Interim Report on Operations
as of 31 March 2017

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

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Management and Coordination

IMMSI S.p.A.

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

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

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Interim Directors' Report

Introduction

In order to guarantee the continuity and regularity of information for the financial community, the Board of Directors decided in the meeting held on 15 December 2016 to continue publishing quarterly disclosures, on a voluntary basis, and to adopt the following communication policy as from 2017 and until further notice:

a) Content of quarterly disclosures:

- general description of operating and market conditions in the geographical regions in which the Group conducts its business;

- performance of sales volumes and consolidated revenues, subdivided by type of product;

- consolidated income statement;

- consolidated net financial debt.

The information will be compared with that of the year-earlier period.

b) Communication tools and methods:

- a press statement to be released at the end of the Board of Directors meeting that approves the quarterly accounts;

- publication of the presentation used at the conference call organised with financial analysts after the release of the press statement;

- publication of the quarterly report.

Mission

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

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

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

Key operating and financial data

	1st Quarter		
	2017	**2016**	**2016**
In millions of euros			
Data on financial position			
Net revenues	309.1	307.1	1,313.1
Gross industrial margin	95.1	90.8	389.2
Operating income	10.9	10.9	60.9
Profit before tax	2.5	2.1	25.5
Net profit	1.5	1.3	14.0
.Non-controlling interests			
.Group	1.5	1.3	14.0
Data on financial performance			
Net capital employed (NCE)	931.1	950.9	884.7
Net debt	(532.4)	(554.4)	(491.0)
Shareholders' equity	398.7	396.6	393.7
Balance sheet figures and financial ratios			
Gross margin as a percentage of net revenues (%)	30.8%	29.6%	29.6%
Net profit as a percentage of net revenues (%)	0.5%	0.4%	1.1%
ROS (Operating income/net revenues)	3.5%	3.5%	4.6%
ROE (Net profit/shareholders' equity)	0.4%	0.3%	3.6%
ROI (Operating income/NCE)	1.2%	1.1%	6.9%
EBITDA	41.2	37.4	170.7
EBITDA/net revenues (%)	13.3%	12.2%	13.0%
Other information			
Sales volumes (unit/000)	121.2	121.7	532.0
Investments in property, plant and equipment and intangible assets	18.3	26.2	96.7
Research and Development[1]	16.3	17.9	50.1
Employees at the end of the period (number)	6,470	7,074	6,706

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

Results by operating segments

		EMEA and AMERICAS	INDIA	ASIA PACIFIC 2W	**TOTAL**
	1-1/31-3-2017	56.5	49.2	15.5	**121.2**
Sales volumes	1-1/31-3-2016	53.5	50.2	18.0	**121.7**
(units/000)	Change	2.9	(0.9)	(2.5)	**(0.5)**
	Change %	5.5%	-1.8%	-13.9%	**-0.4%**
	1-1/31-3-2017	191.9	79.3	38.0	**309.1**
Turnover	1-1/31-3-2016	184.6	82.0	40.5	**307.1**
(million euros)	Change	7.3	(2.7)	(2.5)	**2.1**
	Change %	3.9%	-3.3%	-6.1%	**0.7%**
	1-1/31-3-2017	3,749.6	1,990.0	820.7	**6,560.3**
Average number of staff	1-1/31-3-2016	3,860.6	2,238.7	862.7	**6,962.0**
(no.)	Change	(111.0)	(248.7)	(42.0)	**(401.7)**
	Change %	-2.9%	-11.1%	-4.9%	**-5.8%**
Investments property,	1-1/31-3-2017	13.2	3.8	1.2	**18.3**
Property, plant and equipment	1-1/31-3-2016	20.8	3.2	2.2	**26.2**
intangible assets	Change	(7.6)	0.6	(1.0)	**(8.0)**
(million euros)	Change %	-36.3%	18.0%	-45.1%	**-30.4%**
	1-1/31-3-2017	12.9	2.2	1.2	**16.3**
Research and Development[2]	1-1/31-3-2016	14.6	1.8	1.4	**17.9**
(million euros)	Change	(1.7)	0.4	(0.2)	**(1.5)**
	Change %	-11.7%	19.4%	-13.0%	**-8.6%**

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

Company Boards

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

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

(2) Executive Director

(3) Lead Indipendent Director

(4) Member of the Appointment Proposal Committee

(5) Member of the Remuneration Committee

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

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

Significant events in the first quarter of 2017

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 world's most important Motoplexes was inaugurated on 15 February 2017 in Bangkok. Through the Bangkok Motoplex, the Piaggio Group has expanded its offering in the Thai market, launching the motorcycle business with the Aprilia and Moto Guzzi brands, alongside the well-established scooter segment with Piaggio and Vespa. The goal is to further consolidate our position in a market with strong growth.

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 the "big brother" of GITA; thanks to its larger payload, it is able to carry up to 100 kg in weight in its 120-litre load area. It is incredibly stable thanks to the 3-wheel support.
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.

1 March 2017 – Effective from 1 March 2017, Simone Montanari replaced Gabriele Galli as CFO who left the Group after a cycle lasting more than a decade during which he contributed to the achievement of major goals with his experience and expertise.

30 March 2017 – The Piaggio Group announced that in recent months it had launched the production of 2-, 3- and 4-wheeler vehicles that comply with the new emissions regulation, Bharat Stage IV, which took effect on 1 April. Specifically, the Aprilia SR 150 scooter launched on the Indian market in August already complied with this stringent regulation on emissions already from the start of its production, while the Vespa models and 3- and 4-wheeler commercial vehicles manufactured at the Baramati plant (State of Maharashtra) comply with the Bharat Stage IV standards already from the month of February. The Piaggio Group has always focussed special attention to the engineering of its products to reduce emissions to a minimum. This attentive policy has allowed it to comply with the new regulation ahead of schedule without any risk of negative impacts on production or sales. Dealers in the Indian subcontinent already have Piaggio Group “Bharat Stage IV” vehicles and any remaining stock (equivalent to a few weeks of sales at most) will be managed in accordance with the emissions directive issued by the Indian Supreme Court.

Financial position and performance of the Group

Consolidated income statement (restated)

	1st Quarter 2017		1st Quarter 2016		Change	
	In millions of euros	*Accounting for a %*	*In millions of euros*	*Accounting for a %*	*In millions of euros*	*%*
Net revenues	309.1	100.0%	307.1	100.0%	2.1	0.7%
Cost to sell[3]	214.0	69.2%	216.2	70.4%	(2.2)	-1.0%
Gross industrial margin[3]	**95.1**	**30.8%**	**90.8**	**29.6%**	**4.3**	**4.7%**
Operating expenses	84.2	27.2%	80.0	26.0%	4.2	5.3%
EBITDA[3]	**41.2**	**13.3%**	**37.4**	**12.2%**	**3.8**	**10.2%**
Amortisation/Depreciation	30.3	9.8%	26.5	8.6%	3.8	14.4%
Operating income	**10.9**	**3.5%**	**10.9**	**3.5%**	**0.1**	**0.7%**
Result of financial items	(8.5)	-2.7%	(8.8)	-2.9%	0.3	-3.4%
Profit before tax	**2.5**	**0.8%**	**2.1**	**0.7%**	**0.4**	**17.9%**
Taxes	1.0	0.3%	0.8	0.3%	0.2	17.9%
Net profit	**1.5**	**0.5%**	**1.3**	**0.4%**	**0.2**	**17.9%**

Net revenues

	1st Quarter 2017	1st Quarter 2016	Change
In millions of euros			
EMEA and Americas	191.9	184.6	7.3
India	79.3	82.0	(2.7)
Asia Pacific 2W	38.0	40.5	(2.5)
TOTAL NET REVENUES	**309.1**	**307.1**	**2.1**
Two-wheeler	218.9	208.2	10.7
Commercial Vehicles	90.2	98.9	(8.7)
TOTAL NET REVENUES	**309.1**	**307.1**	**2.1**

In terms of consolidated turnover, the Group ended the first quarter of 2017 with net revenues up compared to the same period of 2016 (+ 0.7%).

In terms of geographic segments, the increase in revenues in EMEA and the Americas (+ 3.9%) more than offset the downturn in India, due to the decrease in the sale of commercial vehicles (-3.3%; -7.4% with constant exchange rates) and the decrease in Asia Pacific (-6.1%; -8.1% with constant exchange rates).

With regard to product type, the increase in turnover for two-wheeler vehicles (+5.2%) offset the decrease in commercial vehicles (-8.8%). As a result, the percentage of two-wheeler vehicles of overall turnover rose from 67.8% in the first three months of 2016 to the current figure of 70.8%; conversely, the percentage of commercial vehicles of overall turnover fell from 32.2% in the first three months of 2016 to the current figure of 29.2%.

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

The Group's **gross industrial margin** increased compared to the first quarter of the previous year in absolute terms (+4.7%), equal to 30.8% of net turnover (29.6% as of 31 March 2016).
Amortisation/depreciation included in the gross industrial margin was equal to € 8.9 million (€ 9.0 million in the first quarter of 2016).

The **operating expenses** incurred in the period also increased compared to the same period in the previous financial year, amounting to € 84.2 million. The increase is mainly due to the increase in amortisation included in operating expenses (€ 21.3 million in the first quarter of 2017 compared to € 17.5 million as of 31 March 2016).

This performance resulted in a consolidated **EBITDA** which was higher than the previous year, and equal to € 41.2 million (€ 37.4 million in the first quarter of 2016). In relation to turnover, EBITDA was equal to 13.3% (12.2% in the first quarter of 2016). Operating income (**EBIT**) amounted to € 10.9 million and is in line with the first quarter of 2016; in relation to turnover, EBIT was 3.5%, (3.5% in the first quarter of 2016).

The results for **financing activities** improved slightly compared to the first few months of the previous financial year, with Net Charges amounting to € 8.5 million (€ 8.8 million as of 31 March 2016). Lower capitalisation of borrowing costs nullified the positive effects of net exchange rate gains and of the reduction in net interest income due to the lower cost of funding. The improvement is therefore the result of the equity valuation of the investment in the joint venture operating on the Chinese market.

Income taxes for the period are estimated at € 1.0 million, equivalent to 40% of profit before tax.

Net profit stood at € 1.5 million (0.5% of turnover), also a slight improvement on the figure for the same period of the previous financial year (€ 1.3 million, or 0.4% of turnover).

Operating data

Vehicles sold

	1st Quarter 2017	1st Quarter 2016	Change
In thousands of units			
EMEA and Americas	56.5	53.5	2.9
India	49.2	50.2	(0.9)
Asia Pacific 2W	15.5	18.0	(2.5)
TOTAL VEHICLES	**121.2**	**121.7**	**(0.5)**
Two-wheeler	82.5	74.8	7.7
Commercial Vehicles	38.8	47.0	(8.2)
TOTAL VEHICLES	**121.2**	**121.7**	**(0.5)**

In the first quarter of 2017, the Piaggio Group sold 121,200 vehicles around the world, recording a slight decrease compared to the first quarter of the year before when the vehicles sold amounted to 121,700. The number of vehicles sold in EMEA and the Americas grew (+5.5%), while those sold in India and Asia Pacific 2W decreased by -1.8% and -13.9% respectively. With regard to product type, the decrease in sales of LVCs (-17.4%) was offset only in part by growth in the sales of two-wheelers (+10.3%).

Staff

In 2017, the Group continued to rationalise operations and organisational efficiency.
The decrease in the average workforce of 401.7 is mainly concentrated in India, where the fall in demand for commercial vehicles led to less use of temporary labour.

Average number of company employees by geographical area

Employee/staff numbers	1st Quarter 2017	1st Quarter 2016	Change
EMEA and Americas	3,749.6	3,860.6	(111.0)
of which Italy	*3,513.0*	*3,627.3*	(114.3)
India	1,990.0	2,238.7	(248.7)
Asia Pacific 2W	820.7	862.7	(42.0)
Total	**6,560.3**	**6,962.0**	**(401.7)**

As of 31 March 2017, the Group had 6,470 employees, an overall decrease of 236 over the figure as of 31 December 2016 due mainly to the Indian region.

Breakdown of company employees by region

Employee/staff numbers	**As of 31 March 2017**	**As of 31 December 2016**	**As of 31 March 2016**
EMEA and Americas	3,745	3,752	3,852
of which Italy	3,509	3,518	3,620
India	1,914	2,113	2,361
Asia Pacific 2W	811	841	861
Total	**6,470**	**6,706**	**7,074**

Research and Development

In the first quarter of 2017, the Piaggio Group continued its policy of retaining technological leadership in the sector, allocating total resources of € 16.3 million to research and development, of which € 11.2 million capitalised under intangible assets as development costs.

	1st Quarter 2017			**1st Quarter 2016**		
	Capitalised	Expenses	**Total**	Capitalised	Expenses	**Total**
In millions of euros						
Two-wheeler	9.8	3.8	**13.6**	11.1	4.3	**15.5**
Commercial Vehicles	1.4	1.3	**2.7**	1.7	0.7	**2.4**
Total	**11.2**	**5.2**	**16.3**	**12.8**	**5.1**	**17.9**
EMEA and Americas	8.9	4.0	**12.9**	9.9	4.7	**14.6**
India	1.3	0.9	**2.2**	1.7	0.1	**1.8**
Asia Pacific 2W	1.0	0.2	**1.2**	1.2	0.2	**1.4**
Total	**11.2**	**5.2**	**16.3**	**12.8**	**5.1**	**17.9**

Consolidated statement of financial position[4]

	As of 31 March 2017	As of 31 December 2016	Change
In millions of euros			
Statement of financial position			
Net working capital	18.0	(36.3)	54.3
Property, plant and equipment	309.1	312.8	(3.7)
Intangible assets	663.0	668.7	(5.7)
Financial assets	8.2	7.9	0.3
Provisions	(67.2)	(68.4)	1.1
Net employed capital	**931.1**	**884.7**	**46.4**
Net Financial Debt	532.4	491.0	41.4
Shareholders' equity	398.7	393.7	5.0
Sources of financing	**931.1**	**884.7**	**46.4**
Non-controlling interests	(0.3)	(0.3)	(0.0)

Net working capital as of 31 March 2017 was equal to € 18 million, using a cash flow of approximately € 54.3 million during the first quarter of 2017.

Tangible assets, which include investment property, totalled € 309.1 million as of 31 March 2017, down by around € 3.7 million compared to 31 December 2016. This decrease is mainly due to depreciation, which exceeded investments for the period by approximately €5.8 million and was partially offset by the effect of the revaluation of Asian currencies against the euro (approximately €2.1 million).

Intangible assets totalled €663.0 million, down by approximately €5.7 million compared to 31 December 2016. This downturn is mainly due to depreciation, which exceeded investments for the period by approximately €6.2 million and was partially offset by the effect of the revaluation of Asian currencies against the euro (approximately €0.3 million) and by other changes in the residual value.

Financial assets which totalled €8.2 million, increased by €0.3 million compared to figures for the previous year.

Provisions totalled €67.2 million, down compared to 31 December 2016 (€68.4 million).

As fully described in the next section on the "Consolidated Statement of Cash Flows", **net financial debt** as of 31 March 2017 was equal to € 532.4 million, compared to € 491.0 million as of 31 December 2016. The increase of approximately € 41.4 million is mainly due to the seasonal nature of two-wheelers which, as is well-known, uses resources in the first part of the year and generates them in the second half. Borrowing decreased by approximately € 22.0 million compared to 31 March 2016.

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

The Group's **shareholders' equity** as of 31 March 2017 totalled € 398.7 million, up by about € 5.0 million compared to 31 December 2016.

Consolidated Statement of Cash Flows

The consolidated statement of cash flows prepared in accordance with the models provided by international financial reporting standards (IFRS) is shown in the "Consolidated Condensed Interim Financial Statements as of 31 March 2017"; the following is a comment relating to the summary statement shown.

	1st Quarter 2017	1st Quarter 2016	Change
In millions of euros			
Change in consolidated net debt			
Opening Consolidated Net Debt	**(491.0)**	**(498.1)**	**7.2**
Cash flow from operating activities	30.6	30.2	0.4
(Increase)/Reduction in Working Capital	(54.3)	(56.8)	2.5
(Increase)/Reduction in net investments	(21.2)	(20.7)	(0.5)
Change in shareholders' equity	3.5	(9.0)	12.4
Total change	**(41.4)**	**(56.2)**	**14.8**
Closing Consolidated Net Debt	**(532.4)**	**(554.4)**	**22.0**

During the first quarter of 2017, the Piaggio Group used **financial resources** amounting to € 41.4 million.

Cash flow from operating activities, defined as net profit, minus non-monetary costs and income, was equal to €30.6 million.

Working capital involved a cash flow of € 54.3 million; in detail:

- the collection of trade receivables[5] used financial flows for a total of € 26.7 million;
- stock management absorbed financial flows for a total of approximately € 48.6 million;
- supplier payment trends generated financial flows of approximately € 27.2 million;
- the movement of other non-trade assets and liabilities had a negative impact on financial flows by approximately €6.2 million.

Investing activities involved a total of €21.2 million of financial resources. The investments refer to approximately €11.2 million for capitalised development expenditure, and approximately €7.1 million for property, plant and equipment and intangible assets.

As a result of the above financial dynamics, which involved a cash flow of € 41.4 million, the **net debt** of the Piaggio Group amounted to € –532.4 million.

[5] Net of customer advances.

Alternative non-GAAP performance measures

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

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

In particular the following alternative performance measures have been used:

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

Results by type of product

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

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

For details of final results from each operating segment, reference is made to the Notes to the Consolidated Financial Statements.
The volumes and turnover in the three geographic segments, also by product type, are analysed below.

Two-wheeler

Two-wheeler	***1st Quarter 2017***		***1st Quarter 2016***		*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	53.5	170.2	50.2	162.1	6.7%	4.9%	3.3	8.0
of which EMEA	51.0	157.2	48.0	151.4	6.3%	3.8%	3.0	5.8
(of which Italy)	*10.9*	*37.1*	*10.3*	*33.5*	*5.5%*	*10.8%*	*0.6*	*3.6*
of which America	2.5	13.0	2.2	10.8	15.2%	20.9%	0.3	2.2
India	13.4	10.8	6.5	5.6	105.0%	93.3%	6.9	5.2
Asia Pacific 2W	15.5	38.0	18.0	40.5	-13.9%	-6.1%	(2.5)	(2.5)
TOTAL	**82.5**	**218.9**	**74.8**	**208.2**	**10.3%**	**5.2%**	**7.7**	**10.7**
Scooters	73.7	145.5	66.3	136.2	11.1%	6.8%	7.4	9.3
Motorcycles	8.7	42.8	7.8	41.4	12.0%	3.5%	0.9	1.4
Wi-bike	0.1	0.3	0.7	1.6	-82.5%	-83.5%	(0.6)	(1.3)
Spare parts and Accessories		29.7		28.4		4.6%		1.3
Other		0.6		0.6		-1.9%		(0.0)
TOTAL	**82.5**	**218.9**	**74.8**	**208.2**	**10.3%**	**5.2%**	**7.7**	**10.7**

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

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

Background

In Europe, the Piaggio Group's reference area, the two-wheeler market sold 260,273 vehicles, a 2.3% decrease compared to the first quarter of 2016 (+0.3% for the motorcycle segment and -5% for the scooter segment).
In Italy, the scooter segment saw an increase of 2.3%, while motorcycles grew by +0.8%; both for the scooter market and for motorcycles there has been consistent growth in all sub-segments.
North America's two-wheeler market dropped by 4.1% in the first quarter of 2017 compared to the same period last year. The motorcycle market which accounts for 95% of the overall market decreased by 3.6%, while scooter market dropped by 13.4%.
In Vietnam, the Asian nation with most Group vehicles, sales went up by 2.2% and specifically the automatic scooter market grew by 3.3%.
India's two-wheeler market recorded a slight decrease (-2.3%) in the first quarter of 2017 compared to the same period last year. More specifically, the scooter market decreased by 0.8% and the motorcycle segment by 4.2%.

Main results

During the first half of 2017, the Piaggio Group sold a total of 82,500 two-wheeler vehicles worldwide, accounting for a net turnover of approximately € 218.9 million (+ 10.3%), including spare parts and accessories (€ 29.7 million, or + 4.6%).
Growth was driven overall by the excellent performance of sales in EMEA and Americas (+6.7%), driven specifically by the US market (+15.2%) and India (+105.0%). Deliveries of two-wheelers ran counter to the trend in Asia Pacific (-13.9%).
The results recorded on the Indian market are due to the success of the new Aprilia SR 150 scooter unveiled in July 2016.

Market positioning[6]

In the European two-wheeler vehicle market, the Piaggio Group recorded an increase in the first quarter of 2017, bringing its overall share to 14.2% (13.6% share in the first quarter of 2016), maintaining its leadership in the scooter segment (26.4% in the first quarter of 2017, compared to 24.5% in the first quarter of 2016). In Italy, the Piaggio Group has maintained its leadership in the two-wheeler market by increasing its share from 19%, in the first quarter of 2016, to 19.4%, in the same period of 2017. This was mainly thanks to a good performance in the scooter segment, where the Piaggio Group achieved a 31.8% share (31.6% in the first quarter of 2016) and in the motorcycle segment where it recorded a penetration of 3.3% (3.1% in the first quarter 2016).

In Vietnam, Group scooters decreased sell-out volumes by 22.5% in the first quarter of 2017, compared to the same period of the previous year.

In India, the Group more than doubled volumes in the first quarter of 2017 compared to the same period the year before, closing at 12,849 vehicles thanks to the launch of the new Aprilia SR 150 model.

The Group retained its strong position in the North American scooter market, where it closed the year with a market share of 22.3% (19.6% in the first quarter of 2016), and where it is committed to increasing its profile in the motorcycle segment, through the Aprilia and Moto Guzzi brands.

Investments

Investments mainly targeted the following areas:

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

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

[6] Market shares for the first quarter of 2016 could differ from figures published last year, due to the updating of the final vehicle registration data, which some countries publish with a few months' delay.

Commercial Vehicles

Commercial Vehicles	1st Quarter 2017		1st Quarter 2016		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	2.9	21.7	3.4	22.4	-12.3%	-3.2%	(0.4)	(0.7)
of which EMEA	1.4	7.5	1.6	8.7	-16.0%	-14.3%	-0.3	-1.2
(of which Italy)	*1.3*	*13.6*	*1.3*	*12.8*	*2.2%*	*6.1%*	*0.0*	*0.8*
of which America	0.3	0.6	0.5	0.9	-38.3%	-28.2%	(0.2)	(0.3)
India	35.8	68.5	43.6	76.4	-17.8%	-10.4%	(7.8)	(8.0)
TOTAL	**38.8**	**90.2**	**47.0**	**98.9**	**-17.4%**	**-8.8%**	**(8.2)**	**(8.7)**
Ape	37.1	65.8	44.8	73.9	-17.2%	-11.0%	(7.7)	(8.1)
Porter	1.0	11.1	0.8	9.2	17.0%	21.3%	0.1	2.0
Quargo	0.1	0.7	0.3	1.8	-57.4%	-60.3%	(0.2)	(1.1)
Mini Truk	0.6	1.4	1.1	2.4	-43.8%	-41.5%	(0.5)	(1.0)
Spare parts and Accessories		11.2		11.6		-3.8%		-0.4
TOTAL	**38.8**	**90.2**	**47.0**	**98.9**	**-17.4%**	**-8.8%**	**(8.2)**	**(8.7)**

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

Background

Europe

In the first quarter of 2017, the European light commercial vehicles market (vehicles with a maximum mass of 3.5 tons and less), in which the Piaggio Group is active, recorded sales of 521,248 million units, an 8.1% increase compared to the first quarter of 2016 (data source ACEA). In detail, the trends of main European reference markets are as follows: Germany (+8.9%), France (+10.2%), Italy (+9.4%) and Spain (+23.6%).

India

Sales on the Indian three-wheeler market, where Piaggio Vehicles Private Limited, a subsidiary of Piaggio & C. S.p.A. operates, went from 139,800 units in the first quarter of 2016 to 105,700 in the same period of 2017, registering a 24.4% decrease.

Within this market, the light vehicle segment showed a negative trend of 32.9%, closing with 75,200 units. The cargo segment ran counter to this trend, increasing (+10%) from 27,750 units in the first quarter of 2016 to over 30,500 units in the first quarter of 2017. Piaggio Vehicles Private Limited also operates on the four-wheeler light commercial vehicles (LCV) market for the transport of goods (cargo). The LCV cargo market, with vehicles with a maximum mass below 2 tons, recorded sales of 32,500 units in the first quarter of 2017, decreasing by 0.5% compared to the first quarter of 2016.

Main results

In the first quarter of 2017, the Commercial Vehicles business generated a turnover of approximately € 90.2 million, including approximately € 11.2 million relative to spare parts and accessories, registering a 8.8% decrease over the same period of the previous year. During the period, 38,800 units were sold, down compared to the first quarter of 2016 (-17.4%).

In the Americas and EMEA market, the Piaggio Group recorded a decrease in total net turnover of approximately € 0.7 million following a fall in sales of 12.3%.

The Indian affiliate Piaggio Vehicles Private Limited (PVPL) sold 32,647 units on the Indian three-wheeler market (39,291 in the first quarter of 2016) for a net turnover of approximately € 56.5 million (€ 63.2 million in the first quarter of 2016).

The Indian subsidiary also exported 2,532 three-wheeler vehicles (3,163 as of 31 March 2016); the downturn is mainly due to a slowdown in the sales of some African countries.

On the domestic four-wheeler market, PVPL sales in the first quarter of 2017 fell by 42.4% compared to the first quarter of 2016, to 667 units.

In overall terms, the Indian affiliate PVPL registered a turnover of € 68.5 million during the first quarter of 2017, compared to € 76.4 million for the same period of the previous year.

Market positioning[7]

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

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

On the Indian three-wheeler market, Piaggio has a market share of 30.9% (28.1% in the first quarter of 2016). Detailed analysis of the market shows that Piaggio has maintained its market leader position in the goods transport segment (cargo) with a market share of 48.2% (51.6% in the first quarter of 2016). In the passenger segment instead, Piaggio increased its share closing at 23.9%, (22.3% in the first quarter of 2016).

Besides the traditional three-wheeler market in India, Piaggio also operates on the four-wheeler light commercial vehicles (LCV) market (cargo vehicles for goods transport) with the Porter 600 and 1000. On this market, the Group share was 2.1% (3.5% in the first quarter of 2016).

[7] Market shares for the first quarter of 2016 could differ from figures published last year, due to the updating of the final vehicle registration data, which some countries publish with a few months' delay.

Investments

Investments mainly targeted the following areas:

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

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

Events occurring after the end of the period

6 April 2017 - The Court of Turin handed down a historical ruling that declared the full validity of the 3D brand of the Vespa scooter and acknowledged the creative nature and artistic value of its shape. The ruling came at the end of a case started in 2013, when, on the occasion of the inauguration of EICMA, the two-wheeler show in Milan, the Mobile Unit of the Rho Company of the Italian Finance Police seized 11 scooters on display belonging to 7 different exhibitors because their shape was an imitation of a Vespa. The Italian Finance Police seized the vehicles after determining that the products violated the exclusive right of the Piaggio Group to the so-called "three-dimensional brand" registered by Piaggio to protect the distinctive shape of a Vespa. It is a title constituting an essential means of protection for the unique lines that characterise Vespa and is the most comprehensive instrument to protect the iconic shape of this global product. One of the companies involved in the seizure, the Chinese manufacturer Taizhou Zhongneng, filed a countersuit against Piaggio at the Court of Turin to declare null the brand constituted by the 3D form of the scooter and to rule out that the "Ves" scooter seized at EICMA was a counterfeit of the said brand. However, the Court of Turin rejected petitions and threw out the suit.

12 April 2017 - On 12 April 2017 the Extraordinary Shareholders' Meeting of Piaggio & C. S.p.A. resolved to cancel 3,054,736 treasury shares. The share capital of the company (fully subscribed and paid up) is unchanged at € 207,613,944.37 and is not divided into 358,153,644 shares. The change was filed for entry at the competent Register of Companies on 18 April 2017 and registered on 19 April 2017.

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.

From a technological point of view, the Piaggio Group will continue research to develop new solutions to current and future mobility challenges through the efforts of Piaggio Fast Forward (Boston) and to explore the new frontiers of design through PADc (Piaggio Advanced Design center) in Pasadena.

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.

More in general, the Group is committed - as in recent years 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, receivables and payables as of 31 March 2017 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.

Information on related-party transactions, including the information required by Consob communication no. DEM/6064293 of 28 July 2006 is presented in the "Notes to the Condensed Consolidated Interim Financial Statements as of 31 March 2017”.

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

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

Economic glossary

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

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

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

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

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

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

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

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

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

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

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

Condensed Interim Financial Statements as of 31 March 2017

Consolidated Income Statement

		1st Quarter 2017		1st Quarter 2016	
		Total	*of which related parties*	**Total**	*of which related parties*
In thousands of euros	*Notes*				
Net revenues	4	**309,124**	**54**	**307,061**	**336**
Cost for materials	5	177,027	8,472	179,719	7,450
Cost for services and leases and rentals	6	53,299	965	55,690	940
Employee costs	7	54,454		53,339	
Depreciation and impairment costs of property, plant and equipment	8	11,573		11,301	
Amortisation and impairment costs of intangible assets	8	18,676		15,211	
Other operating income	9	22,439	82	23,015	191
Other operating costs	10	5,587	3	3,942	5
Operating income		**10,947**		**10,874**	
Income/(loss) from investments	11	352	352	7	
Financial income	12	256		406	
Borrowing costs	12	9,111	33	9,038	34
Net exchange gains/(losses)	12	24		(156)	
Profit before tax		**2,468**		**2,093**	
Taxes for the period	13	987		837	
Profit from continuing operations		**1,481**		**1,256**	
Assets held for sale:					
Profits or losses arising from assets held for sale	14				
Net Profit (loss) for the period		**1,481**		**1,256**	
Attributable to:					
Owners of the Parent		**1,481**		**1,256**	
Non controlling interests					
Earnings per share (figures in €)	15	**0.004**		**0.003**	
Diluted earnings per share (figures in €)	15	**0.004**		**0.003**	

Consolidated Statement of Comprehensive Income

In thousands of euros	Notes	1st Quarter 2017	1st Quarter 2016
Net Profit (Loss) for the period (A)		**1,481**	**1,256**
Items that will not be reclassified in the income statement			
Remeasurements of defined benefit plans	39	1,000	(2,110)
Total		**1,000**	**(2,110)**
Items that may be reclassified in the income statement			
Profit (loss) deriving from the translation of financial statements of foreign companies denominated in foreign currency	39	2,062	(2,897)
Portion of components of the Statement of Comprehensive Income of subsidiaries/associates valued with the equity method	39	(58)	
Total profits (losses) on cash flow hedges	39	466	(277)
Total		**2,470**	**(3,174)**
Other components of the Statement of Comprehensive Income (B)*		**3,470**	**(5,284)**
Total Profit (loss) for the period (A + B)		**4,951**	**(4,028)**

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

Attributable to:		
Owners of the Parent	**4,955**	**(4,016)**
Non controlling interests	**(4)**	**(12)**

Consolidated Statement of Financial Position

		As of 31 March 2017		As of 31 December 2016	
		Total	*of which related parties*	**Total**	*of which related parties*
In thousands of euros	*Notes*				
ASSETS					
Non-current assets					
Intangible assets	16	662,984		668,665	
Property, plant and equipment	17	297,411		301,079	
Investment Property	18	11,710		11,710	
Investments	33	7,739		7,445	
Other financial assets	34	17,562		19,209	
Long-term tax receivables	23	15,826		15,680	
Deferred tax assets	19	60,271		60,372	
Trade receivables	21				
Other receivables	22	13,541	133	13,170	133
Total non-current assets		**1,087,044**		**1,097,330**	
Assets held for sale	25				
Current assets					
Trade receivables	21	101,997	2,038	75,166	3,350
Other receivables	22	23,620	9,677	24,151	8,753
Short-term tax receivables	23	30,255		26,783	
Inventories	20	257,058		208,459	
Other financial assets	35	4,538		7,069	
Cash and cash equivalents	36	134,735		191,757	
Total current assets		**552,203**		**533,385**	
Total assets		**1,639,247**		**1,630,715**	

		As of 31 March 2017		As of 31 December 2016	
		Total	*of which related parties*	**Total**	*of which related parties*
In thousands of euros	*Notes*				
SHAREHOLDERS' EQUITY AND LIABILITIES					
Shareholders' equity					
Share capital and reserves attributable to the owners of the Parent	38	398,974		394,019	
Share capital and reserves attributable to non-controlling interests	38	(309)		(305)	
Total shareholders' equity		**398,665**		**393,714**	
Non-current liabilities					
Financial liabilities falling due after one year	37	561,509	2,900	535,105	2,900
Trade payables	26				
Other long-term provisions	27	10,759		10,566	
Deferred tax liabilities	28	3,958		3,880	
Retirement funds and employee benefits	29	47,051		48,924	
Tax payables	30				
Other long-term payables	31	5,613	163	5,485	162
Total non-current liabilities		**628,890**		**603,960**	
Current liabilities					
Financial liabilities falling due within one year	37	127,285		173,445	
Trade payables	26	422,904	12,468	395,649	9,935
Tax payables	30	3,940		8,128	
Other short-term payables	31	48,136	7,191	46,936	7,152
Current portion of other long-term provisions	27	9,427		8,883	
Total current liabilities		**611,692**		**633,041**	
Total Shareholders' Equity and Liabilities		**1,639,247**		**1,630,715**	

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.

		1st Quarter 2017		1st Quarter 2016	
		Total	of which related parties	Total	of which related parties
In thousands of euros	*Notes*				
Operating activities					
Consolidated net profit		1,481		1,256	
Allocation of profit to non-controlling interests		0		0	
Taxes for the period	13	987		837	
Depreciation of property, plant and equipment	8	11,573		11,301	
Amortisation of intangible assets	8	18,676		15,211	
Allocations for provisions for risks and retirement funds		4,478		3,924	
Write-downs / (Reinstatements)		235		241	
Losses / (Gains) on the disposal of property, plants and equipment		(6)		(35)	
Losses / (Gains) on the disposal of intangible assets		0		(17)	
Financial income	12	(183)		(266)	
Dividend income		0		(7)	
Borrowing costs	12	8,470		8,491	
Income from public grants		(957)		(541)	
Portion of earnings of affiliated companies		(352)		0	
Change in working capital:					
(Increase)/Decrease in trade receivables	21	(26,671)	1,312	(28,035)	133
(Increase)/Decrease in other receivables	22	235	(924)	232	(77)
(Increase)/Decrease in inventories	20	(48,599)		(45,683)	
Increase/(Decrease) in trade payables	26	27,255	2,533	33,642	(1,271)
Increase/(Decrease) in other payables	31	1,328	40	3,924	(5)
Increase/(Decrease) in provisions for risks	27	(1,922)		(1,965)	
Increase/(Decrease) in retirement funds and employee benefits	29	(3,679)		614	
Other changes		(7,173)		(20,087)	
Cash generated from operating activities		**(14,824)**		**(16,963)**	
Interest paid		(6,296)		(4,909)	
Taxes paid		(2,829)		(5,137)	
Cash flow from operating activities (A)		**(23,949)**		**(27,009)**	
Investment activities					
Investment in property, plant and equipment	17	(5,832)		(12,491)	
Realisable or repayment value of property, plant and equipment		49		95	
Investment in intangible assets	16	(12,437)		(13,753)	
Sale price, or repayment value, of intangible assets		0		17	
Collected interests		162		155	
Cash flow from investment activities (B)		**(18,058)**		**(25,977)**	
Financing activities					
Purchase of treasury shares	38	0		(3,671)	
Loans received	37	42,488		64,079	
Outflow for repayment of loans	37	(57,564)		(15,553)	
Repayment of finance leases	37	(279)		(7)	
Cash flow from funding activities (C)		**(15,355)**		**44,848**	
Increase / (Decrease) in cash and cash equivalents (A+B+C)		(57,362)		(8,138)	
Opening balance		**191,400**		**101,302**	
Exchange differences		560		(1,865)	
Closing balance		**134,598**		**91,299**	

Changes in Consolidated Shareholders’ Equity

Movements from 1 January 2017 / 31 March 2017

	Notes	Share capital	Share premium reserve	Legal reserve	Reserve for measurement of financial instruments	IAS transition reserve	Group translation reserve	Treasury shares	Earnings reserve	Consolidated Group shareholders’ equity	Share capital and reserves attributable to non-controlling interests	TOTAL SHAREHOLDERS’ EQUITY
In thousands of euros												
As of 1 January 2017		**207,614**	**7,171**	**18,395**	**(388)**	**(5,859)**	**(14,116)**	**(5,646)**	**186,848**	**394,019**	**(305)**	**393,714**
Profit for the period									1,481	**1,481**		**1,481**
Other components of the Statement of Comprehensive Income	39				466		2,008		1,000	**3,474**	**(4)**	**3,470**
Total profit (loss) for the period		**0**	**0**	**0**	**466**	**0**	**2,008**	**0**	**2,481**	**4,955**	**(4)**	**4,951**
<u>Transactions with shareholders:</u>												
Allocation of profits	38									**0**		**0**
Distribution of dividends	38									**0**		**0**
Purchase of treasury shares	38									**0**		**0**
										0		**0**
As of 31 March 2017		**207,614**	**7,171**	**18,395**	**78**	**(5,859)**	**(12,108)**	**(5,646)**	**189,329**	**398,974**	**(309)**	**398,665**

Movements from 1 January 2016 / 31 March 2016

	Notes	Share capital	Share premium reserve	Legal reserve	Reserve for measurement of financial instruments	IAS transition reserve	Group translation reserve	Treasury shares	Earnings reserve	Consolidated Group shareholders' equity	Share capital and reserves attributable to non-controlling interests	TOTAL SHAREHOLDERS' EQUITY
In thousands of euros												
As of 1 January 2016		**207,614**	**7,171**	**17,643**	**(586)**	**(5,859)**	**(15,608)**	**(34)**	**194,194**	**404,535**	**(242)**	**404,293**
Profit for the period									1,256	**1,256**		**1,256**
Other components of the Statement of Comprehensive Income	39				(277)		(2,885)		(2,110)	**(5,272)**	(12)	**(5,284)**
Total profit (loss) for the period		**0**	**0**	**0**	**(277)**	**0**	**(2,885)**	**0**	**(854)**	**(4,016)**	**(12)**	**(4,028)**
<u>Transactions with shareholders:</u>												
Allocation of profits	38									**0**		**0**
Distribution of dividends	38									**0**		**0**
Purchase of treasury shares	38							(3,671)		**(3,671)**		**(3,671)**
Other changes	38									**0**		**0**
As of 31 March 2016		**207,614**	**7,171**	**17,643**	**(863)**	**(5,859)**	**(18,493)**	**(3,705)**	**193,340**	**396,848**	**(254)**	**396,594**

Notes to the Consolidated Financial Statements

A) GENERAL ASPECTS

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

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

1. Scope of consolidation

The scope of consolidation has not changed compared to the Consolidated Financial Statements as of 31 December 2016 and 31 March 2016.

2. Compliance with international accounting standards

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

In preparing these Condensed Interim Financial Statements, drawn up in compliance with IAS 34 – *Interim Financial Reporting*, the accounting standards used to prepare the Consolidated Financial Statements as of 31 December 2016 have been adopted.

The information provided in the Interim Report should be read together with the Consolidated Financial Statements as of 31 December 2016, prepared according to IFRS.

The preparation of the interim financial statements requires management to make estimates and assumptions which have an impact on the values of revenues, costs, consolidated balance sheet assets and liabilities and on the information regarding contingent assets and liabilities at the reporting date. If these management estimates and assumptions should, in future, differ from the

actual situation, they will be changed as appropriate in the period in which the circumstances change. For a more detailed description of the most significant measurement methods of the Group, reference is made to the section "Use of estimates" of the Consolidated Financial Statements as of 31 December 2016.
It should also be noted that some assessment processes, in particular more complex ones such as establishing any impairment of fixed assets, are generally undertaken in full only when preparing the annual financial statements, when all the potentially necessary information is available, except in cases where there are indications of impairment which require an immediate assessment of any impairment loss.

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

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

<u>New accounting standards, amendments and interpretations applied as from 1 January 2017</u>

No new international accounting standards or amendments of those already adopted in the preparation of the 2016 Financial Statements have been adopted in these quarterly financial statements.

<u>Accounting standards amendments and interpretations not yet applicable</u>

At the date of these Financial Statements, competent bodies of the European Union had 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.

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 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. These amendments will apply from 1 January 2018.

- In December 2016, the IASB issued Annual Improvements to IFRS Standards 2014–2016 Cycle The amendments concern:

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.

Other information

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

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

Currency	**Spot exchange rate 31 March 2017**	**Average exchange rate 1st Quarter**	**Spot exchange rate 31 December 2016**	**Average exchange rate 1st Quarter**
US Dollar	1.0691	1.06480	1.0541	1.10200
Pounds Sterling	0.85553	0.86009	0.85618	0.77037
Indian Rupee	69.3965	71.28420	71.5935	74.42696
Singapore Dollars	1.4940	1.50804	1.5234	1.54665
Chinese yuan	7.3642	7.33527	7.3202	7.21015
Croatian Kuna	7.4465	7.46682	7.5597	7.61702
Japanese Yen	119.55	121.01385	123.40	126.997258
Vietnamese Dong	24,119.91	24,007.37631	23,894.71	24,442.43419
Canadian Dollars	1.4265	1.41012	1.4188	1.51490
Indonesian Rupiah	14,244.68	14,214.14569	14,167.10	14,902.15387
Brazilian Real	3.3800	3.34676	3.4305	4.30405

B) SEGMENT REPORTING

3. Operating segment reporting

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

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

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

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

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

INCOME STATEMENT BY OPERATING SEGMENT

		EMEA and Americas	India	Asia Pacific 2W	**Total**
	1-1/31-3-2017	56.5	49.2	15.5	**121.2**
	1-1/31-3-2016	53.5	50.2	18.0	**121.7**
	Change	2.9	(0.9)	(2.5)	**(0.5)**
Sales volumes (unit/000)	Change %	5.5%	-1.8%	-13.9%	**-0.4%**
	1-1/31-3-2017	191.9	79.3	38.0	**309.1**
	1-1/31-3-2016	184.6	82.0	40.5	**307.1**
	Change	7.3	(2.7)	(2.5)	**2.1**
Net turnover (millions of euros)	Change %	3.9%	-3.3%	-6.1%	**0.7%**
	1-1/31-3-2017	58.5	20.5	16.1	**95.1**
	1-1/31-3-2016	53.9	22.0	14.9	**90.8**
	Change	4.6	(1.5)	1.2	**4.3**
Gross margin (millions of euros)	Change %	8.6%	-6.9%	7.9%	**4.7%**
	1-1/31-3-2017				**41.2**
	1-1/31-3-2016				**37.4**
	Change				**3.8**
EBITDA (millions of euros)	Change %				**10.2%**
	1-1/31-3-2017				**10.9**
	1-1/31-3-2016				**10.9**
	Change				**0.1**
EBIT (millions of euros)	Change %				**0.7%**
	1-1/31-3-2017				**1.5**
	1-1/31-3-2016				**1.3**
	Change				**0.2**
Net profit (millions of euros)	Change %				**17.9%**

C) INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

4. Net revenues €/000 309,124

Revenues are shown net of premiums recognised to customers (dealers).
This item does not include transport costs, which are recharged to customers (€/000 5,576) and invoiced advertising cost recoveries (€/000 843), 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:

	1st Quarter 2017		1st Quarter 2016		Changes	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
In thousands of euros						
EMEA and Americas	191,858	62.1	184,571	60.1	7,287	3.9
India	79,301	25.6	82,039	26.7	(2,738)	-3.3
Asia Pacific 2W	37,965	12.3	40,451	13.2	(2,486)	-6.1
Total	**309,124**	**100.0**	**307,061**	**100.0**	**2,063**	**0.7**

In the first quarter of 2017 net sales revenues showed a 0.7% increase compared to the same period in 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 €/000 177,027

Costs for materials decreased by € 000 2,692 compared to the first quarter of 2016. The item includes €/000 8,472 (€/000 7,450 in the first quarter of 2016) for purchases of scooters from the Chinese affiliate Zongshen Piaggio Foshan Motorcyle Co., that are sold in European and Asian markets.

6. Costs for services and leases and rental costs €/000 53,299

Costs for services and leases and rental costs recorded a downturn of €/000 2,391 compared to the first quarter of 2016. The item includes costs for temporary work of €/000 483.
Costs for leases and rentals, amounting to €/000 4,291, include lease rentals for business properties of €/000 1,886, as well as lease payments for car hire, computers and photocopiers.

7. Employee costs €/000 54,454

Employee costs include €/000 1,094 relating to costs for redundancy plans for the Pontedera and Noale production sites.

	1st Quarter 2017	1st Quarter 2016	Change
In thousands of euros			
Salaries and wages	40,313	40,321	(8)
Social security contributions	11,054	10,457	597
Termination benefits	1,806	1,836	(30)
Other costs	1,281	725	556
Total	**54,454**	**53,339**	**1,115**

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

	Average number		
	1st Quarter 2017	**1st Quarter 2016**	**Change**
Level			
Senior	97.0	102.7	(5.7)
Middle	587.7	561.3	26.4
White collars	1,729.0	1,874.0	(145.0)
Blue collars	4,146.6	4,424.0	(277.4)
Total	**6,560.3**	**6,962.0**	**(401.7)**

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

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

	Number as of		
	31 March 2017	**31 December 2016**	**Change**
Level			
Senior management	96	97	(1)
Middle management	584	599	(15)
White collars	1,729	1,731	(2)
Blue collars	4,061	4,279	(218)
Total	**6,470**	**6,706**	**(236)**
EMEA and Americas	3,745	3,752	(7)
India	1,914	2,113	(199)
Asia Pacific 2W	811	841	(30)
Total	**6,470**	**6,706**	**(236)**

8. Amortisation/depreciation and impairment costs — €/000 30,249

The item increased by €/000 3,737 compared to the first three months of 2016. This item includes:

- Amortisation and impairment costs of intangible assets for €/000 18,676 (€/000 15,211 in the first quarter of 2016);

- Depreciation and impairment costs of tangible assets for €/000 11,573 (€/000 11,301 in the first quarter of 2016).

9. Other operating income **€/000 22,439**

This item, consisting prevalently of increases in fixed assets for internal work and of recoveries of costs re-invoiced to customers, shows a decrease of €/000 576 compared to the first quarter of 2016.

10. Other operating costs **€/000 5,587**

This item grew by €/000 1,645.

11. Income/(loss) from investments **€/000 352**

Income from investments equivalent to €/000 352 in the quarter relate to the portion of income attributable to the Group from the Zongshen Piaggio Foshan Motorcycle Co. Ltd joint venture, valued at equity.

12. Net financial income (borrowing costs) **€/000 (8,831)**

The balance of financial income (borrowing costs) in the first quarter of 2017 was negative by €/000 8,831, more or less in line with the same period of the previous year (€/000 8,788).
Lower capitalisation of the borrowing costs (€/000 100 in the first quarter of 2017; €/000 396 in the first quarter of 2016) nullified the positive effects of net exchange rate gains and of the reduction in net interest income due to the lower cost of funding.
The average rate used during 2017 for the capitalisation of borrowing costs (because of general loans), was equal to 18.75% and relates to loans taken out by the Vietnamese company in the local currency.

13. Taxes **€/000 987**

Income tax for the period, determined based on IAS 34, is estimated by applying a rate of 40% to profit before tax, equivalent to the best estimate of the weighted average rate predicted for the financial year.

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

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

15. Earnings per share

Earnings per share are calculated as follows:

		1st Quarter 2017	1st Quarter 2016
Net profit	€/000	1,481	1,256
Earnings attributable to ordinary shares	€/000	1,481	1,256
Average number of ordinary shares in circulation		358,153,644	359,618,687
Earnings per ordinary share	€	0.004	0.003
Adjusted average number of ordinary shares		358,153,644	359,618,687
Diluted earnings per ordinary share	€	0.004	0.003

D) INFORMATION ON OPERATING ASSETS AND LIABILITIES

16. Intangible assets €/000 662,984

The table below shows the breakdown of intangible assets as of 31 March 2017, as well as changes during the period.

In thousands of euros	***Development costs***	***Patent rights***	***Concessions, licences and trademarks***	***Goodwill***	***Other***	***Assets under development and advances***	***Total***
As of 1 January 2017							
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**
1st Quarter 2017							
Investments	3,271	162			17	8,987	12,437
Transitions in the period	880	1			7	(888)	0
Amortisation	(9,844)	(7,567)	(1,206)		(59)		(18,676)
Disposals							0
Write-downs							0
Exchange differences	126	27			(1)	143	295
Other changes	263						263
Total movements for the 1st Quarter 2017	**(5,304)**	**(7,377)**	**(1,206)**	**0**	**(36)**	**8,242**	**(5,681)**
As of 31 March 2017							
Historical cost	212,240	331,435	149,074	557,322	7,522	34,321	1,291,914
Provisions for write-down							0
Accumulated amortisation	(146,956)	(262,233)	(102,060)	(110,382)	(7,299)		(628,930)
Net carrying amount	**65,284**	**69,202**	**47,014**	**446,940**	**223**	**34,321**	**662,984**

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

	Value as of 31 March 2017			**Value as of 31 December 2016**			**Change**		
In thousands of euros	**In operation**	**Under development and advances**	**Total**	**In operation**	**Under development and advances**	**Total**	**In operation**	**Under development and advances**	**Total**
Development costs	65,284	30,368	95,652	70,588	23,185	93,773	(5,304)	7,183	1,879
Patent rights	69,202	3,952	73,154	76,579	2,890	79,469	(7,377)	1,062	(6,315)
Concessions, licences and trademarks	47,014		47,014	48,220		48,220	(1,206)	0	(1,206)
Goodwill	446,940		446,940	446,940		446,940	0	0	0
Other	223	1	224	259	4	263	(36)	(3)	(39)
Total	**628,663**	**34,321**	**662,984**	**642,586**	**26,079**	**668,665**	**(13,923)**	**8,242**	**(5,681)**

Intangible assets went down overall by €/000 5,681 mainly due to amortisation for the period which was only partially balanced by investments for the period.
Increases mainly refer to the capitalisation of development costs for new products and new engines, as well as the purchase of software.

During the first quarter of 2017, borrowing costs for €/000 48 were capitalised.

17. Property, plant and equipment €/000 297,411

The table below shows the breakdown of tangible assets as of 31 March 2017, as well as changes during the period.

In thousands of euros	***Land***	***Buildings***	***Plant and machinery***	***Equipment***	***Other assets***	***Assets under construction and advances***	***Total***
As of 1 January 2017							
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**
1st Quarter 2017							
Investments		0	24	367	1,001	4,440	5,832
Transitions in the period		1	3,689	1,166	1	(4,857)	0
Depreciation		(1,282)	(5,996)	(3,047)	(1,248)		(11,573)
Disposals	0	0	(20)	0	(23)	0	(43)
Write-downs			0	0	0		0
Exchange differences		400	1,468	0	35	202	2,105
Other changes	0	0	(27)	0	38	0	11
Total movements for the 1st Quarter 2017	**0**	**(881)**	**(862)**	**(1,514)**	**(196)**	**(215)**	**(3,668)**
As of 31 March 2017							
Historical cost	28,083	170,091	485,236	510,518	51,673	16,954	1,262,555
Provisions for write-down			(483)	(2,408)	(64)		(2,955)
Accumulated depreciation		(71,445)	(358,960)	(488,149)	(43,635)		(962,189)
Net carrying amount	**28,083**	**98,646**	**125,793**	**19,961**	**7,974**	**16,954**	**297,411**

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

	Value as of 31 March 2017			**Value as of 31 December 2016**			**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	0	0	0
Buildings	98,646	2,406	101,052	99,527	2,035	101,562	(881)	371	(510)
Plant and machinery	125,793	9,241	135,034	126,655	9,800	136,455	(862)	(559)	(1,421)
Equipment	19,961	5,151	25,112	21,475	5,229	26,704	(1,514)	(78)	(1,592)
Other assets	7,974	156	8,130	8,170	105	8,275	(196)	51	(145)
Total	**280,457**	**16,954**	**297,411**	**283,910**	**17,169**	**301,079**	**(3,453)**	**(215)**	**(3,668)**

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 relate to the construction of moulds for new vehicles launched during the period.
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 the first

quarter of 2017, borrowing costs for €/000 52 were capitalised.

As of 31 March 2017, the net value of assets held by lease agreements was as follows:

In thousands of euros	**As of 31 March 2017**
Vespa painting plant	12,197
Vehicles	102
Total	**12,299**

Future lease rental commitments are detailed in note 37.

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 2017	**11,710**
Fair value adjustment	-
Balance as of 31 March 2017	**11,710**

During the quarter, no indicators of changes in fair value were identified, and therefore the carrying amount determined for the 2016 Financial Statements, with the assistance of a specific appraisal by an independent expert, was confirmed. The expert evaluated the "Fair value less cost of disposal" using a market approach (as provided for by IFRS 13). This analysis identified the total value of the investment as €/000 11,710.
The Group uses the "fair value model" as provided for by IAS 40.

19. Deferred tax assets €/000 60,271

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 60,271, down on the figure of €/000 60,372 as of 31 December 2016.

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

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

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

20. Inventories €/000 257,058

This item comprises:

	As of 31 March 2017	As of 31 December 2016	Change
In thousands of euros			
Raw materials and consumables	126,311	99,137	27,174
Provision for write-down	(15,084)	(14,464)	(620)
Net value	*111,227*	*84,673*	*26,554*
Work in progress and semifinished products	14,747	16,624	(1,877)
Provision for write-down	(852)	(852)	0
Net value	*13,895*	*15,772*	*(1,877)*
Finished products and goods	153,695	129,930	23,765
Provision for write-down	(21,943)	(22,065)	122
Net value	*131,752*	*107,865*	*23,887*
Advances	184	149	35
Total	**257,058**	**208,459**	**48,599**

As of 31 March 2017, inventories had increased by €/000 48,599, in line with the trend expected for production volumes and sales in the future.

21. Current and non-current trade receivables **€/000 101,997**

As of 31 March 2017 and 31 December 2016, there are no trade receivables in non-current assets. Current trade receivables are broken down as follows:

	As of 31 March 2017	As of 31 December 2016	Change
In thousands of euros			
Trade receivables due from customers	99,959	71,816	28,143
Trade receivables due from JV	2,031	3,349	(1,318)
Trade receivables due from parent companies	2	1	1
Trade receivables due from associates	5		5
Total	**101,997**	**75,166**	**26,831**

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

The item Trade receivables comprises receivables referring to normal sale transactions, recorded net of a provision for bad debts of €/000 27,389.

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 March 2017, trade receivables still due sold without recourse totalled €/000 127,685.
Of these amounts, Piaggio received payment prior to natural expiry, of €/000 118,765.
As of 31 March 2017, advance payments received from factoring companies and banks, for trade receivables sold with recourse totalled €/000 15,478 with a counter entry recorded in current liabilities.

22. Other current and non-current receivables **€/000 37,161**

They consist of:

In thousands of euros	As of 31 March 2017	As of 31 December 2016	Change
Non-current portion:			
Sundry receivables due from associates	133	133	0
Prepaid expenses	10,905	10,904	1
Advances to employees	58	61	(3)
Security deposits	1,116	927	189
Receivables due from others	1,329	1,145	184
Total non-current portion	**13,541**	**13,170**	**371**

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

In thousands of euros	As of 31 March 2017	As of 31 December 2016	Change
Current portion:			
Sundry receivables due from parent companies	8,602	7,705	897
Sundry receivables due from JV	981	957	24
Sundry receivables due from associates	94	91	3
Accrued income	379	513	(134)
Prepaid expenses	5,206	3,790	1,416
Advance payments to suppliers	1,040	736	304
Advances to employees	265	2,214	(1,949)
Fair value of derivatives	735	401	334
Security deposits	296	221	75
Receivables due from others	6,022	7,523	(1,501)
Total current portion	**23,620**	**24,151**	**(531)**

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

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

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

23. Current and non-current tax receivables **€/000 46,081**

Receivables due from tax authorities consist of:

	As of 31 March 2017	As of 31 December 2016	Change
In thousands of euros			
VAT receivables	28,663	25,956	2,707
Income tax receivables	12,407	11,869	538
Other tax receivables	5,011	4,638	373
Total	**46,081**	**42,463**	**3,618**

Non-current tax receivables totalled €/000 15,826, compared to €/000 15,680 as of 31 December 2016, while current tax receivables totalled €/000 30,255 compared to €/000 26,783 as of 31 December 2016.

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

As of 31 March 2017, there were no receivables due after 5 years.

25. Assets held for sale **€/000 0**

As of 31 March 2017, there were no assets held for sale.

26. Current and non-current trade payables **€/000 422,904**

As of 31 March 2017 and as of 31 December 2016 no trade payables were recorded under non-current liabilities. Trade payables recorded as current liabilities are broken down as follows:

	As of 31 March 2017	As of 31 December 2016	Change
In thousands of euros			
Amounts due to suppliers	410,436	385,714	24,722
Trade payables to JV	12,353	9,777	2,576
Trade payables due to other related parties	14	26	(12)
Trade payables due to parent companies	101	132	(31)
Total	**422,904**	**395,649**	**27,255**

27. Provisions (current and non-current portion) €/000 20,186

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

	Balance as of 31 December 2016	Alloca tions	Uses	Reclas-sification	Delta exchange rate	Balance 31 March 2017
In thousands of euros						
Provision for product warranties	11,700	2,670	(1,832)	22	(1)	12,559
Provision for contractual risks	4,546	2	(106)		(3)	4,439
Risk provision for legal disputes	2,082				(8)	2,074
Provisions for risk on guarantee	58					58
Other provisions for risks	1,063		(6)		(1)	1,056
Total	**19,449**	**2,672**	**(1,944)**	**22**	**(13)**	**20,186**

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

	As of 31 March 2017	As of 31 December 2016	Change
In thousands of euros			
Non-current portion:			
Provision for product warranties	4,137	3,939	198
Provision for contractual risks	4,349	4,349	0
Risk provision for legal disputes	1,512	1,512	0
Other provisions for risks and charges	761	766	(5)
Total non-current portion	**10,759**	**10,566**	**193**

	As of 31 March 2017	As of 31 December 2016	Change
In thousands of euros			
Current portion:			
Provision for product warranties	8,422	7,761	661
Provision for contractual risks	90	197	(107)
Risk provision for legal disputes	562	570	(8)
Provisions for risk on guarantee	58	58	0
Other provisions for risks and charges	295	297	(2)
Total current portion	**9,427**	**8,883**	**544**

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 2,670 and was used for €/000 1,832 in relation to charges incurred during the period.

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

28. Deferred tax liabilities €/000 3,958

Deferred tax liabilities amount to €/000 3,958 compared to €/000 3,880 as of 31 December 2016.

29. Retirement funds and employee benefits €/000 47,051

	As of 31 March 2017	As of 31 December 2016	Change
In thousands of euros			
Retirement funds	770	755	15
Post-employment benefits provision	46,281	48,169	(1,888)
Total	**47,051**	**48,924**	**(1,873)**

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.
As regards the discount rate, the Group has decided to use the iBoxx Corporates AA rating with a 10+ duration as the valuation reference.
If instead an iBoxx Corporates A rating with a 10+ duration had been used, the value of actuarial losses and the provision as of 31 March 2017 would have been lower by € 1,387 thousand.

30. Current and non-current tax payables **€/000 3,940**

Trade payables recorded as current liabilities are broken down as follows:

	As of 31 March 2017	As of 31 December 2016	Change
In thousands of euros			
Due for income taxes	142	1,184	(1,042)
Due for non-income tax	12	38	(26)
Tax payables for:			
- VAT	1,038	1,958	(920)
- Tax withheld at source	2,300	4,186	(1,886)
- other	448	762	(314)
Total	3,786	6,906	(3,120)
Total	**3,940**	**8,128**	**(4,188)**

The item includes tax payables recorded in the financial statements of individual consolidated companies, set aside in relation to tax charges for the individual companies on the basis of applicable national laws.

Payables for withheld taxes made refer mainly to withheld taxes on employees' earnings, on employment termination payments and on self-employed earnings.

31. Other payables (current and non-current) **€/000 53,749**

This item comprises:

	As of 31 March 2017	As of 31 December 2016	Change
In thousands of euros			
Non-current portion:			
Guarantee deposits	2,711	2,553	158
Deferred income	2,573	2,597	(24)
Miscellaneous payables to JV	163	162	1
Other payables	166	173	(7)
Total non-current portion	**5,613**	**5,485**	**128**

	As of 31 March 2017	As of 31 December 2016	Change
In thousands of euros			
Current portion:			
Payables to employees	18,516	14,881	3,635
Accrued expenses	7,989	5,664	2,325
Deferred income	733	1,227	(494)
Amounts due to social security institutions	5,849	8,821	(2,972)
Fair value of derivatives	145	237	(92)
Miscellaneous payables to JV	148	181	(33)
Sundry payables due to affiliated companies	34	34	0
Sundry payables due to parent companies	7,009	6,937	72
Other payables	7,713	8,954	(1,241)
Total current portion	**48,136**	**46,936**	**1,200**

Amounts due to employees include the amount for holidays accrued but not taken of €/000 9,286 and other payments to be made for €/000 9,230.

Payables due to affiliated companies refer to various amounts due to the Fondazione Piaggio (Foundation).

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

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

The item Accrued liabilities includes €/000 641 for interest on hedging derivatives and relative hedged items measured at *fair value*.

32. Payables due after 5 years

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

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

E) INFORMATION ON FINANCIAL ASSETS AND LIABILITIES

33. Investments — €/000 7,739

The investments heading comprises:

	As of 31 March 2017	As of 31 December 2016	Change
In thousands of euros			
Interests in joint ventures	7,588	7,294	294
Investments in affiliated companies	151	151	0
Total	**7,739**	**7,445**	**294**

The increase in the item Interests in joint ventures refers to the equity valuation of the investment in the Zongshen Piaggio Foshan Motorcycles Co. Ltd. joint venture.

34. Other non-current financial assets — €/000 17,562

	As of 31 March 2017	As of 31 December 2016	Change
In thousands of euros			
Fair value of derivatives	17,525	19,173	(1,648)
Investments in other companies	37	36	1
Total	**17,562**	**19,209**	**(1,647)**

The item *Fair value* of hedging derivatives refers to €/000 16,552 from the fair value of the cross currency swap for a private debenture loan, to €/000 906 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 67 from the long-term portion of the cross currency swap for a medium-term loan of the Vietnamese subsidiary.

35. Other current financial assets — €/000 4,538

	As of 31 March 2017	As of 31 December 2016	Change
In thousands of euros			
Fair value of derivatives	4,538	7,069	(2,531)
Total	**4,538**	**7,069**	**(2,531)**

This item refers to €/000 3,799 at fair value of the cross currency swap for the private debenture loan, to €/000 604 for the short-term portion of the fair value of the cross currency swap for medium-term loans of the Indian subsidiary and to €/000 135 for the short-term portion of the cross currency swap for the medium-term loan of the Vietnamese subsidiary.

36. Cash and cash equivalents €/000 134,735

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

	As of 31 March 2017	As of 31 December 2016	Change
In thousands of euros			
Bank and postal deposits	134,673	166,114	(31,441)
Cheques	1	1	0
Cash on hand	61	48	13
Securities		25,594	(25,594)
Total	**134,735**	**191,757**	**(57,022)**

The item Securities as of 31 December 2016 refers to deposit agreements entered into by the Indian subsidiary to effectively use temporary liquidity.

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

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

	As of 31 March 2017	As of 31 March 2016	Change
In thousands of euros			
Liquidity	134,735	98,500	36,235
Current account overdrafts	(137)	(7,201)	7,064
Closing balance	**134,598**	**91,299**	**43,299**

37. Current and non-current financial liabilities €/000 688,794

During the first quarter of 2017, the Group's total debt decreased by €/000 19,756. Total financial debt of the Group, net of the fair value measurement of financial derivatives to hedge foreign exchange risk and interest rate risk and adjustment of relative hedged items, as of 31 March 2017, decreased by €/000 15,587.

	Financial liabilities as of 31 March 2017			Financial liabilities as of 31 December 2016			Change		
	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total
In thousands of euros									
Gross financial debt	122,684	544,442	667,126	166,371	516,342	682,713	(43,687)	28,100	(15,587)
Fair value adjustment	4,601	17,067	21,668	7,074	18,763	25,837	(2,473)	(1,696)	(4,169)
Total	**127,285**	**561,509**	**688,794**	**173,445**	**535,105**	**708,550**	**(46,160)**	**26,404**	**(19,756)**

Net financial debt of the Group amounted to €/000 532,391 as of 31 March 2017 compared to €/000 490,956 as of 31 December 2016.

	As of 31 March 2017	As of 31 December 2016	Change
In thousands of euros			
Liquidity	**134,735**	**191,757**	**(57,022)**
Securities			0
Current financial receivables	**0**	**0**	**0**
Payables due to banks	(53,816)	(64,150)	10,334
Current portion of bank borrowings	(42,305)	(80,132)	37,827
Debenture loan	(9,624)	(9,617)	(7)
Amounts due to factoring companies	(15,478)	(11,030)	(4,448)
Amounts due under leases	(1,130)	(1,114)	(16)
Current portion of payables due to other lenders	(331)	(328)	(3)
Current financial debt	**(122,684)**	**(166,371)**	**43,687**
Net current financial debt	**12,051**	**25,386**	**(13,335)**
Payables due to banks and lenders	(251,583)	(222,912)	(28,671)
Debenture loan	(282,475)	(282,442)	(33)
Amounts due under leases	(10,026)	(10,311)	285
Amounts due to other lenders	(358)	(677)	319
Non-current financial debt	**(544,442)**	**(516,342)**	**(28,100)**
Net Financial Debt[8]	**(532,391)**	**(490,956)**	**(41,435)**

Non-current financial liabilities totalled €/000 544,442 against €/000 516,342 as of 31 December 2016, whereas current financial liabilities totalled €/000 122,684 compared to €/000 166,371 as of 31 December 2016.

[8] * 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 21,668 and relative accruals.

The attached tables summarise the breakdown of financial debt as of 31 March 2017 and as of 31 December 2016, as well as changes for the period.

In thousands of Euros	Accounting balance as of 31/12/2016	Repayments	New issues	Reclassification to the current portion	Exchange delta	Other changes	Accounting balance as of 31/03/2017
Non-current portion:							
Bank financing	222,912	0	37,670	(9,028)	23	6	251,583
Bonds	282,442					33	282,475
Other medium-/long-term loans:							
of which leases	10,311	0	0	(285)	0	0	10,026
of which amounts due to other lenders	677			(321)	2	0	358
Total other loans	*10,988*	*0*	*0*	*(606)*	*2*	*0*	*10,384*
Total	**516,342**	**0**	**37,670**	**(9,634)**	**25**	**39**	**544,442**

In thousands of Euros	Accounting balance as of 31/12/2016	Repayments	New issues	Reclassification from the non-current portion	Exchange delta	Other changes	Accounting balance as of 31/03/2017
Current portion:							
Current account overdrafts	357	(221)	0	0	1	0	137
Short-term bank payables	63,793	(10,012)	370	0	(472)	0	53,679
Bonds	9,617			0		7	9,624
Payables due to factoring companies	11,030		4,448				15,478
Current portion of medium-/long-term loans:							
of which leases	1,114	(279)	0	285	0	10	1,130
of which due to banks	80,132	(47,234)	0	9,028	185	194	42,305
of which amounts due to other lenders	328	(318)	0	321	0	0	331
Total other loans	*81,574*	*(47,831)*	*0*	*9,634*	*185*	*204*	*43,766*
Total	**166,371**	**(58,064)**	**4,818**	**9,634**	**(286)**	**211**	**122,684**

Medium and long-term bank debt amounts to €/000 293,888 (of which €/000 251,583 non-current and €/000 42,305 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 65,611 medium-term loan (nominal value of €/000 65,714) 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 94,143 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 45,000 had been used as of 31 March 2017) and a tranche as a five-year loan with amortisation of €/000 75,000. Please note that in the month of February 2017 the first scheduled amortisation instalment of the loan due in July 2017 for €/000 25,000 was repaid in advance in full. Contract terms require covenants (described below);
- a €/000 6,662 three-year loan (nominal value of €/000 6,667) with amortisation granted by Banco BPM for an original amount of €/000 10,000 wholly disbursed;
- a €/000 20,801 medium-term loan (nominal value of €/000 20,835) granted by Banca Popolare Emilia Romagna. The loan will fall due on 5 June 2019 and has an amortisation quota of six-monthly instalments;
- €/000 25,000 loan granted by Banco BPM and comprising a tranche of €/000 12,500, granted as a revolving credit line (completely used as of 31 March 2017) with due date in January 2021 and a tranche granted as a loan with amortisation of €/000 12,500, wholly disbursed, with due date in July 2022;
- 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 7,863 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 5,711 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 fall due on 15 July 2018 and has an amortisation quota of six-monthly instalments from July 2014. Contract terms include a guarantee of the Parent Company and some covenants (described below). Cross currency swaps have been taken out on this loan to hedge the exchange risk and interest rate risk;
- a €/000 14,405 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;
- €/000 975 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 €/000 292,099 (nominal value of €/000 301,799) refers to:

- a €/000 51,666 private debenture loan (nominal value of €/000 51,799), (*US Private Placement*) issued on 25 July 2011 for $/000 75,000 wholly subscribed by an American institutional investor, payable in 5 annual portions from July 2017, with a semi-annual coupon. As of 31 March 2017 the fair value measurement of the debenture loan was equal to €/000 71,448 (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;
- €/000 240,433 (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 11,845 of which €/000 10,384 due after the year and €/000 1,461 as the current portion, are detailed as follows:

- a finance lease for €/000 10,985 (nominal value of €/000 10,998) 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 9,889);
- a finance lease for €/000 171 granted by VFS Servizi Finanziari for the use of vehicles (non-current portion equal to €/000 137);
- a loan of €/000 53 from BMW finance for the purchase of cars (non-current portion equal to €/000 39).
- subsidised loans for a total of €/000 636 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 €/000 319).

Financial advances received from factoring companies and banks, on the sale of trade receivables with recourse, totalled €/000 15,478.

Covenants

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

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

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

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

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

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

Financial instruments

Exchange Risk

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

This policy analyses:

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

As of 31 March 2017, 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	GBP	500	586	16/01/2017
Piaggio & C.	Purchase	CNY	87,600	11,950	02/05/2017
Piaggio & C.	Purchase	JPY	385,000	3,202	22/04/2017
Piaggio & C.	Purchase	SEK	6,500	681	28/04/2017
Piaggio & C.	Purchase	USD	12,450	11,714	24/04/2017
Piaggio & C.	Sale	CAD	2,920	2,066	30/05/2017
Piaggio & C.	Sale	GBP	300	350	30/06/2017
Piaggio & C.	Sale	INR	81,000	1,167	25/04/2017
Piaggio & C.	Sale	JPY	50,000	419	05/04/2017
Piaggio & C.	Sale	SEK	3,100	326	28/04/2017
Piaggio & C.	Sale	SGD	320	214	28/04/2017
Piaggio & C.	Sale	USD	10,310	9,742	30/05/2017
Piaggio Vietnam	Purchase	€	2,000	48,532,000	04/04/2017
Piaggio Vietnam	Sale	€	11,800	290,815,000	12/06/2017
Piaggio Indonesia	Purchase	€	27	389,745	15/05/2017
Piaggio Indonesia	Purchase	USD	5,556	75,172,950	19/05/2017
Piaggio Vespa BV	Sale	CNY	3,844	513	21/04/2017
Piaggio Vehicles Private Limited	Sale	€	823	59,422	18/06/2017
Piaggio Vehicles Private Limited	Sale	USD	470	31,085	30/06/2017
Piaggio Group Americas Inc.	Purchase	CAD	2,588	1,949	12/05/2017
Piaggio Group Americas Inc.	Sale	€	409	382	18/05/2017

- the settlement 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.

As of 31 March 2017, the Group had the following transactions to hedge the exchange risk:

Company	**Operation**	**Currency**	**Amount in currency**	**Value in local currency (forward exchange rate)**	**Average maturity**
			In thousands	*In thousands*	
Piaggio & C.	Purchase	CNY	164,000	21,414	21/07/2017
Piaggio & C.	Sale	GBP	9,820	11,427	23/07/2017

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 March 2017 the total fair value of hedging instruments for the economic exchange risk recognised on a hedge accounting basis was positive by €/000 590.

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 March 2017, 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 March

2017 the *fair value* of the instrument was equal to €/000 20,351. The net economic effect arising from the measurement of the instrument and underlying private debenture loan was equal to €/000 73;

- *A Cross Currency Swap* to hedge loans relative to the Indian subsidiary for $/000 9,907 (as of 31 March 2017 for €/000 7,863) 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 March 2017 the fair value of the instruments was equal to €/000 1,509;
- *Cross Currency Swap* to hedge the loan in place relative to the Vietnamese subsidiary for $/000 6,553 (as of 31 March 2017 for €/000 5,711) 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 March 2017 the *fair value* of the instruments was positive by €/000 203.

	FAIR VALUE
In thousands of euros	
Piaggio & C. S.p.A.	
Cross Currency Swap	20,351
Piaggio Vehicles Private Limited	
Cross Currency Swap	1,509
Piaggio Vietnam	
Cross Currency Swap	203

F) INFORMATION ON SHAREHOLDERS' EQUITY

38. Share capital and reserves €/000 398,665

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

Share capital €/000 207,614

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

Therefore, as of 31 March 2017, 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, no treasury shares were purchased. Therefore, as of 31 March 2017, Piaggio & C. held 3,054,736 treasury shares, equal to 0.8457% of the share capital.

Shares in circulation and treasury shares

	2017	2016
no. of shares		
Situation as of 1 January		
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
Movements for the year		
Cancellation of treasury shares		
Purchase of treasury shares		3,038,736
Situation as of 31 March 2017 and 31 December 2016		
Shares issued	361,208,380	361,208,380
Treasury portfolio shares	3,054,736	3,054,736
Shares in circulation	358,153,644	358,153,644

On 12 April 2017 the Extraordinary Shareholders’ Meeting resolved to cancel 3,054,736 treasury shares. Therefore, at the date of publication of this document Piaggio & C. holds no treasury shares.

Share premium reserve €/000 7,171

The share premium reserve as of 31 March 2017 was unchanged compared to 31 December 2016.

Legal reserve €/000 18,395

The legal reserve as of 31 March 2017 was unchanged compared to 31 December 2016.

Financial instruments' fair value reserve €/000 78

The financial instrument *fair value* reserve relates to the effects of *cash flow hedge* accounting implemented on foreign currencies, interest and specific commercial transactions. These transactions are described in full in the note on financial instruments.

Dividends €/000 19,698

The Shareholders Meeting of Piaggio & C. S.p.A. of 12 April 2017 resolved to distribute a dividend of 5.5 eurocents per ordinary share. During April this year, therefore, dividends will be distributed to a total value of €/000 19,698. During 2016, dividends totalling €/000 17,962 were paid.

	Total amount		**Dividend per share**	
	2017	**2016**	**2017**	**2016**
	€/000	€/000	€	€
Authorised and paid	19,698	17,962	0.055	0.05

Earnings reserve €/000 189,329

Capital and reserves of non-controlling interest €/000 (309)

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

39. Other components of the Statement of Comprehensive Income €/000 3,470

The figure is broken down as follows:

	Reserve for measurement of financial instruments	Group translation reserve	Earnings reserve	Group total	Share capital and reserves attributable to non-controlling interests	Total other components of the Statement of Comprehensive Income
In thousands of euros						
As of 31 March 2017						
Items that will not be reclassified in the income statement						
Remeasurements of defined benefit plans			1,000	1,000		1,000
Total	0	0	1,000	1,000	0	1,000
Items that may be reclassified in the income statement						
Total translation gains (losses)		2,066		2,066	(4)	2,062
Portion of components of the Statement of Comprehensive Income of subsidiaries/associates valued with the equity method		(58)		(58)		(58)
Total profits (losses) on cash flow hedges	466			466		466
Total	466	2,008	0	2,474	(4)	2,470
Other components of the Statement of Comprehensive Income	**466**	**2,008**	**1,000**	**3,474**	**(4)**	**3,470**
As of 31 March 2016						
Items that will not be reclassified in the income statement						
Remeasurements of defined benefit plans			(2,110)	(2,110)		(2,110)
Total	0	0	(2,110)	(2,110)	0	(2,110)
Items that may be reclassified in the income statement						
Total translation gains (losses)		(2,885)		(2,885)	(12)	(2,897)
Portion of components of the Statement of Comprehensive Income of subsidiaries/associates valued with the equity method				0		0
Total profits (losses) on cash flow hedges	(277)			(277)		(277)
Total	(277)	(2,885)	0	(3,162)	(12)	(3,174)
Other components of the Statement of Comprehensive Income	**(277)**	**(2,885)**	**(2,110)**	**(5,272)**	**(12)**	**(5,284)**

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

	As of 31 March 2017			As of 31 March 2016		
	Gross value	Tax (expense) / benefit	Net value	Gross value	Tax (expense) / benefit	Net value
In thousands of euros						
Remeasurements of defined benefit plans	1,316	(316)	1,000	(2,775)	665	(2,110)
Total translation gains (losses)	2,062		2,062	(2,897)		(2,897)
Portion of components of the Statement of Comprehensive Income of subsidiaries/associates measured with the equity method	(58)		(58)			0
Total profits (losses) on cash flow hedges	466		466	(261)	(16)	(277)
Other components of the Statement of Comprehensive Income	**3,786**	**(316)**	**3,470**	**(5,933)**	**649**	**(5,284)**

G) OTHER INFORMATION

40. Share-based incentive plans

As of 31 March 2017, there were no incentive plans based on financial instruments.

41. Information on related parties

Revenues, costs, receivables and payables as of 31 March 2017 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.
Information on transactions with related parties, including information required by Consob in its communication of 28 July 2006 n. DEM/6064293, is reported in the notes of the Consolidated Financial Statements.
The procedure for transactions with related parties, pursuant to article 4 of Consob Regulation no. 17221 of 12 March 2010 as amended, approved by the Board on 30 September 2010, is published on the institutional site of the Issuer www.piaggiogroup.com, under *Governance*.

Relations with Parent Companies

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

Designation	Registered office	Type	% of ownership	
			As of 31 March 2017	As of 31 December 2016
IMMSI S.p.A.	Mantua - Italy	Direct parent company	50.062	50.062
Omniaholding S.p.A.	Mantua - Italy	Final parent company	0.094	0.086

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.

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

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

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

Transactions with Piaggio Group companies

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

Piaggio & C. S.p.A.

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

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

- sells components to:

- Piaggio Vehicles Private Limited
- Piaggio Vietnam

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

- Piaggio Vehicles Private Limited
- Piaggio Vietnam

- provides support services for scooter and engine industrialisation to:

- Piaggio Vehicles Private Limited
- Piaggio Vietnam

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

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

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

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

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..

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.

As of 31 March 2017	Fondazione Piaggio	Zongshen Piaggio Foshan	IMMSI Audit	Studio Girelli	Trevi	Omniaholding	IMMSI	**Total**	**% of accounting item**
In thousands of euros									
Income statement									
Revenues from sales		54						**54**	**0.02%**
Costs for materials		8,472						**8,472**	**4.79%**
Costs for services			236	9	5		304	**554**	**1.15%**
Insurance							9	**9**	**0.91%**
Leases and rentals						51	351	**402**	**9.37%**
Other operating income		63	4				15	**82**	**0.37%**
Other operating costs							3	**3**	**0.05%**
Write-down/Impairment of investments		352						**352**	**100.00%**
Borrowing costs						33		**33**	**0.36%**
Assets									
Other non-current receivables	133							**133**	**0.98%**
Current trade receivables		2,031	5				2	**2,038**	**2.00%**
Other current receivables	5	981	89				8,602	**9,677**	**40.97%**
Liabilities									
Financial liabilities falling due after one year						2,900		**2,900**	**0.52%**
Other non-current payables		163						**163**	**2.90%**
Current trade payables		12,353		9	5	39	62	**12,468**	**2.95%**
Other current payables	34	148					7,009	**7,191**	**14.94%**

42. Significant non-recurring events and operations

For the first quarter of 2017 and for 2016, no significant non-recurrent transactions were recorded.

43. Transactions arising from atypical and/or unusual transactions

During 2016 and the first quarter of 2017, the Group did not record any significant atypical and/or unusual operations, as defined by Consob Communication DEM/6037577 of 28 April 2006 and DEM/6064293 of 28 July 2006.

44. Events occurring after the end of the period

To date, no events have occurred after 31 March 2017 that make additional notes or adjustments to these Financial Statements necessary.

In this regard, reference is made to the Report on Operations for significant events after 31 March 2017.

45. Authorisation for publication

This document was published on 15 May 2017, authorised by the Chairman and Chief Executive Officer.

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

Pontedera, 3 May 2017

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