PIAGGIO GROUP

Half-Year Financial Report as of 30 June 2018

Contents

REPORT ON OPERATIONS


V9 ROAMER

Introduction

This Half-Year Financial Report as of 30 June 2018 has been prepared pursuant to article 154-ter of Legislative Decree 58/1998 and includes the Interim Directors' Report, the Condensed Consolidated Interim Financial Statements and the Certification required by article 154-bis of Legislative Decree 58/98.

The Condensed Consolidated Interim Financial Statements has been prepared in compliance with international accounting standards (IAS/IFRS) 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 with the provisions issued implementing article 9 of Legislative Decree 38/2005. The structure and content of the reclassified consolidated financial statements 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 requirements of IAS 34 - Interim Financial Reporting, also considering provisions of Consob Communication no. 6064293 of 28 July 2006. Therefore the information in this Report is not similar to that of complete financial statements prepared according to IAS 1.

Key operating and financial data

	1st half		
	2018	2017	2017 Financial Statements
In millions of euros			
Data on financial position			
Net revenues	729.6	725.3	1,342.4
Net revenues restated[1]		*720.9*	
Gross industrial margin	228.3	227.9	411.3
Gross industrial margin restated		*225.2*	
Operating income	61.9	53.0	72.3
Profit before tax	48.5	36.5	40.1
Net profit	26.7	21.1	20.0
.Non-controlling interests			
.Group	*26.7*	*21.1*	*20.0*
Data on financial performance			
Net capital employed (NCE)	815.7	841.3	831.8
Net debt	(431.4)	(450.2)	(446.7)
Net debt restated			*(452.2)*
Shareholders' equity	384.3	391.1	385.1
Shareholders' equity restated			*381.0*
Balance sheet figures and financial ratios			
Gross margin as a percentage of net revenues (%)	31.3%	31.4%	30.6%
Gross margin as a percentage of net revenues restated (%)		*31.2%*	
Net profit as a percentage of net revenues (%)	3.7%	2.9%	1.5%
Net profit as a percentage of net revenues restated (%)		*2.9%*	
ROS (Operating income/net revenues)	8.5%	7.3%	5.4%
ROS (Operating income/net revenues restated)		7.3%	
ROE (Net profit/shareholders' equity)	6.9%	5.4%	5.2%
ROE (Net profit/shareholders' equity restated)			*5.2%*
ROI (Operating income/NCE)	7.6%	6.3%	8.7%
EBITDA	116.6	114.0	192.3
EBITDA/net revenues (%)	16.0%	15.7%	14.3%
EBITDA/net revenues restated (%)		*15.8%*	
Other information			
Sales volumes (unit/000)	304.0	280.7	552.8
Investments in property, plant and equipment and intangible assets	47.8	38.8	86.7
Research and Development[2]	41.4	33.9	43.9
Employees at the end of the period (number)	6,976	6,584	6,620

1_ To compare data from the first half of 2018, data from the first half of 2017 and data as of 31 December 2017, the effects of adopting IFRS 15 and IFRS 9 have been recalculated and incorporated.

2_ The item Research and Development includes investments for the period recognised in the statement of financial position and costs recognised in profit and loss.

Results by operating segments

		EMEA and AMERICAS	INDIA	ASIA PACIFIC 2W	TOTAL
Sales volumes (units/000)	1st half of 2018	133.2	131.5	39.3	**304.0**
	1st half of 2017	145.5	99.4	35.8	**280.7**
	Change	(12.3)	32.1	3.5	**23.3**
	Change %	-8.5%	32.3%	9.8%	**8.3%**
Turnover (million euros)	1st half of 2018	453.2	193.7	82.7	**729.6**
	1st half of 2017 restated[3]	475.6	160.8	84.4	**720.9**
	Change	(22.4)	32.8	(1.7)	**8.7**
	Change %	-4.7%	20.4%	-2.1%	**1.2%**
	1st half of 2017	479.6	160.8	84.9	**725.3**
Average number of staff (no.)	1st half of 2018	3,677.7	2,156.0	855.8	**6,689.5**
	1st half of 2017	3,741.9	1,977.3	827.8	**6,547.0**
	Change	(64.2)	178.7	28.0	**142.5**
	Change %	-1.7%	9.0%	3.4%	**2.2%**
Investments in Property, plant and equipment intangible assets (million euros)	1st half of 2018	39.2	7.3	1.2	**47.8**
	1st half of 2017	27.6	7.9	3.3	**38.8**
	Change	11.6	(0.6)	(2.0)	**9.0**
	Change %	42.2%	-7.6%	-62.4%	**23.2%**
Research and Development[4] (million euros)	1st half of 2018	35.8	4.4	1.1	**41.4**
	1st half of 2017	25.9	4.9	3.1	**33.9**
	Change	9.9	(0.5)	(1.9)	**7.5**
	Change %	38.4%	-10.8%	-63.0%	**22.0%**

3_ Figures for the first half of 2017 have been restated following the adoption of IFRS 15.

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


SIE.
BNP PARIBAS
DANIEL

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.

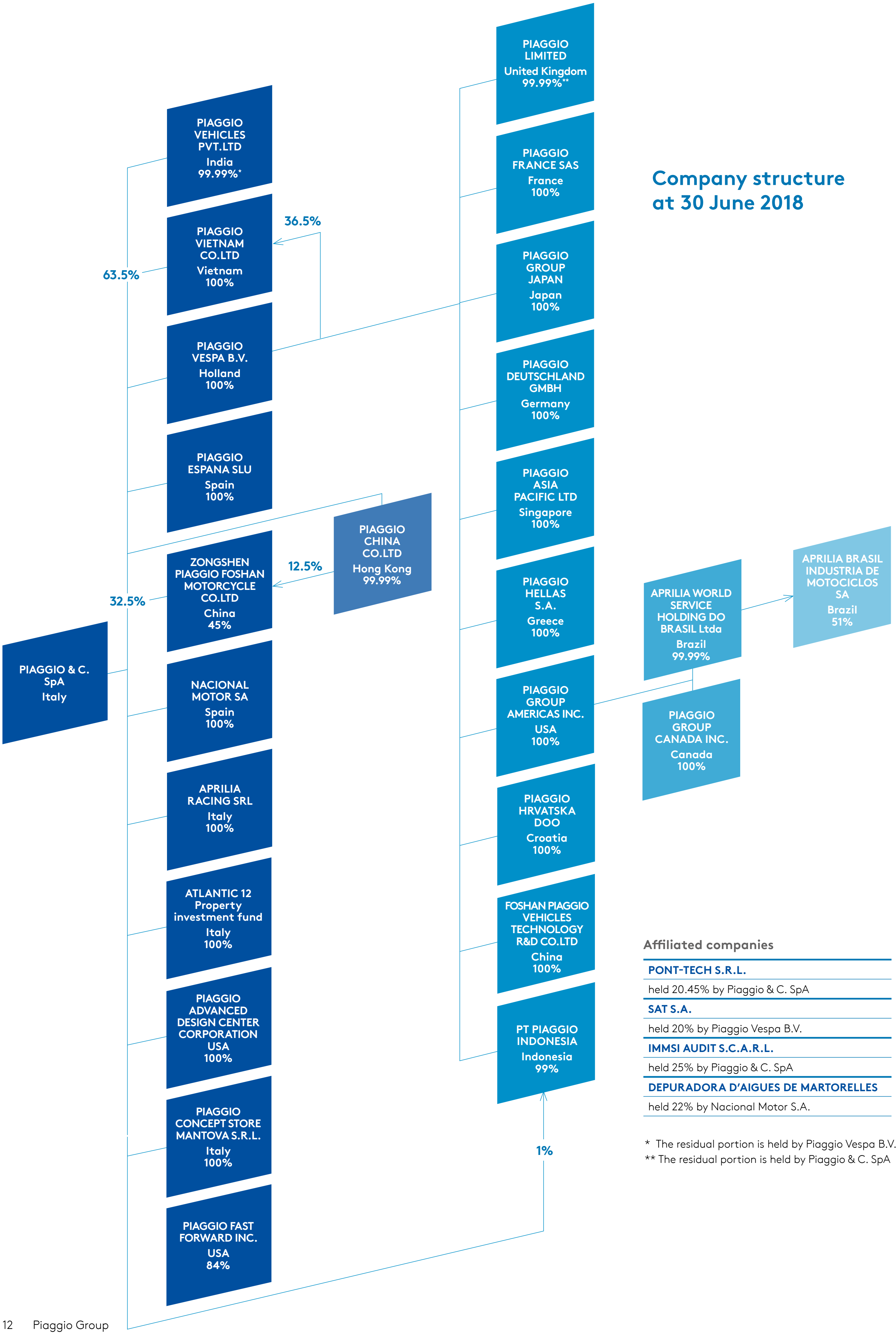
Mission

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

Company structure at 30 June 2018



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.

* The residual portion is held by Piaggio Vespa B.V.
** 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.

Significant events during the first half of 2018

30 January 2018 – The development and consolidation of the Motoplex distribution network continued; the Motoplexes are Piaggio Group multibrand flagship stores offering a unique venue to showcase the Group's main brands (Vespa, Piaggio, Aprilia and Moto Guzzi). In fact, in line with the Group's global, in-store innovative strategy with customer-centric sales, the remarkable record of 300 stores opened worldwide in just three years has been reached, improving on and partially replacing the conventional distribution network.

6 February 2018 – At the Brand Identity GrandPrix, the Biblioteca Bilancio Sociale presented awards to brands that have sought to invest in sustainability, turning it into a business asset. The Piaggio Group received a special mention in the "Environment" category.

8 February 2018 – The Piaggio Group, boosted by its considerable success with the Aprilia SR 150, expanded its range of Aprilia scooters in India, unveiling the new Aprilia SR 125 and Aprilia Storm 125 at Auto Expo; the models will reach a broad-ranging target in a segment with strong growth, with the Vespa brand sold as a premium scooter product.

26 March 2018 – The rating agency Moody's announced a change to the outlook of the Piaggio Group, raising it from stable to positive and leaving the rating unchanged at B1.

5 April 2018 - Standard & Poor's Global Ratings (S&P) notified the revision of the Rating of the Piaggio Group (PIA.MI), upgrading it from "B+" to "BB-".

18 April 2018 – The Piaggio Group successfully completed the placement of a 7-year, unsecured, non-convertible senior debenture loan for €250 million on the market, with an annual fixed interest rate of 3.625% and issue price equal to 100%. The Notes were rated by S&P (BB-) and Moody's (B1), in line with the ratings of the Group. The purpose of the transaction is to fully refinance in advance outstanding bonds for the same amount due in 2021, strengthening the debt profile of the Group, reducing its average cost and significantly extending the average maturity of the Group's debt. The response from institutional investors was highly encouraging both in Italy and abroad, with an uptake for approximately €1.7 billion.

12 June 2018 – The Piaggio Group took out a five-year, €250 million credit facility, with a pool of banks comprising Bank of America Merrill Lynch, Banca Nazionale del Lavoro, HSBC, Banca IMI, ING Bank, Mediobanca and Unicredit (all acting as mandated lead arranger and bookrunner). The operation is mainly to refinance the €175 million euro revolving line maturing in July 2018, and the €25 million term loan maturing in July 2019, granted by the same pool of banks. The credit facility consists of a revolving portion amounting to €187.5 million and a term loan amortising portion, amounting to €62.5 million. The financial conditions of the new facility are better than the refinanced credit facilities: besides a reduction in the cost of borrowing, the new credit facility will make it possible to improve the Piaggio Group's financial debt quality profile, increasing its financial flexibility and average residual life to approximately 5 years.

Financial position and performance of the Group

Consolidated income statement (reclassified)

	1st half of 2018		1st half of 2017 restated[5]		Change		1st half of 2017	
	In millions of euros	Accounting for a %	In millions of euros	Accounting for a %	In millions of euros	%	In millions of euros	Accounting for a %
Net revenues	729.6	100.0%	720.9	100.0%	8.7	1.2%	725.3	100.0%
Cost to sell	(501.3)	-68.7%	(495.7)	-68.8%	(5.7)	1.1%	(497.4)	68.6%
Gross industrial margin	**228.3**	**31.3%**	**225.2**	**31.2%**	**3.0**	**1.4%**	**227.9**	**31.4%**
Operating expenses	(166.4)	-22.8%	(172.2)	-23.9%	5.9	-3.4%	(174.9)	24.1%
EBITDA	**116.6**	**16.0%**	**114.0**	**15.8%**	**2.6**	**2.3%**	**114.0**	**15.7%**
Amortisation/Depreciation	(54.7)	-7.5%	(61.0)	-8.5%	6.3	-10.3%	(61.0)	8.4%
Operating income	**61.9**	**8.5%**	**53.0**	**7.3%**	**8.9**	**16.8%**	**53.0**	**7.3%**
Result of financial items	(13.4)	-1.8%	(16.5)	-2.3%	3.1	-19.0%	(16.5)	-2.3%
Profit before tax	**48.5**	**6.6%**	**36.5**	**5.1%**	**12.1**	**33.1%**	**36.5**	**5.0%**
Taxes	(21.8)	-3.0%	(15.3)	-2.1%	(6.5)	42.6%	(15.3)	2.1%
Net profit	**26.7**	**3.7%**	**21.1**	**2.9%**	**5.5**	**26.2%**	**21.1**	**2.9%**

Net revenues

In millions of euros	1st half 2018	1st half 2017 restated[5]	Change
EMEA and Americas	453.2	475.6	(22.4)
India	193.7	160.8	32.8
Asia Pacific 2W	82.7	84.4	(1.7)
TOTAL NET REVENUES	**729.6**	**720.9**	**8.7**
Two-wheelers	520.5	538.0	(17.6)
Commercial Vehicles	209.1	182.8	26.3
TOTAL NET REVENUES	**729.6**	**720.9**	**8.7**

5_Figures for the first half of 2017 have been restated following the adoption of IFRS 15.

The Group has adopted IFRS 15 since 1 January 2018. For an analysis of the effects of adopting this standard, reference is made to the notes. To make data for the two periods comparable, the accounting situation for the first half of 2017 was restated. The comments in the Report on Operations refer to data related to the first half of 2018 and first half of 2017 restated.

In terms of consolidated turnover, the Group closed the first half of 2018 with net revenues up compared to the same period in 2017 (+ 1.2%).
In terms of geographic segments, revenue growth in India (+ 20.4%; +34.5% at constant exchange rates) more than offset the decline in EMEA and the Americas (-4.7%) and in Asia Pacific (- 2.1%; +8.1% with constant exchange rates).

As regards product type, the increase in turnover for Commercial Vehicles (+14.4%) offset the decrease in two-wheeler vehicles (-3.3%). As a result, the percentage of two-wheeler vehicles accounting for overall turnover fell from 74.6% in the first six months of 2017 to the current figure of 71.3%; conversely, the percentage of Commercial Vehicles went up by 25.4% in the first six months of 2017 to the current figure of 28.7%.

The Group's **gross industrial margin** increased compared to the first half of the previous year in absolute terms (+1.4%), equal to 31.3% of net turnover (31.2% as of 30 June 2017).
Amortisation/Depreciation included in the gross industrial margin was equal to €16.2 million (€18.2 million in the first half of 2017).

Operating expenses in the period decreased compared to the same period in the previous financial year, amounting to €166.4 million. The change is mainly due to the reduction in depreciation/amortisation included in operating expenses (€38.5 million in the first half of 2018 compared to €42.8 million as of 30 June 2017).

The change in the aforementioned income statement resulted in a greater consolidated **EBITDA**, which was equal to €116.6 million (€114.0 million in the first half of 2017). In relation to turnover, EBITDA was equal to 16.0% (15.8% in the first half of 2017). Operating income (**EBIT**) amounted to €61.9 million, up on the figure for the first half of 2017; in comparison with turnover, EBIT was equal to 8.5% (7.3% in the first half of 2017).

The results of **financing activities** improved compared to the first six months of the previous financial year, due to a lower debt exposure and reduction in the cost of debt, with Net Charges amounting to €13.4 million (€16.5 million as of 30 June 2017). This performance was also due to non-recurrent net income of €0.9 million from the liability management of the "Eur 250 million Piaggio 4.625% due 2021" debenture loan, recognised in the income statement as required by IFRS 9.

Income taxes for the period are estimated at €21.8 million, equivalent to 45% of profit before tax.

Net profit stood at €26.7 million (3.7% of turnover), also registering an improvement on the figure for the same period of the previous financial year (€21.1 million, 2.9% of turnover).

Operating data

Vehicles sold

	1st half 2018	1st half 2017	Change
In thousands of units			
EMEA and Americas	133.2	145.5	(12.3)
India	131.5	99.4	32.1
Asia Pacific 2W	39.3	35.8	3.5
TOTAL VEHICLES	**304.0**	**280.7**	**23.3**
Two-wheelers	203.9	202.1	1.9
Commercial Vehicles	100.1	78.7	21.5
TOTAL VEHICLES	**304.0**	**280.7**	**23.3**

In the first half of 2018, the Piaggio Group sold 304,000 vehicles worldwide, recording growth compared to the first six months of the previous year, when the number of sold vehicles totalled 280,700. Vehicle sales went up in India (+32.3%) and Asia Pacific 2W (+9.8%), while they fell in EMEA and the Americas (-8.5%). As regards the type of products sold, the increase mainly referred to commercial vehicles (+ 27.3%), while the trend for two-wheeler vehicles basically remained stable (+0.9%).

Staff

The growth of the average workforce in India (where increased demand for commercial vehicles led to a greater use of temporary labour) and in Asia Pacific more than offset the reduction recorded in Italy.

Average number of company employees by geographic segment	1st half of 2018	1st half of 2017	Change
Employee/staff numbers			
EMEA and Americas	3,677.7	3,741.9	(64.2)
of which Italy	*3,434.7*	*3,507.5*	*(72.8)*
India	2,156.0	1,977.3	178.7
Asia Pacific 2W	855.8	827.8	28.0
Total	**6,689.5**	**6,547.0**	**142.5**

As of 30 June 2018, Group employees numbered 6,976, registering an overall increase of 356 compared to 31 December 2017, mainly attributable to India.

Breakdown of company employees by region	As of 30 June 2018	As of 31 December 2017	As of 30 June 2017
Employee/staff numbers			
EMEA and Americas	3,681	3,682	3,729
of which Italy	3,430	3,444	3,496
India	2,426	2,090	2,016
Asia Pacific 2W	869	848	839
Total	**6,976**	**6,620**	**6,584**

Research and Development

In the first half of 2018, the Piaggio Group continued its policy of retaining technological leadership in the sector, allocating total resources of €41.4 million to research and development, of which €32.5 million capitalised under intangible assets as development costs.

	1st half of 2018			1st half of 2017		
	Capitalised	Expenses	**Total**	Capitalised	Expenses	**Total**
In millions of euros						
Two-wheelers	24.9	7.3	**32.1**	20.8	7.3	**28.1**
Commercial Vehicles	7.7	1.6	**9.2**	3.4	2.4	**5.8**
Total	**32.5**	**8.9**	**41.4**	**24.2**	**9.7**	**33.9**
EMEA and Americas	28.3	7.6	**35.8**	18.5	7.3	**25.9**
India	3.5	0.9	**4.4**	3.2	1.7	**4.9**
Asia Pacific 2W	0.8	0.4	**1.1**	2.4	0.7	**3.1**
Total	**32.5**	**8.9**	**41.4**	**24.2**	**9.7**	**33.9**

Consolidated Statement of Financial Position[6]

Statement of financial position	As of 30 June 2018	As of 31 December 2017	Change
In millions of euros			
Net working capital	(50.2)	(45.9)	(4.4)
Property, plant and equipment	273.7	284.5	(10.9)
Intangible assets	649.3	649.0	0.3
Financial assets	8.5	7.7	0.8
Provisions	(65.6)	(63.6)	(2.0)
Net capital employed	**815.7**	**831.8**	**(16.1)**
Net financial debt	431.4	446.7	(15.3)
Shareholders' equity	384.3	385.1	(0.8)
Sources of financing	**815.7**	**831.8**	**(16.1)**
Non-controlling interests	(0.2)	(0.2)	0.0

6_For a definition of individual items, see the "Economic Glossary".

As of 30 June 2018, **net working capital** amounted to negative €50.2 million, with a cash generation equal to approximately €4.4 million in the first six months of 2018.

Property, plant and equipment, which include investment property, totalled €273.7 million as of 30 June 2018, down by around €10.9 million compared to 31 December 2017. This decrease is mainly due to depreciation, which exceeded investments for the period by approximately €7.6 million, to the effect of the devaluation of Asian currencies against the euro (approximately €2.5 million) and to disposals and write-downs during the period (approximately €0.8 million).

Intangible assets totalled €649.3 million, basically in line with figures as of 31 December 2017.

Financial assets which totalled €8.5 million, increased by €0.8 million compared to figures for the previous year.

Provisions totalled €65.6 million, up compared to 31 December 2017 (€63.6 million).

As fully described in the next section on the "Consolidated Statement of Cash Flows", **net financial debt** as of 30 June 2018 was equal to €431.4 million, compared to €446.7 million as of 31 December 2017. The reduction of approximately €15.3 million is due to the good performance of operations, and resulting payment of dividends (€19.7 million) and funding of the investments programme.

Borrowing decreased by approximately €18.8 million compared to 30 June 2017.

Group **shareholders' equity** as of 30 June 2018 totalled €384.3 million, down by around €0.8 million compared to 31 December 2017. Shareholders' equity was negatively affected by approximately €4.0 million, due to the adoption of the new accounting standard IFRS 9.

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 2018"; the following is a comment relating to the summary statement shown.

Change in consolidated net debt	1st half of 2018	1st half of 2017	Change
In millions of euros			
Opening consolidated net debt	**(446.7)**	**(491.0)**	**44.3**
Cash flow from operating activities	83.4	79.9	3.5
(Increase)/Reduction in working capital	4.4	16.3	(12.0)
(Increase)/Reduction in net investments	(45.0)	(31.7)	(13.3)
Change in shareholders' equity	(27.4)	(23.7)	(3.7)
Total change	**15.3**	**40.8**	**(25.5)**
Closing consolidated net debt	**(431.4)**	**(450.2)**	**18.8**

During the first half of 2018, the Piaggio Group formally generated **financial resources** amounting to €15.3 million. However, if the new accounting standard IFRS 9 had been adopted from 31 December 2017, the total change would have been greater by €5.5 million.

Cash flow from operating activities, defined as net profit, minus non-monetary costs and income, was equal to €83.4 million.

Working capital generated a cash flow of approximately €4.4 million; in detail:

› the collection of trade receivables[7] used financial flows for a total of €51.8 million;
› stock management absorbed financial flows for a total of approximately €51.6 million;
› supplier payment trends generated financial flows of approximately €99.4 million;
› the movement of other non-trade assets and liabilities had a positive impact on financial flows by approximately €8.4 million.

7_Net of customer advances.

Investing activities involved a total of €45.0 million of financial resources. The investments refer to approximately €32.5 million for capitalised development costs, and approximately €15.3 million for property, plant and equipment and intangible assets.
As a result of the above financial dynamics, which generated a use of €15.3 million, the **net debt** of the Piaggio Group amounted to €–431.4 million.

Alternative non-GAAP performance measures

In accordance with Consob Communication DEM/6064293 of 28 July 2006 as amended (Consob Communication no. 0092543 of 3 December 2015 that enacts ESMA/2015/1415 guidelines on alternative performance measures), Piaggio, in its Report on Operations, refers to some alternative performance measures, in addition to IFRS financial measures (Non-GAAP Measures).
These are presented in order to measure the trend of the Group's operations to a better extent and should not be considered as an alternative to IFRS measures.
In particular the following alternative performance measures have been used:

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

Results by type of product

The Piaggio Group is comprised of and operates by geographic segments - EMEA and the Americas, India and Asia Pacific - to develop, manufacture and distribute two-wheeler and commercial vehicles.
Each Geographic Segment has production sites and a sales network dedicated to customers in the related segment. Specifically:
› EMEA and the Americas have production sites and deal with the distribution and sale of two-wheeler and commercial vehicles;
› India has production sites and deals with the distribution and sale of two-wheeler and commercial vehicles;
› Asia Pacific 2W has production sites and deals with the distribution and sale of two-wheeler vehicles.
For details of final results from each operating segment, reference is made to the Notes to the Consolidated Financial Statements.
The volumes and turnover in the three geographic segments, also by product type, are analysed below.

Two-wheelers

Two-wheelers	1st half of 2018		1st half of 2017 restated[8]		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	126.4	408.6	138.3	430.5	-8.6%	-5.1%	(11.9)	(21.9)
of which EMEA	121.2	379.3	131.0	392.1	-7.5%	-3.2%	(9.9)	(12.7)
(of which Italy)	*27.6*	*91.4*	*29.4*	*95.8*	*-6.0%*	*-4.5%*	*(1.8)*	*(4.3)*
of which America	5.3	29.3	7.3	38.5	-27.8%	-23.9%	(2.0)	(9.2)
India	38.2	29.2	27.9	23.1	36.8%	26.5%	10.3	6.1
Asia Pacific 2W	39.3	82.7	35.8	84.4	9.8%	-2.1%	3.5	(1.7)
TOTAL	**203.9**	**520.5**	**202.1**	**538.0**	**0.9%**	**-3.3%**	**1.9**	**(17.6)**
Scooters	178.9	352.3	180.2	366.2	-0.7%	-3.8%	(1.3)	(13.9)
Motorcycles	25.0	102.0	21.9	106.9	14.3%	-4.6%	3.1	(4.9)
Spare parts and Accessories		64.3		63.6		1.1%		0.7
Other		1.9		1.4		38.3%		0.5
TOTAL	**203.9**	**520.5**	**202.1**	**538.0**	**0.9%**	**-3.3%**	**1.9**	**(17.6)**

8_ Figures for turnover for the first half of 2017 were restated adopting IFRS 15.

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 services.

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 strong increase, also in the first six months of 2018, closing with sales of nearly 10.8 million vehicles, up by 20% compared to the first half of 2017.

The People's Republic of China recorded a loss in the first half of 2018 (-6.4%), closing at just under 3.6 million vehicles sold.

Based on currently available data, the Asian area, known as Asean 5, reported a growth of more than 9%, closing the period with over 6.5 million units sold. Indonesia, the main market in this area, reversed the trend in the first half of 2018, reporting 11.2% growth, and selling over 3 million vehicles. The number of units sold in Vietnam continued to go up (nearly 1.6 million units; +3.9% compared to the first half of 2017). Figures for sales in the Philippines were significant, with an increase of 24.5%, equal to approximately 769 thousand units.
Other countries in the Asian area (Singapore, Hong Kong, South Korea, Japan, Taiwan, New Zealand and Australia) overall recorded a decrease compared to the first half of 2017, closing with sales of over 700 thousand units (-4.7%). In this area, sales in Taiwan stabilised, going up by 0.6% compared to the first half of 2017 and closing with over 413 thousand units sold. The Japanese market instead reported a decrease of 8.1%, with approximately 183 thousand vehicles sold.

The North American market recorded a downturn compared to the first half of 2017 (-2.2%), selling over 280 thousand vehicles.

Brazil, the most important market in South America, reported a positive trend in the first half of 2018 (+12.3%), closing with just over 451 thousand vehicles sold.

Europe, which is the reference area for the Piaggio Group's operations, reported a slight fall in sales on the two-wheeler market (-0.9%) compared to the first half of 2017 (+7.8% for the motorcycle segment and -9.7% for the scooter segment). On the scooter market, the over 50cc segment recorded a positive trend in the first half of 2018 (+5.7%), while the performance of the 50cc segment was particularly negative (-31.1%). In the motorcycle segment, the 50cc category reported a downturn (-18.8%), while performance in the over 50cc segment was positive (+9.3%).

The scooter market

In the first half of 2018, the European scooter market stood at 320,520 registered vehicles, equal to a 9.7% drop in sales compared to the same period in 2017.
Vehicle registrations were higher in the over 50cc segment, with 218,770 units against 101,760 units in the 50cc scooter segment. In particular, 50cc scooters decreased by 31.1% compared to the first six months of 2017, while over 50cc scooters went up by 5.7%.
In the first six months of 2018, Italy was still the most important market with 80,100 units, followed by Spain with 52,120 and France with 51,070. Germany ranked fourth in terms of sales (29,100 units), exceeding Holland which placed fifth, with sales of 26,950 units. Greece reported 15,950 units, while the United Kingdom closed with 11,940 vehicles registered.
In the first half of 2018, the Italian market recorded a downturn of 2.4%, compared to the first half of the previous year. This decrease is due to the 50cc segment, which went down by 21.4% to 8,019 units, while the over 50cc segment was stable, at +0.3% compared to the first six months of 2017, with 72,090 units sold.
With 51,070 vehicles sold, France reported an 18.5% decrease, compared to 62,680 vehicles in the same period of the previous year: the decrease was due to the 50cc segment (-34.5%), while the over 50cc segment remained stable (- 0.2%).

Spain reported the highest increase, reversing the negative trend, with the market growing by 7.8%, thanks to the excellent performance of the over 50cc segment (+15.7%), with sales going up from 40,290 vehicles in the first half of 2017 to 46,630 in 2018, fully offsetting the downturn in the 50cc segment (-31.9%).
In Holland, the market fell by 25.4% in particular due to the poor performance of the 50cc segment (-26.3%), which was not offset by the growth in the over 50cc segment (+4.3%) which had little impact on the total market.
The German market continued its negative trend, recording a decrease of 6.7%, with approximately 29,100 vehicles sold in the first half of 2018 compared to 31,180 in the same period of the previous year. In particular, on this market, performance in the 50cc segment was particularly negative (-26.2%), while the over 50cc segment increased (+18.2%).

North America
In the first half of 2018, the United States, the main market in the area (83% of the reference area), posted figures that were still negative (-11.3%) with 11,677 units sold: this negative trend was greater in the 50cc segment, with sales down by 13.2%, while the over 50cc scooter segment recorded a 9.6% decrease.

India
The automatic scooter market increased by 16.6% in the first half of 2018, closing with nearly 3.5 million units sold.
The over 90cc range is the main product segment, with nearly 3.4 million units sold in the first half of 2018 (+17% compared to the previous year) and accounting for 98.1% of the total automatic scooter market. The 50cc scooter segment is not operative in India.

The motorcycle market

Europe
With 382 thousand units registered, the motorcycle market increased in the first half of 2018 (+7.8% compared to the first half of 2017). The 50cc segment recorded an 18.8% decrease, with 15,290 units sold; the trend in the 51-125cc segment was positive, with sales of 48,950 units (+29.8%), and in the mid-range (126-750cc) with sales of 124,230 units (+16.9%). The over 750cc segment was basically stable (+1.0%), selling 193,670 vehicles.
In the first half of 2018, the main European market was Germany with 80,950 units, while France ranked second (73,450); Italy ranked third with 60,130 units, with a performance up on the previous year; the United Kingdom placed fourth, with 45,670 units; while Spain, despite a good performance, ranked fifth in Europe with 34,470 vehicles sold.
In the first half of 2018, sales trends in main countries in the area were as follows: Italy (+9.6%), France (+6.0%), Spain (+20.2%), United Kingdom (+3.9%) and Germany (+8.9%).

North America
In the United States (accounting for 87% of the area), the motorcycle segment recorded a 1.9% decrease, selling 230,500 units compared to approximately 235,000 units in the first half of 2017. The negative trend in the over 50cc segment (-2.1%) was only partially offset by the positive performance (+4.5%) of the 50cc motorcycle segment.

Asia
The most important motorcycle market in Asia is India, which reported sales of 6.9 million vehicles in the first half of 2018, with a strong increase compared to the first six months of 2017 (+22.8%).
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 2018, the Piaggio Group sold a total of 203,900 units in the two-wheeler segment worldwide, accounting for a net turnover equal to approximately €520.5 million (- 3.3%), including spare parts and accessories (€64.3 million, +1.1%).
The slight increase in volumes (+0.9%) was accompanied by a fall in turnover (-3.3%), offset by the excellent performance of India (+36.8% volume; +26.5% turnover; +41.3% turnover at constant exchange rates). In Asia Pacific, a good sales performance (+9.8%) was met by a 2.1% decline in turnover, due to exchange rate movements (+8.1% at constant exchange rates).

Market positioning[9]

On the European two-wheeler vehicle market, the Piaggio Group brought its overall share to 13.5% in the first half of 2018 (14.8% share in the first half of 2017), maintaining its leadership position in the scooter segment (25.6% in the first half of 2018, compared to 25.9% in the first half of 2017). In Italy, the Piaggio Group reported an 18.7% share (19.6% in the first half of 2017), maintaining its leadership position in the scooter segment, with 29.9% (30.3% in the first half of 2017).

In India, in the first half of 2018 the Group recorded a significant increase in sell-out volumes, closing the year with 36,284 vehicles sold, compared to +37.3% in the same period of the previous year.

The Group retained its strong position on the North American scooter market, where it closed the period with a market share of 22.3% (20% in the first half of 2017), and where it is committed to consolidating its profile in the motorcycle segment, through the Aprilia and Moto Guzzi brands.

9_Market shares for the first half of 2017 might differ from figures published last year, due to final vehicle registration data, which some countries publish with a few months' delay, being updated.

Investments

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

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

Commercial Vehicles

Commercial Vehicles	1st half of 2018		1st half of 2017 restated[10]		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	6.8	44.6	7.2	45.1	-5.7%	-1.0%	(0.4)	(0.4)
of which EMEA	5.5	42.1	6.4	43.4	-14.0%	-3.1%	(0.9)	(1.3)
(of which Italy)	*2.0*	*25.8*	*2.5*	*25.6*	*-17.4%*	*0.7%*	*(0.4)*	*0.2*
of which America	1.3	2.6	0.8	1.7	57.5%	53.8%	0.5	0.9
India	93.3	164.5	71.5	137.8	30.6%	19.4%	21.9	26.7
TOTAL	**100.1**	**209.1**	**78.7**	**182.8**	**27.3%**	**14.4%**	**21.5**	**26.3**
Ape	96.9	155.8	75.5	134.0	28.4%	16.2%	21.4	21.8
Porter	2.3	26.8	2.0	23.3	14.0%	14.9%	0.3	3.5
Quargo	0.4	1.3	0.2	1.0	95.2%	29.7%	0.2	0.3
Mini Truk	0.6	1.6	1.0	2.7	-41.0%	-41.0%	(0.4)	(1.1)
Spare parts and Accessories		23.7		21.8		8.6%		1.9
TOTAL	**100.1**	**209.1**	**78.7**	**182.8**	**27.3%**	**14.4%**	**21.5**	**26.3**

10_ Figures for turnover for the first half of 2017 were restated adopting IFRS 15.

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 2018, the European light commercial vehicles market (vehicles with a maximum mass less than or equal to 3.5 tons), in which the Piaggio Group operates, recorded sales of 1,102,388 units, a 5% increase compared to the first six months of 2017 (data source ACEA). In detail, the trends of main European reference markets are as follows: Germany (+5.0%), France (+5.0%), Italy (+0.1%) and Spain (+11.6%).

India

The Indian three-wheeler market, where Piaggio Vehicles Privates Limited, a subsidiary of Piaggio & C. S.p.A. operates, picked up considerably, following the downturn caused by the robust demonetisation policy pursued by the Indian government in November 2016, with the number of vehicles sold in the first half of 2018 amounting to 358,186 units compared to 210,700 in the first half of 2017 (up by 70%, considerably outperforming the last few years).
This trend was due above all to the passenger vehicles segment, which nearly doubled volumes, from 154,700 units in the first half of 2017, to 294,200 units (+90.2%) in the same period in 2018. The cargo segment increased by 16%, from 56,000 units in the first six months of 2017 to 65,000 units in the first half of 2018. The traditional three-wheeler market is flanked by the four-wheeler light commercial vehicles (LCV) market (cargo vehicles for goods transport) where Piaggio Vehicles Private Limited operates. The LCV cargo market, with vehicles with a maximum mass below 2 tons, recorded sales of 107,770 units in the first six months of 2018, increasing by 71.7% compared to the first half of 2017.

Main results

During the first half of 2018, the Commercial Vehicles business generated turnover of approximately €209.1 million, including around €23.7 million relating to spare parts and accessories, an 8.6% increase compared to the same period in the previous year. During the period, 100,100 units were sold, with performance up compared to the first six months of 2017 (+27.3%).
The growth is related to the expansion of the Indian market. The Indian affiliate Piaggio Vehicles Private Limited (PVPL) sold 81,550 three-wheeler vehicles on the Indian market (64,755 in the first half of 2017).
The same subsidiary also exported 10,810 three-wheeler vehicles (5,564 as of 30 June 2017) and 30 4-wheeler vehicles.
On the domestic four-wheeler market, PVPL sales in the first half of 2018 fell by 17.5% compared to the first six months of 2017, to 936 units.
In overall terms, the Indian affiliate PVPL registered a turnover of €164.5 million during the first half of 2018, compared to €137.8 million for the same period of the previous year (+ 19.4%; +33.3% with constant exchange rates).
On the Americas and EMEA market, the Piaggio Group recorded a decrease in total net turnover of approximately €0.4 million, following a fall in sales (-5.7%).

Market positioning[11]

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 22.8% (30.7% in the first half of 2017). Detailed analysis of the market shows that Piaggio maintained its leadership position in the goods transport segment (cargo segment) with a share of 45.9% (49.4% in the first half of 2017). In the passenger segment, its share stood at 17.6% (24.0% in the first half of 2017).

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 0.9% (1.8% in the first half of 2017).

11_Market shares for the first half of 2017 might differ from figures published last year, due to final vehicle registration data, which some countries publish with a few months' delay, being updated.

Investments

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

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

The regulatory framework

European Union

Two-wheelers
Two- or three-wheelers (category L1 and L2) and light four-wheelers (category L6), with Euro2 and Euro 2 type approval, may be registered for another 2 years, up to the end of December 2019, following the deferment of new regulations.
Euro5 pollutant emissions: a compromise was reached between the Commission and ACEM, deferring some essential requirements for the transition to Euro5, originally scheduled for early January 2020, to 2024. The Commission's proposal to amend regulation 168/2013, published in March, will rapidly start the legislative procedure and final approval is expected for mid 2019.

Euro5 noise limits: discussions are underway between the European Commission and manufacturers (ACEM) on conclusions and recommendations of the specific study concerning noise conducted by European Community consultants, and strongly disapproved by the industry. With the support of all manufacturers, ACEM has launched a "contrast study" on noise, in order to support the viewpoint and strategy of the industry concerning this issue: proposing a reduction in noise limits, changes to the noise test procedure (ASEP Additional Sound Emission Provisions) that will become mandatory, a better application of the law and more controls, and a communication campaign to raise motorcyclists' awareness of the negative impact that the wrong sort of motorcycle use can have, particularly in urban areas.

The conclusions of both studies (of the Commission and industry) will be discussed in meetings of the MotorCycle work team, from next September onwards.

Commercial Vehicles
Pollutant emissions for cars and light duty vehicles: application of the category M and N1-class I of the new WLTP cycle and RDE limits on the number of particles (particulate), as from 1 September 2018, to all vehicles (block on registration, excluding vehicles registered with end-of-series deferment); the restriction on the number of particles only applies to diesel engines or direct injection petrol engines.

CO_2 emissions for light duty vehicles: proposed by the Commission in the Clean Mobility Package published on 8 November 2017; the new proposal - compared to the text distributed at the end of 2017 - concerns the positions of the Parliament and Council of the European Union that will soon be jointly discussed and then the subject of a consultation, with the aim of approving and publishing the final wording of the Regulation by March/April 2019.

The new EU-WVTA legal framework (Whole Vehicle Type Approval): the new framework regulation for the EU type approval of category M, N and O vehicles has been published, applicable to all new type approvals from 1 September 2020 onwards.

Full revision of the GSR (Global Safety Regulation): proposed by the Commission for the revision of the GSR, contained in the 3rd Mobility Package "Europe on the move" published on 17 May 2018.


500hpe

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), which was updated during 2017. 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.
Main findings are reported below.

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.

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 lever 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 related 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.
The potential impact of these risks is mitigated by specific insurance cover allocated to 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 the business risk consists of envisaged payables and receivables in foreign currency, taken from the budget for sales and purchases reclassified by currency and accrued on a monthly basis.
The Group's policy is to hedge at least 66% of the exposure of each reference month.
Exposure to the settlement risk consists of receivables and payables in foreign currency acquired in the accounting system at any moment. The hedge must at all times be equal to 100% of the import, export or net settlement exposure for each currency.
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 related 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 40 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 the 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 related 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 related 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. This commitment, enacted in the

Code of Ethics[12] and stated by top management in the Group's "environmental policy" which is the basis for environmental certification (ISO 14001) and health and safety certification (BSOHSAS 18001) already awarded and maintained at production sites, is a mandatory benchmark for all company sites no matter where they are working.

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

Risks connected with 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 related 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 related 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.

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 related 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 related 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 have been extended to cover the most important subsidiaries, Piaggio Vehicles Pvt. Ltd., Piaggio Vietnam Co.Ltd., Aprilia Racing Srl and Piaggio Group Americas Inc.


OTO GUZZI

Events occurring after the end of the period

On **18 July 2018** in Beijing, the Chairman and CEO of Piaggio & C. S.p.A. Roberto Colaninno and Deputy Chairman of Foton Motor Group and Chairman of Foton International, Chang Rui, signed the technical attachments to the agreement for the development and manufacture of a new range of light, commercial four-wheelers (signed by the parties on 16 May), successfully completing the established schedule. The CEO of Foton Motor Group Mr. Gong Yueqiong confirmed that the agreement valued the specific characteristics of the two international groups, forging even stronger commercial and industrial ties between Italy and China, also hoping that it would pave the way for further agreements, with a particular focus on the African market. The finalisation of the last step in the agreement and partnership between the Piaggio Group and Foton Motor Group has started the programme of investments necessary for the production of new types of light commercial vehicles. All operations will take place at the Piaggio Group's Pontedera site and the products will be launched on the market from 2020 onwards.

Operating outlook

In a context reflecting a strengthening of the Piaggio Group 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 its product range;
  -maintaining current positions on the European commercial vehicles market;
› consolidating operations in Asia Pacific, exploring new opportunities in countries in the area, always paying particular attention to the premium segment of the market;
› strengthening sales on the Indian scooter market thanks to the Vespa and Aprilia SR product range;
› increasing the penetration of commercial vehicles in India, thanks to the introduction of new engines.

More in general, the Group is committed - as in the past and for operations in 2018 - 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 2018 involving parent companies, subsidiaries and affiliated companies, refer to the sale of goods or services which are a part of normal operations of the Group.
Transactions are carried out at normal market values, depending on the characteristics of the goods and services provided.
Information on related-party transactions, including the information required by Consob communication no. DEM/6064293 of 28 July 2006 is presented in the Notes to the Condensed Consolidated Interim Financial Statements as of 30 June 2018.

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

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

Other information

Processing of personal data - Regulation (EU) 679 of 27 April 2016 (GDPR – General data protection regulation)

The Company has completed the process to align with new requirements on the principles of data protection by design and data protection by default and new aspects introduced. In particular, the Company has appointed a Data Protection Officer (DPO). It has set up a Record of Processing Activities and established a procedure for data protection, updating its privacy policies.

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

As regards regulatory requirements on conditions for listing companies controlling companies established and governed according to laws of non-EU States on the stock exchange and material importance for the purposes of consolidated financial statements, the following is reported:
› as of 30 June 2018, the regulatory requirements of article 36 of the Regulation on Markets apply to the subsidiaries: Piaggio Vehicles Private Limited, Piaggio Vietnam Co Ltd and Piaggio Group Americas Inc;
› adequate procedures for ensuring full compliance with the above regulation have been adopted.

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

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

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.

Economic glossary

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

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

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

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

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

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

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

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

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

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


aprilia
KYT
IXON
aprilia
aprilia
aprilia

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS OF 30 JUNE 2018

Consolidated Income Statement

Notes	In thousands of euros	1st half of 2018 Total	of which related parties	1st half of 2017 Total	of which related parties
4	Net revenues	729,592	2,219	725,306	998
5	Cost for materials	(430,024)	(14,069)	(420,130)	(16,424)
6	Cost for services and leases and rentals	(114,484)	(1,866)	(119,792)	(1,933)
7	Employee costs	(112,555)		(113,300)	
8	Depreciation and impairment costs of property, plant and equipment	(20,738)		(23,500)	
8	Amortisation and impairment costs of intangible assets	(33,985)		(37,503)	
9	Other operating income	54,408	118	53,247	189
10	Net value adjustments (write-downs) of trade and other receivables	(844)		(748)	
11	Other operating costs	(9,485)	(86)	(10,606)	(6)
	Operating income	**61,885**		**52,974**	
12	Income/(loss) from investments	404	404	637	637
13	Financial income	5,906	12	407	
13	Borrowing costs	(19,640)	(82)	(18,113)	(66)
13	Net exchange gains/(losses)	(49)		547	
	Profit before tax	**48,506**		**36,452**	
14	Taxes for the period	(21,828)		(15,310)	
	Profit from continuing operations	**26,678**		**21,142**	
	Assets held for sale:				
15	Profits or losses arising from assets held for sale				
	Net profit (loss) for the period	**26,678**		**21,142**	
	Attributable to:				
	Owners of the Parent	**26,678**		**21,142**	
	Non-controlling interests				
16	**Earnings per share (figures in €)**	**0.074**		**0.059**	
16	**Diluted earnings per share (figures in €)**	**0.074**		**0.059**	

Note: The effects of adopting IFRS 15 and IFRS 9 are described in the section of the Notes on "New accounting standards, amendments applied as from 1 January 2018".

Consolidated Statement of Comprehensive Income

Notes	In thousands of euros	1st half of 2018	1st half of 2017
	Net profit (loss) for the period (A)	**26,678**	**21,142**
	Items that will not be reclassified in the income statement		
42	Remeasurements of defined benefit plans	(1,203)	1,921
	Total	**(1,203)**	**1,921**
	Items that may be reclassified in the income statement		
42	Profit (loss) deriving from the translation of financial statements of foreign companies denominated in foreign currency	(3,197)	(5,440)
42	Portion of components of the Statement of Comprehensive Income of subsidiaries/associates measured with the equity method	108	(542)
42	Total profits (losses) on cash flow hedges	573	40
	Total	**(2,516)**	**(5,942)**
	Other components of the Statement of Comprehensive Income (B)*	**(3,719)**	**(4,021)**
	Total Profit (loss) for the period (A + B)	**22,959**	**17,121**
	Attributable to:		
	Owners of the Parent	**22,932**	**17,094**
	Non-controlling interests	**27**	**27**

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

Consolidated Statement of Financial Position

Notes	In thousands of euros	As of 30 June 2018 Total	of which related parties	As of 31 December 2017 Total	of which related parties
	ASSETS				
	Non-current assets				
17	Intangible assets	649,274		648,977	
18	Property, plant and equipment	262,353		273,013	
19	Investment property	11,314		11,523	
34	Investments	8,060		7,553	
35	Other financial assets	8,090		7,364	
24	Long-term tax receivables	17,819		19,913	
20	Deferred tax assets	59,940		58,601	
22	Trade receivables				
23	Other receivables	13,592	94	12,157	115
	Total non-current assets	**1,030,442**		**1,039,101**	
26	**Assets held for sale**				
	Current assets				
22	Trade receivables	136,327	1,873	83,995	2,150
23	Other receivables	28,986	10,801	26,916	10,029
24	Short-term tax receivables	18,127		11,106	
21	Inventories	270,203		218,622	
36	Other financial assets	2,399		2,321	
37	Cash and cash equivalents	193,323		128,067	
	Total current assets	**649,365**		**471,027**	
	Total assets	**1,679,807**		**1,510,128**	
	SHAREHOLDERS' EQUITY AND LIABILITIES				
	Shareholders' equity				
41	Share capital and reserves attributable to the owners of the Parent	384,510		385,296	
41	Share capital and reserves attributable to non-controlling interests	(209)		(236)	
	Total shareholders' equity	**384,301**		**385,060**	
	Non-current liabilities				
38	Financial liabilities falling due after one year	493,392		446,483	2,900
27	Trade payables				
28	Other long-term provisions	9,204		9,096	
29	Deferred tax liabilities	2,813		3,170	
30	Retirement funds and employee benefits	45,107		44,457	
31	Tax payables				
32	Other long-term payables	5,753	13	5,621	12
	Total non-current liabilities	**556,269**		**508,827**	
	Current liabilities				
38	Financial liabilities falling due within one year	141,299		137,780	
27	Trade payables	511,626	15,778	411,775	9,375
31	Tax payables	20,722		10,185	
32	Other short-term payables	54,310	6,867	46,424	7,863
28	Current portion of other long-term provisions	11,280		10,077	
	Total current liabilities	**739,237**		**616,241**	
	Total Shareholders' Equity and Liabilities	**1,679,807**		**1,510,128**	

Note: The effects of adopting IFRS 15 and IFRS 9 are described in the section of the Notes on "New accounting standards, amendments applied as from 1 January 2018".

Consolidated Statement of Cash Flows

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

Notes	In thousands of euros	1st half of 2018 Total	1st half of 2018 of which related parties	1st half of 2017 Total	1st half of 2017 of which related parties
	Operating activities				
	Net Profit (loss) for the period	26,678		21,142	
	Allocation of profit to non-controlling interests	0		0	
14	Taxes for the period	21,828		15,310	
8	Depreciation of property, plant and equipment	20,738		23,500	
8	Amortisation of intangible assets	33,477		37,503	
	Provisions for risks and retirement funds and employee benefits	9,351		9,883	
	Write-downs/ (Reinstatements)	1,584		775	
	Losses/ (Gains) on the disposal of property, plants and equipment	(43)		(77)	
	Losses/ (Gains) on the disposal of intangible assets	0		(2)	
13	Financial income	(5,906)		(343)	
13	Borrowing costs	19,640		16,610	
	Income from public grants	(2,077)		(1,843)	
	Portion of earnings of affiliated companies	(404)		(637)	
	Change in working capital:				
22	(Increase)/Decrease in trade receivables	(53,013)	277	(51,195)	1,250
23	(Increase)/Decrease in other receivables	(3,690)	(751)	1,913	(586)
21	(Increase)/Decrease in inventories	(51,581)		(42,707)	
27	Increase/(Decrease) in trade payables	99,851	6,403	96,364	6,910
32	Increase/(Decrease) in other payables	8,018	(995)	7,797	46
28	Increase/(Decrease) in provisions for risks	(4,488)		(4,721)	
30	Increase/(Decrease) in retirement funds and employee benefits	(4,527)		(7,208)	
	Other changes	(2,733)		(861)	
	Cash generated from operating activities	**112,703**		**121,203**	
	Interest paid	(17,519)		(15,428)	
	Taxes paid	(13,055)		(6,704)	
	Cash flow from operating activities (A)	**82,129**		**99,071**	
	Investment activities				
18	Investment in property, plant and equipment	(13,168)		(12,109)	
	Sale price, or repayment value, of property, plant and equipment	659		160	
17	Investment in intangible assets	(34,611)		(26,661)	
	Sale price, or repayment value, of intangible assets	38		467	
	Collected interests	243		399	
	Cash flow from investment activities (B)	**(46,839)**		**(37,744)**	
	Financing activities				
41	Outflow for dividends paid	(19,698)		(19,698)	
38	Loans received	291,414		80,484	
38	Outflow for repayment of loans	(240,006)		(84,933)	
38	Repayment of finance leases	(570)		(561)	
	Cash flow from funding activities (C)	**31,140**		**(24,708)**	
	Increase/ (Decrease) in cash and cash equivalents (A+B+C)	66,430		36,619	
	Opening balance	**127,894**		**191,400**	
	Exchange differences	(1,408)		(5,354)	
	Closing balance	**192,916**		**222,665**	

Changes in Consolidated Shareholders' Equity

Movements from 1 January 2018 / 30 June 2018

Notes	In thousands of euros	Share capital	Share premium reserve	Legal reserve	Reserve for measurement of financial instruments	IAS transition reserve
	As of 1 January 2018	**207,614**	**7,171**	**19,095**	**(320)**	**(11,505)**
	Profit for the period					
42	Other components of the Statement of Comprehensive Income				573	
	Total profit (loss) for the period	**0**	**0**	**0**	**573**	**0**
	Transactions with shareholders:					
41	Allocation of profits			1,030		
41	Distribution of dividends					
41	Adoption of IFRS 9					(4,020)
	As of 30 June 2018	**207,614**	**7,171**	**20,125**	**253**	**(15,525)**

Movements from 1 January 2017 / 30 June 2017

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

Group translation reserve	Treasury shares	Earnings reserve	Consolidated Group shareholders' equity	Share capital and reserves attributable to non-controlling interests	TOTAL SHAREHOLDERS' EQUITY
(24,467)	**0**	**187,708**	**385,296**	**(236)**	**385,060**
		26,678	**26,678**		**26,678**
(3,116)		(1,203)	**(3,746)**	**27**	**(3,719)**
(3,116)	**0**	**25,475**	**22,932**	**27**	**22,959**
		(1,030)	**0**		**0**
		(19,698)	**(19,698)**		**(19,698)**
			(4,020)		**(4,020)**
(27,583)	**0**	**192,455**	**384,510**	**(209)**	**384,301**

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

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 2017 and 30 June 2017.

2. Compliance with International Accounting Standards

These condensed interim financial statements have been prepared in compliance with International Accounting Standards (IAS/IFRS) in force at that date, issued by the International Accounting Standards Board and endorsed by the European Union, as well as in compliance with the provisions in Consob 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 2017 were applied, with the exception of the paragraph "New accounting standards, amendments and interpretations applied as from 1 January 2018".
The information provided in the Half-Year Report should be read together with the Consolidated Financial Statements as of 31 December 2017, 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 2017.
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 applied as from 1 January 2018

IFRS 15 "Revenue from Contracts with Customers"

The new standard is applicable in a retrospective manner for years commencing from or after 1 January 2018. IFRS 15 sets out the requirements for recognising revenues, introducing an approach whereby revenue is only recognised if contractual obligations have been met in full. According to the standard, revenue is recognised based on the following five steps:
- identify the contract;
- identify individual obligations;
- determine the transaction price;
- allocate the transaction price to individual obligations based on their "market prices" ("stand-alone selling price");
- recognise revenue allocated to the individual obligation when it is regulated, i.e. when the customer acquires control of the goods and/or services.

The Group has carried out in-depth analysis of the different types of contracts related to the sale of two-/three- and four-wheeler vehicles, spare parts, accessories and components to dealers, importers or direct customers that represent the most significant component, as well as types of contract with less economic impact (for example royalties). Following this analysis, the Group concluded that adoption of the new standard had not caused any significant impact, as the most significant income component was still recognised in a manner that was consistent with previous accounting policies.
Revenues from the sale of 2/3/4-wheeler vehicles, spare parts, accessories and components are recognised when control is transferred and when the Group meets the obligation of transferring the promised asset to the customer.
One exception is a number of scheduled maintenance schemes and extended warranties that go beyond the statutory period (sold together with the vehicle) which, according to the new standard, constitute separate performance bonds and, as such, must now be identified and accounted for separately from the vehicle revenue. To date, these scheduled maintenance plans / extended warranties have, however, been limited in number and mainly provided in the Vietnamese market.
Further differences in approach refer to the different ways of representing revenue, without however any impact on results, and concern a different approach to the classification of some bonuses to dealers, consumer financing plans and how funds returned from customers are represented (only applicable to the US market, where there is a legal obligation to repurchase the vehicle from dealers if certain conditions occur).
The Group adopted IFRS 15 and all amendments, on a modified, retrospective basis, not changing 2017 financial statement data for comparison, but instead indicating the impact on various financial statement items of the first half 2018 if the standard had not been adopted.
The table summarising the effects of adopting IFRS 15 on the consolidated income statement for the half-year as of 30 June 2018 is given below:

In thousands of euros	1st half of 2018 published	Reclassifications	1st half of 2018 without adopting IFRS 15
Net revenues	729,592	(4,446)	734,038
Cost for materials	(430,024)	1,294	(431,318)
Costs for services	(114,484)	3,152	(117,636)
Operating income	61,885	0	61,885

IFRS 9 "Financial Instruments"

The new provisions of IFRS 9: (i) amend the model that classifies and measures financial assets; (ii) introduce a new method for writing down financial assets, that takes account of expected credit losses; (iii) amend hedge accounting provisions and (iv) establish new criteria for the recognition of transactions amending financial liabilities. The provisions of IFRS 9 will be applicable for years commencing on or after 1 January 2018. Early adoption is allowed.

The Group adopted IFRS 9 and all related amendments, on a modified, retrospective basis, not changing 2017 financial statement data for comparison, but instead indicating the impact on various financial statement items of the previous year if the standard had already been adopted and recognising the effects in shareholders' equity at 1 January 2018.

Classification and measurement

With reference to the classification and measurement of financial assets, the Group adopts the following business models:

- a business model whose aim is to collect contractual financial flows and through selling financial assets ("hold to collect" business model);
- a business model whose aim is to hold financial assets in order to collect contractual financial flows ("hold to collect and sell" business model).

In both cases, the contractual terms of the financial asset provide for specific financial flow dates represented solely by the payment of capital and interest on the amount of capital to return.
Financial assets held by the group are recognised:

- at amortised cost in the case of financial assets related to the "hold to collect" business model;
- at fair value identified in other components of comprehensive income in the case of financial assets related to the "hold to collect and sell" model.

Write-down of financial assets

As regards the introduction of the new method to write down financial assets, the Group revised the method to determine provisions to cover losses for expected losses on receivables as from 1 January 2018, as required by the new standard, without identifying any significant impact on the operating result or on shareholders' equity arising from the adoption of IFRS 9.
The Group recognises provisions to cover losses for an amount equal to expected losses over the life of the receivable, with a method that considers whether the credit risk, at the end of the reporting period, related to a financial instrument has increased significantly after initial recognition or otherwise.
For trade receivables, the Group adopts a simplified approach permitted under the new standard, recognising provisions to cover losses for an amount equal to expected losses over the life of the receivable.
Lastly, IFRS 9 amended IAS 1 (82 ba) requesting separate recognition in the Income Statement of impairment losses (including reversals or gains resulting from impairment losses).

Hedge accounting

The Group adopted the policy choice which makes it possible to refer to provisions in IAS 39 on hedge accounting. The new requirements of IFRS 9 have therefore been postponed to when the project on macro-hedging has been completed.

New criteria for the recognition of transactions amending financial liabilities

With the introduction of IFRS 9, in the event of the renegotiation of a financial liability that does not qualify as "extinction of the original debt", the difference between i) the book value of the pre-change liability and ii) the present value of the cash flows of the revised debt, discounted at the original rate (IRR), is accounted for in the income statement. The Group has examined the liability management operations conducted in previous years. The effects deriving from the adoption of IFRS 9 are summarised in the following table:

In thousands of euros	2017 Financial Statements	Effect of IFRS 9	Opening balance 1 January 2018
Assets			
Deferred tax assets	58,601	1,269	59,870
Total assets		1,269	
Liabilities			
Shareholders' equity	385,060	(4,020)	381,040
Financial liabilities	584,263	5,526	589,789
Other payables	52,045	(237)	51,808
Total liabilities		1,269	

Amendment to IFRS 2 "Share-based Payment"

These amendments clarify how some share-based payments are recognised.

Amendment to IAS 40 – "Investment Property"

These amendments clarify change in use, which is a necessary condition for transfer from/to Investment Property.

Series of annual amendments to IFRS 2014–2016

The amendment concerns IAS 28 "Investments in Associates and Joint Ventures".
The amendments clarify, correct or remove redundant wording in the related IFRS Standard and have not had a material impact on the Financial Statements or on disclosure.

IFRIC Interpretation 22

The amendment addresses the exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency.

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

At the date of these Financial Statements, competent bodies of the European Union had completed the approval process necessary for the adoption of the following accounting standards and amendments:

› IFRS 16 "Leases". This new standard will replace the current IAS 17. The main change concerns the accounting by lessees that, according to IAS 17, were required to make a distinction between a finance lease (on balance sheet) and an operating leases (off balance sheet). With IFRS 16, operating leases will be treated for accounting purposes as finance leases. The IASB has provided for the optional exemption for certain leasing contracts and low value and short-term leases.
  This standard will apply from 1 January 2019. Early application will be possible if IFRS 15 "Revenue from contracts with customers" is jointly adopted.
  The Group has set up a work team to assess the potential impact and estimates that it will complete the analysis within the next six months.

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 endorsement process necessary for the application of the following accounting standards and amendments:

› On May 2017, the IASB issued the new standard IFRS 17 – Insurance Contracts. The new standard will replace IFRS 4 and will be effective from 1 January 2021.
› On 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 will be effective from 1 January 2019.

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

Other information

A specific paragraph in this Report provides information on any significant events occurring after the end of the period and on the expected operating outlook.
The exchange rates used to translate the financial statements of companies included in the scope of consolidation into euros are shown in the table below.

Currency	Spot exchange rate 29 June 2018	Average exchange rate 1st half of 2018	Spot exchange rate 29 December 2017	Average exchange rate 1st half of 2017
US Dollar	1.1658	1.21035	1.1993	1.08302
Pounds Sterling	0.88605	0.879767	0.88723	0.86059
Indian Rupee	79.8130	79.49031	76.6055	71.17602
Singapore Dollars	1.5896	1.60544	1.6024	1.52076
Chinese Yuan	7.7170	7.70859	7.8044	7.44483
Croatian Kuna	7.3860	7.41782	7.4400	7.44860
Japanese Yen	129.04	131.60571	135.01	121.78039
Vietnamese Dong	26,574.57	27,356.23031	26,934.34	24,408.40899
Canadian Dollars	1.5442	1.54575	1.5039	1.44529
Indonesian Rupiah	16,746.8	16,652.05159	16,260.11	14,437.95142
Brazilian Real	4.4876	4.14146	3.9729	3.44311

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, related 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 related 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 2018	133.2	131.5	39.3	**304.0**
	1st half of 2017	145.5	99.4	35.8	**280.7**
	Change	(12.3)	32.1	3.5	**23.3**
	Change %	-8.5%	32.3%	9.8%	**8.3%**
Turnover (millions of euros)	1st half of 2018	453.2	193.7	82.7	**729.6**
	1st half of 2017	479.6	160.8	84.9	**725.3**
	Change	(26.4)	32.8	(2.2)	**4.3**
	Change %	-5.5%	20.4%	-2.6%	**0.6%**
Gross margin (millions of euros)	1st half of 2018	142.7	53.4	32.1	**228.3**
	1st half of 2017	151.9	42.0	34.0	**227.9**
	Change	(9.2)	11.4	(1.8)	**0.4**
	Change %	-6.1%	27.2%	-5.4%	**0.2%**
EBITDA (millions of euros)	1st half of 2018				**116.6**
	1st half of 2017				**114.0**
	Change				**2.6**
	Change %				**2.3%**
EBIT (millions of euros)	1st half of 2018				**61.9**
	1st half of 2017				**53.0**
	Change				**8.9**
	Change %				**16.8%**
Net profit (millions of euros)	1st half of 2018				**26.7**
	1st half of 2017				**21.1**
	Change				**5.5**
	Change %				**26.2%**

C) *Information on the consolidated income statement*

4. Net revenues — *€/000 729,592*

Revenues are shown net of premiums recognised to customers (dealers).
This item does not include transport costs, which are recharged to customers (€/000 13,129) and invoiced advertising cost recoveries (€/000 2,740), 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:

	1st half of 2018		1st half of 2017		Changes	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
In thousands of euros						
EMEA and Americas	453,197	62.1	479,586	66.1	(26,389)	-5.5
India	193,670	26.6	160,840	22.2	32,830	20.4
Asia Pacific 2W	82,725	11.3	84,880	11.7	(2,155)	-2.5
Total	**729,592**	**100.0**	**725,306**	**100.0**	**4,286**	**0.6**

In the first half of 2018, net sales revenues increased by 1.2% compared to the same period of the previous year. For a more detailed analysis of trends in individual geographic segments, see comments in the Report on Operations.
To analyse the effects from adopting IFRS 15, reference is made to the section in the Notes on "New accounting standards, amendments applied as from 1 January 2018".

5. Costs for materials — *€/000 (430,024)*

Costs for materials went up by €/000 9,894 compared to the first half of 2017. The item includes €/000 14,069 (€/000 16,424 in the first half of 2017), purchases of scooters from the Chinese affiliate Zongshen Piaggio Foshan Motorcyle Co., that will be sold on European and Asian markets.
To analyse the effects from adopting IFRS 15, reference is made to the section in the Notes on "New accounting standards, amendments applied as from 1 January 2018".

The following table details the content of this item:

	1st half of 2018	1st half of 2017	Change
In thousands of euros			
Raw, ancillary materials, consumables and goods	(481,379)	(466,960)	(14,419)
Change in inventories of raw, ancillary materials, consumables and goods	12,405	15,263	(2,858)
Change in work in progress of semifinished and finished products	38,950	31,567	7,383
Total	**(430,024)**	**(420,130)**	**(9,894)**

6. Costs for services and leases and rental *€/000 (114,484)*

Below is a breakdown of this item:

In thousands of euros	1st half of 2018	1st half of 2017	Change
Employee costs	(7,914)	(8,134)	220
External maintenance and cleaning costs	(3,912)	(3,875)	(37)
Energy, telephone and telex costs	(7,751)	(7,445)	(306)
Postal expenses	(345)	(397)	52
Commissions payable	(333)	(236)	(97)
Advertising and promotion	(19,147)	(18,090)	(1,057)
Technical, legal and tax consultancy and services	(8,758)	(7,971)	(787)
Company boards operating costs	(1,123)	(1,080)	(43)
Insurance	(2,103)	(1,999)	(104)
Outsourced manufacturing	(11,499)	(14,542)	3,043
Outsourced services	(7,162)	(6,917)	(245)
Transport costs (vehicles and spare parts)	(17,709)	(17,435)	(274)
Internal shuttle services	(160)	(281)	121
Sundry commercial expenses	(4,860)	(5,237)	377
Expenses for public relations	(1,257)	(1,473)	216
Product warranty costs	(609)	(4,052)	3,443
Costs for quality-related events	(1,821)	(1,263)	(558)
Bank costs and factoring charges	(2,839)	(3,174)	335
Misc services provided in the business year	(2,248)	(2,471)	223
Other services	(3,087)	(3,772)	685
Insurance from related parties	(17)	(17)	0
Services from related parties	(997)	(1,116)	119
Lease and rental costs	(8,011)	(8,015)	4
Costs for leases and rentals of related parties	(822)	(800)	(22)
Costs for services and leases and rental	**(114,484)**	**(119,792)**	**5,308**

Costs for services, leases and rentals fell by €/000 5,308 compared to the first six months of 2017. The item includes costs for temporary work of €/000 1,054.
Costs for leases and rentals, amounting to €/000 8,833, include lease rentals for business properties of €/000 3,421, as well as lease payments for car hire, computers and photocopiers.

To analyse the effects from adopting IFRS 15, reference is made to the section in the Notes on "New accounting standards, amendments applied as from 1 January 2018".

7. Employee costs *€/000 (112,555)*

Employee costs include €/000 1,005 relating to costs for redundancy plans for the Pontedera and Noale production sites.

In thousands of euros	1st half of 2018	1st half of 2017	Change
Salaries and wages	(84,799)	(83,708)	(1,091)
Social security contributions	(22,396)	(22,797)	401
Termination benefits	(3,599)	(3,645)	46
Other costs	(1,761)	(3,150)	1,389
Total	**(112,555)**	**(113,300)**	**745**

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

Level	Average number	1st half of 2018	1st half of 2017	Change
Senior management		97.5	97.0	0.5
Middle management		625.3	585.8	39.5
White collars		1,704.5	1,725.2	(20.7)
Blue collars		4,262.2	4,139.0	123.2
Total		**6,689.5**	**6,547.0**	**142.5**

Average employee numbers were affected by seasonal workers in the summer (on fixed-term employment contracts).
In fact the Group uses fixed-term employment contracts to handle typical peaks in demand in the summer months.

Level	Number as of	30 June 2018	31 December 2017	Change
Senior management		98	97	1
Middle management		646	603	43
White collars		1,704	1,733	(29)
Blue collars		4,528	4,187	341
Total		**6,976**	**6,620**	**356**
EMEA and Americas		3,681	3,682	(1)
India		2,426	2,090	336
Asia Pacific 2W		869	848	21
Total		**6,976**	**6,620**	**356**

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

Level	As of 31.12.17	Incoming	Leavers	Relocations	As of 30.06.18
Senior management	97	1	(3)	3	98
Middle management	603	41	(36)	38	646
White collars	1,733	111	(100)	(40)	1,704
Blue collars	4,187	1,407	(1,065)	(1)	4,528
Total	**6,620**	**1,560**	**(1,204)**	**0**	**6,976**

8. Amortisation/depreciation and impairment costs *€/000 (54,723)*

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

Property, plant and equipment	1st half of 2018	1st half of 2017	Change
In thousands of euros			
Buildings	(2,503)	(2,567)	64
Plant and machinery	(10,832)	(12,128)	1,296
Industrial and commercial equipment	(5,420)	(6,240)	820
Other assets	(1,983)	(2,565)	582
Total depreciation of property, plant and equipment	**(20,738)**	**(23,500)**	**2,762**
Write-down of property, plant and equipment			
Total depreciation of property, plant and equipment and impairment costs	**(20,738)**	**(23,500)**	**2,762**

Intangible assets	1st half of 2018	1st half of 2017	Change
In thousands of euros			
Development costs	(16,494)	(20,062)	3,568
Industrial Patent and Intellectual Property Rights	(14,522)	(14,929)	407
Concessions, licences, trademarks and similar rights	(2,412)	(2,412)	0
Other	(49)	(100)	51
Total amortisation of intangible fixed assets	**(33,477)**	**(37,503)**	**4,026**
Write-down of intangible assets	(508)		(508)
Total amortisation of intangible assets and impairment costs	**(33,985)**	**(37,503)**	**3,518**

9. Other operating income *€/000 54,408*

This item consists of:

	1st half of 2018	1st half of 2017	Change
In thousands of euros			
Operating grants	2,077	1,843	234
Increases in fixed assets from internal work	22,386	20,501	1,885
Other revenue and income:			
- Rent receipts	2,159	2,208	(49)
- Capital gains on the disposal of assets	43	79	(36)
- Sale of miscellaneous materials	580	456	124
- Recovery of transport costs	13,129	14,107	(978)
- Recovery of advertising costs	2,740	1,950	790
- Recovery of sundry costs	1,416	1,492	(76)
- Compensation	174	1,722	(1,548)
- Compensation for quality-related events	443	185	258
- Licence rights and know-how	880	1,103	(223)
- Sponsorship	1,177	1,454	(277)
- Other income	7,204	6,147	1,057
Total other operating income	**54,408**	**53,247**	**1,161**

The item "Operating grants" includes the amount of €/000 1,249 for government and Community grants for research projects and export subsidies of €/000 828 received related to the Indian subsidiary. The subsidies are recognised in profit or loss, strictly relating to the amortisation and depreciation of capitalised costs for which the subsidies were received.

10. Net value adjustments (write-downs) of trade and other receivables *€/000 (844)*

This item consists of:

	1st half of 2018	1st half of 2017	Change
In thousands of euros			
Issue of provisions	32	29	3
Losses on receivables	(9)	(2)	(7)
Write-downs of receivables (operating assets)	(867)	(775)	(92)
Total	**(844)**	**(748)**	**(96)**

11. Other operating costs *€/000 (9,485)*

This item consists of:

	1st half of 2018	1st half of 2017	Change
In thousands of euros			
Provision for future risks	(582)	(7)	(575)
Provisions for product warranties	(5,170)	(6,231)	1,061
Duties and taxes not on income	(2,136)	(2,469)	333
Various subscriptions	(706)	(721)	15
Capital losses from disposal of assets			0
Losses from changes in the fair value of investment property	(209)	(43)	(166)
Miscellaneous expenses	(682)	(1,135)	453
Total sundry operating costs	**(3,733)**	**(4,368)**	**635**
Total	**(9,485)**	**(10,606)**	**1,121**

The item "Losses from changes" in the fair value of investment property relates to the depreciation noted in the expert appraisal of the Spanish site of Martorelles. For more details on how fair value is determined, reference is made to note 38.

12. Income/(loss) from investments *€/000 404*

Income from investments refers to the portion attributable to the Group of the Zongshen Piaggio Foshan Motorcycle Co. Ltd joint venture (€/000 389) and affiliated company Pontech (€/000 15) measured at equity.

13. Net financial income (borrowing costs) *€/000 (13,783)*

The balance of financial income (borrowing costs) in the first half of 2018 was negative by €/000 13,783, an improvement on the figure of €/000 17,159 for the same period of the previous year, thanks to lower average debt and the reduction in the cost of debt. This performance was also due to non-recurrent net income of €/000 910 from the liability management of the "Eur 250 million Piaggio 4.625% due 2021" debenture loan, recognised in the income statement as required by IFRS 9.
The average rate used during 2018 for the capitalisation of borrowing costs (because of general loans), was equal to 7.19% and was affected by loans taken out by the Vietnamese company in the local currency.

14. Taxes *€/000 (21,828)*

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 of 2018	1st half of 2017
Net profit	€/000	26,678	21,142
Earnings attributable to ordinary shares	€/000	26,678	21,142
Average number of ordinary shares in circulation		358,153,644	358,153,644
Earnings per ordinary share	€	0.074	0.059
Adjusted average number of ordinary shares		358,153,644	358,153,644
Diluted earnings per ordinary share	€	0.074	0.059

D) Information on operating assets and liabilities

17. Intangible assets *€/000 649,274*

The table below shows the breakdown of intangible assets as of 30 June 2018, as well as changes during the period.

In thousands of euros	Development costs	Patent rights	Concessions, licences and trademarks	Goodwill	Other	Assets under development and advances	Total
As of 1 January 2018							
Historical cost	232,890	361,842	155,074	557,322	6,809	18,487	1,332,424
Provision for write-downs	(1,007)	(2,157)				(1,018)	(4,182)
Accumulated amortisation	(165,664)	(284,888)	(111,677)	(110,382)	(6,654)		(679,265)
Net carrying amount	**66,219**	**74,797**	**43,397**	**446,940**	**155**	**17,469**	**648,977**
1st half of 2018							
Investments	8,447	874			8	25,282	34,611
Put into service in the period	1,321	807			16	(2,144)	0
Amortisation	(16,494)	(14,522)	(2,412)		(49)		(33,477)
Disposals	(30)				(8)		(38)
Write-downs						(508)	(508)
Exchange differences	(126)	(48)			2	(119)	(291)
Total movements for the 1st half of 2018	**(6,882)**	**(12,889)**	**(2,412)**	**0**	**(31)**	**22,511**	**297**
As of 30 June 2018							
Historical cost	234,931	361,845	182,738	557,322	5,143	41,463	1,383,442
Provision for write-downs	(1,007)	(2,157)				(1,483)	(4,647)
Accumulated amortisation	(174,587)	(297,780)	(141,753)	(110,382)	(5,019)		(729,521)
Net carrying amount	**59,337**	**61,908**	**40,985**	**446,940**	**124**	**39,980**	**649,274**

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

	Value as of 30 June 2018			Value as of 31 December 2017			Change		
In thousands of euros	In service	Under development and advances	Total	In service	Under development and advances	Total	In service	Under development and advances	Total
Development costs	59,337	36,151	95,488	66,219	14,036	80,255	(6,882)	22,115	15,233
Patent rights	61,908	3,829	65,737	74,797	3,431	78,228	(12,889)	398	(12,491)
Concessions, licences and trademarks	40,985		40,985	43,397		43,397	(2,412)	0	(2,412)
Goodwill	446,940		446,940	446,940		446,940	0	0	0
Other	124		124	155	2	157	(31)	(2)	(33)
Total	**609,294**	**39,980**	**649,274**	**631,508**	**17,469**	**648,977**	**(22,214)**	**22,511**	**297**

Intangible assets were basically in line with figures as of 31 December 2017.
During the first half of 2018, borrowing costs for €/000 121 were capitalised.

Development costs include costs for products and engines referable to projects for which, as regards the

period of the useful life of the asset, revenues are expected that allow for at least the costs incurred to be recovered. This item also includes assets under development for €/000 36,151 that represent costs for which the conditions for capitalisation exist, but in relation to products that will go into production in future years. Borrowing costs attributable to the development of products which require a considerable period of time to be realised are capitalised as a part of the cost of the assets themselves. Development costs included under this item are amortised on a straight line basis over a period of 3 to 5 years, in consideration of their remaining useful life.
In the first half of 2018, development costs amounting to €/000 8,900 were carried as expenses directly in the income statement.

The item Patent rights comprises software for €/000 15,419 and patents and know-how. It includes assets under development for €/000 3,829.
Patents and know-how mainly refer to Vespa, MP3, RSV4 and Aprilia SR 150 vehicles. Increases for the period mainly refer to new calculation, design and production techniques and methodologies developed by the Group, referring to main new products in the 2018-2019 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:

	As of 30 June 2018	As of 31 December 2017	Change
In thousands of euros			
Guzzi trademark	13,812	14,625	(813)
Aprilia trademark	27,140	28,737	(1,597)
Minor trademarks	33	35	(2)
Total	**40,985**	**43,397**	**(2,412)**

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

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

	As of 30 June 2018	As of 31 December 2017	Change
In thousands of euros			
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, related 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 related segment. Central structures and development activities currently dealt with by EMEA and the Americas, are handled by individual CGUs.
Goodwill is no longer amortised, but is tested for impairment annually or more frequently, if specific events take place or changed circumstances indicate that the asset may have been affected by impairment, to identify impairment as provided for by IAS 36 - Impairment of Assets.
The possibility of reinstating booked values is verified by comparing the net carrying amount of individual cash generating units with the recoverable value (value in use). This recoverable value is represented by the present value of future cash flows which, it is estimated, will be derived from the continual use of goods referring to cash generating units and by the terminal value attributable to these goods.
The recoverability of goodwill is verified at least once per year (as of 31 December), even in the absence of indicators of impairment losses.

As of 30 June 2018, the Group compared final and estimated figures of 2018, combined with forecast data for the 2019-2021 period, approved by the Board of Directors on 26 February 2018. 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 2017.

18. Property, plant and equipment *€/000 262,353*

The table below shows the breakdown of property, plant and equipment as of 30 June 2018, as well as changes during the period.

	Land	Buildings	Plant and machinery	Equipment	Other assets	Assets under construction and advances	Total
In thousands of euros							
As of 1 January 2018							
Historical cost	27,640	167,730	475,729	508,427	52,353	14,748	1,246,627
Provision for write-downs			(483)	(2,408)	(64)		(2,955)
Accumulated depreciation		(73,833)	(362,119)	(489,011)	(45,696)		(970,659)
Net carrying amount	**27,640**	**93,897**	**113,127**	**17,008**	**6,593**	**14,748**	**273,013**
1st half of 2018							
Investments		235	725	2,848	2,495	6,865	13,168
Put into service in the period		201	5,245	1,000	1,255	(7,701)	0
Depreciation		(2,503)	(10,832)	(5,420)	(1,983)		(20,738)
Disposals		(9)	(4)	(1)	(595)	(7)	(616)
Exchange differences		(475)	(1,795)	0	(2)	(202)	(2,474)
Total movements for the 1st half of 2018	**0**	**(2,551)**	**(6,661)**	**(1,573)**	**1,170**	**(1,045)**	**(10,660)**
As of 30 June 2018							
Historical cost	27,640	167,493	477,548	512,065	55,186	13,703	1,253,635
Provision for write-downs			(483)	(2,408)	(64)		(2,955)
Accumulated depreciation		(76,147)	(370,599)	(494,222)	(47,359)		(988,327)
Net carrying amount	**27,640**	**91,346**	**106,466**	**15,435**	**7,763**	**13,703**	**262,353**

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

	Value as of 30 June 2018			Value as of 31 December 2017			Change		
	In service	Under construction and advances	Total	In service	Under construction and advances	Total	In service	Under construction and advances	Total
In thousands of euros									
Land	27,640		27,640	27,640		27,640	0	0	0
Buildings	91,346	2,390	93,736	93,897	1,969	95,866	(2,551)	421	(2,130)
Plant and machinery	106,466	6,649	113,115	113,127	8,025	121,152	(6,661)	(1,376)	(8,037)
Equipment	15,435	4,466	19,901	17,008	3,467	20,475	(1,573)	999	(574)
Other assets	7,763	198	7,961	6,593	1,287	7,880	1,170	(1,089)	81
Total	**248,650**	**13,703**	**262,353**	**258,265**	**14,748**	**273,013**	**(9,615)**	**(1,045)**	**(10,660)**

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 2018, borrowing costs for €/000 92 were capitalised.

As of 30 June 2018, the net value of assets held by lease agreements was as follows:

	As of 30 June 2018
In thousands of euros	
Vespa painting plant	11,127
Vehicles	34
Total	**11,161**

Future lease rental commitments are detailed in note 38.

19. Investment Property — *€/000 11,314*

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 2018	**11,523**
Fair value adjustment	(209)
Balance as of 30 June 2018	**11,314**

The net book value as of 30 June 2018 was determined by a specific appraisal conducted by an independent expert who measured the "Fair Value less cost of disposal" based on a market approach (as provided for in IFRS 13). This analysis identified the total value of the investment as €/000 11,314. 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 2018 resulted in profit adjusted to fair value, equal to €/000 209 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 6,224.
During the first half of 2018, costs incurred for site management amounted to €/000 245.

20. Deferred tax assets — *€/000 59,940*

Deferred tax assets and liabilities are recognised at their net value when they may be offset in the same tax jurisdiction.
The item totalled €/000 59,940, up on the figure of €/000 58,601 as of 31 December 2017. The increase is mainly related to the adoption of the new standard IFRS 9, whose accounting effects are described in the section of the Notes on "New accounting standards, amendments applied as from 1 January 2018".
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 revision of the Piaggio Group plan were approved by the Board of Directors on 26 February 2018, of which forecasts have been 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, of which forecasts have been 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.

21. Inventories — *€/000 270,203*

This item comprises:

In thousands of euros	As of 30 June 2018	As of 31 December 2017	Change
Raw materials and consumables	123,492	104,450	19,042
Provision for write-down	(14,516)	(13,941)	(575)
Net value	*108,976*	*90,509*	*18,467*
Work in progress and semifinished products	16,492	18,241	(1,749)
Provision for write-down	(852)	(852)	0
Net value	*15,640*	*17,389*	*(1,749)*
Finished products and goods	170,111	134,055	36,056
Provision for write-down	(24,830)	(23,526)	(1,304)
Net value	*145,281*	*110,529*	*34,752*
Advances	306	195	111
Total	**270,203**	**218,622**	**51,581**

As of 30 June 2018, inventories had increased by €/000 51,581, in line with the trend expected for production volumes and sales in the future.

22. Current and non-current trade receivables *€/000 136,327*

As of 30 June 2018 and 31 December 2017, there were no trade receivables in non-current assets. Current trade receivables are broken down as follows:

	As of 30 June 2018	As of 31 December 2017	Change
In thousands of euros			
Trade receivables due from customers	134,454	81,845	52,609
Trade receivables due from JV	1,864	2,148	(284)
Trade receivables due from parent companies	2	2	0
Trade receivables due from associates	7		7
Total	**136,327**	**83,995**	**52,332**

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 29,573.

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 2018, trade receivables still due sold without recourse totalled €/000 149,038.
Of these amounts, Piaggio received payment prior to natural expiry of €/000 133,322.
As of 30 June 2018, advance payments received from factoring companies and banks, for trade receivables sold with recourse totalled €/000 20,239 with a counter entry recorded in current liabilities.

23. Other current and non-current receivables *€/000 42,578*

They consist of:

Non-current portion	As of 30 June 2018	As of 31 December 2017	Change
In thousands of euros			
Sundry receivables due from associates	94	115	(21)
Prepaid expenses	10,609	9,312	1,297
Advances to employees	49	50	(1)
Security deposits	1,140	1,112	28
Receivables due from others	1,700	1,568	132
Total non-current portion	**13,592**	**12,157**	**1,435**

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

Current portion	As of 30 June 2018	As of 31 December 2017	Change
In thousands of euros			
Sundry receivables due from parent companies	9,667	9,080	587
Sundry receivables due from JV	1,052	904	148
Sundry receivables due from associates	82	45	37
Accrued income	1,108	737	371
Prepaid expenses	4,339	3,516	823
Advance payments to suppliers	4,367	3,860	507
Advances to employees	260	1,638	(1,378)
Fair value of derivatives	449	102	347
Security deposits	299	331	(32)
Receivables due from others	7,363	6,703	660
Total current portion	**28,986**	**26,916**	**2,070**

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 are amounts due from Immsi Audit and Fondazione Piaggio.
The item Fair Value of hedging derivatives comprises the fair value of hedging transactions on the exchange risk on forecast transactions recognised on a cash flow hedge basis.

24. Current and non-current tax receivables *€/000 35,946*

Receivables due from tax authorities consist of:

	As of 30 June 2018	As of 31 December 2017	Change
In thousands of euros			
VAT receivables	18,851	12,083	6,768
Income tax receivables	15,219	13,590	1,629
Other tax receivables	1,876	5,346	(3,470)
Total	**35,946**	**31,019**	**4,927**

Non-current tax receivables totalled €/000 17,819, compared to €/000 19,913 as of 31 December 2017, while current tax receivables totalled €/000 18,127 compared to €/000 11,106 as of 31 December 2017.

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

As of 30 June 2018, there were no receivables due after 5 years.

26. Assets held for sale *€/000 0*

As of 30 June 2018, there were no assets held for sale.

27. Current and non-current trade payables *€/000 511,626*

Trade payables are broken down as follows:

	As of 30 June 2018	As of 31 December 2017	Change
In thousands of euros			
Amounts due to suppliers	495,848	402,400	93,448
Trade payables to JV	15,674	8,811	6,863
Trade payables due to other related parties	56	34	22
Trade payables due to parent companies	48	530	(482)
Total	**511,626**	**411,775**	**99,851**
of which reverse factoring	*217,418*	*183,758*	*33,660*

To facilitate credit conditions for its suppliers, the Group has used factoring agreements since 2012, mainly supply chain financing and reverse factoring agreements. These operations did not change the primary obligation, nor substantially changed payment terms, so their nature is the same and they are still classified as trade liabilities. As of 30 June 2018, the value of trade payables covered by reverse factoring or supply chain financing agreements was equal to €/000 217,418 (€/000 183,758 as of 31 December 2017).

28. Provisions (current and non-current portion) *€/000 20,484*

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

	Balance as of 31 December 2017	Allocations	Uses	Adjustments	Reclassifications	Change exchange rate	Balance 30 June 2018
In thousands of euros							
Provision for product warranties	13,619	5,170	(3,690)		55	28	15,182
Provision for contractual risks	2,732	582	(568)			3	2,749
Risk provision for legal disputes	2,013	35	(300)			15	1,763
Provisions for risk on guarantee	58						58
Other provisions for risks	751		(15)	(5)		1	732
Total	**19,173**	**5,787**	**(4,573)**	**(5)**	**55**	**47**	**20,484**

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

Non-current portion	As of 30 June 2018	As of 31 December 2017	Change
In thousands of euros			
Provision for product warranties	4,722	4,294	428
Provision for contractual risks	2,607	2,607	0
Risk provision for legal disputes	1,213	1,512	(299)
Other provisions for risks and charges	662	683	(21)
Total non-current portion	**9,204**	**9,096**	**108**

Current portion	As of 30 June 2018	As of 31 December 2017	Change
In thousands of euros			
Provision for product warranties	10,460	9,325	1,135
Provision for contractual risks	142	125	17
Risk provision for legal disputes	550	501	49
Provisions for risk on guarantee	58	58	0
Other provisions for risks and charges	70	68	2
Total current portion	**11,280**	**10,077**	**1,203**

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 5,170 and was used for €/000 3,690 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 risk provision for legal disputes concerns labour litigation and other legal proceedings.

29. Deferred tax liabilities — *€/000 2,813*

Deferred tax liabilities amount to €/000 2,813 compared to €/000 3,170 as of 31 December 2017.

30. Retirement funds and employee benefits — *€/000 45,107*

	As of 30 June 2018	As of 31 December 2017	Change
In thousands of euros			
Retirement funds	756	727	29
Post-employment benefits provision	44,351	43,730	621
Total	**45,107**	**44,457**	**650**

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 contracts 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	0.98%
Annual rate of inflation	1.50% as from 2018
Annual rate of increase in termination benefits	2.625% as from 2018

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 had been used, the value of actuarial losses and the provision as of 30 June 2018 would have been lower by €1,434 thousand.
The table below shows the effects, in absolute terms, as of 30 June 2018, which would have occurred following changes in reasonably possible actuarial assumptions:

	Provision for termination benefits
In thousands of euros	
Turnover rate +2%	43,759
Turnover rate -2%	45,055
Inflation rate + 0.25%	44,952
Inflation rate - 0.25%	43,735
Discount rate + 0.50%	42,442
Discount rate - 0.50%	46,381

The average financial duration of the bond ranges from 9 to 27 years.
Estimated future amounts are equal to:

Year	Future amounts
In thousands of euros	
1	3,601
2	3,105
3	4,067
4	4,662
5	3,941

The subsidiaries operating in Germany and Indonesia have provisions for employees identified as defined benefit plans. As of 30 June 2018, these provisions amounted to €/000 123 and €/000 112 respectively.

31. Current and non-current tax payables — *€/000 20,722*

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

	As of 30 June 2018	As of 31 December 2017	Change
In thousands of euros			
Due for income taxes	14,128	4,628	9,500
Due for non-income tax	34	31	3
Tax payables for:			
- VAT	3,076	568	2,508
- Tax withheld at source	2,729	4,260	(1,531)
- other	755	698	57
Total	6,560	5,526	1,034
Total	**20,722**	**10,185**	**10,537**

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.

32. Other payables (current and non-current) — *€/000 60,063*

This item comprises:

Non-current portion	As of 30 June 2018	As of 31 December 2017	Change
In thousands of euros			
Guarantee deposits	3,069	2,731	338
Deferred income	2,559	2,764	(205)
Miscellaneous payables to JV	13	12	1
Other payables	112	114	(2)
Total non-current portion	**5,753**	**5,621**	**132**

Current portion	As of 30 June 2018	As of 31 December 2017	Change
In thousands of euros			
Payables to employees	26,480	14,474	12,006
Accrued expenses	5,819	5,007	812
Deferred income	1,476	1,016	460
Amounts due to social security institutions	5,241	8,124	(2,883)
Fair value of derivatives	60	6	54
Miscellaneous payables to JV	137	190	(53)
Sundry payables due to affiliated companies	24	24	0
Sundry payables due to parent companies	6,706	7,649	(943)
Other payables	8,367	9,934	(1,567)
Total current portion	**54,310**	**46,424**	**7,886**

Amounts due to employees include the amount for holidays accrued but not taken of €/000 12,268 and other payments to be made for €/000 14,212.
Payables due to affiliated companies refer to various amounts due to Fondazione Piaggio (Piaggio Foundation).
Payables to parent companies consist of payables to Immsi referring to expenses related to the consolidated tax convention.
The item fair value of hedging derivatives mainly refers to the fair value of hedging derivatives related to the exchange risk on forecast transactions recognised on a cash flow hedge basis.
The item Accrued liabilities includes €/000 597 for interest on hedging derivatives and related hedged items measured at fair value.

33. Payables due after 5 years

The Group has loans due after 5 years, which are referred to in detail in Note 38 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

34. Investments *€/000 8,060*

The investments heading comprises:

	As of 30 June 2018	As of 31 December 2017	Change
In thousands of euros			
Interests in joint ventures	7,912	7,415	497
Investments in affiliated companies	148	138	10
Total	**8,060**	**7,553**	**507**

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

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

Zongshen Piaggio Foshan Motorcycle Co. Ltd	Accounts as of 30 June 2018		Accounts as of 31 December 2017	
In thousands of euros				
		45% *		45% *
Working capital	7,500	3,375	8,464	3,809
Consolidated debt	3,207	1,443	1,033	465
Total assets	11,693	5,262	12,030	5,413
Net capital employed	**22,400**	**10,080**	**21,527**	**9,687**
Provisions	192	86	189	85
Consolidated debt	0	0	0	0
Shareholders' equity	22,208	9,994	21,338	9,602
Total sources of financing	**22,400**	**10,080**	**21,527**	**9,687**
Shareholders' equity attributable to the Group		9,994		9,602
Elimination of margins on internal transactions		(2,082)		(2,187)
Value of the investment		**7,912**		**7,415**

** Group ownership*

Reconciliation of Shareholders' Equity	
In thousands of euros	
Opening balance as of 1 January 2018	**7,415**
Profit (Loss) for the period	283
Other comprehensive income	108
Elimination of margins on internal transactions	106
Closing balance as of 30 June 2018	**7,912**

Investments in Associates *€/000 148*

This item comprises:

Associates	Carrying amount as of 31 December 2017	Adjustment	Carrying amount as of 30 June 2018
In thousands of euros			
Immsi Audit S.c.a.r.l.	10		10
S.A.T. S.A. – Tunisia	-		-
Depuradora D'Aigues de Martorelles	32	(5)	27
Pontech Soc. Cons. a.r.l. – Pontedera	96	15	111
Total associates	**138**	**10**	**148**

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

35. Other non-current financial assets *€/000 8,090*

	As of 30 June 2018	As of 31 December 2017	Change
In thousands of euros			
Fair value of derivatives	8,054	7,328	726
Investments in other companies	36	36	0
Total	**8,090**	**7,364**	**726**

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:

Other companies:	As of 30 June 2018	As of 31 December 2017	Change
In thousands of euros			
A.N.C.M.A. – Rome	2	2	-
ECOFOR SERVICE S.p.A. – Pontedera	2	2	-
Consorzio Fiat Media Center – Turin	3	3	-
S.C.P.S.T.V.	21	21	-
IVM	8	8	-
Total other companies	**36**	**36**	**-**

36. Other current financial assets *€/000 2,399*

	As of 30 June 2018	As of 31 December 2017	Change
In thousands of euros			
Fair value of derivatives	2,399	2,321	78
Total	**2,399**	**2,321**	**78**

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

37. Cash and cash equivalents *€/000 193,323*

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

	As of 30 June 2018	As of 31 December 2017	Change
In thousands of euros			
Bank and postal deposits	151,822	88,697	63,125
Cash on hand	79	46	33
Securities	41,422	39,324	2,098
Total	**193,323**	**128,067**	**65,256**

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

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

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

	As of 30 June 2018	As of 31 December 2017	Change
In thousands of euros			
Liquidity	193,323	222,757	(29,434)
Current account overdrafts	(407)	(92)	(315)
Closing balance	**192,916**	**222,665**	**(29,749)**

38. Current and non-current financial liabilities *€/000 634,691*

During the first half of 2018, the Group's total debt increased by €/000 50,428. Net of the fair value measurement of financial derivatives to hedge the exchange risk and interest rate risk, and the adjustment of related hedged items, as of 30 June 2018 total financial debt of the Group increased by €/000 49,922.

	Financial liabilities as of 30 June 2018			Financial liabilities as of 31 December 2017			Change		
	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total
In thousands of euros									
Gross financial debt	139,002	485,683	624,685	135,400	439,363	574,763	3,602	46,320	49,922
Fair value adjustment	2,297	7,709	10,006	2,380	7,120	9,500	(83)	589	506
Total	**141,299**	**493,392**	**634,691**	**137,780**	**446,483**	**584,263**	**3,519**	**46,909**	**50,428**

The adoption of the new accounting standard IFRS 9, as from 1 January 2018, has had a negative effect on the Group's debt. Specifically, if the standard had already been adopted as of 31 December 2017, debt at that date would have been around €5.5 million higher.

Net financial debt of the Group amounted to €/000 431,362 as of 30 June 2018 compared to €/000 446,696 as of 31 December 2017.

	As of 30 June 2018	As of 31 December 2017	Change
In thousands of euros			
Liquidity	**193,323**	**128,067**	**65,256**
Securities			0
Current financial receivables	**0**	**0**	**0**
Payables due to banks	(62,756)	(59,693)	(3,063)
Current portion of bank loans	(44,795)	(49,994)	5,199
Debenture loan	(9,632)	(9,625)	(7)
Amounts due to factoring companies	(20,239)	(14,613)	(5,626)
Amounts due under leases	(1,247)	(1,144)	(103)
Current portion of payables due to other lenders	(333)	(331)	(2)
Current financial debt	**(139,002)**	**(135,400)**	**(3,602)**
Net current financial debt	**54,321**	**(7,333)**	**61,654**
Payables due to banks and lenders	(173,520)	(125,259)	(48,261)
Debenture loan	(303,491)	(304,592)	1,101
Amounts due under leases	(8,494)	(9,168)	674
Amounts due to other lenders	(178)	(344)	166
Non-current financial debt	**(485,683)**	**(439,363)**	**(46,320)**
Net Financial Debt [13]	**(431,362)**	**(446,696)**	**15,334**

13_ 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 related hedged items equal to €/000 10,006 and related accruals.

Non-current financial liabilities totalled €/000 485,683 against €/000 439,363 as of 31 December 2017, whereas current financial liabilities totalled €/000 139,002 compared to €/000 135,400 as of 31 December 2017.

The attached tables summarise the breakdown of financial debt as of 30 June 2018 and as of 31 December 2017, as well as changes for the period.

		Cash flows						
In thousands of euros	Balance as of 31.12.2017	Changes	Re-payments	New issues	Reclassifi-cations	Exchange delta	Other changes	Balance as of 30.06.2018
Liquidity	**128,067**	**70,943**	**(4,279)**			**(1,408)**		**193,323**
Securities	0							0
Current financial receivables	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Current account overdrafts	(173)			(234)				(407)
Current account payables	(59,520)		17,876	(19,629)		(1,076)		(62,349)
Current portion of medium-/long-term bank loans	(49,994)		53,310		(48,125)	(98)	112	(44,795)
Total current bank loans	(109,687)	0	71,186	(19,863)	(48,125)	(1,174)	112	(107,551)
Debenture loan	(9,625)						(7)	(9,632)
Amounts due to factoring companies	(14,613)			(5,626)				(20,239)
Amounts due under leases	(1,144)		570		(673)			(1,247)
Current portion of payables due to other lenders	(331)		323		(326)	1		(333)
Current financial debt	**(135,400)**	**0**	**72,079**	**(25,489)**	**(49,124)**	**(1,173)**	**105**	**(139,002)**
Net current financial debt	**(7,333)**	**70,943**	**67,800**	**(25,489)**	**(49,124)**	**(2,581)**	**105**	**54,321**
Medium-/long-term bank loans	(125,259)			(97,500)	48,125	(129)	1,243	(173,520)
Debenture loan	(304,592)		168,497	(168,497)	0		1,101	(303,491)
Amounts due under leases	(9,168)				673		1	(8,494)
Amounts due to other lenders	(344)			(162)	326	2		(178)
Non-current financial debt	**(439,363)**	**0**	**168,497**	**(266,159)**	**49,124**	**(127)**	**2,345**	**(485,683)**
NET FINANCIAL DEBT	**(446,696)**	**70,943**	**236,297**	**(291,648)**	**0**	**(2,708)**	**2,450**	**(431,362)**

The breakdown of the debt is as follows:

In thousands of euros	Accounting balance As of 30.06.2018	Accounting balance As of 31.12.2017	Nominal value As of 30.06.2018	Nominal value As of 31.12.2017
Bank financing	281,071	234,946	282,961	235,481
Bonds	313,123	314,217	322,130	322,130
Other medium-/long-term loans:				
of which leases	*9,741*	*10,312*	*9,753*	*10,325*
of which amounts due to other lenders	*20,750*	*15,288*	*20,750*	*15,288*
Total other loans	30,491	25,600	30,503	25,613
Total	**624,685**	**574,763**	**635,594**	**583,224**

The table below shows the debt servicing schedule as of 30 June 2018:

	Nominal value as of 30.06.2018	Amounts falling due within 12 months	Amounts falling due after 12 months	Amounts falling due in				
				2nd half of 2019	2020	2021	2022	Beyond
In thousands of euros								
Bank financing	282,961	108,029	174,932	18,984	25,646	40,974	55,806	33,522
- including opening of credit lines and bank overdrafts	*62,756*	*62,756*						
- of which medium/long-term bank loans	*220,205*	*45,273*	*174,932*	*18,984*	*25,646*	*40,974*	*55,806*	*33,522*
Bonds	322,130	9,669	312,461	10,360	11,050	11,051	30,000	250,000
Other medium-/long-term loans:								
- of which leases	*9,753*	*1,247*	*8,506*	*567*	*1,147*	*1,167*	*1,186*	*4,439*
- of which amounts due to other lenders	*20,750*	*20,572*	*178*	*19*	*32*	*23*	*23*	*81*
Total other loans	30,503	21,819	8,684	586	1,179	1,190	1,209	4,520
Total	**635,594**	**139,517**	**496,077**	**29,930**	**37,875**	**53,215**	**87,015**	**288,042**

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

	Accounting balance As of 31.12.2017	As of 30.06.2018		
		Accounting balance	Nominal value	Applicable interest rate
In thousands of euros				
Euro	513,497	548,638	559,546	2.84%
Indian Rupee	39	414	414	11.10%
Indonesian Rupiah	2,459	776	776	8.45%
US Dollar	19,597	20,164	20,164	4.09%
Vietnamese Dong	36,623	52,027	52,027	5.91%
Japanese Yen	2,548	2,666	2,666	2.75%
Total currencies other than euro	*61,265*	*76,047*	*76,047*	
Total	**574,763**	**624,685**	**635,594**	**3.14%**

Medium and long-term bank debt amounts to €/000 218,315 (of which €/000 173,520 non-current and €/000 44,795 current) and consists of the following loans:

- a €/000 16,364 medium-term loan from the European Investment Bank to finance Research & Development investments planned for the 2013-2015 period. The loan will fall due in December 2019 and has a repayment schedule of 11 six-monthly instalments at a fixed rate of 2.723%. Contract terms require covenants (described below);
- a €/000 55,630 medium-term loan (nominal value of €/000 55,715) 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 80,783 loan (nominal value of €/000 82,500), a syndicate loan for a total of €/000 250,000 signed in June 2018 and comprising a €/000 187,500 four-year tranche (with one year's extension at the discretion of the borrower) as a revolving credit line (of which a nominal value of €/000 20,000 used as of 30 June 2018) and a tranche as a five-year loan with amortisation of €/000 62,500. Contract terms require covenants (described below);
- a €/000 14,978 medium-term loan (nominal value of €/000 15,000) granted by UBI Banca. The loan will fall due on 30 June 2021 and has an amortisation schedule of three-monthly instalments;

- a €/000 8,325 medium-term loan (nominal value of €/000 8,340) granted by Banca Popolare Emilia Romagna. The loan will fall due on 5 June 2019 and has an amortisation schedule of six-monthly instalments;
- a €/000 10,228 loan granted by Banco BPM and comprising a tranche of €/000 12,500, granted as a revolving credit line (wholly used as of 30 June 2018) with due date in January 2021 and a tranche granted as a loan with amortisation of €/000 12,500 (€/000 10,228 remaining as of 30 June 2018), with due date in July 2022;
- a €/000 8,456 medium-term loan (nominal value of €/000 8,500) granted by Interbanca-Banca IFIS. The loan will fall due on 30 September 2022 and has a quarterly repayment plan. Contract terms require covenants (described below);
- a €/000 9,993 medium-term loan (nominal value of €/000 10,000) granted by Banca del Mezzogiorno. The loan will fall due on 2 January 2023 and has a six-monthly repayment plan. Contract terms require covenants (described below);
- a €/000 1,728 medium-term loan for USD/000 2,184 granted by International Finance Corporation to the related concern Piaggio Vietnam with interest accruing at a variable rate. The loan will fall due on 15 July 2018 and has an amortisation quota of six-monthly instalments from July 2014. Contract terms include a guarantee of the Parent Company and some covenants (described below). Cross currency swaps have been taken out on this loan to hedge the exchange risk and interest rate risk;
- a €/000 11,550 medium-term loan for VND/000 306,946,930 granted by VietinBank to the related concern Piaggio Vietnam (for a total amount of VND/000 414,000,000) to fund the Research&Development investment plan. The loan matures in June 2021, with a repayment schedule in 7 six-monthly instalments, starting from June 2018, with a fixed rate for the first year, followed by a variable rate;
- €/000 280 of loans from various banks granted pursuant to Italian Law no. 346/88 on subsidised applied research.

All the above financial liabilities are unsecured.

The item Bonds for €/000 313,123 (nominal value of €/000 322,130) refers to:
- a €/000 42,043 private debenture loan (nominal value of €/000 42,130), (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 2018 the fair value measurement of the debenture loan was equal to €/000 52,135 (the fair value is determined based on IFRS related 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 29,863 (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;
- €/000 241,217 (nominal value of €/000 250,000) refers to the liability management operation completed by the Parent Company during the second quarter of 2018. This operation was for the refinancing of a debenture loan issued by the Company on 30 April 2014 for a total of €/000 250,000 maturing on 30 April 2021. Favourable market conditions allow for better economic conditions, thus optimising the cost of debt and extending its average life.

In particular, the liability management operation concerned the following stages:

1. the launch on 9 April 2018 of the offer for the exchange between bonds related to the existing debenture loan with new issue bonds and exercise of the call option on all bonds not covered by the exchange and subject to the successful outcome of a new issue on the market. 32.6% of bondholders took up the offer, for a total value of €/000 81,503;
2. the issue on 18 April 2018 of a High Yield debenture loan (with the same characteristics as the bond issued in 2014), for a total of €/000 250,000, maturing on 30 April 2025 and six-monthly coupon with nominal annual rate fixed at 3.625% (as mentioned, the issue for €/000 81,503 was on an exchange basis, while the remaining portion concerned inflows of new liquidity for the Group, to finance the call option for full settlement of the previous issue). This debenture loan was rated by S&P (BB-) and Moody's (B1), in line with the ratings of the Group;

3. On 9 May 2018, the Group repaid in full the debenture loan issued on 30 April 2014, with the residual amount of €/000 168,497, exercising the call option established in the contract on all unexchanged bonds;
4. as provided for by IFRS 9, as a result of the transaction, non-current net financial income of €/000 910 was recognised in the income statement, generated by income of €/000 4,431 arising from the change in fair value of exchanged bonds (IFRS 9 section b.3.3.6) net of the premium recognised for the exchange of outstanding securities, as well as charges for €/000 3,521 mainly related to premiums recognised for the pre-reimbursement of unexchanged securities, and for the adjustment of the amortised cost, due to the effects of exercising the call option.

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 section b 4.3.5;
› 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 section b 4.3.5).

Medium-/long-term payables due to other lenders equal to €/000 10,252 of which €/000 8,672 due after the year and €/000 1,580 as the current portion, are detailed as follows:

› a finance lease for €/000 9,613 (nominal value of €/000 9,625) granted by Albaleasing as a Sale&Lease back agreement on a production plant of the Parent Company. The agreement is for ten years, with quarterly repayments (non-current portion equal to €/000 8,494);
› a financial lease for €/000 128 granted by VFS Servizi Finanziari for the use of vehicles;
› a loan of €/000 30 from BMW finance for the purchase of cars (non-current portion equal to €/000 16);
› loans at beneficial conditions totalling €/000 481 granted by the Ministry for Economic Development and by the Region of Tuscany as part of laws to encourage investments in research and development (non-current portion equal to €/000 162).

Financial advances received from factoring companies and banks, on the sale of trade receivables with recourse, totalled €/000 20,239.

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 transaction 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 2018, all covenants had been fully met.

The high yield debenture loan issued by the company in April 2014 provides for compliance with covenants which are typical of international practices 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 and for receivables in the category Fair Value Through Other Comprehensive Income are applied): according to this method, the nominal amount of the liability is decreased by the amount of related 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 Debt 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 2018:

	Nominal value	Carrying amount	Fair Value *
In thousands of euros			
High yield debenture loan	250,000	241,217	250,440
Private debenture loan 2021	42,130	42,043	57,269
Private debenture loan 2022	30,000	30,000	29,697
EIB (R&D loan 2013-2015)	16,364	16,364	16,607
EIB (R&D loan 2016-2018)	55,715	55,630	54,107
Credit line from B. Pop. Emilia Romagna	8,340	8,340	8,406
Loan from Banco BPM	10,228	10,228	9,861
Revolving syndicated loan	20,000	18,783	18,565
Trade Union Loan expiry	62,500	62,000	60,243
UBI loan	15,000	14,978	14,799
MCC loan	10,000	9,993	9,763
Banca Ifis loan	8,500	8,456	8,718
VietinBank medium-term loan	11,550	11,550	11,970

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

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

Fair value hierarchy

The table below shows the assets and liabilities measured and recognised at fair value as of 30 June 2018, by hierarchical level of fair value measurement.

	Level 1	Level 2	Level 3
In thousands of euros			
Assets measured at fair value			
Investment property			11,314
Financial derivatives:			
- of which financial assets		10,454	
- of which other receivables		449	
Investments in other companies			36
Total assets	**0**	**10,903**	**11,350**
Liabilities measured at fair value			
Financial derivatives			
- of which financial liabilities			
- of which other payables		(60)	
Financial liabilities at fair value recognised through profit or loss		(53,863)	
Total liabilities	**0**	**(53,923)**	**0**
General total	**0**	**(43,020)**	**11,350**

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), however referring 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 around €/000 2,600, 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 2018:

In thousands of euros	Level 2
Balance as of 31 December 2017	(45,434)
Gain (loss) recognised in profit or loss	439
Gain (loss) recognised in the statement of comprehensive income	293
Increases/(Decreases)	1,682
Balance as of 30 June 2018	**(43,020)**

In thousands of euros	Level 3
Balance as of 31 December 2017	11,697
Gain (loss) recognised in profit or loss	(347)
Increases/(Decreases)	
Balance as of 30 June 2018	**11,350**

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.

39. Credit risk

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

	As of 30 June 2018	As of 31 December 2017
In thousands of euros		
Liquid assets	151,822	88,697
Securities	41,422	39,324
Financial receivables	10,489	9,685
Other receivables	42,578	39,073
Tax receivables	35,946	31,019
Trade receivables	136,327	83,995
Total	**418,584**	**291,793**

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. 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.

40. 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 2018 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 61,000 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 €/000 124,147, with final settlement in December 2023.

Other Group companies also have irrevocable loans totalling €/000 13,278, with final settlement in June 2021.

As of 30 June 2018, the Group had a liquidity of €/000 193,323, undrawn irrevocable credit lines of €/000 200,000 and revocable credit lines of €/000 140,017, as detailed below:

	As of 30 June 2018	As of 31 December 2017
In thousands of euros		
Variable rate with maturity within one year - irrevocable until maturity	0	170,000
Variable rate with maturity beyond one year - irrevocable until maturity	200,000	32,500
Variable rate with maturity within one year - cash revocable	121,017	117,378
Variable rate with maturity within one year - with revocation for self-liquidating typologies	19,000	19,000
Total undrawn credit lines	**340,017**	**338,878**

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 related 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 related 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 2018, the Group has undertaken the following futures transactions (recognised based on the settlement date), related to payables and receivables already recognised to hedge the transaction exchange risk:

Company	Transactions	Currency	Amount in currency	Value in local currency (forward exchange rate)	Average maturity
			In thousands	In thousands	
Piaggio & C.	Purchase	CAD	1,800	1,180	31/07/2018
Piaggio & C.	Purchase	CNY	119,400	15,646	06/08/2018
Piaggio & C.	Purchase	GBP	200	228	27/07/2018
Piaggio & C.	Purchase	JPY	463,000	3,569	19/08/2018
Piaggio & C.	Purchase	SEK	8,900	855	13/07/2018
Piaggio & C.	Purchase	USD	39,800	33,443	05/08/2018
Piaggio & C.	Sale	CAD	5,150	3,358	13/08/2018
Piaggio & C.	Sale	CNY	3,500	456	03/07/2018
Piaggio & C.	Sale	GBP	900	1,020	26/08/2018
Piaggio & C.	Sale	INR	128,000	1,609	17/07/2018
Piaggio & C.	Sale	JPY	64,000	490	14/08/2018
Piaggio & C.	Sale	SEK	4,500	432	29/08/2018
Piaggio & C.	Sale	USD	23,550	20,047	02/08/2018
Piaggio Group Americas	Purchase	CAD	1,500	1,127	13/07/2018
Piaggio Group Americas	Sale	€	140	119	30/07/2018
Piaggio Vietnam	Purchase	€	3,400	93,216,600	20/08/2018
Piaggio Vietnam	Purchase	JPY	35,000	7,297,500	26/07/2018
Piaggio Vietnam	Sale	USD	41,000	934,728,000	11/09/2018
Piaggio Indonesia	Purchase	USD	5,512	78,193,112	15/08/2018
Piaggio Vehicles Private Lim-ited	Sale	USD	2,321	159,243	01/08/2018
Piaggio Vehicles Private Lim-ited	Sale	€	4,212	341,173	16/09/2018

As of 30 June 2018, the Group had undertaken the following hedging transactions on the exchange risk:

Company	Transactions	Currency	Amount in currency	Value in local currency (forward exchange rate)	Average maturity
			In thousands	In thousands	
Piaggio & C.	Purchase	CNY	79,500	9,811	17/10/2018
Piaggio & C.	Sale	GBP	6,425	7,215	22/09/2018

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 2018 the total fair value of hedging instruments for the economic exchange risk recognised on a hedge accounting basis was positive by €/000 389. During the first half of 2018, profit was recognised under Other Comprehensive Income amounting to €/000 349 and losses from Other Comprehensive Income were reclassified under profit/loss for the period amounting to €/000 57.

The net balance of cash flows during the first half of 2018 in main currencies is shown below:

In millions of euros	Cash flow for the 1st half of 2018
Canadian Dollar	4.6
Pound Sterling	9.7
Japanese Yen	1.3
US Dollar	36.4
Indian Rupee	-2.0
Croatian Kuna	0.0
Chinese Yuan*	-8.6
Vietnamese Dong	-37.3
Indonesian Rupiah	9.3
Total cash flow in foreign currency	**13.4**

**Cash flow partially in USD*

In view of the above, an assumed appreciation/deprecation of 3% of the euro would have generated potential profits for €/000 414 and potential losses for €/000 390 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 2018, 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 2018, the fair value of the instrument was €/000 10,454. The net economic effect arising from the measurement of the instrument and underlying private debenture loan was equal to €/000 +178; sensitivity analysis of the instrument and its underlying, assuming a 1% increase and decrease in the shift of the variable rates curve, showed a potential impact on the Income Statement, net of the related tax effect, of €/000 +15 and €/000 -17 respectively, assuming constant exchange rates; whereas assuming a 1% reversal and write-down of exchange rates, sensitivity analysis identified a potential impact on the Income Statement, net of the related tax effect, of €/000 -14 and €/000 +15 respectively.

In thousands of euros	*Fair value*
Piaggio & C. S.p.A.	
Cross Currency Swap	10,454

G) Information on shareholders' equity

41. Share capital and reserves — *€/000 384,301*

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 2018, the nominal share capital of Piaggio & C., fully subscribed and paid up, was equal to €207,613,944.37, divided into 358,153,644 ordinary shares.

Treasury shares — €/000 0

During the period, no treasury shares were purchased. Therefore, as of 30 June 2018 Piaggio & C. did not hold any treasury shares.

Shares in circulation and treasury shares	2018	2017
no. of shares		
Situation as of 1 January		
Shares issued	358,153,644	361,208,380
Treasury portfolio shares	0	3,054,736
Shares in circulation	358,153,644	358,153,644
Movements for the year		
Cancellation of treasury shares		(3,054,736)
Situation as of 30 June 2018 and 31 December 2017		
Shares issued	358,153,644	358,153,644
Treasury portfolio shares	0	0
Shares in circulation	358,153,644	358,153,644

Share premium reserve — €/000 7,171

The share premium reserve as of 30 June 2018 was unchanged compared to 31 December 2017.

Legal reserve — €/000 20,125

The legal reserve as of 30 June 2018 had increased by €/000 1,030 as a result of the allocation of earnings for the last period.

Financial instruments' fair value reserve — €/000 253

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

Dividends — €/000 19,698

The Shareholders' Meeting of Piaggio & C. S.p.A. of 16 April 2018 resolved to distribute a dividend of 5.5 eurocents per ordinary share. During April this year, therefore, dividends were distributed for a total value of €/000 19,698. Dividends totalling €/000 19,698 were paid in 2017.

	Total amount		Dividend per share	
	2018 €/000	2017 €/000	2018 €	2017 €
Authorised and paid	19,698	19,698	0.055	0.055

Earnings reserve €/000 192,455

Capital and reserves of non-controlling interest €/000 (209)

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

42. Other components of the Statement of Comprehensive Income *€/000 (3,719)*

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 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 measured 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)**
As of 30 June 2017						
Items that will not be reclassified in the income statement						
Remeasurements of defined benefit plans			1,921	1,921		1,921
Total	**0**	**0**	**1,921**	**1,921**	**0**	**1,921**
Items that may be reclassified in the income statement						
Total translation gains (losses)		(5,467)		(5,467)	27	(5,440)
Portion of components of the Statement of Comprehensive Income of subsidiaries/associates measured with the equity method		(542)		(542)		(542)
Total profits (losses) on cash flow hedges	40			40		40
Total	**40**	**(6,009)**	**0**	**(5,969)**	**27**	**(5,942)**
Other components of the Statement of Comprehensive Income	**40**	**(6,009)**	**1,921**	**(4,048)**	**27**	**(4,021)**

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

	As of 30 June 2018			As of 30 June 2017		
	Gross value	Tax (expense) / benefit	Net value	Gross value	Tax (expense) / benefit	Net value
In thousands of euros						
Remeasurements of defined benefit plans	(1,571)	368	(1,203)	2,528	(607)	1,921
Total translation gains (losses)	(3,197)		(3,197)	(5,440)		(5,440)
Portion of components of the Statement of Comprehensive Income of subsidiaries/associates measured with the equity method	108		108	(542)		(542)
Total profits (losses) on cash flow hedges	662	(89)	573	52	(12)	40
Other components of the Statement of Comprehensive Income	**(3,998)**	**279**	**(3,719)**	**(3,402)**	**(619)**	**(4,021)**

H) Other information

43. Share-based incentive plans

As of 30 June 2018, there were no incentive plans based on financial instruments.

44. Information on related parties

Revenues, costs, payables and receivables as of 30 June 2018 involving parent, subsidiaries and affiliated companies, refer to the sale of goods or services which are a part of normal operations of the Group.
Transactions are carried out at normal market values, depending on the characteristics of the goods and services provided.
Information on transactions with related parties, including information required by Consob in its communication of 28 July 2006 no. 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 2018	As of 31 December 2017
IMMSI S.p.A.	Mantova - Italy	Direct parent company	50.0703	50.0703
Omniaholding S.p.A.	Mantova - Italy	Final parent company	0.2264	0.1370

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

› as regards mandatory financial disclosure, and in particular the financial statements and reports on operations of the Group, IMMSI has produced a group manual containing the accounting standards adopted and options chosen for implementation, in order to give a consistent and fair view of the consolidated financial statements.

› IMMSI has defined procedures and times for preparing the budget and in general the business plan of Group companies, as well as final management analysis to support management control activities.

› IMMSI has also provided services for the development and management of Company assets, with a view to optimising resources within the Group, and provided property consultancy services and other administrative services.

› IMMSI has provided consultancy services and assistance for the Company and subsidiaries concerning extraordinary financing operations, organisation, strategy and coordination, as well as services intended to optimise the financial structure of the Group.

In 2016, for a further three years, the Parent Company signed up to the National Consolidated Tax Mechanism pursuant to articles 117 to 129 of the Consolidated Income Tax Act (T.U.I.R.) of which IMMSI S.p.A. is the consolidating company, and to whom other IMMSI Group companies report to. The consolidating company determines a single global income equal to the algebraic sum of taxable amounts (income or loss) realised by individual companies that opt for this type of group taxation.
The consolidating company recognises a receivable from the consolidated company which is equal to the corporate tax to be paid on the taxable income transferred by the latter. Whereas, in the case of

companies reporting tax losses, the consolidating company recognises a payable related to corporate tax on the portion of loss actually used to determine global overall income, or calculated as a decrease of overall income for subsequent tax periods, according to the procedures in article 84, based on the criterion established by the consolidation agreement.
Under the National Consolidated Tax Mechanism, companies may, pursuant to article 96 of Presidential Decree no. 917/86, allocate the excess of interest payable which is not deductible to one of the companies so that, up to the excess of Gross Operating Income produced in the same tax period by other subjects party to the consolidation, the amount may be used to reduce the total income of the Group.

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

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

From 1 January to 9 May 2018, Omniaholding S.p.A. held bonds of Piaggio & C. for a value of €2.9 million, accruing related interest.
It no longer holds Piaggio & C. bonds.

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 for sale on respective markets, to:

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

› sells components to:

- Piaggio Vehicles Private Limited
- Piaggio Vietnam

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

- Piaggio Vehicles Private Limited
- Piaggio Vietnam

› provides support services for scooter and engine industrialisation to:

- Piaggio Vehicles Private Limited
- Piaggio Vietnam

› provides support services for staff functions to other Group companies;
› issues guarantees for the Group's subsidiaries, for medium-term loans.

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

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

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

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

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

Piaggio Indonesia and Piaggio Group Japan

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

Piaggio France, Piaggio Deutschland, Piaggio Limited, Piaggio 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 Tecnologies R&D provides to:

› Piaggio & C. S.p.A.:

- a component and vehicle design/development service;
- scouting of local suppliers;

› Piaggio Vietnam:

- scouting of local suppliers;
- a distribution service for vehicles, spare parts and accessories on its own market.

Piaggio Advanced Design Center:

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

Aprilia Racing provides to Piaggio & C.:

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

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

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

Piaggio & C. S.p.A.

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

Foshan Piaggio Vehicles Tecnologies R&D

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

Zongshen Piaggio Foshan Motorcycle Co. Ltd

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

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

As of 30 June 2018	Fondazione Piaggio	Zongshen Piaggio Foshan	IMMSI Audit	Pontech - Pontedera & Tecnologia	Is Molas	Studio Girelli	Trevi	Omniaholding	IMMSI	Total	% of accounting item
In thousands of euros											
Income statement											
Revenues from sales		2,219								**2,219**	**0.30%**
Costs for materials		(14,069)								**(14,069)**	**3.27%**
Costs for services			(390)		(7)	(20)	(10)		(600)	**(1,027)**	**1.12%**
Insurance									(17)	**(17)**	**0.12%**
Leases and rentals								(109)	(713)	**(822)**	**9.31%**
Other operating income		79	12						27	**118**	**0.22%**
Other operating costs		(79)							(7)	**(86)**	**0.91%**
Write-down/Impairment of investments		389		15						**404**	**100.00%**
Financial income									12	**12**	**0.20%**
Borrowing costs								(82)		**(82)**	**0.42%**
Assets											
Other non-current receivables	94									**94**	**0.69%**
Current trade receivables		1,864	7						2	**1,873**	**1.37%**
Other current receivables	21	1,052	61						9,667	**10,801**	**37.26%**
Liabilities											
Other non-current payables		13								**13**	**0.23%**
Current trade payables		15,674	22		4	20	10	37	11	**15,778**	**3.08%**
Other current payables	24	137							6,706	**6,867**	**12.64%**

45. 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.

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. Claims were joined 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 related 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. Subsequently, the Court of Pisa had to re-assign the case, which will be examined by a new Judge.

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. A new Judge was therefore assigned to the case, who set the hearing for 19 July 2018, adjourned to 4 October 2018, granting the parties a deadline up to 21 September 2018 for filing final briefs.
As regards the matter, Elma has also brought a case against a former senior manager of the Company before the Court of Rome, claiming compensation for damages: Piaggio appeared in the proceedings, requesting, among other things, that the case be moved to the Court of Pisa. At the hearing of 27 January 2014, the Judge ruled on the preliminary exceptions and did not admit preliminary briefs. The hearing for closing arguments set for 21 December 2015 and subsequently adjourned, was not held as the Judge, on petition of Elma, re-opened the preliminary investigation, admitting testimonial evidence and setting the hearing for 25 May 2016. On this date, examination of the witnesses began and the hearing was adjourned to 24 October 2016 to continue the preliminary investigation. The Judge set the hearing for 11 April 2017 to reach a settlement between the parties,

which was not successful. The Judge therefore admitted an accounting expert requested by Elma, although with a far more limited scope compared to the petition filed by the counterparty, adjourning the case to the hearing of 9 October 2018 for closing arguments. The Expert sent the draft of the report for observations from the parties' technical consultants, that must be provided by 11 September 2018, with the deadline for filing the final report set for 1 October 2018.

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 related replies were granted, and the case was not ruled on. The Court of Venice issued a ruling in favour of Piaggio, filed on 17 February 2014. Gammamoto appealed and at the first hearing on 23 October 2014 the Court decided to rule without proceeding with the preliminary investigation requested by the opposing party, and in particular without ordering a technical appraisal. The hearing for closing arguments, set for 1 April 2019, was adjourned to 13 May 2019.

The company TAIZHOU ZHONGNENG summoned Piaggio before the Court of Turin, requesting the annulment of the Italian part of the 3D trademark registered in Italy protecting the form of the Vespa, as well as a ruling denying the offence of the counterfeiting of the 3D trademark in relation to scooter models seized by the Guardia di Finanza [Italian tax police] at the 2013 EICMA trade show, based on the petition filed by Piaggio, in addition to compensation for damages. At the first hearing for the parties to appear, set for 4 February 2015 and adjourned to 5 February 2015, the Judge lifted reservations, arranging for a technical appraisal to establish the validity of the Vespa 3D trademark and the counterfeiting or otherwise through Znen scooter models, setting the hearing for the court-appointed expert to be sworn in on 18 March 2015, which was adjourned to 29 May 2015. At that hearing, the judge set the deadline for filing the final expert's report for 10 January 2016, and scheduled the discussion hearing for 3 February 2016. During this hearing, the Judge, considering the preliminary investigation as completed, set the hearing for closing arguments for 26 October 2016. In a ruling of 6 April 2017, the Court of Turin upheld in full the validity of the 3D Vespa trademark 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 opposing party appealed against this ruling with the Appeal Court of Turin, where the first hearing took place on 24 January 2018. The hearing was adjourned to 13 June 2018 for closing arguments, after which the terms were set for final statements.

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 and counterfeiting of some European patents and designs owned by Piaggio, as well as a ruling for 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. In the hearing of 28 February 2018, the Judge ordered an addition to the expert's report, filed on 20 June 2018, and set the terms for the final statements.

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 counterfeiting 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, an expert appraisal was filed (still underway) defining documents based on which a ruling will be made on the counterfeiting alleged by Piaggio.

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 have been 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, on the outcome of which an expert's report was ordered, with the deadline of 15 January 2019 for filing. The next hearing to discuss the expert's report has been set for 29 January 2019.

In November 2017, the Company filed two petitions with the Court of Beijing (People's Republic of China) on the infringement and counterfeiting of some marks and designs relative to the "Scarabeo" vehicle by Chinese companies which are part of Jincheng Group Co., Ltd. The petitions were served to the other parties and the preliminary investigation is taking place.

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 related to the 2003 tax period. The dates for the hearings still have to be set.

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 - related to the 2012 tax period and concerning transfer pricing for corporate income tax and regional production tax purposes. As regards both notices of assessment, the Company, convinced of its reasons, in keeping with OECD guidelines and the Decree of 14 May 2018, and without any kind of tax instrumentalisation, started settlement proceedings with the Assessing Department, in order to quickly settle the matter with the Revenue Agency. To this end it submitted a settlement application on 23 January 2018.
As no agreement has been reached with the above Department and to avoid the assessment becoming final based on deadlines, the Company filed an appeal with the Florence Provincial Tax Commission on 11 June 2018 and 25 July 2018 (regarding the assessment notices for regional production tax and corporate income tax respectively). At present, no date for the hearing has yet been set.
The Company was also successful before the Income Tax Appellate Tribunal with reference to appeals filed against assessment orders received on completion of the assessment of income generated by Piaggio & C. S.p.A. in India during the 2009-2010 and 2010-2011 Indian tax periods, involving sums for approximately €1.2 million and €1 million respectively, including interest; the Indian tax authorities appealed before the High Court against the first-instance decision and at present the date for the hearing still has to be set. As regards the appeal filed with the Income Tax Appellate Tribunal against the assessment order received on completion of the assessment related to the 2011-2012 Indian tax period, concerning the same matter and involving sums of approximately €1 million, including interest, the Company is waiting for the date of the hearing to be set.
As regards the appeal filed with the Income Tax Appellate Tribunal against the assessment order received on completion of the assessment related to the 2012-2013 Indian tax period, concerning the same matter and involving sums of approximately €0.9 million, including interest, the Company is waiting for the date of the

hearing to be set.
In compliance with local laws, the Parent Company has already paid part of the amounts related to the appeals to the Indian tax authorities, for a total of €0.7 million; these amounts will be paid back to the Company if the rulings on the appeals are in its favour.

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

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

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

As regards the French company, a favourable ruling was issued in December 2012 by the Commission Nationale des 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 Versailles Court of Appeal. Following the hearing on 23 January 2018, the judges of the appeal court ruled in favour of the company. The amount of the claim, equal to approximately €3.7, including interest, was initially paid in full to the French tax authorities and subsequently reimbursed following this ruling handed down by the Versailles Court. This last ruling was challenged by the French financial administration before the State council, and at present the Company is preparing relative briefs.
The Company has decided not to allocate provisions, considering the positive indications of professionals appointed for the defence, also concerning the appeal filed with the Versailles Appeal Court and its ruling.

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.

46. Significant non-recurring events and transactions

On 9 April 2018, the Parent Company exercised the call option of the debenture loan issued by the Company on 24 April 2014 for a total amount of €/000 250,000 and maturing on 30 April 2021. On 9 May, the remaining portion of this loan (equal to approximately €168,497 thousand) was paid back at the price of 101.25%, after the finalisation of the exchange offer launched on 9 April.
As a result the following were recognised in the income statement, for the first half of 2018:

› financial charges related to premiums paid to bondholders that did not take up the exchange offer and the exchange of outstanding securities and costs not yet amortised for the reimbursed loan (€3,521 thousand);
› financial income from the operation to change the original liability for a new bond issued at more favourable conditions for the issuer (€4,431 thousand).

This transaction comes under significant non-recurrent transactions, as defined by CONSOB Communication no. DEM/6064293 of 28 July 2006. In the first half of 2017, no significant non-recurrent transactions were recorded.

47. Transactions arising from atypical and/or unusual transactions

During financial year 2017 and in first half of 2018, 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.

48. Events occurring after the end of the period

To date, no events have occurred after 30 June 2018 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 2018.

49. Authorisation for publication

This document was published on 22 August 2018 authorised by the Chairman and Chief Executive Officer.

Mantova, 27 July 2018

for the Board of Directors

Chairman and Chief Executive Officer
Roberto Colaninno


LIVE MORE
Vespa®
DRIVE THRU
WEDDINGS

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 2018

Company name	Registered office	Country	Share capital	Currency	% of the holding Direct	Indirect	Means	% total interest
Parent company:								
Piaggio & C. S.p.A.	Pontedera (Pisa)	Italy	207,613,944.37	Euro				
Subsidiaries:								
Aprilia Brasil Industria de Motociclos S.A.	Manaus	Brazil	2,020,000.00	R$		51%	Aprilia World Service Holding do Brasil Ltda	51%
Aprilia Racing S.r.l.	Pontedera (Pisa)	Italy	250,000.00	Euro	100%			100%
Aprilia World Service Holding do Brasil Ltda.	São Paulo	Brazil	2,028,780.00	R$		99.999950709%	Piaggio Group Americas Inc	99.999950709%
Atlantic 12 – Property Investment Fund	Rome	Italy	5,764,748.20[14]	Euro	100%			100%
Foshan Piaggio Vehicles Tecnology 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 (12,120,000 subscribed and paid up)	USD	99.999990%			99.999990%
Piaggio Concept Store Mantova S.r.l.	Mantova	Italy	100,000.00	Euro	100%			100%
Piaggio Deutschland Gmbh	Düsseldorf	Germany	250,000.00	Euro		100%	Piaggio Vespa B.V.	100%
Piaggio Espana S.L.U.	Alcobendas	Spain	426,642.00	Euro	100%			100%
Piaggio Fast Forward Inc.	Boston	USA	12,738	USD	84%			84%
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	341,153,300.00	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%

14_ *Total net value of the Provision.*

List of companies included in the scope of consolidation with the equity method as of 30 June 2018

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 affiliated companies as of 30 June 2018

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	884,160.00	Euro	20.45%			20.45%
S.A.T. Societé d'Automobiles et Triporteurs S.A.	Tunis	Tunisia	210,000.00	TND		20%	Piaggio Vespa B.V.	20%


aprilia

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

PIAGGIO GROUP

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

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

- the appropriateness with regard to the company's characteristics and
- the actual application of administrative and accounting procedures for the formation of the Condensed Consolidated Interim Financial Statements during the first half of 2018.

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: 27 July 2018

/s/ Roberto Colaninno

Roberto Colaninno
Chairman and Chief Executive Officer

/s/ Alessandra Simonotto

Alessandra Simonotto
Executive in charge of financial reporting

Piaggio & C. S.p.A.
Capitale Sociale Euro
207.613.944,37 i.v.
Sede legale
Viale Rinaldo Piaggio, 25
56025 Pontedera (PI) Italy

Reg. Imprese Pisa e Cod. Fisc.
04773200011
P.IVA 01551260506
R.E.A. Pisa 134077
Direzione e Coordinamento
Immsi S.p.A.

Sede operativa Pontedera
Viale Rinaldo Piaggio, 25
56025 Pontedera
(PI) Italy
T. +39 0587 272111
F. +39 0587 272344

Sede operativa Noale
Via G. Galilei, 1
30033 Noale
(VE) Italy
T. +39 041 5829111
F. +39 041 5801674

Sede operativa Mandello del Lario
Via E.V. Parodi, 57
23826 Mandello del Lario
(LC) Italy
T. +39 0341 709111
F. +39 0341 709204

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 2018, 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

pwc

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 2018 are not prepared, in all material respects, in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Florence, 2 August 2018

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.

2 di 2

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

Disclaimer
This Half-year Financial Report as of 30 June 2018 has been translated into English solely for the convenience of the international reader. In the event of conflict or inconsistency between the terms used in the Italian version of the report and the English version, the Italian version shall prevail, as the Italian version constitutes the sole official document.

Management and Coordination
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