## PRESS RELEASE

# FINAL STAGES IN THE NEGOTIATIONS FOR A FRAMEWORK AGREEMENT WITH LENDER INSTITUTIONS NEW INDUSTRIAL AND FINANCIAL PLAN PININFARINA'S DEBT EXPOSURE AND NET FINANCIAL POSITION

*Turin, December 30, 2008*. Pininfarina S.p.A. ("**Pininfarina**" or the "**Company**") announces that the ongoing negotiations with lender institutions for a framework agreement defining the terms and conditions of transactions stipulated with lender institutions to recapitalize the Company and reschedule its medium- and long-term debt (the "**Framework Agreement**") are about to be completed. Consequently, it looks forward, sometime tomorrow, to signing the Framework Agreement, the related agreements and an agreement to reschedule its entire debt exposure (the "**Rescheduling Agreement**"). In any case, the outcome of the abovementioned negotiations will be disclosed promptly to the market.

The main terms and conditions of the Framework Agreement defined thus far — which are substantially in line with the stipulations of the non-binding Term Sheet executed by the Company and Pincar S.p.A., its majority shareholder, ("**Pincar**") on December 3, 2008 — and those of the Rescheduling Agreement are outlined below, together with additional information concerning mainly the new industrial and financial plan and Pininfarina's debt exposure and net financial position, which the Consob asked the Company to disclose to the market, pursuant to Article 114, Section 5, of Legislative Decree No. 58 of February 24, 1998 ("**Legislative Decree No. 58/98**").

**Framework Agreement**

Pursuant to the Framework Agreement, the process of restoring equilibrium to Pininfarina's balance sheet and financial position will be carried out in two phases

- <u>During the first phase</u> ("**Phase I**"):

i. The lender institutions that provided Pininfarina with medium- and long-term loans and finance leases (the "**Creditor Banks**") will assign without recourse to Pincar a portion of the receivables owed to them by Pininfarina totaling 180 million euros for a consideration of 1 euro.

ii. Immediately following the abovementioned assignment, Pincar will forgive in their entirety the receivables owed by Pininfarina that it purchased from the Banks.

iii. Concurrently with the abovementioned assignment of receivables, Pincar will agree to the following: (1) it will sell its entire equity interest in Pininfarina (equal in total to 50.6% of the share capital) and, for this purpose, it will select, by February 28, 2009, three top-rated investment banks (different from and independent of the Creditor Banks, Pincar, Pincar shareholders, Pininfarina and/or companies affiliated with the abovementioned parties) and, during the following 20 days, the Creditor Banks will choose among them the investment bank to which Pincar will award an irrevocable representation assignment (provided also in the interest of the Creditor Banks) and an irrevocable power of attorney authorizing it to sell the abovementioned equity interest by means of a private transaction or through one or more separate market transactions, in accordance with guidelines mutually agreed to by the parties, as set forth in an Annex to the Framework Agreement; and (2) if the equity investment in Pininfarina is in fact sold, it will pay as a supplement to the consideration originally paid for the abovementioned assignment of receivables *(a)* the amount of 180 million euros, plus accrued interest at a stipulated annual rate, or *(b)* the price actually received for the sale of the Pininfarina shares held by Pincar, net of any taxes and any other sales related charges, whichever is lower.

iv. Pininfarina and all of the lender institutions will execute a Rescheduling Agreement, the effectiveness of which will be subject to the implementation of all of the activities scheduled for execution during Phase I and the fulfillment of the conditions precedent entailed by Phase I, as described below.

v. Pincar will pledge Pininfarina shares that it owns equal to 49.46% of the Company's share capital (the remaining 1.14%, currently the subject of a different pledge, will be pledged for the benefit of the Creditor Banks by February 28, 2009) to secure the performance of its obligations in connection with the implementation during Phase I of the assignment of receivables referred to in Section i. above and, if applicable, the implementation during Phase II of the assignment of the receivables referred to in Section ii. below, and in connection with the Rescheduling Agreement. In addition, Pincar shares equal to 99% of the share capital will be pledged to secure the abovementioned obligations. In both cases, the pledge agreement will stipulate that the parties pledging the shares will retain the voting rights, with the Creditor Banks being empowered to exercise the voting rights in the event of default (for example, if Pininfarina fails to comply with certain contractual obligations).

Pursuant to the Framework Agreement, the implementation of Phase I is subject to the fulfillment of following conditions precedent:

- A satisfactory due diligence review of Pincar, performed by consultants of the lender institutions, focused primarily on ascertaining that Pincar does not hold equity investments other than the Pininfarina shares and has no significant current or contingent liabilities, must completed to the satisfaction of the lender institutions.
- Pursuant to Article 67, Section 3, Letter d), of Royal Decree No. 267 of March 16, 1942 ("**Bankruptcy Law**"), Pininfarina must secure a certification, issued by an independent expert, attesting that the Pininfarina's industrial and financial plan is suitable for the purpose of remedying the Company's debt exposure and rebalancing its financial position (the "**Certification**"). Subject to the signing of the Framework Agreement and the implementation of Phase I, plans call for the Certification to be issued on December 31, 2008 by Pietro Pisoni, Tenured Professor of Accounting at the School of Economics of the University of Turin, Certified Public Accountant and Independent Auditor.
- The Company, Pincar and/or Pincar's shareholders shall refrain from carrying out actions that are substantively incompatible with the provisions of the industrial and financial plan or can adversely affect its implementation.

Hopefully, upon all of the abovementioned conditions precedent being satisfied concurrently with the signing of the Framework Agreement and the related agreements, all of the activities entailed by the implementation of Phase I will be completed tomorrow, making the Rescheduling Agreement effective.

However, it is important to keep in mind that, pursuant to the Framework Agreement, Phase I must be completed by December 31, 2008, if possible, or by January 31, 2009, at the latest, and that the Framework Agreement can be cancelled only if the conditions precedent described above are not satisfied by January 31, 2009 or Phase I is not completed by the same date, it being understood that, once Pincar has forgiven the receivables owed by Pininfarina, the effects of Phase I can no longer be reversed.

- <u>During the second phase</u> ("**Phase II**"):

i. Within the context of a broader debt restructuring agreement executed pursuant to Article 182-*bis* of the Bankruptcy Law (the "**Restructuring Agreement Pursuant to Article 182-*bis***"), the "Pininfarina" trademark for Class 12 (Automotive), owned by Pininfarina, and for all other merchandise categories (excluding Class 12), owned by Pininfarina Extra S.r.l. (collectively the "**Trademarks**") will be sold to a company wholly owned by the Creditor Banks ("**Newco**") at a price equal to the value of the Trademarks, as determined by an expert appraiser of top standing and proven independence (the "**Expert**"). On December 23, 2008, the Company retained the firm of Valdani, Vicari e Associati for the purpose of performing this assignment. The Restructuring Agreement Pursuant to Article 182-*bis* will also provide for the following: (1) Newco will pay the sales price of the Trademarks by assuming an equal amount of indebtedness owed by the Company to the Creditor Banks and releasing the Company from the corresponding obligation; (2) use of the Trademarks will be granted on an exclusive basis to the Company and/or its subsidiaries against payment of royalties, the amount of which will be determined consistent with the value assigned to the Trademarks by the Expert; and (3) Newco will grant to the Company a call option enabling it to buy back and/or cause its subsidiaries to buy back the Trademarks at a price equal to their fair value on the date of purchase, as determined by an expert appraiser of top standing and proven independence. For this purpose, by February 28, 2009, the Company, based also on the expert appraisal provided by the Expert, must prepare the documents required by Article 182-*bis* of the Bankruptcy Law and other applicable statutes and file with the Court of Turing an application for approval of the Restructuring Agreement Pursuant to Article 182-*bis*. All stipulated transactions (including, among others, the sale of the Trademarks) will be executed or, if applicable, become effective only after the Restructuring Agreement Pursuant to Article 182-*bis* has been approved by the Court. However, the parties to the Framework Agreement reserved the right to evaluate in good faith alternative solutions, other than those outlined above, to implement the transaction described above without changing their effect. In this area, it is worth noting that, once Phase I has been completed, Pininfarina will undertake to ensure that ownership of the Trademarks is not transferred under any title and that they are not encumbered by a pledge.

ii. If the value assigned to the Trademarks and, consequently, their sales price is less than 70 million euros, the Creditor Banks will assign without recourse to Pincar, in one or more installments, a portion of their receivables — up to an amount equal to the difference between 70 million euros and the value assigned to the Trademarks by the Expert (the "**Difference**") — for a consideration equal to the face value of the assigned receivables, forgivable in part by the Creditor Banks upon the occurrence of certain specified events, it being understood that, only in the event that the interest held by Pincar in Pininfarina is actually sold, Pincar shall be required to pay to the Creditor Banks *(a)* the face amount of the assigned receivables, plus accrued interest at a stipulated annual rate, or *(b)* the price actually received for the sale of the Pininfarina shares held by Pincar, net of any taxes and any other sales related charges, whichever is lower. However, the parties to the Framework Agreement reserved the right to evaluate in good faith alternative solutions, other than those outlined above, to implement the abovementioned assignment of receivables without changing its effect.

iii. Concurrently with the assignment of receivables referred to in Section ii. above, Pincar will Provide Pininfarina with an advance on future capital increases by forgiving receivables it purchased from the Creditor Banks equal to an amount sufficient to enable Pincar to underwrite its pro rata share (50.6%) of the rights offering capital increase described below. Subsequently, Pincar will provide an advance on future capital increases equal to the amount needed to cover any unexercised rights to the abovementioned capital increase, the underwriting of which Pincar will have agreed to guarantee, it being understood that the abovementioned assignment of receivables and related advance on future capital increases will be carried out only if a portion of the capital increase rights is not exercised. Moreover, the capital increase will be structured so as to ensure that the interest held by Pincar in Pininfarina after the capital increase will not be greater than 90% of the entire share capital. In addition, it will be expressly required that the additional Pininfarina shares acquired by Pincar through subscription will be pledged for the benefit of the Creditor Banks to secure the performance of the obligations described above.

iv. As quickly as technically possible, Pininfarina will carry out (with Pincar guaranteeing its performance) a rights offering capital increase available to all shareholders, with Pincar guaranteeing the underwriting of shares corresponding to unexercised rights up to an amount to be determined. In this area as well, the parties to the Framework Agreement reserved the right to evaluate in good faith alternative solutions, other than those outlined above, to execute the transaction described above without changing its effect. The Framework Agreement also provides that, should Creditor Banks representing at least 66.67% of the term loan and finance lease exposure deem it appropriate, Phase II could be carried out merely through the assignment of the abovementioned receivables to Pincar and the implementation of the abovementioned capital increase.

The implementation of Phase II is subject to the fulfillment of following conditions precedent:

- Only if the sale of the Trademarks is carried out, the Court Decree approving the Restructuring Agreement Pursuant to Article 182-*bis* must become final on or before June 30, 2009;
- Only if the abovementioned capital increase is carried out and if required pursuant to law, the Consob must provide by April 15, 2009 (a) a confirmation that the implementation of Phase II does not obligate the Creditor Banks to launch a tender offer; or (b) a waiver of the abovementioned obligation.

Phase II should be completed by June 30, 2009. If Phase II is not completed by that deadline or if the Court fails to approve the Restructuring Agreement Pursuant to Article 182-*bis* with a decision that has become final, the Framework Agreement would become null and void, without prejudice to the effects of Phase I, it being understood that once the receivables have been forgiven, the resulting effect cannot be reversed.

It is important to keep in mind that the Framework Agreement:

- Does not provide for an alternative solution if no indications of interest to purchase the Pininfarina shares owned by Pincar are forthcoming;
- Does not provide for the Creditor Banks to appoint representatives on the Boards of Directors of Pininfarina or of the companies of the Group headed by Pininfarina, nor does it include provisions concerning the governance of Pininfarina or Pincar;
- Does not contain additional stipulations concerning the manner of implementation, amount, terms and conditions and timing of the abovementioned capital increase.

As for the impact that the transactions of the Framework Agreement will have on Pininfarina's shareholder base, it is worth noting that:

- The sale to outsiders of the entire interest held by Pincar in Pininfarina, equal to 50.6% of the share capital, which would occur pursuant to an authorization to sell the abovementioned interest given by Pincar, would produce a change in the shareholder who holds a controlling interest in the Company, as defined in Article 93 of Legislative Decree No. 58/98, and, consequently, trigger an obligation on the part of the buyers to carry out a tender offer pursuant to the applicable provisions of Legislative Decree No. 58/98 and Consob Resolution No. 11971/99;
- If the capital increase included in Phase II is in fact carried out, Pincar's interest in Pininfarina could either remain the same (if all shareholders exercise their subscription rights) or could become greater than the interest it currently holds (if the other shareholders do not exercise their capital increase subscription rights and/or of Pincar acquires through subscription additional capital increase shares in performance of an obligation that Pincar may have undertaken to guarantee the underwriting of any unsubscribed shares in connection with the abovementioned capital increase), without prejudice to the stipulations referred to above with regard to the interest that Pincar may hold in Pininfarina subsequent to the capital increase.

As for the impact that the implementation of the transactions referred to in the Framework Agreement in connection with the implementation of Phase I and Phase II would have on the income statement, balance sheet and financial position of the Pininfarina Group, it is important to note that:

- Insofar as Phase I is concerned, the forgiveness by Pincar of 180 million euros in receivables owed by Pininfarina would: (i) reduce Pininfarina's indebtedness by 180 million euros; and (ii) generate out-of-period income of an equal amount.
- Insofar as Phase II is concerned: (1) if only the Trademarks are sold and their price is paid by assuming an equal amount of indebtedness owed by the Pininfarina to the Creditor Banks and releasing the Company from the corresponding obligation: (i) the indebtedness would be reduced by an amount equal to the price of the Trademarks; and (ii) Pininfarina would recognize out-of-period income of an equal amount; (2) if the Trademarks are valued at less than 70 million euros and the Creditor Banks assign without recourse to Pincar an additional portion of the receivables owed by Pininfarina in an amount equal to the Difference, the impact on Pininfarina income statement, balance sheet and financial position would be the same as those mentioned with regard to Phase I, it being understood that, in this case, Pincar would provide Pininfarina with an advance on future capital increases by forgiving the receivables it acquired from the Creditor Banks.
- The implementation of Phase I and Phase II would thus reduce Pininfarina's indebtedness by 250 million euros and increase its shareholders' equity by the same amount.

**New Industrial Plan**

The new industrial plan, the implementation of which is predicated on the signing of the Framework Agreement, is designed to maximize the potential benefits of the electric car business and strengthen the Group's styling and engineering services, in response to a steady contraction of the contract vehicle manufacturing market, which is affected by a negative trend that is expected to continue in the future.

In light of recent developments in the automobile market, the Company does not plan to accept new contract vehicle manufacturing orders and will only complete the outstanding contracts with Alfa Romeo and Ford, which expire in 2011.

Production volumes are expected to decrease steadily from 2009 to 2011, but will rise again in the 2012-2017 period as a result of the launch of the electric car. In this area, the Company expects to begin manufacturing electric cars in 2010 with the launch of "pilot programs" (with a limited number of cars for each one), with full-scale production scheduled for 2011.

The styling and engineering operations are expected to grow in 2009, 2010 and 2011, due to activities carried out in connection with the development of the electric car, and will later stabilize at the levels achieved in previous years.

To support its restructuring program, the Company is currently negotiating the divestment of its French operations headed by Matra. The sales process, which got under way in 2008, should be completed by the end of 2009, generating proceeds of about 18 million euros.

Overall, the risks entailed by the implementation of the industrial plan are not expected to be different from those inherent in any business endeavor.

**Sources of Financing and Projected Losses for 2008**

If the Framework Agreement with the lender institutions is executed, the Company expects to have sufficient liquid resources to meet all of its obligations.

These resources are already available and were listed on the various balance sheets published in 2008. In 2009, the industrial operations are expected to absorb liquidity at a level consistent with the maintenance of a sufficient safety margin.

If the Framework Agreement is executed and Phase I of the Agreement is completed by December 31, 2008, the loss currently projected for 2008 would not be large enough to impair the value of Pininfarina's share capital (out-of-period income of 180 million euros would be recognized).

Even though, currently, all of the conditions precedent of the Framework agreement are expected to be fulfilled by tomorrow, if the Framework agreement is not executed or Phase I is not implemented in 2008, the loss incurred in 2008 would cause the Company's entire share capital to be written off.

**Indebtedness as of November 2008**

At November 30, 2008, the Company's gross indebtedness totaled 597.7 million euros, broken down as follows: 208.2 million euros in medium- and long-term facilities, 349.7 million euros in lease obligations, 39 million euros drawn down on short-term credit lines (on facilities totaling 49.8 million euros) and 0.8 million euros in intra-Group financing.

Hopefully, all of the lender institutions will accept the Framework Agreement. The only exception is Fortis Bank, which has outstanding a medium- and long-term facility amounting to 41.9 million euros. On June 25, 2008, the Company reached a bilateral agreement with Fortis Banks to reschedule its credit lines.

The lender institutions that are expected to accept the Framework Agreement represent indebtedness totaling 554.9 million euros, broken down as follows: 166.2 million euros in medium- and long-term facilities, 349.7 million euros in lease obligations and 39 million euros drawn down on short-term credit lines (on facilities totaling 49.8 million euros).

The Company and the lender institutions have executed a standstill agreement that will be in effect until December 31, 2008.

Currently, the Company has been generating cash flow and has been paying on time all of its commercial, tax-related and employee benefit obligations. Pursuant to the standstill agreement, the Company has been making all stipulated interest payments on time, but has suspended principal payments.

The main terms and conditions of the debt Rescheduling Agreement with the lender institutions are summarized below:

Specifically, the Rescheduling Agreement calls for repayment of lease obligations and medium- and long-term facilities to start in 2013 (or 2012 if Phase II is carried out through the assignment of additional receivables without recourse). The final due date is 2014 for lease obligations and 2015 for medium- and long-term facilities.

The Company will be required to make mandatory early repayments by: (i) using proceeds from asset sales; (ii) allocating 75% of any cash flows generated by the Company in 2009, 2010, 2011 and 2012 (or 2009, 2010 and 2011 if Phase II is carried out through the assignment of additional receivables without recourse); (iii) allocating 40% of any cash flows generated by the Company starting in 2013 (or 2012 if Phase II is carried out through the assignment of additional receivables without recourse).

In addition, about 12 million euros in medium- and long-term facilities and about 25 million euros in lease obligations will be repaid by March 2, 2009 utilizing available cash, as per the Company's financial statements. Additional repayments of the same amounts are due on March 2, 2010.

In accordance with the terms of the Rescheduling Agreement, interest on lease obligations and medium- and long-term facilities will begin to accrue on 2012 (no interest will be due for the 2009-2011 period) at a rate equal to: (i) Six-month Euribor plus a spread of 1.10% on medium- and long-term facilities; and (ii) as stated in the corresponding lease agreements.

Lastly, pursuant to the Rescheduling Agreement, the Company will be required to comply with the following financial covenants:

- In 2009 and 2010: (i) EBITDA floor; and (ii) liquidity floor;

- Starting in 2011: (i) Net borrowings/Shareholders' equity; (ii) EBITDA/Financial expense; (iii) Net borrowings/EBITDA.

**Net Financial Position of the Pininfarina Group and Pininfarina at November 30, 2008**

The schedules that follow present the net financial position of the Pininfarina Group and Pininfarina at November 30, 2008.

*Pininfarina Group – Net Financial Position at November 30, 2008*

| | 11/30/08 | 9/30/08 | CHANGE |
|---|---|---|---|
| Cash and cash equivalents | 74.6 | 115.9 | (41.4) |
| Net liquid assets included in held-for-sale assets | - | 1.6 | (1.6) |
| Current assets held for trading | 58.8 | 51.0 | 7.8 |
| Current loans receivable and other receivables | 36.9 | 42.0 | (5.1) |
| Held-for-sale current assets | - | - | - |
| Loans receivable from associates and joint ventures | 17.9 | 17.9 | - |
| Bank account overdrafts | (39.9) | (30.3) | (9.6) |
| Current liabilities under finance leases | (349.7) | (349.7) | - |
| Loans payable to associates and joint ventures | - | - | - |
| Current portion of long-term bank debt | (171.6) | (171.6) | - |
| **Net short-term debt** | **(373.1)** | **(323.2)** | **(49.9)** |
| Long-term loans and other receivables from outsiders | 95.5 | 90.0 | 5.5 |
| Long-term loans and other receivables from associates and joint ventures | 55.6 | 54.9 | 0.8 |
| Held-for-sale non-current assets | - | - | - |
| Long-term liabilities under finance leases | - | - | - |
| Long-term bank debt | (37.3) | (37.3) | - |
| **Long-term debt** | **113.8** | **107.6** | **6.2** |
| **Net financial position** | **(259.3)** | **(215.6)** | **(43.7)** |

*Pininfarina S.p.A. – Net Financial Position at November 30, 2008*

| | 11/30/08 | 9/30/08 | CHANGE |
|---|---|---|---|
| Cash and cash equivalents | 70.6 | 112.2 | (41.7) |
| Net liquid assets included in held-for-sale assets | - | - | - |
| Current assets held for trading | 58.4 | 50.6 | 7.8 |
| Current loans receivable and other receivables | 36.9 | 42.0 | (5.1) |
| Held-for-sale current assets | - | - | - |
| Loans receivable from associates and joint ventures | 17.9 | 17.9 | - |
| Bank account overdrafts | (39.0) | (29.7) | (9.3) |
| Current liabilities under finance leases | (349.7) | (349.7) | - |
| Loans payable to associates and joint ventures | (0.8) | (1.1) | 0.3 |
| Current portion of long-term bank debt | (171.6) | (171.6) | - |
| **Net short-term debt** | **(377.3)** | **(329.3)** | **(48.0)** |
| Long-term loans and other receivables from outsiders | 95.5 | 90.0 | 5.5 |
| Long-term loans and other receivables from associates and joint ventures | 89.5 | 85.9 | 3.7 |
| Held-for-sale non-current assets | - | - | - |
| Long-term liabilities under finance leases | - | - | - |
| Long-term bank debt | (36.6) | (36.6) | - |
| **Long-term debt** | **148.4** | **139.3** | **9.1** |
| **Net financial position** | **(228.8)** | **(190.0)** | **(38.9)** |

At November 30, 2008, Pininfarina's net financial position showed a negative balance that had increased by 38.9 million euros compared with September 30, 2008. This change is mainly the result of a reduction in cash and cash equivalents caused by the following developments:

- An investment of 10 million euros in October, in connection with the capitalization of the joint venture with the Bolloré Group;
- A decrease of the liquidity generated by operating activities (production activities in particular), due a sharp decline in volumes ordered by carmaker customers starting in October.

Given the preponderant impact that the performance of the Parent Company has on Group results, the comments provided above also apply to the consolidated financial statements.

**Other Information**

In 2008, insofar as its manufacturing operations are concerned, Pininfarina estimates that it availed itself of the Extraordinary Supplemental Unemployment Benefit Fund for its entire workforce for an average of 360 employees per month. The cost that the Company incurred in connection with the use of the Extraordinary Supplemental Unemployment Benefit Fund amounted to about 1,685,500 euros. During the year, the Company also availed itself of the Ordinary Supplemental Unemployment Benefit Fund at a cost of about 14,000 euros.
In 2009, the Company expects that it will again avail itself of the Extraordinary Supplemental Unemployment Benefit Fund for its entire workforce for an average of 900 employees per month.

The total cost of the abovementioned Extraordinary Supplemental Unemployment Benefit Fund is estimated at about 3,946,000 euros.

**Contacts:**
**Pininfarina:**
Gianfranco Albertini, Director of Finance and Investor Relations, tel. 0117091429
Francesco Fiordelisi, Corporate and Product Communications Manager, tel. 011.9438105/335.7262530
**Studio Mailander:** Carolina Mailander, tel. 011.5527311/335.6555651