Interim Report on Operations as of 31 March 2019

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

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Management and Coordination

IMMSI S.p.A.

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

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

Pisa Register of Companies and Tax Code 04773200011

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Interim Directors' Report

Introduction

In order to guarantee continuity and regularity of information to the financial community, the Board of Directors resolved at the meeting held on 15 December 2016 to continue publishing quarterly reports on a voluntary basis, adopting the following disclosure policy starting from 2018 and until otherwise resolved:

a) Contents of quarterly reporting:

- general description of operating and market conditions in geographical segments where the Group operates;

- trend of volumes and consolidated turnover, by geographical segment and product type;

- consolidated income statement;

- net consolidated financial debt.

This information is compared to data for the same period of the previous year.

b) Communication methods and procedures:

- a press release that will be distributed at the end of the Board Meeting approving the above accounting data;

- publication of the presentation used for the conference call with financial analysts, held after the distribution of the press release;

- publication of the Interim Report on Operations.

Mission

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

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

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

Key operating and financial data

	1st Quarter		
	2019	**2018**	**2018**
In millions of euros			
Data on financial position			
Net revenues	346.2	312.3	1,389.5
Gross industrial margin	103.9	96.7	423.6
Operating income	20.7	14.5	92.8
Profit before tax	14.2	7.0	67.8
Net profit	7.8	4.0	36.1
.Non-controlling interests			
.Group	7.8	4.0	36.1
Data on financial performance			
Net capital employed (NCE)	878.5	883.0	821.2
Net debt	(476.4)	(502.9)	(429.2)
Shareholders’ equity	402.1	380.0	392.0
Balance sheet figures and financial ratios			
Gross margin as a percentage of net revenues (%)	30.0%	31.0%	30.5%
Net profit as a percentage of net revenues (%)	2.3%	1.3%	2.6%
ROS (Operating income/net revenues)	6.0%	4.6%	6.7%
ROE (Net profit/shareholders' equity)	1.9%	1.0%	9.2%
ROI (Operating income/NCE)	2.4%	1.6%	11.3%
EBITDA	49.5	43.2	201.8
EBITDA/net revenues (%)	14.3%	13.8%	14.5%
Other information			
Sales volumes (unit/000)	140.4	129.7	603.6
Investments in property, plant and equipment and intangible assets	29.3	22.3	115.3
Employees at the end of the period (number)	6,425	6,632	6,515

Results by operating segments

		EMEA and AMERICAS	INDIA	ASIA PACIFIC 2W	**TOTAL**
	1-1/31-3-2019	51.2	69.0	20.2	**140.4**
Sales volumes	1-1/31-3-2018	48.0	64.5	17.2	**129.7**
(units/000)	Change	3.2	4.5	2.9	**10.7**
	Change %	6.7%	7.0%	16.8%	**8.2%**
	1-1/31-3-2019	191.7	109.1	45.4	**346.2**
Turnover	1-1/31-3-2018	181.3	95.0	36.0	**312.3**
(million euros)	Change	10.4	14.1	9.4	**33.9**
	Change %	5.7%	14.9%	26.0%	**10.8%**
	1-1/31-3-2019	3,590.7	1,981.0	932.0	**6,503.7**
Average number of staff	1-1/31-3-2018	3,678.3	2,073.7	844.7	**6,596.7**
(no.)	Change	(87.6)	(92.7)	87.3	**(93.0)**
	Change %	-2.4%	-4.5%	10.3%	**-1.4%**
Investments in property, plant and equipment and intangible assets	1-1/31-3-2019	22.2	5.6	1.4	**29.3**
	1-1/31-3-2018	18.1	3.7	0.4	**22.3**
	Change	4.1	1.9	1.0	**7.0**
(million euros)	Change %	22.5%	52.1%	217.8%	**31.4%**

Company Boards

Board of Directors	
Chairman and Chief Executive Officer	Roberto Colaninno (1), (2)
Deputy Chairman	Matteo Colaninno
Directors	Michele Colaninno
	Giuseppe Tesauro (3), (4), (5), (6), (7)
	Graziano Gianmichele Visentin (4), (5), (6), (7)
	Maria Chiara Carrozza
	Federica Savasi
	Patrizia Albano
	Andrea Formica (5), (6), (7)
Board of Statutory Auditors	
Chairman	Piera Vitali
Statutory Auditors	Giovanni Barbara
	Daniele Girelli
Alternate Auditors	Fabrizio Piercarlo Bonelli
	Gianmarco Losi
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

(7) Member of the Related-Party Transactions Committee

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

Significant events in the first quarter of 2019

16 January 2019 – The rating agency Moody's Investors Service (Moody's) notified its revised rating of the Piaggio Group (PIA.MI), from "B1" to "Ba3".

23 March 2019 – During the "Aprilia all Star" event, the MotoGP team unveiled the new RSV4 1100 Factory and the 225 CV special X version , to celebrate the ten years of the RSV4.

Events occurring after the end of the period

1 April 2019 - The Piaggio Group opened Istanbul's first Motoplex, to reach a total of 500 stores worldwide, which flank the traditional two-wheeler distribution network with over 3,300 dealers. In recent months Motoplexes have also been inaugurated in Spain (Madrid and Malaga), in Germany - in Berlin, in Malta and in Greece - in Patras. In the Asia-Pacific area, new Motoplexes were opened in the Taiwanese capital Taipei, in Da Nang in Vietnam, and in China in Ningbo (one of the country's most ancient cities), Chengdu (the provincial capital of Sichuan) and Hefei (the provincial capital of Anhui). Openings scheduled for the near future include a second Motoplex in New York (in the Brooklyn area), a store in Miami, one in Philadelphia, one in Dubai, one in Beijing and a flagship store in Utrecht.

Financial position and performance of the Group

Consolidated income statement (restated)

	1st Quarter 2019		1st Quarter 2018		Change	
	In millions of euros	*Accounting for %*	*In millions of euros*	*Accounting for %*	*In millions of euros*	*%*
Net revenues	346.2	100.0%	312.3	100.0%	33.9	10.8%
Cost to sell[4]	(242.3)	-70.0%	(215.6)	-69.0%	(26.6)	12.3%
Gross industrial margin[1]	**103.9**	**30.0%**	**96.7**	**31.0%**	**7.3**	**7.5%**
Operating expenses	(83.3)	-24.1%	(82.2)	-26.3%	(1.1)	1.3%
EBITDA[4]	**49.5**	**14.3%**	**43.2**	**13.8%**	**6.3**	**14.5%**
Amortisation/Depreciation	(28.8)	-8.3%	(28.7)	-9.2%	(0.1)	0.3%
Operating income	**20.7**	**6.0%**	**14.5**	**4.6%**	**6.2**	**42.6%**
Result of financial items	(6.4)	-1.9%	(7.5)	-2.4%	1.1	-14.8%
Profit before tax	**14.2**	**4.1%**	**7.0**	**2.2%**	**7.3**	**104.9%**
Taxes	(6.4)	-1.9%	(3.0)	-1.0%	(3.4)	114.3%
Net profit	**7.8**	**2.3%**	**4.0**	**1.3%**	**3.9**	**97.8%**

Net revenues

	1st Quarter 2019	1st Quarter 2018	Change
In millions of euros			
EMEA and Americas	191.7	181.3	10.4
India	109.1	95.0	14.1
Asia Pacific 2W	45.4	36.0	9.4
TOTAL NET REVENUES	**346.2**	**312.3**	**33.9**
Two-wheeler	226.7	210.1	16.6
Commercial Vehicles	119.5	102.2	17.3
TOTAL NET REVENUES	**346.2**	**312.3**	**33.9**

In terms of consolidated turnover, the Group ended the first quarter of 2019 with net revenues up compared to the same period of 2018 (+10.8%).

All geographical areas recorded positive trends. Growth was reported in Asia Pacific (+26.0%; +19.6% with constant exchange rates) and in India (+14.9%; +15.4% with constant exchange rates). In EMEA and the Americas, revenues went up by 5.7%.

As regards product type, the increase in turnover was greater for Commercial Vehicles (+16.9%) and more moderate for two-wheeler vehicles (+7.9%). As a result, the percentage of two-wheeler vehicles accounting for overall turnover fell from 67.3% in the first three months of 2018 to the current figure of 65.5%; conversely, the percentage of Commercial Vehicles accounting for overall turnover increased from 32.7% in the first three months of 2018 to the current figure of 34.5%.

The Group's **gross industrial margin** increased compared to the first quarter of the previous year in absolute terms (+7.5%), equal to 30.0% of net turnover (31.0% in the first quarter of 2018).

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

Amortisation/depreciation included in the gross industrial margin was equal to €7.7 million (€8.9 million in the first quarter of 2018).

Operating expenses incurred in the period went up compared to the same period in the previous financial year, amounting to €83.3 million. The increase is mainly due to the increase in amortisation included in operating expenses (€21.1 million in the first quarter of 2019 compared to €19.8 million in the first quarter of 2018).

This performance resulted in a consolidated **EBITDA** which was higher than the previous year, and equal to €49.5 million (€43.2 million in the first quarter of 2018). In relation to turnover, EBITDA was equal to 14.3% (13.8% in the first quarter of 2018). This growth trend partially benefited (€+1.9 million) from the adoption of the new accounting standard IFRS 16. For effects, see the section "New accounting standards, amendments and interpretations adopted from 1 January 2019" in the Notes.

Operating income (**EBIT**) amounted to €20.7 million, up on the figure for the first quarter of 2018; in relation to turnover, EBIT was 6.0%, (4.6% in the first quarter of 2018).

The results for **financing activities** improved compared to the first few months of the previous financial year, due to a lower debt exposure and reduction in borrowing costs, with Net Charges amounting to €6.4 million (€7.5 million in the first quarter of 2018). The improvement is only partially mitigated by the effects deriving from currency management.

Income taxes for the period are estimated at €6.4 million, equivalent to 45% of profit before tax.

Net profit stood at €7.8 million (2.3% of turnover), also an improvement on the figure for the same period of the previous financial year (€4.0 million, or 1.3% of turnover).

Operating data

Vehicles sold

	1st Quarter 2019	1st Quarter 2018	Change
In thousands of units			
EMEA and Americas	51.2	48.0	3.2
India	69.0	64.5	4.5
Asia Pacific 2W	20.2	17.2	2.9
TOTAL VEHICLES	**140.4**	**129.7**	**10.7**
Two-wheeler	84.6	80.6	4.0
Commercial Vehicles	55.8	49.2	6.6
TOTAL VEHICLES	**140.4**	**129.7**	**10.7**

In the first quarter of 2019, the Piaggio Group sold 140,400 vehicles worldwide, recording growth compared to the first quarter of the previous year, when vehicles sold amounted to 129,700. Sales were up in Asia Pacific 2W (+16.8%), in India (+7.0%) and in EMEA and the Americas (+6.7%). As regards the type of products sold, the increase mainly referred to commercial vehicles (+13.4%), although performance in the two-wheeler segment was also good (+5.0%).

Staff

In the first quarter of 2019, the average workforce had decreased in all geographical areas, apart from Asia Pacific where an increase in demand for two-wheeler vehicles led to a greater use of temporary staff.

Average number of company employees by geographical area

Employee/staff numbers	1st Quarter 2019	1st Quarter 2018	Change
EMEA and Americas	3,590.7	3,678.3	(87.6)
of which Italy	*3,320.7*	*3,438.3*	(117.6)
India	1,981.0	2,073.7	(92.7)
Asia Pacific 2W	932.0	844.7	87.3
Total	**6,503.7**	**6,596.7**	**(93.0)**

As of 31 March 2019, the Group had 6,425 employees, a total reduction of 90 compared to 31 December 2018, mainly attributable to India.

Breakdown of company employees by region

Employee/staff numbers	**As of 31 March 2019**	**As of 31 December 2018**	**As of 31 March 2018**
EMEA and Americas	3,594	3,586	3,673
of which Italy	3,322	3,324	3,435
India	1,906	2,026	2,109
Asia Pacific 2W	925	903	850
Total	**6,425**	**6,515**	**6,632**

Research and Development

In the first quarter of 2019, the Piaggio Group continued its policy of retaining technological leadership in the sector, allocating total resources of €23.4 million to research and development, of which €19 million capitalised under intangible assets as development costs.

	1st Quarter 2019			**1st Quarter 2018**		
	Capitalised	Expenses	**Total**	Capitalised	Expenses	**Total**
In millions of euros						
Two-wheeler	12.4	3.6	**16.0**	11.1	3.4	**14.5**
Commercial Vehicles	6.6	0.7	**7.3**	3.7	0.9	**4.6**
Total	**19.0**	**4.4**	**23.4**	**14.8**	**4.3**	**19.1**
EMEA and Americas	15.2	3.6	**18.8**	12.5	3.3	**15.8**
India	2.9	0.4	**3.3**	2.1	0.7	**2.8**
Asia Pacific 2W	0.8	0.3	**1.2**	0.2	0.3	**0.5**
Total	**19.0**	**4.4**	**23.4**	**14.8**	**4.3**	**19.1**

Consolidated Statement of Financial Position[2]

In millions of euros	As of 31 March 2019	As of 31 December 2018	Change
Statement of financial position			
Net working capital	(33.1)	(59.5)	26.4
Property, plant and equipment	277.5	276.5	1.1
Intangible assets	662.7	658.9	3.8
Rights of use	27.6		27.6
Financial assets	9.1	8.7	0.4
Provisions	(65.4)	(63.4)	(2.0)
Net capital employed	**878.5**	**821.2**	**57.3**
Net financial debt	476.4	429.2	47.2
Shareholders' equity	402.1	392.0	10.1
Sources of financing	**878.5**	**821.2**	**57.3**
Non-controlling interests	(0.2)	(0.2)	(0.0)

Net working capital as of 31 March 2019 was negative (€33.1 million), using a cash flow of approximately €26.4 million during the first quarter of 2019.

Property, plant and equipment, which include investment property, amounted to €277.5 million as of 31 March 2019, registering an increase of approximately €1.1 million compared to 31 December 2018. This growth is mainly due to the revaluation of Asian currencies against the euro (approximately €2.2 million), which offset the effect from depreciation, of which the value exceeded investments for the period by approximately €1.0 million.

Intangible assets totalled €662.7 million, up by approximately €3.8 million compared to 31 December 2018. This growth is mainly due to investments for the period, of which the value exceeded amortisation by approximately €3.3 million, and to the effect of the revaluation of Asian currencies against the euro (approximately €0.4 million).

Rights of use, equal to €27.6 million, represent the current value of future operating lease payments, as required by the adoption of the new accounting standard IFRS 16.

Financial assets which totalled €9.1 million, increased by €0.4 million compared to figures for the previous year.

Provisions totalled €65.4 million, up compared to 31 December 2018 (€63.4 million).

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

As fully described in the next section on the "Consolidated Statement of Cash Flows", **net financial debt** as of 31 March 2019 was equal to €476.4 million, compared to €429.2 million as of 31 December 2018. The increase of approximately €47.2 million is due to two effects:

- the adoption starting from 1 January 2019 of the new accounting standard IFRS 16 which had a negative effect of approximately €20.3 million on the Group's net financial debt;
- the seasonality of the two-wheeler market, which is known to absorb resources in the first part of the year and generate them in the second half.

Compared to 31 March 2018, net financial debt fell by approximately €26.5 million (€46.8 million excluding the effect of adopting the new accounting standard IFRS 16).

The Group's **shareholders' equity** as of 31 March 2019 totalled €402.1 million, up by approximately €10.1 million compared to 31 December 2018.

Consolidated Statement of Cash Flows

The consolidated statement of cash flows prepared in accordance with the models provided by international financial reporting standards (IFRS) is shown in the "Consolidated Condensed Interim Financial Statements as of 31 March 2019"; the following is a comment relating to the summary statement shown.

	1st Quarter 2019	1st Quarter 2018	Change
In millions of euros			
Change in consolidated net debt			
Opening consolidated net debt	**(429.2)**	**(446.7)**	**17.5**
Cash flow from operating activities	38.6	33.5	5.1
(Increase)/Reduction in net working capital	(26.4)	(63.5)	37.1
(Increase)/Reduction in net investments	(61.7)	(17.3)	(44.4)
Change in shareholders' equity	2.3	(9.0)	11.3
Total change	**(47.2)**	**(56.2)**	**9.1**
Closing consolidated net debt	**(476.4)**	**(502.9)**	**26.5**

During the first quarter of 2019, the Piaggio Group used **financial resources** amounting to €47.2 million.

Cash flow from operating activities, defined as net profit, minus non-monetary costs and income, was equal to €38.6 million.

Working capital involved a cash flow of €26.4 million; in detail:

- the collection of trade receivables[3] used financial flows for a total of €35.4 million;
- stock management absorbed financial flows for a total of approximately €40.5 million;
- supplier payment trends generated financial flows of approximately €52.2 million;
- the movement of other non-trade assets and liabilities had a negative impact on financial flows by approximately €2.7 million.

Investing activities involved a total of €61.7 million of financial resources. This change was due to the following:

- the recognition of rights of use, following the adoption of the new accounting standard IFRS 16 (€-27.6 million);
- investments for €19.0 million in capitalised development costs and for €10.3 million in property, plant and equipment and intangible assets;
- other movements for the remaining amount.

[3] Net of customer advances.

As a result of the above financial dynamics, which involved a cash flow of €47.2 million, the **net debt** of the Piaggio Group amounted to €–476.4 million. However, as already stated, the adoption of the new accounting standard IFRS 16 generated an increase in financial debt of €20.3 million.

Alternative non-GAAP performance measures

In accordance with CESR/05-178b recommendation on alternative performance measures, in addition to IFRS financial measures, Piaggio has included other non-IFRS measures in its Interim Directors' Report.
These are presented in order to measure the trend of the Group's operations to a better extent and should not be considered as an alternative to IFRS measures.
In particular the following alternative performance measures have been used:

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

Results by type of product

The Piaggio Group is comprised of and operates by geographical 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 geographical segments, also by product type, are analysed below.

Two-wheeler

Two-wheeler	***1st Quarter 2019***		***1st Quarter 2018***		***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	46.5	166.2	45.0	160.0	3.4%	3.9%	1.5	6.2
of which EMEA	44.8	156.5	43.1	149.0	4.1%	5.1%	1.8	7.5
(of which Italy)	*9.8*	*34.8*	*8.7*	*32.3*	*12.9%*	*7.6%*	*1.1*	*2.5*
of which America	1.7	9.7	2.0	11.0	-12.4%	-12.2%	(0.2)	(1.3)
India	17.9	15.0	18.3	14.0	-2.1%	7.2%	(0.4)	1.0
Asia Pacific 2W	20.2	45.4	17.2	36.0	16.8%	26.0%	2.9	9.4
TOTAL	**84.6**	**226.7**	**80.6**	**210.1**	**5.0%**	**7.9%**	**4.0**	**16.6**
Scooters	74.7	146.6	69.1	131.3	8.2%	11.7%	5.6	15.3
Motorcycles	9.9	49.7	11.4	47.9	-13.9%	3.8%	(1.6)	1.8
Spare parts and Accessories		30.1		29.5		2.0%		0.6
Other		0.3		1.4		-78.1%		(1.1)
TOTAL	**84.6**	**226.7**	**80.6**	**210.1**	**5.0%**	**7.9%**	**4.0**	**16.6**

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

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

Background

In Europe, the Piaggio Group's reference area, the two-wheeler market sold 305,833 vehicles in the first quarter of 2019, a 22.4% increase compared to the first three months of 2018 (+19.6% for the motorcycle segment and +25.9% for the scooter segment).
In Italy, the scooter segment saw an increase of 18.4%, while the motorcycle segment registered a growth of 15.7%.
North America's two-wheeler market dropped by 3.9% in the first quarter of 2019 compared to the same period last year. The motorcycle market, which accounts for 96.4% of the overall market, decreased by 3.7%, while the scooter market dropped by 8.5%.
In Vietnam, the Asian nation with most Group vehicles, sales went down overall by 6.1%.
In India, the two-wheeler market recorded a drop (-9.0%) in the first quarter of 2019 compared to the same period of the previous year, driven by a decrease in the scooter segment (-15.6%) and in the motorcycle segment (-6.0%).

Main results

During the first quarter of 2019, the Piaggio Group sold a total of 84,600 two-wheeler vehicles worldwide, accounting for a net turnover of approximately €226.7 million (+7.9%), including spare parts and accessories (€30.1 million, or +2.0%).
The overall growth in both volumes (+5.0%) and turnover (+7.9%) was mainly due to the good performance of Asia Pacific (+16.8% volumes; +26.0% turnover). In India, the slight decrease in volumes (-2.1%) was offset by an increase in turnover of 7.2%, due to the effect of a better mix of sold products (+8.3% with constant exchange rates).
In EMEA and the Americas, the good performance of Italy (+12.9% volumes; +7.6% turnover) and EMEA (+4.1% volumes; +5.1% turnover), more than offset the downturn recorded in the Americas (-12.4% volumes; -12.2% turnover).

Market positioning[4]

On the European two-wheeler market, the Piaggio Group held a total share of 12.1% in the first quarter of 2019, up on the figure for the first quarter of 2018 (12.0%); with its leadership in the scooter segment confirmed (23.2% in the first quarter of 2019 compared to 23.6% in the first quarter of 2018).
In Italy, the Piaggio Group's market share went from 16.4% in the first quarter of 2018 to 16.2% in the same period of 2019. The Group held a 28.0% share in the scooter segment (28.3% in the first quarter of 2018) and a 3.2% share in the motorcycle segment (3.5% in the first quarter of 2018).
In India, in the first quarter of 2019, the Group recorded a drop in sell-out volumes compared to the same period of the previous year, closing at 15,822 vehicles (-10.5%).
The Group retained its strong position in the North American scooter market, where it closed the year with a market share of 22.6% (24.7% in the first quarter of 2018), and where it is committed to increasing its profile in the motorcycle segment, through the Aprilia and Moto Guzzi brands.

[4] Market shares for the first quarter of 2018 could differ from figures published last year, due to the updating of the final vehicle registration data, which some countries publish with a few months' delay.

Commercial Vehicles

Commercial Vehicles	1st Quarter 2019		1st Quarter 2018		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	4.6	25.4	2.9	21.2	58.0%	19.7%	1.7	4.2
of which EMEA	2.8	10.9	1.3	7.3	117.8%	49.0%	1.5	3.6
(of which Italy)	*1.1*	*13.2*	*1.0*	*12.8*	*9.4%*	*3.0%*	*0.1*	*0.4*
of which America	0.7	1.4	0.6	1.2	11.6%	19.6%	0.1	0.2
India	51.1	94.1	46.2	81.0	10.6%	16.2%	4.9	13.1
TOTAL	**55.8**	**119.5**	**49.2**	**102.2**	**13.4%**	**16.9%**	**6.6**	**17.3**
Ape	54.3	92.1	47.6	76.3	14.3%	20.7%	6.8	15.8
Porter	1.1	13.8	1.1	12.5	6.6%	10.3%	0.1	1.3
Quargo	0.2	0.6	0.1	0.4	39.8%	51.8%	0.0	0.2
Mini Truk	0.1	0.3	0.4	1.1	-70.3%	-69.1%	(0.3)	(0.8)
Spare parts and Accessories		12.7		11.9		6.6%		0.8
TOTAL	**55.8**	**119.5**	**49.2**	**102.2**	**13.4%**	**16.9%**	**6.6**	**17.3**

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

Background

Europe

In the first quarter of 2019, the European light commercial vehicles market (vehicles with a maximum mass of 3.5 tons and less), in which the Piaggio Group is active, recorded sales of 230,787 units, a 5.1% increase compared to the first quarter of 2018 (data source ACEA). In detail, the trends of main European reference markets are as follows: Germany (+12.1%), UK (+8.9%), France (+4.2%), Spain (+4.0%) and Italy (+1.3%).

India

Sales on the Indian three-wheeler market, where Piaggio Vehicles Private Limited, a subsidiary of Piaggio & C. S.p.A. operates, went from 197,471 units in the first quarter of 2018 to 180,198 in the same period of 2019, registering an 8.7% decrease.

Within this market, the passenger vehicles segment declined (-11.9%), closing at 143,988 units. On the other hand, the cargo segment showed a slight increase (+6.4%) from 34,000 units in the first three months of 2018 to over 36,200 units in the first quarter of 2019. Piaggio Vehicles Private Limited also operates on the four-wheeler light commercial vehicles (LCV) market for the transport of goods (cargo).

The LCV cargo market, with vehicles with a maximum mass below 2 tons, recorded sales of 64,971 units in the first quarter of 2019, increasing by 15.1% compared to the first quarter of 2018.

Main results

In the first quarter of 2019, the Commercial Vehicles business generated a turnover of approximately €119.5 million, including approximately €12.7 million relative to spare parts and accessories, registering a 16.9% increase over the same period of the previous year. During the period, 55,800 units were sold, up compared to the first three months of 2018 (+13.4%).
Despite the market downturn, the Indian affiliate Piaggio Vehicles Private Limited (PVPL) sold 43,757 units on the domestic three-wheeler market (41,149 in the first quarter of 2018.
The Indian subsidiary also exported 7,079 three-wheeler vehicles (4,543 as of 31 March 2018).
On the four-wheeler market, PVPL sales in the first quarter of 2019 fell to 276 units compared to 506 units in the first quarter of 2018.
In overall terms, the Indian affiliate PVPL registered a turnover of €94.1 million during the first quarter of 2019, compared to €81.0 million for the same period of the previous year (+16.2%; +16.7% with constant exchange rates).
In EMEA and the Americas, the Piaggio recorded a growth in total net turnover of 19.7%, thanks to a considerable increase in sold volumes (+58.0%).

Market positioning[5]

The Piaggio Group operates in Europe and India on the light commercial vehicles market, with products designed for short range mobility in urban areas (European urban centres) and suburban areas (the product range for India).
The Group is also present in India, in the passenger vehicle and cargo sub-segments of the three-wheeler market, where it is market leader.
On the Indian three-wheeler market, Piaggio has a market share of 24.3% (up on the figure of 20.8% in the first quarter of 2018). Detailed analysis of the market shows that Piaggio has maintained its market leader position in the goods transport segment (cargo) with a market share of 44.8% (45.1% in the first quarter of 2018). In the passenger segment, Piaggio’s share increased, closing at 19.1% (15.8% in the first quarter of 2018).

Besides the traditional three-wheeler market in India, Piaggio also operates on the four-wheeler light commercial vehicles (LCV) market (cargo vehicles for goods transport) with the Porter range. On this market, the Group share fell to 0.4% (0.9% in the first quarter of 2018).

[5] Market shares for the first quarter of 2018 could differ from figures published last year, due to the updating of the final vehicle registration data, which some countries publish with a few months' delay.

Investments

Investments mainly targeted the following areas:

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

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

Operating outlook

In a context where the Piaggio Group has consolidated its position on global markets, the Group is committed to:

- confirming its leadership position on the European two-wheeler market, optimally levering expected recovery by further consolidating the scooter and motorcycle product ranges;
- maintaining current positions on the European commercial vehicles markets, further consolidating the sales network;
- consolidating its presence in Asia Pacific, exploring new opportunities in countries in the area, with a particular focus on the premium segment of the market;
- strengthening sales on the Indian scooter market thanks to the Vespa and Aprilia product ranges;
- increasing the penetration of commercial vehicles in India, thanks to the introduction of new engines.

From a technological point of view, the Piaggio Group will continue research to develop new solutions for 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.

More in general, the Group is committed - as in the past and for operations in 2019 - to increasing productivity with a strong focus on efficient costs and investments, while complying with its business ethics.

Transactions with related parties

Revenues, costs, receivables and payables as of 31 March 2019 involving parent companies, subsidiaries and affiliated companies refer to the sale of goods or services which are a part of normal operations of the Group.
Transactions are carried out at normal market values, depending on the characteristics of the goods and services provided.
Information on related-party transactions, including the information required by Consob communication no. DEM/6064293 of 28 July 2006 is presented in the "Notes to the Condensed Consolidated Interim Financial Statements as of 31 March 2019".

Economic glossary

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

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

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.

Rights of use: refer to the discounted value of operating lease payments due, as provided for by IFRS 16.

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

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

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

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

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

Consolidated EBITDA: defined as “Operating income” before the amortisation/depreciation and impairment costs of intangible assets, property, plant and equipment and rights of use, as resulting from the consolidated income statement.

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

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

Condensed Interim Financial Statements as of 31 March 2019

Consolidated Income Statement

		1st Quarter 2019		1st Quarter 2018	
		Total	*of which related parties*	**Total**	*of which related parties*
In thousands of Euros	*Notes*				
Net revenues	4	346,190	32	312,312	1,154
Cost for materials	5	(208,561)	(4,093)	(180,106)	(6,471)
Cost for services and leases and rentals	6	(53,650)	(569)	(52,695)	(942)
Employee costs	7	(56,141)		(52,726)	
Depreciation and impairment costs of property, plant and equipment	8	(9,967)		(11,040)	
Amortisation and impairment costs of intangible assets	8	(17,114)		(17,669)	
Amortisation of rights of use	8	(1,715)	(368)		
Other operating income	9	26,533	58	20,551	40
Net reversals (impairment) of trade and other receivables	10	(449)		(343)	
Other operating costs	11	(4,457)	(3)	(3,788)	(4)
Operating income		**20,669**		**14,496**	
Income/(loss) from investments	12	18	18	67	67
Financial income	13	952	7	609	
Borrowing costs	13	(7,091)	(43)	(8,025)	(33)
Net exchange gains/(losses)	13	(305)		(196)	
Profit before tax		**14,243**		**6,951**	
Taxes for the period	14	(6,409)		(2,990)	
Profit from continuing operations		**7,834**		**3,961**	
Assets held for sale:					
Profits or losses arising from assets held for sale	15				
Net Profit (loss) for the period		**7,834**		**3,961**	
Attributable to:					
Owners of the Parent		**7,834**		**3,961**	
Non controlling interests		**0**		**0**	
Earnings per share (figures in €)	16	**0.022**		**0.011**	
Diluted earnings per share (figures in €)	16	**0.022**		**0.011**	

Consolidated Statement of Comprehensive Income

In thousands of Euros	Notes	1st Quarter 2019	1st Quarter 2018
Net Profit (Loss) for the period (A)		**7,834**	**3,961**
Items that will not be reclassified in the income statement			
Remeasurements of defined benefit plans	41	(1,351)	(833)
Total		**(1,351)**	**(833)**
Items that may be reclassified in the income statement			
Profit (loss) deriving from the translation of financial statements of foreign companies denominated in foreign currency	41	3,236	(4,413)
Portion of components of the Statement of Comprehensive Income of subsidiaries/associates valued with the equity method	41	432	72
Total profits (losses) on cash flow hedges	41	109	215
Total		**3,777**	**(4,126)**
Other components of the Statement of Comprehensive Income (B)*		**2,426**	**(4,959)**
Total Profit (loss) for the period (A + B)		**10,260**	**(998)**

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

Attributable to:			
Owners of the Parent		**10,263**	**(1,005)**
Non controlling interests		**(3)**	**7**

Consolidated Statement of Financial Position

		As of 31 March 2019		As of 31 December 2018	
		Total	*of which related parties*	Total	*of which related parties*
In thousands of Euros	*Notes*				
ASSETS					
Non-current assets					
Intangible assets	17	662,685		658,888	
Property, plant and equipment	18	267,256		266,198	
Rights of use	19	27,649			
Investment Property	20	10,269		10,269	
Investments	35	8,383		7,934	
Other financial assets	36	6,666		6,029	
Long-term tax receivables	25	17,344		17,399	
Deferred tax assets	21	59,886		59,250	
Trade receivables	23				
Other receivables	24	10,689	94	16,625	94
Total non-current assets		**1,070,827**		**1,042,592**	
Assets held for sale	27				
Current assets					
Trade receivables	23	121,129	1,106	86,557	1,264
Other receivables	24	31,932	15,136	33,507	15,262
Short-term tax receivables	25	13,818		7,368	
Inventories	22	264,646		224,108	
Other financial assets	37	3,103		2,805	
Cash and cash equivalents	38	181,420		188,740	
Total current assets		**616,048**		**543,085**	
Total assets		**1,686,875**		**1,585,677**	

		As of 31 March 2019		As of 31 December 2018	
		Total	*of which related parties*	**Total**	*of which related parties*
In thousands of Euros	*Notes*				
SHAREHOLDERS' EQUITY AND LIABILITIES					
Shareholders' equity					
Share capital and reserves attributable to the owners of the Parent	40	402,278		392,163	
Share capital and reserves attributable to non-controlling interests	40	(214)		(211)	
Total shareholders' equity		**402,064**		**391,952**	
Non-current liabilities					
Financial liabilities > 12 months	39	508,315		512,498	
Operating leases > 12 months	39	14,141	4,071		
Trade payables	28				
Other long-term provisions	29	9,312		9,504	
Deferred tax liabilities	30	2,910		2,806	
Retirement funds and employee benefits	31	42,899		41,306	
Tax payables	32				
Other long-term payables	33	6,066		5,939	
Total non-current liabilities		**583,643**		**572,053**	
Current liabilities					
Financial liabilities < 12 months	39	138,285		113,502	
Operating leases < 12 months	39	6,129	1,390		
Trade payables	28	484,113	6,615	432,722	8,402
Tax payables	32	11,612		14,635	
Other short-term payables	33	47,844	6,259	48,220	6,725
Current portion of other long-term provisions	29	13,185		12,593	
Total current liabilities		**701,168**		**621,672**	
Total Shareholders' Equity and Liabilities		**1,686,875**		**1,585,677**	

Consolidated Statement of Cash Flows

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

		1st Quarter 2019		1st Quarter 2018	
		Total	of which related parties	Total	of which related parties
In thousands of Euros	*Notes*				
Operating activities					
Net Profit (loss) for the period		7,834		3,961	
Allocation of profit to non-controlling interests		0		0	
Taxes for the period	14	6,409		2,990	
Depreciation of property, plant and equipment	8	9,967		11,040	
Amortisation of intangible assets	8	16,974		17,423	
Amortisation of rights of use	8	1,715		0	
Provisions for risks and retirement funds and employee benefits		4,380		3,810	
Write-downs / (Reinstatements)		589		584	
Losses / (Gains) on the disposal of property, plants and equipment		7		(20)	
Financial income	13	(952)		(599)	
Borrowing costs	13	7,091		7,813	
Income from public grants		(625)		(432)	
Portion of earnings of affiliated companies		(18)		(67)	
Change in working capital:					
(Increase)/Decrease in trade receivables	23	(34,170)	158	(28,813)	(610)
(Increase)/Decrease in other receivables	24	86	126	(1,153)	(805)
(Increase)/Decrease in inventories	22	(40,538)		(54,487)	
Increase/(Decrease) in trade payables	28	51,391	(1,787)	29,909	665
Increase/(Decrease) in other payables	33	(249)	(466)	5,162	57
Increase/(Decrease) in provisions for risks	29	(2,545)		(1,762)	
Increase/(Decrease) in retirement funds and employee benefits	31	(1,967)		(1,112)	
Other changes		(9,904)		(8,105)	
Cash generated from operating activities		**15,475**		**(13,858)**	
Interest paid		(4,109)		(5,293)	
Taxes paid		(11,031)		(6,924)	
Cash flow from operating activities (A)		**335**		**(26,075)**	
Investment activities					
Investment in property, plant and equipment	18	(9,036)		(6,627)	
Sale price, or repayment value, of property, plant and equipment		2		42	
Investment in intangible assets	17	(20,255)		(15,664)	
Sale price, or repayment value, of intangible assets		6		0	
Public grants collected		581		0	
Collected interests		216		132	
Cash flow from investment activities (B)		**(28,486)**		**(22,117)**	
Financing activities					
Purchase of treasury shares	40	(148)		0	
Loans received	39	55,130		70,936	
Outflow for repayment of loans	39	(35,111)		(21,547)	
Reimbursement of operating leases	39	(1,792)		0	
Repayment of finance leases	39	(391)		(285)	
Cash flow from financing activities (C)		**17,688**		**49,104**	
Increase / (Decrease) in cash and cash equivalents (A+B+C)		(10,463)		912	
Opening balance		**188,386**		**127,894**	
Exchange differences		3,490		(3,945)	
Closing balance		**181,413**		**124,861**	

Changes in Consolidated Shareholders' Equity

Movements from 1 January 2019 / 31 March 2019

	Notes	Share capital	Share premium reserve	Legal reserve	Reserve for measurement of financial instruments	IAS transition reserve	Group translation reserve	Treasury shares	Earnings reserve	Consolidated Group shareholders' equity	Share capital and reserves attributable to non-controlling interests	TOTAL SHAREHOLDERS' EQUITY
In thousands of Euros												
As of 1 January 2019		**207,614**	**7,171**	**20,125**	**(114)**	**(15,525)**	**(27,607)**	**(1,537)**	**202,036**	**392,163**	**(211)**	**391,952**
Profit for the period									7,834	**7,834**		**7,834**
Other components of the Statement of Comprehensive Income	41				109		3,671		(1,351)	**2,429**	**(3)**	**2,426**
Total profit (loss) for the period		**0**	**0**	**0**	**109**	**0**	**3,671**	**0**	**6,483**	**10,263**	**(3)**	**10,260**
<u>Transactions with shareholders:</u>												
Allocation of profits	40									**0**		**0**
Distribution of dividends	40									**0**		**0**
Purchase of treasury shares	40							(148)		**(148)**		**(148)**
As of 31 March 2019		**207,614**	**7,171**	**20,125**	**(5)**	**(15,525)**	**(23,936)**	**(1,685)**	**208,519**	**402,278**	**(214)**	**402,064**

Movements from 1 January 2018 / 31 March 2018

	Notes	Share capital	Share premium reserve	Legal reserve	Reserve for measurement of financial instruments	IAS transition reserve	Group translation reserve	Treasury shares	Earnings reserve	Consolidated Group shareholders’ equity	Share capital and reserves attributable to non-controlling interests	TOTAL SHAREHOLDERS’ EQUITY
In thousands of Euros												
As of 1 January 2018		**207,614**	**7,171**	**19,095**	**(320)**	**(11,505)**	**(24,467)**	**0**	**187,708**	**385,296**	**(236)**	**385,060**
Profit for the period									3,961	**3,961**		**3,961**
Other components of the Statement of Comprehensive Income	41				215		(4,348)		(833)	**(4,966)**	**7**	**(4,959)**
Total profit (loss) for the period		**0**	**0**	**0**	**215**	**0**	**(4,348)**	**0**	**3,128**	**(1,005)**	**7**	**(998)**
<u>Transactions with shareholders:</u>												
Allocation of profits	40											
Distribution of dividends	40											
Adoption of IFRS 9	40					(4,020)				**(4,020)**		**(4,020)**
As of 31 March 2018		**207,614**	**7,171**	**19,095**	**(105)**	**(15,525)**	**(28,815)**	**0**	**190,836**	**380,271**	**(229)**	**380,042**

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 address of the registered office is Viale Rinaldo Piaggio 25 - Pontedera (Pisa). The main activities of the company and its subsidiaries are set out in the Report on Operations.
These Financial Statements are expressed in euros (€) since this is the currency in which most of the Group's transactions take place. Transactions in foreign currency are recorded at the exchange rate in effect on the date of the transaction. Monetary assets and liabilities in foreign currency are translated at the exchange rate in effect at the reporting date.

1. Scope of consolidation

The scope of consolidation has not changed compared to the Consolidated Financial Statements as of 31 December 2018, while it has changed compared to the Consolidated Financial Statements as of 31 March 2018 due to the liquidation of Fondo Immobiliare First Atlantic on 14 December 2018.

2. Compliance with international accounting standards

These Condensed Interim Financial Statements have been drafted in compliance with the International Accounting Standards (IAS/IFRS) in force at that date, issued by the International Accounting Standards Board and approved by the European Union, as well as in compliance with the provisions established in Article 9 of Legislative Decree no. 38/2005 (Consob Resolution no. 15519 dated 27 July 2006 containing the "Provisions for the presentation of financial statements", Consob Resolution no. 15520 dated 27 July 2006 containing the "Changes and additions to the Regulation on Issuers adopted by Resolution no. 11971/99", Consob communication no. 6064293 dated 28 July 2006 containing the "Corporate reporting required in accordance with Article 114, paragraph 5 of Legislative Decree no. 58/98"). The interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously the Standing Interpretations Committee ("SIC"), were also taken into account.
During the drafting of these Condensed Consolidated Interim Financial statements, prepared in compliance with IAS 34 - Interim Financial Reporting, the same accounting standards adopted in the drafting of the Consolidated Financial Statements as of 31 December 2018 were applied, with the exception of the paragraph "New accounting standards, amendments and interpretations applied as from 1 January 2019". The information provided in the Interim Report should be read together with the Consolidated Financial Statements as of 31 December 2018, 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 2018.
It should also be noted that some assessment processes, in particular the most 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.

New accounting standards, amendments and interpretations applied as from 1 January 2019

IAS 16 "Leases"
In January 2016, the IASB published IFRS 16 "Leases". This new standard replaced IAS 17. The main change concerns the accounting of lease agreements by lessees that, according to IAS 17, were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). With IFRS 16, operating leases are treated for accounting purposes as finance leases. According to the new standard, an asset (the right to use the leased item) and a financial liability are recognised for future rental payments. The IASB has provided for the optional exemption for certain leasing contracts and low value and short-term leases.
The standard mainly has an effect on the recognition of the Group's operating leases.
The Group opted to use the simplified transition approach, and therefore comparative amounts of the year prior to first-time adoption were not modified. Assets recognised for rights to use are measured for the amount of the lease debt at the time of adoption.

The effects of adopting IFRS 16 on the financial statements for the first quarter of 2019 are summarised in the following table.

	Q1 2019 published	Impact IFRS 16	Q1 2019 without the adoption of IFRS 16
In thousands of Euros			
Rights of use	27,649	27,649	0
Liabilities for operating leases	20,270	20,270	0
Other non-current receivables	10,689	(7,472)	18,161
Amortisation of rights of use	(1,715)	(1,715)	0
Costs for services, leases and rentals	(53,650)	1,851	(55,501)
Borrowing costs	(7,091)	(228)	(6,863)
Effect on the income statement before taxes		(92)	

The change in the item "Other non-current receivables" refers to the reclassification of leases paid in advance by Asian companies for concessions on land where production sites are located to the item rights of use.

IAS 28

In October 2017, the IASB published some amendments to IAS 28 providing clarifications on associates or joint ventures for which the equity method is not applied, based on IFRS 9. The amendments are applicable from 1 January 2019 and did not have a significant impact on the financial statements or on disclosure.

Annual amendments to IFRS 2015–2017 (IFRS 3, IFRS 11, IAS 12 and IAS 23)

In December 2017, the IASB published its annual improvements to IFRS 2015–2017 (IFRS 3, IFRS 11, IAS 12 and IAS 23). The amendments are applicable from 1 January 2019 and did not have a significant impact on the financial statements or on disclosure.

IAS 19

In February 2018, the IASB published some amendments to IAS 19, that will require companies to revise assumptions for determining the cost and borrowing costs at each change of the plan. The amendments are applicable from 1 January 2019 and did not have a significant impact on the financial statements or on disclosure.

IFRIC 23

In June 2017 the IASB published interpretation IFRIC 23 "Uncertainty over Income Tax Treatments" which provides information on how to account for uncertainties over the tax treatment of a given phenomenon in the recognition of income taxes. IFRIC 23 became effective on 1 January and did not have a significant impact on the financial statements or on disclosure.

Accounting standards amendments and interpretations not yet applicable

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

- In May 2017, IASB issued the new standard IFRS 17 – Insurance Contracts. The new standard will replace IFRS 4 and will be effective from 1 January 2021.
- In October 2018, the IASB published some amendments to IAS 1 and IAS 8 that provide clarifications on the definition of "materiality". These amendments will apply from 1 January 2020.
- In October 2018, the IASB published some amendments to IFRS 3 that amend the definition of "business". These amendments will apply from 1 January 2020.

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 29 March 2019**	**Average exchange rate 1st Quarter**	**Spot exchange rate 31 December 2018**	**Average exchange rate 1st Quarter**
US Dollar	1.1235	1.13577	1.1450	1.22921
Pounds Sterling	0.85830	0.872508	0.89453	0.883372
Indian Rupee	77.7190	80.07197	79.7298	79.12637
Singapore Dollars	1.5214	1.53877	1.5591	1.62102
Chinese yuan	7.5397	7.66349	7.8751	7.81544
Croatian Kuna	7.4338	7.42162	7.4125	7.43800
Japanese Yen	124.45	125.08349	125.85	133.16619
Vietnamese Dong	25,851.48	26,168.30000	26,230.56	27,719.04938
Canadian Dollars	1.5000	1.51015	1.5605	1.55396
Indonesian Rupiah	16,007.63	16,054.20571	16,565.86	16,676.38683
Brazilian Real	4.3865	4.27751	4.4440	3.98865

B) SEGMENT REPORTING

3. Operating segment reporting

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

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

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

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

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

INCOME STATEMENT BY OPERATING SEGMENT

		EMEA and Americas	India	Asia Pacific 2W	**Total**
Sales volumes (unit/000)	1-1/31-3-2019	51.2	69.0	20.2	**140.4**
	1-1/31-3-2018	48.0	64.5	17.2	**129.7**
	Change	3.2	4.5	2.9	**10.7**
	Change %	6.7%	7.0%	16.8%	**8.2%**
Net turnover (millions of euros)	1-1/31-3-2019	191.7	109.1	45.4	**346.2**
	1-1/31-3-2018	181.3	95.0	36.0	**312.3**
	Change	10.4	14.1	9.4	**33.9**
	Change %	5.7%	14.9%	26.0%	**10.8%**
Gross margin (millions of euros)	1-1/31-3-2019	56.1	29.4	18.4	**103.9**
	1-1/31-3-2018	57.4	24.7	14.6	**96.7**
	Change	(1.3)	4.7	3.9	**7.3**
	Change %	-2.2%	18.9%	26.5%	**7.5%**
EBITDA (millions of euros)	1-1/31-3-2019				**49.5**
	1-1/31-3-2018				**43.2**
	Change				**6.3**
	Change %				**14.5%**
EBIT (millions of euros)	1-1/31-3-2019				**20.7**
	1-1/31-3-2018				**14.5**
	Change				**6.2**
	Change %				**42.6%**
Net profit (millions of euros)	1-1/31-3-2019				**7.8**
	1-1/31-3-2018				**4.0**
	Change				**3.9**
	Change %				**97.8%**

C) INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

4. Net revenues €/000 346,190

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

This item does not include transport costs, which are recharged to customers (€/000 5,608) and invoiced advertising cost recoveries (€/000 791), 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 geographical segment

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

	1st Quarter 2019		1st Quarter 2018		Changes	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
In thousands of Euros						
EMEA and Americas	191,657	55.4	181,279	58.0	10,378	5.7
India	109,148	31.5	95,021	30.4	14,127	14.9
Asia Pacific 2W	45,385	13.1	36,012	11.5	9,373	26.0
Total	**346,190**	**100.0**	**312,312**	**100.0**	**33,878**	**10.8**

In the first quarter of 2019, net sales revenues recorded a 10.8% increase compared to the same period of the previous year. For a more detailed analysis of trends in individual geographical segments, see comments in the Report on Operations.

5. Costs for materials €/000 (208,561)

The increase in costs for materials of €/000 28,455 compared to the first quarter of 2018 is mainly due to the increase in products sold. The item includes €/000 4,093 (€/000 6,471 in the first quarter of 2018) for purchases of scooters from the Chinese affiliate Zongshen Piaggio Foshan Motorcycle Co., that are sold in European and Asian markets.

6. Costs for services and leases and rental costs €/000 (53,650)

Costs for services and leases and rental costs recorded an increase of €/000 955 compared to the first quarter of 2018. The item includes costs for temporary work of €/000 370.

As from the first quarter of 2019, costs for leases and rental costs were adjusted by €/000 1,851 following the adoption of the new accounting standard IFRS 16, which requires operating lease costs to be recognised as amortisation of rights of use and as borrowing costs relative to the assumed debt.

7. Employee costs €/000 (56,141)

Employee costs include €/000 168 relating to costs for redundancy plans for the Pontedera and Noale production sites.

	1st Quarter 2019	1st Quarter 2018	Change
In thousands of Euros			
Salaries and wages	(43,009)	(40,116)	(2,893)
Social security contributions	(11,048)	(10,270)	(778)
Termination benefits	(1,782)	(1,781)	(1)
Other costs	(302)	(559)	257
Total	**(56,141)**	**(52,726)**	**(3,415)**

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

	Average number		
	1st Quarter 2019	1st Quarter 2018	Change
Level			
Senior management	104.0	97.0	7.0
Middle management	638.3	614.3	24.0
White collars	1,741.4	1,710.4	31.0
Blue collars	4,020.0	4,175.0	(155.0)
Total	**6,503.7**	**6,596.7**	**(93.0)**

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

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

	Number as of		
	31 March 2019	31 December 2018	Change
Level			
Senior management	104	100	4
Middle management	640	640	0
White collars	1,746	1,738	8
Blue collars	3,935	4,037	(102)
Total	**6,425**	**6,515**	**(90)**
EMEA and Americas	3,594	3,586	8
India	1,906	2,026	(120)
Asia Pacific 2W	925	903	22
Total	**6,425**	**6,515**	**(90)**

8. Amortisation/depreciation and impairment costs — **€/000 (28,796)**

This item includes:

- Amortisation and impairment costs of intangible assets for €/000 17,114 (€/000 17,669 in the first quarter of 2018);
- Depreciation and impairment costs of property, plant and equipment for €/000 9,967 (€/000 11,040 in the first quarter of 2018).
- Amortisation of rights of use for €/000 1,715. This cost item was introduced in 2019, following the adoption of the new accounting standard IFRS 16. For the relative effects, see the previous section "New accounting standards, amendments and interpretations applied as from 1 January 2019".

9. Other operating income — **€/000 26,533**

This item, mainly consists of increases in fixed assets for internal work and recoveries of costs re-invoiced to customers, increased by €/000 5,982 compared to the first quarter of 2018.

10. Net reversals (impairment) of trade and other receivables — **€/000 (449)**

This item consists of:

	1st Quarter 2019	1st Quarter 2018	Change
In thousands of Euros			
Losses on receivables		(4)	4
Write-down of receivables in working capital	(449)	(339)	(110)
Total	**(449)**	**(343)**	**(106)**

11. Other operating costs — **€/000 (4,457)**

This item increased by €/000 669.

12. Income/(loss) from investments — **€/000 18**

Income from investments equivalent to €/000 18 in the quarter relate to the portion of income attributable to the Group from the Zongshen Piaggio Foshan Motorcycle Co. Ltd joint venture, valued at equity.

13. Net financial income (borrowing costs) — **€/000 (6,444)**

The balance of financial income (borrowing costs) in the first quarter of 2019 was negative by €/000 6,444, an improvement on the figure of €/000 7,612 for the same period of the previous year, thanks to lower debt and the reduction in the cost of debt. The improvement is only partially mitigated by the effects deriving from currency management.

14. Taxes €/000 (6,409)

Income tax for the period, determined based on IAS 34, was estimated by applying a rate of 45% to profit before tax, equivalent to the best estimate of the weighted average rate predicted for the financial year.

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

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

16. Earnings per share

Earnings per share are calculated as follows:

		1st Quarter 2019	1st Quarter 2018
Net profit	€/000	7,834	3,961
Earnings attributable to ordinary shares	€/000	7,834	3,961
Average number of ordinary shares in circulation		357,293,401	358,153,644
Earnings per ordinary share	€	0.022	0.011
Adjusted average number of ordinary shares		357,293,401	358,153,644
Diluted earnings per ordinary share	€	0.022	0.011

D) INFORMATION ON OPERATING ASSETS AND LIABILITIES

17. Intangible assets €/000 662,685

Intangible assets went up overall by €/000 3,797 mainly due to amortisation for the period which was only partially balanced by investments for the period.
Increases mainly refer to the capitalisation of development costs for new products and new engines, as well as the purchase of software.
During the first quarter of 2019, borrowing costs for €/000 125 were capitalised.

The table below shows the breakdown of intangible assets as of 31 March 2019, as well as changes during the period.

In thousands of euros	***Development costs***			***Patent rights and know-how***			***Concessions, licences and trademarks***	***Goodwill***	***Other***			***Total***		
	In operation	***Assets under development and advances***	***Total***	***In operation***	***Assets under development and advances***	***Total***			***In operation***	***Assets under development and advances***	***Total***	***In operation***	***Assets under development and advances***	***Total***
Historical cost	257,677	26,935	284,612	381,477	27,034	408,511	128,021	557,322	7,517		7,517	1,332,014	53,969	1,385,983
Provisions for write-down	(1,572)	(1,484)	(3,056)	(360)		(360)					0	(1,932)	(1,484)	(3,416)
Accumulated amortisation	(200,332)		(200,332)	(316,695)		(316,695)	(88,836)	(110,382)	(7,434)		(7,434)	(723,679)	0	(723,679)
Assets as of 01 01 2019	**55,773**	**25,451**	**81,224**	**64,422**	**27,034**	**91,456**	**39,185**	**446,940**	**83**	**0**	**83**	**606,403**	**52,485**	**658,888**
Investments	4,091	14,908	18,999	49	970	1,019			232	5	237	4,372	15,883	20,255
Transitions in the period	5,046	(5,046)	0	6,314	(6,314)	0			5	(5)	0	11,365	(11,365)	0
Amortisation	(7,674)		(7,674)	(8,056)		(8,056)	(1,206)		(38)		(38)	(16,974)	0	(16,974)
Disposals			0			0			(6)		(6)	(6)	0	(6)
Write-downs		(140)	(140)			0					0	0	(140)	(140)
Exchange differences	262	138	400	28		28			7		7	297	138	435
Other changes			0			0			227		227	227	0	227
Total movements for the period	**1,725**	**9,860**	**11,585**	**(1,665)**	**(5,344)**	**(7,009)**	**(1,206)**	**0**	**427**	**0**	**427**	**(719)**	**4,516**	**3,797**
Historical cost	275,441	36,978	312,419	388,071	21,690	409,761	128,021	557,322	8,180		8,180	1,357,035	58,668	1,415,703
Provisions for write-down	(1,572)	(1,667)	(3,239)	(360)		(360)					0	(1,932)	(1,667)	(3,599)
Accumulated amortisation	(216,371)		(216,371)	(324,954)		(324,954)	(90,042)	(110,382)	(7,670)		(7,670)	(749,419)	0	(749,419)
Assets as of 31 03 2019	**57,498**	**35,311**	**92,809**	**62,757**	**21,690**	**84,447**	**37,979**	**446,940**	**510**	**0**	**510**	**605,684**	**57,001**	**662,685**

18. Property, plant and equipment €/000 267,256

Property, plant and equipment mainly refer to Group production facilities in Pontedera (Pisa), Noale (Venice), Mandello del Lario (Lecco), Baramati (India) and Vinh Phuc (Vietnam).
The increases mainly relate to the construction of moulds for new vehicles launched during the period.
Borrowing costs attributable to the construction of assets which require a considerable period of time to be ready for use are capitalised as a part of the cost of the actual assets. During the first quarter of 2019, borrowing costs for €/000 72 were capitalised.

The table below shows the breakdown of property, plant and equipment as of 31 March 2019, as well as changes during the period.

In thousands of Euros	***Land***	***Buildings***			***Plant and machinery***			***Equipment***			***Other assets***			***Total***		
		In operation	***Assets under construction and advances***	***Total***	***In operation***	***Assets under construction and advances***	***Total***	***In operation***	***Assets under construction and advances***	***Total***	***In operation***	***Assets under construction and advances***	***Total***	***In operation***	***Assets under construction and advances***	***Total***
Historical cost	27,640	169,761	1,425	171,186	486,249	8,688	494,937	513,415	7,272	520,687	54,308	758	55,066	1,251,373	18,143	1,269,516
Reversals				0			0			0			0	0	0	0
Provisions for write-down		(622)		(622)	(483)		(483)	(2,408)		(2,408)	(64)		(64)	(3,577)	0	(3,577)
Accumulated depreciation		(78,788)		(78,788)	(380,606)		(380,606)	(493,277)		(493,277)	(47,070)		(47,070)	(999,741)	0	(999,741)
Assets as of 01 01 2019	**27,640**	**90,351**	**1,425**	**91,776**	**105,160**	**8,688**	**113,848**	**17,730**	**7,272**	**25,002**	**7,174**	**758**	**7,932**	**248,055**	**18,143**	**266,198**
Investments		42	542	584	239	3,551	3,790	1,084	1,420	2,504	1,970	188	2,158	3,335	5,701	9,036
Transitions in the period		44	(44)	0	3,629	(3,629)	0	2,442	(2,442)	0	316	(316)	0	6,431	(6,431)	0
Depreciation		(1,203)		(1,203)	(5,427)		(5,427)	(2,275)		(2,275)	(1,062)		(1,062)	(9,967)	0	(9,967)
Disposals				0	(1)		(1)	(1)		(1)	(6)		(6)	(8)	0	(8)
Write-downs				0			0			0			0	0	0	0
Exchange differences		478	13	491	1,527	123	1,650			0	74	9	83	2,079	145	2,224
Other changes				0			0			0	(227)		(227)	(227)	0	(227)
Total movements for the period	**0**	**(639)**	**511**	**(128)**	**(33)**	**45**	**12**	**1,250**	**(1,022)**	**228**	**1,065**	**(119)**	**946**	**1,643**	**(585)**	**1,058**
Historical cost	27,640	170,574	1,936	172,510	493,874	8,733	502,607	516,941	6,250	523,191	55,754	639	56,393	1,264,783	17,558	1,282,341
Reversals				0			0			0			0	0	0	0
Provisions for write-down		(622)		(622)	(483)		(483)	(2,408)		(2,408)	(64)		(64)	(3,577)	0	(3,577)
Accumulated depreciation		(80,240)		(80,240)	(388,264)		(388,264)	(495,553)		(495,553)	(47,451)		(47,451)	(1,011,508)	0	(1,011,508)
Assets as of 31 03 2019	**27,640**	**89,712**	**1,936**	**91,648**	**105,127**	**8,733**	**113,860**	**18,980**	**6,250**	**25,230**	**8,239**	**639**	**8,878**	**249,698**	**17,558**	**267,256**

As of 31 March 2019, the net value of assets held by lease agreements was as follows:

In thousands of Euros	**As of 31 March 2019**
Vespa painting plant	10,485
Total	**10,485**

Future lease rental commitments are detailed in note 39.

19. Rights of use **€/000 27,649**

This financial statement item refers to the discounted value of operating lease payments due, as provided for by IFRS 16.
The Group opted to use the optional exemption provided for by IASB for certain lease agreements and low value and short-term leases.

20. Investment Property **€/000 10,269**

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 2019	**10,269**
Fair value adjustment	
Balance as of 31 March 2019	**10,269**

During the quarter, no indicators of changes in fair value were identified, and therefore the carrying amount determined for the 2018 Financial Statements, with the assistance of a specific appraisal by an independent expert, was confirmed. The expert evaluated the "Fair value less cost of disposal" using a market approach (as provided for by IFRS 13). This analysis identified the total value of the investment as €/000 10,269.
The Group uses the "fair value model" as provided for by IAS 40.

21. Deferred tax assets €/000 59,886

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 59,886, up on the figure of €/000 59,250 as of 31 December 2018.

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

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

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

22. Inventories €/000 264,646

This item comprises:

	As of 31 March 2019	As of 31 December 2018	Change
In thousands of Euros			
Raw materials and consumables	141,028	104,701	36,327
Provision for write-down	(10,874)	(10,602)	(272)
Net value	*130,154*	*94,099*	36,055
Work in progress and semi-finished products	17,380	18,623	(1,243)
Provision for write-down	(852)	(852)	0
Net value	*16,528*	*17,771*	(1,243)
Finished products and goods	139,296	132,387	6,909
Provision for write-down	(21,555)	(20,295)	(1,260)
Net value	*117,741*	*112,092*	5,649
Advances	223	146	77
Total	**264,646**	**224,108**	**40,538**

As of 31 March 2019, inventories had increased by €/000 40,538, in line with the trend expected for production volumes and sales in the future.

23. Current and non-current trade receivables €/000 121,129

As of 31 March 2019 and 31 December 2018, there are no trade receivables in non-current assets. Current trade receivables are broken down as follows:

	As of 31 March 2019	As of 31 December 2018	Change
In thousands of Euros			
Trade receivables due from customers	120,023	85,293	34,730
Trade receivables due from JV	1,086	1,252	(166)
Trade receivables due from parent companies	14	12	2
Trade receivables due from associates	6		6
Total	**121,129**	**86,557**	**34,572**

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

The item Trade receivables comprises receivables referring to normal sale transactions, recorded net of a provision for bad debts of €/000 25,143.

The Group sells, on a rotating basis, a large part of its trade receivables with and without recourse. Piaggio has signed contracts with some of the most important Italian and foreign factoring companies as a move to optimise the monitoring and the management of its trade receivables, besides offering its customers an instrument for funding their own inventories, for factoring classified as without the substantial transfer of risks and benefits. On the contrary, for factoring without recourse, contracts have been formalised for the substantial transfer of risks and benefits.
As of 31 March 2019, trade receivables still due sold without recourse totalled €/000 137,126.
Of these amounts, Piaggio received payment prior to natural expiry of €/000 121,765.
As of 31 March 2019, advance payments received from factoring companies and banks, for trade receivables sold with recourse totalled €/000 9,870 with a counter entry recorded in current liabilities.

24. Other current and non-current receivables **€/000 42,621**

They consist of:

In thousands of Euros	As of 31 March 2019	As of 31 December 2018	Change
Non-current portion:			
Sundry receivables due from associates	94	94	0
Prepaid expenses	7,062	13,673	(6,611)
Advances to employees	42	45	(3)
Security deposits	1,404	1,309	95
Receivables due from others	2,087	1,504	583
Total non-current portion	**10,689**	**16,625**	**(5,936)**

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

In thousands of Euros	As of 31 March 2019	As of 31 December 2018	Change
Current portion:			
Sundry receivables due from parent companies	14,009	14,205	(196)
Sundry receivables due from JV	1,107	1,034	73
Sundry receivables due from associates	20	23	(3)
Accrued income	1,112	1,369	(257)
Prepaid expenses	6,414	2,880	3,534
Advance payments to suppliers	3,321	2,625	696
Advances to employees	323	2,133	(1,810)
Fair value of derivatives	512	4	508
Security deposits	299	263	36
Receivables due from others	4,815	8,971	(4,156)
Total current portion	**31,932**	**33,507**	**(1,575)**

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

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

Receivables due from associates regard amounts due from Immsi Audit.

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.

25. Current and non-current tax receivables **€/000 31,162**

Receivables due from tax authorities consist of:

	As of 31 March 2019	As of 31 December 2018	Change
In thousands of Euros			
VAT receivables	13,728	8,498	5,230
Income tax receivables	15,821	14,773	1,048
Other tax receivables	1,613	1,496	117
Total	**31,162**	**24,767**	**6,395**

Non-current tax receivables totalled €/000 17,344, compared to €/000 17,399 as of 31 December 2018, while current tax receivables totalled €/000 13,818 compared to €/000 7,368 as of 31 December 2018.

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

As of 31 March 2019, there were no receivables due after 5 years.

27. Assets held for sale **€/000 0**

As of 31 March 2019, there were no assets held for sale.

28. Current and non-current trade payables **€/000 484,113**

As of 31 March 2019 and as of 31 December 2018 no trade payables were recorded under non-current liabilities. Trade payables recorded as current liabilities are broken down as follows:

	As of 31 March 2019	As of 31 December 2018	Change
In thousands of Euros			
Amounts due to suppliers	477,498	424,320	53,178
Trade payables to JV	6,487	6,671	(184)
Trade payables due to other related parties	24	24	0
Amounts due to affiliated companies	53	55	(2)
Amounts due to parent companies	51	1,652	(1,601)
Total	**484,113**	**432,722**	**51,391**

29. Provisions (current and non-current portion) €/000 22,497

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

	Balance as of 31 December 2018	Allocations	Uses	Reclassifications	Exchange differences	Balance as of 31 March 2019
In thousands of Euros						
Provision for product warranties	16,594	2,596	(1,574)	14	137	17,767
Provision for contractual risks	2,972	178	(449)		10	2,711
Risk provision for legal disputes	1,788	13			10	1,811
Provisions for risk on guarantee	58					58
Other provisions for risks	685		(536)		1	150
Total	**22,097**	**2,787**	**(2,559)**	**14**	**158**	**22,497**

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

	As of 31 March 2019	As of 31 December 2018	Change
In thousands of Euros			
Non-current portion			
Provision for product warranties	5,705	5,361	344
Provision for contractual risks	2,310	2,310	0
Risk provision for legal disputes	1,213	1,213	0
Other provisions for risks and charges	84	620	(536)
Total non-current portion	**9,312**	**9,504**	**(192)**

	As of 31 March 2019	As of 31 December 2018	Change
In thousands of Euros			
Current portion			
Provision for product warranties	12,062	11,233	829
Provision for contractual risks	401	662	(261)
Risk provision for legal disputes	598	575	23
Provisions for risk on guarantee	58	58	0
Other provisions for risks and charges	66	65	1
Total current portion	**13,185**	**12,593**	**592**

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

The provision increased during the period by €/000 2,596 and was used for €/000 1,574 in relation to charges incurred during the period.

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

30. Deferred tax liabilities €/000 2,910

Deferred tax liabilities amount to €/000 2,910 compared to €/000 2,806 as of 31 December 2018.

31. Retirement funds and employee benefits €/000 42,899

	As of 31 March 2019	As of 31 December 2018	Change
In thousands of Euros			
Retirement funds	788	769	19
Post-employment benefits provision	42,111	40,537	1,574
Total	**42,899**	**41,306**	**1,593**

Retirement funds comprise provisions for employees allocated by foreign companies and additional customer indemnity provisions, which represent the compensation due to agents in the case of the agency contract being terminated for reasons beyond their control. Uses refer to the payment of benefits already accrued in previous years, while allocations refer to benefits accrued in the period.
The item "Termination benefits provision", comprising severance pay of employees of Italian companies, includes termination benefits indicated in defined benefit plans.
As regards the discount rate, the Group has decided to use the iBoxx Corporates AA rating with a 7-10 duration as the valuation reference.
If instead an iBoxx Corporates A rating with a 7-10 duration were used, the value of actuarial losses and the provision as of 31 March 2019 would have been lower by €1,358 thousand.

32. Current and non-current tax payables €/000 11,612

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

	As of 31 March 2019	As of 31 December 2018	Change
In thousands of Euros			
Due for income taxes	5,114	8,511	(3,397)
Due for non-income tax	24	50	(26)
Tax payables for:			
- VAT	3,702	2,010	1,692
- Tax withheld at source	2,621	3,803	(1,182)
- other	151	261	(110)
Total	6,474	6,074	400
Total	**11,612**	**14,635**	**(3,023)**

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

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

33. Other payables (current and non-current) €/000 53,910

This item comprises:

	As of 31 March 2019	As of 31 December 2018	Change
In thousands of Euros			
Non-current portion:			
Guarantee deposits	2,880	2,750	130
Deferred income	3,110	3,113	(3)
Other payables	76	76	0
Total non-current portion	**6,066**	**5,939**	**127**

	As of 31 March 2019	As of 31 December 2018	Change
In thousands of Euros			
Current portion:			
Payables to employees	21,993	17,452	4,541
Accrued expenses	6,451	3,782	2,669
Deferred income	620	1,403	(783)
Amounts due to social security institutions	5,182	8,584	(3,402)
Fair value of derivatives	387	16	371
Miscellaneous payables to JV	17	31	(14)
Sundry payables due to affiliated companies	5	5	0
Sundry payables due to parent companies	6,237	6,689	(452)
Other payables	6,952	10,258	(3,306)
Total current portion	**47,844**	**48,220**	**(376)**

Amounts due to employees include the amount for holidays accrued but not taken of €/000 11,076 and other payments to be made for €/000 10,917.

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

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

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

The item Accrued liabilities includes €/000 187 for interest on hedging derivatives and relative hedged items measured at fair value.

34. Payables due after 5 years

The Group has loans due after 5 years, which are referred to in detail in Note 39 Financial Liabilities and Operating Leases.

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

E) INFORMATION ON FINANCIAL ASSETS AND LIABILITIES

35. Investments €/000 8,383

The investments heading comprises:

	As of 31 March 2019	As of 31 December 2018	Change
In thousands of Euros			
Interests in joint ventures	8,235	7,786	449
Investments in affiliated companies	148	148	0
Total	**8,383**	**7,934**	**449**

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.

36. Other non-current financial assets €/000 6,666

	As of 31 March 2019	As of 31 December 2018	Change
In thousands of Euros			
Fair value of derivatives	6,629	5,992	637
Investments in other companies	37	37	0
Total	**6,666**	**6,029**	**637**

The item Fair Value derivatives is related to the fair value of the Cross Currency Swap on the private debenture loan.

37. Other current financial assets €/000 3,103

	As of 31 March 2019	As of 31 December 2018	Change
In thousands of Euros			
Fair value of derivatives	3,103	2,805	298
Total	**3,103**	**2,805**	**298**

The item refers to the fair value of the cross currency swap on the private debenture loan.

38. Cash and cash equivalents €/000 181,420

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

	As of 31 March 2019	As of 31 December 2018	Change
In thousands of Euros			
Bank and postal deposits	120,989	131,282	(10,293)
Cash on hand	47	62	(15)
Securities	60,384	57,396	2,988
Total	**181,420**	**188,740**	**(7,320)**

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

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

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

	As of 31 March 2019	As of 31 March 2018	Change
In thousands of Euros			
Liquidity	181,420	125,213	56,207
Current account overdrafts	(7)	(352)	345
Closing balance	**181,413**	**124,861**	**56,552**

39. Financial liabilities and operating leases (current and non-current) €/000 666,870

During the first quarter of 2019, the Group's total debt increased by €/000 40,870. This increase referred to €/000 20,270 due to the adoption of the new accounting standard IFRS 16 as from 1 January 2019. For the relative effects, see the previous section "New accounting standards, amendments and interpretations applied as from 1 January 2019". Total financial debt of the Group, net of the fair value measurement of financial derivatives to hedge foreign exchange risk and interest rate risk and the adjustment of relative hedged items, as of 31 March 2019, increased by €/000 39,867.

	Financial liabilities as of 31 March 2019			**Financial liabilities as of 31 December 2018**			**Change**		
	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total
In thousands of Euros									
Gross financial debt	135,403	502,156	637,559	110,939	507,023	617,962	24,464	(4,867)	19,597
Amounts due under operating leases	6,129	14,141	20,270				6,129	14,141	20,270
Fair value adjustment	2,882	6,159	9,041	2,563	5,475	8,038	319	684	1,003
Total	**144,414**	**522,456**	**666,870**	**113,502**	**512,498**	**626,000**	**30,912**	**9,958**	**40,870**

Net financial debt of the Group amounted to €/000 476,409 as of 31 March 2019 compared to €/000 429,222 as of 31 December 2018.

	As of 31 March 2019	As of 31 December 2018	Change
In thousands of Euros			
Liquidity	**181,420**	**188,740**	**(7,320)**
Securities			
Current financial receivables	**0**	**0**	**0**
Payables due to banks	(73,934)	(47,033)	(26,901)
Current portion of bank loans	(40,109)	(42,708)	2,599
Debenture loan	(10,333)	(10,325)	(8)
Amounts due to factoring companies	(9,870)	(9,291)	(579)
Amounts due under finance leases	(1,131)	(1,237)	106
Amounts due under operating leases	(6,129)		(6,129)
Current portion of payables due to other lenders	(26)	(345)	319
Current financial debt	**(141,532)**	**(110,939)**	**(30,593)**
Net current financial debt	**39,888**	**77,801**	**(37,913)**
Payables due to banks and lenders	(202,634)	(207,239)	4,605
Debenture loan	(291,721)	(291,694)	(27)
Amounts due under finance leases	(7,645)	(7,930)	285
Amounts due under operating leases	(14,141)		(14,141)
Amounts due to other lenders	(156)	(160)	4
Non-current financial debt	**(516,297)**	**(507,023)**	**(9,274)**
NET FINANCIAL DEBT	**(476,409)**	**(429,222)**	**(47,187)**
of which operating leases	**(20,270)**	**0**	**(20,270)**

Non-current financial liabilities totalled €/000 516,297 against €/000 507,023 as of 31 December 2018, whereas current financial liabilities totalled €/000 141,532 compared to €/000 110,939 as of 31 December 2018.

The attached tables summarise the breakdown of financial debt as of 31 March 2019 and as of 31 December 2018, as well as changes for the period.

	Balance as of 31.12.2018	Cash flows			Reclassi fications	Exchange differences	Other changes	Balance as of 31.03.2019
		Changes	**Repayments**	**New issues**				
In thousands of Euros								
Liquidity	**188,740**		**(18,952)**	**8,270**		**3,490**	(128)	**181,420**
Securities	0							0
Current financial receivables	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Current account overdrafts	(354)		354	(7)				(7)
Current account payables	(46,679)		13,012	(40,260)				(73,927)
Current portion of medium-/long-term bank loans	(42,708)		12,485		(10,324)	180	258	(40,109)
Total current bank loans	*(89,741)*	*0*	*25,851*	*(40,267)*	*(10,324)*	*180*	*258*	*(114,043)*
Debenture loan	(10,325)						(8)	(10,333)
Amounts due to factoring companies	(9,291)		9,291	(9,870)				(9,870)
Amounts due under finance leases	(1,237)		391		(285)			(1,131)
Amounts due under operating leases							(6,129)	(6,129)
Current portion of payables due to other lenders	(345)		323		(4)			(26)
Current financial debt	**(110,939)**	**0**	**35,856**	**(50,137)**	**(10,613)**	**180**	**(5,879)**	**(141,532)**
Net current financial debt	**77,801**	**0**	**16,904**	**(41,867)**	**(10,613)**	**3,670**	**(6,007)**	**39,888**
Medium-/long-term bank loans	(207,239)			(5,000)	10,324	(719)		(202,634)
Debenture loan	(291,694)						(27)	(291,721)
Amounts due under finance leases	(7,930)				285			(7,645)
Amounts due under operating leases							(14,141)	(14,141)
Amounts due to other lenders	(160)				4			(156)
Non-current financial debt	**(507,023)**	**0**	**0**	**(5,000)**	**10,613**	**(719)**	**(14,168)**	**(516,297)**
NET FINANCIAL DEBT	**(429,222)**	**0**	**16,904**	**(46,867)**	**0**	**2,951**	**(20,175)**	**(476,409)**
of which operating leases	**0**	**0**	**0**	**0**	**0**	**0**	**(20,270)**	**(20,270)**

Medium and long-term bank debt amounts to €/000 242,743 (of which €/000 202,634 non-current and €/000 40,109 current) and consists of the following loans:

- a €/000 10,909 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 45,641 medium-term loan (nominal value of €/000 45,714) 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 €/000 120,974 syndicate loan (nominal value of €/000 122,500) for a total of €/000 250,000 signed in June 2018 and comprising a €/000 187,500 four-year tranche (with a year's extension at the discretion of the borrower) as a revolving credit line (of which a nominal value of €/000 60,000 used as of 31 March 2019) and a tranche as a five-year loan with amortisation of €/000 62,500. Contract terms require covenants (described below);
- a €/000 12,223 medium-term loan (nominal value of €/000 12,240) granted by UBI Banca. The loan will fall due on 30 June 2021 and has an amortisation quota of quarterly instalments;
- a €/000 19,955 medium-term loan (nominal value of €/000 20,000) granted by Banca Popolare Emilia Romagna. The loan will fall due on 1 December 2023 and has an amortisation quota of six-monthly instalments;
- a €/000 7,956 loan from Banco BPM comprising a tranche granted as a loan with amortisation and maturing in July 2022. The credit line also includes a €/000 12,500 tranche granted as a revolving credit line, entirely drawn as of 31 March 2019 and classified under current bank payables, even if the debt will mature in January 2021. Contract terms require covenants (described below);
- a €/000 6,963 medium-term loan (nominal value of €/000 7,000) granted by Interbanca-Banca IFIS. The loan will fall due on 30 September 2022 and has a quarterly repayment plan. Contract terms require covenants (described below);
- a €/000 8,039 medium term loan (nominal value of €/000 8,039) granted by Banca del Mezzogiorno comprising a €/000 8,033 tranche granted as a loan maturing on 2 January 2023 and with an amortisation quota of six-monthly instalments and a €/000 20,000 tranche granted as a revolving credit line, entirely drawn as of 31 March 2019, and classified under current bank payables, even if the debt will mature on 1 July 2022. Contract terms require covenants (described below);
- a €/000 9,896 medium-term loan for VND/000 255,789,109 granted by VietinBank to the affiliate Piaggio Vietnam (for a total amount of VND/000 414,000,000) to fund the Research & Development investment plan. The loan matures in June 2021, with a repayment schedule in 7 six-monthly instalments, starting from June 2018, with a fixed rate for the first year, followed by a variable rate;
- a €/000 187 loan from Intesa Sanpaolo granted pursuant to Italian Law no. 346/88 on subsidised applied research.

All the above financial liabilities are unsecured.

The item Bonds for €/000 302,054 (nominal value of €/000 312,461) refers to:

- a €/000 32,411 private debenture loan (nominal value of €/000 32,461), (US Private Placement) issued on 25 July 2011 for $/000 75,000 wholly subscribed by an American institutional investor, payable in 5 annual portions from July 2017, with a semi-annual coupon. As of 31 March 2019, the fair value measurement of the debenture loan was equal to €/000 41,502; (the fair value is determined based on IFRS relative to the measurement of 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 29,889 (nominal value of €/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 has no specific rating or listing on a regulated market;
- €/000 239,754 (nominal value of €/000 250,000) related to a high-yield debenture loan issued on 30 April 2018 for a nominal amount of €/000 250,000, maturing on 30 April 2025 and with a semi-annual coupon with fixed annual nominal rate of 3.625%. Standard & Poor's and Moody's assigned a BB- rating with a stable outlook and a Ba3 rating with a stable outlook respectively.

The company may repay in advance:

- all or part of the amount of the high yield debenture loan issued on 30 April 2018, according to the conditions indicated in the indenture. The value of prepayment options was not deducted from the original contract, as these are considered as being closely related to the host instrument, as provided for by IFRS 9 b4.3.5;
- 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 IFRS 9 b4.3.5.

Financial advances received from factoring companies and banks, on the sale of trade receivables with recourse, totalled €/000 9,870.

Payables for finance lease were equal to €/000 8,776 (nominal value of €/000 8,789) and refer to 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 7,645).

Payables for operating leases totalled €/000 20,270 (non-current portion equal to €/000 14,141).

Medium-/long-term payables due to other lenders equal to €/000 182 of which €/000 156 due after the year and €/000 26 as the current portion, are detailed as follows:

- a loan of €/000 21 from BMW Finance for the purchase of cars (non-current portion equal to €/000 7);

- a subsidised loan for a total of €/000 161 from the Region of Tuscany, related to regulations on incentives for investments in research and development (non-current portion equal to €/000 149).

Covenants

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

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

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

The high yield debenture loan issued by the company in April 2018 provide for compliance with covenants which are typical of international practice on the high yield market. In particular, the company must observe the EBITDA/Net borrowing costs index, based on the threshold established in the Prospectus, to increase financial debt defined during issue. In addition, the Prospectus includes some obligations for the issuer, which limit, inter alia, the capacity to:

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

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

Financial instruments

Exchange Risk

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

This policy analyses:

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

As of 31 March 2019, the Group had undertaken the following futures operations (recognised based on the settlement date), relative to payables and receivables already recognised to hedge the settlement 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	202,500	25,908	11/06/2019
Piaggio & C.	Purchase	GBP	150	175	26/04/2019
Piaggio & C.	Purchase	JPY	180,000	1,435	22/05/2019
Piaggio & C.	Purchase	SEK	7,000	668	05/04/2019
Piaggio & C.	Purchase	USD	19,050	16,690	13/05/2019
Piaggio & C.	Sale	CAD	4,250	2,798	20/06/2019
Piaggio & C.	Sale	GBP	10,020	11,197	12/08/2019
Piaggio & C.	Sale	JPY	20,000	159	31/05/2019
Piaggio & C.	Sale	SEK	2,000	191	28/06/2019
Piaggio & C.	Sale	USD	44,800	39,132	13/05/2019
Piaggio & C.	Sale	INR	640,000	8,064	15/04/2019
Piaggio Vehicles Private Limited	Sale	USD	3,275	226,961	25/03/2019
Piaggio Vehicles Private Limited	Sale	€	4,324	352,770	26/02/2019
Piaggio Indonesia	Purchase	USD	5,967	85,197,625	16/05/2019
Piaggio Vietnam	Purchase	€	4,800	126,630,000	09/05/2019
Piaggio Vietnam	Sale	USD	33,000	767,874,000	05/03/2019
Piaggio Vietnam	Sale	JPY	35,000	7,334,600	07/05/2019

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

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

As of 31 March 2019, the Group had the following transactions to hedge the exchange risk:

Company	Operation	Currency	Amount in currency	Value in local currency (forward exchange rate)	Average maturity
			In thousands	*In thousands*	
Piaggio & C.	Purchase	CNY	79,000	9,843	08/08/2019
Piaggio & C.	Sale	GBP	9,470	10,552	14/08/2019

To hedge the economic exchange risk alone, cash flow hedging is adopted with the effective portion of profits and losses recognised in a specific shareholders' equity reserve. Fair value is determined based on market quotations provided by main traders.
As of 31 March 2019 the total fair value of hedging instruments for the economic exchange risk recognised on a hedge accounting basis was positive by €/000 125.

Interest rate risk

This risk arises from fluctuating interest rates and the impact this may have on future cash flows arising from variable rate financial assets and liabilities. The Group regularly measures and controls its exposure to the risk of interest rate changes, as established by its management policies, in order to reduce fluctuating borrowing costs, and limit the risk of a potential increase in interest rates. This objective is achieved through an adequate mix of fixed and variable rate exposure, and the use of derivatives, mainly interest rate swaps and cross currency swaps.
As of 31 March 2019, the following hedging derivatives were in use:

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

- a Cross Currency Swap to hedge the private debenture loan issued by the Parent Company for a nominal amount of $/000 47,000. The purpose of the instrument is to hedge both the exchange risk and interest rate risk, turning the loan from US dollars to euro, and from a fixed rate to a variable rate; the instrument is accounted for on a fair value hedge basis, with effects arising from the measurement recognised in profit or loss. As of 31 March 2019 the fair value of the instrument was equal to €/000 9,732. The net economic effect arising from the measurement of the instrument and underlying private debenture loan was equal to €/000 59.

	FAIR VALUE
In thousands of Euros	
Piaggio & C. S.p.A.	
Cross Currency Swap	9,732

F) INFORMATION ON SHAREHOLDERS' EQUITY

40. Share capital and reserves **€/000 402,064**

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

Share capital €/000 207,614

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

Therefore, as of 31 March 2019, 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 (1,685)

During the period, 80,000 treasury shares were acquired. Therefore, as of 31 March 2019, Piaggio & C. held 873,818 treasury shares, equal to 0.244% of the shares issued.

Shares in circulation and treasury shares

	2019	**2018**
no. of shares		
Situation as of 1 January		
Shares issued	358,153,644	358,153,644
Treasury portfolio shares	793,818	0
Shares in circulation	357,359,826	358,153,644
Movements for the period		
Purchase of treasury shares	80,000	793,818
Situation as of 31 March 2019 and 31 December 2018		
Shares issued	358,153,644	358,153,644
Treasury portfolio shares	873,818	793,818
Shares in circulation	357,279,826	357,359,826

Share premium reserve €/000 7,171

The share premium reserve as of 31 March 2019 was unchanged compared to 31 December 2018.

Legal reserve €/000 20,125

The legal reserve as of 31 March 2019 was unchanged compared to 31 December 2018.

Financial instruments’ fair value reserve €/000 (5)

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

Dividends €/000 32,155

The Shareholders' Meeting of Piaggio & C. S.p.A. of 12 April 2019 resolved to distribute a dividend of 9.0 eurocents per ordinary share. During April of this year, dividends were therefore distributed to a total value of €/000 32,155. During 2018, dividends totalling €/000 19,698 were paid.

	Total amount		**Dividend per share**	
	2019	**2018**	**2019**	**2018**
	€/000	€/000	€	€
Resolved (2019) and paid (2018)	32,155	19,698	0.090	0.055

Earnings reserve €/000 208,519

Capital and reserves of non-controlling interest €/000 (214)

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 2,426

The figure is broken down as follows:

In thousands of Euros	*Reserve for measurement of financial instruments*	*Group translation reserve*	*Earnings reserve*	*Group total*	*Share capital and reserves attributable to non-controlling interests*	*Total Other components of the Statement of Comprehensive Income*
As of 31 March 2019						
Items that will not be reclassified in the income statement						
Remeasurements of defined benefit plans			(1,351)	(1,351)		(1,351)
Total	0	0	(1,351)	(1,351)	0	(1,351)
Items that may be reclassified in the income statement						
Total translation gains (losses)		3,236		3,236		3,236
Portion of components of the Statement of Comprehensive Income of subsidiaries/associates valued with the equity method		432		432		432
Total profits (losses) on cash flow hedges	109			109		109
Total	109	3,668	0	3,777	0	3,777
Other components of the Statement of Comprehensive Income	**109**	**3,668**	**(1,351)**	**2,426**	**0**	**2,426**
As of 31 March 2018						
Items that will not be reclassified in the income statement						
Remeasurements of defined benefit plans			(833)	(833)		(833)
Total	0	0	(833)	(833)	0	(833)
Items that may be reclassified in the income statement						
Total translation gains (losses)		(4,420)		(4,420)	7	(4,413)
Portion of components of the Statement of Comprehensive Income of subsidiaries/associates valued with the equity method		72		72		72
Total profits (losses) on cash flow hedges	215			215		215
Total	215	(4,348)	0	(4,133)	7	(4,126)
Other components of the Statement of Comprehensive Income	**215**	**(4,348)**	**(833)**	**(4,966)**	**7**	**(4,959)**

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

	As of 31 March 2019			**As of 31 March 2018**		
In thousands of Euros	*Gross value*	*Tax (expense) / benefit*	*Net value*	*Gross value*	*Tax (expense) / benefit*	*Net value*
Remeasurements of defined benefit plans	(1,778)	427	(1,351)	(1,085)	252	(833)
Total translation gains (losses)	3,236		3,236	(4,413)		(4,413)
Portion of components of the Statement of Comprehensive Income of subsidiaries/associates measured with the equity method	432		432	72		72
Total profits (losses) on cash flow hedges	143	(34)	109	232	(17)	215
Other components of the Statement of Comprehensive Income	**2,033**	**393**	**2,426**	**(5,194)**	**235**	**(4,959)**

G) OTHER INFORMATION

42. Share-based incentive plans

As of 31 March 2019, there were no incentive plans based on financial instruments.

43. Information on related parties

Revenues, costs, receivables and payables as of 31 March 2019 involving parent companies, subsidiaries and affiliated companies refer to the sale of goods or services which are a part of normal operations of the Group.
Transactions are carried out at normal market values, depending on the characteristics of the goods and services provided.
Information on transactions with related parties, including information required by Consob in its communication of 28 July 2006 n. DEM/6064293, is reported in the notes of the Consolidated Financial Statements.
The procedure for transactions with related parties, pursuant to article 4 of Consob Regulation no. 17221 of 12 March 2010 as amended, approved by the Board on 30 September 2010, is published on the institutional site of the Issuer www.piaggiogroup.com, under *Governance*.

Relations with Parent Companies

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

Designation	**Registered office**	**Type**	**% of ownership**	
			As of 31 March 2019	**As of 31 December 2018**
IMMSI S.p.A.	Mantova - Italy	Direct parent company	50.6287	50.6287
Omniaholding S.p.A.	Mantova - Italy	Final parent company	0.0215	0.0215

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, or calculated as a decrease of overall income for subsequent tax periods, according to the procedures in article 84, based on the criterion established by the consolidation agreement.

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.

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 Technology 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 Technology 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.

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:

<u>Piaggio & C. S.p.A.</u>

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

<u>Foshan Piaggio Vehicles Technology R&D</u>

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

<u>Zongshen Piaggio Foshan Motorcycle Co. Ltd</u>

- 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.
    - Piaggio Vehicles Private Limited

As of 31 March 2019	Fondazione Piaggio	Zongshen Piaggio Foshan	IMMSI Audit	Is Molas	Studio Girelli	Trevi	Omniaholding	IMMSI	**Total**	**% of accounting item**
In thousands of Euros										
Income statement										
Revenues from sales		32							**32**	**0.01%**
Costs for materials		(4,093)							**(4,093)**	**1.96%**
Costs for services			(205)	(15)				(317)	**(537)**	**1.08%**
Insurance								(7)	**(7)**	**0.65%**
Leases and rentals							(25)		**(25)**	**0.92%**
Amortisation of rights of use							(47)	(321)	**(368)**	**21.46%**
Other operating income		39	6					13	**58**	**0.22%**
Other operating costs								(3)	**(3)**	**0.07%**
Write-down/Impairment of investments		18							**18**	**100.00%**
Financial income								7	**7**	**0.74%**
Borrowing costs							(4)	(39)	**(43)**	**0.61%**
Assets										
Other non-current receivables	94								**94**	**0.88%**
Current trade receivables		1,086	6					14	**1,106**	**0.91%**
Other current receivables		1,107	20					14,009	**15,136**	**47.40%**
Liabilities										
Financial liabilities for operating leases > 12 months							245	3,826	**4,071**	**28.79%**
Financial liabilities for operating leases < 12 months							167	1,223	**1,390**	**22.68%**
Current trade payables	1	6,487	50	2	16	8	58	(7)	**6,615**	**1.37%**
Other current payables	5	17						6,237	**6,259**	**13.08%**

44. Significant non-recurring events and operations

For the first quarter of 2019 and first quarter of 2018, no significant non-recurrent transactions were recorded.

45. Transactions arising from atypical and/or unusual transactions

During 2018 and the first quarter of 2019, the Group did not record any significant atypical and/or unusual operations, as defined by Consob Communication DEM/6037577 of 28 April 2006 and DEM/6064293 of 28 July 2006.

46. Events occurring after the end of the period

To date, no events have occurred after 31 March 2019 that make additional notes or adjustments to these Financial Statements necessary.

In this regard, reference is made to the Report on Operations for significant events after 31 March 2019.

47. Authorisation for publication

This document was published on 15 May 2019 authorised by the Chairman and Chief Executive Officer.

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

Milan, 7 May 2019

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