PIAGGIO GROUP

HALF-YEAR FINANCIAL REPORT AS OF 30 JUNE 2019

CONTENTS

REPORT ON OPERATIONS

REPORT ON OPERATIONS

INTRODUCTION

This Half-Year Financial Report as of 30 June 2019 was prepared in compliance with article 154-ter of Italian Legislative Decree no. 58/1998 and includes the Interim Directors' Report, Condensed Consolidated Interim Financial Statements and Certification required by article 154-bis of Italian Legislative Decree 58/98.
The Condensed Consolidated Interim Financial Statements were prepared in compliance with international accounting standards (IAS/IFRS) that are applicable pursuant to Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 and in particular IAS 34 - Interim Financial Reporting, as well as measures issued implementing article 9 of Italian Legislative Decree 38/2005. The structure and content of the reclassified consolidated financial statements contained in the Interim Directors' Report and mandatory statements included in this Report are in line with those prepared for the annual Financial Statements.
The notes have been prepared in compliance with provisions in IAS 34 - Interim Financial Reporting, also considering the provisions of Consob in its communication no. 6064293 of 28 July 2006. The information in this Report is not therefore similar to the information of complete financial statements prepared in accordance with IAS 1.

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.

KEY OPERATING AND FINANCIAL DATA

	1st half		2018 Financial Statements
	2019	2018	
IN MILLIONS OF EUROS			
Data on financial position			
Net revenues	817.0	729.6	1,389.5
Gross industrial margin	250.0	228.3	423.6
Operating income	75.1	61.9	92.8
Profit before tax	62.8	48.5	67.8
Net profit	34.6	26.7	36.1
.Non-controlling interests			
.Group	34.6	26.7	36.1
Data on financial performance			
Net capital employed (NCE)	811.7	815.7	821.2
Net debt	(418.0)	(431.4)	(429.2)
Shareholders' equity	402.1	384.3	392.0
Balance sheet figures and financial ratios			
Gross margin as a percentage of net revenues (%)	30.6%	31.3%	30.5%
Net profit as a percentage of net revenues (%)	4.2%	3.7%	2.6%
ROS (Operating income/net revenues)	9.2%	8.5%	6.7%
ROE (Net profit/shareholders' equity)	8.6%	6.9%	9.2%
ROI (Operating income/NCE)	9.2%	7.6%	11.3%
EBITDA	134.3	116.6	201.8
EBITDA/net revenues (%)	16.4%	16.0%	14.5%
Other information			
Sales volumes (unit/000)	321.5	304.0	603.6
Investments in property, plant and equipment and intangible assets	60.4	47.8	115.3
Employees at the end of the period (number)	6,468	6,976	6,515

Results by operating segments

		EMEA and AMERICAS	INDIA	ASIA PACIFIC 2W	TOTAL
Sales volumes (units/000)	1st half of 2019	142.1	132.2	47.2	**321.5**
	1st half of 2018	133.2	131.5	39.3	**304.0**
	Change	8.9	0.7	7.9	**17.5**
	Change %	6.7%	0.5%	20.2%	**5.7%**
Turnover (million euros)	1st half of 2019	500.0	210.4	106.5	**817.0**
	1st half of 2018	453.2	193.7	82.7	**729.6**
	Change	46.8	16.8	23.8	**87.4**
	Change %	10.3%	8.7%	28.8%	**12.0%**
Average number of staff (no.)	1st half of 2019	3,638.9	1,915.3	938.5	**6,492.7**
	1st half of 2018	3,677.7	2,156.0	855.8	**6,689.5**
	Change	(38.8)	(240.7)	82.7	**(196.8)**
	Change %	-1.1%	-11.2%	9.7%	**-2.9%**
Investment in property, plant and equipment and intangible assets (million euros)	1st half of 2019	47.2	10.0	3.2	**60.4**
	1st half of 2018	39.2	7.3	1.2	**47.8**
	Change	8.0	2.7	2.0	**12.6**
	Change %	20.3%	36.7%	163.3%	**26.5%**

GROUP PROFILE

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

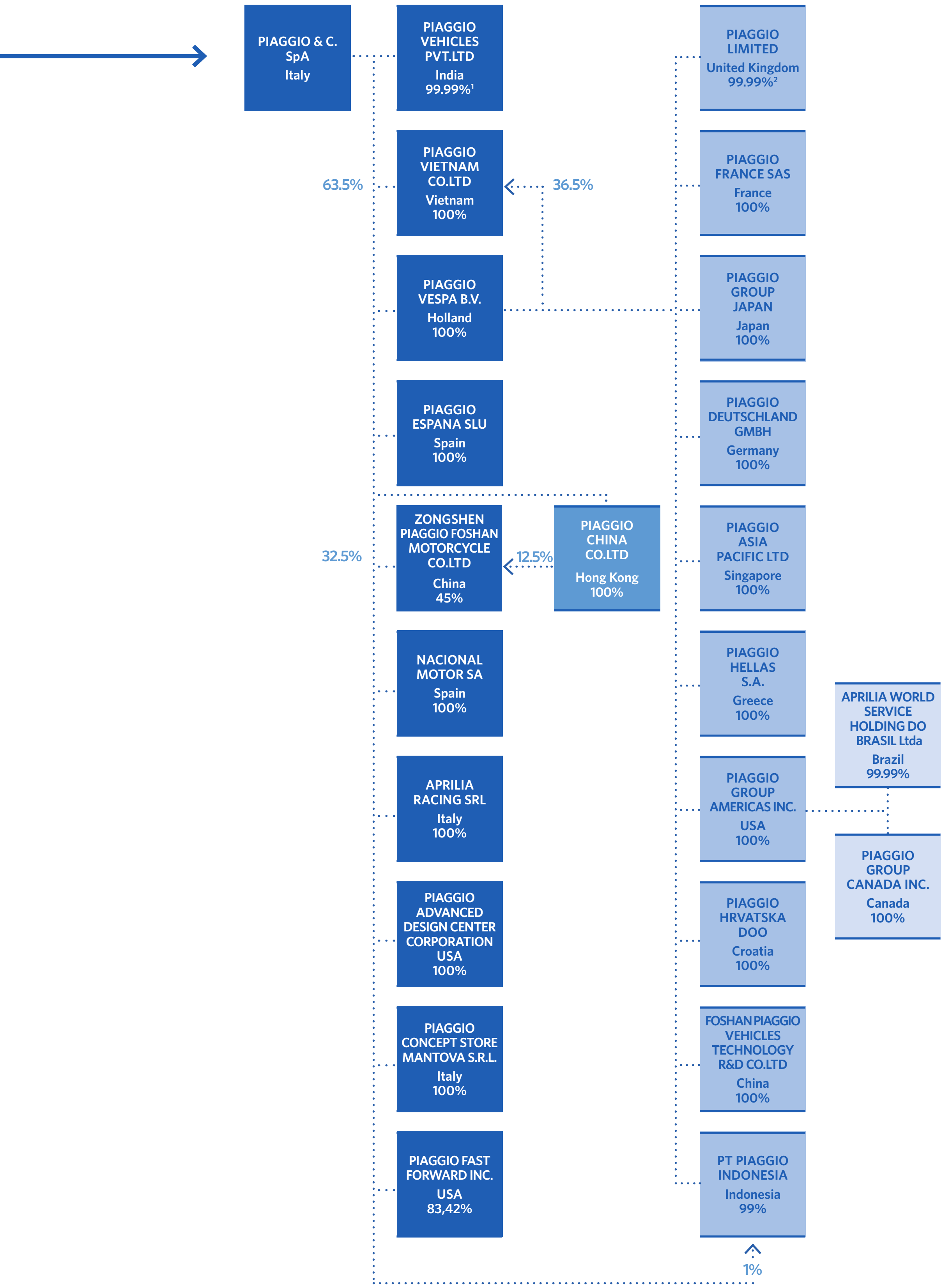
Mission

The mission of the Piaggio Group is to generate value for its shareholders, customers 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.

Values

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

COMPANY STRUCTURE AT 30 JUNE 2019



AFFILIATED COMPANIES

PONT-TECH S.R.L.
held 20.45%
by Piaggio & C. SpA

SAT S.A.
held 20%
by Piaggio Vespa B.V.

IMMSI AUDIT S.C.A.R.L.
held 25%
by Piaggio & C. SpA

DEPURADORA D'AIGUES DE MARTORELLES
held 22%
by Nacional Motor S.A.

1 The residual portion is held by Piaggio Vespa B.V.
2 The residual portion is held by Piaggio & C. SpA

COMPANY BOARDS

BOARD OF DIRECTORS	
Chairman and Chief Executive Officer	Roberto Colaninno (1), (2)
Deputy Chairman	Matteo Colaninno
Directors	Michele Colaninno
	Giuseppe 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.


aprilia
X
PIRELLI

SIGNIFICANT EVENTS DURING THE FIRST HALF 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.

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 (Berlin), in Malta and in Greece (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.

28 June 2019 - The extraordinary Shareholders' Meeting met to examine and approve the proposed amendment to articles 5, 7, 8, 12 and 27 of the Articles of Association. Specifically: i) paragraph 4 of article 5 has been eliminated, as it referred to a resolution to increase capital, of which the deadline for subscription had expired; ii) article 7 was supplemented with the indication of an additional national newspaper in which to publish the excerpt of the notice convening the Shareholders' Meeting; iii) paragraph 4 was added to article 8, in order to establish that the Company is not required to nominate a party that shareholders can appoint as proxy to represent them at the Shareholders' Meeting pursuant to article 135-undecies of Italian Legislative Decree no. 58/1998; iv) paragraph 3 of article 12 was amended, in order to clarify that each list presented for renewal of the Board may now contain a number of candidates equal to the maximum number of Board members provided for in the Articles of Association, thus eliminating the previously existing obligation; v) lastly, article 27 was amended, introducing a new paragraph, 2, in order to establish the possibility for the Board of Directors of the Company to resolve the payment of an interim dividend, in compliance with applicable regulations and laws, in effect from time to time. The Articles of Association not directly affected by the amendments were unchanged.

FINANCIAL POSITION AND PERFORMANCE OF THE GROUP

Consolidated income statement (reclassified)

	1ST HALF OF 2019		1ST HALF OF 2018		CHANGE	
	IN MILLIONS OF EUROS	ACCOUNTING FOR A %	IN MILLIONS OF EUROS	ACCOUNTING FOR A %	IN MILLIONS OF EUROS	%
Net revenues	817.0	100.0%	729.6	100.0%	87.4	12.0%
Cost to sell	(567.0)	-69.4%	(501.3)	-68.7%	(65.6)	13.1%
Gross industrial margin	**250.0**	**30.6%**	**228.3**	**31.3%**	**21.7**	**9.5%**
Operating expenses	(174.9)	-21.4%	(166.4)	-22.8%	(8.6)	5.1%
EBITDA	**134.3**	**16.4%**	**116.6**	**16.0%**	**17.7**	**15.2%**
Amortisation/Depreciation	(59.2)	-7.2%	(54.7)	-7.5%	(4.5)	8.2%
Operating income	**75.1**	**9.2%**	**61.9**	**8.5%**	**13.2**	**21.3%**
Result of financial items	(12.2)	-1.5%	(13.4)	-1.8%	1.1	-8.6%
Profit before tax	**62.8**	**7.7%**	**48.5**	**6.6%**	**14.3**	**29.5%**
Taxes	(28.3)	-3.5%	(21.8)	-3.0%	(6.4)	29.5%
Net profit	**34.6**	**4.2%**	**26.7**	**3.7%**	**7.9**	**29.5%**

Net revenues

	1ST HALF 2019	1ST HALF 2018	CHANGE
IN MILLIONS OF EUROS			
EMEA and Americas	500.0	453.2	46.8
India	210.4	193.7	16.8
Asia Pacific 2W	106.5	82.7	23.8
TOTAL NET REVENUES	**817.0**	**729.6**	**87.4**
Two-wheeler	583.4	520.5	63.0
Commercial Vehicles	233.5	209.1	24.4
TOTAL NET REVENUES	**817.0**	**729.6**	**87.4**

In terms of consolidated turnover, the Group closed the first half of 2019 with net revenues up compared to the same period in 2018 (+12.0%).
All geographic segments reported growth trends (EMEA and Americas +10.3%; India +8.7%; +7.5% with constant exchange rates; Asia Pacific +28.8%; +23.1% with constant exchange rates).
As regards product type, the increase in turnover was significant for both two-wheeler vehicles (+12.1%) and Commercial Vehicles (+11.7%). As a result, the percentage of two-wheeler vehicles accounting for overall turnover was basically stable at 71.4%, while for Commercial vehicles this percentage stood at 28.6%.

The Group's **gross industrial margin** increased in absolute terms compared to the first half of the previous year (+9.5%), equal to 30.6% of net turnover (31.3% as of 30 June 2018).
Amortisation/depreciation included in the gross industrial margin was equal to €15.6 million (€16.2 million in the first half of 2018).

Operating expenses incurred in the period went up compared to the same period of the previous year, amounting to €174.9 million. However, the percentage accounting for net turnover decreased, from 22.8% as of 30 June 2018 to the current figure of 21.4%.

The change in the aforementioned income statement resulted in a greater consolidated **EBITDA**, which was equal to €134.3 million (€116.6 million in the first half of 2018). In relation to turnover, EBITDA was equal to 16.4% (16.0% in the first half of 2018). This growth trend partially benefited (€+3.7 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 €75.1 million, up on the figure for the first half of 2018; in comparison with turnover, EBIT was equal to 9.2% (8.5% in the first half of 2018). The effects from the adoption of the new accounting standard IFRS 16 were €+0.3 milion.

The results for **financing activities** improved compared to the first six months of the previous year, due to a lower debt exposure and reduction in borrowing costs, with Net Charges amounting to €12.2 million (€13.4 million as of 30 June 2018). This improvement was significant, considering that figures for the first half of 2018 included €0.9 million from non-recurrent net income generated by the liability management operation on the "Eur 250 million Piaggio 4.625% due 2021" debenture loan.

Income taxes for the period are estimated at €28.3 million, equivalent to 45% of profit before tax.

Net profit stood at €34.6 million (4.2% of turnover), also an improvement on the figure for the same period of the previous financial year (€26.7 million, or 3.7% of turnover).

Operating data

VEHICLES SOLD

	1ST HALF 2019	1ST HALF 2018	CHANGE
IN THOUSANDS OF UNITS			
EMEA and Americas	142.1	133.2	8.9
India	132.2	131.5	0.7
Asia Pacific 2W	47.2	39.3	7.9
TOTAL VEHICLES	**321.5**	**304.0**	**17.5**
Two-wheeler	215.9	203.9	12.0
Commercial Vehicles	105.7	100.1	5.5
TOTAL VEHICLES	**321.5**	**304.0**	**17.5**

During the first half of 2019, the Piaggio Group sold 321,500 vehicles worldwide, recording a growth of 5.7% compared to the first six months of the previous year, when vehicles sold amounted to 304,000. All geographic segments reported growth trends (EMEA and Americas +6.7%; India +0.5%; Asia Pacific +20.2%). As regards product type, both two-wheelers (+5.9%) and commercial vehicles (+5.5%) registered growth.

STAFF

In the first half of 2019, the average workforce had decreased in all geographic segments, 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	1ST HALF OF 2019	1ST HALF OF 2018	CHANGE
EMPLOYEE/STAFF NUMBERS			
EMEA and Americas	3,638.9	3,677.7	(38.8)
of which Italy	*3,365.7*	*3,434.7*	*(69.0)*
India	1,915.3	2,156.0	(240.7)
Asia Pacific 2W	938.5	855.8	82.7
Total	**6,492.7**	**6,689.5**	**(196.8)**

As of 30 June 2019, the Group had 6,468 employees, a total reduction of 47 compared to 31 December 2018, mainly attributable to India.

BREAKDOWN OF COMPANY EMPLOYEES BY REGION	AS OF 30 JUNE 2019	AS OF 31 DECEMBER 2018	AS OF 30 JUNE 2018
EMPLOYEE/STAFF NUMBERS			
EMEA and Americas	3,679	3,586	3,681
of which Italy	*3,401*	*3,324*	*3,430*
India	1,851	2,026	2,426
Asia Pacific 2W	938	903	869
Total	**6,468**	**6,515**	**6,976**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION[3]

STATEMENT OF FINANCIAL POSITION	AS OF 30 JUNE 2019	AS OF 31 DECEMBER 2018	CHANGE
IN MILLIONS OF EUROS			
Net working capital	(95.5)	(59.5)	(36.0)
Property, plant and equipment	275.3	276.5	(1.2)
Intangible assets	664.8	658.9	5.9
Rights of use	26.2		26.2
Financial assets	9.5	8.7	0.7
Provisions	(68.6)	(63.4)	(5.2)
Net capital employed	**811.7**	**821.2**	**(9.5)**
Net Financial Debt	418.0	429.2	(11.2)
Shareholders' equity	393.7	392.0	1.7
Sources of financing	**811.7**	**821.2**	**(9.5)**
Non-controlling interests	(0.2)	(0.2)	(0.0)

As of 30 June 2019, **net working capital** amounted to negative €95.5 million, with a cash generation equal to approximately €36.0 million in the first six months of 2019.

Property, plant and equipment, which include investment property, totalled €275.3 million as of 30 June 2019, down by around €1.2 million compared to 31 December 2018. This reduction is mainly due to the effect of the write-down of investment property (approximately €1.0 million).

Intangible assets totalled €664.8 million, increasing by approximately €5.9 million, due mainly to the imbalance between investments and amortisation for the period.

Rights of use, equal to €26.2 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 €9.5 million, increased by €0.7 million compared to figures for the previous year.

Provisions totalled €68.6 million, up compared to 31 December 2018 (€63.4 million).

As fully described in the next section on the "Consolidated Statement of Cash Flows", **net financial debt** as of 30 June 2019 was equal to €418.0 million, compared to €429.2 million as of 31 December 2018.
The reduction of approximately €11.2 million (€31.2 million excluding the effect of adopting the new accounting standard IFRS 16) is due to the positive performance of operations, which enabled the payment of dividends (€32.2 million) and funding of the investments programme.
Compared to 30 June 2018, net financial debt fell by approximately €13.3 million (€-33.4 million excluding the effect of adopting the new accounting standard IFRS 16).

The Group's **shareholders' equity** as of 30 June 2019 totalled €393.7 million, up by approximately €1.7 million compared to 31 December 2018.

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

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 30 June 2019"; the following is a comment relating to the summary statement shown.

CHANGE IN CONSOLIDATED NET DEBT	1ST HALF OF 2019	1ST HALF OF 2018	CHANGE
IN MILLIONS OF EUROS			
Opening Consolidated Net Debt	**(429.2)**	**(446.7)**	**17.5**
Cash flow from operating activities	99.0	83.4	15.6
(Increase)/Reduction in Working Capital	36.0	4.4	31.6
(Increase)/Reduction in net investments	(91.0)	(45.0)	(46.0)
Change in shareholders' equity	(32.8)	(27.4)	(5.4)
Total change	**11.2**	**15.3**	**(4.1)**
Closing Consolidated Net Debt	**(418.0)**	**(431.4)**	**13.3**

During the first half of 2019, the Piaggio Group generated **financial resources** amounting to €11.2 million.

Cash flow from operating activities, defined as net profit, minus non-monetary costs and income, was equal to €99.0 million.

Working capital generated a cash flow of approximately €36.0 million; in detail:
- the collection of trade receivables[4] used financial flows for a total of €64.6 million;
- stock management absorbed financial flows for a total of approximately €19.4 million;
- supplier payment trends generated financial flows of approximately €110.1 million;
- the movement of other non-trade assets and liabilities had a positive impact on financial flows by approximately €9.9 million.

Investing activities involved a total of €91.0 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 (€26.2 million);
- investments for €18.1 million in capitalised development costs and for €42.3 million in property, plant and equipment and intangible assets;
- other movements for the remaining amount.

As a result of the above financial dynamics, which generated a use of €11.2 million, the **net debt** of the Piaggio Group amounted to €-418.0 million. However, as already stated, the adoption of the new accounting standard IFRS 16 generated a negative impact on financial debt of €20.0 million.

4 Net of customer advances.

ALTERNATIVE NON-GAAP PERFORMANCE MEASURES

In accordance with CESR/05-178b recommendation on alternative performance measures, in addition to IFRS financial measures, Piaggio has included other non-IFRS measures in its Interim Directors' Report.
These are presented in order to measure the trend of the Group's operations to a better extent and should not be considered as an alternative to IFRS measures.
In particular the following alternative performance measures have been used:
- **EBITDA:** defined as "Operating income" before the amortisation/depreciation and impairment costs of intangible assets, 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 Geographic 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 HALF OF 2019		1ST HALF OF 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	132.2	447.1	126.4	408.6	4.6%	9.4%	5.8	38.5
of which EMEA	126.5	417.4	121.2	379.3	4.4%	10.0%	5.3	38.1
(of which Italy)	*29.2*	*97.7*	*27.6*	*91.4*	*5.7%*	*6.8%*	*1.6*	*6.3*
of which America	5.8	29.7	5.3	29.3	9.0%	1.6%	0.5	0.5
India	36.4	29.8	38.2	29.2	-4.7%	2.3%	(1.8)	0.7
Asia Pacific 2W	47.2	106.5	39.3	82.7	20.2%	28.8%	7.9	23.8
TOTAL	**215.9**	**583.4**	**203.9**	**520.5**	**5.9%**	**12.1%**	**11.9**	**63.0**
Scooters	192.2	398.9	178.9	352.3	7.5%	13.2%	13.3	46.7
Motorcycles	23.6	116.3	25.0	102.0	-5.6%	14.0%	(1.4)	14.3
Spare parts and Accessories		67.5		64.3		5.0%		3.2
Other		0.6		1.9		-66.8%		(1.3)
TOTAL	**215.9**	**583.4**	**203.9**	**520.5**	**5.9%**	**12.1%**	**11.9**	**63.0**

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

India, the most important two-wheeler market, reported a decrease in the first six months of 2019, closing with sales of nearly 9.7 million vehicles, down by 10.4% compared to the first half of 2018.

The People's Republic of China recorded a considerable loss in the first six months of 2019 (-18.4%), closing at approximately 2.9 million vehicles sold.

Data available on the Asian area, called Asean 5, report a growth of over 3%, with sales closing at over 6.7 million units. Indonesia, the main market in this area, reported a 7.5% increase in the first half of 2019, with over 3.2 million vehicles sold. The number of vehicles registered in Vietnam decreased slightly (1,503,450 million units sold; -5.3% compared to the first half of 2018). The other countries in the Asian area (Singapore, Hong Kong, South Korea, Japan, Taiwan, New Zealand and Australia) overall recorded a drop compared to the first half of 2018, closing with sales of approximately 650 thousand units (-7%). In the first six months of the year, the Japanese market was basically stable with a slight downturn (0.7%), selling just under 182 thousand units.

The North American market recorded a downturn compared to the first half of 2018 (-1.7%), selling 275,413 thousand vehicles.

Brazil, the leading market in South America, recorded a good performance in the first six months of 2019 (17.1%), closing the period with nearly 529 thousand vehicles sold.

Europe, which is the reference area for the Piaggio Group's operations, reported an increase in sales on the two-wheeler market (+9.8%) compared to the first half of 2018 (+7.8% for the motorcycle segment and +12.2% for the scooter segment). On the scooter market, the over 50cc segment recorded a positive trend in the first half of 2019 (+8.2%), as well as the 50cc segment (+20.6%). Motorcycle segments also reported a positive performance, up by 18.3% for the 50cc segment, and by 7.4% for the over 50cc segment.

The scooter market

In the first half of 2019, the European scooter market stood at 359,060 registered vehicles, equal to a 12.2% increase in sales compared to the same period in 2018.

MARKET	VEHICLE REGISTRATIONS		CHANGE	CHANGE %		
	1ST HALF OF 2019	1ST HALF OF 2018		OVERALL	=< 50 CC	> 50 CC
Italy	83,170	80,120	+3,050	+3.8%	-7.7%	+5.1%
France	66,220	51,020	+15,200	+29.8%	+50.0%	+14.6%
Spain	57,380	52,140	+5,240	+10.0%	+36.3%	+6.9%
Germany	33,610	29,100	+4,510	+15.5%	+12.7%	+17.7%
Holland	30,310	26,500	+3,810	+14.4%	+13.9%	+27.0%
Greece	16,980	15,960	+1,020	+6.4%	-11.0%	+8.4%
United Kingdom	12,980	11,940	+1,040	+8.7%	+15.7%	+7.2%
Europe	359,060	320,140	+38,920	+12.2%	+20.6%	+8.2%

Vehicle registrations were higher in the over 50cc segment, with 236,590 units compared to 122,470 units in the 50cc scooter segment. In particular, the 50cc scooter segment reversed the trend of the previous year, increasing by 20.6%, while the over 50cc segment went up by 8.2%, continuing its positive performance.

North America

In the first half of 2019, the United States, the main market in the area (82% of the reference area), recorded a stable performance (-0.5%) with 11,614 units sold: the 50cc segment recorded a negative trend (-11.6%) offset by the positive performance of the over 50cc scooter segment, up by 12.7%.

India

After years of growth, the automatic scooter market fell by 16.2% in the first half of 2019, closing with nearly 2.9 million units sold.

The over 90cc range is the main product segment, with over 2.8 million units sold in the first half of 2019 (-16.4% compared to the previous year) and accounting for 97.9% of the total automatic scooter market. The 50cc scooter segment is not operative in India.

The motorcycle market

Europe

With 412,070 thousand units registered, the motorcycle market reported an increase in the first half of 2019 (+7.8% compared to the first half of 2018). The 50cc segment recorded an 18.3% increase, with 18,040 units sold; the 51-125cc motorcycle segment recorded sales of 56,900 units (+16.2%), while the 126-750cc segment reported sales of 137,440 units (+10.7%). The over 750cc segment recorded a 3.1% increase, with 199,690 units sold.

MARKET	VEHICLE REGISTRATIONS		CHANGE	CHANGE %
	1ST HALF OF 2019	1ST HALF OF 2018		
France	82,940	73,440	+9,500	+12.9%
Germany	86,080	80,940	+5,140	+6.4%
Italy	65,210	60,150	+5,060	+8.4%
United Kingdom	46,210	45,670	+540	+1.2%
Spain	39,970	34,480	+5,490	+15.9%
Europe	412,070	382,080	+29,990	+7.8%

North America

In the United States (accounting for 87% of the area), the motorcycle segment recorded a 1.2% decrease, selling 227,840 units against 230,490 units in the first half of 2018. The negative trend in the over 50cc segment (-1.6%) was only partially offset by the positive performance (+15.5%) of the 50cc motorcycle segment.

Asia

The most important motorcycle market in Asia is India, which reported sales of nearly 6.4 million vehicles in the first half of 2019, with a decrease compared to the first six months of 2018 (-7.5%).

The motorcycle market in the Asean 5 area is far less important than the scooter sector: sales of motorcycles in Vietnam were not significant.

Main results

During the first half of 2019, the Piaggio Group sold a total of 215,900 two-wheeler vehicles worldwide, accounting for a net turnover equal to approximately €583.4 million, including spare parts and accessories (€67.5 million, +5.0%).
The overall growth in both volumes (+5.9%) and turnover (+12.1%) was mainly due to the good performance of Asia Pacific (+20.2% volumes; +28.8% turnover). In India, the slight decrease in volumes (- 4.7%) was offset by an increase in turnover of 2.3%, due to the effect of a better mix of sold products (+1.7% with constant exchange rates). Both volumes and turnover increased in EMEA and the Americas (+4.6% and +9.4% respectively).

Market positioning [5]

On the European market, the Piaggio Group achieved a 13.4% share in the first half of 2019, compared to 13.5% in the first half of 2018, confirming its leadership position in the scooter segment (24.4% in the first half of 2019 compared to 25.6% in the first half of 2018).
In Italy, the Piaggio Group had an 18.1% share (18.7% in the first half of 2018), which is higher for the scooter segment, at 29.2% (29.9% in the first half of 2018).

In India, in the first half of 2019, the Group recorded a drop in sell-out volumes compared to the same period of the previous year, closing at 32,622 vehicles (-10.1%).

The Group retained its strong position on the North American scooter market, where it closed the period with a market share of 21.3% (22.3% in the first half of 2018), and where it is committed to consolidating its profile in the motorcycle segment, through the Aprilia and Moto Guzzi brands.

Investments

Investments mainly targeted the following areas:
- developing new products and face lifts for existing products;
- improving and modernising current production capacity.

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

5 Market shares for the first half of 2018 might differ from figures published last year, due to final vehicle registration data, which some countries publish with a few months' delay, being updated.

COMMERCIAL VEHICLES

COMMERCIAL VEHICLES	1ST HALF OF 2019		1ST HALF OF 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	9.9	52.9	6.8	44.6	45.5%	18.6%	3.1	8.3
of which EMEA	8.5	50.1	5.5	42.1	54.6%	19.1%	3.0	8.0
(of which Italy)	*2.2*	*27.3*	*2.0*	*25.8*	*10.5%*	*6.0%*	*0.2*	*1.5*
of which America	*1.4*	*2.8*	*1.3*	*2.6*	*7.6%*	*9.8%*	*0.1*	*0.3*
India	95.8	180.6	93.3	164.5	2.6%	9.8%	2.4	16.1
TOTAL	**105.7**	**233.5**	**100.1**	**209.1**	**5.5%**	**11.7%**	**5.5**	**24.4**
Ape	102.9	176.9	96.9	155.8	6.2%	13.6%	6.0	21.1
Porter	2.4	29.1	2.3	26.8	3.6%	8.6%	0.1	2.3
Quargo	0.3	1.0	0.4	1.3	-25.1%	-21.5%	(0.1)	(0.3)
Mini Truk	0.2	0.5	0.6	1.6	-70.8%	-68.5%	(0.4)	(1.1)
Spare parts and Accessories		26.1		23.7		9.9%		2.3
TOTAL	**105.7**	**233.5**	**100.1**	**209.1**	**5.5%**	**11.7%**	**5.5**	**24.4**

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

Background

Europe

In the first six months of 2019, the European light commercial vehicles market (vehicles with a maximum mass less than or equal to 3.5 tons), in which the Piaggio Group is active, recorded sales of 1,107,787 units, a 3.8% increase compared to the first six months of 2018 (data source ACEA). In detail, the trends of main European reference markets are as follows: Germany (+11.7%), UK (+8.7%), Italy (+5.9%), France (+5.6%) and Spain (+2.3%).

India

Sales on the Indian three-wheeler market, where Piaggio Vehicles Private Limited, a subsidiary of Piaggio & C. S.p.A. operates, went down from 359,144 units in the first six months of 2018 to 329,995 in the same period of 2019, registering an 8.1% decrease.

Within this market, the passenger vehicles segment declined (-10.5%), closing at 263,321 units. Conversely, the cargo segment increased slightly (+2.7%), from 64,946 units in the first six months of 2018 to 66,674 units in the first six months 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 111,506 units in the first half 2019, increasing by 3.5% compared to the first six months of 2018.

Main results

During the first half of 2019, the Commercial Vehicles business generated turnover of approximately €233.5 million, including around €26.1 million relating to spare parts and accessories, an 11.7% increase compared to the same period of the previous year. During the period, 105,700 units were sold, up by 5.5% compared to the first six months of 2018.

In percentage terms, the most significant increase was recorded in the EMEA and Americas area (18.6%) thanks to a buoyant European market (+19.1).

In India, Group sales also went up. The Indian affiliate Piaggio Vehicles Private Limited (PVPL) sold 81,723 three-wheelers on the Indian market (81,550 in the first half of 2018).
This affiliate also exported 13,586 three-wheeler vehicles (10,810 as of 30 June 2018) and 35, four-wheeler vehicles.
On the domestic four-wheeler market, PVPL sales in the first half of 2019 fell by 55.7% compared to the first six months of 2018, to 415 units.
In overall terms, the Indian subsidiary PVPL registered a turnover of €180.6 million in the first half of 2019, compared to €164.5 million for the same period of the previous year (+9.8%; +8.6% with constant exchange rates).

Market positioning[6]

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 24.8% (22.7% in the first six months of 2018). Detailed analysis of the market shows that Piaggio maintained its leadership position in the goods transport segment (cargo segment) with a share of 44.3% (45.9% in the first half of 2018). In the Passenger segment, its share stood at 19.8% (17.6% in the first six months 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 Indian Porter range. On this market, its share fell to 0.4% (0.9% in the first six months of 2018).

Investments

Investments mainly targeted the following areas:
- developing new products and face lifts for existing products;
- improving and modernising current production capacity.

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

6 Market shares for the first half of 2018 might differ from figures published last year, due to final vehicle registration data, which some countries publish with a few months' delay, being updated.

THE REGULATORY FRAMEWORK

European Union

Sound emissions

During 2018, the European Commission started consultations on the presentation of proposed legislation for new Euro 5 noise limits. After the study published in November 2017, in favour of a drastic reduction in noise limits, the Commission requested a second study and at the same time a second cost/benefits analysis of a possible reduction in noise limits for category L vehicles. The start of the study, scheduled for June 2019, has been postponed to September 2019 and publication is expected for September 2020. The legislation proposed by the Commission will therefore be presented before the end of 2020.
In the last two years, European manufacturers of ACEM, the European Association of Motorcycle Manufacturers, have worked on defining a strategy to offset the possibility of a considerable reduction in noise limits, that would have a major impact in terms of higher production costs. This strategy involved defining a new noise test procedure (ASEP 2.0 "Additional Sound Emission Provisions"), with some of the more technical aspects still to be determined. The aim of the new procedure is to test vehicles without diverging from real road driving conditions. Moreover, a more holistic approach to noise was defined, which takes into account the practice of motorcyclists replacing original exhausts, necessary controls on the road, and different riding styles.

Type approvals in the United Kingdom

The United Kingdom should leave the European Union before the end of 31 October 2019.
To enable manufacturers of motorcycles and mopeds holding a UK type approval to continue to register and sell these vehicles after Brexit, Regulation (EU) 2019/26, approved in January 2019, gives manufacturers the chance to request a switch from UK type approval to a new type approval granted by an approval authority of one of the EU27.

European Directive on Insurance

Negotiations are still underway concerning the new proposed Directive on motor vehicle insurance. The dossier has been examined by the Romanian Presidency of the European Union and the industry is closely monitoring the legal process and deciding on possible proposals for exemption, in particular for motorsports vehicles and off-traffic situations. Moreover, the possibility of introducing mandatory insurance for ebikes is being considered. The proposal should be finalised by autumn 2019.

Braking systems

At present, the obligation to use ABS only applies to L3 category vehicles, with the exception of 125cc vehicles. Article 79 of the Framework Regulation (EU) 168/2013, requires the European Commission to submit a report to the European Parliament and to the Council by 31 December 2019 assessing the need to extend this obligation to the L3e-A1 (125cc) subcategory. To this end, the Commission requested a study in June 2019 on the feasibility of making ABS mandatory for these vehicles. The study is based on an assessment of the technical feasibility of a similar requirement, on analysis of the cost/benefits ratio, analysis of road accidents and consultation with parties concerned. Based on the results, the Commission will evaluate the possibility of finalising the proposed legislation.
ACEM is closely following the matter, with a view to contributing to the study underway, and to ensuring a sufficient lead time for manufacturers that is sufficient to assess the impact of this obligation and equip their vehicles with advanced braking systems.

Electric vehicle batteries

With a growing focus on electric mobility and increasing use of new, zero-emission vehicles, the topic of batteries and their environmental sustainability has recently come to the attention of the public and consequently of institutions. In June 2019 the European Commission launched a public consultation to obtain feedback from stakeholders in support of proposed legislation introducing new rules and standards to ensure the placing on the market of high performance, safe and sustainable batteries. The Commission's proposal will probably be presented at the end of 2019, and will concern crucial aspects for the electric mobility sector, in which Piaggio has important current and future interests.

General vehicle safety regulation

As regards cars and light commercial vehicles, in 2018 revision of the General Vehicle Safety Regulation (GVSR) got underway. European institutions reached an agreement on the new Regulation in April 2019. The revision introduces the obligation to use new active safety devices ADAS (Advanced Driver Assistance Systems) and non-ADAS for light commercial vehicles. As regards passive safety, the new GVSR extends the scope of some Regulations (including ECE94 for moderate overlap tests and ECE95 for side impact tests) to category N1 vehicles, previously exempt from these obligations, and technical application rules for front, side and rear crash tests, as well as any exemptions, are also being defined. The Piaggio Group, together with national and international trade associations, is taking an active part in the negotiations which are being held in Geneva and at European level, with a view to promoting rules for application which are not detrimental to Piaggio's vehicles concerned.

Italy

Ecobonus

In April 2019, the Ministry for Economic Development published the Decree implementing the Ecobonus. From 6 April to 31 December 2019, government incentives to scrap vehicles for the purchase of electric or hybrid two-wheelers will be in force. The Ministry has allocated €10 million for category L vehicles for 2019. The vehicle scrapping programming concerns Euro 0/1/2/3 vehicles, with a government incentive equal to 30% the purchase price of the new vehicle, excluding VAT, up to a maximum of €3,000. Thanks to action taken by the Piaggio Group together with the trade association ANCMA, the Ministry for Economic Development has confirmed the possibility to scrap all category L vehicles, as well as vehicles registered in the name of the one of the family members of the person receiving the incentive.

Highway code reform

The Molteni Bill amending the Highway Code was presented to parliament. The Bill's proposals include the possibility for 125cc motorcycles to transit on motorways if ridden by persons aged 18 and over. Negotiations are underway and should be completed by the end of 2019.

Micromobility trials

In June 2019, the Ministry for Transport published the ministerial decree authorising the trial of so-called "micromobility devices". The ruling grants applicant local authorities 24 months to trial the use of these devices, also through sharing services. The use of four categories of devices has been authorised (monowheel, hoverboard, segway and scooters), on three types of routes (pedestrian, cycle paths and 30 km/h zones). The main requirements are: minimum age of 18 or holder of an AM licence - maximum speed of 20 km/h (in pedestrian areas 6 km/h) - no seating arrangements - CE marking pursuant to the Directive 2006/42/EC.
The local authorities of Milan and Turin are working on starting the trial in the next few months.
Some European capitals have limited the use of these devices as they have come to the attention of the media due to recent accidents. One example is the Paris city council which has imposed a tax on owners of segways, regulating their use and introduced more stringent road controls to reduce uncontrolled transit in the metropolitan area.

RISKS AND UNCERTAINTIES

Due to the nature of its business, the Group is exposed to different types of risks. To mitigate exposure to these risks, the Group has adopted a structured and integrated system to identify, measure and manage company risks, in line with industry best practices (i.e. CoSO ERM). Scenarios applicable to Group operations were mapped, involving all organisational units. These scenarios were then grouped as referring to external, strategic, financial or operational risk.
During the first half of 2019, the campaign to update the risk assessment analysis involving newly appointed company managers was completed.

EXTERNAL RISKS

Risks related to the macroeconomic and geopolitical context

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

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

Risks connected to consumer trends

Piaggio's success depends on its ability to manufacture products that cater for consumer's tastes and can meet their needs for mobility. Levering customer expectations and emerging needs, with reference to its product range and customer experience, is essential for the Group to maintain a competitive edge.
Through market analysis, focus groups, concept and product testing, investments in research and development and sharing a roadmap with suppliers and partners, Piaggio can seize emerging market trends to renew its own product range.
Customer feedback enables Piaggio to evaluate customer satisfaction levels and fine tune its own sales and after-sales service model.

Risks related to a high level of market competition

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

Risk relative to the regulatory and legal framework

Numerous national and international laws and regulations on safety, noise levels, consumption and the emission of pollutant gases apply to Piaggio products. Strict regulations on atmospheric emissions, waste disposal, the drainage and disposal of water and other pollutants also apply to the Group's production sites.
Unfavourable changes in the regulatory and/or legal framework at a national and international level could mean that products can no longer be sold on the market, forcing manufacturers to invest to renew their product ranges and/or renovate/upgrade production plants.
To deal with these risks, the Group has always invested in research and development into innovative products, anticipating any restrictions on current regulations. Moreover, the Group, as one of the sector's leading manufacturers, is often requested to be represented on parliamentary committees appointed to discuss and formulate new laws.

Risks connected with natural events

The Group operates through industrial sites located in Italy, India and Vietnam. These sites could be affected by natural events, such as earthquakes, typhoons, flooding and other catastrophes that may damage sites and also slow down/interrupt production and sales.
Continual renewal of the sites prevents these risk scenarios. The potential impact of these risks is mitigated by specific insurance cover taken out for various sites based on their relative importance.

Risk connected with the use of new technologies

The Piaggio Group is exposed to risk from the difficulty of keeping abreast with new product and production process technologies. To tackle this risk, departments at Pontedera in Italy and PADc – the Piaggio Advance Design Center in Pasadena are dedicated to research, development and trialling new technological solutions (thanks also to Aprilia Racing's experience in MotoGP racing), while Piaggio Fast Forward in Boston is studying innovative solutions to anticipate and meet future mobility needs.

Risks connected with the sales network

The Group's business is closely related to the sales network's ability to guarantee end customers a high quality sales and after-sales service. Piaggio deals with this risk by establishing specific technical/professional standards to adopt in contracts, and by adopting periodic controls.

Risks connected with external offences

As regards this category, the main potential risks refer to fraudulent events connected with cyber attacks. These risks may stop activities supporting production and sale or compromise the confidentiality of personal data managed by the Group. To mitigate the occurrence of these risks, Piaggio has adopted a system of controls to improve the Group's IT security.

STRATEGIC RISKS

Reputational and Corporate Social Responsibility risks

In carrying out its operations, the Group could be exposed to stakeholders' perception of the Group and its reputation and their loyalty changing for the worse because of the release of detrimental information or due to sustainability requirements in the Corporate Governance Report not being met, as regards economic, environmental, social and product-related aspects.

Risks connected with the definition of strategies

In defining its strategic objectives, the Group could make errors of judgement with a consequent impact on its image and financial performance.

Risks connected with the adoption of strategies

In carrying out its operations, the Group could be exposed to risks from the wrong or incomplete adoption of strategies, with a consequent negative impact on achieving the Group's strategic objectives.

FINANCIAL RISKS

Risks connected with exchange rate trends

The Piaggio Group undertakes operations in currencies other than the euro and this exposes it to the risk of fluctuating exchange rates of different currencies.
Exposure to business risk consists of envisaged payables and receivables in foreign currency, taken from the budget for sales and purchases reclassified by currency and accrued on a monthly basis.
The Group's policy is to hedge at least 66% of the exposure of each reference month.
Exposure to the settlement risk consists of receivables and payables in foreign currency acquired in the accounting system at any moment. The hedge must at all times be equal to 100% of the import, export or net settlement exposure for each currency.
During the year, currency exposure was managed based on a policy that aims to neutralise the possible negative effects of exchange rate variations on company cash flow. This was achieved by hedging economic risk, which refers to changes in company profitability compared to the planned annual economic budget, based on a reference change (the "budget change"), and transaction risk, which refers to differences between the exchange rate at which receivables and payables are recognised in currency in the financial statements and the exchange rate at which the relative amount received or paid is recognised.
The Group has assets and liabilities which are sensitive to changes in interest rates and are necessary to manage liquidity and financial requirements. These assets and liabilities are subject to an interest rate risk and are hedged by derivatives or by specific fixed-rate loan agreements.
For a further description, reference is made to section 41 of the Notes to the Consolidated Financial Statements.

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

The Group is exposed to the risk arising from the production of cash flows that are not sufficient to guarantee Group payments due, or adequate profitability and growth to achieve its strategic objectives. Moreover, this risk is connected with the difficulty the Group may have in obtaining loans or a worsening in conditions of loans necessary to support Group operations in appropriate time frames.
To deal with these risks, cash flows and the Group's credit line needs are monitored or managed centrally under the control of the Group's Treasury in order to guarantee an effective and efficient management of financial resources as well as optimise the debt maturity standpoint.
In addition, the Parent Company finances the temporary cash requirements of Group companies by providing direct short-term loans regulated in market conditions or guarantees.

Risks connected with credit quality of counterparties

This risk is connected with any downgrading of the credit rating of customers and consequent possibility of late payments, or the insolvency of customers and consequent failure to receive payments.
To balance this risk, the Parent Company evaluates the financial reliability of its business partners and stipulates agreements with primary factoring companies in Italy and other countries for the sale of trade receivables without recourse.

Risks connected with deleverage

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

OPERATING RISKS

Risks relative to the product

The "Product" category includes all risks concerning faults due to a nonconforming quality and safety and consequent recall campaigns that could expose the Group to: the costs of managing campaigns, replacing vehicles, claims for compensation and above all if faults are not managed correctly and/or are recurrent, damage to its reputation.
To mitigate these risks, Piaggio has established a Quality Control system, it tests products during various stages of the production process and carefully sources its suppliers based on technical/professional standards. The Group has also defined plans to manage recall events and has taken out insurance to protect the Group against events attributable to product defects.

Risks connected with the production process / business continuity

The Group is exposed to risk connected with possible interruptions to company production, due to the unavailability of raw materials or components, skilled labour, systems or other resources.
To deal with these risks, the Group has necessary maintenance plans, invests in upgrading machinery, has a flexible production capacity and sources from several suppliers of components to prevent the unavailability of one supplier affecting company production. Moreover, the operating risks related to industrial sites in Italy and other countries are managed through specific insurance cover assigned to sites based on their relative importance.

Risks connected with the supply chain

In carrying out its operations, the Group sources raw materials, semifinished products and components from a number of suppliers. Group operations are conditioned by the ability of its suppliers to guarantee the quality standards and specifications requested for products, as well as relative delivery times. To mitigate these risks, the Group qualifies and periodically evaluates its suppliers based on professional/technical/financial criteria in line with international standards.

Risks connected with the environment and with health and safety

The Group has production sites, research and development centres and sales offices in different nations and so is exposed to the risk of not being able to guarantee a safe working environment, with the risk of causing potential harm to property or people and exposing the Group to legal sanctions, lawsuits brought by employees, costs for compensation payments and reputational harm.
To mitigate these risks, Piaggio adopts a sustainable development model that is based on environmental sustainability, in terms of safeguarding natural resources and the possibility that the ecosystem might absorb the direct and indirect impact of production activities. Specifically, Piaggio seeks to minimise the environmental impact of its industrial activities through careful definition of the technological transformation cycle and using the best technologies and most modern methods of production.
The risks related to accidents/injuries sustained by personnel are mitigated by aligning processes, procedures and structures with applicable Occupational Safety laws, as well as best international standards.
These commitments, enacted in the Code of Ethics[7] and stated by top management in the Group's "environmental policy" which is the basis for environmental certification (ISO 14001) and health and safety certification (BS OHSAS 18001) already awarded and maintained at production sites, is a mandatory benchmark for all company sites no matter where they are working.

Risks connected with processes and procedures adopted

The Group is exposed to the risk of shortcomings in planning its company processes or errors and deficiencies in carrying out operations.
To deal with this risk, the Group has established a system of directives comprising organisational notices and Manuals/Policies, Management Procedures, Operating Procedures and Work Instructions. All documents relative to Group processes and procedures are part of the single Group Document Information System, with access that is regulated and managed on the company intranet.

Risks relative to human resources

The main risks the Group is exposed to concerning human resources management include the ability to recruit expertise, professionalism and experience necessary to achieve objectives. To offset these risks, the Group has established specific policies for recruitment, career development, training, remuneration and talent management, which are adopted in all countries where the Group operates according to the same principles of merit, fairness and transparency, and focussing on aspects that are relevant for the local culture.
In Europe, the Piaggio Group operates in an industrial context with a strong trade union presence, and is potentially exposed to the risk of strikes and interruptions to production activities.
In the recent past, the Group was not affected by major interruptions to production because of strikes. To avoid the risk of interruptions to production activities, as far as possible, the Group bases its relations with trade union organisations on dialogue.

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

Legal risks

The Piaggio Group legally protects its products and brands throughout the world. In some countries where the Group operates, laws do not offer certain standards of protection for intellectual property rights. This circumstance could render the measures adopted by the Group to protect itself from the unlawful use of these rights by third parties inadequate.
Within the framework of its operations, the Group is involved in legal and tax proceedings. As regards some of the proceedings, the Group could be in a position where it is not able to effectively quantify potential liabilities that could arise. A detailed analysis of the main disputes is provided in the specific paragraph in the Notes to the Consolidated Financial Statements.

Risks relative to internal offences

The Group is exposed to risks of its employees committing offences, such as fraud, active and passive corruption, acts of vandalism or damage that could have negative effects on its business results in the year, and also harm the image and integrity of the Company and its reputation. To prevent these risks, the Group has adopted a Model pursuant to Legislative Decree no. 231/2001 and a Code of Ethics which sets out the principles and values the entire organisation takes inspiration from.

Risks relative to reporting

The Group is exposed to the risk of possible inadequacies in its procedures that are intended to ensure compliance with Italian and relevant foreign regulations applicable to financial disclosure, running the risk of fines and other sanctions. In particular there is a risk that financial reporting for Group stakeholders is not accurate and reliable due to significant errors or the omission of material facts and that the Group provides disclosure required by applicable laws in a manner which is inadequate, inaccurate or untimely.
To deal with these risks, the financial statements are audited by Independent Auditors. Moreover, the control activities required by Italian Law 262/2005 were extended to cover the most important subsidiaries, Piaggio Vehicles Pvt. Ltd., Piaggio Vietnam Co.Ltd., Aprilia Racing Srl and Piaggio Group Americas Inc.

EVENTS OCCURRING AFTER THE END OF THE PERIOD

4 July 2019 - The European Investment Bank (EIB) and the Piaggio Group signed a 7-year, €70 million loan agreement, to support investment plan Research and Development projects that will be carried out at the Italian sites of the Piaggio Group over the 2019-2021 period. The loan agreement signed with the EIB will support the development of innovative technological solutions for products and processes in the areas of active and passive safety and sustainability (including electric engines and reduced consumption in combustion engines), with the aim of consolidating the scooter, motorcycle and commercial vehicle ranges. The loan will also further consolidate the Group's financial structure, extending the average duration and reducing the average cost of debt.

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, payables and receivables as of 30 June 2019 involving parent, subsidiaries and associates, refer to the sale of goods or services which are a part of normal operations of the Group.
Transactions are carried out at normal market values, depending on the characteristics of the goods and services provided.
Information on related-party transactions, including the information required by Consob communication no. DEM/6064293 of 28 July 2006 is presented in the "Notes to the Condensed Consolidated Interim Financial Statements as of 30 June 2019".

INVESTMENTS OF MEMBERS OF THE BOARD OF DIRECTORS AND MEMBERS OF THE CONTROL COMMITTEE

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

ECONOMIC GLOSSARY

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

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.

PIAGGIO GROUP

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF 30 JUNE 2019

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF 30 JUNE 2019

CONSOLIDATED INCOME STATEMENT

NOTES	IN THOUSANDS OF EUROS	1ST HALF OF 2019 TOTAL	1ST HALF OF 2019 of which related parties	1ST HALF OF 2018 TOTAL	1ST HALF OF 2018 of which related parties
4	Net revenues	816,957	39	729,592	2,219
5	Cost for materials	(494,214)	(9,681)	(430,024)	(14,069)
6	Cost for services and leases and rentals	(120,337)	(1,189)	(114,484)	(1,866)
7	Employee costs	(118,308)		(112,555)	
8	Depreciation and impairment costs of property, plant and equipment	(20,266)		(20,738)	
8	Amortisation and impairment costs of intangible assets	(35,518)		(33,985)	
8	Amortisation of rights of use	(3,431)		0	
9	Other operating income	62,371	168	54,408	118
10	Net reversals (impairment) of trade and other receivables	(796)		(844)	
11	Other operating costs	(11,390)	(10)	(9,485)	(86)
	Operating income	**75,068**		**61,885**	
12	Income/(loss) from investments	403	385	404	404
13	Financial income	1,908	14	5,906	12
13	Borrowing costs	(14,224)	(85)	(19,640)	(82)
13	Net exchange gains/(losses)	(318)		(49)	
	Profit before tax	**62,837**		**48,506**	
14	Taxes for the period	(28,276)		(21,828)	
	Profit from continuing operations	**34,561**		**26,678**	
	Assets held for sale:				
15	Profits or losses arising from assets held for sale				
	Net Profit (loss) for the period	**34,561**		**26,678**	
	Attributable to:				
	Owners of the Parent	**34,561**		**26,678**	
	Non-controlling interests	**0**		**0**	
16	**Earnings per share (figures in €)**	**0.097**		**0.074**	
16	**Diluted earnings per share (figures in €)**	**0.097**		**0.074**	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

NOTES	IN THOUSANDS OF EUROS	1ST HALF OF 2019	1ST HALF OF 2018
	Net Profit (Loss) for the period (A)	**34,561**	**26,678**
	Items that will not be reclassified in the income statement		
43	Remeasurements of defined benefit plans	(2,234)	(1,203)
	Total	**(2,234)**	**(1,203)**
	Items that may be reclassified in the income statement		
43	Profit (loss) deriving from the translation of financial statements of foreign companies denominated in foreign currency	1,521	(3,197)
43	Portion of components of the Statement of Comprehensive Income of subsidiaries/associates valued with the equity method	65	108
43	Total profits (losses) on cash flow hedges	123	573
	Total	**1,709**	**(2,516)**
	Other components of the Statement of Comprehensive Income (B)[8]	**(525)**	**(3,719)**
	Total Profit (loss) for the period (A + B)	**34,036**	**22,959**
	Attributable to:		
	Owners of the Parent	**34,040**	**22,932**
	Non-controlling interests	**(4)**	**27**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		AS OF 30 JUNE 2019		AS OF 31 DECEMBER 2018	
		TOTAL	of which related parties	TOTAL	of which related parties
NOTES	IN THOUSANDS OF EUROS				
	ASSETS				
	Non-current assets				
17	Intangible assets	664,829		658,888	
18	Property, plant and equipment	266,020		266,198	
19	Rights of use	26,245			
20	Investment Property	9,275		10,269	
35	Investments	8,384		7,934	
36	Other financial assets	6,498		6,029	
25	Long-term tax receivables	17,035		17,399	
21	Deferred tax assets	54,876		59,250	
23	Trade receivables				
24	Other receivables	12,292	94	16,625	94
	Total non-current assets	**1,065,454**		**1,042,592**	
27	**Assets held for sale**				
	Current assets				
23	Trade receivables	151,143	1,013	86,557	1,264
24	Other receivables	29,897	14,917	33,507	15,262
25	Short-term tax receivables	22,113		7,368	
22	Inventories	243,473		224,108	
37	Other financial assets	3,024		2,805	
38	Cash and cash equivalents	168,459		188,740	
	Total current assets	**618,109**		**543,085**	
	Total assets	**1,683,563**		**1,585,677**	
	SHAREHOLDERS' EQUITY AND LIABILITIES				
	Shareholders' equity				
42	Share capital and reserves attributable to the owners of the Parent	393,900		392,163	
42	Share capital and reserves attributable to non-controlling interests	(215)		(211)	
	Total shareholders' equity	**393,685**		**391,952**	
	Non-current liabilities				
39	Financial liabilities > 12 months	449,076		512,498	
39	Lease liabilities for rights of use > 12 months	12,922	3,705		
28	Trade payables				
29	Other long-term provisions	10,563		9,504	
30	Deferred tax liabilities	6,163		2,806	
31	Retirement funds and employee benefits	43,316		41,306	
32	Tax payables				
33	Other long-term payables	6,084		5,939	
	Total non-current liabilities	**528,124**		**572,053**	
	Current liabilities				
39	Financial liabilities < 12 months	125,828		113,502	
39	Lease liabilities for rights of use < 12 months	7,119	1,778		
28	Trade payables	542,829	9,958	432,722	8,402
32	Tax payables	17,535		14,635	
33	Other short-term payables	53,692	6,263	48,220	6,725
29	Current portion of other long-term provisions	14,751		12,593	
	Total current liabilities	**761,754**		**621,672**	
	Total Shareholders' Equity and Liabilities	**1,683,563**		**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 HALF OF 2019		1ST HALF OF 2018	
		TOTAL	of which related parties	TOTAL	of which related parties
NOTES	IN THOUSANDS OF EUROS				
	OPERATING ACTIVITIES				
	Net Profit (loss) for the period	34,561		26,678	
	Allocation of profit to non-controlling interests	0		0	
14	Taxes for the period	28,276		21,828	
8	Depreciation of property, plant and equipment	20,266		20,738	
8	Amortisation of intangible assets	35,235		33,477	
8	Amortisation of rights of use	3,431		0	
	Provisions for risks and retirement funds and employee benefits	10,806		9,351	
	Write-downs / (Reinstatements)	2,068		1,584	
	Losses / (Gains) on the disposal of property, plants and equipment	17		(43)	
13	Financial income	(1,908)		(5,906)	
	Dividend income	(18)		0	
13	Borrowing costs	14,224		19,640	
	Income from public grants	(2,235)		(2,077)	
	Share of profits of associate companies	(385)		(404)	
	Change in working capital:				
23	(Increase)/Decrease in trade receivables	(65,278)	251	(53,013)	277
24	(Increase)/Decrease in other receivables	360	345	(3,690)	(751)
22	(Increase)/Decrease in inventories	(19,365)		(51,581)	
28	Increase/(Decrease) in trade payables	110,107	1,556	99,851	6.403
33	Increase/(Decrease) in other payables	5,617	(462)	8,018	(995)
29	Increase/(Decrease) in provisions for risks	(4,024)		(4,488)	
31	Increase/(Decrease) in retirement funds and employee benefits	(4,556)		(4,527)	
	Other changes	(12,981)		(2,733)	
	Cash generated from operating activities	**154,218**		**112,703**	
	Interest paid	(14,933)		(17,519)	
	Taxes paid	(14,758)		(13,055)	
	CASH FLOW FROM OPERATING ACTIVITIES (A)	**124,527**		**82,129**	
	INVESTMENT ACTIVITIES				
18	Investment in property, plant and equipment	(19,343)		(13,168)	
	Sale price, or repayment value, of property, plant and equipment	19		659	
17	Investment in intangible assets	(41,083)		(34,611)	
	Sale price, or repayment value, of intangible assets	11		38	
	Public grants collected	1,413		0	
	Sale price of financial assets	18		0	
	Collected interests	361		243	
	CASH FLOW FROM INVESTMENT ACTIVITIES (B)	**(58,604)**		**(46,839)**	
	FINANCING ACTIVITIES				
42	Purchase of treasury shares	(148)		0	
42	Outflow for dividends paid	(32,155)		(19,698)	
39	Loans received	31,169		291,414	
39	Outflow for repayment of loans	(90,688)		(240,006)	
39	Reimbursement of lease liab. for rights of use	(2,280)		0	
39	Repayment of finance leases	(672)		(570)	
	CASH FLOW FROM FINANCING ACTIVITIES (C)	**(94,774)**		**31,140**	
	Increase / (Decrease) in cash and cash equivalents (A+B+C)	(28,851)		66,430	
	OPENING BALANCE	**188,386**		**127,894**	
	Exchange differences	999		(1,408)	
	CLOSING BALANCE	**160,534**		**192,916**	

CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

Movements from 1 January 2019 / 30 June 2019

NOTES	IN THOUSANDS OF EUROS	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
	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								34,561	34,561		34,561
43	Other components of the Statement of Comprehensive Income				123		1,590		(2,234)	(521)	(4)	(525)
	Total profit (loss) for the period	**0**	**0**	**0**	**123**	**0**	**1,590**	**0**	**32,327**	**34,040**	**(4)**	**34,036**
	Transactions with shareholders:											
42	Allocation of profits			1,779					(1,779)	0		0
42	Distribution of dividends								(32,155)	(32,155)		(32,155)
42	Purchase of treasury shares							(148)		(148)		(148)
	As of 30 June 2019	**207,614**	**7,171**	**21,904**	**9**	**(15,525)**	**(26,017)**	**(1,685)**	**200,429**	**393,900**	**(215)**	**393,685**

Movements from 1 January 2018 / 30 June 2018

NOTES	IN THOUSANDS OF EUROS	SHARE CAPITAL	SHARE PREMIUM RESERVE	LEGAL RESERVE	RESERVE FOR MEASURE-MENT OF FINANCIAL INSTRUMENTS	IAS TRANSITION RESERVE	GROUP TRANSLATION RESERVE	TREASURY SHARES	EARNINGS RESERVE	CONSOLIDA-TED GROUP SHAREHOL-DERS' EQUITY	SHARE CAPITAL AND RESERVES ATTRIBUTABLE TO NON-CON-TROLLING INTERESTS	TOTAL SHA-REHOLDERS' EQUITY
	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								26,678	26,678		26,678
43	Other components of the Statement of Comprehensive Income				573		(3,116)		(1,203)	(3,746)	27	(3,719)
	Total profit (loss) for the period	**0**	**0**	**0**	**573**	**0**	**(3,116)**	**0**	**25,475**	**22,932**	**27**	**22,959**
	Transactions with shareholders:											
42	Allocation of profits			1,030					(1,030)	0		0
42	Distribution of dividends								(19,698)	(19,698)		(19,698)
42	Adoption of IFRS 9					(4,020)				(4,020)		(4,020)
	As of 30 June 2018	**207,614**	**7,171**	**20,125**	**253**	**(15,525)**	**(27,583)**	**0**	**192,455**	**384,510**	**(209)**	**384,301**

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 30 June 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 prepared in compliance with international accounting standards (IAS/IFRS), in force, issued by the International Accounting Standards Board and approved by the European Union, and in compliance with provisions established by Consob in Communication no. 6064293 of 28 July 2006. The interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously the Standing Interpretations Committee ("SIC"), were also taken into account.
During the drafting of these Condensed Interim Financial Statements, prepared in compliance with IAS 34 - Interim Financial Reporting, the same accounting standards adopted in the drafting of the Consolidated Financial Statements as of 31 December 2018 were applied, with the exception of the paragraph "New accounting standards, amendments and interpretations adopted from 1 January 2019".
The information provided in the Half-Year 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.

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

NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS ADOPTED FROM 1 JANUARY 2019

IFRS 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.
As from 1 January 2019, the adoption of the new standard resulted in commitments for lease agreements being recognised in the financial statements and in corresponding financial liabilities as rights of use, according to the following logic:

IN MILLIONS OF EUROS	AS OF 31 DECEMBER 2018
+ Commitments for operating leases	29
- short-term operating leases	(1)
- operating leases of a moderate value	(1)
- operating leases that do not conform to IFRS 16	(5)
- discounting effect	(1)
Total rights of use	**21**

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

IN THOUSANDS OF EUROS	1ST HALF OF 2019 PUBLISHED	EFFECT OF IFRS 16	1ST HALF OF 2019 WITHOUT THE ADOPTION OF IFRS 16
Rights of use	26,245	26,245	0
Lease liabilities for rights of use	20,041	20,041	0
Other non-current receivables	12,292	(7,316)	19,608
Other current receivables	29,897	(168)	30,065
Amortisation of rights of use	(3,431)	(3,431)	0
Costs for services, leases and rentals	(120,337)	3,707	(124,044)
Borrowing costs	(14,224)	(461)	(13,763)
Effect on the income statement before taxes		(185)	

- For the purpose of facilitating the comprehensibility of the impacts deriving from the adoption of the new standard, assets acquired through financial leasing contracts and the corresponding liabilities were maintained respectively under Property, plant and equipment (€/000 10,376) and Financial liabilities (€/000 8,594).
- The change in the item "Other non-current receivables" refers to leases paid in advance by Asian companies for concessions on land where production sites are located being reclassified under the item rights of use.
- The change in the item "Other current receivables" refers to lease payments paid in advance by the company PT Piaggio Indonesia for a lease agreement that will start in September 2019 being reclassified under the item rights of use.

IFRS 9 "Financial instruments"

In October 2017, the IASB published an amendment to IFRS 9 concerning "Prepayment Features with Negative Compensation". The amendment confirms that when a financial liability recognised at amortised cost is amended without this resulting in derecognition, the relative gain or loss must be immediately recognised in profit or loss. The gain or loss is measured as the difference between the previous cash flow and flow redetermined based on the change. This amendment, applicable from 1 January 2019, did not have a significant impact on the financial statements or on disclosure.

IAS 28

The amendments issued in October 2017, clarify that the company must apply the provisions of IFRS 9 "Financial instruments" to non-current equity investments in associated companies and joint ventures for which the equity method is not applied. 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 2019 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 28 JUNE 2019	AVERAGE EXCHANGE RATE 1ST HALF OF 2019	SPOT EXCHANGE RATE 31 DECEMBER 2018	AVERAGE EXCHANGE RATE 1ST HALF OF 2018
US Dollar	1.1380	1.12978	1.1450	1.21035
Pounds Sterling	0.89655	0.873632	0.89453	0.879767
Indian Rupee	78.5240	79.12400	79.7298	79.49031
Singapore Dollars	1.5395	1.53560	1.5591	1.60544
Chinese yuan	7.8185	7.66778	7.8751	7.70859
Croatian Kuna	7.3973	7.41999	7.4125	7.41782
Japanese Yen	122.60	124.28360	125.85	131.60571
Vietnamese Dong	26,302.19	26,065.46833	26,230.56	27,356.23031
Canadian Dollars	1.4893	1.50688	1.5605	1.54575
Indonesian Rupiah	16,079.94	16,046.66230	16,565.86	16,652.05159
Brazilian Real	4.3511	4.34174	4.4440	4.14146

B) SEGMENT REPORTING

3. Operating segment reporting

The organisational structure of the Group is based on 3 Geographic 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 Geographic Segment has production sites and a sales network dedicated to customers in the relative segment. Specifically:

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

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

INCOME STATEMENT BY OPERATING SEGMENT

		EMEA AND AMERICAS	INDIA	ASIA PACIFIC 2W	TOTAL
Sales volumes (unit/000)	1st half of 2019	142.1	132.2	47.2	321.5
	1st half of 2018	133.2	131.5	39.3	304.0
	Change	8.9	0.7	7.9	17.5
	Change %	6.7%	0.5%	20.2%	5.7%
Net turnover (millions of euros)	1st half of 2019	500.0	210.4	106.5	817.0
	1st half of 2018	453.2	193.7	82.7	729.6
	Change	46.8	16.8	23.8	87.4
	Change %	10.3%	8.7%	28.8%	12.0%
Gross margin (millions of euros)	1st half of 2019	150.1	56.5	43.4	250.0
	1st half of 2018	142.7	53.4	32.1	228.3
	Change	7.3	3.1	11.3	21.7
	Change %	5.1%	5.8%	35.2%	9.5%
EBITDA (millions of euros)	1st half of 2019				134.3
	1st half of 2018				116.6
	Change				17.7
	Change %				15.2%
EBIT (millions of euros)	1st half of 2019				75.1
	1st half of 2018				61.9
	Change				13.2
	Change %				21.3%
Net profit (millions of euros)	1st half of 2019				34.6
	1st half of 2018				26.7
	Change				7.9
	Change %				29.5%

C) INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

4. Net revenues €/000 816,957

Revenues are shown net of premiums recognised to customers (dealers).
This item does not include transport costs, which are recharged to customers (€/000 14,969) and invoiced advertising cost recoveries (€/000 3,047), which are posted under other operating income.
The revenues for disposals of Group core business assets essentially refer to the marketing of vehicles and spare parts on European and non-European markets.

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

IN THOUSANDS OF EUROS	1ST HALF OF 2019		1ST HALF OF 2018		CHANGES	
	AMOUNT	%	AMOUNT	%	AMOUNT	%
EMEA and Americas	500,041	61.2	453,197	62.1	46,844	10.3
India	210,429	25.8	193,670	26.6	16,759	8.7
Asia Pacific 2W	106,487	13.0	82,725	11.3	23,762	28.7
Total	**816,957**	**100.0**	**729,592**	**100.0**	**87,365**	**12.0**

In the first half of 2019 net sales revenues recorded a 12.0% increase compared to the same period in the previous year. For a more detailed analysis of trends in individual geographic segments, see comments in the Report on Operations.

5. Costs for materials €/000 (494,214)

Costs for materials increased by €/000 64,190 compared to the first half of 2018. The item includes €/000 9,681 (€/000 14,069 in the first half of 2018) for purchases of scooters from the Chinese affiliate Zongshen Piaggio Foshan Motorcycle Co., that are sold on European and Asian markets.

The following table details the content of this item:

IN THOUSANDS OF EUROS	1ST HALF OF 2019	1ST HALF OF 2018	CHANGE
Raw, ancillary materials, consumables and goods	(512,992)	(481,379)	(31,613)
Change in inventories of raw, ancillary materials, consumables and goods	15,086	12,405	2,681
Change in work in progress of semifinished and finished products	3,692	38,950	(35,258)
Total	**(494,214)**	**(430,024)**	**(64,190)**

6. Costs for services and leases and rental costs €/000 (120,337)

Below is a breakdown of this item:

IN THOUSANDS OF EUROS	1ST HALF 2019	1ST HALF OF 2018	CHANGE
Employee costs	(8,410)	(7,914)	(496)
External maintenance and cleaning costs	(4,128)	(3,912)	(216)
Energy and telephone costs	(8,534)	(7,751)	(783)
Postal expenses	(396)	(345)	(51)
Commissions payable	(219)	(333)	114
Advertising and promotion	(22,425)	(19,147)	(3,278)
Technical, legal and tax consultancy and services	(9,055)	(9,257)	202
Company boards operating costs	(1,201)	(1,123)	(78)
Insurance	(2,200)	(2,103)	(97)
Outsourced manufacturing	(13,550)	(11,499)	(2,051)
Outsourced services	(7,676)	(7,162)	(514)
Transport costs (vehicles and spare parts)	(19,474)	(17,869)	(1,605)
Sundry commercial expenses	(5,053)	(4,860)	(193)
Expenses for public relations	(1,913)	(1,257)	(656)
Product warranty costs	(910)	(608)	(302)
Costs for quality-related events	(615)	(1,821)	1,206
Bank costs and factoring charges	(2,976)	(2,839)	(137)
Other services	(4,943)	(4,837)	(106)
Insurance from related parties	(17)	(17)	0
Services from related parties	(1,125)	(997)	(128)
Lease and rental costs	(5,470)	(8,011)	2,541
Costs for leases and rentals from related parties	(47)	(822)	775
Costs for services and leases and rental costs	**(120,337)**	**(114,484)**	**(5,853)**

Costs for services and leases and rental costs increased by €/000 5,853 compared to the first six months of 2018. The decrease of Lease and rental costs and costs for leases and rental from related parties is due partly to the adoption of the new accounting standards IFRS 16, which, as explained in the previous section "New accounting standards, amendments and interpretations adopted from 1 January 2019" requires operating lease costs to no longer be included under lease and rental costs, but instead to be recognised as the amortisation of rights of use and as borrowing costs relative to the figurative debt.
The item includes costs for temporary work of €/000 1,052.

7. Employee costs €/000 (118,308)

Employee costs include €/000 699 relating to costs for redundancy plans for the Pontedera and Noale production sites.

IN THOUSANDS OF EUROS	1ST HALF 2019	1ST HALF OF 2018	CHANGE
Salaries and wages	(90,260)	(84,799)	(5,461)
Social security contributions	(22,830)	(22,396)	(434)
Termination benefits	(3,626)	(3,599)	(27)
Other costs	(1,592)	(1,761)	169
Total	**(118,308)**	**(112,555)**	**(5,753)**

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

LEVEL	AVERAGE NUMBER		CHANGE
	1ST HALF OF 2019	1ST HALF OF 2018	
Senior management	103.5	97.5	6.0
Middle management	659.0	625.3	33.7
White collars	1,735.0	1,704.5	30.5
Blue collars	3,995.2	4,262.2	(267.0)
Total	**6,492.7**	**6,689.5**	**(196.8)**

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		CHANGE
	30 JUNE 2019	31 DECEMBER 2018	
Senior management	103	100	3
Middle management	686	640	46
White collars	1,726	1,738	(12)
Blue collars	3,953	4,037	(84)
Total	**6,468**	**6,515**	**(47)**
EMEA and Americas	3,679	3,586	93
India	1,851	2,026	(175)
Asia Pacific 2W	938	903	35
Total	**6,468**	**6,515**	**(47)**

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

LEVEL	AS OF 31.12.18	INCOMING	LEAVERS	RELOCATIONS	AS OF 30.06.19
Senior management	100	3	(2)	2	103
Middle management	640	38	(36)	44	686
White collars	1,738	149	(114)	(47)	1,726
Blue collars	4,037	929	(1,014)	1	3,953
Total	**6,515**	**1,119**	**(1,166)**	**0**	**6,468**

8. Amortisation/depreciation and impairment costs €/000 (59,215)

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

IN THOUSANDS OF EUROS	1ST HALF OF 2019	1ST HALF OF 2018	CHANGE
PROPERTY, PLANT AND EQUIPMENT			
Buildings	(2,485)	(2,503)	18
Plant and machinery	(10,665)	(10,832)	167
Industrial and commercial equipment	(4,768)	(5,420)	652
Other assets	(2,348)	(1,983)	(365)
Total depreciation of tangible fixed assets	**(20,266)**	**(20,738)**	**472**
Write-down of property, plant and equipment			
Total depreciation of property, plant and equipment and impairment costs	**(20,266)**	**(20,738)**	**472**

IN THOUSANDS OF EUROS	1ST HALF OF 2019	1ST HALF OF 2018	CHANGE
INTANGIBLE ASSETS			
Development costs	(15,613)	(16,494)	881
Industrial Patent and Intellectual Property Rights	(17,134)	(14,522)	(2,612)
Concessions, licences, trademarks and similar rights	(2,411)	(2,412)	1
Other	(77)	(49)	(28)
Total amortisation of intangible fixed assets	**(35,235)**	**(33,477)**	**(1,758)**
Write-down of intangible assets	(283)	(508)	225
Total amortisation of intangible assets and impairment costs	**(35,518)**	**(33,985)**	**(1,533)**

IN THOUSANDS OF EUROS	1ST HALF OF 2019	1ST HALF OF 2018	CHANGE
Total amortisation of rights of use	**(3,431)**	**0**	**(3,431)**

The item Amortisation of rights of use 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 adopted from 1 January 2019".

9. Other operating income €/000 62,371

This item consists of:

IN THOUSANDS OF EUROS	1ST HALF OF 2019	1ST HALF OF 2018	CHANGE
Operating grants	2,235	2,077	158
Increases in fixed assets from internal work	26,903	22,386	4,517
Other revenue and income:			
- Rent receipts	2,230	2,159	71
- Capital gains on the disposal of assets	14	44	(30)
- Sale of miscellaneous materials	574	580	(6)
- Recovery of transport costs	14,969	13,129	1,840
- Recovery of advertising costs	3,047	2,724	323
- Recovery of sundry costs	1,806	1,416	390
- Compensation	157	190	(33)
- Compensation for quality-related events	493	443	50
- Licence rights and know-how	1,122	819	303
- Sponsorship	1,484	1,177	307
- Other income	7,169	7,146	23
- Other Group income	168	118	50
Total other operating income	**62,371**	**54,408**	**7,963**

The increase is related to the growth in investments in new development projects that have been capitalised and to the higher volume in vehicles sold, implying higher revenue from the recovery of transport costs.
The item "Operating grants" includes the amount of €/000 1,201 for government and Community grants for research projects and export subsidies of €/000 1,034 received relative to the Indian affiliate. The former are recognised in profit or loss, strictly relating to the amortisation and depreciation of capitalised costs for which they were received.

10. Net reversals (impairment) of trade and other receivables €/000 (796)

This item consists of:

IN THOUSANDS OF EUROS	1ST HALF OF 2019	1ST HALF OF 2018	CHANGE
Release of provisions	91	32	59
Losses on receivables	(96)	(9)	(87)
Write-down of receivables in working capital	(791)	(867)	76
Total	**(796)**	**(844)**	**48**

11. Other operating costs €/000 (11,390)

This item consists of:

IN THOUSANDS OF EUROS	1ST HALF OF 2019	1ST HALF OF 2018	CHANGE
Provision for future risks	(4)	(582)	578
Provisions for product warranties	(6,137)	(5,170)	(967)
Duties and taxes not on income	(2,225)	(2,136)	(89)
Various subscriptions	(683)	(706)	23
Capital losses from disposal of assets	(31)		(31)
Losses from changes in the fair value of investment property	(994)	(209)	(785)
Miscellaneous expenses	(1,316)	(682)	(634)
Total sundry operating costs	*(5,249)*	*(3,733)*	*(1,516)*
Total	**(11,390)**	**(9,485)**	**(1,905)**

The item Losses from changes in the fair value of investment property relates to the lower value attributed in the appraisal prepared by an independent external expert to the Spanish site of Martorelles. For more details on how fair value is determined, reference is made to note 39.

12. Income/(loss) from investments €/000 403

Income from investments refers to the portion attributable to the Group of the Zongshen Piaggio Foshan Motorcycle Co. Ltd joint venture (€/000 371) and of the associate Pontech (€/000 14) measured at equity, as well as dividends from the associate Ecofor Service (€/000 18).

13. Net financial income (borrowing costs) €/000 (12,634)

The balance of financial income (borrowing costs) in the first half of 2019 was negative by €/000 12,634, an improvement on the figure of €/000 13,783 for the same period of the previous year, thanks to lower average debt and the reduction in the cost of debt. This improvement would be even higher, considering that figures for the first half of 2018 included €0/000 910 from non-recurrent net income generated by the liability management operation on the high yield debenture loan.

14. Taxes €/000 (28,276)

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 HALF 2019	1ST HALF OF 2018
Net profit	€/000	34,561	26,678
Earnings attributable to ordinary shares	€/000	34,561	26,678
Average number of ordinary shares in circulation		357,286,614	358,153,644
Earnings per ordinary share	€	0.097	0.074
Adjusted average number of ordinary shares		357,286,614	358,153,644
Diluted earnings per ordinary share	€	0.097	0.074

D) INFORMATION ON OPERATING ASSETS AND LIABILITIES

17. Intangible assets — €/000 664,829

Intangible assets went up overall by €/000 5,941 mainly due to investments for the period which were only partially balanced by amortisation for the period.
Increases mainly refer to the capitalisation of development and know how costs for new products and new engines, as well as the purchase of software.
During the first half of 2019, borrowing costs for €/000 289 were capitalised.

The table below shows the breakdown of intangible assets as of 30 June 2019, as well as changes during the period.

	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
IN THOUSANDS OF EUROS														
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	6,285	11,805	18,090	4,924	17,714	22,638			326	29	355	11,535	29,548	41,083
Transitions in the period	10,168	(10,168)	0	11,146	(11,146)	0			29	(29)	0	21,343	(21,343)	0
Amortisation	(15,613)		(15,613)	(17,134)		(17,134)	(2,411)		(77)		(77)	(35,235)	0	(35,235)
Disposals	(5)		(5)			0			(6)		(6)	(11)	0	(11)
Write-downs		(283)	(283)			0					0	0	(283)	(283)
Exchange differences	94	50	144	16	2	18			(3)		(3)	107	52	159
Other changes			0			0			228		228	228	0	228
Total movements for the period	**929**	**1,404**	**2,333**	**(1,048)**	**6,570**	**5,522**	**(2,411)**	**0**	**497**	**0**	**497**	**(2,033)**	**7,974**	**5,941**
Historical cost	280,123	28,647	308,770	397,324	33,604	430,928	128,021	557,322	8,169		8,169	1,370,959	62,251	1,433,210
Provisions for write-down		(1,792)	(1,792)			0					0	0	(1,792)	(1,792)
Accumulated amortisation	(223,421)		(223,421)	(333,950)		(333,950)	(91,247)	(110,382)	(7,589)		(7,589)	(766,589)	0	(766,589)
Assets as of 30 06 2019	**56,702**	**26,855**	**83,557**	**63,374**	**33,604**	**96,978**	**36,774**	**446,940**	**580**	**0**	**580**	**604,370**	**60,459**	**664,829**

Development costs include costs for products and engines referable to projects for which, as regards the period of the useful life of the asset, revenues are expected that allow for at least the costs incurred to be recovered. Assets under development refer to costs for which conditions for capitalisation apply, but that refer to products that will go into production in subsequent years.
Borrowing costs attributable to the development of products which require a considerable period of time to be realised are capitalised as a part of the cost of the actual assets. Development costs included under this item are amortised on a straight line basis over a period of 3 to 5 years, in consideration of their remaining useful life.
In the first half of 2019, development costs amounting to €/000 8,700 were carried as expenses directly in the income statement.

The item Patent rights comprises software for €/000 44,752 and patents and know-how.
Patents and know-how mainly refer to Vespa, Piaggio MP3, Piaggio Medley, Piaggio New Porter and Moto Guzzi V85 vehicles. Increases for the period mainly refer to new calculation, design and production techniques and methodologies developed by the Group, referring to main new products in the 2019-2020 range.
Costs for industrial patent and intellectual property rights are amortised on a straight line basis over a period of 3 to 5 years, in consideration of their remaining useful life.

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

IN THOUSANDS OF EUROS	AS OF 30 JUNE 2019	AS OF 31 DECEMBER 2018	CHANGE
Guzzi trademark	12,187	13,000	(813)
Aprilia trademark	23,947	25,544	(1,597)
Minor trademarks	29	30	(1)
Foton licence	611	611	0
Total	**36,774**	**39,185**	**(2,411)**

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

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

IN THOUSANDS OF EUROS	AS OF 30 JUNE 2019	AS OF 31 DECEMBER 2018	CHANGE
EMEA and Americas	305,311	305,311	0
India	109,695	109,695	0
Asia Pacific 2W	31,934	31,934	0
Total	**446,940**	**446,940**	**0**

The organisational structure of the Group is based on 3 Geographic Segments (CGUs), involved in the production and sale of vehicles, relative spare parts and assistance in areas under their responsibility: EMEA and the Americas, India and Asia Pacific 2W. Each Geographic Segment has production sites and a sales network dedicated to customers in the relative segment. Central structures and development activities currently dealt with by EMEA and the Americas, are handled by individual CGUs.
Goodwill cannot be amortised, but is tested for impairment annually or frequently, if specific events take place or changed circumstances indicate that the asset may have been affected by impairment, to identify impairment as provided for by IAS 36 - Impairment of Assets.
The possibility of reinstating booked values is verified by comparing the net carrying amount of individual cash generating units with the recoverable value (value in use). This recoverable value is represented by the present value of future cash flows which, it is estimated, will be derived from the continual use of goods referring to cash generating units and by the terminal value attributable to these goods.
The recoverability of goodwill is verified at least once per year (as of 31 December), even in the absence of indicators of impairment losses.
As of 30 June 2019, the Group compared final and estimated budget figures of 2019, combined with forecast data for the 2020-2022 period, approved by the Board of Directors on 21 February 2019. This analysis did not highlight any indicators requiring an update to the impairment test carried out for the purposes of the financial statements as of 31 December 2018.

18. Property, plant and equipment €/000 266,020

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 half of 2019, borrowing costs for €/000 161 were capitalised.

The table below shows the breakdown of intangible assets as of 30 June 2019, as well as changes during the period.

	LAND	BUILDINGS			PLANT AND MACHINERY			EQUIPMENT			OTHER ASSETS			TOTAL		
		IN OPERATION	ASSETS UNDER CON-STRUCTION AND ADVANCES	TOTAL	IN OPERATION	ASSETS UNDER CON-STRUCTION AND ADVANCES	TOTAL	IN OPERATION	ASSETS UNDER CON-STRUCTION AND ADVANCES	TOTAL	IN OPERATION	ASSETS UNDER CON-STRUCTION AND ADVANCES	TOTAL	IN OPERATION	ASSETS UNDER CON-STRUCTION AND ADVANCES	TOTAL
IN THOUSANDS OF EUROS																
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		86	827	913	855	8,227	9,082	3,330	2,251	5,581	3,310	457	3,767	7,581	11,762	19,343
Transitions in the period		530	(530)	0	6,410	(6,410)	0	3,639	(3,639)	0	51	(51)	0	10,630	(10,630)	0
Depreciation		(2,485)		(2,485)	(10,665)		(10,665)	(4,768)		(4,768)	(2,348)		(2,348)	(20,266)	0	(20,266)
Disposals				0	(1)		(1)	(1)		(1)	(34)		(34)	(36)	0	(36)
Write-downs				0			0			0			0	0	0	0
Exchange differences		197	1	198	717	54	771			0	35	5	40	949	60	1,009
Other changes				0			0			0	75	(303)	(228)	75	(303)	(228)
Total movements for the period	**0**	**(1,672)**	**298**	**(1,374)**	**(2,684)**	**1,871**	**(813)**	**2,200**	**(1,388)**	**812**	**1,089**	**108**	**1,197**	**(1,067)**	**889**	**(178)**
Historical cost	27,640	170,664	1,723	172,387	494,574	10,559	505,133	520,383	5,884	526,267	56,645	866	57,511	1,269,906	19,032	1,288,938
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		(81,363)		(81,363)	(391,615)		(391,615)	(498,045)		(498,045)	(48,318)		(48,318)	(1,019,341)	0	(1,019,341)
Assets as of 30 06 2019	**27,640**	**88,679**	**1,723**	**90,402**	**102,476**	**10,559**	**113,035**	**19,930**	**5,884**	**25,814**	**8,263**	**866**	**9,129**	**246,988**	**19,032**	**266,020**

As of 30 June 2019, the net value of assets held by financial lease agreements was as follows:

IN THOUSANDS OF EUROS	AS OF 30 JUNE 2019
Vespa painting plant	10,271
Vehicles	105
Total	**10,376**

Future lease rental commitments are detailed in note 39.

19. Rights of use €/000 26,245

This financial statement item includes the discounted value of operating lease payments due, as provided for by IFRS 16, the impact of which is referred to in the section "New accounting standards, amendments and interpretations adopted from 1 January 2019".
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 9,275

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	(994)
Balance as of 30 June 2019	**9,275**

The carrying amount as of 30 June 2019 was determined by a specific appraisal conducted by an independent expert who measured the "Fair Value less cost of disposal" based on a market approach (as provided for in IFRS 13). This analysis identified the total value of the investment as €/000 9,275. In this regard, the valuation took account of the current status of the property, the project to convert the area, for the development of a retail centre prepared by the Group, together with comparable transactions. Following the site redevelopment project, an agency management contract was given to a Spanish property company, to seek investors interested in the property.
The Group uses the "fair value model" as provided for in IAS 40, thus the measurement updated during 2019 resulted in profit adjusted to fair value, equal to €/000 994 being recognised under other costs in the income statement for the period. If the cost criterion had still been used instead of fair value, the value of the Martorelles site would have been equal to €/000 6,027. During the first half of 2019, costs incurred for site management amounted to €/000 267.

21. Deferred tax assets €/000 54,876

Deferred tax assets and liabilities are recognised at their net value when they may be offset in the same tax jurisdiction.
As part of measurements to define deferred tax assets, the Group mainly considered the following:
- 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;
- 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 approved by the Board of Directors on 21 February 2019, with forecasts being confirmed. As regards Piaggio & C. SpA, which is part of the National Consolidated Tax Convention of the IMMSI Group, the recovery of deferred tax assets is related to - and confirmed - by company forecasts and by taxable amounts of companies that are part of the above convention, as indicated in the long-term plans approved by their respective Boards, with forecasts being confirmed;
- the tax rate in effect in the year when temporary differences occur.

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 €/000 243,473

This item comprises:

IN THOUSANDS OF EUROS	AS OF 30 JUNE 2019	AS OF 31 DECEMBER 2018	CHANGE
Raw materials and consumables	125,802	104,701	21,101
Provision for write-down	(11,808)	(10,602)	(1,206)
Net value	*113,994*	*94,099*	*19,895*
Work in progress and semi-finished products	16,630	18,623	(1,993)
Provision for write-down	(852)	(852)	0
Net value	*15,778*	*17,771*	*(1,993)*
Finished products and goods	134,635	132,387	2,248
Provision for write-down	(21,357)	(20,295)	(1,062)
Net value	*113,278*	*112,092*	*1,186*
Advances	423	146	277
Total	**243,473**	**224,108**	**19,365**

As of 30 June 2019, inventories had increased by €/000 19,365, in line with the trend expected for production volumes and sales in the future.

23. Current and non-current trade receivables €/000 151,143

As of 30 June 2019 and 31 December 2018, there were no trade receivables in non-current assets. Current trade receivables are broken down as follows:

IN THOUSANDS OF EUROS	AS OF 30 JUNE 2019	AS OF 31 DECEMBER 2018	CHANGE
Trade receivables due from customers	150,130	85,293	64,837
Trade receivables due from JV	993	1,252	(259)
Trade receivables due from parent companies	14	12	2
Trade receivables due from associates	6		6
Total	**151,143**	**86,557**	**64,586**

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 25,432.
The Group sells, on a rotating basis, a large part of its trade receivables with and without recourse. Piaggio has signed contracts with some of the most important Italian and foreign factoring companies as a move to optimise the monitoring and the management of its trade receivables, besides offering its customers an instrument for funding their own inventories, for factoring classified as without the substantial transfer of risks and benefits. On the contrary, for factoring without recourse, contracts have been formalised for the substantial transfer of risks and benefits. As of 30 June 2019, trade receivables still due sold without recourse totalled €/000 169,892.
Of these amounts, Piaggio received payment prior to natural expiry of €/000 144,479.
As of 30 June 2019, advance payments received from factoring companies and banks, for trade receivables sold with recourse totalled €/000 17,834 with a counter entry recorded in current liabilities.

24. Other current and non-current receivables €/000 42,189

They consist of:

IN THOUSANDS OF EUROS	AS OF 30 JUNE 2019	AS OF 31 DECEMBER 2018	CHANGE
NON-CURRENT PORTION			
Sundry receivables due from associates	94	94	0
Prepaid expenses	9,140	13,673	(4,533)
Advances to employees	35	45	(10)
Security deposits	1,358	1,309	49
Receivables due from others	1,665	1,504	161
Total non-current portion	**12,292**	**16,625**	**(4,333)**

Receivables due from associates regard amounts due from the Fondazione Piaggio.
The decrease in deferred charges refers to the adoption from 1 January 2019 of the new accounting standard IFRS 16, which requires lease payments already made for concessions on land where Asian company sites are located to be reclassified as rights of use. For an analysis of the effects of the new accounting standard, reference is made to the previous section "New accounting standards, amendments and interpretations adopted from 1 January 2019".

IN THOUSANDS OF EUROS	AS OF 30 JUNE 2019	AS OF 31 DECEMBER 2018	CHANGE
CURRENT PORTION			
Sundry receivables due from parent companies	13,772	14,205	(433)
Sundry receivables due from JV	1,138	1,034	104
Sundry receivables due from associates	7	23	(16)
Accrued income	1,202	1,369	(167)
Prepaid expenses	6,195	2,880	3,315
Advance payments to suppliers	1,800	2,625	(825)
Advances to employees	283	2,133	(1,850)
Fair value of derivatives	151	4	147
Security deposits	305	263	42
Receivables due from others	5,044	8,971	(3,927)
Total current portion	**29,897**	**33,507**	**(3,610)**

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 refer to 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 39,148

Receivables due from tax authorities consist of:

IN THOUSANDS OF EUROS	AS OF 30 JUNE 2019	AS OF 31 DECEMBER 2018	CHANGE
NON-CURRENT PORTION			
VAT receivables	4,744	5,138	(394)
Income tax receivables	12,265	12,235	30
Other tax receivables	26	26	0
Total	**17,035**	**17,399**	**(364)**

IN THOUSANDS OF EUROS	AS OF 30 JUNE 2019	AS OF 31 DECEMBER 2018	CHANGE
CURRENT PORTION			
VAT receivables	17,157	3,360	13,797
Income tax receivables	2,829	2,538	291
Other tax receivables	2,127	1,470	657
Total	**22,113**	**7,368**	**14,745**

The increase in VAT receivables is due to the seasonal nature of the sales cycle, concentrated in the spring and summer months.

26. Receivables due after 5 years €/000 0

As of 30 June 2019, there were no receivables due after 5 years.

27. Assets held for sale €/000 0

As of 30 June 2019, there were no assets held for sale.

28. Current and non-current trade payables €/000 542,829

Trade payables are broken down as follows:

IN THOUSANDS OF EUROS	AS OF 30 JUNE 2019	AS OF 31 DECEMBER 2018	CHANGE
Amounts due to suppliers	532,871	424,320	108,551
Trade payables to JV	9,621	6,671	2,950
Trade payables due to other related parties		24	(24)
Trade payables due to associates	140	55	85
Trade payables due to parent companies	197	1,652	(1,455)
Total	**542,829**	**432,722**	**110,107**
of which reverse factoring	*226,385*	*181,578*	*44,806*

To facilitate credit conditions for its suppliers, the Group historically has used factoring agreements, mainly supply chain financing and reverse factoring agreements. These operations did not change the primary obligation, nor substantially changed payment terms, so their nature is the same and they are still classified as trade liabilities.
As of 30 June 2019, the value of trade payables covered by reverse factoring or supply chain financing agreements was equal to €/000 226,385 (€/000 181,578 as of 31 December 2018).

29. Provisions (current and non-current portion) €/000 25,314

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

IN THOUSANDS OF EUROS	BALANCE AS OF 31 DECEMBER 2018	ALLOCATION	USES	RECLASSIFI-CATIONS	CHANGE EXCHANGE RATE	BALANCE AS OF 30 JUNE 2019
Provision for product warranties	16,594	6,137	(3,368)	38	55	19,456
Provision for contractual risks	2,972	712	(646)		3	3,041
Risk provision for legal disputes	1,788	26			3	1,817
Provisions for risk on guarantee	58					58
Other provisions for risks	685	305	(48)			942
Total	**22,097**	**7,180**	**(4,062)**	**38**	**61**	**25,314**

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

IN THOUSANDS OF EUROS	AS OF 30 JUNE 2019	AS OF 31 DECEMBER 2018	CHANGE
NON-CURRENT PORTION			
Provision for product warranties	6,420	5,361	1,059
Provision for contractual risks	2,311	2,310	1
Risk provision for legal disputes	1,212	1,213	(1)
Provisions for risk on guarantee	58	0	58
Other provisions for risks and charges	562	620	(58)
Total non-current portion	**10,563**	**9,504**	**1,059**

IN THOUSANDS OF EUROS	AS OF 30 JUNE 2019	AS OF 31 DECEMBER 2018	CHANGE
CURRENT PORTION			
Provision for product warranties	13,036	11,233	1,803
Provision for contractual risks	730	662	68
Risk provision for legal disputes	605	575	30
Provisions for risk on guarantee		58	(58)
Other provisions for risks and charges	380	65	315
Total current portion	**14,751**	**12,593**	**2,158**

The product warranty provision relates to allocations for technical assistance on products covered by customer service which are estimated to be provided over the contractually envisaged warranty period. This period varies according to the type of goods sold and the sales market, and is also determined by customer take-up to commit to a scheduled maintenance plan.
The provision increased during the period by €/000 6,137 and was used for €/000 3,368 in relation to charges incurred during the period.
The provision for contractual risks refers mainly to charges which may arise from the ongoing negotiation of a supply contract.
The provision for litigation concerns labour litigation and other legal proceedings.

30. Deferred tax liabilities — €/000 6,163

Deferred tax liabilities amount to €/000 6,163 compared to €/000 2,806 as of 31 December 2018.

31. Retirement funds and employee benefits — €/000 43,316

IN THOUSANDS OF EUROS	AS OF 30 JUNE 2019	AS OF 31 DECEMBER 2018	CHANGE
Retirement funds	789	769	20
Post-employment benefits provision	42,527	40,537	1,990
Total	**43,316**	**41,306**	**2,010**

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

Technical annual discount rate	0.35%
Annual rate of inflation	1.50% as from 2019
Annual rate of increase in termination benefits	2.625% as from 2019

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 30 June 2018 would have been lower by €/000 1,064.
The table below shows the effects, in absolute terms, as of 30 June 2019, which would have occurred following changes in reasonably possible actuarial assumptions:

IN THOUSANDS OF EUROS	PROVISION FOR TERMINATION BENEFITS
Turnover rate +2%	42,083
Turnover rate -2%	43,002
Inflation rate +0.25%	43,104
Inflation rate - 0.25%	41,945
Discount rate +0.50%	41,598
Discount rate -0.50%	43,475

The average financial duration of the bond ranges from 9 to 25 years.
Estimated future amounts are equal to:

IN THOUSANDS OF EUROS	
YEAR	FUTURE AMOUNTS
1	6,901
2	3,381
3	2,568
4	2,891
5	1,339

The affiliates operating in Germany and Indonesia have provisions for employees identified as defined benefit plans. As of 30 June 2019, these provisions amounted to €/000 117 and €/000 140 respectively.

32. Current and non-current tax payables €/000 17,535

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

IN THOUSANDS OF EUROS	AS OF 30 JUNE 2019	AS OF 31 DECEMBER 2018	CHANGE
Due for income taxes	9,907	8,511	1,396
Due for non-income tax	78	50	28
Tax payables for:			
- VAT	3,765	2,010	1,755
- Tax withheld at source	3,384	3,803	(419)
- other	401	261	140
Total	7,550	6,074	1,476
Total	**17,535**	**14,635**	**2,900**

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 59,776

This item comprises:

IN THOUSANDS OF EUROS	AS OF 30 JUNE 2019	AS OF 31 DECEMBER 2018	CHANGE
NON-CURRENT PORTION			
Guarantee deposits	2,940	2,750	190
Deferred income	3,073	3,113	(40)
Other payables	71	76	(5)
Total non-current portion	**6,084**	**5,939**	**145**

IN THOUSANDS OF EUROS	AS OF 30 JUNE 2019	AS OF 31 DECEMBER 2018	CHANGE
CURRENT PORTION			
Payables to employees	28,294	17,452	10,842
Accrued expenses	4,228	3,782	446
Deferred income	2,146	1,403	743
Amounts due to social security institutions	5,545	8,584	(3,039)
Fair value of derivatives	12	16	(4)
Miscellaneous payables to JV	15	31	(16)
Sundry payables due to associates	5	5	0
Sundry payables due to parent companies	6,243	6,689	(446)
Other payables	7,204	10,258	(3,054)
Total current portion	**53,692**	**48,220**	**5,472**

Amounts due to employees include the amount for holidays accrued but not taken of €/000 13,819 and other payments to be made for €/000 14,475.
Payables due to associates 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 €/000 466 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.
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 8,384

The investments heading comprises:

IN THOUSANDS OF EUROS	AS OF 30 JUNE 2019	AS OF 31 DECEMBER 2018	CHANGE
Interests in joint ventures	8,222	7,786	436
Investments in associates	162	148	14
Total	**8,384**	**7,934**	**450**

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

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

IN THOUSANDS OF EUROS	ACCOUNTS AS OF 30 JUNE 2019		ACCOUNTS AS OF 31 DECEMBER 2018	
ZONGSHEN PIAGGIO FOSHAN MOTORCYCLE CO. LTD				
		45% *		45% *
Working capital	9,217	4,147	6,647	2,991
Consolidated debt	3,214	1,446	667	300
Total assets	10,065	4,529	14,507	6,528
Net capital employed	**22,495**	**10,122**	**21,821**	**9,819**
Provisions	211	95	209	94
Consolidated debt	0	0	0	0
Shareholders' equity	22,284	10,027	21,611	9,725
Total sources of financing	**22,495**	**10,122**	**21,821**	**9,819**
* Group ownership				
Shareholders' equity attributable to the Group		10,027		9,725
Elimination of margins on internal transactions		(1,805)		(1,939)
Value of the investment		**8,222**		**7,786**

IN THOUSANDS OF EUROS	
RECONCILIATION OF SHAREHOLDERS' EQUITY	
Opening balance as of 1 January 2019	**7,786**
Profit (Loss) for the period	237
Other comprehensive income	65
Elimination of margins on internal transactions	134
Closing balance as of 30 June 2019	**8,222**

Investments in associates €/000 162

This item comprises:

IN THOUSANDS OF EUROS	CARRYING AMOUNT AS OF 31 DECEMBER 2018	ADJUSTMENT	CARRYING AMOUNT AS OF 30 JUNE 2019
ASSOCIATES			
Immsi Audit S.c.a.r.l.	10		10
S.A.T. S.A. – Tunisia	0		0
Depuradora D'Aigues de Martorelles	27		27
Pontech Soc. Cons. a.r.l. – Pontedera	111	14	125
Total associates	**148**	**14**	**162**

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

36. Other non-current financial assets €/000 6,498

IN THOUSANDS OF EUROS	AS OF 30 JUNE 2019	AS OF 31 DECEMBER 2018	CHANGE
Fair value of derivatives	6,461	5,992	469
Investments in other companies	37	37	0
Total	**6,498**	**6,029**	**469**

The item Fair Value derivatives is related to the fair value of the Cross Currency Swap on the private debenture loan.
The breakdown of the item "Investments in other companies" is shown in the table below:

IN THOUSANDS OF EUROS	AS OF 30 JUNE 2019	AS OF 31 DECEMBER 2018	CHANGE
OTHER COMPANIES:			
A.N.C.M.A. – Rome	2	2	-
ECOFOR SERVICE S.p.A. – Pontedera	2	2	-
Consorzio Fiat Media Center – Turin	3	3	-
S.C.P.S.T.V.	21	21	-
IVM	9	9	-
Total other companies	**37**	**37**	**-**

37. Other current financial assets €/000 3,024

IN THOUSANDS OF EUROS	AS OF 30 JUNE 2019	AS OF 31 DECEMBER 2018	CHANGE
Fair value of derivatives	3,024	2,805	219
Total	**3,024**	**2,805**	**219**

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

38. Cash and cash equivalents €/000 168,459

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

IN THOUSANDS OF EUROS	AS OF 30 JUNE 2019	AS OF 31 DECEMBER 2018	CHANGE
Bank and postal deposits	119,967	131,282	(11,315)
Cash on hand	66	62	4
Securities	48,426	57,396	(8,970)
Total	**168,459**	**188,740**	**(20,281)**

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

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

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

IN THOUSANDS OF EUROS	AS OF 30 JUNE 2019	AS OF 31 DECEMBER 2018	CHANGE
Liquidity	168,459	193,323	(24,864)
Current account overdrafts	(7,925)	(407)	(7,518)
Closing balance	**160,534**	**192,916**	**(32,382)**

39. Financial liabilities (current and non-current) €/000 594,945

In the first half of 2019, the Group's overall debt decreased by €/000 31,055, despite the recognition of payables for rights of use (€/000 20,041 as of 30 June 2019) under financial liabilities in the financial statements as from 1 January 2019, following the adoption of the new accounting standard IFRS 16; reference is made to the relative effects in the previous section "New accounting standards, amendments and interpretations adopted from 1 January 2019". Net of this change and the fair value measurement of financial derivatives to hedge the exchange risk and interest rate risk, and the adjustment of relative hedged items, as of 30 June 2019 total financial debt of the Group had decreased by €/000 51,512.

IN THOUSANDS OF EUROS	FINANCIAL LIABILITIES AS OF 30 JUNE 2019			FINANCIAL LIABILITIES AS OF 31 DECEMBER 2018			CHANGE		
	CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL
Gross financial debt	123,133	443,317	566,450	110,939	507,023	617,962	12,194	(63,706)	(51,512)
Lease liabilities for rights of use	7,119	12,922	20,041	0	0	0	7,119	12,922	20,041
Fair value adjustment	2,695	5,759	8,454	2,563	5,475	8,038	132	284	416
Total	**132,947**	**461,998**	**594,945**	**113,502**	**512,498**	**626,000**	**19,445**	**(50,500)**	**(31,055)**

Net financial debt of the Group amounted to €/000 418,032 as of 30 June 2019 (of which €/000 20,041 for leases liabilities for Rights of use) compared to €/000 429,222 as of 31 December 2018.

IN THOUSANDS OF EUROS	AS OF 30 JUNE 2019	AS OF 31 DECEMBER 2018	CHANGE
Liquidity	**168,459**	**188,740**	**(20,281)**
Securities			0
Current financial receivables	**0**	**0**	**0**
Payables due to banks	(58,695)	(47,033)	(11,662)
Current portion of bank loans	(35,086)	(42,708)	7,622
Debenture loan	(10,333)	(10,325)	(8)
Amounts due to factoring companies	(17,834)	(9,291)	(8,543)
Amounts due under finance leases	(1,148)	(1,237)	89
Amounts due under rights of use	(7,119)		(7,119)
Current portion of payables due to other lenders	(37)	(345)	308
Current financial debt	**(130,252)**	**(110,939)**	**(19,313)**
Net current financial debt	**38,207**	**77,801**	**(39,594)**
Payables due to banks and lenders	(143,355)	(207,239)	63,884
Debenture loan	(292,375)	(291,694)	(681)
Amounts due under finance leases	(7,446)	(7,930)	484
Amounts due under rights of use	(12,922)		(12,922)
Amounts due to other lenders	(141)	(160)	19
Non-current financial debt	**(456,239)**	**(507,023)**	**50,784**
NET FINANCIAL DEBT[9]	**(418,032)**	**(429,222)**	**11,190**
of which lease liabilities for rights of use	**(20,041)**	**0**	**(20,041)**

Non-current financial liabilities totalled €/000 456,239 against €/000 507,023 as of 31 December 2018, whereas current financial liabilities totalled €/000 130,252 compared to €/000 110,939 as of 31 December 2018.

9 Pursuant to Consob Communication of 28 July 2006 and in compliance with the recommendation of the CESR of 10 February 2005 "Recommendation for the consistent implementation of the European Commission's Regulation on Prospectuses". The indicator does not include financial assets and liabilities arising from the fair value measurement of financial derivatives for hedging and otherwise, the fair value adjustment of relative hedged items equal to €/000 8,454 and relative accruals (excluding those related to Lease liabilities for rights of use).

The attached table summarises the breakdown of financial debt as of 30 June 2019 and as of 31 December 2018, as well as changes for the period.

IN THOUSANDS OF EUROS		CASH FLOWS						
	BALANCE AS OF 31.12.2018	CHANGES	REPAY-MENTS	NEW ISSUES	RECLASSIFI CATIONS	EXCHAN-GE DELTA	OTHER CHANGES	BALANCE AS OF 30.06.2019
Liquidity	**188,740**	**(21,280)**				**999**		**168,459**
Securities	0							0
Current financial receivables	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Current account overdrafts	(354)			(7,571)				(7,925)
Current account payables	(46,679)		9,325	(13,335)		(81)		(50,770)
Current portion of medium-/long-term bank loans	(42,708)		21,745		(14,142)	12	7	(35,086)
Total current bank loans	*(89,741)*	*0*	*31,070*	*(20,906)*	*(14,142)*	*(69)*	*7*	*(93,781)*
Debenture loan	(10,325)						(8)	(10,333)
Amounts due to factoring companies	(9,291)		9,291	(17,834)				(17,834)
Amounts due under finance leases	(1,237)		672		(583)			(1,148)
Amounts due under rights of use			2,280		(9,399)			(7,119)
Current portion of payables due to other lenders	(345)		327		(19)			(37)
Current financial debt	**(110,939)**	**0**	**43,640**	**(38,740)**	**(24,143)**	**(69)**	**(1)**	**(130,252)**
Net current financial debt	**77,801**	**(21,280)**	**43,640**	**(38,740)**	**(24,143)**	**930**	**(1)**	**38,207**
Medium-/long-term bank loans	(207,239)		50,000		14,142	15	(273)	(143,355)
Debenture loan	(291,694)						(681)	(292,375)
Amounts due under finance leases	(7,930)				583		(99)	(7,446)
Amounts due under rights of use					9,399		(22,321)	(12,922)
Amounts due to other lenders	(160)				19			(141)
Non-current financial debt	**(507,023)**	**0**	**50,000**	**0**	**24,143**	**15**	**(23,374)**	**(456,239)**
NET FINANCIAL DEBT	**(429,222)**	**(21,280)**	**93,640**	**(38,740)**	**0**	**945**	**(23,375)**	**(418,032)**
of which lease liabilities for rights of use	**0**	**0**	**2,280**	**0**	**0**	**0**	**(22,321)**	**(20,041)**

The breakdown of the debt is as follows:

IN THOUSANDS OF EUROS	ACCOUNTING BALANCE AS OF 30.06.2019	ACCOUNTING BALANCE AS OF 31.12.2018	NOMINAL VALUE AS OF 30.06.2019	NOMINAL VALUE AS OF 31.12.2018
Bank loans	237,136	296,980	238,706	298,815
Bonds	302,708	302,019	312,461	312,460
Other medium-/long-term loans:				
of which finance leases	*8,594*	*9,167*	*8,605*	*9,178*
of which rights of use	*20,041*	*0*	*20,041*	*0*
of which amounts due to other lenders	*18,012*	*9,796*	*18,012*	*9,796*
Total other loans	46,647	18,963	46,658	18,974
Total	**586,491**	**617,962**	**597,825**	**630,249**

The table below shows the debt servicing schedule as of 30 June 2019:

IN THOUSANDS OF EUROS				AMOUNTS FALLING DUE IN				
	NOMINAL VALUE AS OF 30.06.2019	AMOUNTS FALLING DUE WITHIN 12 MONTHS	AMOUNTS FALLING DUE AFTER 12 MONTHS	2ND HALF OF 2020	2021	2022	2023	BEYOND
Bank loans	238,706	93,825	144,881	15,560	44,994	44,806	39,521	0
- including opening of credit lines and bank overdrafts	*58,695*	*58,695*	*0*	*0*	*0*	*0*	*0*	*0*
- of which medium/long-term bank loans	*180,011*	*35,130*	*144,881*	*15,560*	*44,994*	*44,806*	*39,521*	*0*
Bonds	312,461	10,360	302,101	11,050	11,051	30,000	0	250,000
Other medium-/long-term loans:								
- of which finance leases	*8,605*	*1,148*	*7,457*	*582*	*1,178*	*1,199*	*1,219*	*3,279*
- of which rights of use	*20,041*	*7,119*	*12,922*	*2,800*	*4,092*	*3,465*	*2,027*	*538*
- of which amounts due to other lenders	*18,012*	*17,872*	*140*	*13*	*23*	*23*	*23*	*58*
Total other loans	46,658	26,139	20,519	3,395	5,293	4,687	3,269	3,875
Total	**597,825**	**130,324**	**467,501**	**30,005**	**61,338**	**79,493**	**42,790**	**253,875**

Medium and long-term bank debt amounts to €/000 178,441 (of which €/000 143,355 non-current and €/000 35,086 current) and consists of the following loans:

- a €/000 5,455 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 45,645 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 66,091 syndicate loan (nominal value of €/000 67,500) 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 5,000 used as of 30 June 2019) and a tranche as a five-year loan with amortisation of €/000 62,500. Contract terms require covenants (described below);
- a €/000 10,865 medium-term loan (nominal value of €/000 10,880) granted by UBI Banca. The loan will fall due on 30 June 2021 with a repayment schedule of quarterly instalments;
- a €/000 19,956 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 schedule 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 facility includes a €/000 12,500 tranche granted as a revolving credit line, unused as of 30 June 2019. Contract terms require covenants (described below);
- a €/000 6,467 medium-term loan (nominal value of €/000 6,500) granted by Interbanca-Banca IFIS. The loan will fall due on 30 September 2022 and has a quarterly repayment schedule. 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 tranche of €/000 8,039 granted as a loan maturing in 2 January 2023, with an amortisation schedule of six-monthly instalments and a tranche of €/000 20,000 granted as a revolving credit line unused as of 30 June 2019. Contract terms require covenants (described below);
- a €/000 7,780 medium-term loan for VND/000 204,631,287 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 €/000 302,708 (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 30 June 2019, the fair value measurement of the debenture loan was equal to €/000 40,915 (the fair value is determined based on IFRS relative to fair value hedging). A Cross Currency Swap has been taken out on this debenture loan to hedge the exchange risk and interest rate risk;
- €/000 29,897 (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;
- €/000 240,400 (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 17,834.

Payables for finance leases amounted to €/000 8,594 (nominal value of €/000 8,605) and break down as follows:
- a Sale&Lease back agreement for €/000 8,495 (nominal value of €/000 8,506) granted by Albaleasing on a production plant of the Parent Company. The agreement is for ten years, with quarterly repayments (non-current portion equal to €/000 7,359);
- a finance lease for €/000 99 granted by VFS Servizi Finanziari to the company Aprilia Racing for the use of vehicles (non-current portion equal to €/000 87).

Payables for rights of use totalled €/000 20,041 (non-current portion equal to €/000 12,922).

Medium-/long-term payables due to other lenders equal to €/000 178 of which €/000 141 due after the year and €/000 37 as the current portion, are detailed as follows:
- a loan of €/000 16 from BMW Finance for the purchase of cars (non-current portion equal to €/000 2);
- a subsidised loan for a total of €/000 162 from the Region of Tuscany, related to regulations on incentives for investments in research and development (non-current portion equal to €/000 139).

Covenants

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

The measurement of financial covenants and other contract commitments is monitored by the Group on an ongoing basis. According to results as of 30 June 2019, all covenants had been fully met.
The high yield debenture loan issued by the company in April 2018 provides 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 ratio, based on the threshold established in the Prospectus, to increase financial debt defined during issue. In addition, the Prospectus includes some obligations for the issuer, which limit, inter alia, the capacity to:
1. pay dividends or distribute capital;
2. make some payments;
3. grant collaterals for loans;
4. merge with or establish some companies;
5. sell or transfer own assets.

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

Amortised Cost and Fair Value Measurement

All financial liabilities are measured in accordance with accounting standards and based on the amortised cost method (except for liabilities with hedging derivatives measured at Fair Value Through Profit & Loss, for which the same measurement criteria used for the derivative are applied and receivables classified as Fair Value Through OCI): according to this method, the nominal amount of the liability is decreased by the amount of relative costs of issue and/or stipulation, in addition to any costs relating to refinancing of previous liabilities. The amortisation of these costs is determined on an effective interest rate basis, and namely the rate which discounts the future flows of interest payable and reimbursements of principle at the net carrying amount of the financial liability.
IFRS 13 – Fair Value Measurement defines fair value on the basis of the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In the absence of an active market or market that does not operate regularly, fair value is measured by valuation techniques. The standard defines a fair value hierarchy:
- level 1 – quoted prices in active markets for assets or liabilities measured;
- level 2 – inputs other than quoted prices included within Level 1 that are observable directly (prices) or indirectly (derived from prices) on the market;
- level 3 – inputs not based on observable market data.

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

The table below shows the fair value of payables measured using the amortised cost method as of 30 June 2019:

IN THOUSANDS OF EUROS	NOMINAL VALUE	CARRYING AMOUNT	FAIR VALUE [10]
High yield debenture loan	250,000	240,400	260,675
Private debenture loan 2021	32,461	32,411	44,820
Private debenture loan 2022	30,000	29,897	30,300
EIB (R&D loan 2016-2018)	45,714	45,645	45,311
Loan from Banca Pop. Emilia Romagna	20,000	19,956	19,241
Loan from Banco BPM	7,956	7,956	8,361
Revolving syndicated loan 2023	5,000	3,995	4,953
Syndicated loan 2023	62,500	62,096	61,963
Loan from UBI	10,880	10,865	12,239
Loan from MCC	8,039	8,039	7,928
Loan from Banca Ifis	6,500	6,467	6,667
VietinBank medium-term loan	7,780	7,780	8,054

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

Fair value hierarchy

The table below shows the assets and liabilities measured and recognised at fair value as of 30 June 2019, by hierarchical level of fair value measurement.

IN THOUSANDS OF EUROS	LEVEL 1	LEVEL 2	LEVEL 3
ASSETS MEASURED AT FAIR VALUE			
Investment Property			9,275
Financial derivatives:			
- of which financial assets		9,485	
- of which other receivables		151	
Investments in other companies			37
Total assets	**0**	**9,636**	**9,312**
LIABILITIES MEASURED AT FAIR VALUE			
Financial derivatives			
- of which financial liabilities			
- of which other payables		(12)	
Financial liabilities at fair value recognised through profit or loss		(40,915)	
Total liabilities	**0**	**(40,927)**	
General total	**0**	**(31,291)**	**9,312**

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

Investment property related to the Martorelles site was measured as hierarchical level 3. This value was confirmed by a specific valuation of an independent expert, who measured the "Fair value less cost of disposal" based on a market approach (as provided for by IFRS 13). The valuation took account of comparable transactions on the local market, and the project to convert the area (from an industrial to a commercial site, as approved by the local authorities on 18 February 2014), referring however the value of the investment to its current status. Consequently, an accompanying 10% increase or decrease in all the variables based on the valuation of the investment would have generated a higher value of around €/000 2,600 and a lower value of €/000 2,800, with an equivalent greater or lesser impact on the income statement for the period.
The following tables show Level 2 and Level 3 changes during the first half of 2019:

IN THOUSANDS OF EUROS	LEVEL 2
Balance as of 31 December 2018	**(31,714)**
Gain (loss) recognised in profit or loss	271
Gain (loss) recognised in the statement of comprehensive income	152
Increases/(Decreases)	
Balance as of 30 June 2019	**(31,291)**
	LEVEL 3
Balance as of 31 December 2018	**10,306**
Gain (loss) recognised in profit or loss	(994)
Increases/(Decreases)	
Balance as of 30 June 2019	**9,312**

F) MANAGEMENT OF FINANCIAL RISK

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

40. Credit risk

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

IN THOUSANDS OF EUROS	AS OF 30 JUNE 2019	AS OF 31 DECEMBER 2018
Liquid assets	119,967	131,282
Securities	48,426	57,396
Financial receivables	9,522	8,834
Other receivables	42,189	50,132
Tax receivables	39,148	24,767
Trade receivables	151,143	86,557
Total	**410,395**	**358,968**

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

41. Financial risks

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

Liquidity risk and capitals management

The liquidity risk arises from the possibility that available financial resources are not sufficient to cover, in due times and procedures, future payments arising from financial and/or commercial obligations. To deal with these risks, cash flows and the Group's credit line needs are monitored or managed centrally under the control of the Group's Treasury in order to guarantee an effective and efficient management of the financial resources as well as optimise the debt's maturity standpoint.
In addition, the Parent Company finances the temporary cash requirements of Group companies by providing direct short-term loans regulated in market conditions or guarantees. A cash pooling zero balance system is used between the Parent Company and European companies to reset the receivable and payable balances of subsidiaries on a daily basis, for a more effective and efficient management of liquidity in the Eurozone.
As of 30 June 2019 the most important credit lines irrevocable until maturity granted to the Parent Company were as follows:

- a debenture loan of €/000 250,000 maturing in April 2025;
- a debenture loan of $/000 47,000 maturing in July 2021;
- a debenture loan of €/000 30,000 maturing in July 2022;
- a credit line of €/000 250,000 comprising a Revolving Credit Facility of €/000 187,500 maturing in July 2022 and a loan of €/000 62,500 maturing in July 2023;
- Revolving credit facilities for a total of €/000 32,500, with final settlement in July 2022;
- loans for a total of €/000 104,544, with final settlement in December 2023.

Other Group companies also have irrevocable loans totalling €/000 7,780, with final settlement in June 2021.

As of 30 June 2019, the Group had a liquidity of €/000 168,459, undrawn irrevocable credit lines of €/000 215,000 and revocable credit lines of €/000 125,671, as detailed below:

IN THOUSANDS OF EUROS	AS OF 30 JUNE 2019	AS OF 31 DECEMBER 2018
Variable rate with maturity within one year - irrevocable until maturity		
Variable rate with maturity beyond one year - irrevocable until maturity	215,000	165,000
Variable rate with maturity within one year - cash revocable	106,671	126,225
Variable rate with maturity within one year - with revocation for self-liquidating typologies	19,000	19,000
Total undrawn credit lines	**340,671**	**310,225**

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

Exchange Risk

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

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

Cash flow hedging

As of 30 June 2019, the Group had undertaken the following futures transactions (recognised based on the settlement date), relative to payables and receivables already recognised to hedge the transaction exchange risk:

COMPANY	TRANSACTION	CURRENCY	AMOUNT IN CURRENCY	VALUE IN LOCAL CURRENCY (FORWARD EXCHANGE RATE)	AVERAGE MATURITY
			IN THOUSANDS	IN THOUSANDS	
Piaggio & C.	Purchase	CNY	89,000	11,422	10/08/2019
Piaggio & C.	Purchase	JPY	95,000	768	20/09/2019
Piaggio & C.	Purchase	USD	25,350	22,452	19/08/2019
Piaggio & C.	Sale	CAD	4,600	3,057	24/08/2019
Piaggio & C.	Sale	GBP	650	725	31/07/2019
Piaggio & C.	Sale	INR	200,000	2,552	05/07/2019
Piaggio & C.	Sale	JPY	115,000	935	30/07/2019
Piaggio & C.	Sale	USD	43,350	38,190	27/08/2019
Piaggio Group Americas	Purchase	CAD	1,200	906	27/08/2019
Piaggio Vietnam	Purchase	€	5,000	132,795,000	06/08/2019
Piaggio Vietnam	Sale	USD	50,000	1,171,980,000	26/09/2019
Piaggio Indonesia	Purchase	USD	4,487	64,559,437	21/07/2019
Piaggio Vespa BV	Sale	SGD	530	346	29/07/2019
Piaggio Vehicles Private Limited	Sale	USD	5,880	408,168	31/07/2019
Piaggio Vehicles Private Limited	Sale	€	7,579	603,327	19/08/2019

As of 30 June 2019, the Group had undertaken the following hedging transactions on the exchange risk:

COMPANY	TRANSACTION	CURRENCY	AMOUNT IN CURRENCY	VALUE IN LOCAL CURRENCY (FORWARD EXCHANGE RATE)	AVERAGE MATURITY
			IN THOUSANDS	IN THOUSANDS	
Piaggio & C.	Purchase	CNY	48,000	5,946	13/10/2019
Piaggio & C.	Sale	GBP	5,440	6,049	19/09/2019

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 30 June 2019 the total fair value of hedging instruments for the economic exchange risk recognised on a hedge accounting basis was positive by €/000 136. During the first half of 2019, profit was recognised under Other Comprehensive Income amounting to €/000 136 and profit from Other Comprehensive Income was reclassified under profit/loss for the period amounting to €/000 15.

The net balance of cash flows during the first half of 2019 in main currencies is shown below:

IN MILLIONS OF EUROS	CASH FLOW FOR THE 1ST HALF OF 2019
Canadian Dollar	3.7
Pound Sterling	9.1
Swedish Krone	4.2
Japanese Yen	(3.4)
US Dollar	21.3
Indian Rupee	(27.2)
Croatian Kuna	0.3
Chinese Yuan[11]	(25.6)
Vietnamese Dong	(27.6)
Singapore dollar	(1.3)
Indonesian Rupiah	16.2
Total cash flow in foreign currency	**(30.3)**

In view of the above, an assumed appreciation/deprecation of 3% of the euro would have generated potential profits for €/000 881 and potential losses for €/000 936 respectively.

Interest rate risk

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

As of 30 June 2019, the following hedging derivatives were taken out:

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

- a Cross Currency Swap to hedge the private debenture loan issued by the Parent Company for a nominal amount of $/000 75,000. The purpose of the instrument is to hedge both the exchange risk and interest rate risk, turning the loan from US dollars to euro, and from a fixed rate to a variable rate; the instrument is accounted for on a fair value hedge basis, with effects arising from the measurement recognised in profit or loss. As of 30 June 2019, the fair value of the instrument was €/000 9,485. The net economic effect arising from the measurement of the instrument and underlying private debenture loan was equal to €/000 +270; sensitivity analysis of the instrument and its underlying, assuming a 1% increase and decrease in the shift of the variable rates curve, showed a potential impact on the Income Statement, net of the related tax effect, of practically zero in the first case and equal to €/000 +13 in the second case, assuming constant exchange rates; whereas assuming a 1% reversal and write-down of exchange rates, sensitivity analysis identified a potential impact on the Income Statement, net of the related tax effect, of €/000 -12 and €/000 +17 respectively.

IN THOUSANDS OF EUROS	FAIR VALUE
PIAGGIO & C. S.P.A.	
Cross Currency Swap	9,485

11 Cash flow partially in USD

G) INFORMATION ON SHAREHOLDERS' EQUITY

42. Share capital and reserves — €/000 393,685

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

Share capital — €/000 207,614

During the period, the nominal share capital of Piaggio & C. did not change.
Therefore, as of 30 June 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 30 June 2019, Piaggio & C. held 873,818 treasury shares, equal to 0.244% of the shares issued.

SHARES IN CIRCULATION AND TREASURY SHARES

NO. OF SHARES	2019	2018
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 30 June 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 30 June 2019 was unchanged compared to 31 December 2018.

Legal reserve — €/000 21,904

The legal reserve as of 30 June 2019 had increased by €/000 1,779 as a result of the allocation of earnings for the last period.

Financial instruments' fair value reserve — €/000 9

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 this year, therefore, dividends were 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	€	€
Authorised and paid	32,155	19,698	0.090	0.055

Earnings reserve €/000 200,429

Capital and reserves of non-controlling interest €/000 (215)

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

43. Other components of the Statement of Comprehensive Income €/000 (525)

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 30 June 2019						
Items that will not be reclassified in the income statement						
Remeasurements of defined benefit plans			(2,234)	(2,234)		(2,234)
Total	0	0	(2,234)	(2,234)	0	(2,234)
Items that may be reclassified in the income statement						
Total translation gains (losses)		1,525		1,525	(4)	1,521
Portion of components of the Statement of Comprehensive Income of subsidiaries/associates valued with the equity method		65		65		65
Total profits (losses) on cash flow hedges	123			123		123
Total	123	1,590	0	1,713	(4)	1,709
Other components of the Statement of Comprehensive Income	**123**	**1,590**	**(2,234)**	**(521)**	**(4)**	**(525)**
As of 30 June 2018						
Items that will not be reclassified in the income statement						
Remeasurements of defined benefit plans			(1,203)	(1,203)		(1,203)
Total	0	0	(1,203)	(1,203)	0	(1,203)
Items that may be reclassified in the income statement						
Total translation gains (losses)		(3,224)		(3,224)	27	(3,197)
Portion of components of the Statement of Comprehensive Income of subsidiaries/associates valued with the equity method		108		108		108
Total profits (losses) on cash flow hedges	573			573		573
Total	573	(3,116)	0	(2,543)	27	(2,516)
Other components of the Statement of Comprehensive Income	**573**	**(3,116)**	**(1,203)**	**(3,746)**	**27**	**(3,719)**

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

	AS OF 30 JUNE 2019			AS OF 30 JUNE 2018		
	GROSS VALUE	TAX (EXPENSE) / BENEFIT	NET VALUE	GROSS VALUE	TAX (EXPENSE) / BENEFIT	NET VALUE
IN THOUSANDS OF EUROS						
Remeasurements of defined benefit plans	(2,940)	706	(2,234)	(1,571)	368	(1,203)
Total translation gains (losses)	1,521		1,521	(3,197)		(3,197)
Portion of components of the Statement of Comprehensive Income of subsidiaries/associates measured with the equity method	65		65	108		108
Total profits (losses) on cash flow hedges	162	(39)	123	662	(89)	573
Other components of the Statement of Comprehensive Income	**(1,192)**	**667**	**(525)**	**(3,998)**	**279**	**(3,719)**

H) OTHER INFORMATION

44. Share-based incentive plans

As of 30 June 2019, there were no incentive plans based on financial instruments.

45. Information on related parties

Revenues, costs, payables and receivables as of 30 June 2019 involving parent, subsidiaries and associates, 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 30 JUNE 2019	% OF OWNERSHIP AS OF 31 DECEMBER 2018
IMMSI S.p.A.	Mantova - Italy	Direct parent company	50.0703	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 two office lease agreements with IMMSI, one for property in Via Broletto 13 in Milan, and the other for property in Via Abruzzi 25 in Rome. A part of the property in Via Broletto 13 in Milan is sub-leased by Piaggio & C. S.p.A. to Piaggio Concept Store Mantova Srl.

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

- subleases a part of the rented property to:
  - Piaggio Concept Store Mantova

- 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;
- 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:

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

Foshan Piaggio Vehicles Technology R&D
- sells vehicles to Zongshen Piaggio Foshan Motorcycle Co. Ltd. for sale on the Chinese market.

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

AS OF 30 JUNE 2019	FONDAZIONE PIAGGIO	ZONGSHEN PIAGGIO FOSHAN	IMMSI AUDIT	PONTECH - PONTEDERA & TECNOLOGIA	IS MOLAS	OMNIAHOLDING	IMMSI	TOTAL	% OF ACCOUNTING ITEM
IN THOUSANDS OF EUROS									
Income statement									
Revenues from sales		39						39	0.00%
Costs for materials		(9,681)						(9,681)	1.96%
Costs for services			(410)		(87)		(628)	(1,125)	1.00%
Insurance							(17)	(17)	0.77%
Leases and rentals						(20)	(27)	(47)	0.85%
Other operating income		123	17			3	25	168	0.27%
Other operating costs						(1)	(9)	(10)	0.09%
Write-down/Impairment of investments		371		14				385	95.53%
Financial income							14	14	0.73%
Borrowing costs						(7)	(78)	(85)	0.60%
Assets									
Other non-current receivables	94							94	0.76%
Current trade receivables		993	6				14	1,013	0.67%
Other current receivables		1,138	7				13,772	14,917	49.89%
Liabilities									
Lease liabilities for rights of use > 12 months						181	3,524	3,705	28.67%
Lease liabilities for rights of use < 12 months						213	1,565	1,778	24.98%
Current trade payables	1	9,621	55		84	47	150	9,958	1.83%
Other current payables	5	15					6,243	6,263	11.66%

46. Disputes

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

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

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

In June 2011 Elma srl, a Piaggio dealer since 1995, started two separate proceedings against the Parent Company, claiming the payment of approximately €2 million for alleged breach of the sole agency ensured by Piaggio for the Rome area and an additional €5 million as damages for alleged breach and abuse of economic dependence by the Company. Piaggio opposed the proceedings undertaken by Elma, fully disputing its claims and requesting a ruling for Elma to settle outstanding sums owing of approximately €966,000.
During the case, Piaggio requested the enforcement of bank guarantees that ensured against the risk of default by the dealer issued in its favour by three banks. Elma attempted to stop enforcement of the guarantees with preventive proceedings at the Court of Pisa (Pontedera section): the proceedings ended in favour of Piaggio that collected the amounts of the guarantees (over €400,000). Trial proceedings took place and a hearing was held on 24 April 2013 to examine evidence. After reaching a decision at the aforesaid hearing, the Judge rejected requests for preliminary examination of Elma and set the hearing for 17 December 2015 for closing arguments, which was adjourned to 3 March 2016 and was then not held as the judge was transferred. The case was reassigned to a new Judge, who set the hearing for 19 July 2018, which was adjourned to 4 October 2018 and then to 10 January 2019. In the latter hearing, although the parties had already filed their closing arguments, the Judge adjourned the case, for closing arguments to be made, to the hearing of 9 April 2019. The case is pending a decision.
As regards the matter, Elma has also brought a case against a former senior manager of the Company before the Court of Rome, claiming compensation for damages: Piaggio appeared in the proceedings, requesting, among other things, that the case be moved to the Court of Pisa. At the hearing of 27 January 2014, the Judge ruled on the preliminary exceptions and did not admit preliminary briefs. The hearing for closing arguments set for 21 December 2015 and subsequently adjourned, was not held as the Judge, on petition of Elma, re-opened the preliminary investigation, admitting testimonial evidence and setting the hearing for 25 May 2016. On this date, examination of the witnesses began and the hearing was adjourned to 24 October 2016 to continue the preliminary investigation. The Judge set the

hearing for 11 April 2017 to reach a settlement between the parties, which was not successful. The Judge therefore admitted an accounting expert requested by Elma, although with a far more limited scope than the petition filed by the counterparty, adjourning the case to the hearing of 9 October 2018 for closing arguments. The expert's appraisal was filed on October 2018. The parties exchanged their closing arguments and respective rejoinders. In a ruling of 31 May 2019 (published on 3 June 2019) the Ordinary Court of Rome, Civil Section XII, rejected the claim made by Elma S.r.l., also ordering it to pay the expert's fees and legal fees.

In a complaint received on 29 May 2007, Gammamoto S.r.l. in liquidation, an Aprilia licensee in Rome, started a legal action against the Parent Company before the Court of Rome for contractual and non-contractual liability. The Company fully opposed the injunction disputing the validity of Gammamoto's claims and objecting to the lack of jurisdiction of the Judge in charge. The Judge, accepting the petition formulated by the Company, declared its lack of jurisdiction with regards to the dispute. Gammamoto has continued proceedings through the Court of Venice. The Judge admitted testimonial evidence and evidence for examination requested by the parties, establishing the hearing for the preliminary investigation on 12 November 2012. After defining the closing arguments of the hearing of 26 June 2013, the terms for final statements and relative replies were granted, and the case was not ruled on. The Court of Venice issued a ruling in favour of Piaggio, filed on 17 February 2014. Gammamoto appealed and at the first hearing on 23 October 2014 the Court decided to rule without proceeding with the preliminary investigation requested by the opposing party, and in particular without ordering a technical appraisal.
In a ruling of 8 April 2019 (published on 12 June 2019), the Court of Appeal of Venice, Civil section III, rejected the appeal made by Gammamoto S.r.l. in liquidation, as it was without grounds, confirming the ruling of the first instance, and ordering Gammamoto to pay legal fees.

The company TAIZHOU ZHONGNENG summoned Piaggio before the Court of Turin, requesting the annulment of the Italian part of the 3D trademark registered in Italy protecting the form of the Vespa, as well as a ruling denying the offence of the counterfeiting of the 3D trademark in relation to scooter models seized by the Guardia di Finanza [Italian tax police] at the 2013 EICMA trade show, based on the petition filed by Piaggio, in addition to compensation for damages. At the first hearing for the parties to appear, set for 4 February 2015 and adjourned to 5 February 2015, the Judge lifted reservations, arranging for a technical appraisal to establish the validity of the Vespa 3D trademark and the infringement or otherwise of Znen scooter models, setting the hearing for the court-appointed expert to be sworn in on 18 March 2015, which was adjourned to 29 May 2015. At that hearing, the Judge set the deadline for filing the final expert's appraisal for 10 January 2016, and the discussion hearing for 3 February 2016. During this hearing, the Judge, considering the preliminary investigation as completed, set the hearing for closing arguments for 26 October 2016. In a ruling of 6 April 2017, the Court of Turin upheld in full the validity of the 3D Vespa mark of Piaggio, and the counterfeiting of said by the "VES" scooter by Znen.
The Court of Turin also recognised the protection of Vespa in accordance with copyright, confirming the creative nature and artistic value of its form, declaring that the scooter "VES" by Znen infringes Piaggio copyright. The other party appealed against the judgement at the Appeal Court of Turin, where the first hearing took place on 24 January 2018. The case was adjourned to the hearing of 13 June 2018 for the closing arguments, after which statements and rejoinders and replications were exchanged. The Court of Appeal of Turin rejected the appeal made by Zhongneng in a ruling published on 16 April 2019.

In a writ of 27 October 2014 Piaggio summoned the companies PEUGEOT MOTOCYCLES ITALIA s.p.a., MOTORKIT s.a.s. di Turcato Bruno e C., GI.PI. MOTOR di Bastianello Attilio and GMR MOTOR s.r.l. before the Court of Milan to obtain the recall of Peugeot "Metropolis" motorcycles from the market, and to establish the infringement of some European patents and designs owned by Piaggio, as well as a ruling for the compensation for damages for unfair competition, and the publication of the ruling in some newspapers.
In the hearing for the first appearance of 4 March 2015, the judge set the deadline for filing statements pursuant to article 183.6 of the Italian Code of Civil Procedure and appointed an expert witness.
The hearing for swearing in the expert took place on 6 October 2015. On 23 December 2016, the expert submitted his provisional report to the parties and the final report was filed on 2 May 2017. The judge adjourned the case to the hearing of 28 February 2018 for closing arguments. At the hearing of 28 February 2018, the Judge ordered an addition to the expert's appraisal, filed on 20 June 2018 and set the deadlines for closing arguments and the exchange of final statements. The case is pending a decision.

Piaggio started a similar legal action against Peugeot Motocycles SAS before the Tribunal de Grande Instance in Paris. As a result of the Piaggio action ("Saisie Contrefaçon"), several documents were obtained by a bailiff and tests carried out to prove the infringement of the MP3 motorcycle by the Peugeot "Metropolis" motorcycle. The hearing took place on 8 October 2015 for the appointment of the expert, who will examine the findings of the Saisie Contrefaçon. On 3 February 2016 the hearing took place to discuss the preliminary briefs exchanged between the parties. The hearing to assess preliminary findings, set for 29 September 2016, was adjourned to 9 February 2017 and then to 6 September 2017. In February 2018, a preliminary expert's appraisal was filed defining documents based on which a ruling will be made on the counterfeiting alleged by Piaggio. The hearing was held on 29 January 2019 and proceedings were adjourned to the hearing of 17 October 2019.

PEUGEOT MOTOCYCLES SAS summoned Piaggio to appear before the Court of Milan, claiming that the patent based on which Piaggio filed a claim for counterfeiting would be voidable, due to a previously existing Japanese patent. Piaggio appeared in court, claiming that the action taken by Peugeot could not proceed further and that the patent application referred to by Peugeot was irrelevant. During the hearing of 20 February 2018, the Judge established the deadlines for filing preliminary briefs and the case was adjourned to the hearing of 22 May 2018, after which an expert's appraisal was ordered, with the date of 15 January 2019 set for the filing. After the expert's appraisal was filed (confirming the validity of Piaggio's patent), and discussed during the hearing of 29 January 2019, the Judge requested further technical confirmations from the expert, establishing a deadline (15 April) by which Peugeot must request additions to the appraisal. On the outcome of the hearing, the Judge set the subsequent hearing for 15 December 2020 for the summary pleadings.

In November 2017, the Company filed two appeals with the Court of Beijing (PRC), concerning the assessment of the breach and counterfeiting of some trademarks ("Case 1") and ornamental designs ("Case 2"), relative to the "Scarabeo" vehicle by Chinese companies which are part of the Jincheng Group Co., Ltd. Following these actions, the counterparty filed a claim for invalidation (an administrative procedure with the Chinese Patent Re-examination Board) of the registration of one of the ornamental designs relative to an old model of the Scarabeo (no longer in production). The latter proceeding ended with the invalidation of the registration of the old Scarabeo design. Piaggio appealed against this decision, submitting a petition to suspend Case 2 pending the outcome of the petition against the invalidation. A hearing has yet to be set for Case 1, which is expected for 2019.

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

As regards tax disputes involving the Parent Company Piaggio & C. S.p.A., two appeals are ongoing against two tax assessments notified to the Company and related to the 2002 and 2003 tax years respectively. These assessments originate from the Italian Revenue Agency accessing the Parent Company's offices in 2007, following information filed in the report of verification issued in 2002 following a general verification.
The Parent Company obtained a favourable ruling concerning these assessments, in both the first and second instance, and with reference to both tax periods. The Italian Revenue Agency filed an appeal with the Court of Cassation and the Company filed related appeals against it on 27 May 2013, with reference to the tax litigation made related to the 2002 tax period, and on 10 March 2014, for the tax litigation made relative to the 2003 tax period. On 22 May 2019, the Company filed an application for a settlement concession pursuant to Article 6 of Law Decree 119/2018, paying the amounts required by this law and on 10 June 2019, filed relative applications for suspension.

Lastly, on 22 December 2017, Piaggio & C. S.p.A. received two notices of assessment issued by the Revenue Agency - Regional Department of Tuscany - Major Taxpayers Section - both relative to the 2012 tax period and concerning transfer pricing for corporate income tax and regional production tax purposes. As regards both notices, the Company, convinced of its reasons and in keeping with OECD guidelines and the Decree of 14 May 2018, and with no intention of tax instrumentalisation, started a cross-examination stage with the Assessing Department, submitting an application for control with acceptance on 23 January 2018, in order to reach a quick settlement with the Revenue Agency.
As no agreement has yet been reached with the Department, the Company filed an appeal with the Provincial Tax Commission of Florence on 11 June 2018 and 25 July 2018 (for the assessment notices concerning regional production tax and corporate income tax respectively), to prevent deadlines making the notices final, and a hearing was set for both cases for 29 April 2019, during which the parties requested an adjournment. The appeals concerning regional production tax and corporate income tax were combined and the new hearing has been set for 13 November 2019.
The Company was also successful before the Income Tax Appellate Tribunal with reference to appeals filed against assessment orders received on completion of the assessment of income generated by Piaggio & C. S.p.A. in India during the 2009-2010 and 2010-2011 Indian tax periods, involving sums for approximately €1.3 million and €1.1 million respectively, including interest; the Indian tax authorities filed an appeal with the High Court against the decision taken in the first instance; a date for the hearing has yet to be set.

On 6 February 2019, a ruling was made by the Income Tax Appellate Tribunal in favour of the Company regarding its appeals against the assessment orders received following the assessments conducted for the 2011-2012 and 2012-2013 tax periods. The taxes and interest claimed by the Indian tax authorities for these tax periods amount to approximately €1 million and €0.9 million respectively.
In compliance with local laws, the Parent Company has already paid part of the amounts related to the appeals to the Indian tax authorities, for a total of €0.8 million; for these amounts, the Company has started the reimbursement procedure, that will be completed before the end of 2019.
The Company has not considered allocating provisions for these disputes, in view of the positive opinions expressed by consultants appointed as counsel. Furthermore, based on the above mentioned opinions, the Company considers a favourable outcome of the rulings and subsequent reimbursement of amounts paid with reference to the Indian disputes as likely.
Moreover, the Parent Company received a VAT assessment order from the Indian tax authorities relative to the 2010-2011 tax period, concerning the non-application of VAT to intergroup transactions with Piaggio Vehicles PVT Ltd relative to royalties. The amount of the claim, including interest is approximately €0.7 million and the Company has decided to contest the order, filling an appeal with the High Court on 17 June 2019.

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

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

With reference to PT Piaggio Indonesia, the Company filed an appeal against the claim concerning transfer pricing for the 2015 period.

As regards the French company, a favourable ruling was issued in December 2012 by the Commission Nationale des Impots directes et des taxes sur le chiffre d'affaires, the decision-making body ruling prior to legal proceedings in disputes with the French tax authorities concerning a general audit of the 2006 and 2007 periods. The French tax authorities however upheld their claims against the Company, requesting payment of the amounts claimed and issuing related notices (one for withholding tax and the other for corporate income tax and VAT).
The Company appealed against the notices and appeals were filed against the findings on withholding tax and corporate income tax, before the Tribunal Administratif. Appeals were lodged against decisions taken against the Company on 7 September 2015 and 8 July 2016 before the Cour Administrative d'Appel de Versailles. Following the hearing on 23 January 2018, appeal judges issued a ruling in favour of the Company. The amount in question, equal to approximately €3.7 million, including interest, initially paid in full to the French tax authorities, was then reimbursed following the ruling handed down by the Cour Administrative d'Appel de Versailles. This last judgement was appealed against by the French Administration before the Conseil d'Etat. As regards this proceeding, the Financial Administration filed briefs on 4 April 2019, and the Company filed its rejoinder on 21 May 2019.
The Company did not consider it necessary to make provisions, in view of the positive indications from professionals appointed to act as counsel, also in view of the petition filed with the Court Administrative d'Appel de Versailles, and the ruling issued in favour of the Company by this Court.

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

47. Significant non-recurring events and operations

In the first half of 2019, no significant non-recurrent transactions were recorded.
The following are reported concerning the first half of 2018:
- on 9 April 2018, the Parent Company exercised the call option of the debenture loan issued by the Company on 24 December 2014 for a total amount of €/000 250,000 and maturing on 30 December 2021.
- On 9 May, the remaining portion of this loan (equal to approximately €/000 168,497) was paid back at the price of 101.25%, after the finalisation of the exchange offer launched on 9 April.

The transaction resulted in the following being recognised in profit or loss for the first half of 2018:
- borrowing costs related to premiums paid to bond holders that did not take up to the exchange offer and for the exchange of outstanding securities and costs of the repaid loan not yet amortised (€/000 3,521 thousand);
- financial income from the operation to change the original liability with a new bond issued at more favourable conditions for the issuer (€/000 4,431 thousand).

The operation comes under significant non-recurrent transactions, as defined by Consob Communication no. DEM/6064293 of 28 July 2006.

48. Transactions arising from atypical and/or unusual transactions

During 2018 and the first six months 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.

49. Events occurring after the end of the period

To date, no events have occurred after 30 June 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 30 June 2019.

50. Authorisation for publication

This document was published on 12 August 2019 and authorised by the Chairman and Chief Executive Officer.

Mantova, 26 July 2019

for the Board of Directors

Chairman and Chief Executive Officer
Roberto Colaninno

ATTACHMENTS

Piaggio Group companies

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

List of companies included in the scope of consolidation on a line-by-line basis as of 30 June 2019

COMPANY NAME	REGISTERED OFFICE	COUNTRY	SHARE CAPITAL	CURRENCY	% OF THE HOLDING			% TOTAL INTEREST
					DIRECT	INDIRECT	MEANS	
Parent company:								
Piaggio & C. S.p.A.	Pontedera (Pisa)	Italy	207,613,944.37	Euro				
Subsidiaries:								
Aprilia Brasil Industria de Motociclos S.A.	Manaus	Brazil	2,020,000.00	R$		51%	Aprilia World Service Holding do Brasil Ltda	51%
Aprilia Racing S.r.l.	Pontedera (Pisa)	Italy	250,000.00	Euro	100%			100%
Aprilia World Service Holding do Brasil Ltda.	São Paulo	Brazil	2,028,780.00	R$		99.999950709%	Piaggio Group Americas Inc	99.999950709%
Foshan Piaggio Vehicles Technology Research and Development Co Ltd	Foshan City	China	10,500,000.00	RMB		100%	Piaggio Vespa B.V.	100%
Nacional Motor S.A.	Barcelona	Spain	60,000.00	Euro	100%			100%
Piaggio Advanced Design Center Corp.	California	USA	100,000.00	USD	100%			100%
Piaggio Asia Pacific PTE Ltd.	Singapore	Singapore	100,000.00	sin$		100%	Piaggio Vespa B.V.	100%
Piaggio China Co. LTD	Hong Kong	China	12,500,000 auth. capital (12,126,000 subscribed and paid up)	USD	100%			100%
Piaggio Concept Store Mantova S.r.l.	Mantova	Italy	100,000.00	Euro	100%	100%		100%
Piaggio Deutschland GmbH	Düsseldorf	Germany	250,000.00	Euro			Piaggio Vespa B.V.	100%
Piaggio España S.L.U.	Alcobendas	Spain	426,642.00	Euro	100%			100%
Piaggio Fast Forward Inc.	Boston	USA	12,827	USD	83.42%			83.42%
Piaggio France S.A.S.	Clichy Cedex	France	250,000.00	Euro		100%	Piaggio Vespa B.V.	100%
Piaggio Group Americas Inc	New York	USA	2,000.00	USD		100%	Piaggio Vespa B.V.	100%
Piaggio Group Canada Inc.	Toronto	Canada	10,000.00	CAD$		100%	Piaggio Group Americas Inc	100%
Piaggio Group Japan	Tokyo	Japan	99,000,000.00	Yen		100%	Piaggio Vespa B.V.	100%
Piaggio Hellas S.A.	Athens	Greece	1,004,040.00	Euro		100%	Piaggio Vespa B.V.	100%
Piaggio Hrvatska D.o.o.	Split	Croatia	400,000.00	HKD		100%	Piaggio Vespa B.V.	100%
Piaggio Limited	Bromley Kent	United Kingdom	250,000.00	GBP	0.0004%	99.9996%	Piaggio Vespa B.V.	100%
Piaggio Vehicles Private Limited	Maharashtra	India	340,000,000.00	INR	99.9999971%	0.0000029%	Piaggio Vespa B.V.	100%
Piaggio Vespa B.V.	Breda	Holland	91,000.00	Euro	100%			100%
Piaggio Vietnam Co Ltd	Hanoi	Vietnam	64,751,000,000.00	VND	63.5%	36.5%	Piaggio Vespa B.V.	100%
PT Piaggio Indonesia	Jakarta	Indonesia	4,458,500,000.00	Rupiah	1%	99%	Piaggio Vespa B.V.	100%

List of companies included in the scope of consolidation with the equity method as of 30 June 2019

COMPANY NAME	REGISTERED OFFICE	COUNTRY	SHARE CAPITAL	CURRENCY	% OF THE HOLDING			% TOTAL INTEREST
					DIRECT	INDIRECT	MEANS	
Zongshen Piaggio Foshan Motorcycle Co. Ltd	Foshan City	China	29,800,000.00	USD	32.50%	12.50%	Piaggio China Co. LTD	45%

List of investments in associates as of 30 June 2019

COMPANY NAME	REGISTERED OFFICE	COUNTRY	SHARE CAPITAL	CURRENCY	% OF THE HOLDING			% TOTAL INTEREST
					DIRECT	INDIRECT	MEANS	
Depuradora D'Aigues de Martorelles Soc. Coop. Catalana Limitada	Barcelona	Spain	60,101.21	Euro		22%	Nacional Motor S.A.	22%
Immsi Audit S.c.a.r.l.	Mantova	Italy	40,000.00	Euro	25%			25%
Pont - Tech, Pontedera & Tecnologia S.c.r.l.	Pontedera (Pisa)	Italy	469,069.00	Euro	20.45%			20.45%
S.A.T. Societé d'Automobiles et Triporteurs S.A.	Tunis	Tunisia	210,000.00	TND		20%	Piaggio Vespa B.V.	20%

CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ARTICLE 154-BIS OF ITALIAN LEGISLATIVE DECREE NO. 58/98

1. The undersigned Roberto Colaninno (Chairman and Chief Executive Officer) and Alessandra Simonotto (Executive in charge of financial reporting) of Piaggio & C. S.p.A. certify, also in consideration of article 154-bis, sections 3 and 4, of Legislative Decree no. 58 of 24 February 1998:
   - the appropriateness with regard to the company's characteristics and
   - the actual application of administrative and accounting procedures for the formation of the Condensed Consolidated Interim Financial Statements during the first half of 2019.

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

3. Moreover, it is stated that

3.1 the Condensed Consolidated Interim Financial Statements:

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

b. correspond to accounting records;

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

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

Date: 26 July 2019

/s/ Roberto Colaninno

Roberto Colaninno
Chairman and Chief Executive Officer

/s/ Alessandra Simonotto

Alessandra Simonotto
Executive in charge of financial reporting

REPORT OF THE INDEPENDENT AUDITORS ON THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

pwc

REVIEW REPORT ON CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

To the shareholders of
Piaggio & C. SpA

Foreword

We have reviewed the accompanying condensed consolidated interim financial statements of Piaggio & C. SpA and its subsidiaries (the Piaggio Group) as of 30 June 2019, comprising the consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, statement of changes in consolidated shareholders' equity, consolidated statement of cash flows and related explanatory notes. The directors of Piaggio & C. SpA are responsible for the preparation of the condensed consolidated interim financial statements in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of review

We conducted our work in accordance with the criteria for a review recommended by Consob in Resolution No. 10867 of 31 July 1997. A review of condensed consolidated interim financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than a full-scope audit conducted in accordance with International Standards on Auditing (ISA Italia) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the condensed consolidated interim financial statements.

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 0805640211 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 01029041 - **Napoli** 80121 Via dei Mille 16 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332285039 - **Verona** 37135 Via Francia 21/C Tel. 0458263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444393311

www.pwc.com/it

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements of the Piaggio Group as of 30 June 2019 are not prepared, in all material respects, in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Florence, 1 August 2019

PricewaterhouseCoopers SpA

Signed by

Francesco Forzoni
(Partner)

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


sky
Gulf

Contacts

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

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

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

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
Pisa Economic and Administrative Index no. 134077