



**PIAGGIO
GROUP**

**Half-year Financial Report
as of 30 June 2017**

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REPORT ON OPERATIONS

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Introduction

This Half-year Financial Report as of 30 June 2017 was drafted in compliance with Italian Legislative Decree no. 58/1998 as amended, as well as the Consob Regulation on Issuers. This Half-year Financial Report has been prepared in compliance with International Financial Reporting Standards (« IFRS ») issued by the International Accounting Standards Board (« IASB ») and approved by the European Union and in accordance with IAS 34 – Interim Financial Reporting.



Key operating and financial data ¹

	1st half		
	2017	2016	2016
In millions of euros			
Data on financial position			
Net revenues	725.3	706.5	1,313.1
Gross industrial margin	227.9	216.4	389.2
Operating income	53.0	47.8	60.9
Profit before tax	36.5	30.0	25.5
Net profit	21.1	18.0	14.0
.Non-controlling interests			
.Group	21.1	18.0	14.0
Data on financial performance			
Net capital employed (NCE)	841.3	873.1	884.7
Net debt	(450.2)	(479.9)	(491.0)
Shareholders' equity	391.1	393.2	393.7
Balance sheet figures and financial ratios			
Gross margin as a percentage of net revenues (%)	31.4%	30.6%	29.6%
Net profit as a percentage of net revenues (%)	2.9%	2.5%	1.1%
ROS (Operating income/net revenues)	7.3%	6.8%	4.6%
ROE (Net profit/shareholders' equity)	5.4%	4.6%	3.6%
ROI (Operating income/NCE)	6.3%	5.5%	6.9%
EBITDA	114.0	101.5	170.7
EBITDA/net revenues (%)	15.7%	14.4%	13.0%
Other information			
Sales volumes (unit/000)	280.7	276.7	532.0
Investments in property, plant and equipment and intangible assets	38.8	47.0	96.7
Research and Development ²	33.9	35.1	50.1
Employees at the end of the period (number)	6,584	7,025	6,706

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

2_ 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
Sales volumes (units/000)	1st half of 2017	145.5	99.4	35.8	280.7
	1st half of 2016	137.6	101.7	37.5	276.7
	Change	7.9	(2.3)	(1.7)	4.0
	Change %	5.8%	-2.2%	-4.4%	1.4%
Turnover (million euros)	1st half of 2017	479.6	160.8	84.9	725.3
	1st half of 2016	456.4	165.0	85.1	706.5
	Change	23.2	(4.2)	(0.2)	18.8
	Change %	5.1%	-2.5%	-0.2%	2.7%
Average number of staff (no.)	1st half of 2017	3,741.9	1,977.3	827.8	6,547.0
	1st half of 2016	3,855.3	2,274.7	874.5	7,004.5
	Change	(113.4)	(297.4)	(46.7)	(457.5)
	Change %	-2.9%	-13.1%	-5.3%	-6.5%
Investments in property, plant and equipment and intangible assets (million euros)	1st half of 2017	27.6	7.9	3.3	38.8
	1st half of 2016	36.6	5.9	4.5	47.0
	Change	(9.0)	2.0	(1.2)	(8.2)
	Change %	-24.6%	33.9%	-27.1%	-17.5%
Research and Development ³ (million euros)	1st half of 2017	25.9	4.9	3.1	33.9
	1st half of 2016	28.9	3.7	2.5	35.1
	Change	(3.0)	1.2	0.5	(1.2)
	Change %	-10.4%	33.8%	21.7%	-3.4%

3_ The item Research and Development includes investments for the period recognised in the statement of financial position and costs recognised in profit and loss.



Group profile

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

Mission

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

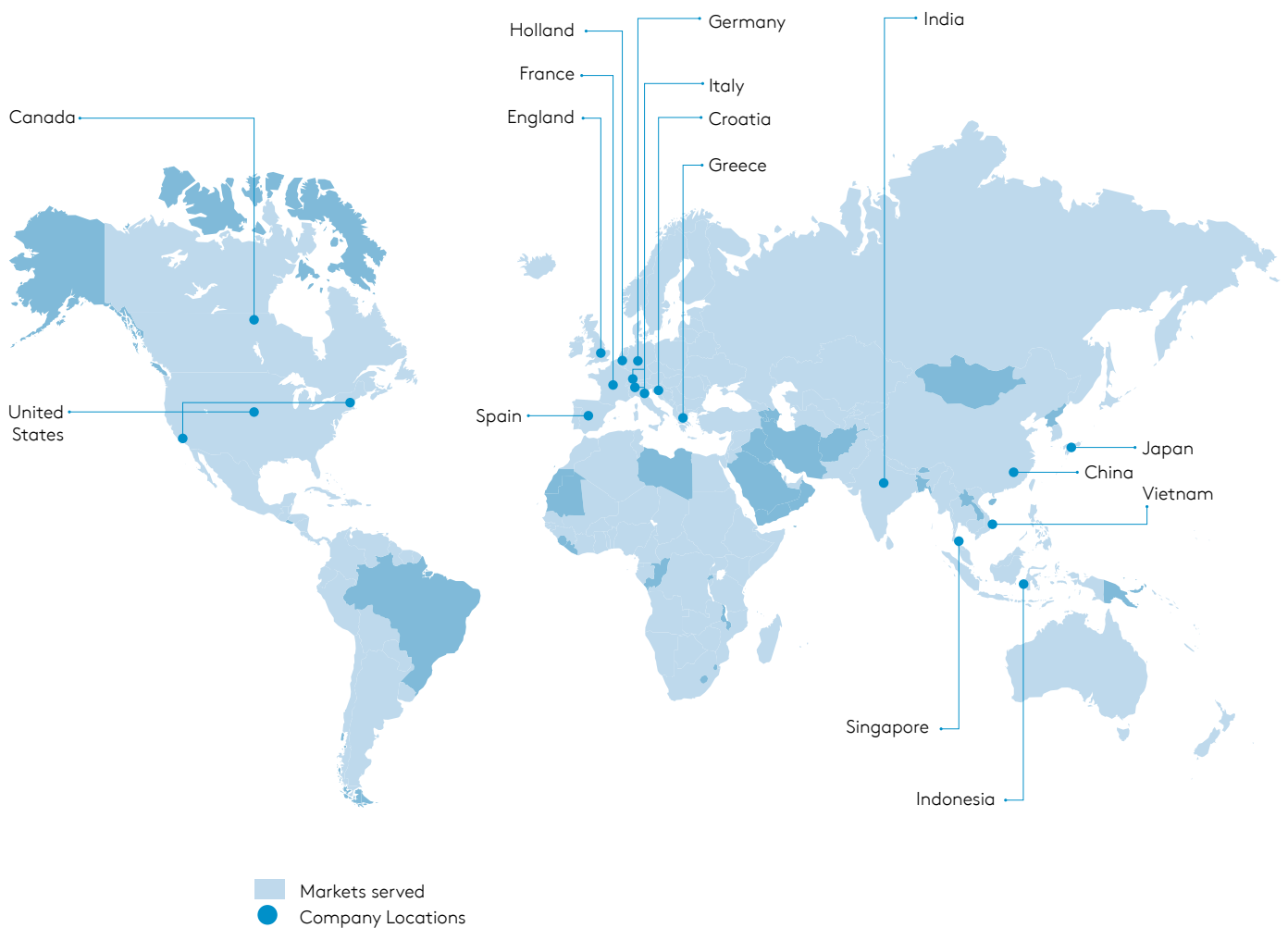
To stand out as a player that contributes to the social and economic growth of the communities in which it operates, considering, in its activities, the need to protect the environment and the collective well-being of the community. To be an Italian global player in the light mobility segment, standing out for its superior design, creativity and tradition. To become a leading European company with a world class reputation, championing a business model based on the values of quality and tradition, and on the ongoing creation of value.

Values

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

The Group's international dimension

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



The product range

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

The brands

Ape

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

Aprilia

The Aprilia brand has racing in its blood and flies the sporting flag for the Piaggio Group. With 294 Grand Prix races won in the Road Racing World Championship, Aprilia holds the record for the most wins of any European manufacturer in the history of the premier class motorcycle road racing. In the Superbike World Championship, Aprilia conquered 41 wins and 89 podiums. To these are added as many as 54 world titles: 38 in World motorcycle racing championships (20 in the 125cc class and 18 in the 250cc class), 7 in the Superbike World Championships (winning both the Rider's and Manufacturer's titles in 2010, 2012 and 2014, and the Manufacturer's title in 2013) and 9 in Off Road races (7 in Supermoto and 2 in Trials).





Derbi

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



Gilera

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



Moto Guzzi

Moto Guzzi is one of the world's best known brands of motorcycle, with fans and clubs in all four corners of the globe. Founded in 1921, Moto Guzzi is part of Italy and the world's motorcycle history. The company's business has continued uninterrupted for more than 90 years, starting from the legendary Mandello del Lario site where the "Marchio dell'Aquila" originated in 1921.

Moto Guzzi has made a name for itself over the years manufacturing motorcycles renowned for their remarkable reliability, which have become famous thanks to their visibility at international rallies and première sporting events. The current Moto Guzzi range features 750cc to 1,400cc touring, road enduro, custom and naked bikes, all with 90° V twin cylinder engines and final cardan drive.



Piaggio

The Piaggio brand is a symbol of freedom in everyday life, offering a complete range of original, creative and intelligent products for metropolitan mobility, plus an exclusive, sophisticated style.

Close to its customers' needs, the Piaggio concept is driven by technological innovation, safety and respect for the environment.

Piaggio is a leader in the two-wheeler light mobility segment in Europe and the United States. Building on its leadership, history and brand value, it is developing major investments to meet the changing mobility needs of large Asian markets.



Commercial Vehicles

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



Scarabeo

Scarabeo is one of the Piaggio Group premium brands.

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



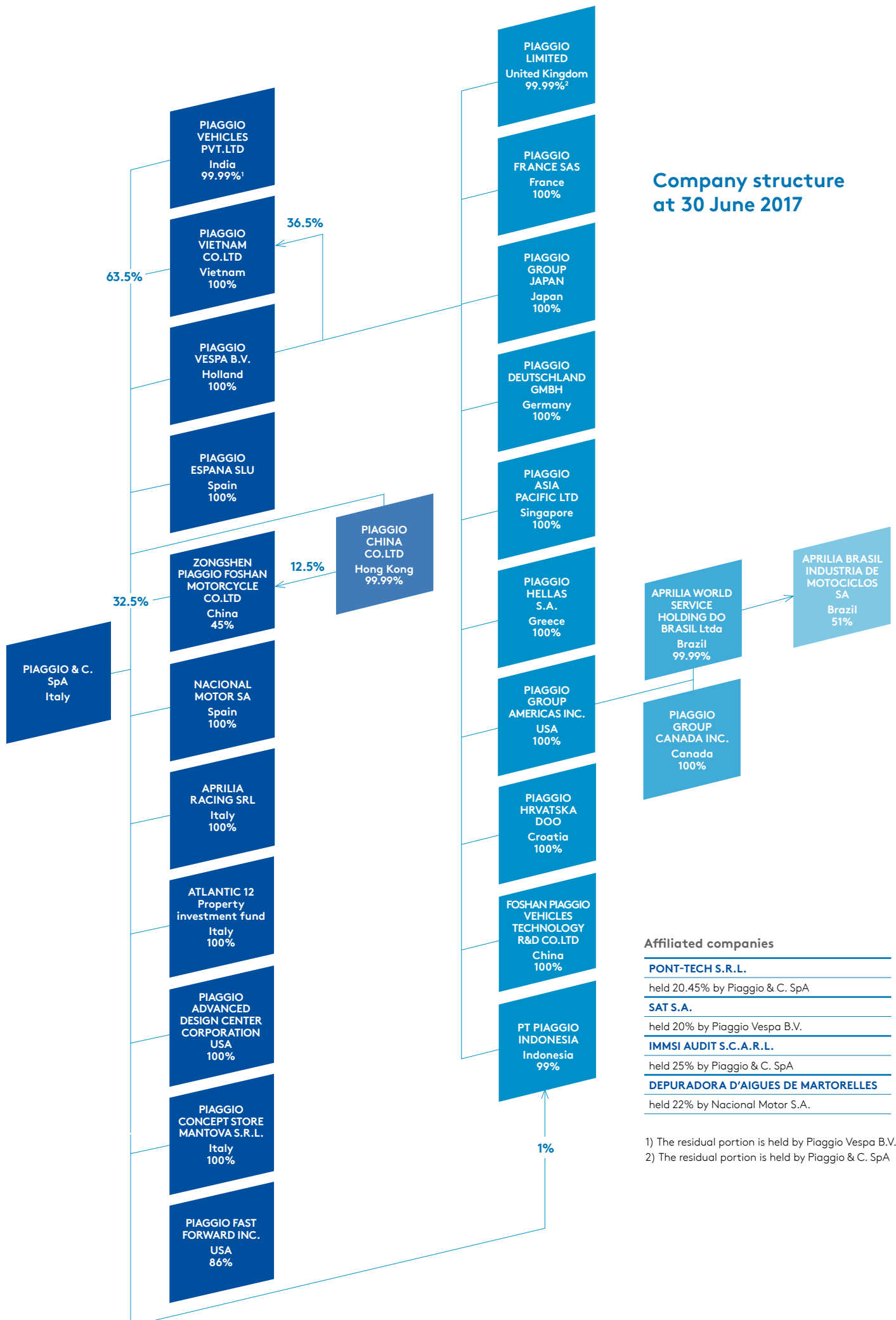
Vespa

Vespa is the icon of a unique and distinctive lifestyle. Its eternal success stems from its remarkable historical background and iconic status.

Vespa is an icon of the two-wheeler segment, the brand which "invented" the scooter, with a wealth of values that all reflect an Italian way of life, a joie de vivre and a taste for beautiful objects.

On the strength of this success, Vespa has a vintage yet modern soul, a recognition worldwide that is unrivalled and a timeless image on all markets where it is sold. In Europe, Asia and America, Vespa is a byword for an exclusive, elegant, "Made in Italy" scooter.

Company structure at 30 June 2017



Affiliated companies

PONT-TECH S.R.L.

held 20.45% by Piaggio & C. SpA

SAT S.A.

held 20% by Piaggio Vespa B.V.

IMMSI AUDIT S.C.A.R.L.

held 25% by Piaggio & C. SpA

DEPURADORA D'AIGUES DE MARTORELLES

held 22% by Nacional Motor S.A.

1) The residual portion is held by Piaggio Vespa B.V.

2) The residual portion is held by Piaggio & C. SpA

Company Boards

Board of Directors	
Chairman and Chief Executive Officer	Roberto Colaninno ^{(1), (2)}
Deputy Chairman	Matteo Colaninno
Directors	Michele Colaninno
	Giuseppe Tesaro ^{(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 Independent Director

(4) Member of the Appointment Proposal Committee

(5) Member of the Remuneration Committee

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

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

Significant events during first half 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 new Bharat Stage IV emission standards, which came into effect on 1 April 2017. Specifically, the Aprilia SR150 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 on 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.

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 - 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 now 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.

29 May 2017 - Piaggio Fast Forward (PFF), the advanced US research centre for future mobility established and controlled by the Piaggio Group, won the Disruptive Genius – Company category of the 2017 MITX Awards, for distinction in “unconventional innovative thinking, being the first to explore new frontiers and promoting the innovation economy through its operations”.

Now in its 21st edition, the MITX Awards are an important annual competition for the technology and innovation sector held in the States.

12 June 2017 - The new Piaggio Porter 700 was unveiled in India - a modern, versatile, revolutionary vehicle for India, developed based on continual engagement between the Company and customers. The Piaggio Porter 700 is ideal for last-mile deliveries, but also perfect for intercity transport.

13 June 2017 - Aprilia was hailed as the most innovative company in Italy in the Motorcycle/Scooter segment, by the German Quality and Finance Institute, which hands out “TOP INNOVATIVE COMPANY” quality seals each year.

28 June 2017 - A long-term bond of a total value of 30 million euros was issued, subscribed by Fondo Sviluppo Export, the fund set up by SACE (CDP Group) and managed by Amundi SGR. The purpose of the five-year bond is to consolidate the Piaggio Group's internationalisation and support expansion on new markets, as part of ongoing actions to optimise the Group's financial debt structure and extend maturity times. The issue, for institutional investors, was subscribed by Fondo Sviluppo Export, with UniCredit acting as placement agent, using resources provided by SACE for Italian export companies, and is wholly guaranteed by SACE.

Financial position and performance of the Group

Consolidated income statement (reclassified)

	1st half of 2017		1st half of 2016			Change	
	In millions of euros	Accounting for a %	In millions of euros	Accounting for a %	In millions of euros	%	
Net revenues	725.3	100.0%	706.5	100.0%	18.8	2.7%	
Cost to sell ⁴	497.4	68.6%	490.1	69.4%	7.3	1.5%	
Gross industrial margin⁴	227.9	31.4%	216.4	30.6%	11.5	5.3%	
Operating expenses	174.9	24.1%	168.6	23.9%	6.3	3.7%	
EBITDA⁴	114.0	15.7%	101.5	14.4%	12.5	12.3%	
Amortisation/Depreciation	61.0	8.4%	53.7	7.6%	7.3	13.6%	
Operating income	53.0	7.3%	47.8	6.8%	5.2	10.9%	
Result of financial items	(16.5)	-2.3%	(17.7)	-2.5%	1.2	-6.9%	
Profit before tax	36.5	5.0%	30.0	4.2%	6.4	21.4%	
Taxes	15.3	2.1%	12.0	1.7%	3.3	27.5%	
Net profit	21.1	2.9%	18.0	2.5%	3.1	17.4%	

4_ For a definition of the parameter, see the "Economic Glossary".

Net revenues

	1st half of 2017	1st half of 2016	Change
<i>In millions of euros</i>			
EMEA and Americas	479.6	456.4	23.2
India	160.8	165.0	(4.2)
Asia Pacific 2W	84.9	85.1	(0.2)
Total	725.3	706.5	18.8
Two-wheeler	541.7	507.4	34.3
Commercial Vehicles	183.6	199.1	(15.5)
Total	725.3	706.5	18.8

In terms of consolidated turnover, the Group closed the first half of 2017 with net revenues up compared to the same period in 2016 (+2.7%). At a geographic level, growth in revenues in EMEA and the Americas (+5.1%) more than offset the downturn in India (-2.5%; -7.4% with constant exchange rates) and the decrease in Asia Pacific (-0.2%; -1.7% with constant exchange rates).

As for product type, the increase in turnover from two-wheeler vehicles (+6.8%) considerably made up for the fall in revenues recorded for Commercial Vehicles (-7.8%). Consequently, the impact of two-wheeler vehicles on turnover went up from 71.8% in the first half of 2016 to the current figure of 74.7%; conversely, the impact of Commercial Vehicles fell from 28.2% in the first half of 2016 to the current figure of 25.3%.

The **gross industrial margin** of the Group has shown an increase in absolute terms compared to the first half of the previous year (+11.5 million euro) in relation to the net turnover equal to 31.4% (30.6% in the first half of 2016).

Amortisation/Depreciation included in the gross industrial margin was equal to €18.2 million (€18.7 million in the first half of 2016).

Operating expenses incurred during the first half of 2017 increased compared to the same period of the previous year, amounting to €174.9 million.

Operating expenses include amortisation and depreciation not covered by the gross industrial margin totalling €42.8 million (€35.0 million in the first half of 2016).

The change in the aforementioned income statement resulted in a greater consolidated **EBITDA**, which was equal to €114.0 million (€101.5 million in the first half of 2016). In relation to turnover, EBITDA was equal to 15.7% (14.4% in the first half of 2016). Operating income (**EBIT**) improved, amounting to €53.0 million (€47.8 million in the first half of 2016); in comparison with turnover, EBIT was equal to 7.3% (6.8% in the first half of 2016).

The result of **financing activities** improved compared to the first half of the previous year by €1.2 million, with Net Charges amounting to €16.5 million (€17.7 million in the first half of 2016). This improvement is related to the positive trend of currency operations and to the decrease in average debt for the period, as well as the reduction in the cost of funding, partially offset by the lower capitalisation of borrowing costs.

Income taxes for the period are estimated at €15.3 million, equivalent to 42% of profit before tax.

Net profit stood at €21.1 million (2.9% of turnover), up on the figure for the same period of the previous year (€18.0 million, or 2.5% of turnover).

Operating data

Vehicles sold

	1st half of 2017	1st half of 2016	Change
<i>In thousands of units</i>			
EMEA and Americas	145.5	137.6	7.9
India	99.4	101.7	(2.3)
Asia Pacific 2W	35.8	37.5	(1.7)
Total	280.7	276.7	4.0
Two-wheeler	202.1	182.1	20.0
Commercial Vehicles	78.7	94.7	(16.0)
Total	280.7	276.7	4.0

In the first half of 2017, the Piaggio Group sold 280,700 vehicles worldwide, with an increase in volumes totalling around 1.4% compared to the same period of the previous year, when 276,700 vehicles were sold. Sales in EMEA and the Americas were up (+ 5.8%), driven by the volumes achieved in the Americas (+ 15.7%) and Europe (+ 6.3%), while there was a fall in vehicles sold in India (- 2.2%), and in Asia Pacific 2W (- 4.4%). As regards product type, the increase in sales of two-wheeler vehicles (+11.0%) more than offset the downturn in commercial vehicles (- 16.9%).

For a more detailed analysis of market trends and results, see relative sections.

Staff

In 2017, the Group continued to rationalise operations and organisational efficiency. The decrease in the workforce of 122 is mainly concentrated in India, where the fall in demand for commercial vehicles led to less use of temporary labour.

Breakdown of company employees by region	As of 30 June 2017	As of 31 December 2016	As of 30 June 2016
<i>Employee/staff numbers</i>			
EMEA and Americas	3,729	3,752	3,851
<i>of which Italy</i>	3,496	3,518	3,619
India	2,016	2,113	2,282
Asia Pacific 2W	839	841	892
Total	6,584	6,706	7,025

Average number of company employees by geographical area	1st half of 2017	1st half of 2016	Change
<i>Employee/staff numbers</i>			
EMEA and Americas	3,741.9	3,855.3	(113.4)
<i>of which Italy</i>	3,507.5	3,622.8	(115.3)
India	1,977.3	2,274.7	(297.4)
Asia Pacific 2W	827.8	874.5	(46.7)
Total	6,547.0	7,004.5	(457.5)

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

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

Research and Development

In the first half of 2017, the Piaggio Group continued its policy of retaining technological leadership in the sector, allocating total resources of €33.9 million to research and development, of which €24.2 million capitalised under intangible assets as development costs.

	1st half of 2017			1st half of 2016		
	Capitalised	Expenses	Total	Capitalised	Expenses	Total
<i>In millions of euros</i>						
Two-wheeler	20.8	7.3	28.1	21.9	8.7	30.6
Commercial Vehicles	3.4	2.4	5.8	3.1	1.4	4.5
Total	24.2	9.7	33.9	25.0	10.2	35.1
EMEA and Americas	18.5	7.3	25.9	19.4	9.4	28.9
India	3.2	1.7	4.9	3.4	0.3	3.7
Asia Pacific 2W	2.4	0.7	3.1	2.1	0.4	2.5
Total	24.2	9.7	33.9	25.0	10.2	35.1

Consolidated statement of financial position⁵

Statement of financial position	As of 30 June 2017	As of 31 December 2016	Change
In millions of euros			
Net working capital	(52.6)	(36.3)	(16.3)
Property, plant and equipment	296.1	312.8	(16.7)
Intangible assets	656.1	668.7	(12.6)
Financial assets	7.8	7.9	(0.1)
Provisions	(66.1)	(68.4)	2.3
Net capital employed	841.3	884.7	(43.4)
Net Financial Debt	450.2	491.0	(40.8)
Shareholders' equity	391.1	393.7	(2.6)
Sources of funds	841.3	884.7	(43.4)
Non-controlling interests	(0.3)	(0.3)	0.0

⁵ For a definition of individual items, see the "Economic Glossary".

As of 30 June 2017, **net working capital** amounted to negative €52.6 million, with a cash generation equal to approximately €16.3 million during the first half of 2017.

Property, plant and equipment, which include investment property, totalled €296.1 million as of 30 June 2017, down by around €16.7 million compared to 31 December 2016. This decrease is mainly due to depreciation, which exceeded investments for the period by approximately €11.4 million, and to the effect of the devaluation of Asian currencies against the euro (approximately €5.2 million). The adjustment of the value of investment property to fair value and divestments for the period refer to the remaining decrease of €0.1 million.

Intangible assets totalled €656.1 million, down by approximately €12.6 million compared to 31 December 2016. This decrease is due to amortisation, which exceeded investments for the period by approximately €10.8 million, and to the effect of the devaluation of Asian currencies against the euro (approximately €1.3 million), as well as disposals for the period, accounting for the remaining decrease of €0.5 million.

Financial assets totalled €7.8 million, practically in line with figures for the previous financial year.

Provisions totalled €66.1 million, decreasing 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 30 June 2017 was equal to €450.2 million, compared to €491.0 million as of 31 December 2016. The decrease of approximately €40.8 million is mainly attributable to the positive performance of operations and greater efficiency of working capital management, generating cash flows allowing for the payment of dividends (€19.7 million) as well as the financing of the investments programme.

The Group **shareholders' equity** as of 30 June 2017 totalled €391.1 million, down by around €2.6 million compared to 31 December 2016.

Consolidated Statement of Cash Flows

The Consolidated Statement of Cash Flows, prepared in accordance with the schedules envisaged by the International Financial Reporting Standards, is presented in the "Consolidated Financial Statements and Notes as of 30 June 2017"; the following is a comment relating to the summary statement shown.

Change in consolidated net debt	1st half of 2017	1st half of 2016	Change
<i>In millions of euros</i>			
Opening Consolidated Net Debt	(491.0)	(498.1)	7.2
Cash flow from operating activities	79.9	76.0	3.9
(Increase)/Reduction in Working Capital	16.3	14.9	1.4
(Increase)/Reduction in net investments	(31.7)	(43.5)	11.9
Change in shareholders' equity	(23.7)	(29.1)	5.4
Total change	40.8	18.2	22.6
Closing Consolidated Net Debt	(450.2)	(479.9)	29.7

During the first half of 2017 the Piaggio Group generated financial resources amounting to €40.8 million.

Cash flow from operating activities, defined as net profit, minus non-monetary costs and income, was equal to €79.9 million.

Working capital generated a cash flow of approximately €16.3 million; in detail:

- › the collection of trade receivables⁶ used financial flows for a total of €50.9 million;
- › stock management absorbed financial flows for a total of approximately €42.7 million;
- › supplier payment trends generated financial flows of approximately €95.5 million;
- › the movement of other non-trade assets and liabilities had a positive impact on financial flows by approximately €14.4 million.

⁶Net of customer advances.

Investing activities involved a total of €31.7 million of financial resources. Investments for the period refer to approximately €24.2 million for capitalised development expenditure, and approximately €14.6 million for property, plant and equipment and intangible assets.

As a result of the above financial dynamics, which generated a use of €40.8 million, the **net debt** of the Piaggio Group amounted to €-450.2 million.

Alternative non-GAAP performance measures

In accordance with Consob Communication DEM/6064293 of 28 July 2006 as amended (Consob Communication no. 0092543 of 3 December 2015 that enacts ESMA/2015/1415 guidelines on alternative performance measures), Piaggio, in its Report on Operations, refers to some alternative performance measures, in addition to IFRS financial measures (Non-GAAP Measures).

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

In particular the following alternative performance measures have been used:

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



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 half of 2017		1st half of 2016		Change %		Change	
	Volumes Sell-in ⁷ (units/000)	Turnover (million euros)	Volumes Sell-in (units/000)	Turnover (million euros)	Volumes	Turnover	Volumes	Turnover
EMEA and Americas	138.3	433.8	130.5	410.1	6.0%	5.8%	7.8	23.6
of which EMEA	131.0	395.0	124.2	378.7	5.5%	4.3%	6.8	16.2
(of which Italy)	29.4	96.9	28.6	90.9	2.5%	6.6%	0.7	6.0
of which America	7.3	38.8	6.3	31.4	16.7%	23.5%	1.0	7.4
India	27.9	23.1	14.1	12.2	97.7%	89.3%	13.8	10.9
Asia Pacific 2W	35.8	84.9	37.5	85.1	-4.4%	-0.2%	(1.7)	(0.2)
TOTAL	202.1	541.7	182.1	507.4	11.0%	6.8%	20.0	34.3
Scooters	180.2	366.2	162.9	344.2	10.6%	6.4%	17.2	22.0
Motorcycles	21.9	106.9	19.1	96.8	14.5%	10.4%	2.8	10.1
Spare parts and Accessories		67.3		64.8		3.8%		2.5
Other		1.4		1.6		-15.3%		(0.2)
TOTAL	202.1	541.7	182.1	507.4	11.0%	6.8%	20.0	34.3

⁷ "Sell-in" means Group sales to its distribution network.

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

The world two-wheeler market comprises two macro areas, which clearly differ in terms of characteristics and scale of demand: economically advanced countries (Europe, United States, Japan) and emerging nations (Asia Pacific, China, India, Latin America).

In the first macro area, which is a minority segment in terms of volumes, the Piaggio Group has a historical presence, with scooters meeting the need for mobility in urban areas and motorcycles for recreational purposes.

In the second macro area, which in terms of sales, accounts for most of the world market and is the Group's target for expanding operations, two-wheeler vehicles are the primary mode of transport.

Background

Based on available data, in the first half of 2017, the world market of two-wheeler motor vehicles (scooters and motorcycles) recorded sales of approximately 22 million vehicles, an increase of 1.5% compared to the same period of the previous year.

India, the most important two-wheeler market, reported a considerable increase, also in the first six months of 2017, closing with sales of nearly 9 million vehicles, up by 2.9% compared to the first half of 2016.

The People's Republic of China recorded a slight loss in the first half of 2017 (-0.7%), closing at just under 3.8 million vehicles sold.

The Asian area, Asean 5, reported an increase of 1.4%, closing with sales of just over 6.1 million units. In Indonesia, the main market in this area, the downturn in sales continued in the first half of 2017, with a drop of 4.8%, and over 2.8 million vehicles sold. Conversely, sales in Vietnam went up (over 1.5 million units sold; +5.7% compared to the first half of 2016). Figures for sales in the Philippines were significant, with an increase of 13.7%, equal to approximately 617 thousand units.

Other countries in the Asian area (Singapore, Hong Kong, South Korea, Japan, Taiwan, New Zealand and Australia) overall recorded a considerable increase compared to the first half of 2016, closing with sales of over 737 thousand units (+9.7%). In this area, Taiwan continued its growth trend, reporting a 17.1% increase compared to the first half of 2016 and closing the period with 411 thousand units sold. The Japanese market picked up, recording a growth of 4.3% and selling over 199 thousand vehicles.

The North American market recorded a downturn compared to the first half of 2016 (- 3.8%), selling over 287 thousand vehicles.

Brazil, the most important market in South America, also reported a strong downturn in the first half of 2017 (- 11.1%), closing with sales of just over 402 thousand vehicles.

Europe, which is the reference area for the Piaggio Group's operations, reported a fall in sales on the two-wheeler market by 1.5% compared to the first half of 2016 (-0.8% for the motorcycle segment and -2.2% for the scooter segment). On the scooter market, the 50cc segment recorded a positive trend in the first half of 2017 (+3.8%), while the over 50cc segment posted a negative performance (-5.8%). In the motorcycle segment, the over 50cc category reported a downturn (-1.5%), while performance in the 50cc segment was positive (+14%).

The scooter market

In the first half of 2017, the European scooter market stood at 346,000 registered vehicles, equal to a 2.2% drop in sales compared to the same period in 2016.

Vehicle registrations were higher in the over 50cc segment, with 206,900 units against 139,100 units in the 50cc scooter segment. Over 50cc scooters decreased by 5.8% compared to the first six months of 2016, whilst 50cc scooters went up by 3.8%.

In the first six months of 2017, Italy was still the most important market with 82,000 units, followed by France with 62,650 and Spain with 48,350. Holland ranked fourth in terms of sales (36,130 units), exceeding Germany which placed fifth, with sales of 31,180 units. Greece reported 13,370 units, while the United Kingdom closed with 12,555 vehicles registered.

In the first half of 2017, the Italian market recorded a growth of 5.5% compared to the first half of the previous year. The increase is due to the over 50cc segment, which went up by 7.1% to 71,800 thousand units, while the 50cc segment, down by 4.5% compared to the first six months of 2016, recorded 10,200 units sold.

With 62,650 vehicles sold, France reported a 2.2% increase compared to sales of 61,300 vehicles in the same period in the previous year. The increase was generated in the 50cc segment (+4.9%), while the over 50cc segment remained stable (-0.8%).

The greatest increase was recorded in Holland, where the market grew by 8.3%, thanks to the excellent performance of the 50cc segment (+9.4%), which offset the 20.5% decrease in the over 50cc segment, which had little impact, in terms of figures, on the overall Dutch market.

The German and Spanish markets both reported downturns.

The German market registered a decrease of 6.2%, with approximately 31,180 vehicles sold in the first half of 2017 compared to 33,200 in the same period of the previous year. On this market, the 50cc segment performed well (+3.4%), while the over 50cc segment reported a downturn (-16.1%).

Spain continued its negative trend, reporting a decrease of 9%, following the downturn in the over 50cc segment (-12.9%), which was only partially offset by the excellent trend in the 50cc scooter segment (+17.7%).

North America

In the first half of 2017, the United States, which is the main market in the area (accounting for 90% of the reference area) continued its downturn (-5.8%), with 13,150 thousand units sold: this negative trend was greater in the 50cc segment, with sales down by 7.9%, while the over 50cc scooter segment recorded a 3.2% decrease.

Asia

The Piaggio Group's most important market is Vietnam, where the automatic scooter market, closing with over 690 thousand vehicles sold, recorded a 6.2% growth.

India

The automatic scooter market increased by 9.8% in the first half of 2017, closing with nearly 3 million units sold.

The over 90cc range is the main product segment, with nearly 2.9 million units sold in the first half of 2017 (+9% compared to the previous year) and accounting for 98% of the total automatic scooter market. The 50cc scooter segment is not operative in India.

The motorcycle market

Europe

With 354 thousand units registered, the motorcycle market was basically stable in the first half of 2017 (-0.8% compared to the first half of 2016). The 50cc segment recorded a 14% increase, with 18,730 units sold; the 51-125cc motorcycle segment recorded sales of 36,800 units (-21%), while the 126-750cc segment reported sales of just under 106,300 units (+2.7%). The over 750cc segment was basically stable (+0.9%), selling 192,200 vehicles.

In the first half of 2017, the main European market was Germany with 74,200 units, while France ranked second (69,150); Italy came third with 54,800 vehicles, exceeding the United Kingdom which closed the period with 43,955 units sold; Spain ranked fifth with 28,650 vehicles sold.

In the first half of 2017, sales trends in main countries in the area were as follows: Italy (+7.7%), France (+5.3%), Spain (+2.4%), United Kingdom (-10.1%), and Germany (-11.6%).

North America

In the United States (accounting for 89% of the area), the motorcycle segment recorded a 4.8% decrease, selling 236 thousand units against 248 thousand units in the first half of 2016. The negative trend in the over 50cc segment (-5%) was only partially offset by the positive performance (+3%) of the 50cc motorcycle segment.

Asia

The most important motorcycle market in Asia is India, which reported sales of more than 5.6 million vehicles in the first half of 2017, with a slight decrease compared to the first six months of 2016 (-0.2%). The motorcycle market in the Asean 5 area is far less important than the scooter sector. Sales of motorcycles in Vietnam were not significant.

Main results

During the first half of 2017, the Piaggio Group sold a total of 202,100 units in the two-wheeler segment worldwide, accounting for a net turnover equal to approximately €541.7 million (+6.8%), including spare parts and accessories (€67.3 million, +3.8%).

In terms of volumes and turnover, all geographic segments reported positive trends, apart from Asia Pacific. As for turnover, the increases recorded in America (+23.5%) and India (+89.3%) were particularly important. The results recorded on the Indian market are due to the success of the new Aprilia SR 150 scooter unveiled in July 2016.

Market positioning⁸

On the European market, the Piaggio Group achieved a total share of 14.8% in the first half of 2017 (14.8% in the first half of 2016), confirming its leadership position on the total market for two-wheeler vehicles. In Italy, the Piaggio Group held a 19.6% share, maintaining its leadership position on the scooter market with its quota of 30.3%.

In India, the Group more than doubled volumes in the first half of 2017 compared to the same period of the previous year, closing at 27,917 vehicles thanks to the launch of the new Aprilia SR 150 model.

In Vietnam, sell-out volumes⁹ of Group scooters decreased by 25% in the first half of 2017, compared to the same period of the previous year.

The Group retained its strong position on the North American scooter market, where it closed the period with a market share of 19.1% (19.1% in the first half of 2016), and where it is committed to consolidating its profile in the motorcycle segment, through the Aprilia and Moto Guzzi brands.

8. Market shares for the first half of 2016 might differ from figures published last year, due to final vehicle registration data, which some countries publish with a few months' delay, being updated.

9. "Sell-out" means sales by the distribution network to final customers.

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.

Commercial Vehicles

Commercial Vehicles	1st half of 2017		1st half of 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	7.2	45.8	7.1	46.3	1.1%	-0.9%	0.1	(0.4)
of which EMEA	6.4	44.2	6.4	44.3	0.4%	-0.4%	0.0	(0.2)
(of which Italy)	2.5	26.1	2.6	25.6	-5.3%	2.2%	(0.1)	0.6
of which America	0.8	1.7	0.8	1.9	7.0%	-13.9%	0.1	(0.3)
India	71.5	137.8	87.5	152.8	-18.4%	-9.9%	(16.1)	(15.1)
TOTAL	78.7	183.6	94.7	199.1	-16.9%	-7.8%	(16.0)	(15.5)
Ape	75.5	134.0	90.4	149.3	-16.5%	-10.2%	(15.0)	(15.2)
Porter	2.0	23.3	1.7	19.6	16.3%	19.1%	0.3	3.7
Quargo	0.2	1.0	0.6	3.6	-68.2%	-72.8%	(0.4)	(2.6)
Mini Truk	1.0	2.7	1.9	4.3	-47.2%	-37.2%	(0.9)	(1.6)
Spare parts and Accessories		22.6		22.4		0.9%		0.2
TOTAL	78.7	183.6	94.7	199.1	-16.9%	-7.8%	(16.0)	(15.5)

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 six months of 2017, the European light commercial vehicles market (vehicles with a maximum mass less than or equal to 3.5 tons), in which the Piaggio Group is active, recorded sales of 1,049,474 thousand units, a 4.7% increase compared to the first six months of 2016 (data source ACEA). In detail, the trends of main European reference markets are as follows: Germany (+3.3%), France (+6.4%), Italy (+6.5%) and Spain (+16.3%).

India

Performance on the Indian three-wheeler market, where Piaggio Vehicles Private Limited, a subsidiary of Piaggio & C. S.p.A. operates, was still negatively affected by the significant demonetisation policy adopted by the Indian Government in November 2016, with sales going down from 279,300 units in the first half of 2016 to 210,700 in the same period of 2017, registering a 24.6% decrease.

On this market, the trend was generated by the passenger vehicles segment (-31.8%; 154,700 units). Conversely, the cargo segment increased by 7%, from 52,300 units in the first six months of 2016 to 56,000 units in the first half of 2017. The traditional three-wheeler market is flanked by the four-wheeler light commercial vehicles (LCV) market (cargo vehicles for goods transport) where Piaggio Vehicles Private Limited operates. The LCV cargo market, with vehicles with a maximum mass below 2 tons, recorded sales of 62,180 units in the first six months of 2017, increasing by 3.8% compared to the first half of 2016.

Main results

During the first half of 2017, the Commercial Vehicles business generated sales of approximately €183.6 million, including around €137.8 million relating to spare parts and accessories, a 7.8% decrease compared to the same period in the previous year. 78,700 units were sold during the period, a decrease of around 16.9% compared to the first half of 2016.

On the EMEA and Americas market, the Piaggio Group sold 78,700 units, with sales increasing by 1.1% and a total net turnover of approximately €45.8 million, including spare parts and accessories for €9.2 million.

The Indian affiliate Piaggio Vehicles Private Limited (PVPL) sold 64,755 three-wheeler vehicles on the Indian market (78,991 in the first half of 2016) achieving a net turnover of approximately €113.0 million (€126.3 million in the first half of 2016).

The same subsidiary also exported 5,564 three-wheeler vehicles (6,377 in the first half of 2016); the downturn is mainly due to a slowdown in the sales of some African countries.

On the four-wheeler market, PVPL sales in the first half of 2017 fell by 47.3% compared to the first half of 2016, to 1,134 units.

In overall terms, the Indian affiliate PVPL registered a turnover of €137.8 million in the first half of 2017, down by 9.9% compared to the figure of €152.8 million for the same period of the previous year.

Market positioning¹⁰

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

In India the Group is present 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 30.7% (28.3% in the first half of 2016). Detailed analysis of the market shows that Piaggio maintained its leadership position in the goods transport segment (cargo segment) with a share of 49.4% (52.8% in the first half of 2016). Its market share in the Passenger segment went up, standing at 24% (22.6% in the first half 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 Indian Porter range. On this market, its share fell to 1.8% (3.6% in the first half of 2016).

10_Market shares for the first half of 2016 might differ from figures published last year, due to final vehicle registration data, which some countries publish with a few months' delay, being updated.

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.



The regulatory framework

European Union

As part of the revision of the current European Directive on driving licences, a report was published in April on the conclusion of the European Commission's study on "Training, assessing the ability and medical fitness of drivers". Improving road user education and training in Europe is an important strategic goal of the EU Commission for the 2011-2020 period. Another objective is to protect more vulnerable road users, and in particular motorcyclists and more senior drivers. The report outlined the following main suggestions: gradual access in all countries to licences to ride more powerful motorcycles; training that teaches users to perceive danger; a standard process to assess the physical fitness of drivers, in particular senior drivers, based on unambiguous, medical-based aspects rather than age.

In May, the European Commission (EC) published its set of initiatives "Europe on the Move", which has been expected since Juncker became Commission President. The initiatives do not specifically focus on two-wheeler vehicles, but on cars and heavy-duty vehicles to a greater extent, establishing a "programme for a socially fair transition towards clean, competitive and connected mobility" with a time frame up to 2025.

In June, the European Commission presented the final report of the study commissioned in January 2016 to a group of European laboratories to carry out testing on models and technologies currently on the market, to assess possible applicability with a view to 2020 - and the cost/benefit ratio - of Euro 5 requirements for L category vehicles.

The report mainly confirmed the requirements and limits laid down by Regulation 168/2013 and its delegated acts in most cases, apart from a few exceptions, mainly concerning in-vehicle diagnostic systems, the testing procedure for the durability of pollutant systems and entry into force of Euro 5 standards for some vehicle sub-categories (trial, enduro motorcycles and minicar vehicles).

Based on the report, the Commission is preparing some proposed changes to the regulation and delegated acts to submit to the European Parliament and Council. The new proposed provisions are expected to be adopted by the Commission in December, starting the co-decision stage with the European Parliament and Council, which generally lasts one year. Consequently, amendments are expected to be published in the first few months of 2019.

During the first half of 2017, the study on the sound emissions of L category vehicles (powered two- and three-wheelers and quadricycles) assigned to a group of European Laboratories in mid-2016 by the European Commission also continued, to define future post-2020 approval limits. Emission measurements have been completed and the cost/benefit ratio of various possible scenarios will be assessed in July and August. The final report and recommendations of the EU Commission will be presented by consultants in September/October 2017. The resulting EC proposal and relative application dates will then be discussed with the European Parliament and Council.

On 7 July, the third European Regulation on Real Driving Emissions (RDE Act 3) for passenger and goods' vehicles was published in the Official Journal of the European Union; this regulation mainly concerns the measurement of road nitrogen oxide emissions and particle number emissions and further develops approval testing methods. The requirements will be compulsory from 1 September 2017 for newly approved vehicles (some less rigid constraints will apply to small-volume vehicle manufacturers).

A new bench testing cycle will also come into force on this date for vehicles, for approval measurements of pollutant emissions. This procedure (WLTP - Worldwide harmonized Light vehicles Test Procedure) is stricter than the current one and has been established at international level within the framework of the United Nations Commission for Europe (UNECE).

One year on from the publication of the EU Commission's proposal to replace Directive 2007/46, which contains main requirements currently applicable for the approval of motor vehicles, the European Parliament's Committee on Internal Market and Consumer Protection (IMCO) adopted a report in February, with some amendments to the original proposal - designed to further restrict approval testing (for example concerning market surveillance, recall campaigns, the designation and monitoring of Technical Services, etc.). The IMCO Report was approved by Parliament in a plenary session in April and text of the proposed amendment will be adopted by the European Council in May. At present, it is not possible to predict when the new legislation will be adopted.

Italy

On 13 January, the Government issued a decree implementing European Directive 2014/94 on the deployment of alternative fuels infrastructure (hydrogen, biofuels, natural gas and LPG) over the next few years. The decree also established the "National Strategic Framework" with objectives and procedures for developing the infrastructure, incorporating measures already introduced by the National Infrastructure Plan for recharging electric vehicles (PNire) and promoting guidelines for urban Sustainable Mobility plans.

In March, the Ministry of Transport issued Circular no. 7260 on 27/03/2017, which requires AM driving licence applicants (applicants for licences to ride two-wheelers up to 50cc and 45 km/h) to wear the following during the practical test: full-face helmet, gloves, jacket with elbow and shoulder protection, closed shoes, long trousers and knee protection.

On 12 June, the Ministry for the Environment and Ministry for Economic Development held a public consultation on the 2017 National Energy Strategy. The strategy submitted to the public addresses the competitiveness of energy prices, security of procurement and environmental objectives. In the transport sector, national objectives and initiatives will be flanked by local panels on sustainable mobility, to steer urban transport towards alternatives to private systems (pedestrian mobility, bicycles, public transport), pinpoint smart mobility initiatives (car sharing, car pooling, smart parking and bike sharing) and reduce traffic in town and city centres.

France

On 10 February, the Secretary General of the Ministry of the Economy and Finance, signed the document "Commitments of the Ministry of Economy and Finance for road safety". The Ministry of the Economy and Finance has committed to maintaining a strategy which is fully in line with government action to half the number of road victims by 2020, with seven undertakings: a ban on phone conversations while driving, a total ban on drinking alcohol and driving, the mandatory use of seat belts, observing speed limits, rest times included in calculations of goods' transport times, awareness and training for road safety officers and promoting safety devices for motorcyclists.

Norway

The Norwegian government introduced an amendment to registration tax for motorcycles based on provisions already in use for cars. A gradual tax will be introduced based on CO₂ emissions rather than the previous method based on engine power. As from 1 July 2017, models with registered CO₂ emissions (i.e. Euro 4 models¹¹) will be taxed based on their CO₂ emissions:

- for emissions above 75 grams, 630 Norwegian krone (equal to approximately €65) for each gram/km,
- for emissions above 140 grams, 800 Norwegian krone (equal to approximately €83) for each gram/km.

USA

In the context of a twenty-year dispute involving the US against the EU concerning the EU's ban on imports to Europe of meat from animals bred using hormones, the USTR (United States Trade Representative) declared it intended applying duties (up to 100%) on some EU products, including two-wheeler vehicles with a horsepower from 51 to 500cc. On 14 February, a hearing at the USTR took place with various stakeholders attending, including Piaggio and the Motorcycle Industry Council, who spoke out against the senselessness of including two-wheeler products in a dispute concerning the food and agricultural industry, thus targeting a sector such as small two-wheelers in which US manufacturers have no interest. In subsequent months, the process came to a standstill and it is not currently known whether and how the US proposal will unfold.

The proposal submitted by the US Department of Transportation's National Highway Traffic Safety Administration (NHTSA) in 2016 for a new Federal Motor Vehicle Safety Standard (FMVSS), no. 150, which would require manufactures of vehicles and light goods' transport vehicles to add V2V communication systems was discussed and put to public consultation in the first few months of the year. Currently, the intention appears to be to standardise the message and format of V2V transmissions and include some data, such as vehicle speed, direction and braking status, in transmitted messages.

¹¹ For non-Euro 4 motorcycles, the registration tax will continue to be based on engine power.

Canada

In February, the second parliamentary hearing on the Bill S-2 “Strengthening Motor Vehicle Safety for Canadians Act” took place. The act will amend the current law on motor vehicle safety in order to consolidate its application and conformity and further protect citizens’ safety, giving greater flexibility to support advanced safety technologies and other innovations designed for vehicles. In the future and with a view to harmonising laws, the Bill S-2 could also lead to manufacturers being able to choose whether to market vehicles in Canada that conform to UNECE regulations or to American FMVSS standards.

India

In the first few months of the year, institutions and industry representatives continued to discuss the future Bharat VI emission standards (similar to Euro 5). Based in information currently available, the standards should apply to all new vehicles as from 1 April 2020, so a few months before the entry into force of Euro 5 in the EU (as from 1 January 2021 for newly registered vehicles). Requirements for in-vehicle diagnostic systems should instead apply after EU dates.

The National Institution for Transforming India, also called NITI Aayog, formed via a resolution of the Union Cabinet on 1 January 2015 and the premier policy ‘Think Tank’ of the Government of India, presented the report “Transformative Mobility Solutions for India” in May 2017, which estimated that India could save up to 64% of its energy demand relative to passenger mobility and up to 37% of carbon emissions in 2030, compared to a “business as usual” strategy, pursuing a future of shared, electric and connected mobility. This report, although not a legislative document, is highly indicative of the Indian government’s considerable focus on disseminating alternative mobility systems.

Thailand and Malaysia

Emission measures similar to Euro 4 standards currently in force in Europe for motorcycles are expected to come into effect in Thailand and Malaysia as from 2018 and 2020 respectively, albeit with some limitations on requirements for in-vehicle diagnostic systems and for evaporative emissions.

Regulation UNECE No. 41-04 on sound emissions should also become mandatory in Thailand as from 2018 for newly approved vehicles and as from 2020 for newly registered vehicles.

Vietnam

On 1 January 2017, a new anti-pollution regulation came into force for two-wheelers, with requirements that are similar to Euro 3 standards, apart from some requirements on evaporative emissions.



Risks and uncertainties

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

External risks

Risks related to the macroeconomic scenario and the sector

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

Risks related to changed customer preferences

Piaggio's success depends on its ability to manufacture products that cater for consumer's tastes and can meet their needs for mobility. If the Group's products were not appreciated by customers, lower revenues would be generated, or if more aggressive sales policies were adopted in terms of discounts given, margins would be lower, with a negative impact on financial position and performance.

To tackle this risk, the Piaggio Group has always invested in major research and development projects, to enable it to optimally meet customer needs and anticipate market trends, introducing innovative products with high added value, leveraging brand identity.

Risks related to a high level of market competition

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

The risk relative to the regulatory reference framework

Numerous national and international laws and regulations on safety, noise levels, consumption and the emission of pollutant gases apply to Piaggio products. Strict regulations on atmospheric emissions, waste disposal, the drainage and disposal of water and other pollutants also apply to the Group's production sites.

The enactment of regulations which are more stringent than those currently in force could lead to products being taken off the market and force manufacturers to make investments to renew product ranges and/or renovate/modernise production sites.

To deal with these risks, the Group has always invested in research and development into innovative products, anticipating any restrictions on current regulations. Moreover, the Group, as one of the sector's leading manufacturers, is often requested to be represented on parliamentary committees appointed to discuss and formulate new laws.

Country risk

The Piaggio Group operates in an international arena and is therefore exposed to risks connected with a high level of internationalisation, such as exposure to local economic conditions and policies, compliance with different tax systems, customs barriers or more in general the introduction of laws or regulations which are more stringent than the current regulatory framework. The countries where the Piaggio Group operates may adopt economic policies and/or government measures in the form of incentives or tax relief, that may have a considerable impact on consumer trends.

All these factors may have a negative impact on the financial position and performance of the Group. In particular, the growing presence of the Group in India and Vietnam has increased its exposure to political instability or negative economic developments in these countries.

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

Risk related to financial markets

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

Risks related to seasonal fluctuations in operations

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

Risks connected with natural disasters and catastrophes

The Group operates through industrial sites located in Italy, India and Vietnam. These sites are subject to operating risks, including natural disasters, sabotage, terrorist attacks and significant interruptions to supplies of commodities or components. Any interruption to production activities could have a negative impact on the operations and financial position and performance of the Group.

The operating risks related to industrial sites in Italy and other countries are managed through specific insurance cover assigned to sites based on their relative importance.

Natural disasters may also prevent the distribution and sale of company products in affected areas.

Risks connected with inflation

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

Internal risks

Corporate Social Responsibility risks

In carrying out operations, the Group might not be able to comply with social/environmental sustainability requirements of laws and/or meet communities' growing awareness of these issues. Piaggio is exposed to the following risks in particular:

Reputational risk

Risk connected with a worsening of how stakeholders perceive the Group and its reputation, and loyalty to it.

Risks connected with the sustainable supply chain

The Group, which adopts a global sourcing policy for its suppliers, is exposed to risks connected with the use of suppliers or sub-suppliers that fail to comply with its sustainability standards. This is why suppliers worldwide that wish to do business with Piaggio have to sign the general conditions of supply of the Group which include the "Code of Ethics and Guidelines for doing business"; audits are regularly conducted on the Group's direct material suppliers to ensure their effective compliance.

Risks connected with the development of environmentally compatible products

Risk connected with inadequate technological investments that are functional for sustainable mobility, for creating environmentally friendly products and an adequate technological level of products to meet new mobility needs of consumers and regulatory developments (connected risk). During its life cycle, every product interacts directly and indirectly on both the health and safety of people and the environment understood as ecosystem quality. For this reason the Piaggio Group focuses its R&D activities on developing innovative solutions to reduce the emission of pollutants and to increase the safety, reliability and recyclability of its products. In its effort to ensure the sustainability of its products, the Group takes into account the entire life cycle, which comprises the design, procurement of raw materials, production proper, use of the product by customers and, finally, decommissioning, which consists in disassembly at the end of service life and in the disposal and/or recycling of the components and raw materials.

Risks connected with the environment and with health and safety

The Group has production sites, research and development centres and sales offices in different nations and so is exposed to the risk of not being able to guarantee a safe working environment, with the risk of causing potential harm to property or people and exposing the Group to legal sanctions, lawsuits brought by employees, costs for compensation payments and reputational harm. To mitigate these risks, Piaggio adopts a sustainable development model that is based on environmental sustainability, in terms of safeguarding natural resources and the possibility that the ecosystem might absorb the direct and indirect impact of production activities. Specifically, Piaggio seeks to minimise the environmental impact of its industrial activities through careful definition of the technological transformation cycle and using the best technologies and most modern methods of production. This commitment, enacted in the Code of Ethics¹² and stated by top management in the Group's "environmental policy" which is the basis for environmental certification (ISO 14001) and health and safety certification (BSOHSAS 18001) already awarded and maintained at production sites, is a mandatory benchmark for all company sites no matter where they are working.

12. Code of Ethics - Article 8: "Without prejudice to compliance with the specific applicable regulation, the Company pays attention to environmental issues in its decisions, also adopting - where operationally and economically feasible and compatible - environmentally friendly production technologies and methods, with the aim of reducing the environmental impact of its activities".

Risks connected with diversity

Risk arising from a failure to value diversity within the organisation and the absence of management that is heterogeneous as regards competency, experience, age brackets and gender; risk arising from discriminatory actions that may occur on the labour market due to gender, sexual orientation and other diversity aspects.

To deal with this risk, the personnel management policy adopted by the Group rejects any form of discrimination on the basis of gender, age, nationality, ethnic background, ideology or religion. It operates in strict compliance with laws and contractual requirements, and in keeping with the customs, practices and usages of each country in which the Company operates.

Financial risks

Risks connected with the exchange rate

The Piaggio Group undertakes operations in currencies other than the euro and this exposes it to the risk of fluctuating exchange rates of different currencies.

Exposure to the business risk consists of envisaged payables and receivables in foreign currency, taken from the budget for sales and purchases reclassified by currency and accrued on a monthly basis.

The Group's policy is to hedge at least 66% of the exposure of each reference month.

Exposure to the settlement risk consists of receivables and payables in foreign currency acquired in the accounting system at any moment. The hedge must at all times be equal to 100% of the import, export or net settlement exposure for each currency.

In the first half of the year, currency exposure was managed based on a policy that aims to neutralise the possible negative effects of exchange rate variations on company cash flow. This was achieved by hedging economic risk, which refers to changes in company profitability compared to the planned annual economic budget, based on a reference change (the "budget change"), and transaction risk, which refers to differences between the exchange rate at which receivables and payables are recognised in currency in the financial statements and the exchange rate at which the relative amount received or paid is recognised.

Risks connected with production factor prices

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

Interest rate risks

The Group has assets and liabilities which are sensitive to changes in interest rates and are necessary to manage liquidity and financial requirements. These assets and liabilities are subject to an interest rate risk and are hedged by derivatives or by specific fixed-rate loan agreements.

For a further description, reference is made to section 39 of the Notes to the Consolidated Financial Statements.

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

The Group is exposed to the risk arising from the production of cash flows that are not sufficient to guarantee Group payments due, or adequate profitability and growth to achieve its strategic objectives. Moreover, this risk is connected with the difficulty the Group may have in obtaining loans or a worsening in conditions of loans necessary to support Group operations in appropriate time frames.

To deal with these risks, cash flows and the Group's credit line needs are monitored or managed centrally under the control of the Group's Treasury in order to guarantee an effective and efficient management of financial resources as well as optimise the debt maturity standpoint.

In addition, the Parent Company finances the temporary cash requirements of Group companies by providing direct short-term loans regulated in market conditions or guarantees.

Risks connected with credit quality of counterparties

This risk is connected with any downgrading of the credit rating of customers and suppliers and consequent possibility of late payments, or the insolvency of customers and suppliers and consequent failure to receive payments.

To balance this risk, the Parent Company has stipulated agreements with primary factoring companies in Italy and other countries for the sale of trade receivables without recourse.

Risks connected with deleverage

This risk is connected with compliance with covenants and targets to reduce loans, to maintain a sustainable debt/equity balance.

To offset this risk, the measurement of financial covenants and other contract commitments is monitored by the Group on an ongoing basis.

Operating risks

Risks relative to products

These risks are connected with a failure to maintain product technological innovation at adequate levels and failure to comply with regulatory requirements and product quality and safety standards in relation to market requests, with a consequent liability of the Group in relation to:

- › claims for compensation that exceed insurance cover;
- › repairs under warranty;
- › recall campaigns.

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

Risks connected with the production process

The Group is exposed to the following risks:

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

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

Supply chain risks

Risks connected with reliance on suppliers

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

Legal risks

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

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

The Group is also exposed to the risk of failing to comply with laws on intellectual property rights.

Risks related to litigation and tax litigation

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

Risks relative to human resources

Risks related to industrial relations

In Europe, the Piaggio Group operates in an industrial context with a strong trade union presence, and is potentially exposed to the risk of strikes and interruptions to production activities.

In the recent past, the Group was not affected by major interruptions to production because of strikes. To avoid the risk of interruptions to production activities, as far as possible, the Group bases its relations with trade union organisations on dialogue.

Risks related to talent management, recruitment and retention

The following are connected risks:

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

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

Risks relative to information management

IT and data and information management risks

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

Risks relative to business reporting

Risks related to the publication of the financial disclosure

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

To deal with these risks, the financial statements are audited by Independent Auditors. Moreover, the control activities required by Italian Law 262/2005 were extended to cover the most important subsidiaries, Piaggio Vehicles Pvt. Ltd., Piaggio Vietnam Co.Ltd., Aprilia Racing Srl and Piaggio Group Americas Inc.



Events occurring after the end of the period

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



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 leveraging 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 the countries of the area, with particular focus on the premium segment of the market;
- › boosting sales of the scooters on the Indian market, thanks to the Vespa range and success of the new Aprilia SR 150;
- › increasing the penetration of commercial vehicles in India and sales 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 and manufacturing new products, 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, payables and receivables as of 30 June 2017 involving parent, 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 30 June 2017".

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.

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.



Other information

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

With reference to the obligations of the "Consolidated Privacy Act", enacted with Italian Legislative Decree no. 196 of 30 June 2003, -Annex B), Technical Regulations - Piaggio & C. S.p.A., as Data Controller has adopted the security measures listed in the regulations, and updated its Security Policy Document according to law.

The purpose of the Security Policy Document is to:

1. define and describe the security policies adopted concerning the processing of personal data relative to employees, outsourced staff, customers, suppliers and other subjects concerned;
2. define and explain the organisational criteria adopted by the Company to put these measures in place.

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

As regards regulatory requirements on conditions for listing companies controlling companies established and governed according to laws of non-EU Member States on the stock exchange and material importance for the purposes of consolidated financial statements, the following is reported:

- › as of 30 June 2017, the regulatory requirements of article 36 of the Regulation on Markets apply to the subsidiaries: Piaggio Vehicles Private Limited, Piaggio Vietnam Co Ltd and Piaggio Group Americas Inc;
- › adequate procedures for ensuring full compliance with the above regulation have been adopted.

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

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

Economic glossary

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

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

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

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

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

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

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

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

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

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

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



CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

AS OF 30 JUNE 2017

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Consolidated Income Statement

	1st half of 2017		1st half of 2016	
	Total	of which related parties	Total	of which related parties
Notes In thousands of euros				
4 Net revenues	725,306	998	706,496	684
5 Cost for materials	420,130	16,424	412,043	14,825
6 Cost for services and leases and rentals	119,792	1,933	122,748	1,878
7 Employee costs	113,300		112,196	
8 Depreciation and impairment costs of property, plant and equipment	23,500		23,145	
8 Amortisation and impairment costs of intangible assets	37,503		30,565	
9 Other operating income	53,276	189	52,358	510
10 Other operating costs	11,383	6	10,395	13
Operating income	52,974		47,762	
11 Income/(loss) from investments	637	637	704	696
12 Financial income	407		581	
12 Borrowing costs	18,113	66	18,348	67
12 Net exchange gains/(losses)	547		(680)	
Profit before tax	36,452		30,019	
13 Taxes for the period	15,310		12,008	
Profit from continuing operations	21,142		18,011	
Assets held for sale:				
14 Profits or losses arising from assets held for sale				
Net Profit (loss) for the period	21,142		18,011	
Attributable to:				
Owners of the Parent	21,142		18,011	
Non controlling interests				
15 Earnings per share (figures in €)	0.059		0.050	
15 Diluted earnings per share (figures in €)	0.059		0.050	

Consolidated Statement of Comprehensive Income

	1st half of 2017	1st half of 2016
<i>Notes</i> In thousands of euros		
Net Profit (Loss) for the period (A)	21,142	18,011
Items that will not be reclassified in the income statement		
41 Remeasurements of defined benefit plans	1,921	(3,367)
Total	1,921	(3,367)
Items that may be reclassified in the income statement		
41 Profit (loss) deriving from the translation of financial statements of foreign companies denominated in foreign currency	(5,440)	(2,544)
41 Portion of components of the Statement of Comprehensive Income of subsidiaries/associates valued with the equity method	(542)	(407)
41 Total profits (losses) on cash flow hedges	40	147
Total	(5,942)	(2,804)
Other components of the Statement of Comprehensive Income (B)*	(4,021)	(6,171)
Total Profit (loss) for the period (A + B)	17,121	11,840
Attributable to:		
Owners of the Parent	17,094	11,889
Non controlling interests	27	(49)

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

Consolidated Statement of Financial Position

	As of 30 June 2017		As of 31 December 2016	
	Total	of which related parties	Total	of which related parties
Notes: In thousands of euros				
Assets				
Non-current assets				
16	Intangible assets	656,104		668,665
17	Property, plant and equipment	284,412		301,079
18	Investment Property	11,667		11,710
33	Investments	7,541		7,445
34	Other financial assets	13,629		19,209
23	Long-term tax receivables	17,090		15,680
19	Deferred tax assets	59,483		60,372
21	Trade receivables			
22	Other receivables	12,355	115	13,170
	Total non-current assets	1,062,281		1,097,330
25 Assets held for sale				
Current assets				
21	Trade receivables	126,885	2,100	75,166
22	Other receivables	23,304	9,357	24,151
23	Short-term tax receivables	29,743		26,783
20	Inventories	251,166		208,459
35	Other financial assets	3,564		7,069
36	Cash and cash equivalents	222,757		191,757
	Total current assets	657,419		533,385
	Total assets	1,719,700		1,630,715
Shareholders' equity and liabilities				
Shareholders' equity				
40	Share capital and reserves attributable to the owners of the Parent	391,415		394,019
40	Share capital and reserves attributable to non-controlling interests	(278)		(305)
	Total shareholders' equity	391,137		393,714
Non-current liabilities				
37	Financial liabilities falling due after one year	521,739	2,900	535,105
26	Trade payables			
27	Other long-term provisions	11,011		10,566
28	Deferred tax liabilities	4,132		3,880
29	Retirement funds and employee benefits	45,361		48,924
30	Tax payables			
31	Other long-term payables	5,463	162	5,485
	Total non-current liabilities	587,706		603,960
Current liabilities				
37	Financial liabilities falling due within one year	168,091		173,445
26	Trade payables	492,013	16,845	395,649
30	Tax payables	16,284		8,128
31	Other short-term payables	54,755	7,198	46,936
27	Current portion of other long-term provisions	9,714		8,883
	Total current liabilities	740,857		633,041
	Total Shareholders' Equity and Liabilities	1,719,700		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 half of 2017		1st half of 2016	
	Total	of which related parties	Total	of which related parties
Notes In thousands of euros				
Operating activities				
Consolidated net profit	21,142		18,011	
Allocation of profit to non-controlling interests	0		0	
13 Taxes for the period	15,310		12,008	
8 Depreciation of property, plant and equipment	23,500		23,145	
8 Amortisation of intangible assets	37,503		30,565	
Allocations to provisions for risks and retirement funds and employee benefits	9,883		9,321	
Write-downs/ (Reinstatements)	775		514	
Losses/ (Gains) on the disposal of property, plants and equipment	(77)		(74)	
Losses/ (Gains) on the disposal of intangible assets	(2)		0	
12 Financial income	(343)		(499)	
Dividend income	0		(7)	
12 Borrowing costs	16,610		16,927	
Income from public grants	(1,843)		(2,078)	
Portion of earnings of associate companies	(637)		(697)	
<i>Change in working capital:</i>				
21 (Increase)/Decrease in trade receivables	(51,195)	1,250	(39,828)	(9)
22 (Increase)/Decrease in other receivables	1,913	(586)	3,856	(140)
20 (Increase)/Decrease in inventories	(42,707)		(44,191)	
26 Increase/(Decrease) in trade payables	96,364	6,910	104,001	4,540
31 Increase/(Decrease) in other payables	7,797	46	7,634	963
27 Increase/(Decrease) in provisions for risks	(4,721)		(5,114)	
29 Increase/(Decrease) in retirement funds and employee benefits	(7,208)		83	
Other changes	(861)		(18,989)	
Cash generated from operating activities	121,203		114,588	
Interest paid	(15,428)		(15,967)	
Taxes paid	(6,704)		(9,941)	
Cash flow from operating activities (A)	99,071		88,680	
Investment activities				
17 Investment in property, plant and equipment	(12,109)		(19,871)	
Sale price, or repayment value, of property, plant and equipment	160		192	
16 Investment in intangible assets	(26,661)		(27,100)	
Sale price, or repayment value, of intangible assets	467		0	
Collected interests	399		307	
Cash flow from investment activities (B)	(37,744)		(46,472)	
Financing activities				
40 Purchase of treasury shares	0		(4,980)	
40 Outflow for dividends paid	(19,698)		(17,962)	
37 Loans received	80,484		77,723	
37 Outflow for repayment of loans	(84,933)		(45,815)	
37 Repayment of finance leases	(561)		(15)	
Cash flow from funding activities (C)	(24,708)		8,951	
Increase/ (Decrease) in cash and cash equivalents (A+B+C)	36,619		51,159	
Opening balance	191,400		101,302	
Exchange differences	(5,354)		(1,182)	
Closing balance	222,665		151,279	

Changes in Consolidated Shareholders' Equity

Movements from 1 January 2017 / 30 June 2017

	Share capital	Share premium reserve	Legal reserve	Reserve for measurement of financial instruments	IAS transition reserve
Notes: In thousands of euros					
As of 1 January 2017	207,614	7,171	18,395	(388)	(5,859)
Profit for the period					
41 Other components of the Statement of Comprehensive Income				40	
Total profit (loss) for the period	0	0	0	40	0
Transactions with shareholders:					
40 Allocation of profits			700		
40 Distribution of dividends					
40 Annulment of treasury shares					(5,646)
As of 30 June 2017	207,614	7,171	19,095	(348)	(11,505)

Movements from 1 January 2016 / 30 June 2016

	Share capital	Share premium reserve	Legal reserve	Reserve for measurement of financial instruments	IAS transition reserve
Notes: In thousands of euros					
As of 1 January 2016	207,614	7,171	17,643	(586)	(5,859)
Profit for the period					
41 Other components of the Statement of Comprehensive Income				147	
Total profit (loss) for the period	0	0	0	147	0
Transactions with shareholders:					
40 Allocation of profits			752		
40 Distribution of dividends					
40 Purchase of treasury shares					
40 Other changes					
As of 30 June 2016	207,614	7,171	18,395	(439)	(5,859)

Group translation reserve	Treasury shares	Earnings reserve	Consolidated Group shareholders' equity	Share capital and reserves attributable to non-controlling interests	TOTAL SHAREHOLDERS' EQUITY
(14,116)	(5,646)	186,848	394,019	(305)	393,714
		21,142	21,142		21,142
(6,009)		1,921	(4,048)	27	(4,021)
(6,009)	0	23,063	17,094	27	17,121
		(700)	0		0
		(19,698)	(19,698)		(19,698)
	5,646		0		0
(20,125)	0	189,513	391,415	(278)	391,137

Group translation reserve	Treasury shares	Earnings reserve	Consolidated Group shareholders' equity	Share capital and reserves attributable to non-controlling interests	TOTAL SHAREHOLDERS' EQUITY
(15,608)	(34)	194,194	404,535	(242)	404,293
		18,011	18,011		18,011
(2,902)		(3,367)	(6,122)	(49)	(6,171)
(2,902)	0	14,644	11,889	(49)	11,840
		(752)	0		0
		(17,962)	(17,962)		(17,962)
	(4,980)		(4,980)		(4,980)
			0		0
(18,510)	(5,014)	190,124	393,482	(291)	393,191

Notes to the Consolidated Financial Statements

A) General aspects

Piaggio & C. S.p.A. (the Company) is a joint-stock company established in Italy at the Register of Companies of Pisa. The addresses of the registered office and places where the Group conducts its main business operations are listed in the introduction to the financial statements. The main operations of the Company and its subsidiaries (the Group) are described in the Report on Operations. These Financial Statements are expressed in euros (€) since this is the currency in which most of the Group's transactions take place. Foreign operations are included in the consolidated financial statements according to the standards indicated in the notes below.

Scope of consolidation

As of 30 June 2017, the structure of the Piaggio Group was as indicated in the Report on Operations and is the structure referred to herein.

The scope of consolidation has not changed compared to the Consolidated Financial Statements as of 31 December 2016 and 30 June 2016.

1. 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 Commission, 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 Leg. Decree no. 58/98"). The interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously the Standing Interpretations Committee ("SIC"), were also taken into account.

During the drafting of these Condensed Interim Financial statements, prepared in compliance with IAS 34 - Interim Financial Reporting, the same accounting standards adopted in the drafting of the Consolidated Financial Statements as of 31 December 2016 were applied, with the exception of paragraph "New accounting standards, amendments and interpretations applied as from 1 January 2017".

The information provided in the Half-Year 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.

These Condensed Interim Financial Statements have been subject to a limited review by PricewaterhouseCoopers S.p.A..

2. Form and content of the financial statements

Form of the consolidated financial statements

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

Consolidated Income Statement

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

Consolidated Statement of Comprehensive Income

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

Consolidated Statement of Financial Position

The Consolidated Statement of Financial Position is presented in opposite sections with separate indication of assets, liabilities and shareholders' equity.

In turn, assets and liabilities are reported in the Consolidated Financial Statements on the basis of their classification as current and non-current.

Consolidated Statement of Cash Flows

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

Statement of Changes in Consolidated Shareholders' Equity

The Statement of Changes in Consolidated Shareholders' Equity is presented as provided for in IAS 1 revised.

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

Contents of the Consolidated Financial Statements

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

Rounding off

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

2.1 New accounting standards, amendments and interpretations applied as from 1 January 2017

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

2.2 Accounting standards amendments and interpretations not yet adopted

At the date of these Financial Statements, competent bodies of the European Union had not completed the approval process necessary for the adoption 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 is continuing its 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 6 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; (iii) amend hedge accounting provisions and (iv) establish new criteria for the recognition of transactions amending financial liabilities. The provisions of IFRS 9 will be applicable for years commencing on or after 1 January 2018. Early adoption is possible. The Group has finalized the analysis of the impacts of the revised standard that do not result particularly relevant.

2.3 Accounting standards amendments and interpretations not yet applicable

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

- › In 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 recognise deferred taxes related to debt instruments calculated at fair value. These amendments will apply from 1 January 2017, after the EU endorsement process has been completed.
- › 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, after the EU endorsement process has been completed.
- › 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 on 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.
- › In May 2017, the IASB issued the new standard IFRS 17 – Insurance Contracts. The new standard will replace IFRS 4 and will be effective from 1 January 2021.

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

Other information

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

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

Currency	Spot exchange rate 30 June 2017	Average exchange rate 1st half of 2017	Spot exchange rate 31 December 2016	Average exchange rate 1st half 2016
US Dollar	1.1412	1.08302	1.0541	1.11594
Pounds Sterling	0.87933	0.86059	0.85618	0.77877
Indian Rupee	73.7445	71.17602	71.5935	75.00187
Singapore Dollars	1.5710	1.52076	1.5234	1.53997
Chinese Renminbi	7.7385	7.44483	7.3202	7.29646
Croatian Kuna	7.4103	7.44860	7.5597	7.55941
Japanese Yen	127.75	121.78039	123.40	124.41362
Vietnamese Dong	25,837.39	24,408.40899	23,894.71	24,728.10126
Canadian Dollars	1.4785	1.44529	1.4188	1.48444
Indonesian Rupiah	15,201.92	14,437.95142	14,167.10	14,968.97504
Brazilian Real	3.7600	3.44311	3.4305	4.12955

In relation to the figures in the Consolidated Statement of Comprehensive Income and the Consolidated Statement of Cash Flows as at 30 June 2016 published last year and presented for comparative purposes, some items were reclassified, for a greater comparability with first half of 2017 figures.



B) Segment reporting

3. Operating segment reporting

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

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

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

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

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

Income statement by operating segment

		EMEA and Americas	India	Asia Pacific 2W	Total
Sales volumes (unit/000)	1st half of 2017	145.5	99.4	35.8	280.7
	1st half of 2016	137.6	101.7	37.5	276.7
	Change	7.9	(2.3)	(1.7)	4.0
	Change %	5.8%	-2.2%	-4.4%	1.4%
Turnover (millions of euros)	1st half of 2017	479.6	160.8	84.9	725.3
	1st half of 2016	456.4	165.0	85.1	706.5
	Change	23.2	(4.2)	(0.2)	18.8
	Change %	5.1%	-2.5%	-0.2%	2.7%
Gross margin (millions of euros)	1st half of 2017	151.9	42.0	34.0	227.9
	1st half of 2016	139.4	45.6	31.4	216.4
	Change	12.5	(3.5)	2.6	11.5
	Change %	8.9%	-7.8%	8.2%	5.3%
EBITDA (millions of euros)	1st half of 2017				114.0
	1st half of 2016				101.5
	Change				12.5
	Change %				12.3%
EBIT (millions of euros)	1st half of 2017				53.0
	1st half of 2016				47.8
	Change				5.2
	Change %				10.9%
Net profit (millions of euros)	1st half of 2017				21.1
	1st half of 2016				18.0
	Change				3.1
	Change %				17.4%

C) information on the consolidated income statement

4. Net revenues

€/000 725,306

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

This item does not include transport costs, which are recharged to customers (€/000 14,107) and invoiced advertising cost recoveries (€/000 1,950), 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 half of 2017		1st half of 2016		Changes	
	Amount	%	Amount	%	Amount	%
<i>In thousands of euros</i>						
EMEA and Americas	479,586	66.1	456,389	64.6	23,197	5.1
India	160,840	22.2	165,020	23.4	(4,180)	-2.5
Asia Pacific 2W	84,880	11.7	85,087	12.0	(207)	-0.2
Total	725,306	100.0	706,496	100.0	18,810	2.7

In the first half of 2017 net sales revenues recorded a 2.7% 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

€/000 420,130

The percentage of costs accounting for net sales went down, from 58.3% in the first half of 2016 to 57.9% in the current period. The item includes €/000 16,424 (€/000 14,825 in the first half of 2016) for purchases of scooters from the Chinese subsidiary Zongshen Piaggio Foshan, that are sold on European and Asian markets.

The following table details the content of this item:

	1st half of 2017	1st half of 2016	Change
<i>In thousands of euros</i>			
Raw, ancillary materials, consumables and goods	466,960	456,827	10,133
Change in inventories of raw, ancillary materials, consumables and goods	(15,263)	(10,824)	(4,439)
Change in work in progress of semifinished and finished products	(31,567)	(33,960)	2,393
Total	420,130	412,043	8,087

6. Costs for services and leases and rental costs

€/000 119,792

Below is a breakdown of this item:

	1st half of 2017	1st half of 2016	Change
<i>In thousands of euros</i>			
Employee costs	8,134	8,247	(113)
External maintenance and cleaning costs	3,875	4,319	(444)
Energy and telephone costs	7,445	8,416	(971)
Postal expenses	397	643	(246)
Commissions payable	236	483	(247)
Advertising and promotion	18,090	17,641	449
Technical, legal and tax consultancy and services	7,971	8,038	(67)
Company boards operating costs	1,080	1,030	50
Insurance	1,999	1,811	188
Outsourced manufacturing	14,542	11,898	2,644
Outsourced services	6,917	6,974	(57)
Transport costs (vehicles and spare parts)	17,435	18,063	(628)
Internal shuttle services	281	344	(63)
Sundry commercial expenses	5,237	6,060	(823)
Expenses for public relations	1,473	1,504	(31)
Product warranty costs	4,052	4,000	52
Costs for quality-related events	1,263	2,446	(1,183)
Bank costs and factoring charges	3,174	3,001	173
Misc services provided in the business year	2,471	4,457	(1,986)
Other services	3,772	3,898	(126)
Insurance from related parties	17	25	(8)
Services from related parties	1,116	1,078	38
Lease and rental costs	8,015	7,597	418
Costs for leases and rentals of related parties	800	775	25
Costs for services and leases and rental costs	119,792	122,748	(2,956)

Costs for leases and rentals include lease rentals for business properties of €/000 3,721, as well as lease payments for car hire, computers and photocopiers.

The item "Other" includes costs for temporary work of €/000 1,389.

7. Employee costs

€/000 113,300

Employee costs include €/000 2,565 relating to costs for redundancy plans mainly for the Pontedera and Noale production sites.

	1st half of 2017	1st half of 2016	Change
<i>In thousands of euros</i>			
Salaries and wages	83,708	83,796	(88)
Social security contributions	22,797	23,216	(419)
Termination benefits	3,645	3,722	(77)
Other costs	3,150	1,462	1,688
Total	113,300	112,196	1,104

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

Level	Average number	1st half of 2017	1st half of 2016	Change
Senior management		97.0	101.5	(4.5)
Middle management		585.8	570.8	15.0
White collars		1,725.2	1,825.7	(100.5)
Blue collars		4,139.0	4,506.5	(367.5)
Total		6,547.0	7,004.5	(457.5)

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

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

	Number as of	30 June 2017	31 December 2016	Change
Senior management		98	97	1
Middle management		593	599	(6)
White collars		1,712	1,731	(19)
Blue collars		4,181	4,279	(98)
Total		6,584	6,706	(122)
EMEA and Americas		3,729	3,752	(23)
India		2,016	2,113	(97)
Asia Pacific 2W		839	841	(2)
Total		6,584	6,706	(122)

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

Level	As of 31/12/2016	Incoming	Leavers	Relocations	As of 30/06/2017
Senior management	97	3	(7)	5	98
Middle management	599	20	(44)	18	593
White collars	1,731	89	(90)	(18)	1,712
Blue collars	4,279	839	(932)	(5)	4,181
Total (*)	6,706	951	(1,073)	0	6,584
(*) of which fixed-term contracts	811	709	(770)		750

8. Amortisation/depreciation and impairment costs

€/000 61,003

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

Property, plant and equipment	1st half of 2017	1st half of 2016	Change
<i>In thousands of euros</i>			
Buildings	2,567	2,523	44
Plant and machinery	12,128	11,972	156
Industrial and commercial equipment	6,240	6,690	(450)
Other assets	2,565	1,960	605
Total depreciation of property, plant and equipment	23,500	23,145	355
Write-down of property, plant and equipment			
Total depreciation of property, plant and equipment and impairment costs	23,500	23,145	355

Intangible assets	1st half of 2017	1st half of 2016	Change
<i>In thousands of euros</i>			
Development costs	20,062	15,779	4,283
Industrial Patent and Intellectual Property Rights	14,929	12,228	2,701
Concessions, licences, trademarks and similar rights	2,412	2,412	0
Other	100	146	(46)
Total amortisation of intangible assets	37,503	30,565	6,938
Write-down of intangible assets			
Total amortisation of intangible assets and impairment costs	37,503	30,565	6,938

9. Other operating income

€/000 53,276

This item consists of:

	1st half of 2017	1st half of 2016	Change
<i>In thousands of euros</i>			
Operating grants	1,843	2,078	(235)
Increases in fixed assets from internal work	20,501	21,971	(1,470)
Other revenue and income:			
- Rent receipts	2,208	1,906	302
- Capital gains on the disposal of assets	79	78	1
- Sale of miscellaneous materials	456	378	78
- Recovery of transport costs	14,107	13,394	713
- Recovery of advertising costs	1,950	2,661	(711)
- Recovery of sundry costs	1,492	1,761	(269)
- Compensation for damage	1,722	264	1,458
- Compensation for quality-related events	185	436	(251)
- Licence rights and know-how	1,103	1,125	(22)
- Sponsorship	1,454	1,057	397
- Other income	6,176	5,249	927
Total other operating income	53,276	52,358	918

The item "Operating grants" includes the amount of €/000 1,152 for government and Community grants for research projects and export subsidies of €/000 691 received relative to the Indian subsidiary. The subsidies are recognised in profit or loss, strictly relating to the amortisation and depreciation of capitalised costs for which the subsidies were received.

10. Other operating costs

€/000 11,383

This item consists of:

	1st half of 2017	1st half of 2016	Change
<i>In thousands of euros</i>			
Provision for future risks	7	907	(900)
Provisions for product warranties	6,231	4,692	1,539
Duties and taxes not on income	2,469	2,162	307
Various subscriptions	721	643	78
Capital losses from disposal of assets		4	(4)
Losses from changes in the fair value of investment property	43	150	(107)
Miscellaneous expenses	1,137	1,323	(186)
Total sundry operating costs	4,370	4,282	88
Write-down of current receivables	775	514	261
Total	11,383	10,395	988

The increase is mainly due to greater provisions for products under warranty, duties and taxes, partly offset by fewer allocations to other provisions.

The item Losses from changes in the fair value of investment property relates to the lower value assessed in the expert appraisal of the Spanish site of Martorelles. For more details on how fair value is determined, reference is made to note 37.

11. Income/(loss) from investments

€/000 637

Income from investments refers to the portion attributable to the Group of the Zongshen Piaggio Foshan joint venture (€/000 651) and associate company Pontech (€/000 -14) measured at equity.

12. Net financial income (borrowing costs)

€/000 (17,159)

Financial expenses for the first half of 2017 totalled €/000 17,159, down compared to €/000 18,447 for the same period of the previous year. The positive result of currency operations and reduction in average debt and relative costs contributed most to this improvement, partially offset by a lower capitalisation of borrowing costs compared to the same period of the previous year. During the first half of 2017, borrowing costs for €/000 167 were capitalised (compared to borrowing costs of €/000 598 capitalised in the first half of the previous year).

The average rate used during 2017 for the capitalisation of borrowing costs (because of general loans), was equal to 17.2% and relates to loans taken out by the Vietnamese company in the local currency.

13. Taxes

€/000 15,310

Income tax for the period, determined based on IAS 34, is estimated by applying a rate of 42% to profit before tax, equivalent to the best estimate of the weighted average rate predicted for the financial year.

14. Profits/ (losses) arising from assets held for 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 half of 2017	1st half of 2016
Net profit	€/000	21,142	18,011
Earnings attributable to ordinary shares	€/000	21,142	18,011
Average number of ordinary shares in circulation		358,153,644	359,312,853
Earnings per ordinary share	€	0.059	0.050
Adjusted average number of ordinary shares		358,153,644	359,312,853
Diluted earnings per ordinary share	€	0.059	0.050



D) Information on operating assets and liabilities

16. Intangible assets

€/000 656,104

The table below shows the breakdown of intangible assets as of 30 June 2017, as well as changes during the period.

	Develop- ment costs	Patent rights	Concessions, licences and trademarks	Goodwill	Other	Assets under develop- ment and advances	Total
<i>In thousands of euros</i>							
As of 31 December 2016							
Historical cost	207,024	331,054	149,074	557,322	7,568	26,079	1,278,121
Provision for write-downs	(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 half of 2017							
Investments	10,339	875			57	15,390	26,661
Transitions in the period	6,536	1,343			7	(7,886)	0
Amortisation	(20,062)	(14,929)	(2,412)		(100)		(37,503)
Disposals	(465)						(465)
Write-downs							0
Exchange differences	(1,031)	(30)			(14)	(168)	(1,243)
Other changes						(11)	(11)
Total movements for the period	(4,683)	(12,741)	(2,412)	0	(50)	7,325	(12,561)
As of 30 June 2017							
Historical cost	219,381	332,497	155,074	557,322	7,065	33,404	1,304,743
Provision for write-downs							0
Accumulated amortisation	(153,476)	(268,659)	(109,266)	(110,382)	(6,856)		(648,639)
Net carrying amount	65,905	63,838	45,808	446,940	209	33,404	656,104

The breakdown of intangible assets for the period put into service and under development is as follows:

	Value as of 30 June 2017			Value as of 31 December 2016			Change		
	In operation	Under deve- lopment and advances	Total	In opera- tion	Under deve- lopment and advances	Total	In opera- tion	Under deve- lopment and advances	Total
<i>In thousands of euros</i>									
Development costs	65,905	30,326	96,231	70,588	23,185	93,773	(4,683)	7,141	2,458
Patent rights	63,838	3,076	66,914	76,579	2,890	79,469	(12,741)	186	(12,555)
Concessions, licences and trademarks	45,808		45,808	48,220		48,220	(2,412)	0	(2,412)
Goodwill	446,940		446,940	446,940		446,940	0	0	0
Other	209	2	211	259	4	263	(50)	(2)	(52)
Total	622,700	33,404	656,104	642,586	26,079	668,665	(19,886)	7,325	(12,561)

Intangible assets went down overall by €/000 12,561 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 half of the year, borrowing costs for €/000 91 were capitalised.

Development costs include costs for products and engines referable to projects for which, as regards the period of the useful life of the asset, revenues are expected that allow for at least the costs incurred to be recovered. This item also includes assets under development for €/000 30,326 that represent costs for which the conditions for capitalisation exist, but in relation to products that will go into production in future years.

Borrowing costs attributable to the development of products which require a considerable period of time to be realised are capitalised as a part of the cost of the assets themselves. Development costs included under this item are amortised on a straight line basis over a period of 3 to 5 years, in consideration of their remaining useful life.

In the first half of 2017, development costs amounting to €/000 9,700 were directly expensed in the income statement.

The item Patent rights comprises software for €/000 15,642 and patents and know-how. It includes assets under development for €/000 3,076.

Patents and know-how mainly refer to Vespa, MP3, RSV4 and Aprilia SR 150 vehicles. Increases for the period mainly refer to new calculation, design and production techniques and methodologies developed by the Group, referring to main new products in the 2017-2018 range.

Industrial patent and intellectual property rights costs are amortised over three years.

The item Trademarks, concessions and licences is broken down as follows:

	As of 30 June 2017	As of 31 December 2016	Change
<i>In thousands of euros</i>			
Guzzi trademark	15,437	16,250	(813)
Aprilia trademark	30,333	31,930	(1,597)
Minor trademarks	38	40	(2)
Total	45,808	48,220	(2,412)

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

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

Goodwill was attributed to cash generating units.

	Emea and Americas	India	Asia Pacific 2W	Total
<i>In thousands of euros</i>				
30 06 2017	305,311	109,695	31,934	446,940
31 12 2016	305,311	109,695	31,934	446,940

The organisational structure of the Group is based on 3 Geographic Segments (CGUs), involved in the production and sale of vehicles, relative spare parts and assistance in areas under their responsibility: EMEA and the Americas, India and Asia Pacific 2W. Each Geographical Segment has production sites and a sales network dedicated to customers in the relative segment. Central structures and development activities currently dealt with by EMEA and the Americas, are handled by individual CGUs.

Goodwill is not longer amortised, but is tested for impairment annually or more frequently, if specific events take place or changed circumstances indicate that the asset may have been affected by impairment, to identify impairment as provided for by IAS 36 - Impairment of Assets.

The possibility of reinstating booked values is verified by comparing the net carrying amount of individual cash generating units with the recoverable value (value in use). This recoverable value is represented by the present value of future cash flows which, it is estimated, will be derived from the continual use of goods referring to cash generating units and by the terminal value attributable to these goods.

The recoverability of goodwill is verified at least once per year (as of 31 December), even in the absence of indicators of impairment losses.

As of 30 June 2017, the Group compared final and estimated figures of 2017, combined with forecast data for the 2018-2020 period, approved by the Board of Directors on 23 February 2017. This analysis did not highlight any indicators requiring an update to the impairment test carried out for the purposes of the financial statements as of 31 December 2016.

Given that the recoverable value was estimated, the Group cannot ensure that there will be no impairment losses of goodwill in future financial periods.

The item "Other intangible assets" mainly refers to costs incurred by Piaggio Vietnam.

17. Property, plant and equipment

€/000 284,412

The table below shows the breakdown of property, plant and equipment as of 30 June 2017, as well as changes during the period.

	Land	Buildings	Plant and machinery	Equipment	Other assets	Assets under construction and advances	Total
<i>In thousands of euros</i>							
As of 31 December 2016							
Historical cost	28,083	169,539	478,775	509,102	50,630	17,169	1,253,298
Provision for write-downs			(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 half of 2017							
Investments		244	1,028	2,401	1,920	6,516	12,109
Transitions in the period		430	8,025	1,400	88	(9,943)	0
Depreciation		(2,567)	(12,128)	(6,240)	(2,565)		(23,500)
Disposals			(23)	(3)	(57)		(83)
Write-downs							0
Exchange differences		(1,201)	(3,589)		(192)	(222)	(5,204)
Other changes						11	11
Total movements for the period	0	(3,094)	(6,687)	(2,442)	(806)	(3,638)	(16,667)
As of 30 June 2017							
Historical cost	28,083	168,507	479,000	512,781	51,712	13,531	1,253,614
Provision for write-downs			(483)	(2,408)	(64)		(2,955)
Accumulated depreciation		(72,074)	(358,549)	(491,340)	(44,284)		(966,247)
Net carrying amount	28,083	96,433	119,968	19,033	7,364	13,531	284,412

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

	Value as of 30 June 2017			Value as of 31 December 2016			Change		
	In operation	Under construction and advances	Total	In operation	Under construction and advances	Total	In operation	Under construction and advances	Total
In thousands of euros									
Land	28,083		28,083	28,083		28,083	0	0	0
Buildings	96,433	1,972	98,405	99,527	2,035	101,562	(3,094)	(63)	(3,157)
Plant and machinery	119,968	7,085	127,053	126,655	9,800	136,455	(6,687)	(2,715)	(9,402)
Equipment	19,033	4,366	23,399	21,475	5,229	26,704	(2,442)	(863)	(3,305)
Other assets	7,364	108	7,472	8,170	105	8,275	(806)	3	(803)
Total	270,881	13,531	284,412	283,910	17,169	301,079	(13,029)	(3,638)	(16,667)

Property, plant and equipment mainly refer to Group production facilities in Pontedera (Pisa), Noale (Venice), Mandello del Lario (Lecco), Baramati (India) and Vinh Phuc (Vietnam).

The increases mainly refer to moulds for new vehicles launched during the period.

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 assets themselves.

During the first half of the year, borrowing costs for €/000 76 were capitalised.

As of 30 June 2017, the net value of assets held through lease agreements was equal to €/000 12,071, and refers to the Pontedera painting plant for the Vespa and to the vehicles used by the Aprilia Racing Team.

As of 30 June 2017	
In thousands of euros	
Vespa painting plant	11,983
Vehicles	88
Total	12,071

Future lease rental commitments are detailed in note 37.

18. Investment Property

€/000 11,667

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	(43)
Balance as of 30 June 2017	11,667

The net book value as of 30 June 2017 was determined by a specific appraisal conducted by an independent expert who measured the "Fair Value less cost of disposal" based on a market approach (as provided for in IFRS 13). This analysis identified the total value of the investment as €/000 11,667. In this regard, the valuation took account of the current status of the property, the project to convert the area, for the development of a retail centre prepared by the Group, together with comparable transactions. Following the site redevelopment project, an agency management contract was given to a Spanish property company, to seek investors interested in the property.

The Group uses the “fair value model” as provided for in IAS 40, thus the measurement updated during 2017 resulted in profit adjusted to fair value, equal to €/000 43 being recognised under other costs in the income statement for the period.

If the cost criterion had still been used instead of fair value, the value of the Martorelles site would have been equal to €/000 6,442.

During the first half of 2017, costs incurred for site management amounted to €/000 205.

19. Deferred tax assets

€/000 59,483

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 59,483, down on the figure of €/000 60,372 as of 31 December 2016.

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

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 taken from 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

€/000 251,166

This item comprises:

	As of 30 June 2017	As of 31 December 2016	Change
<i>In thousands of euros</i>			
Raw materials and consumables	120,155	99,137	21,018
Provision for write-down	(15,157)	(14,464)	(693)
<i>Net value</i>	<i>104,998</i>	<i>84,673</i>	<i>20,325</i>
Work in progress and semifinished products	14,981	16,624	(1,643)
Provision for write-down	(852)	(852)	0
<i>Net value</i>	<i>14,129</i>	<i>15,772</i>	<i>(1,643)</i>
Finished products and goods	154,818	129,930	24,888
Provision for write-down	(22,866)	(22,065)	(801)
<i>Net value</i>	<i>131,952</i>	<i>107,865</i>	<i>24,087</i>
Advances	87	149	(62)
Total	251,166	208,459	42,707

The increase as of 30 June 2017 in inventories is in line with performance expected for production and sales volumes.

21. Current and non-current trade receivables

€/000 126,885

As of 30 June 2017 and 31 December 2016, there are no trade receivables in non-current assets. Current trade receivables are broken down as follows:

	As of 30 June 2017	As of 31 December 2016	Change
<i>In thousands of euros</i>			
Trade receivables due from customers	124,785	71,816	52,969
Trade receivables due from JV	1,995	3,349	(1,354)
Trade receivables due from parent companies	2	1	1
Trade receivables due from associates	103		103
Total	126,885	75,166	51,719

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

Receivables due from parent companies regard amounts due from Immsi.

The item Trade receivables comprises receivables referring to normal sale transactions, recorded net of a provision for bad debts of €/000 27,676.

The Group sells, on a rotating basis, a large part of its trade receivables with and without recourse. Piaggio has signed contracts with some of the most important Italian and foreign factoring companies as a move to optimise the monitoring and the management of its trade receivables, besides offering its customers an instrument for funding their own inventories, for factoring classified as without the substantial transfer of risks and benefits. On the contrary, for factoring without recourse, contracts have been formalised for the substantial transfer of risks and benefits. As of 30 June 2017, trade receivables still due sold without recourse totalled €/000 146,126. Of these amounts, Piaggio received payment prior to natural expiry, of €/000 137,171.

As of 30 June 2017, advance payments received from factoring companies and banks, for trade receivables sold with recourse totalled €/000 26,236 with a counter entry recorded in current liabilities.

22. Other current and non-current receivables

€/000 35,659

Other non-current receivables totalled €/000 12,355 against €/000 13,170 as of 31 December 2016, whereas other current receivables totalled €/000 23,304 compared to €/000 24,151 as of 31 December 2016. They consist of:

Other non-current receivables	As of 30 June 2017	As of 31 December 2016	Change
<i>In thousands of euros</i>			
Sundry receivables due from associates	115	133	(18)
Prepaid expenses	9,737	10,904	(1,167)
Advances to employees	52	61	(9)
Security deposits	1,091	927	164
Receivables due from others	1,360	1,145	215
Total non-current portion	12,355	13,170	(815)

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

Other current receivables	As of 30 June 2017	As of 31 December 2016	Change
<i>In thousands of euros</i>			
Sundry receivables due from parent companies	8,317	7,705	612
Sundry receivables due from JV	1,002	957	45
Sundry receivables due from associates	38	91	(53)
Accrued income	594	513	81
Prepaid expenses	4,602	3,790	812
Advance payments to suppliers	1,111	736	375
Advances to employees	258	2,214	(1,956)
Fair value of derivatives	243	401	(158)
Security deposits	283	221	62
Receivables due from others	6,856	7,523	(667)
Total current portion	23,304	24,151	(847)

Receivables due from parent companies refer to the recognition of accounting effects relating to the transfer of taxable bases pursuant to the Group Consolidated Tax Convention.

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

Receivables due from associates are amounts due from Immsi Audit and the Fondazione Piaggio.

The item Fair Value of hedging derivatives comprises the fair value of hedging transactions on the exchange risk on forecast transactions recognised on a cash flow hedge basis (€/000 243 current portion).

Other receivables are recognised net of a write-down provision of €/000 5,579.

23. Current and non-current tax receivables

€/000 46,833

Receivables due from tax authorities consist of:

	As of 30 June 2017	As of 31 December 2016	Change
<i>In thousands of euros</i>			
VAT receivables	28,601	25,956	2,645
Income tax receivables	13,500	11,869	1,631
Other tax receivables	4,732	4,638	94
Total tax receivables	46,833	42,463	4,370

Non-current tax receivables totalled €/000 17,090, compared to €/000 15,680 as of 31 December 2016, while current tax receivables totalled €/000 29,743 compared to €/000 26,783 as of 31 December 2016. The increase is mainly due to higher VAT receivables of the Indian subsidiary and Parent Company, along with tax receivables accrued abroad by Piaggio & C. S.p.A.

24. Receivables due after 5 years

€/000 0

As of 30 June 2017, there were no receivables due after 5 years.

25. Assets held for sale

€/000 0

As of 30 June 2017, there were no assets held for sale.

26. Current and non-current trade payables

€/000 492,013

As of 30 June 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 30 June 2017	As of 31 December 2016	Change
<i>In thousands of euros</i>			
Amounts due to suppliers	475,168	385,714	89,454
Trade payables to JV	16,684	9,777	6,907
Trade payables due to other related parties	27	26	1
Amounts due to parent companies	134	132	2
Total	492,013	395,649	96,364
<i>Of which reverse factoring</i>	<i>166,344</i>	<i>173,058</i>	<i>(6,714)</i>

To facilitate credit conditions for its suppliers, the Group has used factoring agreements since 2012, mainly supply chain financing and reverse factoring agreements. These operations did not change the primary obligation, nor substantially changed payment terms, so their nature is the same and they are still classified as trade liabilities.

As of 30 June 2017, the value of trade payables covered by reverse factoring or supply chain financing agreements was equal to €/000 166,344 (€/000 173,058 as of 31 December 2016).

27. Provisions (current and non-current portion)

€/000 20,725

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

	Balance as of 31 December 2016	Allocations	Uses	Reclassifica- tions	Exchange differences	As of 30 June 2017
<i>In thousands of euros</i>						
Provision for product warranties	11,700	6,231	(4,160)	44	(198)	13,617
Provision for contractual risks	4,546	7	(75)		(10)	4,468
Risk provision for legal disputes	2,082		(277)		(29)	1,776
Provisions for risk on guarantee	58					58
Other provisions for risks	1,063		(253)		(4)	806
Total	19,449	6,238	(4,765)	44	(241)	20,725

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

Non-current portion	As of 30 June 2017	As of 31 December 2016	Change
<i>In thousands of euros</i>			
Provision for product warranties	4,386	3,939	447
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	764	766	(2)
Total non-current portion	11,011	10,566	445

Current portion	As of 30 June 2017	As of 31 December 2016	Change
<i>In thousands of euros</i>			
Provision for product warranties	9,231	7,761	1,470
Provisions for contractual risks	119	197	(78)
Risk provision for legal disputes	264	570	(306)
Provisions for risk on guarantee	58	58	0
Other provisions for risks and charges	42	297	(255)
Total	9,714	8,883	831

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 half year by €/000 6,231 and was used for €/000 4,160 in relation to charges incurred during the period.

The provision for contractual risks refers mainly to charges which may arise from the ongoing negotiation of a supply contract.

The provision for legal disputes concerns labour litigation and other legal proceedings.

28. Deferred tax liabilities

€/000 4,132

Deferred tax liabilities amount to €/000 4,132 compared to €/000 3,880 as of 31 December 2016.

29. Retirement funds and employee benefits

€/000 45,361

	As of 30 June 2017	As of 31 December 2016	Change
<i>In thousands of euros</i>			
Retirement funds	781	755	26
Post-employment benefits provision	44,580	48,169	(3,589)
Total	45,361	48,924	(3,563)

Retirement funds comprise provisions for employees allocated by foreign companies and additional customer indemnity provisions, which represent the compensation due to agents in the case of the agency contract being terminated for reasons beyond their control. Uses refer to the payment of benefits already accrued in previous years, while allocations refer to benefits accrued in the period.

The item "Termination benefits provision", comprising severance pay of employees of Italian companies, includes termination benefits indicated in defined benefit plans.

The economic/technical assumptions used by Group companies operating in Italy to discount the value are shown in the table below:

Technical annual discount rate	1.67%
Annual rate of inflation	1.50%
Annual rate of increase in termination benefits	2.625%

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

If instead an iBoxx Corporates A rating with a 10+ duration had been used, the value of actuarial losses and the provision as of 30 June 2017 would have been lower by €271 thousand.

The table below shows the effects, in absolute terms, as of 30 June 2017, which would have occurred following changes in reasonably possible actuarial assumptions:

	Provision for termination benefits
<i>In thousands of euros</i>	
Turnover rate +2%	44,312
Turnover rate -2%	44,877
Inflation rate + 0.25%	45,177
Inflation rate - 0.25%	43,961
Discount rate + 0.50%	42,685
Discount rate - 0.50%	46,588

The average financial duration of the bond ranges from 10 to 28 years.

Estimated future amounts are equal to:

Year	Future amounts
<i>In thousands of euros</i>	
1	4,890
2	1,247
3	3,426
4	5,210
5	4,648

The subsidiaries operating in Germany and Indonesia have provisions for employees identified as defined benefit plans. As of 30 June 2017, these provisions amounted to €/000 154 and €/000 122 respectively.

30. Current and non-current tax payables

€/000 16,284

As of 30 June 2017 and as of 31 December 2016 no tax payables were recorded under non-current liabilities.

Their breakdown was as follows:

	As of 30 June 2017	As of 31 December 2016	Change
<i>In thousands of euros</i>			
Due for income taxes	11,663	1,184	10,479
Due for non-income tax	42	38	4
Tax payables for:			
- VAT	1,419	1,958	(539)
- Tax withheld at source	2,322	4,186	(1,864)
- other	838	762	76
Total	4,579	6,906	(2,327)
Total	16,284	8,128	8,156

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 60,218

This item comprises:

Non-current portion	As of 30 June 2017	As of 31 December 2016	Change
<i>In thousands of euros</i>			
Guarantee deposits	2,601	2,553	48
Deferred income	2,530	2,597	(67)
Miscellaneous payables to JV	162	162	0
Other payables	170	173	(3)
Total non-current portion	5,463	5,485	(22)

Current portion	As of 30 June 2017	As of 31 December 2016	Change
<i>In thousands of euros</i>			
Payables to employees	23,134	14,881	8,253
Accrued expenses	7,854	5,664	2,190
Deferred income	1,560	1,227	333
Amounts due to social security institutions	5,285	8,821	(3,536)
Fair value of derivatives	106	237	(131)
Miscellaneous payables to JV	159	181	(22)
Sundry payables due to associate companies	39	34	5
Sundry payables due to parent companies	7,000	6,937	63
Other payables	9,618	8,954	664
Total current portion	54,755	46,936	7,819

Amounts due to employees include the amount for holidays accrued but not taken of €/000 11,698 and other payments to be made for €/000 11,436.

Payables due to associates refer to various amounts due to the Fondazione Piaggio.

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

The item Fair Value of hedging derivatives comprises the fair value of hedging transactions on the exchange risk on forecast transactions recognised on a cash flow hedge basis (€/000 106 current portion).

The item Accrued liabilities includes €/000 1,471 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

This section provides information on the carrying amount of financial assets and liabilities held, and in particular:

- › specifically describes the type of financial assets and liabilities;
- › the accounting standards adopted;
- › describes how fair value is determined, how measurements and estimates are made, and the uncertainties involved.

33. Investments

€/000 7,541

The investments heading comprises:

	As of 30 June 2017	As of 31 December 2016	Change
In thousands of euros			
Interests in joint ventures	7,404	7,294	110
Investments in associate companies	137	151	(14)
Total	7,541	7,445	96

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

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

Zongshen Piaggio Foshan Motorcycle Co. Ltd	Accounts as of 30 June 2017		Accounts as of 31 December 2016	
In thousands of euros				
		45% *		45% *
Working capital	3,618	1,628	10,794	4,857
Net debt	1,694	762		
Total assets	16,268	7,321	12,993	5,847
Net capital employed	21,580	9,711	23,787	10,704
Provisions	125	56	132	59
Net debt	0	0	2,302	1,036
Shareholders' equity	21,455	9,655	21,353	9,609
Total sources of financing	21,580	9,711	23,787	10,704
Shareholders' equity attributable to the Group		9,655		9,609
Elimination of margins on internal transactions		(2,251)		(2,315)
Value of the investment		7,404		7,294

* Group ownership

Reconciliation of Shareholders' Equity

In thousands of euros	
Opening balance as of 1 January 2017	7,294
Profit (Loss) for the period	587
Other comprehensive income	(541)
Elimination of margins on internal transactions	64
Closing balance as of 30 June 2017	7,404

Investments in Associates

€/000 137

This item comprises:

Associates	Carrying amount as of 31 December 2016	Adjustment	Carrying amount as of 30 June 2017
<i>In thousands of euros</i>			
Immsi Audit S.c.a.r.l.	10		10
S.A.T. S.A. – Tunisia	-		-
Depuradora D'Aigues de Martorelles	31		31
Pontech Soc. Cons. a.r.l. – Pontedera	110	(14)	96
Total associates	151	(14)	137

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

34. Other non-current financial assets

€/000 13,629

	As of 30 June 2017	As of 31 December 2016	Change
<i>In thousands of euros</i>			
Fair value of derivatives	13,593	19,173	(5,580)
Investments in other companies	36	36	0
Total	13,629	19,209	(5,580)

The item Fair value of hedging derivatives refers to €/000 12,731 from the long-term portion of the fair value of the cross currency swap for a private debenture loan, to €/000 812 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 50 from the long-term portion of the cross currency swap for a medium-term loan of the Vietnamese subsidiary. For more details see section 39 "Financial risks" of the Notes.

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

Other companies	As of 30 June 2017	As of 31 December 2016	Change
<i>In thousands of euros</i>			
A.N.C.M.A. – Rome	2	2	0
ECOFOR SERVICE S.p.A. – Pontedera	2	2	0
Consorzio Fiat Media Center – Turin	3	3	0
S.C.P.S.T.V.	21	21	0
IVM	8	8	0
Total other companies	36	36	0

35. Other current financial assets

€/000 3,564

	As of 30 June 2017	As of 31 December 2016	Change
<i>In thousands of euros</i>			
Fair value of derivatives	3,564	7,069	(3,505)
Total	3,564	7,069	(3,505)

This item refers to €/000 2,922 for the short-term portion of the fair value of the cross currency swap for the private debenture loan, to €/000 541 for the short-term portion of the fair value of the cross currency swap for medium-term loans of the Indian subsidiary and to €/000 101 for the short-term portion of the cross currency swap for the medium-term loan of the Vietnamese subsidiary. For more details see section 39 "Financial risks" of the Notes.

36. Cash and cash equivalents

€/000 222,757

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

	As of 30 June 2017	As of 31 December 2016	Change
<i>In thousands of euros</i>			
Bank and postal deposits	201,873	166,114	35,759
Cheques	3	1	2
Cash on hand	73	48	25
Securities	20,808	25,594	(4,786)
Total	222,757	191,757	31,000

The item Securities refers to deposit agreements entered into by the Indian subsidiary to effectively use temporary liquidity. The increase in cash and cash equivalents compared to the previous year is mainly due to the issue of a new debenture loan in the last few days of June 2017.

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

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

	As of 30 June 2017	As of 31 December 2016	Change
<i>In thousands of euros</i>			
Liquidity	222,757	152,591	70,166
Current account overdrafts	(92)	(1,312)	1,220
Closing balance	222,665	151,279	71,386

37. Current and non-current financial liabilities

€/000 689,830

During the first half of 2017, the Group's total debt decreased by €/000 18,720. Net of the fair value measurement of financial derivatives to hedge the exchange risk and interest rate risk, and the adjustment of relative hedged items, as of 30 June 2017 total financial debt of the Group had decreased by €/000 9,805.

	Financial liabilities as of 30 June 2017			Financial liabilities as of 31 December 2016			Change		
	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total
<i>In thousands of euros</i>									
Gross financial debt	164,419	508,489	672,908	166,371	516,342	682,713	(1,952)	(7,853)	(9,805)
Fair value adjustment	3,672	13,250	16,922	7,074	18,763	25,837	(3,402)	(5,513)	(8,915)
Total	168,091	521,739	689,830	173,445	535,105	708,550	(5,354)	(13,366)	(18,720)

Net financial debt of the Group amounted to €/'000 450,151 as of 30 June 2017 compared to €/'000 490,956 as of 31 December 2016.

	As of 30 June 2017	As of 31 December 2016	Change
In thousands of euros			
Liquidity	222,757	191,757	31,000
Securities			0
Current financial receivables	0	0	0
Payables due to banks	(83,246)	(64,150)	(19,096)
Current portion of bank borrowings	(43,847)	(80,132)	36,285
Debenture loan	(9,624)	(9,617)	(7)
Amounts due to factoring companies	(26,236)	(11,030)	(15,206)
Amounts due under leases	(1,135)	(1,114)	(21)
Current portion of payables due to other lenders	(331)	(328)	(3)
Current financial debt	(164,419)	(166,371)	1,952
Net current financial debt	58,338	25,386	32,952
Payables due to banks and lenders	(185,026)	(222,912)	37,886
Debenture loan	(313,371)	(282,442)	(30,929)
Amounts due under leases	(9,740)	(10,311)	571
Amounts due to other lenders	(352)	(677)	325
Non-current financial debt	(508,489)	(516,342)	7,853
Net Financial Debt*	(450,151)	(490,956)	40,805

* 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 16,922 and relative accruals.

Non-current financial liabilities totalled €/'000 508,489 against €/'000 516,342 as of 31 December 2016, whereas current financial liabilities totalled €/'000 164,419 compared to €/'000 166,371 as of 31 December 2016.

The attached tables summarise the breakdown of financial debt as of 30 June 2017 and 31 December 2016, as well as the changes for the period.

Non-current portion	Accounting balance as of 31/12/2016	Re-payments	New issues	Reclassification to the current portion	Exchange delta	Other changes	Book value as of 30/06/2017
In thousands of euros							
Bank financing	222,912		571	(37,227)	(1,547)	317	185,026
Bonds	282,442		30,000			929	313,371
Other medium-/long-term loans:							
of which leases	10,311			(569)		(2)	9,740
of which amounts due to other lenders	677			(323)		(2)	352
Total other loans	10,988	0	0	(892)	0	(4)	10,092
Total	516,342	0	30,571	(38,119)	(1,547)	1,242	508,489

Current portion	Accounting balance as of 31/12/2016	Re-payments	New issues	Reclassification from the non-current portion	Exchange delta	Other changes	Accounting balance as of 30/06/2017
<i>In thousands of euros</i>							
Current account overdrafts	357	(265)					92
Current account payables	63,793	(11,551)	34,707		(3,795)		83,154
Bonds	9,617					7	9,624
Payables due to factoring companies	11,030		15,206				26,236
Current portion of medium-/long-term loans:							
of which leases	1,114	(561)		569		13	1,135
of which due to banks	80,132	(73,061)		37,227	(492)	41	43,847
of which amounts due to other lenders	328	(321)		323		1	331
Total other loans	81,574	(73,943)	0	38,119	(492)	55	45,313
Total	166,371	(85,759)	49,913	38,119	(4,287)	62	164,419

The breakdown of the debt is as follows:

	Accounting balance as of 30/06/2017	Accounting balance as of 31/12/2016	Nominal value as of 30/06/2017	Nominal value as of 31/12/2016
<i>In thousands of euros</i>				
Bank financing	312,118	367,194	312,968	368,402
Bonds	322,995	292,059	331,799	301,799
Other medium-/long-term loans:				
of which leases	10,876	11,425	10,889	11,440
of which amounts due to other lenders	26,919	12,035	26,919	12,035
Total other loans	37,795	23,460	37,808	23,475
Total	672,908	682,713	682,575	693,676

The table below shows the debt servicing schedule as of 30 June 2017:

	Nominal value as of 30/06/2017	Amounts falling due within 12 months	Amounts falling due after 12 months	Amounts falling due in				
				2nd half of 2018	2019	2020	2021	Beyond
<i>In thousands of euros</i>								
Bank financing	312,968	127,278	185,690	53,420	59,369	16,326	14,299	42,276
- including opening of credit lines and bank overdrafts	83,245	83,245						
- of which medium-/long-term bank loans	229,723	44,033	185,690	53,420	59,369	16,326	14,299	42,276
Bonds	331,799	9,669	322,130	9,669	10,360	11,050	261,051	30,000
Other medium-/long-term loans:								
of which leases	10,889	1,135	9,754	575	1,240	1,147	1,167	5,625
of which amounts due to other lenders	26,919	26,567	352	7	335	10		
Total other loans	37,808	27,702	10,106	582	1,575	1,157	1,167	5,625
Total	682,575	164,649	517,926	63,671	71,304	28,533	276,517	77,901

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

	Accounting balance as of 31/12/2016	as of 30/06/2017		
		Accounting balance	Nominal value	Applicable interest rate
<i>In thousands of euros</i>				
Euro	583,469	578,116	587,783	3.29%
Indian Rupee	13,393	7,447	7,447	9.45%
Indonesian Rupiah	2,824	3,947	3,947	8.94%
US Dollar	26,090	24,693	24,693	2.96%
Vietnamese Dong	53,668	56,279	56,279	7.00%
Japanese Yen	3,269	2,426	2,426	2.75%
<i>Total currencies other than euro</i>	<i>99,244</i>	<i>94,792</i>	<i>94,792</i>	
Total	682,713	672,908	682,575	3.69%

Medium and long-term bank debt amounts to €/000 228,873 (of which €/000 185,026 non-current and €/000 43,847 current) and consists of the following loans:

- › a €/000 27,273 medium-term loan from the European Investment Bank to finance Research & Development investments planned for the 2013-2015 period. The loan will mature 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 65,615 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 54,293 loan (nominal value of €/000 55,000), 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 55,000 used as of 30 June 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 4,995 three-year loan (nominal value of €/000 5,000) with amortisation granted by Banco BPM for an original amount of €/000 10,000 wholly disbursed;
- › a €/000 16,640 medium-term loan (nominal value of €/000 16,670) granted by Banca Popolare Emilia Romagna. The loan will fall due on 5 June 2019 and has an amortisation schedule of six-monthly instalments;
- › a €/000 12,500 loan granted by Banco BPM, comprising a tranche of €/000 12,500 granted as a revolving credit line (unused as of 30 June 2017), maturing in January 2021 and a tranche of €/000 12,500, maturing in July 2022, which has been wholly disbursed;
- › a €/000 19,991 loan (nominal value of €/000 20,000) granted by Banca del Mezzogiorno as a revolving credit line maturing in July 2022;
- › a €/000 7,399 medium-term loan for USD/000 9,907 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 as 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 5,332 medium-term loan for USD/000 6,553 granted by International Finance Corporation to the subsidiary Piaggio Vietnam with interest accruing at a variable rate. The loan will fall due on 15 July 2018 and has an amortisation schedule of six-monthly instalments from July 2014. Contract terms include a guarantee of the Parent Company and some covenants (described below). Cross currency swaps have been taken out on this loan to hedge the exchange risk and interest rate risk;

- › a €/000 13,860 medium-term loan for VND/000 358,104,752 granted by VietinBank to the subsidiary Piaggio Vietnam to finance the R&D investments 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 €/000 322,995 (nominal value of €/000 331,799) refers to:

- › a €/000 51,667 private debenture loan (nominal value of €/000 51,799), (US Private Placement) issued on 25 July 2011 for \$/000 75,000 wholly subscribed by an American institutional investor, payable in 5 annual portions from July 2017, with a semi-annual coupon. As of 30 June 2017 the fair value measurement of the debenture loan was equal to €/000 66,872 (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;
- › €/000 241,328 (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 for the issue.
- › €/000 30,000 for a five-year private debenture loan issued on 28 June 2017 and wholly subscribed by Fondo Sviluppo Export, the fund set up by SACE and managed by Amundi SGR. The issue does not provide for specific ratings or listing on a regulated market.

The company may repay in advance:

- › all or part of the amount of the high yield debenture loan issued on 24 April 2014, according to the conditions indicated in the indenture. The value of these 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).
- › all or part of the amount of the private placement issued on 28 June 2017, according to the conditions indicated in the contract. 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 11,558 of which €/000 10,092 due after the year and €/000 1,466 as the current portion, are detailed as follows:

- › a finance lease for €/000 10,712 (nominal value of €/000 10,726) 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 9,625);
- › a finance lease for €/000 163 granted by VFS Servizi Finanziari for the use of vehicles (non-current portion equal to €/000 115);
- › a loan of €/000 47 from BMW finance for the purchase of cars (non-current portion equal to €/000 33);
- › 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 26,236.

Covenants

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

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

The measurement of financial covenants and other contract commitments is monitored by the Group on an ongoing basis. According to results as of 30 June 2017, all covenants had been fully met.

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

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

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

Amortised Cost and Fair Value Measurement

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

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

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

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

The table below shows the fair value of payables measured using the amortised cost method as of 30 June 2017:

	Nominal value	Carrying amount	Fair Value *
<i>In thousands of euros</i>			
High yield debenture loan	250,000	241,328	259,100
Private debenture loan 2021	51,799	51,667	68,859
Private debenture loan 2022	30,000	30,000	30,181
EIB (R&D loan 2013-2015)	27,273	27,273	27,473
EIB (R&D loan 2016-2018)	65,714	65,615	61,529
Credit line from B. Pop. Emilia Romagna	16,670	16,640	16,658
Loan from Banco BPM	12,500	12,500	12,551
Revolving credit line from B. del Mezzogiorno	20,000	19,991	19,503
Loan from Banco BPM	5,000	4,995	5,001
Revolving syndicated loan	5,000	4,529	4,996
Syndicated loan maturing in July 2019	50,000	49,764	50,219
VietinBank medium-term loan	13,860	13,860	14,002

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

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

Fair value hierarchy

The table below shows the assets and liabilities measured and recognised at fair value as of 30 June 2017, by hierarchical level of fair value measurement.

	Level 1	Level 2	Level 3
In thousands of euros			
Assets measured at fair value			
Investment Property			11,667
Financial derivatives:			
- of which financial assets		17,005	151
- of which other receivables		243	
Investments in other companies			36
Total assets		17,248	11,854
Liabilities measured at fair value			
Financial derivatives			
- of which financial liabilities			
- of which other payables		(106)	
Financial liabilities at fair value recognised through profit or loss		(81,454)	
Total liabilities		(81,560)	
General total		(64,312)	11,854

Investment property relative to the Martorelles site was measured as hierarchical level 3. This value was confirmed by a specific valuation of an independent expert, who measured the "Fair value less cost of disposal" based on a market approach (as provided for by IFRS 13). The valuation took account of comparable transactions on the local market, and the project to convert the area (from an industrial to a commercial site, as approved by the local authorities on 18 February 2014), referring however the value of the investment to its current status. Consequently, an accompanying 10% increase or decrease in all the variables based on the valuation of the investment would have generated a higher value of around €/000 3,800 and a lower value of €/000 3,100, with an equivalent greater or lesser impact on the income statement for the period.

The valuation of the cross currency swap relative to the Vietnamese subsidiary was also assigned the same hierarchy level. This classification reflects the illiquidity of the local market, which does not allow for a valuation based on conventional criteria. If valuation techniques typical of liquid markets had been adopted, which is not the case for the Vietnamese financial market, derivatives would have had a fair value totalling €/000 129, rather than €/000 151 (included under financial hedging instruments - level 3) and accrued expenses on financial derivatives for hedging equal to €/000 319.

The following tables show Level 2 and Level 3 changes during the first half of 2017:

	Level 2
In thousands of euros	
Balance as of 31 December 2016	(72,471)
Gain (loss) recognised in profit or loss	124
Gain (loss) recognised in the statement of comprehensive income	(164)
Increases/(Decreases)	8,199
Balance as of 30 June 2017	(64,312)

	Level 3
In thousands of euros	
Balance as of 31 December 2016	12,218
Gain (loss) recognised in profit or loss	(364)
Increases/(Decreases)	
Balance as of 30 June 2017	11,854

F) Management of financial risk

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

38. Credit risk

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

	As of 30 June 2017	As of 31 December 2016
<i>In thousands of euros</i>		
Liquid assets	201,873	166,114
Securities	20,808	25,594
Financial receivables	17,193	26,278
Other receivables	35,659	37,321
Tax receivables	46,833	42,463
Trade receivables	126,885	75,166
Total	449,251	372,936

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

39. Financial risks

The financial risks the Group is exposed to are liquidity risk, exchange risk, interest rate risk and credit risk.

The management of these risks, in order to reduce management costs and dedicated resources, is centralised and treasury operations take place in accordance with formal policies and guidelines which are applicable to all Group companies.

Liquidity risk and capitals management

The liquidity risk arises from the possibility that available financial resources are not sufficient to cover, in due times and procedures, future payments arising from financial and/or commercial obligations. To deal with these risks, cash flows and the Group's credit line needs are monitored or managed centrally under the control of the Group's Treasury in order to guarantee an effective and efficient management of the financial resources as well as optimise the debt's maturity standpoint.

In addition, the Parent Company finances the temporary cash requirements of Group companies by providing direct short-term loans regulated in market conditions or guarantees. A cash pooling zero balance system is used between the Parent Company and European companies to reset the receivable and payable balances of subsidiaries on a daily basis, for a more effective and efficient management of liquidity in the Eurozone.

As of 30 June 2017 the most important credit lines irrevocable until maturity granted to the Parent Company were as follows:

- › a debenture loan of €/000 250,000 maturing in April 2021;
- › a debenture loan of \$/000 75,000 maturing in July 2021;
- › a debenture loan of €/000 30,000 maturing in December 2022;
- › a credit line of €/000 250,000 comprising a Revolving Credit Facility of €/000 175,000 maturing in July 2018 and a loan of €/000 75,000 maturing in July 2019;
- › Revolving credit facilities for a total of €/000 32,500, with final settlement in July 2022;
- › loans for a total of €/000 127,157, with final settlement in December 2023.

Other Group companies also have irrevocable loans totalling €/000 26,591, with final settlement in June 2021.

As of 30 June 2017, the Group had a liquidity of €/000 222,757, undrawn irrevocable credit lines of €/000 182,500 and revocable credit lines of €/000 110,381, as detailed below:

	As of 30 June 2017	As of 31 December 2016
<i>In thousands of euros</i>		
Variable rate with maturity within one year - irrevocable until maturity		
Variable rate with maturity beyond one year - irrevocable until maturity	182,500	170,457
Variable rate with maturity within one year - cash revocable	91,381	104,290
Variable rate with maturity within one year - with revocation for self-liquidating typologies	19,000	19,000
Total undrawn credit lines	292,881	293,747

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

Exchange Risk

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

This policy analyses:

- › **the transaction exchange risk:** the policy wholly covers this risk which arises from differences between the recognition exchange rate of receivables or payables in foreign currency in the financial statements and the recognition exchange rate of actual collection or payment. To cover this type of exchange risk, the exposure is naturally offset in the first place (netting between sales and purchases in the same currency) and if necessary, by signing currency future derivatives, as well as advances of receivables denominated in currency;
- › **the translation exchange risk:** arises from the translation into euro of the financial statements of subsidiaries prepared in currencies other than the euro during consolidation. The policy adopted by the Group does not require this type of exposure to be covered;
- › **the economic exchange risk:** arises from changes in company profitability in relation to annual figures planned in the economic budget on the basis of a reference change (the "budget change") and is covered by derivatives. The items of these hedging operations are therefore represented by foreign costs and revenues forecast by the sales and purchases budget. The total of forecast costs and revenues is processed monthly and relative hedging is positioned exactly on the average weighted date of the economic event, recalculated based on historical criteria. The economic occurrence of future receivables and payables will occur during the budget year.

Cash flow hedging

As of 30 June 2017, the Group had undertaken the following futures operations (recognised based on the settlement date), relative to payables and receivables already recognised to hedge the transaction exchange risk:

Company	Operation	Currency	Amount in currency	Value in local currency (forward exchange rate)	Average maturity
			In thousands	In thousands	
Piaggio & C.	Purchase	CNY	116,000	15,121	01/08/2017
Piaggio & C.	Purchase	JPY	360,000	2,900	07/07/2017
Piaggio & C.	Purchase	SEK	9,500	974	31/07/2017
Piaggio & C.	Purchase	USD	10,850	9,714	11/07/2017
Piaggio & C.	Sale	CAD	7,610	5,181	03/08/2017
Piaggio & C.	Sale	CNY	16,000	2,063	03/07/2017
Piaggio & C.	Sale	GBP	600	680	29/09/2017
Piaggio & C.	Sale	INR	85,000	1,152	31/07/2017
Piaggio & C.	Sale	JPY	65,000	523	31/07/2017
Piaggio & C.	Sale	SEK	1,000	103	31/07/2017
Piaggio & C.	Sale	SGD	200	127	31/07/2017
Piaggio & C.	Sale	USD	9,420	8,415	24/07/2017
Piaggio Group Americas	Purchase	CAD	5,290	3,940	31/07/2017
Piaggio Group Americas	Sale	€	275	311	21/09/2017
Piaggio Group Americas	Sale	CAD	1,800	1,336	27/07/2017
Piaggio Vietnam	Sale	€	25,700	653,251,000	08/10/2017
Piaggio Indonesia	Purchase	USD	3,462	49,024,000	06/08/2017
Piaggio Vehicles Private Limited	Sale	€	3,874	280,613	24/08/2017
Piaggio Vehicles Private Limited	Sale	USD	1,626	105,650	19/08/2017

As of 30 June 2017, the Group had undertaken the following hedging transactions on the exchange risk:

Company	Operation	Currency	Amount in currency	Value in local currency (forward exchange rate)	Average maturity
			In thousands	In thousands	
Piaggio & C.	Purchase	CNY	69,100	8,895	12/10/2017
Piaggio & C.	Sale	GBP	5,160	6,070	20/09/2017

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 30 June 2017 the total fair value of hedging instruments for the economic exchange risk recognised on a hedge accounting basis was negative by €/000 137. During the first half of 2017, profit was recognised under Other Comprehensive Income amounting to €/000 18 and losses from Other Comprehensive Income were reclassified under profit/loss for the period amounting to €/000 44.

The net balance of cash flows during the first half of 2017 in main currencies is shown below:

	Cash flow for the 1st half of 2017
In millions of euros	
Canadian Dollar	3.6
Pound Sterling	13.6
Japanese Yen	(2.8)
US Dollar	17.5
Indian Rupee	(0.7)
Croatian Kuna	1.6
Chinese Yuan*	(22.1)
Vietnamese Dong	(14.9)
Indonesian Rupiah	6.5
Total cash flow in foreign currency	2.3

* Cash flow partially in euros

In view of the above, an assumed appreciation/depreciation of 3% of the euro would have generated potential profits for €/000 299 and potential losses for €/000 317 respectively.

Interest rate risk

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

As of 30 June 2017, the following hedging derivatives were taken out:

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

- › a Cross Currency Swap to hedge the private debenture loan issued by the Parent Company for a nominal amount of \$/000 75,000. The purpose of the instrument is to hedge both the exchange risk and interest rate risk, turning the loan from US dollars to euro, and from a fixed rate to a variable rate; the instrument is accounted for on a fair value hedge basis, with effects arising from the measurement recognised in profit or loss. As of 30 June 2017, the fair value of the instrument was €/000 15,652. The net economic effect arising from the measurement of the instrument and underlying private debenture loan was equal to €/000 -50; sensitivity analysis of the instrument and its underlying, assuming a 1% increase and decrease in the shift of the variable rates curve, showed a potential impact on the Income Statement, net of the related tax effect, of €/000 -5 and €/000 8 respectively, assuming constant exchange rates; whereas assuming a 1% reversal and write-down of exchange rates, sensitivity analysis identified a potential impact on the Income Statement, net of the relative tax effect, of €/000 -35 and €/000 24 respectively;
- › a Cross Currency Swap to hedge loans relative to the Indian subsidiary for \$/000 9,907 (as of 30 June 2017 €/000 7,399) granted by International Finance Corporation. The purpose of the instruments is to hedge interest rate risk and exchange risk, turning the loan from US dollars to Indian Rupees, and to hedge the interest rate risk on the US dollar. As of 30 June 2017 the fair value of the instruments was equal to €/000 1,353. Sensitivity analysis of the instrument and its underlying, assuming a 1% increase and decrease in the shift of the variable rates curve, showed a potential impact on the Income Statement, net of the relative tax effect, of €/000 2 and €/000 -2 respectively, assuming constant exchange rates. Assuming a 1% reversal and write-down of the exchange rate of the Indian Rupee, sensitivity analysis of the instrument and its underlying identified a potential impact on the Income Statement, net of the relative tax effect, which was basically negligible;
- › a Cross Currency Swap to hedge the loan in place relative to the Vietnamese subsidiary for \$/000 6,553 (as of 30 June 2017 for €/000 5,332) granted by International Finance Corporation. The

purpose of the instruments is to hedge the exchange risk and partially hedge the interest rate risk, turning the loan from US dollars at a variable rate into Vietnamese Dong at a fixed rate, except for a minor portion (24%) at a variable rate. As of 30 June 2017 the fair value of the instruments is positive, amounting to €/000 151. Sensitivity analysis of the instrument and its underlying, assuming a 1% increase and decrease in the shift of the variable rates curve, showed a potential impact on the Income Statement, net of the relative tax effect, of €/000 13 and €/000 -14 respectively, assuming constant exchange rates. Assuming a 1% reversal and write-down of the exchange rate of the Vietnamese Dong, sensitivity analysis of the instrument and its underlying identified a potential impact on the Income Statement, net of the relative tax effect, which was basically negligible.

	<i>Fair value</i>
<i>In thousands of euros</i>	
Piaggio & C. S.p.A.	
Cross Currency Swap	15,652
Piaggio Vehicles Private Limited	
Cross Currency Swap	1,353
Piaggio Vietnam	
Cross Currency Swap	151

G) Information on shareholders' equity

40. Share capital and reserves

€/000 391,137

Share capital

€/000 207,614

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

On 19 April 2017 the new composition of share capital of Piaggio & C. S.p.A (fully subscribed and paid up) was registered at the relative Companies Register, following the cancellation of 3,054,736 treasury shares without any change to the share capital, resolved by the Extraordinary Shareholders' Meeting of 12 April 2017.

Therefore, as of 30 June 2017, the nominal share capital of Piaggio & C., fully subscribed and paid up, was equal to €207,613,944.37 divided into 358,153,644 ordinary shares.

Treasury shares

€/000 0

On 12 April 2017, the Extraordinary Shareholders' Meeting resolved to cancel 3,054,736 treasury shares. Therefore, as of 30 June 2017 Piaggio & C. did not hold any treasury shares.

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 period		
Cancellation of treasury shares	(3,054,736)	
Purchase of treasury shares		3,038,736
Situation as of 30 June 2017 and 31 December 2016		
Shares issued	358,153,644	361,208,380
Treasury portfolio shares		3,054,736
Shares in circulation	358,153,644	358,153,644

Share premium reserve € /000 7,171
The share premium reserve as of 30 June 2017 was unchanged compared to 31 December 2016.

Legal reserve € /000 19,095
The legal reserve as of 30 June 2017 had increased by € /000 700 as a result of the allocation of earnings for the last period.

Financial instruments' fair value reserve € /000 (348)
The financial instruments fair value reserve is negative and refers to the effects of cash flow hedge accounting in foreign currencies, interest and specific business transactions. These transactions are described in full in the note on financial instruments.

Dividends € /000 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 were distributed to a total value of € /000 19,698. During 2016, dividends totalling € /000 17,962 were paid.

	Total amount		Dividend per share	
	2017 € /000	2016 € /000	2017 €	2016 €
Authorised and paid	19,698	17,962	0.059	0.05

Earnings reserve € /000 189,513

Capital and reserves of non-controlling interest € /000 (278)

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

41. Other components of the Statement of Comprehensive Income

€/000 (4,021)

The figure is broken down as follows:

	Reserve for measure- ment of financial instruments	Group translation reserve	Earnings reserve	Group total	Share capital and reserves attributable to non- controlling interests	Total Other Comprehen- sive Income
<i>In thousands of euros</i>						
As of 30 June 2017						
Items that will not be reclassified in the income statement						
Remeasurements of defined benefit plans			1,921	1,921		1,921
Total	0	0	1,921	1,921	0	1,921
Items that may be reclassified in the income statement						
Total translation gains (losses)		(5,467)		(5,467)	27	(5,440)
Portion of components of the Statement of Comprehensive Income of subsidiaries/associates valued with the equity method		(542)		(542)		(542)
Total profits (losses) on cash flow hedges	40			40		40
Total	40	(6,009)	0	(5,969)	27	(5,942)
Other components of the Statement of Comprehensive Income	40	(6,009)	1,921	(4,048)	27	(4,021)
As of 30 June 2016						
Items that will not be reclassified in the income statement						
Remeasurements of defined benefit plans			(3,367)	(3,367)		(3,367)
Total	0	0	(3,367)	(3,367)	0	(3,367)
Items that may be reclassified in the income statement						
Total translation gains (losses)		(2,495)		(2,495)	(49)	(2,544)
Portion of components of the Statement of Comprehensive Income of subsidiaries/associates valued with the equity method		(407)		(407)		(407)
Total profits (losses) on cash flow hedges	147			147		147
Total	147	(2,902)	0	(2,755)	(49)	(2,804)
Other components of the Statement of Comprehensive Income	147	(2,902)	(3,367)	(6,122)	(49)	(6,171)

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

	As of 30 June 2017			As of 30 June 2016		
	Gross value	Tax (expense) / benefit	Net value	Gross value	Tax (expense) / benefit	Net value
<i>In thousands of euros</i>						
Remeasurements of defined benefit plans	2,528	(607)	1,921	(4,428)	1,061	(3,367)
Total translation gains (losses)	(5,440)		(5,440)	(2,544)		(2,544)
Portion of components of the Statement of Comprehensive Income of subsidiaries/associates measured with the equity method	(542)		(542)	(407)		(407)
Total profits (losses) on cash flow hedges	52	(12)	40	163	(16)	147
Other components of the Statement of Comprehensive Income	(3,402)	(619)	(4,021)	(7,216)	1,045	(6,171)

H) Other information

42. Share-based incentive plans

As of 30 June 2017, there were no incentive plans based on financial instruments.

43. Information on related parties

Revenues, costs, payables and receivables as of 30 June 2017 involving parent, subsidiaries and associate companies, refer to the sale of goods or services which are a part of normal operations of the Group. Transactions are carried out at normal market values, depending on the characteristics of the goods and services provided.

The information on transactions with related parties, including information required by Consob in its communication of 28 July 2006 DEM/6064293, is analysed below.

The procedure for transactions with related parties, pursuant to article 4 of Consob Regulation no. 17221 of 12 March 2010 as amended, approved by the Board on 30 September 2010, is published on the institutional site of the Issuer www.piaggiogroup.com, under Governance.

Relations with Parent Companies

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

Designation	Registered office	Type	% of ownership	
			As of 30 June 2017	As of 31 December 2016
IMMSI S.p.A.	Mantua - Italy	Direct parent company	50.4891	50.0621
Omniaholding S.p.A.	Mantua - Italy	Final parent company	0.1370	0.0858

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

- › as regards mandatory financial disclosure, and in particular the financial statements and reports on operations of the Group, IMMSI has produced a group manual containing the accounting standards adopted and options chosen for implementation, in order to give a consistent and fair view of the consolidated financial statements.
- › IMMSI has defined procedures and times for preparing the budget and in general the business plan of Group companies, as well as final management analysis to support management control activities.
- › IMMSI has also provided services for the development and management of Company assets, with a view to optimising resources within the Group, and provided property consultancy services and other administrative services.
- › IMMSI has provided consultancy services and assistance for the Company and subsidiaries concerning extraordinary financing operations, organisation, strategy and coordination, as well as services intended to optimise the financial structure of the Group.

In 2016, for a further three years, the Parent Company signed up to the National Consolidated Tax Mechanism pursuant to articles 117 to 129 of the Consolidated Income Tax Act (T.U.I.R.) of which IMMSI S.p.A. is the consolidating company, and to whom other IMMSI Group companies report to. The consolidating company determines a single global income equal to the algebraic sum of taxable amounts (income or loss) realised by individual companies that opt for this type of group taxation. The consolidating company recognises a receivable from the consolidated company which is equal to the corporate tax to be paid on the taxable income transferred by the latter. Whereas, in the case of companies reporting tax losses, the consolidating company recognises a payable related to corporate tax on the portion of loss actually used to determine global overall income. Under the National Consolidated Tax Mechanism, companies may, pursuant to article 96 of Presidential Decree no. 917/86, allocate the excess of interest payable which is not deductible to one of the companies so that, up to the excess of Gross Operating Income produced in the same tax period by other subjects party to the consolidation, the amount may be used to reduce the total income of the Group.

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

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

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

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

Transactions with Piaggio Group companies

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

Piaggio & C. S.p.A.

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

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

› sells components to:

- Piaggio Vehicles Private Limited
- Piaggio Vietnam

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

- Piaggio Vehicles Private Limited
- Piaggio Vietnam

› provides support services for scooter and engine industrialisation to:

- Piaggio Vehicles Private Limited
- Piaggio Vietnam

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

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

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

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

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

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

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

Piaggio Indonesia and Piaggio Group Japan

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

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

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

Piaggio Asia Pacific

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

Piaggio Group Canada

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

Foshan Piaggio Vehicles Technologies R&D provides to:

- › Piaggio & C. S.p.A.:
 - component and vehicle design/development service;
 - scouting of local suppliers;
- › Piaggio Vietnam:
 - scouting of local suppliers;
 - a distribution service for vehicles, spare parts and accessories on its own market.

Piaggio Advanced Design Center:

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

Aprilia Racing provides to Piaggio & C:

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

Atlantic 12

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

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

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

Piaggio & C. S.p.A.

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

Foshan Piaggio Vehicles Technologies R&D

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

Zongshen Piaggio Foshan Motorcycle Co. Ltd

› sells vehicles, spare parts and accessories, which it has manufactured in some cases, to the following companies for sale on their respective markets:

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

The tables below summarise relations described above and financial relations with parent companies, subsidiaries and associate companies as of 30 June 2017 and relations during the period, as well as their overall impact on financial statement items.

As of 30 June 2017	Fondazione Piaggio	Zongshen Piaggio Foshan	IMMSI Audit	Pontech - Pontedera & Tecnologia	Studio Girelli	Trevi	Omniaholding	IMMSI	Total	% of accounting item
In thousands of euros										
Income statement										
Revenues from sales		998							998	0.14%
Costs for materials		16,424							16,424	3.91%
Costs for services			472		18	9		617	1,116	1.18%
Insurance								17	17	0.10%
Leases and rentals							109	691	800	9.08%
Other operating income		121	41					27	189	0.35%
Other operating costs								6	6	0.05%
Write-down/Impairment of investments		651		(14)					637	100.00%
Borrowing costs							66		66	0.37%
Assets										
Other non-current receivables	115								115	0.93%
Current trade receivables		1,995	103					2	2,100	1.66%
Other current receivables	22	1,002	16					8,317	9,357	40.15%
Liabilities										
Financial liabilities falling due after one year							2,900		2,900	0.56%
Other non-current payables		162							162	2.97%
Current trade payables		16,684			18	9	37	97	16,845	3.42%
Other current payables	39	159						7,000	7,198	13.15%

44. Disputes

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

Piaggio took action before the Court of Pontedera (now the Court of Pisa) for a final dismissal of the ruling of the Court of Pisa of 29 January 2013. Upholding Piaggio's appeal, the Judge ordered a new expert witness report on the product, appointing Professor Belingardi of Turin Polytechnic as the expert, who was sworn in during the hearing of 14 July 2015. On 10 March 2017, the expert witness filed a technical report. The hearing was held on 6 April 2017. The judge has adjourned the case to 3 October 2017 for closing arguments.

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

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

Da Lio S.p.A., by means of a complaint received on 15 April 2009, summoned the Parent Company before the Court of Pisa to claim compensation for the alleged damages sustained for various reasons as a result of the termination of supply relationships. The Company appeared in court requesting the rejection of all opposing requests. Da Lio requested a joinder with the opposition concerning the injunction obtained by Piaggio to return the moulds retained by the supplier at the end of the supply agreement. Judgements were considered and a ruling issued pursuant to article 186-ter of the Italian Code of Civil Proceedings, on 7 June 2011, ordering

Piaggio to pay the sum of Euro 109,586.60, plus interest relative to sums which were not disputed. During 2012, testimonial evidence was presented. After reaching a decision at the end of testimonial evidence, the Judge admitted a technical/accounting court-appointed expert requested by Da Lio to quantify the amount of interest claimed by Da Lio and value of stock. The technical appraisal was completed at the end of 2014. At the hearing of 12 February, the Judge arranged for a mediation hearing for 23 April 2015. Following the hearing and in the absence of conciliation, the case was adjourned to 23 September 2016 for closing arguments and was therefore ruled on.

In June 2011 Elma Srl, a Piaggio dealer since 1995, started two separate proceedings against the Parent Company, claiming the payment of approximately €2 million for alleged breach of the sole agency ensured by Piaggio for the Rome area and an additional €5 million as damages for alleged breach and abuse of economic dependence by the Company. Piaggio opposed the proceedings undertaken by Elma, fully disputing its claims and requesting a ruling for Elma to settle outstanding sums owing of approximately €966,000.

During the case, Piaggio requested the enforcement of bank guarantees that ensured against the risk of default by the dealer issued in its favour by three banks. Elma attempted to stop enforcement of the guarantees with preventive proceedings at the Court of Pisa (Pontedera section): the proceedings ended in favour of Piaggio that collected the amounts of the guarantees (over €400,000). Trial proceedings took place and a hearing was held on 24 April 2013 to examine evidence. After reaching a decision at the aforesaid hearing, the Judge rejected requests for preliminary examination of Elma and set the hearing for 17 December 2015 for closing arguments, which was adjourned to 3 March 2016 and was then not held as the judge was transferred. The case was assigned to a new Judge, who will take up office in autumn 2017.

As regards the matter, Elma has also brought a case against a former senior manager of the Company before the Court of Rome, claiming compensation for damages: Piaggio appeared in the proceedings, requesting, among other things, that the case be moved to the Court of Pisa. At the hearing of 27 January 2014, the Judge ruled on the preliminary exceptions and did not admit preliminary briefs. The hearing for closing arguments set for 21 December 2015 and subsequently adjourned, was not held as the Judge, on petition of Elma, re-opened the preliminary investigation, admitting testimonial evidence and setting the hearing for 25 May 2016. On this date, examination of the witnesses began and the hearing was adjourned to 24 October 2016 to continue the preliminary investigation. The Judge set the hearing for 11 April 2017 to reach a settlement between the parties, which was not successful. The Judge therefore admitted an accounting expert requested by Elma, although with a far more limited scope compared to the petition filed by the counterparty, adjourning the case to the hearing of 16 October 2017 to appoint the expert witness.

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

The company TAIZHOU ZHONGNENG summoned Piaggio before the Court of Turin, requesting the annulment of the Italian part of the 3D trademark registered in Italy protecting the form of the Vespa, as well as a ruling denying the offence of the counterfeiting of the 3D trademark in relation to scooter models seized by the Guardia di Finanza [Italian tax police] at the 2013 EICMA trade show, based on the petition filed by Piaggio, in addition to compensation for damages. At the first hearing for the parties to appear, set for 4 February 2015 and adjourned to 5 February 2015, the Judge lifted reservations, arranging for a court-appointed expert's report to establish the validity of the Vespa 3D trademark and the counterfeiting or otherwise through Znen scooter models, setting the hearing for the court-appointed expert to be sworn in on 18 March 2015, which was adjourned to 29 May 2015. At that hearing, the judge set the deadline for filing the final expert's report

for 10 January 2016, and scheduled the discussion hearing for 3 February 2016. During this hearing, the Judge, considering the preliminary investigation as completed, set the hearing for closing arguments for 26 October 2016. In a ruling of 6 April 2017, the Court of Turin upheld in full the validity of the 3D Vespa mark of Piaggio, and the counterfeiting of said by the "VES" scooter by Znen.

The Court of Turin also recognised the protection of Vespa in accordance with copyright, confirming the creative nature and artistic value of its form, declaring that the scooter "VES" by Znen infringes Piaggio copyright. The other party challenged the ruling before the Appeal Court of Turin.

In a writ of 27 October 2014 Piaggio summoned the companies PEUGEOT MOTOCYCLES ITALIA s.p.a., MOTORKIT s.a.s. di Turcato Bruno e C., Gl.Pl. MOTOR di Bastianello Attilio and GMR MOTOR s.r.l. before the Court of Milan to obtain the recall of Peugeot "Metropolis" motorcycles from the market, and to establish the infringement of some European patents and designs owned by Piaggio, as well as a ruling for the compensation for damages for unfair competition, and the publication of the ruling in some newspapers.

In the hearing for the first appearance of 4 March 2015, the judge set the deadline for filing statements pursuant to article 183.6 of the Italian Code of Civil Procedure and appointed an expert witness. The hearing for swearing in the expert took place on 6 October 2015. On 23 December 2016, the expert submitted his provisional report to the parties and the final report was filed on 2 May 2017. The judge adjourned the case to the hearing of 28 February 2018 for closing arguments.

Piaggio started a similar legal action against Peugeot Motorcycles SAS before the Tribunal de Grande Instance in Paris. As a result of the Piaggio action ("Saisie Contrefaçon"), several documents were obtained by a bailiff and tests carried out to prove the infringement of the MP3 motorcycle by the Peugeot "Metropolis" motorcycle. The hearing took place on 8 October 2015 for the appointment of the expert, who will examine the findings of the Saisie Contrefaçon. On 3 February 2016 the hearing took place to discuss the preliminary briefs exchanged between the parties. The hearing to assess preliminary findings, set for 29 September 2016, was adjourned to 9 February 2017 and then to 6 September 2017.

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

As regards tax disputes involving the Parent Company Piaggio & C. S.p.A., two appeals are ongoing against two tax assessments notified to the Company and related to the 2002 and 2003 tax years respectively. These assessments originate from the Italian Revenue Agency accessing the Parent Company's offices in 2007, following information filed in the report of verification issued in 2002 following a general verification.

The Parent Company obtained a favourable ruling concerning these assessments, in both the first and second instance, and with reference to both tax periods. The Italian Revenue Agency filed an appeal with the Court of Cassation and the Company filed related appeals against it on 27 May 2013, with reference to the tax litigation made related to the 2002 tax period, and on 10 March 2014, for the tax litigation made relative to the 2003 tax period. The dates for the hearings still have to be set.

The Company was also successful before the Income Tax Appellate Tribunal with reference to appeals filed against assessment orders received on completion of the assessment of income generated by Piaggio & C. S.p.A. in India during the 2009-2010 and 2010-2011 Indian tax periods, involving sums for approximately €1.2 million and €1 million respectively; at present, the Company is waiting for the local tax authorities to challenge the ruling or to drop the case. As regards the appeal filed with the Income Tax Appellate Tribunal against the assessment order received on completion of the assessment relative to the 2011-2012 Indian tax period, concerning the same matter and involving sums of approximately €1 million, the Company is waiting for the date of the hearing to be set. In compliance with local laws, the Parent Company has already paid part of the amounts related to the appeals to the Indian tax authorities, for a total of €0.7 million; these amounts will be paid back to the Company if the rulings on the appeals are in its favour.

The Company has not considered allocating provisions for these disputes, in view of the positive opinions expressed by consultants appointed as counsel. Furthermore, based on the above mentioned opinions, the Company considers a favourable outcome of the rulings and subsequent reimbursement of amounts paid with reference to the Indian disputes as likely.

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

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

As regards the French company, a favourable ruling was issued in December 2012 by the Commission Nationale des Impôts directes et des taxes sur le chiffre d'affaires, the decision-making body ruling prior to legal proceedings in disputes with the French tax authorities concerning a general audit of the 2006 and 2007 periods. The French tax authorities however upheld their claims against the Company, requesting payment of the amounts claimed and issuing related notices (one for withholding tax and the other for corporate income tax and VAT). The amount concerned, equal to approximately €3.7 million, was paid in full to the French tax authorities.

The Company appealed against the notices and appeals were filed against the findings on withholding tax and corporate income tax, before the Tribunal Administratif. Appeals were lodged against decisions taken against the Company on 7 September 2015 and 8 July 2016 before the Cour Administrative d'Appel de Versailles; the dates for the hearings still have to be set.

The Company has not considered allocating provisions, considering that amounts paid may be recovered, based on the positive opinions expressed by consultants appointed as counsel, as well as the opinion of the above Commission. Furthermore, based on the above mentioned opinions, the Company considers a favourable outcome of the rulings and subsequent reimbursement of amounts paid as likely.

On 8 April 2015, Piaggio Hellas S.A. received a Tax Report following a general assessment for the 2008 tax period, with findings for approximately €0.5 million. On 12 June 2015, the Company appealed against the report with the Tax Center – Dispute Resolution Department. Following the unfavourable outcome of this appeal, the Company appealed before the Administrative Court of Appeal, which ruled in favour of the local tax authorities in a ruling of 27 April 2017. The Company therefore appealed before the Supreme Court. The amount in question was paid in full to the Greek tax authorities; based on positive opinions from professionals appointed as counsel, the Company considers a favourable outcome and subsequent reimbursement of amounts paid as likely.

45. Significant non-recurring events and operations

During 2016 and the first half of 2017, there were no significant non-recurring transactions.

46. Transactions arising from atypical and/or unusual transactions

During financial year 2016 and in first half of 2017, the Group did not carry out any significant atypical and/or unusual operations, as defined by CONSOB Communication no. DEM/6037577 of 28 April 2006 and no. DEM/6064293 of 28 July 2006.

47. Events occurring after the end of the period

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

48. Authorisation for publication

This document was published on 21 August 2017 and authorised by the Chairman and Chief Executive Officer.

Mantua, 28 July 2017

for the Board of Directors

Chairman and Chief Executive Officer
Roberto Colaninno





Attachments

Piaggio Group companies

Companies and material investments of the Group are listed below.

The list presents the companies divided by type of control and method of consolidation.

The following are also shown for each company: the company name, the registered office, the country of origin and the share capital in the original currency, in addition to the percentage held by Piaggio & C. S.p.A. or by other subsidiaries. It should be noted that the percentage share of ownership corresponds to the percentage share of the voting rights exercised at Ordinary General Meetings of Shareholders.



List of companies included in the scope of consolidation on a line-by-line basis as of 30 June 2017

Company name	Registered office	Country	Share capital	Currency	% of the holding		Means	% total interest
					Direct	Indirect		
Parent company:								
Piaggio & C. S.p.A.	Pontedera (Pisa) Italy		207,613,944.37	Euro				
Subsidiaries:								
Aprilia Brasil Industria de Motociclos S.A.	Manaus	Brazil	2,020,000.00	R\$		51%	Aprilia World Service Holding do Brasil Ltda	51%
Aprilia Racing S.r.l.	Pontedera (Pisa) Italy		250,000.00	Euro	100%			100%
Aprilia World Service Holding do Brasil Ltda.	São Paulo	Brazil	2,028,780.00	R\$		99.999950709%	Piaggio Group Americas Inc	99.999950709%
Atlantic 12 – Fondo Comune di Investimento Immobiliare	Rome	Italy	10,736,464.00	Euro	100%			100%
Foshan Piaggio Vehicles Technology Research and Development Co Ltd	Foshan City	China	10,500,000.00	RMB		100%	Piaggio Vespa B.V.	100%
Nacional Motor S.A.	Barcelona	Spain	60,000.00	Euro	100%			100%
Piaggio Advanced Design Center Corp.	California	USA	100,000.00	USD	100%			100%
Piaggio Asia Pacific PTE Ltd.	Singapore	Singapore	100,000.00	sin\$		100%	Piaggio Vespa B.V.	100%
Piaggio China Co. LTD	Hong Kong	China	12,500,000 auth. capital (12,110,000 subscribed and paid up)	USD	99.999990%			99.999990%
Piaggio Concept Store Mantova S.r.l.	Mantua	Italy	100,000.00	Euro	100%			100%
Piaggio Deutschland Gmbh	Düsseldorf	Germany	250,000.00	Euro		100%	Piaggio Vespa B.V.	100%
Piaggio Espana S.L.U.	Alcobendas	Spain	426,642.00	Euro	100%			100%
Piaggio Fast Forward Inc.	Delaware	USA	7,790.70	USD	86%			86%
Piaggio France S.A.S.	Clichy Cedex	France	250,000.00	Euro		100%	Piaggio Vespa B.V.	100%
Piaggio Group Americas Inc	New York	USA	2,000.00	USD		100%	Piaggio Vespa B.V.	100%
Piaggio Group Canada Inc	Toronto	Canada	10,000.00	CAD\$		100%	Piaggio Group Americas Inc	100%
Piaggio Group Japan	Tokyo	Japan	99,000,000.00	Yen		100%	Piaggio Vespa B.V.	100%
Piaggio Hellas S.A.	Athens	Greece	1,004,040.00	Euro		100%	Piaggio Vespa B.V.	100%
Piaggio Hrvatska D.o.o.	Split	Croatia	400,000.00	HKD		100%	Piaggio Vespa B.V.	100%
Piaggio Limited	Bromley Kent	United Kingdom	250,000.00	GBP	0.0004%	99.9996%	Piaggio Vespa B.V.	100%
Piaggio Vehicles Private Limited	Maharashtra	India	349,370,000.00	INR	99.9999971%	0.0000029%	Piaggio Vespa B.V.	100%
Piaggio Vespa B.V.	Breda	Holland	91,000.00	Euro	100%			100%
Piaggio Vietnam Co Ltd	Hanoi	Vietnam	64,751,000,000.00	VND	63.5%	36.5%	Piaggio Vespa B.V.	100%
PT Piaggio Indonesia	Jakarta	Indonesia	4,458,500,000.00	Rupiah	1%	99%	Piaggio Vespa B.V.	100%

List of companies included in the scope of consolidation with the equity method as of 30 June 2017

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

List of investments in associate companies as of 30 June 2017

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



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



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

1. The undersigned Roberto Colaninno (Chairman and Chief Executive Officer) and Alessandra Simonotto (Executive in charge of financial reporting) of Piaggio & C. S.p.A. certify, also in consideration of article 154-bis, sections 3 and 4, of Legislative Decree no. 58 of 24 February 1998:

- the appropriateness with regard to the company's characteristics and
- the actual application of administrative and accounting procedures for the formation of the Condensed Consolidated Interim Financial Statements during the first half of 2017.

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

3. Moreover, it is stated that

3.1 the Condensed Consolidated Interim Financial Statements:

- a) have been prepared in compliance with the international accounting standards recognised by the European Community pursuant to regulation (EC) no. 1606/2002 of the European Parliament and Council of 19 July 2002;
- b) correspond to accounting records;
- c) give a true and fair view of the consolidated statement of financial position and results of operations of the Issuer and of all companies included in the scope of consolidation.

3.2 the Directors' Interim Report contains references to important events occurring in the first six months of the financial year and to their incidence on the Condensed Consolidated Interim Financial Statements, together with a description of the main risks and uncertainties for the remaining six months of the financial year, as well as information on significant transactions with related parties.

Date: 28 July 2017

/s/ Roberto Colaninno

/s/ Alessandra Simonotto

Roberto Colaninno
Chairman and Chief Executive Officer

Alessandra Simonotto
Executive in charge of financial reporting

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Report of the Independent Auditors on the Consolidated Financial Statements



REVIEW REPORT ON CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

To the shareholders of
Piaggio & C. SpA

Foreword

We have reviewed the accompanying condensed consolidated interim financial statements of Piaggio & C. SpA and its subsidiaries (the Piaggio Group) as of 30 June 2017, comprising the consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, statement of changes in consolidated shareholders' equity, consolidated statement of cash flows and related explanatory notes. The directors of Piaggio & C. SpA are responsible for the preparation of the condensed consolidated interim financial statements in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of review

We conducted our work in accordance with the criteria for a review recommended by Consob in Resolution No. 10,867 of 31 July 1997. A review of condensed consolidated interim financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than a full-scope audit conducted in accordance with International Standards on Auditing (ISA Italia) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the condensed consolidated interim financial statements.

PricewaterhouseCoopers SpA

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Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements of the Piaggio Group as of 30 June 2017 are not prepared, in all material respects, in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Florence, 2 August 2017

PricewaterhouseCoopers SpA

Signed by

Corrado Testori
(Partner)

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

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Disclaimer

This Half-year Financial Report as of 30 June 2017 has been translated into English solely for the convenience of the international reader. In the event of conflict or inconsistency between the terms used in the Italian version of the report and the English version, the Italian version shall prevail, as the Italian version constitutes the sole official document.



Management and Coordination
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Pisa Register of Companies and Tax Code 04773200011
Pisa Economic and Administrative Index no. 134077

