PIAGGIO GROUP

Financial Statements 2016

Notice calling the ordinary general meeting of shareholders

Eligible persons are called to the Ordinary General Meeting of Shareholders to be held in the Boardroom of Intesa Sanpaolo, in Milan, Piazza Belgioioso 1, on 12 April 2017, at 11:00 on first call, and if necessary, on second call on 13 April 2017 at 11:00, in the same place, to resolve on the following:

Agenda

The Ordinary General Meeting of Shareholders:

1. Financial Statements of Piaggio & C. S.p.A. as of 31 December 2016; Consolidated Financial Statements as of 31 December 2016 of the Piaggio Group; Directors' Report on Operations for 2016 and proposal to allocate profit for the period; Report of the Board of Statutory Auditors; Report of the Independent Auditors; relative resolutions.
2. Report on remuneration, pursuant to article 123-ter of Italian Legislative Decree no. 58/1998. Related and consequent resolutions.
3. Authorisation to purchase and use treasury shares, pursuant to articles 2357 and 2357-ter of the Italian Civil Code, as well as article 132 of Italian Legislative Decree no. 58/1998 and relative provisions for enactment, subject to withdrawal of the authorisation granted by the Ordinary General Meeting of Shareholders of 14 April 2016, for the portion not executed. Related and consequent resolutions.

The Extraordinary General Meeting of Shareholders:

1. Proposal to cancel 3,054,736 portfolio treasury shares; Subsequent changes to article 5.1 of the Articles of Association. Related and consequent resolutions.

Mantua, 27 February 2017

for the Board of Directors

Chairman and Chief Executive Officer
Roberto Colaninno

Contents

REPORT ON OPERATIONS

Key operating and financial data[1]

In millions of euros	2016	2015	2014
Data on financial position			
Net revenues	1.313,1	1.295,3	1.213,3
Gross industrial margin	389.2	374.4	364.7
Operating income	60.9	56.7	69.7
Profit before tax	25.5	20.1	26.5
Adjusted profit before tax [2]	25.5	20.1	30.1
Adjusted net profit [3]	14.0	11.9	18.6
Net profit	14.0	11.9	16.1
.Non-controlling interests			
.Group	*14.0*	*11.9*	*16.1*
Data on financial performance			
Net capital employed (NCE)	884.7	902.4	905.9
Net debt	(491.0)	(498.1)	(492.8)
Shareholders' equity	393.7	404.3	413.1
Balance sheet figures and financial ratios			
Gross margin as a percentage of net revenues (%)	29.6%	28.9%	30.1%
Adjusted net profit[2] as a percentage of net revenues (%)	1.1%	0.9%	1.5%
Net profit as a percentage of net revenues (%)	1.1%	0.9%	1.3%
ROS (Operating income/net revenues)	4.6%	4.4%	5.7%
ROE (Net profit/shareholders' equity)	3.6%	2.9%	3.9%
ROI (Operating income/NCE)	6.9%	6.3%	7.7%
EBITDA	170.7	161.8	159.3
EBITDA/net revenues (%)	13.0%	12.5%	13.1%
Other information			
Sales volumes (unit/000)	532.0	519.7	546.5
Investments in property, plant and equipment and intangible assets	96.7	101.9	94.9
Research and Development [4]	50.1	46.8	46.3
Employees at the end of the period (number)	6,706	7,053	7,510

1) For a definition of individual items, see the "Economic Glossary".

2) To make results of the previous 3 financial years comparable, the Group determined profit before tax as "adjusted" which excludes the effect of non-recurrent operations.

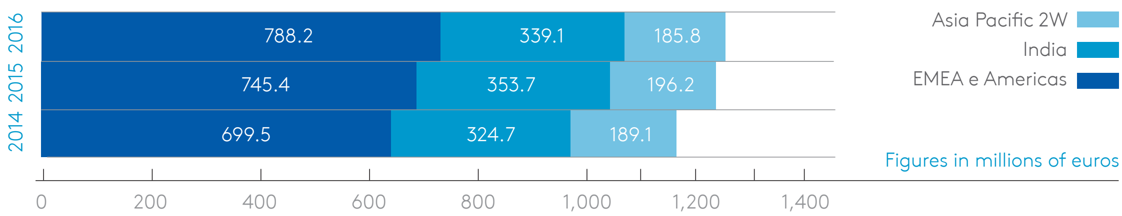
3) To make results of the previous 3 financial years comparable, the Group determined a net profit defined as "adjusted" which excludes the effect of non-recurrent operations.

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

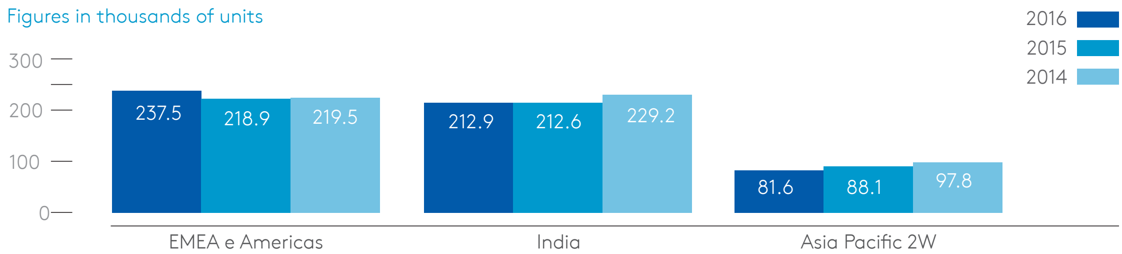
Results by operating segments

		EMEA and AMERICAS	INDIA	ASIA PACIFIC 2W	TOTAL
Sales volumes (units/000)	2016	237.5	212.9	81.6	**532.0**
	2015	218.9	212.6	88.1	**519.7**
	Change	18.6	0.2	(6.5)	**12.3**
	Change %	8.5%	0.1%	-7.3%	**2.4%**
Turnover (million euros)	2016	788.2	339.1	185.8	**1,313.1**
	2015	745.4	353.7	196.2	**1,295.3**
	Change	42.8	(14.6)	(10.4)	**17.8**
	Change %	5.7%	-4.1%	-5.3%	**1.4%**
Average number of staff (no.)	2016	3,827	2,286	869	**6,982**
	2015	3,944	2,761	857	**7,562**
	Change	(117)	(475)	12	**(580)**
	Change %	-3.0%	-17.2%	1.4%	**-7.7%**
Investments property, Property, plant and equipment intangible assets (million euros)	2016	71.9	15.3	9.5	**96.7**
	2015	74.0	12.5	15.4	**101.9**
	Change	(2.1)	2.8	(5.9)	**-5.2**
	Change %	-2.9%	22.5%	-38.4%	**-5.1%**
Research and Development [5] (million euros)	2016	40.0	4.4	5.7	**50.1**
	2015	36.0	4.7	6.1	**46.8**
	Change	4.0	(0.3)	(0.3)	**3.3**
	Change %	11.1%	-6.8%	-5.6%	**7.1%**

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



Revenues by geographic segment



Sales volumes by geographic area

Sales volumes by geographic segment - 2016

Group profile

The Piaggio Group is Europe's largest manufacturer of two-wheeler motor vehicles and an international leader in its field. The Group is also a major player worldwide in the commercial vehicles market.

Mission

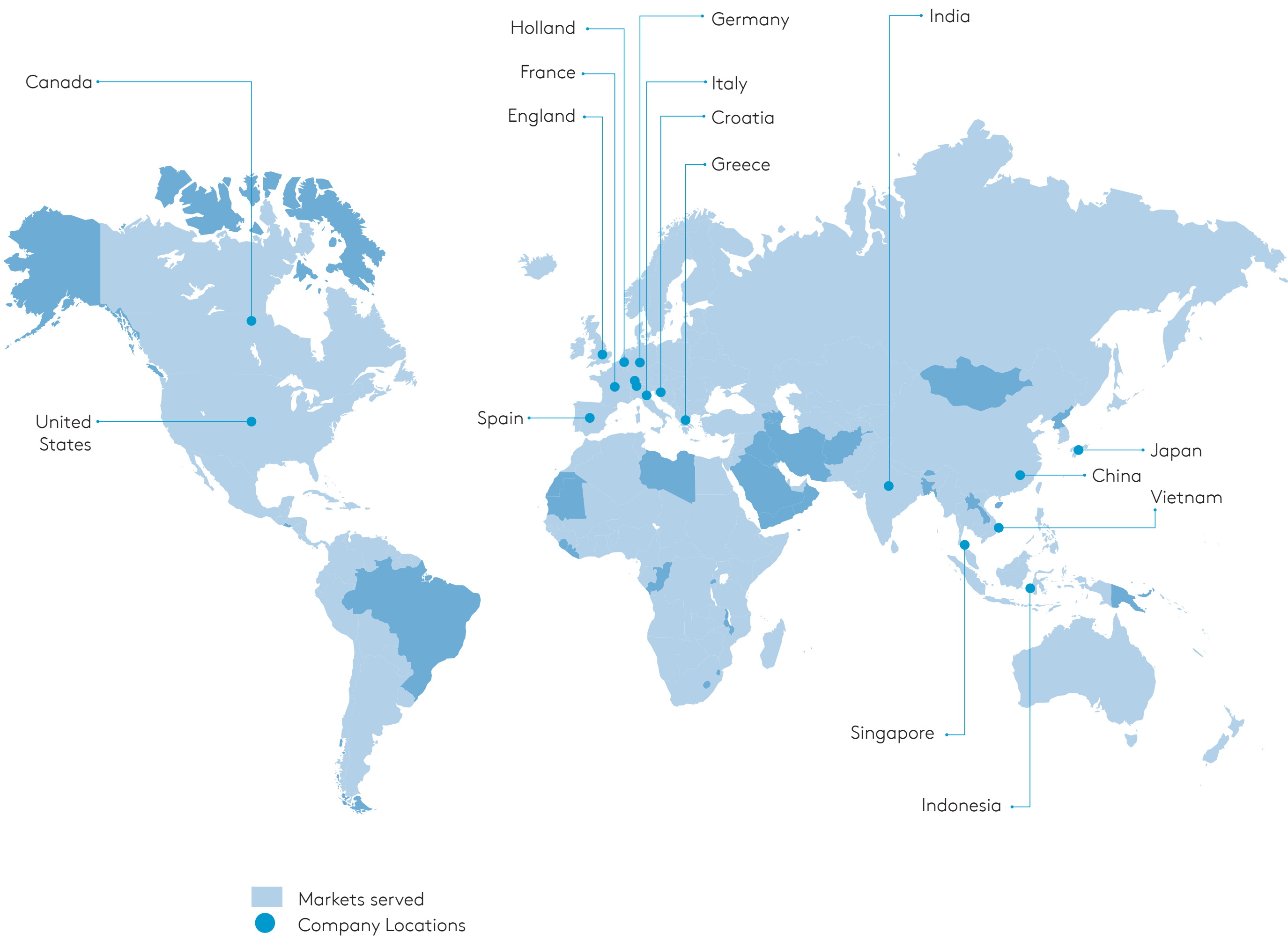
The mission of the Piaggio Group is to generate value for its stakeholders by acting as a global player that creates superior quality products, services and solutions for urban and extraurban mobility that respond to evolving needs and lifestyles.
To stand out as a player that contributes to the social 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.

Values

› ***Value for customers:*** Managing and developing a fast, flexible organisation, in which all processes, persons and external partners (suppliers and dealers) are focused on the generation of value perceivable by the client.
› ***Value for shareholders:*** Achieving objectives for returns on capital employed to meet the expectations of shareholders and ensure ongoing growth.
› ***Value of people:*** Nurturing the capabilities and talents of each individual, attracting and retaining the highest value resources.
› ***Value of brands:*** Investing in brand strength as leverage for developing market share and building a unique and distinctive market positioning.
› ***Customer-focussed innovation:*** Developing innovative products that stand out for their unique style, quality, safety, energy efficiency and low environmental impact.
› ***Internationalisation:*** Becoming a truly multinational business in terms of organisation, culture, global market presence and respect for local culture in each of the countries in which the group operates, and in exemplary the way its international human resources are handled.

The Group's international dimension

The Group, with headquarters in Pontedera (Pisa, Italy), operates at an international level through production sites located in Pontedera, which manufactures two-wheeler vehicles under the Piaggio, Vespa and Gilera brands, vehicles for light transport for the European market and engines for scooters and motorcycles; in Noale (Venice) with a technical centre for the development of motorcycles for the entire Group and the headquarters of Aprilia Racing; in Scorzè (Venice), which manufactures Aprilia, Scarabeo and Derbi two-wheelers, and Piaggio Wi-Bikes; in Mandello del Lario (Lecco), which manufactures Moto Guzzi vehicles and engines; in Baramati (in the Indian state of Maharashtra), which manufactures three- and four-wheeler light transport vehicles for the Indian market and exports, the Vespa for the Indian market and engines for the Group's commercial vehicles; in Vinh Phuc (Vietnam), which manufactures scooters and engines for the local market and Asean area. The Piaggio Group is also a 45% stakeholder in a joint-venture operation in China (in Foshan, in the Guangdong province) which is therefore consolidated with the equity method in the Group's results. In the US, the Piaggio Group Advanced Design Center operates at Pasadena, California. In addition, Piaggio Fast Forward Inc. was set up in Cambridge, Massachusetts in June 2015, a subsidiary of Piaggio & C. S.p.A., for research into innovative solutions in the mobility and transport sector.



The product range

The Group's range of products, sold in almost 100 countries, includes scooters, motorcycles and mopeds from 50 to 1,400cc, 3- and 4-wheeler vehicles, plus a new concept of electric bicycle.

The brands

Ape

Ape is a successful brand with over sixty years of history; it is recognised in Europe and worldwide as the choice for light, handy and versatile transport, making Piaggio the absolute market leader in India in this specific product segment.

Aprilia

The Aprilia brand has racing in its blood and flies the sporting flag for the Piaggio Group. With 294 Grand Prix races won in the Road Racing World Championship, Aprilia holds the record for the most wins of any European manufacturer in the history of the premier class motorcycle road racing. In the Superbike World Championship, Aprilia conquered 41 wins and 89 podiums. To these are added as many as 54 world titles: 38 in World motorcycle racing championships (20 in the

125cc class and 18 in the 250cc class), 7 in the Superbike World Championships (winning both the Rider's and Manufacturer's titles in 2010, 2012 and 2014, and the Manufacturer's title in 2013) and 9 in Off Road races (7 in Supermoto and 2 in Trials).

Derbi

Derbi is the first motorcycle for many generations of young riders.
The brand has a competitive spirit, winning 21 world titles and embracing a motorcycling philosophy centred on sport, adventure and fun.

Gilera

Gilera, the stylish, sporty Italian brand, produces premium vehicles with a stand-out style, performance and technology. Gilera is focused on a young, sports-oriented target clientèle looking for a vehicle with a superior performance and a dynamic, distinctive design that caters for their mobility needs, with advanced technological solutions that offer an outstanding riding experience.

Moto Guzzi

Moto Guzzi is one of the world's best known brands of motorcycle, with fans and clubs in all four corners of the globe. Founded in 1921, Moto Guzzi is part of Italy and the world's motorcycle history. The company's business has continued uninterrupted for more than 90 years, starting from the legendary Mandello del Lario site where the "Marchio dell'Aquila" originated in 1921.
Moto Guzzi has made a name for itself over the years manufacturing motorcycles renowned for their remarkable reliability, which have become famous thanks to their visibility at international rallies and première sporting events. The current Moto Guzzi range features 750cc to 1,400cc touring, road enduro, custom and naked bikes, all with 90° V twin cylinder engines and final cardan drive.

Piaggio

The Piaggio brand is a symbol of freedom in everyday life, offering a complete range of original, creative and intelligent products for metropolitan mobility, plus an exclusive, sophisticated style.
Close to its customers' needs, the Piaggio concept is driven by technological innovation, safety and respect for the environment.
Piaggio is a leader in the two-wheeler light mobility segment in Europe and the United States. Building on its leadership, history and brand value, it is developing major investments to meet the changing mobility needs of large Asian markets.

Veicoli Commerciali

Piaggio Commercial Vehicles is the partner of choice for all customers that need a vehicle on a daily basis to meet their professional and business requirements, with a range of commercial vehicles that are compact, easy-to-handle, with a large load capacity and environmentally friendly.

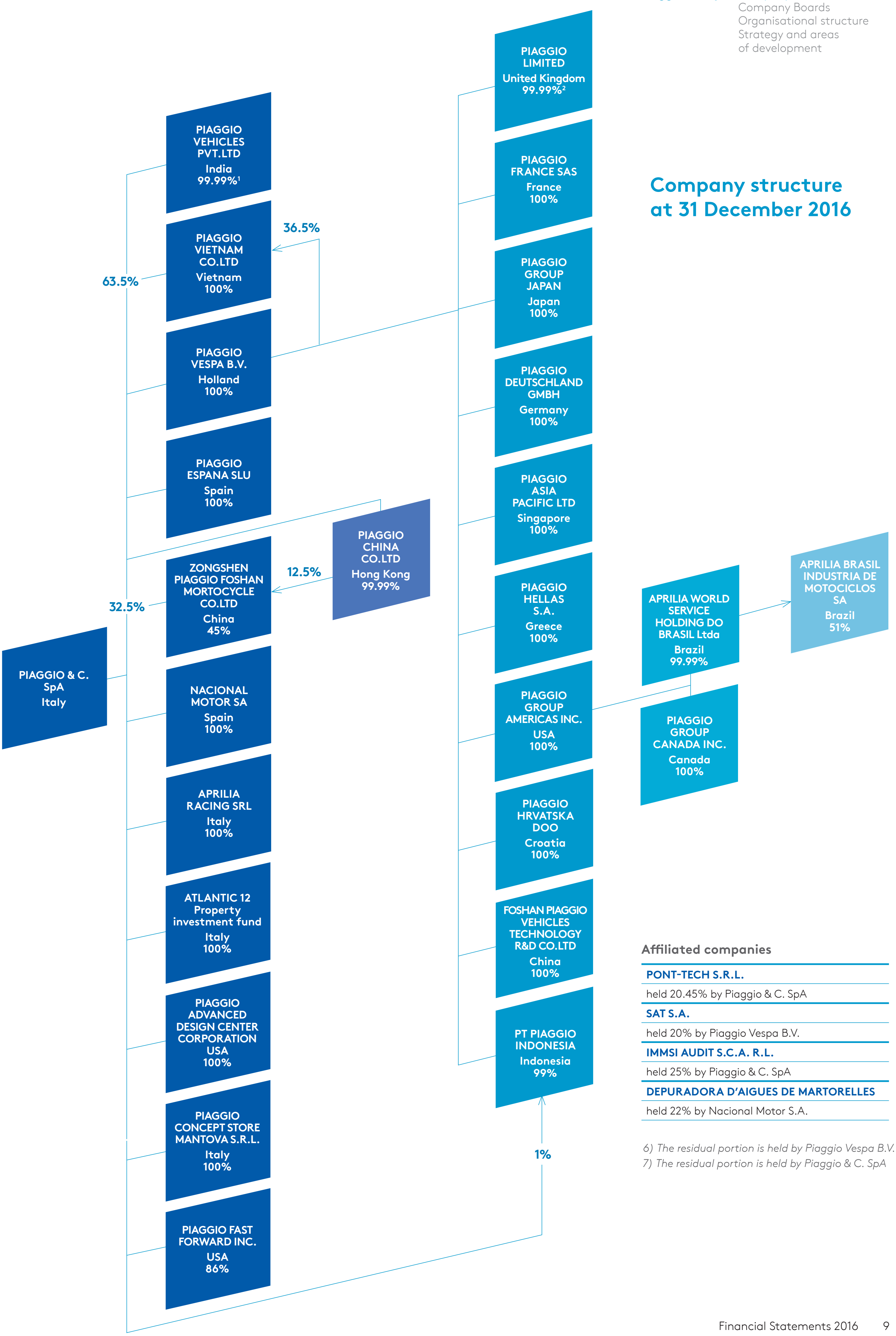
Scarabeo

Scarabeo is one of the Piaggio Group premium brands.
A unique design, the utmost in comfort and technological innovation are the drivers behind the brand that is an Italian "style setter" among younger customers and the most exclusive high-wheeled scooter.

Vespa

Vespa is the icon of a unique and distinctive lifestyle. Its eternal success stems from its remarkable historical background and iconic status.
Vespa is an icon of the two-wheeler segment, the brand which "invented" the scooter, with a wealth of values that all reflect an Italian way of life, a joie de vivre and a taste for beautiful objects.
On the strength of this success, Vespa has a vintage yet modern soul, a recognition worldwide that is unrivalled and a timeless image on all markets where it is sold.
In Europe, Asia and America, Vespa is a byword for an exclusive, elegant, "Made in Italy" scooter.

Company structure at 31 December 2016



Affiliated companies

PONT-TECH S.R.L.	
held 20.45% by Piaggio & C. SpA	
SAT S.A.	
held 20% by Piaggio Vespa B.V.	
IMMSI AUDIT S.C.A. R.L.	
held 25% by Piaggio & C. SpA	
DEPURADORA D'AIGUES DE MARTORELLES	
held 22% by Nacional Motor S.A.	

6) The residual portion is held by Piaggio Vespa B.V.
7) The residual portion is held by Piaggio & C. SpA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#be a racer

Company Boards

Board of Directors	
Chairman and Chief Executive Officer	Roberto Colaninno (8), (9)
Deputy Chairman	Matteo Colaninno
Directors	Michele Colaninno
	Giuseppe Tesauro (10), (11), (12), (13)
	Graziano Gianmichele Visentin (11), (12), (13)
	Maria Chiara Carrozza (11)
	Federica Savasi
	Vito Varvaro (12), (13)
	Andrea Formica

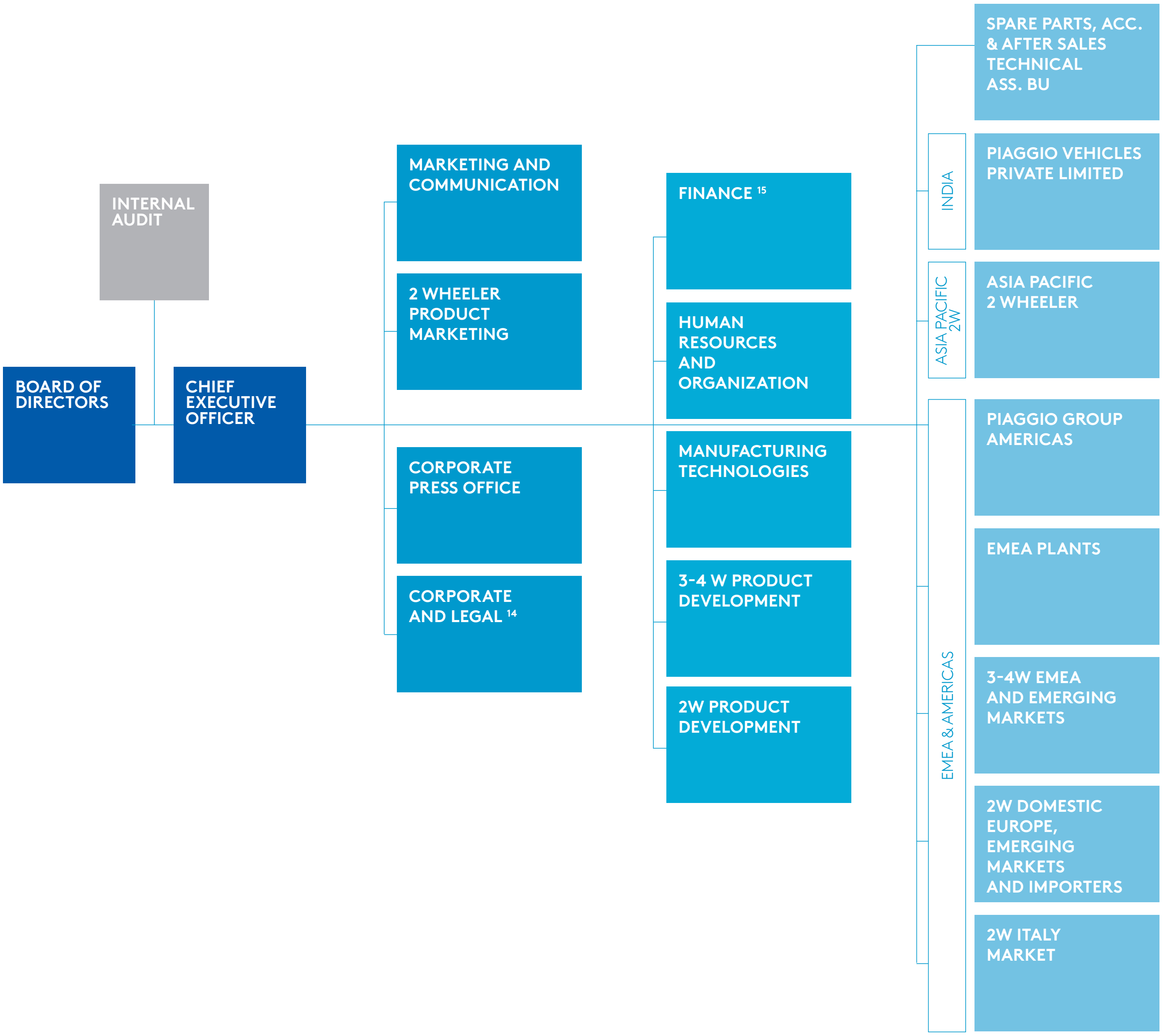
Board of Statutory Auditors	
Chairman	Piera Vitali
Statutory Auditors	Giovanni Barbara
	Daniele Girelli
Alternate Auditors	Giovanni Naccarato
	Elena Fornara

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.

(8) Director responsible for the internal control system and
(9) Executive Director
(10) Lead Indipendent Director
(11) Member of the Appointment Proposal Committee
(12) Member of the Remuneration Committee
(13) 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.

Organisational structure



14) The Compliance Officer works within this structure and functionally reports to the Board of Directors of Piaggio & C. S.p.A.

15) The Risk Officer works within this structure and functionally reports to the Board of Directors of Piaggio & C. S.p.A..

As of 31 December 2016 the structure of Piaggio & C. S.p.A.'s organisation was based on the following Front-line functions:

- *Internal Audit:* this function is responsible for developing all activities concerning and functional to internal auditing, in order to improve the effectiveness and efficiency of the internal control system and evaluate its operation.
- *Corporate Press Office:* this function oversees media management and coordination for Corporate activities, inviting the press to attend institutional events, preparing notices and issuing press releases.
- *Marketing and Communications:* this function is responsible for managing and coordinating at a global level sales communication, digital marketing and customer experience activities, as well as monitoring brand image and awareness of the Group's brands and managing the Museums and historical archives of Group brands. This function also manages and coordinates communication activities and relations with the media and end consumers, and guarantees the management and coordination of relations with product and racing media at a global level.
- *Corporate and Legal:* this function is responsible for providing assistance for all legal aspects, including assistance for contracts, managing problems concerning litigation involving the Group, guaranteeing protection of the Group's trademarks at a worldwide level, and the management of obligations concerning company law.
- *Two-wheeler Product Marketing:* this function is responsible for identifying market/customer needs and opportunities arising from technological innovation and developments in laws and standards, in order to assist the definition of the two-wheeler vehicle concept, as part of product range development.
- *Two-wheeler Product Development:* this function is responsible for activities focussing on innovation, style, engineering, reliability, quality and regulatory activities for scooters, motorcycles and two-wheeler engines, and for protecting industrial property relative to the Group's technical patents and models.
- *Three-, Four-wheeler Product Development:* this function is responsible for activities concerning style, engineering, reliability and quality relative to three- and four-wheeler commercial vehicles and engines.
- *Manufacturing Technologies:* this function is responsible for guaranteeing innovation and changes to production technologies, for managing infrastructures and sites, for ensuring the development of new industrial sites worldwide and for managing activities for the purchase of materials and components.
- *Human Resources and Organization:* this function is responsible for human resources development and organisation, and for handling industrial relations.
- *Finance:* this function is responsible for the administration, finance, tax, investor relations, planning and control, purchasing (purchasing of goods, services, supplier management) logistics (two-, three- and four-wheeler vehicle distribution) and information technology functions.
- *Two-Wheeler Italy Market,*
- *Two-Wheeler Domestic Europe Emerging Markets and Importers,*
- *Three-, Four-Wheeler EMEA Market and Emerging Markets:*
  each department, for the area and products in its management, is responsible for achieving sales targets established for scooters, motorcycles, commercial vehicles, spare parts and accessories, defining price policies for single markets and identifying appropriate actions to develop the sales network, through the coordination of sales companies in Europe, and for managing corporate sales to Major Clients and the central public administration sector at a European level.
- *EMEA Plants:* this function is responsible for guaranteeing the manufacture and quality of engines, motorcycles, scooters and commercial vehicles.
- *Asia Pacific 2 Wheeler:* this is responsible for coordinating the companies Piaggio Vietnam, Piaggio Asia Pacific, Piaggio Group Japan Corporation, Foshan Piaggio Vehicles Technology Research & Development and Piaggio Indonesia, in order to guarantee business and industrial profitability, turnover, market share and customer satisfaction for the Group's two-wheeler vehicles, by managing production and sales on reference markets.

- ***Piaggio Vehicles Private Limited:*** this function is responsible for guaranteeing business and industrial profitability, turnover, market share and customer satisfaction for the Group's commercial vehicles and scooters in India, by managing production and sales on reference markets.
- ***Piaggio Group Americas:*** this is responsible for guaranteeing business profitability for its reference area, turnover, market share and customer satisfaction by managing sales of Group products.
- ***Spare Parts, Accessories and Technical Assistance Business Unit:*** this function is responsible for managing after-sales activities and for defining the range of spare parts, establishing prices in conjunction with the sales department and ensuring distribution of the Group's spare parts and accessories.

Strategy and areas of development

Business strategy

The Piaggio Group aims to create value by adopting a strategy which:
- consolidates its leadership position on the European two-wheeler market and on the Indian light commercial vehicles market;
- increases its presence on international markets, with particular reference to the Asian area;
- increase in the operating efficiency of all company processes, with a focus on industrial productivity.

EMEA and Americas
Europe Two-wheeler – lever market recovery, consolidating a leadership position in the scooter segment. Focus on the Aprilia and Moto Guzzi brands to improve sales and profitability in the motorcycle segment. Entry on the electrical bicycle market, levering technological and design leadership, as well as the strength of the distribution network.
America Two-Wheeler segment - continuing growth, with the introduction of the premium products Aprilia and Moto Guzzi and consolidating the sales network.
Europe Commercial Vehicles - maintaining growth based on eco-sustainable solutions, with a product range featuring new engines with zero or low environmental impact and lower emissions.

India
Two-wheeler - consolidating the position on the scooter market with the expansion of the Vespa range and the introduction of new models in the premium segment (scooters and motorcycles).
Commercial Vehicles - an increase in volumes and profitability, through the consolidation of a strong competitive position on the three-wheeler market thanks to the Apè city Pax, the introduction of the new four-wheeler products, the sub 0.5 stroke and sub 1 stroke and a focus on the export of three-wheeler vehicles to Africa and Latin America, reversing the negative effects of the demonetisation affecting the Indian economy from November 2016 onwards.

Asia Pacific 2W
Development: the objective is to continue to expand sales throughout the area (Indonesia, Thailand, Malaysia, Taiwan), exploring opportunities for medium and large engine motorcycles, penetrating the premium segment on the Chinese market thanks to a new, direct presence in the country.

Key Assets
The Group will aim to consolidate its business position by levering and investing in the potential of its key assets:
- distinctive brands, recognised worldwide;
- an extensive sales network on reference market;
- competency in research and development, focussed on innovation, safety and the environment;
- a strong international presence, with local operations for all core company processes, from marketing to research and development, production and purchasing.

Sustainability strategy

The Group's Corporate Social Responsibility (CSR) strategic objectives – which are largely integrated with and connected to the development of the strategic plan – are based on the following areas

› **Economic:** timely, correct, in-depth information to stakeholders.
Creating value while respecting business ethics.

› **Product:** technological investments to meet the need for sustainable mobility - innovation to develop products that are environmentally friendly, safe and cost-effective.

› **Environmental:** decreasing energy consumption, reducing CO2 emissions and emissions of other pollutants - conserving natural resources - waste management.

› **Social:** developing, training and promoting human resources so that everyone's expectations and aspirations are met. Engaging with customers in order to establish relations based on transparency and trust - developing Company Advocacy in partnership with the dealer network – selling products that are environmentally friendly, reliable, safe and cost-effective. Engaging and cooperating with suppliers through shared development projects - respecting human rights. Engaging and supporting local communities through social, cultural and educational initiatives.

The results achieved in 2016, the sustainability policy adopted by the Group and initiatives taken are presented in the Piaggio Group's Corporate Social Responsibility Report, which is issued at the same time as this Report and is available on its institutional website www.piaggiogroup.com under Social Responsibility.

Piaggio and financial markets

Investor Relations

Piaggio considers financial disclosure to be of fundamental importance in building a relationship of trust with the financial market.

In particular the Investor Relations function engages institutional and individual investors as well as financial analysts in an ongoing dialogue, producing transparent, timely and accurate information to promote a correct perception of the Group's value.

In 2016, the Group had numerous occasions to engage with the financial community, meeting investors on the main European and Asian financial markets during road shows and conferences.
Initiatives also included direct meetings and conference calls, managed daily by the IR function, and institutional communication events concerning quarterly results.

The Company's website www.piaggiogroup.com is constantly updated with exhaustive information concerning the Group and all major corporate documentation, in both Italian and English.
In particular, press releases disclosed to the market by the Press Office, the Company's periodic financial reports, the Corporate Social Responsibility Report, and the Company's business and financial performance are all published on-line, along with the material used in meetings with the financial community, Piaggio share consensus as well as corporate governance documents (articles of association, insider trading and material concerning shareholders' meetings).

Contacts Investor Relations Department
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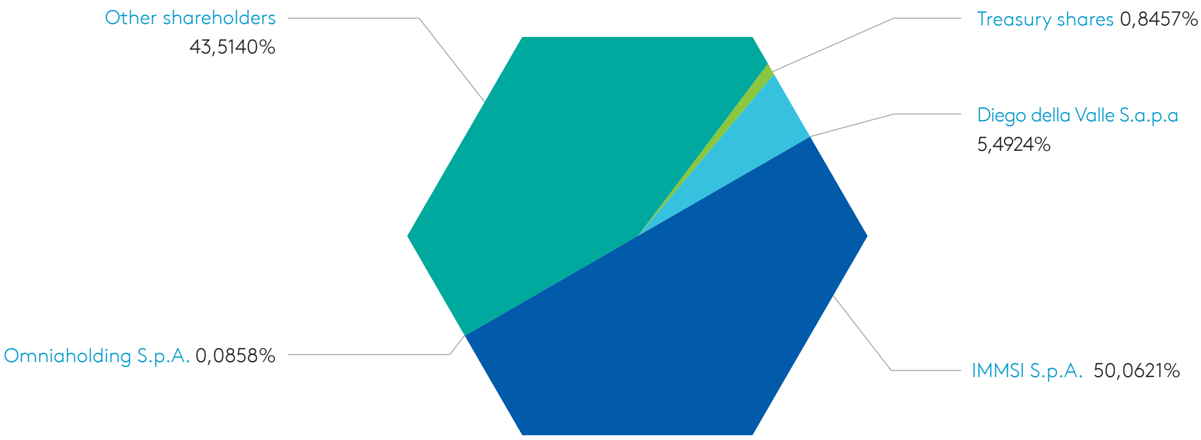
Email: investorrelations@piaggio.com
Tel: +39 0587 272286
Fax: +39 0587 276093

Shareholding structure

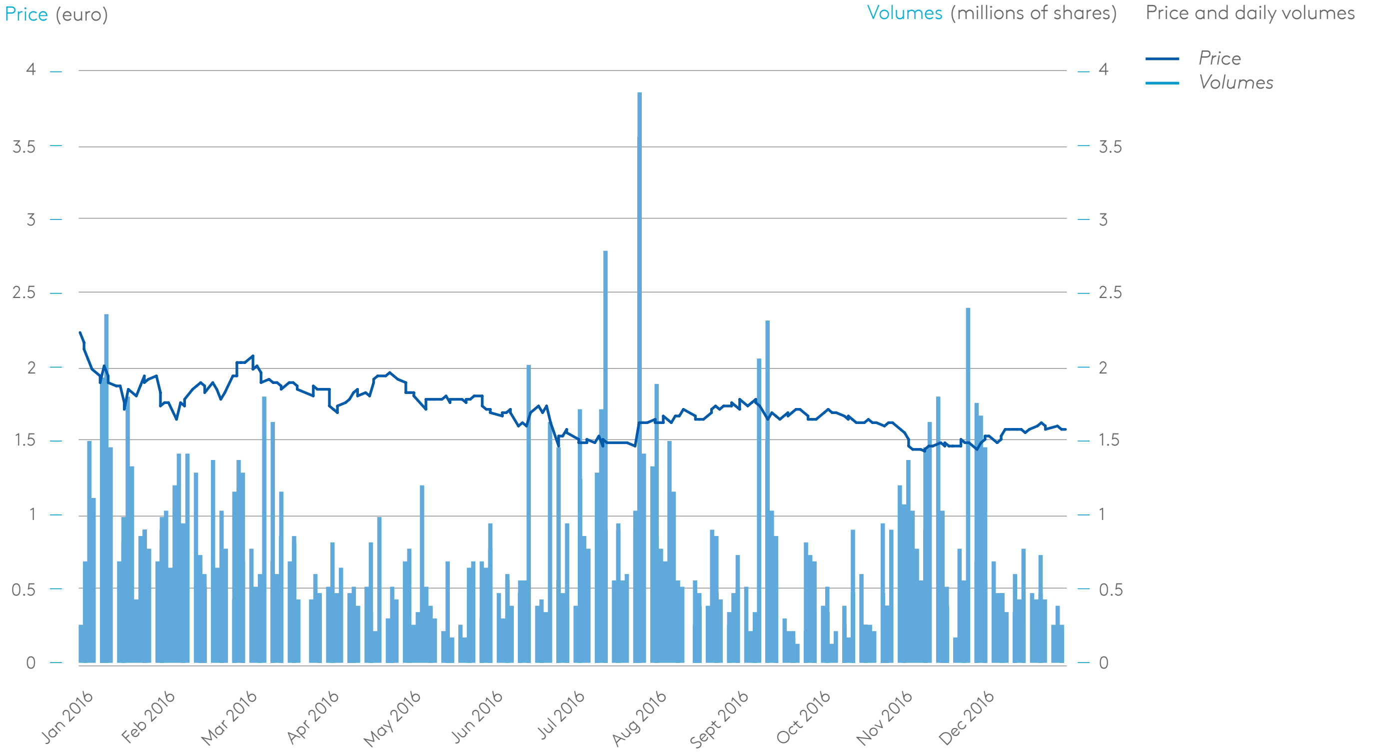
As of 31 December 2016, share capital consisted of 361,208,380 ordinary shares. At the same date, the shareholding structure, according to the shareholder ledger supplemented with notices received pursuant to article 120 of Legislative Decree no. 58/1998 and other available information, was as follows:



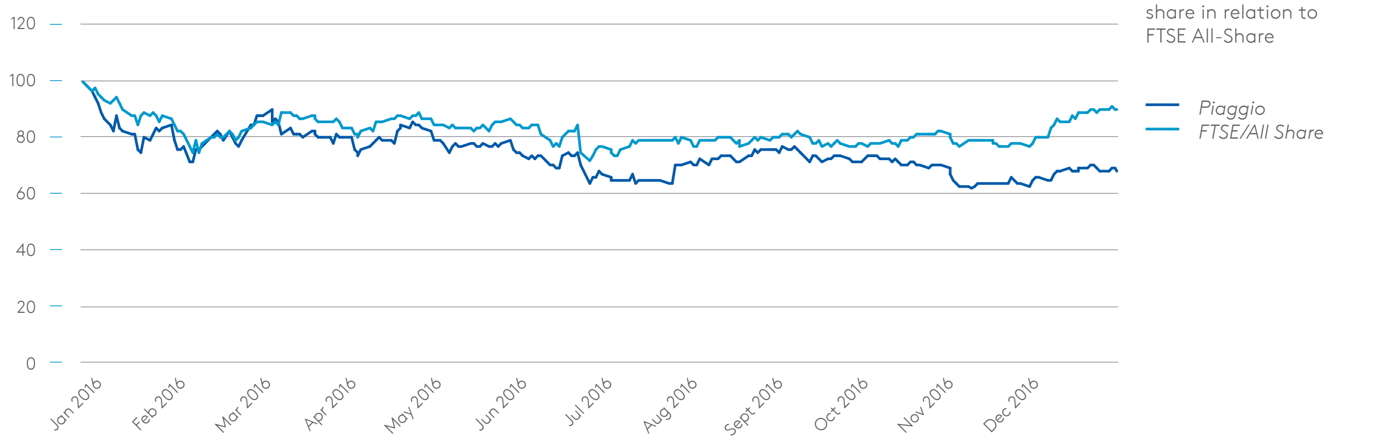
Share performance

Piaggio & C. SpA has been listed on the Milan Stock Exchange since 11 July 2006. The Piaggio share, affected by the market volatility characterising the second part of the year, ended 2016 at a price of 1.59 euro per share, down compared to the end of 2015.

Price and daily volumes



Trend of the Piaggio share in relation to FTSE All-Share



Main share indicators

	2016	2015
Official share price on the last day of trading (euro)	1.59	2.34
Number of shares (no.)	361.208.380	361.208.380
Earnings per share (euro)		
Basic earnings	0.039	0.033
Diluted earnings	0.039	0.033
Shareholders' equity by share (euro)	1.09	1.12
Market capitalisation (millions of euros)[16]	574.10	843.67

16) Source Borsa Italiana.

Dividends

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 2015, a dividend of 7.2 cents per share was distributed.

Statement of Piaggio & C. SpA dividends for 2015 and 2014

Reference Financial Statements	2015	2014
Detachment date	18 April 2016	20 April 2015
Payment date	20 April 2016	22 April 2015
Dividend per share (euro)	0.050	0.072

Group ratings

	Current	31/12/2015
Standard & Poor’s		
Corporate	B+	B+
Outlook	Stable	Stable
Moody’s		
Corporate	B1	B1
Outlook	Stable	Stable

Significant events during the year

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 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.

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 renowned three-wheeler, in Mexico, with the new Ape City and Ape Romanza models, for passenger transport.

30 December 2016 - Piaggio & C. S.p.A. signed two medium-term, unsecured bilateral loan agreements for a total of 45 million euros with Banca Popolare di Milano and Banca del Mezzogiorno-Mediocredito Centrale in December. In particular, Banca Popolare di Milano disbursed 25 million euros for Piaggio, with a 12.5 million-euro tranche and an amortisation plan of five and a half years, and another 12.5 million-euro tranche, as a four-year revolving credit line. The Company was also granted a five and a half years revolving credit line, for 20 million euros, from Banca del Mezzogiorno-Mediocredito Centrale.
The two new credit lines are part of the Group's ongoing actions to optimise debt, with the aim of refinancing the portion due in 2017, extending the average duration and reducing the average cost.

Financial position and performance of the Group

Consolidated income statement

Consolidated income statement (reclassified)

	2016		2015		Change	
	In millions of euros	Accounting for a %	In millions of euros	Accounting for a %	In millions of euros	%
Net revenues	1,313.1	100.0%	1,295.3	100.0%	17.8	1.4%
Cost to sell[17]	923.9	70.4%	920.9	71.1%	3.1	0.3%
Gross industrial margin[17]	**389.2**	**29.6%**	**374.4**	**28.9%**	**14.8**	**3.9%**
Operating expenses	328.3	25.0%	317.7	24.5%	10.6	3.3%
EBITDA[17]	**170.7**	**13.0%**	**161.8**	**12.5%**	**9.0**	**5.6%**
Depreciation	109.8	8.4%	105.0	8.1%	4.8	4.6%
Operating income	**60.9**	**4.6%**	**56.7**	**4.4%**	**4.2**	**7.4%**
Result of financial items	(35.4)	-2.7%	(36.6)	-2.8%	1.2	-3.3%
Profit before tax	**25.5**	**1.9%**	**20.1**	**1.6%**	**5.4**	**26.9%**
Taxes	11.5	0.9%	8.2	0.6%	3.2	39.2%
Net profit	**14.0**	**1.1%**	**11.9**	**0.9%**	**2.2**	**18.3%**

17) For a definition of the parameter, see the "Economic Glossary".

Net revenues

	2016	2015	Change
In millions of euros			
EMEA and Americas	788.2	745.4	42.8
India	339.1	353.7	(14.6)
Asia Pacific 2W	185.8	196.2	(10.4)
Total	**1,313.1**	**1,295.3**	**17.8**
Two-wheeler	916.5	884.9	31.6
Commercial Vehicles	396.6	410.4	(13.8)
Total	**1,313.1**	**1,295.3**	**17.8**

In terms of consolidated turnover, the Group closed 2016 with net revenues up compared to 2015 (+ 1.4%). In terms of geographic segments, the increase in revenues in EMEA and the Americas (+ 5.7%) more than offset the downturn in India, due to the effect of an unfavourable exchange rate (- 4.1%; - 0.1% with constant exchange rates) and Asia Pacific (- 5.3%; - 4.8% with constant exchange rates). As regards product types, the increase in turnover mainly referred to two-wheeler vehicles (+ 3.6%), while figures for Commercial Vehicles recorded a decrease (- 3.4%).
Consequently, the impact of two-wheeler vehicles on turnover went up from 68.3% in 2015 to the current figure of 69.8%, while the impact of commercial vehicles went down from 31.7% in 2015 to 30.2% in 2016.

The Group's **gross industrial margin** increased compared to the previous year, in absolute terms (€+14.8 million), and in relation to net turnover (29.6% against 28.9% in 2015).

Amortisation/depreciation included in the gross industrial margin was equal to €35.8 million (€36.9 million in 2015).

Operating expenses in 2016 also went up compared to the previous year, and amounted to €328.3 million (€317.7 million in 2015). The increase is mainly due to the increase in amortisation included in operating expenses (€74.0 million in 2016 compared to €68.1 million in 2015).

This performance resulted in a consolidated **EBITDA** which was higher than the previous year, and equal to €170.7 million (€161.8 million in 2015). In relation to turnover, EBITDA was equal to 13.0% (12.5% in 2015). In terms of Operating Income (**EBIT**), performance was better compared to 2015, with a consolidated EBIT equal to €60.9 million, up by €4.2 million compared to 2015; in relation to turnover, EBIT was equal to 4.6%, (4.4% in 2015).

The result of financing activities improved compared to the previous year by €1.2 million, with Net Charges amounting to €35.4 million (€36.6 million in 2015). This improvement is related to the decrease in average debt for the period and reduction in the cost of funding and positive trend of current operations, only partially offset by the lower capitalisation of borrowing costs.

Adjusted net profit stood at €14.0 million (1.1% of turnover), up on the figure for the previous year of €11.9 million (0.9% of turnover).

Taxes for the period were equal to €11.5 million, while they amounted to €8.2 million in 2015.

Operating data

Vehicles sold

	2016	2015	Change
In thousands of units			
EMEA and Americas	237.5	218.9	18.6
India	212.9	212.6	0.2
Asia Pacific 2W	81.6	88.1	(6.5)
Total	**532.0**	**519.7**	**12.3**
Two-wheeler	344.0	322.5	21.5
Commercial Vehicles	188.0	197.2	(9.1)
Total	**532.0**	**519.7**	**12.3**

During 2016, the Piaggio Group sold 532,000 vehicles worldwide, registering a growth of 2.4% in volume over the previous year (519,700 units sold). Sales in EMEA and the Americas were up (+ 8.5%), driven by the volumes achieved on the Italian market (+ 16.6%) and in Europe (+ 7.3%), while there was a fall in vehicles sold in the Americas (- 1.4%), and in Asia Pacific 2W (- 7.3%). Figures for vehicles delivered to India (+ 0.1%) were more or less steady, with the growth in sales of two-wheeler vehicles (+ 39.7%) offsetting the downturn in sales of Commercial Vehicles (- 6.0%).
As regards product types in overall terms, the increase in sales mainly referred to two-wheeler vehicles (+ 6.7%), also boosted by the introduction of the Wi-Bike, while figures for commercial vehicles decreased (- 4.6%).
For a more detailed analysis of market trends and results, see relative sections.

Consolidated statement of financial position[18]

Statement of financial position	As of 31 December 2016	As of 31 December 2015	Change
In millions of euros			
Net working capital	(36.3)	(30.9)	(5.4)
Property, plant and equipment	312.8	319.6	(6.8)
Intangible assets	668.7	674.0	(5.3)
Financial assets	7.9	8.6	(0.7)
Provisions	(68.4)	(68.8)	0.5
Net capital employed	**884.7**	**902.4**	**(17.7)**
Net Financial Debt	491.0	498.1	(7.2)
Shareholders' equity	393.7	404.3	(10.6)
Sources of funds	**884.7**	**902.4**	**(17.7)**
Non-controlling interests	(0.3)	(0.2)	(0.1)

18) For a definition of individual items, see the "Economic Glossary".

Net working capital as of 31 December 2016 was negative (€36.3 million), generating a cash flow of approximately €5.4 million during 2016.

Property, plant and equipment which includes investment property, totalled €312.8 million as of 31 December 2016, decreasing by €6.8 million compared to figures for the previous year. Depreciation for the year (€44.8 million), impairment (€1.2 million) and disposals (€0.3 million) were only partially offset by investments for the year equal to approximately €38.2 million and by the value adjustment of the financial statement item to the year-end exchange rate that increased the carrying amount by approximately €1.3 million.

Intangible assets totalled €668.7 million, down by approximately €5.3 million compared to 31 December 2015. This decrease is mainly due to amortisation for the period of approximately €63.7 million, which exceeded investments for the year (€58.4 million).

Financial assets totalled €7.9 million overall, showing a slight decrease compared to the figures for the previous year.

Provisions totalled €68.4 million, falling slightly 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 31 December 2016 was equal to €491.0 million, compared to €498.1 million as of 31 December 2015. The reduction of €7.2 million is mainly attributable to the positive performance of operations and greater efficiency in managing working capital. Overall, cash generation enabled the payment of dividends (€18 million), the buy-back of treasury shares (€5.6 million) and financing of investment programmes.

Shareholders' equity as of 31 December 2016 amounted to €393.7 million, down €10.6 million compared to 31 December 2015.

Consolidated Statement of Cash Flows

The Consolidated Statement of Cash Flows, prepared in accordance with international accounting standards, is presented in the "Consolidated Financial Statements and Notes as of 31 December 2016"; the following is a comment relating to the summary statement shown.

Change in consolidated net debt	2016	2015	Change
In millions of euros			
Opening Consolidated Net Debt	**(498.1)**	**(492.8)**	**(5.3)**
Cash flow from operating activities	123.4	109.8	13.6
(Increase)/Reduction in Working Capital	5.4	16.0	(10.5)
(Increase)/Reduction in net investments	(97.1)	(110.4)	13.3
Change in shareholders' equity	(24.6)	(20.6)	(4.0)
Total change	**7.2**	**(5.3)**	**12.4**
Closing Consolidated Net Debt	**(491.0)**	**(498.1)**	**7.1**

During 2016 the Piaggio Group generated **financial resources** amounting to €7.2 million.

Cash flow from operating activities, defined as net profit, minus non-monetary costs and income, was equal to €123.4 million.

Working capital generated a cash flow of approximately €5.4 million; in detail:
› the collection of trade receivables generated financial flows for a total of €6.3 million;
› stock management originated financial flows for a total of €4.4 million;
› supplier payment trends generated financial flows of €14.8 million;
› the movement of other non-trade assets and liabilities had a negative impact on financial flows by approximately €20.1 million.

19) Net of customer advances.

Investing activities involved a total of €97.1 million of financial resources. The investments refer to approximately €30.9 million for capitalised development expenditure, and approximately €65.8 million for property, plant and equipment and intangible assets.

As a result of the above financial dynamics, which generated a use of €7.2 million, the net debt of the Piaggio Group amounted to €–491.0 million.

Alternative non-GAAP performance measures

In accordance with Consob Communication DEM/6064293 of 28 July 2006 as amended (Consob Communication no. 0092543 of 3 December 2015 that enacts ESMA/2015/1415 guidelines on alternative performance measures), Piaggio, in its Report on Operations, refers to some alternative performance measures, in addition to IFRS financial measures (Non-GAAP Measures).
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 the fair value adjustment of related hedged items. The notes to the Consolidated Financial Statements include a table indicating the statement of financial position items used to determine the measure.

To compare results from 2014, 2015 and the current year, profit before tax and net profit for 2014 were recalculated, excluding the effect of non-recurrent events. Further profitability measures are defined as adjusted profit before tax and adjusted net profit.

Background

The macroeconomic framework

In 2016, the world economy grew by approximately 3%, with dynamics differing by geographic segment, against a background of reduced inflation in western countries and commodity prices, partly affected by oil prices, picking up at the end of the period.
The two main economies in East Asia confirmed important growth trends. Growth was down slightly in China (+6.7%) against a backdrop of higher public spending and a consequent problem of keeping financial risk in check and a weakening national currency. In India, growth was steady (approximately 7%), driven by internal demand, although curbed by the demonetisation process launched by the Indian government on 8 November 2016, which reduced forecast growth by around one per cent.
Japan recorded slight improvements in growth (nearly 1%), thanks to its ongoing budget and expansive monetary policy.
Growth was consolidated in the United States (approximately 1.6%), paving the way for monetary policy normalisation. As a result, the dollar got stronger and this trend was confirmed following the prospect of reflation policies announced by the new administration.
Overall growth was consolidated in the eurozone (1.7%), in a context of marginal inflation, which led the ECB to confirm major monetary intervention programmes.
Growth in Italy was nearly equal to 1%. The slight improvement in consumer trends and employment confirmed the need for further structural reforms - to improve competitiveness, and for EU policies that not only focus on the strict control of government undertakings, but also on supporting investments.

The market

Two-wheeler

The two-wheeler sector (scooters and motorcycles) at a global level, based on figures from monitored markets, recorded sales of over 46 million vehicles in 2016, with an overall increase of 0.6% compared to the previous year, but with different dynamics anchored to the geographic segment.

India, the most important two-wheeler market, continued its growth trend in 2016, ending the year with just over 17.7 million vehicles sold, up by 9.7% compared to 2015.

China instead recorded decreasing volumes in 2016, down by 12% compared to the previous year and ending the period with nearly 8 million units sold.

The Asian area, termed Asean 5, reported a slight increase in 2016 (+0.9% compared to 2015) ending the year with 12.3 million units sold. Indonesia, the main market in this area, continued its downturn in 2016, with total volumes of over 5.9 million units and a decrease of 8.5% compared to the previous year. Growth in Thailand picked up (1.7 million units sold; +6.4% compared to 2015); while Malaysia confirmed last year's negative trend (373 thousand units sold; -1.9% compared to 2015). The sales trend in Vietnam remained buoyant in 2016 (3.1 million units sold; +9.5% compared to 2015). The Philippines recorded the strongest growth trend in the area, with first-time sales of over 1 million units (1.1 million units sold; +34.1% compared to 2015);

Volumes of other Asian area countries (Singapore, Hong Kong, South Korea, Japan, Taiwan, New Zealand and Australia) increased, in overall terms, compared to the previous year, with 1.4 million units sold (+8.5%). Within this area, Japan was still affected by a downturn (380 thousand vehicles sold, -6.6% compared to 2015), while sales in Taiwan went up considerably, with 788 thousand units sold (+18% compared to 2015).

The North American market reported a decrease of 1.9% compared to 2015 (547,100 vehicles sold in 2016) reversing its positive trend of previous years.

Brazil, the leading market in South America, recorded a strong downturn (- 28%), with 858 thousand vehicles sold in 2016.

Europe, the reference area for Piaggio Group activities, confirmed its positive growth trend in 2016 as well, reporting an 8.7% increase in sales overall compared to 2015 (+15.2% for the motorcycle segment and +3.4% for scooters), ending the period with 1.3 million units sold.

The scooter market

Europe

The European scooter market in 2016 accounted for 696,500 registered vehicles, with sales up by 3.4% compared to 2015.
In 2016, vehicle registrations were higher in the over 50cc segment, with 429,000 units against 267,500 units in the 50cc scooter segment. The over 50cc scooter segment increased by 8.3% compared to 2015, while the 50cc segment fell by 3.6%.
Italy is still the most important market among leading countries, with 138,350 units sold, followed by France with 130,400 units and Spain with 115,000 units. Holland ranks fourth, for sales, (66,400 units) ahead of Germany, with 61,400 units sold. Lastly, Greece and the United Kingdom recorded sales of 38,650 and 36,100 vehicles respectively.
In 2016, the Italian market reported a positive growth trend compared to the previous year (6.8%). The 50cc segment went down by 2.5%, with 20,500 units sold. In the over 50cc segment, 117,900 units were sold, registering an increase of 8.6% compared to 2015.
The French market with 130,400 vehicles decreased by 2.9% compared to the 134,300 vehicles sold the previous year: this decline was recorded in both the 50cc and over 50cc segments, with a decrease of 3.9% (72,900 units sold in 2016) and 1.7% (57,500 units sold) respectively.
Spain performed the best among leading markets, with a growth of +12.3% compared to 2015. Both the over 50cc market (+13.2%) and the 50cc scooter segment (+ 6.7%) contributed to this result.
The German market registered a slight decrease (-0.2%) with approximately 61,400 vehicles sold in 2016 compared to 61,500 in 2015. On this market as well, the downturn was due to the 50cc scooter segment (-7.6%), while the over 50cc scooter segment reported an increase (+8%).
The United Kingdom recorded a strong growth trend (+11.8%), thanks to an increase in the over 50cc segment(+18.8%), while sales in the 50cc scooter segment fell (- 7.4%).

North America

In 2016 the market still reported a downturn (-11.2%), with approximately 29,600 units sold: this negative trend is due to the over 50cc scooter segment, where sales fell by 14% and to the 50cc scooter segment, with sales going down by 8.9%.
The scooter market in the United States (which accounts for 89% of the reference area), declined by 12.5%, with 26,300 vehicles sold; a slight upturn was recorded instead on the Canadian market, with over 3,300 vehicles registered in 2016, accounting for an increase of 1.4%.

Asia

The main scooter market in the Asean 5 area is Indonesia, with just over 5.3 million items sold, reporting a decrease of approximately 7.8% compared to 2015. The Cub segment (vehicles with gears) accounted for the downturn, confirming the negative trend of previous years and closing with 599 thousand units and a decrease of -30.1%. The decrease in the automatic scooter segment

was far more moderate (-3.9% compared to 2015 and nearly 4.7 million units sold).
The second main market is Vietnam, which reported a 9.5% increase and 3.1 million units sold, of which 1.7 million Cub scooters (+6% compared to 2015) and 1.4 million automatic scooters (+9.6% compared to 2014).

Vietnam
The Vietnamese market mainly concerns scooters, as sales in the motorcycle segment are not particularly significant. The 50cc scooter segment is not operative on this market. The 51-115cc subsegment was the most important, with over 960 thousand units sold (+8.6%).
The premium automatic scooters segment continued its growth trend in 2016 (+ 17.2%), with 293 thousand units sold.

India
The automatic scooter market increased by 15% in 2016, ending the year with over 5.6 million units sold.
The 125cc segment was the best performer, with more than 5.5 million units sold in 2016, accounting for 98% of the total automatic scooter market. With the new Aprilia SR 150 coming onto the market, the 150cc segment reported a growth trend of over 500%, closing the period with 16,300 units sold in 2016. The 50cc scooter segment is not operative in India.

The motorcycle market

Europe
With 621,200 units registered, the motorcycle market ended 2016 with a 15.2% increase. All subsegments reported a growth trend, including the 50cc subsegment (+11.8%) which closed with 34,800 units sold. Growth in the over 50cc segment was stronger, with sales of 586,400 accounting for an increase of 15.4%.
The main European market was Germany with 141,600 units, while France ranked second (120,300 units); the United Kingdom with 92,200 vehicles stayed in third place, ahead of Italy which ended the year with 78,800 units sold; Spain ranked fifth with 57,200 vehicles sold.
In 2016, all main countries in Europe reported positive trends compared to the previous year: the highest growth, in percentage terms, was recorded in Spain, (+25.7%), but performance was also extremely positive in Italy (+21.4%), Germany (+16.4%), France (+12.4%), and Great Britain (+11.8%).
Only Switzerland recorded a negative trend during 2016 (- 2.7%) closing the period with 26,300 units sold.

North America
The motorcycle market in North America (USA and Canada) recorded a downturn of 1.3% in 2016, closing the period with 517,500 units compared to 524,300 the previous year. In the United States (accounting for 89% of the area), the motorcycle segment recorded a 2.1% decrease, selling 460,800 units compared to 470,600 units in 2015. The trend on the Canadian market was instead positive, ending the year with 56,600 units sold, up by 5.4% compared to the previous year.

Asia
India is the most important motorcycle market in Asia, selling over 11.2 million units in 2016, accounting for a 6.5% increase.
The motorcycle market in the Asean 5 area is far less important than the scooter sector. Sales of motorcycles in Vietnam were not significant. In other countries, the highest sales were recorded in Indonesia; however with 644 thousand units sold, this meant a decrease of 13.5% compared to the previous year.

Commercial Vehicles

Europe

In 2016, the European market for light commercial vehicles (vehicles with a maximum mass of up to 3.5 tons) where the Piaggio Group operates, accounted for 1.9 million units sold, up 11.9% compared to 2015 (source ACEA data). In detail, the trends of main European reference markets are as follows: Germany (+8.5%), France (+8.2%), Italy (+50.0%) and Spain (+11.2%).

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 514,000 units in 2015 to 546,000 in 2016, registering a 6.2% increase.
Within this market, the passenger vehicles subsegment reported a positive trend (+4.8%), closing with 439,000 units. The cargo segment also reported an increase (+11.9%), from 95,000 units in 2015 to 107,000 units in 2016.
Through its Indian affiliate, the Piaggio Group also operates on the four-wheeler light commercial vehicles (LCV) market (cargo vehicles for goods transport). The LCV cargo market, with vehicles with a maximum mass below 2 tons and on which the Porter 600 and Porter 1000 are sold, accounted for 116,100 units sold in 2016, going up by 0.4% compared to 2015.
The demonetisation decided by the Indian government resulted in a considerable market downturn, from November 2016 onwards. Despite this, forecasts for next year are optimistic, pointing to a market increase in 2017.

The regulatory framework

European Union

As provided for in Regulation (EU) No.168/2013 on the approval and market surveillance of two- or three-wheeler vehicles and quadricycles, the European Commission launched an environmental impact study to assess air quality and the pollution and noise levels of category L vehicles (mopeds, motorcycles, tricycles and quadricycles).
The study was overseen by a consortium of laboratories that have been conducting tests on models and current market technologies since January, to assess applicability for 2020 and the cost/benefit ratio of European Commission (EC) Euro 5 standards. In December, the consortium previewed some of the results of the study to the European Commission, representatives of Member Countries and stakeholders, explaining that the implementation of some measures planned for 2020 appeared to be feasible, while for others, Manufacturers would need more time than that planned when the Regulation was published (October 2013). After receiving the full report of the test campaign, presumably in early 2017, the EC will put its proposals to confirm or amend Euro 5 requirements to the Council and Parliament.
A study on noise emissions was launched in the second half of 2016, scheduled for completion in mid-2017; the results will provide a proposal for noise emission values for L category vehicles for the Euro 5 stage of 2020.

On 27 January 2016, the European Commission published a draft European regulation to replace directive 2007/46 on the main requirements currently applicable for the type approval of vehicles (categories M and N). This draft regulation covers the following issues: market surveillance, safeguard measures and recall campaigns, designation and monitoring of Technical Services, access to repair and maintenance information and penalties for Manufacturers and Technical Services that infringe type approval regulations. During the year, the European Economic and Social Committee gave an opinion on the proposal, positively rating the foreseeable effects (a return to fair competition among Manufacturers, greater consumer protection and restoring customer confidence in this market sector); however it also highlighted the importance of establishing reasonable time frames for the requirements to come into force, and to guarantee a positive cost/benefits ratio.

This proposal was also discussed within the European Council in a number of meetings (the most recent in November), held to finalise the wording of the proposal, so that it may be shared and approved by the European Parliament as well.

In February 2016, the Council of the European Union adopted regulation 2016/425 on personal protective equipment and repealing Council Directive 89/686/EEC as from 21 April 2018. The main change that concerns all PPE (Personal Protective Equipment) is the more specific definition of risks against which the user must be protected. In November, a workshop was organised by the European Commission (EC) on the transition from the Directive 89/686/EEC to the Regulation (EU) 2016/425 following which a Q&A document on the issue should be published on the EC site.

On 2 March 2016, some corrigenda to Regulation 168/2013/EC were published, intended to clarify or correct inaccuracies in the Regulation for the European type approval of two- or three-wheeler vehicles and quadricycles. A more in-depth review of the regulation will take place during 2018.

In March and April 2016, the European Union formalised some new requirements concerning real driving emissions (RDE) which introduce a new anti-pollution test for the type approval of passenger and transport vehicles. These new requirements are included in the regulations (EU) 2016/427 published on 31 March and (EU) 2016/646 published on 26 April. These regulations include new test procedures, specifications for test equipment and calculation methods for applying RDE, based on road use and a PEMS (Portable Emission Monitoring System). Besides laboratory testing, vehicles will also have to pass the RDE test and comply with relative limits on the road.
In particular, manufacturers will have to be able to limit the difference between laboratory emissions and emissions in real driving conditions (the so-called conformity factor):
› by a maximum 2.1 (110%) for new models by September 2017 (for new vehicles by September 2019);
› by a maximum 1.5 (50%) for new models by January 2020 (for new vehicles by January 2021).
The EU Commission also presented a proposal for a third regulation on Real Driving Emissions (RDE Act 3) mainly concerning emissions of nitrogen oxide and the number of particles of particulate matter and the further development of type-approval testing methods, to take more account of the fact that urban routes with cold starts generate most of the urban pollution that is emitted.

Italy
Regulation no. 219 "Electrical re-qualification system for M and N1 category vehicles" was published in the Gazzetta Ufficiale no.7 of 11 January 2016. The regulation establishes the technical and administrative procedures for the type approval of electrical re-qualification systems that allow for cars, buses and light commercial vehicles with combustion engines to be converted into electrical vehicles.

After the ruling of the Italian Ministry for Transport on the "Extraordinary technical testing of pollutant emission levels of newly manufactured vehicles, as well as of components, devices and systems with type approval", in the Gazzetta Ufficiale in March, the Ministry defined, in the second half of the year, the general programme of test campaigns scheduled for 2017, which will be assigned through the award of an international contract. The tests will check the pollutant emission levels and performance of vehicles that are new and in use, including e-bicycles.

In June, the Prime Minister's Decree with "Approval of the update to the national infrastructure plan to recharge electrical vehicles, approved with the Prime Minister's Decree of 26 September 2014" was published in the Gazzetta Ufficiale.

In the second half of 2016, the Prime Minister's Office set up a panel with representatives of different stakeholders to discuss sustainable mobility. Along with ministries interested in environmental sustainability, air quality and public health (the Ministry for Economic Development, the Ministry for Transport, the Ministry for the Environment, Land and Sea, the Ministry for Health), the Prime Minister's Office has set an objective of giving the Government a roadmap, with recommendations and advice, for the development of a mobility policy over the next few decades.

Ministerial Decree no. 208 of 20 July 2016 approved the national testing programme for home/school and home/work sustainable mobility with the funding of projects launched by one or more local councils (in areas with at least 100,000 inhabitants). One of the aims of these projects is to develop services and infrastructure for public and/or shared mobility with low emissions, including car pooling, car sharing and scooter sharing. The decree has also established procedures for presenting the projects, which are co-funded by the Ministry for the Environment for up to 60% of admissible costs.

In November 2016, following the initiative "Two-wheelers and motorway tolls" of the Association of Italian Manufacturers of Two-,Three- and Four-Wheelers and spare parts and accessories (ANCMA), a resolution was discussed by the X Transport Committee of the Chamber of Deputies requesting the Government to undertake regulatory initiatives to redefine the current vehicle classification system for motorway tolls; this will help riders of two-wheelers who at present pay the same motorway tolls as car drivers.

During 2014, an amendment was tabled before the Italian Parliament concerning highway code reforms delegated to the Government. Along with other legislative proposals, it sought to allow access to ring roads and motorways for motorcycles with an engine capacity of ≥ 120 cc if ridden by persons aged over eighteen. The bill was passed by the Chamber of Deputies, but its progress has been halted over the years, lastly because of the Government crisis in December. At present, it is not known when the procedure to pass the bill will resume.

France

The entry into force of European Regulation 168/2013/EC on the approval of two- or three-wheeler vehicles and quadricycles, as from 1 January 2016, stopped the application of a specific French law that limited the maximum power of motorcycles that may be registered in France to 100 horsepower.
In April, the French government published a decree on the basis of which motorcycles with an hp of 100 or greater can be registered, as from 15 April 2016, only if equipped with ABS (anti-lock braking system).

On 2 June 2016, the French government published a decree stopping the possibility of directly obtaining an A category licence (to drive motorcycles up to 35 kW). It is now compulsory for people who want to obtain a category A licence to drive these vehicles to have held a category A2 licence (with limited power) for at least two years and to take a 7-hour training course.

On 20 September 2016, decree no. 2016-1232 was published, requiring riders and passengers of scooters, motorcycles, motor tricycles and quadricycles to wear EU-regulation gloves as from 20 November 2016. The obligation does not apply to vehicles equipped with safety belts and doors.

United Kingdom

On 13 October, the Ministry for Transport presented a range of measures to encourage a greater use of vehicles with a minimum environmental impact. This will involve the allocation through the United Kingdom of thousands of recharging stations for electric vehicles and incentives worth 3.75 million pounds for the purchase of electric scooters and motorcycles. The incentives will fund up to 20% of the cost of an electric scooter, motorcycle or moped, for up to a maximum of 1,500 pounds.

USA

In July 2015, EPA (Environmental Protection Agency) and NHTSA published a regulatory proposal to create a new stage compared to current standards on greenhouse gas emissions and the energy efficiency of vehicles. The proposal does not apply to motorcycles. The Final Rule was notified on 16 August 2016 and will come into force 60 days after being published in the Federal register.

In November, the NHTSA (U.S. Department of Transportation's National Highway Traffic Safety Administration) published the Final Rule on the Federal Motor Vehicle Safety Standard No.141 which requires hybrid and electric four-wheeled vehicles with a gross weight of no more than 10,000 pounds (approximately 4,500 kg) to be fitted with an acoustic warning system, so that pedestrians, in particular with sight disabilities, are warned of approaching vehicles transiting at speeds of less than 30 km/h (the speed at which the noise of the tyres, wind resistance or other factors make it possible to hear these vehicles even without an acoustic warning system). The final rule will become effective on 13 February 2017 and relative obligations on 1 September 2019. Following the evaluation by NHTSA, the rule does not apply to motorcycles.

On 13 December, the NHTSA submitted a bill to promote technologies for fleets of light transport vehicles. This proposal would require manufacturers of these vehicles to include V2V communication technologies on newly manufactured vehicles. At the same time, the Federal Department for Road Administration is planning the publication of guidelines on V2I communication (vehicle to infrastructure). As the first stage of the regulatory process, a public consultation on the bill will be held, lasting for 90 days.

India

In February, it became mandatory for two-wheeler vehicles to be fitted with automatic lights or alternatively, with a DRL (daytime running light) system as from 1 April 2017.

In March, the Ministry of Transport notified new provisions requiring over 50cc motorcycles and scooters with a maximum engine capacity of 125cc, a maximum power of 11 kW and a power/weight ratio of up to 0.1 kW/kg, to be fitted with an ABS (anti-lock braking system) or, alternatively, with a CBS (combined braking system). Over 50cc two-wheelers that do not meet the above criteria shall be fitted with an ABS. The obligation will come into force for new models as from 1 April 2018, and for newly registered models as from 1 April 2019.

In April, Bharat IV standards on pollution caused by two- and three-wheeler motor vehicles came into force.
In September, the Indian Ministry of Transport published Bharat VI requirements (corresponding to EU Euro 5 requirements), that will come into force for two-wheeler vehicles as from 2020. This confirms the transition from Bharat IV to Bharat VI in just one step, as announced at the start of the year.

Japan

The National Environment Board confirmed that anti-pollution measures equivalent to Euro 4 standards will come into force as from September 2017. Plus discussion is ongoing with Institutions, and in particular the Ministry for the Environment, on the possibility of starting a new step, corresponding to Euro 5, as from 2020.

Malaysia

The Department for the Environment declared that it intends adopting anti-pollution requirements based on European standards, and in particular Euro 4, starting from 1 January 2020 for motorcycles and scooters of more than 50cc which have been newly approved and as from 1 January 2022 for vehicles which have been newly registered.

Thailand

The Thai government declared that it intends promoting Thailand as a hub of the Association of South-East Asian Nations for electrical vehicles and has assigned competent ministries (Energy, Science and Industry) to devise a strategy to promote the use of electrical vehicles in the country. The Ministries for Finance and Industry and the Investment Council started activities in the second half to the year to encourage investments in the production of electric vehicles and plans for charging stations to be set up throughout the country.

Results by type of product

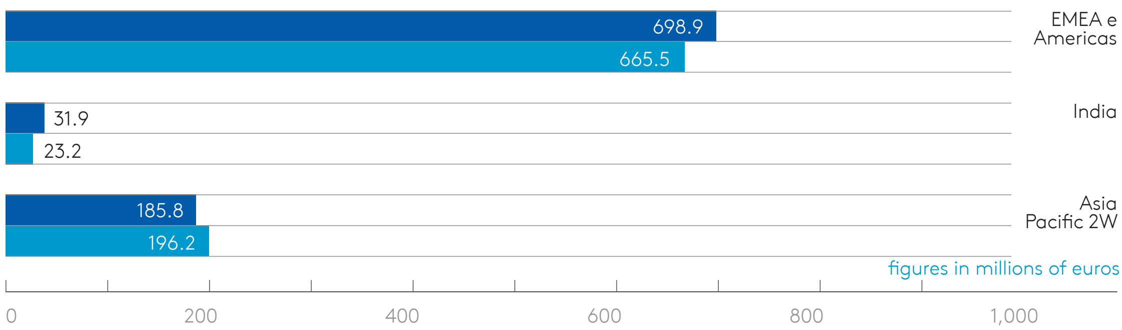
The Piaggio Group is comprised of and operates by geographic segments (EMEA and the Americas, India and Asia Pacific) to develop, manufacture and distribute two-wheeler and commercial vehicles.
Each Geographical Segment has production sites and a sales network dedicated to customers in the relative segment. 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 results and final capital invested by 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

	2016		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	222.8	698.9	206.1	665.5	8.1%	5.0%	16.7	33.3
of which EMEA	208.9	634.1	191.0	592.1	9.4%	7.1%	17.9	42.0
(of which Italy)	*46.1*	*149.8*	*39.5*	*132.2*	*16.6%*	*13.3%*	*6.6*	*17.6*
of which America	13.9	64.8	15.1	73.4	-7.9%	-11.8%	(1.2)	(8.6)
India	39.6	31.9	28.3	23.2	39.7%	37.6%	11.3	8.7
Asia Pacific 2W	81.6	185.8	88.1	196.2	-7.3%	-5.3%	(6.5)	(10.4)
Total	**344.0**	**916.5**	**322.5**	**884.9**	**6.7%**	**3.6%**	**21.5**	**31.6**
Scooters	312.5	632.9	291.8	605.2	7.1%	4.6%	20.7	27.7
Motorcycles	30.3	153.3	30.5	152.5	-0.8%	0.5%	(0.2)	0.8
Wi-Bike	1.2	2.6	0.2	0.4	527.9%	496.0%	1.0	2.2
Spare parts and Accessories		124.5		123.9		0.5%		0.6
Other		3.2		2.9		13.1%		0.4
Total	**344.0**	**916.5**	**322.5**	**884.9**	**6.7%**	**3.6%**	**21.5**	**31.6**



Revenues of Two-wheeler vehicles

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.

Main results

In terms of turnover, the increases recorded in Italy (+13.3%) and India (+37.6%) were particularly important. Turnover decreased, instead, in America (-11.8%) and Asia Pacific (-5.3%). Similar trends were recorded for volumes. The increase in sales of two-wheeler vehicles in Italy (+16.6%) and India (+39.7%) more than offset the fall in sales in Asia Pacific (- 7.3%) and the Americas (- 7.9%). Figures for India benefited from the excellent performance of the new Aprilia SR 150 scooter.

Market positioning[20]

The Piaggio Group maintained its leadership position on the European market in 2016, closing with a 15.4% share (15.2% in 2015), thanks to a strong presence in the scooter segment, where it held a 25.4% share (24.1% in 2015). In Italy, the Piaggio Group also retained its leadership of the two-wheeler vehicle market, with a 21.8% share (21.6% in 2015).

The Group, with its own sites in India and Vietnam, also operates in the "premium" segment of the Indian market and in Asia Pacific countries. In particular, Piaggio is one of the leading segment operators in Vietnam, which is the Group's main market in the Asian area.

The Group retained its strong position on the North American scooter market, where it closed the year with a market share of 21%, and where it is committed to increasing its profile in the motorcycle segment, through the Aprilia and Moto Guzzi brands.

20) Market shares are calculated based on "sell out" volumes, i.e. sales by the distribution network to end purchasers. Market shares for 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.

The distribution network

EMEA

In the Domestic Europe, Emerging Markets and Importers area (Europe excluding Italy, and the Middle East and Africa) the Piaggio Group operates directly in main European countries and through importers on other markets. In December 2016, the Group's sales network comprised more than 1,100 partners.
At present, the Piaggio Group is active in 68 countries in the area and in 2016 it further consolidated its sales activities. Over 2,600 agreements to market the Group's brands are managed by the dealer network, of which 33% are sole agency agreements, where the partner only sells the Group's brand(s), and no products of other competitors.
In 2016, measures concerning the Group's distribution structure took into account market changes in the area, and focussed on achieving a greater qualitative/quantitative balance.

Guidelines on the distribution structure cover 5 main points:
1. improving customer experience of the sales outlet, with the implementation of a new retail format which is consistent with the premium positioning of Piaggio products;
2. continually improving end customer service and monitoring the European market;
3. consolidating retail channel activities through a gradual increase in the importance of the primary network;
4. loyalty programmes for end customers, featuring dedicated services and initiatives;
5. improving the service level for dealers, based on appropriate support tools.

In particular, the number of dealers in Italy did not change considerably, dropping from 212 to 205 dealers in 2016.

Americas

In the Americas, the Piaggio Group is directly present in the United States and Canada, while in Latin America it operates through a network of importers. At the end of 2016, the Group had 351 partners, of which 283 in the United States, 68 in Canada and a network of 24 importers in Central and South America.
In 2016, the process to streamline and consolidate the distribution network continued, through the replacement and appointment of new partners to support the growth of Piaggio's brands with a special focus on the motorcycle segment and on consolidating the Group's presence in the scooter segment.
In Latin America, the Piaggio Group consolidated its own distribution network, with the signing of new business agreements and the introduction of new products in the motorcycle segment.

Asia Pacific

In the Asia Pacific Area, the Piaggio Group has a direct commercial presence in Vietnam, Indonesia, China and Japan, while in all other markets of this area it operates through importers.
The distribution network is being continually developed in line with the Group's strategic objectives, which plan to expand operations in the region.
In Vietnam, the headquarters of the entire Asia Pacific area, the Group's distribution network of 4 importers in 2008 had increased to a system with 90 sales outlets throughout the country. The main goal was and still is to expand the distribution network in terms of numbers, and above all to consolidate the quality of corporate identity in order to "convert" the entire Asian network to a Motoplex concept.
The same goal applies to Indonesia, Japan and China, where Piaggio manages a network of 37, 56 and 17 outlets respectively.
Lastly, in the Asia Pacific area, which is managed by the Singapore team, the number of sales outlets totalled 244 at the end of 2016, with major changes to the current network focussed on the Motoplex concept, and 16 distributors operating in Thailand, Singapore, Taiwan, Australia, Malaysia, South Korea, New Zealand, Cambodia, Hong Kong, the Philippines, Myanmar and Macau.

Past and ongoing actions for all markets in the Asia Pacific area, include:
› increasing the number of sales outlets, consolidating all retail services and other services;
› consolidating a local presence, with a more focussed, detailed geo-marketing study;
› growth in terms of the size of the retail area and after sales;
› gradually channelling Corporate Identity towards a Motoplex concept, which is therefore increasingly consistent and uniform in all countries.

India

In India, Piaggio Vehicles Private Limited had 99 dealers as of 31 December 2016, with plans to further increase its sales outlets in 2017. At present, the network covers main areas throughout the country.

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.

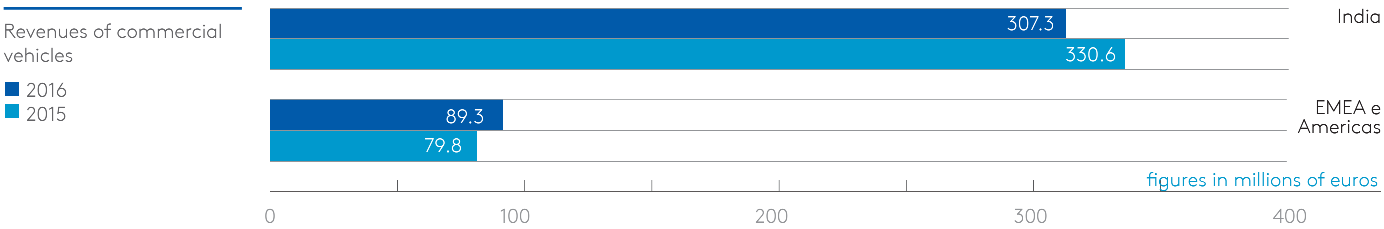
As regards product investments in particular, considerable resources were allocated to developing new products to market on both European and Asian (Vietnamese and Indian) markets.

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

Commercial Vehicles

	2016		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	14.7	89.3	12.8	79.8	14.7%	11.9%	1.9	9.5
of which EMEA	12.4	84.2	11.5	76.7	8.0%	9.8%	0.9	7.5
(of which Italy)	*4.9*	*48.7*	*4.2*	*43.1*	*16.6%*	*12.9%*	*0.7*	*5.5*
of which America	2.3	5.0	1.4	3.1	70.6%	63.9%	1.0	2.0
India	173.3	307.3	184.3	330.6	-6.0%	-7.0%	(11.0)	(23.3)
TOTAL	**188.0**	**396.6**	**197.2**	**410.4**	**-4.6%**	**-3.4%**	**(9.1)**	**(13.8)**
Ape	180.4	301.7	188.7	319.5	-4.4%	-5.6%	(8.3)	(17.8)
Porter	3.2	36.3	2.8	31.8	12.3%	14.3%	0.3	4.5
Quargo	1.1	6.7	0.9	5.3	29.1%	25.6%	0.3	1.4
Mini Truk	3.3	7.4	4.7	11.0	-31.3%	-32.9%	(1.5)	(3.6)
Spare parts and Accessories		44.5		42.7		4.0%		1.7
TOTAL	**188.0**	**396.6**	**197.2**	**410.4**	**-4.6%**	**-3.4%**	**(9.1)**	**(13.8)**

Revenues of commercial vehicles



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.

Main results

In 2016, sales of Commercial Vehicles generated a turnover of approximately €396.6 million, including approximately €44.5 million relative to spare parts and accessories, down by 3.4% over the previous year. During the year, 188,000 units were sold, down by 4.6% compared to 2015.

On the EMEA and Americas market, the Piaggio Group sold 14,700 units, generating a total net turnover of approximately €89.3 million, including spare parts and accessories for €18.4 million. The 14.7% increase in sales was supported by the good performance of the reference market.

Sales of three-wheeler vehicles went down from 158,950 units in 2015 to 157,750 units in 2016, registering a decrease of 0.8%.
The same affiliated company also exported 18,685 three-wheeler vehicles (26,180 in 2015); the downturn is mainly due to a slowdown in the sales of some African countries and this trend was also reported for all main competitors.
On the four-wheeler market, sales of Piaggio Vehicles Private Limited decreased by 26.9% in 2016 compared to 2015, closing with 3,681 units.

Market positioning

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

The Group distributes its products mainly in Italy (which accounted for 33.5% of the Group's volumes in Europe in 2016), as well as in Germany (13.7%), France (1.9%) and Spain (2.0%). The Group acts as operator on these markets in a niche segment (urban mobility), thanks to its range of low environmental impact products.

The Group is also present in India, in the passenger vehicle and cargo sub-segments of the three-wheeler market.
The traditional three-wheeler market in India 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.

On the Indian three-wheeler market, Piaggio Vehicles Private Limited had a market share of 28.9% in 2016 (30.9% in 2015). Detailed analysis of the market shows that Piaggio Vehicles Private Limited maintained its market leader position in the goods transport segment (cargo segment) with a share of 50.7% (53.9% in 2015). Its market share, although decreasing, remained steady in the Passenger segment, standing at 23.6% (25.7% in 2015). On the four-wheeler market, Piaggio Vehicles Private Limited had a marginal role, with its share decreasing to 3.2% (4.4% in 2015).

21) Market shares are calculated based on "sell out" volumes, i.e. sales by the distribution network to end purchasers. Market shares for 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.

The distribution network

Europe and Overseas

In Europe, the Piaggio Group has a sales network of approximately 400 dealers, with figures basically remaining unchanged. Ongoing maintenance work to improve quality has made it possible for 12 new dealers to open, to manage the entire product range, offsetting the small number of non-performing operators leaving the network. Network development activities concerned Italy, as well as France, Spain and Germany.
As regards the Italian market in particular, the Piaggio Commercial Vehicles sales network comprises 117 operating dealers, 80% of which are exclusive dealers of Piaggio vehicles. The rest of the network comprises multibrand dealers, mainly cars and commercial vehicles. In turn, the dealers manage a second-level network, comprising some 500 sales outlets and authorised repair centres, to provide a widespread professional service in line with the expectations of the end customer.
In 2016, the process to identify business opportunities on high potential markets such as Latin America, Africa and Asia continued, serving the markets of 23 nations, while a further 5 markets in South America and 3 in Africa are expected to be added in 2017.
In some of these countries, the Group now boasts a comprehensive network of sales outlets.

India

In India, Piaggio Vehicles Private Limited has 336 dealers.

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.

Risks and uncertainties

Due to the nature of its business, the Group is exposed to different types of risks. To mitigate exposure to these risks, the Group has adopted a structured and integrated system to identify, measure and manage company risks, in line with industry best practices (i.e. CoSO ERM) and applicable regulatory requirements. Activities to analyse, measure, monitor and manage identified risks are described below.

External risks

Risks related to the macroeconomic scenario and the sector

To mitigate any negative effects arising from the macroeconomic scenario, the Piaggio Group continued its strategic vision, expanding operations on markets in Asia where growth rates of economies are still high and consolidating the competitive positioning of its products. To achieve this, the Group focuses on research activities, and in particular on the development of engines with a low consumption and a low or zero environmental impact.

Risks related to changed customer preferences

Piaggio's success depends on its ability to manufacture products that cater for consumer's tastes and can meet their needs for mobility. If the Group's products were not appreciated by customers, lower revenues would be generated, or if more aggressive sales policies were adopted in terms of discounts given, margins would be lower, with a negative impact on financial position and performance.
To tackle this risk, the Piaggio Group has always invested in major research and development projects, to enable it to optimally meet customer needs and anticipate market trends, introducing innovative products with high added value, levering brand identity.

Risks related to a high level of market competition

Over the last few years, the competitiveness of markets in which the Group operates has increased considerably, above all in terms of prices and also due to a declining demand worldwide. In addition, the Group is exposed to the actions of competitors that, through technological innovation or replacement products, could obtain products with better quality standards and streamline costs, offering products at more competitive prices.
Piaggio has tried to tackle this risk, which could have a negative impact on the financial position and performance of the Group, by manufacturing high quality products that are innovative, cost-effective, reliable and safe, and by consolidating its presence in Asia.

The risk relative to the regulatory reference framework

Numerous national and international laws and regulations on safety, noise levels, consumption and the emission of pollutant gases apply to Piaggio products. Strict regulations on atmospheric emissions, waste disposal, the drainage and disposal of water and other pollutants also apply to the Group's production sites.
The enactment of regulations which are more stringent than those currently in force could lead to products being taken off the market and force manufacturers to make investments to renew product ranges and/or renovate/modernise production sites.
To deal with these risks, the Group has always invested in research and development into innovative products, anticipating any restrictions on current regulations. Moreover, the Group, as one of the sector's leading manufacturers, is often requested to be represented on parliamentary committees appointed to discuss and formulate new laws.

Country risk

The Piaggio Group operates in an international arena and is therefore exposed to risks connected with a high level of internationalisation, such as exposure to local economic conditions and policies, compliance with different tax systems, customs barriers or more in general the introduction of laws or regulations which are more stringent than the current regulatory framework. The countries where the Piaggio Group operates may adopt economic policies and/or government measures in the form of incentives or tax relief, that may have a considerable impact on consumer trends.
All these factors may have a negative impact on the financial position and performance of the Group. In particular, the growing presence of the Group in India and Vietnam has increased its exposure to political instability or negative economic developments in these countries.

As regards Great Britain's decision to leave the European Community, the Group considers the effects on global sales and profitability as negligible. In fact, the Group's turnover on the British market accounts for around 2% of total turnover.

Risk related to financial markets

The Piaggio Group is exposed to financial risk concerning trends and the volatility of financial markets, that may affect the value of financial instruments and price of company shares. Any particularly negative economic trends could make it difficult or particularly expensive for the Group to raise funds.

Risks related to seasonal fluctuations in operations

The Group's business is extremely seasonal, particularly on western markets where sales of two-wheeler vehicles mainly take place in Spring and Summer. In addition, an extremely wet spring could lead to fewer sales of products with a negative effect on the Group's business and financial performance. Piaggio tackles these risks first and foremost by consolidating its presence on markets, such as India and Asia Pacific, which are not affected by an extremely seasonal nature, and by adopting a flexible production structure that can deal with peak demand through vertical part-time and fixed-term employment contracts, as well as seasonal planning.

Risks connected with natural disasters and catastrophes

The Group operates through industrial sites located in Italy, India and Vietnam. These sites are subject to operating risks, including natural disasters, sabotage, terrorist attacks and significant interruptions to supplies of commodities or components. Any interruption to production activities could have a negative impact on the operations and financial position and performance of the Group.
The operating risks related to industrial sites in Italy and other countries are managed through specific insurance cover assigned to sites based on their relative importance.
Natural disasters may also prevent the distribution and sale of company products in affected areas.

Risks connected with inflation

Group profitability on some markets could be negatively affected by any decrease in the purchasing power of currency and consequent increase in prices. In particular, the Group is subject to the risk arising from the organisation's failure to put in place an appropriate response plan to deal with these price fluctuations.

Internal risks

Corporate Social Responsibility risks

In its effort to ensure the sustainability of its products, the Piaggio Group takes into account the entire life cycle, which comprises the design, procurement of raw materials, production proper, use of the product by customers and, finally, decommissioning, which consists in disassembly at the end of service life and in the disposal and/or recycling of the components and raw materials. This strategy exposes the Group to the risk of using suppliers or sub-suppliers that do not meet the Group's sustainability standards (risk connected to the sustainable supply chain) and to the risk of inadequate technological investments for sustainable mobility. The development of products with an inadequate technological level could mean that consumers' mobility needs and legal requirements are not met (risk connected with the development of environmentally-friendly products). This could exacerbate how stakeholders perceive the Group and its reputation, and affect stakeholder loyalty.

Financial risks

Risks connected with the exchange rate

The Piaggio Group undertakes operations in currencies other than the euro and this exposes it to the risk of fluctuating exchange rates of different currencies.
Exposure to the business risk consists of envisaged payables and receivables in foreign currency, taken from the budget for sales and purchases reclassified by currency and accrued on a monthly basis.
The Group's policy is to hedge at least 66% of the exposure of each reference month.
Exposure to the settlement risk consists of receivables and payables in foreign currency acquired in the accounting system at any moment. The hedge must at all times be equal to 100% of the import, export or net settlement exposure for each currency.
In 2016, current exposure was managed based on a policy that aims to neutralise the possible negative effects of exchange rate variations on company cash flow. This was achieved by hedging economic risk, which refers to changes in company profitability compared to the planned annual economic budget, based on a reference change (the "budget change"), and transaction risk, which refers to differences between the exchange rate at which receivables and payables are recognised in currency in the financial statements and the exchange rate at which the relative amount received or paid is recognised.

Risks connected with production factor prices

Production costs are exposed to the risk of fluctuating energy, raw material and component. Piaggio has chosen to manage this risk by adopting plans to reduce energy consumption and provide specific training on energy saving. If the Piaggio Group were not able to offset an increase in these costs against sales prices, its financial position and performance would be affected.

Interest rate risks

The Group has assets and liabilities which are sensitive to changes in interest rates and are necessary to manage liquidity and financial requirements. These assets and liabilities are subject to an interest rate risk and are hedged by derivatives or by specific fixed-rate loan agreements.
For a further description, reference is made to section 43 of the Notes to the Consolidated Financial Statements.

Risks connected with insufficient cash flows and access to the credit market

The Group is exposed to the risk arising from the production of cash flows that are not sufficient to guarantee Group payments due, or adequate profitability and growth to achieve its strategic objectives. Moreover, this risk is connected with the difficulty the Group may have in obtaining loans or a worsening in conditions of loans necessary to support Group operations in appropriate time frames.
To deal with these risks, cash flows and the Group's credit line needs are monitored or managed centrally under the control of the Group's Treasury in order to guarantee an effective and efficient management of

financial resources as well as optimise the debt maturity standpoint.
In addition, the Parent Company finances the temporary cash requirements of Group companies by providing direct short-term loans regulated in market conditions or guarantees.

Risks connected with credit quality of counterparties

This risk is connected with any downgrading of the credit rating of customers and suppliers and consequent possibility of late payments, or the insolvency of customers and suppliers and consequent failure to receive payments.
To balance this risk, the Parent Company has stipulated agreements with primary factoring companies in Italy and other countries for the sale of trade receivables without recourse. For a further description, reference is made to section 21 of the Notes to the Consolidated Financial Statements.

Risks connected with deleverage

This risk is connected with compliance with covenants and targets to reduce loans, to maintain a sustainable debt/equity balance.
To offset this risk, the measurement of financial covenants and other contract commitments is monitored by the Group on an ongoing basis.

Operating risks

Risks relative to products

These risks are connected with a failure to maintain product technological innovation at adequate levels and failure to comply with regulatory requirements and product quality and safety standards in relation to market requests, with a consequent liability of the Group in relation to:
- claims for compensation that exceed insurance cover;
- repairs under warranty;
- recall campaigns.

To mitigate these risks, the Piaggio Group adopts an efficient quality control system for supplied components and finished products.

Risks connected with the production process

The Group is exposed to the following risks:
- risk connected with operating efficiency being maintained at adequate levels to guarantee necessary industrial productivity. Inadequate analysis of the production cycle could cause the erroneous use of resources and energy (production efficiency);
- risk connected with inadequate production capacity, that could prevent the Group from meeting market demand and could result in excess production that does not guarantee an adequate offsetting of costs;
- risk connected with possible interruptions to company production, due to the unavailability of raw materials or components, skilled labour, systems or other resources.

To deal with these risks, the Group has a flexible production capacity and sources from several suppliers of components in order to prevent the unavailability of one supplier affecting company production. Moreover, the operating risks related to industrial sites in Italy and other countries are managed through specific insurance cover assigned to sites based on their relative importance.

Supply chain risks

Risks connected with reliance on suppliers

In carrying out its operations, the Group sources raw materials, semifinished products and components from a number of suppliers. Group operations are conditioned by the ability of its suppliers to guarantee the quality standards and specifications requested for products, as well as relative delivery times.

Legal risks

Risks related to the protection of trademark, licence and patent rights

The Piaggio Group legally protects its products and brands throughout the world. In some countries where the Group operates, laws do not offer certain standards of protection for intellectual property rights. This circumstance could render the measures adopted by the Group to protect itself from the unlawful use of these rights by third parties inadequate. Unlawful plagiarism by competitors could have a negative effect on the Group's sales.
The Group is also exposed to the risk of failing to comply with laws on intellectual property rights.

Risks related to litigation and tax litigation

Within the framework of its operations, the Group is involved in legal and tax proceedings. As regards some of the proceedings, the Group could be in a position where it is not able to effectively quantify potential liabilities that could arise. Detailed analysis of main legal proceedings is given in the relative paragraph of the Notes to the Consolidated Financial Statements.

Risks relative to human resources

Risks related to industrial relations

In Europe, the Piaggio Group operates in an industrial context with a strong trade union presence, and is potentially exposed to the risk of strikes and interruptions to production activities.
In the recent past, the Group was not affected by major interruptions to production because of strikes. To avoid the risk of interruptions to production activities, as far as possible, the Group bases its relations with trade union organisations on dialogue.

Risks related to talent management, recruitment and retention

The following are connected risks:
- the adoption of an adequate human resources management policy in terms of motivation, remuneration, development and growth;
- any loss of key competencies and know-how due to strategic employees no longer working for the Group;
- any inadequate management of these organisational changes.

To offset these risks, the Group has established specific policies for recruitment, career development, training, remuneration and talent management, which are adopted in all countries where the Group operates according to the same principles of merit, fairness and transparency, and focussing on aspects that are relevant for the local culture.

Risks relative to information management

IT and data and information management risks

The Group is exposed to the risk of the unauthorised access to/use of company data and information that could have a negative impact on profitability, in particular concerning data and information which is strategic for the company (e.g. technological and product know-how), confidential information and sensitive information protected by privacy laws (for example information about employees and customers). The Group has established operating policies and technical security measures designed to afford adequate protection for company data and information.

Risks relative to business reporting

Risks related to the publication of the financial disclosure

The Group is exposed to the risk of possible inadequacies in its procedures that are intended to ensure compliance with Italian and relevant foreign regulations applicable to financial disclosure, running the risk of fines and other sanctions. In particular there is a risk that financial reporting for Group stakeholders is not accurate and reliable due to significant errors or the omission of material facts and that the Group provides disclosure required by applicable laws in a manner which is inadequate, inaccurate or untimely.

To deal with these risks, the financial statements are audited by Independent Auditors. The control activities required by Law 262/2005 are also carried out at the most important foreign subsidiaries Piaggio Vehicles Pvt. Ltd, Piaggio Vietnam Co Ltd, Piaggio Hellas S.A. and Piaggio Group Americas Inc.

Sustainability

The Group's conduct is guided by the principles and values set forth by the Group's Code of Ethics, which all Group personnel is required to observe as well as all those who interact with the Company throughout the world.

The Group's objectives include creating value for all shareholders, while complying with business ethics and adopting a number of social values.
In particular, its industrial strategy is based on technological innovation which targets environmentally friendly mobility.

In this context, the Group considers research into cutting-edge solutions as a critical factor for successful investment choices and industrial and commercial initiatives. Innovation is geared to cutting pollutant emissions and consumption, as well as increasing vehicle safety. Plus the Piaggio Group firmly believes that stakeholder involvement is fundamental for the development of the Company and communities where it works, in terms of economic and social well-being.

Safeguarding the environment while carrying out all Company operations is essential for humankind, technology and nature to coexist peacefully. The Group therefore makes sustainable products, which must be manufactured using production facilities with minimal environmental impact. Production systems are made sustainable through optimising process efficiency and converting facilities that are no longer competitive.

In particular, the environmental strategy for the Group's production sites aims for a more rational use of natural resources and minimal harmful emissions and waste from production.

People are fundamental for Piaggio. They are vital to creating added value in the long term. The Group has defined objectives for the growth, promotion and training of human resources, ensuring that each person is rewarded for the contributions they make and that their expectations and goals are met.

In order to achieve the objective of sustainable development, growth must go beyond the boundaries of the Company. It must go further afield to reach suppliers and dealers, with whom Piaggio wants to cooperate being a reliable partner, forging a common ground to work and grow together, to create value for the end customer. The success of a company is also closely linked to customer confidence and satisfaction: customers must be listened to, informed and respected, establishing relations based on transparency and trust.

Since 2008, the Piaggio Group has published, on a voluntary basis, its annual Corporate Social Responsibility Report, which provides information on the economic as well as the environmental and social performance of the Group and is an important form of dialogue with internal and external stakeholders.

In its CSR 2016 Report, the Group undertook and published a structured analysis of the "materiality" of sustainability issues for the Company and its Stakeholders, making it possible to produce more streamlined information that targets key issues for the Group's stakeholders.

Research and Development

Anticipating customer requirements, creating products that are innovative in terms of their technology, style and functionality, pursuing research for a better quality of life are all fields of excellence in which the Piaggio Group excels, as well as a means for measuring its leadership position on the market.
The Piaggio Group develops these areas through activities at its research and development centres in Italy, India, Vietnam, the United States and China.

In particular, the main objective of the Piaggio Group is to meet the most progressive needs for mobility, while reducing the environmental impact and consumption of its vehicles, guaranteeing their performance and levels of excellence. A constant focus is placed on research into vehicles that are at the forefront in terms of:

- **environmental credibility:** products that can reduce pollutant gas and CO2 emissions in town and out-of-town use; this is achieved by further developing traditional engine technologies (increasingly sophisticated internal combustion engines), as well as making more use of renewable, sustainable energy sources;
- **reliability and safety:** vehicles that enable a growing number of users to get about town easily, helping to reduce traffic congestion and guaranteeing high standards of active, passive and preventive safety;
- **recyclability:** products that minimise environmental impact at the end of their life cycle;
- **cost-effectiveness:** vehicles with lower running and maintenance costs.

In 2016, the Piaggio Group continued its policy of retaining technological leadership in the sector, allocating total resources of €50.1 million to research and development, of which €30.9 million capitalised under intangible assets as development costs.

			2016			2015
	Capitalised	Expenses	Total	Capitalised	Expenses	Total
In millions of euros						
Two-wheeler	27.3	16.6	**44.0**	25.7	12.6	**38.3**
Commercial Vehicles	3.6	2.6	**6.1**	5.8	2.7	**8.5**
Total	**30.9**	**19.2**	**50.1**	**31.4**	**15.4**	**46.8**
EMEA and Americas	22.4	17.5	**40.0**	22.7	13.3	**36.0**
India	3.8	0.6	**4.4**	3.7	1.0	**4.7**
Asia Pacific 2W	4.7	1.0	**5.7**	5.0	1.1	**6.1**
Total	**30.9**	**19.2**	**50.1**	**31.4**	**15.4**	**46.8**

During the year, the Piaggio Group focussed on four fundamental areas, in order to achieve the best results possible:

- improving engines, with a consequent reduction in total noise levels and improvement in handling;
- improving efficiency;
- enhancing the riding experience;
- increasing safety.

Improving engines

The process to continually improve the 125 cc engine led to the development of the new iGet 125 and 150 Euro 4 air engines[22] , which made their début on the new Liberty ABS 3V. The project, which aims to reduce overall noise levels and improve rideability, made it possible to optimise the engine injection and control system.

22) As from 1 January 2016, all new models of motorcycles meet Euro 4 standards. As from 1 January 2017, all newly registered motor vehicles have to meet Euro 4 standards.

Improving efficiency

The new engines of the "iGet 4V Water" family, available in 125cc and 150cc, come equipped with electronic injection, four valve cylinder heads and radiator fitted on the propeller. They can be used with the "Start & Stop" system. This device replaces the starter and alternator and has no transmission gears that can cause noise.
Compliant with the Euro4 standard, they are the result of a design philosophy guided primarily by new and higher levels of quality and reliability.
Each component, from the exhaust to the inside of the gearbox cover and the new air filter has been designed to make for a smooth, quiet and comfortable ride, and to lengthen the life of the engine.
The design aims above all to reduce friction and in particular friction in the timing system.
The mechanical noise is also extremely low thanks to reduced play and optimised materials and shapes.
Building the radiator into the engine has reduced the overall weight of the vehicle and engine warm-up times, with benefits in terms of consumption and cold emissions.
The gearbox has been entirely redesigned and uses a latest-generation double toothed belt to minimise passive losses, as well as a setting that improves rideability, performance and consumption.
The new built-in engine electronic control unit, integrated with the S&S management part (Alternator, S&S Inverter, RISS), has been entirely developed by Piaggio.
In the course of 2016 this engine was also installed on the Vespa GTS 125 and in the next year it will gradually replace the Quasar engine on all models.

Riding pleasure

One example of the application of research to improve riding pleasure is the new power unit for the Moto Guzzi Roamer V9 and V9 Bobber, developed to increase the available torque at low rpm and engine elasticity, key ways to ensure a pleasurable ride and fun on the road. The changes have affected a large part of the traditional longitudinal V90° twin-cylinder engine, now in the Euro4 version. In addition to the crankcase and the drive shaft, the lubrication system has also been redesigned to reduce power consumption. New low flow oil pump; new piston cooling oil jets, equipped with control valve and flow management; new thermodynamics, first of all in the bore and stroke values. The timing now has inclined valves to improve volumetric efficiency. The electronic engine control unit and electronic injection system are new. The six-speed gearbox is new and highly precise with soft changes, and the clutch is single disc. The final transmission again uses a cardan shaft.
In the course of 2016, improvements were also extended to the V7-III family, the third generation of Moto Guzzi's most popular model. In this case the maximum power is increased by 10%.

Increase in safety and comfort

Recent years have seen major focus on this year, which can be summed up in the following points:

› ABS for light scooters: the new Medley, developed in 2015 and marketed in 2016, is fitted by default with disc brakes with ABS. Each wheel has a sensor and a phonic wheel to measure angular speeds. The 2-channel hydraulic control unit continuously compares the two signals and activates the ABS system, when the change of speed of one of the two wheels is abnormal, avoiding locking and ensuring stability and braking efficiency even on a low friction coefficient surfaces. The new Liberty 125 is also equipped with single-channel ABS, a completely new feature especially for Asian markets, which will get a specific version;
› Traction control for vehicles without the ride by wire system, combined with ABS, for optimal grip during acceleration and braking; the system was extended to the entire Vespa product line > 50 cc., MP3, Beverly, X10 and to the Moto Guzzi V7 and V9.
› the study and trial of an advanced semi-active electronic suspension system ADD (Aprilia Dynamic Damping) and its application to the mass produced Aprilia Caponord 1200;
› extension of the Ride by wire to the majority of Group vehicles, including the 500 version of MP3, which allows adoption of "by wire" Traction Control together with ABS, to maximise traction while accelerating or breaking, and offers the multi-map management of the engine to adapt the power supply to the traction or driving conditions;
› in the course of 2016, a new dial was developed which integrates the sensors of the "By Wire" device, allowing for savings in terms of weight and cost and the ability to more easily extend this technology to the scooters. The debut model in 2016 was the Moto Guzzi MGX21. In 2017 this innovation will be extended to other models;

- › the Moto Guzzi MGX21 also featured new controls on the handlebars based on CAN technology (digital protocol), which permits a drastic reduction of wired connections on particularly complex interfaces such as that of the motorcycle in question;
- › cruise control (based on Ride by Wire) available on the Aprilia and Moto Guzzi;
- › cruise control (based on Ride by Wire) available on the Aprilia and Moto Guzzi;
- › the APRC system (Aprilia Performance Ride Control based on the ride by wire system) on the RSV4;
- › Multimap cornering ABS (RSV4 RR and RF), developed to ensure safety on the road and racing performance. The system ensures optimal braking and ABS action when cornering. The new ABS system combines with Aprilia's RLM (Rear Liftup Mitigation), which limits the lifting of the rear wheel when decelerating sharply. Each of the three mappings of the Cornering ABS can be combined with any of the three new engine maps (Sports, Track, Race) so that riders of various experience and ability can find their best combination. The three maps are "full power" and only differ for the delivery curve and the engine brake's percentage;
- › electrically adjustable suspension, on the Piaggio X10 and Aprilia Caponord, of which the ADD package is a part (electronic suspension);
- › dissemination and expansion of the Piaggio Multimedia Platform info-mobility system, based on linking the smartphone and the vehicle via Bluetooth®, iOS and Android;
- › development and installation on Porter and Porter Maxxi of the electronic stability control system (ABS+ESC);

During 2016 a new dashboard was developed that was adopted by most of the Aprilia models (Shiver 900, RSV4 1000 and Tuono 1100) with TFT technology. It displays clear and easy to read information by adjusting the background and font colour to light conditions, which are automatically detected by the integrated sensor.

Respect for the environment

In keeping with the principles set forth in its Code of Ethics, the Piaggio Group operates at a global level with "choices of investment and of industrial and commercial initiatives [.....] based on the respect of the environment and of public health." (article 7).
In particular "In compliance with the applicable regulations, the Company has respect for environmental issues in determining its choices, also adopting – where operationally and economically compatible and possible – eco-compatible technologies and methods of production, with the purpose of reducing the environmental impact of its own activities." (article 8).

The Piaggio Group firmly believes that safeguarding the environment while carrying out all Company operations is essential for mankind, technology and nature to coexist peacefully. It is convinced that commitment to sustainable development is not only a business ethic, but also an important variable of all corporate strategies. The Group therefore makes sustainable products, which must be manufactured using production facilities with minimal environmental impact.
The Piaggio Group, which has expanded some production sites, is continuing to pursue its environmental policy to cut down on the use of natural resources and minimise harmful emissions and production-related waste. With these objectives in mind, initiatives focus on the following areas:

- › maintaining environmental certification awarded to the Group's production sites;
- › reducing energy consumption;
- › reducing emissions of CO2 and other pollutants;
- › conserving water resources;
- › waste handling and recovering;
- › absence of soil contamination;
- › biodiversity;
- › environmental spending and investments.

In 2016, the Group put the new painting plant at the Pontedera two-wheeler site into production. Besides guaranteeing high quality standards, the plant also delivers very significant environmental benefits, above all as regards atmospheric emissions.
In the context of management systems, ISO 14001 environmental certification enables Piaggio to adopt a structured and co-ordinated approach to management at the Group's sites, so it may define environmental objectives and identify risks and opportunities for improvement, ensure compliance with all environmental laws and regulations, reduce energy costs, manage waste and raw materials, and put in place a process for the continuous improvement of its environmental performance.

The Piaggio Group has **Environmental** certification (ISO 14001) for its three Italian sites and for its sites abroad in Vietnam and India.
Moreover, the Indian subsidiary obtained **ISO 50001** certification (for energy management systems) for its two-wheeler site.
During 2016, no damage was caused to the environment for which the Group, through its companies, was declared as being definitively liable, nor were sanctions or penalties applied for environmental offences or damage.
Piaggio's focus on the environmental impact of its operations is also reflected by its CSR Report, which it has published since 2008, defining its commitments and describing its performance to stakeholders. See the CSR 2016 - "The Environmental Dimension" for an analysis of the Group's environmental performance.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Developing human resources

Human resources, with their skills, capacities and dedication, are a key factor in Piaggio's competitiveness and growth.
Everything we do as individuals or as a team is shaped by our strategic vision, result-driven approach, constant commitment to customer satisfaction, desire for innovation and awareness of the future needs of the market, to generate value for each and every stakeholder. People are the key element that enables us to meet challenges in an increasingly dynamic and competitive international scenario.
It is for these reasons that Piaggio places such central importance on people in the organisation, assuring them our respect and protection in all Group companies.

Staff

In 2016, the Group continued to pursue the rationalisation and redesign of the organisation. As of 31 December 2016, group employees were 6,706, down by 347 (- 4.9%) compared to 31 December 2015.

Company employees by geographic segment as of 31 December

Employee/staff numbers	2016	2015	2014
EMEA and Americas	3,752	3,872	4,008
of which Italy	*3,518*	*3,638*	*3,734*
India	2,113	2,353	2,622
Asia Pacific 2W	841	828	880
Total	**6,706**	**7,053**	**7,510**

Average number of Company employees by professional category[23]

Employee/staff numbers	2016	2015	2014
Senior management	100	105	110
Middle management	581	579	554
White collars	1,783	2,012	2,122
Blue collars	4,518	4,866	5,030
Total	**6,982**	**7,562**	**7,816**

Company employees by educational qualifications as of 31 December 2016

Employee/staff numbers	Graduate	High School	Middle School	Primary School	Total
EMEA and Americas	682	1,637	1,345	88	3,752
of which Italy	*548*	*1,555*	*1,333*	*82*	*3,518*
India	567	1,546	0	0	2,113
Asia Pacific 2W	826	15	0	0	841
Total	**2,075**	**3,198**	**1,345**	**88**	**6,706**

23) During 2015, the criteria for identifying professional categories in India were updated to bring them closer into line with the Group as a whole, resulting in an equivalent reclassification of the 2014 figures.

An entry turnover rate of 1.2% and leaving turnover rate of 4.6% were recorded in Italy in 2016.

Company employee turnover in Italy as of 31 December 2016

Employee staff numbers	Staff as of 31 December 2016	Men	Women	< 31	31 - 40	41 - 50	> 50	Total	% Turnover
		Incoming							
Senior management	62	1	2			3		3	4.8%
Middle management	234	6	2		3	5		8	3.4%
White collars	905	15	15	15	12	3		30	3.3%
Blue collars	2,317	2				2		2	0.1%
Total	**3,518**	**24**	**19**	**15**	**15**	**13**		**43**	**1.2%**
		Leavers							
Senior management	62	4	2		1	3	2	6	9.7%
Middle management	234	10	0		3	4	3	10	4.2%
White collars	905	39	13	5	15	7	25	52	5.8%
Blue collars	2,317	76	17		4	7	82	93	4.0%
Total	**3,518**	**129**	**32**	**5**	**23**	**21**	**112**	**161**	**4.6%**

Personnel management policies

Piaggio adopts a system of recruitment, development and salary packages for personnel which recognises and rewards merit and performance. Any type of discrimination is explicitly forbidden by the Code of Ethics.
The primary focus on human resources and the development of core competencies for business development are the cornerstone of relationships with people and are reflected in the following corporate policies:

Competitive organisation

Organisational innovation is pursued as a means of sharpening the group's competitive advantage and supporting the creation of a multicultural, multinational, lean, customer-oriented organisation that generates value and works in an integrated way, based on a "network" logic, with all partners (e.g.: suppliers, dealers) that contribute to the company's value chain, and ready for the digital transformation that is taking place in recent years.
In its relations with staff and regardless of the work they carry out, Piaggio respects the principles set forth by the Group's Code of Ethics in all circumstances, as well as the laws in force in the geographic areas where it operates.
Piaggio does not resort to child labour according to the age limits in force in the various countries or to forced labour and adheres to main international laws, such as the UN Convention on the Rights of the Child (UNCRC) and the 1998 Human Rights Act.

Recruitment and internal mobility

Through the complete digitisation of the selection process, our technical expertise in Recruiting was extended from Corporate to all the Group companies.
Today, our selection practices are based on a uniform evaluation mode, which also involves tests we can deliver through our in-house certified analysts, who are employees of the Group.
Each activity carried out by each individual recruiter been made traceable and visible.
The Group's visibility as an employer has been amplified by the setting up of Corporate pages on major social networks, with the Marketing and Communication departments' contribution to the design and ongoing updating.

The full computerisation of the process led to the establishment of a candidates' database, which is constantly updated through the ongoing analysis of the national and international labor market.

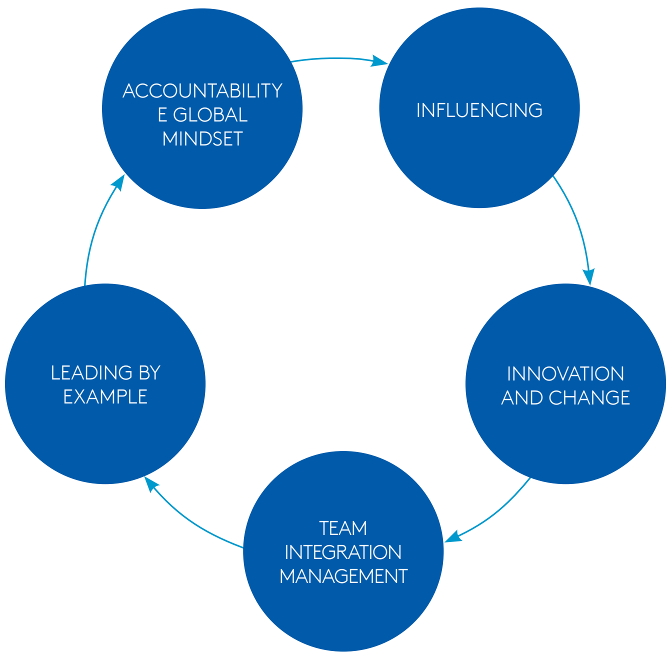
Career development

Career and development paths are based primarily on an assessment of skills, behaviors, performance and potential, with the aim to create a pool of highly motivated people to fill key positions.
The development of core competencies required by business and market developments is a priority. This is why the Group's human resources development policies focus on building, maintaining and developing factors that are instrumental for competing in international contexts which are continually evolving.

The Group's managerial and professional competencies model

In line with the Group's strategic plan and its core values, Piaggio has identified a managerial competencies model that represents the skills set to be implemented day by day to ensure personal success and the success of the company on a global level.
At the same time, it has developed a benchmark model of professional competencies that reflect the company's pool of professional skills and know-how, which is the true foundation and the only real guarantee of the continuity and quality of results.
During 2016, the identification of managerial and technical/professional competencies was also updated at Group level, and development and training plans were configured to overcome gaps identified in 2015.
In addition, consistent with the organisational developments occurred in 2015, the managerial skills model was updated for the Indian subsidiary, in line with that already in force for the entire Group and with the introduction of new skills related to the local cultural context.

The Group's managerial competencies model



Development paths

The goal of the development tools is to continuously build and improve the managerial and professional skills required by the respective models, while bringing potential to fruition and assessing and rewarding excellent performance. The set of tools provided by Piaggio includes:
- development plans, which identify the actions to be taken for the growth of the employee;
- job rotation and participation in strategic or international projects;
- management and professional training (see "training" section);
- Piaggio Way - the young talent management programme (see "talent management" section).

During 2016, development actions to consolidate the Company's international mindset were consolidated as well as the internal growth of high-potential individuals. In this regard, we note the greater participation of Indian and Asian people in the talent management programme.

Career paths

For our highest value human assets, management and professional career paths are designed in order to cover key roles and ensure that the strategic and technological know-how of the Group is kept and developed at the international level. Given that in 2015 the succession plans monitoring and managing tools had been consolidated and updated for the Group's key positions, in 2016 these processes were integrated through the use of a dedicated IT platform globally.

Reviews

The Group places great importance on using transparent criteria and methods for reviewing employees with respect to:
- performance,
- managerial and professional competencies,
- international mobility,
- potential,

in relation to the employee's role, company needs and possible development paths.

Evaluation outcomes are discussed by reviewers with the people they evaluate, and may form the basis of a development and training plan with a specific schedule.
Employees are evaluated by comparing their competencies against the Company mode for their specific role, as evidenced by concrete and observable action in their everyday work. The review process is managed in an integrated way through a dedicated IT platform and provides the information necessary for the processes of succession planning, management reviews and a gap analysis of professional competencies, which are conducted across the Group.

Performance evaluation influences both development and career paths and rewarding.
During 2016, the Evaluation Management System was consolidated at Group level. This standard evaluation system is for all white collar and managerial staff, assisted by computer tools for the real-time management of all evaluations, for human capital development purposes.

Geographic segment	EMEA&Americas	of which Italy	Asia Pacific 2W	India
Senior management	100%	100%	100%	100%
Middle management	100%	100%	100%	100%
White collars	100%	100%	100%	100%
Blue collars	N.A.	N.A.	100%	N.A.

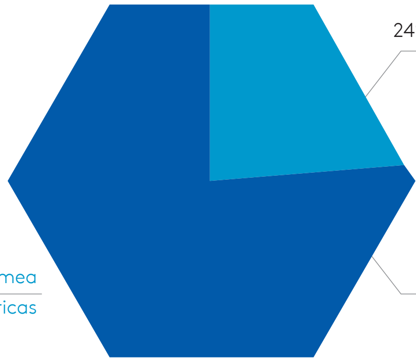
Percentage of employees who received performance and career development reviews in 2016[24]

24) A specific process based on local standards was adopted for worker performance reviews in Vietnam.

Talent Management: the Piaggio Way programme

As of 2010, the programme for the management of young talent, called Piaggio Way, has been one of the development tools used by the Group. It is aimed at employees around the world who show a high potential, great enthusiasm for their work and the courage to undertake new paths, in order to identify and ensure a growth path for the most deserving resources.
Since the launch, four assessment sessions have been completed, involving a total of 248 employees across all geographical areas of the Group. Currently 48 employees take part to the programme. The geographical breakdown is as follows: 42% EMEA, 33% India, 25% Asia Pacific. Piaggio Way boasts a community of 52 students who have completed their development plan and who still remain active in the programme.

Geographic distribution of talent and breakdown by gender as of 31 December 2016



The talents added to the programme are given fast-lane access to development, involving:
› job rotation;
› strategic and international projects;
› events involving top management;
› coaching and personalised training.
To remain on the programme participants undergo a structured annual Talent Review conducted with the involvement of Piaggio top management.

Training

The Group has put in place a platform, called Piaggio Global Training, which is used to manage and monitor the whole training process.
The process methodology, starting from the analysis of training needs, is the same in every region thereby ensuring a uniform Training policy.
2016 was the first year of full use of the platform, from the analysis of training needs to the management and planning of classrooms and the management of satisfaction and learning assessment surveys after each course.
During 2016, the Health and Safety training process was also fully computerised; as a result, a computerised schedule of the main mandatory campaigns will be available.

Hours of training by training area

Thematic area	2016[25]				2015[25]			
	EMEA AMERICAS	INDIA	ASIA PACIFIC 2W	TOTAL	EMEA AMERICAS	INDIA	ASIA PACIFIC 2W	TOTAL
Managerial training	3,452	11,056	1,108	15,616	4,129	10,160	1,431	15,720
Technical – professional training	11,950	13,224	1,086	26,260	8,429	38,281	52	46,762
Language training	4,353	1,400	6	5,759	8,074	939	996	10,009
Health and safety training	6,157	5,108	4,405	15,670	4,686	7,965	801	13,452
TOTAL	**25,912**	**30,788**	**6,605**	**63,305**	**25,318**	**57,345**	**3,280**	**85,943**

25) Data does not include on-the-job training

Total training hours by professional category

Professional category	2016[26]	2015[26]
Senior management	1,075	1,073
Middle management	10,345	8,935
White collars	28,765	36,290
Blue collars	19,507	25,847
Other workers	3,613	13,798
Total	**63,305**	**85,943**
Total per-capita	**9.4**	**12.2**

26) *Data does not include on-the-job training*

Training hours by gender

Thematic area	2016			2015		
	Men	Women	Total	Men	Women	Total
Managerial training	14,260	1,356	15,616	14,285	1,435	15,720
Technical – professional training	23,588	2,672	26,260	43,728	3,034	46,762
Language training	4,127	1,632	5,759	7,415	2,594	10,009
Health and safety training	14,420	1,250	15,670	11,913	1,539	13,452
Total	**56,395**	**6,910**	**63,305**	**77,341**	**8,602**	**85,943**

When analysing data for 2016, we note that the number of hours devoted to Managerial training remained stable while the number of training hours on health and safety issues increased, especially in EMEA & Americas and in the Asia Pacific areas, due to specific training projects designed to encourage a culture of safety.
As regards the Technical-Vocational Training, despite a significant increase in EMEA & Americas and in the Asia Pacific area, the aggregate number of hours declined, as the 2015 figure for India was influenced by vast campaigns on Quality Management, Project Management and Lean Management.

Rewards

Reward policies aim to reward people and their work on the basis of competitive, fair and merit-based criteria that are clearly explained during the review process and which are designed to motivate and retain the human resources that contribute the most to achieving the company's results.
The Group reward system is differentiated for the various professional groups in the Company, and consists of a fixed salary component and variable objective- and benefits-based incentive systems.

Salary packages

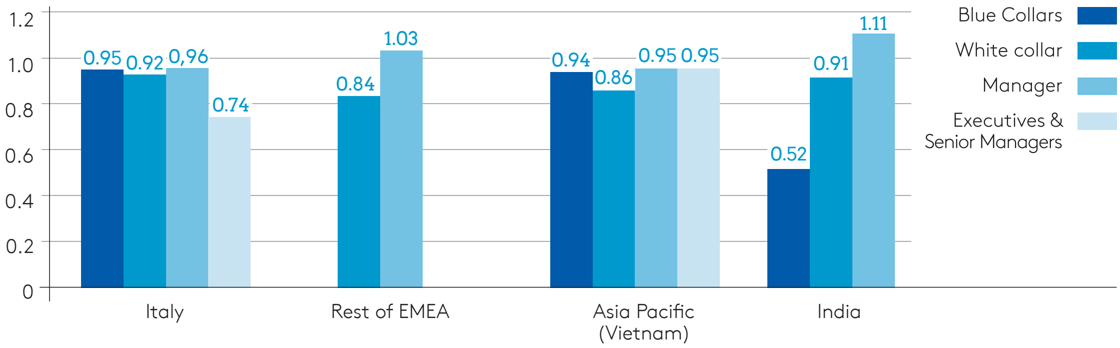
Piaggio offers to new recruits and all its employees a salary package in line with the best market practices. Accordingly, Piaggio has adopted a structured salary review process based on:
- comparing salaries with market benchmarks, considering the market positioning of the Company as a whole and the review of individual organisational roles, which is periodically revised. Comparisons are conducted using internationally-recognised methods, with the support of specialist consultants;
- setting out guidelines for the salary review process that take into account company results and focus on criteria of meritocracy, competitiveness, internal fairness and sustainability;
- specific identification of fixed and variable salary components, in accordance with guidelines, with meritocracy logics and retention needs relative to strategic resources for the business.

On the basis of internal analyses carried out in each country of activity, no significant differences were detected within the Piaggio Group between the basic salary and the remuneration of men compared to women with the same category, experience and assigned duties.
In fact, the ratio of minimum standard entry-level salaries to the local minimum wage in Italy in 2016 was 1.08 for male and female white collars and 1.96 for newly-hired male middle management and 1.66 for female middle management.

An equivalent comparison made in Vietnam and India for blue collars alone showed a ratio of 1.05 and 1.00 respectively. In these markets there are no legal minimums for white collars and middle management.

Ratio of average basic salaries for women to average basic salaries for men of the same professional category[27]

27) Categories not reported in individual geographic segments do not have any female employees.



Objective-based incentive systems

The achievement of excellent results in terms of objectives set by the company is rewarded through variable incentive systems, focused on business-related qualitative and quantitative objectives as well as on the internal efficiency of each area of responsibility.
The full process of setting objectives and reviewing results is conducted with employees, using objective criteria.

Benefits

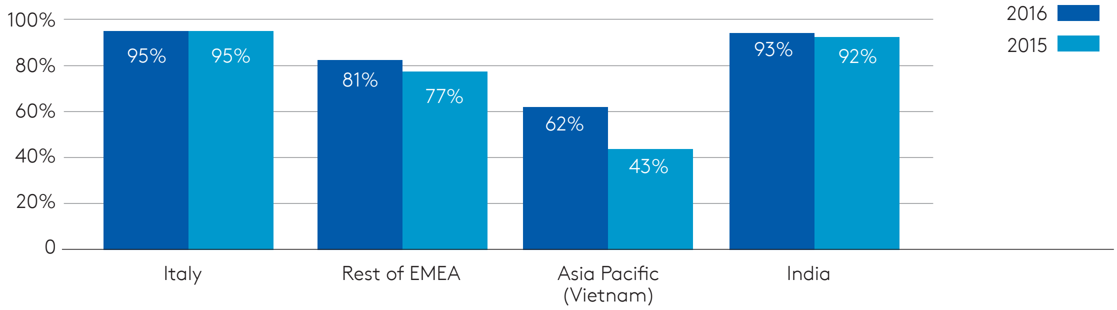
Piaggio offers a benefits package in line with the best local market practices, which is structured on an organisational basis. Benefits include, by way of example:
› company car;
› private health insurance;
› company medical centre at various sites;
› agreements with local groups and facilities of interest for employees.
Benefits are provided to full-time as well as to part-time employees without differentiation;

Diversity and equal opportunity

The Group rejects any form of discrimination on the basis of gender, age, nationality, ethnic background, ideology or religion. It operates in strict compliance with laws and contractual requirements, and in keeping with the customs, practices and usages of each country in which the Company operates.
Piaggio operates globally with a diversity of employees, in terms of age and gender, in Europe, the Americas and Asia. For Piaggio, managing diversity means acknowledging and respecting differences as part of the shared substratum of company culture. Staff diversity represents various different ways of pursuing and achieving the highest levels of performance within a single, broader Group organisational design.
The Group's concrete commitment to embracing diversity is reflected by its adoption of a Code of Ethics, conformity to international laws on equal opportunities and use of policies that protect forms of diversity already found within the Company.
The company seeks to spread its culture and values throughout the world with a view to creating the conditions for promoting an international mindset and a truly multinational organisation in which all employees can benefit from equal opportunities.
Human resources management processes are conducted applying the same principles of merit, fairness and transparency in all the countries in which the Group operates, with the accent placed on aspects of relevance for the local culture.
Piaggio selects and hires its staff based solely on the candidates' characteristics and experiences

and the requirements of the position. As shown in the graph below[28], Piaggio promotes and supports the recruitment of candidates from many parts of the world, to contribute to the international mindset that is a key value for the Group.

28) Figures include senior managers, first- and second-level executives reporting to top management at Piaggio & C SpA, and the first- and second-level executives of subsidiaries. The term local refers to the national level and local senior managers means senior managers with nationality the same as the country where they work.



Percentage of senior managers of local nationality divided by geographic segment as of 31 December

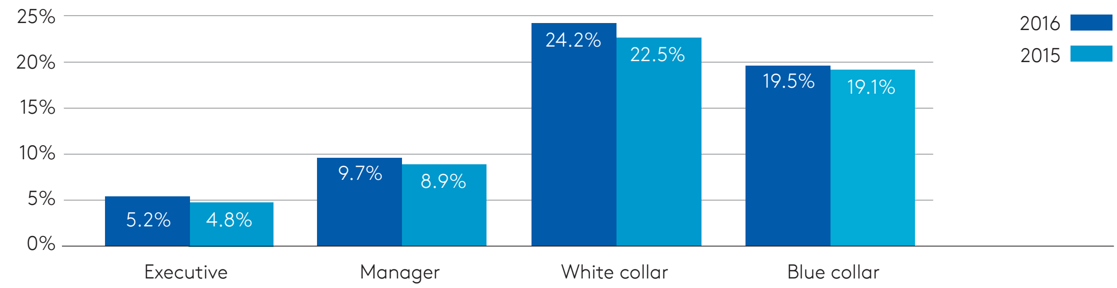
In order to promote and sustain intercultural exchange and diversity management, the Group encourages the international mobility of its people, enabling the reciprocal secondment of employees between Group companies.

Female employment

Female employees at Piaggio play a fundamental role at all levels of the organisational structure and in 2016 they accounted for 19.6% of the workforce, up by 0.6 percentage points compared to 2015.

Company employees by gender and geographic segment as of 31 December

	2016		2015	
Employee/staff numbers	**Men**	**Women**	**Men**	**Women**
EMEA and Americas	2,624	1,128	2,725	1,147
of which Italy	*2,441*	*1,077*	*2,545*	*1,093*
India	2,067	46	2,306	47
Asia Pacific	698	143	681	147
Total	**5,389**	**1,317**	**5,712**	**1,341**



Number of women employees as of 31 December

Company employees by contract type, gender and geographic segment as of 31 December 2016

	Fixed-term contract			Open-ended contract		
Employee/staff numbers	**Men**	**Women**	**Total**	**Men**	**Women**	**Total**
EMEA and Americas	5	4	9	2,619	1,124	3,743
of which Italy	*5*	*4*	*9*	*2,436*	*1,073*	*3,509*
India	765	26	791	1,302	20	1,322
Asia Pacific	196	34	230	502	109	611
Total	**966**	**64**	**1,030**	**4,423**	**1,253**	**5,676**

Equal opportunities are offered to employees of both genders, with concrete initiatives in place to help people strike a balance between work and domestic life. Such initiatives include alternatives to full time work.

Company employees by profession, gender and geographical segment as of 31 December 2016

Employee/staff numbers	Full time			Part time		
	Men	Women	Total	Men	Women	Total
EMEA and Americas	2,530	818	3,348	94	310	404
of which Italy	*2,351*	*772*	*3,123*	*90*	*305*	*395*
India	2,067	46	2,113	0	0	0
Asia Pacific	698	142	840	0	1	1
Total	**5,295**	**1,006**	**6,301**	**94**	**311**	**405**

Part-time employment in Italy as of 31 December 2016

Piaggio's aim is to consolidate its number of female employees and make their working conditions easier. To this end, alternatives to full time work have been in use for several years in Italy and are becoming increasingly popular with employees.
In 2016, 395 employees were working an alternative to full-time hours in Italy: in particular, 4.7% of the workforce was employed with a horizontal part-time contract, and 6.5% on a job-share contract.

Young employees

Within the Group, the company's largest population is in the 41-50 age group. The generational mix is a crucial precondition for the acquisition and spreading of knowledge among young people from the most experienced workers, who can stand up as an example and pass on the skills and abilities learned over time.

Company employees by professional category and age bracket as of 31 December

Employee/staff numbers		up to 30	31-40	41-50	> 50	Total
2016	Senior management	0	4	38	55	97
	Middle management	0	172	281	146	599
	White collars	228	648	531	324	1,731
	Blue collars	1,340	722	1,328	889	4,279
	Total	**1,568**	**1,546**	**2,178**	**1,414**	**6,706**
2015	Senior management	0	3	40	61	104
	Middle management	2	145	290	136	573
	White collars	291	778	547	317	1,933
	Blue collars	1,591	658	1,306	888	4,443
	Total	**1,884**	**1,584**	**2,183**	**1,402**	**7,053**

Company employees up to 30 years of age by geographic segment as of 31 December 2016

People with disabilities

Piaggio not only guarantees people with disabilities the chance to work, but also recognises the value of their diversity and importance of dialogue in any activity, from the simplest to the most complex. In agreement with trade union organisations and laws in force, which require companies to employ a certain number of people with disabilities, Piaggio in Italy has forged alliances with social cooperatives, convinced that work can contribute to personal development.
The insertion and integration of disabled people into the workforce is also made possible in practice by the accessibility of company facilities and the existence of a relative company procedure.

People with disabilities in Italy

Employee/staff numbers	2016	2015
Senior management/Middle management/White collars	9	11
Blue collars	124	132
Total	**133**	**143**
Percentage out of total employees	**3.8%**	**3.9%**

In 2016, 133 people with disabilities and from legally protected categories were employed at sites in Italy. The breakdown in the table above shows that people with disabilities account for 3.8% of the total work force.

Parental/maternity leave

Our companies apply the laws passed by pertinent national legislation.
The Group does not discriminate in any way against women who take maternity leave. Indeed, to support work-child care balance, a horizontal part-time contract has been granted to 167 employees in Italy. In addition, as further support to work-life balance, in Pontedera employees can benefit from an agreement for child support (see Industrial Relations section).
As proof of the above, the following information has been provided for the companies where the phenomenon is more numerically significant.

	Parental/maternity leaves								
	Italy			Vietnam			EMEA&Americas		
	M	W	Total	M	W	Total	M	W	Total
Employees on maternity leave during 2016	32	35	**67**	87	29	**116**	2	5	**7**
Employees returning in 2016 after maternity leave	32	28	**60**	86	23	**109**	2	5	**7**
Employees returning in 2015 after maternity leave	24	18	**42**	84	25	**109**	1	2	**3**
Employees returning to work and on the payroll 12 months after returning from maternity leave	24	18	**42**	79	19	**98**	1	1	**2**
Retention rate (%)	100.00%	100.00%	**100.00%**	94.05	76.00%	**89.91%**	100.00%	50.00%	**66.67%**

Personnel dialogue and involvement

Piaggio Group's Internal Communication Policy is aimed at informing employees on business performance and prospects and bringing them closer to top management strategies.
The system is based on the conviction that sharing strategic objectives with every employee is a key factor to success.
Piaggio uses communication and information tools which respect and empower the social and cultural realities within the Group.
More specifically, in Italy, "PiaggioNet" is the national intranet portal that provides information on the Group, news on current company events and on product ranges, as well as numerous services for the staff (e.g. online payslip, management of travel expenses, internal manuals/procedures, Piaggio Global Training platform, online house organ Wide Piaggio Magazine). In 2016, the Piaggio Welfare section was strengthened to increase visibility of the related issues and initiatives which contribute to the "welfare" of employees and their families (healthcare plans, agreements, supplementary pensions, corporate canteen, corporate medical centers, Family area).
Through specific intranet stations ("Piaggio InfoPoint"), located in the Italian factories of the Piaggio Group, also blue collars have access to the news (company news, new products) and to many services using their corporate badge.
Similar information is made available to the employees of foreign subsidiaries through the dedicated intranet portal "PiaggioNet International", whose contents are published in English.
Additional specific initiatives are provided for employees of premises in Asia and India, for example:

› Forums dedicated to employees in India (V-Speak and Crucial Conversation);
› A quarterly meeting at Piaggio Vietnam with management to share quarterly results and future targets;
› INDIA E-Care: this is an online platform where external consultants reply to questions regarding various personal problems of employees and their families, guaranteeing confidentiality;
› Piaggio Vietnam Safety Corner: collects suggestions from employees on safety issues.

Industrial relations

The Piaggio Group acknowledges the role of trade union organisations and workers' representatives and is committed to establishing relations with them focussed on attention, dialogue and a common understanding; in fact, verification and continuous dialogue are considered as essential elements to identify the best solutions for the company specific needs.

The Piaggio Group's Industrial Relations policy is therefore based on involving workers and their representatives in pursuing company objectives, and is focussed on ongoing dialogue and engagement. The solutions and conduct adopted in various countries where the Group operates are in line with the social and institutional context, but are always consistent with the fundamental principles and overall needs of the Group.

Italy

During 2016, dialogue and exchange of views with the trade unions and with employee representatives continued with the aim to find shared solutions to the market crisis and deal with its impact on workers. Through collective bargaining, shared management tools were identified that can adequately address the long-term crisis in the sector, while safeguarding the skills present in the company by promoting their reuse.

At the Pontedera facility, which is confirmed as a center of excellence in innovation, research and design and in the production of vehicles and engines, a union agreement signed in October 2015 had extended the Solidarity Contract until November 2016; however, as a result of the recovery of the urban and suburban mobility segment, both in Italy and in Europe, the Solidarity programme was early terminated on 30 March 2016.
Subsequently, after a residual use of the ordinary redundancy fund in the period between July and October 2016, the Solidarity Contract was reactivated from November 2016 to April 2017.

In February 2016, a mobility procedure was activated for 180 employees in order to downsize staff activities and structurally rebalance the production workforce.

At the Noale production site, the ordinary redundancy fund was used due to an unexpected drop in work volumes in the period from January to May 2016; thus, at the end of April 2016, a new agreement was signed with the trade unions for the use of the Solidarity Contract for the period from June 2016 to January 2017.
The streamlining of staff activities and the downsizing of the overall workforce continued through a new redundancy procedure for 15 employees.
As for the Scorzè facility, by a union agreement signed in December 2015, the Solidarity Contract initially in force from February 2015 to January 2016, was extended up to January 2017.
In January 2016, a redundancy procedure was activated for 75 employees in order to structurally rebalance the production workforce.

By contrast, at the Mandello del Lario production site, 2016 saw confirmation of a rising trend in sales volumes; the ramp up in production was met through the use of temporary contracts and flexible weekly work hours. The ordinary redundancy fund was only residually used in the months of October and November 2016.

Membership of trade union organisations at Italian sites (2014 – 2016) is shown in the table below:

	2016			2015			2014		
	Pontedera	Noale and Scorze'	Mandello Del Lario	Pontedera	Noale and Scorze'	Mandello Del Lario	Pontedera	Noale and Scorze'	Mandello Del Lario
FIOM	269	134	40	321	134	43	373	145	42
UILM	303	1	2	326	1	2	330	1	2
FIM	321	137	23	334	137	21	354	128	24
UGL	11			13			19		
USB	26								
CGIL/CISL/UIL	2			2			2		
Total number	**932**	**272**	**65**	**996**	**272**	**66**	**1.078**	**274**	**68**
of employeess who are members of a trade union	**34.0%**	**50.0%**	**66.0%**	**35.1%**	**48.7%**	**65.3%**	**36.8%**	**48.3%**	**65.4%**

As regards **industrial action**, the trend of strikes in 2016 showed an increase in the number of hours lost for this reason; this increase is connected to the strikes for the renewal of the National Collective labour agreement for the sector and to a slight increase in minor industrial actions compared to the previous year. All micro-disputes at the company were at the Pontedera site.

A summary table of the hours lost due to strikes in 2015 and 2016 in the various company offices in Italy is provided below:

		2016	2015
N° HOURS LOST DUE TO STRIKES	general/category	19,151	144
	company	9,913	6,807
	TOTAL	**29,064**	**6,951**
% HOURS LOST compared to HOURS WORKED	general/category	1%	0%
	company	0.5%	0.34%
	of which Pontedera compared to hours worked at Pontedera	***0.61%***	***0.41%***
	TOTAL	**1.50%**	**0.34%**
NO. OF DAYS LOST DUE TO STRIKES	general/category	2,394	18
	company	1,239	851
	TOTAL	**3,633**	**869**

A structured company welfare system has been established in Italy, with services that aim to increase the well-being of employees and their families, in economic and social terms. In particular, the following have been put in place for employees at Pontedera:

› a supplementary health scheme, with the chance for employees to extend insurance cover to their families by paying an additional contribution;
› a childcare agreement between the Company and the Association of Valdera Communities.

A national trade union agreement at the end of 2011 established a private health insurance fund (Metasalute) for metal and steel processing workers in Italy; the company started paying its portion of the fund in 2012. Participation in the scheme is voluntary and became operative in 2013.

The scheme also includes health benefits/services for employees:

› at Pontedera, the company medical centre for employees has specialists (an optician, an orthopaedic specialist, a lung specialist, a dermatologist and an ENT specialist) for consultations during working hours;
› at Noale/Scorzè and Mandello del Lario, all employees are entitled to paid time off for specialist consultations outside the company and for clinical analyses.

All sites also offer employees vaccinations free of charge.

Vietnam

In Vietnam, trade union representatives at a company level (selected by a Company Trade Union Committee) are tasked with protecting employees, helping them to understand aspects concerning labour regulations and company policies, and providing economic support for some company initiatives benefiting employees.

In particular, the current Trade Union Committee, elected in February 2014 and comprising 15 members who will remain in office for 6 years, made an excellent contribution in 2016, having sponsored and assisted the company in a number of events to bolster employee motivation. The main events are outlined below, following on from those organised last year:

- **"Run for Safety"**, half-day event promoting awareness on safety issues on the part of all employees, especially blue collars. It was also presented to local authorities to emphasise the company's strong focus on safety issues;
- to mark International Women's Day (March), the **"Excellent Female Trade Union Member"** event was organised, to award 10 female employees that had particularly excelled for results achieved in the past year and for their commitment to and compliance with company policies and procedures;
- the **"Nutrition Day"** for employees' children: in June, paediatric doctors met with employees to provide advice on the nutrition and health of their children. The half-day event was attended by approximately 1500 children, mainly the sons and daughters of blue-collar workers. In particular, the children, who were entertained with games, entertainers and small gifts, were examined by 12 national nutrition doctors;
- **"Piaggio Vietnam Summer Vacation"**, a three-day event in August, during which employees with families received a bonus to spend on 3 days off at a location jointly identified by the company and the trade unions.

No strikes were held in 2016.

India

The Indian subsidiary has always based trade union relations on cooperation, seeking to establish an ongoing dialogue and exchange of views. Trade unions and the Company acknowledge that it is in the reciprocal interest of employees and the Company to guarantee and pursue an even greater level of productivity and higher product quality standards so as to guarantee an optimal performance of factory operating processes, while retaining a competitive edge in the automotive industry.

In India, trade unions have a two-tier structure - at a company and local/area level; this structure is also replicated at the Indian subsidiary where the trade union system comprises a company trade union committee with Piaggio workers' representatives, and a central trade union committee, which is the highest hierarchical level, with members selected by the trade union. At present, the Company trade union committee (appointed in December 2016 and remaining in office for one year) has 8 members.

A collective company agreement is in place at the Indian subsidiary, signed in July 2013, with a 4-year validity and expiring on June 2017.

In 2016, main activities concerning industrial relations focussed on:

- maintaining and achieving productivity levels of blue-collar workers as established in the July 2013 agreement. The agreement establishes labour levels based on productivity indicators linked to various production levels;
- implementing a flexible, temporary labour model. The use of temporary blue-collar workers is related to production volumes based on pre-established ratios;
- maintaining and improving positive and cooperative relations with workers and trade unions;
- guaranteeing full compliance with labour laws, also in view of new government legislation (for example the Provident Fund Act, Minimum Wages Act, Apprentice Act, etc.);
- employee involvement to improve business climate and, therefore, employee motivation. In line

with this approach, Piaggio carried out numerous employee-engagement activities, including family picnics, sports competitions, awards for children who have done particularly well at school and buying schoolbooks for the children of employees.

Occupational health and safety

Safeguarding and improving the health and safety of workers is integral to the Piaggio Group's operations and strategic within the framework of its more general objectives. This principle is valid and adopted in all countries where the Piaggio Group operates. In particular, the Group has taken concrete actions for:
› continual developments towards a safer working environment, based on assessing all aspects of safety at work and the associated systems, beginning with planning new activities or when reviewing existing ones;
› safer conduct through education, information and awareness of all workers, to enable them to perform their duties safely and to become accountable with respect to Health and Safety at Work.

Health prevention and protection for workers in such a complex industrial context as the Piaggio Group, both in Italy and abroad, can only take place through an adequately structured organisation which specifically aims to foster as far as possible a safety "culture" within the company. Therefore, the belief that safety must focus on conduct and daily activities is today disseminated at all levels. This approach has led the Piaggio Group to adopt safety management standards that are very similar in all countries where it operates, regardless of regulatory constraints that may be less stringent than corporate standards. In this framework, the sites in Italy, India and Vietnam have an Occupational Health and Safety Management System certified to OHSAS 18001 by an accredited certification body.

In line with Health and Safety Management System requirements, the Group has identified safety training as the key driver for disseminating a culture and fostering a conduct focussed on safety leadership and for generating commitment and steering conduct.

Promoting health is another important aspect for Piaggio, and this is achieved based on two areas of action: free testing and information campaigns on healthy lifestyles. Each Group site has a health unit for prevention, surveillance and first aid, manned by specialist medical and paramedical staff.

Italy

In November 2016, Piaggio & C. SpA was audited in view of renewing its certification of the Health and Safety Management System for the Pontedera, Noale, Scorzè, Mandello del Lario facilities and the warehouse of Quinto di Treviso. The re-certification audit was successful and also led to an extension of the scope of certification to the offices of Milan, Mantua and Rome.

In the course of 2016, upon completion of the reorganisation of the health and safety at work management system started in 2015 and based on the identification of different levels of responsibility, the sole Health and Safety Representatives were identified for the Noale, Scorzè and Mandello del Lario sites.

In order to further strengthen the new organisation, a parallel review was started with respect to the company health training and surveillance procedures, as well as on the issues of technical and professional verification and of cooperation and coordination of external providers that have to perform activities within the production areas.

Given the close relationship established between the "Training" and the "Safety, Hygiene and Occupational Medicine" bodies, we were able to activate a series of innovative courses for Area Maintenance workers, aimed at raising awareness on health and safety issues and at encouraging a proactive approach to the multiple activities to be performed routinely.

Accident Frequency Index [29] in Italy

Production sites	2016	2015	2014
Pontedera	1.5	2.4	2.5
Noale and Scorzè/Quinto	1.1	1.4	0.6
Mandello del Lario	0.5	1.6	1.2

The three industrial sites in Italy showed a reduction in the accident frequency index for the year 2016, which reflected increased awareness of Supervisors and Workers on safety issues and increased number of inspections carried out in the production areas.

Accident Severity Index[17] in Italy

Siti Produttivi	2016	2015	2014
Pontedera	82,1	73,1	130,8
Noale e Scorzè/Quinto	23,6	65,5	22,4
Mandello del Lario	9,4	19,5	49,6

In the Pontedera production site, the Severity Index in 2016 was broadly in line with the previous year. In the Mandello del Lario facility the Index dropped by 50%, taking into account the only accident occurred in 2016. As for the Noale Scorzè/Quinto facilities, the index fell significantly and was back in line with the figure for the year 2014 and earlier.

Vietnam

The main priority of the company is the compliance with local laws, international health and safety standards and Piaggio Group policies. In this framework, it guarantees that objectives to improve occupational health and safety are pursued through an Occupational Safety and Medicine unit.

The persons in charge, all managers and supervisors, and all employees ensure and cooperate towards the implementation and effective enforcement of safety and health programmes in the workplace, to safeguard their own and their colleagues' safety.

In accordance with Group guidelines, suppliers and external companies that perform works at the site are contractually bound to comply with occupational health and safety policies, respect Piaggio Vietnam procedures and programmes, and observe instructions given to them. Their violation is a breach of the contract and sufficient reason for termination thereof. The company organises specific safety courses for "contractors".

In addition, a Safety Committee has been established involving all members of functions and chaired by the production manager. The Committee members are responsible for managing any safety-related issues within their functional area and the required corrective actions. They also conduct periodic audits of the entire site and report to the committee on all relevant aspects regarding safety, so that corrective actions may be promptly taken.
In order to effectively implement general health and safety regulations, a programme of activities is defined each year, based on operating plans, that are updated on an ongoing basis.

In parallel with training and awareness-raising activities, we have implemented a number of initiatives aimed at building a culture of safety and at raising the awareness of employees and their families on this issue; these include for example "Run for Safety", "Safe Riding Competition" and "Nutrition Day".
There has been a company medical centre at the Vinh Phuc site in Vietnam since 2013, with nurses and a doctor who monitor general health problems, offer check-ups and provide medical assistance in first-aid situations. During 2016 a special software has been acquired to record accesses and activities, in order to monitor and stratify data and identify actions/areas for improvement.

*29) The frequency index is calculated as If = (no. of accidents * 100,000) / Hours worked. The number of accidents is calculated considering only accidents in the workplace, excluding accidents reported pursuant to article 53 of Italian Presidential Decree no. 1124/65. Accidents as of article 53 include both commuting accidents and accidents not considered reliable (due to the lack of a specific, short-term external cause of the injury or the lack of a causal link).*

30) The severity index is calculated as Ig = (working days lost / hours worked) x 100,000. In calculating the Index, working days lost because of all events that resulted in absence from work were calculated; so accidents reported pursuant to article 53 of Presidential Decree no. 1124/65 (commuting accidents and accidents not considered reliable due to the lack of a specific, short-term external cause of the injury or the lack of a causal link) were also considered.

In 2016, the facility was successfully audited in view of renewing its certification of the Health and Safety Management System.

Accident Frequency Index in Vietnam

FI	2016	2015	2014
Vietnam	0.2	0.3	0.1

India

In order to guarantee the highest occupational health and safety standards, the Indian subsidiary has an organisational structure that operatively involves the "Occupier" (employer), which is a single person for various production sites who has responsibility for the health, safety and well-being of all employees in the work place, Factory Managers and a Safety Committee comprising 20 members that include Executives, Managers and White Collars. The Safety Committee meets at regular intervals to plan, revise and discuss action plans necessary to establish and disseminate a safety culture in the work place among employees. The presence of a Health & Safety team guarantees that the entire system may operate effectively.
The persons in charge, all managers and supervisors, and all employees ensure and cooperate towards the implementation and effective enforcement of safety and health programmes in the workplace, to safeguard their own and their colleagues' safety.
In line with the Group's approach, a great deal has been invested in training over the last few years as a main driver to increase each employee's accountability in relation to safety and, consequently, to promote their proactive approach and involvement in safety issues.

In 2016, training was provided to employees on safety in the workplace, for a total of about 5100 hours, in order to increase each person's awareness on how to safely carry out activities, both under normal operating conditions and in emergency situations (fire fighting).

Alongside the training and awareness-raising activities, a number of initiatives were introduced to reward and reinforce exemplary behaviour. For example, again this year, as part of the safety week celebration held 4-11 March 2016, awards were handed out to the winners of various competitions (Best Area for Safety Deployment, Safety Poster, Safety Quiz Competition).
Programmes for the spreading of a safety culture were also implemented, involving both the employees (Employee Medical Check-up) and the local schools (Medical Health Check-up, Road Safety and Fire Fighting Training).
In 2016, the facilities were successfully audited in view of renewing the certification of the Health and Safety Management System.

Accident Frequency Index in India

FI	2016	2015	2014
Engine & Commercial Vehicles	0.0	0.1	0.3
2W India	0.0	0.0	n/a

The accident rate was zero in 2016 as no occupational accidents occurred during the year.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Events occurring after the end of the period

19 January 2017 – The consolidation of the Piaggio Group multibrand store distribution network, launched just two years ago, continued at a buoyant pace. In just a few months, thanks to the distribution network's involvement in the project, the Group opened 60 new sales outlets and ended 2016 achieving the important goal of 200 Motoplex centres opened worldwide - in Europe, the Americas, Oceania, Asia and on the Indian sub-continent, which will flank the traditional distribution network. One of the most important Motoplex centres in the world is scheduled to open in Bangkok in the new few days. Thanks to this centre, the Piaggio Group will expand its product range in Thailand, adding the Aprilia and Moto Guzzi brands to its motorcycle range, along with the well-established segment of Piaggio and Vespa scooters, to further consolidate a strongly expanding market, upping its focus on the Asian continent.

24 January 2017 – Piaggio & C. S.p.A. announced that as from 1 March 2017 Simone Montanari will hold the position of Group CFO, replacing Gabriele Galli; Mr Galli will leave the Group after ten years, during which he contributed - with his experience and expertise - to achieving important goals.

2 February 2017 – The Piaggio Group presented GITA and KILO - the first projects developed by Piaggio Fast Forward (PFF), an advanced US research centre for future mobility, established and controlled by Piaggio - in Boston, just a stone's throw from Harvard and the MIT. Through its centre, the Group is exploring the world of mobility and thinking about its future, expanding its vision to technological solutions that are far wider-ranging than its current core business.

GITA is an autonomous, intelligent vehicle, designed to assist people. It can transport up to 18 kg, and observes and communicates. It can follow a person, reaching 35km/h and can move autonomously in a mapped environment. Its round shape and clean lines are a part of its personality.

KILO is GITA's "older brother", with a larger load capacity, to transport weights of up to 100 kg in its 120-litre compartment. With its three-wheel design, it is extremely stable.

GITA and KILO are revolutionary because they can assist people in their activities when out and about on a daily basis, increasing the radius of action and limited load capacities of human beings. In fact the KILO and GITA have been designed as a platform for mobility, and can be customised and integrated to meet different needs in multiple scenarios.

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 its product range;
  - maintaining current positions on the European commercial vehicles market;
- consolidating its position in Asia Pacific, thanks also to the opening of new Motoplex centres, exploring new opportunities in mid-power motorcycle segments and increasing penetration in the Chinese market premium segment;
- boosting sales of the scooters on the Indian market, thanks to the Vespa range and success of the new Aprilia SR 150;
- increasing sales of commercial vehicles in India and in emerging countries, targeting a further development of exports to African and Latin American markets.

In technological terms, the Piaggio Group will continue its research into new solutions to current and future mobility issues, through efforts made by Piaggio Fast Forward (Boston) and new design frontiers tackled by PADc (Piaggio Advanced Design center) at Pasadena, so that it can continue to create increasingly innovative, functional and efficient products with a unique style that is worthy of the history of the Piaggio Group and its prestigious brands.

In Europe, the Group's Research and Development Centres traditionally more focussed on defining new products and on their production start up, will target the development of technologies and platforms that emphasize the functional and emotional aspects of vehicles, with constant updates to engines and in particular electric engines, a sector where Piaggio has been a pioneer since the mid-nineteen seventies. Plus Aprilia Racing - which is not just a racing brand with a glorious sporting performance, but a technological pole and the most advanced development platform - will be studying and testing new materials and technological solutions that can benefit all Group products.

More in general, the Group is committed - as in the past and for operations in 2017 - to increasing productivity with a strong focus on efficient costs and investments, while complying with its business ethics.

Transactions with related parties

Revenues, costs, payables and receivables as of 31 December 2016 involving parent companies, subsidiaries and affiliated companies refer 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.
The information on transactions with related parties, including information required by Consob in its communication of 28 July 2006 DEM/6064293, is given in the notes to the Consolidated Financial Statements and notes to the separate Financial Statements of the Parent Company.
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	
			2016	2015
IMMSI S.p.A.	Mantua - Italy	Direct parent company	50.0621	50.0621
Omniaholding S.p.A.	Mantua - Italy	Final parent company	0.0858	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, management and coordination comprised 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 to 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.

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 Tecnologies 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 Espana 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 in 2016.

Piaggio Advanced Design Center

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

Aprilia Racing

› a racing team management service;
› vehicle design service to Piaggio & C..

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.;
› sold the moulds of two discontinued vehicles for future construction at Zongshen Piaggio Foshan Motorcycle Co. Ltd.

Foshan Piaggio Vehicles Tecnologies 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.

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.

Corporate Governance

Profile

The Company is organised in accordance with the traditional administration and control model mentioned in articles 2380-bis et seq. of the Italian Civil Code, with the Shareholders' Meeting, the Board of Directors and the Board of Statutory Auditors.

Roberto Colaninno is Chairman and Chief Executive Officer of the Company, Matteo Colaninno is Deputy Chairman and Gabriele Galli is General Manager Finance.

The Company has adopted the Corporate Governance Code of Borsa Italiana S.p.A. and observes principles of corporate governance contained in the code.

The Company is subject to the management and coordination of IMMSI S.p.A. pursuant to article 2497 et seq. of the Italian Civil Code.

Board of Directors

The Board of Directors of the Company in office at the date of this Report comprises nine members, appointed by the Ordinary General Meeting of Shareholders of 13 April 2015 based on the two lists of candidates submitted by the majority shareholder IMMSI S.p.A. and by the Legal Practice Trevisan & Associati. The Board of Directors will remain in office until the date of the Ordinary General Meeting of Shareholders called for approval of the Financial Statements for the financial year ending 31 December 2017.

The majority of the Board of Directors are non-executive, independent directors, and their number and authority are such that they ensure that their opinion has a significant weight in the Issuer's Board decisions. Non-executive directors and independent directors bring their specific competencies to Board discussions, contributing to the making of decisions that conform to corporate interests.

Committees

The Appointment Proposal Committee, the Remuneration Committee, the Internal Control and risk management Committee and the Related Parties Transactions Committee have been established within the Board.

Internal control and risk management system

The internal control and risk management system requires the Board, after consulting with the Internal Control and Risk Management Committee, to define guidelines for the internal control and risk management system which comprises all processes to identify, measure, manage and monitor main risks. This system helps ensure efficient and effective company operations, the reliability of financial information, compliance with laws and regulations as well as the company's articles of association and with internal procedures, and the safeguarding of company assets.

In this context, the Board of Directors is assisted by a Director appointed to oversee operation of the internal control and risk management system and an Internal Control and risk management Committee. The Board of Directors, in response to a proposal by the Director in charge of the internal control and risk management system and having obtained the opinion of the Internal Control and risk management Committee and the Board of Statutory Auditors, appointed the Internal Auditing Supervisor to verify that the internal control and risk management system is operative and adequate, ensuring that he/she receives adequate means to carry out his/her functions, including - as regards the operating structure and internal organisational procedures - access to information needed for his/her position.

Board of Statutory Auditors

The Board of Statutory Auditors in office at the date of this Report was elected by the Ordinary General Meeting of Shareholders held on 13 April 2015, based on the two lists of candidates submitted by the majority shareholder IMMSI S.p.A. and by the Legal Practice Trevisan & Associati, in accordance with the provisions of article 24.2 of the Articles of Association, and will hold office until approval of the annual financial statements for the year ending 31 December 2017.

Corporate Governance Report

The Company produces an annual Report on Corporate Governance and Corporate Ownership, describing the corporate governance system adopted by the Issuer, and containing information on corporate ownership and the internal control and risk management system. The entire report is available on the website of the Issuer www.piaggiogroup.com under Governance.

Other information

Processing of personal data - Italian Legislative Decree no. 196 of 30 June 2003

With reference to the obligations of the "Consolidated Privacy Act", enacted with Italian Legislative Decree no. 196 of 30 June 2003, – Annex B), Technical Regulations – Piaggio & C. S.p.A., as Data Controller has adopted the security measures listed in the regulations, and updated its Security Policy Document according to law.
The purpose of the Security Policy Document is to:
1. define and describe the security policies adopted concerning the processing of personal data relative to employees, outsourced staff, customers, suppliers and other subjects concerned;
2. define and explain the organisational criteria adopted by the Company to put these measures in place.

Article 36 of the Consob Regulation on Markets (adopted with Consob resolution no. 16191/2007 as amended): conditions for listing companies controlling companies established and governed according to laws of non-EU Member States on the stock exchange

As regards regulatory requirements on conditions for listing companies controlling companies established and governed according to laws of non-EU Member States on the stock exchange and material importance for the purposes of consolidated financial statements, the following is reported:
› as of 31 December 2016, the regulatory requirements of article 36 of the Regulation on Markets apply to the subsidiaries: Piaggio Vehicles Private Limited, Piaggio Vietnam Co Ltd and Piaggio Group Americas Inc;
› adequate procedures for ensuring full compliance with the above regulation have been adopted.

Article 37 of the Consob Regulation on Markets Conditions preventing the listing of shares of subsidiaries subject to the management and coordination of another company

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.

Statement of reconciliation between shareholders' equity and net profit for the period of the Parent Company and consolidated companies

Description	Shareholders' equity as of 31/12/2016	Net profit as of 31/12/2016	Shareholders' equity as of 31/12/2015
In thousands of euros			
Piaggio & C. SpA	**318,918**	**14,003**	**329,483**
Net profit and shareholders' equity of subsidiaries	231,685	42,918	188,147
Elimination of the carrying amount of investments	(143,809)	(43,637)	(99,500)
Elimination of the effects of intergroup transactions	(13,081)	757	(13,838)
Piaggio Group	**393,714**	**14,040**	**404,292**

Proposal to approve the Financial Statements and allocate profit for the period

Dear Shareholders,

The Board of Directors of your Company has convened the Ordinary Meeting of Shareholders to propose the approval of the draft financial statements of Piaggio & C. S.p.A. as of 31 December 2016.

The Financial Statements as of 31 December 2016 record a profit for the period equal to € 14,003,073.35 which we propose allocating as follows:
› € 700,153.67 to the legal reserve;
› € 13,302,919.68 to Earnings reserve from the valuation of investments with the equity method.

Moreover, considering that available reserves of € 21,382,533.87 net of development costs have been recorded in the financial statements - pursuant to article 2426(5) of the Italian Civil Code - as well as the purchase of treasury shares by the Company, also taking into account the Group's prospects, we propose distributing a dividend of € 0.055 gross of taxes, for each ordinary share, and therefore - considering 3,054,736 treasury shares held - for a maximum of € 19,698,450.42, for the total amount of the "Earnings carried forward" reserve.

We propose establishing 24 April 2017 as the coupon no. 10 detachment date, 25 April 2017 as the dividend record date and 26 April 2017 as the date from which the dividend is payable.

Mantua, 27 February 2017

For the Board of Directors

Chairman and Chief Executive Officer
Roberto Colaninno

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, Current and non-current 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 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.

PIAGGIO GROUP
CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2016

Consolidated Income Statement

Notes	In thousands of euros	2016 Total	of which related parties	2015 Total	of which related parties
4	Net revenues	1,313,109	855	1,295,286	794
5	Cost for materials	784,404	23,289	770,297	25,616
6	Cost for services and leases and rentals	233,277	3,774	235,892	3,776
7	Employee costs	213,775		213,326	
8	Depreciation and impairment costs of property, plant and equipment	45,797		45,552	
8	Amortisation and impairment costs of intangible assets	64,041		59,491	
9	Other operating income	109,163	3,188	106,180	737
10	Other operating costs	20,073	24	20,198	33
	Operating income	**60,905**		**56,710**	
11	Income/(loss) from investments	588	564	295	141
12	Financial income	1,023		878	
12	Borrowing costs	36,952	134	37,476	157
12	Net exchange gains/(losses)	(61)		(304)	
	Profit before tax	**25,503**		**20,103**	
13	Taxes for the period	11,463	388	8,236	(655)
	Profit from continuing operations	**14,040**		**11,867**	
	Assets held for sale:				
14	Profits or losses arising from assets held for sale				
	Net Profit (loss) for the period	**14,040**		**11,867**	
	Attributable to:				
	Owners of the Parent	**14,040**		**11,873**	
	Non controlling interests	**0**		**(6)**	
15	**Earnings per share (figures in €)**	**0.039**		**0.033**	
15	**Diluted earnings per share (figures in €)**	**0.039**		**0.033**	

Consolidated Statement of Comprehensive Income

Notes	In thousands of euros	2016	2015
	Net Profit (Loss) for the period (A)	**14,040**	**11,867**
	Items that will not be reclassified in the income statement		
45	Remeasurements of defined benefit plans	(2,672)	1,841
	Total	**(2,672)**	**1,841**
	Items that may be reclassified in the income statement		
45	Profit (loss) deriving from the translation of financial statements of foreign companies denominated in foreign currency	1,758	2,736
45	Portion of components of the Statement of Comprehensive Income of subsidiaries/associates valued with the equity method	(329)	577
45	Total profits (losses) on cash flow hedges	198	244
	Total	**1,627**	**3,557**
	Other components of the Statement of Comprehensive Income (B)[31]	**(1,045)**	**5,398**
	Total Profit (loss) for the period (A + B)	**12,995**	**17,265**
	Attributable to:		
	Owners of the Parent	**13,058**	**17,189**
	Non controlling interests	**(63)**	**76**

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

Consolidated Statement of Financial Position

Notes	In thousands of euros	As of 31 December 2016 Total	of which related parties	As of 31 December 2015 Total	of which related parties
	ASSETS				
	Non-current assets				
16	Intangible assets	668,665		673,986	
17	Property, plant and equipment	301,079		307,608	
18	Investment Property	11,710		11,961	
37	Investments	7,445		8,429	
38	Other financial assets	19,209		24,697	
23	Long-term tax receivables	15,680		5,477	
19	Deferred tax assets	60,372		56,000	
21	Trade receivables				
22	Other receivables	13,170	133	13,419	153
	Total non-current assets	**1,097,330**		**1,101,577**	
27	**Assets held for sale**				
	Current assets				
21	Trade receivables	75,166	3,350	80,944	1,150
22	Other receivables	24,151	8,753	29,538	8,879
23	Short-term tax receivables	26,783		21,541	
20	Inventories	208,459		212,812	
39	Other financial assets	7,069		2,176	
40	Cash and cash equivalents	191,757		101,428	
	Total current assets	**533,385**		**448,439**	
	Total assets	**1,630,715**		**1,550,016**	
	SHAREHOLDERS' EQUITY AND LIABILITIES				
	Shareholders' equity				
44	Share capital and reserves attributable to the owners of the Parent	394,019		404,535	
44	Share capital and reserves attributable to non-controlling interests	(305)		(242)	
	Total shareholders' equity	**393,714**		**404,293**	
	Non-current liabilities				
41	Financial liabilities falling due after one year	535,105	2,900	520,391	2,900
28	Trade payables				
29	Other long-term provisions	10,566		9,584	
30	Deferred tax liabilities	3,880		4,369	
31	Retirement funds and employee benefits	48,924		49,478	
32	Tax payables				
33	Other long-term payables	5,485	162	4,624	
	Total non-current liabilities	**603,960**		**588,446**	
	Current liabilities				
41	Financial liabilities falling due within one year	173,445		105,895	
28	Trade payables	395,649	9,935	380,363	10,108
32	Tax payables	8,128		14,724	
33	Other short-term payables	46,936	7,152	46,516	7,132
29	Current portion of other long-term provisions	8,883		9,779	
	Total current liabilities	**633,041**		**557,277**	
	Total Shareholders' Equity and Liabilities	**1,630,715**		**1,550,016**	

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.

Notes	In thousands of euros	2016 Total	of which related parties	2015 Total	of which related parties
	Operating activities				
	Consolidated net profit	14,040		11,873	
	Allocation of profit to non-controlling interests			(6)	
13	Taxes for the period	11,463		8,236	
8	Depreciation of property, plant and equipment	44,797		45,523	
8	Amortisation of intangible assets	63,662		59,491	
	Provisions for risks and retirement funds and employee benefits	18,038		17,032	
	Write-downs/ (Reinstatements)	2,627		2,470	
	Losses/ (Gains) on the disposal of property, plants and equipment	(2,267)		(251)	
12	Financial income	(1,023)		(877)	
	Dividend income	(24)		(130)	
12	Borrowing costs	34,536		36,751	
	Income from public grants	(3,880)		(3,487)	
	Portion of earnings of affiliated companies	(564)		(141)	
	Change in working capital:				
21	(Increase)/Decrease in trade receivables	6,658	(2,200)	(4,957)	(294)
23	(Increase)/Decrease in other receivables	6,004	146	8,113	605
20	(Increase)/Decrease in inventories	4,353		19,586	
28	Increase/ (Decrease) in trade payables	15,286	(173)	(5,925)	(5,472)
31	Increase/ (Decrease) in other payables	1,281	182	26	414
29	Increase/ (Decrease) in provisions for risks	(9,914)		(9,913)	
31	Increase/ (Decrease) in retirement funds and employee benefits	(8,688)		(14,613)	
	Other changes	(11,936)		16,230	
	Cash generated from operating activities	**184,449**		**185,031**	
	Interest paid	(32,355)		(32,790)	
	Taxes paid	(25,114)		(23,400)	
	Cash flow from operating activities (A)	**126,980**		**128,841**	
	Investment activities				
17	Investment in property, plant and equipment	(38,247)		(38,062)	
	Sale price, or repayment value, of property, plant and equipment	2,552		581	
16	Investment in intangible assets	(58,426)		(63,828)	
	Sale price, or repayment value, of intangible assets			56	
	Sale price of financial assets	3		47	
	Collected interests	581		749	
	Cash flow from investment activities (B)	**(93,537)**		**(100,457)**	
	Financing activities				
44	Purchase of treasury shares	(5,612)		(34)	
44	Outflow for dividends paid	(17,962)		(26,007)	
41	Loans received	133,674		58,130	
41	Outflow for repayment of loans	(66,194)		(49,270)	
41	Financing received for leases	12,839			
41	Repayment of finance leases	(1,601)		(31)	
	Cash flow from funding activities (C)	**55,144**		**(17,212)**	
	Increase/ (Decrease) in cash and cash equivalents (A+B+C)	88,587		11,172	
	Opening balance	**101,302**		**90,125**	
	Exchange differences	1,511		5	
	Closing balance	**191,400**		**101,302**	

Changes in Consolidated Shareholders' Equity

Movements from 1 January 2016 / 31 December 2016

Notes	In thousands of euros	Share capital	Share premium reserve	Legal reserve	Reserve for measurement of financial instruments	IAS transition reserve
	As of 1 January 2016	**207,614**	**7,171**	**17,643**	**(586)**	**(5,859)**
	Profit for the period					
45	Other components of the Statement of Comprehensive Income				198	
	Total profit (loss) for the period	**0**	**0**	**0**	**198**	**0**
	Operazioni con gli azionisti:					
44	Allocation of profits			752		
44	Distribution of dividends					
44	Purchase of treasury shares					
	As of 31 December 2016	**207,614**	**7,171**	**18,395**	**(388)**	**(5,859)**

Movements from 1 January 2015 / 31 December 2015

Notes	In thousands of euros	Share capital	Share premium reserve	Legal reserve	Reserve for measurement of financial instruments	IAS transition reserve
	As of 1 January 2015	**207,614**	**7,171**	**16,902**	**(830)**	**(5,859)**
	Profit for the period					
45	Other components of the Statement of Comprehensive Income				244	
	Total profit (loss) for the period	**0**	**0**	**0**	**244**	**0**
	Transactions with shareholders:					
44	Allocation of profits			741		
44	Distribution of dividends					
44	Annulment of treasury shares					
44	Purchase of treasury shares					
44	25% acquisition of Piaggio Hrvatska					
	As of 31 December 2015	**207,614**	**7,171**	**17,643**	**(586)**	**(5,859)**

Group translation reserve	Treasury shares	Earnings reserve	Consolidated Group shareholders' equity	Share capital and reserves attributable to non-controlling interests	TOTAL SHAREHOLDERS' EQUITY
(15,608)	**(34)**	**194,194**	**404,535**	**(242)**	**404,293**
		14.040	14.040		14.040
1,492		(2,672)	(982)	(63)	(1,045)
1,492	**0**	**11,368**	**13,058**	**(63)**	**12,995**
		(752)	0		0
		(17,962)	(17,962)		(17,962)
	(5,612)		(5,612)		(5,612)
(14,116)	**(5,646)**	**186,848**	**394,019**	**(305)**	**393,714**

Group translation reserve	Treasury shares	Earnings reserve	Consolidated Group shareholders' equity	Share capital and reserves attributable to non-controlling interests	TOTAL SHAREHOLDERS' EQUITY
(18,839)	**(5,787)**	**211,775**	**412,147**	**922**	**413,069**
		11,873	11,873	(6)	11,867
3,231		1,841	5,316	82	5,398
3,231	**0**	**13,714**	**17,189**	**76**	**17,265**
		(741)	0		0
		(26,007)	(26,007)		(26,007)
	5,787	(5,787)	0		0
	(34)		(34)		(34)
		1,240	1,240	(1,240)	0
(15,608)	**(34)**	**194,194**	**404,535**	**(242)**	**404,293**

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. Foreign operations are included in the consolidated financial statements according to the standards indicated in the notes below.

Scope of consolidation

As of 31 December 2016, the structure of the Piaggio Group was as indicated in the Report on Operations and is the structure referred to herein.
The scope of consolidation has not changed compared to the Consolidated Financial Statements as of 31 December 2015.

Compliance with international accounting standards

The Consolidated Financial Statements of the Piaggio Group as of 31 December 2016 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 Commission, as well as in compliance with the provisions established in Article 9 of Italian 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.
Moreover, international accounting standards have been uniformly adopted for all Group companies. The financial statements of subsidiaries, used for consolidation and for the joint venture consolidated using the equity method, have been appropriately modified and reclassified, where necessary, to bring them in line with the international accounting standards and classification criteria used by the Group on a consistent basis.

The Financial Statements have been prepared on a historical cost basis, amended as required for the measurement of investment property and some financial instruments, and on a going-concern basis. In fact, despite the difficult economic and financial context, the Group has evaluated that there are no significant doubts about its continuing as a going concern (as defined in section 25 of IAS 1), also in relation to actions already identified to adapt to changing levels in demand, as well as the industrial and financial flexibility of the Group.
These Consolidated Financial Statements were audited by PricewaterhouseCoopers S.p.A..

Other information

A specific paragraph in this Report provides information on any significant events occurring after the end of the period and on the operating outlook.
In relation to 2015 financial statement figures published last year and presented for comparative purposes, some items were reclassified, for a greater comparability with 2016 figures.

1. Form and content of the financial statements

Form of the consolidated financial statements

The Group has chosen to highlight all changes generated by transactions with non-shareholders within two statements reporting trends of the period, respectively named the "Consolidated Income Statement" and "Consolidated Statement of Comprehensive Income". The Financial Statements are therefore composed of the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flows, the Statement of Changes in Consolidated Shareholders' Equity and these notes.

Consolidated Income Statement

The Consolidated Income Statement is presented with the items classified by nature. The overall Operating Income is shown, which includes all income and cost items, irrespective of their repetition or fact of falling outside normal operations, except for the items of financial operations included under Operating Income and Profit before tax. In addition, the income and cost items arising from assets that are held for sale or to be discontinued, including any capital gains or losses net of the tax element, are recorded in a specific item preceding profit attributable to the owners of the parent and to non-controlling interests.

Consolidated Statement of Comprehensive Income

The Consolidated Statement of Comprehensive Income is presented in accordance with the provisions of IAS 1 amended. Items presented in "Other comprehensive income(expense)" are grouped based on whether they are potentially reclassifiable to profit or loss.

Consolidated Statement of Financial Position

The Consolidated Statement of Financial Position is presented in opposite sections with separate indication of assets, liabilities and shareholders' equity.
In turn, assets and liabilities are reported in the Consolidated Financial Statements on the basis of their classification as current and non-current.

Consolidated Statement of Cash Flows

The Consolidated Statement of Cash Flows is divided into cash-flow generating areas. The Statement of Cash Flows model adopted by the Piaggio Group has been prepared using the indirect method. The cash and cash equivalents recorded in the Consolidated Statement of Cash Flows include the Consolidated Statement of Financial Position balances for this item at the reporting date. Financial flows in foreign currency have been converted at the average exchange rate for the period. Income and costs related to interest, dividends received and income taxes are included in the cash flow generated from operations.

Statement of Changes in Consolidated Shareholders' Equity

The Statement of Changes in Consolidated Shareholders' Equity is presented as provided for in IAS 1 revised.
It includes the total statement of comprehensive income while separately reporting the amounts attributable to owners of the Parent company as well as the quota pertaining to non-controlling interests, the amounts of operations with shareholders acting in this capacity and potential effects of retrospective application or of the retroactive calculation pursuant to IAS 8. Reconciliation between the opening and closing balance of each item for the period is presented.

Contents of the Consolidated Financial Statements

The Consolidated Financial Statements of the Group Piaggio & C. include the Financial Statements of the Parent Company Piaggio & C. S.p.A. and Italian and foreign companies in which it has direct or indirect control, which are listed in the attachments.

As of 31 December 2016 subsidiaries and associates of Piaggio & C. S.p.A. were as follows:

	Subsidiaries			Associates			Total
	Italy	Abroad	Total	Italy	Abroad	Total	
Companies:							
- consolidated on a line-by-line basis	3	21	24				24
- consolidated with the equity method				2	3	5	5
Total companies	**3**	**21**	**24**	**2**	**3**	**5**	**29**

2. Consolidation principles and evaluation criteria

2.1 Principles of consolidation

Assets and liabilities, and income and costs, of consolidated companies are recognised on a global integration basis, eliminating the carrying amount of consolidated investments in relation to the relative shareholders' equity at the time of purchase or underwriting. The carrying amount of investments has been eliminated against the shareholders' equity of subsidiaries/associates, assigning to non-controlling interests under specific items the relative portion of shareholders' equity and relative net profit due for the period, in the case of subsidiaries consolidated on a line-by-line basis.

Subsidiaries

Subsidiaries are companies in which the Group exercises control. This control exists when the Group is exposed, or is entitled to receive variable returns from its involvement in the company and has the capacity to influence such variable returns through its power over the controlled company. The acquisition of subsidiaries is recognised according to the acquisition method. The cost of acquisition is determined by the sum of present values at the date control of the given assets was obtained, liabilities borne or undertaken and financial instruments issued by the Group in exchange for control of the acquired company.
In the case of acquisitions of companies, acquired and identifiable assets, liabilities and potential liabilities are recognised at the present value at the date of acquisition. The positive difference between the acquisition cost and the share of the Group at the present value of said assets and liabilities is classified as goodwill and recognised in the financial statements as an intangible asset. Any negative difference ("negative goodwill") is recognised instead in profit and loss at the date of acquisition.
The financial statements of subsidiaries are included in the Consolidated Financial Statements starting from the date when control is acquired until control ceases.
The portions of shareholders' equity and income attributable to non-controlling interests are separately indicated in the Consolidated Statement of Financial Position and Consolidated Income Statement respectively.

Associates and joint arrangements

Associates are companies in which the Group has considerable influence but not control of financial and operational policies.
The Group adopts IFRS 11 for all joint arrangements. According to IFRS 11, investments in joint arrangements are classified as joint operations or joint ventures depending on the contractual obligations and rights of each investor. The Group has classified the only joint arrangement agreement in place as being a joint venture.
In adopting the equity method, the investment in an associate or joint venture is initially recognised at cost and the carrying amount is increased or decreased to recognise the portion attributable to the Group of profit or loss of the investee realised after the date of acquisition. The portion of profit (loss) for the period of the investee attributable to the Group is recognised separately in consolidated profit or loss. Dividends received from an investee reduce the carrying amount of the investment. Adjustments to the carrying amount of the investment are also due to changes in items of other comprehensive income of the investee (e.g. changes arising from translation differences of items in foreign currency). The portion of these changes, attributable to the Group, is recognised under other components of consolidated comprehensive income. If the portion of losses of an entity in a associate or joint venture is equal to or

exceeds its interest in the associate or joint venture, the Group discontinues recognising its share of further losses. After the interest is reduced to zero, additional losses are recognised by a provision (liability) only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate, or joint venture. If the associate or joint venture subsequently reports profits, the Group resumes recognising its portion of those profits only after its portion of the profits equals the share of losses not recognised. Profit and losses arising from "upwards" or "downwards" transactions between a Group and a associate or joint venture are recognised in the consolidated financial statements only as regards the portion attributable to minority interest in the associate or joint venture. The portion of profit or loss of the associate or joint venture arising from these transactions, attributable to the Group, is eliminated in the consolidated income statement under "earnings from investments", with a counter entry of the asset's value, in "upwards" transactions, and of the value of the investment, in "downwards transactions".

Transactions eliminated during the consolidation process

In preparing the Consolidated Financial Statements, all balances and significant transactions between Group companies have been eliminated, as well as unrealised profits and losses arising from intergroup transactions. Unrealised profits and losses generated from transactions with associates or jointly controlled companies are eliminated based on the value of the investment of the Group in the companies.

Transactions in foreign currency

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.

Consolidation of foreign companies

The separate financial statements of each company belonging to the Group are prepared in the currency of the primary economic environment in which they operate (the functional currency). For the purposes of the Consolidated Financial Statements, the financial statements of each foreign entity are in euro, which is the functional currency of the Group and the presentation currency of the Consolidated Financial Statements.

All assets and liabilities of foreign companies in a currency other than the euro which come under the scope of consolidation are translated, using exchange rates in effect at the reporting date (currency exchange rates method). Income and costs are translated at the average exchange rate of the period. Translation differences arising from the application of this method, as well as translation differences arising from a comparison of initial shareholders' equity translated at current exchange rates and the same equity translated at historical rates, are recognised in the statement of comprehensive income and allocated to a specific reserve in shareholders' equity until disposal of the investment. Average exchange rates for translating the cash flows of foreign subsidiaries are used in preparing the Consolidated Statement of Cash Flows.

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 31 December 2016	Average exchange rate 2016	Spot exchange rate 31 December 2015	Average exchange rate 2015
US Dollar	1.0541	1.10690	1.0887	1.10951
Pounds Sterling	0.85618	0.819483	0.73395	0.72585
Indian Rupee	71.5935	74.3717	72.0215	71.1956
Singapore Dollars	1.5234	1.52754	1.5417	1.52549
Chinese Renminbi	7.3202	7.35222	7.0608	6.97333
Croatian Kuna	7.5597	7.53329	7.638	7.6137
Japanese Yen	123.40	120.197	131.07	134.314
Vietnamese Dong	23,894.71	24,566.34911	24,435.06	24,147.36965
Canadian Dollars	1.4188	1.46588	1.5116	1.41856
Indonesian Rupiah	14,167.10	14,721.43381	15,029.50	14,861.45152
Brazilian Real	3.4305	3.85614	4.3117	3.70044

2.2 Accounting policies

The most significant accounting policies adopted to prepare the Consolidated Financial Statements as of 31 December 2016 are outlined below.

Intangible assets

As provided for in IAS 38 - *Intangible Assets*, an intangible asset which is purchased or internally generated, is recognised as an asset only if it is identifiable, controllable and future economic benefits are expected and its cost may be measured reliably.
Intangible assets with a definite useful life are measured at acquisition cost or production cost net of amortisation and accumulated impairment losses. Borrowing costs related to the acquisition, construction or production of certain assets that require a significant period of time before they are ready for use or sale (qualifying assets), are capitalised along with the asset.
Amortisation is referred to the expected useful life and commences when the asset is available for use.

Goodwill

In the case of acquisitions of companies, acquired and identifiable assets, liabilities and potential liabilities are recognised at the fair value at the date of acquisition. The positive difference between the acquisition cost and the share of the Group at the fair value of said assets and liabilities is classified as goodwill and recognised in the financial statements as an intangible asset. Any negative difference ("negative goodwill") is recognised instead in profit and loss at the date of acquisition.
Goodwill is not amortised but tested annually for impairment, or more frequently if specific events or changed circumstances indicate that an asset may be impaired, as provided for in IAS 36 - *Impairment of Assets*.
After initial recognition, goodwill is recognised at cost net of any accumulated impairment losses.
At the disposal of part of or an entire company previously acquired from whose acquisition goodwill arose, the corresponding residual value of goodwill is considered when measuring the capital gain or loss from the disposal.

Development costs

Development costs of projects for the manufacture of vehicles and engines are recognised as assets only if all of the following conditions are met: the costs can be reliably measured and the technical feasibility of the product, the volumes and expected prices indicate that costs incurred during development will generate future economic benefits. Capitalised development costs include only costs incurred that may be directly attributed to the development process.
Capitalised development costs are amortised on a systematic criterion basis, starting from the beginning of production through the estimated life of the product.
All other development costs are recognised in profit or loss when they are incurred.

Other intangible assets

As provided for in IAS 38 – *Intangible Assets*, other intangible assets which are purchased or internally generated are recognised as assets if it is probable that use of the asset will generate future economic benefits and the cost of the asset can be reliably measured.
These assets are recognised at acquisition or production cost and are amortised on a straight line basis over their estimated useful life, if they have a definite useful life.
Other intangible assets recognised following the acquisition of a company are accounted for separately from goodwill, if their fair value may be reliably measured.
The amortisation period for an intangible asset with a useful life is revised at least at the end of each reporting period. If the expected useful life of the asset differs from estimates previously made, the amortisation period is changed accordingly.

The amortisation periods of intangible assets are shown below:

Development costs	3-5 years
Industrial Patent and Intellectual Property Rights	3-5 years
Other	5 years
Trademarks	15 years

Property, plant and equipment

The Piaggio Group has decided to adopt the cost method on first-time application of the IAS/IFRS, as allowed by IFRS 1. For the measurement of property, plant and equipment, therefore, the preference was not to use the fair value method. Property, plant and equipment were booked at the purchase or production cost and were not revalued. Borrowing costs related to the acquisition, construction or production of certain assets that require a significant period of time before they are ready for use or sale (qualifying assets), are capitalised along with the asset.
Costs incurred after acquisition are capitalised only if they increase the future economic benefits of the asset they refer to. All other costs are recognised in profit or loss when they are incurred. Property, plant and equipment under construction are measured at cost and depreciated starting from the period in which they are put into operation.
Depreciation is determined, on a straight line basis, on the cost of the assets net of their relative residual values, based on their estimated useful life.
The depreciation periods of Plant, property and equipment are summarised below:

Land	Land is not depreciated
Buildings	33-60 years
Plant and machinery	5 -15 years
Equipment	4-20 years
Other assets	3-10 years

Profits and losses arising from the sale or disposal of assets are measured as the difference between the sale revenue and net carrying amount of the asset and are recognised in profit or loss for the period.

Lease contracts

Lease contracts for property, plant and machinery where the Group, as lessee, basically undertakes all risks and benefits of the property, are classified as finance leases. Finance leases are capitalised when the lease is established, at the fair value of the leased asset or, if less, at the current value of minimum payments due. The corresponding amount due to the lessor, net of borrowing costs, is recognised as a financial payable. The borrowing cost is recognised in profit or loss over the lease period, so as to produce an interest rate that is constant for the remaining amount due for each period. Property, plant and machinery of finance leases are depreciated during the useful life of the asset or the shorter of the useful life of the asset or the duration of the lease agreement, if there is no reasonably certainty that the Group will obtain the property at the end of the lease period.
Leases in which a significant part of the risks and benefits of ownership are not transferred to the Group as the lessor, are classified as operating leases. Payments made for operating leases (net of any incentives received from the lessee), are recognised in profit or loss on a straight-line basis for the duration of the lease agreement.
The Group has its own production plants even in countries where ownership rights are not allowed. In 2007, on the basis of clarification from IFRIC, the Group reclassified as receivables the rentals paid in advance to obtain the availability of land where its production sites are situated.

Impairment

At the end of the reporting period, the Group reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that these assets may be impaired (impairment test). If there is an indication that an asset may be impaired, the asset's recoverable

amount is estimated to determine the amount of the write-down. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the asset's cash generating unit.
The recoverable amount is the higher of an asset's fair value less costs to sell (if available) and its value in use. In measuring the value in use, estimated future cash flows are discounted at their fair value, using a rate which reflects current market changes in the fair value of money and specific risks of the asset.
If the recoverable amount of an asset (or of a cash generating unit) is estimated to be lower than the relative carrying amount, the carrying amount of the asset is reduced to the lower recoverable value. An impairment loss is immediately recognised in profit or loss, unless the asset concerns land or property other than investment property recognised at revalued values. In said case, the loss is recorded in the relative revaluation reserve.
When the conditions that gave rise to an impairment loss no longer exist, the carrying amount of the asset (or of a cash generating unit), except for goodwill, is increased to the new value arising from an estimate of its recoverable amount, up to the net carrying amount applicable to the asset if no impairment loss had been recognised. The reversal of the impairment loss is immediately recognised in profit or loss.
An intangible asset with an indefinite useful life is tested annually for impairment, or more frequently if there is an indication that an asset may be impaired.

Investment Property
As permitted by IAS 40, non instrumental property and buildings held for rental and/or asset appreciation purposes are measured at fair value. Investment properties are eliminated from the financial statements when they are disposed of or when they may not be used over time and future economic benefits from their sales are not expected.

Transactions with affiliates and related parties
Transactions with affiliates and related parties are indicated in specific sections of the Report on Operations and Notes, referred to herein.

Non-current assets held for sale
Non-current assets (or disposal groups) that are classified as held for sale are measured at the lower of the carrying amount and fair value less costs to sell.
Non-current assets (and disposal groups) are classified as held for sale when it is expected that their carrying amount will be recovered through a sale rather than through their use in company operations. This condition is only met when the sale is highly probable, the asset (or disposal group) is available for immediate sale and management is committed to a plan to sell, which should take place within 12 months from the date in which this item was classified as held for sale.

Financial assets
Financial assets are recognised and deleted from the financial statements based on the negotiation date and are initially measured at fair value, represented by the initial increased amount, with the exception of assets held for negotiation, of costs relative to the transaction.
At subsequent end of reporting periods, the financial assets the Group intends and can retain up until maturity (securities held until maturity) are recognised at amortised cost based on the effective interest rate method, net of reversals for impairment losses.
Financial assets other than those held to maturity are classified as held for trading or for sale, and are measured at fair value at the end of each period. When financial assets are held for trading, profits and losses arising from changes in fair value are recognised in profit or loss for the period; in the case of financial assets held for sale, profits and losses arising from changes in fair value are recognised in the statement of comprehensive income and allocated to a specific reserve of shareholders' equity until sold, recovered or disposed of.

Inventories
Inventories are recognised as the lower of the purchase or production cost, determined by assigning

to products the costs directly incurred in addition to the portion of indirect costs reasonably attributable to the performance of production activities in normal production capacity conditions and the market value at the end of the reporting period.
The purchase or production cost is determined based on the weighted average cost method.
As regards raw materials and work in progress, the market value is represented by the estimated net realisable value of corresponding finished products minus completion costs. as regards finished products, the market value is represented by the estimated net realisable value (price lists minus the costs to sell and distribution costs).
The lower measurement based on market trends is eliminated in subsequent years, if the trends no longer exist.
Obsolete, slow moving and/or excess inventories are impaired in relation to their possible use or future realisation, in a provision for the write-down of inventories.

Receivables

Trade receivables and other receivables are initially recognised at fair value and subsequently recognised based on the amortised cost method, net of the provisions for write-downs. Losses on receivables are recognised when there is objective evidence that the Group is not able to recover the amount due from the other party on the basis of contractual terms.
When payment of amounts due exceeds standard terms of payment granted to clients, the receivable is discounted.

Factoring

The Group sells a significant part of its trade receivables through factoring and in particular, sells trade receivables without recourse. Following these sales with the total and unconditional transfer to the transferee of the risks and benefits transferred, the receivables are eliminated from the financial statements.
In the case of transfers in which the risks and benefits are not transferred, the relative receivables remain in the statement of financial position until the transferred sum has been paid. In this case any advance payments collected by the factor are recognised under payables as amounts due to other lenders.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, current bank accounts, deposits payable on demand and other high liquidity short term financial investments, which are readily convertible into cash and not affected by any major risk of a change in value. This item does not include bank overdrafts payable on demand.

Treasury shares

Treasury shares are recognised as a reduction of shareholders' equity. The original cost of treasury shares and revenues arising from subsequent sales are recognised as movements of shareholders' equity.

Financial liabilities

Financial liabilities are recognised based on amounts cashed net of relative transaction costs. After initial recognition, loans are measured at amortised cost and calculated using the effective interest rate. Financial liabilities hedged by derivatives are measured at present value, according to procedures established for hedge accounting applicable to the fair value hedge and cash flow hedge.
On initial recognition, a liability may also be designated at fair value recognised in profit or loss when this eliminates or considerably reduces a lack of uniformity in the measurement or recognition (sometimes defined as "asymmetric accounting") that would otherwise arise from the measurement of an asset or liability or recognition of relative profit and loss on different bases. This fair value designation is exclusively applied to some financial liabilities in currency subject to exchange risk hedging.

Derivatives and measurement of hedging transactions

Group assets are primarily exposed to financial risks from changes in exchange and interest rates, and commodity prices. The Group also uses derivatives to manage these risks, according to procedures in line with the Group's risk management policies.
Derivatives are initially measured at fair value represented by the initial amount.
Financial derivatives are only used for hedging purposes, against exchange rate and interest rate fluctuations. In line with IAS 39, financial derivatives may qualify for hedge accounting, only when the hedging instrument is formally designated and documented, is expected to be highly effective and this effectiveness can be reliably measured and is highly effective throughout the reporting periods for which it is designated.
When financial instruments may be measured by hedge accounting, the following accounting treatment is adopted:

› Fair value hedge: if a financial derivative is designated as a hedge of the exposure to changes in present value of a recognised asset or liability, attributable to a particular risk and could affect profit or loss, the gain or loss from the subsequent change in present value of the hedging instrument is recognised in profit or loss. The gain or loss on the hedged item, attributable to the hedged risk, changes the carrying amount of the hedged item and is recognised in profit or loss.
› Cash flow hedge: if an instrument is designated as a hedge of the exposure to variability in cash flows of a recognised asset or liability or of a highly probable forecast transaction which could affect profit or loss, the effective portion of the gain or loss on the financial instrument is recognised in the Statement of Comprehensive Income. Accumulated gain or loss is reversed from other shareholders' equity and recognised in profit or loss in the same period as the hedging transaction. The gain or loss associated with hedging or the part of hedging which is ineffective, is immediately recognised in profit or loss. If the hedging instrument or hedging ceases, but the transaction covered by hedging is not yet realised, profits and losses, recognised in equity, are instead recognised in profit or loss when the transaction takes place. If the transaction to be hedged is deemed no longer probable, gains and losses deferred in other shareholders' equity are recognised immediately in profit or loss.

If hedge accounting cannot be applied, gains and losses from measurement at present value of the financial derivative are immediately recognised in profit or loss.

Long-term provisions

The Group recognises provisions for risks and charges when it has a legal or implicit obligation to third parties and it is likely that Group resources will have to be used to meet the obligation and when the amount of the obligation itself can be reliably estimated.
Changes in estimates are recognised in profit or loss when the change takes place.
If the effect is considerable, provisions are calculated discounting future cash flows estimated at a discount rate gross of taxes, to reflect current market changes in the fair value of money and specifics risks of the liability.

Retirement funds and employee benefits

Liabilities relative to employee benefits paid on or after termination of employment for defined benefit plans are determined separately for each plan, based on actuarial hypotheses estimating the amount of future benefits that employees will accrue at the reporting date (the "projected unit credit method"). Liabilities, recognised in the financial statements net of any assets serving the plan, are entered for the period when the right accrues. Liabilities are measured by independent actuaries.
The cost components of defined benefits are recognised as follows:

› the costs relative to services are recognised in the Income Statement under employee costs;
› net borrowing costs of liabilities or assets with defined benefits are recognised in the Income Statement as financial income/(borrowing costs), and are determined by multiplying the value of the net liability/(asset) by the rate used to discount the obligations, taking account of the payment of contributions and benefits during the period;
› the remeasurement components of net liabilities, which include actual gain and losses, the return

on assets (excluding interest income recognised in the Income Statement) and any change in the limit of the assets, are immediately recognised as "Other comprehensive income (expense)". These components must not be reclassified to the Income Statement in a subsequent period.

Termination benefits

Termination benefits are recognised at the closest of the following dates: i) when the Group can no longer withdraw the offer of such benefits and ii) when the Group recognises the costs of restructuring.

Stock Option Plan

As provided for in IFRS 2 - *Share-Based Payment*, the total amount of the present value of stock options at the date of assignment is recognised wholly in profit or loss under employee costs, with a counter entry recognised directly in shareholders' equity, if the grantees of the instruments representing capital become owners of the right on assignment. If a "maturity period" is required, in which certain conditions are necessary before grantees become holders of the right, the cost for payments, determined on the basis of the present value of options at the date of assignment, is recognised under employee costs on a straight line basis for the period between the date of assignment and maturity, with a counter entry directly recognised in shareholders' equity.
Determination of fair value based on the Black Scholes method.
Changes in the present value of options subsequent to the date of assignment do not have any effect on initial recognition.

Tax assets and liabilities

Deferred taxes are determined based on the temporary differences between the value of the asset and liability and their tax value. Deferred tax assets are measured only to the extent to which it is likely that adequate future taxable sums exist against which the deferred taxes can be used. The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent to which it is no longer likely that sufficient taxable income exists allowing for all or a portion of said assets to be recovered.
Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, considering the rates in effect or which are known to come into effect. Deferred taxes are directly recognised in profit or loss, except for items directly recognised in the statement of comprehensive income, in which case relative deferred taxes are also recognised in the statement of comprehensive income.
In the case of reserves of undistributed profits of subsidiaries and since the Group is able to control distribution times, deferred taxes are allocated for the reserves when distribution is expected in the future.
Deferred tax assets and liabilities are recognised at their net value when applied by the tax authorities and when they may be lawfully offset in the same tax jurisdiction.

Payables

Payables are recognised at fair value and then measured based on the amortised cost method.

Reverse factoring

To guarantee suppliers easier credit conditions, the Group has established factoring agreements, and typically supply chain financing or reverse factoring agreements. Based on the agreements, suppliers may, at their discretion, transfer receivables due from the Group to a lender and collect amounts before the due date.
In some cases, payment terms are extended further in agreements between the supplier and the Group; these extensions may be interest or non-interest bearing.
The Group has established a specific policy to assess the nature of reverse factoring operations. Based on the content of agreements, which differs by area of origin, the Finance function, at a central level, analyses the clauses of agreements in qualitative terms, as well as legal aspects in order to assess regulatory references and the type of transaction assignment (as provided for by IAS

39 AG57 b). In some cases, as payment terms have been extended, quantitative analysis is carried out to verify the materiality of changes in contract terms, based on quantitative tests as required by IAS 39 AG 62.
In this context, relations, for which a primary obligation with the supplier is maintained and any deferment, if granted, does not significantly change payment terms, are still classified as trade liabilities.

Recognition of revenues

Revenues for the sale of vehicles and spare parts are recognised to the extent that it is likely the Group will receive the economic benefits and their amount may be measured reliably. Revenues are recognised when the risks and benefits connected with ownership are transferred to the purchaser, the sale price is agreed or may be determined and payment is reasonably certain.
Revenues are represented net of discounts, including, among others, sales incentive programmes and bonuses to customers, as well as taxes directly connected with the sale of the goods.
Revenues from the provision of services are recognised when the services are provided based on their progress.
Revenues also include lease payments recognised on a straight line basis for the duration of the contract.

Public grants

Set-up grants are recognised in the financial statements when their payment is certain and are recognised in profit or loss based on the useful life of the asset for which the grants have been provided.
Operating grants are recognised in the financial statements, when their payment is certain and are recognised in profit or loss in relation to costs for which the grants have been provided.

Financial income

Financial income is recognised on an accrual basis and includes interest payable on invested funds, exchange differences receivable and income from financial instruments, when not offset in hedging transactions. Interest receivable is recognised in profit or loss when it matures, considering the actual return.

Borrowing costs

Borrowing costs are recognised on an accrual basis and include interest payable on financial payables calculated using the effective interest rate method, exchange differences payable and losses on derivative financial instruments. The rate of interest payable of finance lease payments is recognised in profit or loss, using the effective interest rate method.

Dividends

Dividends recognised in profit or loss, from non-controlling interests, are recognised on an accrual basis, and therefore at the time when, following the resolution to distribute dividends by the subsidiary, the relative right to payment arises.

Income tax

Taxes represent the sum of current and deferred tax assets and liabilities.
Taxes allocated under statutory accounting circumstances of individual companies included in the scope of consolidation are recognised in the consolidated financial statements, based on taxable income estimated in compliance with national laws in force at the end of the reporting period, considering applicable exemptions and tax receivables owing. Income taxes are recognised in the income statement, with the exception of those taxes relative to items directly deducted from or charged to the statement of comprehensive income.
Taxes are recorded under "Tax payables" net of advances and withheld taxes. Taxes due in the event of the distribution of reserves as withheld taxes recognised in the financial statements of individual Group companies are not allocated, as their distribution is not planned.

In 2016, for a further three years, the Parent Company signed up to the National Consolidated Tax Convention pursuant to articles 117 to 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.

Earnings per share

Basic earnings per share are calculated dividing the profit or loss attributable to shareholders of the Parent Company by the weighted average of ordinary shares in circulation during the period. Diluted earnings per share are calculated dividing the profit or loss attributable to shareholders of the Parent Company by the weighted average of ordinary shares in circulation adjusted to take account of the effects of all potential ordinary shares with a dilutive effect. Any shares related to the stock option plan are considered as shares that may be potentially issued. The adjustment to make to the number of stock options to calculate the number of adjusted shares is determined by multiplying the number of stock options by the subscription cost and dividing it by the share market price.

Use of estimates

The preparation of the financial statements and notes in compliance with IFRS requires management to make estimates and assumptions which have an impact on the values of assets and liabilities and on disclosure regarding contingent assets and liabilities at the end of the reporting period. Actual results could differ from estimates. Estimates are used to measure intangible assets tested for impairment (see § Impairment losses) and to identify provisions for bad debts, for obsolete inventories, amortisation and depreciation, impairment of assets, employee benefits, taxes, restructuring provisions and other allocations and funds. Estimates and assumptions are periodically revised and the effects of any change are immediately recognised in profit or loss.
In the current world economic and financial crisis, assumptions made as to future trends are marked by a considerable degree of uncertainty. Therefore the possibility in the next reporting period of results that differ from estimates cannot be ruled out, and these could require even significant adjustments which at present cannot be predicted or estimated.

The critical measurement processes and key assumptions used by the Group in adopting IFRS and that may have a significant impact on figures in the Consolidated Financial Statements or for which a risk exists that significant differences in value may arise in relation to the carrying amount of assets and liabilities in the future are summarised below.

<u>Recoverable value of non-current assets</u>

Non-current assets include Property, Plant and Equipment, Goodwill, Other Intangible Assets, Investment Property, Investments and Other Financial Assets. The Group periodically revises the carrying amount of non-current assets held and used and of assets held for sale, when facts and circumstances make this necessary. This analysis is carried out at least annually for Goodwill, and whenever facts and circumstances make it necessary. Analysis of the recoverability of the carrying amount of Goodwill is generally based on estimates of expected cash flows from the use or sale of the asset and adequate discount rates to calculate the fair value. For investment property, the Group appoints an independent expert at the end of each reporting period (six-monthly or annually) to measure the "Fair value less cost of disposal" based on a market approach. When the carrying amount of a non-current asset is impaired, the Group recognises a write-down equal to the excess between the carrying amount of the asset and its recoverable value through use or sale, determined with reference to cash flows of the most recent company plans.

Recoverability of deferred tax assets
The Group has deferred tax assets from deductible temporary differences and theoretical tax benefits from losses to be carried forward. In estimating recoverable value, the Group considered the results of the company plan in line with the results used for impairment testing. Net deferred tax assets allocated on this basis refer to temporary differences and tax losses which, to a significant extent, may be recovered over an indefinite period, and are therefore compatible with a context in which an end to current difficulties and uncertainties and an upswing in the economy could take longer than the time frame of the above-mentioned estimates.

Pension schemes and other post-employment benefits
Provisions for employee benefits and net borrowing costs are measured using an actuarial method that requires the use of estimates and assumptions to determine the net value of the obligation. The actuarial method considers financial parameters such as the discount rate and growth rates of salaries and considers the likelihood of potential future events occurring on the basis of demographic parameters such as relative mortality rates and employee resignations or retirements. The assumptions used for the measurement are explained in section 31 "Retirement funds and employee benefits".

Provisions for bad debts
The provision for bad debts reflects management's estimate of expected losses related to receivables. Based on past experience, provisions are made for expected losses on receivables. Management carefully monitors the quality of receivables and current and forward-looking conditions of the economy and reference markets. Estimates and assumptions are periodically revised and the effects of any change are recognised in profit or loss.

Provision for obsolete inventories
The provision for obsolete inventories reflects management's estimate of impairment losses expected by the Group, determined based on past experience. Anomalous market price trends could have an effect on future inventory write-downs.

Provision for product warranties
At the time of a product's sale, the Group makes provisions relative to estimated costs for the product warranty. This provision is estimated based on historical information about the nature, frequency and average cost of warranty jobs.

Potential liabilities
The Group recognises a liability for ongoing legal disputes when it considers a financial outflow likely and when the amount of the losses arising therefrom may be reasonably estimated. If a financial outflow is possible, but the amount cannot be determined, it is recorded in the notes to the Financial Statements. The Group is subject to legal and tax proceedings concerning complex and difficult legal issues, of varying degrees of uncertainty, including facts and circumstances relative to each case, jurisdiction and different applicable laws. Given the uncertainties concerning these issues, it is hard to predict with certainty the outflow arising from these disputes and it is therefore possible that the value of provisions for legal proceedings and disputes of the Group may vary as a result of future developments in proceedings underway.
The Group monitors the status of ongoing proceedings and consults its legal and tax advisers.

Amortisation/ Depreciation
The cost of assets is amortised/depreciated on a straight line basis over their estimated useful life. The economic useful life of Group assets is determined by Directors at the time of purchase; the calculation is based on historical experience gained in years of operations and on knowledge of technological innovations that may make the asset obsolete and no longer economical.
The Group periodically evaluates technological and segment changes, in order to update the

remaining useful life. This periodic updating could change the amortisation/depreciation period and therefore amortisation/depreciation charges of future years.

Income tax

The Group is subject to different income tax laws in various jurisdictions. Group tax liabilities are determined based on management valuations referred to transactions of which the tax effect is not certain at the end of the reporting period. The Group recognises the liabilities that could arise from future inspections of tax authorities based on an estimate of taxes that will be due. If the outcome of inspections differs from management's estimates, significant effects on current and deferred taxes could arise.

Rounding off

All amounts in the tables and in these notes have been rounded off to thousands of euros.

New accounting standards, amendments and interpretations applied as from 1 January 2016

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: accounting for acquisitions of interests in joint operations": the changes provide clarification on the accounting for of acquisitions of interests in joint operations 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 standard 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.

Amendments and interpretations applied as from 1 January 2016 and not relevant to the Group

The following amendments and interpretations, applicable as of 1 January 2016, regulate specific cases which are not present within the Group at the end of the reporting period:

- IAS 41 "Agriculture" and IAS 16 "Property, Plant and Equipment": with amendments to IAS 41 and IAS 16, the IASB has established that bearer plants, used solely for the production of agricultural products over several years, should have the same accounting treatment as for property, plant and equipment in accordance with IAS 16, as the "functioning" is similar to that of manufacturing.
- IFRS 14 "Regulatory Deferral Accounts": the new transitional standard, issued by the IASB on 30 January 2014, permits an entity which is a first-time adopter of IAS/IFRS to continue to adopt previous GAAP as regards the recognition (including the impairment) and elimination of regulatory deferral accounts.
- 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. The Group has started in-depth analysis of the different types of contracts relative to the sale of two-/three- and four-wheeler vehicles, spare parts, accessories and components to dealers, importers or direct customers that represent the most significant component. Contract types with less financial impact (e.g. concerning royalties) are also being analysed. Management considers that it will be able to make a more reliable evaluation in the next 12 months. In any case, the Group has not entered into significant contracts relative to scheduled maintenance plans, nor has plans that extend vehicle warranties beyond the period required by law.
- 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 finance lease (on balance sheet) and an operating leases (off balance sheet). With IFRS 16, operating leases will be treated for accounting purposes as finance 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 January 2016, the IASB issued an amendment to IAS 12 "Income Taxes". These amendments clarify how to enter deferred tax assets related to debt instruments calculated at fair value.
  These amendments will apply from 1 January 2017.

- In January 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 December 2016, the IASB issued an amendment to IAS 40 "Investment Property". These amendments clarify change in use, which is a necessary condition for transfer from/to Investment Property. 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.
- In December 2016, the IASB issued Annual Improvements to IFRS Standards 2014–2016 Cycle which has amendments to three Standards:
  - IFRS 12 - *Disclosure of Interests in Other Entities* (effective date of 1 January, 2017);
  - IFRS 1- *First-time Adoption of International Financial Reporting Standards* (effective date of 1 January, 2018);
  - IAS 28 - *Investments in Associates and Joint Ventures* (effective date of 1 January, 2018).

  The amendments clarify, correct or remove redundant wording in the related IFRS Standard and are not expected to have a material impact to our Consolidated Financial Statements or disclosures upon adoption of the amendments.
- In December 2016, the IASB issued IFRIC Interpretation 22 - *Foreign Currency Transactions and Advance Consideration* which addresses the exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency. The interpretation will be effective from 1 January, 2018.

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.

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 / net capital employed by operating segment

		EMEA and Americas	India	Asia Pacific 2W	Total
Sales volumes (unit/000)	2016	237.5	212.9	81.6	**532.0**
	2015	218.9	212.6	88.1	**519.7**
	Change	18.6	0.2	(6.5)	**12.3**
	Change %	8.5%	0.1%	-7.3%	**2.4%**
Turnover (in millions of euros)	2016	788.2	339.1	185.8	**1,313.1**
	2015	745.4	353.7	196.2	**1,295.3**
	Change	42.8	(14.6)	(10.4)	**17.8**
	Change %	5.7%	-4.1%	-5.3%	**1.4%**
Gross margin (millions of euros)	2016	226.2	94.3	68.7	**389.2**
	2015	218.7	83.4	72.3	**374.4**
	Change	7.6	10.9	(3.6)	**14.8**
	Change %	3.5%	13.0%	-5.0%	**3.9%**
EBITDA (millions of euros)	2016				**170.7**
	2015				**161.8**
	Change				**9.0**
	Change %				**5.6%**
EBIT (millions of euros)	2016				**60.9**
	2015				**56.7**
	Change				**4.2**
	Change %				**7.4%**
Net profit (millions of euros)	2016				**14.0**
	2015				**11.9**
	Change				**2.2**
	Change %				**18.3%**
Capital employed (millions of euros)	2016	575.4	152.3	156.9	**884.7**
	2015	591.1	143.6	167.7	**902.4**
	Change	(15.7)	8.7	(10.8)	**(17.7)**
	Change %	-2.7%	6.0%	-6.4%	**-2.0%**
Of which receivable (millions of euros)	2016	944.0	265.7	200.8	**1,410.6**
	2015	947.6	256.7	217.0	**1,421.3**
	Change	(3.6)	9.0	(16.1)	**(10.8)**
	Change %	-0.4%	3.5%	-7.4%	**-0.8%**
Of which payable (millions of euros)	2016	368.6	113.4	43.9	**525.9**
	2015	356.5	113.1	49.3	**518.9**
	Change	12.1	0.3	(5.4)	**7.0**
	Change %	3.4%	0.3%	-10.9%	**1.3%**

C) information on the consolidated income statement

4. Net revenues — €/000 1,313,109

Revenues are shown net of premiums recognised to customers (dealers).
This item does not include transport costs, which are recharged to customers (€/000 23,873) and invoiced advertising cost recoveries (€/000 3,586), 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:

	2016		2015		Changes	
	Amount	%	Amount	%	Amount	%
In thousands of euros						
EMEA and Americas	788,164	60.0	745,364	57.5	42,800	5.7
India	339,147	25.8	353,709	27.3	(14,562)	-4.1
Asia Pacific 2W	185,798	14.1	196,213	15.1	(10,415)	-5.3
Total	**1,313,109**	**100.0**	**1,295,286**	**100.0**	**17,823**	**1.4**

In 2016, net sales revenues went up by 1.4% compared to 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 — €/000 784,404

These totalled €/000 784,404 compared to €/000 770,297 in 2015.
The percentage of costs accounting for net sales went up, from 59.5% in 2015 to 59.7% in the current period. The item includes €/000 23,289 (€/000 25,616 in 2015) for purchases of scooters from the Chinese subsidiary Zongshen Piaggio Foshan Motorcycle Co. Ltd., that are sold on European and Asian markets.

The following table details the content of this item:

	2016	2015	Change
In thousands of euros			
Raw, ancillary materials, consumables and goods	778,963	746,041	32,922
Change in inventories of raw, ancillary materials, consumables and goods	1,741	9,329	(7,588)
Change in work in progress of semifinished and finished products	3,700	14,927	(11,227)
Total	**784,404**	**770,297**	**14,107**

6. Costs for services and leases and rental costs *€/000 233,277*

Below is a breakdown of this item:

In thousands of euros	2016	2015	Change
Employee costs	16,702	17,743	(1,041)
External maintenance and cleaning costs	8,186	8,689	(503)
Energy and telephone costs	15,521	17,211	(1,690)
Postal expenses	947	960	(13)
Commissions payable	702	1,060	(358)
Advertising and promotion	34,176	31,388	2,788
Technical, legal and tax consultancy and services	17,347	18,207	(860)
Company boards operating costs	2,117	2,147	(30)
Insurance	3,863	3,732	131
Insurance from related parties	49	49	0
Outsourced manufacturing	18,456	15,048	3,408
Outsourced services	13,577	13,706	(129)
Transport costs (vehicles and spare parts)	34,406	33,460	946
Internal shuttle services	675	509	166
Sundry commercial expenses	10,743	12,478	(1,735)
Expenses for public relations	2,464	3,616	(1,152)
Product warranty costs	7,568	8,128	(560)
Quality-related events	5,688	10,836	(5,148)
Bank costs and factoring charges	5,724	5,345	379
Misc services provided in the business year	8,333	8,555	(222)
Other services	7,150	4,850	2,300
Services from related parties	2,185	2,314	(129)
Lease and rental costs	15,158	14,371	787
Costs for leases and rentals of related parties	1,540	1,490	50
Total costs for services, leases and rental costs	**233,277**	**235,892**	**(2,615)**

In 2016, the Group reduced costs for services, leases and rentals by €/000 2,615.
Costs for leases and rentals include lease rentals for business properties of €/000 6,940, as well as lease payments for car hire, computers and photocopiers.
The item "Other" includes costs for temporary work of €/000 1,986.

7. Employee costs *€/000 213,775*

Employee costs include €/000 4,409 relating to costs for redundancy plans mainly for the Pontedera and Noale production sites.

In thousands of euros	2016	2015	Change
Salaries and wages	157,709	157,085	624
Social security contributions	42,870	42,492	378
Termination benefits	8,134	8,350	(216)
Other costs	5,062	5,399	(337)
Total	**213,775**	**213,326**	**449**

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

Level	**Average number**	**2016**	**2015**	**Change**
Senior management		100	105	(5)
Middle management		581	579	2
White collars		1,783	2,012	(229)
Blue collars		4,518	4,866	(348)
Total		**6,982**	**7,562**	**(580)**

Level	**Number as of**	**31 December 2016**	**31 December 2015**	**Change**
Senior management		97	104	(7)
Middle management		599	573	26
White collars		1,731	1,933	(202)
Blue collars		4,279	4,443	(164)
Total		**6,706**	**7,053**	**(347)**

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.

In 2016, the Group reduced employee numbers, continuing its restructuring, streamlining and organisational cutbacks. As of 31 December 2016, Group employees totalled 6,706, down by 347 (- 4.9%) compared to 31 December 2015.

Changes in employee numbers in the two periods are compared below:

Level	**As of 31/12/2015**	**Incoming**	**Leavers**	**Relocations**	**As of 31/12/16**
Senior management	104	12	(19)		97
Middle management	573	60	(73)	39	599
White collars	1,933	200	(256)	(146)	1,731
Blue collars	4,443	2,499	(2,770)	107	4,279
Total (*)	**7,053**	**2,771**	**(3,118)**	**0**	**6,706**
(*) of which fixed-term contracts	*1,003*	*2,315*	*(2,489)*	*(18)*	*811*

Distribution of the workforce by geographic segment as of 31 December 2016

8. Amortisation/depreciation and impairment costs *€/000 109,838*

Amortisation and depreciation for the period, divided by category, is shown below:

Property, plant and equipment	2016	2015	Change
In thousands of euros			
Buildings	5,064	5,199	(135)
Plant and machinery	23,490	22,073	1,417
Industrial and commercial equipment	12,399	14,454	(2,055)
Other assets	3,844	3,797	47
Total depreciation of tangible fixed assets	**44,797**	**45,523**	**(726)**
Write-down of property, plant and equipment	1,000	29	971
Total depreciation of property, plant and equipment and impairment costs	**45,797**	**45,552**	**245**

The write-down of property, plant and equipment is related to the net value of molds no longer used in production process.

Intangible assets	2016	2015	Change
In thousands of euros			
Development costs	31,604	32,680	(1,076)
Industrial Patent and Intellectual Property Rights	26,955	21,233	5,722
Concessions, licences, trademarks and similar rights	4,823	4,823	0
Other	280	755	(475)
Total amortisation of intangible fixed assets	**63,662**	**59,491**	**4,171**
Write-down of intangible assets	379		379
Total amortisation of intangible assets and impairment costs	**64,041**	**59,491**	**4,550**

As set out in more detail in the paragraph on intangible assets, as of 1 January 2004, goodwill is no longer amortised, but tested annually for impairment.
The impairment test carried out as of 31 December 2016 confirmed the full recoverability of the amounts recorded in the financial statements.

9. Other operating income *€/000 109,163*

This item consists of:

	2016	2015	Change
In thousands of euros			
Operating grants	3,880	3,487	393
Increases in fixed assets from internal work	44,247	47,047	(2,800)
Other revenue and income:			
- Rent receipts	3,702	3,706	(4)
- Capital gains on the disposal of assets	2,309	259	2,050
- Sale of miscellaneous materials	830	1,056	(226)
- Recovery of transport costs	23,873	22,854	1,019
- Recovery of advertising costs	3,564	4,083	(519)
- Recovery of sundry costs	3,745	3,672	73
- Compensation	1,247	779	468
- Compensation for quality-related events	1,161	2,804	(1,643)
- Licence rights and know-how	7,838	3,104	4,734
- Sponsorship	2,419	4,059	(1,640)
- Other income	10,348	9,270	1,078
Total	**109,163**	**106,180**	**2,983**

The increase is mainly due to the sale of moulds and designs of vehicles that are no longer in production.

The item contributions includes €/000 2,719 for state and EU contributions for research projects. The grants are recognised in profit or loss, with reference to the amortisation and depreciation of capitalised costs for which the grants were received. This item also includes contributions for exports (€/000 1,161) received from the Indian subsidiary.

10. Other operating costs — *€/000 20,073*

This item consists of:

	2016	2015	Change
In thousands of euros			
Provision for future risks	612	15	597
Provisions for product warranties	9,292	8,667	625
Duties and taxes not on income	4,176	4,448	(272)
Various subscriptions	1,042	1,059	(17)
Capital losses from disposal of assets	42	8	34
Losses from changes in the fair value of investment property	251		251
Miscellaneous expenses	3,285	3,472	(187)
Losses on receivables	125	88	37
Total sundry operating costs	**8,921**	**9,075**	**(154)**
Write-down of current receivables	**1,248**	**2,441**	**(1,193)**
Total	**20,073**	**20,198**	**(125)**

The item Losses from changes in the fair value of investment property relates to the depreciation noted in the expert appraisal of the Spanish site of Martorelles. For more details on how fair value is determined, reference is made to note 41.

11. Income/(loss) from investments — *€/000 588*

Net income from investments comprise the following:

- €/000 588 relative to the portion of income attributable to the Group from the Zongshen Piaggio Foshan Motorcycle Co. Ltd. joint venture, valued at equity;
- €/000 (24) relative to the portion of income attributable to the Group from the minority investment in Pontech;
- €/000 24 dividends received from the minority interest in Ecofor Service Pontedera.

12. Net financial income (borrowing costs) *€/000 (35,990)*

Below is the breakdown of borrowing costs and income:

In thousands of euros	2016	2015	Change
Income:			
- Interest receivable from clients	54	62	(8)
- Bank and post office interest payable	280	330	(50)
- Interest payable on financial receivables	435	95	340
- Income from fair value measurements	0	1	(1)
- Other	254	390	(136)
Total financial income	**1,023**	**878**	**145**
Expenses:			
- Interest payable on bank accounts	5,159	5,407	(248)
- Interest payable on debenture loans	16,020	15,498	522
- Interest payable on bank loans	10,331	12,603	(2,272)
- Interest payable to other lenders	2,230	2,212	18
- Interest to suppliers	570	785	(215)
- Cash discounts to clients	633	471	162
- Bank charges on loans	1,258	1,206	52
- Income from fair value measurements	533	649	(116)
- Borrowing costs from discounting back termination and termination benefits	659	873	(214)
- Interest payable on lease agreements	83	13	70
- Other	143	233	(90)
Total borrowing costs	**37,619**	**39,950**	**(2,331)**
Costs capitalised on property, plant and equipment	401	1,405	(1,004)
Costs capitalised on intangible assets	266	1,069	(803)
Total Capitalised Costs	**667**	**2,474**	**(1,807)**
Total net borrowing costs	**36,952**	**37,476**	**(524)**
Exchange gains	12,495	18,905	(6,410)
Exchange losses	12,556	19,209	(6,653)
Total net exchange gains/(losses)	**(61)**	**(304)**	**243**
Net financial income (borrowing costs)	**(35,990)**	**(36,902)**	**912**

The balance of financial income (charges) in 2016 was negative (- €/000 35,990), less than the previous year (- €/000 36,902). The reduction in average debt and relative costs are factors that contributed most to this improvement, only partially offset by a lower capitalisation of borrowing costs compared to the previous year.
During 2016, borrowing costs for €/000 667 were capitalised (in the previous year, borrowing costs for €/000 2,474 had been capitalised).
The average rate used during 2016 for the capitalisation of borrowing costs (because of general loans), was equal to 6.72% (7.05% in 2015).
Interest on the debenture loan refers to €/000 134 (€/000 134 in 2015) to the parent company Omniaholding.
Interest payable to other lenders mainly refers to interest payable to factoring companies and banks for the sale of trade receivables.

13. Taxes *€/000 11,463*

The item "Income taxes" is detailed below:

In thousands of euros	2016	2015	Change
Current taxes	15,591	19,868	(4,277)
Deferred tax assets/liabilities	(4,128)	(11,632)	7,504
Total	**11,463**	**8,236**	**3,227**

Taxes for 2016 were equal to €/000 11,463, and account for 44.9% of profit before tax. The item current taxes includes expenses net of the Consolidated Tax Convention equal to €/000 388.
In 2015, taxes were equal to €/000 8,236 and accounted for 41.0% of profit before tax.

Reconciliation in relation to the theoretical rate is shown below:

In thousands of euros	2016	2015
Profit before tax	25,503	20,103
Theoretical rate	27.50%	27.50%
Theoretical income taxes	7,013	5,528
Tax effect arising from the difference between foreign tax rates and the theoretical rate.	6,885	7,705
Effect arising from changes in Profit before tax and deferred taxes	1,880	(7,490)
Taxes on income generated abroad	1,658	3,292
Expenses (income) from the Consolidated Tax Convention	388	(655)
Indian tax on the distribution of dividends		2,997
Regional production tax and other local taxes	87	252
Other differences	(6,448)	(3,394)
Income taxes recognised in the financial statements	**11,463**	**8,236**

Theoretical tax rates were determined applying the corporate tax rate in effect in Italy (27.5%) to profit before tax. The effect arising from the rate of regional production tax and other taxes paid abroad was determined separately, as these taxes are not calculated on the basis of profit before tax.

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:

		2016	2015
Net profit	€/000	14,040	11,867
Earnings attributable to ordinary shares	€/000	14,040	11,867
Average number of ordinary shares in circulation		358,785,236	361,207,606
Earnings per ordinary share	€	0.039	0.033
Adjusted average number of ordinary shares		358,785,236	361,207,606
Diluted earnings per ordinary share	€	0.039	0.033

D) Information on operating assets and liabilities

16. Intangible assets — *€/000 668,665*

The table below shows the breakdown of intangible assets as of 31 December 2016 and 31 December 2015, as well as movements 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 2015							
Historical cost	134,222	270,415	149,074	557,322	7,167	32,543	1,150,743
Provisions for write-down							
Accumulated amortisation	(68,958)	(205,693)	(91,208)	(110,382)	(6,148)		(482,389)
Net carrying amount	**65,264**	**64,722**	**57,866**	**446,940**	**1,019**	**32,543**	**668,354**
2015							
Investments	16,193	29,980			116	17,539	63,828
Transitions in the period	19,781	725			26	(20,532)	
Amortisation	(32,680)	(21,233)	(4,823)		(755)		(59,491)
Disposals	(4)	(44)				(7)	(55)
Write-downs							
Exchange differences	1,647	116			66	133	1,962
Other changes	(2,827)	2,249			(34)		(612)
Total movements for the year	**2,110**	**11,793**	**(4,823)**	**0**	**(581)**	**(2,867)**	**5,632**
As of 31 December 2015							
Historical cost	171,056	303,888	149,074	557,322	7,304	29,676	1,218,320
Provisions for write-down							
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**
2016							
Investments	19,176	24,515			82	14,653	58,426
Transitions in the period	15,815	2,491			15	(18,321)	
Amortisation	(31,604)	(26,955)	(4,823)		(280)		(63,662)
Disposals							
Write-downs	(379)						(379)
Exchange differences	215	13			4	71	303
Other changes	(9)						(9)
Total movements for the year	**3,214**	**64**	**(4,823)**	**0**	**(179)**	**(3,597)**	**(5,321)**
As of 31 December 2016							
Historical cost	207,024	331,054	149,074	557,322	7,568	26,079	1,278,121
Provisions for write-down	(379)						(379)
Accumulated amortisation	(136,057)	(254,475)	(100,854)	(110,382)	(7,309)		(609,077)
Net carrying amount	**70,588**	**76,579**	**48,220**	**446,940**	**259**	**26,079**	**668,665**

The breakdown of intangible assets for the period in operation and under development is as follows:

	Value as of 31 December 2016			Value as of 31 December 2015			Change		
	In operation	Under development and advances	Total	In operation	Under development and advances	Total	In operation	Under development and advances	Total
In thousands of euros									
Development costs	70,588	23,185	93,773	67,374	27,193	94,567	3,214	(4,008)	(794)
Patent rights	76,579	2,890	79,469	76,515	2,472	78,987	64	418	482
Concessions, licences and trademarks	48,220		48,220	53,043		53,043	(4,823)	0	(4,823)
Goodwill	446,940		446,940	446,940		446,940	0	0	0
Other	259	4	263	438	11	449	(179)	(7)	(186)
Total	**642,586**	**26,079**	**668,665**	**644,310**	**29,676**	**673,986**	**(1,724)**	**(3,597)**	**(5,321)**

Intangible assets went down overall by €/000 5,321 mainly due to amortisation for the year 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.
During 2016, borrowing costs for €/000 266 were capitalised.

Development costs €/000 93,773

Development costs include costs for products and engines referable to projects for which, as regards the period of the useful life of the asset, revenues are expected that allow for at least the costs incurred to be recovered. This item also includes assets under development for €/000 23,185 that represent costs for which the conditions for capitalisation exist, but in relation to products that will go into production in future years.
Development expenditure for new projects capitalised in 2016 refers to the study of new vehicles and new engines (two-/three-/four-wheeler) which will feature as the top products in the 2016-2018 range.
Borrowing costs attributable to the development of products which require a considerable period of time to be realised are capitalised as a part of the cost of the actual assets. Development costs included under this item are amortised on a straight line basis over a period of 3 to 5 years, in consideration of their remaining useful life.
During 2016, development expenditure amounting to €/000 19,200 was directly recognised in profit or loss.

Industrial Patent and Intellectual Property Rights €/000 79,469

This item comprises software for €/000 17,061 and patents and know-how. It includes assets under development for €/000 2,890.
Patents and know-how mainly refer to Vespa, MP3, RSV4 and Aprilia SR 150 vehicles. Increases for the period mainly refer to new calculation, design and production techniques and methodologies developed by the Group, referring to main new products in the 2016-2018 range.
Industrial patent and intellectual property rights costs are amortised over three years.

Trademarks, concessions and licences €/000 48,220

The item Concessions, Licences, Trademarks and similar rights, is broken down as follows:

	As of 31 December 2016	As of 31 December 2015	Change
In thousands of euros			
Guzzi trademark	16,250	17,875	(1,625)
Aprilia trademark	31,930	35,123	(3,193)
Minor trademarks	40	45	(5)
Total	**48,220**	**53,043**	**(4,823)**

The Aprilia and Guzzi trademarks are amortised over a period of 15 years, expiring in 2026.

Goodwill €/000 446,940

Goodwill derives from the greater value paid compared to the corresponding portion of the subsidiaries shareholders' equity at the time of purchase, less the related accumulated amortisation until 31 December 2003.
Goodwill was attributed to cash generating units.

	EMEA AND AMERICAS	INDIA	ASIA PACIFIC 2W	TOTAL
In thousands of euros				
31 12 2016	305,311	109,695	31,934	446,940
31 12 2015	305,311	109,695	31,934	446,940

The organisational structure of the Group is based on 3 Geographic Segments (CGUs), 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. Each Geographical Segment has production sites and a sales network dedicated to customers in the relative segment. Central structures and development activities currently dealt with by EMEA and the Americas, are handled by individual CGUs.
As specified in the section on accounting standards, from 1 January 2004 goodwill is no longer amortised, but is tested annually or more frequently for impairment if specific events or changed circumstances indicate the possibility of it having been impaired, in accordance with the provisions of IAS 36 Impairment of Assets (impairment test).
The possibility of reinstating booked values is verified by comparing the net carrying amount of individual cash generating units with the recoverable value (value in use). This recoverable value is represented by the present value of future cash flows which, it is estimated, will be derived from the continual use of goods referring to cash generating units and by the terminal value attributable to these goods.

The recoverability of goodwill is verified at least once per year (as of 31 December), even in the absence of indicators of impairment losses.
The main assumptions used by the Group to determine future financial flows, relative to a four-year period, and the consequent recoverable value (value in use) refer to:

a. a hypothesis of estimated financial flows over a four-year period, inferred from budget data for 2017 supplemented by forecast data for 2018-2020, approved by the Board of Directors of the Company, along with an impairment test performed on 23 February 2017;
b. the WACC discount rate.
c. in addition to the period, a growth rate (g rate) has been estimated.

In particular, for discounting cash flows, the Group has adopted a discount rate (WACC) which differs based on different cash generating units. This reflects market valuations of the fair value of money and takes account of specific risks of activities and the geographic segment in which the cash generating unit operates.
In the future cash flows discounting model, a terminal value is entered at the end of the cash flow projection period, to reflect the residual value each cash-generating unit should produce. The terminal value represents the current value, at the last year of the projection, of all subsequent cash flows calculated as perpetual income, and was determined using a growth rate (g rate) which differed by CGU, to reflect the different growth potentials of each CGU.

2016	EMEA AND AMERICAS	Asia Pacific 2W	India
WACC	5.60%	8.61%	9.83%
G	1.0%	2.0%	2.0%
Growth rate during the Plan period	7.7%	11.9%	11.5%

2015	EMEA AND AMERICAS	Asia Pacific 2W	India
WACC	5.74%	9.01%	10.60%
G	1.0%	2.0%	2.0%
Growth rate during the Plan period	8.7%	10.8%	10.2%

The terminal value growth rate (g rate) is specific for CGUs, considering the area's growth potential. The medium-/long-term growth rate (g-rate) for determining the Terminal Value of each CGU was considered as reasonable and prudent, in the light of:

› analysts' expectations for the Piaggio Group (source: Analyst Reports 2016);
› the long-term real GDP growth trend expected for main countries where the Group operates (source: Economist Intelligence Unit – EIU);
› forecasts for the reference sector (source: Freedonia, «World Motorcycle», October 2016).

The reduction in the WACC compared to the previous year is mainly due to the reduction in borrowing costs. This rate was determined based on the previous year.
Analyses did not identify any impairment losses. Therefore no write-down was recognised in consolidated data as of 31 December 2016.
In addition, and on the basis of information in the document produced jointly by the Bank of Italy, Consob and Isvap no. 2 of 6 February 2009, the Group conducted sensitivity analysis of test results in relation to changes in basic assumptions (use of the growth rate in producing the terminal value and discount rate) which affect the value in use of cash generating units. In the case of a positive or negative change of 0.5% of the WACC and G used, analyses would not identify impairment losses.
In all cases, the value in use of the Group was higher than the net carrying amount tested.

Given that the recoverable value was estimated, the Group cannot ensure that there will be no impairment losses of goodwill in future financial periods.
Given the current market weakness, the various factors used in processing estimates could require revision; the Piaggio Group will constantly monitor these factors as well as the existence of impairment losses.

Other intangible assets €/000 263

This item mainly refers to costs incurred by Piaggio Vietnam.

17. Property, plant and equipment €/000 301,079

The table below shows the breakdown of plant, property and equipment as of 31 December 2016 and 31 December 2015, as well as movements 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 2015							
Historical cost	28,083	161,628	425,865	507,011	45,918	25,099	1,193,604
Provisions for write-down			(483)	(1,515)	(64)		(2,062)
Accumulated depreciation		(59,206)	(310,568)	(474,726)	(39,481)		(883,981)
Net carrying amount	**28,083**	**102,422**	**114,814**	**30,770**	**6,373**	**25,099**	**307,561**
2015							
Investments		1,005	2,493	5,230	3,256	26,078	38,062
Transitions in the period		1,733	12,872	2,618	714	(17,937)	
Depreciation		(5,199)	(22,073)	(14,454)	(3,797)		(45,523)
Disposals		(10)	(118)	(44)	(157)		(329)
Write-downs					(29)		(29)
Exchange differences		1,600	4,961	3	184	497	7,245
Other changes		(247)	847		21		621
Total movements for the year	**0**	**(1,118)**	**(1,018)**	**(6,647)**	**192**	**8,638**	**47**
As of 31 December 2015							
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**
2016							
Investments		1,190	10,548	7,570	5,061	13,878	38,247
Transitions in the period		1,802	24,991	3,279	470	(30,542)	0
Depreciation		(5,064)	(23,490)	(12,399)	(3,844)		(44,797)
Disposals			(53)	(78)	(154)		(285)
Write-downs				(1,000)			(1,000)
Exchange differences		293	865	0	62	96	1,316
Other changes		2	(2)	(20)	10		(10)
Total movements for the year		**(1,777)**	**12,859**	**(2,648)**	**1,605**	**(16,568)**	**(6,529)**
As of 31 December 2016							
Historical cost	28,083	169,539	478,775	509,102	50,630	17,169	1,253,298
Provisions for write-down			(483)	(2,526)	(64)		(3,073)
Accumulated depreciation		(70,012)	(351,637)	(485,101)	(42,396)		(949,146)
Net carrying amount	**28,083**	**99,527**	**126,655**	**21,475**	**8,170**	**17,169**	**301,079**

The breakdown of property, plant and equipment in operation and under construction is as follows:

	Value as of 31 December 2016			Value as of 31 December 2015			Change		
In thousands of euros	In operation	Under construction and advances	Total	In operation	Under construction and advances	Total	In operation	Under construction and advances	Total
Land	28,083		28,083	28,083		28,083			
Buildings	99,527	2,035	101,562	101,304	3,373	104,677	(1,777)	(1,338)	(3,115)
Plant and machinery	126,655	9,800	136,455	113,796	23,032	136,828	12,859	(13,232)	(373)
Equipment	21,475	5,229	26,704	24,123	6,949	31,072	(2,648)	(1,720)	(4,368)
Other assets	8,170	105	8,275	6,565	383	6,948	1,605	(278)	1,327
Total	**283,910**	**17,169**	**301,079**	**273,871**	**33,737**	**307,608**	**10,039**	**(16,568)**	**(6,529)**

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.
During 2016, borrowing costs for €/000 401 were capitalised.

Land €/000 28,083

Land is not depreciated.
Land mainly refers to Group production facilities in Pontedera (Pisa), Noale (Venice) and Mandello del Lario (Lecco). The item also includes land in Pisa, with a warehouse.

Buildings €/000 101,562

The item Buildings, net of accumulated depreciation, comprises:

In thousands of euros	As of 31 December 2016	As of 31 December 2015	Change
Industrial buildings	98,636	100,418	(1,782)
Ancillary buildings	461	464	(3)
Light constructions	430	422	8
Assets under construction	2,035	3,373	(1,338)
Total	**101,562**	**104,677**	**(3,115)**

Industrial buildings refer to Group production facilities in Pontedera (Pisa), Noale (Venice), Mandello del Lario (Lecco), Baramati (India) and Vinh Phuc (Vietnam). The item also includes a building at Pisa used as a warehouse.
Buildings are depreciated on a straight-line basis using rates considered suitable to represent their useful life.

Plant and machinery €/000 136,455

The item Plant and machinery, net of accumulated depreciation, consists of:

In thousands of euros	As of 31 December 2016	As of 31 December 2015	Change
General plants	90,515	90,982	(467)
Automatic machinery	15,589	6,943	8,646
Furnaces and sundry equipment	361	425	(64)
Other	20,190	15,446	4,744
Assets under construction	9,800	23,032	(13,232)
Total	**136,455**	**136,828**	**(373)**

Plant and machinery refer to Group production facilities in Pontedera (Pisa), Noale (Venice), Mandello del Lario (Lecco), Baramati (India) and Vinh Phuc (Vietnam).
The “Other” item mainly includes non-automatic machinery and robotic centres.

Equipment €/000 26,704

In thousands of euros	As of 31 December 2016	As of 31 December 2015	Change
Industrial equipment	21,443	24,075	(2,632)
Commercial equipment	32	48	(16)
Assets under construction	5,229	6,949	(1,720)
Total	**26,704**	**31,072**	**(4,368)**

The item Equipment mainly refers to production equipment at Pontedera (Pisa), Noale (Venice), Mandello del Lario (Lecco), Baramati (India) and Vinh Phuc (Vietnam).
Main investments in equipment concerned moulds for new vehicles launched during the year or scheduled to be launched in the first half of next year, moulds for new engines and specific equipment for assembly lines.

Other plant, property and equipment €/000 8,275

The item Other assets comprises:

In thousands of euros	As of 31 December 2016	As of 31 December 2015	Change
EDP systems	2,184	943	1,241
Office furniture and equipment	3,362	2,788	574
Vehicles	769	2,072	(1,303)
Other	1,855	762	1,093
Assets under construction	105	383	(278)
Total	**8,275**	**6,948**	**1,327**

As of 31 December 2016, the net value of assets held through lease agreements was equal to €/000 12,526, and refers to the Pontedera painting plant for the Vespa and to the vehicles used by the Aprilia Racing Team.

In thousands of euros	As of 31 December 2016
Vespa painting plant	12,411
Vehicles	115
Total	**12,526**

Future lease rental commitments are detailed in note 41.

Warranties

As of 31 December 2016 the Group had no buildings with mortgages.

18. Investment Property *€/000 11,710*

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	(251)
Closing balance as of 31 December 2016	**11,710**

The net carrying amount as of 31 December 2016 was determined by a specific appraisal conducted by an independent expert who measured the "Fair Value less cost of disposal" based on a market approach (as provided for in IFRS 13). This analysis identified the total value of the investment as €/000 11,710. In this regard, the valuation took account of the current status of the property, the project to convert the area, for the development of a retail centre prepared by the Group, together with comparable transactions. Following the site redevelopment project, an agency management contract was given to a Spanish property company, to seek investors interested in the property.
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 €/000 251 being recognised under other costs in the income statement for the period.
If the cost criterion had still been used instead of fair value, the value of the Martorelles site would have been equal to €/000 6,558.
During 2016, costs incurred for management of the site amounted to €/000 460.

19. Deferred tax assets *€/000 60,372*

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 60,372, up on the figure of €/000 56,000 as of 31 December 2015. The increase is mainly due to the recognition of deferred tax assets on tax losses that may be offset in subsequent tax periods.
This net balance is broken down in the table below.

	As of 31 December 2016	As of 31 December 2015	Change
In thousands of euros			
Deferred tax assets	75,251	72,317	2,934
Deferred tax liabilities	(14,879)	(16,317)	1,438
Total	**60,372**	**56,000**	**4,372**

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.

Deferred tax assets and liabilities were determined applying the tax rate in effect in the year when temporary differences occur.

Deferred tax assets	Amount of temporary differences	Tax rate	Tax effect
In thousands of euros			
	5,862	24%/27.9%	1,633
	570	36.82%	210
Provisions for risks	6,431		1,843
	8,215	27.90%	2,292
	768	36.82%	283
	416	29.00%	121
	227	33.80%	77
	28	25.00%	7
Provision for product warranties	9,654		2,779
	15,392	24.00%	3,694
	1,580	29.00%	458
	514	24.00%	123
	125	36.82%	46
	17	33.80%	6
Provisions for write-down	17,629		4,328
	28,193	27.90%	7,866
	4,233	27.90%	1,181
	1,910	36.82%	703
	822	7.50%	62
	147	33.80%	50
	56	29.00%	16
	47	18.00%	8
	19	25.00%	5
Provisions for obsolete stock	35,427		9,891
	43,908	24%/27.9%	12,136
	5,864	24%/27.9%	1,410
	3,626	36.82%	1,335
	3,256	33.99%	1,106
	1,626	25%/30%	435
	822	7.5%/18.5%	752
	749	25.00%	187
	658	25.00%	164
	607	24%/27.9%	166
	407	39.28%	160
	291	100.00%	291
	243	29.00%	70
	154	33.33%	51
	168	25.00%	42
	95	17.00%	16
	81	31.16%	25
	24	30.00%	7
	43	17.00%	7
	11	100.00%	11
	4	18.00%	1
Offsetting of Deferred Tax Liabilities	(52,120)	24%/27.9%	(14,522)
Other changes	10,517		3,852
Total for provisions and other changes	**79,659**		**22,692**
Deferred tax assets already recognised			**21,938**
Deferred tax assets not booked			**754**
Piaggio & C. S.p.A.	121,644	24.00%	29,195
Piaggio Group Americas	21,696	36.82%	7,988
Piaggio Fast Forward	4,824	8%/39.28%	1,889
Piaggio Japan	4,799	33.80%	1,622
Piaggio Indonesia	2,278	25.00%	570
Piaggio Concept Store Mantova	2,627	24.00%	631
Piaggio Vespa B.V.	1,629	20%/25%	407
Piaggio Advanced Design Center	7	23.84%	2
Offsetting of Deferred Tax Liabilities	(1,426)		(357)
Total out of tax losses	**158,079**		**41,946**
Deferred tax assets already recognised			**38,434**
Deferred tax assets not booked			**3,511**

20. Inventories — *€/000 208,459*

This item comprises:
As of 31 December 2016, inventories had decreased by €/000 4,353.

In thousands of euros	As of 31 December 2016	As of 31 December 2015	Change
Raw materials and consumables	99,137	101,082	(1,945)
Provision for write-down	(14,464)	(12,590)	(1,874)
Net value	*84,673*	*88,492*	*(3,819)*
Work in progress and semifinished products	16,624	18,873	(2,249)
Provision for write-down	(852)	(852)	0
Net value	*15,772*	*18,021*	*(2,249)*
Finished products and goods	129,930	129,106	824
Provision for write-down	(22,065)	(22,871)	806
Net value	*107,865*	*106,235*	*1,630*
Advances	149	64	85
Total	**208,459**	**212,812**	**(4,353)**

21. Current and non-current trade receivables — *€/000 75,166*

As of 31 December, no non-current trade payables were recorded for the periods compared.
Current trade receivables are broken down as follows:

In thousands of euros	As of 31 December 2016	As of 31 December 2015	Change
Trade receivables due from customers	71,816	79,794	(7,978)
Trade receivables due from JV	3,349	1,136	2,213
Trade receivables due from parent companies	1		1
Trade receivables due from associates		14	(14)
Total	**75,166**	**80,944**	**(5,778)**

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

The item Trade receivables comprises receivables referring to normal sale transactions, recorded net of a provision for bad debts of €/000 27,616.

Movements of provisions were as follows:

In thousands of euros	
Opening balance as of 1 January 2016	**27,525**
Increases for allocations	880
Decreases for use	(130)
Other changes	(659)
Closing balance as of 31 December 2016	**27,616**

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 31 December 2016 trade receivables that have not come due, sold without recourse totalled €/000 89,123. Of these amounts, Piaggio received payment prior to natural expiry, of €/000 88,546.
As of 31 December 2016, advance payments received from factoring companies and banks, for trade receivables sold with recourse totalled €/000 11,030 with a counter entry recorded in current liabilities.

22. Other current and non-current receivables — *€/000 37,321*

Other non-current receivables totalled €/000 13,170 against €/000 13,419 as of 31 December 2015, whereas other current receivables totalled €/000 24,151 compared to €/000 29,538 as of 31 December 2015. They consist of:

Other non-current receivables:	As of 31 December 2016	As of 31 December 2015	Change
In thousands of euros			
Sundry receivables due from associates	133	153	(20)
Prepaid expenses	10,904	10,975	(71)
Advances to employees	61	58	3
Security deposits	927	977	(50)
Receivables due from others	1,145	1,256	(111)
Total non-current portion	**13,170**	**13,419**	**(249)**

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

Other current receivables:	As of 31 December 2016	As of 31 December 2015	Change
In thousands of euros			
Sundry receivables due from parent companies	7,705	7,959	(254)
Sundry receivables due from JV	957	873	84
Sundry receivables due from associates	91	47	44
Accrued income	513	966	(453)
Prepaid expenses	3,790	3,946	(156)
Advance payments to suppliers	736	1,237	(501)
Advances to employees	2,214	2,440	(226)
Fair value of derivatives	401	647	(246)
Security deposits	221	250	(29)
Receivables due from others	7,523	11,173	(3,650)
Total current portion	**24,151**	**29,538**	**(5,387)**

Receivables due from parent companies refer to 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.
Receivables due from associates are amounts due from Immsi Audit and the Fondazione Piaggio.
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 (€/000 401 current portion).
Other receivables are recognised net of a write-down provision of €/000 5,331.

Movements of write-down provision were as follows:

In thousands of euros	
Opening balance as of 1 January 2016	**4,965**
Increases for allocations	368
Decreases for use	(11)
Other changes	9
Closing balance as of 31 December 2016	**5,331**

23. Current and non-current tax receivables *€/000 42,463*

Receivables due from tax authorities consist of:

	As of 31 December 2016	As of 31 December 2015	Change
In thousands of euros			
VAT receivables	25,956	18,166	7,790
Income tax receivables	11,869	7,727	4,142
Other tax receivables	4,638	1,125	3,513
Total tax receivables	**42,463**	**27,018**	**15,445**

Non-current tax receivables totalled €/000 15,680, compared to €/000 5,477 as of 31 December 2015, while current tax receivables totalled €/000 26,783 compared to €/000 21,541 as of 31 December 2015. The increase is mainly due to higher VAT receivables of the Indian subsidiary.

24. Breakdown of operating receivables by measurement method

The table below shows the breakdown of operating receivables by measurement method:

As of 31 December 2016

	Assets measured at FVPL	Assets measured at FVOCI	Financial derivatives	Assets at amortised cost	Total
In thousands of euros					
Non-current					
Tax receivables				15,680	15,680
Other receivables				13,170	13,170
Total non-current operating receivables				**28,850**	**28,850**
Current					
Trade receivables				75,166	75,166
Tax receivables				26,783	26,783
Other receivables			401	23,750	24,151
Total current operating receivables			**401**	**125,699**	**126,100**
Total operating receivables			**401**	**154,549**	**154,950**

As of 31 December 2015

	Assets measured at FVPL	Assets measured at FVOCI	Financial derivatives	Assets at amortised cost	Total
In thousands of euros					
Non-current					
Tax receivables				5,477	5,477
Other receivables				13,419	13,419
Total non-current assets				**18,896**	**18,896**
Current					
Trade receivables				80,944	80,944
Tax receivables				21,541	21,541
Other receivables			647	28,891	29,538
Total current assets			**647**	**131,376**	**132,023**
Total			**647**	**150,272**	**150,919**

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

As of 31 December 2016, there were no receivables due after 5 years.

26. Breakdown of assets by geographic segment

As regards the breakdown of assets by geographic segment, reference is made to the section on segment reporting.

27. Assets held for sale *€/000 0*

As of 31 December 2016, there were no assets held for sale.

28. Current and non-current trade payables *€/000 395,649*

As of 31 December 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 31 December 2016	As of 31 December 2015	Change
In thousands of euros			
Amounts due to suppliers	385,714	370,255	15,459
Trade payables to JV	9,777	9,311	466
Trade payables due to other related parties	26	29	(3)
Amounts due to parent companies	132	768	(636)
Total	**395,649**	**380,363**	**15,286**
of which reverse factoring	*173,058*	*147,341*	*25,717*

To facilitate credit conditions for its suppliers, the Group has used factoring agreements since 2012, mainly supply chain financing and reverse factoring agreements, as described in more detail in "Accounting policies and measurement criteria applied by the Group", to which reference is made. These operations did not change the primary obligation, nor substantially changed payment terms, so their nature is the same and they are still classified as trade liabilities.
As of 31 December 2016, the value of trade payables covered by reverse factoring or supply chain financing agreements was equal to €/000 173,058 (€/000 147,341 as of 31 December 2015).

29. Provisions (current and non-current portion) *€/000 19,449*

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

In thousands of euros	Balance as of 31 December 2015	Allocations	Uses	Adjustments	Reclassifica-tions	Exchange differences	As of 31 December 2016
Provision for product warranties	11,445	9,292	(9,172)		60	75	11,700
Provision for contractual risks	3,913	457	(124)		294	6	4,546
Risk provision for legal disputes	2,107	4	(47)			18	2,082
Provisions for risk on guarantee	58						58
Other provisions for risks	1,840	151	(682)	51	(294)	(3)	1,063
Total	**19,363**	**9,904**	**(10,025)**	**51**	**60**	**96**	**19,449**

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

Non-current portion:	As of 31 December 2016	As of 31 December 2015	Change
In thousands of euros			
Provision for product warranties	3,939	3,173	766
Provision for contractual risks	4,349	3,913	436
Risk provision for legal disputes	1,512	1,509	3
Other provisions for risks and charges	766	989	(223)
Total non-current portion	**10,566**	**9,584**	**982**

Current portion:	As of 31 December 2016	As of 31 December 2015	Change
In thousands of euros			
Provision for product warranties	7,761	8,272	(511)
Provisions for contractual risks	197	-	197
Risk provision for legal disputes	570	598	(28)
Provisions for risk on guarantee	58	58	0
Other provisions for risks and charges	297	851	(554)
Total	**8,883**	**9,779**	**(896)**

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 9,292 and €/000 9,172 was used in relation to costs 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.

30. Deferred tax liabilities *€/000 3,880*

Deferred tax liabilities amount to €/000 3,880 compared to €/000 4,369 as of 31 December 2015.

31. Retirement funds and employee benefits *€/000 48,924*

In thousands of euros	As of 31 December 2016	As of 31 December 2015	Change
Retirement funds	755	782	(27)
Post-employment benefits provision	48,169	48,696	(527)
Total	**48,924**	**49,478**	**(554)**

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.

Their breakdown was as follows:

In thousands of euros	
Opening balance as of 1 January 2016	**48,696**
Cost for the period	8,134
Actuarial losses recognised in Equity	3,226
Interest cost	659
Uses and transfers of retirement funds	(12,546)
Closing balance as of 31 December 2016	**48,169**

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	1.31%
Annual rate of inflation	1.70% for 2017
	1.70% for 2018
	1.60% for 2019
	2.00% for 2020
	2.00% from 2021 onwards
Annual rate of increase in termination benefits	2.775% for 2017
	2.775% for 2018
	2.700% for 2019
	3.000% for 2020
	3.000% from 2021 onwards

As regards the discount rate, the Group uses the iBoxx Corporates AA rating with a 10+ duration as the valuation reference.
If instead an iBoxx Corporates A rating with a 10+ duration were used, the value of actuarial losses and the provision as of 31 December 2016 would have been lower by €1,372 thousand.

The table below shows the effects, in absolute terms, as of 31 December 2016, which would have occurred following changes in reasonably possible actuarial assumptions:

	Provision for termination benefits
In thousands of euros	
Turnover rate +2%	47,478
Turnover rate -2%	48,999
Inflation rate + 0.25%	48,860
Inflation rate - 0.25%	47,457
Discount rate + 0.50%	45,970
Discount rate - 0.50%	50,510

The average financial duration of the bond ranges from 10 to 30 years.

Estimated future amounts are equal to:

Year	Future amounts
In thousands of euros	
1	3,766
2	3,615
3	1,192
4	3,778
5	5,191

The subsidiaries operating in Germany and Indonesia have provisions for employees identified as defined benefit plans. As of 31 December 2016, these provisions amounted to €/000 154 and €/000 102 respectively. The amount of profits/ (losses) recognized in the statement of comprehensive income related to foreign companies amounted to €/000-219.

32. Current and non-current tax payables *€/000 8,128*

As of 31 December 2016 and as of 31 December 2015 no tax payables were recorded under non-current liabilities.
Their breakdown was as follows:

	As of 31 December 2016	As of 31 December 2015	Change
In thousands of euros			
Due for income taxes	1,184	7,479	(6,295)
Due for non-income tax	38	38	0
Tax payables for:			
- VAT	1,958	1,833	125
- Tax withheld at source	4,186	4,799	(613)
- other	762	575	187
Total	6,906	7,207	(301)
Total	**8,128**	**14,724**	**(6,596)**

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.

33. Other payables (current and non-current) *€/000 52,421*

This item comprises:

Non-current portion:	As of 31 December 2016	As of 31 December 2015	Change
In thousands of euros			
Guarantee deposits	2,553	2,201	352
Deferred income	2,597	2,194	403
Miscellaneous payables to JV	162		162
Other payables	173	229	(56)
Total non-current portion	**5,485**	**4,624**	**861**

Current portion:	As of 31 December 2016	As of 31 December 2015	Change
In thousands of euros			
Payables to employees	14,881	15,632	(751)
Accrued expenses	5,664	6,196	(532)
Deferred income	1,227	1,044	183
Amounts due to social security institutions	8,821	6,781	2,040
Fair value of derivatives	237	420	(183)
Miscellaneous payables to JV	181	70	111
Sundry payables due to affiliated companies	34	30	4
Sundry payables due to parent companies	6,937	7,032	(95)
Other payables	8,954	9,311	(357)
Total current portion	**46,936**	**46,516**	**420**

Amounts due to employees include the amount for holidays accrued but not taken of €/000 8,289 and other payments to be made for €/000 6,592. 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 comprises the fair value of hedging transactions on the exchange risk on forecast transactions recognised on a cash flow hedge basis (€/000 237 current portion).
The item Accrued liabilities includes €/000 2,019 for interest on hedging derivatives and relative hedged items measured at fair value.

34. Breakdown of operating payables by measurement method

The table below shows the breakdown of operating payables by measurement method:

As of 31 December 2016

	Liabilities measured at FVPL	Financial derivatives	Liabilities at amortised cost	Total
In thousands of euros				
Non-current				
Tax payables				
Other payables			5,485	5,485
Total non-current operating payables			**5,485**	**5,485**
Current				
Trade payables			395,649	395,649
Tax payables			8,128	8,128
Other payables		237	46,699	46,936
Total current operating payables		**237**	**450,476**	**450,713**
Total operating payables		**237**	**455,961**	**456,198**

As of 31 December 2015

	Liabilities measured at FVPL	Financial derivatives	Liabilities at amortised cost	Total
In thousands of euros				
Non-current				
Tax payables				
Other payables			4,624	4,624
Total non-current operating payables			**4,624**	**4,624**
Current				
Trade payables			380,363	380,363
Tax payables			14,724	14,724
Other payables		420	46,096	46,516
Total current operating payables		**420**	**441,183**	**441,603**
Total operating payables		**420**	**445,807**	**446,227**

35. Payables due after 5 years

The Group has loans due after 5 years, which are referred to in detail in Note 41 Financial Liabilities. With the exception of the above payables, no other long-term payables due after five years exist.

36. Breakdown of liabilities by geographic segment

As regards the breakdown of liabilities by geographic segment, reference is made to the section on segment reporting.

E) Information on financial assets and liabilities

This section provides information on the carrying amount of financial assets and liabilities held, and in particular:
› specifically describes the type of financial assets and liabilities;
› the accounting standards adopted;
› describes how fair value is determined, how measurements and estimates are made, and the uncertainties involved.

The Group holds the following financial assets and liabilities:

Financial assets as of 31 December 2016

	Assets measured at FVPL	Assets measured at FVOCI	Financial derivatives	Assets at amortised cost	Total
In thousands of euros					
Non-current					
Other financial assets			19,173	36	19,209
Total non-current financial assets			**19,173**	**36**	**19,209**
Current					
Other financial assets			7,069		7,069
Cash and cash equivalents				166,163	166,163
Securities				25,594	25,594
Total current financial assets			**7,069**	**191,757**	**198,826**
Total financial assets			**26,242**	**191,793**	**218,035**

Financial assets as of 31 December 2015

	Assets measured at FVPL	Assets measured at FVOCI	Financial derivatives	Assets at amortised cost	Total
In thousands of euros					
Non-current					
Other financial assets			24,658	39	24,697
Total non-current financial assets			**24,658**	**39**	**24,697**
Current					
Other financial assets			2,176		2,176
Cash and cash equivalents				95,964	95,964
Securities				5,464	5,464
Total current financial assets			**2,176**	**101,428**	**103,604**
Total financial assets			**26,834**	**101,467**	**128,301**

Financial liabilities as of 31 December 2016

	Liabilities measured at FVPL	Fair value adjustment	Financial derivatives	Liabilities at amortised cost	Total
In thousands of euros					
Non-current					
Bank financing	9,941	1,842		212,971	224,754
Bonds		16,921		282,442	299,363
Other loans				677	677
Leases				10,311	10,311
Hedging derivatives					
Total non-current financial liabilities	**9,941**	**18,763**		**506,401**	**535,105**
Current					
Bank financing	10,828	3,190		133,454	147,472
Bonds		3,884		9,617	13,501
Other loans				11,358	11,358
Leases				1,114	1,114
Total current financial liabilities	**10,828**	**7,074**		**155,543**	**173,445**
Total financial liabilities	**20,769**	**25,837**		**661,944**	**708,550**

Financial liabilities as of 31 December 2015

	Liabilities measured at FVPL	Fair value adjustment	Financial derivatives	Liabilities at amortised cost	Total
In thousands of euros					
Non-current					
Bank financing	20,521	4,251		184,842	209,614
Bonds		19,454		290,139	309,593
Other loans				1,005	1,005
Leases				179	179
Hedging derivatives					
Total non-current financial liabilities	**20,521**	**23,705**		**476,165**	**520,391**
Current					
Bank financing	9,397	2,131		77,792	89,320
Other loans				15,645	15,645
Leases				31	31
Hedging derivatives			899		899
Total current financial liabilities	**9,397**	**2,131**	**899**	**93,468**	**105,895**
Total financial liabilities	**29,918**	**25,836**	**899**	**569,633**	**626,286**

37. Investments *€/000 7,445*

The investments heading comprises:

	As of 31 December 2016	As of 31 December 2015	Change
In thousands of euros			
Interests in joint ventures	7,294	8,250	(956)
Investments in affiliated companies	151	179	(28)
Total	**7,445**	**8,429**	**(984)**

The decrease 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.

Investments in Joint Ventures €/000 7,294

Joint venture	As of 31 December 2016	As of 31 December 2015	Change
In thousands of euros			
Accounted for using the equity method:			
Zongshen Piaggio Foshan Motorcycles Co. Ltd - China	7,294	8,250	(956)
Total joint ventures	**7,294**	**8,250**	**(956)**

The investment in Zongshen Piaggio Foshan Motorcycles Co. Ltd was classified under the item "joint ventures" in relation to agreements made in the contract signed on 15 April 2004 between Piaggio & C. S.p.A. and its historical partner Foshan Motorcycle Plant, and the Chinese company Zongshen Industrial Group Company Limited.
The equity investment of Piaggio & C. S.p.A. in Zongshen Piaggio Foshan Motorcycles is equal to 45% of which 12.5% is held through the direct subsidiary Piaggio China Company Ltd.. The carrying amount of the equity investment is equal to €/000 7,294 and reflects shareholders' equity pro-quota adjusted to take into account the measurement criteria adopted by the Group.

The table below summarises main financial data of the joint ventures:

Zongshen Piaggio Foshan Motorcycle Co. Ltd	Accounts as of 31 December 2016		Accounts as of 31 December 2015	
In thousands of euros				
		45%[32]		45%[32]
Working capital	10,794	4,857	10,474	4,714
Total assets	12,993	5,847	14,957	6,731
Net capital employed	**23,787**	**10,704**	**25,432**	**11,444**
Provisions	132	59	105	47
Consolidated debt	2,302	1,036	4,549	2,047
Shareholders' equity	21,353	9,609	20,777	9,350
Total sources of financing	**23,787**	**10,704**	**25,432**	**11,444**
Shareholders' equity attributable to the Group		9,609		9,350
Elimination of margins on internal transactions		(2,315)		(1,100)
Value of the investment		**7,294**		**8,250**

32) *Group ownership*

Reconciliation of Shareholders' Equity	
In thousands of euros	
Opening balance as of 1 January 2016	**8,250**
Profit (Loss) for the period	588
Other comprehensive income	(329)
Elimination of margins on internal transactions	(1,215)
Closing balance as of 31 December 2016	**7,294**

Investments in Associates €/000 151

This item comprises:

Associates	Carrying amount as of 31 December 2015	Adjustment	Carrying amount as of 31 December 2016
In thousands of euros			
Immsi Audit S.c.a.r.l.	10		10
S.A.T. S.A. – Tunisia	-		-
Depuradora D'Aigues de Martorelles	35	(4)	31
Pontech Soc. Cons. a.r.l. – Pontedera	134	(24)	110
Total associates	**179**	**(28)**	**151**

The value of investments in associates was adjusted during the year to the corresponding value of shareholders' equity.

38. Other non-current financial assets *€/000 19,209*

	As of 31 December 2016	As of 31 December 2015	Change
In thousands of euros			
Fair value of derivatives	19,173	24,658	(5,485)
Investments in other companies	36	39	(3)
Total	**19,209**	**24,697**	**(5,488)**

The item Fair value of hedging derivatives refers to €/000 17,433 from the long-term portion of the fair value of the cross currency swap for a private debenture loan, to €/000 1,504 from the long-term portion of the fair value of the cross currency swap for medium-term loans of the Indian subsidiary and to €/000 236 from the long-term portion of the cross currency swap for a medium-term loan of the Vietnamese subsidiary. For more details see section 43 "Financial risks" of the Notes.

The breakdown of the item "Investments in other companies" is shown in the table below:

	As of 31 December 2016	As of 31 December 2015	Change
In thousands of euros			
A.N.C.M.A. – Rome	2	2	-
ECOFOR SERVICE S.p.A. – Pontedera	2	2	-
Consorzio Fiat Media Center – Turin	3	3	-
S.C.P.S.T.V.	21	21	-
IVM	8	11	(3)
Total other companies	**36**	**39**	**(3)**

The decrease is related to a partial return of the capital paid by IVM, the German Association of Motorcycle Manufacturers.

39. Other current financial assets *€/000 7,069*

	As of 31 December 2016	As of 31 December 2015	Change
In thousands of euros			
Fair value of derivatives	7,069	2,176	4,893
Total	**7,069**	**2,176**	**4,893**

This item refers to €/000 4,001 for the short-term portion of the fair value of the cross currency swap for the private debenture loan, to €/000 2,832 for the short-term portion of the fair value of the cross currency swap for medium-term loans of the Indian subsidiary and to €/000 236 for the short-term portion of the cross currency swap for the medium-term loan of the Vietnamese subsidiary. For more details see section 43 "Financial risks" of the Notes.

40. Cash and cash equivalents — *€/000 191,757*

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

	As of 31 December 2016	As of 31 December 2015	Change
In thousands of euros			
Bank and postal deposits	166,114	95,913	70,201
Cheques	1	1	0
Cash on hand	48	50	(2)
Securities	25,594	5,464	20,130
Total	**191,757**	**101,428**	**90,329**

The item Securities refers to deposit agreements entered into by the Indian subsidiary to effectively use temporary liquidity. The increase in liquidity compared to the previous year is mainly due to the disbursement of some medium-term loans in December 2016.

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 31 December 2016	As of 31 December 2015	Change
In thousands of euros			
Liquidity	191,757	101,428	90,329
Current account overdrafts	(357)	(126)	(231)
Closing balance	**191,400**	**101,302**	**90,098**

41. Current and non-current financial liabilities — *€/000 708,550*

During 2016, the Group's total debt increased by €/000 82,264. Net of the fair value measurement of financial derivatives to hedge exchange risk and interest rate risk, and the adjustment of relative hedged items, as of 31 December 2016 total financial debt of the Group increased by €/000 83,162.

	Financial liabilities as of 31 December 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	166,371	516,342	682,713	102,865	496,686	599,551	63,506	19,656	83,162
Fair value adjustment	7,074	18,763	25,837	3,030	23,705	26,735	4,044	(4,942)	(898)
Total	**173,445**	**535,105**	**708,550**	**105,895**	**520,391**	**626,286**	**67,550**	**14,714**	**82,264**

This increase is attributable to a greater use of available medium-term credit lines.

Net financial debt of the Group amounted to €/000 490,956 as of 31 December 2016 compared to €/000 498,123 as of 31 December 2015.

In thousands of euros	As of 31 December 2016	As of 31 December 2015	Change
Liquidity	**191,757**	**101,428**	**90,329**
Securities			
Current financial receivables	**0**	**0**	**0**
Payables due to banks	(64,150)	(47,978)	(16,172)
Current portion of bank borrowings	(80,132)	(39,211)	(40,921)
Debenture loan	(9,617)		(9,617)
Amounts due to factoring companies	(11,030)	(15,321)	4,291
Amounts due under leases	(1,114)	(31)	(1,083)
Current portion of payables due to other lenders	(328)	(324)	(4)
Current financial debt	**(166,371)**	**(102,865)**	**(63,506)**
Net current financial debt	**25,386**	**(1,437)**	**26,823**
Payables due to banks and lenders	(222,912)	(205,363)	(17,549)
Debenture loan	(282,442)	(290,139)	7,697
Amounts due under leases	(10,311)	(179)	(10,132)
Amounts due to other lenders	(677)	(1,005)	328
Non-current financial debt	**(516,342)**	**(496,686)**	**(19,656)**
Net Financial Debt[33]	**(490,956)**	**(498,123)**	**7,167**

Non-current financial liabilities totalled €/000 516,342 against €/000 496,686 as of 31 December 2015, whereas current financial liabilities totalled €/000 166,371 compared to €/000 102,865 as of 31 December 2015.

33) 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 25,837 and relative accruals.

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

In thousands of Euros	Accounting balance as of 31/12/2015	Repay-ments	New issues	Reclassification to the current portion	Ex-change delta	Other changes	Accounting balance As of 31/12/2016
Non-current portion:							
Bank financing	205,363		116,869	(100,360)	248	792	222,912
Bonds	290,139			(9,669)		1,972	282,442
Other medium-/long-term loans:							
of which leases	*179*		*12,839*	*(2,692)*		*(15)*	*10,311*
of which amounts due to other lenders	*1,005*			*(328)*			*677*
Total other loans	1,184	0	12,839	(3,020)	0	(15)	10,988
Total	**496,686**	**0**	**129,708**	**(113,049)**	**248**	**2,749**	**516,342**

In thousands of Euros	Accounting balance as of 31/12/2015	Repay-ments	New issues	Reclassification from the non-current portion	Ex-change delta	Other changes	Accounting balance As of 31/12/2016
Current portion:							
Current account overdrafts	126		231				357
Current account payables	47,852	(2,231)	16,805		1,367		63,793
Bonds	-			9,669		(52)	9,617
Payables due to factoring companies	15,321	(4,291)					11,030
Current portion of medium-/long-term loans:							
of which leases	*31*	*(1,601)*		*2,692*		*(8)*	*1,114*
of which due to banks	*39,211*	*(59,348)*		*100,360*	*119*	*(210)*	*80,132*
of which amounts due to other lenders	*324*	*(324)*		*328*			*328*
Total other loans	39,566	(61,273)	0	103,380	119	(218)	81,574
Total	**102,865**	**(67,795)**	**17,036**	**113,049**	**1,486**	**(270)**	**166,371**

The breakdown of the debt is as follows:

In thousands of Euros	Accounting balance As of 31/12/2016	Accounting balance As of 31/12/2015	Nominal value As of 31/12/2016	Nominal value As of 31/12/2015
Bank financing	367,194	292,552	368,402	294,343
Bonds	292,059	290,139	301,799	301,799
Other medium-/long-term loans:				
of which leases	*11,425*	*210*	*11,440*	*210*
of which amounts due to other lenders	*12,035*	*16,650*	*12,035*	*16,650*
Total other loans	23,460	16,860	23,475	16,860
Total	**682,713**	**599,551**	**693,676**	**613,002**

The table below shows the debt servicing schedule as of 31 December 2016:

	Nominal value as of 31/12/2016	Amounts falling due within 12 months	Amounts falling due after 12 months	Amounts falling due in				
				2018	2019	2020	2021	Beyond
In thousands of euros								
Bank financing	368,402	144,510	223,892	91,171	59,602	16,471	14,372	42,276
- including opening of credit lines and bank overdrafts	*64,150*	*64,150*						
of which medium/long-term bank loans	*304,252*	*80,360*	*223,892*	*91,171*	*59,602*	*16,471*	*14,372*	*42,276*
Bonds	301,799	9,669	292,130	9,669	10,360	11,050	261,051	0
Other medium-/long-term loans:								
of which leases	*11,440*	*1,114*	*10,326*	*1,143*	*1,238*	*1,147*	*1,167*	*5,631*
of which amounts due to other lenders	*12,035*	*11,358*	*677*	*332*	*335*	*10*		
Total other loans	23,475	12,472	11,003	1,475	1,573	1,157	1,167	5,631
Total	**693,676**	**166,651**	**527,025**	**102,315**	**71,535**	**28,678**	**276,590**	**47,907**

The following table analyses financial debt by currency and interest rate.

	Accounting balance	Accounting balance	Nominal value	Applicable interest rate
	as of 31/12/2015	As of 31/12/2016		
In thousands of euros				
Euro	521,714	583,469	594,432	3.27%
Indian Rupee	18,709	13,393	13,393	9.42%
Indonesian Rupiah	3,327	2,824	2,824	9.05%
US Dollar	19,748	26,090	26,090	3.07%
Vietnamese Dong	31,323	53,668	53,668	8.87%
Japanese Yen	4,730	3,269	3,269	2.75%
Total currencies other than euro	***77,837***	***99,244***	***99,244***	
Total	**599,551**	**682,713**	**693,676**	**3.84%**

Medium and long-term bank debt amounts to €/000 303,044 (of which €/000 222,912 non-current and €/000 80,132 current) and consists of the following loans:

- a €/000 32,727 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 six-monthly instalments at a fixed rate of 2.723%. Contract terms require covenants (described below);
- a €/000 69,893 medium-term loan (nominal value of €/000 70,000) from the European Investment Bank to finance Research & Development investments planned for the 2016-2018 period. The loan will mature in December 2023 and has a repayment schedule of 7 fixed-rate annual instalments. Contract terms require covenants (described below);
- a €/000 93,953 loan (nominal value of €/000 95,000), a syndicate loan for a total of €/000 250,000 comprising a €/000 175,000 four-year tranche as a revolving credit line (of which a nominal value of €/000 20,000 had been used as of 31 December 2016) and a tranche of €/000 75,000 amortisation loan which has been wholly disbursed. Contract terms require covenants (described below);
- a €/000 16,661 loan (nominal value of €/000 16,667), granted by Banco BPM, comprising a tranche maturing in January 2017 of €/000 10,000 granted as a revolving credit line used in full as of 31

December 2016 and a tranche of €/000 10,000 granted as a three-year loan with amortisation, wholly disbursed;

- a €/000 20,797 medium-term loan (nominal value of €/000 20,835) granted by Banca Popolare Emilia Romagna. 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 12,500 loan granted by Banco BPM, comprising a tranche of €/000 12,500 granted as a revolving credit line (unused as of 31 December 2016), maturing in January 2021 and a tranche of €/000 12,500, maturing in July 2022, which has been wholly disbursed;
- a €/000 19,990 loan (nominal value of €/000 20,000) granted by Banca del Mezzogiorno as a revolving credit line maturing in July 2022;
- a €/000 3,935 medium-term loan for USD/000 10,545 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; this loan (and relative cross currency swaps) was settled in full, in advance, in January 2017;
- a €/000 9,146 medium-term loan for USD/000 15,851 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 7,687 medium-term loan for USD/000 13,107 granted by International Finance Corporation to the subsidiary Piaggio Vietnam with interest accruing at a variable rate. The loan will mature on 15 July 2018, with an amortisation schedule of six-monthly instalments starting 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 14,369 medium-term loan for VND/000 343,339,791 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 granted pursuant to Italian Law no. 346/88 on subsidised applied research.

All the above financial liabilities are unsecured.

The item Bonds for €/000 292,059 (nominal value of €/000 301,799) refers to:

- €/000 51,627 (nominal value of €/000 51,799) related to a private debenture loan (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 with fixed annual nominal rate of 7.25%. As of 31 December 2016 the fair value measurement of the debenture loan was equal to €/000 72,604 (the fair value is 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;
- €/000 240,432 (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 12,430 of which €/000 10,988 due after the year and €/000 1,442 as the current portion, are detailed as follows:
› a finance lease for €/000 11,246 (nominal value of €/000 11,261) 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 10,165);
› a finance lease for €/000 179 granted by VFS Servizi Finanziari for the use of vehicles (non-current portion equal to €/000 146);
› 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 €/000 636).
› a loan of €/000 54 from BMW finance for the purchase of cars (non-current portion equal to €/000 41).

Financial advances received from factoring companies and banks, on the sale of trade receivables with recourse, totalled €/000 11,030.

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. According to results as of 31 December 2016, all covenants had been fully met.
The high-yield debenture loan issued by the company in April 2014 requires compliance with typical covenants of international high-yield market practices. 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.

Amortised Cost and Fair Value Measurement

All financial liabilities are measured in accordance with accounting standards and based on the amortised cost method (except for liabilities with hedging derivatives measured at Fair Value Through Profit & Loss, for which the same measurement criteria used for the derivative are applied). According to this method, the nominal amount of the liability is decreased by the amount of relative costs of issue and/or stipulation, in addition to any costs relating to refinancing of previous liabilities. The amortisation of these costs is determined on an effective interest rate basis, and namely the rate which discounts the future flows of interest payable and reimbursements of principle at the net carrying amount of the financial liability.

IFRS 13 – *Fair Value Measurement* defines fair value on the basis of the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In the absence of an active market or market that does not operate regularly, fair value is measured by valuation techniques. The standard defines a fair value hierarchy:

› level 1 – quoted prices in active markets for assets or liabilities measured;
› level 2 – inputs other than quoted prices included within Level 1 that are observable directly (prices) or indirectly (derived from prices) on the market;
› level 3 – inputs not based on observable market data.

The valuation techniques referred to levels 2 and 3 must take into account adjustment factors that measure the risk of insolvency of both parties. To this end, the standard introduces the concepts of Credit Value Adjustment (CVA) and Debit Value Adjustment (DVA): CVA makes it possible to include the counterparty credit risk in the fair value measurement; DVA reflects the risk of insolvency of the Group.

The table below shows the fair value of payables measured using the amortised cost method as of 31 December 2016:

In thousands of euros	Nominal value	Carrying amount	Fair Value [34]
High yield debenture loan	250,000	240,432	259,318
Private debenture loan	51,799	51,627	75,076
EIB (R&D loan 2013-2015)	32,727	32,727	32,911
EIB (R&D loan 2016-2018)	70,000	69,893	65,878
Credit line from B. Pop. Emilia Romagna	20,835	20,797	20,743
Loan from Banco BPM	12,500	12,500	12,271
Revolving credit line from B. del Mezzogiorno	20,000	19,990	19,504
Loan from Banco BPM	6,667	6,661	6,734
Revolving syndicated loan	20,000	19,305	19,899
Syndicated loan maturing in July 2019	75,000	74,648	75,615
VietinBank medium-term loan	14,369	14,369	13,729

34) The value deducts DVA related to the issuer, i.e. it includes the risk of insolvency of Piaggio.

For liabilities due within 18 months, the carrying amount is basically considered the same as the fair value.

Fair value hierarchy

The table below shows the assets and liabilities measured and recognised at fair value as of 31 December 2016, by hierarchical level of fair value measurement.

In thousands of euros	LEVEL 1	LEVEL 2	LEVEL 3
ASSETS MEASURED AT FAIR VALUE			
Investment Property			11,710
Financial derivatives:			
- of which financial assets		*25,770*	*472*
- of which other receivables		*401*	
Investments in other companies			36
Total assets		**26,171**	**12,218**
LIABILITIES MEASURED AT FAIR VALUE			
Financial derivatives			
- of which financial liabilities			
- of which other payables		*(237)*	
Financial liabilities at fair value recognised through profit or loss		(98,405)	
Total liabilities		**(98,642)**	
General total		**(72,471)**	**12,218**

Investment property relative to the Martorelles site was measured as hierarchical level 3. This value was confirmed by a specific valuation of an independent expert, who measured the "Fair value less cost of disposal" based on a market approach (as provided for by IFRS 13). The valuation took account of comparable transactions on the local market, and the project to convert the area (from an industrial to a commercial site, as approved by the local authorities on 18 February 2014), referring however the value of the investment to its current status. Consequently, an accompanying 10% increase or decrease in all the variables based on the valuation of the investment would have generated a higher value of around €/000 3,600 and a lower value of €/000 3,300, with an equivalent greater or lesser impact on the income statement for the period.
The valuation of the cross currency swap relative to the Vietnamese subsidiary was also assigned the same hierarchy level. This classification reflects the illiquidity of the local market, which does now allow for a valuation based on conventional criteria. If valuation techniques typical of liquid markets had been adopted, which is not the case for the Vietnamese financial market, derivatives would have had a fair value totalling €/000 44, rather than €/000 472 (included under financial hedging instruments - level 3) and accrued expenses on financial derivatives for hedging equal to €/000 453.

The following tables show Level 2 and Level 3 changes during 2016:

In thousands of euros	LEVEL 2
Balance as of 31 December 2015	(82,045)
Gain (loss) recognised in profit or loss	547
Gain (loss) recognised in the statement of comprehensive income	(286)
Increases/(Decreases)	9,313
Balance as of 31 December 2016	**(72,471)**

In thousands of euros	LEVEL 3
Balance as of 31 December 2015	12,652
Gain (loss) recognised in profit or loss	(431)
Increases/(Decreases)	(3)
Balance as of 31 December 2016	**12,218**

F) Management of financial risk

This section describes all financial risks to which the Group is exposed and how these risks could affect future results.

42. Credit risk

The Group considers that its exposure to credit risk is as follows:

	As of 31 December 2016	As of 31 December 2015
In thousands of euros		
Liquid assets	166,114	95,913
Securities	25,594	5,464
Financial receivables	26,278	26,873
Other receivables	37,321	42,957
Tax receivables	42,463	27,018
Trade receivables	75,166	80,944
Total	**372,936**	**279,169**

The Group monitors or manages credit centrally by using established policies and guidelines. The portfolio of trade receivables shows no signs of concentrated credit risk in light of the broad distribution of our licensee or distributor network. In addition, most trade receivables are short-term. In order to optimise credit management, the Group has established revolving programmes with some primary factoring companies for selling its trade receivables without recourse in Europe and the United States.

43. Financial risks

The financial risks the Group is exposed to are liquidity risk, exchange risk, interest rate risk and credit risk.
The management of these risks, in order to reduce management costs and dedicated resources, is centralised and treasury operations take place in accordance with formal policies and guidelines which are applicable to all Group companies.

Liquidity risk and capitals management

The liquidity risk arises from the possibility that available financial resources are not sufficient to cover, in due times and procedures, future payments arising from financial and/or commercial obligations. To deal with these risks, cash flows and the Group's credit line needs are monitored or managed centrally under the control of the Group's Treasury in order to guarantee an effective and efficient management of the financial resources as well as optimise the debt's maturity standpoint.
In addition, the Parent Company finances the temporary cash requirements of Group companies by providing direct short-term loans regulated in market conditions or guarantees. A cash pooling zero balance system is used between the Parent Company and European companies to reset the receivable and payable balances of subsidiaries on a daily basis, for a more effective and efficient management of liquidity in the Eurozone.
As of 31 December 2016 the most important sources of financing irrevocable until maturity granted to the Parent Company were as follows:

- a debenture loan of €/000 250,000 maturing in April 2021;
- a debenture loan of $/000 75,000 maturing in July 2021;
- a credit line of €/000 250,000 comprising a Revolving Credit Facility of €/000 175,000 maturing in July 2018 and a loan of €/000 75,000 maturing in July 2019;
- Revolving credit facilities for a total of €/000 42,500, with final settlement in July 2022;
- loans for a total of €/000 142,729, with final settlement in December 2023.

Other Group companies also have irrevocable loans totalling €/000 38,094, with final settlement in June 2021.

As of 31 December 2016, the Group had a liquidity of €/000 191,757, €/000 170,457 of undrawn credit lines irrevocable to maturity and €/000 123,290 of revocable credit lines, as detailed below:

	As of 31 December 2016	As of 31 December 2015
In thousands of euros		
Variable rate with maturity within one year - irrevocable until maturity		
Variable rate with maturity beyond one year - irrevocable until maturity	170,457	205,000
Variable rate with maturity within one year - cash revocable	104,290	110,537
Variable rate with maturity within one year - with revocation for self-liquidating typologies	19,000	19,000
Total undrawn credit lines	**293,747**	**334,537**

The table below shows the timing of future payments in relation to trade payables:

	Within 30 days	Between 31 and 60 days	Between 61 and 90 days	Over 90 days	Total as of 31 December 2016
In thousands of euros					
Trade payables	242,653	96,950	40,511	15,535	**395,649**

Management considers that currently available funds, as well as funds that will be generated from operations and loans, will enable the Group to meets its requirements relative to investments, the management of working capital and repayment of loans on expiry and will ensure an adequate level of operating and strategic flexibility.

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;
- ***the translation exchange risk:*** arises from the translation 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.

Cash flow hedging

As of 31 December 2016, the Group had undertaken the following futures operations (recognised based on the regulation 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	CNY	51,000	6,896	29/01/2017
Piaggio & C.	Purchase	JPY	270,000	2,216	17/01/2017
Piaggio & C.	Purchase	GBP	500	586	16/01/2017
Piaggio & C.	Purchase	USD	9,750	9,164	17/01/2017
Piaggio & C.	Sale	CAD	560	395	05/02/2017
Piaggio & C.	Sale	CNY	4,000	549	03/01/2017
Piaggio & C.	Sale	GBP	2,400	2,808	09/01/2017
Piaggio & C.	Sale	INR	92,000	1,279	25/01/2017
Piaggio & C.	Sale	JPY	20,000	163	28/02/2017
Piaggio & C.	Sale	SGD	420	276	11/02/2017
Piaggio & C.	Sale	USD	3,700	3,526	22/01/2017
Piaggio Group Americas	Purchase	CAD	225	165	30/03/2017
Piaggio Group Americas	Sale	€	455	430	03/03/2017
Piaggio Vietnam	Purchase	€	2,700	65,557,200	06/02/2017
Piaggio Vietnam	Sale	€	1,700	40,905,700	13/02/2017
Piaggio Indonesia	Purchase	€	43	629,986	09/02/2017
Piaggio Indonesia	Purchase	USD	2,897	38,484,695	24/01/2017
Piaggio Vehicles Private Limited	Sale	€	1,776	130,516	28/02/2017
Piaggio Vehicles Private Limited	Sale	USD	160	10,897	05/02/2017

As of 31 December 2016, the Group had undertaken the following transactions to hedge the business 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	209,000	27,415	05/06/2017
Piaggio & C.	Sale	GBP	12,300	14,308	25/06/2017

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 31 December 2016 the total fair value of hedging instruments for the economic exchange risk recognised on a hedge accounting basis was positive by €/000 164. During 2016, gains under other components of the Statement of Comprehensive Income were recognised amounting to €/000 164 and profits from other components of the Statement of Comprehensive Income amounting to €/000 285 were reclassified under profit/loss for the period.

The net balance of cash flows during 2016 is shown below, divided by main currency:

Cash Flow	2016
In millions of euros	
Canadian Dollar	7.3
Pound Sterling	23.4
Japanese Yen	(7.3)
US Dollar	(10.6)
Indian Rupee	19.5
Croatian Kuna	2.5
Chinese Yuan[35]	(44.0)
Vietnamese Dong	(17.8)
Indonesian Rupiah	17.7
Total cash flow in foreign currency	**(9.3)**

35) *Cash flow partially in euros*

In view of the above, an assumed appreciation/deprecation of 3% of the euro would have generated potential profits for €/000 272 and potential losses for €/000 289 respectively.

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 31 December 2016, the following hedging derivatives were in use:

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 31 December 2016, the fair value of the instrument was equal to €/000 21,434. The net economic effect arising from the measurement of the instrument and underlying private debenture loan was equal to €/000 -206; sensitivity analysis of the instrument and its underlying, assuming a 1% increase and decrease in the shift of the variable rates curve, showed a potential impact on the Income Statement, net of the related tax effect, of €/000 20 and €/000 -23 respectively, assuming constant exchange rates; whereas assuming a 1% reversal and write-down of exchange rates, sensitivity analysis identified a potential impact on the Income Statement, net of the relative tax effect, of €/000 -24 and €/000 24 respectively;
- a Cross Currency Swap to hedge loans relative to the Indian subsidiary for $/000 10,545 (as of 31 December €/000 3,935) 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 31 December 2016 the fair value of the instruments was equal to €/000 2,080. Sensitivity analysis of the instrument and its underlying, assuming a 1% increase and decrease in the shift of the variable rates curve, showed a potential impact on the Income Statement, net of the relative tax effect, of €/000 7 and €/000 -7 respectively, assuming constant exchange rates. Assuming a 1% reversal and write-down of the exchange rate of the Indian Rupee, sensitivity analysis of the instrument and its underlying identified a potential impact on the Income Statement, net of the relative tax effect, which was basically negligible;

- a Cross Currency Swap to hedge loans relative to the Indian subsidiary for $/000 15,851 (as of 31 December €/000 9,146) granted by International Finance Corporation. The purpose of the instruments is to hedge interest rate risk and exchange risk, turning the loan from US dollars to Indian Rupees, and to hedge the interest rate risk on the US dollar. As of 31 December 2016, the fair value of the instrument was equal to €/000 2,256. Sensitivity analysis of the instrument and its underlying, assuming a 1% increase and decrease in the shift of the variable rates curve, showed a potential impact on the Income Statement, net of the relative tax effect of €/000 3 and €/000 -3 respectively, assuming constant exchange rates. Assuming a 1% reversal and write-down of the exchange rate of the Indian Rupee, sensitivity analysis of the instrument and its underlying identified a potential impact on the Income Statement, net of the relative tax effect, of €/000 -2 and €/000 2 respectively;
- a Cross Currency Swap to hedge a loan relative to the Vietnamese subsidiary for $/000 13,107 (as of 31 December €/000 7,687) 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 31 December 2016 the fair value of the instruments was negative by €/000 472. Sensitivity analysis of the instrument and its underlying, assuming a 1% increase and decrease in the shift of the variable rates curve, showed a potential impact on the Income Statement, net of the relative tax effect, of €/000 26 and €/000 -26 respectively, assuming constant exchange rates. Assuming a 1% reversal and write-down of the exchange rate of the Vietnamese Dong, sensitivity analysis of the instrument and its underlying identified a potential impact on the Income Statement, net of the relative tax effect, of €/000 -1 and €/000 1 respectively.

	Fair Value
In thousands of euros	
Piaggio & C. S.p.A.	
Cross Currency Swap	21,434
Piaggio Vehicles Private Limited	
Cross Currency Swap	2,080
Cross Currency Swap	2,256
Piaggio Vietnam	
Cross Currency Swap	472

G) Information on shareholders' equity

44. Share capital and reserves *€/000 393,714*

Share capital €/000 207,614

During the period, the nominal share capital of Piaggio & C. did not change.
Therefore, as of 31 December 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 (5,646)

During the period, 3,038,736 treasury shares were acquired. Therefore, as of 31 December 2016, Piaggio & C. held 3,054,736 treasury shares, equal to 0.8457% 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	3,038,736	16,000
Situation as of 31 December		
Shares issued	361,208,380	361,208,380
Treasury portfolio shares	3,054,736	16,000
Shares in circulation	358,153,644	361,192,380

Share premium reserve €/000 7,171

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

Legal reserve €/000 18,395

The legal reserve as of 31 December 2016 had increased by €/000 752 as a result of the allocation of earnings for the previous year.

Financial instruments' fair value reserve €/000 (388)

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 €/000	2015 €/000	2016 €	2015 €
Authorised and paid	17,962	26,007	0.05	0.072

Earnings reserve €/000 186,848

Capital and reserves of non-controlling interest €/000 (305)

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

45. Other Comprehensive Income (Expense) €/000 (1,045)

The figure is broken down as follows:

In thousands of euros	Reserve for measurement of financial instruments	Group translation reserve	Earnings reserve	Group total	Share capital and reserves attributable to non-controlling interests	Total other comprehensive income (expense)
As of 31 December 2016						
Items that will not be reclassified in the income statement						
Remeasurements of defined benefit plans			(2,672)	(2,672)		(2,672)
Total	0	0	(2,672)	(2,672)	0	(2,672)
Items that may be reclassified in the income statement						
Total translation gains (losses)		1,821		1,821	(63)	1,758
Portion of components of the Statement of Comprehensive Income of subsidiaries/ associates valued with the equity method		(329)		(329)		(329)
Total profits (losses) on cash flow hedges	198			198		198
Total	198	1,492	0	1,690	(63)	1,627
Other Comprehensive Income (Expense)	**198**	**1,492**	**(2,672)**	**(982)**	**(63)**	**(1,045)**
As of 31 December 2015						
Items that will not be reclassified in the income statement						
Remeasurements of defined benefit plans			1,841	1,841		1,841
Total	0	0	1,841	1,841	0	1,841
Items that may be reclassified in the income statement						
Total translation gains (losses)		2,654		2,654	82	2,736
Portion of components of the Statement of Comprehensive Income of subsidiaries/ associates valued with the equity method		577		577		577
Total profits (losses) on cash flow hedges	244			244		244
Total	244	3,231	0	3,475	82	3,557
Other Comprehensive Income (Expense)	**244**	**3,231**	**1,841**	**5,316**	**82**	**5,398**

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

	As of 31 December 2016			As of 31 December 2015		
	Gross value	*Tax (expense) / benefit*	*Net value*	*Gross value*	*Tax (expense) / benefit*	*Net value*
In thousands of euros						
Remeasurements of defined benefit plans	(3,445)	773	(2,672)	2,710	(869)	1,841
Total translation gains (losses)	1,758		1,758	2,736		2,736
Portion of components of the Statement of Comprehensive Income of subsidiaries/ associates measured with the equity method	(329)		(329)	577		577
Total profits (losses) on cash flow hedges	92	106	198	418	(174)	244
Other Comprehensive Income (Expense)	**(1,924)**	**879**	**(1,045)**	**6,441**	**(1,043)**	**5,398**

H) Other information

46. Share-based incentive plans

As of 31 December 2016, there were no incentive plans based on financial instruments.

47. Fees for Directors, Statutory Auditors and Key Managers

For a complete description and analysis of fees of Directors, Statutory Auditors and Key Managers, reference is made to the remuneration report available from the registered office, and on the Company's website in the section "Governance".

	2016
In thousands of euros	
Directors	1,671
Statutory auditors	161
Key Managers	527
Total fees	**2,359**

48. Information on related parties

Revenues, costs, payables and receivables as of 31 December 2016 involving parent companies, subsidiaries and affiliated companies refer 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.
The information on transactions with related parties, including information required by Consob in its communication of 28 July 2006 DEM/6064293, is given in the notes to the Consolidated Financial Statements and notes to the separate Financial Statements of the Parent Company.
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 31 December 2016	As of 31 December 2015
IMMSI S.p.A.	Mantua - Italy	Direct parent company	50.0621	50.0621
Omniaholding S.p.A.	Mantua - Italy	Final parent company	0.0858	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, management and coordination comprised 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 organized 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 Tecnologies 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 Espana 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:
› a racing team management service;
› vehicle design service to Piaggio & C..

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.;
› sold the moulds of two discontinued vehicles for future construction at Zongshen Piaggio Foshan Motorcycle Co. Ltd.

Foshan Piaggio Vehicles Tecnologies 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.

The tables below summarise relations described above and financial relations with parent companies, subsidiaries and affiliated companies as of 31 December 2016 and relations during the year, as well as their overall impact on financial statement items.

As of 31 December 2016	Fondazione Piaggio	Zongshen Piaggio Foshan	IMMSI Audit	Pontech - Pontedera & Tecnologia	Studio Girelli	Trevi	Omnia-holding	IMMSI	**Total**	**% of accounting item**
In thousands of euros										
Income statement										
Revenues from sales		855							855	0.07%
Costs for materials		23,289							23,289	2.97%
Costs for services	34		832		35	19		1,265	2,185	1.06%
Insurance								49	49	0.44%
Leases and rentals							197	1,343	1,540	9.22%
Other operating income		3,042	60					86	3,188	2.92%
Other operating costs								24	24	0.12%
Write-down/Impairment of investments		588		(24)					564	95.92%
Borrowing costs							134		134	0.36%
Taxes								388	388	3.38%
Assets										
Other non-current receivables	133								133	1.01%
Current trade receivables		3,349						1	3,350	4.46%
Other current receivables	5	957	86					7,705	8,753	36.24%
Liabilities										
Financial liabilities falling due after one year							2,900		2,900	0.54%
Other non-current payables		162							162	2.95%
Current trade payables		9,777			16	10	39	93	9,935	2.51%
Other current payables	34	181						6,937	7,152	15.24%

49. Contract commitments and guarantees

Contract commitments of the Piaggio Group are summarised based on their expiry.

	In 1 year	**Between 2 and 5 years**	**After 5 years**	**Total**
In thousands of euros				
Operating leases	5,327	10,707	3,054	**19,089**
Other commitments	15,861	9,672	407	**25,940**
Total	**21,188**	**20,380**	**3,461**	**45,029**

The main guarantees issued by banks on behalf of Piaggio & C. S.p.A in favour of third parties are listed below:

Type	Amount €/000
Guarantee of BCC-Fornacette to Livorno Customs Authorities for handling Piaggio goods at Livorno Port	200
A guarantee of BCC-Fornacette issued to Pisa Customs Authorities for handling Piaggio goods at the Pisana docks and at Livorno Port	200
Guarantee of BCC-Fornacette issued in favour of the Financial Administration - Revenue Agency, Provincial Department of Milan - to guarantee the excess deductible tax requested as a refund by the subsidiary Motoride SpA (now closed down)	275
Guarantee of BCC-Fornacette issued for the Group to Poste Italiane – Rome to guarantee contract obligations for the supply of vehicles	1,321
Guarantee of Banco di Brescia issued to the local authorities of Scorzè, to guarantee payment of urbanisation and construction charges relative to the Scorzè site	166
Guarantee of Banca Intesa San Paolo issued to the Ministry of the Interior of Algeria, to guarantee contract obligations for the supply of vehicles	140
Guarantee of Banca Intesa San Paolo issued to the Ministry of the Defense of Algeria, to guarantee contract obligations for the supply of vehicles	158

50. Disputes

Piaggio opposed the proceedings undertaken by the consumer association Altroconsumo, in accordance with article 140 of the Consumer Code, opposing, also with the filing of a specific technical report written by an independent expert, the alleged existence of a design defect and hazardous nature of the Gilera Runner first series, which was manufactured and sold by Piaggio from 1997 to 2005. In the case put forward by Altroconsumo, the erroneous design would make the vehicle in question more hazardous in the event of an accident with frontal impact, referring, as an example to two accidents occurring in 1999 and 2009 to Mr Gastaldi and Mr Stella respectively, following which the Gilera Runner burst into flames. The trial judge rejected the claim, ordering Altroconsumo to pay Piaggio's legal fees. Following the appeal made by Altroconsumo, the Board ordered a technical appraisal to ascertain the existence of the design defect claimed by Altroconsumo. Following the results of the appraisal and hearing held on 18 December 2012, the Board informed the parties on 29 January 2013 that Altroconsumo's appeal had been upheld, ruling Piaggio to (i) inform owners of the hazardous nature of the product, (ii) publish the ruling of the Board in some newspapers and specialised magazines (iii) recall the product. The effects of the ruling were subsequently suspended by the Court of Pontedera with a ruling ("inaudita altera parte") of 28 March 2013, concerning the appeal made by Piaggio, in accordance with article 700 of the Italian Code of Civil Proceedings. Following the cross examination with Altroconsumo, the suspension ruling was confirmed by the Court of Pontedera on 3 June 2013. Altroconsumo appealed against the suspension ruling before the Board at the Court of Pisa. The Board therefore ordered a new Court-appointed expert's report, having noted contradictions between i) the report of the Court-appointed expert Professor Cantore in proceedings brought by Altroconsumo and ii) the report of the Court-appointed expert Professor Cantore in proceedings brought by Mr Stella in a separate ruling for the compensation for damages. Activities of the expert were completed and the related report was filed in December 2014. The results of the expert's report were discussed at the hearing of 19 January 2015, at the end of which the Court of Pisa upheld the judgement issued on 29 January 2013. Piaggio has complied with the decision by publishing a notice in the press and launching a recall campaign for its vehicles pending the outcome of the proceedings, as described below.

Piaggio took action before the Court of Pontedera (now the Court of Pisa) for a final dismissal of the ruling of the Court of Pisa of 29 January 2013. Upholding Piaggio's appeal, the Judge ordered a new expert witness report on the product, appointing Professor Belingardi of Turin Polytechnic as the expert, who was sworn in during the hearing of 14 July 2015. The initial deadline granted by the Judge for the expert's report, was extended and the report is now being produced. The hearing, already called for 20 September 2016, has been adjourned to 6 April 2017.

Canadian Scooter Corp. (CSC), sole distributor of Piaggio for Canada, summoned Piaggio & C. S.p.A., Piaggio Group Americas Inc. and Nacional Motor S.A to appear before the Court of Toronto (Canada) in August 2009 to obtain compensation for damages sustained due to the alleged infringement of regulations established by Canadian law on franchising (the Arthur Wishart Act). The proceedings have been suspended at present, as attempts at settlement are still pending, due to no action being taken by the other party.

In 2010, Piaggio took action to establish an arbitration board through the Arbitration Chamber of Milan, for a ruling against some companies of the Case New Holland Group (Italy, Netherlands and the USA), to recover damages under contractual and non-contractual liability relating to the execution of a supply and development contract of a new family of utility vehicles (NUV). In the award notified to the parties on 3 August 2012, the Board rejected the claims made by the Company. The Company appealed against this award before the Appeal Court of Milan, which established the first hearing for 4 June 2013. The hearing for closing arguments set for 12 January 2016 was adjourned to 26 January 2016. With the ruling of 8 June 2016, the Court of Appeal of Milan rejected Piaggio's appeal. The Company filed an appeal with the Court of Cassation.

Da Lio S.p.A., by means of a complaint received on 15 April 2009, summoned the Parent Company before the Court of Pisa to claim compensation for the alleged damages sustained for various reasons as a result of the termination of supply relationships. The Company appeared in court requesting the rejection of all opposing requests. Da Lio requested a joinder with the opposition concerning the injunction obtained by Piaggio to return the moulds retained by the supplier at the end of the supply agreement. Judgements were considered and a ruling issued pursuant to article 186-ter of the Italian Code of Civil Proceedings, on 7 June 2011, ordering Piaggio to pay the sum of Euro 109,586.60, plus interest relative to sums which were not disputed. During 2012, testimonial evidence was presented. After reaching a decision at the end of testimonial evidence, the Judge admitted a technical/accounting court-appointed expert requested by Da Lio to quantify the amount of interest claimed by Da Lio and value of stock. The technical appraisal was completed at the end of 2014. At the hearing of 12 February, the Judge arranged for a mediation hearing for 23 April 2015. Following the hearing and in the absence of conciliation, the case was adjourned to 23 September 2016 for closing arguments and was therefore ruled on.

In June 2011 Elma srl, a Piaggio dealer since 1995, started two separate proceedings against the Parent Company, claiming the payment of approximately €2 million for alleged breach of the sole agency ensured by Piaggio for the Rome area and an additional €5 million as damages for alleged breach and abuse of economic dependence by the Company. Piaggio opposed the proceedings undertaken by Elma, fully disputing its claims and requesting a ruling for Elma to settle outstanding sums owing of approximately € 966,000.
During the case, Piaggio requested the enforcement of bank guarantees that ensured against the risk of default by the dealer issued in its favour by three banks. Elma attempted to stop enforcement of the guarantees with preventive proceedings at the Court of Pisa (Pontedera section): the proceedings ended in favour of Piaggio that collected the amounts of the guarantees (over € 400,000). Trial proceedings took place and a hearing was held on 24 April 2013 to examine evidence. After reaching a decision at the aforesaid hearing, the Judge rejected requests for preliminary examination of Elma and set the hearing for 17 December 2015 for closing arguments, which was adjourned to 3 March 2016 and was then not held as the judge was transferred. At present, the case is pending, with a new Judge to be assigned.
As regards the matter, Elma has also brought a case against a former senior manager of the Company before the Court of Rome, claiming compensation for damages: Piaggio appeared in the proceedings, requesting, among other things, that the case be moved to the Court of Pisa. At the hearing of 27 January 2014, the Judge ruled on the preliminary exceptions and did not admit preliminary briefs. The hearing for closing arguments set for 21 December 2015 and subsequently adjourned, was not held as

the Judge, on petition of Elma, re-opened the preliminary investigation, admitting testimonial evidence and setting the hearing for 25 May 2016. On this date, examination of the witnesses began and the hearing was adjourned to 24 October 2016 to continue the preliminary investigation. After the hearing, the Judge ruled on the application for the expert witness's report.

In a complaint received on 29 May 2007, Gammamoto S.r.l. in liquidation, an Aprilia licensee in Rome, started a legal action against the Parent Company before the Court of Rome for contractual and non-contractual liability. The Company fully opposed the injunction disputing the validity of Gammamoto's claims and objecting to the lack of jurisdiction of the Judge in charge. The Judge, accepting the petition formulated by the Company, declared its lack of jurisdiction with regards to the dispute. Gammamoto has continued proceedings through the Court of Venice. The Judge admitted testimonial evidence and evidence for examination requested by the parties, establishing the hearing for the preliminary investigation on 12 November 2012. After defining the closing arguments of the hearing of 26 June 2013, the terms for final statements and relative replies were granted, and the case was not ruled on. The Court of Venice issued a ruling in favour of Piaggio, filed on 17 February 2014. Gammamoto appealed and at the first hearing on 23 October 2014 the Court decided to rule without proceeding with the preliminary investigation requested by the opposing party, and in particular without ordering a technical appraisal. The hearing for closing arguments has been set for 1 April 2019.

The company TAIZHOU ZHONGNENG summoned Piaggio before the Court of Turin, requesting the annulment of the Italian part of the 3D trademark registered in Italy protecting the form of the Vespa, as well as a ruling denying the offence of the counterfeiting of the 3D trademark in relation to scooter models seized by the Guardia di Finanza [Italian tax police] at the 2013 EICMA trade show, based on the petition filed by Piaggio, in addition to compensation for damages. At the first hearing for the parties to appear, set for 4 February 2015 and adjourned to 5 February 2015, the Judge lifted reservations, arranging for a court-appointed expert's report to establish the validity of the Vespa 3D trademark and the infringement or otherwise of Znen scooter models, setting the next hearing for the court-appointed expert to be sworn in on 18 March 2015. This hearing was then adjourned to 29 May 2015. At that hearing, the judge set the deadline for filing the final expert's report for 10 January 2016, and scheduled the discussion hearing for 3 February 2016. During this hearing, the Judge, considering the preliminary investigation as completed, set the hearing for closing arguments for 26 October 2016. During this hearing, the Judge set the deadline for filing final briefs and replies for 14 January 2017. The Judge still has to set the date for the final hearing, which must take place within 60 days following the deadline of 14 January 2017.

In a writ of 27 October 2014 Piaggio summoned the companies PEUGEOT MOTOCYCLES ITALIA s.p.a., MOTORKIT s.a.s. di Turcato Bruno e C., GI.PI. MOTOR di Bastianello Attilio and GMR MOTOR s.r.l. before the Court of Milan to obtain the recall of Peugeot "Metropolis" motorcycles from the market, and to establish the infringement of some European patents and designs owned by Piaggio, as well as a ruling for the compensation for damages for unfair competition, and the publication of the ruling in some newspapers. In the hearing for the first appearance of 4 March 2015, the judge set the deadline for filing statements pursuant to article 183.6 of the Italian Code of Civil Procedure and appointed an expert witness. The hearing for swearing in the expert took place on 6 October 2015. On 23 December, the expert submitted the provisional report to the parties. Further to an extension granted by the judge on request of Peugeot, the final report by the court-appointed expert will be filed on 31 March 2017.

Piaggio started a similar legal action against Peugeot Motocycles SAS before the Tribunal de Grande Instance in Paris. As a result of the Piaggio action ("Saisie Contrefaçon"), several documents were obtained by a bailiff and tests carried out to prove the infringement of the MP3 motorcycle by the Peugeot "Metropolis" motorcycle. The hearing took place on 8 October 2015 for the appointment of the expert, who will examine the findings of the Saisie Contrefaçon. On 3 February 2016 the hearing took place to discuss the preliminary briefs exchanged between the parties. The hearing to examine preliminary results, set for 29 September 2016, has been adjourned to 9 February 2017, pending the outcome of the proceeding before the EPO, which ended on 22 November 2016 in favour of Piaggio.

In a complaint of 4 November 2014 Piaggio summoned the companies YAMAHA MOTOR ITALIA s.p.a., TERZIMOTOR di Terzani Giancarlo e Alberto s.n.c., NEGRIMOTORS s.r.l. and TWINSBIKE s.r.l. before the Court of Milan to obtain the recall of Yamaha "Tricity" motorcycles from the market, and to establish the infringement of some European patents and designs owned by Piaggio, as well as a ruling for the compensation for damages for unfair competition, and the publication of the ruling in some newspapers.

In July 2015 YAMAHA HATSUDOKI KABUSHIKI KAISHA (YAMAHA MOTOR CO LTD) brought three separate proceedings before the Court of Rome, the Tribunal de Grande Instance de Paris and the Court of Düsseldorf, against Piaggio & C. SpA, Piaggio France and Piaggio Deutschland GmbH, to obtain (i) the recall of Piaggio MP3, Gilera Fuoco motorcycles, (ii) a ruling for the compensation of damages, (iii) and the publication of the ruling in some newspapers, after establishing the infringement of some European patents owned by Yamaha concerning an air intake for the cooling of a continuously variable transmission (CVT) and an outer cover with boomerang shape, with basically an aesthetic function, located below the vehicle seat, as well as for unfair competition.

In July 2015 YAMAHA HATSUDOKI KABUSHIKI KAISHA (YAMAHA MOTOR CO LTD) brought three separate proceedings before the Court of Rome, the Tribunal de Grande Instance de Paris and the Court of Düsseldorf, against Piaggio & C. SpA, Aprilia Racing S.p.A, Piaggio France and Piaggio Deutschland GmbH, to obtain (i) the recall of Aprilia RSV4 motorcycles, (ii) a ruling for the compensation for damages, (iii) and the publication of the ruling in some newspapers, after establishing the infringement of some European patents owned by Yamaha concerning an injection system for high performance motorcycles with variable intake pipes, as well as for unfair competition.

All the above proceedings involving various companies that are part of the Piaggio Group and Yamaha Motor Corporation respectively, ended in 2016 with a settlement agreement between the parties.

The amounts allocated by the Company for the potential risks deriving from the current dispute appear to be consistent with the predictable outcome of the disputes.

As regards tax disputes involving the Parent Company Piaggio & C. S.p.A., two appeals are ongoing against two tax assessments notified to the Company and related to the 2002 and 2003 tax years respectively. These assessments originate from the Italian Revenue Agency accessing the Parent Company's offices in 2007, following information filed in the report of verification issued in 2002 following a general verification. The Parent Company obtained a favourable ruling concerning these assessments, in both the first and second instance, and with reference to both tax periods. The Italian Revenue Agency filed an appeal with the Court of Cassation and the Company filed related appeals against it on 27 May 2013, with reference to the tax litigation made related to the 2002 tax period, and on 10 March 2014, for the tax litigation made relative to the 2003 tax period. The dates for the hearings still have to be set.
The Company also filed three appeals with the Income Tax Appellate Tribunal against the assessment orders received on completion of the assessment of income generated by Piaggio & C. S.p.A. in India during the 2009-2010, 2010-2011 and 2011-2012 Indian tax periods, involving sums for approximately €1.2 million, €1 million and €1.1 million respectively. In compliance with local laws, the Parent Company has already paid part of the amounts related to the appeals to the Indian tax authorities, as regards the first two tax periods, for a total of €0.6 million; these amounts will be paid back to the Company if the rulings on the appeals are in its favour. As regards disputes related to the 2009-2010 and 2010-2011 tax periods, the ruling from the court of the first instance is pending, while the date for the hearing concerning the 2011-2012 tax period dispute still has to be set.

The Company has not considered allocating provisions for these disputes, in view of the positive opinions expressed by consultants appointed as counsel. Furthermore, based on the abovementioned opinions, the Company deems probable the favourable outcome of the rulings and the related repayment of the amounts paid with reference to the Indian disputes.

The main tax disputes of other Group companies concern Piaggio Vehicles PVT Ltd, Piaggio France S.A. and Piaggio Hellas S.A..

With reference to the Indian subsidiary, some disputes concerning different tax years from 1998 to 2015 are ongoing related to direct and indirect tax assessments and for a part of which, considering positive opinions expressed by consultants appointed as counsel, provisions have not been made in the financial statements. The Indian company has already partly paid the amounts contested, as required by local laws, that will be paid back when proceedings are successfully concluded in its favour.

As regards the French company, a favourable ruling was issued in December 2012 by the Commission Nationale des Impots directes et des taxes sur le chiffre d'affaires, the decision-making body ruling prior to legal proceedings in disputes with the French tax authorities concerning a general audit of the 2006 and 2007 periods. The French tax authorities however upheld their claims against the Company, requesting payment of the amounts claimed and issuing related notices (one for withholding tax and the other for corporate income tax and VAT). The amount concerned, equal to approximately €3.7 million, was paid in full to the French tax authorities.
The Company appealed against the notices and appeals were filed against the findings on withholding tax and corporate income tax, before the Tribunal Administratif. In both cases, a ruling was issued against the Company. Appeals were lodged against this decision on 7 September 2015 and 8 July 2016 before the Cour Administrative d'Appel de Versailles; the dates for the hearings still have to be set.
The Company has not considered allocating provisions, considering that amounts paid may be recovered, based on the positive opinions expressed by consultants appointed as counsel, as well as the opinion of the above Commission.

On 8 April 2015, Piaggio Hellas S.A. received a Tax Report following a general assessment for the 2008 tax period, with findings for approximately €0.5 million. On 12 June 2015, the Company appealed against the report with the Tax Center – Dispute Resolution Department. Following the unsuccessful outcome of the appeal, the Company filed an appeal before the Administrative Court of Appeal. Following the hearing of 5 December 2016, the Company is waiting for the decision to be issued. The amount in question was paid in full to the Greek tax authorities; based on positive opinions from professionals appointed as counsel, the Company considers a positive outcome and subsequent reimbursement of amounts paid as likely.

51. Significant non-recurring events and operations

For 2016 and 2015, no significant non-recurrent transactions were recorded.

52. Transactions arising from atypical and/or unusual transactions

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

53. Events occurring after the end of the period

No events to be reported occurred after the end of the period.

54. Authorisation for publication

This document was published on 22 March 2017 authorised by the Chairman and Chief Executive Officer.

Mantua, 27 February 2017

for the Board of Directors

Chairman and Chief Executive Officer
Roberto Colaninno

Attachments

Piaggio Group companies

Companies and material investments of the Group are listed below.
The list presents the companies divided by type of control and method of consolidation.
The following are also shown for each company: the company name, the registered office, the country of origin and the share capital in the original currency, in addition to the percentage held by Piaggio & C. S.p.A. or by other subsidiaries. It should be noted that the percentage share of ownership corresponds to the percentage share of the voting rights exercised at Ordinary General Meetings of Shareholders.

List of companies included in the scope of consolidation on a line-by-line basis as of 31 December 2016

Company name	Registered office	Country	Share capital	Currency	% of the holding Direct	% of the holding Indirect	% of the holding Means	% total interest
Parent company								
Piaggio & C. S.p.A.	Pontedera (Pisa)	Italy	207,613,944.37	Euro				
Subsidiaries								
Aprilia Brasil Industria de Motociclos S.A.	Manaus	Brazil	2,020,000.00	R$		51%	Aprilia World Service Holding do Brasil Ltda	51%
aprilia racing s.r.l.	Pontedera (Pisa)	Italy	250,000.00	Euro	100%			100%
Aprilia World Service Holding do Brasil Ltda.	São Paulo	Brazil	2,028,780.00	R$		99.999950709%	Piaggio Group Americas Inc	99.999950709%
Atlantic 12- Property investment fund	Rome	Italy	10,639,718.35	Euro	100%			100%
Foshan Piaggio Vehicles Technology Research and Development Co Ltd	Foshan City	China	10,500,000.00	RMB		100%	Piaggio Vespa B.V.	100%
Nacional Motor S.A.	Barcelona	Spain	60,000.00	Euro	100%			100%
Piaggio Advanced Design Center Corp.	California	USA	100,000.00	USD	100%			100%
Piaggio Asia Pacific PTE Ltd.	Singapore	Singapore	100,000.00	sin$		100%	Piaggio Vespa B.V.	100%
Piaggio China Co. LTD	Hong Kong	China	12,500,000 auth. capital (12,100,000 subscribed and paid up)	USD	99.999990%			99.999990%
Piaggio Concept Store Mantova S.r.l.	Mantua	Italy	100,000.00	Euro	100%			100%
Piaggio Deutschland GmbH	Düsseldorf	Germany	250,000.00	Euro		100%	Piaggio Vespa B.V.	100%
Piaggio España S.L.U.	Alcobendas	Spain	426,642.00	Euro	100%			100%
Piaggio Fast Forward Inc.	Delaware	USA	5,930.23	USD	86%			86%
Piaggio France S.A.S.	Clichy Cedex	France	250,000.00	Euro		100%	Piaggio Vespa B.V.	100%
Piaggio Group Americas Inc	New York	USA	2,000.00	USD		100%	Piaggio Vespa B.V.	100%
Piaggio Group Canada Inc.	Toronto	Canada	10,000.00	CAD$		100%	Piaggio Group Americas Inc	100%
Piaggio Group Japan	Tokyo	Japan	99,000,000.00	Yen		100%	Piaggio Vespa B.V.	100%
Piaggio Hellas S.A.	Athens	Greece	1,004,040.00	Euro		100%	Piaggio Vespa B.V.	100%
Piaggio Hrvatska D.o.o.	Split	Croatia	400,000.00	HKD		100%	Piaggio Vespa B.V.	100%
Piaggio Limited	Bromley Kent	United Kingdom	250,000.00	GBP	0.0004%	99.9996%	Piaggio Vespa B.V.	100%
Piaggio Vehicles Private Limited	Maha-rashtra	India	349,370,000.00	INR	99.9999971%	0.0000029%	Piaggio Vespa B.V.	100%
Piaggio Vespa B.V.	Breda	Holland	91,000.00	Euro	100%			100%
Piaggio Vietnam Co Ltd	Hanoi	Vietnam	64,751,000,000.00	VND	63.5%	36.5%	Piaggio Vespa B.V.	100%
PT Piaggio Indonesia	Jakarta	Indonesia	4,458,500,000.00	Rupiah	1%	99%	Piaggio Vespa B.V.	100%

List of companies included in the scope of consolidation with the equity method as of 31 December 2016

Company name	Registered office	Country	Share capital	Currency	% of the holding			% total interest
					Direct	Indirect	Means	
Zongshen Piaggio Foshan Motorcycle Co. Ltd	Foshan City	China	29,800,000.00	USD	32.50%			45%
						12.50%	Piaggio China Co. LTD	

List of investments in affiliated companies as of 31 December 2016

Company name	Registered office	Country	Share capital	Currency	% of the holding			% total interest
					Direct	Indirect	Means	
Depuradora D'Aigues de Martorelles Soc. Coop. Catalana Limitada	Barcelona	Spain	60,101.21	Euro		22%	Nacional Motor S.A.	22%
Immsi Audit S.c.a.r.l.	Mantua	Italy	40,000.00	Euro	25%			25%
Pont - Tech, Pontedera & Tecnologia S.c.r.l.	Pontedera (Pisa)	Italy	884,160.00	Euro	20.45%			20.45%
S.A.T. Societé d'Automobiles et Triporteurs S.A.	Tunis	Tunisia	210,000.00	TND		20%	Piaggio Vespa B.V.	20%

Information pursuant to article 149 duodecies of the Consob Regulation on Issuers

The following statement was prepared pursuant to article 149 duodecies of the Consob Regulation on Issuers and indicates the fees for 2016 for auditing services and other services provided by the same independent auditors and entities belonging to the auditing firm's network.

Type of service	Subject providing the service	Recipient	Fees for 2016
In euro			
Auditing services	PWC	Parent Company Piaggio & C	463,870
	PWC	Subsidiaries	113,647
	PWC network	Subsidiaries	375,692
Auditing services CSR	PWC	Parent Company Piaggio & C	27,000
Certification services	PWC	Parent Company Piaggio & C	27,000
	PWC network	Subsidiaries	60,402
Other services	PWC	Parent Company Piaggio & C	227,000
	PWC	Subsidiaries	28.000
	PWC network	Subsidiaries	17,200
Total			**1,339,811**

N.B.: Sums of subsidiaries operating in currencies other than the euro and agreed on in a local currency have been converted to the average exchange rate of 2016.


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Certification of the Consolidated Financial Statements pursuant to article 154-bis of Italian Legislative Decree no. 58/98

1. The undersigned Roberto Colaninno (Chairman and Chief Executive Officer) and Alessandra Simonotto (Appointed Executive) of Piaggio & C. S.p.A. hereby certify, also in consideration of article 154-bis, sections 3 and 4, of Legislative Decree no. 58 of 24 February 1998:
   › the appropriateness with regard to the company's characteristics and
   › the actual application of administrative and accounting procedures for the formation of the Consolidated Financial Statements as of 31 December 2016.

2. With regard to the above, no relevant aspects are to be reported.

3. Moreover
   3.1 the Consolidated Financial Statements:

   a. have been prepared in compliance with the international accounting standards endorsed by the European Community pursuant to regulation (EC) no. 1606/2002 of the European Parliament and Council of 19 July 2002;

   b. correspond to accounting records;

   c. give a true and fair view of the consolidated statement of financial position and results of operations of the Issuer and of all companies included in the scope of consolidation;

   3.2 The Report on Operations includes reliable analysis of the trend of operations and operating results, as well as the situation of the Issuer and companies included in the scope of consolidation, as well as a description of main risks and uncertainties to which they are exposed.

Date: 27 February 2017

Chairman and Chief Executive Officer | **Executive in charge**

Report of the Independent Auditors on the Consolidated Financial Statements

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INDEPENDENT AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE No. 39 OF 27 JANUARY 2010

To the shareholders of
Piaggio & C. SpA

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of the Piaggio Group, which comprise the consolidated statement of financial position as of 31 December 2016, the consolidated income statement, the consolidated statement of comprehensive income, the changes in consolidated shareholders' equity, the consolidated statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of Piaggio & C. SpA are responsible for the preparation of consolidated financial statements that give a true and fair view in compliance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) drawn up pursuant to article 11 of Legislative Decree No. 39 of 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The audit procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

PricewaterhouseCoopers SpA

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Piaggio Group as of 31 December 2016 and of the result of its operations and cash flows for the year then ended in compliance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005.

Report on compliance with other laws and regulations

Opinion on the consistency with the consolidated financial statements of the report on operations and of certain information set out in the report on corporate governance and ownership structure

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion, as required by law, on the consistency of the report on operations and of the information set out in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/1998, which are the responsibility of the directors of Piaggio & C. SpA, with the consolidated financial statements of the Piaggio Group as of 31 December 2016. In our opinion, the report on operations and the information in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of the Piaggio Group as of 31 December 2016.

Florence, 20 March 2017

PricewaterhouseCoopers SpA

Signed by

Corrado Testori
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers

PIAGGIO & C. SPA
SEPARATE FINANCIAL STATEMENTS OF THE PARENT COMPANY AS OF 31 DECEMBER 2016

Income Statement

Notes	In thousands of euros	2016 Total	of which related parties	2015 restated[36] Total	of which related parties
3	Net revenues	788,397	94,910	743,470	95,344
4	Cost for materials	478,185	88,039	433,400	56,407
5	Cost for services and leases and rentals	180,531	41,965	182,570	43,449
6	Employee costs	159,871	52	159,033	42
7	Depreciation and impairment costs of property, plant and equipment	26,752		27,561	
7	Amortisation and impairment costs of intangible assets	54,469		46,909	
8	Other operating income	117,694	43,187	113,109	43,915
9	Other operating costs	15,244	746	15,582	770
	Operating income	**(8,961)**		**(8,476)**	
10	Income/(loss) from investments	43,523	43,499	47,043	46,889
11	Financial income	530	287	705	352
11	Borrowing costs	27,112	135	26,750	167
11	Net exchange gains/(losses)	(574)		(590)	
	Profit before tax	**7,406**		**11,932**	
12	Taxes for the period	(6,597)	497	(737)	(534)
	Profit from continuing operations	**14,003**		**12,669**	
	Assets held for sale:				
13	Profits or losses arising from assets held for sale				
	Net profit	**14,003**		**12,669**	

36) Reference is made to the note "redetermination of 2015 Statement of Financial Position and Income Statement data"

Statement of Comprehensive Income

Notes	In thousands of euros	2016	2015 restated[37]
	Net Profit (Loss) for the period (A)	**14,003**	**12,669**
	Items that will not be reclassified in the income statement		
40	Remeasurements of defined benefit plans	(2,377)	2,080
40	Portion of components of the Statement of Comprehensive Income of subsidiaries/associates measured with the equity method	(285)	(243)
	Total	**(2,662)**	**1,837**
	Items that may be reclassified in the income statement		
40	Total profits (losses) on cash flow hedges	198	245
40	Portion of components of the Statement of Comprehensive Income of subsidiaries/associates measured with the equity method	1,469	3,661
	Total	**1,667**	**3,906**
	Other components of the Statement of Comprehensive Income (B)[38]	**(995)**	**5,743**
	Total Profit (loss) for the period (A + B)	**13,008**	**18,412**

37) Reference is made to the note "redetermination of 2015 Statement of Financial Position and Income Statement data".

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

Statement of Financial Position

Notes	In thousands of euros	As of 31 December 2016		As of 31 December 2015 restated[39]		As of 1 January 2015 restated[39]	
		Total	of which related parties	Total	of which related parties	Total	of which related parties
	ASSETS						
	Non-current assets						
14	Intangible assets	562,760		566,338		560,402	
15	Property, plant and equipment	183,904		188,433		197,006	
16	Investment Property						
32	Investments	123,983		81,227		79,025	
33	Other financial assets	17,469		20,328		13,316	
21	Long-term tax receivables	6,176		634		893	
17	Deferred tax assets	39,872		35,577		33,421	
20	Other receivables	3,000	133	2,839	152	3,430	197
	Total non-current assets	**937,164**		**895,376**		**887,493**	
24	**Assets held for sale**						
	Current assets						
19	Trade receivables	52,937	25,819	57,244	18,428	74,669	35,867
20	Other receivables	49,839	38,851	91,417	77,052	82,536	64,364
21	Short-term tax receivables	4,817		5,942		3,266	
18	Inventories	152,541		157,233		170,645	
34	Other financial assets	13,715	9,714	13,403	13,403	13,669	13,669
35	Cash and cash equivalents	90,882		12,745		29,196	
	Total current assets	**364,731**		**337,984**		**373,981**	
	TOTAL ASSETS	**1,301,895**		**1,233,360**		**1,261,474**	
	SHAREHOLDERS' EQUITY AND LIABILITIES						
	Shareholders' equity						
39	Capital	207,614		207,614		207,614	
39	Share premium reserve	7,171		7,171		7,171	
39	Legal reserve	18,395		17,643		16,902	
39	Other reserves	(4,770)		(6,437)		(10,343)	
39	Retained earnings (losses carried forward)	76,505		90,825		100,137	
39	Profit (loss) for the period	14,003		12,669		14,810	
	Total shareholders' equity	**318,918**		**329,485**		**336,291**	
	Non-current liabilities						
36	Financial liabilities falling due after one year	508,766	2,900	495,386	2,900	472,439	2,900
26	Other long-term provisions	8,384		7,220		8,089	
27	Retirement funds and employee benefits	47,241		47,885		54,051	
28	Tax payables						
29	Other long-term payables	1,408	163	1,434		1,666	
	Total non-current liabilities	**565,799**		**551,925**		**536,245**	
	Current liabilities						
36	Financial liabilities falling due within one year	97,137		49,704	4,205	62,380	3,856
25	Trade payables	269,770	24,562	246,893	19,754	266,143	29,578
28	Tax payables	4,185		6,465		7,131	
29	Other short-term payables	39,142	9,062	41,365	12,304	46,961	16,974
26	Current portion of other long-term provisions	6,944		7,523		6,323	
	Total current liabilities	**417,178**		**351,950**		**388,938**	
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**1,301,895**		**1,233,360**		**1,261,474**	

39) Reference is made to the note "redetermination of 2015 Statement of Financial Position and Income Statement data".

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.

Notes	In thousands of euros	2016	2015 Restated[40]
	Operating activities		
	Profit (Loss) for the period	14,003	12,668
12	Taxes for the period	(6,597)	(738)
7	Depreciation of property, plant and equipment	25,752	27,561
7	Amortisation of intangible assets	54,090	46,909
	Provisions for risks and retirement funds and employee benefits	15,580	15,911
	Write-downs/ (Reinstatements)	(41,088)	(45,215)
	Losses/ (Gains) on the disposal of property, plants and equipment	(3,934)	(46)
11	Financial income	(530)	(704)
	Dividend income	(24)	(154)
11	Borrowing costs	27,041	27,340
	Change in working capital:		
19	(Increase)/Decrease in trade receivables	11,034	(1,594)
20	(Increase)/Decrease in other receivables	(6,125)	8,576
18	(Increase)/Decrease in inventories	4,692	13,412
25	Increase/ (Decrease) in trade payables	18,069	(9,506)
29	Increase/ (Decrease) in other payables	2,558	(15,571)
26	Increase/ (Decrease) in the current portion of provisions for risks	(7,619)	(5,730)
26	Increase/ (Decrease) in the non-current portion of provisions for risks	1,164	(869)
27	Increase/ (Decrease) in retirement funds and employee benefits	(9,183)	(15,147)
	Other changes	513	7,126
	Cash generated from operating activities	99,396	64,229
	Interest paid	(23,816)	(24,230)
	Taxes paid	(3,810)	(7,927)
	Cash flow from operating activities (A)	**71,770**	**32,072**
	Investment activities		
15	Investment in property, plant and equipment	(22,330)	(19,053)
	Sale price, or repayment value, of property, plant and equipment	4,042	112
14	Investment in intangible assets	(50,891)	(56,010)
	Sale price, or repayment value, of intangible assets	0	56
	Investment in non-current financial assets	(3,494)	(2,785)
	Loans provided	3,689	266
	Sale price of financial assets	0	0
	Collected interests	505	565
	Dividends from investments	41,427	46,469
	Cash flow from investment activities (B)	**(27,052)**	**(30,380)**
	Financing activities		
39	Purchase of treasury shares	(5,612)	(34)
39	Outflow for dividends paid	(17,962)	(26,007)
36	Loans received	84,397	51,119
36	Outflow for repayment of loans	(38,640)	(41,423)
36	Financial leases	12,839	0
36	Repayment of finance leases	(1,570)	0
	Cash flow from funding activities (C)	**33,452**	**(16,345)**
	Increase/ (Decrease) in cash and cash equivalents (A+B+C)	78,170	(14,653)
	Opening balance	**12,692**	**27,416**
	Exchange differences	10	(71)
	Closing balance	**90,872**	**12,692**

40) Reference is made to the note "redetermination of 2015 Statement of Financial Position and Income Statement data".

Changes in Shareholders' Equity

Movements from 1 January 2016/31 December 2016

Notes	In thousands of euros	Share capital	Share premium reserve	Legal reserve
	As of 1 January 2016	**207,614**	**7,171**	**17,643**
	Profit for the period			
40	Other components of the Statement of Comprehensive Income			
	Total profit (loss) for the period	**0**	**0**	**0**
	Distribution of profit for 2015 as resolved by the ordinary meeting of shareholders			
39	- To shareholders			
39	- To shareholders' equity			752
39	Purchase of treasury shares			
	As of 31 December 2016	**207,614**	**7,171**	**18,395**

Movements from 1 January 2015/31 December 2015

Notes	In thousands of euros	Share capital	Share premium reserve	Legal reserve
	As of 1 January 2015	**207,614**	**7,171**	**16,902**
	First-time adoption of the equity method			
	As of 1 January 2015 restated [41]	**207,614**	**7,171**	**16,902**
	Profit for the period			
40	Other components of the Statement of Comprehensive Income			
	Total profit (loss) for the period	**0**	**0**	**0**
	Distribution of profit for 2014 as resolved by the ordinary meeting of shareholders			
	- To shareholders			
39	- To shareholders' equity			741
39	Cancellation of treasury shares			
39	Purchase of treasury shares			
39	Other changes			
	As of 31 December 2015 restated	**207,614**	**7,171**	**17,643**

41) As from 1 January 2016, the revised version of IAS 27 "Separate Financial Statements" has been retroactively applicable, with consequent effects on 2015 financial data, which have been specifically restated. Reference is made to the specific Note for full details.

Net capital gain from contribution	Reserve for measurement of financial instruments	IAS transition reserve	Treasury shares	Translation reserve	Earnings reserve	TOTAL SHAREHOLDERS' EQUITY
152	**(586)**	**11,435**	**(34)**	**(17,438)**	**103,527**	**329,484**
					14,003	**14,003**
	198			1,469	(2,662)	**(995)**
0	**198**	**0**	**0**	**1,469**	**11,341**	**13,008**
					(17,962)	**(17,962)**
					(752)	**0**
			(5,612)			**(5,612)**
152	**(388)**	**11,435**	**(5,646)**	**(15,969)**	**96,154**	**318,918**

Net capital gain from contribution	Reserve for measurement of financial instruments	IAS transition reserve	Treasury shares	Translation reserve	Earnings reserve	TOTAL SHAREHOLDERS' EQUITY
152	**(830)**	**11,435**	**(5,787)**	**0**	**92,321**	**328,978**
				(21,099)	28,412	**7,313**
152	**(830)**	**11,435**	**(5,787)**	**(21,099)**	**120,733**	**336,291**
					12,669	**12,669**
	245			3,661	1,837	**5,743**
0	**245**	**0**	**0**	**3,661**	**14,506**	**18,412**
					(26,007)	**(26,007)**
					(741)	**0**
			5,787		(5,787)	**0**
			(34)			**(34)**
	(1)				823	**822**
152	**(586)**	**11,435**	**(34)**	**(17,438)**	**103,527**	**329,484**

Notes to the 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 main business operations are conducted are listed in the introduction to the financial statements.
These Financial Statements are expressed in Euros (€) since this is the currency in which most of the Company's transactions take place.

Compliance with international accounting standards

The Financial Statements as of 31 December 2016 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 Commission, as well as in compliance with the provisions established in Article 9 of Italian Legislative Decree no. 38/2005 (Consob Resolution no. 15519 dated 27 July 2006 containing "Provisions for the presentation of financial statements", Consob Resolution no. 15520 dated 27 July 2006 containing "Changes and additions to the Regulation on Issuers adopted by Resolution no. 11971/99", Consob communication no. 6064293 dated 28 July 2006 containing "Corporate reporting required in accordance with Article 114, paragraph 5 of Italian 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.
The Financial Statements have been prepared on a historical cost basis, amended as required for the measurement of some financial instruments, and on a going-concern basis. In fact, despite the difficult economic and financial context, the Company has evaluated that there are no significant doubts about its continuing as a going concern (as defined in section 25 of IAS 1), also in relation to actions already identified to adapt to changing levels in demand, as well as the industrial and financial flexibility of the Company.

These Financial Statements are audited by PricewaterhouseCoopers S.p.A..

1. Form and content of the financial statements

Form of the financial statements
The Company has chosen to highlight all changes generated by transactions with non-shareholders in two statements reporting trends of the period, the "Income Statement" and "Statement of Comprehensive Income". The Financial Statements are therefore composed of the Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Shareholders' Equity and these notes.

Income Statement
The Income Statement is presented with items classified by nature. The overall Operating Income is shown, which includes all income and cost items, irrespective of their repetition or fact of falling outside normal operations, except for the items of financial operations included under Operating Income and profit before tax. In addition, income and cost items arising from assets held for sale or to be discontinued, including any capital gains or losses net of the tax element, are recognised in a specific item of the Financial Statements which precede financial performance.

Statement of Comprehensive Income
The Statement of Comprehensive Income is presented in accordance with the provisions of IAS 1 amended. Items presented in "Other comprehensive income(expense)" are grouped based on whether they are potentially reclassifiable to profit or loss.

Statement of Financial Position

The Statement of Financial Position is presented in opposite sections with separate indication of assets, liabilities and shareholders' equity.
In turn, assets and liabilities are reported in the Financial Statements on the basis of their classification as current and non-current.

Statement of Cash Flows

The Statement of Cash Flows is divided into cash-flow generating areas. The Statement of Cash Flows model adopted by Piaggio & C. S.p.A. has been prepared using the indirect method. The cash and cash equivalents recorded in the Consolidated Statement of Cash Flows include the Consolidated Statement of Financial Position balances for this item at the reporting date. Financial flows in foreign currency were converted at the spot rate in force at the end of the reporting period. Income and costs related to interest, dividends received and income taxes are included in the cash flow generated from operations.

Statement of Changes in Shareholders' Equity

The Statement of Changes in Shareholders' Equity is presented as provided for in IAS 1 revised.
The Statement includes overall profit (loss) for the period. Reconciliation between the opening and closing balance of each item for the period is presented.

2. Accounting policies adopted by the Company

The most significant accounting policies adopted to prepare the Financial Statements as of 31 December 2016 are outlined below.

Intangible assets

As provided for in IAS 38 - *Intangible Assets*, an intangible asset which is purchased or internally generated, is recognised as an asset only if it is identifiable, controllable and future economic benefits are expected and its cost may be measured reliably. Borrowing costs related to the acquisition, construction or production of certain assets that require a significant period of time before they are ready for use or sale (qualifying assets), are capitalised along with the asset.
Intangible assets with a definite useful life are measured at acquisition cost or production cost net of amortisation and accumulated impairment losses. Amortisation is referred to the expected useful life and commences when the asset is available for use.

Goodwill

In the case of acquisitions of companies, acquired and identifiable assets, liabilities and potential liabilities are recognised at the fair value at the date of acquisition. The positive difference between the acquisition cost and share of the Company at the fair value of said assets and liabilities is classified as goodwill and recognised in the financial statements as an intangible asset. Any negative difference ("negative goodwill") is recognised instead in profit and loss at the date of acquisition.
Goodwill is not amortised but tested annually for impairment, or more frequently if specific events or changed circumstances indicate that an asset may be impaired, as provided for in IAS 36 - Impairment of Assets. After initial recognition, goodwill is recognised at cost net of any accumulated impairment losses.
At the disposal of part of or an entire company previously acquired from whose acquisition goodwill arose, the corresponding residual value of goodwill is considered when measuring the capital gain or loss of the disposal.

Development costs

Development costs of projects for the manufacture of vehicles and engines are recognised as assets only if all of the following conditions are met: the costs can be reliably measured and the technical feasibility

of the product, the volumes and expected prices indicate that costs incurred during development will generate future economic benefits. Capitalised development costs include only costs incurred that may be directly attributed to the development process.
Capitalised development costs are amortised on a systematic criterion basis, starting from the beginning of production through the estimated life of the product.
All other development costs are recognised in profit or loss when they are incurred.

Other intangible assets

As provided for in IAS 38 – Intangible Assets, other intangible assets which are purchased or internally generated are recognised as assets if it is probable that use of the asset will generate future economic benefits and the cost of the asset can be reliably measured.
These assets are recognised at acquisition or production cost and are amortised on a straight line basis over their estimated useful life, if they have a definite useful life.
Other intangible assets recognised following the acquisition of a company are accounted for separately from goodwill, if their fair value may be reliably measured.
The amortisation period for an intangible asset with a useful life is revised at least at the end of each reporting period. If the expected useful life of the asset differs from estimates previously made, the amortisation period is changed accordingly.
The amortisation periods of intangible assets are shown below:

Development costs	3-5 years
Industrial Patent and Intellectual Property Rights	3-5 years
Other	5 years
Trademarks	15 years

Property, plant and equipment

The Company has decided to adopt the cost method on first-time application of the IAS/IFRS, as allowed by IFRS 1. For the measurement of property, plant and equipment, therefore, the preference was not to use the fair value method. Property, plant and equipment were booked at the purchase or production cost and were not revalued. Borrowing costs related to the acquisition, construction or production of certain assets that require a significant period of time before they are ready for use or sale (qualifying assets), are capitalised along with the asset.
Costs incurred after acquisition are capitalised only if they increase the future economic benefits of the asset they refer to. All other costs are recognised in profit or loss when they are incurred. Property, plant and equipment under construction are measured at cost and depreciated starting from the period in which they are put into operation.
Depreciation is determined, on a straight line basis, on the cost of the assets net of their relative residual values, based on their estimated useful life.
The depreciation periods of Plant, property and equipment are summarised below:

Land	Land is not depreciated
Buildings	33 years
Plant and machinery	From 5 to 11 years
Equipment	From 4 to 5 years
Other assets	From 5 to 10 years

Profits and losses arising from the sale or disposal of assets are measured as the difference between the sale revenue and net carrying amount of the asset and are recognised in profit or loss for the period.

Lease contracts

Lease contracts for property, plant and machinery where the Company, as lessee, basically undertakes all risks and benefits of the property, are classified as finance leases. Finance leases are capitalised when the lease is established, at the fair value of the leased asset or, if less, at the current value of minimum payments due. The corresponding amount due to the lessor, net of borrowing costs, is recognised as a financial payable. The borrowing cost is recognised in profit or loss over the lease period, so as to produce an interest rate that is constant for the remaining amount due for each period. Property, plant and machinery of finance leases are depreciated during the useful life of the asset or the shorter of the useful life of the asset and the duration of the lease agreement, if there is no reasonably certainty that the Company will obtain the property at the end of the lease period.
Leases in which a significant part of the risks and benefits of ownership are not transferred to the Company as the lessor, are classified as operating leases. Payments made for operating leases (net of any incentives received from the lessee), are recognised in profit or loss on a straight-line basis for the duration of the lease agreement.

Investments in subsidiaries, associates and joint ventures

Investments in subsidiaries, associates and joint ventures are recognised in the financial statements according to the equity method, as allowed by IAS 27 and as provided for by IAS 28 (Investments in Associates and Joint Ventures).
Subsidiaries, associates and joint venture are included in the financial statements from when control, significant influence or joint control commences until it ceases.
The financial statements of subsidiaries, associates and joint ventures, are appropriately modified and reclassified, where necessary, to bring them in line with the international accounting standards and uniform classification criteria used by the Group.

In adopting the equity method, the investment in a subsidiary, associate or joint venture is initially recognised at cost and the carrying amount is increased or decreased to recognise the portion attributable to the investor of profit or loss of the investee realised after the date of acquisition. The portion of profit (loss) for the period of the investee attributable to the investor is recognised separately in profit or loss. Dividends received from an investee reduce the carrying amount of the investment. Adjustments to the carrying amount of the investment are also due to changes in items of other comprehensive income of the investee (e.g. changes arising from translation differences of items in foreign currency). The portion of these changes, attributable to the investor, is recognised under other components of comprehensive income. If the portion of losses of an entity in a subsidiary, associate or joint venture is equal to or exceeds its interest in the subsidiary, associate or joint venture, the entity discontinues recognising its share of further losses. After the interest is reduced to zero, additional losses are recognised by a provision (liability) only to the extent that the entity has incurred legal or constructive obligations or made payments on behalf of the associate, subsidiary or joint venture. If the subsidiary, associate or joint venture subsequently reports profits, the entity resumes recognising its portion of those profits only after its portion of the profits equals the share of losses not recognised. Profit and losses arising from "upwards" or "downwards" transactions between an entity and a subsidiary, associate or joint venture are recognised in the entity's financial statements only as regards the portion attributable to minority interest in the subsidiary, associate or joint venture. The portion of profit or loss of the subsidiary, associate or joint venture arising from these transactions, attributable to the investor, is eliminated in the income statement under "earnings from investments", with a counter entry of the asset's value, in "upwards" transactions, and of the value of the investment, in "downwards transactions".
If there is objective evidence of an impairment loss, the investment is tested for impairment, as described in the relative section, to which reference is made.
Separate financial statements are prepared in the currency of the primary economic sector in which the subsidiary, associate or joint venture operates (functional currency). For the purposes of adopting the equity method, the financial statements of each foreign entity are in euro, which is the functional currency of Piaggio & C. SpA and the presentation currency of the separate Financial Statements.
All assets and liabilities of foreign companies in a currency other than the euro are translated, using

exchange rates in effect at the reporting date (currency exchange rates method). Income and costs are translated at the average exchange rate of the period. Translation differences arising from the application of this method, as well as translation differences arising from a comparison of initial shareholders' equity translated at current exchange rates and the same equity translated at historical rates, are recognised in the statement of comprehensive income and allocated to a specific reserve in shareholders' equity until disposal of the investment.
The exchange rates used to translate the financial statements of subsidiaries, associates and joint ventures into euro are shown in the table below.

Currency	Spot exchange rate 31 December 2016	Average exchange rate 2016	Spot exchange rate 31 December 2015	Average exchange rate 2015
US Dollar	1.0541	1.10690	1.0887	1.10951
Pounds Sterling	0.85618	0.819483	0.73395	0.72585
Indian Rupee	71.5935	74.3717	72.0215	71.1956
Singapore Dollars	1.5234	1.52754	1.5417	1.52549
Chinese Renminbi	7.3202	7.35222	7.0608	6.97333
Croatian Kuna	7.5597	7.53329	7.638	7.6137
Japanese Yen	123.40	120.197	131.07	134.314
Vietnamese Dong	23,894.71	24,566.34911	24,435.06	24,147.36965
Canadian Dollars	1.4188	1.46588	1.5116	1.41856
Indonesian Rupiah	14,167.10	14,721.43381	15,029.50	14,861.45152
Brazilian Real	3.4305	3.85614	4.3117	3.70044

Impairment

At the end of the reporting period, the Company reviews the book value of its plant, property and equipment, intangible assets and investments, to determine whether there is any indication that these assets may be impaired (impairment test). If there is an indication that an asset may be impaired, the asset's recoverable amount is estimated to determine the amount of the write-down. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the asset's cash generating unit.
The recoverable amount is the greater of the net sale price and value in use. In measuring the value in use, estimated future cash flows are discounted at their fair value, using a rate gross of taxes, which reflects current market changes in the fair value of money and specific risks of the asset.
If the recoverable amount of an asset (or of a cash generating unit) is estimated to be lower than the relative carrying amount, the carrying amount of the asset is reduced to the lower recoverable value. An impairment loss is immediately recognised in profit or loss, unless the asset concerns land or property other than investment property recognised at revalued values. In said case, the loss is recorded in the relative revaluation reserve.
When the conditions that gave rise to an impairment loss no longer exist, the carrying amount of the asset (or of a cash generating unit), except for goodwill, is increased to the new value arising from an estimate of its recoverable amount, up to the net carrying amount applicable to the asset if no impairment loss had been recognised. The reversal of the impairment loss is immediately recognised in profit or loss.
An intangible asset with an indefinite useful life is tested annually for impairment, or more frequently if there is an indication that an asset may be impaired.

Investment Property

The Company has no investment property. As permitted by IAS 40, non instrumental property and buildings held for rental and/or asset appreciation purposes are measured at fair value. Investment properties are eliminated from the financial statements when they are disposed of or when they may not be used over time and future economic benefits from their sales are not expected.

Transactions with affiliates and related parties

Relations with subsidiaries and related parties are indicated in the specific section of the Notes, to which reference is made.

Non-current assets held for sale

Non-current assets (or disposal groups) that are classified as held for sale are measured at the lower of the carrying amount and fair value less costs to sell.
Non-current assets (and disposal groups) are classified as held for sale when it is expected that their carrying amount will be recovered through a sale rather than through their use in company operations. This condition is only met when the sale is highly probable, the asset (or disposal group) is available for immediate sale and management is committed to a plan to sell, which should take place within 12 months from the date in which this item was classified as held for sale.

Financial assets

Financial assets are recognised and deleted from the financial statements based on the negotiation date and are initially measured at fair value, represented by the initial increased amount, with the exception of assets held for negotiation, of costs relative to the transaction.
At subsequent end of reporting periods, the financial assets the Company intends and can retain up until maturity (securities held until maturity) are recognised at amortised cost based on the effective interest rate method, net of reversals for impairment losses.
Financial assets other than those held to maturity are classified as held for trading or for sale, and are measured at fair value at the end of each period. When financial assets are held for trading, profits and losses arising from changes in fair value are recognised in profit or loss for the period; in the case of financial assets held for sale, profits and losses arising from changes in fair value are recognised in the statement of comprehensive income and allocated to a specific reserve of shareholders' equity until sold, recovered or disposed of.

Inventories

Inventories are recognised as the lower of the purchase or production cost, determined by assigning to products the costs directly incurred in addition to the portion of indirect costs reasonably attributable to the performance of production activities in normal production capacity conditions and the market value at the end of the reporting period.
The purchase or production cost is determined based on the weighted average cost method.
As regards raw materials and work in progress, the market value is represented by the estimated net realisable value of corresponding finished products minus completion costs; as regards finished products, the market value is represented by the estimated net realisable value (price lists minus the costs to sell and distribution costs).
The lower measurement based on market trends is eliminated in subsequent years, if the trends no longer exist.
Obsolete, slow moving and/or excess inventories are impaired in relation to their possible use or future realisation, in a provision for the write-down of inventories.

Receivables

Trade receivables and other receivables are initially recognised at fair value and subsequently recognised based on the amortised cost method, net of the provisions for write-downs. Losses on receivables are recognised when there is objective evidence that the Company is not able to recover the amount due from the other party on the basis of contractual terms.
When payment of amounts due exceeds standard terms of payment granted to clients, the receivable is discounted.

Factoring

The Company sells a significant part of its trade receivables through factoring and in particular, sells trade receivables without recourse. Following these sales with the total and unconditional transfer to the transferee of the risks and benefits transferred, the receivables are eliminated from the financial statements.
In the case of transfers in which the risks and benefits are not transferred, the relative receivables remain in the statement of financial position until the transferred sum has been paid. In this case any advance payments collected by the factor are recognised under payables as amounts due to other lenders.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, current bank accounts, deposits payable on demand and other high liquidity short term financial investments, which are readily convertible into cash and not affected by any major risk of a change in value. This item does not include bank overdrafts payable on demand.

Treasury shares

Treasury shares are recognised as a reduction of shareholders' equity. The original cost of treasury shares and revenues arising from subsequent sales are recognised as movements of shareholders' equity.

Financial liabilities

Financial liabilities are recognised based on amounts cashed net of relative transaction costs. After initial recognition, loans are measured at amortised cost and calculated using the effective interest rate. Financial liabilities hedged by derivatives are measured at present value, according to procedures established for hedge accounting applicable to the fair value hedge and cash flow hedge.
On initial recognition, a liability may also be designated at fair value recognised in profit or loss when this eliminates or considerably reduces a lack of uniformity in the measurement or recognition (sometimes defined as "asymmetric accounting") that would otherwise arise from the measurement of an asset or liability or recognition of relative profit and loss on different bases. This fair value designation is exclusively applied to some financial liabilities in currency subject to exchange risk hedging.

Derivatives and measurement of hedging transactions

Company assets are primarily exposed to financial risks arising from changes in exchange and interest rates, and commodity prices. The Company uses derivatives to hedge risks arising from changes in foreign currency and interest rates in particular irrevocable commitments and planned future transactions. The use of these instruments is regulated by written procedures on the use of derivatives, in line with the Company's risk management policies.
Derivatives are initially measured at fair value represented by the initial amount.
Financial derivatives are only used for hedging purposes, against exchange rate and interest rate fluctuations. In line with IAS 39, financial derivatives may qualify for hedge accounting, only when the hedging instrument is formally designated and documented, is expected to be highly effective and this effectiveness can be reliably measured and is highly effective throughout the reporting periods for which it is designated.

When financial instruments may be measured by hedge accounting, the following accounting treatment is adopted:

› ***Fair value hedge:*** if a financial derivative is designated as a hedge of the exposure to changes in present value of a recognised asset or liability, attributable to a particular risk and could affect profit or loss, the gain or loss from the subsequent change in present value of the hedging instrument is recognised in profit or loss. The gain or loss on the hedged item, attributable to the hedged risk, changes the carrying amount of the hedged item and is recognised in profit or loss.
› ***Cash flow hedge:*** if an instrument is designated as a hedge of the exposure to variability in cash flows of a recognised asset or liability or of a highly probable forecast transaction which could affect profit or loss, the effective portion of the gain or loss on the financial instrument is recognised in the Statement of Comprehensive Income. Accumulated gain or loss is reversed from other shareholders' equity and recognised in profit or loss in the same period as the hedging transaction. The gain or loss associated with hedging or the part of hedging which is ineffective, is immediately recognised in profit or loss. If the hedging instrument or hedging ceases, but the transaction covered by hedging is not yet realised, profits and losses, recognised in equity, are instead recognised in profit or loss when the transaction takes place. If the transaction to be hedged is deemed no longer probable, gains and losses deferred in other shareholders' equity are recognised immediately in profit or loss.

If hedge accounting cannot be applied, gains and losses from measurement at present value of the financial derivative are immediately recognised in profit or loss.

Long-term provisions

The Company recognises provisions for risks and charges when it has a legal or implicit obligation to third parties and it is likely that Company resources will have to be used to meet the obligation and when the amount of the obligation itself can be reliably estimated.
Changes in estimates are recognised in profit or loss when the change takes place.
If the effect is considerable, provisions are calculated discounting future cash flows estimated at a discount rate gross of taxes, to reflect current market changes in the fair value of money and specifics risks of the liability.

Retirement funds and employee benefits

Liabilities relative to employee benefits paid on or after termination of employment for defined benefit plans are determined separately for each plan, based on actuarial hypotheses estimating the amount of future benefits that employees will accrue at the reporting date (the "projected unit credit method"). Liabilities, recognised in the financial statements net of any assets serving the plan, are entered for the period when the right accrues. Liabilities are measured by independent actuaries.
The cost components of defined benefits are recognised as follows:

› the costs relative to services are recognised in the Income Statement under employee costs;
› net borrowing costs of liabilities or assets with defined benefits are recognised in the Income Statement as financial income/(borrowing costs), and are determined by multiplying the value of the net liability/(asset) by the rate used to discount the obligations, taking account of the payment of contributions and benefits during the period;
› the remeasurement components of net liabilities, which include actual gain and losses, the return on assets (excluding interest income recognised in the Income Statement) and any change in the limit of the assets, are immediately recognised as "Other comprehensive income (expense)". These components must not be reclassified to the Income Statement in a subsequent period.

Termination benefits

Termination benefits are recognised at the closest of the following dates: i) when the Company can no longer withdraw the offer of such benefits and ii) when the Company recognises the costs of restructuring.

Stock Option Plan

As provided for in IFRS 2 - Share-Based Payment, the total amount of the present value of stock options at the date of assignment is recognised wholly in profit or loss under employee costs, with a counter entry recognised directly in shareholders' equity, if the grantees of the instruments representing capital become owners of the right on assignment. If a "maturity period" is required, in which certain conditions are necessary before grantees become holders of the right, the cost for payments, determined on the basis of the present value of options at the date of assignment, is recognised under employee costs on a straight line basis for the period between the date of assignment and maturity, with a counter entry directly recognised in shareholders' equity.

Determination of fair value based on the Black Scholes method.

Changes in the present value of options subsequent to the date of assignment do not have any effect on initial recognition.

Tax assets and liabilities

Deferred taxes are determined based on the temporary taxable differences between the value of the asset and liability and their tax value. Deferred tax assets are measured only to the extent to which it is likely that adequate future taxable sums exist against which the deferred taxes can be used. The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent to which it is no longer likely that sufficient taxable income exists allowing for all or a portion of said assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, considering the rates in effect or which are known to come into effect. Deferred taxes are directly recognised in profit or loss, except for items directly recognised in the statement of comprehensive income, in which case relative deferred taxes are also recognised in the statement of comprehensive income.

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

Payables

Payables are recognised at fair value and then measured based on the amortised cost method.

Reverse factoring

To guarantee suppliers easier credit conditions, the Company has established factoring agreements, and typically supply chain financing or reverse factoring agreements. Based on the agreements, suppliers may, at their discretion, transfer receivables due from the Company to a lender and collect amounts before the due date.

In some cases, payment terms are extended further in agreements between the supplier and the company; these extensions may be interest or non-interest bearing.

The Company has established a specific policy to assess the nature of reverse factoring operations. Based on the content of agreements, which differs by area of origin, the Finance function, at a central level, analyses the clauses of agreements in qualitative terms, as well as legal aspects in order to assess regulatory references and the type of transaction assignment (as provided for by IAS 39 AG57 b). In some cases, as payment terms have been extended, quantitative analysis is carried out to verify the materiality of changes in contract terms, based on quantitative tests as required by IAS 39 AG 62.

In this context, relations, for which a primary obligation with the supplier is maintained and any deferment, if granted, does not significantly change payment terms, are still classified as trade liabilities.

Recognition of revenues

Revenues for the sale of vehicles and spare parts are recognised to the extent that it is likely the Company will receive the economic benefits and their amount may be measured reliably.
Revenues are recognised when the risks and benefits connected with ownership are transferred to the purchaser, the sale price is agreed or may be determined and payment is reasonably certain.
Revenues are represented net of discounts, including, among others, sales incentive programmes and bonuses to customers, as well as taxes directly connected with the sale of the goods.
Revenues from the provision of services are recognised when the services are provided based on their progress.
Revenues also include lease payments recognised on a straight line basis for the duration of the contract.

Public grants

Set-up grants are recognised in the financial statements when their payment is certain and are recognised in profit or loss based on the useful life of the asset for which the grants have been provided.
Operating grants are recognised in the financial statements, when their payment is certain and are recognised in profit or loss in relation to costs for which the grants have been provided.

Financial income

Financial income is recognised on time accrual basis. Includes interest payable on invested funds, exchange differences receivable and income from financial instruments, when not offset in hedging transactions. Interest receivable is recognised in profit or loss when it matures, considering the actual return.

Borrowing costs

Borrowing costs are recognised on an accrual basis and include interest payable on financial payables calculated using the effective interest rate method, exchange differences payable and losses on derivative financial instruments. The rate of interest payable of finance lease payments is recognised in profit or loss, using the effective interest rate method.

Dividends

Dividends are recognised on an accrual basis, and therefore at the time when, following the resolution to distribute dividends by the subsidiary, the relative right to payment arises. In compliance with IAS 27 Revised "Separate Financial Statements", dividends distributed by subsidiaries, associates and joint ventures are recognised minus their investment value.

Income tax

Taxes represent the sum of current and deferred tax assets and liabilities.
Taxes allocated on the basis of estimated taxable income determined in compliance with national laws in force at the year end are recorded, taking account of applicable exemptions and tax credits due. Income tax is recognised in profit or loss, with the exception of items directly charged or credited to shareholders' equity, in which case the tax effect is directly recognised in shareholders' equity.
Taxes are recorded under "Tax payables" net of advances and withheld taxes.
As from the 2007 reporting period, the Company has been party to the National Consolidated Tax Convention pursuant to articles 117 to 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. This arrangement was renewed with effects starting from 2016 and will be operative up until 2018.
Based on the procedure, the consolidating company determines one taxable base for the group of companies that are party to the National Consolidated Tax Convention, and may therefore offset taxable income against tax losses in one tax return. Each company which is party to the National Consolidated Tax Convention transfers taxable income (taxable income or loss) to the consolidating company. The latter recognises a receivable from the consolidated company which is equal to the corporate tax to be paid. 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 offset at a Group level.

Use of estimates

The preparation of the financial statements and notes in compliance with IFRS requires management to make estimates and assumptions which have an impact on the values of assets and liabilities and on disclosure regarding contingent assets and liabilities at the end of the reporting period. Actual results could differ from estimates. Estimates are used to measure intangible assets tested for impairment (see § Impairment losses) and to identify provisions for bad debts, for obsolete inventories, amortisation and depreciation, impairment of assets, employee benefits, taxes, restructuring provisions and other allocations and funds. Estimates and assumptions are periodically revised and the effects of any change are immediately recognised in profit or loss.

In the current world economic and financial crisis, assumptions made as to future trends are marked by a considerable degree of uncertainty. Therefore the possibility in the next reporting period of results that differ from estimates cannot be ruled out and these could require even significant adjustments which at present cannot be predicted or estimated.

The critical measurement processes and key assumptions used by the Company in adopting IFRS and that may have a significant impact on figures in the Financial Statements or for which a risk exists that significant differences in value may arise in relation to the carrying amount of assets and liabilities in the future are summarised below.

Recoverable value of non-current assets

Non-current assets include Property, Plant and Equipment, Goodwill, Other Intangible Assets, Investment Property, Investments and Other Financial Assets. The Company periodically revises the carrying amount of non-current assets held and used and of assets held for sale, when facts and circumstances make this necessary. This analysis is carried out at least annually for Goodwill, and whenever facts and circumstances make it necessary. Analysis of the recoverability of the carrying amount of Goodwill is generally based on estimates of expected cash flows from the use or sale of the asset and adequate discount rates to calculate the fair value. When the carrying amount of a non-current asset is impaired, the Company recognises a write-down equal to the excess between the carrying amount of the asset and its recoverable value through use or sale, determined with reference to cash flows of the most recent company plans.

Recoverability of deferred tax assets

The Company has deferred tax assets from deductible temporary differences and theoretical tax benefits from losses to be carried forward. In estimating recoverable value, the Company considered the results of the company plan in line with the results used for impairment testing. Net deferred tax assets allocated on this basis refer to temporary differences and tax losses which, to a significant extent, may be recovered over an indefinite period, and are therefore compatible with a context in which an end to current difficulties and uncertainties and an upswing in the economy could take longer than the time frame of the above-mentioned estimates.

Pension schemes and other post-employment benefits

Provisions for employee benefits and net borrowing costs are measured using an actuarial method that requires the use of estimates and assumptions to determine the net value of the obligation. The actuarial method considers financial parameters such as the discount rate and growth rates of salaries and considers the likelihood of potential future events occurring on the basis of demographic parameters such as relative mortality rates and employee resignations or retirements.

The assumptions used for the measurement are explained in section 27 "Retirement funds and employee benefits".

Provisions for bad debts

The provision for bad debts reflects management's estimate of expected losses related to receivables. Based on past experience, provisions are made for expected losses on receivables. Management carefully monitors the quality of receivables and current and forward-looking conditions of the economy and reference markets. Estimates and assumptions are periodically revised and the effects of any change are recognised in profit or loss.

Provision for obsolete inventories

The provision for obsolete inventories reflects management's estimate of impairment losses expected by the Company, determined based on past experience. Anomalous market price trends could have an effect on future inventory write-downs.

Provision for product warranties

At the time of a product's sale, the Company makes provisions relative to estimated costs for the product warranty. This provision is estimated based on historical information about the nature, frequency and average cost of warranty jobs.

Potential liabilities

The Company recognises a liability for ongoing legal disputes when it considers a financial outflow likely and when the amount of the losses arising therefrom may be reasonably estimated. If a financial outflow is possible, but the amount cannot be determined, it is recorded in the notes to the Financial Statements. The Company is subject to legal and tax proceedings concerning complex and difficult legal issues, of varying degrees of uncertainty, including facts and circumstances relative to each case, jurisdiction and different applicable laws. Given the uncertainties concerning these issues, it is hard to predict with certainty the outflow arising from these disputes and it is therefore possible that the value of provisions for legal proceedings and disputes of the Company may vary as a result of future developments in proceedings underway.

The Company monitors the status of ongoing proceedings and consults its legal and tax advisers.

Amortisation/ Depreciation

The cost of assets is amortised/depreciated on a straight line basis over their estimated useful life. The economic useful life of Company assets is determined by Directors at the time of purchase; the calculation is based on historical experience gained in years of operations and on knowledge of technological innovations that may make the asset obsolete and no longer economical.

The Company periodically evaluates technological and segment changes, in order to update the remaining useful life. This periodic updating could change the amortisation/depreciation period and therefore amortisation/depreciation charges of future years.

Income tax

The Company is subject to Italian income tax laws. Tax liabilities are determined based on management valuations referred to transactions of which the tax effect is not certain at the end of the reporting period. The Company recognises the liabilities that could arise from future inspections of tax authorities based on an estimate of taxes that will be due. If the outcome of inspections differs from management's estimates, significant effects on current and deferred taxes could arise.

Rounding off

All amounts in the tables and in these notes have been rounded off to thousands of euros.

New accounting standards, amendments and interpretations applied as from 1 January 2016

As from 1 January 2016 the Company have applied the 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. The related impact will be described in the below paragraph "Redetermination of 2015 Statement of Financial Position and Income Statement Data".

Moreover, several changes introduced by international accounting standards and interpretations have been applied, none of which have had a significant impact on the Company'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: accounting for acquisitions of interests in joint operations": the changes provide clarification on the accounting for of acquisitions of interests in joint operations 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 standard 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.
- IAS 28 "Investments in Associates and Joint Ventures".

  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.

Amendments and interpretations effective as from 1 January 2016 and not relevant for the Company

The following amendments and interpretations, applicable as of 1 January 2016, regulate specific cases which are not present within the Company at the date of these Financial Statements:

- IAS 41 "Agriculture" and IAS 16 "Property, Plant and Equipment": with amendments to IAS 41 and IAS 16, the IASB has established that bearer plants, used solely for the production products over several years, should have the same accounting treatment as for property, plant and equipment in accordance with IAS 16 "Property, plant and equipment", as the "functioning" is similar to that of manufacturing.
- IFRS 14 "Regulatory Deferral Accounts": the new transitional standard, issued by the IASB on 30 January 2014, permits an entity which is a first-time adopter of IAS/IFRS to continue to adopt previous GAAP as regards the recognition (including the impairment) and elimination of regulatory deferral accounts.
- IFRS 10 "Consolidated Financial Statements". 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.

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. The Company has started in-depth analysis of the different types of contracts relative to the sale of two-/three- and four-wheeler vehicles, spare parts, accessories and components to dealers, importers or direct customers that represent the most significant component. Contract types with less financial impact (e.g. concerning royalties) are also being analysed. Management considers that it will be able to make a more reliable evaluation in the next 12 months. In any case, the Company has not entered into significant contracts relative to scheduled maintenance plans, nor has plans that extend vehicle warranties beyond the period required by law.
- 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 finance lease (on balance sheet) and an operating leases (off balance sheet). With IFRS 16, operating leases will be treated for accounting purposes as finance 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 January 2016, the IASB issued an amendment to IAS 12 "Income Taxes." These amendments clarify how to enter deferred tax assets related to debt instruments calculated at fair value.
  These amendments will apply from 1 January 2017.
- In January 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 December 2016, the IASB issued an amendment to IAS 40 "Investment Property". These amendments clarify change in use, which is a necessary condition for transfer from/to Investment Property. 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.
- In December 2016, the IASB issued Annual Improvements to IFRS Standards 2014–2016 Cycle which has amendments to three Standards:
  - *IFRS 12 - Disclosure of Interests in Other Entities (effective date of 1 January, 2017);*
  - *IFRS 1- First-time Adoption of International Financial Reporting Standards (effective date of 1 January, 2018);*
  - *IAS 28 - Investments in Associates and Joint Ventures (effective date of 1 January, 2018)*.

  The amendments clarify, correct or remove redundant wording in the related IFRS Standard and are not expected to have a material impact to our Consolidated Financial Statements or disclosures upon adoption of the amendments.
- In December 2016, the IASB issued IFRIC Interpretation 22 - Foreign Currency Transactions and Advance Consideration which addresses the exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency. The interpretation will be effective from 1 January, 2018.

The Company 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.

Redetermination of 2015 Statement of Financial Position and Income Statement Data

On 23 December 2015, Commission Regulation (EU) 2015/2441 of 18 December 2015 adopting "Amendments to IAS 27 Separate Financial Statements: The equity method in separate financial statements" was published in the Official Journal of the European Union L 336.
The amendments enable entities to adopt the equity method, described in IAS 28 Investments in Associates and Joint Ventures, to recognise investments in subsidiaries, joint ventures and associates, in their separate financial statements.
To better represent the results of Piaggio & C. SpA in each year, the directors have opted for this amendment, starting from these financial statements, and have recognised investments in subsidiaries, associates and joint ventures, according to the equity method, which replaces the cost criterion adopted in previous years. The adoption is retroactive, as provided for by IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.
The first-time adoption of the equity method, described in the note "Investments in subsidiaries, associates and joint ventures", therefore adjusted 2015 financial data, explained below, which are included for comparative purposes in these financial statements:
- "Intangible assets" a decrease of €10.8 million;
- "Investments" an increase of €16.9 million;
- "Deferred tax assets" an increase of €3 million;
- "Retained earnings", an increase of €29 million;
- "Other reserves", a decrease of €17.5 million;
- "Profit (loss) for the period", a decrease of €2.4 million.

The tables below show changes to individual items in the Income Statement, in the Statement of Comprehensive Income recognised in the year and in the Statement of Financial Position, in relation to the aforementioned changes.

INCOME STATEMENT	2015	Restatement	2015 restated
In thousands of euros			
Net revenues	743,470		743,470
Cost for materials	433,400		433,400
Cost for services and leases and rentals	182,570		182,570
Employee costs	159,033		159,033
Depreciation and impairment costs of property, plant and equipment	27,561		27,561
Amortisation and impairment costs of intangible assets	48,109	(1,200)	46,909
Other operating income	113,109		113,109
Other operating costs	15,582		15,582
Operating income	**(9,676)**	**1,200**	**(8,476)**
Income/(loss) from investments	49,919	(2,876)	47,043
Financial income	705		705
Borrowing costs	26,750		26,750
Net exchange gains/(losses)	(590)		(590)
Profit before tax	**13,608**	**(1,676)**	**11,932**
Taxes for the period	(1,450)	713	(737)
Profit from continuing operations	**15,058**	**(2,389)**	**12,669**
Assets held for sale:			
Profits or losses arising from assets held for sale			
Net profit	**15,058**	**(2,389)**	**12,669**

STATEMENT OF COMPREHENSIVE INCOME	2015	Restatement	2015 restated
In thousands of euros			
Net Profit (Loss) for the period (A)	**15,058**	**(2,389)**	**12,669**
Items that will not be reclassified in the income statement			
Remeasurements of defined benefit plans	2,080		2,080
Portion of components of the Statement of Comprehensive Income of subsidiaries/associates measured with the equity method		(243)	(243)
Total	**2,080**	**(243)**	**1,837**
Items that may be reclassified in the income statement			
Total profits (losses) on cash flow hedges	245		245
Portion of components of the Statement of Comprehensive Income of subsidiaries/associates measured with the equity method		3,661	3,661
Total	**245**	**3,661**	**3,906**
Other components of the Statement of Comprehensive Income (B)*	**2,325**	**3,418**	**5,743**
Total Profit (loss) for the period (A + B)	**17,383**	**1,029**	**18,412**

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

Statement of Financial Position	As of 1 January 2015	Restatement	As of 1 January 2015 restated	As of 31 December 2015	Restatement	As of 31 December 2015 restated
In thousands of euros						
ASSETS						
Non-current assets						
Intangible assets	572,402	(12,000)	560,402	577,138	(10,800)	566,338
Property, plant and equipment	197,006		197,006	188,433		188,433
Investment Property	0		0	0		0
Investments	63,480	15,545	79,025	64,317	16,910	81,227
Other financial assets	13,316		13,316	20,328		20,328
Long-term tax receivables	893		893	634		634
Deferred tax assets	29,653	3,768	33,421	32,522	3,055	35,577
Other receivables	3,430		3,430	2,839		2,839
Total non-current assets	**880,180**	**7,313**	**887,493**	**886,211**	**9,165**	**895,376**
Assets held for sale						
Current assets						
Trade receivables	74,669		74,669	57,244		57,244
Other receivables	82,536		82,536	91,417		91,417
Short-term tax receivables	3,266		3,266	5,942		5,942
Inventories	170,645		170,645	157,233		157,233
Other financial assets	13,669		13,669	13,403		13,403
Cash and cash equivalents	29,196		29,196	12,745		12,745
Total current assets	**373,981**	**0**	**373,981**	**337,984**	**0**	**337,984**
TOTAL ASSETS	**1,254,161**	**7,313**	**1,261,474**	**1,224,195**	**9,165**	**1,233,360**

SHAREHOLDERS' EQUITY AND LIABILITIES	As of 1 January 2015	Restatement	As of 1 January 2015 restated	As of 31 December 2015	Restatement	As of 31 December 2015 restated
In thousands of euros						
Shareholders' equity						
Capital	207,614		207,614	207,614		207,614
Share premium reserve	7,171		7,171	7,171		7,171
Legal reserve	16,902		16,902	17,643		17,643
Other reserves	10,756	(21,099)	(10,343)	11,001	(17,438)	(6,437)
Retained earnings (losses carried forward)	71,725	28,412	100,137	61,834	28,991	90,825
Profit (loss) for the period	14,810		14,810	15,058	(2,389)	12,669
Total shareholders' equity	**328,978**	**7,313**	**336,291**	**320,321**	**9,164**	**329,485**
Non-current liabilities						
Financial liabilities falling due after one year	472,439		472,439	495,386		495,386
Other long-term provisions	8,089		8,089	7,220		7,220
Retirement funds and employee benefits	54,051		54,051	47,885		47,885
Tax payables	0		0	0		0
Other long-term payables	1,666		1,666	1,434		1,434
Total non-current liabilities	**536,245**	**0**	**536,245**	**551,925**	**0**	**551,925**
Current liabilities						
Financial liabilities falling due within one year	62,380		62,380	49,704		49,704
Trade payables	266,143		266,143	246,893		246,893
Tax payables	7,131		7,131	6,465		6,465
Other short-term payables	46,961		46,961	41,365		41,365
Current portion of other long-term provisions	6,323		6,323	7,522	1	7,523
Total current liabilities	**388,938**	**0**	**388,938**	**351,949**	**1**	**351,950**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**1,254,161**	**7,313**	**1,261,474**	**1,224,195**	**9,165**	**1,233,360**

Other information

Departures pursuant to article 2423, section 4 of the Italian Civil Code

No exceptional circumstances occurred requiring departures from legal provisions concerning Financial Statements pursuant to article 2423, section 4 of the Italian Civil Code.

B) Information on the income statement

3. Net revenues €/000 788,397

Revenues for disposals of company core business assets essentially refer to the marketing of vehicles and spare parts on European and non-European markets. They are recognised net of premiums paid to customers and include sales to Group companies amounting to €/000 94,910.

Revenues by geographic segment

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

	2016		2015		Changes	
	Amount	%	Amount	%	Amount	%
In thousands of euros						
EMEA and Americas	756,890	96.00	713,313	95.94	43,577	6.11
Asia Pacific	30,862	3.91	29,911	4.02	951	3.18
India	645	0.08	246	0.03	399	162.40
TOTAL	**788,397**	**100.00**	**743,470**	**100.00**	**44,927**	**6.04**

Revenues by type of product

The breakdown of revenues by type of product is shown in the following table:

	2016		2015		Changes	
	Amount	%	Amount	%	Amount	%
In thousands of euros						
Two-wheeler	699,264	88.69	663,793	89.28	35,471	5.34
Commercial Vehicles	89,133	11.31	79,677	10.72	9,456	11.87
TOTAL	**788,397**	**100.000**	**743,470**	**100.00**	**44,927**	**6.04**

In 2016, net sales revenues increased by €/000 44,927.

4. Costs for materials *€/000 478,185*

This item totalled €/000 478,185 compared to €/000 433,400 as of 31 December 2015, with an increase of 10.3% and includes costs for purchases from Group companies amounting to €/000 88,039.
The percentage of costs for materials accounting for net sales went up, from 58.3% in 2015 to 60.6% in 2016.
Costs for materials include costs for transport and outsourcing services relative to purchased assets.
The following table details the content of this item:

	2016	2015	Change
In thousands of euros			
Raw, ancillary materials, consumables and goods	473,493	420,087	53,406
Change in inventories of raw, ancillary materials, consumables and goods	3,120	(1,859)	4,979
Change in work in progress of semifinished and finished products	1,572	15,172	(13,600)
Total costs for purchases	**478,185**	**433,400**	**44,785**

5. Costs for services and leases and rental costs *€/000 180,531*

This item totalled €/000 180,531 compared to €/000 182,570 as of 31 December 2015 and includes costs from Group companies and other related parties amounting to €/000 41,965.
Below is a breakdown of this item:

	2016	2015	Change
In thousands of euros			
Employee costs	7,093	7,731	(638)
External maintenance and cleaning costs	5,419	4,792	627
Energy, telephone and telex costs	10,027	10,901	(874)
Postal expenses	604	562	42
Commissions payable	19,834	20,393	(559)
Advertising and promotion	11,806	11,380	426
Technical, legal and tax consultancy and services	11,094	10,405	689
Company boards operating costs	1,972	2,031	(59)
Insurance	2,570	2,278	292
Outsourced manufacturing	16,739	13,748	2,991
Outsourced services	7,404	6,913	491
Transport costs (vehicles and spare parts)	26,627	25,569	1,058
Internal shuttle services	675	509	166
Sundry commercial expenses	5,679	6,384	(705)
Public relations	1,462	2,420	(958)
Product warranty costs	6,784	6,784	0
Costs for quality-related events	5,505	10,948	(5,443)
Bank costs and factoring charges	4,201	3,932	269
Misc services provided in the business year	5,334	5,383	(49)
Other services	19,143	19,722	(579)
Lease and rental costs	10,559	9,785	774
Total costs for services	**180,531**	**182,570**	**(2,039)**

Costs for quality-related events were partially offset by compensation received, recognised under "Other operating income" and amounting to €/000 1,337.
Lease and rental costs refer to €/000 3,276 for rental payments for buildings and €/000 7,283 for car, software and photocopier hire payments.
Third party work, of €/000 16,739 refers to the processing of production components by outsourced suppliers.
Expenses for company boards are shown in the table below:

In thousands of euros	2016
Directors	1,671
Statutory auditors	161
Supervisory Authority	62
Internal Control Committee	41
Remuneration Committee	30
Reimbursement of expenses	7
Total fees	**1,972**

Business services include services for the disposal of waste and water treatment amounting to €/000 1,317.
Other services include €/000 14,322 for technical, sports and promotional services for Group brands supplied by the subsidiary Aprilia Racing, €/000 1,461 for technical services supplied by the subsidiaries Foshan Piaggio Vehicles Technology Research and Development Co and Piaggio Advanced Design Co and €/000 1,000 for management services supplied by the parent company IMMSI S.p.A.
Insurance costs include €/000 49 paid with related parties. Lease and rental costs include €2,054 paid with related parties.

6. Employee costs *€/000 159,871*

Employee costs are broken down as follows:

In thousands of euros	2016	2015	Change
Salaries and wages	110,992	110,546	446
Social security contributions	36,548	36,464	84
Termination benefits	7,887	8,115	(228)
Other costs	4,444	3,908	536
Total	**159,871**	**159,033**	**838**

The workforce as of 31 December 2016 totalled 3,463 members of staff.

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

Average number

Level	2016	2015	Change
Senior management	61	75	(14)
Middle management	222	235	(14)
White collars	886	894	(8)
Blue collars with supervisory duties/blue collars	2,345	2,446	(101)
Total	**3,514**	**3,650**	**(136)**

Number as of

Level	31 December 2016	31 December 2015	Change
Senior management	73	76	(3)
Middle management	237	234	3
White collars	865	895	(30)
Blue collars with supervisory duties/blue collars	2,288	2,380	(92)
Total	**3,463**	**3,585**	**(122)**

Changes in employee numbers in the two periods are compared below:

Level	As of 31/12/2015	Incoming	Leavers	Relocations	As of 31/12/16
Senior management	76	3	(7)	1	73
Middle management	234	8	(11)	6	237
White collars	895	28	(52)	(6)	865
Blue collars	2,380	2	(93)	(1)	2,288
Total (*)	**3,585**	**41**	**(163)**	**0**	**3,463**
(*) of which fixed-term contracts	*5*	*7*	*(4)*	*(2)*	*6*

7. Amortisation/depreciation and impairment costs *€/000 81,221*

Amortisation and depreciation for the period, divided by category, is shown below:

Property, plant and equipment:	2016	2015	Change
In thousands of euros			
Buildings	4,107	4,058	49
Plant and equipment	8,812	8,625	187
Industrial and commercial equipment	12,330	14,393	(2,063)
Other assets	503	485	18
Total depreciation of tangible fixed assets	**25,752**	**27,561**	**(1,809)**
Write-down of property, plant and equipment	1,000	-	1,000
Total depreciation of property, plant and equipment and impairment costs	**26,752**	**27,561**	**(809)**

The write-down of property, plant and equipment is related to the net value of molds no longer used in production process.

Intangible assets:	2016	2015	Change
In thousands of euros			
Development costs	23,425	21,760	1,665
Industrial Patent and Intellectual Property Rights	26,119	20,603	5,516
Concessions, licences, trademarks and similar rights	4,546	4,546	0
Total amortisation of intangible fixed assets	**54,090**	**46,909**	**7,181**
Write-down of intangible assets	379		379
Total depreciation of intangible assets and impairment costs	**54,469**	**46,909**	**7,560**

As set out in more detail in the paragraph on intangible assets, as from 1 January 2005, goodwill is no longer amortised, but tested annually for impairment.
The impairment test carried out as of 31 December 2016 confirmed the full recoverability of the amounts recorded in the financial statements.

Amortisation of the item "Concessions, licences, trademarks and similar rights" refers to amortisation

of the Aprilia brand for €/000 2,916, of the Guzzi brand for €/000 1,625 and of other brands from the merged company Aprilia for €/000 5.
The item "Industrial Patent and Intellectual Property Rights" includes amortisation relative to software equal to €/000 5,224.

8. Other operating income — *€/000 117,694*

This item consists of:

In thousands of euros	2016	2015	Change
Operating grants	945	1,405	(460)
Increases in fixed assets from internal work	33,457	34,754	(1,297)
Other revenue and income:			
- Expenses recovered in invoices	21,092	18,920	2,172
- Rent receipts	365	367	(2)
- Capital gains on the disposal of assets	3,937	51	3,886
- Recovery of transport costs	268	453	(185)
- Recovery of business costs	2,513	2,063	450
- Recovery of registration costs	16	15	1
- Recovery of advertising costs	11	401	(390)
- Recovery of stamp duty	815	702	113
- Recovery of labour costs	5,332	5,551	(219)
- Recovery of duty on exported products	7	67	(60)
- Recovery of supplier costs	866	769	97
- Recovery of warranty costs	39	36	3
- Recovery of taxes from customers	710	620	90
- Recovery of professional training costs	0	83	(83)
- Recovery of sundry costs	2,369	2,898	(529)
- Provision of services to group companies	15,852	15,610	242
- Licence rights and know-how	22,469	18,544	3,925
- Commission receivable	1,771	1,771	0
- Compensation from damage to third parties	1,118	688	430
- Compensation from third parties for quality-related events	1,337	2,877	(1,540)
- Sponsorship	20	268	(248)
- Other income	2,385	4,196	(1,811)
Total other operating income	**117,694**	**113,109**	**4,585**

The increase amounted to €/000 4,585.
This item includes income from Group companies for a total of €/000 43,187.
Operating grants refer to:
› €/000 52 for benefits established by Italian Law no. 296/2006 (2007 Budget), subsequently amended by Italian Law no. 244/2007 (2008 Budget), which provided benefits for companies undertaking pre-competitive Research and Development programmes, starting from 1 January 2007 and reaching completion by 31 December 2009. The benefit consists of a tax income to be used against payable taxes. The costs to which the benefit refers were incurred in 2007/2008/2009. This funding refers to funding recognised in profit or loss in relation to the amortisation of capitalised costs subsequently recognised in the year;
› €/000 435 refers to other public grants concerning research projects;
› €/000 412 for funding for professional training provided by trade associations;
› €/000 46 for the portion relative to the year, of sums received from a customer for product development.

During the period, internal costs for development projects of €/000 32,328 were capitalised, in addition to internal costs for the development of software for €/000 721 and internal costs for the construction of property, plant and equipment, amounting to €/000 408.
Expenses recovered in invoices refer to costs for preparation, advertising, insurance, transport and packaging charged to clients directly in product sales invoices.
This item also includes charges made to other Group companies amounting to €/834 and to third parties for €/1,535 for the recovery of sundry costs.
Licence rights were obtained from the subsidiaries Piaggio Vehicles (€/000 8,613) and Piaggio Vietnam (€/000 6,905), as well as from the associate Zongshen Piaggio Foshan Motorcycle Co. Ltd. (€/000 248). Income (€/000 252) was also generated from the associate Zongshen Piaggio Foshan Motorcycle Co. Ltd. for the sale of know-how.
Capital gains from the sale of assets refer to €/000 3,923 for the sale of moulds to the associate Zongshen Piaggio Foshan Motorcycle Co. Ltd.
Income from the recovery of labour costs mainly refers to amounts charged to Group companies for the use of personnel.
The recovery of costs from suppliers refers to amounts charged for the reprocessing of materials and final inspections, and for failure to supply assembly lines with material.
The recovery of tax duties mainly refers to dealers being charged stamp duty on vehicle conformity certificates.

9. Other operating costs *€/000 15,244*

This item consists of:

	2016	2015	Change
In thousands of euros			
Allocation for litigation	4	-	4
Provision for future risks	450	-	450
Total provisions for risks	**454**	**0**	**454**
Provisions for product warranties	6,534	6,448	86
Provision for financial services expenses	2	5	(3)
Total other provisions	**6,536**	**6,453**	**83**
Stamp duty	935	854	81
Duties and taxes not on income	1,500	1,658	(158)
Local tax, formerly council tax	1,224	1,364	(140)
Various subscriptions	840	845	(5)
Social charges	343	309	34
Capital losses from disposal of assets	3	5	(2)
Miscellaneous expenses	2,356	1,864	492
Losses on receivables	21	78	(57)
Total sundry operating costs	**7,222**	**6,977**	**245**
Write-down of current receivables	1,032	2,152	(1,120)
Total impairment	**1,032**	**2,152**	**(1,120)**
Total other operating costs	**15,244**	**15,582**	**(338)**

In total, other operating costs, which include costs from Group companies of €/000 746, decreased by €/000 338.
Stamp duty of €/000 935 mainly refers to the tax due on vehicle conformity certificates. This cost is charged to Dealers and the recovered amount is entered under "Other operating income".

10. Income/(loss) from investments *€/000 43,523*

This item consists of:

In thousands of euros	2016	2015	Change
Positive differences from the equity method valuation in subsidiaries	48,121	48,981	(860)
Positive differences from the equity method valuation in associates	-	127	(127)
Negative differences from the equity method valuation in subsidiaries	(4,162)	(2,197)	(1,965)
Negative differences from the equity method valuation in associates	(460)	(22)	(438)
Dividends from the investments of non-controlling interests	24	130	(106)
Capital gains on the sale of non-controlling interests	-	24	(24)
Total	**43,523**	**47,043**	**(3,520)**

The tables below show the positive and negative differences for investments in subsidiaries and associates, valued using the Equity Method.

Positive differences from the equity method valuation in subsidiaries

In thousands of euros	2016	2015	Change
Piaggio Vespa B.V.	8,618	17,484	(8,866)
Piaggio China	-	50	(50)
Piaggio Vehicles Pvt.	28,010	15,814	12,196
Piaggio Vietnam	10,123	15,091	(4,968)
Aprilia Racing	748	252	496
Piaggio España	349	162	187
Piaggio Advanced Design Center Corporation	28	20	8
Atlantic 12 FCIIC	245	108	137
Total	**48,121**	**48,981**	**(860)**

Positive differences from the equity method valuation in associates

In thousands of euros	2016	2015	Change
Zongshen Piaggio Foshan Motorcycle	-	127	(127)
Total	**0**	**127**	**(127)**

Negative differences from the equity method valuation in subsidiaries

In thousands of euros	2016	2015	Change
Piaggio China	(168)	-	(168)
Piaggio Indonesia	(1)	(15)	14
Piaggio Fast Forward	(3,113)	(1,710)	(1,403)
Piaggio Concept Store	(880)	(472)	(408)
Total	**(4,162)**	**(2,197)**	**(1,965)**

Negative differences from the equity method valuation in associates

In thousands of euros	2016	2015	Change
Pontedera & Tecnologia	(24)	(22)	(2)
Zongshen Piaggio Foshan Motorcycle	(436)	-	(436)
Total	**(460)**	**(22)**	**(438)**

11. Net financial proceeds/(charges) *€/000 (27,156)*

This item consists of:

In thousands of euros	2016	2015	Change
Total financial income	530	705	(175)
Total borrowing costs	(27,112)	(26,750)	(362)
Total net exchange gains/(losses)	(574)	(590)	16
Net financial income (borrowing costs)	**(27,156)**	**(26,635)**	**(521)**

Details are given below:

In thousands of euros	2016	2015	Change
Financial income			
- From subsidiaries	287	352	(65)
Financial income from third parties:			
- Interest receivable from clients	48	49	(1)
- Bank and post office interest payable	7	28	(21)
- Income from fair value measurements	-	2	(2)
- Other	188	274	(86)
Total financial income from third parties:	243	353	(110)
Total financial income	**530**	**705**	**(175)**

The amount of €/000 287 recognised as financial income from subsidiaries refers to interest from financing activities relative to the subsidiaries Piaggio Vehicles Private Limited (€/000 85), Nacional Motor (€/000 62), Piaggio Concept Store Mantova (€/000 73), Piaggio Fast Forward (€/000 47) and Aprilia Racing (€/000 18). It also includes interest accrued for cash pooling (€/000 2) undertaken with the subsidiaries Piaggio España, Piaggio Deutschland, Piaggio Benelux and Piaggio France.

In thousands of euros	2016	2015	Change
Borrowing Costs			
- Interest payable on a debenture loan	16,020	15,498	522
- Interest payable on bank accounts	238	332	(94)
- Interest payable on bank loans	6,281	7,190	(909)
- Interest to suppliers	567	785	(218)
- Interest payable to other lenders	753	705	48
- Interest payable on subdiscount factor operations	793	899	(106)
- Cash discounts to clients	631	471	160
- Costs for derivatives	206	120	86
- Bank charges on loans	1,254	1,202	52
- Interest payable on lease agreements	71	-	71
- Borrowing costs from discounting back termination and termination benefits	645	857	(212)
- Other	36	2	34
Total borrowing costs	**27,495**	**28,061**	**(566)**
Costs capitalised on Property, Plant and Equipment	222	362	(140)
Costs capitalised on Intangible Assets	161	949	(788)
Total Capitalised Costs	**383**	**1,311**	**(928)**
Total borrowing costs	**27,112**	**26,750**	**362**

During 2016, borrowing costs for €/000 383 were capitalised. The average rate used for the capitalisation of borrowing costs (because of general loans), was equal to 4.58% (4.73% in 2015).
Interest on the debenture loan refers to €/000 134 (€/000 134 in 2015) to the parent company Omniaholding.
Interest payable to other lenders mainly refers to interest payable to factoring companies and banks for the sale of trade receivables.

	2016	2015	Change
In thousands of euros			
Exchange differences from sale			
- Exchange gains	6,590	11,644	(5,054)
- Exchange losses	(6,979)	(12,484)	5,505
Total exchange gains (losses)	**(389)**	**(840)**	**451**
Exchange differences from measurement			
- Exchange gains	336	898	(562)
- Exchange losses	(521)	(648)	127
Total valuation exchange gains (losses)	**(185)**	**250**	**(435)**
Net exchange gains/(losses)	**(574)**	**(590)**	**16**

12. Taxes *€/000 (6,597)*

The item "Income taxes" is detailed below:

	2016	2015	Change
In thousands of euros			
Current taxes	(1,909)	2,876	(4,785)
Deferred tax liabilities	(3,438)	(3,528)	90
Taxes of previous years	(1,250)	(85)	(1,165)
Total taxes	**(6,597)**	**(737)**	**(5,860)**

In 2016, taxes were equal to €/000 (6,597), and accounted for 89.1% of profit before tax.
Current taxes comprise:
› €/000 (2,419) relative to foreign taxes recoverable in the future from national corporate income tax related to dividends from the subsidiaries Piaggio Vietnam and Piaggio Asia Pacific;
› €/000 13 from regional production tax on income for the year;
› €/000 497 from net costs arising from transfers within the framework of the Consolidated Tax Convention.

Deferred tax represents the effects on income generated by the deferred tax assets and liabilities.
As regards deferred tax liabilities, during the year new provisions were made for €/000 245, and provisions from previous years were released for €/000 1,718.
As regards deferred tax assets, on the other hand, new provisions amounted to €/000 6,303, while the release of amounts allocated in previous years came to €/000 4,338.
The negative balance of taxes for previous years of €/000 (1,250) arises from refund claims, new additional tax returns and payables for taxes allocated in previous years.

Reconciliation in relation to the theoretical rate is shown below:

	2016	2015
In thousands of euros		
REVENUE TAXES ON INCOME		
Profit before tax	7,406	11,931
Theoretical rate	27.50%	27.50%
Theoretical tax	2,037	3,281
Tax effect arising from permanent changes	1,507	(11,399)
Tax effect arising from temporary changes	(6,997)	3,627
Effect arising from the future reduction of the tax rate on the tax loss not offset as part of tax consolidation	439	488
Reversal of deferred corporate tax liabilities allocated in previous years for temporary changes	(1,593)	(4,056)
Reversal of deferred corporate tax assets allocated in previous years for temporary changes	4,232	4,622
Reversal of deferred tax assets allocated in previous years for tax losses		3,047
Taxes on income generated abroad	(2,419)	3,171
Taxes relative to previous years	(1,123)	(85)
Expenses (income) from the Consolidated Tax Convention	497	121
Tax affect arising from deferred corporate tax liabilities for temporary changes	218	885
Tax affect arising from deferred corporate tax assets for temporary changes	(1,390)	(3,698)
Tax effect arising from the adjustment of deferred corporate income tax assets allocated for the tax loss of previous years	(1,512)	(759)
Tax affect arising from deferred corporate tax assets on interest payable deducted within the framework of the Consolidated Tax Convention	(219)	(211)
REGIONAL PRODUCTION TAX (IRAP)		
Regional production tax on net revenues for the year	13	240
Regional production tax referred to previous years	(127)	0
Reversal of deferred regional production tax liabilities allocated in previous years for temporary changes	(125)	(135)
Reversal of deferred regional production tax assets allocated in previous years for temporary changes	105	97
Tax affect arising from deferred regional production tax liabilities for temporary changes	27	27
Tax affect arising from deferred regional production tax assets for temporary changes	(167)	0
Income taxes recognised in the financial statements	**(6,597)**	**(737)**

Theoretical tax rates were determined applying the corporate tax rate in effect in Italy (27.5%) to profit before tax. The impact arising from the regional production tax rate was determined separately, as this tax is not calculated on the basis of profit before tax.
As regards corporate income tax, the Company expects it will contribute to the National Consolidated Tax Convention, in which IMMSI acts as Consolidating Party, with a negative taxable amount of €/000 13,470.

13. Gain/(loss) on 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.

C) Information on operating assets and liabilities

14. Intangible assets €/000 562,760

The table below shows the breakdown of intangible assets as of 31 December 2016 and 31 December 2015, as well as movements during the year.

In thousands of euros	Development costs	Patent rights	Trademarks, concessions and licences	Goodwill	Other	Assets under development and advances	Total
As of 1 January 2015							
Historical cost	86,973	260,045	227,105	463,926	-	30,027	1,068,076
Historical cost (first-time adoption of the equity method)	-	-	(18,000)	-	-	-	(18,000)
Provisions for write-down	-	-	-	-	-	-	-
Accumulated amortisation	(42,916)	(196,816)	(160,567)	(95,375)	-	-	(495,674)
Accumulated amortisation (first-time adoption of the equity method)	-	-	6,000	-	-	-	6,000
Net carrying amount	**44,057**	**63,229**	**54,538**	**368,551**	**-**	**30,027**	**560,402**
2015							
Investments	16,228	29,867	-	-	-	10,414	56,509
Transitions in the period	15,001	2,793	-	-	-	(18,293)	(499)
Amortisation	(21,760)	(20,603)	(5,746)	-	-	-	(48,109)
Depreciation (first-time adoption of the equity method)	-	-	1,200	-	-	-	1,200
Disposals	(4)	(44)	-	-	-	(8)	(56)
Other changes	(3,102)	1	-	-	-	(9)	(3,110)
Total movements for the year	**6,363**	**12,014**	**(4,546)**	**-**	**-**	**(7,896)**	**5,935**
As of 31 December 2015							
Historical cost	115,095	292,661	209,105	463,926	-	22,131	1,102,918
Provisions for write-down	-	-	-	-	-	-	-
Accumulated amortisation	(64,675)	(217,418)	(159,112)	(95,375)	-	-	(536,580)
Net carrying amount	**50,420**	**75,243**	**49,993**	**368,551**	**-**	**22,131**	**566,338**
2016							
Investments	18,916	24,431	-	-	-	7,544	50,891
Transitions in the period	6,436	1,835	-	-	-	(8,271)	-
Amortisation	(23,425)	(26,119)	(4,546)	-	-	-	(54,090)
Write-downs	(379)	-	-	-	-	-	(379)
Disposals	-	-	-	-	-	-	-
Total movements for the year	**1,548**	**147**	**(4,546)**	**-**	**-**	**(727)**	**(3,578)**
As of 31 December 2016							
Historical cost	140,447	318,927	209,105	463,926	-	21,404	1,153,809
Provisions for write-down	(379)	-	-	-	-	-	(379)
Accumulated amortisation	(88,100)	(243,537)	(163,658)	(95,375)	-	-	(590,670)
Net carrying amount	**51,968**	**75,390**	**45,447**	**368,551**	**-**	**21,404**	**562,760**

The breakdown of intangible assets for the period in operation and under construction is as follows:

	Value as of 31 December 2016			Value as of 31 December 2015			Change		
	In operation	Under develop-ment and advances	Total	In operation	Under develop-ment and advances	Total	In operation	Under develop-ment and advances	Total
In thousands of euros									
R&D costs	51,968	18,706	70,674	50,420	19,989	70,409	1,548	(1,283)	265
Patent rights	75,390	2,698	78,088	75,243	2,142	77,385	147	556	703
Trademarks, concessions, licences, first-time adoption of the equity method.	45,447	-	45,447	60,793	-	60,793	(15,346)	-	(15,346)
	-	-	-	(10,800)	-	(10,800)	10,800	-	10,800
	45,447	-	45,447	49,993	-	49,993	(4,546)	-	(4,546)
Goodwill	368,551		368,551	368,551	-	368,551	-	-	-
Total	**541,356**	**21,404**	**562,760**	**544,207**	**22,131**	**566,338**	**(2,851)**	**(727)**	**(3,578)**

Intangible assets decreased overall by €/000 3,578 following investments net of disposals and amortisation 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.
During 2016 borrowing costs for €/000 161 were capitalised, applying an average interest rate of 4.58%.

Development costs €/000 70,674

Development costs include costs for products and engines in projects for which there is an expectation, for the period of the useful life of the asset, to see net sales at such a level in order to allow the recovery of the costs incurred.
Development expenditure for new projects capitalised in 2016 refers to the study of new vehicles and new engines (two-/three-/four-wheeler) which will feature as the top products in the 2016-2018 range.
Borrowing costs attributable to the development of products which require a considerable period of time to be realised are capitalised as a part of the cost of the actual assets. Development costs included under this item are amortised on a straight line basis over a period of 3 to 5 years, in consideration of their remaining useful life.
During 2016, development costs of approximately € 11.3 million were recognised directly in profit or loss.
Pursuant to article 2426, section 5 of the Italian Civil Code, the value of research and development costs still to be amortised equal to €/000 70,674 is unavailable in shareholders' equity.

Industrial Patent and Intellectual Property Rights €/000 78,088

This item comprises patents for €/000 2,210, know-how for €/000 60,123 and software for €/000 15,755.
As regards software, the increase for the year amounted to €/000 6,433 and mainly refers to the purchase of various licences, as well as the implementation of commercial, production, personnel and administration projects.
Investments in know how amount to €/000 19,022 and mainly refer to new calculation, design and production techniques and methodologies developed by the Company, principally for new products in the 2016-2018 range.
As regards patent rights, costs for €/000 1,367 were capitalised.
Costs for industrial patent and intellectual property rights are amortised on a straight line basis over three years, except for costs for founding products and costs for the purchase of SAP licences which are amortised over 5 years.

Trademarks, concessions and licences €/000 45,447

The item Trademarks, concessions and licences, equal to €/000 45,447 consists of:

	As of 31 December 2016	As of 31 December 2015	Change
In thousands of euros			
Guzzi trademark	16,250	17,875	(1,625)
Aprilia trademark	29,157	32,073	(2,916)
Minor trademarks	40	45	(5)
Total Trademark	**45,447**	**49,993**	**(4,546)**

The Guzzi and Aprilia trademarks are amortised over a period of 15 years, expiring in 2026.
The value of other brands acquired with the Aprilia merger decreased during the year by €/000 5 following amortisation calculated on the basis of the estimated useful life.

Goodwill €/000 368,551

As specified in information on accounting standards, as from 1 January 2005 goodwill is no longer amortised, but is tested for impairment annually, or more frequently if specific events or changed circumstances indicate the possibility of impairment, in accordance with IAS 36 *Impairment of Assets* (impairment test).
In compliance with IAS 36 the methodology adopted is based on the unlevered version of discounted cash flows.
The main assumptions used by the Company to determine future financial flows, relative to a four-year period, and the consequent recoverable value (value in use) refer to:

a. a hypothesis of estimated financial flows over a four-year period, inferred from budget data for 2017 supplemented by forecast data for 2018-2020, approved by the Board of Directors of the Company, along with an impairment test performed on 23 February 2017;
b. the WACC discount rate.
c. in addition to the period, a growth rate (g rate) has been estimated.

In particular, for discount cash flows, the Company has adopted a discount rate (WACC) which differs based on different cash generating units. This reflects market valuations of the fair value of money and takes account of specific risks of activities and the geographic segment in which the cash generating unit operates.
In the future cash flows discounting model, a terminal value is entered at the end of the cash flow projection period, to reflect the residual value each cash-generating unit should produce. The terminal value represents the current value, at the last year of the projection, of all subsequent cash flows calculated as perpetual income, and was determined using a growth rate (g rate) which differed by CGU, to reflect the different growth potentials of each CGU.

2016	EMEA and Americas	Asia Pacific 2W	India
WACC	5.60%	8.61%	9.83%
G	1.0%	2.0%	2.0%
Growth rate during the Plan period	7.7%	11.9%	11.5%

2015	EMEA and Americas	Asia Pacific 2W	India
WACC	5.74%	9.01%	10.60%
G	1.0%	2.0%	2.0%
Growth rate during the Plan period	8.7%	10.8%	10.2%

The terminal value growth rate (g rate) is specific for CGUs, considering the area's growth potential.
The medium-/long-term growth rate (g-rate) for determining the Terminal Value of each CGU was considered as reasonable and prudent, in the light of:

› analysts' expectations for the Piaggio Group (source: Analyst Reports 2016);
› the long-term real GDP growth trend expected for main countries where the Group operates (source: Economist Intelligence Unit – EIU);
› forecasts for the reference sector (source: Freedonia, «World Motorcycle», October 2016).

The reduction in the WACC compared to the previous year is mainly due to the reduction in borrowing costs. This rate was determined based on the previous year.
Analyses did not identify any impairment losses. Therefore no write-down was recognised in consolidated data as of 31 December 2016.
In addition, and on the basis of information in the document produced jointly by the Bank of Italy, Consob and Isvap no. 2 of 6 February 2009, the Company conducted sensitivity analysis of test results in relation to changes in basic assumptions (use of the growth rate in producing the terminal value and discount rate) which affect the value in use of cash generating units. In the case of a positive or negative change of 0.5% of the WACC and G used, analyses would not identify impairment losses.
In all cases, the value in use of the Company was higher than the net carrying amount tested.
Given that the recoverable value was estimated, the Company cannot guarantee the absence of goodwill impairment in future financial periods.
Given the current market weakness, the various factors used in processing estimates could require revision; the Company will constantly monitor these factors as well as the existence of impairment losses.

15. Property, plant and equipment *€/000 183,904*

The table below shows the breakdown of plant, property and equipment as of 31 December 2016 and 31 December 2015, as well as movements during the period.

	Land	Buildings	Plant and machinery	Equipment	Other assets	Assets under construction and advances	Total
In thousands of euros							
As of 1 January 2015							
Historical cost	28,010	130,563	285,689	477,612	25,167	16,699	963,740
Reversals	-	4,816	2,368	6,253	199	-	13,636
Provisions for write-down	-	-	-	(1,324)	-	-	(1,324)
Accumulated depreciation	-	(54,300)	(249,486)	(451,894)	(23,366)	-	(779,046)
Net carrying amount	**28,010**	**81,079**	**38,571**	**30,647**	**2,000**	**16,699**	**197,006**
2015							
Investments	-	992	2,482	5,089	268	9,723	18,554
Transitions in the period	-	735	1,586	2,628	26	(4,476)	499
Depreciation	-	(4,058)	(8,625)	(14,393)	(485)	-	(27,561)
Write-downs	-	-	-	5	-	-	5
Disposals	-	(11)	(6)	(54)	-	-	(71)
Other changes	-	-	1	-	-	-	1
Total movements for the year	**-**	**(2,342)**	**(4,562)**	**(6,725)**	**(191)**	**5,247**	**(8,573)**
As of 31 December 2015							
Historical cost	28,010	132,279	284,538	482,703	23,987	21,946	973,463
Reversals	-	4,816	2,368	6,253	199	-	13,636
Provisions for write-down	-	-	-	(1,319)	-	-	(1,319)
Accumulated depreciation	-	(58,358)	(252,897)	(463,715)	(22,377)	-	(797,347)
Net carrying amount	**28,010**	**78,737**	**34,009**	**23,922**	**1,809**	**21,946**	**188,433**
2016							
Investments	-	1,190	10,456	7,460	237	2,987	22,330
Transitions in the period	-	1,734	10,552	3,268	366	(15,920)	0
Depreciation	-	(4,107)	(8,812)	(12,330)	(503)	-	(25,752)
Write-downs	-	-	-	(1,000)	-	-	(1,000)
Disposals	-	-	(29)	(79)	-	-	(108)
Other changes	-	-	-	1	-	-	1
Total movements for the year	**-**	**(1,183)**	**12,167**	**(2,680)**	**100**	**(12,933)**	**(4,529)**
As of 31 December 2016							
Historical cost	28,010	135,203	302,098	479,512	24,432	9,013	978,268
Reversals	-	4,816	2,368	6,253	199	-	13,636
Provisions for write-down	-	-	-	(2,318)	-	-	(2,318)
Accumulated depreciation	-	(62,465)	(258,290)	(462,205)	(22,722)	-	(805,682)
Net carrying amount	**28,010**	**77,554**	**46,176**	**21,242**	**1,909**	**9,013**	**183,904**

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

	Value as of 31 December 2016			Value as of 31 December 2015			Change		
	In operation	Under construction and advances	Total	In operation	Under construction and advances	Total	In operation	Under construction and advances	Total
In thousands of euros									
Land	28,010		28,010	28,010	-	28,010	-	-	-
Buildings	77,554	1,736	79,290	78,737	3,303	82,040	(1,183)	(1,567)	(2,750)
Plant and machinery	46,176	2,032	48,208	34,009	11,339	45,348	12,167	(9,307)	2,860
Equipment	21,242	5,229	26,471	23,922	6,938	30,860	(2,680)	(1,709)	(4,389)
Other assets	1,909	16	1,925	1,809	366	2,175	100	(350)	(250)
Total	**174,891**	**9,013**	**183,904**	**166,487**	**21,946**	**188,433**	**8,404**	**(12,933)**	**(4,529)**

Property, plant and equipment decreased overall by €/000 4,529. Investments for the period amount to €/000 22,330 and mainly refer to moulds for new vehicles and engines that will be launched in the subsequent year, to drive shaft processing lines, engine test benches, the experimental workshop 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.
During 2016 borrowing costs for €/000 222 were capitalised, applying an average interest rate of 4.58%.

Land €/000 28,010

The value of land has not changed compared to the previous year.

Buildings €/000 79,290

Buildings decreased overall by €/000 2,750. The negative imbalance is due to new investments made during the year amounting to €/000 1,357 and to the decrease from depreciation for the period of €/000 4,107.
The capitalisation of €/000 1,357 relative to production buildings mainly refers to works to expand the building for the new two-wheeler painting plant at Pontedera and various works at the sites at Pontedera, Mandello del Lario, Noale and Scorzè.
During the period, capitalisation amounting to €/000 2,924 was recognised, of which €/000 1,734 relative to investments made in previous years.

Plant and machinery €/000 48,208

The item increased overall by €/000 2,860. The positive imbalance is due to new investments made during the year amounting to €/000 11,701, the decrease from depreciation for the period of €/000 8,812 and the disposal of residual costs of €/000 29.
Capitalisation mainly concerned investments for the new two-wheeler painting plant at Pontedera and activities for production lines for new vehicles and engines.

During the period, capitalisation amounting to €/000 21,008 was recognised, of which €/000 10,552 relative to investments made in previous years.

Equipment €/000 26,471

The item decreased overall by €/000 4,389. The negative imbalance is due to depreciation for the period amounting to €/000 12,330 and the disposal of residual costs of €/000 79 and the write-down of mounds for €/000 1,000, partially offset by new investments for €/000 9,020.
Capitalisation of €/000 9,020 refers to equipment and namely moulds for new vehicles launched during the year or scheduled to be launched in the first half of next year, moulds for new engines and specific

equipment for assembly lines.
During the period, capitalisation amounting to €/000 10,728 was recognised, of which €/000 3,268 relative to investments made in previous years.

Other plant, property and equipment €/000 1,925

As of 31 December 2016 the item Other assets, including assets under construction, comprised the following:

In thousands of euros	As of 31 December 2016	As of 31 December 2015	Change
EDP systems	796	919	(123)
Office furniture and equipment	472	607	(135)
Vehicles	48	72	(24)
Cars	609	577	32
Total	**1,925**	**2,175**	**(250)**

The item decreased overall by €/000 250. The negative imbalance is due to depreciation for the period of €/000 503, partially offset by new investments made in the year for €/000 253.
During the period, capitalisation amounting to €/000 603 was recognised, of which €/000 366 relative to investments made in previous years.

Finance lease agreements

As of 31 December 2016, the net value of assets held through lease agreements was equal to €/000 12,411 and refers to the Pontedera painting plant for the Vespa which was sold and repurchased at the same time through a finance lease agreement.

Warranties

As of 31 December 2016 the Company did not own land and buildings encumbered by mortgage liens or privileges in favour of banks to secure loans obtained in previous years.

16. Investment Property *€/000 0*

As of 31 December 2016 no investment property was held.

17. Deferred tax assets *€/000 39,872*

In compliance with IAS 12, the item indicates the net balance of deferred tax assets and liabilities. This net balance is broken down in the table below.

In thousands of euros	As of 31 December 2016	As of 31 December 2015	Change
Deferred tax assets	54,388	51,527	2,861
Deferred tax liabilities	(14,516)	(15,950)	1,434
Total	**39,872**	**35,577**	**4,295**

Deferred tax assets total €/000 54,388 compared to €/000 51,527 as of 31 December 2015, recording a positive change of €/000 2,861.

The balance of deferred tax assets as of 31 December 2016 refers to:
› €/000 25,193 for allocations made for temporary differences;
› €/000 29,195 for allocations made for tax losses generated under the National Consolidated Tax Convention of which IMMSI S.p.A. is the consolidating company.
The positive change of €/000 2,861 is attributable to:
› €/000 4,338 from the recognition in profit and loss of deferred tax assets recognised in previous years;
› €/000 16 from the recognition in shareholders' equity of deferred tax assets recognised in previous years;
› €/000 6,303 from the recognition in profit and loss of new deferred tax assets;
› €/000 912 from the recognition in shareholders' equity of new deferred tax assets.
Additional deferred tax assets amounting to €/000 7,215 were recognised in light of forecast results of Piaggio & C. S.p.A., and the foreseeable use of relative tax benefits in future years.
Details of items affected by the allocation of deferred tax assets as well as the amount of deferred tax assets already recognised and not recognised are shown in the table below.

	Amount	Tax effect 24%	Tax effect 3.9%
In thousands of euros			
Nacional Motor goodwill	14,211	3,411	554
Discounting termination benefit	4,600	1,104	
Derbi trademark	11,000	2,640	429
Provisions for risks	5,861	1,407	226
Provision for product warranties	8,215	1,972	320
Provisions for write-down	15,392	3,694	
Provisions for obsolete stock	28,193	6,766	1,100
Interest payable	1,233	296	
Other changes	4,319	1,036	77
Total for provisions and other changes	**93,024**	**22,326**	**2,706**
Actuarial losses on termination benefits			
Other IAS effects			
2007 tax loss including Moto Guzzi transferred to IMMSI	10,987	2,637	
2011 tax loss transferred to IMMSI	1,024	246	
2012 tax loss transferred to IMMSI	27,498	6,600	
2013 tax loss transferred to IMMSI	29,978	7,195	
2014 tax loss transferred to IMMSI	18,193	4,366	
2015 tax loss transferred to IMMSI	20,494	4,918	
2016 tax loss transferred to IMMSI	13,470	3,233	
Total out of tax losses	**121,644**	**29,195**	**0**
Losses from the fair value measurement of financial instruments		**161**	
Deferred tax assets already recognised		**54,388**	
Deferred tax assets not recognised for provisions and other changes	0	**0**	

Overall, the movement of deferred tax assets can be summarised as follows:

	Values as of 31 December 2015	First-time adoption of the equity method	Portion to the income statement	Portion to the Statement of Comprehensive Income	Portion to the income statement	Portion to the Statement of Comprehensive Income	Portion offset as part of tax consolidation	Values as of 31 December 2016
In thousands of euros								
Deferred tax assets for:								
Temporary changes	24,022	3,055	(4,338)	(16)	1,558	912		25,193
Previous tax losses	-							-
Losses generated within the framework of tax consolidation	24,450				4,745			29,195
Total	**48,472**	**3,055**	**(4,338)**	**(16)**	**6,303**	**912**	**0**	**54,388**

Deferred tax liabilities total €/000 14,516 compared to €/000 15,950 as of 31 December 2015, recording a negative change of €/000 1,434.
As of 31 December 2016, provisions for deferred taxes referred to:
- €/000 3,461 for the surplus value recognised by the merged company Aprilia in 2005 for buildings already held through leases, and purchased back by Aprilia Leasing S.p.A.
- €/000 58 for temporary changes in taxable income that will be annulled next year;
- €/000 2,573 for depreciation charges minus tax-recognised goodwill values;
- €/000 522 for tax-deducted costs, off the accounts, in relation to the application of IAS/IFRS;
- €/000 3,376 for allocation of the merger loss to the Aprilia brand, arising from its merger in 2005;
- €/000 4,526 for allocation of the merger loss to the Guzzi brand, arising from its merger in 2008;

Provisions for deferred tax liabilities were reduced in the period by €/000 1,718 following issue of the relative portion and increased overall by €/000 284 for new provisions.

Deferred tax assets and liabilities were determined applying the tax rate in effect in the year when temporary differences occur.

18. Inventories *€/000 152,241*

As of 31 December 2016, this item totalled €/000 152,541, compared to €/000 157,233 at the end of 2015, and consisted of:

	As of 31 December 2016	As of 31 December 2015	Change
In thousands of euros			
Raw, ancillary materials and consumables	65,466	69,013	(3,547)
Provision for write-down	(8,262)	(6,706)	(1,556)
Net value	**57,204**	**62,307**	**(5,103)**
Work in progress and semifinished products	15,818	18,240	(2,422)
Provision for write-down	(852)	(852)	0
Net value	**14,966**	**17,388**	**(2,422)**
Finished products and goods	99,449	95,677	3,772
Provision for write-down	(19,078)	(18,140)	(938)
Net value	**80,371**	**77,537**	**2,834**
Advances		1	(1)
Total	**152,541**	**157,233**	**(4,692)**

As of 31 December 2016 inventories had decreased by €/000 4,692 in line with production volumes and sales in the year.

Changes in the obsolescence fund are summarised in the table below:

	As of 31 December 2015	Use	Allocation	As of 31 December 2016
In thousands of euros				
Raw materials	6,706		1,556	8,262
Work in progress and semifinished products	852			852
Finished products and goods	18,140	(1,771)	2,709	19,078
Total	**25,698**	**(1,771)**	**4,265**	**28,192**

19. Current trade receivables *€/000 52,937*

Current trade receivables amounted to €/000 52,937 compared to €/000 57,244 as of 31 December 2015, registering a decrease of €/000 4,307.
No non-current trade receivables were recorded for either period.

	As of 31 December 2016	As of 31 December 2015	Change
In thousands of euros			
Trade receivables	27,118	38,816	(11,698)
Trade receivables due from subsidiaries	22,536	17,490	5,046
Trade receivables due from affiliated companies	3,281	938	2,343
Trade receivables due from parent companies	2	-	2
Total	**52,937**	**57,244**	**(4,307)**

Trade receivables are recorded net of a provision for bad debts equal to €/000 18,823.
Trade receivables comprise receivables referred to normal sales operations and include receivables in foreign currency for a total value, at the exchange rate in effect as of 31 December 2016, taking account of exchange risk hedging, of €/000 16,948.

The item "Trade receivables" includes invoices to issue amounting to €/000 650 relative to normal business transactions and credit notes to issue amounting to €/000 8,909 mainly referring to premiums to pay to the sales network in Italy and abroad, for having reached targets.
Trade receivables are usually sold to factoring companies and mainly on a without recourse and advance payment collection basis.
The Company sells 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 31 December 2016 trade receivables still due, sold without recourse totalled €/000 53,525. Of these amounts, Piaggio received payment prior to natural expiry, of €/000 52,948.
As of 31 December 2016, advance payments received from factoring companies and banks, for trade receivables sold with recourse totalled €/000 11,030 with a counter entry recorded in current liabilities.

Movements of the provisions for write-down relative to trade receivables were as follows:

In thousands of euros	
Opening balance as of 1 January 2016	**18,290**
Decreases for use recognised in profit or loss	(131)
Increases for allocations	664
Closing balance as of 31 December 2016	**18,823**

During the period, the provision for bad trade debts was used to cover losses amounting to €/000 131.
Allocations to the provision were made against risks arising from the valuation of relative receivables as of 31 December 2016.
Trade receivables due from subsidiaries and associates refer to the supply of products undertaken in normal market conditions.

20. Other current and non-current receivables — *€/000 52,839*

Other non-current trade receivables amounted to €/000 3,000 compared to €/000 2,839 as of 31 December 2015, registering an increase of €/000 161.
Their breakdown was as follows:

Other non-current receivables	As of 31 December 2016	As of 31 December 2015	Change
In thousands of euros			
Receivables due from social security institutions	236	191	45
Receivables due from affiliated companies	133	152	(19)
Other	2,631	2,496	135
Total	**3,000**	**2,839**	**161**

Receivables due from social security institutions refer to sums receivable from and payable by the Italian National Social Security Institute (INPS) for termination benefit accrued by employees on solidarity contracts.
The item "Other" includes guarantee deposits amounting to €/000 328 and prepaid expenses amounting to €/000 2,283.

Current trade receivables amounted to €/000 49,839 compared to €/000 91,417 as of 31 December 2015, registering a decrease of €/000 41,578.
Their breakdown is as follows:

Other current receivables	As of 31 December 2016	As of 31 December 2015	Change
In thousands of euros			
Receivables due from third parties	10,988	14,365	(3,377)
Receivables due from subsidiaries	30,208	68,294	(38,086)
Receivables due from affiliated companies	1,047	920	127
Receivables due from parent companies	7,596	7,838	(242)
Total	**49,839**	**91,417**	**(41,578)**

The item other receivables due from third parties comprises the following:

	As of 31 December 2016	As of 31 December 2015	Change
In thousands of euros			
Receivables due from employees	2,098	2,350	(252)
Due from social security institutions	2,241	2,130	111
Sundry receivables from third parties:			
Amounts due to suppliers	436	543	(107)
Supplier advances	-	84	(84)
Invoices and credit to issue	1,597	2,146	(549)
Sundry receivables due from Italian and foreign third parties	1,095	2,912	(1,817)
Receivables for the sale of property	-	2	(2)
Fair value of derivatives	401	647	(246)
Other receivables	3,120	3,551	(431)
Total	**10,988**	**14,365**	**(3,377)**

Receivables due from employees refer to advances paid for secondments, sick leave, contract advances, cash provisions, etc.
Sundry receivables of €/000 1,095 mainly refer to receivables due from Italian and foreign parties, originating from transactions not related to typical activities. The item is recognised net of provisions for write-downs of €/000 5,142.

Movements of the provision for bad debts relative to sundry receivables were as follows:

In thousands of euros	
Opening balance as of 1 January 2016	**4,786**
Decreases for use	0
Increases for allocations	356
Closing balance as of 31 December 2016	**5,142**

During the measurement of relative receivables as of 31 December 2016, a further allocation to the provision of €/000 356 was necessary.

21. Current and non-current tax receivables *€/000 10,993*

Tax receivables are broken down as follows:

	As of 31 December 2016	As of 31 December 2015	Change
In thousands of euros			
VAT receivables	1,756	2,506	(750)
Income tax receivables	9,086	3,848	5,238
Other tax receivables	151	222	(71)
Total	**10,993**	**6,576**	**4,417**

Non-current tax receivables totalled €/000 6,176 compared to €/000 634 as of 31 December 2015. The positive net change amounted to €/000 5,542.
Current tax receivables due from Tax authorities total €/000 4,817 compared to €/000 5,942 as of 31 December 2015. The net negative change amounted to €/000 1,125.

22. Breakdown of operating receivables by measurement method

The table below shows the breakdown of operating receivables by measurement method:

Operating assets as of 31 December 2016

	Assets measured at FVPL	Assets measured at FVOCI	Financial derivatives	Assets at amortised cost	Total
In thousands of euros					
Non-current assets					
Tax receivables				6,176	6,176
Other receivables				3,000	3,000
Total non-current operating receivables	**0**	**0**	**0**	**9,176**	**9,176**
Current assets					
Trade receivables				52,937	52,937
Other receivables			401	49,438	49,839
Tax receivables				4,817	4,817
Total current operating receivables	**0**	**0**	**401**	**107,192**	**107,593**
Total	**0**	**0**	**401**	**116,368**	**116,769**

Operating assets as of 31 December 2015

	Assets measured at FVPL	Assets measured at FVOCI	Financial derivatives	Assets at amortised cost	Total
In thousands of euros					
Non-current assets					
Tax receivables				634	634
Other receivables				2,839	2,839
Total non-current operating receivables	**0**	**0**	**0**	**3,473**	**3,473**
Current assets					
Trade receivables				57,244	57,244
Other receivables			647	90,770	91,417
Tax receivables				5,942	5,942
Total current operating receivables	**0**	**0**	**647**	**153,956**	**154,603**
Total operating receivables	**0**	**0**	**647**	**157,429**	**158,076**

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

As of 31 December 2016, there were no receivables due after 5 years.

24. Assets held for sale *€/000 0*

As of 31 December 2016, there were no assets held for sale.

25. Trade payables (current) *€/000 269,770*

Trade payables are wholly included under current liabilities and total €/000 269,770, compared to €/000 246,893 as of 31 December 2015.

Current liabilities:	As of 31 December 2016	As of 31 December 2015	Change
In thousands of euros			
Amounts due to suppliers	245,208	227,139	18,069
Trade payables due to subsidiaries	15,030	9,918	5,112
Trade payables due to associates	9,411	9,067	344
Trade payables due to parent companie	121	769	(648)
Total	**269,770**	**246,893**	**22,877**
Of which reverse factoring	*109,129*	*91,038*	*18.091*
Of which supply chain financing	*14,766*	*12,218*	*2.548*

The item comprises trade payables of €/000 259,127 for the purchase of goods, materials and services for business operations and €/000 10,643 for the purchase of assets.
The item includes payables in foreign currency for a total value, at the exchange rate in effect at 31 December 2016, taking account of hedging on exchange risk, of €/000 34,430.
To facilitate credit conditions for its suppliers, the Company has used factoring agreements since 2012, mainly supply chain financing and reverse factoring agreements, as described in more detail in "accounting policies adopted by the Company", to which reference is made. These operations did not change the primary obligation, nor substantially changed payment terms, so their nature is the same and they are still classified as trade liabilities.
As of 31 December 2016, the value of trade payables covered by reverse factoring or supply chain financing agreements was equal to €/000 123,895 (€/000 103,256 as of 31 December 2015).

26. Provisions (current and non-current portion) *€/000 15,328*

	Balance as of 31 December 2015	Alloca-tions	Uses	Adjust-ment	Reclassi-fication	Balance as of 31 December 2016
In thousands of euros						
Provisions for risks						
Provisions for risk on investments	479	881	(439)			921
Provision for purchase risks related to used vehicles	431		(228)			203
Provision for contractual risks	3,899	450				4,349
Risk provision for legal disputes	1,508	4				1,512
Provision for guarantee risks	58					58
Total provisions for risks	**6,375**	**1,335**	**(667)**	**0**	**0**	**7,043**
Provisions for expenses						
Provision for product warranties	8,327	6,534	(6,645)			8,216
Other reserves	41	53	(25)			69
Total provisions for expenses	*8,368*	*6,587*	*(6,670)*	*0*	*0*	*8,285*
Total provisions for risks and charges	**14,743**	**7,922**	**(7,337)**	**0**	**0**	**15,328**

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

Current portion:	As of 31 December 2016	As of 31 December 2015	Change
In thousands of euros			
Provisions for risk on investments	921	479	442
Provision for purchase risks related to used vehicles	203	431	(228)
Provision for product warranties	5,751	6,572	(821)
Promotional expense fund	67	36	31
Provision for financial services expenses	2	5	(3)
Total current portion	**6,944**	**7,523**	**(579)**

Non-current portion:	As of 31 December 2016	As of 31 December 2015	Change
In thousands of euros			
Provisions for contractual risks	4,349	3,899	450
Risk provision for legal disputes	1,512	1,508	4
Provision for guarantee risks	58	58	0
Provision for product warranties	2,465	1,755	710
Total non-current portion	**8,384**	**7,220**	**1,164**

The provision for risks on investments refers for €/000 752 to the subsidiary Piaggio Concept Store Mantova, for €/000 8 to the subsidiary Piaggio Indonesia and for €/000 161 to the subsidiary Piaggio Fast Forward. Provisions were made in compliance with the equity method valuation and the related risk provisions refer to the Group commitment for the re-capitalization of the investees.
The provision for contract risks refers mainly to charges which could arise from the renegotiation of a supply contract.
The provision for litigation refers for €/000 44 to labour litigation and the remaining €/000 1,468 refers to other legal proceedings.
The provision for risks on guarantees provided refers to charges expected for guarantees issued on the transfer of company equity investments.
The provision for product warranties of €/000 8,216 refers to potential liabilities related to the sale of products. The provision refers 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 to the sales market and to the customer acceptance of a scheduled maintenance plan.
The provision increased during the year by €/000 6,534 for new allocations and was used for €/000 6,645 for expenses sustained referring to sales in previous years.

27. Retirement funds and employee benefits *€/000 47,241*

	As of 31 December 2016	As of 31 December 2015	Change
In thousands of euros			
Provision for retirement	130	134	(4)
Post-employment benefits provision	47,111	47,751	(640)
Total	**47,241**	**47,885**	**(644)**

The provision for retirement mainly consists of provision for supplementary customer allowances, representing the amounts payable to agents if agency agreements are terminated for reasons not attributable to them. During the year, the provision was increased by €/000 7 for benefits accrued during the period and reduced by €/000 11 for uses during the period.

Movements for post-employment benefits provision are as follows:

In thousands of euros	
Opening balance as of 1 January 2016	**47,751**
Cost for the period	7,887
Actuarial losses recognised in Equity	3,127
Interest cost	646
Use and transfers of retirement funds	(12,294)
Other changes	(6)
Closing balance as of 31 December 2016	**47,111**

Economic/technical assumptions

The economic/technical assumptions used to discount the value are described in the table below:

Technical annual discount rate	1.31%
Annual rate of inflation	1.70% for 2017
	1.70% for 2018
	1.60% for 2019
	2.00% for 2020
	2.00% from 2021 onwards
Annual rate of increase in termination benefits	2.775% for 2017
	2.775% for 2018
	2.700% for 2019
	3.000% for 2020
	3.000% from 2021 onwards

As regards the discount rate, the Company uses the iBoxx Corporates AA rating with a 10+ duration as the valuation benchmark. If the iBoxx Corporates A rating with a 10+ duration had been used, the value of actuarial losses and the provision as of 31 December 2016 would have been lower by €/000 1,336.

The table below shows the effects, in absolute terms, as of 31 December 2016, which would have occurred following changes in reasonably possible actuarial assumptions:

In thousands of euros	Provision for termination benefits
Turnover rate +2%	46,440
Turnover rate -2%	47,914
Inflation rate + 0.25%	47,782
Inflation rate - 0.25%	46,418
Discount rate + 0.50%	44,969
Discount rate - 0.50%	49,390

The average financial duration of the bond is 10 years.

Estimated future amounts are equal to:

Year	Future amounts
In thousands of euros	
1	3,714
2	3,570
3	1,148
4	3,699
5	5,127

28. Current and non-current tax payables — *€/000 4,185*

Tax payables totalled €/000 4,185 compared to €/000 6,465 as of 31 December 2015.

	As of 31 December 2016	As of 31 December 2015	Change
In thousands of euros			
Non-current portion:	-	-	-
Current portion:			
Due for income taxes	245	1,767	(1,522)
Other tax payables for:			
- VAT	60	18	42
- Tax withheld at source	3,628	4,311	(683)
- Duty and tax records to pay	15	327	(312)
- Stamp duty paid electronically	237	42	195
Total other tax payables	*3,940*	*4,698*	*(758)*
Total current portion	*4,185*	*6,465*	*(2,280)*
Total	**4,185**	**6,465**	**(2,280)**

Current tax payables of €/000 245 refer wholly to taxes to pay abroad for income generated abroad, mainly for royalties, technical consultancy services and other services to the subsidiaries Piaggio Vehicles and Piaggio Vietnam.
Payables for regional production tax are entered offset against relative receivables. Regional production tax due for the year amounted to €/000 13. As regards corporate income tax, the company expects to contribute to the National Consolidated Tax Convention, with a negative taxable amount of €/000 13,470.
Payables for withheld taxes paid refer to the income of employee and outsourced work and commission.

29. Other payables (current and non-current) — *€/000 40,550*

Non-current portion:	As of 31 December 2016	As of 31 December 2015	Change
In thousands of euros			
Deferred income to affiliated companies	163		163
Deferred income	1,095	1,234	(139)
Other payables	150	200	(50)
Total	**1,408**	**1,434**	**(26)**

Current portion:	As of 31 December 2016	As of 31 December 2015	Change
In thousands of euros			
Amounts due to subsidiaries	2,675	6,176	(3,501)
Amounts due to affiliated companies	176	34	142
Amounts due to parent companies	6,211	6,094	117
Payables to employees	9,330	9,613	(283)
Amounts due to social security institutions	7,853	5,803	2,050
Amounts due to company boards	190	271	(81)
Amounts due for temporary funding	741	612	129
Amounts due for financial statement assessments	275	331	(56)
Amounts due to customers	3,085	2,951	134
Payables from the fair value measurement of financial instruments	237	420	(183)
Accrued expenses	4,060	3,824	236
Deferred income	483	671	(188)
Other payables	3,826	4,565	(739)
Total	**39,142**	**41,365**	**(2,223)**

Other payables included in non-current liabilities totalled €/000 1,408 against €/000 1,434 as of 31 December 2015, whereas other payables included in current liabilities totalled €/000 39,142 compared to €/000 41,365 as of 31 December 2015.

As regards the non-current portion:

› Deferred income comprises €/000 1,014 from grants to recognise in profit or loss in relation to amortisation/depreciation, and €/000 81 for income cashed but relative to other years arising from licence agreements.
› Other payables refer to €/000 150 for a guarantee deposit .

As regards the current portion:

› payables to parent companies refer to IMMSI S.p.A. and chiefly to tax consolidation;
› amounts due to employees refer to the amount for holidays accrued but not taken of €/000 7,417 and other payments to be made for €/000 1,913;
› contributions of €/000 741 refer to contributions relative to subsidies for research activities not yet acquired;
› amounts due to clients mainly refer to premiums paid for achieving sales targets that will be paid at the end of the reporting period and to credit notes for returns;
› deferred income comprises research subsidies for €/000 321 to recognise in profit or loss in relation to amortisation, royalties for €/000 1, interest receivable on deferred payments of customers for €/000 6, and various services for €/000 155.
› accrued expenses refer to €/000 678 for interest on loans, to €/000 3,220 for interest on debenture loans, to €/000 47 for interest on lease agreements and to €/000 115 for various services.

30. Breakdown of operating payables by measurement method

The table below shows the breakdown of operating payables by measurement method:

Operating liabilities as of 31 December 2016

	Derivatives at FVPL	Financial derivatives	Liabilities at amortised cost	Total
In thousands of euros				
Non-current liabilities				
Tax payables				
Other payables			1,408	1,408
Total non-current liabilities			**1,408**	**1,408**
Current liabilities				
Trade payables			269,770	269,770
Tax payables			4,185	4,185
Other payables		237	38,905	39,142
Total current liabilities		**237**	**312,860**	**313,097**
Total		**237**	**314,268**	**314,505**

Operating liabilities as of 31 December 2015

	Derivatives at FVPL	Financial derivatives	Liabilities at amortised cost	Total
In thousands of euros				
Non-current liabilities				
Tax payables				
Other payables			1,434	1,434
Total non-current liabilities			**1,434**	**1,434**
Current liabilities				
Trade payables			246,893	246,893
Tax payables			6,465	6,465
Other payables		420	40,945	41,365
Total current liabilities		420	294,303	**294,723**
Total		**420**	**295,737**	**296,157**

31. Payables due after 5 years

The company has loans due after 5 years; details are given in Note 36 Financial Liabilities. Apart from these loans, no other long-term payables due after five years have been recorded.

D) Information on financial assets and liabilities

This section provides information on the carrying amount of financial assets and liabilities held, and in particular:

› specifically describes the type of financial assets and liabilities;
› the accounting standards adopted;
› describes how fair value is determined, how measurements and estimates are made, and the uncertainties involved.

The Company holds the following financial assets and liabilities:

Financial assets as of 31 December 2016

In thousands of euros	Assets measured at FVPL	Assets measured at FVOCI	Financial derivatives	Assets at amortised cost	Total
Non-current assets					
Other financial assets			17,433	36	17,469
Total non-current assets	**0**	**0**	**17,433**	**36**	**17,469**
Current assets					
Other financial assets			4,001	9,714	13,715
Cash and cash equivalents				90,882	90,882
Total current assets	**0**	**0**	**4,001**	**100,596**	**104,597**
Total	**0**	**0**	**21,434**	**100,632**	**122,066**

Financial assets as of 31 December 2015

In thousands of euros	Assets measured at FVPL	Assets measured at FVOCI	Financial derivatives	Assets at amortised cost	Total
Non-current assets					
Other financial assets			20,289	39	20,328
Total non-current assets	**0**	**0**	**20,289**	**39**	**20,328**
Current assets					
Other financial assets				13,403	13,403
Cash and cash equivalents				12,745	12,745
Total current assets	**0**	**0**	**0**	**26,148**	**26,148**
Total	**0**	**0**	**20,289**	**26,187**	**46,476**

Financial liabilities as of 31 December 2016

In thousands of euros	Derivatives at FVPL	Fair value adjustment	Financial derivatives	Liabilities at amortised cost	Total
Non-current liabilities					
Bank financing				198,602	198,602
Bonds		16,921		282,442	299,363
Other loans				636	636
Leases				10,165	10,165
Hedging derivatives					-
Total non-current liabilities	**-**	**16,921**	**-**	**491,845**	**508,766**
Current liabilities					
Bank financing				71,212	71,212
Bonds		3,884		9,617	13,501
Other loans				11,343	11,343
Leases				1,081	1,081
Hedging derivatives					-
Total current liabilities	**-**	**3,884**	**-**	**93,253**	**97,137**
Total	**-**	**20,805**	**-**	**585,098**	**605,903**

Financial liabilities as of 31 December 2015

In thousands of euros	Derivatives at FVPL	Fair value adjustment	Financial derivatives	Liabilities at amortised cost	Total
Non-current liabilities					
Bank financing				184,842	184,842
Bonds		19,454		290,139	309,593
Other loans				951	951
Leases					-
Hedging derivatives					-
Total non-current liabilities	**-**	**19,454**	**-**	**475,932**	**495,386**
Current liabilities					
Bank financing				29,867	29,867
Other loans				19,837	19,837
Leases					-
Hedging derivatives					-
Total current liabilities	**-**	**-**	**-**	**49,704**	**49,704**
Total	**-**	**19,454**	**-**	**525,636**	**545,090**

32. Investments *€/000 123,983*

The investments heading comprises:

	As of 31 December 2016	As of 31 December 2015	Change
In thousands of euros			
Investments in subsidiaries	118,629	75,176	43,453
Investments in affiliated companies	5,354	6,051	(697)
Total	**123,983**	**81,227**	**42,756**

Movements for the period are shown below:

	Carrying amount as of 31/12/2015 revised	2016 result	Translation reserve	Discounting reserve	Company transactions	Carrying amount as of 31/12/2016
In thousands of euros						
Subsidiaries						
Piaggio Vespa B.V.	13,252	8,618	(196)	(2)	(4,170)	17,502
Piaggio Vehicles Pvt Ltd	44,260	28,010	1,368	(212)		73,426
Nacional Motor	2,072				500	2,572
Piaggio Vietnam Co Ltd	4,351	10,123	620		(1,696)	13,398
Piaggio China Ltd	2,244	(168)	(92)		9	1,993
Aprilia Racing s.r.l.	3,055	748		(71)		3,732
Piaggio España SL	3,025	349				3,374
Piaggio Indonesia	0	(1)			1	0
Piaggio Advanced Design Center	251	28	5			284
Piaggio Fast Forward Inc.	563	(3,113)			2,550	0
Piaggio Concept Store Mantova S.r.l.	0	(880)			880	0
Atlantic 12 FCIIC	2,103	245				2,348
Total subsidiaries	**75,176**	**43,959**	**1,705**	**(285)**	**(1,926)**	**118,629**
Associates						
Zongshen Piaggio Foshan	5,906	(436)	(237)			5,233
Pontech Soc. Cons. a.r.l.	135	(24)				111
Immsi Audit S.c.a.r.l.	10					10
Fondazione Piaggio onlus	0					0
Total associates	**6,051**	**(460)**	**(237)**	**0**	**0**	**5,354**
Total investments	**81,227**	**43,499**	**1,468**	**(285)**	**(1,926)**	**123,983**

Investments in subsidiaries €/000 118,629

The following company transactions concerned investments in subsidiaries during the year:
- Piaggio Vespa B.V., accounting of dividends of €/000 4,170;
- Nacional Motor, payment to cover losses of €/000 500 through the waiver of financial receivables;
- Piaggio Vietnam, accounting of dividends of €/000 1,696;
- Piaggio China, capital payment of €/000 9;
- Piaggio Indonesia, commitment to cover losses for €/000 1;
- Piaggio Fast Forward, capital payment of €/000 2,389 and commitment to cover losses for €/000 161;
- Piaggio Concept Store Mantova, payment to cover losses of €/000 600 and commitment to cover losses for €/000 280.

Investments in Associates €/000 5,354

Investments in affiliated companies did not change in relation to company transactions.

33. Other non-current financial assets *€/000 17,469*

	As of 31 December 2016	As of 31 December 2015	Change
In thousands of euros			
Fair value of hedging derivatives	17,433	20,289	(2,856)
Investments in other companies	36	39	(3)
Total	**17,469**	**20,328**	**(2,859)**

The item "Fair value of hedging derivatives" refers to the fair value of the Cross Currency Swap on the private debenture loan, of which details are given in section 38.

The table below shows the composition of investments in other companies:

Other companies:	As of 31 December 2016	As of 31 December 2015	Change
In thousands of euros			
A.N.C.M.A. – Rome	2	2	-
ECOFOR SERVICE S.p.A. – Pontedera	2	2	-
Consorzio Fiat Media Center – Turin	3	3	-
S.C.P.S.T.V.	21	21	-
IVM	8	11	(3)
Total other companies	**36**	**39**	**(3)**

The decrease is related to a partial return of the capital paid by IVM, the German Association of Motorcycle Manufacturers.

34. Other current financial assets *€/000 13,715*

This item comprises:

	As of 31 December 2016	As of 31 December 2015	Change
In thousands of euros			
Financial receivables due from subsidiaries	9,714	13,403	(3,689)
Fair value of hedging derivatives	4,001		4,001
Total	**13,715**	**13,403**	**(312)**

The item Financial receivables due from subsidiaries refers to loans to Nacional Motor for €/000 5,953, to Piaggio Fast Forward for €/000 1,904 and to Piaggio Concept Store Mantova for €/000 1,857.

35. Cash and cash equivalents *€/000 90,882*

This item mainly includes short-term or on demand bank deposits.
Cash and cash equivalents totalled €/000 90,882 against €/000 12,745 as of 31 December 2015, as detailed below:

	As of 31 December 2016	As of 31 December 2015	Change
In thousands of euros			
Bank and postal deposits	90,855	12,720	78,135
Cash on hand	27	25	2
Total	**90,882**	**12,745**	**78,137**

Reconciliation of cash and cash equivalents recognised in the statement of financial position 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 31 December 2016	As of 31 December 2015	Change
In thousands of euros			
Cash and cash equivalents	90,882	12,745	78,137
Current account overdrafts	(10)	(53)	43
Closing balance	**90,872**	**12,692**	**78,180**

36. Current and non-current financial liabilities *€/000 605,903*

In 2016, overall debt increased by €/000 60,813, from €/000 545,090 to €/000 605,903. Total financial debt in 2016, net of the fair value measurement of financial derivatives to hedge foreign exchange risk and interest rate risk of €/000 20,805, increased by €/000 59,462.

	Financial liabilities as of 31 December 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	93,253	491,845	585,098	49,704	475,932	525,636	43,549	15,913	59,462
Fair Value of hedging derivatives	3,884	16,921	20,805		19,454	19,454	3,884	(2,533)	1,351
Total	**97,137**	**508,766**	**605,903**	**49,704**	**495,386**	**545,090**	**47,433**	**13,380**	**60,813**

This increase is due to repayments, using available resources, of financial payables due, offset by new loans granted at the end of the year.

Total net financial debt went up from €/000 499,488 as of 31 December 2015 to €/000 484,502 as of 31 December 2016, with an increase of €/000 14,986.

In thousands of euros	As of 31 December 2016	As of 31 December 2015	Change
Liquidity	90,882	12,745	78,137
Short-term financial receivables due from third parties			0
Government securities available for sale			0
Short-term financial receivables due from subsidiaries	9,714	13,403	(3,689)
Short-term financial receivables due from affiliated companies			0
Current financial receivables	**9,714**	**13,403**	**(3,689)**
Current account overdrafts	(10)	(53)	43
Current account payables	(1,897)		(1,897)
Bonds	(9,617)		(9,617)
Current portion of bank borrowings	(69,305)	(29,814)	(39,491)
Amounts due to factoring companies	(11,030)	(15,320)	4,290
Amounts due under leases	(1,081)		(1,081)
Current portion of payables due to other lenders	(313)	(312)	(1)
Borrowings from subsidiaries		(4,205)	4,205
Current financial debt	**(93,253)**	**(49,704)**	**(43,549)**
Consolidated debt/net current debt	**7,343**	**(23,556)**	**30,899**
Payables due to banks and lenders	(198,602)	(184,842)	(13,760)
Debenture loan	(282,442)	(290,139)	7,697
Amounts due under leases	(10,165)		(10,165)
Borrowings from subsidiaries			0
Amounts due to other lenders	(636)	(951)	315
Non-current financial debt	**(491,845)**	**(475,932)**	**(15,913)**
NET FINANCIAL DEBT[42]	**(484,502)**	**(499,488)**	**14,986**

42) 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 used as hedging and the fair value adjustment of relative hedged items equal to €/000 20,805 and relative accruals.

The tables below show the composition of financial debt as of 31 December 2016 and 31 December 2015, as well as movements for the year.

In thousands of euros	Book value as of 31/12/2015	Repay-ments	New issues	Reclassification to the current portion	Other changes	Book value as of 31/12/2016
Non-current portion						
Bank financing	184,842		82,500	(69,305)	565	198,602
Bonds	290,139			(9,669)	1,972	282,442
Other medium-/long-term loans:						
of which leases	*-*		*11,269*	*(1,090)*	*(14)*	*10,165*
of which amounts due to other lenders	*951*			*(315)*		*636*
Total other loans	951	0	11,269	(1,405)	(14)	10,801
Total	**475,932**	**0**	**93,769**	**(80,379)**	**2,523**	**491,845**

	Book value as of 31/12/2015	Repayments	New issues	Reclassification to the current portion	Other changes	Book value as of 31/12/2016
In thousands of euros						
Current portion						
Current account overdrafts	53	(43)				10
Current account payables	-		1,897			1,897
Bonds	-			9,669	(52)	9,617
Payables due to subsidiaries	4,205	(4,205)				-
Payables due to factoring companies	15,320	(4,290)				11,030
Current portion of medium-/long-term loans:						
of which leases	-	(1,570)	1,570	1,090	(9)	1,081
of which due to banks	*29,814*	*(29,814)*		*69,305*		*69,305*
of which amounts due to other lenders	*312*	*(312)*		*315*	*(2)*	*313*
Total other loans	30,126	(31,696)	1,570	70,710	(11)	70,699
Total	**49,704**	**(40,234)**	**3,467**	**80,379**	**(63)**	**93,253**

The breakdown of the debt is as follows:

	Accounting balance as of 31/12/2016	Accounting balance as of 31/12/2015	Nominal value as of 31/12/2016	Nominal value as of 31/12/2015
In thousands of euros				
Bank financing	269,814	214,709	271,022	216,499
Bonds	292,059	290,139	301,799	301,799
Borrowings from subsidiaries	0	4,205	0	4,205
Other medium-/long-term loans:				
of which amounts due to other lenders	*11,979*	*16,583*	*11,980*	*16,583*
of which amounts due under leases	*11,246*		*11,269*	
Total other loans	23,225	16,583	23,249	16,583
Total	**585,098**	**525,636**	**596,070**	**539,086**

The table below shows the debt servicing schedule as of 31 December 2016:

	Nominal value as of 31/12/2016	Amounts falling due within 12 months	Amounts falling due after 12 months	Amounts falling due in				
				2018	2019	2020	2021	Beyond
In thousands of euros								
Bank financing	271,022	71,440	199,582	100,172	52,449	12,366	12,319	22,276
Bonds	301,799	9,669	292,130	9,669	10,360	11,050	261,051	0
Other medium/long-term bank loans								
of which amounts due to other lenders	*11,980*	*11,344*	*636*	*317*	*319*	*0*	*0*	*0*
of which amounts due under leases	*11,269*	*1,090*	*10,179*	*1,109*	*1,128*	*1,147*	*1,167*	*5,628*
Total other loans	23,249	12,434	10,815	1,426	1,447	1,147	1,167	5,628
Total	**596,070**	**93,543**	**502,527**	**111,267**	**64,256**	**24,563**	**274,537**	**27,904**

The financial debt consisted of loans and debenture loans contracted primarily in euro; the only financial liability in currency consisted of the private debenture loan (US Private Placement), also covered by a cross currency swap as described in detail below.
Medium and long-term bank debt amounts to €/000 267,907 (of which €/000 198,602 non-current and €/000 69,305 current) and consists of the following loans:

› a €/000 32,727 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 six-monthly instalments at a fixed rate of 2.723%. Contract terms require covenants (described below);
› a €/000 93,953 (of the nominal value of €/000 95,000) syndicated loan agreement signed in July 2014 for €/000 220,000 and increased in April 2015 by €/000 30,000. This overall loan of €/000 250,000 comprises a €/000 175,000 four-year tranche as a revolving credit line of which a nominal value of €/000 20,000 had been used at 31 December 2016 and a tranche of €/000 75,000 amortisation loan which has been wholly disbursed. Contract terms require covenants (described below);
› a €/000 16,661 (nominal value of €/000 16,667) loan granted by Banco BPM and signed in July 2015 of €/000 20,000. This loan comprises a tranche maturing in January 2017 of €/000 10,000 granted as a revolving credit line of which a nominal value of €/000 10,000 had been used at 31 December 2016 and a tranche as a three-year loan with amortisation of €/000 10,000 which has been wholly disbursed.
› a €/000 20,797 (of the nominal value of €/000 20,835) 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;
› €/000 1,386 of loans from various banks pursuant to Italian Law no. 346/88 on subsidised applied research;
› a €/000 69,893 medium-term loan (nominal value of €/000 70,000) from the European Investment Bank to finance Research & Development investments planned for the 2016-2018 period. The loan will mature in December 2023 and has a repayment schedule of 7 fixed-rate annual instalments. Contract terms require covenants (described below);
› a €/000 19,990 loan (nominal value of €/000 20,000) granted by Banca del Mezzogiorno as a revolving credit line maturing in July 2022;
› a €/000 12,500 loan granted by Banco BPM, comprising a tranche of €/000 12,500 granted as a revolving credit line (unused as of 31 December 2016), maturing in January 2021 and a tranche of €/000 12,500, maturing in July 2022, which has been wholly disbursed.

All the above financial liabilities are unsecured.

The item Bonds for €/000 292,059 (nominal value of €/000 301,799) refers to:
› €/000 51,627 (nominal value of €/000 51,799) related to a private debenture loan (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 with fixed annual nominal rate of 7.25%. As of 31 December 2016 the fair value measurement of the debenture loan was equal to €/000 72,604 (the fair value is 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;
› €/000 240,432 (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 12,195 of which €/000 10,801 due after the year and €/000 1,394 as the current portion, are detailed as follows:

› €/000 949 of which €/000 636 maturing after the year and €/000 313 as the current portion, refer to subsidised loans 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.
› a finance lease for €/000 11,246 (nominal value of €/000 11,261) granted by Albaleasing as a Sale&Lease back agreement on a Vespa painting plant. The agreement is for ten years, with quarterly repayments (non-current portion equal to €/000 10,165).

Financial advances received from factoring companies and banks, on the sale of trade receivables with recourse, totalled €/000 11,030.

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 Company on an ongoing basis. According to results as of 31 December 2016, all covenants had been fully met.
The high-yield debenture loan issued by the company in April 2014 requires compliance with typical covenants of international high-yield market practices. 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.

Amortised Cost and Fair Value Measurement

All financial liabilities are measured in accordance with accounting standards and based on the amortised cost method (except for liabilities with hedging derivatives measured at Fair Value Through Profit & Loss, for which the same measurement criteria used for the derivative are applied): according to this method, the nominal amount of the liability is decreased by the amount of relative costs of issue and/or stipulation, in addition to any costs relating to refinancing of previous liabilities. The amortisation of these costs is determined on an effective interest rate basis, and namely the rate which discounts the future flows of interest payable and reimbursements of principle at the net carrying amount of the financial liability.
IFRS 13 – Fair Value Measurement defines fair value on the basis of the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the

measurement date. In the absence of an active market or market that does not operate regularly, fair value is measured by valuation techniques. The standard defines a fair value hierarchy:

- level 1 – quoted prices in active markets for assets or liabilities measured;
- level 2 – inputs other than quoted prices included within Level 1 that are observable directly (prices) or indirectly (derived from prices) on the market;
- level 3 – inputs not based on observable market data.

The valuation techniques referred to levels 2 and 3 must take into account adjustment factors that measure the risk of insolvency of both parties. To this end, the standard introduces the concepts of Credit Value Adjustment (CVA) and Debit Value Adjustment (DVA): CVA makes it possible to include the counterparty credit risk in the fair value measurement; DVA reflects the risk of insolvency of the Company.

The table below shows the fair value of payables measured using the amortised cost method as of 31 December 2016:

	Nominal value	Carrying amount	Fair Value [43]
In thousands of euros			
High yield debenture loan	250,000	240,432	259,318
Private debenture loan	51,799	51,627	75,076
EIB (R&D loan 2013-2015)	32,727	32,727	32,911
EIB (R&D loan 2016-2018)	70,000	69,893	65,878
Credit line from B. Pop. Emilia Romagna	20,835	20,797	20,743
Loan from Banco BPM	12,500	12,500	12,271
Revolving credit line from B. del Mezzogiorno	20,000	19,990	19,504
Loan from Banco BPM	6,667	6,661	6,734
Revolving syndicated loan	20,000	19,305	19,899
Syndicated loan maturing in July 2019	75,000	74,648	75,615

43) The value deducts DVA related to the issuer, i.e. it includes the risk of insolvency of Piaggio.

For liabilities due within 18 months, the carrying amount is basically considered the same as the fair value.

Fair value hierarchy

The table below shows the assets and liabilities measured and recognised at fair value as of 31 December 2016, by hierarchical level of fair value measurement.

	Level 1	Level 2	Level 3
In thousands of euros			
Assets measured at fair value			
Financial derivatives			
- *of which financial assets*		*21,434*	
- *of which other receivables*		*401*	
Investments in other companies			36
Total		**21,835**	**36**
Liabilities measured at fair value			
Financial derivatives			
- *of which other payables*		*(237)*	
Financial liabilities at fair value recognised through profit or loss		(72,604)	
Total		**(72,841)**	

The following tables show Level 2 and Level 3 changes during 2016:

In thousands of euros	Level 2
Net balance of liabilities as of 31 December 2015	(50,737)
Gain (loss) recognised in profit or loss	(147)
Gain (loss) recognised in the statement of comprehensive income	(286)
Increases/(Decreases)	164
Net balance of liabilities as of 31 December 2016	**(51,006)**

In thousands of euros	Level 3
Balance of assets as of 31 December 2015	39
Gain (loss) recognised in profit or loss	
Increases/(Decreases)	(3)
Balance of assets as of 31 December 2016	**36**

E) Management of financial risk

This section describes all financial risks to which the Company is exposed and how these risks could affect future results.

37. Credit risk

The Company considers that its exposure to credit risk is as follows:

	As of 31 December 2016	As of 31 December 2015
In thousands of euros		
Liquid assets	90,882	12,745
Securities		
Financial receivables	13,715	13,403
Trade receivables	52,937	57,244
Tax receivables	10,993	6,576
Other receivables	52,839	94,256
Total	**221,366**	**184,224**

The Company monitors or manages credit centrally by using established policies and guidelines. The portfolio of trade receivables shows no signs of concentrated credit risk in light of the broad distribution of our licensee or distributor network. In addition, most trade receivables are short-term. In order to optimise credit management, the Company has established revolving programmes with some primary factoring companies for selling its trade receivables without recourse.

38. Financial risks

The financial risks the Company is exposed to are liquidity risk, exchange risk, interest rate risk and credit risk.
The management of these risks, in order to reduce management costs and dedicated resources, is centralised and treasury operations take place in accordance with formal policies and guidelines which are applicable to all Group companies.

Liquidity risk and capitals management

The liquidity risk arises from the possibility that available financial resources are not sufficient to cover, in due times and procedures, future payments arising from financial and/or commercial obligations. To deal with this risk, cash flows and the Company's credit line needs are monitored or managed centrally under the control of the Treasury in order to guarantee an effective and efficient management of financial resources as well as optimise the debt's maturity standpoint.
In addition, the Company finances the temporary cash requirements of subsidiaries by providing direct short-term loans regulated in market conditions or guarantees. A cash pooling zero balance system is used between the Company and European companies to reset the receivable and payable balances of subsidiaries on a daily basis, for a more effective and efficient management of liquidity in the Eurozone.
As of 31 December 2016 the most important sources of financing irrevocable until maturity granted to the Company were as follows:

- a debenture loan of €/000 250,000 maturing in April 2021;
- a debenture loan of $/000 75,000 maturing in July 2021;
- a credit line of €/000 250,000 comprising a Revolving Credit Facility of €/000 175,000 maturing in July 2018 and a loan of €/000 75,000 maturing in July 2019;

› Revolving credit facilities for a total of €/000 42,500, with final settlement in July 2022;
› loans for a total of €/000 142,729, with final settlement in December 2023.

As of 31 December 2016, the Company had a liquidity of €/000 90,882, €/000 167,500 of undrawn credit lines irrevocable to maturity and €/000 66,218 of revocable credit lines, as detailed below:

	As of 31 December 2016	As of 31 December 2015
In thousands of euros		
Variable rate with maturity within one year - irrevocable until maturity		
Variable rate with maturity beyond one year - irrevocable until maturity	167,500	205,000
Variable rate with maturity within one year - cash revocable	47,218	74,436
Variable rate with maturity within one year - with revocation for self-liquidating typologies	19,000	19,000
Total	**233,718**	**298,436**

The table below shows the timing of future payments in relation to trade payables:

	As of 31 December 2016	Within 30 days	Between 31 and 60 days	Between 61 and 90 days	Over 90 days
In thousands of euros					
Amounts due to suppliers	245,208	147,275	63,114	24,995	9,824
Amounts due to subsidiaries	15,030	13,383	1,647	-	-
Amounts due to affiliated companies	9,411	4,502	2,385	971	1,553
Amounts due to parent companies	121	101	-	20	-
Total trade payables	**269,770**	**165,261**	**67,146**	**25,986**	**11,377**

Management considers that currently available funds, as well as funds that will be generated from operations and loans, will enable the Company to meets its requirements relative to investments, the management of working capital and repayment of loans on expiry and will ensure an adequate level of operating and strategic flexibility.

Exchange Risk

The company operates in an international context where transactions are conducted in currencies different from the euro. This exposes it to risks arising from exchange rates fluctuations. For this purpose, the Company 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;
› ***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.

At the end of the reporting period, the Company's exposure to exchange risk was as follows:

As of 31 December 2016

	USD	GBP	CHF	CNY	YEN	SGD	CAD	SEK	HKD	INR	PLZ	VND	Total
In thousands of euros													
Non-current assets													
Total non-current assets	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Current assets													
Trade and other receivables	13,264	655		1,015	1,414	378	339	170		3,122		40	20,397
Bank and postal deposits	1,160	2,803		196	279	3	61	7					4,509
Total current assets	**14,424**	**3,458**	**0**	**1,211**	**1,693**	**381**	**400**	**177**	**0**	**3,122**	**0**	**40**	**24,906**
Non-current payables													
Total non-current payables	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Current payables													
Trade and other payables	20,773	631	16	8,291	3,860	66	43	141	3	527	1	219	34,571
Total current payables	**20,773**	**631**	**16**	**8,291**	**3,860**	**66**	**43**	**141**	**3**	**527**	**1**	**219**	**34,571**

At the end of the reporting period, the company had no financial liabilities in currency subject to exchange risk.

Cash flow hedging

As of 31 December 2016, the Group had undertaken the following futures operations (recognised based on the regulation date), relative to payables and receivables already recognised to hedge the transaction exchange risk:

Operation	Currency	Amount in local currency/000	Value in euro (forward exchange rate) €/000	Average maturity
Purchase	CNY	51,000	6,896	29/01/2017
Purchase	JPY	270,000	2,216	17/01/2017
Purchase	GBP	500	586	16/01/2017
Purchase	USD	9,750	9,164	17/01/2017
Sale	CAD	560	395	05/02/2017
Sale	CNY	4,000	549	03/01/2017
Sale	GBP	2,400	2,808	09/01/2017
Sale	INR	92,000	1,279	25/01/2017
Sale	JPY	20,000	163	28/02/2017
Sale	SGD	420	276	11/02/2017
Sale	USD	3,700	3,526	22/01/2017

As of 31 December 2016, the Company had undertaken the following transactions to hedge the business exchange risk:

Operation	Currency	Amount in local currency/000	Value in euro (forward exchange rate) €/000	Average maturity
Purchase	CNY	209,000	27,415	05/06/2017
Sale	GBP	12,300	14,308	25/06/2017

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 31 December 2016 the total fair value of hedging instruments for the economic exchange risk recognised on a hedge accounting basis was positive by €/000 164. During 2016, gains under other components of the Statement of Comprehensive Income were recognised amounting to €/000 164 and profits from other components of the Statement of Comprehensive Income amounting to €/000 285 were reclassified under profit/loss for the period.

The net balance of cash flows during 2016 is shown below, divided by main currency:

Cash Flow	2016
In millions of euro	
Canadian Dollar	6.3
Pound Sterling	23.0
Japanese Yen	(6.8)
US Dollar	(13.0)
Chinese Yuan[44]	(44.0)
Total cash flow in foreign currency	**(34.5)**

44) cash flow partially in euro

In view of the above, an assumed appreciation/deprecation of 3% of the euro would have generated potential profits for €/000 1,005 and potential losses for €/000 1,065 respectively.

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 Company 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 31 December 2016, the following hedging derivatives were in use:

Derivatives for fair value hedging

- a Cross Currency Swap to hedge the private debenture loan issued by the 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 31 December 2016 the fair value of the instrument was equal to €/000 21,434. The net economic effect arising from the measurement of the instrument and underlying private debenture loan was equal to €/000 -206; the sensitivity analysis of the instrument and its underlying, assuming a 1% increase and decrease in the shift of the variable rates curve, showed a potential impact on the Income Statement, net of the related tax effect, of €/000 20 and €/000 -23 respectively, assuming constant exchange rates; whereas assuming a 1% reversal and write-down of exchange rates, sensitivity analysis identified a potential impact on the income statement, net of the relative tax effect, of €/000 -24 and €/000 24 respectively.

In thousands of euros	Fair Value
Cross Currency Swap	21,434

F) Information on shareholders' equity

39. Share capital and reserves — €/000 318,918

Share capital — €/000 207,614

During the period, the nominal share capital of Piaggio & C. did not change.
Therefore, as of 31 December 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 (5,646)

During the period, 3,038,736 treasury shares were acquired. Therefore, as of 31 December 2016, Piaggio & C. held 3,054,736 treasury shares, equal to 0.8457% 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	3,038,736	16,000
Situation as of 31 December		
Shares issued	361,208,380	361,208,380
Treasury portfolio shares	3,054,736	16,000
Shares in circulation	358,153,644	361,192,380

Share premium reserve — €/000 7,171

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

Legal reserve — €/000 18,395

The legal reserve as of 31 December 2016 had increased by €/000 752 as a result of the allocation of earnings for the previous year.

Other reserves — €/000 (4,770)

This item consists of:

	As of 31 December 2016	As of 31 December 2015	Change
In thousands of euros			
Net capital gain from contribution	152	152	0
IFRS transition reserve	11,435	11,435	0
Financial instruments' fair value reserve	(387)	(586)	199
Translation reserve from the valuation of investments using the equity method	(15,969)	(17,438)	1,469
Total other reserves	**(4,770)**	**(6,437)**	**1,667**

The financial instruments fair value provision is negative and refers to the effects of cash flow hedge accounting in foreign currencies and interest. These transactions are described in full in the note on financial instruments. As of 31 December 2015 this valuation was negative, amounting to €/000 586.

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 €/000	2015 €/000	2016 €	2015 €
Authorised and paid	17,962	26,007	0.05	0.072

Earnings reserve €/000 96,154

The composition of reserves as of 31 December 2016 was as follows:

	As of 31 December 2016
In thousands of euros	
Earnings reserve gross of treasury shares	96,154
Treasury shares	(5,646)
Total earnings reserve	**90,508**
Of which:	
Earnings reserve from the valuation of investments with the equity method	27,717
Retained earnings (losses)	53,788
Profit (loss) for the period	14,003

Individual items of Shareholders' equity are analytically presented in the table below, based on origin, availability and use in the three previous years.

Type/description	Amount	Possible use	Portion available	2014 uses to cover losses
In thousands of euros				
Share capital	207,614			
Capital reserves:				
Share premium	7,171	A,B,C(*)	7,171	
Profit reserves:				
Legal reserve	18,395	B	---	
Net capital gain from contribution	152	A,B	152	
IAS transition reserve	11,435	A,B	11,435	
Financial instruments' fair value reserve	(387)			
Translation reserve from the valuation of investments with the equity method	(15,970)			
Total Reserves	*20,796*		*18,758*	
Earnings reserve from the valuation of investments with the equity method	22,717	A,B	22,717	
Treasury shares	*(5,646)*			
Stock option reserve	13,385			
Reserve for actuarial gains (losses) relative to termination benefit	(7,951)			
Retained earnings (losses)	54,000			1,649
Total retained earnings (losses)	*53,788*	*A,B,C*	*53,788*	*1,649*
Profits (losses) for the period	14,003			
Total shareholders' equity	**318,918**		**95,263**	

Key:
A: to increase capital
B: to cover losses
C: to allocate to shareholders

45) wholly available to increase capital and cover losses. For other uses prior adjustment (also by transfer from the share premium reserve) of the legal reserve to 20% of the Share Capital is necessary. As of 31 December 2016 this adjustment would be equal to €/000 23,128.

Pursuant to article 2426 section 5 of the Italian Civil Code, shareholders' equity is not available for the value of development costs still to be amortised as of 31 December 2016 that amount to €/000 70,674.

40. Other Comprehensive Income (Expense) *€/000 (995)*

The value of other components of the Statement of Comprehensive Income is broken down as follows:

In thousands of euros	Reserve for measurement of financial instruments	Earnings reserve	Total other comprehensive income (expense)
As of 31 December 2016			
Items that will not be reclassified in the income statement			
Remeasurements of defined benefit plans		(2,377)	(2,377)
Portion of components of the Statement of Comprehensive Income of subsidiaries/associates measured with the equity method		(285)	(285)
Total	**0**	**(2,662)**	**(2,662)**
Items that may be reclassified in the income statement			
Total profits (losses) on cash flow hedges	198		198
Portion of components of the Statement of Comprehensive Income of subsidiaries/associates measured with the equity method		1,469	1,469
Total	**198**	**1,469**	**1,667**
Other Comprehensive Income (Expense)	**198**	**(1,193)**	**(995)**
As of 31 December 2015			
Items that will not be reclassified in the income statement			
Remeasurements of defined benefit plans		2,080	2,080
Portion of components of the Statement of Comprehensive Income of subsidiaries/associates measured with the equity method		(243)	(243)
Total	**0**	**1,837**	**1,837**
Items that may be reclassified in the income statement			
Total profits (losses) on cash flow hedges	245		245
Portion of components of the Statement of Comprehensive Income of subsidiaries/associates measured with the equity method		3,661	3,661
Total	**245**	**3,661**	**3,906**
Other Comprehensive Income (Expense)	**245**	**5,498**	**5,743**

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

	As of 31 December 2016			**As of 31 December 2015**		
In thousands of euros	*Gross value*	*Tax (expense) / benefit*	*Net value*	*Gross value*	*Tax (expense) / benefit*	*Net value*
Remeasurements of defined benefit plans	(3,127)	750	(2,377)	2,942	(862)	2,080
Total profits (losses) on cash flow hedges	92	106	198	419	(174)	245
Portion of components of the Statement of Comprehensive Income of subsidiaries/associates measured with the equity method	1,184		1,184	3,418		3,418
Other Comprehensive Income (Expense)	**(1,851)**	**856**	**(995)**	**6,779**	**(1,036)**	**5,743**

G) Other information

41. Share-based incentive plans

As of 31 December 2016, there were no incentive plans based on financial instruments.

42. Fees for Directors, Statutory Auditors and Key Managers

For a complete description and analysis of fees of Directors, Statutory Auditors and Key Managers, reference is made to the remuneration report available from the registered office, and on the Company's website in the section "Governance".

	2016
In thousands of euros	
Directors	1,671
Statutory auditors	161
Key Managers	527
Total fees	**2,359**

43. Information on related parties

Revenues, costs, payables and receivables as of 31 December 2016 involving parent companies, subsidiaries and affiliated companies refer 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.
The information on transactions with related parties, including information required by Consob in its communication of 28 July 2006 DEM/6064293, is given in the notes to the Consolidated Financial Statements and notes to the separate 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 31 December 2016	As of 31 December 2015
IMMSI S.p.A.	Mantua - Italy	Direct parent company	50.0621	50.0621
Omniaholding S.p.A.	Mantua - Italy	Final parent company	0.0858	0.0277

During 2016, transactions on the shares of parent companies were not carried out directly or indirectly.
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 to 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.
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 intercompany relations with subsidiaries 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;
- purchases vehicles, spare parts and accessories from:
  - Piaggio Vehicles Private Limited
  - Piaggio Vietnam
- receives a vehicle, spare parts and accessories distribution service on respective markets from:
  - Piaggio Hrvatska
  - Piaggio Hellas
  - Piaggio Group Americas
  - Piaggio Vehicles Private Limited
  - Piaggio Vietnam
- receives a sales promotion service and after-sales services on respective markets from:
  - Piaggio France
  - Piaggio Deutschland
  - Piaggio Limited
  - Piaggio España
  - Piaggio Vespa
- receives a components and vehicles design/development service and a local supplier scouting service from Foshan Piaggio Vehicles Technologies R&D;
- receives a vehicle and components research/design/development service from Piaggio Advanced Design Center;
- receives a racing team management service and vehicle design service from Aprilia Racing;
- rents property from Atlantic 12.

Relations between Piaggio & C. S.p.A. and JV Zongshen Piaggio Foshan Motorcycle Co. Ltd

Main intercompany relations between Piaggio & C S.p.A. 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.;
- sold the moulds of two discontinued vehicles for future construction at Zongshen Piaggio Foshan Motorcycle Co. Ltd.

Zongshen Piaggio Foshan Motorcycle Co. Ltd
- sells vehicles, spare parts and accessories, which it has manufactured in some cases, to Piaggio & C. S.p.A. for subsequent sale.

The tables below summarise relations described above and financial relations with parent companies, subsidiaries and affiliated companies as of 31 December 2016 and relations during the year, as well as their overall impact on financial statement items.

In thousands of euros	Revenues from sales	Costs for materials	Costs for services, leases and rentals	Employee costs	Other operating income	Other operat-ing costs	Result from equity method valuation	Financial income	Borrowing costs	Taxes	Other receivables > 12 months	Trade receivables	Other receivables < 12 months	Financial receivables	Financial payables > 12 months	Other payables < 12 months	Trade payables	Other payables < 12 months
Piaggio France			6,349		428								147				592	131
Piaggio Deutschland			4,346		169								97				894	361
Piaggio Limited			2,523		89								45				179	
Piaggio Hrvatska	2,032		15		62							444	36				18	
Piaggio Hellas S.A.	18,944		110		384							657	185				25	
P.G.A.	41,682		325		852							8,013	312				90	
Piaggio Asia Pacific					333							1	259				66	42
PVPL	669	13,318	209		15,703		28,010	85				735	8,359				4,522	63
Nacional Motor S.A.	2							62				2	50	5,953				
Atlantic 12			648		25		245						25				557	
Piaggio España SLU			4,091	50	122	12	349					933	8				946	1,380
Piaggio Vespa B.V.			2,659		104	710	8,618	2				5	6,083				339	
ZPFM	273	22,277	7		4,613		(436)					3,282	956			163	9,411	142
Piaggio Fast Forward					12		(3,113)	47					12	1,904				
Fondazione Piaggio			34								133		5					34
IMMSI S.p.A.			2,657		86	24				497		1	7,596				82	6,211
Immsi Audit			832		60								86					
Piaggio Group Japan					262								71					
Piaggio Vietnam Co.	29,903	52,435	383		17,110		10,123					10,175	13,076				5,373	574
Aprilia Racing Srl	177	2	14,616	2	1,322		748	18	1			25	603				713	
PT Piaggio Indonesia					990		(1)						338					124
F.P.V.T.			1,388		244							(13)	378				565	
Piaggio China							(168)											
Piaggio Advanced Design Center			680				28										112	
P.C.S.M.	1,230	8	26		217		(880)	73				1,559	124	1,857			39	
Pont-Tech							(24)											
Omniaholding			63						134						2,900		39	
TOTAL	**94,910**	**88,039**	**41,965**	**52**	**43,187**	**746**	**43,499**	**287**	**135**	**497**	**133**	**25,819**	**38,851**	**9,714**	**2,900**	**163**	**24,562**	**9,062**
% of accounting item	**12.0%**	**18.4%**	**23.2%**	**0.0%**	**36.7%**	**4.9%**	**99.9%**	**54.2%**	**0.5%**	**-7.5%**	**4.4%**	**48.8%**	**78.0%**	**70.8%**	**0.6%**	**11.6%**	**9.1%**	**23.2%**

44. Contract commitments and guarantees

Contract commitments of the Company are summarised based on their expiry.

	In 1 year	Between 2 and 5 years	After 5 years	Total
In thousands of euros				
Operating leases	2,398	6,809	700	**9,907**
Other commitments	7,454	5,435	407	**13,295**
Total	**9,852**	**12,243**	**1,107**	**23,202**

The main guarantees issued by banks on behalf of Piaggio & C. S.p.A in favour of subsidiaries and third parties are listed below:

Type	Amount €/000
Warrant to grant credit of Piaggio & C. for USD 19,000,000 to guarantee the credit line of an equal amount granted by I.F.C. to the subsidiary Piaggio Vehicles Private Limited	
- of which drawn	12,160
- of which undrawn	3,490
Warrant to grant credit of Piaggio & C. for USD 17,850,000 to guarantee the credit line of an equal amount granted by I.F.C. to the subsidiary Piaggio Vehicles Private Limited	
- of which drawn	14,702
- of which undrawn	0
Warrant to grant credit of Piaggio & C. for USD 11,000,000 to guarantee the credit line of USD 9,800,000 granted by the Bank of America to the subsidiary Piaggio Vehicles Private Limited	
- of which drawn	0
- of which undrawn	9,060
Warrant to grant credit of Piaggio & C. for INR 550,000,000 to guarantee the credit line of INR 500,000,000 granted by the Hongkong and Shanghai Banking Corporation to the subsidiary Piaggio Vehicles Private Limited	
- of which drawn	0
- of which undrawn	7,169
Warrant to grant credit of Piaggio & C. for INR 1,500,000,000 to guarantee the credit line of INR 1,500,000,000 granted by the Bank of America to the subsidiary Piaggio Vehicles Private Limited	
- of which drawn	0
- of which undrawn	19,552
Warrant to grant credit of Piaggio & C. for USD 22,000,000 to guarantee the credit line of USD 20,000,000 granted by the Bank of America to the subsidiary Piaggio Vehicles Private Limited	
- of which drawn	12,487
- of which undrawn	5,634
Warrant to grant credit of Piaggio & C. for USD 19,680,000 to guarantee the credit line of an equal amount granted by I.F.C. to the subsidiary Piaggio Vietnam	
- of which drawn	14,394
- of which undrawn	1,815
Warrant to grant credit of Piaggio & C. for USD 22,000,000 to guarantee the credit line of USD 20,000,000 granted by ANZ to the subsidiary Piaggio Vietnam	
- of which drawn	9,553
- of which undrawn	8,567
Warrant to grant credit of Piaggio & C. for USD 11,000,000 to guarantee the credit line of USD 10,000,000 granted by Hongkong and Shanghai Banking Corporation to the subsidiary Piaggio Vietnam	
- of which drawn	0
- of which undrawn	9,060

Warrant to grant credit of Piaggio & C. for USD 5,500,000 to guarantee the credit line of IDR 44,000,000,000 from ANZ to the subsidiary Piaggio Indonesia - of which drawn - of which undrawn	 0 4,530
Warrant to grant credit of Piaggio & C. for USD 6,000,000 to guarantee the credit line of USD 5,000,000 from Bank of America to the subsidiary Piaggio Indonesia - of which drawn - of which undrawn	 3,112 1,830
Warrant to grant credit of Piaggio & C. for USD 10,000,000 to guarantee the credit line of the same amount from CHASE to the subsidiary Piaggio Group Americas - of which drawn - of which undrawn	 6,206 2,031
Warrant to grant credit of Piaggio & C. to guarantee the credit line from Banca Intesa San Paolo to the subsidiary Piaggio Group Americas for USD 7,000,000 - of which drawn - of which undrawn	 4,942 824
Warrant to grant credit of Piaggio & C. to guarantee the credit line from Banca Intesa San Paolo to the subsidiary Piaggio Group Japan for USD 7,000,000 - of which drawn - of which undrawn	 4,751 1,015
A guarantee of Piaggio & C. on the surety granted by BNP Paribas to the subsidiary Piaggio France for €2,792,280 - of which drawn - of which undrawn	 2,792 0
A guarantee of Piaggio & C. on the surety granted by BNP Paribas to the subsidiary Piaggio France for €475,464 - of which drawn - of which undrawn	 475 0
A guarantee of Piaggio & C. on a line for derivatives, agreed on with Citibank, for the subsidiary Piaggio Vehicles Private Limited for USD 9,000,000 - of which drawn - of which undrawn	 243 7,170
A guarantee of Piaggio & C. on a line for derivatives, agreed on with Hongkong and Shanghai Banking Corporation, for the subsidiary Piaggio Vehicles Private Limited for USD 7,150,000 - of which drawn - of which undrawn	 294 5,595
A guarantee of Piaggio & C. on a line for derivatives granted by Bank of America to the subsidiary Piaggio Vehicles Private Limited for USD 3,000,000 - of which drawn - of which undrawn	 945 1,526
A guarantee of Piaggio & C. for a guarantee on derivatives agreed on by I.F.C. for the subsidiary Piaggio Vietnam - of which drawn	1,160
A guarantee of Piaggio & C. on a line for derivatives, from ANZ to the subsidiary Piaggio Indonesia for USD 1,100,000 - of which drawn - of which undrawn	 104 802
Guarantee of BCC-Fornacette to Livorno Customs Authorities for handling Piaggio goods at Livorno Port	200
A guarantee of BCC-Fornacette issued to Pisa Customs Authorities for handling Piaggio goods at the Pisana docks and at Livorno Port	200
Guarantee of BCC-Fornacette issued for the Group to Poste Italiane – Rome to guarantee contract obligations for the supply of vehicles	1,321
Guarantee of Banco di Brescia issued to the local authorities of Scorzè, to guarantee payment of urbanisation and construction charges relative to the Scorzè site	166
Guarantee of Banca Intesa San Paolo issued to the Ministry of the Interior of Algeria, to guarantee contract obligations for the supply of vehicles	140
Guarantee of Banca Intesa San Paolo issued to the Ministry of the Defense of Algeria, to guarantee contract obligations for the supply of vehicles	158
A guarantee of Monte dei Paschi di Siena issued to Chen ShinRubber for an ongoing supply agreement	650
A guarantee of Banca Nazionale del Lavoro issued to China Shipping Containers Lines for USD 122 relative to an ownership statement	100

45. Disputes

For details of litigation, see the same section in the Notes to the Consolidated Financial Statements.

46. Significant non-recurring events and operations

For 2016 and 2015, no significant non-recurrent transactions were recorded.

47. Transactions arising from atypical and/or unusual transactions

During 2016 and 2015, the Company 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.

48. Events occurring after the end of the period

No events to be reported occurred after the end of the period.

49. Authorisation for publication

This document was published on 22 March 2017 authorised by the Chairman and Chief Executive Officer.

Mantua, 27 February 2017

for the Board of Directors

Chairman and Chief Executive Officer
Roberto Colaninno

Attachments

Piaggio Group companies

Reference is made to attachments to the Consolidated Financial Statements.

Information pursuant to article 149-duodecies of the Consob Regulation on Issuers

The following statement was prepared pursuant to article 149 duodecies of the Consob Regulation on Issuers and indicates the fees for 2015 for auditing services and other services provided by the same independent auditors and entities belonging to the independent auditor's network.

Type of service	Subject providing the service	Fees for 2016
In euro		
Auditing services	PWC	463,870
Auditing services CSR	PWC	27,000
Certification services	PWC	27,000
Other services	PWC	227,000
Total		**744,870**

Information on company management and coordination activities

The Company is subject to the management and coordination of IMMSI S.p.A..
Pursuant to article 2497-bis, section 4 of the Italian Civil Code, main data of the last financial statements of the parent company IMMSI S.p.A, with registered office in Mantua (MN), Piazza Vilfredo Pareto 3 – tax code 07918540019, for the year ended 31 December 2015, are summarised below. The above essential data were taken from the Financial Statements for the year ended 31 December 2015. To fully understand the financial position of IMMSI S.p.A as of 31 December 2015, as well as the financial performance of the company in the year ending at this date, reference is made to the financial statements, and the report of the independent auditors, available in the forms and according to procedures established by law.

Income statement	**2015**	**2014**
In thousands of euros		
Financial income	24,811	7,841
Of which related parties and intergroup	*21,793*	*7,538*
Borrowing costs	(10,188)	(74,200)
Income/(loss) from investments	-	-
Operating income	4,434	4,549
Of which related parties and intergroup	*1,982*	*2,049*
Costs for materials	(35)	(40)
Costs for services, leases and rentals	(3,395)	(3,479)
Of which related parties and intergroup	*(408)*	*(548)*
Employee costs	(1,321)	(1,295)
Depreciation of plant, property and equipment	(86)	(78)
Amortisation of goodwill	-	-
Amortisation of intangible assets with a definite life	-	-
Other operating income	150	230
Of which related parties and intergroup	*86*	*86*
Other operating costs	(769)	(838)
Profit before tax	**13,601**	**(67,309)**
Taxes	1,895	1,681
Of which related parties and intergroup	*1,868*	*968*
Profit after taxes from continuing operations	**15,496**	**(65,628)**
Profit or loss arising from assets held for disposal or sale	-	-
Net profit for the period	**15,496**	**(65,628)**

Statement of comprehensive income	**2015**	**2014**
In thousands of euros		
Net profit for the period	**15,496**	**(65,628)**
Items that may be reclassified to profit or loss:		
Profits (losses) from the fair value measurement of assets available for sale (AFS)	(557)	(124)
Effective portion of profit (losses) from instruments to hedge financial flows	298	(21)
Adjustment of the Investment Property reserve	2,129	-
Items that may be reclassified to profit or loss:		
Actuarial gains (losses) relative to defined benefit plans	15	(44)
Total profit (loss) for the period	**17,381**	**(65,817)**

Statement of Financial Position	As of 31 December 2015	As of 31 December 2014
In thousands of euros		
NON-CURRENT ASSETS		
Intangible assets	-	-
Plant, property and equipment	175	247
Of which related parties and intergroup	*10*	*16*
Investment Property	74,004	73,887
Investments in subsidiaries and associates	322,332	322,359
Other financial assets	12,115	11,449
Of which related parties and intergroup	*-*	*1,100*
Tax receivables	-	411
Deferred tax assets	-	-
Trade receivables and other receivables	7	22
Of which related parties and intergroup	*-*	*15*
Total non-current assets	**408,633**	**408,375**
ASSETS HELD FOR DISPOSAL	-	-
CURRENT ASSETS		
Trade receivables and other receivables	52,167	44,988
Of which related parties and intergroup	*51,416*	*44,246*
Tax receivables	502	1,443
Inventories	-	-
Works in progress to order	-	-
Other financial assets	176,553	164,734
Of which related parties and intergroup	*162,234*	*149,857*
Cash and cash equivalents	18,702	2,651
Total current assets	**247,924**	**213,816**
Total assets	**656,557**	**622,191**
SHAREHOLDERS' EQUITY		
Share capital	178,464	178,464
Reserves and retained earnings	182,863	246,607
Net profit for the period	15,496	(65,628)
Total shareholders' equity	**376,823**	**359,443**
NON-CURRENT LIABILITIES		
Financial liabilities	117,311	70,025
Trade payables and other payables	674	947
Retirement fund and similar obligations	342	344
Other long-term provisions	-	-
Deferred tax liabilities	17,485	19,624
Total non-current liabilities	**135,812**	**90,940**
LIABILITIES RELATED TO ASSETS HELD FOR DISPOSAL	-	-
CURRENT LIABILITIES		
Financial liabilities	141,780	169,405
Trade payables	913	1,152
Of which related parties and intergroup	*84*	*291*
Current taxes	425	404
Other payables	803	847
Of which related parties and intergroup	*2*	*2*
Current portion of other long-term provisions	-	-
Total current liabilities	**143,921**	**171,808**
Total Shareholders' Equity and Liabilities	**656,557**	**622,191**

Certification of the Financial Statements pursuant to article 154/bis of Legislative Decree 58/98

1. The undersigned Roberto Colaninno (Chairman and Chief Executive Officer) and Alessandra Simonotto (Appointed Executive) of Piaggio & C. S.p.A. hereby certify, also in consideration of article 154-bis, sections 3 and 4, of Legislative Decree no. 58 of 24 February 1998:
   › the appropriateness with regard to the company's characteristics and
   › the actual application of administrative and accounting procedures for the formation of the Financial Statements as of 31 December 2016.

2. With regard to the above, no relevant aspects are to be reported.

3. Moreover
   3.1 the financial statements:

   a. have been prepared in compliance with the international accounting standards endorsed by the European Community pursuant to regulation (EC) no. 1606/2002 of the European Parliament and Council of 19 July 2002;

   b. correspond to accounting records;

   c. give a true and fair view of the statement of financial position and results of operations of the Issuer;

   3.2 The Report on Operations includes reliable analysis of the trend of operations and operating results, as well as the situation of the Issuer and a description of main risks and uncertainties to which they are exposed.

Date: 27 February 2017

Chairman and Chief Executive Officer **Executive in charge**

Report of the Independent Auditors on the Financial Statements of the Parent Company

INDEPENDENT AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE No. 39 OF 27 JANUARY 2010

To the shareholders of
Piaggio & C. SpA

Report on the financial statements

We have audited the accompanying financial statements of Piaggio & C. SpA, which comprise the statement of financial position as of 31 December 2016, the income statement, statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of Piaggio & C. SpA are responsible for the preparation of financial statements that give a true and fair view in compliance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) drawn up pursuant to article 11 of Legislative Decree No. 39 of 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The audit procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 0805640211 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 01029041 - **Napoli** 80121 Via dei Mille 16 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332285039 - **Verona** 37135 Via Francia 21/C Tel. 0458263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444393311

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Piaggio & C. SpA as of 31 December 2016 and of the result of its operations and cash flows for the year then ended in compliance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005.

Report on compliance with other laws and regulations

Opinion on the consistency with the financial statements of the report on operations and of certain information set out in the report on corporate governance and ownership structure

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion, as required by law, on the consistency of the report on operations and of the information set out in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/1998, which are the responsibility of the directors of Piaggio & C. SpA, with the financial statements of Piaggio & C. SpA as of 31 December 2016. In our opinion, the report on operations and the information in the report on corporate governance and ownership structure mentioned above are consistent with the financial statements of Piaggio & C. SpA as of 31 December 2016.

Florence, 20 March 2017

PricewaterhouseCoopers SpA

Signed by

Corrado Testori
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers

2 of 2

Report of the Board of Statutory Auditors to the General Shareholders' Meeting

Piaggio & C. S.p.a.

Registered and administrative office Pontedera (PI), viale Rinaldo Piaggio

Tax ID no. 04773200011

VAT no. 01551260506

REPORT FROM THE BOARD OF STATUTORY AUDITORS TO THE GENERAL SHAREHOLDERS' MEETING

IN ACCORDANCE WITH ARTICLE 153 OF LEGISLATIVE DECREE 58/98 ("T.U.F.") AND ARTICLE 2429 OF THE ITALIAN CIVIL CODE

Dear Shareholders,

During the financial year ended 31 December 2016, the Board of Statutory Auditors of Piaggio & C. S.p.A. (the "Company") carried out the checks required of it by law, also taking into account the CONSOB indications on company checks and the activities of the Board of Statutory Auditors, and the Principles of Conduct for the Board of Statutory Auditors of Companies listed on Regulated Markets recommended by the National Council of Professional Accountants.

During the financial year ended 31 December 2016, the Board of Statutory Auditors therefore checked (i) that the law and the memorandum of association were observed. (ii) that the principles of sound management were respected, (iii) that those aspects of the Company's organisational structure that fall within its remit, as well as the internal audit system and the administrative and accounting systems, were adequate, and that the latter could be relied upon to give a true picture of operational items, (iv) how the rules on corporate governance specified in the Corporate Governance Code of the Committee of Corporate Governance for Listed Companies, adopted by the Company, were actually implemented, and (v) that the instructions issued to subsidiaries as per article 114(2) of the T.U.F. were adequate.

1

In addition, the Board Of Statutory Auditors, in its capacity as the Internal Control and Audit Committee pursuant to article 19 of Legislative Decree no. 39 of 27 January 2010, in office during the financial year to which this report refers, also monitored (i) the financial disclosure process, (ii) the effectiveness of the internal control, internal audit and risk management systems, (iii) the audit of the annual and consolidated accounts, (iv) the independence of the independent statutory auditors, and in particular the provision of additional, non-audit services to the audited entity.

In particular, the Board reports as follows:

1. The Board verified that the operations having the greatest impact on the Company's profits, cash flow and assets – which it learnt about by attending meetings of the Board of Directors and shareholders, and by talking to top management – were in compliance with the law and memorandum of association.

The Board of Statutory Auditors has also monitored the significant non-recurring transactions, as defined by Consob Communication DEM/6064293 of 28 July 2006, acknowledging that in 2016 no significant non-recurring transactions took place.

2. The Board did not discover, during the financial year 2016, any atypical and/or unusual inter-company, third-party or related-party transactions.

The ordinary inter-company and related-party transactions, described in the Directors' Report and in the notes to the financial statements, to which we refer you as appropriate, appear to be fair and in the interest of the Company.

3. With regard to the transactions indicated in point 2 above, the Board considers the information provided in the Directors' Report and in the notes to the financial statements to be adequate.

4. The reports of the audit firm *PricewaterhouseCoopers* S.p.A. (hereinafter also the "Audit Firm") on the separate and consolidated financial statements, issued in accordance with articles 14 and 16 of Legislative Decree no. 39 of 27 January 2010, do not contain findings and/or requests for information and attest that the separate and consolidated financial statements provide a true and accurate representation of the financial position, income and cash flows of the Company and the Group for the year ended 31.12.2016. The reports also attest that the Directors' Report and the information indicated by Article

2

123-*bis, paragraph 4,* of Legislative Decree 58/98 presented in the Report on Corporate Governance and Ownership Structures are consistent with the separate and consolidated financial statements.

The Board of Statutory Auditors, in its capacity as the Internal Control and Audit Committee pursuant to article 19 of Legislative Decree no. 39 of 27 January 2010, also examined the report by the Audit Firm on the fundamental points that emerged during its audit of the financial statements as at 31 December 2016. This report states that, in terms of the financial reporting process, there are no shortcomings in the internal control system important enough to be brought to the attention of the Internal Control and Audit Committee.

The Board of Statutory Auditors also examined the attestation that the Audit Firm issued today, pursuant to article 17 of Legislative Decree no. 39 of 27 January 2010, in which (i) it declared that it was independent and that there were no grounds for incompatibility pursuant to articles 10 and 17 of Legislative Decree no. 39/2010 and its implementing measures, (ii) it declared the non-audit services provided to the Company, also by its own network.

5. During the financial year 2016, the Board received no complaints as per article 2408 of the Italian Civil Code, and has not done so to date.

6. The Board is not aware of any other circumstance which it should report here.

7-8. During 2016 the Company paid *PricewaterhouseCoopers* fees of €463,870 for audit services. The subsidiaries of Piaggio & C. S.p.A. paid *PricewaterhouseCoopers* fees of €113,647 and its network fees of €375,692 for audit services.

During the same year:

- *PricewaterhouseCoopers* received total fees of €281,000 from the Company for non-audit tasks (mainly relating to the review of the *Corporate Social Responsibility Report*, certification and other services);

- The subsidiaries of Piaggio & C. S.p.A. paid *PricewaterhouseCoopers* fees of €28,000 and its network fees of €77,602 for non-audit services (certification and other services).

In light of the above, and the Audit Firm's attestation of independence and absence of any grounds of incompatibility, the Board of Statutory Auditors believes that no critical aspects have emerged with regard to the independence of the Audit Firm.

9. During the year 2016 the Board of Statutory Auditors did not issue any legal opinions, as the conditions requiring them to do so did not arise.

The Board of Statutory Auditors in compliance with the Code of Practice, also verified:

a) that the criteria and procedures adopted by the Board of Directors when vetting the independence of its members had been correctly applied in accordance with the criteria established by law and the Corporate Governance Code;

b) that its own members – already vetted before their appointment – still met the independence requirements in accordance with the criteria established by law and the Corporate Governance Code.

With regard to the independence of the Statutory Auditors, the Board of Directors, upon appointment of the Statutory Auditors and notwithstanding the opinion of the Board of Statutory Auditors on its own composition, had resolved, in the interests of the Company, to disapply criterion 3.C.1(e) of the Corporate Governance Code (also referred to in criterion 8.C.1.) in relation to statutory auditor Giovanni Barbara, looking at the substance rather than the form and considering the fact that Giovanni Barbara is highly qualified and experienced and has, over time, proved invaluable for the Company.

4

The individual members of the Board also declared that they had not exceeded the limits of assignment set out in article 148-bis (1) of T.U.F. The members of the Board of Statutory Auditors have agreed that, in the event of operations in which they could have a personal interest or and interest on behalf of third parties, these must be reported to the Board of Directors and the other members of the Board if Statutory Auditors.

10. Over the course of 2016, the Company's Board of Directors met eight times, the Internal Control and Risk Management Committee met eight times, and the Remuneration Committee met once. No meetings of the Appointment Committee were held. During the same financial year, the Board of Statutory Auditors held seven meetings and also attended all the meetings of the Board of Directors and Shareholders held during the year.

The Board of Statutory Auditors also attended meetings of the Internal Control and Risk Management Committee.

11. The Board of Statutory Auditors, to the extent of its remit, gathered information and checked that the principles of sound management were observed and that the Company's administrative structure was adequate for the purposes of complying with these principles.

In particular, as regards the decision-making processes of the Board of Directors, the Board checked that the management decisions taken by the Directors complied with the law and article of association, and that their resolutions were not contrary to the interest of the Company.

The Board of Statutory Auditors therefore believes that the principles of sound management have been observed.

12. The Board of Statutory Auditors checked the Company's organizational structure and believes in light of these checks and to the extent of its own responsibility, that the structure as a whole is adequate.

13. The Board of Statutory Auditors checked the Company's system of internal control by liaising and coordinating with the Internal Control and Risk Management Committee, with the Internal Audit Manager, with the Managing Director in his capacity as the Director in charge of the Internal Audit and Risk Management System and with the Supervisory Body.

The meetings of the Board of Statutory Auditors were for the most part held simultaneously and jointly with the meetings of the Internal Control and Risk Management Committee and of the Supervisory Board, in order to ensure appropriate intra-company information flows. In addition, the head of the Internal Audit attended the audit meetings as a permanent guest to ensure continuous interaction with the company's third-level control function.

The Board of Statutory Auditors, in its capacity as the Internal Control and Audit Committee pursuant to article 19 of Legislative Decree no. 39 of 27 January 2010, acknowledged the certification of the Audit Firm on the lack of deficiencies of the internal control system, and worked closely with the Audit Firm and Internal Control and Risk Management Committee with continuous flows of information. Moreover, the Board of Statutory Auditors monitored the Company's transactions with related parties, verifying the functioning and correct application of the procedures for transactions with related parties, approved by the Board of Directors following the issue of CONSOB regulations no. 17221 of 12 March 2010.

Lastly, the Board of Statutory Auditors attended the meeting of the Supervisory Board during the financial year. Once again, it should be pointed out that the flow of information between the Board of Statutory Auditors and the Supervisory Board was also guaranteed by the fact that the statutory auditor of the Board of Statutory Auditors, Giovanni Barbara, is a statutory member of the Supervisory Board.

In light of these checks, and the evaluation of adequacy, efficiency and effective functioning of the internal audit system, expressed by the Internal Control and Risk Management Committee and the Board of Directors, the Board of Statutory Auditors believes to the extent of its own responsibility, that the system as a whole is adequate.

14. The Board of Statutory Auditors checked – by collecting information from the Executive in Charge of Financial Reporting and the relevant department managers, examining Company's documentation and analysing the results of the Audit Firm's work – the Company's administrative and accounting system and how reliable it is in giving a true picture of operational items.

The Board reports that, with the support of the Internal Audit Manager, the Executive in Charge of Financial Reporting completed an evaluation of the adequacy and actual implementation of the administrative and accounting procedures indicated in article 154-*bis* of T.U.F. for the Company and its strategically important subsidiaries; this activity allowed the Company to attest that its accounts give a true and fair representation of its assets and liabilities, profitability and financial position of itself and those of its consolidated companies.

In light of these checks and the Board of Directors' evaluation of the adequacy of the Company's organizational, administrative and accounting arrangements, the Board of Statutory Auditors believes to the extent of its own responsibility, that the system is essentially adequate and reliable for the purposes of correct representing the operational items.

15. The Board checked that the instructions issued by the Company to its subsidiaries as per article 114 (2) of T.U.F. were adequate and that there was a proper flow of information between them, and it believes that the Company is able to fulfil the communication obligations required by law.

16. During the financial year, the Board of Statutory Auditors met managers from the Audit Firm in order to exchange relevant data and information with them in accordance with article 150 (3) of T.U.F.

At these meetings, the Audit Firm did not report any fact or anomalies important enough to be indicated in this report.

17. The Company abided by the Corporate Governance Code of Listed Companies approved by the Committee for Corporate Governance and promoted by Borsa Italiana S.p.A.

The system of governance adopted by the Company is detailed in the 2016 Report on Corporate Governance and Ownership Structures, approved by the Board of Directors on 27 February 2017.

18. In the course of its supervisory activities and checks during the year, the Board of Statutory Auditors did not come across any reprehensible conduct, omission or irregularities significant enough to be mentioned in this report.

19. The Board remarks that, as far as it is aware, there has been no deviation from the law in preparing the consolidated financial statements and separate financial statements.

The Board, also in view of the results of the work carried out by the Audit Firm responsible for carrying out statutory audits, has found no reason – as far as its own remit goes – not to approve the Financial Statements as at 31 December 2016 as drafted and approved by the Board of Directors at its meeting of 27 February 2017, and agrees with the Board of Directors' proposal for the allocation of profit of €14,003,073.35 (of which €700,153.67 to the legal reserve and €13,302,919.68 to the reserve for equity-accounted investee companies) and for the distribution of dividends from the "Retained Earnings" reserve.

As regards the proposal for the allocation of annual profit, the Board notes that, beginning with financial year 2016, the Company has decided to adopt the new version of IAS 27 *Revised* "Separate Financial Statements". As a result of adoption of the new version of the said standard, investments in subsidiaries, associates and joint ventures have been measured using the equity method, instead of using the cost method applied in previous years. Measurement using the equity method (IAS 27 Revised) led to adjustments to income and financial position for 2015, which in turn have led to amounts to be allocated to a specific reserve. In particular, this reserve is formed of the gains generated by the first application of the method in question and, as such, consists of gains resulting purely from an accounting change.

In light of these considerations and the requirements of Article 2426(3)(4) of the Italian Civil Code, the Board therefore agrees with the allocation of the gains from the transition to the new IAS 27 *Revised* to a specific "*reserve for equity-accounted investee companies*", deeming it subject to the rules on availability but not for distribution.

Milan, 20 March 2017.

For the Board of Statutory Auditors

The Chairperson

Piera Vitali

Piera Vitali

8

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

We would like to thank all colleagues for their valuable help
in preparing this document.

Disclaimer

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PIAGGIO GROUP

Management and Coordination
IMMSI S.p.A.
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