing.

In addition, OEMs were compelled to invest large sums to develop core technologies in order to support the development of self-driving systems, electric and hybrid platforms, batteries and their operating systems when used as motors of alternative energy vehicles. Therefore, both small and large traditional manufacturers cut their budget for developing new vehicles with a significant impact, especially on suppliers of design and engineering services, leading to lower business volumes and price tensions for services.

This negative situation was exacerbated by the problems faced by many automotive start-ups in raising funds. In recent years, these companies had turned to suppliers of design and engineering services as they did not have the know-how themselves, at least not fully. Many of these start-ups had to abruptly suspend their operations and others cut them back significantly, often failing to fulfil their financial commitments.

Pininfarina was hit hard by these two events. The sudden suspension of two significant design and engineering services contracts due to breach of contract by customers forced the parent to take drastic action to safeguard its future. The dip in operations meant the parent had to take action to maintain expertise in automotive engineering and define work models that make significant use of outsourcing both locally and in low-cost countries with a view to cutting costs. The latter are also impacted by the depreciation of the assets no longer used in the parent's current operations, with their value adjusted to the new conditions. Considering the fall in revenue, the parent took actions to make processes more efficient and undertook significant initiatives to cut internal costs. Despite this, there was a substantial deterioration in all of the parent's financial indicators after two very positive years in terms of growth recorded in turnover, financial performance and financial position.

We believe that the parent's strategy and actions immediately undertaken to seize the needs of the automotive, industrial durable goods and architecture segments are still fully valid.

Specifically, Pininfarina's portfolio of services offered to the automotive segment is being reinforced and upgraded by adhering to the following guidelines:

- *develop new strategic partnerships in order to boost Pininfarina's ability to offer turnkey services in new or only partially served sectors, particularly developing activities for integrating vehicles onto electric platforms and design and infotainment system integration services;*

- *continue and develop the partnership with the Mahindra group company Automobili Pininfarina;*

- *strengthen and acquire new customers in the limited series car segment, where Pininfarina is viewed as a supplier of integrated design and engineering solutions and a manufacturer of limited and very limited series, leaning on its unique and specialist know-how, including by adopting new technologies such as 3D printing applied in manufacturing;*

- *develop work models and use state-of-the-art technologies such as immersive virtual reality in order to offer customers a more efficient product development process that leads to competitive advantages for the customers themselves;*

- *work models for engineering services based on using the local skills at the various Pininfarina offices and making great use of localising routine activities in India in partnership with TechMahindra.*

With regard to the industrial design and architecture segments, now more than ever, end users are seeking out unique and distinctive experiences that can only be conceived by design artistry. With a view to boosting Pininfarina's degree of innovation in the spirit of its design tradition, the team of creative talents was fortified with new professionals in the areas of experiential design and intelligent architecture. Pininfarina possesses the strategic ambition to offer integrated design services that create a path of multiple experiences for its customers, thus reinforcing its position as the design company of reference in both transport services (cars, trains, urban transport) and industrial design and architecture.

In conclusion, we would like to thank the shareholders for their trust in Pininfarina, our people all over the world for their generous hard work during such a difficult year and our customers for involving us in their future.

23 March 2020

Silvio Pietro Angori	Paolo Pininfarina
Chief Executive Officer	Chairman
(signed on the original)	*(signed on the original)*

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DIRECTORS' REPORT

General considerations

With reference to the design and engineering activities in the automotive segment, as mentioned in previous financial reports, the group had signed important contracts with certain Asian customers for the production of electric cars. During the year, due to the macro-economic and political conditions of the country in which one of the customers operates, as well as delays in the progress of some contracts in the Chinese market, certain contracts were suspended, leading to a significant drop in revenue compared to 2018.

In general, the macro-economic situation of the automotive segment in 2019 was marked by a drop in global sales (estimated at 4% lower than 2018) and a resulting decrease in volumes and profits for the entire supply chain. Car manufacturers continued to invest heavily in new technologies (electric cars and ADAS), cutting back on cash flows earmarked for developing traditional vehicles. At the same time, many start-ups in the electric car segment struggled to raise the funds needed to develop new vehicles, thus forcing them to downsize their initial projects or abandon them completely.

Pininfarina's key markets - China, India and Germany - showed signs of a downswing compared to 2018 with regard to both GDP and the automotive segment in particular.

Due to the segment's instability, there was severe pressure on prices - especially in the second half of the year - with a consequent rise in competitiveness and widespread fall in profits for all operators, especially suppliers of engineering services.

Pininfarina S.p.A. and the subsidiary Pininfarina Engineering S.r.l. in particular saw their revenue fall in 2019, leading to operating losses. The parent also incurred impairment losses on a facility and other assets following the impairment tests carried out.

Economic trends had a negative impact on cash and cash equivalents and the net financial debt, which was also increased due to the recognition of lease liabilities (following IFRS 16 coming into effect) which were absent at 31 December 2018.

The group

The group recognised revenue of €90.4 million for 2019, a 14% decrease on the previous year regarding all segments with the exception of design activities on the Chinese market.

Gross operating loss came to €1.7 million, compared to gross operating profit of €12.6 million in 2018, due to the drop-in revenue and sales prices caused by trends in the automotive segment, as mentioned above.

Operating loss amounted to €19.4 million compared to operating profit of €3.8 million in 2018. The downswing is mainly due to the gross operating loss and impairment losses on the parent's property and other assets (€9.2 million). Following the impairment tests carried out, the parent reduced a facility's carrying amount to its fair value (by €4.0 million) and that of other assets to their recoverable value (by €5.2 million).

The group's net financial expense for the year amounted to €1.5 million compared to €2.4 million for 2018. This improvement is mainly due to positive trends in cash flows used by the parent over the year.

The group recognised a tax expense of €2.2 million compared to a tax benefit of €0.8 million in the previous year, due to the reversal of the deferred tax assets recognised by Italian companies in 2018.

As a result of the above, the group recorded a loss for the year of €23.1 million compared to a profit of €2.2 million for the previous year.

The group's equity dropped from €61.7 million at 31 December 2018 to €39 million at the reporting date (-37%), principally due to the loss for the year.

The net financial position of €5.2 million at 31 December 2018 decreased to net financial debt of €12 million at the reporting date. The FTA of IFRS 16 (which became effective in 2019) led to a €6.3 million decrease on the previous year end.

The workforce numbered 672 at the reporting date (31 December 2018: 656; +2%). A breakdown by business segment and by geographical segment is provided below.

Business segment

	Engineering	Operations	Design	General	TOTAL
2019	344	85	135	108	672
2018	324	93	135	104	656

The figures of the operations segment do not include 44 employees who were transferred to a third party on 1 April 2011 by virtue of a business lease agreement that ended on 1 January 2020.

In January 2020, some employees returned to the parent following the termination of the business lease agreement for the Bairo facility. Under a trade union agreement signed by the parent on 7 January 2020. Moreover, these 44 excess workers may be laid off unless they express opposition. The same agreement also provided for an extraordinary government-sponsored lay-off scheme for all workers at the Bairo facility for a twelve-month period (1 January to 31 December 2020), subject to the agreement signed before the Ministry of Labour on 27 January 2020. On 23 January 2020, the parent signed a memorandum of agreement with the Piedmont regional authorities to implement an active policy for affected employees should the scheme be approved. The Ministerial decree for approval is still pending to date.

Geographical segment

	Italy	Germany	China	USA	TOTAL
2019	373	242	42	15	672
2018	370	234	40	12	656

Pininfarina S.p.A.

Significant events of the year

The deed for the merger of Pininfarina Extra S.r.l. into Pininfarina S.p.A. was signed on 18 December 2018. As of 1 January 2019, the Italian design operations in the automotive segment and those relating to the industrial design, architectural and brand extension in general are grouped into a single company, which is expected to benefit from synergies among services addressing different market segments.

Human resources and the environment

During the year, the parent implemented the ordinary government-sponsored lay-off scheme.

In 2019, there were no deaths and there was just one accident during the commute to/from work causing absence of more than 40 days. The parent was not found liable for occupational diseases contracted by employees or former employees or mobbing.

During the year, the parent reached agreements regarding remuneration issues with former employees and no cases were brought against the parent for financial and/or physiological damage (e.g., personal injuries, moral damage, hedonic damage, etc.).

The parent also implemented two collective lay-off procedures during the year:

one with a memorandum of agreement signed on 22 May 2019 regarding seven employees;

another with a memorandum of agreement signed on 7 November 2018 regarding eight employees.

With reference to investments in safety in the workplace and the environment, the parent pays utmost attention to the continuous upgrading and/or improvement of operating layouts and machinery/equipment in line with relevant legislation. Expected investments for 2020 amount to roughly €270,000. In general, protecting the environment and health and safety in the workplace are considered leading factors in achieving company objectives.

Further to the sale agreement (31 December 2009) for the Grugliasco facility to Sviluppo Investimenti Territorio S.r.l. (SIT), an environmental audit was carried out in 2011 on the site where the facility stands. It found that the hydrocarbons parameter in one small area exceeded the legal limit.

The parent immediately commenced the reclamation procedures provided for by the environmental legislation.

A dispute commenced with the Grugliasco local authorities during their approval of the risk analysis, as they requested that the analysis be extended to the entire facility, which they erroneously believed to be “abandoned”. A hearing had been set for 18 November 2019 for the appeal pending before the Italian council of state.

With its ruling no. 8170/2019, the council of state dismissed the appeal due to lack of interest, following Pininfarina S.p.A.’s willingness to become proactive, carrying out the reclamation activities as a non-accountable party (article 245 of Legislative decree no. 152/2006 as subsequently amended). Indeed, in 2018, Pininfarina S.p.A. had presented a site characterisation plan to the Grugliasco local authorities as an “interested” but not accountable party following the change in the facts and judicial grounds of the legal dispute.

The local authorities approved the plan. The costs to be borne by SIT for the activities that could have prevented the site’s characterisation were identified.

The procedure is at an advanced stage. A services conference was called on 16 January 2020 with the bodies that approved the site-specific risk assessment report in order to draft the reclamation operational plan.

In January 2020, SIT sued the parent before the Turin Court for alleged damage caused by the sale of the site in 2019 at an unfair price.

Pininfarina S.p.A. is currently preparing its defence and is confident that it will prove its point.

Moreover, Pininfarina S.p.A. has a 2015 UNI EN ISO 14001-2015 certified environmental management system. A notified body carried out the periodic check of the system’s compliance in the Italian facilities in 2019, finding it compliant.

Research

Research projects undertaken in 2019 related to the Horizon 2020 programme rolled out in 2018. Specifically, the KRAKEN project is developing a machine (with the same name) for the production and repair of functional parts of any size, with size tolerance smaller than 0.3 mm and surface roughness below Ra 0.1 μm, with the aim of obtaining timing and cost savings of at least 40% and 30%, respectively, and a 25% increase in productivity of the current additive and subtractive process.

Research to integrate new rapid prototyping technologies into the production process with full functionalities and quality of design were finalised in 2019. Research expenditure amounted to €0.3 million during the year and was fully expensed.

2019 performance by business segment

The Pininfarina Group was involved in a number of corporate transactions during 2018 and in early 2019, aimed at streamlining and rationalising the various services offered and grouping them into dedicated legal entities. With effect from 1 July 2018, Pininfarina S.p.A. transferred its engineering business unit and 100% investment in Pininfarina Deutschland Holding GmbH (active in the German engineering market) to Pininfarina Engineering S.r.l., which was incorporated in May 2018. Moreover, with effect from 1 January 2019, Pininfarina Extra S.r.l., which engages in non-automotive design and architecture activities, was merged into Pininfarina S.p.A., which also acquired, as a result of the above merger, the 100% investment in Pininfarina of America Corp, a company active in the architecture and industrial design market. In addition, the group progressively reduced its non-core operations, such as the sale of spare parts (for cars manufactured in the past up to 2010) and other activities. Starting from 2019, the allocation of the group's operations to business segments has changed as a result of the variations described above. In line with IFRS 8, the group has identified two new business segments. Starting from 1 January 2019, the new reportable segments are the Design and Engineering business segments. The 2018 figures have been reclassified accordingly.

Design segment

In addition to the revenue from the automotive and non-automotive design activities of all kinds, this segment includes revenue from architecture services, royalties for the use of the Pininfarina trademark, revenue from aerodynamic and aeroacoustic services and the income and costs arising from the parent's property management. It recognised revenue of €54.7 million, down by roughly 10% on the €60.5 million recognised in 2018. Reference should be made to the "General considerations" section for further details.

Its operating loss came to €14.1 million, compared to an operating profit of €5.9 million in 2018, mainly due to the impairment losses on a property and other assets (€9.2 million in total) as a result of the impairment tests required following the drop in the fair value or value in use of such assets compared to their respective carrying amounts. The impairment losses are also partly due to changed prospects for the parent and group following the difficult macro-economic situation of the automotive segment, leading to smaller volumes and profits on design activities, the manufacturing of prototypes and show cars and smaller royalties for the use of the trademark (roughly €3 million).

Engineering segment

This segment, comprising the Italian and German engineering businesses, recognised revenue of €35.7 million, down 20% on 2018 (€44.8 million) for the seasons set out in the "General considerations" section.

Its operating loss came to €5.3 million, up on the €2.1 million recorded in 2018, due to the reduction in revenue and profits in Italy.

Group companies

Pininfarina S.p.A.

€'million	31.12.2019	31.12.2018	Variation
Revenue	47.3	63.2	(15.9)
Operating profit (loss)	(14.3)	6.5	(20.8)
Profit (loss) for the year	(16.5)	5.7	(22.2)
Net financial debt	(6.6)	(0.1)	(6.5)
Equity	55.3	66.2	(10.9)
Employees (no.)	232	205	27

Pininfarina Engineering S.r.l. (*)

€'million	31.12.2019	31.12.2018	Variation
Revenue	21.9	11.6	10.3
Operating loss	(4.3)	(3.3)	(1.0)
Loss for the year	(4.9)	(2.5)	(2.4)
Net financial position	1.0	1.9	(0.9)
Equity	12.2	17.1	(4.9)
Employees (no.)	141	129	12

Pininfarina Deutschland Group

€'million	31.12.2019	31.12.2018	Variation
Revenue	22.9	21.3	1.6
Operating loss	(1.1)	(1.1)	0.0
Loss for the year	(1.3)	(1.1)	(0.2)
Net financial debt	(7.3)	(2.2)	(5.1)
Equity	15.7	17.0	(1.3)
Employees (no.)	242	234	8

Pininfarina Shanghai Co. Ltd

€'million	31.12.2019	31.12.2018	Variation
Revenue	8.9	7.2	1.7
Operating profit	0.3	1.6	(1.3)
Profit for the year	0.3	1.1	(0.8)
Net financial position	0.9	1.3	(0.4)
Equity	1.9	2.1	(0.2)
Employees (no.)	42	40	2

Pininfarina of America Corp.

€'million	31.12.2019	31.12.2018	Variation
Revenue	2.3	2.6	(0.3)
Operating profit (loss)	(0.1)	0.6	(0.7)
Profit (loss) for the year	(0.1)	0.4	(0.5)
Net financial position	0.1	0.6	(0.5)
Equity	1.5	1.6	(0.1)
Employees (no.)	15	12	3

Pininfarina Extra S.r.l. (**)

€'million	31.12.2019	31.12.2018	Variation
Revenue	-	6.4	-
Operating profit	-	1.3	-
Profit for the year	-	1.1	-
Net financial position	-	3.7	-
Equity	-	6.4	-
Employees (no.)	-	36	-

(*) commenced operations on 1 July 2018

(**) Pininfarina Extra S.r.l. was merged into Pininfarina S.p.A. as of 1 January 2019

Other information

None of the group companies has approved the distribution of dividends to Pininfarina S.p.A. after the reporting date.

Reference should be made to the "General information" section of the notes for details on branches.

The parent does not hold share of its ultimate parent; reference should be made to note 14 for details on treasury shares.

Reference should be made to the "Financial risk management" section (pages 46 and 127) for the disclosure required by article 2428.6-bis.a)/b) of the Italian Civil Code.

Related party transactions are detailed in the "Other information" section of the notes to the separate financial statements of Pininfarina S.p.A. and the consolidated financial statements of the Pininfarina Group.

Report on corporate governance and ownership structure

With reference to article 123-bis.3 of the Consolidated Finance Act, the information on the adoption of the codes of conduct (Report on corporate governance and ownership structure) is available on the "Investor Relations" section of the parent's website (www.pininfarina.com) as well as through the other methods provided for by current legislation.

Remuneration report

With reference to article 84-quater of the Issuers' Regulation, the 2019 remuneration report will be available on the "Investor Relations" section of the parent's website (www.pininfarina.com) as well as through the other methods provided for by current legislation.

Consolidated non-financial statement

Pursuant to the obligation introduced by Legislative decree no. 254/2016 about the presentation of a consolidated non-financial statement, this statement is available on the "Investor Relations" section of the parent's website (www.pininfarina.com) as well as through the other methods provided for by current legislation.

Financial performance and financial position of Pininfarina S.p.A.

Financial performance

Including the change in inventories and contract work in progress, revenue amounted to €44.7 million for the year compared to €61.9 million for 2018 (reference should be made to the “General considerations” section for further details). It included revenue from services of €38.5 million (86.1% of the total; €45.5 million and 78.4% of the total in 2018), sales of spare parts, equipment and models of €2.1 million (4.7% of the total; €8.3 million and 13.5% of the total in 2018) and royalties of €4 million (8.9% of the total; €5.4 million and 8.7% in 2018). Direct exports made up 82.7% of revenue (73.6% in 2018), of which 44.7% made to the EU and 38.1% outside the EU. Transactions with subsidiaries contributed 8.4% to total revenue (6.4% in 2018).

Other revenue and income came to €2.6 million, up from €1.3 million for 2018. Accordingly, total revenue decreased by 25.2% to €47.3 million from €63.2 million for 2018.

Net gains on the sale of non-current assets totalled €50 thousand and mainly relate to sales of some machinery (€184 thousand in 2018).

The cost of materials and services decreased by €5 million from €32.1 million to €27.1 million, while increasing as a percentage of revenue (from 50.8% to 57.2%).

The change in raw materials was a negative €32 thousand (positive €41 thousand in 2018).

Value added decreased to €20.1 million compared to €31.3 million for the previous year and accounted for 42.6% of revenue (2018: 49.5%).

Labour cost decreased from €22.6 million to €21.6 million, equal to 45.8% of revenue compared to 35.7% for 2018.

The gross operating loss came to €1.5 million (3.2% of revenue) compared to a gross operating profit of €8.8 million for the previous year (13.9% of revenue). The drop in revenue and profits, for the reasons mentioned above, in addition to the decrease in royalties on the use of the trademark were the cause of the significant difference between the two years.

Amortisation and depreciation amounted to €2.6 million, €63 thousand more than in 2018, equal to 5.6% of revenue (2018: 4%).

Additions to/utilisation of provisions and impairment gains and losses came to a negative €10.2 million in 2019 (positive €0.3 million for 2018). Additions (net of utilisations) were a negative €0.9 million due to the unrealised losses to complete long-term contracts (€0.7 million) and credit risk (€0.2 million). They were a negative €1.4 million in 2018 due to an assessment of the effects of the suspension of certain important contracts. Impairment losses on non-current assets amounted to €9.3 million, while an impairment gain of €1.7 million was recognised on the investment in Pininfarina Shanghai in 2018.

The operating loss came to- €14.3 million (-30.3% of revenue) compared to an operating profit of €6.5 million for the previous year (10.2% of revenue).

Net financial expense decreased to €0.6 million from €1.6 million for 2018, equal to 1.2% of revenue (2.5% in 2018).

The loss before taxes came to €14.9 million (31.6% of revenue) compared to profit before taxes of €4,8 million for the previous year (7.7% of revenue). The parent recognised an income tax expense of €1,633 thousand in 2019 (deferred tax expense of €1,280 thousand and effect of the domestic tax consolidation agreement of €353 thousand) compared to an income tax benefit of €886 thousand for 2018 (including a current tax expense of €369 thousand and deferred tax income of €1,255 thousand).

Accordingly, the parent recorded a loss for the year of €16.5 million (-35% of revenue) compared to a profit of €5.7 million for the previous year (9% of revenue).

Reclassified income statement

(€'000)

	2019	%	2018	%	Variation
Revenue from sales and services	44,699	94.58	61,925	97.94	(17,226)
Change in finished goods	(17)	(0.04)	(15)	(0.02)	(2)
Other revenue and income	2,581	5.46	1,313	2.08	1,268
Revenue	**47,263**	**100.00**	**63,223**	**100.00**	**(15,960)**
Net gains (losses) on the sale of non-current assets	**(34)**	**(0.07)**	**184**	**0.29**	**(218)**
Materials and services (*)	(27,068)	(57.27)	(32,099)	(50.77)	5,031
Change in raw materials	(32)	(0.07)	41	0.07	(73)
Value added	**20,129**	**42.59**	**31,349**	**49.58**	**(11,220)**
Labour cost (**)	(21,648)	(45.80)	(22,589)	(35.72)	941
Gross operating profit (loss)	**(1,519)**	**(3.21)**	**8,760**	**13.86**	**(10,279)**
Amortisation and depreciation	(2,630)	(5.57)	(2,567)	(4.06)	(63)
(Additions to)/utilisation of provisions and impairment (losses) and gains	(10,186)	(21.55)	264	0.42	(10,450)
Operating profit (loss)	**(14,335)**	**(30.33)**	**6,457**	**10.21**	**(20,792)**
Net financial expense	(579)	(1.23)	(1,580)	(2.51)	1,001
Share of loss of equity-accounted investees	(2)	0.00	(33)	(0.05)	31
Profit (loss) before taxes	**(14,916)**	**(31.56)**	**4,844**	**7.66**	**(19,760)**
Income taxes	(1,633)	(3.45)	886	1.41	(2,519)
Profit (loss) for the year	**(16,549)**	**(35.01)**	**5,730**	**9.06**	**(22,279)**

(*) **Materials and services** are net of utilisations of the provisions for product warranties and risks (€7 thousand and €227 thousand for 2018 and 2019, respectively).
(**) **Labour cost** is net of utilisations of the restructuring provision (€44 thousand and €184.5 thousand for 2018 and 2019, 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 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 income (expense)** comprises net financial income (expense) and dividends.

Financial position

Net non-current assets dropped by €9.4 million to €60.8 million compared to €70.2 million at 31 December 2018.

Specifically: intangible assets decreased by €0.5 million (additions due to the merger of Pininfarina Extra S.r.l. (€0.1 million) and acquisitions (€0.2 million), net of amortisation of €0.2 million and impairment losses of €0.6 million); property, plant and equipment decreased by €7.1 million (additions of €2.9 million, mainly related to the purchase of plant, machinery and hardware, in addition to the merger of Pininfarina Extra S.r.l., net of depreciation of €2.3 million, impairment losses of €7.3 million and sales of €0.4 million); equity investments decreased by €1.8 million (decrease of €2.2 million due to the merger of Pininfarina Extra S.r.l., net of the addition of €0.4 million for the acquisition of an investment in Goodmind S.r.l. and Midi Plc).

Working capital was a positive €4.1 million compared to a negative €1.2 million at 31 December 2018. Post-employment benefits amounted to €3 million, up €0.3 million on the prior year end, mainly due to the merger of Pininfarina Extra S.r.l.

Net capital requirements decreased from €66.3 million at 31 December 2018 to €61.9 million at the reporting date and were funded by:

- equity of €55.3 million, which dropped by €10.9 million compared to €66.2 million at 31 December 2018. The decrease is mainly attributable to the loss for the year net of the effect of the merger of Pininfarina Extra S.r.l.;
- net financial debt, which amounted to €6.6 million at year end, deteriorating by €6.5 million on 31 December 2018 (€0.1 million). This variation is mostly due to working capital trends of the year and the effect of falling profits and volumes on cash and cash equivalents.

Reclassified statement of financial position

(€'000)

	31.12.2019	31.12.2018	Variation
Net non-current assets (A)			
Net intangible assets	5,450	5,963	(513)
Net property, plant and equipment and investment property	33,122	40,231	(7,109)
Right-of-use assets	-	-	-
Equity investments	22,231	24,044	(1,813)
Total A	**60,803**	**70,238**	**(9,435)**
Working capital (B)			
Inventories	360	266	94
Contract assets	954	839	115
Net trade receivables and other assets	30,094	22,387	7,707
Assets held for sale	290	-	290
Deferred tax assets	-	1,255	(1,255)
Trade payables	(13,145)	(14,566)	1,421
Contract liabilities	(9,658)	(7,541)	(2,117)
Provisions for risks and charges	(867)	(528)	(339)
Other liabilities	(3,950)	(3,342)	(608)
Total B	**4,078**	**(1,230)**	**5,308**
Net invested capital (C=A+B)	**64,881**	**69,008**	**(4,127)**
Post-employment benefits (D)	**2,978**	**2,717**	**261**
Net capital requirements (E=C-D)	**61,903**	**66,291**	**(4,388)**
Equity (F)	**55,269**	**66,239**	**(10,970)**
Net financial (position) debt (G)			
Non-current loans and borrowings	18,309	20,025	(1,716)
Net current financial position	(11,675)	(19,973)	8,298
Total G	**6,634**	**52**	**6,582**
Total as in E (H=F+G)	**61,903**	**66,291**	**(4,388)**

Net financial debt

(€'000)

	31.12.2019	31.12.2018	Variation
Cash and cash equivalents	17,036	11,183	5,853
Current assets held for trading	-	13,106	(13,106)
Lease liabilities	(100)	-	(100)
Loans and borrowings - related parties	(1,683)	(738)	(945)
Current portion of bank loans and borrowings	(3,578)	(3,578)	-
Net current financial position	**11,675**	**19,973**	**(8,298)**
Non-current loans and receivables - related parties	2,191	2,326	(135)
Non-current lease liabilities	(130)	-	(130)
Non-current bank loans and borrowings	(20,370)	(22,351)	1,981
Non-current loans and borrowings	**(18,309)**	**(20,025)**	**1,716**
NET FINANCIAL DEBT	**(6,634)**	**(52)**	**(6,582)**

Net financial debt
(CESR recommendations no. 05-04b)

(€'000)

		31.12.2019	31.12.2018	Variation
A.	Cash	(17,036)	(11,183)	(5,853)
B.	Other cash equivalents	-	-	-
	Net cash included in assets held for sale	-	-	-
C.	Securities held for trading	-	(13,106)	13,106
D.	***Total cash and cash equivalents (A.)+(B.)+(C.)***	***(17,036)***	***(24,289)***	***7,253***
E.	***Current loan assets***	***-***	***-***	***-***
	Current loans and receivables	-	-	-
	Available-for-sale financial assets	-	-	-
	Loan assets - associates and joint ventures	-	-	-
F.	**Current bank loans and borrowings**	-	-	-
	Current portion of secured bank loans	-	-	-
	Current portion of unsecured bank loans	3,578	3,578	-
G.	**Current portion of non-current debt**	3,578	3,578	-
H.	Other current loans and borrowings	1,783	738	1,045
I.	***Current financial debt (F.)+(G.)+(H.)***	***5,361***	***4,316***	***1,045***
J.	***Net current financial position***	(11,675)	(19,973)	8,298
	Non-current portion of secured bank loans	-	-	-
	Non-current portion of unsecured bank loans	20,370	22,351	(1,981)
K.	**Non-current bank loans and borrowings**	20,370	22,351	(1,981)
L.	Bonds issued	-	-	-
M.	Other non-current loans and borrowings	130	-	130
N.	***Net non-current financial debt (K.)+(L.)+(M.)***	***20,500***	***22,351***	***(1,851)***
O.	**Net financial debt (J+N)**	**8,825**	**2,378**	**6,447**

The "Net financial debt" 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 debt" 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 debt" 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 31 December 2018: €2,326 thousand
- At 31 December 2019: €2,191 thousand

Disclosure required by Consob resolution no. 15519 of 27 July 2006 on related party transactions

Pursuant to Consob resolution no. 15519 of 27 July 2006, the parent presented its related party transactions in the table on page 71.

Assets and liabilities and cash flows related to transactions with related parties are not presented in a separate schedule as they are shown in the statements of financial position and of cash flows on pages 30, 31 and 35, respectively. Comments on the captions are provided in the notes to the separate financial statements.

Financial performance and financial position of the Pininfarina Group

Financial performance

Including the contract work in progress, revenue increased by €17.6 million to €85.3 million from €102.9 million in 2018. The change in finished goods is in line with the previous year. Other revenue and income increased to €5.1 million from €2.5 million in the previous year and mainly comprise the business lease income and royalties earned by the parent.

2019 consolidated revenue decreased by 14.2% to €90.4 million from €105.3 million in 2018. The decrease is mostly due to the reduced volume of design and engineering activities performed in Italy. A breakdown of revenue by business segment is given on page 130. Net gains on the sale of non-current assets totalled €50 thousand in 2019 and relate to sales of equipment by the parent.

Operating expense, including changes in inventories, came to €37.1 million (€42.9 million in 2018);

Value added fell by €9.4 million to €53.3 million from €62.7 million in the previous year.

Labour cost amounted to €55 million (€50 million in 2018).

The gross operating loss amounted to €1.7 million, down significantly from the €12.6 million gross operating profit for 2018, mainly due to the smaller contribution of the Italian companies following the drop in sales volumes and profits caused by falling sales prices.

Amortisation and depreciation amounted to €4.9 million with an increase of €1.5 million (€3.4 million for 2018). Additions to/utilisation of provisions and impairment losses came to a negative €12.7 million (compared to a negative €5.4 million for 2018). Specifically, additions (net of utilisations) were €3.5 million (€5.3 million for 2018) and impairment losses came to €9.2 million, while no releases of provisions for risks and charges were recognised.

The increase in amortisation and depreciation was due to the first-time application of IFRS 16, while additions to provisions and impairment losses were mainly impacted by impairment losses and the accrual to the provision for losses on contracts for the negative effect of falling contract sales prices due to the difficult situation of the reference market mentioned above.

As a result, the group recognised an operating loss of €19.4 million (operating profit of €3.8 million in 2018).

Net financial expense decreased to €1.5 million from €2.4 million in the previous year, mainly due to the parent’s gain on current assets held for trading. The group recognised an income tax expense of €2.2 million in 2019, due to the deferred tax expense, compared to an income tax benefit of €0.8 million in 2018 (including a current tax expense of €1.4 million and deferred tax income of €2.2 million).

The loss for 2019 came to €23.1 million compared to a profit of €2.2 million for 2018.

Reclassified income statement

(€'000)

	2019	%	2018	%	Variation
Revenue from sales and services	85,301	94.36	102,899	97.69	(17,598)
Change in finished goods	(17)	(0.02)	(26)	(0.02)	9
Other revenue and income	5,114	5.66	2,454	2.33	2,660
Revenue	**90,398**	**100.00**	**105,327**	**100.00**	**(14,929)**
Net gains (losses) on the sale of non-current assets	**(34)**	**(0.04)**	**184**	**0.17**	**(218)**
Materials and services (*)	(37,076)	(41.01)	(42,900)	(40.73)	5,824
Change in raw materials	(32)	(0.04)	41	0.04	(73)
Value added	**53,256**	**58.91**	**62,652**	**59.48**	**(9,396)**
Labour cost (**)	(54,996)	(60.83)	(50,038)	(47.50)	(4,958)
Gross operating profit (loss)	**(1,740)**	**(1.92)**	**12,614**	**11.98**	**(14,354)**
Amortisation and depreciation	(4,918)	(5.45)	(3,433)	(3.27)	(1,485)
Additions to provisions and impairment losses	(12,711)	(14.06)	(5,386)	(5.11)	(7,325)
Operating profit (loss)	**(19,369)**	**(21.43)**	**3,795**	**3.60**	**(23,164)**
Net financial expense	(1,469)	(1.62)	(2,397)	(2.27)	928
Share of loss of equity-accounted investees	(2)	0.00	(21)	(0.02)	19
Profit (loss) before taxes	**(20,840)**	**(23.05)**	**1,377**	**1.31**	**(22,217)**
Income taxes	(2,235)	(2.48)	796	0.75	(3,031)
Profit (loss) for the year	**(23,075)**	**(25.53)**	**2,173**	**2.06**	**(25,248)**

(*) **Materials and services** are net of utilisations of the provisions for product warranties and risks (€7 thousand and €227 thousand for 2018 and 2019, respectively).
(**) **Labour cost** is net of utilisations of the restructuring provision (€44 thousand and €184.5 thousand for 2018 and 2019, 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 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 income (expense)** comprises net financial income (expense) and dividends.

Financial position

Net capital requirements at 31 December 2019 decreased by €5.5 million on the previous year end, mainly due to a reduction in net non-current assets and working capital requirements.

Specifically:

net non-current assets totalled €53.2 million (down by €4.9 million on 31 December 2018), comprising a decrease of €1.2 million in intangible assets and of €9.5 million in property, plant and equipment (mainly due to the parent's recognition of an impairment loss following the impairment tests performed) and the recognition of right-of-use assets of €5.8 million (in application of IFRS 16);

working capital fell by €1.1 million to €2.1 million from €3.2 million at 31 December 2018;

post-employment benefits amounted to €4.2 million, down €0.5 million on the prior year end (€4.7 million);

capital requirements were funded by:

- a €22.7 million decrease in equity, which went from €61.7 million at 31 December 2018 to €39 million at 31 December 2019. The decrease is mainly attributable to the comprehensive expense for the year;
- net financial debt, which amounted to €12 million at year end, deteriorating by €5.2 million on 31 December 2018, mostly due to working capital trends of the year and the effect of falling profits and volumes on cash and cash equivalents.

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

The parent's loss and equity as at and for the year ended 31 December 2019 are reconciled with the group's relevant figures below:

	Profit (loss) for the year		Equity	
	2019	2018	31.12.2019	31.12.2018
Pininfarina S.p.A.'s separate financial statements	**(16,549,396)**	**5,730,195**	**55,269,263**	**66,238,856**
- Subsidiaries' contribution	(6,025,269)	(1,070,801)	(4,241,857)	1,204,431
- Merger of Pininfarina Extra S.r.l.	-	-	(5,277,015)	-
- Goodwill Pininfarina Extra S.r.l.	-	-	-	1,043,497
- Elimination of trademark licence in Germany	-	-	(6,749,051)	(6,749,053)
- Intragroup dividends	(500,000)	(776,000)	-	-
- Share of profit of equity-accounted investees	-	11,145	-	11,145
Consolidated financial statements	**(23,074,665)**	**2,173,181**	**39,001,340**	**61,748,876**

Reclassified statement of financial position

(€'000)

	31.12.2019	31.12.2018	Variation
Net non-current assets (A)			
Net intangible assets	6,092	7,326	(1,234)
Net property, plant and equipment and investment property	40,481	49,979	(9,498)
Right-of-use assets	5,785	-	5,785
Equity investments	854	857	(3)
Total A	**53,212**	**58,162**	**(4,950)**
Working capital (B)			
Inventories	360	408	(48)
Contract assets	4,617	3,131	1,486
Net trade receivables and other assets	40,004	34,647	5,357
Assets held for sale	1,819	-	1,819
Deferred tax assets	839	3,019	(2,180)
Trade payables	(19,638)	(16,595)	(3,043)
Contract liabilities	(14,624)	(13,566)	(1,058)
Provisions for risks and charges	(3,452)	(620)	(2,832)
Other liabilities (*)	(7,864)	(7,268)	(596)
Non-current liabilities associated with assets held for sale			
Total B	**2,061**	**3,156**	**(1,095)**
Net invested capital (C=A+B)	**55,273**	**61,318**	**(6,045)**
Post-employment benefits (D)	**4,243**	**4,778**	**(535)**
Net capital requirements (E=C-D)	**51,030**	**56,540**	**(5,510)**
Equity (F)	**39,001**	**61,749**	**(22,748)**
Net financial (position) debt (G)			
Non-current loans and borrowings	24,840	21,891	2,949
Net current financial position	(12,811)	(27,100)	14,289
Total G	**12,029**	**(5,209)**	**17,238**
Total as in E (H=F+G)	**51,030**	**56,540**	**(5,510)**

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

Net financial debt

(€'000)

	31.12.2019	31.12.2018	Variation
Cash and cash equivalents	20,115	18,357	1,758
Current assets held for trading	-	13,106	(13,106)
Current bank overdrafts	(2,368)	(725)	(1,643)
Lease liabilities	(1,298)	-	(1,298)
Loans and borrowings - related parties and joint ventures	-	-	-
Current portion of bank loans and borrowings	(3,638)	(3,638)	-
Net current financial position	**12,811**	**27,100**	**(14,289)**
Non-current loans and receivables - third parties	-	-	-
Non-current loans and receivables - related parties	550	550	-
Non-current held-to-maturity investments	-	-	-
Non-current lease liabilities	(4,990)	-	(4,990)
Non-current bank loans and borrowings	(20,400)	(22,441)	2,041
Non-current loans and borrowings	**(24,840)**	**(21,891)**	**(2,949)**
NET FINANCIAL POSITION (DEBT)	**(12,029)**	**5,209**	**(17,238)**

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

(€'000)

		Year ended		
		31.12.2019	**31.12.2018**	**Variation**
A.	Cash	(20,115)	(18,357)	(1,758)
B.	Other cash equivalents	-	-	-
C.	Securities held for trading	-	(13,106)	13,106
D.	***Total cash and cash equivalents (A.)+(B.)+(C.)***	***(20,115)***	***(31,463)***	***11,348***
E.	***Current loan assets***	-	-	-
F.	**Current bank loans and borrowings**	**2,368**	**725**	**1,643**
	Current portion of secured bank loans	60	60	-
	Current portion of unsecured bank loans	3,578	3,578	-
G.	**Current portion of non-current debt**	**3,638**	**3,638**	**-**
H.	Other current loans and borrowings	1,298	-	1,298
I.	***Current financial debt (F.)+(G.)+(H.)***	***7,304***	***4,363***	**2,941**
J.	***Net current financial position***	***(12,811)***	***(27,099)***	***14,288***
	Non-current portion of secured bank loans	30	90	(60)
	Non-current portion of unsecured bank loans	20,370	22,351	(1,981)
K.	**Non-current bank loans and borrowings**	**20,400**	**22,441**	**(2,041)**
L.	Bonds issued	-	-	-
M.	Other non-current loans and borrowings	4,990	-	4,990
N.	***Net non-current financial debt (K.)+(L.)+(M.)***	***25,390***	***22,441***	***2,949***
O.	**Net financial (position) debt (J+N)**	**12,579**	**(4,658)**	**17,237**

The "Net financial debt" 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 debt" 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 debt" 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 31 December 2019: €550 thousand
- At 31 December 2018: €550 thousand

The net financial debt at the reporting date comprises the effect of FTA of IFRS 16 (approximately €6.3 million).

OUTLOOK FOR 2020

The situation of the struggling international automotive segment - as commented on above - was aggravated in early 2020 by the global spread of the Covid-19 virus (Coronavirus), which slowed down and, in some cases, suspended commercial activities for a significant period of time. Though not affected by direct cases of infection, the group was directly impacted by the downturn in trading on some key markets, including China. In order to raise enough funds to meet the group's medium/long-term financial requirements, the parent took out a 36-month loan of €20 million from PF Holdings B.V. in February 2020. Not yet used at the date of this report, these funds will help ensure maximum operating flexibility in the event of a further deterioration of the reference markets.

Based on the current situation of the business sectors where the Pininfarina Group operates, its outlook for 2020 is a fall in revenue compared to 2019, along with an operating loss and a loss for the year.

Chief Executive Officer
(Silvio Pietro Angori)
(signed on the original)

Pininfarina S.p.A.

Separate financial statements as at and for the year ended 31 December 2019

Statement of financial position

	Note	31.12.2019	31.12.2018
Land and buildings	1	28,770,391	33,825,172
Land		5,365,936	7,655,314
Buildings		23,404,455	26,169,858
Plant and machinery	1	4,208,149	5,099,715
Machinery		86,781	1,648,444
Plant		4,121,368	3,451,271
Furniture, fixtures and other assets	1	18,420	1,305,721
Furniture and fixtures		2,355	200,621
Hardware and software		16,065	662,401
Other assets, including vehicles		-	442,699
Assets under construction		125,116	-
Property, plant and equipment		**33,122,076**	**40,230,608**
Investment property			
Goodwill	2	-	-
Licences and trademarks	2	-	513,084
Other	2	5,449,674	5,449,674
Intangible assets		**5,449,674**	**5,962,758**
Right-of-use assets	3	-	-
Subsidiaries	4	21,377,212	23,546,353
Associates	5	602,142	496,732
Joint ventures		-	-
Other companies	6	251,717	645
Equity investments		**22,231,071**	**24,043,730**
Deferred tax assets	19	-	1,255,256
Held-to-maturity investments		-	-
Loans and receivables	7	2,191,077	2,325,967
Third parties		-	-
Related parties		2,191,077	2,325,967
Available-for-sale financial assets		-	-
Non-current financial assets		**2,191,077**	**2,325,967**
TOTAL NON-CURRENT ASSETS		**62,993,898**	**73,818,319**
Raw materials		210,396	242,042
Work in progress		-	-
Finished goods		149,285	23,482
Inventories	8	**359,681**	**265,524**
Third parties		954,042	838,677
Related parties		-	-
Contract assets	9	**954,042**	**838,677**
Assets held for trading	10	-	13,105,943
Loans and receivables		-	-
Third parties		-	-
Related parties		-	-
Available-for-sale financial assets		-	-
Current financial assets		**-**	**13,105,943**
Derivatives		**-**	**-**
Trade receivables	11	16,237,242	13,661,592
Third parties		12,584,639	8,882,383
Related parties		3,652,603	4,779,209
Other assets	12	13,856,778	8,726,000
Third parties		13,374,046	8,726,000
Related parties		482,732	-
Trade receivables and other assets		**30,094,020**	**22,387,592**
Cash in hand and cash equivalents		8,519	7,981
Short-term bank deposits		17,027,127	11,174,834
Cash and cash equivalents	13	**17,035,646**	**11,182,815**
TOTAL CURRENT ASSETS		**48,443,389**	**47,780,551**
Assets held for sale	1	**290,000**	**-**
TOTAL ASSETS		**111,727,287**	**121,598,870**

Statement of financial position

	Note	31.12.2019	31.12.2018
Share capital	**14**	54,271,170	54,271,170
Share premium reserve	**14**	2,053,660	2,053,660
Reserve for treasury shares	**14**	175,697	175,697
Legal reserve	**14**	10,854,234	6,063,759
Stock option reserve	**14**	2,216,799	1,911,103
Other reserves	**14**	7,923,223	2,646,208
Losses carried forward	**14**	(5,676,124)	(6,612,936)
Profit (loss) for the year		(16,549,396)	5,730,195
EQUITY		**55,269,263**	**66,238,856**
Lease liabilities	**3**	130,435	
Other loans and borrowings		20,369,957	22,351,025
Third parties		20,369,957	22,351,025
Related parties		-	-
Non-current loans and borrowings	**15**	**20,500,392**	**22,351,025**
Italian post-employment benefits		2,978,078	2,716,632
Other		-	-
Post-employment benefits	**16**	**2,978,078**	**2,716,632**
TOTAL NON-CURRENT LIABILITIES		**23,478,470**	**25,067,657**
Bank overdrafts		-	-
Lease liabilities	**3**	99,913	
Other loans and borrowings		5,261,176	4,315,665
Third parties		3,578,089	3,578,089
Related parties		1,683,087	737,576
Current loans and borrowings	**15**	**5,361,089**	**4,315,665**
Wages and salaries payable		2,285,104	1,585,849
Social security charges payable		743,034	678,906
Other		920,392	708,674
Other financial liabilities	**17**	**3,948,530**	**2,973,429**
Third parties		12,283,148	11,352,177
Related parties		862,327	3,214,179
Other liabilities - third parties		-	-
Other liabilities - related parties		-	-
Trade payables	**17**	**13,145,475**	**14,566,356**
Third parties		7,537,440	7,541,381
Related parties		2,120,332	
Contract liabilities	**9**	**9,657,772**	**7,541,381**
Direct tax liabilities		-	224,671
Other tax liabilities		-	143,086
Current tax liabilities	**19**	**-**	**367,757**
Provision for product warranties		53,236	53,236
Restructuring provision		-	184,454
Other provisions		813,452	290,079
Provisions for risks and charges	**18**	**866,688**	**527,769**
TOTAL CURRENT LIABILITIES		**32,979,554**	**30,292,357**
TOTAL LIABILITIES		**56,458,024**	**55,360,014**
TOTAL LIABILITIES AND EQUITY		**111,727,287**	**121,598,870**

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 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 year of €98,439.

Statement of profit or loss

	Note	2019	*of which: related parties*	2018	*of which: related parties*
Revenue from sales and services	20	44,699,066	20,965,826	61,924,073	16,094,930
Internal work capitalised		-		-	
Change in finished goods		(16,961)		(14,651)	
Other revenue and income		2,581,160		1,313,141	5,333
Revenue		**47,263,265**	**20,965,826**	**63,222,563**	**16,100,263**
Gains on sale of non-current assets and equity	21	**49,975**		**184,074**	
Gain on sale of equity investments		-		-	
Raw materials and components	22	(5,318,567)	(74,354)	(6,890,721)	
Change in raw materials		(31,646)		41,147	
Inventory write-downs		-		-	
Raw materials and consumables		**(5,350,213)**	**(74,354)**	**(6,849,574)**	**-**
Consumables		(781,268)		(1,137,546)	
External maintenance		(926,637)		(932,813)	
Other variable production costs		**(1,707,905)**	**-**	**(2,070,359)**	**-**
External variable engineering services	23	**(12,348,459)**	**(9,063,913)**	**(16,012,283)**	**(4,004,309)**
Blue collars, white collars and managers		(20,663,907)		(21,599,632)	
Independent contractors and temporary workers		-		-	
Social security contributions and other post-employment benefits		(984,473)		(988,914)	
Wages, salaries and employee benefits	24	**(21,648,380)**	**-**	**(22,588,546)**	**-**
Depreciation of property, plant and equipment and investment property		(2,295,747)		(2,006,545)	
Amortisation of intangible assets		(222,914)		(560,265)	
Depreciation of right-of-use assets		(111,389)		-	
Losses on sale of non-current assets and equity investments	21	(84,305)		-	
(Additions to), utilisation of provisions and impairment losses	25	(10,185,592)		263,708	
Amortisation, depreciation and impairment losses		**(12,899,947)**	**-**	**(2,303,102)**	**-**
Net exchange losses		**(12,392)**		**(10,741)**	
Other expenses	26	**(7,680,585)**		**(7,114,989)**	**(25,242)**
Operating profit (loss)		**(14,334,641)**	**11,827,559**	**6,457,043**	**12,070,712**
Net financial expense	27	**(1,090,210)**	**10,327**	**(2,356,715)**	**10,475**
Dividends	28	**510,817**	**500,000**	**776,000**	**776,000**
Share of loss of equity-accounted investees	5	**(2,429)**		**(32,548)**	
Profit (loss) before taxes		**(14,916,463)**	**12,337,886**	**4,843,780**	**12,857,187**
Income taxes	19	**(1,632,933)**		**886,415**	
Profit (loss) for the year		**(16,549,396)**	**12,337,886**	**5,730,195**	**12,857,187**

Statement of comprehensive income

	2019	2018
Profit/(loss) for the year	**(16,549,396)**	**5,730,195**
Other comprehensive expense:		
Items that will not be reclassified to profit or loss:		
- Actuarial losses on defined benefit plans - IAS 19	(2,908)	(25,704)
- Income taxes		-
- Other	-	-
Total items of other comprehensive expense that will not be reclassified to profit or loss, net of tax effect:	**(2,908)**	**(25,704)**
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 expense that will be subsequently reclassified to profit or loss, net of tax effect:	**-**	**-**
Total other comprehensive expense, net of tax effect	**(2,908)**	**(25,704)**
Comprehensive income (expense)	**(16,552,304)**	**5,704,491**

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

Statement of changes in equity

	31.12.2017	Comprehensive income	Stock option reserve	Allocation of prior year profit	31.12.2018
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	-	738,933	-	1,911,103
Other reserves	2,646,208	-	-	-	2,646,208
Losses carried forward	(7,165,362)	(25,704)	-	578,130	(6,612,936)
Profit for the year	608,558	5,730,195	-	(608,558)	5,730,195
EQUITY	**59,795,432**	**5,704,491**	**738,933**	**-**	**66,238,856**

	31.12.2018	Comprehensive expense	Stock option reserve	Allocation of prior year profit	Merger of Pininfarina Extra S.r.l.	31.12.2019
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	-	-	4,790,475	-	10,854,234
Stock option reserve	1,911,103	-	305,696	-	-	2,216,799
Other reserves	2,646,208	-	-	-	5,277,015	7,923,223
Losses carried forward	(6,612,936)	(2,908)	-	939,720	-	(5,676,124)
Profit/(loss) for the year	5,730,195	(16,549,396)	-	(5,730,195)	-	(16,549,396)
EQUITY	**66,238,856**	**(16,552,304)**	**305,696**	**-**	**5,277,015**	**55,269,263**

Statement of cash flows

	2019	2018
Profit (loss) for the year	**(16,549,396)**	**5,730,195**
Adjustments:		
- Income taxes	1,632,933	(886,415)
- Depreciation of property, plant and equipment and investment property	2,295,747	2,006,545
- Amortisation of intangible assets	222,914	560,265
- Depreciation of right-of-use assets	111,389	-
- Impairment losses, provisions and change in accounting estimates	9,181,766	(421,432)
- Gains on the sale of non-current assets	34,330	(184,074)
- Financial expense	1,831,487	2,368,637
- Financial income	(741,277)	(11,922)
- Dividends	(510,817)	(776,000)
- Other adjustments	1,044,783	632,837
Total adjustments	**15,103,255**	**3,288,441**
Change in working capital:		
- Decrease in inventories	55,900	(4,676)
- (Increase)/decrease in contract assets	(115,365)	329,477
- (Increase)/decrease in contract assets related parties	-	
- Increase in trade receivables and other assets	(5,302,783)	(3,553,180)
- (Increase)/decrease in trade receivables - related partied	1,017,884	(3,973,931)
- Increase/(decrease) in trade payables - other financial liabilities and other liabilities	1,323,161	(2,244,577)
- Increase/(decrease) in trade payables - Other liabilities related parties	(2,443,949)	2,706,772
- Decrease in contract liabilities - Third parties	(65,102)	(2,995,659)
- Increase in contract liabilities - Related parties	2,120,332	-
- Decrease in liabilities from right-of-use assets	(109,204)	-
- Other changes	(25,693)	157,332
Total changes in working capital	**(3,544,819)**	**(9,578,442)**
Gross cash flows used in operating activities	**(4,990,960)**	**(559,806)**
- Financial expense	(223,510)	(223,273)
- Income taxes	(626,479)	(515,714)
NET CASH FLOWS USED IN OPERATING ACTIVITIES	**(5,840,949)**	**(1,298,793)**
- Purchases of non-current assets and equity investments	(2,786,141)	(2,832,609)
- Cash and cash equivalents paid for business contribution	-	(2,653,037)
- Cash and cash equivalents from merger of Pininfarina Extra	3,338,147	-
- Proceeds from the sale of non-current assets and equity investments	50,076	436,500
- 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	25,064	(265,492)
- (Purchase)/sale of assets held for trading	13,098,124	(13,408,318)
- Financial income	2,111	1,447
- Dividends collected	510,817	776,000
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES	**14,238,198**	**(18,495,509)**
- Repayment of lease liabilities and other loans and borrowings - third parties	(3,578,089)	(3,493,899)
- Repayment of other loans and borrowings - related parties	1,033,671	407,214
- Dividends paid	-	-
CASH FLOWS USED IN FINANCING ACTIVITIES	**(2,544,418)**	**(3,086,685)**
TOTAL CASH FLOWS	**5,852,831**	**(22,880,987)**
Opening net cash and cash equivalents	11,182,815	34,063,802
Closing net cash and cash equivalents	**17,035,646**	**11,182,815**
- Cash and cash equivalents	17,035,646	11,182,815
- 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.

Notes to the separate financial statements

GENERAL INFORMATION

Foreword

The core business of Pininfarina S.p.A. (the “company”) 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. is listed on the Italian Stock Exchange. Market investors own 23.82% of its share capital, with the remaining 76.18% is held by the following shareholders:

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

The company’s registered office is in Via Raimondo Montecuccoli 9, Turin, while its administrative office is in Via Nazionale 30, Cambiano.

At the reporting date, PF Holdings is controlled by Tech Mahindra, which holds 60% of its share capital. Mahindra & Mahindra holds the residual 40%.

Tech Mahindra, an Indian company listed on the National Stock Exchange of Mumbai (India), is a public company, specialised in IT services and solutions. It is not controlled by any major shareholder. Mahindra & Mahindra held an investment of 26.06% therein at the previous reporting date. Mahindra & Mahindra is a company incorporated under Indian law, with registered office in India, whose shares are listed on the Indian National Stock Exchange. It is specialised in the production of cars, commercial vehicles, buses and tractors.

Despite being directly controlled by PF Holdings, which is part of the Mahindra Group, Pininfarina S.p.A. is neither managed nor coordinated by PF Holdings pursuant to article 2497 and following articles of the Italian Civil Code. PF Holdings is simply a vehicle incorporated under Dutch law without an operating structure. There is no authorisation or reporting procedure in place that Pininfarina S.p.A. should follow in the relationships with its parent and, therefore, it has full autonomy to define its strategic and operating objectives, since it has (i) a structured organisation able to perform all business and corporate activities; (ii) its own distinct strategic and financial planning process and (iii) the ability to make proposals about how to conduct and develop its business.

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

The separate financial statements reporting currency is the Euro, which is also the company’s functional currency.

All amounts are presented in Euros, unless stated otherwise.

The Board of Directors approved these separate financial statements on 23 March 2020. They were authorised for publication according to the legal terms.

Basis of presentation

In accordance with IAS 1 - Presentation of financial statements, the separate financial statements include the following:

- statement of financial position, in which current and non-current assets and liabilities are classified separately;
- statement of profit or loss 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;
- notes to the separate financial statements.

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

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

- net financial debt, with a breakdown of the main components and balances with related parties (page 20 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 73 and 74).

Related party transactions are not presented in separate schedules because they are listed as separate items in the statement of financial position (pages 30 and 31).

Basis of preparation

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

These separate financial statements at 31 December 2019 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 separate financial statements and listed in the applicable regulations published by the European Union as of the above-mentioned date.

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

The accounting policies adopted to prepare these separate financial statements at 31 December 2019 are the same as those used in 2018, except as noted in the following section.

New applicable standards

The new standards and/or amendments to existing standards applicable to annual periods beginning on or after 1 January 2019 are set out below:

- IFRS 16 - Leases
- IFRIC 23 - Uncertainty over income tax treatments
- Prepayment features with negative compensation (Amendments to IFRS 9)
- Long-term interests in associates and joint ventures (Amendments to IAS 28)
- Plan amendment, curtailment or settlement (Amendments to IAS 19)
- Annual improvements to IFRS 2015-2017 Cycle (Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23)

IFRS 16 - Leases

The company adopted IFRS 16 on 1 January 2019. The other new standards that became effective on 1 January 2019 did not have a material effect on the company's separate financial statements.

The company adopted IFRS 16 using the modified retrospective approach. Accordingly, the comparative information presented for 2018 has not been restated, i.e., it is presented, as previously reported under IAS 17 and related interpretations. Additional details on changes in accounting policies are provided below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to the comparative information.

A. Definition of a lease

Before the adoption of IFRS 16, the company assessed whether a contract was or contained a lease in accordance with IFRIC 4 - Determining whether an arrangement contains a lease. Now, the company assesses whether a contract is or contains a lease on the basis of the new definition as indicated in the notes to the consolidated financial statements at page 116.

On transition to IFRS 16, the company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. Therefore, it applied IFRS 16 only to contracts that had previously been identified as leases. Those not identified as leases under IAS 17 and IFRIC 4 were not assessed again. IFRS 16 therefore only applies to contracts entered into on or after 1 January 2019.

B. Model for lessees

As a lessee, the company leases many assets, including buildings, IT equipment and company cars. The company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the company recognises right-of-use assets and lease liabilities for most leases.

At inception or on reassessment of a contract that contains a lease component, the company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

i. Leases classified as operating leases under IAS 17

Previously, the company classified property leases as operating leases under IAS 17. On transition to IFRS 17, lease liabilities for such leases were measured at the present value of the remaining lease payments, discounted at the group's incremental borrowing rate at 1 January 2019 (see paragraph C). Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. The company classified all leases with this approach.

At the date of FTA, right-of-use assets were tested for impairment, of which there is no evidence.

The company adopted the practical expedients to apply IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the company:

– applied recognition exemption for right-of-use assets and lease liabilities for leases with a term of less than 12 months;

– did not recognise right-of-use assets and lease liabilities for leases of low-value assets (IT equipment);

– excluded any initial direct costs from the right-of-use asset measured at the date of FTA; and

– used hindsight to determine the lease term.

ii. Leases classified as financial leases under IAS 17

The company does not have any leased equipment that was classified as a finance lease under IAS 17.

C. Financial statements impacts

i. FTA effect*

Upon FTA on 1 January 2019, the company recognised the following right-of-use assets and lease liabilities relating to leases that were not recognised under IAS 17.

	1 January 2019
Land and buildings	-
Other assets	282,490
Lease liabilities	(282,490)
Impact on equity at 1 January 2019	**-**

* Reference should be made to note 3 for more information on the IFRS 16 FTA impact on profit or loss and to the note on page 116 for more information on the recognition of leases under IFRS 16 and IAS 17.

When measuring lease liabilities of leases classified as operating leases, the company discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 4.47%.

	1 January 2019
Operating lease commitments at 31 December 2018	523,764
Discounted using the incremental borrowing rate at 1 January 2019	369,880
Finance lease liabilities recognised at 31 December 2018	-
Recognition exemption for short-term leases	(87,390)
Lease liabilities at 1 January 2019	**282,490**

Other standards

The following amended standards and interpretations did not have a significant impact on the company's separate financial statements:

- IFRIC 23 - Uncertainty over income tax treatments;
- Prepayment features with negative compensation (Amendments to IFRS 9);
- Long-term interests in associates and joint ventures (Amendments to IAS 28);
- Plan amendment, curtailment or settlement (Amendments to IAS 19);
- Annual improvements to IFRS 2015-2017 Cycle (Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23).

Standards applicable to subsequent reporting periods

The new standards and/or amendments to existing standards applicable to subsequent reporting periods are as follows:

Standards and/or amendments applicable to annual periods beginning on or after 1 January 2020:
– Amendments to References to the conceptual framework in IFRS Standards;
– Definition of a business (Amendments to IFRS 3);
– Amendments to IFRS 9, IAS 39 and IFRS 17: Interest Rate Benchmark Reform;
– Definition of material (Amendments to IAS 1 and IAS 8).

Standards and/or amendments not yet endorsed by the European Union:
– IFRS 17 - Insurance contracts;
– IFRS 14 - Regulatory deferral accounts;
– Sale or contribution of assets between an investor and its associate or joint venture (Amendments to IFRS 10 and IAS 28);
– Classification of liabilities as current or non-current (Amendments to IAS 1).

ACCOUNTING POLICIES

The accounting policies adopted to prepare the company's separate financial statements are the same as those used to prepare the group's consolidated financial statements, except for the recognition and measurement of investments in subsidiaries, associates and joint ventures, as explained below.

Subsidiaries are companies over which Pininfarina S.p.A. exercises control, as defined by IAS 27 - Separate financial statements and IFRS 10 - Consolidated financial statements. An investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The company recognises its investments in subsidiaries at acquisition cost, including any transaction costs, in the separate financial statements.

When there is objective evidence of impairment, the investment's carrying amount is compared to its recoverable amount, being the higher of fair value less costs to sell and value in use. Since the company's investments are not listed in an active market, their fair value is calculated on the basis of a binding sale agreement. Value in use is equal to the present value of the subsidiary's future cash flows discounted at a rate that reflects the specific risks of the sector where the subsidiary operates, net of its financial position (debt). Cash flows are forecast based on reasonable and supportable assumptions that represent their best estimate of the future economic conditions. The rate used to discount the resulting cash flows reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. If the company has a legal, contractual or constructive obligation vis-à-vis its subsidiary or to cover its losses, it covers this risk of losses exceeding its share of the subsidiary's equity through a specific provision. When the reasons giving rise to the recognition of an impairment loss no longer exist, the company recognises an impairment gain through profit or loss up to the investment's original cost.

ASSESSMENTS THAT AFFECT THE SEPARATE FINANCIAL STATEMENTS

(a) Going concern

The going concern assumption is a key principle for the preparation of financial statements. When assessing whether the company is able to continue as a going concern, the directors express their current opinion on at least, but not limited to, twelve months from the reporting date. Opinions are expressed on the outcome of future events or circumstances which are, by their nature, uncertain and are based on information available when the opinion is expressed.

As explicitly pointed out in the directors' report, Pininfarina S.p.A. is operating in particularly difficult economic conditions, leading to the company recording a significant operating loss in 2019.

Pininfarina S.p.A. recorded a loss for the year of €16.5 million, mainly due to the fall in revenue and the operating loss recorded, following lower sales prices in its reference markets, while fixed costs remained substantially unchanged. Furthermore, the company recognised impairment losses following the impairment tests performed, along with accruals to the provision for losses on contracts.

The directors believe that in order for the company to continue as a going concern, significant efforts will be necessary in terms of sales volumes, expenses and costs to win future contracts given the current economic situation of the automotive segment, which is being further deteriorated by the ongoing COVID-19 health emergency.

The directors have already prepared measures to limit the absorption of operating cash flows and have implemented actions to reduce costs, such as:

• relationships with existing and prospective customers have been intensified in order to negotiate the development of new projects starting during the year;

• all business segments are making greater use of outsourcing, using external resources to cover the requirements in terms of production hours due to the increase in volumes, with visible results in terms of reduced production costs;

• recourse to down payment where possible in order to balance cash inflow and outflow;

• surplus direct and indirect workers have been reduced.

Furthermore, the directors have put measures in place to ensure that the company has the sufficient financial resources to implement the above-mentioned actions. Specifically, PF Holding BV granted the company a loan of €20 million, which can be used on demand. According to cash flow forecasts for the 12 months after the reporting date, there are no further financial requirements.

According to forecasts, a decrease in production revenue is expected in 2020 compared to the previous year, resulting in an operating loss and a loss for the year. However, the company's financial position and performance raise no concern at the moment considering the forecasts for the 2020-2023 period.

The first few months of 2020 have confirmed the forecasts relating to the company, both in terms of revenue and profitability.

Despite the loss for the year, the company has continued to meet its obligations, including those under the Rescheduling Agreement of the debt (2016-2025) with certain lending institutions. Under the Rescheduling Agreement, there is just one financial covenant: consolidated equity at a minimum of €30 million. At 31 March 2020 this contractual obligation is expected to be fulfilled. Should the minimum equity threshold be exceeded, the agreement would not be automatically terminated, as there are specific remedies in place and the lending institutions can waive their right to take action. The Mahindra Group granted a surety that is enforceable if the company fails to meet its obligations under the Rescheduling Agreement.

With regard to the effects of the current health emergency (the coronavirus) on the outlook of the Pininfarina Group and, thus, on whether the company's separate financial statements and the group's consolidated financial statements can be prepared on a going concern basis, we note the following:

- almost all of the design and engineering contracts performed by Pininfarina are commissioned by large domestic and international customers that operate according to medium/long-term plans entailing sizeable long-term investments. This would lead us to believe that the current order backlog and expected new activities in the short term should not be compromised by the very tense situation caused by the current health crisis. At the date of this financial report, also considering the group's close relationship with its customers and the progress of contracts underway, in general the group has not detected downturns in activities or cancellations of orders due to the coronavirus such to highlight major divergences from the trends forecast prior to the spread of the virus. The sole exception is the Chinese market where production activities and service supplies were drastically decreased in January and February 2020 following the measures taken by the authorities. The design activities managed locally by Pininfarina Shanghai were postponed to subsequent months. However, going by current indicators, we expect that the group can end 2020 with positive results, though not with the turnover volumes and profitability previously expected. The other key markets for group activities (India, Germany, Italy and the United States) do not currently show any deterioration with respect to forecast trends;
- as mentioned numerous times in the directors' report, the performance of the automotive segment in 2019 was marked by a widespread drop in volumes and profits. Accordingly, the company acted to boost its financial capacity so as to be able to support its group. Indeed, the company signed a loan with the Mahindra Group (as mentioned above) which increased the funds available for all types of needs, including those potentially deriving from important changes in the business compared to the situation at the date of preparation of this report. That being said, it is clear that a widespread halt to activities on reference markets over a long period of time and without external aid would lead to a situation that an individual company (regardless of its size or financial capacity) would not be able to manage. Lastly, to the extent that can be objectively predicted to date, considering the liquid funds at the end of February and the new funds guaranteed by the Mahindra Group, in addition to relationships with existing customers, the funds available to the company would lead us to believe that the current market situation and expected outlook may not be bad enough to create uncertainty about the company's ability to continue as a going concern, also taking into consideration the measures recently approved by the Italian government to support companies and that could be activated in cases of extreme necessity, including by the company and the subsidiary Pininfarina Engineering.

Considering the above, management can reasonably expect that the company has sufficient resources available to continue its operations for the foreseeable future, as provided for by the IFRS. Due to the above reasons, the directors deem it correct to prepare these separate financial statements on a going concern basis.

(b) Additions to the provisions for risks and charges and contingent liabilities and contingent assets

Provisions are liabilities whose due date and amount are uncertain. The directors measure them based on the estimated costs to be incurred to extinguish the obligation at the reporting date.

Contingent liabilities and assets are presented in the financial statements in accordance with paragraphs 27 and 31, respectively, of IAS 37 - Provisions, contingent liabilities and contingent assets.

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company, or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company.

Where necessary, the directors make their estimate with the assistance of their legal advisors and experts.

(c) Impairment

During the year, the company appointed an independent expert, Mr. Fabrizio Bava, to draw up a report on impairment testing pursuant to IAS 36 for the preparation of these separate financial statements and the Pininfarina Group's consolidated financial statements for the reasons indicated hereafter. The scope of the impairment test is to check whether the company's and the group companies' non-current assets are impaired.

In order to perform the impairment test, cash-generating units are identified, along with estimates of their value in use, any impairment losses and the assets attributable to them.

Starting from 2019, the allocation of the company's operations to business segments has changed as a result of the variations described above. In line with IFRS 8, the company has identified two new business segments compared to the previous year.

Starting from 1 January 2019, the new reportable segments are the following:

- the design segment;
- the engineering segment.

The company has adopted an impairment testing procedure pursuant to IAS 36, approved by the Board of Directors on 17 February 2020.

With regard to the design segment, the following CGUs/activities were identified to be tested for impairment for the preparation of the separate and consolidated financial statements:

- "other design activities": all other activities related to the design segment, currently carried out by Pininfarina S.p.A.. Goodwill is allocated to this CGU;
- Pininfarina Shanghai Co. Ltd;
- Pininfarina of America Corp.;
- the "Wind gallery";
- the building and other assets related to the Bairo Canavese production facility, which is waiting to be repurposed for production after the termination of a business lease on 31 December 2019;
- the building and other assets related to the San Giorgio production facility, currently idle;
- other minor buildings.

With regard to the engineering segment, the following CGUs/assets were identified:

- Engineering Italy, comprising all assets and operations transferred to Pininfarina Engineering S.r.l. (PF ENG) on 1 July 2018;
- Engineering Germany, comprising all activities carried out by the German subsidiary Pininfarina Deutschland GmbH;
- buildings held in Germany by the German subsidiary Pininfarina Deutschland Holding GmbH.

The "other design activities" CGU is tested for impairment as goodwill of €1,043 thousand was allocated thereto. Moreover, the company recorded a loss for the year and the pre-budget forecasts for 2020 analysed by the Board of Directors on 13 November 2019 also show a loss. Based on the above, one of the trigger events provided for by IAS 36.12 was identified, since evidence is available from internal reporting that "the economic performance of an asset is, or will be, worse than expected".

The value in use of the CGU in question was determined using the unlevered financial method by determining the after-tax cash flow based on 2020-2023 budget data approved by the Board of Directors on 17 February 2020, using a WACC discount rate of 9.10%. On a prudent basis, the growth rate used to calculate the terminal value is equal to zero.

Cash flows are forecast by directors, based on reasonable and supportable assumptions that represent their best estimate of the future economic conditions. The discount rate used reflects current market assessments, the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

The net invested assets of the company's "other design activities" CGU were tested for impairment at the reporting date. The recoverable value was lower than their carrying amount; therefore, an impairment loss of €5.2 million was recognised.

As required by IAS 36:

- goodwill of €1 million was fully impaired;

- the residual impairment loss was attributed proportionally to the other assets belonging to the CGU, specifically:

- property, plant and equipment other than the property in Cambiano (the fair value of which was higher than its carrying amount as per the recent appraisal drawn up by an independent expert) were impaired by €3.4 million;

- intangible assets were impaired by €0.6 million;

- right-of-use assets were impaired by €0.2 million.

Reference should be made to note 1 for information on the Bairo Canavese and San Giorgio Canavese buildings, also affected by trigger events.

Considering the operating losses in 2019, a trigger event was identified for the CGUs of the Italian and German engineering segments. As a result of specific impairment tests performed on such CGUs, no impairment losses have been identified.

No indicators of impairment have been identified for the other CGUs of the design and engineering segments.

(d) Fair value measurement and hierarchy for financial instruments

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. This category includes financial assets classified as "held for trading", which are mainly government bonds and high-rating bonds.
- 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 separate 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 separate financial statements do not present any financial instruments of this type.

(e) Current and deferred taxes

Current taxes are calculated on the basis of a best estimate of the tax expense for the year, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are measured on the basis of the company's expectations on how the carrying amount of its assets and liabilities will be recovered/extinguished, subject to the probability that it will earn future taxable profit. Deferred tax assets and liabilities are measured on the basis of tax rates that are expected to be applicable when the assets will be realised or the liabilities will be extinguished, therefore based on tax rates or changes to tax laws that have been enacted by the reporting date.

(f) Italian post-employment benefits

Following the supplementary pension reform, the portion of Italian post-employment benefits vested before 1 January 2007 is considered to be a defined benefit under IAS 19 - Employee benefits. Under defined benefit plans, the amount of the benefit due to the employee upon termination of employment depends on different factors, such as age, seniority and remuneration. Despite being prudently estimated and based on internal historical figures, these estimated parameters may be subject to change.

The directors estimated the post-employment benefit obligation assisted by an independent expert included in the Italian Actuary Register.

(g) Stock option plans

The stock option plan is reserved for the company's key management personnel and is aimed at incentivising their achievement of the company's objectives and enhancing their loyalty to it.

The options are measured using the Black-Scholes valuation approach.

The directors calculated the carrying amounts relating to the stock option plan with the assistance of an independent expert.

TYPES OF FINANCIAL INSTRUMENTS AND FAIR VALUE HIERARCHY

The financial instruments held by the company include:

- cash and cash equivalents;
- current financial assets at fair value through profit or loss;
- non-current loan liabilities;
- trade receivables and payables, loans and receivables - related parties and contract assets and liabilities;
- other current financial assets and liabilities.

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

	Financial instruments at fair value through:		Fair value hierarchy	Financial instruments at amortised cost	Equity investments at cost	Carrying amount at 31.12.2019	Carrying amount at 31.12.2018
	profit or loss	equity					
Assets:							
Equity investments in other companies	-	-		-	251,717	251,717	645
Loans and receivables	-	-		2,191,077	-	2,191,077	2,325,967
Contract assets	-	-		359,681	-	-	-
Current financial assets at fair value through profit or loss	-	-	Level 1	-	-	-	13,105,943
Trade receivables and other assets	-	-		30,094,057	-	30,094,057	22,387,592
Liabilities:							
Contract liabilities	-	-		9,657,772	-	9,657,772	-
Other loans and borrowings	-	-		25,861,481	-	25,861,481	26,666,690
Trade payables and other liabilities	-	-		13,992,070	-	13,992,070	15,275,030

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 separate 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 separate 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 company 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 the following currencies against the Euro: US dollar (USD) and Chinese renminbi (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%.

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

	31.12.2019	%	31.12.2018	%
- Fixed rate	23,948,046	100%	25,929,114	100%
- Variable rate	-	-	-	-
Gross financial debt	**23,948,046**	**100%**	**25,929,114**	**100%**

(c) Price risk

The company mainly carries out design and engineering activities, therefore it is not significantly exposed to price risk on the commodities it purchases.

(d) Credit risk

The company is exposed to credit risk, defined as the probability of an impairment loss on exposures with a commercial or financial counterparty. With reference to commercial transactions, the company's most significant projects have a limited number of counterparties, most of which may be qualified as of a primary credit standing. At group level, credit risk is especially concentrated in Asia (Iran, India and China).

Counterparty risk in the case of countries in which the company does not usually undertake commercial transactions is analysed and assessed at the offering phase in order to identify and mitigate any solvency risk.

The company operates in markets that are or have been recently affected by geopolitical or financial tensions. Specifically, the following exposures at the reporting date are considered to bear solvency risk:

	Iran
(€'000)	
Assets	3,040
Contract liabilities	1,468
Net exposure	**1,572**

Lastly, as disclosed in the specific section, the receivables related to certain contracts may remain unpaid, be renegotiated or cancelled. Specifically, in 2018, the company recognised impairment losses on the receivables relating to a project for a Chinese customer (carrying amount of €1,462 thousand).

Please refer to the relevant notes for more information on the breakdown of receivables by geographical segment and their due dates.

(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 company'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 company'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 company's financial debt is set out below.

	Carrying amount 31.12.2019	**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	23,948,046	30,737,185	3,578,089	27,159,096	-

The company holds net cash and cash equivalents of €17 million.
As outlined in the "Outlook for 2019", "Events after the reporting date" and "Going concern" sections of these notes, Pininfarina Holdings BV granted Pininfarina S.p.A. a loan of €20 million in February 2020 to make adequate financial resources available to the company to implement the actions defined by the directors in the 2020-2022 business plan.

(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.
The directors do not currently expect any issues with respect to the above-mentioned financial obligations. At the reporting date, the above-mentioned financial covenant is met.

NOTES TO THE CAPTIONS

1. Property, plant and equipment

The carrying amount of property, plant and equipment at 31 December 2019 decreased to €33.1 million from €40.2 million at 31 December 2018.

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	64,245,818	76,537,561
Accumulated depreciation and impairment losses	(4,636,429)	(38,075,960)	(42,712,389)
Carrying amount at 31 December 2018	**7,655,314**	**26,169,858**	**33,825,172**
Reclassification: Historical cost	(290,000)	-	(290,000)
Additions	-	420,712	420,712
Depreciation	-	(1,131,542)	(1,131,542)
Impairment losses	(1,999,378)	(2,054,573)	(4,053,951)
Carrying amount at 31 December 2019	**5,365,936**	**23,404,455**	**28,770,391**
Of which:			
Historical cost	12,001,743	64,666,530	76,668,273
Accumulated depreciation and impairment losses	(6,635,807)	(41,262,075)	(47,897,882)

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

The reclassification from “Land” to “Assets held for sale” refers to the fair value of agricultural land close to the San Giorgio Canavese production facility that was sold at the beginning of 2020.

The company entered into a business lease with third parties for the Bairo Canavese production facility in 2011. At the end of May, it was notified that such agreement would be terminated early on 31 December 2019.

Based on the above, the company identified a trigger event which may impair the facility’s carrying amount. Therefore, in accordance with IAS 36, it tested the asset for impairment. It compared its carrying amount to its value in use, as recalculated to account for the early termination notice received from the lessee, and its fair value calculated considering the facility’s appraised value. The carrying amount of the facility was found to be substantially in line with the appraisal available to the company and, therefore, the company did not recognise any impairment loss.

The San Giorgio Canavese production facility has not been used since the end of 2015.
Its carrying amount was compared to its fair value. The latter was calculated considering the facility’s appraised value, showing a decrease in its recoverable amount of €4,053,961.
Impairment losses on land and buildings refer to the adjustment of the San Giorgio Canavese production facility carrying amount to its fair value net of costs to sell.

	Machinery	Plant	Total
Historical cost	6,860,513	84,345,786	91,206,299
Accumulated depreciation and impairment losses	(5,212,069)	(80,894,515)	(86,106,584)
Carrying amount at 31 December 2018	**1,648,444**	**3,451,271**	**5,099,715**
Reclassification: Historical cost	-	11	11
Reclassification: Acc. depreciation and imp. losses	-	786	786
Additions	355,249	1,248,881	1,604,130
Historical cost - Merger	-	293,821	293,821
Acc. depreciation - Merger	-	(235,051)	(235,051)
Disposals: Historical cost	(134,735)	(437,201)	(571,936)
Disposals: Acc. depreciation and imp. losses	134,735	404,797	539,532
Depreciation	(201,925)	(605,947)	(807,872)
Impairment losses	(1,714,987)	-	(1,714,987)
Carrying amount at 31 December 2019	**86,781**	**4,121,368**	**4,208,149**
Of which:			
Historical cost	7,081,027	85,451,298	92,532,325
Accumulated depreciation and impairment losses	(6,994,246)	(81,329,930)	(88,324,176)

Plant and machinery at 31 December 2019 include generic production plant and machinery, mainly based at the Bairo and Cambiano facilities.
Additions of the year are mainly due to machinery and plant installed at the Cambiano facility.

The company recognised impairment losses on machinery following a comparison between the recoverable amount of the “Other design activities” CGU and its carrying amount, as discussed in the “Assessments that affect the separate financial statements” section.

	Furniture and fixtures	Hardware and software	Other	Total
Historical cost	2,015,045	4,814,213	748,449	7,577,707
Accumulated depreciation and impairment losses	(1,814,424)	(4,151,812)	(305,750)	(6,271,986)
Carrying amount at 31 December 2018	**200,621**	**662,401**	**442,699**	**1,305,721**
Reclassification: Historical cost	3	481	-	484
Reclassification: Acc. depreciation and imp. losses	-	1	-	1
Additions	93,134	364,156	-	457,290
Historical cost - Merger	333,351	645,747	-	979,098
Acc. depreciation - Merger	(281,634)	(466,079)	-	(747,713)
Disposals: Historical cost	(79,421)	(34,473)	-	(113,894)
Disposals: Acc. depreciation and imp. losses	27,419	34,473	-	61,892
Depreciation	(35,966)	(267,601)	(52,766)	(356,333)
Impairment losses	(255,152)	(923,041)	(389,933)	(1,568,126)
Carrying amount at 31 December 2019	**2,355**	**16,065**	**-**	**18,420**
Of which:				
Historical cost	2,362,112	5,790,124	748,449	8,900,685
Accumulated depreciation and impairment losses	(2,359,757)	(5,774,059)	(748,449)	(8,882,265)

Additions to hardware and software for the year relate to the purchase of IT equipment for technological upgrading.
The impairment losses on furniture and fixtures, hardware and software and other assets were recognised following a comparison between the recoverable amount and the carrying amount of the “other design activities” CGU.

2. Intangible assets

The carrying amount of intangible assets at 31 December 2019 decreased to €5.4 million from €6 million at 31 December 2018.

	Goodwill	Licences	Other	Total
Historical cost	-	1,807,687	5,807,011	7,614,698
Accumulated amortisation and impairment losses	-	(1,294,603)	(357,337)	(1,651,940)
Carrying amount at 31 December 2018	**-**	**513,084**	**5,449,674**	**5,962,758**
Additions	-	177,611	-	177,611
Historical cost - Merger	1,043,495	717,585	630,486	2,391,566
Acc. amortisation - Merger	-	(604,881)	(604,406)	(1,209,287)
Amortisation	-	(216,875)	(6,039)	(222,914)
Impairment losses	(1,043,495)	(586,524)	(20,041)	(1,650,060)
Carrying amount at 31 December 2019	**-**	**-**	**5,449,674**	**5,449,674**
Of which:				
Historical cost	1,043,495	2,702,883	6,437,497	10,183,875
Accumulated amortisation and impairment losses	(1,043,495)	(2,702,883)	(987,823)	(4,734,201)

The company recognised a goodwill of €1,043,495, following the merger of Pininfarina Extra S.r.l..

“Other” includes the capitalisation of an advisory services agreement that the company signed in connection with a long-term engineering contract.

The asset was recognised in 2018 at the amount of the liability with the supplier (see note 17) discounted on the basis of the payment plan agreed with the provider. Since the engineering contract has been suspended, the related asset’s amortisation and contractual payments have also been suspended, pending developments in the end customer’s situation.

The impairment losses on goodwill were recognised following a comparison of the recoverable amount of the “other design activities” CGU with its carrying amount, as discussed in the “Assessments that affect the separate financial statements” section.

3. Right-of-use assets and lease liabilities

This caption is required by IFRS 16 and shows the right to use the leased assets covered by the leases signed by the company, specifically car rentals.

i. Right-of-use assets

	Cars
Opening balance	282,490
Depreciation	(111,389)
Increase	57,062
Impairment losses	(228,163)
Closing balance	**-**

ii. Amounts recognised in profit or loss

	2019
Depreciation of right-of-use assets	(111,389)
Interest expense on lease liabilities	(10,956)
Impairment losses on right-of-use assets	(228,163)
Expense for short-term or low-value leases	(22,312)
Total	**(350,508)**

The company recognised impairment losses on its right-of-use assets following a comparison between the recoverable amount of the “Other design activities” CGU to its carrying amount, as discussed in “Accounting policies” section.

iii. Amounts recognised in the statement of cash flows

	2019
Total cash flows for leases	120,665

iv. Lease liabilities

Lease liabilities are broken down by due date in the following table:

	Carrying amount 31.12.2019	Contractual cash flows	Of which: due within one year	Of which: due from one to five years	Of which: due after five years
Lease liabilities	230,348	244,397	100,674	143,723	-

4. Investments in subsidiaries

The following table shows the changes for the year in the carrying amount of investments in subsidiaries. The reporting date balance is compared to the subsidiary’s net assets included in the consolidation scope (see the second last column of the table), or those of its subgroup, when the subsidiary, in turn, holds investment in other subsidiaries.

	% 2018	31.12.2018	Increase	Impairment losses	Impairment gains	Merger of Pininfarina Extra S.r.l	31.12.2019	% 2019	Consolidated net assets 31.12.2019	31.12.2019 loss
Pininfarina Extra S.r.l.	100%	2,177,506	-	-	-	(2,177,506)	-	0%	-	-
Pininfarina of America Corp	0%		-	-	-	8,365	8,365	100%	1,541,829	(109,487)
Pininfarina Engineering S.r.l.	100%	19,647,489	-	-	-	-	19,647,489	100%	3,235,245	(4,882,930)
Pininfarina Deutschland Holding GmbH	0%	-	-	-	-	-	-	0%	-	(1,312,630)
Pininfarina Shanghai Co. Ltd	100%	1,721,358	-	-		-	1,721,358	100%	1,859,128	279,778
Total subsidiaries		23,546,353	-	-	-	(2,169,141)	21,377,212		6,636,202	(6,025,269)

(a) Pininfarina Extra S.r.l.

The deed for the merger of Pininfarina Extra S.r.l. into Pininfarina S.p.A. took effect on 1 January 2019.

(b) Pininfarina of America Corp.

Pininfarina of America Corp., formerly a subsidiary of Pininfarina Extra S.r.l., sells design services in the US market and its 2019 revenue and loss totalled €2.3 million and €0.1 million respectively. Its consolidated net assets of roughly €1.5 million exceed the carrying amount of Pininfarina S.p.A.'s investment. Accordingly, there are no indicators of impairment.

(c) Pininfarina Engineering S.r.l.

The subsidiary was set up in 2018 and is wholly owned, managed and controlled by Pininfarina S.p.A.. The two companies signed a business unit transfer agreement on 25 June 2018, whereby the sole quotaholder Pininfarina S.p.A. (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 Pininfarina Engineering S.r.l. (the transferee).
The transfer became effective on 1 July 2018.

Since the transaction was carried out by parties under common control, it took place at the carrying amount of the net assets and liabilities transferred at the effective date.

Pininfarina S.p.A.'s investment in Pininfarina Engineering S.r.l. has a carrying amount of €19.6 million, against consolidated net assets of €3.2 million.

In view of the overall difficulties experienced by the engineering segment and, in particular, by the CGUs corresponding to Pininfarina Engineering and Pininfarina Deutschland, the investment was tested for impairment, with a comparison between its value in use and its carrying amount, as discussed in the introduction to these notes.

Specifically, the value in use corresponds to the sum of Pininfarina Engineering's and Pininfarina Deutschland's equity values.

<u>Pininfarina Deutschland Holding GmbH</u>

With reference to the assessment of the German subsidiary's equity value, the appraisal was based on the following main assumptions:

- calculation of the enterprise value by discounting the expected cash flows of the operating company using a WACC discount rate of 7.17%;
- calculation of the terminal value by using a growth rate equal to zero on a prudent basis;
- calculation of the present value of land and buildings in Renningen, Benzstr., not included in the discounted cash flows;
- the right to use the Pininfarina trademark;
- the tax benefit arising from the tax loss carryforwards deductible in the coming years;
- calculation of the equity value by deducting the net financial debt from the enterprise value.

The impairment test showed that the carrying amount of the investment is not lower than its fair value. As an additional check, the company carried out a sensitivity analysis of the WACC and the terminal value flow. After increasing the cost of capital by 4.6% and reducing the gross operating loss based on the calculation of the terminal value by 11.4%, it showed that the fair value is still higher than the carrying amount at 31 December 2019.

Pininfarina Engineering S.r.l.

With reference to the assessment of the wholly-owned subsidiary's equity value, the appraisal was based on the following main assumptions:

- calculation of the enterprise value by discounting the expected cash flows of the operating company using a WACC discount rate of 9.10%;
- calculation of the terminal value by using a growth rate equal to zero on a prudent basis.

The impairment test showed that the carrying amount of the investment is not lower than its fair value.

As an additional check, the company carried out a sensitivity analysis of the German subsidiary's assets. Even if one of the components of the equity value of the Pininfarina Deutschland Group should be lower than such amount, there would still be no need to recognise an impairment loss.

(d) Pininfarina Deutschland Holding GmbH

Following the transfer agreement signed in June 2018, the German group is wholly owned by Pininfarina Engineering S.r.l..

The Pininfarina Deutschland Group mainly provides engineering services. Its main customers include the BMW, Mercedes, Porsche, Daimler and Magna groups. In 2019, it recognised revenue of €22.9 million, slightly up from €21.3 million for the previous year, and a loss of €1.3 million, compared to €1.1 million in 2018.

(e) Pininfarina Shanghai Co. Ltd

In 2019, the subsidiary recognised revenue and profit of €8.9 million and €0.2 million, respectively. Its consolidated net assets totalled €1.9 million.
The subsidiary's positive results over the last few years and forecasts for 2020 show no evidence of impairment indicators.

5. Investments in associates

They include:

	31.12.2019	31.12.2018
Goodmind S.r.l.	119,001	-
Signature S.r.l.	483,141	496,732
Investments in associates	**602,142**	**496,732**

Goodmind S.r.l., formerly owned by Pininfarina Extra S.r.l., provides communication services to companies and organisations. The company's share of the associate profit for the year is €11,162.

Signature S.r.l., incorporated in February 2018, mainly operates in the stationery sector. The company 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 company's share of the associate's results for the current and previous year.

6. Equity investments in other companies

Equity investments in other companies refer to the investee Midi Plc, previously owned by Pininfarina Extra S.r.l. and transferred to Pininfarina S.p.A. after the merger on 1 January 2019.

	31.12.2019	31.12.2018
Midi Plc	251,072	-
Idroenergia Soc. Cons. a.r.l.	516	516
Unionfidi S.c.r.l.p.A. Turin	129	129
Equity investments in other companies	**251,717**	**645**

7. Loans and receivables

Changes in loans and receivables are set out below.

	31.12.2018	Increase	Interest income	Collection	Other changes	Merger elimination	31.12.2019
Pininfarina Extra S.r.l.	120,153					(120,153)	-
Pininfarina Engineering S.r.l.	155,814				(14,737)		141,077
Pininfarina Deutschland Holding GmbH	-						-
Pininfarina Deutschland GmbH	1,500,000		10,327	(10,327)			1,500,000
Signature S.r.l.	550,000						550,000
Loans and receivables - related parties	**2,325,967**		**10,327**	**(10,327)**	**(14,737)**	**(120,153)**	**2,191,077**

The loan granted to Pininfarina Deutschland bears market interest rates.
The amount due from Pininfarina Extra S.r.l. does not bear interest as it arises from the domestic tax consolidation agreement.
The loan granted to the associate Signature S.r.l. does not bear interest and was disbursed to support its start-up stage.

8. Inventories

Raw materials mainly consist of various materials used for the production of cars and prototypes at the Cambiano facility. Finished goods comprise Pininfarina-branded products previously sold by Pininfarina Extra S.r.l., and car spare parts manufactured by the company, which are sold to carmakers.

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

	31.12.2019	31.12.2018
Raw materials	541,471	580,410
Allowance for inventory write-down	(331,075)	(338,368)
Finished goods - cars	2,349	23,482
Finished goods - store	146,936	-
Allowance for inventory write-down	-	-
Inventories	**359,681**	**265,524**

	2019		2018	
	Allowance for raw materials write-down	Allowance for finished goods write-down	Allowance for raw materials write-down	Allowance for finished goods write-down
Opening balance	**338,368**	**-**	**360,188**	**-**
Additions	-	-	-	-
Utilisations	(7,293)	-	(21,820)	-
Other changes	-	-	-	-
Closing balance	**331,075**	**-**	**338,368**	**-**

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

9. Contract assets and liabilities

Contract assets show the balance of gross contract work in progress less progress payments and advances.
The change for the year is due to the progress of certain styling and engineering contracts from customers inside and outside the European Union.
Contract liabilities represent the company's obligation to transfer goods or services to a customer for which it has received consideration (or an amount of consideration is due) from the customer.

10. Current financial assets at fair value through profit or loss

Current financial assets at fair value through profit or loss totalling €13.1 million at 31 December 2018 have been entirely sold.

The fair value gains and losses for the year have been recognised in profit or loss as financial income and expense (see note 27).

11. Trade receivables - third and related parties

The following table shows trade receivables at 31 December 2019 and 2018:

	31.12.2019	31.12.2018
Italy	1,819,575	1,230,056
EU	2,589,165	545,447
Non-EU countries	10,052,777	8,862,161
(Loss allowance)	(1,876,878)	(1,755,281)
Third parties	**12,584,639**	**8,882,383**
Pininfarina Extra S.r.l.	-	65,669
Pininfarina of America Corp	154,603	-
Pininfarina Deutschland GmbH	25,386	-
Pininfarina Engineering S.r.l.	1,822,328	4,154,437
Pininfarina Shanghai Co. Ltd	944,190	43,333
Automobili Pininfarina GmbH	652,816	332,156
Mahindra&Mahindra Limited	-	183,614
Tech Mahindra Ltd	4,480	-
Signature S.r.l.	48,800	-
Related parties	**3,652,603**	**4,779,209**
Trade receivables	**16,237,242**	**13,661,592**

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

The increase in trade receivables from third parties is due to a different type of invoicing plan being used compared to the previous year. The decrease in trade receivables from related parties is mainly due to the receivable from Pininfarina Engineering S.r.l..

The increase in the loss allowance is due to the impairment losses recognised on a prudent basis on the receivables due from certain European customers to which the company provided industrial design services.

Reference should be made to the specific annex at page 157 for information on the impact of the merger of Pininfarina Extra S.r.l. into Pininfarina S.p.A..

Changes in the loss allowance are set out below:

	2019	2018
Opening balance	**1,755,281**	**307,646**
Additions	179,178	1,462,005
Utilisations	(71,977)	(14,370)
Merger of Pininfarina Extra S.r.l.	14,396	-
Closing balance	**1,876,878**	**1,755,281**

The company recognised impairment losses on certain net contract assets (see the following table) of specific contracts that have been suspended, pending developments in the related customers' industrial and commercial strategies, in order to cover the risk of non-payment, renegotiation or cancellation.

(€'000)	
Trade receivables	4,827
Contract liabilities	3,365
Net exposure	**1,462**

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets from individual customers as at 31 December 2019.

	Gross carrying amount	Loss allowance
Contract assets	954,052	-
Current (not past due)	4,390,450	43,905
1–30 days past due	740,294	14,806
31–60 days past due	481,793	19,272
61–90 days past due	44,526	2,672
91–120 days past due	208,262	16,661
More than 120 days past due	8,341,757	1,779,563

With respect to exposures not individually impaired, the company defined a provisioning matrix based on its historical credit loss figures, adjusted by the counterparties' different credit rating and business environment.

12. Other assets

The following table shows other assets at 31 December 2019 and 2018:

	31.12.2019	31.12.2018
VAT	7,388,056	4,452,689
Withholding taxes	4,908,439	3,729,000
IRAP (regional tax on production activities) paid on account	435,703	-
Prepayments and accrued income	415,100	270,825
Amounts due from INAIL (the Italian workers' compensation authority) and INPS (the Italian social security institution)	7,766	5,633
Amounts due from employees	2,180	-
Other assets	140,848	193,919
Advances to suppliers	75,954	73,932
Other	**13,374,046**	**8,726,000**
Prepayments - Pininfarina Engineering	482,732	
Related parties	**482,732**	**-**
Other assets	**13,856,778**	**8,726,000**

The company received the partial reimbursement related to the VAT assets that arose in 2018 and the second quarter of 2019 in March 2020 (€5.1 million).

Withholding taxes include amounts withheld from the company and transferred from Pininfarina Engineering S.r.l. as part of the domestic tax consolidation agreement.

13. Cash and cash equivalents

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

	31.12.2019	31.12.2018
Cash in hand and cash equivalents	8,519	7,981
Short-term bank deposits	17,027,127	11,174,834
Cash and cash equivalents	**17,035,646**	**11,182,815**
(Bank overdrafts)	-	-
Net cash and cash equivalents	**17,035,646**	**11,182,815**

The increase in cash and cash equivalents is due to sale of the assets held for trading, offset by working capital trends.

Reference should be made to the statement of cash flows for details of the cash flows for the year.

14. Equity

(a) Share capital

	31.12.2019		31.12.2018	
	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 company'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 company'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 €10,854,234 increased by €4,790,475 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, it 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 company's employees. The ratio is one share for each option. The plan aims to incentivise attainment of the company's objectives and retaining employees. It 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 year.

The options are measured using the Black-Scholes valuation approach and the following assumptions:

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: €305,696
8. Carrying amount at the reporting date: €2,216,799

(f) Other reserves

Other reserves of €7,923,223 rose by €5,277,015 due to the merger of Pininfarina Extra S.r.l. into Pininfarina S.p.A..

(g) Losses carried forward

Losses carried forward totalled €5,676,124 at the reporting date, down by €936,812 on 31 December 2018 due to the profit for 2018 of €939,720 net of the effect of the adoption of IAS 19 (revised), quantified at €2,908.

	AMOUNT	POSSIBLE USE	AVAILABLE PORTION	NON-DISTRIBUTABLE PORTION
SHARE CAPITAL	54,271,170			
EQUITY-RELATED RESERVES				
Revaluation reserve	2,646,208	A,B,C	2,646,208	
INCOME-RELATED RESERVES				
Legal reserve	10,854,234	B	10,854,234	10,854,234
Reserve for treasury shares	175,697	B	149,654	26,043
Share premium reserve	2,053,660	A,B,C	2,053,660	
Stock option reserve	2,216,799		2,216,799	2,216,799
Merger reserves	5,277,015	A,B,C	5,277,015	
Losses carried forward	(5,676,124)			
LOSS FOR THE YEAR	(16,549,396)	A,B,C		
TOTAL	**55,269,263**		**23,197,569**	**13,097,076**

KEY:
A: CAPITAL INCREASE
B: COVERAGE OF LOSSES
C: DIVIDENDS

NOTE:
The use of the revaluation reserve is restricted as follows:
- when used to cover losses, it shall be replenished, unless the shareholders decide not to do so in an extraordinary meeting;
- its distribution shall be subjected to the provisions of article 2445.2/3 of the Italian Civil Code.

The legal reserve is fully available to cover losses.

A portion of the reserve for treasury shares cannot be distributed (€26,043, equal to the amount of the treasury shares held by the company at 31 December 2019), as provided for by article 2357-ter.3 of the Italian Civil Code.

15. Loans and borrowings

(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 company'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

On 30 May 2015, 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:

	31.12.2018	Unrealised interest	Repayment	Current/non-current reclassification	31.12.2019
Finance lease liabilities	-	-	-	-	-
Other loans and borrowings	22,351,025	1,597,021	-	(3,578,089)	20,369,957
Non-current portion	**22,351,025**	**1,597,021**	**-**	**(3,578,089)**	**20,369,957**
Bank overdrafts	-	-	-	-	-
Finance lease liabilities	-	-	-	-	-
Other loans and borrowings	3,578,089	-	(3,578,089)	3,578,089	3,578,089
Current portion	**3,578,089**	**-**	**(3,578,089)**	**3,578,089**	**3,578,089**
Current and non-current portions	**25,929,114**	**1,597,021**	**(3,578,089)**	**-**	**23,948,046**

Other loans and borrowings include the amounts due to the company'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:

	31.12.2018	Unrealised interest	Repayment	31.12.2019
Intesa Sanpaolo S.p.A.	16,784,939	1,033,815	(2,316,237)	15,502,517
Banca Nazionale del Lavoro S.p.A.	988,016	60,854	(136,341)	912,529
Ubi Banca S.p.A. (formerly Banca Regionale Europea S.p.A.)	3,945,462	243,008	(544,456)	3,644,014
Selmabipiemme Leasing S.p.A.	4,210,697	259,344	(581,055)	3,888,986
Other loans and borrowings	**25,929,114**	**1,597,021**	**(3,578,089)**	**23,948,046**

(c) Loans and borrowings - related parties

The caption relates to liabilities with Pininfarina Engineering S.r.l. as part of the domestic tax consolidation agreement.
Reference should be made to the directors' report for more details on the net financial debt (ESMA).

16. Post-employment benefits

Post-employment benefits show the present value of the obligation to employees under article 2120 of the Italian Civil Code. Following the changes introduced to Italian laws some years ago, benefits vested before 1 January 2007 are classified as defined benefit plans pursuant to IAS 19 - Employee benefits, while those accrued thereafter are classified as defined contribution plans.

Changes for the year are provided below:

	2019	2018
Opening post-employment benefits	**2,716,632**	**4,046,976**
Interest cost recognised in profit or loss	34,504	34,389
Current service cost recognised in profit or loss	-	-
Actuarial losses recognised in other comprehensive income	2,908	25,704
Payments	(506,852)	(98,780)
Transfer to Pininfarina Engineering S.r.l.	-	(1,291,657)
Merger of Pininfarina Extra S.r.l.	730,886	-
Closing post-employment benefits	**2,978,078**	**2,716,632**

Following the early termination on 31 December 2019 of the business lease with Bluecar Italy S.r.l., 44 employment contracts and related post-employment benefits are transferred to Pininfarina S.p.A. from 1 January 2020.

The main assumptions underlying the actuarial calculation of the liability in the current and previous years are set out below:

	2019	2018
Annual inflation rate	0.7%	1.5%
Benefit discount rate	0.3%	1.0%

The adopted discount rate refers to the market yield of AA-rated Euro securities.

Moreover, the sensitivity analysis carried out increasing/decreasing the base rate by 50% did not show significant changes with respect to the current post-employment benefit obligation.

17. Trade payables, other financial liabilities and other liabilities

(a) Trade payables

	31.12.2019	31.12.2018
Third parties	12,283,148	11,352,177
Related parties	862,327	3,214,179
Other liabilities - third parties	-	-
Other liabilities - related parties	-	-
Trade payables	**13,145,475**	**14,566,356**

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

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

Since the engineering contract to which the obligation refers has been suspended at the reporting date, the related liability has also been suspended, pending developments in the end customer's situation.

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.

(b) Other financial liabilities

	31.12.2019	31.12.2018
Wages and salaries payable	2,285,104	1,585,849
Social security charges payable	743,034	678,906
Other	920,392	708,674
Other financial liabilities	**3,948,530**	**2,973,429**

Reference should be made to the specific annex at page 157 for information on the impact of the merger of Pininfarina Extra S.r.l. into Pininfarina S.p.A..

18. 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:

	31.12.2018	Additions	Utilisations	31.12.2019
Provision for product warranties	53,236	-	-	53,236
Restructuring provision	184,454	-	(184,454)	-
Other provisions	290,079	1,242,762	(719,389)	813,452
Provisions for risks and charges	**527,769**	**1,242,762**	**(903,843)**	**866,688**

The provision for product warranties, unchanged from the previous reporting date, represents the best estimate of the company's contractual and legal obligations with regard to costs entailed by warranties provided on certain components of the vehicles it manufactured for a specific period, starting from the sale of the vehicles to end customers. The above-mentioned estimate was determined based on the company's experience, specific contractual terms and product specifications and defect data generated by the statistical survey systems of the company's customers.

The restructuring provision was the best estimate of the contingent liability resulting from restructuring activities. Utilisations include amounts paid to employees who left during the year.

Other provisions reflect the estimated liabilities that may arise from losses to complete long-term contracts, potential disputes with former employees and environmental risks.

Additions and utilisations show the effects of the measurement of losses to complete long-term contracts and environmental risks.

(b) Contingent liabilities and litigation

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

19. Current and deferred taxes

(a) Deferred taxes

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

	31.12.2019	31.12.2018
Deferred tax assets	-	1,255,256
(Deferred tax liabilities)	-	-
Net deferred tax assets	**-**	**1,255,256**

Deferred tax assets at 31 December 2018 were impaired on a prudent basis in 2019, considering the reference market trends in the second half of the year, as discussed in the directors' report.

(b) Current taxes

Income taxes recognised in profit or loss are detailed below:

	2019	2018
Income taxes	-	(847,277)
IRAP (regional tax on production activities)	-	(400,943)
Tax consolidation benefit	(309,533)	898,687
Adjustment to prior year tax consolidation benefit	(12,918)	4,214
Accruals to prior year provision	(30,365)	(23,522)
Current taxes	**(352,816)**	**(368,841)**
Change in deferred tax assets	(1,280,117)	1,255,256
Change in deferred tax liabilities	-	-
Net deferred taxes	**(1,280,117)**	**-**
Income taxes	**(1,632,933)**	**886,415**

20. Revenue from sales and services

Reference should be made to the relevant table for information on the impact of initially applying IFRS 15 to the company's revenue from contracts with customers.

a) Revenue streams

The company's revenue mainly relates to the provision of design and engineering services and sales of spare parts and prototypes.

	2019	2018
Sales - Italy	548,843	1,112,344
Sales - EU	986,946	2,115,193
Sales - Non-EU countries	574,068	5,115,051
Services - Italy	6,045,470	15,590,366
Services - EU	18,252,508	5,494,614
Services - Non-EU countries	14,199,443	27,454,982
Royalties - Italy	1,001,419	-
Royalties - EU	737,703	571,000
Royalties - Non-EU countries	2,237,301	4,800,000
Change in inventories of contract assets	115,365	(329,477)
Revenue from sales and services	**44,699,066**	**61,924,073**

Following the group's reorganisation, the company reclassified the royalties for the use of the trademark to revenue in both years presented.

Other sources of revenue include the following:

	2019	2018
Lease income	2,400,000	1,205,333
Grants for research and training	64,222	35,112
Prior year income	101,010	5,579
Insurance compensation	10,000	60,022
Sundry	5,928	7,095
Other revenue and income	**2,581,160**	**1,313,141**

Lease income mainly refers to the business lease signed by Pininfarina S.p.A. and a third party.

Prior year income refers to prior year income and estimation differences, other than errors, resulting from the normal updating of estimates made in previous years.
The item includes the amount received by the company following the liquidation of a customer started in 2006.

b) Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by primary geographical market, major product and service lines and timing of revenue recognition.

	Design
Geographical segment	
Italy	10,077,729
EU	20,059,359
Non-EU countries	17,126,177
Total	**47,263,265**
Major products/service lines	
Design services	40,705,682
Royalties	3,976,423
Lease income	2,400,000
Other	181,160
Total	**47,263,265**
Timing of revenue recognition	
Products transferred at a point in time	181,160
Products and services transferred over time	47,082,105
Total	**47,263,265**

c) Contract balances

The following table provides information about receivables, assets and liabilities from contracts with customers.

	31.12.2019	31.12.2018
Amounts included in trade receivables	18,114,120	15,416,873
Contract assets	954,042	838,677
Contract liabilities	(9,657,772)	(7,541,381)

The contract assets primarily relate to the company's rights to consideration for work completed but not billed at the reporting date on made-to-order products/services.

The amount of contract assets was impacted by an impairment loss of €492,166 during the year. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the company issues an invoice to the customer.

Contract liabilities represent the company's obligation to transfer goods or services to a customer for which it has received consideration (or an amount of consideration is due) from the customer.

The lower amount of revenue recognised in 2019 from performance obligations satisfied (or partially satisfied) in previous years, mainly due to the changes in the estimate of the stage of completion of contracts, is €370 thousand.

The combined transaction price allocated to performance obligations still unsatisfied at the reporting date approximated €74 million. The company expects that it will recognise roughly 27.7% of that amount as revenue in the following year.

No information is provided about remaining performance obligations at 31 December 2019 that have an original expected duration of one year or less, as allowed by IFRS 15.

Opening contract liabilities of €7.5 million have been reclassified to revenue during the year ended 31 December 2019.

d) Performance obligations and revenue recognition policies

Revenue is measured based on the consideration specified in a contract with a customer.
The company recognises revenue when it transfers control over a good or service to a customer.
The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Major products/service lines	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15
Design, engineering and operations services	The company has determined that for made-to-order products, the customer controls all of the work in progress as the products are being manufactured. This is because, under those contracts, products/services are made to a customer's specification and if a contract is terminated by the customer, then the company is entitled to reimbursement of the costs incurred to date, including a reasonable margin. Invoices are issued according to contractual terms and are usually payable within 30 days. Uninvoiced amounts are presented as contract assets.	Revenue and associated costs are recognised over time - i.e., before the goods/services are made available at the customers' premises. Progress is determined based on the cost-to-cost method. When incremental in accordance with IFRS 15, costs of obtaining a contract are recognised as assets and depreciated in line with the transfer of control over the related product/service.
Royalties	The company determined that royalties are substantially related to the licence to use the Pininfarina trademark on designed products it manufactures. Even though customers do not control the trademark, they benefit therefrom. This shared benefit led the group to believe that this is a right to access rather than use the trademark and, therefore, the related revenue is recognised over time.	Revenue is recognised over time
Lease income	The company determined that lease income arise from services whereby the customer simultaneously receives and uses the related benefits as the company provides them. Accordingly, revenue from these performance obligations is recognised over time.	Revenue is recognised over time
Other	The company determines the most appropriate recognition of other minor revenue on a case-by-case basis.	Revenue is recognised over time/at a point in time

21. Gains and losses on sale of non-current assets and equity investments

Gains are mainly attributable to the sale of a robotic welding unit, while losses are mainly attributable to the sale of furniture and plant not entirely depreciated.

22. 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 company.

23. External variable engineering services

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

24. Wages, salaries and employee benefits

	2019	2018
Wages and salaries	(15,943,376)	(16,304,956)
Social security contributions	(4,904,983)	(5,339,122)
Utilisation of restructuring provision	184,452	44,446
Blue collars, white collars and managers	**(20,663,907)**	**(21,599,632)**
Post-employment benefits - defined contribution plan	(984,473)	(988,914)
Wages, salaries and employee benefits	**(21,648,380)**	**(22,588,546)**

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 31 December 2019 and the average number for the year 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 year and dividing the result by two.

	31.12.2019		**31.12.2018**	
	reporting date	**average**	**reporting date**	**average**
Managers	19	18	14	18
White collars	192	201	169	217
Blue collars	21	24	22	24
Total	**232**	**243**	**205**	**259**

The impact of the merger of Pininfarina Extra S.r.l. into Pininfarina S.r.l. is shown on the table below:

Managers	3
White	32
Blue	1
Total	**36**

Following the early termination of the business lease on 31 December 2019, 44 employment contracts and related post-employment benefits were transferred to Pininfarina S.p.A. on 1 January 2020.

25. (Additions to)/utilisation of provisions and impairment losses

	2019	2018
Net impairment losses on loans and receivables	(187,492)	(1,462,005)
Impairment losses on foreign withholding taxes	(32,217)	
Impairment losses on property, plant and equipment	(7,337,064)	-
Impairment losses on intangible assets	(1,650,060)	-
Impairment losses on right of-use assets	(228,163)	
Additions to provisions for risks and charges	(1,242,762)	(16,182)
Utilisation and revised estimates of provisions for risks and charges	492,166	20,537
Impairment gains in equity investments	-	1,721,358
(Additions to)/utilisation of provisions and impairment losses	**(10,185,592)**	**263,708**

Reference should be made to note 11 for details of impairment losses on loans and receivables.

Impairment losses on foreign withholding taxes refer to the assets acquired as a result of the merger with Pininfarina Extra S.r.l. which can no longer be offset.

Reference should be made to notes 1, 2 and 3 for details of impairment losses on property, plant and equipment, intangible assets and right-of-use assets, respectively.

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

26. Other expenses

	2019	**2018**
Travel expenses	(601,665)	(670,809)
Leases	(203,593)	(474,179)
Directors' and statutory auditors' fees	(836,113)	(653,684)
Consulting and other services	(2,612,373)	(2,232,775)
Other personnel costs	(629,834)	(654,135)
Postal expenses	(112,898)	(114,000)
Cleaning and waste disposal services	(206,756)	(203,404)
Advertising	(865,044)	(201,891)
Indirect taxes	(711,793)	(903,340)
Insurance	(360,084)	(393,956)
Membership fees	(75,774)	(73,636)
Prior year expense	(37,725)	(13,495)
General services and other expenses	(150,111)	(345,519)
Other	(276,822)	(180,166)
Other expenses	**(7,680,585)**	**(7,114,989)**

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 under operating leases that are not covered by IFRS 16 either because they do not convey the right to use the asset or as a result of the application of the practical expedient to short-term or low value leases.

27. Net financial expense

	2019	2018
Interest and commission expense on credit facilities	(136,510)	(127,437)
Lease interest expense	(10,956)	-
Interest expense on loans and financing	(1,683,943)	(1,800,181)
Expense for assets held for trading	-	(276,552)
Interest expense - trade payables	(78)	(164,467)
Financial expense	**(1,831,487)**	**(2,368,637)**
Bank interest income	2,058	1,447
Interest income on loans and receivables - third parties	53	-
Interest income on loans and receivables - related parties	10,327	10,475
Gains on assets held for trading	728,839	-
Financial income	**741,277**	**11,922**
Net financial expense	**(1,090,210)**	**(2,356,715)**

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

Lease interest expense relates to the amortised-cost measurement of lease liabilities under IFRS 16.

Interest expense on loans and financing of €1,683,943 comprises the effect of amortised-cost accounting (€1,597,021) and interest accrued under the existing Agreement (€86,922).

Bank interest income accrued on the current account credit balances.

28. Dividends

Dividends collected refer to the subsidiary Pininfarina Shanghai Co. Ltd. and the associate Midi Plc acquired following the merger of Pininfarina Extra S.r.l..

OTHER INFORMATION

Events after the reporting date

The company took out a 36-month loan of €20 million from Pininfarina Holdings B.V. in February 2020, not yet used to date. Such loan ensures the company's ability to continue as a going concern for a period of, but not limited to, 12 months from the reporting date.

Reference should be made to the "Going concern" section for details of the impacts of the current health crisis caused by COVID-19.

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, considering the nature of the goods exchanged or services provided. They were neither atypical nor unusual for the purposes of the above-mentioned communication.

	Trade		Financial		Operating		Financial	
	Receivables	Payables	Assets	Liabilities	Revenue	Expense	Income	Expense
Signature S.r.l.	48,800	1,818	550,000	-	118,894	78,354	-	-
Pininfarina Extra S.r.l.	-	-	-	-	-	-	-	-
Pininfarina Engineering S.r.l.	2,305,060	876,113	141,077	1,683,087	1,956,320	9,025,169	-	-
Pininfarina Deutschland GmbH	25,386	-	1,500,000	-	25,386	-	10,327	-
Pininfarina Shanghai Co. Ltd	944,190	4,962	-	-	1,267,149	15,962	500,000	-
Pininfarina of Americas Co. Ltd	154,603	7,869	-	-	511,581	7,982	-	-
Tech Mahindra Ltd	4,480	-	-	-	209,898	10,800	-	-
Mahindra&Mahindra Ltd	-	-	-	-	2,347,919	-	-	-
Pt Mahindra Accelo Steel Indonesia	-	31,746	-	-	44,754	-	-	-
Automobili Pininfarina GmbH	652,816	2,060,151	-	-	14,181,925	-	-	-
Ssangyong Motor Company	-	-	-	-	302,000	-	-	-
Total	**4,135,335**	**2,982,659**	**2,191,077**	**1,683,087**	**20,965,826**	**9,138,267**	**510,327**	-

Intragroup transactions include:

- Signature S.r.l.: loan agreement and purchases and sales of goods;
- Pininfarina Engineering S.r.l.: lease for the equipped premises, secondment agreements, cost sharing agreement and services agreements;
- Pininfarina Deutschland GmbH: loan agreement;
- Pininfarina Shanghai Co Ltd: services agreement, secondment agreement and cost sharing agreement;
- Pininfarina of America Corp.: secondment agreement and cost sharing agreement;
- Tech Mahindra Ltd: services agreements and recharge of costs incurred by Pininfarina S.p.A. on the company's behalf;
- Mahindra & Mahindra Ltd: brand licence agreement and engineering services agreements;
- PT Mahindra Accelo Steel Indonesia: design services agreement;
- Automobili Pininfarina GmbH: design and engineering services agreement;
- Ssangyong 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 €36,000.

Directors' and statutory auditors' fees

(€'000)	2019	2018
Directors	737	552
Statutory auditors	99	102
Total	**836**	**654**

In 2019, total costs for the company's key management personnel approximated €2.2 million, of which:

- salaries of €1.1 million;

- incentives of €0.8 million;

- vested stock options of €0.3 million.

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:

	31.12.2019	Merger of Pininfarina Extra	Impairment losses on the San Giorgio Canavese facility	Impairment losses on the "Other design assets" CGU	31.12.2019, net of significant non-recurring transactions
Property, plant and equipment	33,122,076	(138,784)	4,053,951	3,283,113	40,320,356
Intangible assets	5,449,674	(290,155)		1,650,060	6,809,579
Right-of-use assets	-			228,163	228,163
Equity investments	22,231,071	1,810,230			24,041,301
Deferred tax assets	-	(24,861)			(24,861)
Non-current financial assets	2,191,077	(397,807)			1,793,270
NON-CURRENT ASSETS	**62,993,898**	**958,623**	**4,053,951**	**5,161,336**	**73,167,808**
Inventories	359,681	(142,764)			216,917
Contract assets	954,042				954,042
Current financial assets	-				-
Trade receivables and other assets	30,094,020	(2,644,771)			27,449,249
Cash and cash equivalents	17,035,646	(3,354,517)			13,681,129
Assets held for sale	290,000				290,000
CURRENT ASSETS	**48,733,389**	**(6,142,052)**	**-**	**-**	**42,591,337**
TOTAL ASSETS	**111,727,287**	**(5,183,429)**	**4,053,951**	**5,161,336**	**115,759,145**
Share capital and reserves	71,818,659	(4,233,520)			67,585,139
Loss for the year	(16,549,396)	-	4,053,951	5,161,336	(7,334,109)
EQUITY	**55,269,263**	**(4,233,520)**	**4,053,951**	**5,161,336**	**60,251,030**
Non-current loans and borrowings	20,500,392				20,500,392
Deferred tax liabilities	-				-
Post-employment benefits and other provisions	2,978,078	(730,887)			2,247,191
NON-CURRENT LIABILITIES	**23,478,470**	**(730,887)**	**-**	**-**	**22,747,583**
Current loans and borrowings	5,361,089	(120,267)			5,240,822
Other financial liabilities	3,948,530	(385,359)			3,563,171
Trade payables	13,145,475	353,922			13,499,397
Contract liabilities	9,657,772	(61,161)			9,596,611
Current tax liabilities	-	(6,158)			(6,158)
Provisions for risks and charges	866,688				866,688
CURRENT LIABILITIES	**32,979,554**	**(219,022)**	**-**	**-**	**32,760,532**
TOTAL LIABILITIES	**56,458,024**	**(949,909)**	**-**	**-**	**55,508,115**
TOTAL LIABILITIES AND EQUITY	**111,727,287**	**(5,183,429)**	**4,053,951**	**5,161,336**	**115,759,145**

	2019	Merger of Pininfarina Extra S.r.l.	Impairment losses on the San Giorgio Canavese facility	Impairment losses on the "Other design assets" CGU	2019, net of significant non-recurring transactions
Revenue from sales and services	44,699,066				44,699,066
Change in finished goods	(16,961)				(16,961)
Other revenue and income	2,581,160				2,581,160
Revenue	**47,263,265**	**-**	**-**	**-**	**47,263,265**
Gains on sale of non-current assets and equity investments	49,975				49,975
Raw materials and consumables	(5,350,213)				(5,350,213)
Other variable production costs	(1,707,905)				(1,707,905)
External variable engineering services	(12,348,459)				(12,348,459)
Wages, salaries and employee benefits	(21,648,380)				(21,648,380)
Amortisation, depreciation and impairment losses	(12,899,947)		4,053,951	5,161,336	(3,684,660)
Net exchange losses	(12,392)				(12,392)
Other expenses	(7,680,585)				(7,680,585)
Operating loss	**(14,334,641)**	**-**	**4,053,951**	**5,161,336**	**(5,119,354)**
Net financial expense	(1,090,210)				(1,090,210)
Dividends	510,817				510,817
Share of loss of equity-accounted investees	(2,429)				(2,429)
Loss before taxes	**(14,916,463)**	**-**	**4,053,951**	**5,161,336**	**(5,701,176)**
Income taxes	(1,632,933)				(1,632,933)
Loss for the year	**(16,549,396)**	**-**	**4,053,951**	**5,161,336**	**(7,334,109)**

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

a) merger of Pininfarina Extra S.r.l. into Pininfarina S.p.A.;
b) impairment loss on the San Giorgio Canavese facility;
c) impairment loss on the assets of the “other design activities” CGU.

Atypical and unusual transactions

As required by Consob communication no. DEM/6064293 of 28 July 2006, the company 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.

Disclosure on the independent auditors' fees required by article 149-duodecies of the Issuers' Regulation

The 2019 fees for audit and non-audit services provided by KPMG and other entities of its network are detailed below, pursuant to article 149-duodecies of the Consob Issuers' Regulation.

Type of service	Service provider	Fee 2019
Audit	KPMG S.p.A.	78,500
Attestation services	KPMG S.p.A. (1)	60,000
Other services	KPMG S.p.A. (2)	17,000
	KPMG Advisory S.p.A. (3)	40,000
Total		**195,500**

(1) Attestation services relate to:
- audit of the consolidated reporting package at 31 March 2019 for the consolidation purposes of the Tech Mahindra Group;
- limited assurance engagement on the non-financial statement.

(2) Other services relate to the translation of financial documents prepared by Pininfarina S.p.A..

(3) Non-financial statement assessment and benchmarking.

Proposal for the allocation of the loss for the year

We propose the loss for the year of €16,549,396 be carried forward.

Turin, 23 March 2020

Chief Executive Officer
(Silvio Pietro Angori)
(signed on the original)

Statement on the separate financial statements pursuant to article 154-bis of Legislative decree no. 58/98

◊ The undersigned Silvio Pietro Angori, as CEO, 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 separate financial statements:

- are adequate in relation to the company's characteristics and
- have been effectively applied during 2019.

◊ Moreover, they state that the separate financial statements as at and for the year ended 31 December 2019:

- 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;
- 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.

The directors' report includes a reliable analysis of the company's performance and results of operations as well as a description of the main risks and uncertainties to which it is exposed.

23 March 2020

Chief Executive Officer	Manager in charge of financial reporting
Silvio Pietro Angori *(signed on the original)*	Gianfranco Albertini *(signed on the original)*

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

Statutory auditors' report to the shareholders in connection with their meeting called to approve the separate financial statements at 31 December 2019
(article 153 of Legislative decree no. 58/98)

Dear shareholders,

Pursuant to article 153 of Legislative decree no. 58/1998 (the Consolidated Finance Act, "CFA") and article 2429.2 of the Italian Civil Code, the Board of Statutory Auditors shall report to the shareholders on the financial performance for the year and the checks it carried out as part of its duties, as well as make comments and proposals about the financial statements and their approval and the matters covered by its duties.

During the year, the Board of Statutory Auditors performed its supervisory duties as required by applicable legislation and in accordance with the code of conduct recommended by the Italian Accounting Profession, the Consob (the Italian Commission for listed companies and the stock exchange) requirements for boards of statutory auditors' activities and checks and the guidelines set out in the code of conduct for listed companies approved by the corporate governance committee in July 2018 and promoted by Borsa Italiana S.p.A. (the "**code**") applied by Pininfarina S.p.A. (the "**parent**").

To this end, the Board of Statutory Auditors attended the meetings of the Board of Directors and its committees and constantly exchanged information with the administrative and internal audit departments, the supervisory body in charge of monitoring the effectiveness of, compliance with and update of the parent's organisational, management and control model pursuant to Legislative decree no. 231/01 and KPMG S.p.A., the independent auditors to which the statutory audit has been assigned, as well as the limited assurance engagement on the consolidated non-financial statement ("**NFS**") pursuant to Legislative decree no. 254/2016 and which issued the related reports.

The Board of Statutory Auditors

The shareholders appointed the current Board of Statutory Auditors during their ordinary meeting of 14 May 2018. This board comprises:

- Massimo Miani (chairperson);
- Antonia Di Bella (standing statutory auditor);
- Alain Devalle (standing statutory auditor).

Luciana Dolci and Fausto Piccinini are the alternate statutory auditors.

The main duties carried out by the statutory auditors are set out in the parent's report on corporate governance and ownership structure prepared pursuant to article 123-bis of the CFA and published on the parent's website (www.pininfarina.it).

All statutory auditors comply with the Consob regulations limiting the accumulation of engagements.

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The parent's separate and consolidated financial statements comply with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), endorsed by the European Union and applicable at 31 December 2019. They are also consistent with the regulations implementing article 9 of Legislative decree no. 38/2005.

The separate and consolidated financial statements at 31 December 2019 include the statements of compliance required of the Managing director and Manager in Charge of Financial Reporting.

Intragroup and related party transactions

Pursuant to article 2391-bis of the Italian Civil Code and Consob resolution no. 17221 of 12 March 2010 "Regulation for related party transactions", as amended by Consob resolution no. 17389 of 23 June 2010, on 12 November 2010, the parent's Board of Directors approved the "*Regulation for related party transactions*" (the "**regulation**"), subsequently updated on 19 September 2016, 2 August 2018 and 22 March 2019.

The parent's regulation, which was applied to the related party transactions carried out in 2019, is consistent with the requirements of the Consob regulation mentioned above and is published on its website (www.pininfarina.it).

The board attended the meetings of the Related Party Transactions Committee, during which the intragroup transactions were assessed. The parent also regularly reported these transactions to this board.
The related party transactions and their effects are disclosed in the notes to the separate and consolidated financial statements.
This board monitored compliance with the regulation and the correctness of the process adopted by the Board of Directors and the relevant committee to identify the related parties. It has nothing to report.

Atypical and unusual transactions
The parent has not carried out atypical and unusual transactions as defined in Consob communication no. DEM/6064293 of 28 July 2006.

Impairment testing
In line with the Bank of Italy/Consob/ISVAP joint document of 3 March 2010, on 17 February 2020, the Board of Directors found, independently and preliminary to the approval of the separate financial statements, that the impairment testing procedure complied with IAS 36.
The notes to the separate and consolidated financial statements disclose information about impairment testing carried out with the assistance of an independent expert and the related results. The parent recognised total impairment losses of €5.2 million on property, plant and equipment and intangible assets. Reference should be made to the notes to the separate and consolidated financial statements for details.
This board believes that the impairment testing procedure is adequate.

Checks carried out by the Board of Statutory Auditors during 2019
As part of its duties, this board:

- monitored compliance with the Italian law and the parent's by-laws;
- monitored compliance with correct administration principles;
- attended the meetings of the Board of Directors, Control and Risk Committee, Nomination and Remuneration Committee and Related Party Transactions Committee. It obtained from the directors regular information, at least quarterly, on the parent's performance and outlook and the most significant transactions carried out by the parent and its group companies. It ensured that the resolutions passed and

implemented were not manifestly imprudent, risky, in potential conflict of interest, in contrast with the shareholders' resolutions or such as to jeopardise the group's assets;

- monitored the suitability of the organisational structure by direct observation, gathering information from the department heads and attending the relevant committee meetings;
- monitored the adequacy and operation of internal controls and risk management by attending the Control and Risk Committee's meetings, gathering information from the Managing Director, who is in charge of internal controls and risk management, the department heads, the independent auditors and the Supervisory Body, a member of which also sits on this board. Moreover, this board met with the parent's head of Internal Audit Department, who provided it with information about the progress of the audit plan for the year, the findings of the internal audit and any remedial actions carried out and planned, as well as the related follow ups;
- monitored the adequacy of the administrative-accounting system through discussions with the CFO, who also acts as the Manager in Charge of Financial Reporting, and the independent auditors, KPMG S.p.A., including in order to exchange data and information;
- supervised the adoption of the parent's corporate governance rules, including compliance with the code. Specifically, this board:
    - checked whether the Board of Directors had correctly assessed its members' independence;
    - checked KPMG S.p.A.'s independence;
    - checked its own members' independence;
- monitored the adequacy of the instructions issued to the subsidiaries pursuant to article 114.2 of the CFA. These instructions have allowed the subsidiaries to provide the parent with the information necessary in order for it to be able to fulfil its disclosure requirements on a timely basis;
- monitored the related party and intragroup transactions, finding the related disclosures adequate;
- monitored the parent's compliance with the market abuse regulation, including the norms governing internal dealing, protection of savings and corporate disclosures.

In light of the above and considering the evolutionary nature of internal controls and risk management, nothing has come to this board's attention following its analysis and based on the information obtained that would lead it to deem the parent's Internal Control and Risk Management System, as a whole, inadequate.
This board regularly met with the Internal Audit Department and the Supervisory Body, which did not report any critical issues as part of their relevant duties.
The directors' report on corporate governance and ownership structure did not identify any issues to be reported herein.
This board's meetings with the main subsidiaries' internal bodies did not unveil any significant issues.

Monitoring financial reporting

This board ascertained that suitable financial reporting rules and procedures were in place. It also acknowledged that the Manager in Charge of Financial Reporting confirmed the following:

- the adequacy and suitability of the powers and means the Board of Directors provided them with;
- that they had direct access to all information necessary for financial reporting, without requiring any authorisation;
- that they exchanged information flows for financial reporting purposes and approved all related procedures.

Accordingly, this board believes that the financial reporting process is suitable. There is nothing to report in this respect.

Monitoring non-financial reporting

This board monitored compliance with the requirements of Legislative decree no. 254/2016, by ascertaining that suitable non-financial reporting rules and procedures were in place.
Accordingly, this board believes that the non-financial reporting process is suitable given the group's social-environmental strategic objectives. There is nothing to report in this respect.
The parent exercised the option provided for by article 3.8 of Legislative decree no. 254/2016 and did not include information about forthcoming events and transactions under negotiation in its non-financial statement.

Complaints or reports pursuant to article 2408 of the Italian Civil Code. Any omissions, reprehensible actions or anomalies

At the shareholders' meeting held on 13 May 2019, during the discussion of the first item on the agenda (the approval of the separate financial statements at 31 December 2018), the shareholder Marco Bava expressed his "amazement" that the parent had impaired a trade receivable from a Chinese customer and stated that he wanted to report it to the Board of Statutory Auditors pursuant to article 2408 of the Italian Civil Code "so that it could investigate why such receivable cannot be recovered". From the analysis carried out by the Board of Statutory Auditors with the assistance of the relevant departments, there were no anomalies in the assessment of the recoverability of the receivable from the Chinese customer. Moreover, such assessment was adequately disclosed in the notes to the separate financial statements. Finally, as mentioned in the independent auditors' report, the recoverability of trade receivables was a key audit matter and the independent auditors did not qualify their opinion in this respect.

In performing its supervisory activities, this board did not identify any reprehensible actions, omissions or anomalies such as to require reporting to the relevant supervisory authorities or herein.

Remuneration of directors, the Chief Executive Officer and key management personnel

Pursuant to article 2389.3 of the Italian Civil Code, the Board of Statutory Auditors expressed its opinion during the year on the proposed remuneration of directors with special duties.

Specifically, at the Board of Directors' meeting of 21 May 2019 - following the appointment of the parent's new Board of Directors for the 2019-2021 three-year period by the shareholders at their ordinary meeting of 13 May 2019, the confirmation of Paolo Pininfarina as the Chairperson of the parent's Board of Directors and the confirmation of Silvio Angori as the Managing Director and Chief Executive Officer of Pininfarina - the Board of Statutory Auditors, to the extent of its duties, expressed its favourable opinion of the proposed remuneration of the directors with special duties Paolo Pininfarina and Silvio Angori.

Additional opinions expressed by the Board of Statutory Auditors

The Board of Statutory Auditors expressed the following additional opinions in 2019, to the extent of its duties:

- at the Board of Directors' meeting of 13 May 2019, its favourable opinion of the renewed appointment of the Internal Audit Manager and its agreement that the latter has access to adequate resources to discharge their duties pursuant to application criterion 7.C.1.2 of the Italian Civil Code;
- at the Board of Directors' meeting of 13 May 2019, following the appointment of the parent's new Board of Directors for the 2019-2021 three-year period by the shareholders at their ordinary meeting held on the same date, its favourable opinion on the confirmation of Gianfranco Albertini as the Manager in Charge of Financial Reporting pursuant to article 154-bis of the CFA.

Supervision as per Legislative decree no. 39/2010 - checking the independent auditors' independence

This board also monitored the statutory audit of the separate and consolidated financial statements and the independent auditors' independence, paying particular attention to any non-audit services provided and the audit findings.

With reference to the independence of the independent auditors, KPMG S.p.A., this board preliminarily checked its proposed non-audit service engagements, in particular in the light of the incompatibility rules set out in article 5 of Regulation (EU) no. 537/2014 and that no independence threats arose from the performance of those non-audit services. Since the legal requirements were met, this board approved the KPMG S.p.A.'s non-audit service engagements.

In 2019, the independent auditors carried out the activities set out in the notes to the consolidated financial statements. This board states that the related fees are consistent with the extent, complexity and characteristics of the work performed and that the non-audit services did not threaten their independence.

In addition, as KPMG S.p.A., the company engaged to carry out the statutory audit of the separate and consolidated financial statements, had provided non-audit services during the three years prior to 2020 to the parent and group, starting from 1 January 2020, the parent's Board of Statutory Auditors, in its role as the Internal Control and Audit Committee, is obliged pursuant to Regulation (EU) no. 537/2014 of 16 April 2014 to monitor non-audit service engagements allocated to the independent auditors for the purposes of issuing its preventive authorisations and in order to check that the relevant fees for 2020 do not exceed the "70% limit" calculated on the average fees paid in 2017, 2018 and 2019 for the statutory audit. In order to enable the Board of Statutory Auditors to carry out its checks, the parent is implementing specific internal procedures for monitoring the above fees in line with the reference legislation.

On 17 April 2020, KPMG S.p.A. issued:

- the independent auditors' reports provided for by article 14 of Legislative decree no. 39/2010 and article 10 of Regulation (EU) no. 537/2014, prepared in accordance with the new requirements of the above decree, as amended by Legislative decree no. 135/2016. These reports include unqualified opinions on the separate and consolidated financial statements and state that they provide a true and fair view of the parent's and group's financial position as at 31 December 2019 and their financial performance and cash flows for the year then ended, in accordance with the IFRS; and
- the additional report required by article 11 of Regulation (EU) no. 537/2014, which does not identify material weaknesses in internal controls over financial reporting and related risk management, together with the accompanying statement pursuant to article 6 of the above regulation, which does not identify threats to its independence;
- the limited assurance report on the 2019 NFS, concluding that nothing had come to its attention that caused it to believe that the group's 2019 NFS had not been prepared, in all material respects, in accordance with the requirements of Legislative decree no. 254/2016 and the GRI Standards.

Self-assessment

In accordance with the Code of conduct for boards of statutory auditors of listed companies issued by the Italian Accounting Profession, upon its appointment and subsequently every year, the Board of Statutory Auditors is obliged to carry out a self-assessment in relation to the arranged planning of its activities, the suitability of its members, the adequacy of its composition with regard to professionalism, skills, integrity and independence requirements, in addition to the adequacy of the time and resources made available considering the complexity of the role (the "**self-assessment**"). The Board of Statutory Auditors performed such self-assessment for 2019 and the results were disclosed in the parent's report on corporate governance and ownership structure pursuant to article 123.bis of the CFA published on its website (www.pininfarina.com) and through the other methods provided for by current legislation.

Meetings of the Board of Statutory Auditors, Board of Directors and its committees

In 2019:

- this board met 10 times and each meeting lasted on average approximately two hours;
- this board regularly met and exchanged information with the independent auditors;
- the Board of Directors, which has nine members, five of whom are independent, met eight times. Three out of nine directors are women;
- the Control and Risk Committee met four times, the Nomination and Remuneration Committee twice and the Related Party Transactions Committee three times.

This board attended the meetings of the Board of Directors and its committees.

Lastly, this board attended the ordinary shareholders' meeting of 13 May 2019.

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The Managing Director and the Manager in Charge of Financial Reporting issued their statements pursuant to article 154-bis of the CFA on 23 March 2020, confirming that the separate and consolidated financial statements have been prepared in accordance with the applicable IFRS endorsed by the European Union pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and Council of 19 July 2002, are consistent with the accounting ledgers and records and are suitable to give a true and fair view of the issuer's and group's financial position, financial performance and cash flows.

The Board of Statutory Auditors found the information provided by the Board of Directors in its reports to be accurate and adequate, including in relation to the risks, uncertainties and disputes to which the parent and the group are exposed.

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It is necessary to highlight the particularly critical situation in many countries, including Italy, at the date of preparation of this report, due to the health emergency caused by the outbreak of Covid-19 (Coronavirus).

In this regard, in addition to constantly monitoring developments in the relevant legislative framework and the emergency measures issued by the ruling authorities to deal with the pandemic, the Board of Statutory Auditors, to the extent of its supervisory duties for Pininfarina S.p.A., has been constantly informed by the relevant company departments of the assessments made by management and the actions implemented in order to monitor the possible social, economic and financial effects of such emergency situation on the group. Such exchange of information will continue throughout 2020 and, in any case, for the duration of the state of emergency in place at the date of approval of this report.

Again in regard to the health emergency underway, the Board of Statutory Auditors has also constantly monitored, to the extent of its duties: *i)* recommendations issued by ruling European and Italian authorities that could have an impact on the activities of the parent and the group and, specifically, on the recurring financial reporting process, and *ii)* guidelines issued by professional associations and the independent auditors, KPMG S.p.A., about the interpretation and resulting application of certain International Financial Reporting Standards.

The Board of Statutory Auditors notes that the directors' report ("Significant events after the reporting date and outlook") and the notes to the consolidated financial statements ("Events after the reporting date") contained in the 2019 annual report, approved by the parent's Board of Directors on 23 March 2020 and published within the timeframe and terms as per ruling legislation, include specific disclosure on the assessments made by the parent's Board of Directors at the date of preparation of the annual report with regard to the health emergency underway on a national and global level caused by the outbreak of Covid-19.

As indicated in the directors' report, in February 2020, the parent took out a 36-month loan of €20 million with the ultimate parent, Pininfarina Holdings B.V. (currently unused). Such loan ensures the parent's ability to continue as a going concern for a period of, but not limited to, 12 months from the reporting date.

There were no other significant events after the reporting date.

The Board of Statutory Auditors is favourable to the approval of the separate financial statements at 31 December 2019 and agrees with the proposed resolution to carry forward the loss for the year of €16,549,396 to future years as recommended by the Board of Directors.

Turin, 17 April 2020

Massimo Miani (chairperson)	__(signed on the original)__
Antonia Di Bella	__(signed on the original)__
Alain Devalle	__(signed on the original)__

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

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

To the shareholders of
Pininfarina S.p.A.

Report on the audit of the separate financial statements

Opinion

We have audited the separate financial statements of Pininfarina S.p.A. (the "company"), which comprise the statement of financial position as at 31 December 2019, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the separate financial statements give a true and fair view of the financial position of Pininfarina S.p.A. as at 31 December 2019 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the separate financial statements*" section of our report. We are independent of the company in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the separate financial statements of the current year. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Estimate of the recoverable amount of non-current assets and goodwill

Directors' report: section "2019 performance by business segment", paragraph "Design segment", section "Financial performance and financial position of Pininfarina S.p.A.", paragraphs "Financial performance" and "Financial position"; notes to the separate financial statements: note "Assessments that affect the separate financial statements, paragraph (c) Impairment", note 1 "Property, plant and equipment" and note 2 "Intangible assets"

Key audit matter	Audit procedures addressing the key audit matter
Due to the suspension of certain important contracts and the general negative performance of the reference automotive market, in the second half of 2019, the company's revenue began to plummet, leading to an operating loss for the year. According to the directors' outlook for 2020, the difficult situation is expected to continue. Since they believed that this was an indication of impairment in accordance with IAS 36.12, the directors tested the company's non-current assets for impairment, by comparing the reporting-date carrying amount of the CGUs, including the related goodwill, to their recoverable amount. They estimated the recoverable amount based on their value in use, calculated using the discounted cash flow model. Impairment testing requires a high level of judgement, especially in relation to: — the expected cash flows, calculated by taking into account the general economic performance and that of the company's sector and the actual cash flows generated by the CGUs in recent years; — the financial parameters to be used to discount the above cash flows. For the above reason, we believe that the recoverability of non-current assets and goodwill is a key audit matter.	Our audit procedures included: — understanding the process adopted to prepare the impairment test approved by the company's board of directors; — understanding the process adopted to prepare the CGUs' financial projections from which the expected cash flows used for impairment testing have been derived; — analysing the reasonableness of the assumptions used to prepare the financial projections; — checking any discrepancies between the previous year forecast and actual figures, in order to check the accuracy of the estimation process; — comparing the expected cash flows used for impairment testing to those used for the financial projections and analysing the reasonableness of any discrepancies; — involving experts of the KPMG network in the assessment of the reasonableness of the impairment testing model and related assumptions, including by means of a comparison with external data and information; — assessing the appropriateness of the disclosures provided in the

	notes about non-current assets, goodwill and the related impairment tests.

Recoverability of the Bairo Canavese and San Giorgio Canavese industrial facilities

Directors' report: section "Financial performance and financial position of Pininfarina S.p.A.", paragraphs "Financial performance" and "Financial position"; notes to the separate financial statements: note "Assessments that affect the separate financial statements, paragraph (c) Impairment", note "Accounting policies" and note 1 "Property, plant and equipment"

Key audit matter	Audit procedures addressing the key audit matter
"Land and buildings" include the carrying amounts of the discontinued Bairo Canavese and San Giorgio Canavese industrial facilities. The recoverability of the above facilities' carrying amounts is based on their fair value, which is in line with the most recent appraisals available to the company. Estimating those industrial facilities' fair value entails a high level of judgement by the directors, especially in relation to the key underlying assumptions. For the above reasons, we believe that the recoverability of the industrial facilities mentioned above is a key audit matter.	Our audit procedures included: — analysing the method used to calculate the Bairo Canavese and San Giorgio Canavese industrial facilities' fair value; — analysing the reasonableness of the assumptions underlying the industrial facilities' estimated fair value, including by checking the appraisals prepared by the company's consultants; — involving experts of the KPMG network in the assessment of the reasonableness of the appraisals prepared by the company's consultants, including by means of a comparison with external data and information; — analysing the events after the reporting date that provide information useful for an assessment of the recoverability of the carrying amounts of those industrial facilities; — assessing the appropriateness of the disclosures provided in the notes about the recoverability of the carrying amounts of those industrial facilities.

Recoverability of the carrying amount of the investment in the subsidiary Pininfarina Engineering S.r.l.

Notes to the separate financial statements: note "Accounting policies", note "Assessments that affect the separate financial statements, paragraphs (c)" and note 3 "Investments in subsidiaries, paragraph (b)"

Key audit matter	Audit procedures addressing the key audit matter
The separate financial statements at 31 December 2019 include: — the investment in Pininfarina Engineering S.r.l. (€19.6 million), which, in turn, controls Pininfarina Deutschland GmbH; — loan assets with the indirect investee Pininfarina Deutschland GmbH (€1.5 million). Since the investment's carrying amount exceeds the company's share of the subsidiary's equity, the directors test the reporting-date carrying amount for impairment by comparing it to the investment's recoverable amount at least once a year. They estimated the recoverable amount based on its value in use, calculated using the discounted cash flow model. Impairment testing requires a high level of judgement, especially in relation to: — the direct and indirect investees' expected cash flows, calculated by taking into account the general economic performance and that of the investees' sector and the actual cash flows generated by them in recent years; — the financial parameters to be used to discount the above cash flows. For the above reasons, we believe that the recoverability of the carrying amount of the investment in the subsidiary Pininfarina Engineering S.r.l. is a key audit matter.	Our audit procedures included: — understanding the process adopted to prepare the impairment test approved by the company's board of directors; — understanding the process adopted by the direct and indirect investees to prepare the financial projections from which the expected cash flows used for impairment testing have been derived; — analysing the reasonableness of the assumptions used to prepare the financial projections; — checking any discrepancies between the previous year financial projections and actual figures, in order to check the accuracy of the estimation process adopted by the directors; — comparing the expected cash flows used for impairment testing to those used for the financial projections and analysing the reasonableness of any discrepancies; — involving experts of the KPMG network in the assessment of the reasonableness of the impairment testing model and related assumptions, including by means of a comparison with external data and information; — checking the sensitivity analysis presented in the notes; — assessing the appropriateness of the disclosures provided in the notes about the recoverability of the investment in Pininfarina Engineering S.r.l.

Responsibilities of the company's directors and board of statutory auditors ("Collegio Sindacale") for the separate financial statements

The directors are responsible for the preparation of separate financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the company's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the separate financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the company or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the company's financial reporting process.

Auditors' responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

— identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

— obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;

— evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

— conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern;

— evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 6 May 2013, the company's shareholders appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2013 to 31 December 2021.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the company in conducting the statutory audit.

We confirm that the opinion on the separate financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

Report on other legal and regulatory requirements

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The company's directors are responsible for the preparation of the a directors' report and a report on corporate governance and ownership structure at 31 December 2019 and for the consistency of such reports with the related separate financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the company's separate financial statements at 31 December 2019 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the company's separate financial statements at 31 December 2019 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Turin, 17 April 2020

KPMG S.p.A.

(signed on the original)

Andrea Fumagallo
Director of Audit

Pininfarina Group

Consolidated financial statements
31 December 2019

Statement of financial position

	Note	31.12.2019	31.12.2018
Land and buildings	1	28,770,391	33,825,524
Land		5,365,936	7,655,314
Buildings		23,404,455	26,170,210
Plant and machinery	1	4,477,859	5,442,977
Machinery		86,781	1,648,444
Plant		4,391,078	3,794,533
Furniture, fixtures and other assets	1	1,602,653	3,305,878
Furniture and fixtures		707,005	1,077,762
Hardware and software		504,208	1,401,352
Other assets, including vehicles		391,440	826,764
Assets under construction		132,356	11,736
Property, plant and equipment		**34,983,259**	**42,586,115**
Investment property	2	**5,497,561**	**7,392,752**
Goodwill	3	-	1,043,495
Licences and trademarks	3	446,850	750,162
Other	3	5,644,884	5,532,738
Intangible assets		**6,091,734**	**7,326,395**
Right-of-use assets	4	5,785,015	-
Subsidiaries		-	-
Associates	5	602,142	604,571
Joint ventures		-	-
Other companies	6	252,017	252,017
Equity investments		**854,159**	**856,588**
Deferred tax assets	19	**839,071**	**3,019,085**
Loans and receivables	7	550,000	550,000
Third parties		-	-
Related parties		550,000	550,000
Available-for-sale financial assets		-	-
Non-current financial assets		**550,000**	**550,000**
TOTAL NON-CURRENT ASSETS		**54,600,799**	**61,730,935**
Raw materials		210,396	242,042
Finished goods		149,285	166,246
Inventories	8	**359,681**	**408,288**
Contract assets third parties		4,616,785	3,130,909
Contract assets related parties		-	-
Contract assets	9	**4,616,785**	**3,130,909**
Assets held for trading	10	-	13,105,943
Loans and receivables		-	-
Third parties		-	-
Related parties		-	-
Current financial assets		**-**	**13,105,943**
Trade receivables	11	25,596,880	24,173,832
Third parties		24,588,878	21,344,384
Related parties		1,008,002	2,829,448
Other assets		14,407,216	10,473,358
Third parties	12	14,407,216	10,473,358
Related parties		-	-
Trade receivables and other assets		40,004,096	34,647,190
Cash in hand and cash equivalents		12,879	17,227
Short-term bank deposits		20,102,249	18,339,366
Cash and cash equivalents	13	**20,115,128**	**18,356,593**
TOTAL CURRENT ASSETS		**65,095,690**	**69,648,923**
Assets held for sale	1	**1,818,800**	**-**
TOTAL ASSETS		**121,515,289**	**131,379,858**

Statement of financial position

	Note	31.12.2019	31.12.2018
Share capital	14	54,271,170	54,271,170
Share premium reserve	14	2,053,660	2,053,660
Reserve for treasury shares	14	175,697	175,697
Legal reserve	14	10,854,234	6,063,759
Stock option reserve	14	2,216,799	1,911,103
Translation reserve	14	42,613	(8,639)
Other reserves	14	7,923,223	2,646,208
Losses carried forward	14	(15,461,391)	(7,537,263)
Profit (loss) for the year	14	(23,074,665)	2,173,181
EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT		**39,001,340**	**61,748,876**
Equity attributable to non-controlling interests		-	-
EQUITY		**39,001,340**	**61,748,876**
Lease liabilities	4	4,989,882	-
Other loans and borrowings		20,399,957	22,441,025
Third parties		20,399,957	22,441,025
Related parties		-	-
Non-current loans and borrowings	**15**	**25,389,839**	**22,441,025**
Change in deferred tax liabilities	19	-	-
Italian post-employment benefits		4,243,045	4,778,297
Other		-	-
Post-employment benefits	**16**	**4,243,045**	**4,778,297**
TOTAL NON-CURRENT LIABILITIES		**29,632,884**	**27,219,322**
Bank overdrafts	15	2,368,172	725,304
Lease liabilities	4	1,297,588	-
Other loans and borrowings	15	3,638,089	3,638,089
Third parties		3,638,089	3,638,089
Related parties		-	-
Current loans and borrowings		**7,303,849**	**4,363,393**
Wages and salaries payable		4,076,478	3,172,734
Social security charges payable		1,309,280	1,358,763
Other		1,686,304	1,379,007
Other financial liabilities	**17**	**7,072,062**	**5,910,504**
Third parties		19,193,148	16,102,312
Related parties		164,058	493,063
Other liabilities - third parties		280,442	375,737
Other liabilities - related parties		-	-
Trade payables	**17**	**19,637,648**	**16,971,112**
Third parties		12,532,403	13,565,536
Related parties		2,091,897	-
Contract liabilities	**9**	**14,624,300**	**13,565,536**
Direct tax liabilities		-	224,671
Other tax liabilities		791,268	756,012
Current tax liabilities	**19**	**791,268**	**980,683**
Provision for product warranties		53,236	53,236
Restructuring provision		-	184,454
Other provisions		3,398,702	382,742
Provisions for risks and charges	**18**	**3,451,938**	**620,432**
TOTAL CURRENT LIABILITIES		**52,881,065**	**42,411,660**
TOTAL LIABILITIES		**82,513,949**	**69,630,982**
TOTAL LIABILITIES AND EQUITY		**121,515,289**	**131,379,858**

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 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 year of €106,689, mainly relating to Pininfarina S.p.A..

Statement of profit or loss

	Note	2019	*of which: related parties*	2018	*of which: related parties*
Revenue from sales and services	20	85,301,216	25,006,870	102,899,386	17,996,314
Internal work capitalised		-		-	
Change in finished goods		(16,961)		(25,608)	
Other revenue and income		5,113,617	-	2,453,698	5,333
Revenue		**90,397,872**	**25,006,870**	**105,327,476**	**18,001,647**
Gains on sale of non-current assets and equity investments	21	**49,975**	**-**	**184,074**	**-**
Gain on sale of equity investments		-		-	
Raw materials and components	22	(7,072,380)	(74,354)	(7,719,739)	
Change in raw materials		(31,646)		41,147	
Inventory write-downs		-		-	
Raw materials and consumables		**(7,104,026)**	**(74,354)**	**(7,678,592)**	**-**
Consumables		(836,094)		(1,464,750)	
External maintenance		(1,201,842)		(1,369,254)	
Other variable production costs		**(2,037,936)**	**-**	**(2,834,004)**	**-**
External variable engineering services	23	**(14,658,050)**	**(366,996)**	**(19,025,131)**	**(1,852,953)**
Blue collars, white collars and managers		(53,418,415)		(48,599,325)	
Independent contractors and temporary workers		-		-	
Social security contributions and other post-employment benefits		(1,577,448)		(1,438,373)	
Wages, salaries and employee benefits	24	**(54,995,863)**	**-**	**(50,037,698)**	**-**
Depreciation of property, plant and equipment and investment property		(3,056,835)		(2,743,459)	
Amortisation of intangible assets		(396,399)		(689,928)	
Depreciation of right-of-use assets		(1,465,037)		-	
Losses on sale of non-current assets and equity investments	21	(84,305)		-	
(Additions to)/utilisation of provisions and impairment losses	25	(12,711,208)		(5,386,036)	
Amortisation, depreciation and impairment losses		**(17,713,784)**	**-**	**(8,819,423)**	
Net exchange losses		**(28,545)**		**(50,445)**	
Other expenses	26	**(13,278,786)**	**-**	**(13,271,394)**	
Operating profit (loss)		**(19,369,143)**	**24,565,520**	**3,794,863**	**16,148,694**
Net financial expense	27	**(1,479,069)**	**-**	**(2,406,464)**	**2,157**
Dividends		**10,817**		**10,108**	
Share of loss of equity-accounted investees		**(2,429)**		**(21,403)**	
Profit (loss) before taxes		**(20,839,824)**	**24,565,520**	**1,377,104**	**16,150,851**
Income taxes	19	**(2,234,841)**		**796,077**	
Profit (loss) for the year		**(23,074,665)**	**24,565,520**	**2,173,181**	**16,150,851**
Of which:					
- Profit (loss) for the year attributable to the owners of the parent		(23,074,665)		2,173,181	
- Profit (loss) for the year attributable to non-controlling interests		-		-	
Basic/diluted earnings (loss) per share:					
- Profit (loss) for the year attributable to the owners of the parent		(23,074,665)		2,173,181	
- Number of ordinary shares, net		54,271,170		54,271,170	
- Basic/diluted earnings (loss) per share		(0.43)		0.04	

Statement of comprehensive income

	2019	2018
Profit/(loss) for the year	**(23,074,665)**	**2,173,181**
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
- Actuarial gains (losses) on defined benefit plans - IAS 19	(29,819)	4,202
- Income taxes	-	(12,293)
- Other	-	-
Total items of other comprehensive expense that will not be reclassified to profit or loss, net of tax effect:	**(29,819)**	**(8,091)**
Items that will or may be subsequently reclassified to profit or loss:		
- Gains from translation of financial statements of foreign operations - IAS 21	51,252	42,311
- Other	-	-
Total items of other comprehensive income that will be subsequently reclassified to profit or loss, net of tax effect:	**51,252**	**42,311**
Total other comprehensive income, net of tax effect	**21,433**	**34,220**
Comprehensive income (expense)	**(23,053,232)**	**2,207,401**
Of which:		
- Comprehensive income (expense) attributable to the owners of the parent	(23,053,232)	2,207,401
- Comprehensive income (expense) attributable to non-controlling interests	-	-
Of which:		
- Comprehensive income (expense) from continuing operations	(23,053,232)	2,207,401
- Comprehensive income (expense) from discontinued operations	-	-

Pursuant to Consob resolution no. 15519 of 27 July 2006, the effects of related party transactions on the statement of profit or loss 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

	31.12.2017	Comprehensive income	Stock option reserve	Allocation of prior year profit	Proceeds from the issue of shares	Capital increase transaction costs	31.12.2018
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	-	738,933	-	-	-	1,911,103
Translation reserve	(50,950)	42,311	-	-	-	-	(8,639)
Other reserves	2,646,208	-	-	-	-	-	2,646,208
Losses carried forward	(8,810,453)	(8,091)	-	1,281,281	-	-	(7,537,263)
Profit for the year	1,311,709	2,173,181	-	(1,311,709)	-		2,173,181
EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT	58,802,542	2,207,401	738,933	-	-	-	61,748,876
Equity attributable to non-controlling interests	-	-	-	-	-	-	-
EQUITY	**58,802,542**	**2,207,401**	**738,933**	**-**	**-**	**-**	**61,748,876**

	31.12.2018	Comprehensive expense	FTA of IFRS 16	Stock option reserve	Allocation of prior year profit	Allocation of the parent's 2018 profit to the legal reserve	Merger of Pininfarina Extra S.r.l.	31.12.2019
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	-	-	-	-	4,790,475	-	10,854,234
Stock option reserve	1,911,103	-	-	305,696	-	-	-	2,216,799
Translation reserve	(8,639)	51,252	-	-	-	-	-	42,613
Other reserves	2,646,208	-	-	-	-	-	5,277,015	7,923,223
Losses carried forward	(7,537,263)	(29,819)	-	-	2,173,181	(4,790,475)	(5,277,015)	(15,461,391)
Profit (loss) for the year	2,173,181	(23,074,665)	-	-	(2,173,181)	-	-	(23,074,665)
EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT	61,748,876	(23,053,232)	-	305,696	-	-	-	39,001,340
Equity attributable to non-controlling interests	-	-		-	-	-	-	-
EQUITY	**61,748,876**	**(23,053,232)**	**-**	**305,696**	**-**	**-**	**-**	**39,001,340**

Statement of cash flows

	2019	2018
Profit/(loss) for the year	(23,074,665)	2,173,181
Adjustments:		
- Income taxes	2,234,841	(796,077)
- Depreciation of property, plant and equipment and investment property	3,056,835	2,743,459
- Amortisation of intangible assets	396,399	689,928
- Depreciation of right-of-use assets	1,465,037	-
- Impairment losses, provisions and change in accounting estimates	11,260,240	5,196,813
- (Gains)/losses on the sale of non-current assets	34,330	(184,074)
- Financial expense	2,212,003	2,411,579
- Financial income	(732,934)	(5,115)
- Dividends	-	-
- Share of loss of equity-accounted investees	2,429	21,403
- Other adjustments	(237,314)	634,509
Total adjustments	**19,691,866**	**10,712,425**
Change in working capital:		
- Decrease in inventories	55,900	6,281
- Increase in contract assets	(1,485,876)	(1,647,562)
- (Increase)/decrease in contract assets related parties	-	-
- Increase in trade receivables and other assets	(6,950,981)	(12,082,226)
- (Increase)/decrease in trade receivables - related parties	1,821,446	(2,207,989)
- Increase in trade payables, other financial liabilities and other liabilities	4,095,504	2,088,104
- Increase/(decrease) in trade payables - Other liabilities related parties	(329,005)	1,883
- Increase/(decrease) in contract liabilities	(1,033,133)	1,787,732
- Increase in contract liabilities to related parties	2,091,897	-
- Decrease in lease liabilities	(1,279,877)	-
- Other changes	(18,335)	(768,381)
Total changes in working capital	**(3,032,460)**	**(12,822,158)**
Gross cash flows from (used in) operating activities	**(6,415,259)**	**63,448**
- Interest expense	(294,091)	(266,215)
- Income taxes	(706,957)	(756,800)
NET CASH FLOWS USED IN OPERATING ACTIVITIES	**(7,416,307)**	**(959,567)**
- Purchases of non-current assets and equity investments	(3,687,441)	(4,205,853)
- Proceeds from the sale of non-current assets and equity investments	66,591	436,500
- Cash and cash equivalents from business combination	1,597,739	-
- 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	-	102,627
- (Purchases of)/proceeds from the sale of assets held for trading	13,098,124	(13,408,318)
- Financial income	4,095	2,958
- Dividends collected	-	-
- Other changes	(1,551,913)	(743,077)
CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES	**9,527,195**	**(18,365,163)**
- Increase in lease liabilities and other loans and borrowings - third parties	1,642,868	725,304
- Increase in other loans and borrowings - related parties	-	-
- Repayment of lease liabilities and other loans and borrowings - third parties	(3,638,089)	(3,553,899)
- Repayment of other loans and borrowings - related parties	-	-
CASH FLOWS USED IN FINANCING ACTIVITIES	**(1,995,221)**	**(2,828,595)**
TOTAL CASH FLOWS	**115,667**	**(22,153,325)**
Opening net cash and cash equivalents	17,631,289	39,784,614
Closing net cash and cash equivalents	**17,746,956**	**17,631,289**
Of which:		
- Cash and cash equivalents	20,115,128	18,356,593
- Bank overdrafts	(2,368,172)	(725,304)

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 5, 7, 11, and 17 to the consolidated financial statements.

Notes to the 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 Raimondo Montecuccoli 9, 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%.

At the reporting date, PF Holdings is controlled by Tech Mahindra, which holds 60% of its share capital. Mahindra & Mahindra holds the residual 40%.
Tech Mahindra, an Indian company listed on the National Stock Exchange of Mumbai (India), is a public company, specialised in IT services and solutions. It is not controlled by any major shareholder. Mahindra & Mahindra held an investment of 26.06% therein at the previous reporting date. Mahindra & Mahindra is a company incorporated under Indian law, with registered office in India, whose shares are listed on the Indian National Stock Exchange. It is specialised in the production of cars, commercial vehicles, buses and tractors.
Despite being directly controlled by PF Holdings, which is part of the Mahindra Group, Pininfarina S.p.A. is neither managed nor coordinated by PF Holdings pursuant to article 2497 and following articles of the Italian Civil Code. PF Holdings is simply a vehicle incorporated under Dutch law without an operating structure. There is no authorisation or reporting procedure in place that Pininfarina S.p.A. should follow in the relationships with its parent and, therefore, it has full autonomy to define its strategic and operating objectives, since it has (i) a structured organisation able to perform all business and corporate activities; (ii) its own distinct strategic and financial planning process and (iii) the ability to make proposals about how to conduct and develop its business.

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

The 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 consolidated financial statements on 23 March 2020. They were authorised for publication according to the legal terms.

Basis of presentation

In accordance with IAS 1 - Presentation of financial statements, the consolidated financial statements have the same basis of presentation as that of the parent. They include the following:

- statement of financial position, in which current and non-current assets and liabilities are classified separately;
- statement of profit or loss 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;
- notes to the consolidated financial statements.

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

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

- net financial debt, with a breakdown of the main components and balances with related parties (page 25 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 152 and 153).

Related party transactions are not presented in separate schedules because they are listed as separate items in the statement of financial position (pages 98 and 99).

Basis of preparation

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

These consolidated financial statements at 31 December 2019 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 consolidated financial statements and listed in the applicable regulations published by the European Union as of the above-mentioned date.

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

The accounting policies adopted to prepare these consolidated financial statements at 31 December 2019 are the same as those used in 2018, except as noted in the following section.

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.

New applicable standards

The new standards and/or amendments to existing standards applicable to annual periods beginning on or after 1 January 2019 are set out below:

- IFRS 16 - Leases
- IFRIC 23 - Uncertainty over income tax treatments
- Prepayment features with negative compensation (Amendments to IFRS 9)
- Long-term interests in associates and joint ventures (Amendments to IAS 28)
- Plan amendment, curtailment or settlement (Amendments to IAS 19)
- Annual improvements to IFRS 2015-2017 Cycle (Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23)

IFRS 16 - Leases

The Pininfarina group adopted IFRS 16 on 1 January 2019. The other new standards that became effective on 1 January 2019 did not have a material effect on the group's consolidated financial statements.

The group adopted IFRS 16 using the modified retrospective approach. Accordingly, the comparative information presented for 2018 has not been restated, i.e., it is presented, as previously reported under IAS 17 and related interpretations. Additional details on changes in accounting policies are provided below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to the comparative information.

A. Definition of a lease

Before the adoption of IFRS 16, at the inception date, the group assessed whether a contract was or contained a lease in accordance with IFRIC 4 - Determining whether an arrangement contains a lease. Now, the group assesses whether a contract is or contains a lease on the basis of the new definition as indicated in the notes to the consolidated financial statements on page 116.

On transition to IFRS 16, the group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. Therefore, it applied IFRS 16 only to contracts that had previously been identified as leases. Those not identified as leases under IAS 17 and IFRIC 4 were not assessed again. IFRS 16 therefore only applies to contracts entered into on or after 1 January 2019.

B. Model for lessees

As a lessee, the group leases many assets, including buildings, IT equipment and company cars. The group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the group recognises right-of-use assets and lease liabilities for most leases.

At inception or on reassessment of a contract that contains a lease component, the group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

i. Leases classified as operating leases under IAS 17

Previously, the group classified property leases as operating leases under IAS 17. On transition to IFRS 17, lease liabilities for such leases were measured at the present value of the remaining lease payments, discounted at the group's incremental borrowing rate at 1 January 2019 (see paragraph C). Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. The group classified all leases with this approach.

At the date of FTA, right-of-use assets were tested for impairment, of which there is no evidence.

The group adopted the practical expedients to apply IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the group:

– applied recognition exemption for right-of-use assets and lease liabilities for leases with a term of less than 12 months;

– did not recognise right-of-use assets and lease liabilities for leases of low-value assets (IT equipment);

– excluded any initial direct costs from the right-of-use asset measured at the date of FTA; and

– used hindsight to determine the lease term.

ii. Leases classified as financial leases under IAS 17

The group does not have any leased equipment that was classified as a finance lease under IAS 17.

C. Financial statements impacts

i. FTA effect*

Upon FTA on 1 January 2019, the group recognised the following right-of-use assets and lease liabilities relating to leases that were not recognised under IAS 17.

	1 January 2019
Land and buildings	6,167,833
Other assets	695,153
Lease liabilities	(6,862,986)
Impact on equity at 1 January 2019	**-**

* Reference should be made to note 4 for more information on the IFRS 16 FTA effect on profit or loss and to the note on page 116 for more information on the recognition of leases under IFRS 16 and IAS 17.

When measuring lease liabilities of leases classified as operating leases, the group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 4.42%.

	1 January 2019
Operating lease commitments at 31 December 2018	11,189,624
Discounted using the incremental borrowing rate at 1 January 2019	6,946,319
Finance lease liabilities recognised as at 31 December 2018	-
Recognition exemption for short-term leases	(83,333)
Lease liabilities at 1 January 2019	**6,862,986**

Other standards

The following amended standards and interpretations did not have a significant impact on the group's consolidated financial statements:

- IFRIC 23 - Uncertainty over income tax treatments;
- Prepayment features with negative compensation (Amendments to IFRS 9);
- Long-term interests in associates and joint ventures (Amendments to IAS 28);
- Plan amendment, curtailment or settlement (Amendments to IAS 19);
- Annual improvements to IFRS 2015-2017 Cycle (Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23).

Standards applicable to subsequent reporting periods

The new standards and/or amendments to existing standards applicable to subsequent reporting periods are as follows:

Standards and/or amendments applicable to annual periods beginning on or after 1 January 2020:

- Amendments to References to the conceptual framework in IFRS Standards;
- Definition of a business (Amendments to IFRS 3);
- Amendments to IFRS 9, IAS 39 and IFRS 17: Interest Rate Benchmark Reform;
- Definition of material (Amendments to IAS 1 and IAS 8).

Standards and/or amendments not yet endorsed by the European Union:

- IFRS 17 - Insurance contracts;
- IFRS 14 - Regulatory deferral accounts;
- Sale or contribution of assets between an investor and its associate or joint venture (Amendments to IFRS 10 and IAS 28);
- Classification of Liabilities as current or non-current (Amendment to IAS 1).

ACCOUNTING POLICIES

Consolidated financial statements

The consolidated financial statements include all the 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 of America Corp.	501 Brickell Key Drive, Suite 200, Miami FL 33131 USA	100%	Pininfarina S.p.A.	USD	10,000
Pininfarina Engineering S.r.l.	Via Nizza 262/25, Turin, Italy	100%	Pininfarina S.p.A.	€	100,000
Pininfarina Deutschland Holding GmbH	Riedwiesenstr. 1, Leonberg, Germany	100%	Pininfarina Engineering S.r.l.	€	3,100,000
Pininfarina Deutschland GmbH	Frankfurter Ring 81, Munich, Germany	100%	Pininfarina Deutschland Holding GmbH	€	25,000
Pininfarina Shanghai Co. Ltd	Unit 1, Building 3, Lane 56, Antuo Road, Anting, 201805, Jiading district, Shanghai, China	100%	Pininfarina S.p.A.	CNY	3,702,824

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

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

Acquisitions and sales of equity 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 in profit or loss.

(c) Associates

Associates are listed below:

Name	Registered office	Investment %	Held by	Currency	Quota capital
Goodmind S.r.l.	Corso Vittorio Emanuele II 12, Turin, Italy	20%	Pininfarina S.p.A.	€	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 immediately reclassified to profit or loss.

If the equity 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	31.12.2019	2019	31.12.2018	2018
US dollar - USD	1.12	1.12	1.14	1.18
Chinese renminbi (yuan) - CNY	7.82	7.73	7.87	7.81

(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 gains and losses are recognised in profit or loss, except for those stemming from foreign currency loans that hedge investments in foreign operations, which are recognised directly in equity, net of the related tax effects. 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.

Use of judgements and estimates

In preparing these consolidated financial statements, management has made estimates and judgements, that affect the application of the group's accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Any changes due to the revision of estimates are recognised prospectively.

The captions most affected by estimation uncertainties are contract revenue, deferred tax liabilities and assets, investments in subsidiaries, provisions for risks and charges and trade receivables.

Investment property

Property held to earn rentals or for capital appreciation is classified as investment property and measured at purchase or production cost, including any related costs and net of accumulated depreciation and impairment losses.

Property, plant and equipment

Property, plant and equipment comprise items used in production, including those held under finance lease. They are recognised at purchase or production cost, net of accumulated depreciation and impairment losses (if any), except for land, which is not depreciated.

The cost includes all purchase-related outlays, i.e., those incurred to bring the asset to the place and conditions necessary for its operation.

Depreciation of buildings and other generic assets is calculated on a straight-line basis, in order to allocate their residual carrying amount over their estimated useful life.

The depreciation rates applied to each asset category are set out below:

	Useful life (years)	
Category	**Bairo and San Giorgio facilities**	**Other facilities**
Land	Indefinite	Indefinite
Buildings	50	33
Machinery	20	10
Plant	20	10
Machinery	-	5
Furniture and fixtures	10	8
Hardware	-	5
Other, including vehicles	-	5

Land is recognised separately and is not depreciated but tested for impairment whenever the group identifies indicators that the carrying amount exceeds the recoverable amount. Subsequent costs are capitalised only if it is probable that they will generate future economic benefits and their amount can be determined reliably. Should a portion be replaced, its carrying amount is derecognised. Costs that do not meet these requirements are immediately recognised in profit or loss. The carrying amount and useful life of property, plant and equipment are reviewed at each reporting date and adjusted, if necessary, prospectively pursuant to paragraphs from 32 to 38 of IAS 8 - Accounting policies, changes in accounting estimates and errors. Gains and losses on the sale, calculated as the difference between the asset's carrying amount and sales price, are recognised in profit or loss. In these notes, impairment losses mean the losses recognised to adjust the assets' carrying amounts to their recoverable amount.

Government grants

Government grants are recognised at fair value only if the group is reasonably certain that they will be disbursed and has met all conditions for their collection. They are recognised as revenue in proportion to the costs incurred. As required by paragraph 17 of IAS 20 - Accounting for government grants and disclosure of government assistance, grants related to assets are recognised as deferred income and reclassified to profit or loss in line with the depreciation pattern of the related asset.

Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance. They are controlled by the group and generate measurable future economic benefits. They are recognised at cost, calculated using the same criteria as for property, plant and equipment.

(a) Goodwill

Goodwill is the excess of the purchase price with respect to the acquisition-date fair value of the net assets acquired. It is not amortised, but is tested for impairment at least annually. Impairment testing allocates goodwill to the related cash-generating units, which are the smallest identifiable groups of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. If the carrying amount of the net assets of a cash-generating unit, including allocated goodwill, exceeds their recoverable amount, the identified impairment loss is firstly allocated to goodwill, up to its entire carrying amount. Any remaining impairment loss is then allocated pro rata to the carrying amount of the assets making up the cash-generating unit. Impairment losses recognised on goodwill cannot be reversed. Any negative goodwill is recognised as income in profit or loss.

(b) Software and other licences

Software and other similar licences are recognised as assets at cost, including that incurred to use them. They are amortised over their estimated useful life, which ranges between three and five years. Costs incurred to maintain software programs are immediately recognised in profit or loss. Those incurred to develop identifiable software that is controlled by the group, which are very likely to produce future economic benefits exceeding the costs incurred, if any, are recognised as intangible assets and amortised over their useful life, which does not exceed three years.

(c) Research and development expenditure

Research expenditure, as defined by IAS 38 - Intangible assets, is expensed when incurred in accordance with IAS 38.54. Development expenditure is recognised as an intangible asset only if it can be measured reliably and if it is probable that the related project is likely to be successful, with reference to its technical feasibility, the availability of financial resources to complete it and its commercial penetration. Development expenditure that does not meet these requirements is expensed when incurred. This expense is never reclassified as an asset in subsequent years, if the requirements for its recognition as an asset are met after it is recognised in profit or loss. Development expenditure is amortised from when the related output is marketed over the estimated period during which it will generate economic benefits, which can never exceed five years. It is tested for impairment when the group identifies indicators that its carrying amount exceeds its recoverable amount. The group carries out development projects on behalf of third parties as part of both styling, engineering and car manufacturing contracts and solely designing and engineering contracts. Development expenditure incurred as part of styling and engineering sold to third parties is classified as a contractual cost under IAS 11 - Construction contracts and, accordingly, no intangible asset is recognised. Development expenditure related to styling, engineering and manufacturing contracts which give the group a total or partial guarantee that the investment made on behalf of a customer will be recovered is classified as a financial asset under IFRIC 4 - Determining whether an arrangement contains a lease, or, when the conditions for the application of this interpretation are not met, in the carrying amount of the specific equipment under property, plant and equipment.

(d) Other intangible assets

Other intangible assets acquired separately are recognised at cost. Those acquired as a result of a business combination are recognised at their acquisition-date fair value. After initial recognition, those with a finite useful life are subsequently measured at cost, adjusted for accumulated amortisation and impairment losses, whereas those with an indefinite useful life are measured at cost but not amortised. They are tested for impairment at least annually. Where possible, any changes are made prospectively pursuant to paragraphs from 32 to 38 of IAS 8 - Accounting policies, changes in accounting estimates and errors.

Impairment of non-financial assets

Intangible assets with an indefinite useful life, including goodwill, are tested for impairment at least annually and whenever there are indicators of impairment. Property, plant and equipment, investment property and intangible assets with a finite useful life are tested for impairment only if the group identifies indicators that their carrying amount may exceed their recoverable amount. The recoverable amount is the higher of an asset's (or cash-generating unit's) fair value less costs to sell and its value in use, which is calculated as the present value of the future cash flows expected to be derived from an asset, to be based on reasonable and supportable assumptions that represent management's best estimate of the future economic conditions. The discount rate used reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. This rate for the group is the weighted average cost of capital ("WACC").

When the carrying amount of an asset exceeds its recoverable amount, the group recognises the difference as an impairment loss in profit or loss. If the reasons for the impairment loss no longer exist in future years, the impairment loss is reversed to the extent of the pre-impairment carrying amount, less amortisation/depreciation. Impairment losses on goodwill can never be reversed. Cash-generating units are identified in line with the group's organisational structure and business, by grouping those assets that are able to generate cash inflows independently, as required by IAS 36 - Impairment of assets; they are not larger than the two operating segments identified under IFRS 8 - Operating segments: 1) styling and engineering; 2) operations. In assessing the recoverable amount for impairment testing purposes, the group makes reference to the fair value of owned real estate complexes, measured using the market valuations available at the Public Real Estate Registry Office and possibly appraisals prepared by independent experts.

Assets held for sale

Non-current assets, together with current and non-current assets included in disposal groups, whose carrying amount will be recovered through their sale rather than continuing use, are classified as held for sale. Assets held for sale and liabilities directly associated with assets held for sale are classified in the statement of financial position separately from the group's other assets and liabilities, in accordance with paragraphs from 38 to 40 of IFRS 5 - Non-current assets held for sale and discontinued operations. Assets held for sale are not amortised or depreciated and are measured at the lower of their carrying amount and fair value less costs to sell. Any difference between the carrying amount and fair value less costs to sell is recognised in profit or loss as an impairment loss. Any subsequent improvement in fair value less costs to sell is recognised as a reversal to the extent of the impairment losses previously recognised, including those recognised prior to the classification of the asset as held for sale.

Investments in associates

Investments in associates are recognised in the consolidated financial statements using the equity method, as required by IAS 28 - Investments in associates and joint ventures and IFRS 11 - Joint arrangements. An associate is an entity in which the group holds at least 20% of its voting rights and over which it exercises a significant influence but not control or joint control.

Under the equity method, the equity investment is recognised in the statement of financial position at cost, increased by subsequent changes in the Group's share of the associate's net assets.

Equity investments in other companies

The other equity investments (other than in subsidiaries and associates) are classified as non-current or current assets, depending on whether the group intends to maintain the investment in its assets for a period longer or shorter than twelve months, respectively.

Equity investments in other companies are initially recognised at acquisition cost and subsequently measured at FVTPL, as required by IFRS 9.

In the absence of a principal active market, the group identifies the investment's fair value as its acquisition cost, considering it as the most reliable input in accordance with IFRS 13.

Financial assets and liabilities

The group initially measures financial assets at fair value plus, except in the case of financial assets that are not recognised at fair value through profit or loss, transaction costs.

IFRS 9 classifies financial assets into three main categories: at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVTPL).

The classification is based on the business model adopted by the group to manage the asset or the SPPI (solely payments of principal and interest) test, if the financial instruments' contractual cash flows solely comprise payments of principal and interest.

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt instrument; FVOCI – equity investment; or fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

– it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

– its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

– the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

– its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest – policy applicable from 1 January 2018

For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the group considers:

– contingent events that would change the amount or timing of cash flows;

– terms that may adjust the contractual coupon rate, including variable rate features;

– prepayment and extension features; and

– terms that limit the group's claim to cash flows from specified assets (e.g., non-recourse features).

Financial assets: subsequent measurement and gains and losses – policy applicable from 1 January 2018

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Debt instruments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial liabilities: classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Financial expense

In accordance with IAS 23 - Borrowing costs, borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Otherwise, they are recognised in profit or loss on an accruals basis.

Inventories

Inventories are recognised at the lower of cost and net realisable value, which is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. Under IAS 2 - Inventories, the cost is calculated using the FIFO ("first-in first-out") method. The cost of finished goods and semi-finished products includes design, raw materials and direct labour costs, other direct costs and other indirect costs that can be directly allocated to the production activity based on normal production capacity. This cost does not include borrowing costs. Based on the assets' expected future use and net realisable value, materials, finished goods, spare parts and other obsolete or slow-moving items are written down through an allowance account. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Cash and cash equivalents

Net cash and cash equivalents include cash-in-hand, on-demand bank deposits, other investments that may be sold within three months and bank overdrafts, which are recognised in the relevant caption under current liabilities. In accordance with paragraph 8 of IAS 7 - Statement of cash flows, the cash flow for the year is equal to the change in net cash and cash equivalents.

Share capital

Ordinary shares are classified in equity. There are no other share categories. Costs directly related to the issue of ordinary shares or options are recognised in equity. If a group company acquires the parent's shares, or if the parent itself repurchases its own shares within the limits established by article 2357 of the Italian Civil Code, the consideration paid, net of any transaction cost, is deducted from equity attributable to the owners of the parent until the treasury shares are cancelled, possibly assigned to employees or resold. The parent's share capital comprises 30,166,652 ordinary shares with a unit nominal amount of €1.

Employee benefits

(a) Pension plans

The Pininfarina Group's employees participate in defined contribution plans and defined benefit plans. The latter are a portion of the Italian post-employment benefits provided for by article 2120 of the Italian Civil Code and, therefore, do not comprise any plan assets. Defined contribution plans are formalised plans for post-employment benefits that require that the group pay contributions to an insurance company or a pension fund. By doing this, the group does not have any other legal or constructive obligation to pay additional contributions should the fund not have sufficient resources to pay all benefits accrued by employees over their current and past service periods when the benefits become due. These contributions paid in exchange for the service rendered by employees are recognised as an expense on an accruals basis. This category includes the payments made to the Cometa and Previp funds. Under defined benefit plans, the group has a future obligation to pay the pension benefit to the employee upon termination of employment. The amount of the benefit depends on different factors, such as age, seniority and remuneration. The group, therefore, takes on actuarial and investment risks arising from the plan. It calculates the present value of the plan liability and the service cost using the projected unit credit method, based on the actuarial calculation that uses demographic (mortality rate and turnover) and financial (discount rate and future salary and benefit increases) variables. The post-employment benefits of the Group's Italian employees are classified as follows pursuant to IAS 19 - Employee benefits.

- defined benefit plan for the portion vested prior to enactment of the Finance Act (Law no. 296 of 27 December 2006) and related implementing decrees;
- defined contribution plan for the portion accrued thereafter.

At the annual and half year reporting dates, the group calculates the benefits using an actuarial valuation. The accumulated actuarial losses and gains arising from changes in estimates are recognised in a specific caption of comprehensive income. Any curtailment or extinguishment of a plan liability is immediately recognised in profit or loss.

(b) Incentives, bonuses and profit-participation plans

The group recognises a cost and a liability for its obligations for incentives, bonuses and profit-participation plans. The liability is recognised when the group has a legal or constructive obligation and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

(c) Termination benefits

The group recognises a liability and personnel expense when it is demonstrably committed to terminating the employment of an employee or group of employees before the normal retirement date or provide termination benefits as a result of an offer made in order to encourage voluntary redundancy. The group is demonstrably committed to a termination when, and only when, it has a detailed formal plan for the termination and is without realistic possibility of withdrawal.

(d) Share-based payments

The group has granted additional benefits to its key management personnel in the form of equity-settled share based plans (e.g., stock options). Under IFRS 2 - Share-based payment, the present value of the stock options calculated at the grant date using the Black & Scholes method is recognised as personnel expense in profit or loss on a straight-line basis over the vesting period, with a balancing entry recognised in equity.
The effects of the non-market vesting conditions are not considered in the fair value measurement of the options granted, but are taken into account in measuring the number of expected exercisable options.
The group revises its estimates of expected exercisable options at each reporting date.
The resulting effects are recognised in profit or loss over the vesting period with a balancing entry recognised in equity.
When the options are exercised, the amounts received from employees, net of directly attributable transaction costs, increase the share capital to the extent of the nominal amount of the issued shares. The remainder increases the premium reserve.

Provisions for risks and charges, contingent liabilities

The provisions for risks and charges include specific costs and losses whose existence is certain or probable but whose amount or due date is unknown at the reporting date. Provisions are recognised when all the following conditions are met: (i) the group has a present obligation (legal or constructive) as a result of a past event; (ii) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; (iii) a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation or transfer it to third parties at the reporting date. Where the effect of the time value of money is material and the payment dates can be estimated reliably, the provision is discounted to present value. The group recognises expected restructuring costs when a restructuring plan is formalised only if it has raised a valid expectation in those affected that it will carry out the restructuring. The liability accrued in the provisions for risks and charges is regularly adjusted for changes in estimated costs, expected timing and discount rates. Changes in estimates of provisions are recognised in the same profit or loss caption as the related addition. Disclosures about contingent liabilities, i.e.: (i) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the group; (ii) a present obligation that arises from past events, whose amount cannot be measured reliably or whose settlement will probably not require an outflow of resources embodying economic benefits are provided in the notes

Leases

The group applied IFRS 16 using the modified retrospective approach. Consequently, the information presented for 2018 has not been restated – i.e., it is presented under IAS 17 and IFRIC 4. The disclosures required by IAS 17 are presented separately.

Policy applicable from 1 January 2019

At inception of a contract, the group assesses whether a contract is or contains a lease. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For the purpose of this assessment the group applies IFRS 16.

This policy applies to all contracts entered into on or after 1 January 2019.

i. Model for lessees

At inception or on reassessment of a contract that contains a lease component, the group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for leases of buildings, the group has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

The group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, including the initial measurement of the lease liability adjusted by lease payments made at or before the commencement date, increased by initial direct costs incurred and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the underlying asset or the site on which it is located, net of any lease incentives received.

The right-of-use assets are amortised subsequently on a straight-line basis from the commencement date over the lease term, unless their ownership is transferred to the group at the end of the lease term or, considering the right-of-use assets, it is expected that the group will exercise a purchase option; in that case the right-of-use assets will be amortised over the estimated useful life of the asset, determined on the same basis as for properties and machinery. Furthermore, the right-of-use assets are regularly reduced by any impairment losses and adjusted for remeasurement of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The group's incremental borrowing rate is calculated based on interest rates obtained from various external financing sources with adjustments reflecting the lease conditions and the leased asset:

- fixed payments (including in-substance fixed payments);
- variable lease payments for leases depending on an index or a rate, initially measured by reference to an index or rate at the commencement date;
- amounts expected to be payable under residual value guarantees; and
- the price of a purchase option, which the group is reasonably certain to exercise, lease payments due in the optional renewal period, if the group is reasonably certain to exercise the option to extend the lease, and termination penalties unless the group is reasonably certain not to cancel the lease before the end of the lease term.

The lease liability is measured at amortised cost using the effective interest method and is remeasured to reflect a change in an index or a rate used to determine lease payments, a change in the amount expected to be payable under residual value guarantees, a change in the assessment of whether a purchase, extension or termination option is reasonably certain to be exercised, or a revision of in-substance fixed payments.

When a lease liability is remeasured, the lessee shall adjust the related right-of-use asset accordingly. If the carrying amount is brought to zero, the lessee recognises the adjustment in profit or loss.

The group presents right-of-use assets that do not meet the definition of investment property under "Right-of-use assets" and lease liabilities under "Lease liabilities" in the statement of financial of financial position.

Short-term leases and leases of low-value assets

The group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

ii. Model for lessors

At inception or on reassessment of a contract that contains a lease component, the group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

At inception of the lease, the group determines whether each lease is a finance lease or an operating lease.

To this end, the group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards of ownership of the right-of-use asset. In this case, the lease is a finance lease; if not, it is an operating lease. As part of this assessment, the group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

With regard to sub-leases, as intermediary lessor, the group accounts for its interests in the head lease and the sub-lease separately. To this end, the group classifies the sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If the head lease is a short-term lease to which the group applies the aforementioned exemption, then the sub-lease is classified as an operating lease.

If a contract contains a lease component and one or more non-lease components, the group applies IFRS 15 to allocate the consideration of the contract.

The group applies the derecognition and impairment losses requirements of IFRS 9 to the net investment in a lease (reference should be made to note 45(R)(i)). The group periodically revises the estimated unguaranteed residual values used in calculating the gross investment in the lease.

The group recognises the lease payments associated with operating leases as income on a straight-line basis over the lease term under “Other income”.

In general, the accounting policies applicable to the group as a lessor in the previous year do not differ significantly from IFRS 16 requirements, except for the classification of sub-lease entered into during the year, which was classified as a finance lease.

Policy applicable before 1 January 2019

For all contracts entered into before 1 January 2019, the group determined whether a contract was, or contained, a lease based on the assessment of whether: - fulfilment of the contract was dependent on the use of a specific asset or assets; and - the contract conveyed the right to use the asset. A contract conveyed the right to use the asset if one of the following conditions was met:

- the purchaser had the ability or right to operate the asset or obtain and control more than an insignificant amount of the output;
- the purchaser had the ability or right to control physical access to the asset or obtain or control more than an insignificant amount of the output; or
- facts and circumstances indicated that it was remote that one or more other parties would acquire more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

i. Model for lessees

In the comparative year, the group classified all leases that transferred substantially all of the risks and rewards of ownership as finance leases. In this case, the leased assets were initially recognised at the lower of their fair value and the present value of the minimum lease payments (i.e., payments over the lease term that the lessee was required to make, excluding any contingent rent). These assets were subsequently recognised in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the group's statement of financial position. Payments made under operating leases were recognised as an expense on a straight-line basis over the lease term, while lease incentives received were recognised as an integral part of the total lease expense over the lease term.

ii. Model for lessors

At inception of the lease, the group classified each of its leases as finance leases or operating leases.

To this end, the group assessed whether the lease transferred substantially all of the risks and rewards of ownership of the underlying asset. In this case, the lease was classified as a finance lease, otherwise as an operating lease. As part of this assessment, the group considered certain indicators such as whether the lease was for the major part of the underlying asset's useful life of the asset.

Income taxes

(a) Current taxes

Current taxes are recognised by each group company on the basis of their estimated taxable profit using the tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date, taking into account any domestic tax consolidation arrangements, applicable exemptions and tax assets.

(b) Deferred taxes

Under IAS 12 - Income taxes, deferred taxes are calculated for all temporary differences between the assets' and liabilities' tax bases and carrying amounts, except in two cases: (i) goodwill arising from a business combination, (ii) the initial recognition of an asset or liability in a transaction which is not a business combination and affects neither accounting profit nor taxable profit (tax loss). Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are respectively classified as non-current assets and liabilities. They are offset at individual company level if related to taxes that can be legally offset. The resulting balance, if positive, is recognised as a deferred tax asset and, if negative, as a deferred tax liability. Current and deferred taxes related to transactions directly affecting equity are recognised in equity. The group recognises deferred tax assets to the extent that it is probable that taxable profit will be available against which the temporary difference can be utilised. The carrying amount of a deferred tax asset is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. Deferred taxes on undistributed profits of the group companies are recognised only if the company really intends to distribute such profits and, in any case, if there are no tax consolidation arrangements cancelling their taxation.

Revenue recognition

IFRS 15 requires an entity to recognise revenue at the amount of consideration to which it expects to be entitled in exchange for transferring promised goods or services to a customer.

Based on the above, IFRS 15 provides an articulated and detailed series of requirements that, as a whole, make up the new single model for the recognition of revenue from contracts with customers. The model provides for the following five steps:

- Step 1 – identification of the contract;
- Step 2 – identification of the performance obligations;
- Step 3 – determination of the transaction price;
- Step 4 – allocation of the transaction price to the performance obligations;
- Step 5 – recognition of revenue when (or as) the entity satisfies the performance obligations.

<u>Step 1 – identification of the contract</u>
IFRS 15 defines a "contract" as an agreement between two or more parties that creates enforceable rights and obligations, specifying that enforceability of the rights and obligations in a contract is a

matter of law. The contract may be approved in writing, orally or in accordance with other customary business practices.

Step 2 – identification of the performance obligations

At contract inception, an entity shall assess the goods or services promised in a contract with a customer and shall identify as a performance obligation each promise to transfer to the customer either:

a) a good or service (or a bundle of goods or services) that is distinct; or

b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

A contract may include promises to transfer more than one good or service to a customer. An entity shall assess the goods or services promised in order to identify which good or service (or bundle of goods or services) that is promised to a customer is distinct and may constitute a separate performance obligation.

A good or service that is promised to a customer is distinct if both of the following criteria are met:

a) the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer;

b) the entity's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract.

If a promised good or service is not distinct, an entity shall combine that good or service with other promised goods or services until it identifies a bundle of goods or services that is distinct. In some cases, that would result in the entity accounting for all the goods or services promised in a contract as a single performance obligation.

Step 3 – determination of the transaction price

The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties (for example, some sales taxes).

The group considers the terms of the contract and its customary business practices to determine the transaction price. The consideration may include fixed amounts, variable amounts, or both.

When determining the transaction price, the group considers the effects of all of the following:

- variable consideration and constraining estimates of variable consideration;
- the existence of a significant financing component in the contract;
- non-cash consideration;
- consideration payable to a customer.

Step 4 – allocation of the transaction price to the performance obligations

The transaction price identified in step 3 is allocated to each performance obligation identified in step 2 on a relative stand-alone selling price basis.

Step 5 – recognition of revenue when (or as) the entity satisfies the performance obligations

An entity transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

a) the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs;

b) the entity's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or

c) the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

The group considers the terms of the contract, as well as any laws that apply to the contract, when evaluating whether it has an enforceable right to payment for performance completed to date.

When recognising revenue over time from the provision of design and engineering services, the group measures the progress towards complete satisfaction of that performance obligation using the percentage of completion method on a cost to cost basis.

Incremental costs of obtaining contracts

An entity shall recognise as an asset the incremental costs of obtaining a contract with a customer if it expects to recover those costs.

The incremental costs of obtaining a contract are those costs that an entity incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained (for example, a sales commission).
As a practical expedient, the group recognises the incremental costs of obtaining a contract as an expense when incurred if the amortisation period of the asset that the entity otherwise would have recognised is one year or less.
An asset recognised for incremental costs of obtaining a contract is amortised on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates.

Contract assets and liabilities
An entity shall present the contract in the statement of financial position as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment. An entity shall present any unconditional rights to consideration separately as a receivable.

If an entity performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, the entity shall present the contract as a contract asset, excluding any amounts presented as a receivable. A contract asset is an entity's right to consideration in exchange for goods or services that the entity has transferred to a customer. The group assesses a contract asset for impairment in accordance with IFRS 9.

If a customer pays consideration, or an entity has a right to an amount of consideration that is unconditional (i.e., a receivable), before the entity transfers a good or service to the customer, the entity shall present the contract as a contract liability when the payment is made or the payment is due (whichever is earlier). A contract liability is an entity's obligation to transfer goods or services to a customer for which the entity has received consideration (or an amount of consideration is due) from the customer.

Licencing
A licence establishes a customer's rights to the intellectual property of an entity.
If the promise to grant the licence is a separate performance obligation, an entity shall not apply the general revenue recognition model but the specific guidelines set out in Appendix B to the standard and described below:
- revenue shall be recognised at a point in time if the entity's promise is to provide the customer with a right to use its intellectual property as it exists at the point in time at which the licence is granted;
- revenue shall be recognised over time if the entity's promise is to provide the customer with a right to access its intellectual property as it exists throughout the licence period.
Notwithstanding the nature of the licence ("right to use" or "right to access"), an entity shall recognise revenue for a sales-based or usage-based royalty promised in exchange for a licence of intellectual property only when (or as) the later of the following events occurs:
a) the subsequent sale or usage occurs; and
b) the performance obligation to which some or all of the royalty has been allocated has been satisfied (or partially satisfied).

Dividend distribution

The group recognises a liability for dividends to be distributed when the distribution has been approved by the shareholders.

Earnings or losses per share

Basic earnings or losses per share are calculated by dividing the profit or loss for the year attributable to the owners of the parent's ordinary shares by the weighted average number of ordinary shares outstanding during the year. Diluted earnings or losses per share are derived by adjusting the weighted average number of outstanding shares for all potential ordinary shares with a dilutive effect.

Events after the reporting date

The events after the reporting date are those events, favourable and unfavourable, that occur between the reporting date (31 December for the group) and the date when the financial statements are authorised for issue. Two types of events can be identified: (i) those that provide evidence of conditions that existed at the reporting date and (ii) those that are indicative of conditions that arose after the reporting date.

In accordance with IAS 10 - Events after the reporting period, in the first case (i) the group adjusts the carrying amounts for the events that occurred after the reporting date and in the second case (ii) the group does not adjust the carrying amounts, but discloses the events held significant in the notes.

Reference should be made to the "Other information" section of the directors' report for further details.

Statement of cash flows

The statement of cash flows is presented in accordance with the indirect method allowed by IAS 7 - Statement of cash flows.

Repayments of loans and receivables, recognised under IFRIC 4 - Determining whether an arrangement contains a lease, are recognised as cash flows from investing activities at the line "Repayment of loans and receivables - third parties", in line with the definition of investing activities set out in IAS 7, with the group's financial position and net financial debt structures and in accordance with IAS 7.16-f.

ASSESSMENTS THAT AFFECT THE CONSOLIDATED FINANCIAL STATEMENTS

(a) Going concern

The going concern assumption is a key principle for the preparation of financial statements. When assessing whether the group is able to continue as a going concern, the directors express their current opinion on at least, but not limited to, twelve months from the reporting date. Opinions are expressed on the outcome of future events or circumstances which are, by their nature, uncertain and are based on information available when the opinion is expressed.

As explicitly pointed out in the directors' report, Pininfarina is operating in particularly difficult economic conditions, leading to the parent recording a significant operating loss in 2019.

Pininfarina S.p.A. recorded a loss for the year of €16.5 million, mainly due to the fall in revenue and the operating loss recorded, following lower sales prices in its reference markets, while fixed costs remained substantially unchanged. Furthermore, the parent recognised impairment losses following the impairment tests performed, along with accruals to the provision for losses on contracts.

The directors believe that in order for the group to continue as a going concern, significant efforts will be necessary in terms of sales volumes, expenses and costs to win future contracts given the current economic situation of the automotive segment, which is being further deteriorated by the ongoing COVID-19 health emergency.

The directors have already prepared measures to limit the absorption of operating cash flows and have implemented actions to reduce costs, such as:

• relationships with existing and prospective customers have been intensified in order to negotiate the development of new projects starting during the year;

• all business segments are making greater use of outsourcing, using external resources to cover the requirements in terms of production hours due to the increase in volumes, with visible results in terms of reduced production costs;

• recourse to down payment where possible in order to balance cash inflow and outflow;

• surplus direct and indirect workers have been reduced.

Furthermore, the directors have put measures in place to ensure that the parent has the sufficient financial resources to implement the above-mentioned actions. Specifically, PF Holding BV granted the parent a shareholder loan of €20 million, which can be used on demand. According to cash flow forecasts for the 12 months after the reporting date, there are no further financial requirements.

According to forecasts, a decrease in production revenue is expected in 2020 compared to the previous year, resulting in an operating loss and a loss for the year. However, the parent's financial position and performance raise no concern at the moment considering the forecasts for the 2020-2023 period.

The first few months of 2020 have confirmed the forecasts relating to the parent, both in terms of revenue and profitability.

Despite the loss for the year, the parent has continued to meet its obligations, including those under the Rescheduling Agreement of the debt (2016-2025) with certain lending institutions. Under the Rescheduling Agreement, there is just one financial covenant: consolidated equity at a minimum of €30 million. At 31 March 2020 this contractual obligation is expected to be fulfilled. Should the minimum equity threshold be exceeded, the agreement would not be automatically terminated, as there are specific remedies in place and the lending institutions can waive their right to take action. The Mahindra Group granted a surety that is enforceable if the parent fails to meet its obligations under the Rescheduling Agreement.

With regard to the effects of the current health emergency (the coronavirus) on the outlook of the Pininfarina Group and, thus, on whether the parent's separate financial statements and the group's consolidated financial statements can be prepared on a going concern basis, we note the following:

- almost all of the design and engineering contracts performed by Pininfarina are commissioned by large domestic and international customers that operate according to medium/long-term plans entailing sizeable long-term investments. This would lead us to believe that the current order backlog and expected new activities in the short term should not be compromised by the very tense situation caused by the current health crisis. At the date of this financial report, also considering the group's close relationship with its customers and the progress of contracts underway, in general the group has not detected downturns in activities or cancellations of orders due to the coronavirus such to highlight major divergences from the trends forecast prior to the spread of the virus. The sole exception is the Chinese market where production activities and service supplies were drastically decreased in January and February 2020 following the measures taken by the authorities. The design activities managed locally by Pininfarina Shanghai were postponed to subsequent months. However, going by current indicators, we expect that the group can end 2020 with positive results, though not with the turnover volumes and profitability previously expected. The other key markets for group activities (India, Germany, Italy and the United States) do not currently show any deterioration with respect to forecast trends;
- as mentioned numerous times in the directors' report, the performance of the automotive segment in 2019 was marked by a widespread drop in volumes and profits. Accordingly, the parent acted to boost its financial capacity so as to be able to support its group. Indeed, Pininfarina S.p.A. signed a loan with the Mahindra Group (as mentioned above) which increased the funds available for all types of needs, including those potentially deriving from important changes in the business compared to the situation at the date of preparation of this report. That being said, it is clear that a widespread halt to activities on reference markets over a long period of time and without external aid would lead to a situation that an individual company (regardless of its size or financial capacity) would not be able to manage. Lastly, to the extent that can be objectively predicted to date, considering the liquid funds at the end of February and the new funds guaranteed by the Mahindra Group, in addition to relationships with existing customers, the funds available to the parent would lead us to believe that the current market situation and expected outlook may not be bad enough to create uncertainty about the parent's ability to continue as a going concern, also taking into consideration the measures recently approved by the Italian government to support companies and that could be activated in cases of extreme necessity, including by the parent and the subsidiary Pininfarina Engineering.

Considering the above, management can reasonably expect that the parent has sufficient resources available to continue its operations for the foreseeable future, as provided for by the IFRS. Due to the above reasons, the directors deem it correct to prepare these consolidated financial statements on a going concern basis.

(b) Additions to the provisions for risks and charges and contingent liabilities and contingent assets

Provisions are liabilities whose due date and amount are uncertain. The directors measure them based on the estimated costs to be incurred to extinguish the obligation at the reporting date.

Contingent liabilities and assets are presented in the financial statements in accordance with paragraphs 27 and 31, respectively, of IAS 37 - Provisions, contingent liabilities and contingent assets.

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the group, or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the group.

Where necessary, the directors make their estimate with the assistance of their legal advisors and experts.

(c) Impairment

During the year, the parent appointed an independent expert, Mr. Fabrizio Bava, to draw up a report on impairment testing pursuant to IAS 36 for the preparation of Pininfarina S.p.A.'s separate financial statements and the Pininfarina Group's consolidated financial statements for the reasons indicated hereafter. The scope of the impairment test is to check whether the group's and parent's non-current assets are impaired.

In order to perform the impairment test, cash-generating units are identified, along with estimates of their value in use, any impairment losses and the assets attributable to them.

Starting from 2019, the allocation of the group's operations to business segments has changed as a result of the variations described above. In line with IFRS 8, the group has identified two new business segments compared to the previous year.

Starting from 1 January 2019, the new reportable segments are the following:

- the design segment;

- the engineering segment.

The group has adopted an impairment testing procedure pursuant to IAS 36, approved by the Board of Directors on 17 February 2020.

With regard to the design segment, the following CGUs/assets were identified to be tested for impairment for the preparation of the separate and consolidated financial statements:

- "other design activities": all other activities related to the design segment, currently carried out by Pininfarina S.p.A.. Goodwill is allocated to this CGU;
- Pininfarina Shanghai Co. Ltd;
- Pininfarina of America Corp.;
- "Wind gallery";
- the building and other assets related to the Bairo Canavese production facility, which is waiting to be repurposed for production after the termination of a business lease on 31 December 2019;

- the building and other assets related to the San Giorgio production facility, currently idle;
- other minor buildings.

With regard to the engineering segment, the following CGUs/assets were identified:

- Engineering Italy, comprising all assets and operations transferred to Pininfarina Engineering S.r.l. (PF ENG) on 1 July 2018;
- Engineering Germany, comprising all activities carried out by the German subsidiary Pininfarina Deutschland GmbH;
- buildings held in Germany by the German subsidiary Pininfarina Deutschland Holding GmbH.

The “other design activities” CGU is tested for impairment as goodwill of €1,043 thousand was allocated thereto. Moreover, the group recorded a loss for the year and the pre-budget forecasts for 2020 analysed by the Board of Directors on 13 November 2019 also show a loss. Based on the above, one of the trigger events provided for by IAS 36.12 was identified, since evidence is available from internal reporting that “the economic performance of an asset is, or will be, worse than expected”.

The value in use of the CGU in question was determined using the unlevered financial method by determining the after-tax cash flow based on 2020-2023 budget data approved by the Board of Directors on 17 February 2020, using a WACC discount rate of 9.10%. On a prudent basis, the growth rate used to calculate the terminal value is equal to zero.

Cash flows are forecast by directors, based on reasonable and supportable assumptions that represent their best estimate of the future economic conditions. The discount rate used reflects current market assessments, the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

The net invested assets of the parent’s “other design activities” CGU were tested for impairment at the reporting date. The recoverable value was lower than their carrying amount; therefore, an impairment loss of €5.2 million was recognised.

As required by IAS 36:

- goodwill of €1 million was fully impaired;

- the residual impairment loss was attributed proportionally to the other assets belonging to the CGU, specifically:

    - property, plant and equipment other than the property in Cambiano (the fair value of which was higher than its carrying amount as per the recent appraisal drawn up by an independent expert) were impaired by €3.4 million;

    - intangible assets were impaired by €0.6 million;

    - right-of-use assets were impaired by €0.2 million.

Reference should be made to note 1 for information on the Bairo Canavese and San Giorgio Canavese buildings, also affected by trigger events.

Considering the operating losses in 2019, a trigger event was identified for the CGUs of the Italian and German engineering segments. As a result of specific impairment tests performed on such CGUs, no impairment losses have been identified.

No indicators of impairment have been identified for the other CGUs of the design and engineering segments.

(d) Fair value measurement and hierarchy for financial instruments

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. This category includes financial assets classified as “held for trading”, which are mainly government bonds and high-rating bonds.
- 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 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 consolidated financial statements do not present any financial instruments of this type.

(e) Current and deferred taxes

Current taxes are calculated on the basis of a best estimate of the tax expense for the year, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are measured on the basis of the parent’s and group’s expectations on how the carrying amount of their assets and liabilities will be recovered/extinguished, subject to the probability that they will earn future taxable profit. Deferred tax assets and liabilities are measured on the basis of tax rates that are expected to be applicable when the assets will be realised or the liabilities will be extinguished, therefore based on tax rates or changes to tax laws that have been enacted by the reporting date.

(f) Italian post-employment benefits

Following the supplementary pension reform, the portion of Italian post-employment benefits vested before 1 January 2007 is considered to be a defined benefit under IAS 19 - Employee benefits. Under defined benefit plans, the amount of the benefit due to the employee upon termination of employment depends on different factors, such as age, seniority and remuneration. Despite being prudently estimated and based on internal historical figures, these estimated parameters may be subject to change.

The directors estimated the post-employment benefit obligation assisted by an independent expert included in the Italian Actuary Register.

(g) Stock option plans

The group’s stock option plan is reserved for the parent’s key management personnel and is aimed at incentivising their achievement of the parent’s objectives and enhancing their loyalty to the parent.

The options are measured using the Black-Scholes valuation approach.

The directors calculated the carrying amounts relating to the stock option plan with the assistance of an independent expert

TYPES OF FINANCIAL INSTRUMENTS AND FAIR VALUE HIERARCHY

The financial instruments held by the group include:

- cash and cash equivalents
- current financial assets at fair value through profit or loss;
- non-current loan liabilities;
- trade receivables and payables, loans and receivables - related parties and contract assets and liabilities;
- other current financial assets and liabilities.

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

	Financial instruments at fair value through: profit or loss	Financial instruments at fair value through: equity	Fair value hierarchy	Financial instruments at amortised cost	Equity investments at cost	Carrying amount at 31.12.2019	Carrying amount at 31.12.2018
Assets:							
Equity investments in other companies	-	-		-	252,017	252,017	252,017
Loans and receivables	-	-		550,000	-	550,000	550,000
Contract assets	-	-		4,616,785		4,616,785	3,130,909
Current financial assets at fair value through profit or loss	-	-	Level 1	-	-	-	13,105,943
Trade receivables and other assets	-	-		40,004,096	-	40,004,096	34,647,190
Liabilities:							
Contract liabilities	-	-		14,624,300	-	14,624,300	13,565,536
Other loans and borrowings	-	-		32,693,688	-	32,693,688	26,804,418
Trade payables and other liabilities	-	-		21,323,952	-	21,323,952	17,974,383

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 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 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 the following currencies against the Euro: US dollar (USD), and Chinese renminbi (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%.
A breakdown of the group’s financial debt by fixed and variable interest rates is as follows:

	31.12.2019	%	31.12.2018	%
- Fixed rate	23,948,046	90.7%	25,929,114	96.7%
- Variable rate	2,458,172	9.3%	875,304	3.3%
Gross financial debt with third parties	**26,406,218**	**100.0%**	**26,804,418**	**100.0%**

(c) Price risk

The group mainly carries out design and engineering activities, therefore it is not significantly exposed to price risk on the commodities it purchases.

(d) Credit risk

The group is exposed to credit risk, defined as the probability of an impairment loss on exposures with a commercial or financial counterparty. With reference to commercial transactions, the group’s most significant projects have a limited number of counterparties, most of which may be qualified as of a primary credit standing. At group level, credit risk is especially concentrated in Asia (Iran, India and China).
Counterparty risk in the case of countries in which the group does not usually undertake commercial transactions is analysed and assessed at the offering phase in order to identify and mitigate any solvency risk.

The Group operates in markets that are or have been recently affected by geopolitical or financial tensions. Specifically, the following exposures at the reporting date are considered to bear solvency risk:

(€'000)	Iran
Assets	3,040
Contract liabilities	1,468
Net exposure	**1,572**

Lastly, as disclosed in the specific section, the receivables related to certain contracts may remain unpaid, be renegotiated or cancelled. Specifically, in 2018, the group recognised impairment losses on the receivables relating to a project for a Chinese customer (carrying amount of €1,462 thousand). Please refer to the relevant notes for more information on the breakdown of receivables by geographical segment and their due dates.

(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 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 31.12.2019	**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	26,406,218	33,195,357	6,006,261	27,189,096	-

The group holds net cash and cash equivalents of €17.7 million.

As outlined in the "Outlook for 2019", "Events after the reporting date" and "Going concern" sections of these notes, Pininfarina Holdings BV granted Pininfarina S.p.A. a shareholder loan of €20 million in February 2020 to make adequate financial resources available to the group to implement the actions defined by the directors in the 2020-2022 business plan.

(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.

The directors do not currently expect any issues with respect to the above-mentioned financial obligations. At the reporting date, the above-mentioned financial covenant is met.

SEGMENT REPORTING

Operating segments are identified in accordance with paragraphs 5 to 10 of IFRS 8 – Operating segments.
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 year ended 31 December 2019 and 2018 is set out below. Amounts are in thousands of Euros.

	2019			2018		
	Design	Engineering	Total	Design	Engineering	Total
	A	B	A + B	A	B	A + B
Revenue	58,515	44,802	103,317	64,888	47,481	112,369
(Intra-segment revenue)	(3,784)	(9,135)	(12,919)	(4,368)	(2,674)	(7,042)
Revenue - third parties	**54,731**	**35,667**	**90,398**	**60,520**	**44,807**	**105,327**
Operating profit (loss)	**(14,109)**	**(5,260)**	**(19,369)**	**5,913**	**(2,118)**	**3,795**
Net financial expense			(1,469)			(2,397)
Dividends			-			-
Share of loss of equity-accounted investees	(2)	-	(2)	-	(21)	(21)
Profit (loss) before taxes	-	-	**(20,840)**	-	-	**1,377**
Income taxes	-	-	(2,235)	-	-	796
Profit (loss) from continuing operations	-	-	**(23,075)**	-	-	**2,173**
Other information required by IFRS 8:						
- Amortisation and depreciation	(3,018)	(1,901)	(4,918)	(1,064)	(2,369)	(3,433)
- Impairment losses	(9,271)	(18)	(9,289)	(100)	(17)	(117)
- Provisions/change in accounting estimates	(930)	(2,493)	(3,423)	(1,458)	(3,811)	(5,269)
- Net gains (losses) on the sale of non-current assets	(34)	-	(34)	184	-	184

The design and engineering segments are the operating segments whose operating results are regularly reviewed by the parent's chief operating decision maker to make decisions about resources to be allocated to the segments and assess their performance.

At the reporting date, there are three customers of the engineering segment that each make up more than 10% of the group's total production revenue: €14.3 million (15.9%), €13.8 million (15.3%) and €9.2 million (10.1%), respectively.

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

	31 December 2019			31 December 2018		
	Design	Engineering	Total	Design	Engineering	Total
Assets	119,140	50,904	170,045	136,499	47,928	184,426
Elimination of intragroup assets	(28,118)	(20,411)	(48,530)	(30,410)	(19,400)	(49,810)
Liabilities	60,470	29,796	90,266	3,944	28,082	32,025
Elimination of intragroup liabilities	(1,011)	(6,741)	(7,752)	(3,237)	(2,514)	(5,751)
Of which: other information required by IFRS 8:						
- Equity-accounted investments	602	-	602	605	-	605
- Intangible assets	5,450	642	6,092	7,145	181	7,326
- Property, plant and equipment and investment property	33,546	6,935	40,481	40,983	8,996	49,979
- Employees	289	383	672	293	363	656

Sales are broken down by geographical segment below:

	2019	2018
Italy	7,975,146	15,715,685
EU	41,256,413	28,713,897
Non-EU countries	34,578,726	56,821,775
Change in contract assets	1,490,931	1,648,029
Revenue from sales and services	**85,301,216**	**102,899,386**

NOTES TO THE CAPTIONS

1. Property, plant and equipment

The carrying amount of property, plant and equipment at 31 December 2019 decreased to €41.1 million from €50 million at 31 December 2018.

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	64,295,066	76,586,809
Accumulated depreciation and impairment losses	(4,636,429)	(38,124,856)	(42,761,285)
Carrying amount at 31 December 2018	**7,655,314**	**26,170,210**	**33,825,524**
Reclassification: Historical cost	(290,000)	-	(290,000)
Additions	-	420,712	420,712
Depreciation	-	(1,131,903)	(1,131,903)
Impairment losses	(1,999,378)	(2,054,573)	(4,053,951)
Reclassifications	-	942	942
Other changes	-	(933)	(933)
Carrying amount at 31 December 2019	**5,365,936**	**23,404,455**	**28,770,391**
Of which:			
Historical cost	12,001,743	64,715,778	76,717,521
Accumulated depreciation and impairment losses	(6,635,807)	(41,311,323)	(47,947,130)

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

The reclassification from "Land" to "Assets held for sale" refers to the fair value of agricultural land close to the San Giorgio Canavese production facility that was sold at the beginning of 2020.

The parent entered into a business lease with third parties for the Bairo Canavese production facility in 2011. At the end of May, it was notified that such agreement would be terminated early on 31 December 2019.

Based on the above, the parent identified a trigger event which may impair the facility's carrying amount. Therefore, in accordance with IAS 36, it tested the asset for impairment at 30 June 2019. It compared its carrying amount to its value in use, as recalculated to account for the early termination notice received from the lessee, and its fair value calculated considering the facility's appraised value. The carrying amount of the facility was found to be substantially in line with the appraisal available to the parent and, therefore, the parent did not recognise any impairment loss.

The San Giorgio Canavese production facility has not been used since the end of 2015.

Its carrying amount was compared to its fair value. The latter was calculated considering the facility's appraised value, showing a decrease in its recoverable amount of €4,053,961.

Impairment losses on land and buildings refer to the adjustment of the San Giorgio Canavese production facility carrying amount to its fair value net of costs to sell.

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

	Machinery	**Plant**	**Total**
Historical cost	6,860,513	84,927,841	91,788,354
Accumulated depreciation and impairment losses	(5,212,069)	(81,133,308)	(86,345,377)
Carrying amount at 31 December 2018	**1,648,444**	**3,794,533**	**5,442,977**
Reclassification: Historical cost	-	11	11
Reclassification: Acc. depreciation and imp. losses	-	786	786
Additions	355,249	1,263,613	1,618,862
Disposals: Historical cost	(134,735)	(437,201)	(571,936)
Disposals: Acc. depreciation and imp. losses	134,735	404,797	539,532
Depreciation	(201,925)	(635,461)	(837,386)
Impairment losses	(1,714,987)	-	(1,714,987)
Carrying amount at 31 December 2019	**86,781**	**4,391,078**	**4,477,859**
Of which:			
Historical cost -	7,081,027	85,754,264	92,835,291
Accumulated depreciation and impairment losses	(6,994,246)	(81,363,186)	(88,357,432)

Plant and machinery at 31 December 2019 include generic production plant and machinery, mainly based at the Bairo and Cambiano facilities.
Additions of the year are mainly due to machinery and plant installed at the Cambiano facility.

Impairment losses on machinery were recognised following the comparison between the recoverable amount and the carrying amount of the "other design activities" CGU.

	Furniture and fixtures	**Hardware and software**	**Other assets**	**Total**
Historical cost	3,970,171	6,571,677	1,220,077	11,761,925
Accumulated depreciation and impairment losses	(2,892,409)	(5,170,325)	(393,313)	(8,456,047)
Carrying amount at 31 December 2018	**1,077,762**	**1,401,352**	**826,764**	**3,305,878**
Reclassification: Historical cost	-	481	-	481
Additions	103,802	492,784	118,863	715,449
Disposals: Historical cost	(79,421)	(34,473)	(43,081)	(156,975)
Disposals: Acc. depreciation and imp. losses	27,419	34,473	26,567	88,459
Depreciation	(168,672)	(413,577)	(138,907)	(721,156)
Impairment losses	(255,152)	(923,041)	(389,933)	(1,568,126)
Reclassifications	1,981	(50,915)	3,056	(45,878)
Other changes	(714)	(2,876)	(11,889)	(15,479)
Carrying amount at 31 December 2019	**707,005**	**504,208**	**391,440**	**1,602,653**
Of which:				
Historical cost	3,996,533	6,979,554	1,298,915	12,275,002
Accumulated depreciation and impairment losses	(3,289,528)	(6,475,346)	(907,475)	(10,672,349)

Additions to hardware and software for the year relate to the purchase of IT equipment for technological upgrading, mainly attributable to the parent.

The impairment losses on furniture and fixtures, hardware and software and other assets were recognised following a comparison between the recoverable amount and the carrying amount of the "other design activities" CGU.

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 (€90,000) and its bank overdraft (€2,368,172).

The reclassification to assets held for sale refers to the fair value of one of the two group properties that was sold at the beginning of 2020.

The fair value of property calculated in the appraisal exceeds its carrying amount.

	Land	Buildings	Total
Historical cost	5,807,378	12,232,539	18,039,917
Accumulated depreciation and impairment losses	-	(10,647,165)	(10,647,165)
Carrying amount at 31 December 2018	**5,807,378**	**1,585,374**	**7,392,752**
Reclassification: Historical cost	(888,789)	(1,147,283)	(2,036,072)
Reclassification: Acc. depreciation and imp. losses	-	507,271	507,271
Depreciation	-	(366,390)	(366,390)
Carrying amount at 31 December 2019	**4,918,589**	**578,972**	**5,497,561**
Of which:			
Historical cost	5,807,378	11,085,256	16,892,634
Accumulated depreciation and impairment losses	-	(10,506,284)	(10,506,284)

3. Intangible assets

The carrying amount of intangible assets at 31 December 2019 decreased to €6.1 million from €7.3 million at 31 December 2018.

	Goodwill	Licences	Other	Total
Historical cost	1,043,495	6,605,891	8,023,104	15,672,490
Accumulated amortisation and impairment losses	-	(5,855,729)	(2,490,366)	(8,346,095)
Carrying amount at 31 December 2018	**1,043,495**	**750,162**	**5,532,738**	**7,326,395**
Additions	-	639,783	172,015	811,798
Amortisation	-	(356,571)	(39,828)	(396,399)
Impairment losses	(1,043,495)	(586,524)	(20,041)	(1,650,060)
Carrying amount at 31 December 2019	**-**	**446,850**	**5,644,884**	**6,091,734**
Of which:				
Historical cost	1,043,495	7,245,674	8,195,119	16,484,288
Accumulated amortisation and impairment losses	(1,043,495)	(6,798,824)	(2,550,235)	(10,392,554)

The group's only intangible asset with an indefinite useful life, goodwill of €1,043,495, originates from the merger of Pininfarina Extra S.r.l.. It relates to the design activities which constitute a separate cash-generating unit.

The impairment losses on goodwill were recognised following a comparison of the recoverable amount of the "other design activities" CGU to its carrying amount.

"Other" includes the capitalisation of an advisory services agreement that the parent signed in connection with a long-term engineering contract.

The asset was recognised in 2018 at the amount of the liability with the supplier (see note 16) discounted on the basis of the payment plan agreed with the provider. Since the engineering contract has been suspended, the related asset's amortisation and contractual payments have also been suspended, pending developments in the end customer's situation.

4. Right-of-use assets and lease liabilities

This caption is required by IFRS 16 and shows the right to use the leased assets covered by the leases signed by the group companies, mainly buildings housing their offices.

i. Right-of-use assets

	Cars and other assets	Land and buildings
Opening balance	695,153	6,167,833
Depreciation	(366,592)	(1,098,445)
Increase	382,125	233,105
Impairment losses	(228,163)	-
Closing balance	**482,522**	**5,302,493**

ii. Amounts recognised in profit or loss

	2019
Depreciation of right-of-use assets	(1,465,037)
Interest expense on lease liabilities	(320,890)
Impairment losses on right-of-use assets	(228,163)
Expense for short-term or leases of low-value assets	(35,365)
Total	**(2,014,090)**

The group recognised impairment losses on its right-of-use assets following a comparison between the recoverable amount of the "Other design activities" CGU to its carrying amount, as discussed in "Accounting policies" section.

iii. Amounts recognised in the statement of cash flows

	2019
Total cash flows for leases	1,600,768

iv. Lease liabilities

Lease liabilities are broken down by due date in the following table:

	Carrying amount 31.12.2019	Contractual cash flows	Of which: due within one year	Of which: due from one to five	Of which: due after five years
Lease liabilities	6,287,470	7,034,352	1,664,610	5,369,742	-

5. Investments in associates

They include:

	31.12.2019	31.12.2018
Goodmind S.r.l.	119,001	107,839
Signature S.r.l.	483,141	496,732
Investments in associates	**602,142**	**604,571**

The decrease is due to the group's share of their loss for the year.

6. Equity investments in other companies

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

	31.12.2019
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**

7. Loans and receivables

This caption relates to the non-interest bearing loan disbursed by the parent to the associate Signature S.r.l. to support its start-up phase.

8. Inventories

Raw materials mainly consist of various materials used for the production of cars and prototypes at the Cambiano facility. Finished goods comprise Pininfarina-branded products and 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:

	31.12.2019	31.12.2018
Raw materials	541,471	580,410
Allowance for inventory write-down	(331,075)	(338,368)
Finished goods	2,349	23,482
Finished goods store	146,936	142,764
Allowance for inventory write-down	-	-
Inventories	**359,681**	**408,288**

	2019		2018	
	Allowance for raw materials write-down	Allowance for finished goods write-down	Allowance for raw materials write-down	Allowance for finished goods write-down
Opening balance	**338,368**	-	**360,188**	**-**
Additions	-	-	-	-
Utilisations	(7,293)	-	(21,820)	-
Other changes	-	-	-	-
Closing balance	**331,075**	**-**	**338,368**	**-**

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

9. Contract assets and liabilities

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

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

Contract liabilities represent the group's obligation to transfer goods or services to a customer for which it has received consideration (or an amount of consideration is due) from the customer.

10. Current financial assets at fair value through profit or loss

Current financial assets at fair value through profit or loss totalling €13.1 million at 31 December 2018 have been entirely sold.

The fair value gains and losses for the year have been recognised in profit or loss as financial income and expense (see note 27).

11. Trade receivables - third and related parties

The following table shows trade receivables at 31 December 2019 and 2018:

	31.12.2019	**31.12.2018**
Italy	2,827,605	2,286,911
EU	7,123,011	4,749,650
Non-EU countries	20,317,679	19,965,378
(Loss allowance)	(5,679,416)	(5,657,555)
Third parties	**24,588,878**	**21,344,384**
Signature S.r.l.	48,800	42,312
Pininfarina Engineering S.r.l.	139,175	-
Mahindra&Mahindra Group	113,940	2,404,982
Tech Mahindra Group	53,271	46,309
Automobili Pininfarina GmbH	652,816	335,845
Related parties	**1,008,002**	**2,829,448**
Trade receivables	**25,596,880**	**24,173,832**

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 due to a different type of invoicing plan being used compared to the previous year. The decrease in trade receivables from related parties is mainly due to Pininfarina Engineering S.r.l.'s receivable from the Mahindra & Mahindra Group.

The increase in the loss allowance is due to the impairment losses recognised on a prudent basis on the receivables due from certain European customers to which the group provided industrial design services.

Changes in the loss allowance are set out below:

	2019	2018
Opening balance	**5,657,555**	**456,809**
Additions	212,207	5,286,661
Utilisations	(190,346)	(85,915)
Closing balance	**5,679,416**	**5,657,555**

The group recognised impairment losses on certain net contract assets (see the following table) of specific contracts that have been suspended, pending developments in the related customers' industrial and commercial strategies, in order to cover the risk of non-payment, renegotiation or cancellation.

(€'000)	
Trade receivables	11,617
Contract liabilities	6,436
Net exposure	**5,181**

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets from individual customers as at 31 December 2019:

	Gross carrying amount	Loss allowance
Contract assets	4,616,785	-
Current (not past due)	7,568,981	75,690
1–30 days past due	3,241,810	64,836
31–60 days past due	1,320,525	52,821
61–90 days past due	571,900	34,314
91–120 days past due	1,058,082	84,647
More than 120 days past due	16,199,280	5,367,109

With respect to exposures not individually impaired, the group defined a provisioning matrix based on its historical credit loss figures, adjusted by the counterparties' different credit rating and business environment.

12. Other assets

The following table shows other assets at 31 December 2019 and 2018:

	31.12.2019	31.12.2018
VAT	7,645,797	5,237,456
Withholding taxes	5,033,890	4,011,704
IRAP (regional tax on production activities) paid on account	460,917	-
Prepayments and accrued income	706,014	775,686
Advances to suppliers	95,419	83,977
Amounts due from INAIL (the Italian Workers' Compensation Authority) and INPS (the Italian social security institution)	137,960	53,564
Amounts due from employees	2,180	3,500
Other	325,039	307,471
Third parties	**14,407,216**	**10,473,358**
Related parties	**-**	**-**
Other assets	**14,407,216**	**10,473,358**

The VAT asset is mainly attributable to the parent, which received the partial reimbursement of the VAT assets that arose in 2018 and in the second quarter of 2019 in March 2020 (€5.1 million).

Withholding taxes include amounts withheld from the parent and Pininfarina Engineering S.r.l..

13. Cash and cash equivalents

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

	31.12.2019	31.12.2018
Cash in hand and cash equivalents	12,879	17,227
Short-term bank deposits	20,102,249	18,339,366
Cash and cash equivalents	**20,115,128**	**18,356,593**
(Bank overdrafts)	(2,368,172)	(725,304)
Net cash and cash equivalents	**17,746,956**	**17,631,289**

The change is mainly due to working capital trends.
The bank overdrafts relate to the credit facilities drawn down by Pininfarina Deutschland GmbH.
Reference should be made to the statement of cash flows for details of the cash flows for the year.

14. Equity

(a) Share capital

	31.12.2019		31.12.2018	
	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 €10,854,234 increased by €4,790,475 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, it 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. It 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 year.

The options are measured using the Black-Scholes valuation approach and the following assumptions:

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: €305,696
8. Carrying amount at the reporting date: €2,216,799

(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 Shanghai Co Ltd. and Pininfarina of America Corp..

(g) Other reserves

Other reserves of €7,923,223 rose by €5,277,015 due to the merger of Pininfarina Extra S.r.l. into Pininfarina S.p.A..

(h) Losses carried forward

Losses carried forward totalled €15,461,391 at the reporting date, up by €7,924,128 from the 31 December 2018 figure. The increase is due to:

- the allocation of the profit for 2018 of €2,173,181;
- the reclassification of €5,277,015 to other reserves, following the merger of Pininfarina Extra into Pininfarina S.p.A.;
- the reclassification of €4,790,475 to the legal reserve, following the resolution for the allocation of the parent's profit.;
- the negative effect for the year of the adoption of IAS 19 (revised), quantified at €29,819.

The table reconciling the parent's loss and equity as at and for the year ended 31 December 2019 with the group's relevant figures is provided in the directors' report, to which reference is made.

15. Loans and borrowings

(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

On 30 May 2015, 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:

	31.12.2018	Change in bank overdrafts	Unrealised interest	Repayment	Current/non-current reclassification	31.12.2019
Other loans and borrowings	22,441,025		1,597,021		(3,638,089)	20,399,957
Non-current portion	**22,441,025**		**1,597,021**		**(3,638,089)**	**20,399,957**
Bank overdrafts	725,304	1,642,868				2,368,172
Other loans and borrowings	3,638,089			(3,638,089)	3,638,089	3,638,089
Current portion	**4,363,393**	**1,642,868**		**(3,638,089)**	**3,638,089**	**6,006,261**
Current and non-current portions	**26,804,418**	**1,642,868**	**1,597,021**	**(3,638,089)**	**-**	**26,406,218**

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

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

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

A breakdown of changes by lender is set out below:

	31.12.2018	Unrealised interest	Repayment	31.12.2019
Intesa Sanpaolo S.p.A.	16,784,939	1,033,815	(2,316,237)	15,502,517
Banca Nazionale del Lavoro S.p.A.	988,016	60,854	(136,341)	912,529
Ubi Banca S.p.A. (formerly Banca Regionale Europea S.p.A.)	3,945,462	243,008	(544,456)	3,644,014
Selmabipiemme Leasing S.p.A.	4,210,697	259,344	(581,055)	3,888,986
Volksbank Region Leonberg (GER)	150,000	-	(60,000)	90,000
Other loans and borrowings	**26,079,114**	**1,597,021**	**(3,638,089)**	**24,038,046**

Pininfarina Deutschland Holding GmbH has a €90,000 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.

Reference should be made to the directors' report for more details on the net financial debt (ESMA).

16. Post-employment benefits

Post-employment benefits show the present value of the obligation to employees under article 2120 of the Italian Civil Code. Following the changes introduced to Italian laws some years ago, benefits vested before 1 January 2007 are classified as defined benefit plans pursuant to IAS 19 - Employee benefits, while those accrued thereafter are classified as defined contribution plans.

Changes for the year are provided below:

	2019	2018
Opening post-employment benefits	**4,778,297**	**4,789,063**
Interest cost recognised in profit or loss	48,306	49,692
Current service cost recognised in profit or loss	-	90,435
Actuarial (gains)/losses recognised in other comprehensive income	29,819	(4,202)
Payments	(849,427)	(146,691)
Transfer to Pininfarina Engineering S.r.l.	236,050	-
Closing post-employment benefits	**4,243,045**	**4,778,297**

Following the early termination on 31 December 2019 of the business lease with Bluecar Italy S.r.l., 44 employment contracts and related post-employment benefits are transferred to Pininfarina S.p.A. from 1 January 2020.

The main assumptions underlying the actuarial calculation of the liability in the current and previous years are set out below:

	2019	2018
Annual inflation rate	0.7%	1.5%
Benefit discount rate	0.3%	1.0%

The adopted discount rate refers to the market yield of AA-rated Euro securities.

Moreover, the sensitivity analysis carried out increasing/decreasing the base rate by 50% did not show significant changes with respect to the current post-employment benefit obligation.

17. Trade payables, other financial liabilities and other liabilities

(a) Trade payables

	31.12.2019	31.12.2018
Third parties	19,193,148	16,102,312
Related parties	164,058	493,063
Other liabilities - third parties	280,442	375,737
Other liabilities - related parties	-	-
Trade payables	**19,637,648**	**16,971,112**

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 originally in place with the service provider.

Since the engineering contract to which the obligation refers has been suspended at the reporting date, the related liability has also been suspended, pending developments in the end customer's situation.

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.

(b) Other financial liabilities

	31.12.2019	31.12.2018
Wages and salaries payable	4,076,478	3,172,734
Social security charges payable	1,309,280	1,358,763
Other	1,686,304	1,379,007
Other financial liabilities	**7,072,062**	**5,910,504**

18. 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:

	31.12.2018	Additions	Utilisations	Other changes	31.12.2019
Provision for product warranties	53,236	-	-	-	53,236
Restructuring provision	184,454	-	(184,454)	-	-
Other provisions	382,742	4,205,416	(1,154,698)	(34,758)	3,398,702
Provisions for risks and charges	**620,432**	**4,205,416**	**(1,339,152)**	**(34,758)**	**3,451,938**

The provision for product warranties, unchanged from the previous reporting date, represents the best estimate of the group's contractual and legal obligations with regard to costs entailed by warranties provided on certain components of the vehicles it manufactured for a specific period, starting from the sale of the vehicles to end customers. The above-mentioned estimate was determined based on the group's experience, specific contractual terms and product specifications and defect data generated by the statistical survey systems of the group's customers.

The restructuring provision was the best estimate of the related liability. Utilisations include amounts paid to employees who left during the year.

Other provisions reflect the estimated liabilities that may arise from losses to complete long-term design and engineering contracts, potential disputes with former employees and environmental risks. Additions, utilisations and other changes show the effects of the measurement of losses to complete long-term contracts attributable to Pininfarina S.p.A. e Pininfarina Engineering S.r.l. and environmental risks attributable to the parent.

(b) Contingent liabilities and litigation

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

19. Current and deferred taxes

(a) Deferred taxes

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

	31.12.2019	31.12.2018
Deferred tax assets	839,071	3,019,085
(Deferred tax liabilities)	-	-
Net deferred tax assets	**839,071**	**3,019,085**

Deferred tax assets at 31 December 2018 were impaired on a prudent basis in 2019, considering the reference market trends in the second half of the year, as discussed in the directors' report.

The net deferred tax assets shown in the consolidated financial statements refer to the German companies.

(b) Current taxes

Income taxes recognised in the profit or loss are detailed below:

	2019	2018
Income taxes	(33,201)	(856,863)
IRAP (Regional tax on production activities)	-	(481,528)
Tax consolidation benefit	-	-
Adjustment to prior year tax consolidation benefit	(12,918)	4,214
Release of prior year provision	(8,767)	(23,522)
Current taxes	**(54,886)**	**(1,357,699)**
Change in deferred tax assets	(2,179,955)	2,153,776
Change in deferred tax liabilities	-	-
Net deferred taxes	**(2,179,955)**	**2,153,776**
Income taxes	**(2,234,841)**	**796,077**

20. Revenue from sales and services

Reference should be made to the relevant table for information on the impact of initially applying IFRS 15 to the Group's revenue from contracts with customers.

a) Revenue streams

The group's revenue mainly relates to the provision of design and engineering services and sales of spare parts and prototypes.

	2019	2018
Sales - Italy	548,843	1,176,476
Sales - EU	986,946	2,168,524
Sales - Non-EU countries	574,068	5,238,403
Services - Italy	6,448,828	13,327,334
Services - EU	39,531,764	25,825,216
Services - Non-EU countries	31,743,413	45,921,747
Royalties - Italy	1,001,419	1,211,875
Royalties - EU	737,703	720,157
Royalties - Non-EU countries	2,237,301	5,661,625
Change in contract assets	1,490,931	1,648,029
Revenue from sales and services	**85,301,216**	**102,899,386**

Following the Group's reorganisation, it reclassified the royalties for the use of the trademark to revenue in both years presented.

Other sources of revenue include the following:

	2019	2018
Lease income	3,171,137	1,913,751
Grants for research and training	64,222	35,112
Prior year income	122,668	151,682
Insurance compensation	10,000	80,908
Sundry	1,607,175	131,102
Rebilling	138,415	141,143
Other revenue and income	**5,113,617**	**2,453,698**

"Sundry" relates to Pininfarina Engineering S.r.l.'s acquisition of a business unit. 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 year income refers to prior year income and estimation differences, other than errors, resulting from the normal updating of estimates made in previous years.

b) Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by primary geographical market, major product and service lines and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments:

	Design	Engineering	Total
Geographical segment			
Italy	5,606,044	2,369,102	7,975,146
EU	19,977,157	21,279,256	41,256,413
Non-EU countries	29,147,796	12,018,517	41,166,313
Total	**54,730,997**	**35,666,875**	**90,397,872**
Major products/service lines			
Design services	48,066,578		48,066,578
Engineering services		33,258,215	33,258,215
Royalties	3,976,423		3,976,423
Lease income	2,400,000	771,137	3,171,137
Income from business combination		1,364,313	1,364,313
Other	287,995	273,210	561,206
Total	**54,730,997**	**35,666,875**	**90,397,872**
Timing of revenue recognition			
Products transferred at a point in time	287,995	1,637,523	1,925,519
Products and services transferred over time	54,443,001	34,029,352	88,472,353
Total	**54,730,997**	**35,666,875**	**90,397,872**

c) Contract balances

The following table provides information about receivables, assets and liabilities from contracts with customers.

	31.12.2019	01.01.2019
Amounts included in trade receivables	31,276,296	29,831,387
Contract assets	4,616,785	3,130,909
Contract liabilities	(14,624,300)	(13,565,536)

The contract assets primarily relate to the group's rights to consideration for work completed but not billed at the reporting date on made-to-order products/services.
The amount of contract assets was impacted by an impairment loss of €927,424 during the year. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the group issues an invoice to the customer.

Contract liabilities represent the group's obligation to transfer goods or services to a customer for which it has received consideration (or an amount of consideration is due) from the customer.

The lower revenue recognised in 2019 from performance obligations satisfied (or partially satisfied) in previous years, mainly due to the changes in the estimate of the stage of completion of contracts, is €718 thousand.
The combined transaction price allocated to performance obligations still unsatisfied at the reporting date approximated €157 million. The Group expects that it will recognise roughly 21% of that amount as revenue in the following year.
No information is provided about remaining performance obligations at 31 December 2019 that have an original expected duration of one year or less, as allowed by IFRS 15.
Opening contract liabilities of €13.6 million have been reclassified to revenue during the year ended 31 December 2019.

d) Performance obligations and revenue recognition policies

Revenue is measured based on the consideration specified in a contract with a customer.
The group recognises revenue when it transfers control over a good or service to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Major products/service lines	**Nature and timing of satisfaction of performance obligations, including significant payment terms**	**Revenue recognition under IFRS 15**
Design, engineering and operations services	The group has determined that for made-to-order products, the customer controls all of the work in progress as the products are being manufactured. This is because, under those contracts, products/services are made to a customer's specification and if a contract is terminated by the customer, then the group is entitled to reimbursement of the costs incurred to date, including a reasonable margin. Invoices are issued according to contractual terms and are usually payable within 30 days. Uninvoiced amounts are presented as contract assets.	Revenue and associated costs are recognised over time - i.e., before the goods/services are made available at the customers' premises. Progress is determined based on the cost-to-cost method. When incremental in accordance with IFRS 15, costs of obtaining a contract are recognised as assets and depreciated in line with the transfer of control over the related product/service.
Architecture and design services	The group has determined that revenue from design services is recognised at a point in time, because the contractual terms do not allow the group to collect the consideration before the satisfaction of the performance obligation, even though the products/services are made to a customer's specification. Revenue is recognised when the work is delivered to and accepted by the customer, when the group's right to payment becomes enforceable.	Revenue is recognised at a point in time, corresponding to the customer's acceptance. The group applies the practical expedient provided for by the standard for incremental costs of obtaining a contract with a term of less than 12 months. Accordingly, these costs are recognised as an expense when incurred.
Royalties	The Group has determined that royalties are substantially related to the licence to use the Pininfarina trademark on designed products it manufactures. Even though customers do not control the trademark, they benefit therefrom. This shared benefit led the Group to believe that this is a right to access rather than use the trademark and, therefore, the related revenue is recognised over time.	Revenue is recognised over time
Lease income	The group has determined that lease income arises from services whereby the customer simultaneously receives and uses the related benefits as the group provides them. Accordingly, revenue from these performance obligations is recognised over time.	Revenue is recognised over time
Other	The group determines the most appropriate recognition of other minor revenue on a case-by-case basis.	Revenue is recognised over time/at a point in time

21. Gains and losses on sale of non-current assets and equity investments

Gains are mainly attributable to the sale of a robotic welding unit, while losses are mainly attributable to the sale of furniture and plant not entirely depreciated, both attributable to the parent.

22. 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.

23. External variable engineering services

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

24. Wages, salaries and employee benefits

	2019	2018
Wages and salaries	(42,982,256)	(39,101,005)
Social security contributions	(10,620,611)	(9,542,766)
Utilisation of restructuring provision	184,452	44,446
Blue collars, white collars and managers	**(53,418,415)**	**(48,599,325)**
Post-employment benefits - defined contribution plan	(1,577,448)	(1,438,373)
Wages, salaries and employee benefits	**(54,995,863)**	**(50,037,698)**

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 31 December 2019 and the average number for the year 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 year and dividing the result by two.

	31.12.2019		31.12.2018	
	reporting date	average	reporting date	average
Managers	29	29	27	26
White collars	622	635	606	580
Blue collars	21	24	23	25
Total	**672**	**688**	**656**	**631**

The business lease involved the transfer of 44 employment contracts.

25. (Additions to)/utilisation of provisions and impairment losses

	31.12.2019	31.12.2018
Net impairment losses on loans and receivables	(220,521)	(5,297,728)
Additions to provisions for risks and charges	(4,205,416)	(108,845)
Utilisation and revised estimates of provisions for risks and charges	962,233	20,537
Impairment losses on foreign withholding taxes	(32,217)	-
Impairment losses on property, plant and equipment	(7,337,064)	-
Amortisation of intangible assets	(1,650,060)	-
Right-of-use	(228,163)	-
(Additions to)/utilisation of provisions and impairment losses	**(12,711,208)**	**(5,386,036)**

Reference should be made to note 11 for details of impairment losses on loans and receivables.

Impairment losses on foreign withholding taxes refer to the assets acquired as a result of the merger with Pininfarina Extra S.r.l. which can no longer be offset.

Reference should be made to notes 1, 2 and 3 for details of impairment losses on property, plant and equipment, intangible assets and right-of-use assets, respectively.

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

26. Other expenses

	2019	2018
Travel expenses	(1,626,399)	(1,689,071)
Leases	(1,245,141)	(2,487,848)
Directors' and statutory auditors' fees	(844,363)	(923,314)
Consulting and other services	(4,046,194)	(3,191,064)
Other personnel costs	(1,370,873)	(1,203,131)
Postal expenses	(397,753)	(344,087)
Cleaning and waste disposal services	(286,860)	(300,644)
Advertising	(1,016,876)	(666,014)
Indirect taxes	(785,650)	(966,869)
Insurance	(505,186)	(448,373)
Membership fees	(111,272)	(97,444)
Prior period expense	(39,508)	(65,087)
General services and other expenses	(1,002,711)	(888,448)
Other expenses	**(13,278,786)**	**(13,271,394)**

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 under operating leases that are not covered by IFRS 16 either because they do not convey the right to use the asset or as a result of the application of the practical expedient to short-term or low value leases.

27. Net financial expense

	2019	2018
Interest and commission expense on credit facilities	(205,866)	(168,442)
Lease interest expense	(320,891)	-
Interest expense on loans and financing	(1,685,168)	(1,802,118)
Expense on assets held for trading	-	(276,552)
Interest expense on trade payables	(78)	(164,467)
Financial expense	**(2,212,003)**	**(2,411,579)**
Bank interest income	4,042	2,958
Interest income on loans and receivables - third parties	53	-
Interest income on loans and receivables - related parties	-	2,157
Gains on assets held for trading	728,839	-
Financial income	**732,934**	**5,115**
Net financial expense	**(1,479,069)**	**(2,406,464)**

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

Lease interest expense relates to the amortised-cost measurement of lease liabilities under IFRS 16.

Interest expense on loans and financing of €1,685,168 comprises the effect of amortised-cost accounting (€1,597,021) and interest accrued under the existing Agreement (€86,922). The remainder relates to foreign subsidiaries.

Bank interest income accrued on the current account credit balances.

OTHER INFORMATION

Events after the reporting date

The parent took out a 36-month loan of €20 million from Pininfarina Holdings B.V. in February 2020, not yet used to date.

Reference should be made to the "Going concern" section for details of the impacts of the current health crisis caused by COVID-19.

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

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, considering the nature of the goods exchanged or services provided. They were neither atypical nor unusual for the purposes of the above-mentioned communication.

	Trade		Financial		Operating		Financial	
	Receivables	Payables	Assets	Liabilities	Revenue	Expense	Income	Expense
Signature S.r.l.	48,800	1,818	550,000	-	118,894	78,354	-	-
Tech Mahindra Ltd	5,370	162,240	-	-	250,654	219,411	-	-
Tech Mahindra GmbH	24,051	-	-	-	204,069	-	-	-
Mahindra&Mahindra Ltd	113,940	-	-	-	9,820,076	-	-	-
Mahindra Graphic Research Design S.r.l.	-	-	-	-	-	143,585	-	-
PT Mahindra Accelo Steel Indonesia	-	31,746	-	-	44,754	-	-	-
Mahindra North Americas Technical Center	23,850	-	-	-	55,022	-	-	-
Ssangyong Motor Company	-	-	-	-	302,000	-	-	-
Automobili Pininfarina GmbH	652,816	2,060,151	-	-	14,211,401	-	-	-
Total	**868,827**	**2,255,955**	**550,000**	**-**	**25,006,870**	**441,350**	**-**	**-**

Intragroup transactions include:

- Signature S.r.l.: loan agreement, purchases and sales of goods with Pininfarina S.p.A.;
- Tech Mahindra Ltd: services agreements with Pininfarina Engineering S.r.l. and Pininfarina S.p.A., Pininfarina Deutschland GmbH and Pininfarina of America Corp.;
- Tech Mahindra GmbH: lease agreement for equipped office premises and service agreements with Pininfarina Deutschland GmbH;
- Mahindra & Mahindra Ltd: brand licence agreement and engineering services agreements with Pininfarina S.p.A. and Pininfarina Engineering S.r.l.;
- Mahindra Graphic Research Design S.r.l.: engineering services agreement with Pininfarina Engineering S.r.l.;
- PT Mahindra Accelo Steel Indonesia: design services agreement with Pininfarina S.p.A.;
- Mahindra North America Technical Center: services agreement with Pininfarina Engineering S.r.l.;
- Ssangyong Motor Company: design services agreement with Pininfarina S.p.A.;
- Automobili Pininfarina GmbH: design and engineering agreement with Pininfarina S.p.A..

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 €36,000;

- Roberto Mattio provided consultancy to Pininfarina Engineering S.r.l. for €6,960.

On 26 September 2018, Pininfarina Engineering S.r.l. signed an engineering services agreement with Mahindra & Mahindra Ltd ("M&M") for the development of a project to design the upper body systems of the body shell, integration of the body shell with the main operating systems and achievement of the performance requested of a new Mahindra vehicle based on its new platform.

Pininfarina Engineering S.r.l. will receive a fee of €10,583,172 for its services to be provided over roughly 16 months. This fee qualifies the transaction as a "major transaction" pursuant to the relevant legislation. The services provided are part of the "company's normal business activities" and are rendered on an arm's length basis. At the reporting date, services provided to the customer totalled €10,553,138, €7,783,643 of which in 2019. The project has not been concluded yet because the wind tunnel test was postponed to 2020.

The parent, Pininfarina S.p.A., signed five design and engineering services agreements with Automobili Pininfarina GmbH ("AP") on 29 June 2018, 26 March 2019, 31 May 2019, 22 July 2019 and 9 December 2019 respectively, for the development of a project to design the interior and exterior of a new car, to design the upper body systems of the body shell, integration of the body shell with the main operating systems and achievement of the performance requested of a new AP vehicle based on its new platform.

The parent will receive a total fee of €20,510,227 for its services to be provided under the above contracts from June 2018 to December 2020. This fee qualifies the transaction as a "major transaction" pursuant to the relevant legislation. The services provided are part of the "company's normal business activities" and are rendered "on an arm's length basis. At the reporting date, services provided to the customer totalled €14,261,633, €10,345,998 of which in 2019.

On 25 July 2019, Pininfarina Engineering S.r.l. signed an engineering services agreement with Mahindra & Mahindra Ltd ("M&M") for the development of a project to design the upper body systems of the body shell, integration of the body shell with the main operating systems and achievement of the performance requested of a new Mahindra vehicle based on its new platform.

Pininfarina Engineering S.r.l. will receive a fee of €3,950,000 for its services to be provided over roughly 14 months. This fee qualifies the transaction as a "major transaction" pursuant to the relevant legislation. The services provided are part of the "company's normal business activities" and are rendered on an arm's length basis. Services provided to the customer in 2019 totalled €1,030,666.

Directors' and statutory auditors' fees

(€'000)	2019	2018
Directors	737	812
Statutory auditors	107	112
Total	**844**	**924**

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:

	31.12.2019	Merger of Pininfarina Extra S.r.l.	Impairment losses on the San Giorgio Canavese facility	Impairment losses on the "Other design assets" CGU	31.12.2019, net of significant non-recurring transactions
Property, plant and equipment	34,983,259	(1,007)	4,053,951	3,283,113	42,319,316
Investment property	5,497,561			1,650,060	7,147,621
Intangible assets	6,091,734			228,163	6,319,897
Right-of-use assets	5,785,015				5,785,015
Equity investments	854,159				854,159
Deferred tax assets	839,071				839,071
Non-current financial assets	550,000				550,000
NON-CURRENT ASSETS	**54,600,799**	**(1,007)**	**4,053,951**	**5,161,336**	**63,815,079**
Inventories	359,681				359,681
Contract assets	4,616,785				4,616,785
Trade receivables and other assets	40,004,096				40,004,096
Cash and cash equivalents	20,115,128	(1,597,739)			18,517,389
CURRENT ASSETS	**65,095,690**	**(1,597,739)**	**-**	**-**	**63,497,951**
Assets held for sale	1,818,800				1,818,800
TOTAL ASSETS	**121,515,289**	**(1,598,746)**	**4,053,951**	**5,161,336**	**129,131,830**
Share capital and reserves	62,076,005	-	-	-	62,076,005
Loss for the year	(23,074,665)	(1,301,101)	4,053,951	5,161,336	(15,160,479)
EQUITY	**39,001,340**	**(1,301,101)**	**4,053,951**	**5,161,336**	**46,915,526**
Non-current loans and borrowings	25,389,839				25,389,839
Deferred tax liabilities	-				-
Post-employment benefits and other provisions	4,243,045	(236,050)			4,006,995
NON-CURRENT LIABILITIES	**29,632,884**	**(236,050)**	**-**	**-**	**29,396,834**
Current loans and borrowings	7,303,849				7,303,849
Other financial liabilities	7,072,062	(61,595)			7,010,467
Trade payables	19,637,648				19,637,648
Contract liabilities	14,624,300				14,624,300
Current tax liabilities	791,268				791,268
Provisions for risks and charges	3,451,938				3,451,938
CURRENT LIABILITIES	**52,881,065**	**(61,595)**	**-**	**-**	**52,819,470**
TOTAL LIABILITIES	**82,513,949**	**(297,645)**	**-**	**-**	**82,216,304**
TOTAL LIABILITIES AND EQUITY	**121,515,289**	**(1,598,746)**	**4,053,951**	**5,161,336**	**129,131,830**

	2019	Merger of Pininfarina Extra S.r.l.	Impairment losses on the San Giorgio Canavese facility	Impairment losses on the "Other design assets" CGU	31.12.2019, net of significant non-recurring transactions
Revenue from sales and services	85,301,216				85,301,216
Change in finished goods	(16,961)				(16,961)
Other revenue and income	5,113,617	(1,301,101)			3,812,516
REVENUE	**90,397,872**	**(1,301,101)**	**-**	**-**	**89,096,771**
Net gains on sale of non-current assets and equity investments	49,975				49,975
Raw materials and consumables	(7,104,026)				(7,104,026)
Other variable production costs	(2,037,936)				(2,037,936)
External variable engineering services	(14,658,050)				(14,658,050)
Wages, salaries and employee benefits	(54,995,863)				(54,995,863)
Amortisation and depreciation, impairment losses and provisions	(17,713,784)		4,053,951	5,161,336	(8,498,497)
Net exchange losses	(28,545)				(28,545)
Other expenses	(13,278,786)				(13,278,786)
OPERATING LOSS	**(19,369,143)**	**(1,301,101)**	**4,053,951**	**5,161,336**	**(11,454,957)**
Net financial expense	(1,479,069)				(1,479,069)
Dividends	10,817				10,817
Share of loss of equity-accounted investees	(2,429)				(2,429)
LOSS BEFORE TAXES	**(20,839,824)**	**(1,301,101)**	**4,053,951**	**5,161,336**	**(12,925,638)**
Income taxes	(2,234,841)	-	-	-	(2,234,841)
LOSS FOR THE YEAR	**(23,074,665)**	**(1,301,101)**	**4,053,951**	**5,161,336**	**(15,160,479)**

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

a) Pininfarina Engineering S.r.l.’s acquisition of a business unit from Mahindra Graphic Research Design S.r.l. (which is a related party as it is owned by Mahindra & Mahindra Ltd). The impact of this transaction on the net financial debt and cash flows amounts to €1,597,738;
b) impairment loss on the San Giorgio Canavese facility by Pininfarina S.p.A.;
c) impairment loss on the assets of the “other design activities” CGU by Pininfarina S.p.A..

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.

Disclosure on the independent auditors' fees required by article 149-duodecies of the Issuer Regulation

The 2019 fees for audit and non-audit services provided by KPMG and other entities of its network are detailed below, pursuant to article 149-duodecies of the Consob Issuers' Regulation.

Service provider	**Service recipient**	**Fee 2019**
KPMG S.p.A.	Pininfarina S.p.A. (1)	155,500
KPMG Advisory S.p.A.	Pininfarina S.p.A. (2)	40,000
KPMG S.p.A.	Pininfarina Engineering S.r.l. (3)	25,000
KPMG S.p.A.	Pininfarina Extra S.r.l. (4)	
KPMG network	Subsidiaries (5)	61,000
Total		**281,500**

(1) They include the following services for total fees of €155,500:

- translation of financial documents prepared by Pininfarina S.p.A.;
- audit of the consolidated reporting package at 31 March 2019 for the consolidation purposes of the Tech Mahindra Group;
- limited assurance engagement on the non-financial statement.

(2) Non-financial statement assessment and benchmarking.

(3) Audit of the financial statements of Pininfarina Engineering S.r.l.;

(4) Audit of the financial statements of Pininfarina Extra S.r.l.;

(5) They include the audit of the reporting package at 31 March for the consolidation purposes of the Tech Mahindra Group (€18,000).

LIST OF CONSOLIDATED COMPANIES

Name	Registered office	Country	Share/quota capital	Currency	Consolidated %	Investor	Investment %
Parent							
Parent **Pininfarina S.p.A.**	Turin Via Raimondo Montecuccoli 9	Italy	54,287,128	€	100		
Consolidated subsidiaries							
Italian subsidiaries							
Pininfarina Engineering S.r.l.	Turin Via Nizza 262/25	Italy	100,000	€	100	Pininfarina S.p.A.	100
Foreign subsidiaries							
Pininfarina of America Corp.	Miami FL , 501 Brickell Key Drive, Suite 200	USA	10,000	USD	100	Pininfarina S.p.A.	100
Pininfarina Deutschland Holding GmbH	Leonberg Riedwiesenstr. 1	Germany	3,100,000	€	100	Pininfarina Engineering S.r.l.	100
Pininfarina Deutschland GmbH	Munchen Frankfurter Ring 81	Germany	25,000	€	100	Pininfarina Deutschland Holding GmbH	100
Pininfarina Shanghai Co. Ltd	Shanghai Jiading district, Unit 1, Building 3, Lane 56, Antuo Road, Anting, 201805	China	3,702,824	CNY	100	Pininfarina S.p.A.	100
Equity-accounted investees							
Goodmind S.r.l.	Turin, Corso Vittorio 12	Italy	20,000	€	20	Pininfarina S.p.A.	20
Signature S.r.l.	Ravenna (RA) Via Paolo Frisi 6	Italy	10,000	€	24	Pininfarina S.p.A.	24

Key figures of the main group companies
(IFRS figures)

Pininfarina Engineering S.r.l. (*)

Registered office: Turin - I
Quota capital €100,000
Direct investment percentage 100%

€'million	31.12.2019	31.12.2018
Revenue	21.9	11.6
Loss for the year	(4.9)	(2.5)
Equity	0.1	17.1
Net financial position	1.0	1.9

Pininfarina Deutschland Group

Registered office: Leonberg - D
Share capital €3,100,000
Direct investment percentage 100%

€'million	31.12.2019	31.12.2018
Revenue	22.9	21.3
Loss for the year	(1.3)	(1.1)
Equity	15.7	17.0
Net financial debt	(7.3)	(2.2)

Pininfarina Shanghai Co. Ltd

Registered office: Shanghai - PRC
Share capital CNY3,702,824
Direct investment percentage 100%

€'million	31.12.2019	31.12.2018
Revenue	8.9	7.2
Profit for the year	0.3	1.1
Equity	1.9	2.1
Net financial position	0.9	1.3

Pininfarina of America Corp.

Registered office: Miami - USA
Share capital USD10,000
Direct investment percentage 100%

€'million	31.12.2019	31.12.2018
Revenue	2.3	2.6
Profit (loss) for the year	(0.1)	0.4
Equity	1.5	1.6
Net financial position	0.1	0.6

Pininfarina Extra S.r.l. (**)

Registered office: Turin - I
Share capital €388,000
Direct investment percentage 100%

€'million	31.12.2019	31.12.2018
Revenue	0.0	6.4
Profit for the year	0.0	1.1
Equity	0.0	6.4
Net financial position	0.0	3.7

(*) commenced operations on 1 July 2018
(**) Pininfarina Extra S.r.l. was merged into Pininfarina S.p.A. as of 1 January 2019

Chief Executive Officer
Silvio Pietro Angori
(signed on the original)

Disclosure on the merger of Pininfarina Extra S.r.l. (article 2504-bis-3 of the Italian Civil Code)

With respect to the above merger, a pro forma statement of financial position has been drawn up for the comparative purposes.
The schedule sums the assets and liabilities of Pininfarina S.p.A. and Pininfarina Extra S.r.l., which was merged into the former, and the result is adjusted by eliminating all intragroup balances and including the impact of the merger.

	Pininfarina S.p.A. (01.01.2019)	Pininfarina Extra S.r.l. (01.01.2019)	Merger effect	Total
Property, plant and equipment	40,230,608	138,784		40,369,392
Intangible assets	5,962,758	290,155		6,252,913
Equity investments	24,043,730	367,276	(2,177,506)	22,233,500
Deferred tax assets	1,255,256	24,861		1,280,117
Non-current financial assets	2,325,967	397,807		2,723,774
NON-CURRENT ASSETS	**73,818,319**	**1,218,883**	**(2,177,506)**	**72,859,696**
Inventories	265,524	142,764		408,288
Contract assets	838,677			838,677
Current financial assets	13,105,943			13,105,943
Trade receivables and other assets	22,387,592	3,307,016	(662,244)	25,032,363
Cash and cash equivalents	11,182,815	3,354,517		14,537,332
Assets held for sale	-			-
CURRENT ASSETS	**47,780,551**	**6,804,296**	**(662,244)**	**53,922,603**
TOTAL ASSETS	**121,598,870**	**8,023,179**	**(2,839,750)**	**126,782,299**
Share capital and reserves	60,508,661	6,411,027	(2,177,506)	64,742,181
Profit for the year	5,730,195			5,730,195
EQUITY	**66,238,856**	**6,411,027**	**(2,177,506)**	**70,472,376**
Non-current loans and borrowings	22,351,025			22,351,025
Post-employment benefits and other provisions	2,716,632	730,887		3,447,519
NON-CURRENT LIABILITIES	**25,067,657**	**730,887**		**25,798,544**
Current loans and borrowings	4,315,665	120,267		4,435,932
Other financial liabilities	2,973,429	385,359		3,358,788
Trade payables	14,566,356	369,483	(723,405)	14,212,434
Contract liabilities	7,541,381		61,161	7,602,542
Current tax liabilities	367,757	6,158		373,915
Provisions for risks and charges	527,769			527,769
CURRENT LIABILITIES	**30,292,357**	**881,266**	**(662,244)**	**30,511,379**
TOTAL LIABILITIES	**55,360,014**	**1,612,153**	**(662,244)**	**56,309,923**
TOTAL LIABILITIES AND EQUITY	**121,598,870**	**8,023,179**	**(2,839,750)**	**126,782,299**

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

◊ The undersigned Silvio Pietro Angori, as CEO, 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 consolidated financial statements:

- are adequate in relation to the group's characteristics and
- have been effectively applied during 2019.

◊ Moreover, they state that the consolidated financial statements as at and for the year ended 31 December 2019:

- 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;
- 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 reliable analysis of the group's performance and results of operations and the issuer's and consolidated companies' financial position and performance, as well as a description of the main risks and uncertainties to which they are exposed.

23 March 2020

Chief Executive Officer	Manager in charge of financial reporting
Silvio Pietro Angori *(signed on the original)*	Gianfranco Albertini *(signed on the original)*

KPMG

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

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

To the shareholders of
Pininfarina S.p.A.

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of the Pininfarina Group (the "group"), which comprise the statement of financial position as at 31 December 2019, the statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Pininfarina Group as at 31 December 2019 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the consolidated financial statements*" section of our report. We are independent of Pininfarina S.p.A. (the "parent") in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Estimate of the recoverable amount of non-current assets and goodwill

Directors' report: section "2019 performance by business segment", paragraph "Design segment", section "Financial performance and financial position of the Pininfarina Group", paragraphs "Financial performance" and "Financial position"; notes to the consolidated financial statements: note "Assessments that affect the consolidated financial statements, paragraph (c) Impairment", note 1 "Property, plant and equipment" and note 2 "Intangible assets"

Key audit matter	Audit procedures addressing the key audit matter
Due to the suspension of certain important contracts and the general negative performance of the reference automotive market, in the second half of 2019, the group's revenue began to plummet, leading to an operating loss for the year. According to the directors' outlook for 2020, the difficult situation is expected to continue. Since they believed that this was an indication of impairment in accordance with IAS 36.12, the directors tested the group's non-current assets for impairment, by comparing the reporting-date carrying amount of the CGUs, including the related goodwill, to their recoverable amount. They estimated the recoverable amount based on their value in use, calculated using the discounted cash flow model. Impairment testing requires a high level of judgement, especially in relation to: — the expected cash flows, calculated by taking into account the general economic performance and that of the group's sector and the actual cash flows generated by the CGUs in recent years; — the financial parameters to be used to discount the above cash flows. For the above reason, we believe that the recoverability of non-current assets and goodwill is a key audit matter.	Our audit procedures included: — understanding the process adopted to prepare the impairment test approved by the parent's board of directors; — understanding the process adopted to prepare the CGUs' financial projections from which the expected cash flows used for impairment testing have been derived; — analysing the reasonableness of the assumptions used to prepare the financial projections; — checking any discrepancies between the previous year forecast and actual figures, in order to check the accuracy of the estimation process; — comparing the expected cash flows used for impairment testing to those used for the financial projections and analysing the reasonableness of any discrepancies; — involving experts of the KPMG network in the assessment of the reasonableness of the impairment testing model and related assumptions, including by means of a comparison with external data and information;

	— assessing the appropriateness of the disclosures provided in the notes about non-current assets, goodwill and the related impairment tests.

Recoverability of the Bairo Canavese and San Giorgio Canavese industrial facilities

Directors' report: section "Financial performance and financial position of the Group Pininfarina", paragraphs "Financial performance" and "Financial position"; notes to the consolidated financial statements: note "Assessments that affect the consolidated financial statements, paragraph (c) Impairment", note "Accounting policies" and note 1 "Property, plant and equipment"

Key audit matter	Audit procedures addressing the key audit matter
"Land and buildings" include the carrying amounts of the discontinued Bairo Canavese and San Giorgio Canavese industrial facilities. The recoverability of the above facilities' carrying amounts is based on their fair value, which is in line with the most recent appraisals available to the parent. Estimating those industrial facilities' fair value entails a high level of judgement by the directors, especially in relation to the key underlying assumptions. For the above reasons, we believe that the recoverability of the industrial facilities mentioned above is a key audit matter.	Our audit procedures included: — analysing the method used to calculate the Bairo Canavese and San Giorgio Canavese industrial facilities' fair value; — analysing the reasonableness of the assumptions underlying the industrial facilities' estimated fair value, including by checking the appraisals prepared by the group's consultants; — involving experts of the KPMG network in the assessment of the reasonableness of the appraisals prepared by the group's consultants, including by means of a comparison with external data and information; — analysing the events after the reporting date that provide information useful for an assessment of the recoverability of the carrying amounts of those industrial facilities; — assessing the appropriateness of the disclosures provided in the notes about the recoverability of the carrying amounts of those industrial facilities.

Responsibilities of the parent's directors and board of statutory auditors ("Collegio Sindacale") for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the group's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the consolidated financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the parent or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

— identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

— obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control;

— evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

— conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the group to cease to continue as a going concern;

— evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

— obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 6 May 2013, the parent's shareholders appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2013 to 31 December 2021.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the parent in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

Report on other legal and regulatory requirements

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The parent's directors are responsible for the preparation of the group's directors' report and report on corporate governance and ownership structure at 31 December 2019 and for the consistency of such reports with the related consolidated financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the group's consolidated financial statements at 31 December 2019 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the group's consolidated financial statements at 31 December 2019 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Statement pursuant to article 4 of the Consob regulation implementing Legislative decree no. 254/16

The directors of Pininfarina S.p.A. are responsible for the preparation of a consolidated non-financial statement pursuant to Legislative decree no. 254/16. We have checked that the directors had approved such consolidated non-financial statement. In accordance with article 3.10 of Legislative decree no. 254/16, we attested the compliance of the non-financial statement separately.

Turin, 17 April 2020

KPMG S.p.A.

(signed on the original)

Andrea Fumagallo
Director of Audit