Interim Report on Operations
as of 30 September 2016

Disclaimer

This Interim Financial Report as of 30 September 2016 has been translated into English solely for the convenience of the international reader. In the event of conflict or inconsistency between the terms used in the Italian version of the report and the English version, the Italian version shall prevail, as the Italian version constitutes the sole official document.

This report is available on the Internet at:
www.piaggiogroup.com

Contacts

Head of Investor Relations
Raffaele Lupotto
Email: investorrelations@piaggio.com
Tel. +390587 272286
Fax +390587 276093

Piaggio & C. SpA
Viale Rinaldo Piaggio 25
56025 Pontedera (PI)

Management and Coordination

IMMSI S.p.A.

Share capital €207,613,944.37, fully paid up

Registered office: Viale R. Piaggio 25, Pontedera (Pisa)

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Interim Directors' Report

Introduction

This unaudited Interim Report on Operations as of 30 September 2016 has been prepared in compliance with Italian Legislative Decree no. 58/1998 as amended, as well as with Consob Regulation on Issuers.
These Interim Financial Statements have been prepared in compliance with International Financial Reporting Standards (« IFRS ») issued by the International Accounting Standards Board (« IASB ») and approved by the European Union and in accordance with IAS 34 – Interim Financial Reporting.
As provided for by Consob communication no. DEM/5073567 of 4 November 2005, the Company opted to indicate fewer details than the information required as of IAS 34 – *Interim Financial Reporting*.

Mission

The mission of the Piaggio Group is to generate value for its shareholders, clients and employees, by acting as a global player that creates superior quality products, services and solutions for urban and extraurban mobility that respond to evolving needs and lifestyles.

To stand out as a player that contributes to the social and economic growth of the communities in which it operates, considering, in its activities, the need to protect the environment and the collective well-being of the community.

To be an Italian global player in the light mobility segment, standing out for its superior design, creativity and tradition. To become a leading European company with a world class reputation, championing a business model based on the values of quality and tradition, and on the ongoing creation of value.

Key operating and financial data

	First nine months		
	2016	2015	2015
In millions of euros			
Data on financial position			
Net revenues	1,031.7	1,002.6	1,295.3
Gross industrial margin	309.9	296.5	374.4
Operating income	60.5	58.1	56.7
Profit before tax	33.6	30.5	20.1
Net profit	19.2	18.3	11.9
.Non-controlling interests			
.Group	19.2	18.3	11.9
Data on financial performance			
Net capital employed (NCE)	862.7	905.9	902.4
Net debt	(469.5)	(495.8)	(498.1)
Shareholders' equity	393.2	410.0	404.3
Balance sheet figures and financial ratios			
Gross margin as a percentage of net revenues (%)	30.0%	29.6%	28.9%
Net profit as a percentage of net revenues (%)	1.9%	1.8%	0.9%
ROS (Operating income/net revenues)	5.9%	5.8%	4.4%
ROE (Net profit/shareholders' equity)	4.9%	4.5%	2.9%
ROI (Operating income/NCE)	7.0%	6.4%	6.3%
EBITDA	141.5	135.7	161.8
EBITDA/net revenues (%)	13.7%	13.5%	12.5%
Other information			
Sales volumes (unit/000)	411.7	396.2	519.7
Investments in property, plant and equipment and intangible assets	65.7	68.2	101.9
Research and Development[1]	50.0	54.9	46.8
Employees at the end of the period (number)	7,197	7,527	7,053

[1] The item Research and Development includes investments for the period recognised in the statement of financial position and costs recognised in profit and loss.

Results by operating segments

		EMEA and AMERICAS	INDIA	ASIA PACIFIC 2W	**TOTAL**
	1-1/30-9-2016	193.5	158.6	59.6	**411.7**
Sales volumes	1-1/30-9-2015	181.2	157.1	57.9	**396.2**
(units/000)	Change	12.3	1.5	1.7	**15.5**
	Change %	6.8%	1.0%	3.0%	**3.9%**
	1-1/30-9-2016	640.9	255.1	135.8	**1,031.7**
Turnover	1-1/30-9-2015	610.7	260.3	131.7	**1,002.6**
(million euros)	Change	30.2	(5.2)	4.1	**29.1**
	Change %	4.9%	-2.0%	3.1%	**2.9%**
	1-1/30-9-2016	3,845.2	2,301.3	877.3	**7,023.8**
Average number of staff	1-1/30-9-2015	3,964.4	2,854.9	867.4	**7,686.7**
(no.)	Change	(119.2)	(553.6)	9.9	**(662.9)**
	Change %	-3.0%	-19.4%	1.1%	**-8.6%**
Investments property,	1-1/30-9-2016	50.5	9.4	5.8	**65.7**
Property, plant and equipment	1-1/30-9-2015	51.2	6.4	10.5	**68.2**
intangible assets	Change	(0.8)	3.0	(4.7)	**(2.5)**
(million euros)	Change %	-1.5%	46.4%	-44.8%	**-3.7%**
	1-1/30-9-2016	41.0	5.6	3.5	**50.0**
Research and Development[2]	1-1/30-9-2015	48.4	4.2	2.4	**54.9**
(million euros)	Change	(7.4)	1.4	1.1	**(4.9)**
	Change %	-15.2%	33.7%	43.7%	**-8.9%**

[2] The item Research and Development includes investments for the year recognised in the statement of financial position and costs recognised in profit or loss.

Company Boards

Board of Directors	
Chairman and Chief Executive Officer	Roberto Colaninno (1), (2)
Deputy Chairman	Matteo Colaninno
Directors	Michele Colaninno
	Giuseppe Tesauro (3), (4), (5), (6)
	Graziano Gianmichele Visentin (4), (5), (6)
	Maria Chiara Carrozza (4)
	Federica Savasi
	Vito Varvaro (5), (6)
	Andrea Formica
Board of Statutory Auditors	
Chairman	Piera Vitali
Statutory Auditors	Giovanni Barbara
	Daniele Girelli
Alternate Auditors	Giovanni Naccarato
	Elena Fornara
Supervisory Body	Antonino Parisi
	Giovanni Barbara
	Ulisse Spada
General Manager Finance	Gabriele Galli
Executive in charge of financial reporting	Alessandra Simonotto
Independent Auditors	PricewaterhouseCoopers S.p.A.

(1) Director responsible for the internal control system and risk management

(2) Executive Director

(3) Lead Independent Director

(4) Member of the Appointment Proposal Committee

(5) Member of the Remuneration Committee

(6) Member of the Internal Control and Risk Management Committee

All the information on the powers reserved for the Board of Directors, the authority granted to the Chairman and CEO, as well as the functions of the various Committees of the Board of Directors, can be found in the Governance section of the Issuer's website www.piaggiogroup.com.

Significant events in the first nine months of 2016

14 January 2016 – The new range of state-of-the-art Piaggio iGet engines with the air cooled version made its début on the new Piaggio Liberty. The new Piaggio iGet engines are based on a design philosophy that targets an improved fuel consumption and emissions, plus a better and more advanced quality and reliability.

2 March, 2016 – The 2016 MotoGP season for Aprilia Racing kicked off in Qatar. For the Italian team, this is a fundamental stage of the project begun in 2015, since the new Aprilia RS-GP is a completely redesigned prototype, developed and built by Aprilia down to the last component, starting with the engine.

14 March 2016 – The new Moto Guzzi V9 was launched in Mandello del Lario, the mid-size light custom bike, powered by a new 850cc, 90° V-twin engine with traditional shaft drive.

18 April 2016 - The Piaggio Medley was launched on the European market, already introduced on the Vietnamese market on 17 March. Medley combines the benefits of an agile, lightweight vehicle with all the advantages of a high-wheeled scooter, superior in terms of technology, performance, size and weight. Equipped with the highest performing model of Piaggio's new four-valve liquid-cooled iGet engine, the Medley is available as 125cc and 150cc and equipped with a Start & Stop system.

9 June 2016 – The subsidiary Piaggio Vietnam undersigned a medium term loan for VND/000 414,000,000 (approximately 17 million euros) with VietinBank to support its investments programme.

10 June 2016 – The free floating scooter sharing service was launched in Rome, by Enjoy in partnership with the Piaggio Group and Trenitalia. 300 Piaggio MP3 three-wheeler scooters (300LT Business ABS version) will make up the fleet that can be used in Rome. The vehicles, designed and developed specifically for sharing, are safe, easy and simple to use.

16 June 2016 – The international jury of the XXIV Adi Compasso d'Oro Design Award gave a MENTION OF HONOUR, in the DESIGN FOR MOBILITY category to the VESPA 946 for the following reason: *"The Vespa brings the lines that have made it such a famous and loved brand up to date, while also considering the need for sustainability and a low environmental impact"*.

27 June 2016 - The Piaggio Group and (RED), the no-profit organisation established in 2006 by Bono and Bobby Shriver, announced the start of a partnership to support fund raising for programmes to fight AIDS. The Piaggio Group will develop a special version of the Vespa, giving 150 USD from each sale to the activities of the Global Fund to fight AIDS.

7 July 2016 - The Piaggio Group signed important agreements to market the Vespa and Piaggio brands in Brazil, Argentina and Uruguay.

7 July 2016 – The new versions of the Vespa Primavera and Vespa Sprint, with the new Piaggio i-Get engine that meets Euro 4 standards, were unveiled. The vehicles have enhanced features, including an extremely useful USB port and ABS now fitted as standard on all 125cc and 150cc versions.

14 July 2016 – The Piaggio Group continued its growth on markets that are developing considerably and are characterised by large volumes, with the introduction of the Aprilia brand on the Indian scooter market, thanks to the Aprilia SR 150 sport scooter.

11 August 2016 – The Piaggio Group further expanded the distribution network in India and Asia Pacific opening 12 new Group multibrand Motoplex stores. The Motoplex stores sell the Group's premier brands (Piaggio, Vespa, Aprilia and Moto Guzzi), with a multibrand flagship store concept that is entirely innovative, in line with the new global instore experience strategy that the Piaggio Group is developing in main metropolitan areas throughout the world. The Motoplex store is focused on the future, enabling dealers to work with several brands and products at the same location and also give their customers a chance to engage with the world of two-wheelers. The Piaggio Group now counts some 140 Motoplex stores in the world, alongside its traditional distribution network on markets in EMEA, APAC (including India) and the Americas, and new openings are scheduled for this year, particularly in South America.

Financial position and performance of the Group

Consolidated income statement (restated)

	First nine months of 2016		First nine months of 2015		Change	
	In millions of euros	*Accounting for a %*	*In millions of euros*	*Accounting for a %*	*In millions of euros*	*%*
Net revenues	1,031.7	100.0%	1,002.6	100.0%	29.1	2.9%
Cost to sell[3]	721.8	70.0%	706.1	70.4%	15.7	2.2%
Gross industrial margin[3]	**309.9**	**30.0%**	**296.5**	**29.6%**	**13.4**	**4.5%**
Operating expenses	249.5	24.2%	238.4	23.8%	11.0	4.6%
EBITDA[3]	**141.5**	**13.7%**	**135.7**	**13.5%**	**5.8**	**4.3%**
Amortisation/Depreciation	81.0	7.9%	77.6	7.7%	3.4	4.4%
Operating income	**60.5**	**5.9%**	**58.1**	**5.8%**	**2.4**	**4.2%**
Result of financial items	(26.9)	-2.6%	(27.6)	-2.7%	0.7	-2.4%
Profit before tax	**33.6**	**3.3%**	**30.5**	**3.0%**	**3.1**	**10.1%**
Taxes	14.5	1.4%	12.2	1.2%	2.2	18.4%
Net profit	**19.2**	**1.9%**	**18.3**	**1.8%**	**0.8**	**4.6%**

Net revenues

	First nine months of 2016	First nine months of 2015	Change
In millions of euros			
EMEA and Americas	640.9	610.7	30.2
India	255.1	260.3	(5.2)
Asia Pacific 2W	135.8	131.7	4.1
Total net revenues	**1,031.7**	**1,002.6**	**29.1**
Two-wheeler	730.0	701.1	28.9
Commercial Vehicles	301.7	301.5	0.2
Total net revenues	**1,031.7**	**1,002.6**	**29.1**

In terms of consolidated turnover, the Group closed the first nine months of 2016 with net revenues up compared to the same period of 2015 (+ 2.9%). In terms of geographic segments, the increase in revenues in EMEA and the Americas (+ 4.9) and in Asia Pacific (+3.1%) more than offset the downturn in India, due to the effect of an unfavourable exchange rate (- 2.0%; +3.3% with constant exchange rates).

As regards product types, the increase in turnover mainly referred to two-wheeler vehicles (+ 4.1%), while figures for Commercial Vehicles were more or less steady (+ 0.1%). As a result, the impact of two-wheeler vehicles on overall turnover went down from 69.9% in the first nine months of 2015 to the current figure of 70.8%; conversely, the percentage of Commercial Vehicles accounting for overall turnover fell from 30.1% in the first nine months of 2015 to the current figure of 29.2%.

[3] For a definition of the parameter, see the "Economic Glossary".

The **gross industrial margin** of the Group increased in absolute terms compared to the first nine months of the previous year (+ €13.4 million) in relation to a net turnover equal to 30.0% (29.6% in the first nine months of 2015).
Amortisation/depreciation included in the gross industrial margin was equal to €26.9 million (€28.2 million in the first nine months of 2015).

Operating expenses in the first nine months of 2016 increased compared to the same period of the previous year, amounting to €249.5 million.
Operating expenses also include amortisation/depreciation not included in the gross industrial margin, amounting to €54.1 million (€49.4 million in the first nine months of 2015).

The change in the aforementioned income statement resulted in an increased consolidated **EBITDA** of €141.5 million (€135.7 million in the first half of 2015). In relation to turnover, EBITDA was equal to 13.7% (13.5% in the first nine months of 2015). Operating income (**EBIT**) improved, amounting to €60.5 million (€58.1 million in the first nine months of 2015); in relation to turnover, EBIT was equal to 5.9% (5.8% in the first nine months of 2015).

The results for **financing activities** improved slightly compared to the first nine months of the previous financial year, by €0.7 million, with net charges amounting to €26.9 million (€27.6 million in the first nine months of 2015). The improvement is related to the reduction in average debt for the period and the decrease in the cost of funding, partially offset by the lower capitalisation of borrowing costs and negative effect of currency management.

Income taxes for the period are equal to €14.5 million, equivalent to 43% of profit before tax.

Net profit stood at €19.2 million (1.9% of turnover), up on the figure for the same period of the previous year (€18.3 million, or 1.8% of turnover).

Operating data

Vehicles sold

	First nine months of 2016	First nine months of 2015	Change
In thousands of units			
EMEA and Americas	193.5	181.2	12.3
India	158.6	157.1	1.5
Asia Pacific 2W	59.6	57.9	1.7
Total vehicles	**411.7**	**396.2**	**15.5**
Two-wheeler	266.4	251.0	15.4
Commercial Vehicles	145.3	145.1	0.1
Total vehicles	**411.7**	**396.2**	**15.5**

In the first nine months of 2016, the Piaggio Group sold 411,700 vehicles worldwide, registering an increase of approximately 3.9% in volumes compared to the first nine months of the previous year, when 396,200 vehicles were sold. Sales in all geographic areas and in particular in EMEA and the Americas went up (+ 6.8%), driven by the volumes achieved on the Italian market (+ 18.4%) and in Europe (+ 5.4%), while vehicle sales in the Americas decreased (- 11.5%). As regards product types, the increase in sales mainly referred to two-wheeler vehicles (+ 6.1%), also boosted by the introduction of the Wi-Bike, while figures for commercial vehicles were more or less steady (+ 0.1%).

Staff

In 2016, the Group continued to rationalise operations and organisational efficiency.
The decrease in the average workforce of 663 is mainly concentrated in India, where the fall in demand for commercial vehicles led to less use of temporary labour.

Breakdown of company employees by region

Employee/staff numbers	As of 30 September 2016	As of 31 December 2015	As of 30 September 2015
EMEA and Americas	3,817	3,872	3,921
of which Italy	3,585	3,638	3,688
India	2,506	2,353	2,773
Asia Pacific 2W	874	828	833
Total	**7,197**	**7,053**	**7,527**

Average number of company employees by geographic area

Employee/staff numbers	**First nine months of 2016**	**First nine months of 2015**	**Change**
EMEA and Americas	3,845.2	3,964.4	(119.2)
of which Italy	*3,613.1*	*3,715.8*	*(102.7)*
India	2,301.3	2,854.9	(553.6)
Asia Pacific 2W	877.3	867.4	9.9
Total	**7,023.8**	**7,686.7**	**(662.9)**

Average employee numbers were affected by seasonal workers in the summer (on fixed-term employment contracts).
In fact the Group uses fixed-term employment contracts to handle typical peaks in demand in the summer months.

Research and Development

In the first nine months of 2016, the Piaggio Group continued its policy of retaining technological leadership in the sector, allocating total resources of €50.0 million to research and development, of which €35.5 million capitalised under intangible assets as development costs.

	First nine months of 2016			**First nine months of 2015**		
	Capitalised	Expenses	**Total**	Capitalised	Expenses	**Total**
In millions of euros						
EMEA and Americas	27.7	13.3	**41.0**	35.3	13.0	**48.4**
India	5.0	0.5	**5.5**	3.1	1.1	**4.2**
Asia Pacific 2W	2.8	0.7	**3.5**	1.5	0.9	**2.4**
Total	**35.5**	**14.5**	**50.0**	**39.9**	**15.1**	**54.9**
Two-wheeler	31.4	12.5	**43.9**	33.2	12.4	**45.6**
Commercial Vehicles	4.1	2.0	**6.1**	6.7	2.6	**9.3**
Total	**35.5**	**14.5**	**50.0**	**39.9**	**15.1**	**54.9**

Consolidated statement of financial position[4]

	As of 30 September 2016	As of 31 December 2015	Change
In millions of euros			
Statement of financial position			
Net working capital	(48.6)	(32.0)	(16.6)
Property, plant and equipment	309.7	319.6	(9.9)
Intangible assets	664.5	674.0	(9.5)
Financial assets	10.1	9.7	0.4
Provisions	(73.0)	(68.8)	(4.2)
Net capital employed	**862.7**	**902.4**	**(39.7)**
Net Financial Debt	469.5	498.1	(28.6)
Shareholders' equity	393.2	404.3	(11.1)
Sources of funds	**862.7**	**902.4**	**(39.7)**
Non-controlling interests	(0.3)	(0.2)	(0.0)

As of 30 September 2016, **net working capital** amounted to negative €48.6 million, with a cash generation equal to approximately €16.6 million in the first nine months of 2016.

Property, plant and equipment, which include investment property, totalled €309.7 million as of 30 September 2016, down by approximately €9.9 million compared to 31 December 2015. This decrease is mainly due to depreciation, which exceeded investments for the period by approximately €6.6 million, and to the effect of the devaluation of Asian currencies against the euro (approximately €3.0 million). The adjustment of the value of investment property to fair value and divestments for the period refer to the remaining decrease of €0.3 million.

Intangible assets totalled €664.5 million, down by approximately €9.5 million compared to 31 December 2015. This decrease is due to amortisation, which exceeded investments for the period by approximately €8.8 million, and to the effect of the devaluation of Asian currencies against the euro (approximately €0.7 million).

Financial assets which totalled €10.1 million, increased by €0.4 million compared to figures for the previous year.

Provisions totalled €73.0 million, increasing compared to 31 December 2015 (€68.8 million).

As fully described in the next section on the "Consolidated Statement of Cash Flows", **net financial debt** as of 30 September 2016 was equal to €469.5 million, compared to €498.1 million as of 31 December 2015. The decrease of approximately €28.6 million is mainly attributable to the positive performance of operations and greater efficiency of working capital management, generating cash flows

[4] For a definition of individual items, see the "Economic Glossary".

allowing for the payment of dividends (€18 million) as well as the financing of the investments programme.

Group **shareholders' equity** as of 30 September 2016 totalled €393.2 million, down by approximately €11.1 million compared to 31 December 2015.

Consolidated Statement of Cash Flows

The consolidated statement of cash flows, prepared in accordance with international financial reporting standards (IFRS), is presented in the "Consolidated Financial Statements and Notes as of 30 September 2016". the following is a comment relating to the summary statement shown.

	First nine months of 2016	First nine months of 2015	Change
In millions of euros			
Change in consolidated net debt			
Opening Consolidated Net Debt	**(498.1)**	**(492.8)**	**(5.3)**
Cash flow from operating activities	104.4	91.3	13.0
(Increase)/Reduction in Working Capital	16.6	0.7	15.9
(Increase)/Reduction in net investments	(62.1)	(73.7)	11.7
Change in shareholders' equity	(30.3)	(21.3)	(8.9)
Total change	**28.6**	**(3.0)**	**31.6**
Closing Consolidated Net Debt	**(469.5)**	**(495.8)**	**26.3**

In the first nine months of 2016 the Piaggio Group generated **financial resources** amounting to €28.6 million.

Cash flow from operating activities, defined as net profit, minus non-monetary costs and income, was equal to €104.4 million.

Working capital generated a cash flow of approximately €16.6 million; in detail:

- the collection of trade receivables[5] used financial flows for a total of €13.3 million;
- stock management absorbed financial flows for a total of approximately €23.5 million;
- supplier payment trends generated financial flows of approximately €65.7 million;
- the movement of other non-trade assets and liabilities had a negative impact on financial flows by approximately €12.3 million.

Investing activities involved a total of €62.1 million of financial resources. The investments refer to approximately €35.5 million for capitalised development expenditure, and approximately €30.2 million for property, plant and equipment and intangible assets.

As a result of the above financial dynamics, which generated a use of €28.6 million, the **net debt** of the Piaggio Group amounted to €– 469.5 million.

[5] Net of customer advances.

Alternative non-GAAP performance measures

In accordance with CESR/05-178b recommendation on alternative performance measures, in addition to IFRS financial measures, Piaggio has included other non-IFRS measures in its Interim Directors' Report.

These are presented in order to measure the trend of the Group's operations to a better extent and should not be considered as an alternative to IFRS measures.

In particular the following alternative performance measures have been used:

- **EBITDA**: defined as "Operating income" before the amortisation/depreciation and impairment costs of intangible assets and property, plant and equipment, as resulting from the consolidated income statement.
- **Gross industrial margin**: defined as the difference between net revenues and the cost to sell;
- **Cost to sell**: this includes costs for materials (direct and consumables), accessory purchase costs (transport of incoming material, customs, warehousing), employee costs for direct and indirect manpower and related expenses, work carried out by third parties, energy costs, depreciation of property, plant, machinery and industrial equipment, maintenance and cleaning costs net of sundry cost recovery recharged to suppliers.
- **Consolidated net debt:** gross financial debt, minus cash on hand and other cash and cash equivalents, as well as other current financial receivables. Consolidated net debt does not include other financial assets and liabilities arising from the fair value measurement of financial derivatives used as hedging and otherwise, and the fair value adjustment of related hedged items and relative deferrals. The notes to the Consolidated Financial Statements include a table indicating the statement of financial position items used to determine the measure.

Results by type of product

The Piaggio Group is comprised of and operates by geographic segments - EMEA and the Americas, India and Asia Pacific - to develop, manufacture and distribute two-wheeler and commercial vehicles.

Each Geographical Segment has production sites and a sales network dedicated to customers in the relative segment. Specifically:

- EMEA and the Americas have production sites and deal with the distribution and sale of two-wheeler and commercial vehicles;
- India has production sites and deals with the distribution and sale of two-wheeler and commercial vehicles;
- Asia Pacific 2W has production sites and deals with the distribution and sale of two-wheeler vehicles.

For details of final results from each operating segment, reference is made to the Notes to the Consolidated Financial Statements.

The volumes and turnover in the three geographic segments, also by product type, are analysed below.

Two-wheeler

Two-wheeler	First nine months of 2016		First nine months of 2015		Change %		Change	
	Volumes Sell-in[6] (units/000)	Turnover (million euros)	Volumes Sell-in (units/000)	Turnover (million euros)	Volumes	Turnover	Volumes	Turnover
EMEA and Americas	182.2	573.7	171.4	551.9	6.3%	4.0%	10.8	21.9
of which EMEA	172.6	524.8	159.4	492.1	8.3%	6.7%	13.3	32.7
(of which Italy)	*39.5*	*126.5*	*33.4*	*111.2*	*18.5%*	*13.8%*	*6.2*	*15.3*
of which America	9.6	48.9	12.1	59.8	-20.5%	-18.2%	(2.5)	(10.9)
India	24.6	20.5	21.8	17.5	13.1%	17.0%	2.9	3.0
Asia Pacific 2W	59.6	135.8	57.9	131.7	3.0%	3.1%	1.7	4.1
Total	**266.4**	**730.0**	**251.0**	**701.1**	**6.1%**	**4.1%**	**15.4**	**28.9**
Scooters	240.0	498.4	225.7	475.4	6.3%	4.8%	14.3	23.0
Motorcycles	25.2	129.2	25.3	127.6	-0.6%	1.2%	(0.2)	1.6
Wi-Bike	1.2	2.6			n.a.	n.a.	1.2	2.6
Spare parts and Accessories		97.4		97.4		0.0%		0.0
Other		2.4		0.7		253.9%		1.7
Total	**266.4**	**730.0**	**251.0**	**701.1**	**6.1%**	**4.1%**	**15.4**	**28.9**

[6] "Sell-in" means Group sales to its distribution network.

Two-wheeler vehicles can mainly be grouped into two product segments, scooters and motorcycles, in addition to the related spare parts and accessories business, the sale of engines to third parties, involvement in main two-wheeler sports championships and technical service.

The world two-wheeler market comprises two macro areas, which clearly differ in terms of characteristics and scale of demand: economically advanced countries (Europe, United States, Japan) and emerging nations (Asia Pacific, China, India, Latin America).
In the first macro area, which is a minority segment in terms of volumes, the Piaggio Group has a historical presence, with scooters meeting the need for mobility in urban areas and motorcycles for recreational purposes.
In the second macro area, which in terms of sales, accounts for most of the world market and is the Group's target for expanding operations, two-wheeler vehicles are the primary mode of transport.

Background

Europe, the reference area for the activities of the Piaggio Group, has confirmed the positive trend, reporting a 4.5% increase in sales on the two-wheeler market compared to the first nine months of 2015 (+9.4% for the motorcycle segment and +0.5% for scooters). On the scooter market, the 50cc segment maintained its negative trend in the first nine months of 2016 (-4.3%), while growth in the over 50cc segment continued (+3.7%). In the motorcycle segment, performance was positive in the over 50cc and 50cc categories (+9.1% and +15.2% respectively).

The North American market reversed its growth trend of recent years, reporting a slight fall compared to the first nine months of 2015 (-2.4%), with 437,430 vehicles sold (-1.8% for the motorcycle segment and –11.2% for the scooter segment).

India, the most important two-wheeler market, continued its growth trend in the first nine months of 2016 as well, closing with sales of nearly 13.7 million vehicles, a 14.6% increase compared to the first nine months of 2015.

Vietnam, the main market in the Asian area for the Group, increased sales by 8.8% compared to the first nine months of 2015.

Main results

During the first nine months of 2016, the Piaggio Group sold a total of 266,400 units in the two-wheeler segment worldwide, accounting for a net turnover equal to approximately €730.0 million (+ 4.1%), including spare parts and accessories (€97.4 million).
In terms of turnover, the increases recorded in Italy (+ 13.8%) and India (+17.0%) were particularly important, while they were more moderate in Asia Pacific (+ 3.1%). Conversely, turnover in America

decreased (- 18.2%). As regards volumes, the 18.5% increase in sales of two-wheeler vehicles in Italy and the 13.1% increase in India more than offset the decline in the Americas (- 20.5%).
The introduction of the Wi-Bike on the market also had a positive impact on figures for the first nine months of 2016.

Market positioning[7]

On the European market, the Piaggio Group achieved a total share of 15.5% in the first nine months of 2016 (15.1% in the first nine months of 2015), consolidating its leadership position on the total two-wheeler vehicles market. In Italy, the Piaggio Group also retained its leadership of the two-wheeler vehicle market, with a 21.9% share.

In Vietnam, Group scooters decreased sell-out volumes[8] by 7.5% in the first nine months of 2016, compared to the same period of the previous year.

The Group retained its strong position on the North American scooter market, where it closed the period with a market share of 19.8% (20.3% in the first nine months of 2015), and where it is committed to consolidating its profile in the motorcycle segment, through the Aprilia and Moto Guzzi brands.

Investments

Investments mainly targeted the following areas:

- developing new products and face lifts for existing products;
- updating vehicles to Euro 4 standards;
- improving and modernising current production capacity.

Industrial investments were also made, targeting safety, quality and the productivity of production processes.

[7] Market shares for the first nine months of 2015 might differ from figures published last year, due to final vehicle registration data, which some countries publish with a few months' delay, being updated.
[8] "Sell-out" means sales by the distribution network to final customers.

Commercial Vehicles

Commercial Vehicles	First nine months of 2016		First nine months of 2015		Change %		Change	
	Volumes Sell-in (units/000)	Turnover (million euros)	Volumes Sell-in (units/000)	Turnover (million euros)	Volumes	Turnover	Volumes	Turnover
EMEA and Americas	11.3	67.1	9.8	58.8	15.3%	14.2%	1.5	8.3
of which EMEA	9.4	63.2	8.9	56.8	5.8%	11.4%	0.5	6.4
(of which Italy)	*3.7*	*35.8*	*3.1*	*30.9*	*16.9%*	*15.8%*	*0.5*	*4.9*
of which America	1.9	3.9	0.9	2.0	108.9%	93.5%	1.0	1.9
India	134.0	234.6	135.4	242.7	-1.0%	-3.4%	(1.4)	(8.2)
Total	**145.3**	**301.7**	**145.1**	**301.5**	**0.1%**	**0.1%**	**0.1**	**0.2**
Ape	139.4	230.7	138.8	235.4	0.4%	-2.0%	0.6	(4.7)
Porter	2.4	26.9	2.0	22.3	16.7%	20.5%	0.3	4.6
Quargo	0.9	5.1	0.7	4.1	23.0%	23.5%	0.2	1.0
Mini Truk	2.6	5.9	3.6	8.3	-26.6%	-28.9%	(0.9)	(2.4)
Spare parts and Accessories		33.1		31.4		5.6%		1.7
Total	**145.3**	**301.7**	**145.1**	**301.5**	**0.1%**	**0.1%**	**0.1**	**0.2**

The Commercial Vehicles category includes three- and four-wheelers with a maximum mass below 3.5 tons (category N1 in Europe) designed for commercial and private use, and related spare parts and accessories.

Background

Europe

In the first nine months of 2016, the European light commercial vehicles market (vehicles with a maximum mass less than or equal to 3.5 tons), in which the Piaggio Group is active, recorded sales of 1.3 million units, a 13.1% increase compared to the first nine months of 2015 (data source ACEA). In detail, the trends of main European reference markets are as follows: Germany (+12.9%), France (+9.8%), Italy (+41.5%) and Spain (+13.0%).

India

Sales on the Indian three-wheeler market, where Piaggio Vehicles Private Limited, a subsidiary of Piaggio & C. S.p.A. operates, went up from 369 thousand units in the first nine months of 2015 to over 427 thousand in the same period of 2016, registering a 15.7% increase.

On this market, the passenger vehicles segment recorded a positive trend of 16.2%, closing with over 348 thousand units. The cargo segment also reported an increase (+13.9%), going up from 69.5 thousand units in the first nine months of 2015 to over 79 thousand units in the first nine months of 2016. The traditional three-wheeler market is flanked by the four-wheeler light commercial vehicles

(LCV) market (cargo vehicles for goods transport) where Piaggio Vehicles Private Limited operates with the Porter 600 and 1000. The LCV cargo market, with vehicles with a maximum mass below 2 tons, recorded sales of 87,137 units in the first nine months of 2016, increasing by 3.3% compared to the first nine months of 2015.

Main results

During the first nine months of 2016, the Commercial Vehicles business generated sales of approximately €301.7 million, including around €33.1 million relating to spare parts and accessories, in line with figures for the same period of the previous year. During the period, 145,300 units were sold (145,100 units in the first nine months of 2015).
On the EMEA and Americas market, the Piaggio Group sold 11,300 units, with sales increasing by 15.3% and a total net turnover of approximately €67.1 million, including spare parts and accessories for €13.9 million.

The Indian affiliate sold 121,044 units on the Indian three-wheeler market (114,577 in the first nine months of 2015) for a net turnover of approximately €194.5 million (€191.7 million in the first nine months of 2015).
The same company also exported 9,981 three-wheeler vehicles (16,953 in the first nine months of 2015); the downturn is mainly due to a slowdown in the sales of some African countries.
On the Indian four-wheeler market, sales in the first nine months of 2016 fell by 23.8% compared to the first nine months of 2015, to 2,925 units.
In overall terms, the Indian affiliate registered a turnover of €234.6 million in the first nine months of 2016, down compared to the figure of €242.7 million for the same period of the previous year.

Market positioning[9]

The Piaggio Group operates in Europe and India on the light commercial vehicles market, with products designed for short range mobility in urban areas (European urban centres) and suburban areas (the product range for India).

The Group is also present in India, in the passenger vehicle and cargo sub-segments of the three-wheeler market, where it is market leader.
On the Indian three-wheeler market, Piaggio has a market share of 28.3% (31.0% in the first nine months of 2015). Detailed analysis of the market shows that Piaggio maintained its leadership position in the goods transport segment (cargo segment) with a share of 51.2% (54.5% in the first nine months of 2015). Its market share, although decreasing, remained steady in the Passenger segment, standing at 23.1% (25.6% in the first nine months of 2015).

[9] Market shares for the first nine months of 2015 might differ from figures published last year, due to final vehicle registration data, which some countries publish with a few months' delay, being updated.

Besides the traditional three-wheeler market in India, Piaggio also operates on the four-wheeler light commercial vehicles (LCV) market (cargo vehicles for goods transport) with the Porter 600 and 1000. On this market, its share fell to 3.4% (4.5% in the first nine months of 2015).

Investments

Investments mainly targeted the following areas:

- developing new products and face lifts for existing products;
- improving and modernising current production capacity.

Industrial investments were also made, targeting safety, quality and the productivity of production processes.

Events occurring after the end of the period

10 October 2016 - In line with its plan to consolidate and expand operations on South American markets, the Piaggio Group has started to sell the Ape, its famous three-wheeler, in Mexico. The new versions of the Ape City and Ape Romanza, for passenger transport, have been launched in Mexico. By the end of 2016, these models will also be sold in Peru, Colombia, Guatemala and Honduras, where previous models and versions for cargo transport and street selling are already on the market.

Operating outlook

In a macroeconomic context in which the recovery of the global economy will probably consolidate, but that is still affected by uncertainties over the growth rate in Europe and risks of a slowdown in some countries in Far East Asia, the Group is committed, in commercial and industrial terms, to:

- confirming its leadership position on the European two-wheeler market, optimally levering expected recovery by:
  - further consolidating the product range and targeting a growth in sales and margins in the high-wheeled scooter segment, with the new Liberty and Medley, and in the motorcycle segment, thanks to the restyled Moto Guzzi and Aprilia ranges, and entering the electric bicycle market, with the new Piaggio Wi-Bike;
  - current positions on the European commercial vehicles market will be maintained;
- consolidating operations in Asia Pacific, exploring new opportunities in medium and large sized motorcycle segments, and replicating the premium strategy for Vietnam, throughout the region, with particular reference to the Chinese market;
- consolidating sales on the Indian scooter market, focussing on an increase in Vespa products and the introduction, along with other Group brands, of new models in the premium scooter and motorcycle segments;
- increasing sales of commercial vehicles in India and in emerging countries, targeting a further development of exports to African and Latin American markets.

Transactions with related parties

Net sales, costs, payables and receivables as of 30 September 2016 involving parent companies, subsidiaries and affiliated companies relate to the sale of goods or services which are a part of normal operations of the Group.
Transactions are carried out at normal market values, depending on the characteristics of the goods and services provided.
Information on related-party transactions, including the information required by Consob communication no. DEM/6664293 of 28 July 2006 is presented in the "Notes to the Condensed Consolidated Interim Financial Statements as of 30 September 2016”.

Investments of members of the board of directors and members of the control committee

Members of the board of directors and members of the control committee of the Issuer do not hold shares in the Issuer.

Economic glossary

Net working capital: defined as the net sum of: Trade receivables, Other current and non-current receivables, Inventories, Trade payables, Other current and non-current payables, Current and non-current tax receivables, Deferred tax assets, Tax payables and Deferred tax liabilities.

Net property, plant and equipment: consist of property, plant, machinery and industrial equipment, net of accumulated depreciation, investment property and assets held for sale.

Net intangible assets: consist of capitalised development costs, costs for patents and know-how and goodwill arising from acquisition/merger operations carried out by the Group.

Financial assets: defined by the Directors as the sum of investments and other non-current financial assets.

Provisions: consist of retirement funds and employee benefits, other long-term provisions and the current portion of other long-term provisions.

Gross industrial margin: defined as the difference between Revenues and the corresponding Cost to sell of the period.

Cost to sell: include the cost for materials (direct and consumables), accessory purchase costs (transport of incoming material, customs, movements and warehousing), employee costs for direct and indirect manpower and related expenses, work carried out by third parties, energy costs, depreciation of property, plant, equipment and industrial equipment, external maintenance and cleaning costs net of sundry cost recovery recharged to suppliers.

Operating expenses: consist of employee costs, costs for services, leases and rentals, and additional operational expenditure net of operating income not included in the gross industrial margin. Operating expenses also include amortisation and depreciation not included in the calculation of the gross industrial margin.

Consolidated Ebitda: defined as “Operating income” before the amortisation/depreciation and impairment costs of intangible assets and property, plant and equipment, as resulting from the Consolidated Income Statement.

Net capital employed: determined as the algebraic sum of “Net fixed assets", "Net working capital" and provisions.

In some cases, data could be affected by rounding off defects due to the fact that figures are represented in millions of euros; changes and percentages are calculated from figures in thousands of euros and not from rounded off figures in millions of euros.

Condensed Interim Financial Statements as of 30 September 2016

Consolidated Income Statement

		First nine months of 2016		First nine months of 2015	
		Total	*of which related parties*	Total	*of which related parties*
In thousands of euros	*Notes*				
Net revenues	4	**1,031,723**	**739**	**1,002,603**	**216**
Cost for materials	5	610,365	20,011	590,289	21,464
Cost for services and leases and rentals	6	178,067	2,919	177,884	2,848
Employee costs	7	161,914		162,236	
Depreciation and impairment costs of property, plant and equipment	8	33,484		34,635	
Amortisation and impairment costs of intangible assets	8	47,551		42,973	
Other operating income	9	74,172	665	78,984	496
Other operating costs	10	14,025	21	15,492	30
Operating income		**60,489**		**58,078**	
Income/(loss) from investments	11	487	480	281	302
Financial income	12	733		564	
Borrowing costs	12	27,853	100	28,551	124
Net exchange gains/(losses)	12	(246)		153	
Profit before tax		**33,610**		**30,525**	
Taxes for the period	13	14,453		12,210	
Profit from continuing operations		**19,157**		**18,315**	
Assets held for sale:					
Profits or losses arising from assets held for sale	14				
Net Profit (loss) for the period		**19,157**		**18,315**	
Attributable to:					
Shareholders of the Parent Company		**19,157**		**18,307**	
Minority Shareholders		**0**		**8**	
Earnings per share (figures in €)	15	**0.053**		**0.051**	
Diluted earnings per share (figures in €)	15	**0.053**		**0.051**	

Consolidated Statement of Comprehensive Income

In thousands of euros	*Notes*	First nine months of 2016	First nine months of 2015
Net Profit (Loss) for the period (A)		**19,157**	**18,315**
Items that will not be reclassified in the income statement			
Remeasurements of defined benefit plans	39	(4,341)	2,233
Total		**(4,341)**	**2,233**
Items that may be reclassified in the income statement			
Profit (loss) deriving from the translation of financial statements of foreign companies denominated in foreign currency	39	(2,457)	2,171
Total profits (losses) on cash flow hedges	39	31	256
Total		**(2,426)**	**2,427**
Other Comprehensive Income (expense) (B)*		**(6,767)**	**4,660**
Total Profit (loss) for the period (A + B)		**12,390**	**22,975**

* Other Profits (and losses) take account of relative tax effects

Attributable to:		
Shareholders of the Parent Company	**12,437**	**22,874**
Minority Shareholders	**(47)**	**101**

Consolidated Statement of Financial Position

		As of 30 September 2016		As of 31 December 2015	
		Total	*of which related parties*	Total	*of which related parties*
In thousands of euros	*Notes*				
ASSETS					
Non-current assets					
Intangible assets	16	664,526		673,986	
Property, plant and equipment	17	297,860		307,608	
Investment Property	18	11,811		11,961	
Investments	33	9,518		9,529	
Other financial assets	34	17,299		24,697	
Long-term tax receivables	23	8,945		5,477	
Deferred tax assets	19	55,879		56,434	
Trade receivables	21				
Other receivables	22	12,584	133	13,419	153
Total non-current assets		**1,078,422**		**1,103,111**	
Assets held for sale	25				
Current assets					
Trade receivables	21	94,534	1,131	80,944	1,150
Other receivables	22	25,782	9,117	29,538	8,879
Short-term tax receivables	23	36,548		21,541	
Inventories	20	236,263		212,812	
Other financial assets	35	5,585		2,176	
Cash and cash equivalents	36	150,956		101,428	
Total current assets		**549,668**		**448,439**	
Total assets		**1,628,090**		**1,551,550**	

		As of 30 September 2016		As of 31 December 2015	
		Total	*of which related parties*	**Total**	*of which related parties*
In thousands of euros	*Notes*				
SHAREHOLDERS' EQUITY AND LIABILITIES					
Shareholders' equity					
Share capital and reserves attributable to the owners of the Parent	38	393,445		404,535	
Share capital and reserves attributable to non-controlling interests	38	(289)		(242)	
Total shareholders' equity		**393,156**		**404,293**	
Non-current liabilities					
Financial liabilities falling due after one year	37	472,737	2,900	520,391	2,900
Trade payables	26				
Other long-term provisions	27	10,703		9,584	
Deferred tax liabilities	28	4,040		4,369	
Retirement funds and employee benefits	29	53,506		49,478	
Tax payables	30	29			
Other long-term payables	31	5,199		4,624	
Total non-current liabilities		**546,214**		**588,446**	
Current liabilities					
Financial liabilities falling due within one year	37	170,076		105,895	
Trade payables	26	446,324	12,935	380,363	10,108
Tax payables	30	7,078		14,724	
Other short-term payables	31	56,448	9,505	48,050	8,666
Current portion of other long-term provisions	27	8,794		9,779	
Total current liabilities		**688,720**		**558,811**	
Total shareholders' equity and liabilities		**1,628,090**		**1,551,550**	

Consolidated Statement of Cash Flows

This statement shows the factors behind changes in cash and cash equivalents, net of short-term bank overdrafts, as required by IAS 7.

		First nine months of 2016		First nine months of 2015	
		Total	of which related parties	Total	of which related parties
In thousands of euros	*Notes*				
Operating activities					
Consolidated net profit		19,157		18,307	
Allocation of profit to non-controlling interests		0		8	
Taxes for the period	13	14,453		12,210	
Depreciation of property, plant and equipment	8	33,484		34,635	
Amortisation of intangible assets	8	47,551		42,973	
Provisions for risks and retirement funds and employee benefits		13,797		13,881	
Write-downs / (Reversals)		852		1,009	
Losses / (Gains) on the disposal of property, plants and equipment		(93)		(153)	
Financial income	12	(733)		(563)	
Dividend income	11	(7)		0	
Borrowing costs	12	25,471		27,905	
Income from public grants		(2,970)		(2,474)	
Portion of earnings of associated companies	11	(480)		(281)	
Change in working capital:					
(Increase)/Decrease in trade receivables	21	(14,224)	19	(37,173)	(18)
(Increase)/Decrease in other receivables	22	4,373	(218)	6,182	495
(Increase)/Decrease in inventories	20	(23,451)		699	
Increase/(Decrease) in trade payables	26	65,961	2,827	23,172	(3,198)
Increase/(Decrease) in other payables		8,973	839	7,712	712
Increase/(Decrease) in provisions for risks	27	(7,869)		(8,055)	
Increase/(Decrease) in retirement funds and employee benefits	29	(1,723)		(10,676)	
Other changes		(24.847)		1,105	
Cash generated from operating activities		**157.675**		**130,423**	
Interest paid		(21.704)		(24,761)	
Taxes paid		(16,935)		(14,990)	
Cash flow from operating activities (A)		**119,036**		**90,672**	
Investment activities					
Investment in property, plant and equipment	17	(26,912)		(24,937)	
Sale price, or repayment value, of property, plant and equipment		224		415	
Investment in intangible assets	16	(38,767)		(43,253)	
Sale price, or repayment value, of intangible assets				44	
Collected interests		359		346	
Cash flow from investment activities (B)		**(65,096)**		**(67,385)**	
Financing activities					
Purchase of treasury shares	38	(5,565)		0	
Outflow for dividends paid	38	(17,962)		(26,007)	
Loans received	37	72,050		84,458	
Outflow for repayment of loans	37	(65,398)		(68,190)	
Financing received for leases	37	12,839		0	
Repayment of finance leases	37	(1,307)		(23)	
Cash flow from financing activities (C)		**(5,343)**		**(9,762)**	
Increase / (Decrease) in cash and cash equivalents (A+B+C)		48,597		13,525	
Opening balance		**101,302**		**90,125**	
Exchange differences		(1,130)		2,095	
Closing balance		**148,769**		**105,745**	

Changes in Consolidated Shareholders’ Equity

Movements from 1 January 2016 / 30 September 2016

	Notes	Share capital	Share premium reserve	Legal reserve	Reserve for measurement of financial instruments	IAS transition reserve	Group conversion reserve	Treasury shares	Earnings reserve	Consolidated Group shareholders’ equity	Share capital and reserves attributable to non-controlling interests	TOTAL SHAREHOLDERS’ EQUITY
In thousands of euros												
As of 1 January 2016		**207,614**	**7,171**	**17,643**	**(586)**	**(5,859)**	**(15,608)**	**(34)**	**194,194**	**404,535**	**(242)**	**404,293**
Profit for the period									19,157	**19,157**		**19,157**
Other Comprehensive Income (expense)	39				31		(2,410)		(4,341)	**(6,720)**	**(47)**	**(6,767)**
Total profit (loss) for the period		**0**	**0**	**0**	**31**	**0**	**(2,410)**	**0**	**14,816**	**12,437**	**(47)**	**12,390**
Transactions with shareholders:												
Allocation of profits	38			753					(753)	**0**		**0**
Distribution of dividends	38								(17,962)	**(17,962)**		**(17,962)**
Purchase of treasury shares	38							(5,565)		**(5,565)**		**(5,565)**
As of 30 September 2016		**207,614**	**7,171**	**18,396**	**(555)**	**(5,859)**	**(18,018)**	**(5,599)**	**190,295**	**393,445**	**(289)**	**393,156**

Movements from 1 January 2015 / 30 September 2015

	Notes	Share capital	Share premium reserve	Legal reserve	Reserve for measurement of financial instruments	IAS transition reserve	Group conversion reserve	Treasury shares	Earnings reserve	Consolidated Group shareholders' equity	Share capital and reserves attributable to non-controlling interests	TOTAL SHAREHOLDERS' EQUITY
In thousands of euros												
As of 1 January 2015		**207,614**	**7,171**	**16,902**	**(830)**	**(5,859)**	**(18,839)**	**(5,787)**	**211,775**	**412,147**	**922**	**413,069**
Profit for the period									18,307	**18,307**	**8**	**18,315**
Other Comprehensive Income (expense)	39				256		2,078		2,233	**4,567**	**93**	**4,660**
Total profit (loss) for the period		**0**	**0**	**0**	**256**	**0**	**2,078**	**0**	**20,540**	**22,874**	**101**	**22,975**
Transactions with shareholders:												
Allocation of profits	38			741					(741)	**0**		**0**
Distribution of dividends	38								(26,007)	**(26,007)**		**(26,007)**
Annulment of treasury shares	38							5,787	(5,787)	**0**		**0**
As of 30 September 2015		**207,614**	**7,171**	**17,643**	**(574)**	**(5,859)**	**(16,761)**	**0**	**199,780**	**409,014**	**1,023**	**410,037**

Notes to the Consolidated Financial Statements

A) GENERAL ASPECTS

Piaggio & C. S.p.A. (the Company) is a joint-stock company established in Italy at the Register of Companies of Pisa. The addresses of the registered office and places where the Group conducts its main business operations are listed in the introduction to the financial statements. The main operations of the Company and its subsidiaries (the Group) are described in the Report on Operations.

These Financial Statements are expressed in euros (€) since this is the currency in which most of the Group's transactions take place. Transactions in foreign currency are recorded at the exchange rate in effect on the date of the transaction. Monetary assets and liabilities in foreign currency are translated at the exchange rate in effect at the reporting date.

1. Scope of consolidation

The scope of consolidation has not changed compared to the Consolidated Financial Statements as of 31 December 2015 and 30 September 2015.

2. Compliance with international accounting standards

These Condensed Interim Financial Statements have been drafted in compliance with the International Accounting Standards (IAS/IFRS) in force at that date, issued by the International Accounting Standards Board and approved by the European Union, as well as in compliance with the provisions established in Article 9 of Legislative Decree no. 38/2005 (Consob Resolution no. 15519 dated 27 July 2006 containing the "Provisions for the presentation of financial statements", Consob Resolution no. 15520 dated 27 July 2006 containing the "Changes and additions to the Regulation on Issuers adopted by Resolution no. 11971/99", Consob communication no. 6064293 dated 28 July 2006 containing the "Corporate reporting required in accordance with Article 114, paragraph 5 of Legislative Decree no. 58/98"). The interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously the Standing Interpretations Committee ("SIC"), were also taken into account.

During the drafting of these Condensed Consolidated Interim Financial statements, prepared in compliance with IAS 34 - *Interim Financial Reporting*, the same accounting standards adopted in the drafting of the Consolidated Financial Statements as of 31 December 2015 were applied, with the exception of the paragraph "New accounting standards, amendments and interpretations applied as from 1 January 2016".

The information provided in the Interim Report should be read together with the Consolidated Financial Statements as of 31 December 2015, prepared according to IFRS.

The preparation of the interim financial statements requires management to make estimates and assumptions which have an impact on the values of revenues, costs, consolidated balance sheet assets and liabilities and on the information regarding contingent assets and liabilities at the reporting date. If these management estimates and assumptions should, in future, differ from the actual situation, they will be changed as appropriate in the period in which the circumstances change. For a more detailed description of the most significant measurement methods of the Group, reference is made to the section "Use of estimates" of the Consolidated Financial Statements as of 31 December 2015.

It should also be noted that some assessment processes, in particular more complex ones such as establishing any impairment of fixed assets, are generally undertaken in full only when preparing the annual financial statements, when all the potentially necessary information is available, except in cases where there are indications of impairment which require an immediate assessment of any impairment loss.

The Group's activities, especially those regarding two-wheeler products, are subject to significant seasonal changes in sales during the year.

Income tax is recognised on the basis of the best estimate of the average weighted tax rate for the entire financial period.

<u>New accounting standards, amendments and interpretations applied as from 1 January 2016</u>

As from 1 January 2016, several changes introduced by international accounting standards and interpretations have been applied, none of which have had a significant impact on the Group's financial statements. The main changes are outlined below:

- IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortisation": according to the changes, it is considered inappropriate to adopt an amortisation/depreciation method based on revenues. As regards intangible assets, this indication is considered as a relative assumption, that may only be overcome in one of the following circumstances: (i) the right to use an intangible asset is related to the realisation of a predefined threshold for revenues to be produced; or (ii) when it may be demonstrated that the realisation of revenues and use of the economic benefits of the asset are strongly related.
- IFRS 11 "Joint arrangements: recording the acquisition of investments in jointly controlled assets": the changes provide clarification on the recording for accounting purposes of the acquisition of investments in jointly controlled assets constituting a business. The amendments are applicable in a retrospective manner for years commencing from or after 1 January 2016.
- Annual amendments to IFRS 2012-2014: the amendments concern:
  (i) IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations";
  (ii) IFRS 7 "Financial Instruments: Disclosures";

(iii) IAS 19 “Employee Benefits”;

(iv) IAS 34 "Interim Financial Reporting".

As regards the first point, the amendment clarifies that the financial statements need not be restated if an asset or group of assets available for sale was reclassified as “held for distribution”, or vice versa.

With reference to IFRS 7, the amendment states that if an entity transfers a financial asset on terms that allow the de-recognition of the asset, information must be disclosed concerning the entity’s involvement in the transferred asset.

The proposed amendment to IAS 19 makes it clear that, in determining the discount rate of the obligation arising following the termination of the employment relationship, it is the currency in which the obligations are denominated that counts, rather than the country in which they arise.

The proposed amendment to IAS 34 requires cross-references between information reported in the interim financial statements and the related disclosure.

- IAS 1 “Presentation of Financial Statements”: the amendment to the principle in question is intended to provide clarification on the aggregation or disaggregation of financial statement items if the amount is significant, or "material”. In particular, the amended standard requires there to be no aggregation of items with different characteristics or disaggregation that hampers disclosure or interpretation of the financial statements. Moreover, the amendment requires the presentation of headings, partial results and additional items, also separating the items listed in section 54 (Statement of Financial Position) and 82 (Income Statement) of IAS 1, when this presentation is significant for the purposes of understanding the statement of financial position and financial position and performance of the entity.
- IFRS 10 “Consolidated Financial Statements”, and IAS 28 “Investments in Associates and Joint Ventures”.

  Regarding the first point, the amendment clarifies that the exemption of the presentation of consolidated financial statements applies to a parent company that is controlled by an investment company, when the latter measures all its subsidiaries at fair value. IAS 28 was amended as regards investments in associates or joint ventures that are “investment entities”: these investments may be recognised with the equity method or at fair value.

The Group is assessing the feasibility of adopting IAS 27 Revised “Separate Financial Statements”: the amendment, applicable from 1 January 2016, allows an entity to use the shareholders' equity method to recognise investments in subsidiaries, joint ventures and associates in the separate financial statements.

Accounting standards amendments and interpretations not yet applicable

At the date of these Financial Statements, competent bodies of the European Union had not completed the approval process necessary for the application of the following accounting standards and amendments:

- In May 2014, the IASB and FASB jointly published IFRS 15 “Revenue from Contracts with Customers”. The purpose of this standard is to improve reporting on revenues and their comparability between different financial statements. The new standard is applicable in a retrospective manner for years commencing from or after 1 January 2018. Early adoption is possible.
- On 24 July 2014, the IASB finalised its project to revise the accounting standard for financial instruments, with the issue of the complete version of IFRS 9 “Financial Instruments”. In particular, the new provisions of IFRS 9: (i) amend the model that classifies and measures financial assets; (ii) introduce a new method for writing down financial assets, that takes account of expected credit losses; and (iii) amend hedge accounting provisions. The provisions of IFRS 9 will be applicable for years commencing on or after 1 January 2018.
- In the month of January 2016, the IASB published IFRS 16 "Leases". This new standard will replace the current IAS 17. The main change concerns the accounting by lessees that, according to IAS 17, were required to make a distinction between a financial lease (in the budget) and operating leases (off budget). With IFRS 16, operating leases will be treated for accounting purposes as financial leases. The IASB has provided for the optional exemption for certain leasing contracts and low value and short-term leases.
  This standard will apply from 1 January 2019. Early application will be possible if IFRS 15 "Revenue from Contracts with Customers" is jointly adopted.
- In February 2016, the IASB issued an amendment to IAS 12 "Income Taxes." These amendments clarify how to enter active deferred taxes related to debt instruments calculated at fair value.
  These amendments will apply from 1 January 2017.
- In February 2016, the IASB issued an amendment to IAS 7 "Statement of Cash Flows." These amendments to IAS 7 introduce additional information that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. These amendments will apply from 1 January 2017.
- In June 2016, the IASB issued an amendment to IFRS 2 “Share-based Payment”. These amendments clarify how some share-based payments are recognised. These amendments will apply from 1 January 2018.
- In September 2016, the IASB issued an amendment to IFRS 4 'Insurance Contracts, as regards the application of IFRS 9, 'Financial instruments'.

These amendments will enable companies that issue insurance contracts to recognise the volatility that may arise when IFRS 9 is adopted before the new standard on insurance contracts is issued in the statement of comprehensive income rather than in the income statement. It will also allow companies whose main activity is related to insurance contracts to temporarily defer the adoption of IFRS 9 until 2021. Entities that defer the adoption of IFRS 9 will continue to adopt IAS 39.

The Group will adopt these new standards, amendments and interpretations, based on the application date indicated, and will evaluate potential impact, when the standards, amendments and interpretations are endorsed by the European Union.

Other information

A specific paragraph in this Report provides information on any significant events occurring after the end of the period and on the expected operating outlook.

The exchange rates used to translate the financial statements of companies included in the scope of consolidation into euros are shown in the table below.

Currency	**Spot exchange rate 30 September 2016**	**Average exchange rate First nine months 2016**	**Spot exchange rate 31 December 2015**	**Average exchange rate First nine months 2015**
US Dollar	1.1161	1.11617	1.0887	1.11436
Pounds Sterling	0.86103	0.80304	0.73395	0.72715
Indian Rupee	74.3655	74.91642	72.0215	70.85495
Singapore Dollars	1.5235	1.52975	1.5417	1.52006
Chinese Renminbi	7.4463	7.34662	7.0608	6.96414
Croatian Kuna	7.5220	7.53679	7.638	7.61059
Japanese Yen	113.090	120.95228	131.07	134.77759
Vietnamese Dong	24,731.91	24,719.21010	24,435.06	24,065.9856
Canadian Dollars	1.4690	1.47459	1.5116	1.40384
Indonesian Rupiah	14,502.60	14,864.99409	15,029.50	14,788.49958
Brazilian Real	3.6210	3.95608	4.3117	3.52573

B) SEGMENT REPORTING

3. Operating segment reporting

The organisational structure of the Group is based on 3 Geographical Segments, involved in the production and sale of vehicles, relative spare parts and assistance in areas under their responsibility: EMEA and the Americas, India and Asia Pacific 2W. Operating segments are identified by management, in line with the management and control model used.

In particular, the structure of disclosure corresponds to the structure of periodic reporting analysed by the Chairman and Chief Executive Officer for business management purposes.

Each Geographical Segment has production sites and a sales network dedicated to customers in the relative segment. Specifically:

- EMEA and the Americas have production sites and deal with the distribution and sale of two-wheeler and commercial vehicles;
- India has production sites and deals with the distribution and sale of two-wheeler and commercial vehicles;
- Asia Pacific 2W has production sites and deals with the distribution and sale of two-wheeler vehicles.

Central structures and development activities currently dealt with by EMEA and the Americas, are handled by individual segments.

INCOME STATEMENT BY OPERATING SEGMENT

		EMEA and Americas	India	Asia Pacific 2W	**Total**
Sales volumes (unit/000)	1-1/30-9-2016	193.5	158.6	59.6	**411.7**
	1-1/30-9-2015	181.2	157.1	57.9	**396.2**
	Change	12.3	1.5	1.7	**15.5**
	Change %	6.8%	1.0%	3.0%	**3.9%**
Net turnover (millions of euros)	1-1/30-9-2016	640.9	255.1	135.8	**1,031.7**
	1-1/30-9-2015	610.7	260.3	131.7	**1,002.6**
	Change	30.2	(5.2)	4.1	**29.1**
	Change %	4.9%	-2.0%	3.1%	**2.9%**
Gross margin (millions of euros)	1-1/30-9-2016	188.9	71.0	50.1	**309.9**
	1-1/30-9-2015	188.2	58.6	49.7	**296.5**
	Change	0.6	12.4	0.4	**13.4**
	Change %	0.3%	21.2%	0.8%	**4.5%**
EBITDA (millions of euros)	1-1/30-9-2016				**141.5**
	1-1/30-9-2015				**135.7**
	Change				**5.8**
	Change %				**4.3%**
EBIT (millions of Euro)	1-1/30-9-2016				**60.5**
	1-1/30-9-2015				**58.1**
	Change				**2.4**
	Change %				**4.2%**
Net profit (millions of euros)	1-1/30-9-2016				**19.2**
	1-1/30-9-2015				**18.3**
	Change				**0.8**
	Change %				**4.6%**

C) INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

4. Net revenues €/000 1,031,723

Revenues are shown net of premiums recognised to customers (dealers).

This item does not include transport costs, which are recharged to customers (€/000 19,279) and invoiced advertising cost recoveries (€/000 3,135), which are posted under other operating income.

The revenues for disposals of Group core business assets essentially refer to the marketing of vehicles and spare parts on European and non-European markets.

Revenues by geographic segment

The breakdown of revenues by geographical segment is shown in the following table:

	First nine months of 2016		First nine months of 2015		Changes	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
In thousands of euros						
EMEA and Americas	640,883	62.1	610,665	60.9	30,218	4.9
India	255,079	24.7	260,252	26.0	(5,173)	-2.0
Asia Pacific 2W	135,761	13.2	131,686	13.1	4,075	3.1
Total	**1,031,723**	**100.0**	**1,002,603**	**100.0**	**29,120**	**2.9**

In the first nine months of 2016 net sales revenues increased by 2.9% compared to the same period of the previous year. For a more detailed analysis of trends in individual geographic segments, see comments in the Report on Operations.

5. Costs for materials €/000 610,365

The percentage of costs accounting for net sales went up, from 58.9% in the first nine months of 2015 to 59.2% in the current period. The item includes €/000 20,011 (€/000 21,464 in the first nine months of 2015) for purchases of scooters from the Chinese affiliate Zongshen Piaggio Foshan Motorcycle Co. Ltd, that are sold on European and Asian markets.

6. Costs for services and leases and rental costs €/000 178,067

Costs for services, leases and rentals were more or less in line with figures for the first nine months of 2015.

The item includes costs for temporary work of €/000 1,784.

Costs for leases and rentals, amounting to €/000 12,471, include lease rentals for business properties of €/000 5,181, as well as lease payments for car hire, computers and photocopiers.

7. Employee costs €/000 161,914

Employee costs include €/000 2,425 relating to costs for redundancy plans mainly for the Pontedera and Noale production sites.

	First nine months of 2016	First nine months of 2015	Change
In thousands of euros			
Salaries and wages	120,150	119,754	396
Social security contributions	33,109	33,204	(95)
Termination benefits	5,751	5,906	(155)
Other costs	2,904	3,372	(468)
Total	**161,914**	**162,236**	**(322)**

Below is a breakdown of the headcount by actual number and average number:

	Average number		
	First nine months of 2016	First nine months of 2015[10]	Change
Level			
Senior management	100.6	105.6	(5.0)
Middle management	575.7	580.4	(4.7)
White collars	1,800.2	2,037.4	(237.2)
Blue collars	4,547.3	4,963.3	(416.0)
Total	**7,023.8**	**7,686.7**	**(662.9)**

Average employee numbers were affected by seasonal workers in the summer (on fixed-term employment contracts).

In fact the Group uses fixed-term employment contracts to handle typical peaks in demand in the summer months.

	Number as of		
	30 September 2016	31 December 2015	Change
Level			
Senior management	98	104	(6)
Middle management	587	573	14
White collars	1,749	1,933	(184)
Blue collars	4,763	4,443	320
Total	**7,197**	**7,053**	**144**
EMEA and Americas	3,817	3,872	(55)
India	2,506	2,353	153
Asia Pacific 2W	874	828	46
Total	**7,197**	**7,053**	**144**

[10] At the end of 2015, criteria identifying professional categories in India were updated, to bring them further in line with the Group's criteria, with data for the first nine months of 2015 also being reclassified.

8. Amortisation/depreciation and impairment costs **€/000 81,035**

The item increased by €/000 3,427 compared to the first nine months of 2015. This item includes:

- Amortisation and impairment costs of intangible assets for €/000 47,551 (€/000 42,973 in the first nine months of 2015);
- Deprecation and impairment costs of plant, property and equipment for €/000 33,484 (€/000 34,635 in the first nine months of 2015).

9. Other operating income **€/000 74,172**

This item, consisting prevalently of increases in fixed assets for internal work and of recoveries of costs re-invoiced to customers, shows a decrease of €/000 4,812 compared to the first nine months of 2015.

10. Other operating costs **€/000 14,025**

This item decreased by €/000 1,467 and includes €/000 150 for "costs from changes in the fair value of investment property" referred to the valuation of the Spanish site of Martorelles.

11. Income/(loss) from investments **€/000 487**

Income from investments, equal to €/000 487 in the period, refers to:

- €/000 504 relative to the portion of income attributable to the Group from the Zongshen Piaggio Foshan Motorcycle Co. Ltd joint venture, valued at equity;
- €/000 7 of dividends received from a minority interest;
- €/000 (24) relative to the portion of income attributable to the Group from the affiliated company Pontech – Pontedera & Tecnologia, valued at equity.

12. Net financial income (borrowing costs) **€/000 (27,366)**

The balance of financial income (borrowing costs) for the first nine months of 2016 was negative by €/000 27,366, registering a decrease compared to the sum of €/000 27,834 for the same period of the previous year. The reduction in average debt and relative costs are factors that contributed most to this improvement, partially offset by currency operations and by a lower capitalisation of borrowing costs compared to the same period of the previous year. During the first nine months of 2016, borrowing costs for €/000 664 were capitalised (compared to borrowing costs of €/000 2,051 capitalised in the first nine months of the previous year).
The average rate used during 2016 for the capitalisation of borrowing costs (because of general loans), was equal to 5.99%.

13. Taxes **€/000 14,453**

Income tax for the period, determined based on IAS 34, is estimated by applying a rate of 43% to profit before tax, equivalent to the best estimate of the weighted average rate predicted for the financial year.

14. Gain/(loss) from assets held for disposal or sale **€/000 0**

At the end of the reporting period, there were no gains or losses from assets held for disposal or sale.

15. Earnings per share

Earnings per share are calculated as follows:

		First nine months of 2016	First nine months of
Net profit	€/000	19,157	18,315
Earnings attributable to ordinary shares	€/000	19,157	18,315
Average number of ordinary shares in circulation		358,992,100	361,208,380
Earnings per ordinary share	€	0.053	0.051
Adjusted average number of ordinary shares		358,992,100	361,208,380
Diluted earnings per ordinary share	€	0.053	0.051

D) INFORMATION ON OPERATING ASSETS AND LIABILITIES

16. Intangible assets €/000 664,526

The table below shows the breakdown of intangible assets as of 30 September 2016, as well as changes during the period.

In thousands of euros	*Development costs*	*Patent rights*	*Concessions, licences and trademarks*	*Goodwill*	*Other*	*Assets under development and advances*	*Total*
As of 1 January 2016							
Historical cost	171,056	303,888	149,074	557,322	7,304	29,676	1,218,320
Provisions for write-down							0
Accumulated amortisation	(103,682)	(227,373)	(96,031)	(110,382)	(6,866)		(544,334)
Net carrying amount	**67,374**	**76,515**	**53,043**	**446,940**	**438**	**29,676**	**673,986**
First nine months of 2016							
Investments	15,402	1,621	0	0	56	21,688	38,767
Transitions in the period	7,041	1,577			15	(8,633)	0
Amortisation	(24,945)	(18,774)	(3,617)		(215)	0	(47,551)
Disposals							
Write-downs							
Exchange differences	(489)	(26)			(5)	(156)	(676)
Other changes							
Total movements in the first nine months of 2016	**(2,991)**	**(15,602)**	**(3,617)**	**0**	**(149)**	**12,899**	**(9,460)**
As of 30 September 2016							
Historical cost	191,681	306,917	149,074	557,322	7,285	42,575	1,254,854
Provisions for write-down							0
Accumulated amortisation	(127,298)	(246,004)	(99,648)	(110,382)	(6,996)		(590,328)
Net carrying amount	**64,383**	**60,913**	**49,426**	**446,940**	**289**	**42,575**	**664,526**

The breakdown of intangible assets for the previous and under construction is as follows:

	Value as of 30 September 2016			**Value as of 31 December 2015**			**Change**		
In thousands of euros	**Put into operation in the period**	**Under development and advances**	**Total**	**Put into operation in the period**	**Under development and advances**	**Total**	**Put into operation in the period**	**Under development and advances**	**Total**
Development costs	64,383	40,112	104,495	67,374	27,193	94,567	(2,991)	12,919	9,928
Patent rights	60,913	2,460	63,373	76,515	2,472	78,987	(15,602)	(12)	(15,614)
Concessions, licences and trademarks	49,426		49,426	53,043		53,043	(3,617)		(3,617)
Goodwill	446,940		446,940	446,940		446,940	0		0
Other	289	3	292	438	11	449	(149)	(8)	(157)
Total	**621,951**	**42,575**	**664,526**	**644,310**	**29,676**	**673,986**	**(22,359)**	**12,899**	**(9,460)**

Intangible assets went down overall by €/000 9,460 mainly due to amortisation for the period which was only partially balanced by investments for the period.

Increases mainly refer to the capitalisation of development costs for new products and new engines, as well as the purchase of software.

In the first nine months of 2016, borrowing costs for €/000 317 were capitalised.

As of 30 June 2016, the Group had compared final and estimated figures of 2016, combined with forecast data for the 2017-2019 period, approved by the Board of Directors on 10 March 2016. This analysis did not highlight any indicators requiring an update to the impairment test carried out for the purposes of the financial statements as of 31 December 2015.

17. Property, plant and equipment €/000 297,860

The table below shows the breakdown of property, plant and equipment as of 30 September 2016, as well as changes during the period.

In thousands of euros	***Land***	***Buildings***	***Plant and machinery***	***Equipment***	***Other assets***	***Assets under construction and advances***	***Total***
As of 1 January 2016							
Historical cost	28,083	166,102	444,581	512,246	47,967	33,737	1,232,716
Provisions for write-down			(483)	(1,521)	(93)		(2,097)
Accumulated depreciation		(64,798)	(330,302)	(486,602)	(41,309)		(923,011)
Net carrying amount	**28,083**	**101,304**	**113,796**	**24,123**	**6,565**	**33,737**	**307,608**
First nine months of 2016							
Investments		463	8,279	4,714	4,006	9,450	26,912
Transitions in the period		1,738	21,604	2,097	332	(25,771)	0
Depreciation		(3,784)	(17,457)	(9,432)	(2,811)		(33,484)
Disposals			(21)		(110)		(131)
Write-downs							
Exchange differences		(642)	(2,101)	(1)	(82)	(224)	(3,050)
Other changes		2	0	3			5
Total movements in the first nine months of 2016	**0**	**(2,223)**	**10,304**	**(2,619)**	**1,335**	**(16,545)**	**(9,748)**
As of 30 September 2016							
Historical cost	28,083	167,466	470,755	512,134	50,566	17,192	1,246,196
Provisions for write-down			(483)	(1,537)	(93)		(2,113)
Accumulated depreciation		(68,385)	(346,172)	(489,093)	(42,573)		(946,223)
Net carrying amount	**28,083**	**99,081**	**124,100**	**21,504**	**7,900**	**17,192**	**297,860**

The breakdown of property, plant and equipment put into operation for the period and under construction is as follows:

	Value as of 30 September 2016			**Value as of 31 December 2015**			**Change**		
In thousands of euros	**Put into operation in the period**	**Under construction and advances**	**Total**	**Put into operation in the period**	**Under construction and advances**	**Total**	**Put into operation in the period**	**Under construction and advances**	**Total**
Land	28,083		28,083	28,083		28,083	0	0	0
Buildings	99,081	2,250	101,331	101,304	3,373	104,677	(2,223)	(1,123)	(3,346)
Plant and machinery	124,100	8,178	132,278	113,796	23,032	136,828	10,304	(14,854)	(4,550)
Equipment	21,504	6,553	28,057	24,123	6,949	31,072	(2,619)	(396)	(3,015)
Other assets	7,900	211	8,111	6,565	383	6,948	1,335	(172)	1,163
Total	**280,668**	**17,192**	**297,860**	**273,871**	**33,737**	**307,608**	**6,797**	**(16,545)**	**(9,748)**

Property, plant and equipment mainly refer to Group production facilities in Pontedera (Pisa), Noale (Venice), Mandello del Lario (Lecco), Baramati (India) and Vinh Phuc (Vietnam).
The increases mainly refer to moulds for new vehicles launched during the period, as well as the new painting plant for two-wheeler products at Pontedera.
Borrowing costs attributable to the construction of assets which require a considerable period of time to be ready for use are capitalised as a part of the cost of the actual assets.
In the first nine months of 2016, borrowing costs for €/000 347 were capitalised.

As of 30 September 2016, the net value of assets held by lease agreements was as follows:

In thousands of euros	**As of 30 September 2016**
Vespa painting plant	12,839
Vehicles	129
Total	**12,968**

Future lease rental commitments are detailed in note 37.

18. Investment Property €/000 11,811

Investment property refers to the Spanish site of Martorelles, where production was stopped in March 2013 and relocated to Italian sites.

In thousands of euros	
Opening balance as of 1 January 2016	**11,961**
Fair value adjustment	(150)
Final balance as of 30 September 2016	**11,811**

During the quarter, no indicators of changes in fair value were identified, and therefore the carrying amount determined for the 2016 Interim Financial Statements, with the assistance of a specific appraisal by an independent expert, was confirmed. The expert evaluated the "Fair value less cost of disposal" using a market approach (as provided for by IFRS 13). This analysis identified the total value of the investment as €/000 11,811.
The Group uses the "fair value model" as provided for in IAS 40, thus the measurement updated during 2016 resulted in profit adjusted to fair value, equal to €/000 150 being recognised under other costs in the income statement for the period.

19. Deferred tax assets — €/000 55,879

Deferred tax assets and liabilities are recognised at their net value when they may be offset in the same tax jurisdiction.

The item totalled €/000 55,879, down on the figure of €/000 56,434 as of 31 December 2015.

As part of measurements to define deferred tax assets, the Group mainly considered the following:

1. tax regulations of countries where it operates, the impact of regulations in terms of temporary differences and any tax benefits arising from the use of previous tax losses;
2. taxable income expected in the medium term for each single company and the economic and tax impact. In this framework, the plans from the reprocessing of the Group plan were used as a reference.

In view of these considerations, and with a prudential approach, it was decided to not wholly recognise the tax benefits arising from losses that can be carried over and from temporary differences.

20. Inventories — €/000 236,263

This item comprises:

	As of 30 September 2016	As of 31 December 2015	Change
In thousands of euros			
Raw materials and consumables	106,641	101,082	5,559
Provision for write-down	(14,345)	(12,590)	(1,755)
Net value	*92,296*	*88,492*	3,804
Work in progress and semifinished products	15,496	18,873	(3,377)
Provision for write-down	(852)	(852)	0
Net value	*14,644*	*18,021*	(3,377)
Finished products and goods	151,800	129,106	22,694
Provision for write-down	(22,670)	(22,871)	201
Net value	*129,130*	*106,235*	22,895
Advances	193	64	129
Total	**236,263**	**212,812**	**23,451**

As of 30 September 2016, inventories had increased by €/000 23,451, in line with the trend expected for production volumes and sales in the future.

21. Current and non-current trade receivables **€/000 94,534**

As of 30 September 2016 and 31 December 2015, no trade receivables were recognised as non-current assets. Current trade receivables are broken down as follows:

	As of 30 September 2016	As of 31 December 2015	Change
In thousands of euros			
Trade receivables due from customers	93,403	79,794	13,609
Trade receivables due from JV	1,114	1,136	(22)
Trade receivables due from parent companies	1		1
Trade receivables due from associated companies	16	14	2
Total	**94,534**	**80,944**	**13,590**

Receivables due from joint ventures refer to amounts due from Zongshen Piaggio Foshan Motorcycles Co. Ltd.
Receivables due from associates regard amounts due from Immsi Audit.

The item Trade receivables comprises receivables referring to normal sale transactions, recorded net of a provision for bad debt of €/000 28,190.

The Group sells, on a rotating basis, a large part of its trade receivables with and without recourse. Piaggio has signed contracts with some of the most important Italian and foreign factoring companies as a move to optimise the monitoring and the management of its trade receivables, besides offering its customers an instrument for funding their own inventories, for factoring classified as without the substantial transfer of risks and benefits. On the contrary, for factoring without recourse, contracts have been formalised for the substantial transfer of risks and benefits.
As of 30 September 2016, trade receivables still due sold without recourse totalled €/000 89,596.
Of these amounts, Piaggio received payment prior to natural expiry, of €/000 85,495.
As of 30 September 2016, advance payments received from factoring companies and banks, for trade receivables sold with recourse totalled €/000 14,266 with a counter entry recorded in current liabilities.

22. Other current and non-current receivables €/000 38,366

They consist of:

	As of 30 September 2016	As of 31 December 2015	Change
In thousands of euros			
Non-current portion:			
Sundry receivables due from associated companies	133	153	(20)
Prepaid expenses	10,385	10,975	(590)
Advances to employees	62	58	4
Security deposits	953	977	(24)
Receivables due from others	1,051	1,256	(205)
Total non-current portion	**12,584**	**13,419**	**(835)**

Receivables due from associates regard amounts due from the Fondazione Piaggio.

	As of 30 September 2016	As of 31 December 2015	Change
In thousands of euros			
Current portion:			
Sundry receivables due from parent companies	8,088	7,959	129
Sundry receivables due from JV	1,029	873	156
Sundry receivables due from associated companies		47	(47)
Accrued income	1,153	966	187
Prepaid expenses	6,337	3,946	2,391
Advance payments to suppliers	1,560	1,237	323
Advances to employees	329	2,440	(2,111)
Fair value of derivatives	314	647	(333)
Security deposits	226	250	(24)
Receivables due from others	6,746	11,173	(4,427)
Total current portion	**25,782**	**29,538**	**(3,756)**

Receivables due from Parent Companies refer to receivables due from Immsi and arise from the recognition of accounting effects relating to the transfer of taxable bases pursuant to the Group Consolidated Tax Convention.

Receivables due from joint ventures refer to amounts due from Zongshen Piaggio Foshan Motorcycle Co. Ltd.

The item Fair Value of hedging derivatives comprises the fair value of hedging transactions on the exchange risk on forecast transactions recognised on a cash flow hedge basis.

23. Current and non-current tax receivables **€/000 45,493**

Receivables due from tax authorities consist of:

	As of 30 September 2016	As of 31 December 2015	Change
In thousands of euros			
VAT receivables	33,803	18,166	15,637
Income tax receivables	7,113	7,727	(614)
Other tax receivables	4,577	1,125	3,452
Total	**45,493**	**27,018**	**18,475**

Non-current tax receivables totalled €/000 8,945, compared to €/000 5,477 as of 31 December 2015, while current tax receivables totalled €/000 36,548 compared to €/000 21,541 as of 31 December 2015. The increase is due to higher VAT receivables of Asian affiliates.

24. Receivables due after 5 years **€/000 0**

As of 30 December 2016, there were no receivables due after 5 years.

25. Assets held for sale **€/000 0**

As of 30 September 2016, there were no assets held for sale.

26. Current and non-current trade payables **€/000 446,324**

As of 30 September 2016 and as of 31 December 2015 no trade payables were recorded under non-current liabilities. Trade payables recorded as current liabilities are broken down as follows:

	As of 30 September 2016	As of 31 December 2015	Change
In thousands of euros			
Amounts due to suppliers	433,389	370,255	63,134
Trade payables to JV	12,591	9,311	3,280
Trade payables due to other related parties	15	29	(14)
Trade payables due to parent companies	329	768	(439)
Total	**446,324**	**380,363**	**65,961**
of which reverse factoring	*203,347*	*147,341*	*56,006*

27. Provisions (current and non-current portion) €/000 19,497

The breakdown and changes in provisions for risks during the period were as follows:

	Balance as of 31 December 2015	Allocations	Applications	Delta exchange rate	Balance as of 30 September 2016
In thousands of euros					
Provision for product warranties	11,445	6,786	(6,381)	(16)	11,834
Provision for contractual risks	3,913	455		(2)	4,366
Risk provision for legal disputes	2,107		(226)	(13)	1,868
Provisions for risk on guarantee	58				58
Other provisions for risks	1,840	805	(1,262)	(12)	1,371
Total	**19,363**	**8,046**	**(7,869)**	**(43)**	**19,497**

The breakdown between the current and non-current portion of long-term provisions is as follows:

	As of 30 September 2016	As of 31 December 2015	Change
In thousands of euros			
Non-current portion:			
Provision for product warranties	3,858	3,173	685
Provision for contractual risks	4,366	3,913	453
Risk provision for legal disputes	1,509	1,509	0
Other provisions for risks and charges	970	989	(19)
Total non-current portion	**10,703**	**9,584**	**1,119**

	As of 30 September 2016	As of 31 December 2015	Change
In thousands of euros			
Current portion:			
Provision for product warranties	7,976	8,272	(296)
Risk provision for legal disputes	359	598	(239)
Provisions for risk on guarantee	58	58	0
Other provisions for risks and charges	401	851	(450)
Total current portion	**8,794**	**9,779**	**(985)**

The product warranty provision relates to allocations for technical assistance on products covered by customer service which are estimated to be provided over the contractually envisaged warranty period. This period varies according to the type of goods sold and the sales market, and is also determined by customer take-up to commit to a scheduled maintenance plan.

The provision increased during the period by €/000 6,786 and was used for €/000 6,381 in relation to charges incurred during the period.

The provision of contractual risks refers mainly to charges which may arise from the ongoing negotiation of a supply contract.
The provision for litigation concerns labour litigation and other legal proceedings.

28. Deferred tax liabilities €/000 4,040

Deferred tax liabilities amount to €/000 4,040 compared to €/000 4,369 as of 31 December 2015.

29. Retirement funds and employee benefits €/000 53,506

	As of 30 September 2016	As of 31 December 2015	Change
In thousands of euros			
Retirement funds	785	782	3
Termination benefits provision	52,721	48,696	4,025
Total	**53,506**	**49,478**	**4,028**

Retirement funds comprise provisions for employees allocated by foreign companies and additional customer indemnity provisions, which represent the compensation due to agents in the case of the agency contract being terminated for reasons beyond their control. Uses refer to the payment of benefits already accrued in previous years, while allocations refer to benefits accrued in the period.
The item "Termination benefits provision", comprising severance pay of employees of Italian companies, includes termination benefits indicated in defined benefit plans.
The economic/technical assumptions used by Group companies operating in Italy to discount the value are shown in the table below:

- Technical annual discount rate: 0.8%
- Annual rate of inflation: 1.50% for 2016
1.80% for 2017
1.70% for 2018
1.60% for 2019
2.00% from 2020 onwards
- Annual rate of increase in termination benefits: 2.625% for 2016
2.850% for 2017
2.775% for 2018
2.700% for 2019
3.000% from 2020 onwards

As regards the discount rate, the Group has decided to use the iBoxx Corporates AA rating with a 10+ duration as the valuation reference.

If instead an iBoxx Corporates A rating with a 10+ duration had been used, the value of actuarial losses and the provision as of 30 December 2016 would have been lower by €1,492 thousand.
The table below shows the effects, in absolute terms, as of 30 September 2016, which would have occurred following changes in reasonably possible actuarial assumptions:

	Provision for termination benefits
	In thousands of euros
Turnover rate +2%	51,631
Turnover rate -2%	54,054
Inflation rate + 0.25%	53,494
Inflation rate - 0.25%	51,926
Discount rate + 0.50%	50,253
Discount rate - 0.50%	55,354

The average financial duration of the bond ranges from 10 to 31 years.

Estimated future amounts are equal to:

Year	Future amounts
	In thousands of euros
1	4,007
2	3,660
3	1,245
4	3,912
5	5,199

30. Current and non-current tax payables €/000 7,107

"Tax payables" included in current liabilities totalled €/000 7,078 compared to €/000 14,724 as of 31 December 2015, whereas "Tax payables" included in non-current liabilities totalled €/000 29 compared to €/000 0 as of 31 December 2015.
Their breakdown was as follows:

	As of 30 September 2016	**As of 31 December 2015**	**Change**
In thousands of euros			
Due for income taxes	420	7,479	(7,059)
Due for non-income tax	38	38	0
Tax payables for:			
- VAT	3,099	1,833	1,266
- Tax withheld at source	2,610	4,799	(2,189)
- other	940	575	365
Total	6,649	7,207	(558)
Total	**7,107**	**14,724**	**(7,617)**

The item includes tax payables recorded in the financial statements of individual consolidated companies, set aside in relation to tax charges for the individual companies on the basis of applicable national laws.
Payables for withheld taxes made refer mainly to withheld taxes on employees' earnings, on employment termination payments and on self-employed earnings.

31. Other payables (current and non-current) €/000 61,647

This item comprises:

	As of 30 September 2016	**As of 31 December 2015**	**Change**
In thousands of euros			
Non-current portion:			
Guarantee deposits	2,365	2,201	164
Deferred income	2,600	2,194	406
Other payables	234	229	5
Total non-current portion	**5,199**	**4,624**	**575**

	As of 30 September 2016	As of 31 December 2015	Change
In thousands of euros			
Current portion:			
Payables to employees	22,402	15,632	6,770
Accrued expenses	8,914	6,196	2,718
Deferred income	858	1,044	(186)
Amounts due to social security institutions	5,173	6,781	(1,608)
Fair value of derivatives	157	420	(263)
Miscellaneous payables to JV	1,445	1,604	(159)
Sundry payables due to affiliated companies		30	(30)
Sundry payables due to parent companies	8,060	7,032	1,028
Other payables	9,439	9,311	128
Total current portion	**56,448**	**48,050**	**8,398**

Amounts due to employees include the amount for holidays accrued but not taken of €/000 8,016 and other payments to be made for €/000 14,386.

Payables due to associates refer to various amounts due to the Fondazione Piaggio and Immsi Audit.

Payables to parent companies consist of payables to Immsi referring to expenses relative to the consolidated tax convention.

The item fair value of hedging derivatives mainly refers to the fair value of hedging derivatives relative to the exchange risk on forecast transactions recognised on an cash flow hedge basis.

The item Accrued liabilities includes €/000 841 for interest on hedging derivatives and relative hedged items measured at fair value.

32. Payables due after 5 years

The Group has loans due after 5 years, which are referred to in detail in Note 37 Financial Liabilities.

With the exception of the above payables, no other long-term payables due after five years exist.

E) INFORMATION ON FINANCIAL ASSETS AND LIABILITIES

33. Investments **€/000 9,518**

The investments heading comprises:

	As of 30 September 2016	As of 31 December 2015	Change
In thousands of euros			
Interests in joint ventures	9,363	9,350	13
Investments in affiliated companies	155	179	(24)
Total	**9,518**	**9,529**	**(11)**

The increase in the item Interests in joint ventures refers to the equity valuation of the investment in the Zongshen Piaggio Foshan Motorcycles Co. Ltd. joint venture.
The reduction in Investments in affiliated companies refers to the measurement using the equity method of the investment in Pontech – Pontedera & Tecnologia.

34. Other non-current financial assets **€/000 17,299**

	As of 30 September 2016	As of 31 December 2015	Change
In thousands of euros			
Fair value of derivatives	17,260	24,658	(7,398)
Investments in other companies	39	39	0
Total	**17,299**	**24,697**	**(7,398)**

The item Fair value of hedging derivatives refers to €/000 15,092 from the fair value of the cross currency swap for a private debenture loan, to €/000 2,027 from the long-term portion of the fair value of the cross currency swap for medium-term loans of the Indian subsidiary and to €/000 141 from the long-term portion of the cross currency swap for a medium-term loan of the Vietnamese subsidiary.

35. Other current financial assets **€/000 5,585**

	As of 30 September 2016	As of 31 December 2015	Change
In thousands of euros			
Fair value of derivatives	5,585	2,176	3,409
Total	**5,585**	**2,176**	**3,409**

This item refers to €/000 3,464 at fair value of the cross currency swap for the private debenture loan, to €/000 1,980 for the short-term portion of the fair value of the cross currency swap for medium-term loans of the Indian subsidiary and to €/000 141 for the short-term portion of the cross currency swap for the medium-term loan of the Vietnamese subsidiary.

36. Cash and cash equivalents €/000 150,956

The item, which mainly includes short-term and on demand bank deposits, is broken down as follows:

	As of 30 September 2016	As of 31 December 2015	Change
In thousands of euros			
Bank and postal deposits	134,996	95,913	39,083
Cheques	1	1	0
Cash on hand	66	50	16
Securities	15,893	5,464	10,429
Total	**150,956**	**101,428**	**49,528**

The item Securities refers to deposit agreements entered into by the Indian affiliate to effectively use temporary liquidity.

Reconciliation of cash and cash equivalents recognised in the statement of financial position as assets with cash and cash equivalents recognised in the Statement of Cash Flows

The table below reconciles the amount of cash and cash equivalents above with cash and cash equivalents recognised in the Statement of Cash Flows.

	As of 30 September 2016	As of 30 September 2015	Change
In thousands of euros			
Liquidity	150,956	106,990	43,966
Current account overdrafts	(2,187)	(1,245)	(942)
Closing balance	**148,769**	**105,745**	**43,024**

37. Current and non-current financial liabilities €/000 642,813

In the first nine months of 2016, the Group's total debt increased by €/000 16,527. Net of the fair value measurement of financial derivatives to hedge the exchange risk and interest rate risk, and the adjustment of relative hedged items, as of 30 September 2016 total financial debt of the Group had increased by €/000 20,941.

	Financial liabilities as of 30 September 2016			Financial liabilities as of 31 December 2015			Change		
	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total
In thousands of euros									
Gross financial debt	164,575	455,917	620,492	102,865	496,686	599,551	61,710	(40,769)	20,941
Fair value adjustment	5,501	16,820	22,321	3,030	23,705	26,735	2,471	(6,885)	(4,414)
Total	**170,076**	**472,737**	**642,813**	**105,895**	**520,391**	**626,286**	**64,181**	**(47,654)**	**16,527**

This increase is attributable to a greater use of short-term credit lines and to a Sale&Lease back agreement taken out for a plant.

Net financial debt of the Group amounted to €/000 469,536 as of 30 September 2016 compared to €/000 498,123 as of 31 December 2015.

	As of 30 September 2016	**As of 31 December 2015**	**Change**
In thousands of euros			
Liquidity	**150,956**	**101,428**	**49,528**
Securities			0
Current financial receivables	**0**	**0**	**0**
Payables due to banks	(77,323)	(47,978)	(29,345)
Current portion of bank borrowings	(61,910)	(39,211)	(22,699)
Debenture loan	(9,617)		(9,617)
Amounts due to factoring companies	(14,266)	(15,321)	1,055
Amounts due under leases	(1,132)	(31)	(1,101)
Current portion of payables due to other lenders	(327)	(324)	(3)
Current financial debt	**(164,575)**	**(102,865)**	**(61,710)**
Net current financial debt	**(13,619)**	**(1,437)**	**(12,182)**
Payables due to banks and lenders	(163,181)	(205,363)	42,182
Debenture loan	(281,462)	(290,139)	8,677
Amounts due under leases	(10,595)	(179)	(10,416)
Amounts due to other lenders	(679)	(1,005)	326
Non-current financial debt	**(455,917)**	**(496,686)**	**40,769**
Net Financial Debt[11]	**(469,536)**	**(498,123)**	**28,587**

Non-current financial liabilities totalled €/000 455,917 against €/000 496,686 as of 31 December 2015, whereas current financial liabilities totalled €/000 164,575 compared to €/000 102,865 as of 31 December 2015.

[11] Pursuant to Consob Communication of 28 July 2006 and in compliance with the recommendation of the CESR of 10 February 2005 "Recommendation for the consistent implementation of the European Commission's Regulation on Prospectuses". The indicator does not include financial assets and liabilities arising from the fair value measurement of financial derivatives for hedging and otherwise, the fair value adjustment of relative hedged items equal to €/000 22,321 and relative accruals.

The attached tables summarise the breakdown of financial debt as of 30 September 2016 and as of 31 December 2015, as well as the changes for the period.

	Accounting balance as of 31/12/2015	Repayments	New issues	Reclassification to the current portion	Exchange delta	Other changes	Accounting balance as of 30/09/2016
In thousands of Euros							
Non-current portion:							
Bank financing	205,363		43,396	(85,569)	(499)	490	163,181
Bonds	290,139			(9,669)		992	281,462
Other medium-/long-term loans:							
of which leases	*179*		*12,839*	*(2,410)*		*(13)*	*10,595*
of which amounts due to other lenders	*1,005*			*(327)*	*1*		*679*
Total other loans	1,184	0	12,839	(2,737)	1	(13)	11,274
Total	**496,686**	**0**	**56,235**	**(97,975)**	**(498)**	**1,469**	**455,917**

	Accounting balance as of 31/12/2015	Repayments	New issues	Reclassification from the non-current portion	Exchange delta	Other changes	Accounting balance as of 30/09/2016
In thousands of Euros							
Current portion:							
Current account overdrafts	126		2,061				2,187
Short-term bank payables	47,852	(1,453)	28,654		83		75,136
Bonds	-			9,669		(52)	9,617
Payables due to factoring companies	15,321	(1,055)					14,266
Current portion of medium-/long-term loans:							
of which leases	*31*	*(1,307)*		*2,410*		*(2)*	*1,132*
of which due to banks	*39,211*	*(62,570)*		*85,569*	*(223)*	*(77)*	*61,910*
of which amounts due to other lenders	*324*	*(320)*		*327*	*(4)*		*327*
Total other loans	39,566	(64,197)	0	88,306	(227)	(79)	63,369
Total	**102,865**	**(66,705)**	**30,715**	**97,975**	**(144)**	**(131)**	**164,575**

Medium and long-term bank debt amounts to €/000 225,091 (of which €/000 163,181 non-current and €/000 61,910 current) and consists of the following loans:

- a €/000 38,182 medium-term loan from the European Investment Bank to finance Research & Development investments planned for the 2013-2015 period. The loan will fall due in December 2019 and has a repayment schedule of 11 fixed-rate annual instalments. Contract terms require covenants (described below);
- a €/000 29,890 (of a nominal value of €/000 30,000) medium-term loan from the European Investment Bank (for a total value of €/000 70,000 to leverage by the end of

2016) to finance Research & Development investments planned for the 2016-2018 period. The loan will fall due in February 2023 and has a repayment schedule of 7 fixed-rate annual instalments. Contract terms require covenants (described below);

- a €/000 88,781 loan (nominal value of €/000 90,000), a syndicate loan of €/000 250,000 comprising a €/000 175,000 four-year tranche as a revolving credit line of which a nominal value of €/000 15,000 had been used at 30 September 2016 and a tranche as a five-year loan with amortisation of €/000 75,000 which has been wholly disbursed. Contract terms require covenants (described below);
- a €/000 8,326 (of a nominal value of €/000 8,333) loan granted by the Banco Popolare and undersigned in July 2015. This loan comprises a tranche maturing in January 2017 of €/000 10,000 granted as a revolving credit line which had been unused as of 30 September 2016 and a tranche as a three-year loan with amortisation of €/000 8,333.
- a €/000 24,958 (of the nominal value of €/000 25,000) medium-term loan granted by Banca Popolare Emilia Romagna in June 2015. The loan matures on 5 June 2019 and will be repaid with an amortisation plan with six-monthly instalments as from 31 December 2016;
- a €/000 3,789 medium-term loan for USD/000 6,327 granted by International Finance Corporation (a World Bank member) to the subsidiary Piaggio Vehicles Private Limited with interest accruing at a variable rate. The loan will fall due on 15 January 2018 and has an amortisation schedule of six-monthly instalments as from January 2014. Contract terms include a guarantee of the Parent Company and some covenants (described below). Cross currency swaps have been taken out on this loan to hedge the exchange risk and interest rate risk;
- a €/000 8,807 medium-term loan for USD/000 11,888 granted by International Finance Corporation to the subsidiary Piaggio Vehicles Private Limited with interest accruing at a variable rate. The loan will fall due on 15 July 2019 and has an amortisation schedule of six-monthly instalments from July 2015. Contract terms include a guarantee of the Parent Company and some covenants (described below). Cross currency swaps have been taken out on this loan to hedge the exchange risk and interest rate risk;
- a €/000 7,427 medium-term loan for USD/000 8,738 granted by International Finance Corporation to the subsidiary Piaggio Vietnam with interest accruing at a variable rate. The loan will fall due on 15 July 2018 and has an amortisation schedule of six-monthly instalments from July 2014. Contract terms include a guarantee of the Parent Company and some covenants (described below). Cross currency swaps have been taken out on this loan to hedge the exchange risk and interest rate risk;
- a €/000 13,395 medium-term loan for VND/000 331,302,884 granted by VietinBank to the affiliate Piaggio Vietnam (for a total amount of VND/000 414,000,000) to fund the Research&Development investment plan. The loan matures in June 2021, with a repayment schedule in 7 six-monthly instalments, starting from June 2018, with a fixed rate for the first year, followed by a variable rate;

- €/000 1,386 of loans from various banks pursuant to Italian Law no. 346/88 on subsidised applied research;
- a €/000 150 eight-year subsidised loan from ICCREA in December 2008 granted under Italian Law 100/90.

All the above financial liabilities are unsecured.

The item Bonds for €/000 291,079 (nominal value of €/000 301,799) refers to:

- a €/000 51,628 private debenture loan (nominal value of €/000 51,799), (US Private Placement) issued on 25 July 2011 for $/000 75,000 wholly subscribed by an American institutional investor, payable in 5 annual portions from July 2017, with a semi-annual coupon. As of 30 September 2016 the fair value valuation of the debenture loan was equal to €/000 69,844 (the fair value was determined based on IFRS relative to fair value hedging). A Cross Currency Swap has been taken out on this debenture loan to hedge the exchange risk and interest rate risk;
- €/000 239,451 (nominal value of €/000 250,000) related to a high-yield debenture loan issued on 24 April 2014 for a nominal amount of €/000 250,000, maturing on 30 April 2021 and with a semi-annual coupon with fixed annual nominal rate of 4.625%. Standard & Poor’s and Moody’s assigned a B+ rating with a stable outlook and a B1 rating with a stable outlook respectively.

The Company may pay back the amount of the High Yield debenture loan issued on 24 April 2014, early, in full or in part, under the conditions indicated in the indenture. The value of prepayment options was not deducted from the original contract, as these are considered as being closely related to the host instrument (as provided for by IAS 39 AG30 g).

Medium-/long-term payables due to other lenders equal to €/000 12,733 of which €/000 11,274 due after the year and €/000 1,459 as the current portion, are detailed as follows:

- a finance lease for €/000 11,540 (nominal value of €/000 11,555) granted by Albaleasing as a Sale&Lease back agreement on a production plant of the Parent Company. The agreement is for ten years, with quarterly repayments (non-current portion equal to €/000 10,441);
- a finance lease for €/000 187 granted by VFS Servizi Finanziari for the use of vehicles (non-current portion equal to €/000 154);
- a loan of €/000 55 from BMW finance for the purchase of cars (non-current portion equal to €/000 42);
- subsidised loans for a total of €/000 951 provided by the Italian Ministry of Economic Development and Italian Ministry of Education, University and Research using regulations to encourage exports and investments in research and development (non-current portion of €/000 637).

Financial advances received from factoring companies and banks, on the sale of trade receivables with recourse, totalled €/000 14,266.

Covenants

In line with market practices for borrowers with a similar credit rating, main loan contracts require compliance with:

1) financial covenants, on the basis of which the company undertakes to comply with certain levels of contractually defined financial indices, with the most significant comprising the ratio of net financial debt/gross operating margin (EBITDA), measured on the consolidated perimeter of the Group, according to definitions agreed on with lenders;
2) negative pledges according to which the company may not establish collaterals or other constraints on company assets;
3) "pari passu" clauses, on the basis of which the loans will have the same repayment priority as other financial liabilities, and change of control clauses, which are effective if the majority shareholder loses control of the company;
4) limitations on the extraordinary operations the company may carry out.

The measurement of financial covenants and other contract commitments is monitored by the Group on an ongoing basis.

The high yield debenture loan issued by the company in April 2014 provide for compliance with covenants which are typical of international practice on the high yield market. In particular, the company must observe the EBITDA/Net borrowing costs index, based on the threshold established in the Prospectus, to increase financial debt defined during issue. In addition, the Prospectus includes some obligations for the issuer, which limit, *inter alia*, the capacity to:

1) pay dividends or distribute capital;
2) make some payments;
3) grant collaterals for loans;
4) merge with or establish some companies;
5) sell or transfer own assets.

Failure to comply with the covenants and other contract commitments of the loan and debenture loan, if not remedied in agreed times, may give rise to an obligation for the early repayment of the outstanding amount of the loan.

Financial instruments

Exchange Risk

The Group operates in an international context where transactions are conducted in currencies different from the euro. This exposes the Group to risks arising from exchange rates fluctuations. For this purpose, the Group has an exchange rate risk management policy which aims to neutralise the possible negative effects of the changes in exchange rates on company cash-flows.

This policy analyses:

- **the transaction exchange risk**: the policy wholly covers this risk which arises from differences between the recognition exchange rate of receivables or payables in foreign currency in the financial statements and the recognition exchange rate of actual collection or payment. To cover this type of exchange risk, the exposure is naturally offset in the first place (netting between sales and purchases in the same currency) and if necessary, by signing currency future derivatives, as well as advances of receivables denominated in currency.

As of 30 September 2016, the Group had undertaken the following futures operations (recognised based on the settlement date), relative to payables and receivables already recognised to hedge the transaction exchange risk:

Company	Operation	Currency	Amount in currency	Value in local currency (forward exchange rate)	Average maturity
			In thousands	*In thousands*	
Piaggio & C.	Purchase	GBP	1,600	1,857	06/10/2016
Piaggio & C.	Purchase	CNY	50,700	6,737	01/11/2016
Piaggio & C.	Purchase	JPY	190,000	1,659	06/10/2016
Piaggio & C.	Purchase	SEK	7,000	731	31/10/2016
Piaggio & C.	Purchase	USD	9,150	8,132	12/10/2016
Piaggio & C.	Sale	CAD	1,080	734	06/11/2016
Piaggio & C.	Sale	CNY	2,000	266	11/10/2016
Piaggio & C.	Sale	GBP	1,600	1,854	12/12/2016
Piaggio & C.	Sale	INR	95,000	1,271	28/10/2016
Piaggio & C.	Sale	SEK	2,400	249	31/10/2016
Piaggio & C.	Sale	USD	4,950	4,419	12/11/2016
Piaggio Vietnam	Sale	€	12,000	301,886,600	06/11/2016
Piaggio Indonesia	Purchase	€	870	12,962,857	12/10/2016
Piaggio Indonesia	Purchase	USD	3,804	50,712,858	23/11/2016
Piaggio Vehicles Private Limited	Sale	€	2,440	185,821	01/12/2016
Piaggio Vehicles Private Limited	Sale	USD	1,553	103,471	12/11/2016

- the settlement exchange risk: arises from the conversion into euro of the financial statements of subsidiaries prepared in currencies other than the euro during consolidation. The policy adopted by the Group does not require this type of exposure to be covered;

- **the economic exchange risk**: arises from changes in company profitability in relation to annual figures planned in the economic budget on the basis of a reference change (the "budget change") and is covered by derivatives. The items of these hedging operations are therefore represented by foreign costs and revenues forecast by the sales and purchases budget. The total of forecast costs and revenues is processed monthly and relative hedging is positioned exactly on the average weighted date of the economic event, recalculated based on historical criteria. The economic occurrence of future receivables and payables will occur during the budget year.

As of 30 September 2016, the Group had undertaken the following hedging transactions on the exchange risk:

Company	Operation	Currency	Amount in currency	Value in local currency (forward exchange rate)	Average maturity
			In thousands	*In thousands*	
Piaggio & C.	Purchase	CNY	35,000	4,807	10/11/2016
Piaggio & C.	Sale	GBP	1,220	1,721	15/11/2016

To hedge the economic exchange risk alone, cash flow hedging is adopted with the effective portion of profits and losses recognised in a specific shareholders' equity reserve. Fair value is determined based on market quotations provided by main traders.
As of 30 September 2016 the total fair value of hedging instruments for the economic exchange risk recognised on a hedge accounting basis was positive by €/000 157.

Interest rate risk

This risk arises from fluctuating interest rates and the impact this may have on future cash flows arising from variable rate financial assets and liabilities. The Group regularly measures and controls its exposure to the risk of interest rate changes, as established by its management policies, in order to reduce fluctuating borrowing costs, and limit the risk of a potential increase in interest rates. This objective is achieved through an adequate mix of fixed and variable rate exposure, and the use of derivatives, mainly interest rate swaps and cross currency swaps.
As of 30 September 2016, the following hedging derivatives had been taken out:

Fair value hedging derivatives (fair value hedging and fair value options)

- a Cross Currency Swap to hedge the private debenture loan issued by the Parent Company for a nominal amount of $/000 75,000. The purpose of the instrument is to hedge both the exchange risk and interest rate risk, turning the loan from US dollars to euro, and from a fixed rate to a variable rate; the instrument is accounted for on a fair value hedge basis, with effects arising from the measurement recognised in profit or loss. As of 30 September 2016, the fair value of the instrument was equal to €/000 18,556; The net economic effect arising from the measurement of the instrument and underlying private debenture loan was equal to €/000 -325;
- a Cross Currency Swap to hedge loans relative to the Indian subsidiary for $/000 6,327 (as of 30 September 2016 €/000 3,789) granted by International Finance Corporation. The purpose of the instruments is to hedge the exchange risk and interest rate risk, turning the loan from US dollars to Indian Rupees, and half of said loan from a variable rate to a fixed rate. As of 30 September 2016 the fair value of the instruments was equal to €/000 1,934;
- a Cross Currency Swap to hedge loans relative to the Indian subsidiary for $/000 11,888 (as of 30 September 2016 for €/000 8,807) granted by International Finance Corporation.

The purpose of the instruments is to hedge interest rate risk and exchange risk on the US dollar, turning the loan from US dollars to Indian Rupees. As of 30 September 2016 the fair value of the instruments was equal to €/000 2,073;

- a Cross Currency Swap to hedge the loan in place relative to the Vietnamese subsidiary for $/000 8,738 (as of 30 September 2016 for €/000 7,427) granted by International Finance Corporation. The purpose of the instruments is to hedge the exchange risk and partially hedge the interest rate risk, turning the loan from US dollars at a variable rate into Vietnamese Dong at a fixed rate, except for a minor portion (24%) at a variable rate. As of 30 December 2016 the fair value of the instruments was positive by €/000 282.

	FAIR VALUE
In thousands of euros	
Piaggio & C. S.p.A.	
Cross Currency Swap	18,556
Piaggio Vehicles Private Limited	
Cross Currency Swap	1,934
Cross Currency Swap	2,073
Piaggio Vietnam	
Cross Currency Swap	282

F) INFORMATION ON SHAREHOLDERS' EQUITY

38. Share capital and reserves €/000 393,156

For the composition of shareholders' equity, please refer to the Statement of Changes in Consolidated Shareholders' Equity. The following describes some of the most significant items.

Share capital €/000 207,614

During the period, the nominal share capital of Piaggio & C. did not change.

Therefore, as of 30 September 2016, the nominal share capital of Piaggio & C., fully subscribed and paid up, was equal to €207,613,944.37, divided into 361,208,380 ordinary shares.

Treasury shares €/000 (5,599)

During the period, 3,008,736 treasury shares were acquired. Therefore, as of 30 September 2016, Piaggio & C. held 3,024,736 treasury shares, equal to 0.8374% of the share capital.

Shares in circulation and treasury shares

	2016	2015
no. of shares		
Situation as of 1 January		
Shares issued	361,208,380	363,674,880
Treasury portfolio shares	16,000	2,466,500
Shares in circulation	361,192,380	361,208,380
Movements for the year		
Cancellation of treasury shares		(2,466,500)
Purchase of treasury shares	3,008,736	16,000
Situation as of 30 September 2016 and 31 December 2015		
Shares issued	361,208,380	361,208,380
Treasury portfolio shares	3,024,736	16,000
Shares in circulation	358,183,644	361,192,380

Share premium reserve €/000 7,171

The share premium reserve as of 30 September 2016 was unchanged compared to 31 December 2015.

Legal reserve €/000 18,396

The legal reserve as of 30 September 2016 had increased by €/000 753 as a result of the allocation of earnings for the last year.

Financial instruments' fair value reserve €/000 (555)

The financial instruments fair value reserve is negative and refers to the effects of cash flow hedge accounting in foreign currencies, interest and specific business transactions. These transactions are described in full in the note on financial instruments.

Dividends €/000 17,962

The Shareholders Meeting of Piaggio & C. S.p.A. of 14 April 2016 resolved to distribute a dividend of 5.0 eurocents per ordinary share. During April this year, therefore, dividends were distributed to a total value of €/000 17,962. During 2015, dividends totalling €/000 26,007 were paid.

	Total amount		**Dividend per share**	
	2016	**2015**	**2016**	**2015**
	€/000	€/000	€	€
Authorised and paid	17,962	26,007	0.05	0.072

Earnings reserve €/000 190,295

Capital and reserves of non-controlling interest €/000 (289)

The end of period figures refer to non-controlling interests in Aprilia Brasil Industria de Motociclos S.A.

39. Other Comprehensive Income (Expense) €/000 (6,767)

The figure is broken down as follows:

In thousands of euros	*Reserve for measurement of financial instruments*	*Group conversion reserve*	*Earnings reserve*	*Group total*	*Share capital and reserves attributable to non-controlling interests*	*Total other comprehensive income (expense)*
As of 30 September 2016						
Items that will not be reclassified in the income statement						
Remeasurements of defined benefit plans			(4,341)	(4,341)		(4,341)
Total	0	0	(4,341)	(4,341)	0	(4,341)
Items that may be reclassified in the income statement						
Total translation gains (losses)		(2,410)		(2,410)	(47)	(2,457)
Total profits (losses) on cash flow hedges	31			31		31
Total	31	(2,410)	0	(2,379)	(47)	(2,426)
Other Comprehensive Income (Expense)	**31**	**(2,410)**	**(4,341)**	**(6,720)**	**(47)**	**(6,767)**
As of 30 September 2015						
Items that will not be reclassified in the income statement						
Remeasurements of defined benefit plans			2,233	2,233		2,233
Total	0	0	2,233	2,233	0	2,233
Items that may be reclassified in the income statement						
Total translation gains (losses)		2,078		2,078	93	2,171
Total profits (losses) on cash flow hedges	256			256		256
Total	256	2,078	0	2,334	93	2,427
Other Comprehensive Income (Expense)	**256**	**2,078**	**2,233**	**4,567**	**93**	**4,660**

The tax effect relative to other components of the Statement of Comprehensive Income is broken down as follows:

	As of 30 September 2016			**As of 30 September 2015**		
In thousands of euros	*Gross value*	*Tax (expense) / benefit*	*Net value*	*Gross value*	*Tax (expense) / benefit*	*Net value*
Remeasurements of defined benefit plans	(5,710)	1,369	(4,341)	3,085	(852)	2,233
Total translation gains (losses)	(2,457)		(2,457)	2,171		2,171
Total profits (losses) on cash flow hedges	47	(16)	31	405	(149)	256
Other Comprehensive Income (Expense)	**(8,120)**	**1,353**	**(6,767)**	**5,661**	**(1,001)**	**4,660**

H) OTHER INFORMATION

40. Share-based incentive plans

As of 30 September 2016, there were no incentive plans based on financial instruments.

41. Information on related parties

Net sales, costs, payables and receivables as of 30 September 2016 involving parent companies, subsidiaries and affiliated companies relate to the sale of goods or services which are a part of normal operations of the Group.
Transactions are carried out at normal market values, depending on the characteristics of the goods and services provided.
Information on transactions with related parties, including information required by Consob in its communication of 28 July 2006 n. DEM/6664293, is reported in the notes of the Consolidated Financial Statements.
The procedure for transactions with related parties, pursuant to article 4 of Consob Regulation no. 17221 of 12 March 2010 as amended, approved by the Board on 30 September 2010, is published on the institutional site of the Issuer www.piaggiogroup.com, under *Governance*.

Relations with Parent Companies

Piaggio & C. S.p.A. is controlled by the following companies:

Designation	Registered office	Type	% of ownership	
			As of 30 September 2016	As of 31 December 2015
IMMSI S.p.A.	Mantova - Italy	Direct parent company	50.0621	50.0621
Omniaholding S.p.A.	Mantova - Italy	Final parent company	0.0443	0.0277

Piaggio & C. S.p.A. is subject to the management and coordination of IMMSI S.p.A. pursuant to article 2497 et seq. of the Italian Civil Code. During the period, this management and coordination concerned the following activities:

- as regards mandatory financial disclosure, and in particular the financial statements and reports on operations of the Group, IMMSI has produced a group manual containing the accounting standards adopted and options chosen for implementation, in order to give a consistent and fair view of the consolidated financial statements.

- IMMSI has defined procedures and times for preparing the budget and in general the business plan of Group companies, as well as final management analysis to support management control activities.

- IMMSI has also provided services for the development and management of Company assets, with a view to optimising resources within the Group, and provided property consultancy services and other administrative services.

- IMMSI has provided consultancy services and assistance for the Company and subsidiaries concerning extraordinary financing operations, organisation, strategy and coordination, as well as services intended to optimise the financial structure of the Group.

In 2016, for a further three years, the Parent Company signed up to the National Consolidated Tax Mechanism pursuant to articles 117 - 129 of the Consolidated Income Tax Act (T.U.I.R) of which IMMSI S.p.A. is the consolidating company, and to whom other IMMSI Group companies report to. The consolidating company determines a single global income equal to the algebraic sum of taxable amounts (income or loss) realised by individual companies that opt for this type of group taxation.

The consolidating company recognises a receivable from the consolidated company which is equal to the corporate tax to be paid on the taxable income transferred by the latter. Whereas, in the case of companies reporting tax losses, the consolidating company recognises a payable related to corporate tax on the portion of loss actually used to determine global overall income. Under the National Consolidated Tax Mechanism, companies may, pursuant to article 96 of Presidential Decree no. 917/86, allocate the excess of interest payable which is not deductible to one of the companies so that, up to the excess of Gross Operating Income produced in the same tax period by other subjects party to the consolidation, the amount may be used to reduce the total income of the Group.

Piaggio & C. S.p.A. has undertaken a rental agreement for offices owned by Omniaholding S.p.A.. This agreement, signed in normal market conditions, was previously approved by the Related Parties Transactions Committee, as provided for by the procedure for transactions with related parties adopted by the Company.

Piaggio Concept Store Mantova Srl has a lease contract for its sales premises and workshop with Omniaholding S.p.A.. This agreement was signed in normal market conditions.

Omniaholding S.p.A. has undersigned Piaggio & C. bonds for a value of €2.9 million on the financial market, and collected related interest.

Pursuant to article 2.6.2, section 13 of the Regulation of Stock Markets organised and managed by Borsa Italiana S.p.A., the conditions as of article 37 of Consob regulation no. 16191/2007 exist.

Transactions with Piaggio Group companies

The main relations with subsidiaries, eliminated in the consolidation process, refer to the following transactions:

Piaggio & C. S.p.A.

- sells vehicles, spare parts and accessories to sell on respective markets, to:

- Piaggio Hrvatska
- Piaggio Hellas
- Piaggio Group Americas
- Piaggio Vehicles Private Limited
- Piaggio Vietnam
- Piaggio Concept Store Mantova

- sells components to:

- Piaggio Vehicles Private Limited
- Piaggio Vietnam

- grants licences for rights to use the brand and technological know how to:

- Piaggio Vehicles Private Limited
- Piaggio Vietnam

- provides support services for scooter and engine industrialisation to:

- Piaggio Vehicles Private Limited
- Piaggio Vietnam

- provides support services for staff functions to other Group companies;

- issues guarantees for the Group's subsidiaries, for medium-term loans.

Piaggio Vietnam sells vehicles, spare parts and accessories, which it has manufactured in some cases, for sale on respective markets, to:

- Piaggio Indonesia
- Piaggio Group Japan
- Piaggio & C. S.p.A.
- Foshan Piaggio Vehicles Technologies R&D

Piaggio Vehicles Private Limited sells vehicles, spare parts and accessories, for sale on respective markets, and components and engines to use in manufacturing, to Piaggio & C. S.p.A..

Piaggio Hrvatska, Piaggio Hellas, Piaggio Group Americas and Piaggio Vietnam

- distribute vehicles, spare parts and accessories purchased by Piaggio & C. on their respective markets.

Piaggio Indonesia and Piaggio Group Japan

- provide a vehicle, spare part and accessory distribution service to Piaggio Vietnam for their respective markets.

Piaggio France, Piaggio Deutschland, Piaggio Limited, Piaggio España and Piaggio Vespa

- provide a sales promotion service and after-sales services to Piaggio & C. S.p.A. for their respective markets.

Piaggio Asia Pacific

- provides a sales promotion service and after-sales services to Piaggio Vietnam in the Asia Pacific region.

Piaggio Group Canada

- provides a sales promotion service and after-sales services to Piaggio Group Americas in Canada.

Foshan Piaggio Vehicles Technologies R&D provides to:

- Piaggio & C. S.p.A.:

  - component and vehicle design/development service;
  - scouting of local suppliers;

- Piaggio Vietnam:

  - scouting of local suppliers;
  - a distribution service for vehicles, spare parts and accessories on its own market.

In addition, Foshan Piaggio Technologies R&D sold some equipment to Piaggio Vietnam.

Piaggio Advanced Design Center:

- provides a vehicle and component research/design/development service to Piaggio & C. S.p.A.

Aprilia Racing provides to Piaggio & C.:

- a racing team management service;
- vehicle design service.

Atlantic 12

- rents a property to Piaggio & C. S.p.a.

Relations between Piaggio Group companies and JV Zongshen Piaggio Foshan Motorcycle Co. Ltd.

Main intercompany relations between subsidiaries and JV Zongshen Piaggio Foshan Motorcycle Co. Ltd, refer to the following transactions:

Piaggio & C. S.p.A.

- grants licences for rights to use the brand and technological know how to Zongshen Piaggio Foshan Motorcycle Co. Ltd..

Foshan Piaggio Vehicles Technologies R&D

- sells vehicles to Zongshen Piaggio Foshan Motorcycle Co. Ltd. for sale on the Chinese market.

Zongshen Piaggio Foshan Motorcycle Co. Ltd

- sells vehicles, spare parts and accessories, which it has manufactured in some cases, to the following companies for sale on their respective markets:
  - Piaggio Vietnam
  - Piaggio & C. S.p.A.

As of 30 September 2016	Fondazione Piaggio	Zongshen Piaggio Foshan	IMMSI Audit	Pontech - Pontedera & Tecnologia	Studio Girelli	Trevi	Omniaholding	IMMSI	**Total**	**% of accounting item**
In thousands of euros										
Income statement										
Revenues from sales		739							**739**	**0.07%**
Costs for materials		20,011							**20,011**	**3.28%**
Costs for services			734		29	15		938	**1,716**	**1.05%**
Insurance								37	**37**	**1.32%**
Leases and rentals							146	1,020	**1,166**	**9.35%**
Other operating income		572	54					39	**665**	**0.90%**
Other operating costs								21	**21**	**0.15%**
Write-down/Impairment of investments		504		(24)					**480**	**98.56%**
Borrowing costs							100		**100**	**0.36%**
Assets										
Other non-current receivables	133								**133**	**1.06%**
Current trade receivables		1,114	16					1	**1,131**	**1.20%**
Other current receivables		1,029						8,088	**9,117**	**35.36%**
Liabilities										
Financial liabilities falling due after one year							2,900		**2,900**	**0.61%**
Current trade payables		12,591			10	5	37	292	**12,935**	**2.90%**
Other current payables		1,445						8,060	**9,505**	**16.84%**

42. Significant non-recurring events and operations

For the first nine months of 2016 and for 2015, no significant non-recurrent transactions were recorded.

43. Transactions arising from atypical and/or unusual transactions

During 2015 and the first nine months of 2016, the Group did not record any significant atypical and/or unusual operations, as defined by Consob Communication DEM/6037577 of 28 April 2006 and DEM/6064293 of 28 July 2006.

44. Events occurring after the end of the period

10 October 2016 - In line with its plan to consolidate and expand operations on South American markets, the Piaggio Group has started to sell the Ape, its famous three-wheeler, in Mexico. The new versions of the Ape City and Ape Romanza, for passenger transport, have been launched in Mexico. By the end of 2016, these models will also be sold in Peru, Colombia, Guatemala and Honduras, where previous models and versions for cargo transport and street selling are already on the market.

45. Authorisation for publication

This document was published on 14 November 2016 authorised by the Chairman and Chief Executive Officer.

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In accordance with paragraph 2 of article 154-*bis* of the Consolidated Finance Act, the Executive in Charge of Financial Reporting, Alessandra Simonotto, states that the accounting information in this document is consistent with the accounts.

Mantova, 28 October 2016

for the Board of Directors
Chairman and Chief Executive Officer
Roberto Colaninno