



PIAGGIO
GROUP

HALF-YEAR FINANCIAL REPORT AS OF 30 JUNE 2020



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REPORT ON OPERATIONS





REPORT ON OPERATIONS

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INTRODUCTION

This Half-Year Financial Report as at 30 June 2020 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 Certification required by Article 154-bis of Legislative Decree 58/98.

The Condensed Consolidated Interim Financial Statements were prepared in compliance with international accounting standards (IAS/IFRS) that are applicable pursuant to Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 and in particular IAS 34 - Interim Financial Reporting, as well as measures issued implementing Article 9 of Italian Legislative Decree 38/2005. The structure and content of the reclassified consolidated financial statements contained in the Interim Directors' Report and mandatory statements included in this Report are in line with those prepared for the annual Financial Statements.

The notes have been prepared in compliance with provisions in IAS 34 - Interim Financial Reporting, also considering the provisions of Consob in its communication no. 6064293 of 28 July 2006. The information in this Report is not therefore similar to the information of complete financial statements prepared in accordance with IAS 1.

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



HEALTH EMERGENCY - COVID-19

During the first few months of 2020, a factor of macro-economic instability came to the fore, connected with the spread of COVID-19 ("coronavirus") which initially affected economic activity in China in the first few weeks of the year and then other countries.

Following the health emergency proclaimed by the World Health Organization (WHO), government authorities in various countries gradually issued orders to stop production and business activities, limiting people's freedom of movement in some cases.

This factor had a considerable impact on the general macroeconomic framework of the first half of the year, particularly affecting the automotive markets where the Group operates.

During lockdown, business and consumer confidence rapidly declined in Italy and other European countries. The PMI Index reached a record low in Italy and the Euro zone and financial market instability reached the peak figures of 2008-2009, in even quicker times. Thanks to more stringent macro-prudential policies adopted by governments and financial institutions, at international level, the outbreak of a new financial crisis on a wide scale has been avoided for the moment.

Since the virus first spread, the Group has taken all possible precautions to guarantee the safety of its employees at its sites. In compliance with the notice issued by the Prime Minister on 21 March 2020, production at the Group's Italian sites was stopped from 23 March 2020 to 3 May 2020.

In India, based on the lockdown measure issued on 24 March by the Indian government, production was stopped from 25 March 2020 to 18 May 2020, even though the Indian government decided on activities restarting from 4 May in areas less affected by the virus.

In Vietnam, production was never stopped, but measures were necessary to make up for the lack of supplies from China and Malaysia.

Distribution and sales in some countries where the Group operates were also stopped. Activities started up again from 14 April and have continued based on schedules decided in each of the countries where the Group operates.

At the same time, remote working was extended to all employees able to work away from the office.

In economic terms, the effect of the health emergency was significant.

In fact, the performance of all geographic areas in January and February 2020 was better than the same period of the previous year.

The lockdown periods, which differed depending on the geographic area, generated a cumulative loss in turnover compared to the previous period of an estimated €210 million (-25%). Specifically, the decrease in turnover compared with the previous year, determined based on the number of months' closure by geographic area was considered:

- a. EMEA and Americas: March, April and May
- b. Asia Pacific: April
- c. India: March, April, May and June

Considering that average group margins in terms of EBITDA amounted to approximately 16% in 2019, the decrease in this margin was estimated to be approximately €32 million as of 30 June 2020, equal to around 24%.

The Group incurred costs for sanitisation, health measures and supplies of personal protective equipment for all employees based on local regulations which, where contemplated by the governments of countries where Piaggio operates, were offset by the use of social shock absorbers.

Negative effects were also recorded in terms of managing net working capital with cash flows used and a consequent worsening in group net debt.

However, in the light of the trend registered in June 2020 and positive signs confirmed in July 2020 (apart from the Indian market which is still affected by intermittent lockdowns), considering the financial structure, compliance with covenants and irrevocable and revocable loans available, there are no doubts as to the business being a going concern.

During this time of economic uncertainty, the Group has worked tirelessly to meet all commitments and to continue to support its customers and dealers as far as possible.

KEY OPERATING AND FINANCIAL DATA

	1 st half		2019 Financial Statements
	2020	2019	
IN MILLIONS OF EUROS			
Data on financial position			
Net revenues	600.1	817.0	1,521.3
Gross industrial margin	171.7	250.0	458.8
Operating income	24.7	75.1	104.5
Profit before tax	15.1	62.8	80.7
Net profit	9.1	34.6	46.7
<i>.Non-controlling interests</i>			
<i>.Group</i>	9.1	34.6	46.7
Data on financial performance			
Net capital employed (NCE)	896.9	811.7	813.6
Consolidated net debt	(528.5)	(418.0)	(429.7)
Shareholders' equity	368.3	402.1	383.8
Balance sheet figures and financial ratios			
Gross margin as a percentage of net revenues (%)	28.6%	30.6%	30.2%
Net profit as a percentage of net revenues (%)	1.5%	4.2%	3.1%
ROS (Operating income/net revenues)	4.1%	9.2%	6.9%
ROE (Net profit/shareholders' equity)	2.5%	8.6%	12.2%
ROI (Operating income/NCE)	2.8%	9.2%	12.8%
EBITDA	83.1	134.3	227.8
EBITDA/net revenues (%)	13.8%	16.4%	15.0%
Other information			
Sales volumes (unit/000)	210.3	321.5	611.3
Investments in property, plant and equipment and intangible assets	52.8	60.4	140.9
Employees at the end of the period (number)	6,155	6,468	6,222

Results by operating segments

		EMEA and AMERICAS	INDIA	ASIA PACIFIC 2W	TOTAL
Sales volumes (units/000)	1 st half of 2020	110.6	57.0	42.7	210.3
	1 st half of 2019	142.1	132.2	47.2	321.5
	Change	(31.6)	(75.2)	(4.5)	(111.2)
	Change %	-22.2%	-56.9%	-9.6%	-34.6%
Turnover (million euros)	1 st half of 2020	391.5	107.1	101.5	600.1
	1 st half of 2019	500.0	210.4	106.5	817.0
	Change	(108.6)	(103.3)	(5.0)	(216.9)
	Change %	-21.7%	-49.1%	-4.7%	-26.5%
Average number of staff (no.)	1 st half of 2020	3,604.1	1,750.8	1,000.8	6,355.7
	1 st half of 2019	3,638.9	1,915.3	938.5	6,492.7
	Change	(34.8)	(164.5)	62.3	(137.0)
	Change %	-1.0%	-8.6%	6.6%	-2.1%
Investment in property, plant and equipment and intangible assets (million euros)	1 st half of 2020	41.0	9.5	2.3	52.8
	1 st half of 2019	47.2	10.0	3.2	60.4
	Change	(6.2)	(0.5)	(0.9)	(7.6)
	Change %	-13.1%	-5.2%	-27.7%	-12.6%



GROUP PROFILE

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

Mission

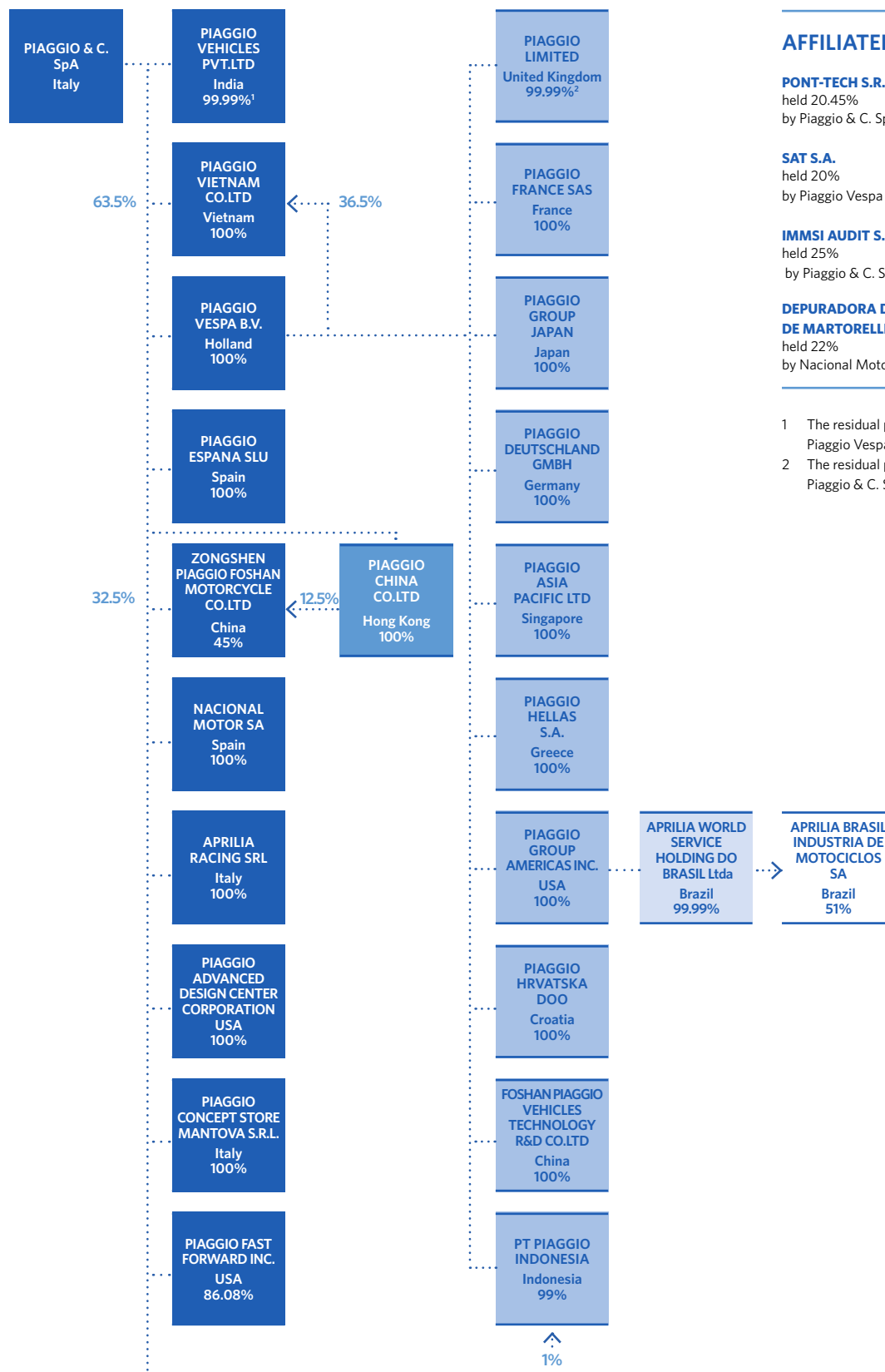
The mission of the Piaggio Group is to generate value for its shareholders, customers and employees, by acting as a global player that creates superior quality products, services and solutions for urban and extraurban mobility that respond to evolving needs and lifestyles.

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

Values

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

COMPANY STRUCTURE AT 30 JUNE 2020



AFFILIATED COMPANIES

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

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

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

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

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



COMPANY BOARDS

BOARD OF DIRECTORS	
Chairman and Chief Executive Officer	Roberto Colaninno ^{(1), (2)}
Deputy Chairman	Matteo Colaninno
Directors	Michele Colaninno
	Giuseppe Tesaro ^{(3), (4), (5), (6), (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	Alessandra Simonotto
Executive in charge of financial reporting	Alessandra Simonotto
Independent Auditors	PricewaterhouseCoopers S.p.A.
Board Committees	Appointment Proposal Committee
	Remuneration Committee
	Internal Control and Risk Management Committee
	Related-Party Transactions Committee

(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 2020

24 January 2020 - The Piaggio Group announced it had already started the production of three-wheeler vehicles in India conforming to new emission regulations, Bharat Stage VI - becoming the first manufacturer of three-wheelers in the country to have updated its entire range to the new standards. The models, which run on diesel, have an entirely new control unit, a 599 cc engine, 5 gears and a new, aluminium clutch. The updated cargo range features a larger cabin, while the passenger version has been fitted with new doors designed for even greater passenger safety. Lastly, alternative fuel models are equipped with one of the most advanced transmission systems in the sector, and feature an ultra hi-tech 3-valve, 230 cc engine. The Piaggio Group has always focussed in particular on the engineering of its products to reduce emissions to a minimum. This attentive policy has allowed it to comply with the new regulation ahead of schedule without any risk of negative impacts on production or sales.

10 February 2020 - The Piaggio Group presented the new Aprilia SXR 160 for the Indian market. With an amazingly sporty and hi-tech style, the Aprilia SXR 160 is destined to become the leading light in the premium two-wheeler segment in India, expanding the range and potential number of top-end products, that already include the Vespa and Aprilia SR 150.

25 March 2020 - The rating agency Standard and Poor's lowered its rating of Piaggio from BB- to B+ and revised its outlook from stable to negative due to the impact of coronavirus.

8 April 2020 - The rating agency Moody's confirmed its Ba3 rating and revised its outlook from stable to negative due to the impacts of coronavirus.

25 April 2020 - Gita, the robot designed, developed and manufactured by Piaggio Fast Forward, won in two categories of the 2020 Red Dot Awards Product Design: the "Red Dot quality seal" for its unique, disruptive design and the most prestigious accolade "Best of the best" for innovative products.

30 April 2020 - The last meeting between the Group and trade union organisations of Italian sites was held to explain the procedures and measures introduced to guarantee workers the utmost health protection, in view of the Piaggio Group sites re-opening in Italy on 4 May. The measures, in line with Protocols of agreement signed in previous days, are based on provisions of government decrees issued as part of actions to combat the spread of COVID-19 and have been supplemented by additional health measures already introduced by the Piaggio Group, to keep its employees safe. In view of the return to work, the Piaggio Group has carried out major sanitisation at all workplaces. A daily plan to sanitise workplaces and equipment at the end of the day and after each shift, and for additional weekly sanitisation, has been prepared. Work organisation takes into account both health and production requirements. Suitable measures have been adopted to guarantee social distancing of at least 1 metre during work activities, when entering and leaving sites, and in the canteen and communal areas. The body temperature of people entering sites is still measured, using thermal scanners. Production lines have been redesigned and organised to guarantee a distance between operators. During the day, the company doctor will be on hand, for all workers. Access to canteens has been planned to reduce the number of users at the same time. Spaces have been redesigned and Plexiglas barriers fitted at tables. Disposable items are also used. All workers will be given a kit at regular intervals with personal protective equipment such as masks, gloves and, when necessary, goggles. Hand sanitiser dispensers are available for everyone. Work shifts end earlier so personnel can get changed in time and organise their return home. If compatible with technical/organisational requirements, home working will be used for specific activities and for people with particular health conditions assessed by the Company Doctor. An information pack on the measures and rules to adopt on company premises is distributed to all workers. Suppliers and staff of external companies are also required to comply with the rules in the signed Protocols.

4 May 2020 - After introducing numerous procedures and measures to guarantee the utmost health and safety of workers, Piaggio opened production sites and sales outlets in Italy.

11 May 2020 - The Piaggio Group resumed production activities at the Indian site in Baramati. Therefore all Piaggio Group production sites worldwide have resumed production after the interruptions caused by COVID-19. The Vietnamese site had not stopped production, but was affected by slowdowns due to suppliers. In India, the lockdown of dealers ended the week beforehand, with the re-opening of around 190 dealers of commercial vehicles and two-wheelers, and sales activities consequently restarting.

25 May 2020 - The invalidity division of the European Union Intellectual Property Office (EUIPO) declared the design registered by a Chinese scooter, used to justify the production of scooters similar to the Vespa and showcased at the Milan two-wheeler show, EICMA 2019, which were removed by the competent authorities of the Show, on the initiative of Piaggio, as invalid. The invalidity division of EUIPO cancelled the registration, stating that it represented an unlawful attempt to reproduce the design. This invalidity action is part of broader-reaching activities the Piaggio Group has been involved in for many years, to fight against counterfeiting.





FINANCIAL POSITION AND PERFORMANCE OF THE GROUP

CONSOLIDATED INCOME STATEMENT

Consolidated income statement (reclassified)

	1 ST HALF OF 2020		1 ST HALF OF 2019		CHANGE %	
	IN MILLIONS OF EUROS	ACCOUNTING FOR A %	IN MILLIONS OF EUROS	ACCOUNTING FOR A %		
Net revenues	600.1	100.0%	817.0	100.0%	(216.9)	-26.5%
Cost to sell	(428.4)	-71.4%	(567.0)	-69.4%	138.6	-24.4%
Gross industrial margin	171.7	28.6%	250.0	30.6%	(78.3)	-31.3%
Operating expenses	(147.0)	-24.5%	(174.9)	-21.4%	27.9	-16.0%
EBITDA	83.1	13.8%	134.3	16.4%	(51.2)	-38.1%
Amortisation/Depreciation	(58.4)	-9.7%	(59.2)	-7.2%	0.8	-1.4%
Operating income	24.7	4.1%	75.1	9.2%	(50.4)	-67.1%
Result of financial items	(9.6)	-1.6%	(12.2)	-1.5%	2.7	-21.8%
Profit before tax	15.1	2.5%	62.8	7.7%	(47.7)	-75.9%
Taxes	(6.0)	-1.0%	(28.3)	-3.5%	22.2	-78.6%
Net profit	9.1	1.5%	34.6	4.2%	(25.5)	-73.7%

Net revenues

	1 ST HALF 2020	1 ST HALF 2019	CHANGE
IN MILLIONS OF EUROS			
EMEA and Americas	391.5	500.0	(108.6)
India	107.1	210.4	(103.3)
Asia Pacific 2W	101.5	106.5	(5.0)
TOTAL NET REVENUES	600.1	817.0	(216.9)
Two-wheelers	467.6	583.4	(115.8)
Commercial Vehicles	132.4	233.5	(101.1)
TOTAL NET REVENUES	600.1	817.0	(216.9)

Revenues for the period were negatively affected by the COVID-19 health emergency, which led to the closure of production and commercial activities for several weeks in many countries. For a more detailed analysis of the effects of the pandemic, see the chapter Health emergency - COVID-19.

In terms of consolidated turnover, the Group ended the first half of 2020 with net revenues down compared to the same period in 2019 (-26.5%). The downturn concerned, in particular, EMEA and the Americas (-21.7%) and India (-49.1%; -47.7% with constant exchange rates).

Asia Pacific was affected only marginally (-4.7%; -6.4% with constant exchange rates).

As regards product type, the decrease was greater for Commercial Vehicles (-43.3%) and more moderate for Two-Wheeler Vehicles (-19.8%). As a result, the percentage of Commercial Vehicles accounting for overall turnover dropped from 28.6% in the first half of 2019 to the current figure of 22.1%; vice versa, the percentage of Two-Wheeler vehicles went up from 71.4% in the first six months of 2019 to the current figure of 77.9%.

The Group's **gross industrial margin** decreased in absolute terms compared to the first half of the previous year (-31.3%), equal to 28.6% of net turnover (30.6% as of 30 June 2019).

Amortisation/depreciation included in the gross industrial margin was equal to €16.1 million (€15.6 million in the first half of 2019).

Operating expenses were down over the same period of the previous year. The reduction was mainly due to activities being stopped in Italy and India in March and April because of the health emergency. The percentage accounting for net turnover went up from 21.4% as of 30 June 2019 to the current figure of 24.5%.

The change in the aforementioned income statement resulted in a drop in consolidated **EBITDA** which was equal to €83.1 million (€134.3 million in the first half of 2019). In relation to turnover, EBITDA was equal to 13.8% (16.4% in the first half of 2019).

Operating income (**EBIT**) amounted to €24.7 million, down on the figure for the first six months of 2019; in relation to turnover, EBIT was equal to 4.1% (9.2% in the first half of 2019).

The results for **financing activities** improved compared to the first six months of the previous year, despite a higher debt exposure, thanks to the reduction in borrowing costs and positive contribution from currency management, with Net Charges amounting to €9.6 million (€12.2 million as of 30 June 2019).

Income taxes for the period are estimated at €6.0 million, equivalent to 40% of profit before tax.

Net profit stood at €9.1 million (1.5% of turnover), also down on the figure for the same period of the previous year which amounted to €34.6 million (4.2% of turnover).

Operating data

VEHICLES SOLD

	1 ST HALF 2020	1 ST HALF 2019	CHANGE
IN THOUSANDS OF UNITS			
EMEA and Americas	110.6	142.1	(31.6)
India	57.0	132.2	(75.2)
Asia Pacific 2W	42.7	47.2	(4.5)
TOTAL VEHICLES	210.3	321.5	(111.2)
Two-wheelers	163.0	215.9	(52.9)
Commercial Vehicles	47.3	105.7	(58.3)
TOTAL VEHICLES	210.3	321.5	(111.2)

During the first half of 2020, the Piaggio Group sold 210,300 vehicles worldwide, recording a decrease of 34.6% compared to the first six months of the previous year, when vehicles sold amounted to 321,500. All markets reported a downturn, as a result of the COVID-19 health emergency. The decrease was more moderate for Asia Pacific 2W (-9.6%), while in EMEA and the Americas, and in India, the number of vehicles sold fell by 22.2% and 56.9% respectively. As regards product type, sales of Commercial Vehicles fell by 55.2% and of Two-Wheelers by 24.5%.

STAFF

In the first half of 2020, the average headcount was down slightly in all geographic areas, also considering the COVID emergency, with the exception of Vietnam, where production never stopped. During lockdown, the Group obviously used fewer temporary staff.

AVERAGE NUMBER OF COMPANY EMPLOYEES BY GEOGRAPHIC SEGMENT	1 ST HALF OF 2020	1 ST HALF OF 2019	CHANGE
EMPLOYEE/STAFF NUMBERS			
EMEA and Americas	3,604.1	3,638.9	(34.8)
<i>of which Italy</i>	3,322.8	3,365.7	(42.9)
India	1,750.8	1,915.3	(164.5)
Asia Pacific 2W	1,000.8	938.5	62.3
Total	6,355.7	6,492.7	(137.0)

As of 30 June 2020, Group employees totalled 6,155, down by 67 compared to 31 December 2019.

BREAKDOWN OF COMPANY EMPLOYEES BY GEOGRAPHIC SEGMENT	AS OF 30 JUNE 2020	AS OF 31 DECEMBER 2019	AS OF 30 JUNE 2019
EMPLOYEE/STAFF NUMBERS			
EMEA and Americas	3,634	3,483	3,679
<i>of which Italy</i>	3,361	3,199	3,401
India	1,535	1,749	1,851
Asia Pacific 2W	986	990	938
Total	6,155	6,222	6,468



CONSOLIDATED STATEMENT OF FINANCIAL POSITION³

STATEMENT OF FINANCIAL POSITION	AS OF 30 JUNE 2020	AS OF 31 DECEMBER 2019	CHANGE
IN MILLIONS OF EUROS			
Net working capital	(26.6)	(115.9)	89.2
Property, plant and equipment	263.9	272.7	(8.8)
Intangible assets	677.3	676.2	1.2
Rights of use	37.2	36.5	0.7
Financial assets	9.5	9.7	(0.2)
Provisions	(64.4)	(65.6)	1.1
Net capital employed	896.9	813.6	83.3
Net financial debt	528.5	429.7	98.8
Shareholders' equity	368.3	383.8	(15.5)
Sources of financing	896.9	813.6	83.3
Non-controlling interests	(0.2)	(0.2)	0.1

Net working capital as of 30 June 2020, which was negative by €26.6 million, used cash for approximately €89.2 million in the first six months of 2020.

Property, plant and equipment, which include investment property, totalled €263.9 million as of 30 June 2020, down by around €8.8 million compared to 31 December 2019. This decrease was mainly due to depreciation that exceeded investments for the period by approximately €3.4 million, the negative effect of the depreciation in the Rupee (approximately €3.4 million) and the impact of the depreciation of investment property (approximately €1.9 million).

Intangible assets totalled €677.3 million, up by approximately €1.2 million. The imbalance between investments and amortisation for the period of approximately €2.0 million more than offset the negative effect of the devaluation of the Rupee (approximately €0.8 million).

Rights of use, equal to €37.2 million, increased by approximately €0.7 million compared to figures as of 31 December 2019.

Financial assets which totalled €9.5 million, decreased slightly compared to figures for the previous year (€9.7 million).

Provisions totalled €64.4 million, down compared to 31 December 2019 (€65.6 million).

As fully described in the next section on the "Consolidated Statement of Cash Flows", **net financial debt** as of 30 June 2020 was equal to €528.5 million, compared to €429.7 million as of 31 December 2019, up by approximately €98.8 million compared to 31 December 2019.

Net financial debt increased by approximately €110.5 million compared to 30 June 2019.

Group **shareholders' equity** as of 30 June 2020 amounted to €368.3 million. The decrease of approximately €15.5 million compared to 31 December 2019 was impacted by the payment of dividends for €19.6 million.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

The consolidated statement of cash flows prepared in accordance with the models provided by international financial reporting standards (IFRS) is shown in the "Condensed Consolidated Interim Financial Statements as of 30 June 2020"; the following is a comment relating to the summary statement shown.

CHANGE IN CONSOLIDATED NET DEBT IN MILLIONS OF EUROS	1 ST HALF OF 2020	1 ST HALF OF 2019	CHANGE
Opening Consolidated Net Debt	(429.7)	(429.2)	(0.5)
Cash Flow from Operating Activities	62.6	95.6	(33.0)
(Increase)/Reduction in Net Working Capital	(89.2)	36.0	(125.2)
(Increase)/Reduction in net investments	(52.8)	(60.4)	7.6
Other changes	5.2	(27.2)	32.4
Change in Shareholders' Equity	(24.6)	(32.8)	8.2
Total Change	(98.8)	11.2	(110.0)
Closing Consolidated Net Debt	(528.5)	(418.0)	(110.5)

During the first half of 2020 the Piaggio Group used **financial resources** amounting to €98.8 million.

Cash flow from operating activities, defined as net profit, minus non-monetary costs and income, was equal to €62.6 million.

Working capital involved a cash flow of €89.2 million; in detail:

- the collection of trade receivables⁴ used financial flows for a total of €43.5 million;
- stock management absorbed financial flows for a total of approximately €26.6 million;
- supplier payments used financial flows of approximately €18.4 million;
- the movement of other non-trade assets and liabilities had a negative impact on cash flows by approximately €0.7 million.

Investing activities involved a total of €52.8 million of financial resources. This change was generated by investments in development costs capitalised and in property, plant and equipment and intangible assets.

As a result of the above financial dynamics, which involved a cash flow of €98.8 million, the **net debt** of the Piaggio Group amounted to €-528.5 million.

⁴ Net of customer advances.

ALTERNATIVE NON-GAAP PERFORMANCE MEASURES

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

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

In particular the following alternative performance measures have been used:

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





RESULTS BY TYPE OF PRODUCT

The Piaggio Group is comprised of and operates by geographic segments - EMEA and Americas, India and Asia Pacific 2W - to develop, manufacture and distribute two-wheeler and commercial vehicles.

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

- EMEA and 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	1 ST HALF OF 2020		1 ST HALF OF 2019		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	105.1	350.9	132.2	447.1	-20.5%	-21.5%	(27.1)	(96.2)
of which EMEA	99.8	324.8	126.5	417.4	-21.1%	-22.2%	(26.6)	(92.6)
<i>(of which Italy)</i>	21.0	64.4	29.2	97.7	-28.0%	-34.1%	(8.2)	(33.3)
of which America	5.3	26.1	5.8	29.7	-8.1%	-12.2%	(0.5)	(3.6)
India	15.1	15.2	36.4	29.8	-58.4%	-49.0%	(21.3)	(14.6)
Asia Pacific 2W	42.7	101.5	47.2	106.5	-9.6%	-4.7%	(4.5)	(5.0)
TOTAL	163.0	467.6	215.9	583.4	-24.5%	-19.8%	(52.9)	(115.8)
Scooters	145.6	325.6	192.2	398.9	-24.3%	-18.4%	(46.6)	(73.3)
Motorcycles	17.4	87.3	23.6	116.3	-26.5%	-24.9%	(6.3)	(29.0)
Spare Parts and Accessories		53.6		67.5		-20.6%		(13.9)
Other		1.1		0.6		70.9%		0.4
TOTAL	163.0	467.6	215.9	583.4	-24.5%	-19.8%	(52.9)	(115.8)

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

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

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

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

Background

India, the most important two-wheeler market, reported a strong decrease in the first six months of 2020, closing with sales of nearly 4.8 million vehicles, down by 50.4% compared to the first half of 2019.

The People's Republic of China recorded a considerable loss in the first six months of 2020 (-10.0%), closing at just over 2.6 million vehicles sold.

Data available on the Asian area, called Asean 5, report a decrease of approximately 30%, closing with nearly 4.7 million units sold. According to our estimates, Indonesia, the main market in this area, reported a decrease of approximately 36% in the first half of 2020, with over 2 million vehicles sold.

The number of vehicles registered in Vietnam decreased to a more considerable extent (1.25 million units sold; -16.9% compared to the first half of 2019). The other countries in the Asian area (Singapore, Hong Kong, South Korea, Japan, Taiwan, New Zealand and Australia) overall recorded an increase of approximately 7% compared to the first half of 2019, closing with sales of nearly 700 thousand units. In the first 6 months of the year, the Japanese market reported a 6.6% decrease, selling just under 170 thousand units.

The North American market recorded an increase compared to the first half of 2019 (+6.4%), selling 292,930 thousand vehicles.

Brazil, the leading market in South America, recorded a drop in performance in the first six months of 2020 of 40.2%, closing with 377 thousand vehicles sold.

Europe, which is the reference area for the Piaggio Group's operations, reported a decrease in sales on the two-wheeler (-12.8%) compared to the first half of 2019 (-13.0% for the motorcycle segment and -12.5% for the scooter segment). On the scooter market, the over 50cc segment recorded a negative trend in the first half of 2020 (-16.1%), as well as the 50cc segment (-5.7%). Motorcycle segments also reported a negative performance, down by 7.1% for the 50cc segment, and by 13.3% for the over 50cc segment.

The scooter market

In the first half of 2020, the European scooter market accounted for 315,580 registered vehicles, equal to a 12.5% drop in sales compared to the same period in 2019.

MARKET	VEHICLE REGISTRATIONS		CHANGE	CHANGE %		
	1 ST HALF OF 2020	1 ST HALF OF 2019		OVERALL	=< 50 CC	> 50 CC
Italy	65,015	83,205	-18,190	-21.9%	-16.9%	-22.3%
France	56,280	66,245	-9,965	-15.0%	-12.1%	-17.9%
Spain	43,515	57,995	-14,480	-25.0%	-14.9%	-26.5%
Germany	33,740	33,605	135	0.4%	-34.5%	27.1%
Holland	36,970	30,350	6,620	21.8%	22.9%	-4.4%
Greece	13,400	16,985	-3,585	-21.1%	-54.4%	-17.9%
United Kingdom	11,155	12,940	-1,785	-13.8%	-20.4%	-12.4%
Europe	315,580	360,720	-45,140	-12.5%	-5.7%	-16.1%

Vehicle registrations were higher in the over 50cc segment, with 199,105 units compared to 116,475 units in the 50cc scooter segment. Sales of over 50cc scooters decreased by 16.1%, while 50cc scooters reported a more moderate loss (-5.7%).

North America

In the first half of 2020, the United States, the main market in the area (85.8% of the reference area), recorded a decrease of 3.1%, with 13,720 units sold: the 50cc segment recorded a slight drop (-1.4%), while the decrease in the over 50cc segment was more accentuated (-5.2%).

India

After years of growth, the automatic scooter market fell considerably (-50.2%) in the first half of 2020, closing with just over 1.44 million units.

The over 90cc range is the main product segment, with more than 1.42 million units sold in the first half of 2020 (-49.7% compared to the previous year) and accounting for 98.8% of the total automatic scooter market. The 50 cc scooter segment is not operative in India.

The motorcycle market

Europe

With 358,355 thousand units registered, the motorcycle market reported a downturn in the first half of 2020 (-13.0% compared to the first half of 2019). The 50cc segment recorded a 7.1% decrease, closing the period with 16,905 units sold; sales in the 51-125cc motorcycle segment fell to 54,875 units (-4.2%), while the 126-750cc segment reported sales of 121,690 units (-10.5%). The over 750cc segment recorded a 17.8% decrease, with 164,885 units sold.

MARKET	VEHICLE REGISTRATIONS		CHANGE	CHANGE %
	1 ST HALF OF 2020	1 ST HALF OF 2019		
France	69,625	83,075	-13,450	-16.2%
Germany	86,710	86,080	630	0.7%
Italy	49,485	65,240	-15,755	-24.1%
United Kingdom	32,865	46,305	-13,440	-29.0%
Spain	29,690	39,970	-10,280	-25.7%
Europe	358,355	412,075	-53,720	-13.0%

North America

In the United States (accounting for 87.2% of the area), the motorcycle segment recorded a 6.9% increase, selling 243,500 units against 227,840 units in the first half of 2019. The over 50cc segment reported growth of 5.1%, while the 50cc motorcycle segment posted an increase of 69.2%.

Asia

The most important motorcycle market in Asia is India, which reported sales of nearly 3.16 million vehicles in the first half 2020, with a considerable decrease over the first half of 2019 (-50.5%).

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

Main results

Revenues for the period were negatively affected by the COVID-19 health emergency, which led to the closure of production and commercial activities for several weeks in many countries.

During the first half of 2020, the Piaggio Group sold a total of 163,000 two-wheeler vehicles worldwide, accounting for a net turnover equal to approximately €467.6 million, including spare parts and accessories (€53.6 million, -20.6%).

The overall downturn recorded in volumes (-24.5%) as well as turnover (-19.8%) was mainly due to the decreases reported in EMEA and the Americas (-20.5% volumes; -21.5% turnover) and in India (-58.4%; -49.0% turnover; -47.4% with constant exchange rates). Only the Asia Pacific area managed to limit the downturn (-9.6% volumes; -4.7% turnover; -6.4% with constant exchange rates).

Market positioning⁵

On the European market, the Piaggio Group attained the same share in the first half of 2020 as the corresponding period in 2019 (13.4%), confirming its leadership position in the scooter segment (24.1% in the first half of 2020 compared to 24.3% in the first half of 2019).

In Italy, the Piaggio Group had a 16.9% share (18.1% in the first half of 2019), which is higher for the scooter segment, at 27.0% (29.2% in the first half of 2019).

In India, in the first half of 2020, the Group recorded a considerable drop in sell-out volumes compared to the same period of the previous year, closing at 14,611 vehicles (-55.2%).

The Group retained its strong position on the North American scooter market, where it closed the period with a market share of 23.9% (21.3% in the first half of 2019), and where it is committed to consolidating its profile in the motorcycle segment, through the Aprilia and Moto Guzzi brands.

COMMERCIAL VEHICLES

COMMERCIAL VEHICLES	1 ST HALF OF 2020		1 ST HALF OF 2019		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	5.4	40.5	9.9	52.9	-45.0%	-23.4%	(4.5)	(12.4)
of which EMEA	4.5	38.4	8.5	50.1	-47.3%	-23.3%	(4.0)	(11.7)
(of which Italy)	1.6	20.2	2.2	27.3	-27.9%	-25.9%	(0.6)	(7.1)
of which America	1.0	2.1	1.4	2.8	-31.0%	-24.7%	(0.4)	(0.7)
India	41.9	91.9	95.8	180.6	-56.3%	-49.1%	(53.9)	(88.7)
TOTAL	47.3	132.4	105.7	233.5	-55.2%	-43.3%	(58.3)	(101.1)
Ape	45.2	89.1	102.9	176.9	-56.1%	-49.6%	(57.7)	(87.8)
Porter	2.1	25.8	2.4	29.1	-10.8%	-11.3%	(0.3)	(3.3)
Quargo	0.0	0.0	0.2	0.8	-95.2%	-98.0%	(0.2)	(0.8)
Mini Truk	0.0	0.1	0.2	0.6	-81.1%	-89.3%	(0.2)	(0.6)
Spare Parts and Accessories		17.5		26.1		-33.0%		(8.6)
TOTAL	47.3	132.4	105.7	233.5	-55.2%	-43.3%	(58.3)	(101.1)

⁵ Market shares for the first half of 2019 might differ from figures published last year, due to final vehicle registration data, which some countries publish with a few months' delay, being updated.

The 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 2020, 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 729,565 units, a 34.1% decrease compared to the first six months of 2019 (data source ACEA). In detail, the trends of main European reference markets are as follows: France (-31.2%), Germany (-25.1%), Great Britain (-44.6%), Spain (-45.7%) and Italy (-35.9%).

India

Sales on the Indian three-wheeler market, where Piaggio Vehicles Private Limited, a subsidiary of Piaggio & C. S.p.A. operates, went down from 329,995 units in the first six months of 2019 to 142,571 units in the same period of 2020, registering a 56.8% decrease.

In this market, the downturn affected both segments: passenger vehicles, with sales down by 57.4% (112,180 units sold); and the cargo segment, with a drop of 54.4%, from 66,674 units in the first six months of 2019 to 30,391 units in the first six months of 2020. Piaggio Vehicles Private Limited also operates on the four-wheeler light commercial vehicles (LCV) market for the transport of goods (cargo). The LCV cargo market, with vehicles with a maximum mass below 2 tons, recorded sales of 41,058 units in the first half 2020, decreasing by 63.2% compared to the first six months of 2019.

Main results

Revenues for the period were negatively affected by the COVID-19 health emergency, which led to the closure of production and commercial activities for several weeks in many countries.

During the first half of 2020, the Commercial Vehicles business generated a turnover of approximately €132.4 million, including around €17.5 million relating to spare parts and accessories, down by 43.3% compared to the same period in the previous year. During the period, 47,300 units were sold, down by 55.2% compared to the first six months of 2019.

In EMEA and the Americas, the decrease in turnover was equal to 23.4%.

In India, the Group recorded a 56.3% decrease in sales. The Indian affiliate Piaggio Vehicles Private Limited (PVPL) sold 36,946 three-wheelers on the Indian market (81,723 in the first half of 2019).

The same affiliate also exported 4,868 three-wheeler vehicles (13,586 as of 30 June 2019).

On the domestic four-wheeler market, PVPL sales in the first half of 2020 fell by 87.2% compared to the first six months of 2019, to 53 units.

In overall terms, the Indian affiliate PVPL registered a turnover of €91.9 million in the first half of 2020, compared to €180.6 million for the same period of the previous year (-49.1%; -47.7% with constant exchange rates).

Market positioning⁶

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). On the Indian three-wheeler market, Piaggio has a market share of 26.1% (24.8% in the first six months of 2019). Detailed analysis of the market shows that Piaggio maintained its leadership position in the goods transport segment (cargo segment) with a share of 48.3% (44.3% in the first half of 2019). In the Passenger segment, its share stood at 20.0% (19.8% in the first six months of 2019).

⁶ Market shares for the first half of 2019 might differ from figures published last year, due to final vehicle registration data, which some countries publish with a few months' delay, being updated.

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 0.1% (0.4% in the first six months of 2019).

THE REGULATORY FRAMEWORK

European Union

COVID-19 - European Recovery Plan

In response to the economic and social crisis caused by the Coronavirus pandemic, the European Commission proposed a massive plan of financial aid to boost recovery of the European economy. To deploy the investments necessary, the Commission has worked on a dual approach:

- **Next Generation EU**, with 750 billion euros to consolidate the EU budget with new financial market loans for the 2021-2024 period.
- **A consolidated EU mid-term budget** for the 2021-2027 period (1,100 billion euros).

European Green Deal

In December 2019, the new European Commission presented an initial document outlining the “European Green Deal” programme, which is key in the political programme to tackle climate change by achieving the following objectives: a 50% reduction in CO₂ emissions by 2030 and climate neutrality (zero emissions) by 2050. To formalise this undertaking and turn it into law, the Commission proposed a European climate law in March 2020, an action plan for the circular economy and an energy transition fund.

Emissions

With the new Regulation (EU) 2019/631 approved in April 2019, European institutions approved new limits for CO₂ emissions for cars and light commercial vehicles (VTL) post-2020. An EU fleet-wide target of 147 g CO₂/km by 2030 for the average emissions of new light commercial vehicles (95g CO₂/km for cars), has been confirmed, and a gradual reduction in CO₂ emissions (g/Km) of 15% by 2025 and 31% by 2030, compared to 2021, has been decided. However, the new Regulation still allows manufacturers producing less than 22,000 units a year to request an extension.

The Commission also started work on a study of future post-Euro 6 limits for cars, beginning preliminary activities in the second half of 2019 and holding consultations with stakeholders to analyse the results of the commissioned study. A Euro 7 proposal for cars is expected for the end of 2021. Any developments for cars will have inevitable consequences on the two-wheeler segment, with a proposal for post-Euro 5 for the L Category expected from the Commission by 2024.

Sound emissions

During 2018, the European Commission started consultations on the presentation of proposed legislation for new Euro 5 noise limits. After the study published in November 2017 gave a favourable opinion on a drastic reduction in noise limits, the Commission requested a second study and at the same time a second costs/benefits analysis of any reduction in noise limits for L category vehicles. The start of this second study requested by the European Commission on noise levels of vehicles was postponed and proposed legislation from the Commission is expected for 2022.

In the meantime, national institutions or local authorities have adopted various initiatives, to impose stricter limits on noise emissions, anticipating legal developments at European level.

To prevent a drastic reduction in noise limits, ACEM, the European Association of Motorcycle Manufacturers, is working on a shared strategy of which the key focus is to revise ASEP noise test procedures bearing in mind real driving conditions. Moreover, a more holistic approach to noise has been defined, which takes into account the widespread practice of motorcyclists replacing original exhausts, necessary controls on the road, and different riding styles.

Brexit and type approvals in the United Kingdom

The United Kingdom left the EU on 31 January 2020. The transition period which began between the United Kingdom and European Union will end on 31 December 2020. To enable manufacturers of motorcycles and mopeds holding a UK type approval to continue to register and sell these vehicles after Brexit, Regulation (EU) 2019/26, approved in January 2019, gives manufacturers the chance to request a switch from UK type approval to a new type approval granted by an approval authority of one of the EU27.

Electric vehicle batteries

With a growing focus on electric mobility and increasing use of new, zero-emission vehicles, the topic of batteries and their environmental sustainability has recently come to the attention of the public and consequently of institutions. In 2019 the European Commission launched a public consultation to obtain feedback from stakeholders in support of proposed legislation introducing new rules and standards to ensure the placing on the market of standardised, high performance batteries that are safe and sustainable. The Commission's proposed legislation will probably be presented during 2020 and will address issues that are crucial for the electric mobility sector.

End of life of vehicles - ELV

At present the EU Directive on end of life of vehicles (ELV) does not apply to two-wheelers. Manufacturers of cars and commercial vehicles are required to meet specific targets on the recycling and reuse of materials, comply with vehicle design obligations to facilitate the recovery of components, publish a manual on dismantling and collect and be responsible for the collection and disposal of end of life vehicles. The European Commission is evaluating the hypothesis of extending the scope to Category L vehicles. Any proposed legislation could be tabled by the Commission by the end of 2020. Similarly, the French government is deciding whether to extend the End of Life requirements, in France, to cover scooters and motorcycles. European manufacturers of ACEM contributed to the public consultation launched by the European Commission with a view to preparing to extend the ELV regime and calibrate it to two-wheeler requirements.

SCIP DATABASE

According to the Waste Framework Directive (Directive (EU) 2018/851), as from 5 January 2021, all manufacturers will be required to notify the European Chemicals Agency (ECHA) of the "risk substances" contained in the items and groups of items they put on the European market. This notification is made through the SCIP Database: this toxicological database has been set up to store information on substances of very high concern (SVHC) contained in items or groups of items in quantities of more than 0.1% by weight. Given the important consequences this

development could have on various sectors, including the automotive industry, an alliance of 47 federations is working to try to reduce the obligations envisaged or have the date of enforcement deferred by at least one year.

General vehicle safety regulation

As regards cars and light commercial vehicles, in 2018 revision of the General Vehicle Safety Regulation (GVSR) got underway. European institutions reached an agreement on the new Regulation in April 2019. The new wording (which still has to be published in the European Journal), introduces the obligation to use new active safety devices ADAS (Advanced Driver Assistance Systems) and non-ADAS for light commercial vehicles. As regards passive safety, the new GVSR has extended the scope of some Regulations (including ECE 94 for frontal crash tests and ECE 95 for side crash tests) to category N1, previously exempt from these obligations; the Piaggio Group together with national and international industry associations have been actively involved in negotiations held at Geneva and at European level, with the aim of promoting implementing rules that would not be detrimental for the vehicles involved. During the latest WP29 (World Forum for Harmonization of Vehicle Regulations) in June 2020, some technical implementing rules and specific exemptions were adopted for the frontal, side and rear crash tests of category N1 vehicles.

Italy

Incentives for electric vehicles

In late December 2019, the Government approved the decree renewing incentives for the purchase of electric vehicles in 2020, thanks also to resources allocated during 2019 which were not used.

The requirements to use the incentives have not changed over the previous year: the mandatory scrapping of an L1 to L7 category vehicle, from Euro 0 to Euro 3, and a sum of 30% of the purchase price allocated, up to a maximum of 3,000 euros per purchase of an electric or hybrid vehicle in categories L1 to L7. Vehicles registered in the name of one or more family members that benefit from the incentive may also be scrapped. An amendment is currently being discussed for minimum incentives, even without vehicle scrapping.

Minimum environmental criteria

The Ministry for the Environment launched a consultation with automotive manufacturers and industry associations, to define the new Minimum Environmental Criteria for tenders for the supply of Category L, M and N vehicles. The new document, which is being prepared, must be adopted no later than 2 August 2021, which is the deadline set by the European Directive 2019/1161 for clean vehicles.



RISKS AND UNCERTAINTIES

Due to the nature of its business, the Group is exposed to different types of risks. To mitigate exposure to these risks, the Group has adopted a structured and integrated system to identify, measure and manage company risks, in line with industry best practices (i.e. CoSO ERM). Scenarios applicable to Group operations are mapped, involving all organisational units, and are updated on an annual basis. These scenarios are grouped referring to external, strategic, financial or operational risk, also considering sustainability issues and in particular "ESG" ("Environmental, Social, Governance related") risks, i.e. which are related to environmental aspects, personnel, social matters, human rights and the fight against active and passive corruption. For details, see the Consolidated Non-Financial Statement included in the 2019 Financial Statements.

EXTERNAL RISKS

Risks related to the macroeconomic and geopolitical context

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

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

Risks connected to consumer trends

Piaggio's success depends on its ability to manufacture products that cater for consumer's tastes and can meet their needs for mobility. Levering customer expectations and emerging needs, with reference to its product range and customer experience, is essential for the Group to maintain a competitive edge.

Through market analysis, focus groups, concept and product testing, investments in research and development and sharing a roadmap with suppliers and partners, Piaggio can seize emerging market trends to renew its own product range.

Customer feedback enables Piaggio to evaluate customer satisfaction levels and fine tune its own sales and after-sales service model.

Risks related to a high level of market competition

Over the last few years, the characteristics and dynamics of the competitive background of markets on which the Group operates have changed considerably, above all regarding prices, also due to a declining demand worldwide. In addition, the Group is exposed to the actions of competitors that, through technological innovation or replacement products, could obtain products with better quality standards and streamline costs, offering products at more competitive prices.

Piaggio has tried to tackle this risk, which could have a negative impact on the financial position and performance of the Group, by manufacturing high quality products that are innovative, cost-effective, reliable and safe, and by consolidating its presence in Asia.

Risk relative to the regulatory and legal framework

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

Unfavourable changes in the regulatory and/or legal framework at a national and international level could mean that products can no longer be sold on the market, forcing manufacturers to invest to renew their product ranges and/or renovate/upgrade production plants.

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

Risks connected with natural events

The Group operates through industrial sites located in Italy, India and Vietnam. These sites could be affected by natural events, such as earthquakes, typhoons, flooding and other catastrophes that may damage sites and also slow down/interrupt production and sales.

Continual renewal of the sites prevents these risk scenarios. The potential impact of these risks is mitigated by specific insurance cover taken out for various sites based on their relative importance.

Risks connected with the pandemic

If a pandemic spreads and measures are adopted by various governments to contain the virus, the Group could be negatively affected following interruptions to:

- the procurement chain: suppliers might no longer be able to produce/deliver the components necessary to supply production sites;
- production activities: the Group might no longer be able to use the workforce, following government regulations limiting personal movement, or it might be impossible for the company to guarantee a healthy, protected work environment;
- sales activities: measures to contain the spread of the virus could require sales outlets to be closed, or the Group might not be able to supply the sales network.

Piaggio has tried and is trying to deal with this risk, which could negatively affect the Group's financial position and performance following a possible decrease in revenues, profitability and cash flows, thanks to a global sourcing policy, a production capacity distributed on different continents and a sales network present in over 100 nations.

Moreover, the Group's sites have adopted measures to guarantee social distancing and promote working from home.

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, the R&D centres at Pontedera, Noale (thanks also to Aprilia Racing's experience in MotoGP racing in Italy) and PADc - the Piaggio Advance Design Center in Pasadena are dedicated to research, development and trialling new technological solutions, while Piaggio Fast Forward in Boston is studying innovative solutions to anticipate and meet future mobility needs.

Risks connected with the sales network

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

Risks connected with external offences

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

STRATEGIC RISKS

Reputational and Corporate Social Responsibility risks

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

Risks connected with the definition of strategies

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

Risks connected with the adoption of strategies

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

FINANCIAL RISKS

Risks connected with exchange rate trends

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

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

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

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

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

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

For a further description, reference is made to section 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 credit quality of counterparties

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

To balance this risk, the Parent Company evaluates the financial reliability of its business partners and stipulates agreements with primary factoring companies in Italy and other countries for the sale of trade receivables without recourse.

Risks connected with deleverage

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

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

OPERATING RISKS

Risks relative to the product

The "Product" category includes all risks concerning faults due to a nonconforming quality and safety and consequent recall campaigns that could expose the Group to: the costs of managing campaigns, replacing vehicles, claims for compensation and above all if faults are not managed correctly and/or are recurrent, damage to its reputation. A product nonconformity may be due to potential errors and/or omissions of suppliers, or internal processes (i.e. during product development, production, quality control).

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

Risks connected with the environment and with health and safety

The Group has production sites, research and development centres and sales offices in different nations and so is exposed to the risk of not being able to guarantee a safe working environment, with the risk of causing potential harm to property or people and exposing the Group to legal sanctions, lawsuits brought by employees, costs for compensation payments and reputational harm.

To mitigate these risks, Piaggio adopts a sustainable development model that is based on environmental sustainability, in terms of safeguarding natural resources and the possibility that the ecosystem might absorb the direct and indirect impact of production activities. Specifically, Piaggio seeks to minimise the environmental impact of its industrial activities through careful definition of the technological transformation cycle and using the best technologies and most modern methods of production.

The risks related to accidents/injuries sustained by personnel are mitigated by aligning processes, procedures and structures with applicable Occupational Safety laws, as well as best international standards.

These commitments, set out in the Code of Ethics⁷ and confirmed by top management in the Group's "environmental policy" which is the basis for environmental certification (ISO 14001) and health and safety certification (ISO 45001 for Italian sites and Vietnam and BS OHSAS 18001 for India) already awarded and maintained at production sites, is a mandatory benchmark for all company sites no matter where they are working.

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

Risks connected with processes and procedures adopted

The Group is exposed to the risk of shortcomings in planning its company processes or errors and deficiencies in carrying out operations.

To deal with this risk, the Group has established a system of directives comprising organisational notices and Manuals/Policies, Management Procedures, Operating Procedures and Work Instructions. All documents relative to Group processes and procedures are part of the single Group Document Information System, with access that is regulated and managed on the company intranet.

Risks relative to human resources

The main risks the Group is exposed to concerning human resources management include the ability to recruit expertise, professionalism and experience necessary to achieve objectives. To offset these risks, the Group has established specific policies for recruitment, career development, training, remuneration and talent management, which are adopted in all countries where the Group operates according to the same principles of merit, fairness and transparency, and focussing on aspects that are relevant for the local culture.

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

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

Legal risks

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

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

Risks relative to internal offences

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

Risks relative to reporting

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

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



EVENTS OCCURRING AFTER THE END OF THE PERIOD

2 July 2020 - The Piaggio Group signed a loan agreement with Banca Monte dei Paschi di Siena e Cassa Depositi e Prestiti (joint quotas) of a value of €60 million. The new credit line will support the Piaggio Group's investments into research and the development of innovative technological and product solutions, also in active and passive safety, and sustainability (including reductions in consumption and engine emissions), with the aim of consolidating its product ranges of scooters, motorcycles and commercial vehicles. Piaggio is therefore continuing its consolidation and growth strategy as a leader in the mobility sector, and will further consolidate the Group's financial structure.



OPERATING OUTLOOK

Despite the acute stage of COVID-19 peaking in the second quarter of 2020, with negative effects on some markets continuing due to local lockdowns which are still in place, the results as of 30 June clearly and effectively demonstrate the resilience and decisiveness in the response to the crisis affecting the global economy.

Currently, with appropriate evaluations made based on available information, forecasts for the year are still complex as they depend, among others, on developments in the pandemic and the effects in upcoming months of public measures adopted in the meantime and to be adopted in countries where the Group operates.

Against this general background, the Piaggio Group is continuing to work to meet commitments and targets, ensuring all measures adopted to manage the crisis caused by the pandemic are maintained until necessary.

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

In general, Piaggio is fully committed to limiting any temporary productivity losses due to the Coronavirus emergency, increasing its focus on the efficiency of costs and investments, continuing to adopt all health measures necessary to protect its workers worldwide, while complying fully with the Group's ethical principles.



TRANSACTIONS WITH RELATED PARTIES

Revenues, costs, payables and receivables as of 30 June 2020 involving parent, subsidiary and associate companies, refer to the sale of goods or services which are a part of normal operations of the Group.

Transactions are carried out at normal market values, depending on the characteristics of the goods and services provided.

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 2020".

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

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



ECONOMIC GLOSSARY

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

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

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

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

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

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

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

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

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

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

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

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



**PIAGGIO
GROUP**
**CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS
AS OF 30 JUNE 2020**

MOTO GUZZI





CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF 30 JUNE 2020

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CONSOLIDATED INCOME STATEMENT

NOTES	1 ST HALF OF 2020		1 ST HALF OF 2019		
	TOTAL	of which related parties	TOTAL	of which related parties	
IN THOUSANDS OF EUROS					
4	Net revenues	600,084	25	816,957	39
5	Cost for materials	(366,006)	(8,569)	(494,214)	(9,681)
6	Cost for services and leases and rentals	(86,697)	(861)	(120,337)	(1,189)
7	Employee costs	(102,808)		(118,308)	
8	Depreciation and impairment costs of property, plant and equipment	(19,902)		(20,266)	
8	Amortisation and impairment costs of intangible assets	(34,341)		(35,518)	
8	Depreciation of rights of use	(4,159)		(3,431)	
9	Other operating income	49,119	316	62,371	168
10	Net reversals (impairment) of trade and other receivables	(707)		(796)	
11	Other operating costs	(9,897)	(15)	(11,390)	(10)
	Operating income	24,686		75,068	
12	Income/(loss) from investments	564	564	403	385
13	Financial income	861		1,908	14
13	Borrowing costs	(14,178)	(82)	(14,224)	(85)
13	Net exchange gains/(losses)	3,190		(318)	
	Profit before tax	15,123		62,837	
14	Taxes for the period	(6,049)		(28,276)	
	Profit from continuing operations	9,074		34,561	
	Assets held for sale:				
15	Profits or losses arising from assets held for sale				
	Net Profit (loss) for the period	9,074		34,561	
	Attributable to:				
	Owners of the Parent	9,074		34,561	
	Non-controlling interests	0		0	
16	Earnings per share (figures in €)	0.025		0.097	
16	Diluted earnings per share (figures in €)	0.025		0.097	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	1 ST HALF OF 2020	1 ST HALF OF 2019
NOTES IN THOUSANDS OF EUROS		
Net Profit (loss) for the period (A)	9,074	34,561
Items that will not be reclassified in the income statement		
42 Remeasurements of defined benefit plans	195	(2,234)
Total	195	(2,234)
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	(4,859)	1,521
42 Share of Other Comprehensive Income of subsidiaries/associates valued with the equity method	(142)	65
42 Total profits (losses) on cash flow hedges	98	123
Total	(4,903)	1,709
Other Comprehensive Income (B)⁸	(4,708)	(525)
Total Profit (loss) for the period (A + B)	4,366	34,036
Attributable to:		
Owners of the Parent	4,311	34,040
Non-controlling interests	55	(4)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	AS OF 30 JUNE 2020		AS OF 31 DECEMBER 2019	
	TOTAL	of which related parties	TOTAL	of which related parties
NOTES IN THOUSANDS OF EUROS				
ASSETS				
Non-current assets				
17	Intangible assets	677,349	676,183	
18	Property, plant and equipment	256,595	263,496	
19	Rights of use	37,180	36,486	
20	Investment Property	7,257	9,203	
35	Investments	9,332	8,910	
36	Other financial assets	3,496	3,512	
25	Tax receivables	11,020	14,114	
21	Deferred tax assets	60,967	63,190	
23	Trade receivables			
24	Other receivables	15,607	81	13,638
	Total non-current assets	1,078,803	1,088,732	
Assets held for sale				
Current assets				
23	Trade receivables	120,991	1,125	78,195
24	Other receivables	34,040	14,883	31,706
25	Tax receivables	14,513		18,538
22	Inventories	241,251		214,682
36	Other financial assets	3,454		3,789
37	Cash and cash equivalents	158,647		190,746
	Total current assets	572,896	537,656	
	Total assets	1,651,699	1,626,388	
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity				
41	Share capital and reserves attributable to the owners of the Parent	368,467	384,015	
41	Share capital and reserves attributable to non-controlling interests	(153)	(208)	
	Total shareholders' equity	368,314	383,807	
Non-current liabilities				
38	Financial liabilities	540,524	463,587	
38	Financial liabilities for rights of use	21,911	4,723	19,996
28	Trade payables			
29	Other long-term provisions	12,579	12,116	
30	Deferred tax liabilities	4,275	7,762	
31	Retirement funds and employee benefits	37,475	38,997	
32	Tax payables			
33	Other payables	6,342	6,437	
	Total non-current liabilities	623,106	548,895	
Current liabilities				
38	Financial liabilities	123,324	135,033	
38	Financial liabilities for rights of use	8,209	1,971	8,408
28	Trade payables	459,511	7,679	478,688
32	Tax payables	9,017		14,934
33	Other payables	45,851	54	42,171
29	Current portion of other long-term provisions	14,367		14,452
	Total current liabilities	660,279	693,686	
	Total Shareholders' Equity and Liabilities	1,651,699	1,626,388	

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.

	1 ST HALF OF 2020		1 ST HALF OF 2019	
	TOTAL	of which related parties	TOTAL	of which related parties
NOTES IN THOUSANDS OF EUROS				
OPERATING ACTIVITIES				
Net Profit (loss) for the period	9,074		34,561	
14 Taxes for the period	6,049		28,276	
8 Depreciation of property, plant and equipment	19,902		20,266	
8 Amortisation of intangible assets	34,341		35,235	
8 Depreciation of rights of use	4,159		3,431	
Provisions for risks and retirement funds and employee benefits	7,299		10,806	
Write-downs/(Reinstatements)	2,614		2,068	
Losses/(Gains) on the disposal of property, plants and equipment	2		17	
13 Financial income	(861)		(1,908)	
Dividend income	0		(18)	
13 Borrowing costs	14,178		14,224	
Income from public grants	(2,033)		(2,235)	
Portion of earnings of associates	(564)		(385)	
Change in working capital:				
23 (Increase)/Decrease in trade receivables	(43,299)	(133)	(65,278)	251
24 (Increase)/Decrease in other receivables	(4,468)	(282)	360	345
22 (Increase)/Decrease in inventories	(26,569)		(19,365)	
28 Increase/(Decrease) in trade payables	(19,177)	1,978	110,107	1,556
33 Increase/(Decrease) in other payables	3,585	31	5,617	(462)
29 Increase/(Decrease) in provisions for risks	(3,122)		(4,024)	
31 Increase/(Decrease) in retirement funds and employee benefits	(5,032)		(4,556)	
Other changes	6,174		(12,981)	
Cash generated from operating activities	2,252		154,218	
Interest paid	(11,889)		(14,933)	
Taxes paid	(11,170)		(14,758)	
CASH FLOW FROM OPERATING ACTIVITIES (A)	(20,807)		124,527	
INVESTMENT ACTIVITIES				
18 Investment in property, plant and equipment	(16,540)		(19,343)	
Sale price, or repayment value, of property, plant and equipment	150		19	
17 Investment in intangible assets	(36,281)		(41,083)	
Sale price, or repayment value, of intangible assets	5		11	
Public grants collected	796		1,413	
Dividends cashed	0		18	
Collected interests	146		361	
CASH FLOW FROM INVESTMENT ACTIVITIES (B)	(51,724)		(58,604)	
FINANCING ACTIVITIES				
41 Purchase of treasury shares	(217)		(148)	
41 Outflow for dividends paid	(19,642)		(32,155)	
38 Loans received	110,998		31,169	
38 Outflow for repayment of loans	(47,147)		(90,688)	
38 Lease payments for rights of use	(3,363)		(2,952)	
CASH FLOW FROM FINANCING ACTIVITIES (C)	40,629		(94,774)	
Increase/(Decrease) in cash and cash equivalents (A+B+C)	(31,902)		(28,851)	
OPENING BALANCE	190,728		188,386	
Exchange differences	(179)		999	
CLOSING BALANCE	158,647		160,534	

CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

Movements from 1 January 2020 / 30 June 2020

	SHARE CAPITAL	SHARE PREMIUM RESERVE	LEGAL RESERVE	RESERVE FOR MEASURE- MENT OF FINANCIAL INSTRUMENTS	IAS TRANSITION RESERVE	GROUP TRANSLATION RESERVE	TREASURY SHARES	EARNINGS RESERVE	CONSOLIDA- TED GROUP SHAREHOL- DERS' EQUITY	SHARE CAPITAL AND RESERVES ATTRIBUTABLE TO NON-CON- TROLLING INTERESTS	TOTAL SHA- REHOLDERS' EQUITY
NOTES IN THOUSANDS OF EUROS											
As of 1 January 2020	207,614	7,171	21,904	(29)	(15,525)	(27,896)	(1,749)	192,525	384,015	(208)	383,807
Profit for the period									9,074		9,074
42 Other Comprehensive Income				98		(5,056)		195	(4,763)	55	(4,708)
Total profit (loss) for the period	0	0	0	98	0	(5,056)	0	195	4,311	55	4,366
Transactions with shareholders:											
41 Allocation of profits			2,311					(2,311)	0		0
41 Distribution of dividends								(19,642)	(19,642)		(19,642)
41 Purchase of treasury shares							(217)		(217)		(217)
As of 30 June 2020	207,614	7,171	24,215	69	(15,525)	(32,952)	(1,966)	170,767	368,467	(153)	368,314

Movements from 1 January 2019 / 30 June 2019

	SHARE CAPITAL	SHARE PREMIUM RESERVE	LEGAL RESERVE	RESERVE FOR MEASURE- MENT OF FINANCIAL INSTRUMENTS	IAS TRANS- ITION RESERVE	GROUP TRANSLATION RESERVE	TREASURY SHARES	EARNINGS RESERVE	CONSOLIDA- TED GROUP SHAREHOL- DERS' EQUITY	SHARE CAPITAL AND RESERVES ATTRIBUTABLE TO NON-CON- TROLLING INTERESTS	TOTAL SHA- REHOLDERS' EQUITY
NOTES IN THOUSANDS OF EUROS											
As of 1 January 2019	207,614	7,171	20,125	(114)	(15,525)	(27,607)	(1,537)	202,036	392,163	(211)	391,952
Profit for the period								34,561	34,561		34,561
42 Other Comprehensive Income				123		1,590		(2,234)	(521)	(4)	(525)
Total profit (loss) for the period	0	0	0	123	0	1,590	0	32,327	34,040	(4)	34,036
Transactions with shareholders:											
41 Allocation of profits			1,779					(1,779)	0		0
41 Distribution of dividends								(32,155)	(32,155)		(32,155)
41 Purchase of treasury shares							(148)		(148)		(148)
As of 30 June 2019	207,614	7,171	21,904	9	(15,525)	(26,017)	(1,685)	200,429	393,900	(215)	393,685

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 2019, while it has changed compared to the Consolidated Financial Statements as of 30 June 2019 due to the liquidation of the company Piaggio Group Canada on 25 October 2019.

2. Compliance with international accounting standards

These Condensed Interim Financial Statements have been prepared in compliance with international accounting standards (IAS/IFRS), in force, issued by the International Accounting Standards Board and approved by the European Union, and in compliance with provisions established by Consob in Communication no. 6064293 of 28 July 2006. The interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously the Standing Interpretations Committee ("SIC"), were also taken into account.

During the drafting of these Condensed Interim Financial Statements, prepared in compliance with IAS 34 - Interim Financial Reporting, the same accounting standards adopted in the drafting of the Consolidated Financial Statements as of 31 December 2019 were applied, with the exception of the paragraph "New accounting standards, amendments and interpretations adopted from 1 January 2020".

The information provided in the Half-Year Report should be read together with the Consolidated Financial Statements as of 31 December 2019, 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 2019.

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.

In particular, following the health emergency caused by COVID-19, the Group tested the recoverability of goodwill for impairment. Analyses did not identify any impairment losses. Therefore no impairment was reflected in consolidated data as of 30 June 2020. Further details are available in Note 17 Intangible assets, to which reference is made.

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 subjected to a limited review by PricewaterhouseCoopers S.p.A..

NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS ADOPTED FROM 1 JANUARY 2020

Amendments to IAS 1 and IAS 8

In October 2018, the IASB published some amendments to IAS 1 and IAS 8 that provide clarifications on the definition of "materiality".

Amendments to IFRS 9, IAS 39 and IFRS 7

In September 2019, the IASB published some amendments to IFRS 9, IAS 39 and IFRS 7 with some findings on the reform determining interbank rates. The findings concern the recognition of hedging and imply that a change in the interbank rate (IBOR) should not generally cause the accounting closure of hedging operations. However, the effects of all ineffective hedging should continue to be recognised in the income statement. Given the extensive nature of hedging that involves contracts based on interbank rates, the findings will concern companies from all sectors.

Amendments to IFRS 3

In October 2018, the IASB published some amendments to IFRS 3 that amend the definition of "business".

These amendments have applied since 1 January 2020.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET APPLICABLE

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

- In May 2017, IASB issued the new standard IFRS 17 – Insurance Contracts. The new standard will replace IFRS 4 and will be effective from 1 January 2021.
- In January 2020, the IASB published some amendments to IAS 1 that clarify the definition of "current" or "non-current" liabilities based on rights existing at the reporting date. These amendments will apply from 1 January 2022.
- In May 2020, the IASB published an amendment to IFRS 16, which provides a practical expedient for the evaluation of lease agreements, if lease payments are renegotiated following COVID-19. The lessee may opt to recognise the concession in the accounts as a variable lease payment in the period when a lower payment is recognised.

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

Other information

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

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

CURRENCY	SPOT EXCHANGE RATE 30 JUNE 2020	AVERAGE EXCHANGE RATE 1 ST HALF OF 2020	SPOT EXCHANGE RATE 31 DECEMBER 2019	AVERAGE EXCHANGE RATE 1 ST HALF OF 2019
US Dollar	1.1198	1.10205	1.1234	1.12978
Pounds Sterling	0.91243	0.874632	0.85080	0.873632
Indian Rupee	84.6235	81.70462	80.1870	79.12400
Singapore Dollars	1.5648	1.54107	1.5111	1.53560
Chinese Yuan	7.9219	7.75091	7.8205	7.66778
Croatian Kuna	7.5708	7.53364	7.4395	7.41999
Japanese Yen	120.66	119.26683	121.94	124.28360
Vietnamese Dong	25,358.66	25,116.58619	25,746.15	26,065.46833
Canadian Dollars	1.5324	1.50326	1.4598	1.50688
Indonesian Rupiah	16,259.50	16,111.50198	15,573.69	16,046.66230
Brazilian Real	6.1118	5.41039	4.5157	4.34174



B) SEGMENT REPORTING

3. Operating segment reporting

The organisational structure of the Group is based on 3 Geographic Segments, involved in the production and sale of vehicles, relative spare parts and assistance in areas under their responsibility: Emea and Americas, India and Asia Pacific 2W. Operating segments are identified by management, in line with the management and control model used. In particular, the structure of disclosure corresponds to the structure of periodic reporting analysed by the Chairman and Chief Executive Officer for business management purposes.

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

- Emea and 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 Americas, are handled by individual segments.



INCOME STATEMENT BY OPERATING SEGMENT

		EMEA AND AMERICAS	INDIA	ASIA PACIFIC 2W	TOTAL
Sales volumes (unit/000)	1 st half of 2020	110.6	57.0	42.7	210.3
	1 st half of 2019	142.1	132.2	47.2	321.5
	Change	(31.6)	(75.2)	(4.5)	(111.2)
	Change %	-22.2%	-56.9%	-9.6%	-34.6%
Net turnover (millions of euros)	1 st half of 2020	391.5	107.1	101.5	600.1
	1 st half of 2019	500.0	210.4	106.5	817.0
	Change	(108.6)	(103.3)	(5.0)	(216.9)
	Change %	-21.7%	-49.1%	-4.7%	-26.5%
Gross margin (millions of euros)	1 st half of 2020	111.3	20.0	40.4	171.7
	1 st half of 2019	150.1	56.5	43.4	250.0
	Change	(38.8)	(36.5)	(3.0)	(78.3)
	Change %	-25.9%	-64.6%	-6.9%	-31.3%
EBITDA (millions of euros)	1 st half of 2020				83.1
	1 st half of 2019				134.3
	Change				(51.2)
	Change %				-38.1%
EBIT (millions of euros)	1 st half of 2020				24.7
	1 st half of 2019				75.1
	Change				(50.4)
	Change %				-67.1%
Net profit (millions of euros)	1 st half of 2020				9.1
	1 st half of 2019				34.6
	Change				(25.5)
	Change %				-73.7%



C) INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

As further stated in the Report on Operations, the trends of the income statement items commented on below were affected to a greater or lesser extent by the COVID-19 health emergency, which entailed the closure of production and commercial activities for several weeks in numerous countries.

4. Net revenues

€/000 600,084

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

This item does not include transport costs, which are recharged to customers (€/000 13,252) and invoiced advertising cost recoveries (€/000 1,511), which are posted under other operating income.

The revenues for disposals of Group core business assets essentially refer to the marketing of vehicles and spare parts on European and non-European markets.

Revenues by geographic segment

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

IN THOUSANDS OF EUROS	1 ST HALF OF 2020		1 ST HALF OF 2019		CHANGES	
	AMOUNT	%	AMOUNT	%	AMOUNT	%
EMEA and Americas	391,457	65.2	500,041	61.2	(108,584)	-21.7
India	107,110	17.9	210,429	25.8	(103,319)	-49.1
Asia Pacific 2W	101,517	16.9	106,487	13.0	(4,970)	-4.7
Total	600,084	100.0	816,957	100.0	(216,873)	-26.5

In the first half of 2020, net sales revenues recorded a 26.5% decrease compared to the same period in the previous year. For a more detailed analysis of trends in individual geographic segments, see comments in the Report on Operations.

5. Cost for materials

€/000 (366,006)

Costs for materials decreased by €/000 128,208 compared to the first half of 2019. The item includes €/000 8,569 (€/000 9,681 in the first half of 2019) for purchases of scooters from the Chinese affiliate Zongshen Piaggio Foshan Motorcycle Co., that are sold on European and Asian markets.

The following table details the content of this item:

IN THOUSANDS OF EUROS	1 ST HALF OF 2020	1 ST HALF OF 2019	CHANGE
Raw, ancillary materials, consumables and goods	(391,782)	(512,992)	121,210
Change in inventories of raw, ancillary materials, consumables and goods	10,918	15,086	(4,168)
Change in work in progress of semifinished and finished products	14,858	3,692	11,166
Total	(366,006)	(494,214)	128,208

6. Costs for services and leases and rental costs

€/000 (86,697)

Below is a breakdown of this item:

IN THOUSANDS OF EUROS	1 ST HALF OF 2020	1 ST HALF OF 2019	CHANGE
Employee costs	(4,177)	(8,410)	4,233
External maintenance and cleaning costs	(4,115)	(4,128)	13
Energy and telephone costs	(6,192)	(8,534)	2,342
Postal expenses	(345)	(396)	51
Commissions payable	(171)	(219)	48
Advertising and promotion	(11,297)	(22,425)	11,128
Technical, legal and tax consultancy and services	(6,551)	(9,055)	2,504
Company boards operating costs	(1,192)	(1,201)	9
Insurance	(2,119)	(2,200)	81
Outsourced manufacturing	(8,257)	(13,550)	5,293
Outsourced services	(7,170)	(7,676)	506
Transport costs (vehicles and spare parts)	(16,655)	(19,474)	2,819
Sundry commercial expenses	(2,286)	(5,053)	2,767
Expenses for public relations	(711)	(1,913)	1,202
Product warranty costs	(276)	(910)	634
Costs for quality-related events	(2,757)	(615)	(2,142)
Bank costs and factoring charges	(2,364)	(2,976)	612
Other services	(4,011)	(4,943)	932
Insurance from related parties	(17)	(17)	0
Services from related parties	(1,023)	(1,125)	102
Lease and rental costs	(5,011)	(5,517)	506
Costs for services and leases and rental costs	(86,697)	(120,337)	33,640

Costs for services and leases and rentals decreased by €/000 33,640 compared to the first six months of 2019. The item includes costs for temporary work of €/000 582.

The increase in the item "Costs for quality-related events" was offset by the corresponding increase in the item "Compensation for quality-related events" recognised under other operating income.

7. Employee costs

€/000 (102,808)

Employee costs include €/000 1,494 relating to costs for redundancy plans for the Pontedera and Noale production sites.

IN THOUSANDS OF EUROS	1 ST HALF 2020	1 ST HALF 2019	CHANGE
Salaries and wages	(78,211)	(90,260)	12,049
Social security contributions	(18,774)	(22,830)	4,056
Termination benefits	(3,605)	(3,626)	21
Other costs	(2,218)	(1,592)	(626)
Total	(102,808)	(118,308)	15,500

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

LEVEL	AVERAGE NUMBER		CHANGE
	1 ST HALF OF 2020	1 ST HALF OF 2019	
Senior management	105.8	103.5	2.3
Middle management	665.0	659.0	6.0
White collars	1,691.0	1,735.0	(44.0)
Blue collars	3,893.9	3,995.2	(101.3)
Total	6,355.7	6,492.7	(137.0)

In the first half of 2020, the average headcount was down slightly in all geographic areas, also considering the COVID emergency, with the exception of Vietnam, where production never stopped. During lockdown, the Group obviously used fewer temporary staff.

	NUMBER AS OF		CHANGE
	30 JUNE 2020	31 DECEMBER 2019	
Senior management	108	106	2
Middle management	662	667	(5)
White collars	1,675	1,708	(33)
Blue collars	3,710	3,741	(31)
Total	6,155	6,222	(67)
EMEA and Americas	3,634	3,483	151
India	1,535	1,749	(214)
Asia Pacific 2W	986	990	(4)
Total	6,155	6,222	(67)

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

LEVEL	AS OF 31.12.19	INCOMING	LEAVERS	RELOCATIONS	AS OF 30.06.20
Senior management	106	4	(5)	3	108
Middle management	667	16	(29)	8	662
White collars	1,708	59	(83)	(9)	1,675
Blue collars	3,741	878	(907)	(2)	3,710
Total	6,222	957	(1,024)	0	6,155

8. Amortisation/depreciation and impairment costs

€/000 (58,402)

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

IN THOUSANDS OF EUROS	1 ST HALF OF 2020	1 ST HALF OF 2019	CHANGE
PROPERTY, PLANT AND EQUIPMENT			
Buildings	(2,428)	(2,485)	57
Plant and machinery	(10,307)	(10,665)	358
Industrial and commercial equipment	(4,888)	(4,768)	(120)
Other assets	(2,279)	(2,348)	69
Total depreciation of property, plant and equipment	(19,902)	(20,266)	364
Write-down of property, plant and equipment			
Total depreciation of property, plant and equipment and impairment costs	(19,902)	(20,266)	364

IN THOUSANDS OF EUROS	1 ST HALF OF 2020	1 ST HALF OF 2019	CHANGE
INTANGIBLE ASSETS			
Development costs	(14,679)	(15,613)	934
Industrial Patent and Intellectual Property Rights	(17,089)	(17,134)	45
Concessions, licences, trademarks and similar rights	(2,411)	(2,411)	0
Other	(162)	(77)	(85)
Total amortisation of intangible assets	(34,341)	(35,235)	894
Write-down of intangible assets		(283)	283
Total amortisation of intangible assets and impairment costs	(34,341)	(35,518)	1,177

IN THOUSANDS OF EUROS	1 ST HALF OF 2020	1 ST HALF OF 2019	CHANGE
Total depreciation of rights of use	(4,159)	(3,431)	(728)

9. Other operating income

€/000 49,119

This item consists of:

IN THOUSANDS OF EUROS	1 ST HALF OF 2020	1 ST HALF OF 2019	CHANGE
Operating grants	2,033	2,235	(202)
Increases in fixed assets from internal work	22,826	26,903	(4,077)
Other revenue and income:			
- Rent receipts	256	2,230	(1,974)
- Capital gains on the disposal of assets	1	14	(13)
- Sale of miscellaneous materials	271	574	(303)
- Recovery of transport costs	13,252	14,969	(1,717)
- Recovery of advertising costs	1,511	3,047	(1,536)
- Recovery of sundry costs	1,033	1,806	(773)
- Compensation	250	157	93
- Compensation for quality-related events	2,008	493	1,515
- Licence rights and know-how	1,251	1,122	129
- Sponsorship		1,484	(1,484)
- Other income	4,111	7,169	(3,058)
- Other Group income	316	168	148
Total other operating income	49,119	62,371	(13,252)

The item "Operating grants" includes the amount of €/000 634 for government and Community grants for research projects and export subsidies of €/000 452 received from the Indian affiliate. The former are recognised in profit or loss, strictly relating to the amortisation and depreciation of capitalised costs for which they were received.

10. Net reversals (impairment) of trade and other receivables

€/000 (707)

This item consists of:

IN THOUSANDS OF EUROS	1 ST HALF OF 2020	1 ST HALF OF 2019	CHANGE
Release of provisions	58	91	(33)
Losses on receivables	(97)	(96)	(1)
Write-down of receivables in working capital	(668)	(791)	123
Total	(707)	(796)	89

11. Other operating costs

€/000 (9,897)

This item consists of:

IN THOUSANDS OF EUROS	1 ST HALF OF 2020	1 ST HALF OF 2019	CHANGE
Provision for future risks	(4)	(4)	0
Provisions for product warranties	(3,654)	(6,137)	2,483
Duties and taxes not on income	(2,169)	(2,225)	56
Various subscriptions	(709)	(683)	(26)
Capital losses from disposal of assets	(3)	(31)	28
Losses from changes in the fair value of investment property	(1,946)	(994)	(952)
Miscellaneous expenses	(1,412)	(1,316)	(96)
<i>Total sundry operating costs</i>	<i>(6,239)</i>	<i>(5,249)</i>	<i>(990)</i>
Total	(9,897)	(11,390)	1,493

The item Losses from changes in the fair value of investment property relates to the depreciation noted in the appraisal overseen by an independent expert 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

€/000 564

Income from investments is due to the portion attributable to the Group of the Zongshen Piaggio Foshan Motorcycle Co. Ltd joint venture (€/000 547) and affiliated company Pontech (€/000 17) measured at equity.

13. Net financial income (borrowing costs)

€/000 (10,127)

The balance of financial income (borrowing costs) for the first six months of 2020 was negative by €/000 10,127, an improvement on the figure of €/000 12,634 for the same period of the previous year, thanks to a reduction in the cost of debt and positive contribution from currency operations, which more than offset the increase in average debt.

14. Taxes

€/000 (6,049)

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

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:

		1 ST HALF 2020	1 ST HALF OF 2019
Net profit	€/000	9,074	34,561
Earnings attributable to ordinary shares	€/000	9,074	34,561
Average number of ordinary shares in circulation		357,177,192	357,286,614
Earnings per ordinary share	€	0.025	0.097
Adjusted average number of ordinary shares		357,177,192	357,286,614
Diluted earnings per ordinary share	€	0.025	0.097



D) INFORMATION ON OPERATING ASSETS AND LIABILITIES

17. Intangible assets

€/000 677,349

Intangible assets went up overall by €/000 1,166 mainly due to investments for the period which were only partially balanced by amortisation for the period.

Increases mainly refer to the capitalisation of development costs and know-how for new products and new engines, as well as the purchase of software.

During the first half of 2020, borrowing costs for €/000 634 were capitalised.

The table below shows the breakdown of intangible assets as of 30 June 2020, as well as changes during the period.



	DEVELOPMENT COSTS			PATENT RIGHTS AND KNOW-HOW			CONCES- SIONS, LICENCES AND TRA- DEMARKS	GOODWILL	OTHER			TOTAL					
	IN SERVICE	ASSETS UNDER DEVELOP- MENT AND ADVANCES	TOTAL	IN SERVICE	ASSETS UNDER DEVELOP- MENT AND ADVANCES	TOTAL			IN SERVICE	ASSETS UNDER DEVELOP- MENT AND ADVANCES	TOTAL	IN SERVICE	ASSETS UNDER DEVELOP- MENT AND ADVANCES	TOTAL	IN SERVICE	ASSETS UNDER DEVELOP- MENT AND ADVANCES	TOTAL
IN THOUSANDS OF EUROS																	
Historical cost	291,228	38,272	329,500	413,157	43,957	457,114	190,737	557,322	8,447	8,447	8,447	1,460,891	82,229	1,543,120			
Provisions for write-down	(2,043)	(1,755)	(3,798)	(12)	(12)	(24)						(2,055)	(1,755)	(3,810)			
Accumulated amortisation	(237,425)	(237,425)	(474,850)	(351,008)	(351,008)	(702,016)	(156,375)	(110,382)	(7,937)	(7,937)	(7,937)	(863,127)	0	(863,127)			
Assets as of 01/01/2020	51,760	36,517	88,277	62,137	43,957	106,094	34,362	446,940	510	0	510	595,709	80,474	676,183			
Investments	715	16,208	16,923	2,159	17,167	19,326			14	18	32	2,888	33,393	36,281			
Transitions in the period	8,552	(8,552)	0	3,488	(3,488)	0					0	12,040	(12,040)	0			
Amortisation	(14,679)		(14,679)	(17,089)		(17,089)	(2,411)		(162)		(162)	(34,341)	0	(34,341)			
Disposals	0		0	0		0			(5)		(5)	(5)	0	(5)			
Write-downs	0		0	0		0					0	0	0	0			
Exchange differences	(465)	(254)	(719)	(41)	(13)	(54)			4		4	(502)	(267)	(769)			
Total movements for the period	(5,877)	7,402	1,525	(11,483)	13,666	2,183	(2,411)	0	(149)	18	(131)	(19,920)	21,086	1,166			
Historical cost	295,664	45,582	341,246	418,319	57,623	475,942	190,737	557,322	8,564	18	8,582	1,470,606	103,223	1,573,829			
Provisions for write-down		(1,663)	(1,663)	0	0	0					0	0	(1,663)	(1,663)			
Accumulated amortisation	(249,781)	(249,781)	(499,562)	(367,665)	(367,665)	(735,330)	(158,786)	(110,382)	(8,203)	(8,203)	(8,203)	(894,817)	0	(894,817)			
Assets as of 30/06/2020	45,883	43,919	89,802	50,654	57,623	108,277	31,951	446,940	361	18	379	575,789	101,560	677,349			

Development costs include costs for products and engines referable to projects for which, as regards the period of the useful life of the asset, revenues are expected that allow for at least the costs incurred to be recovered. Assets under development refer to costs for which conditions for capitalisation apply, but that refer to products that will go into production in subsequent years.

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

In the first half of 2020, development costs amounting to €/000 7,107 were carried as expenses directly in the income statement.

The item Patent rights comprises software for €/000 26,336 and patents and know-how.

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 2020-2021 range.

Costs for industrial patent and intellectual property rights are amortised on a straight line basis over a period of 3 to 5 years, in consideration of their remaining useful life.

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

IN THOUSANDS OF EUROS	AS OF 30 JUNE 2020	AS OF 31 DECEMBER 2019	CHANGE
Guzzi trademark	10,562	11,375	(813)
Aprilia trademark	20,755	22,351	(1,596)
Minor trademarks	23	25	(2)
Foton licence	611	611	0
Total	31,951	34,362	(2,411)

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

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

Goodwill was attributed to cash generating units.

IN THOUSANDS OF EUROS	AS OF 30 JUNE 2020	AS OF 31 DECEMBER 2019	CHANGE
EMEA and Americas	305,311	305,311	0
India	109,695	109,695	0
Asia Pacific 2W	31,934	31,934	0
Total	446,940	446,940	0

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

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

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

Considering the particular situation due to the COVID-19 health emergency, the recoverability of goodwill was also tested as of 30 June 2020, producing some scenarios and using the long-term plan approved by the Board of Directors of the Company on 24 February 2020 as the reference, which made the following assumptions:

- assumed financial flows for a four-year time horizon (2020 - 2023);
- the WACC discount rate differentiated by CGU;
- in addition to the period, a growth rate (g rate), also differentiated by CGU.

The Directors approved a new impairment test on 27 July 2020, updating its main basic elements:

- a. the WACC discount rate differentiated by CGU that reflects current market valuations of the cost of money and takes into account the specific risks of the activity and geographic area where the cash generating unit operates. The construction logics have not changed compared to the past;
- b. the grow rate beyond the specific period (g rate) differentiated by CGU, determined to reflect the different growth potential of each unit. In this case as well, the construction logics have not changed compared to the past.

The Directors then estimated the effects of the health emergency on the original plan for the period (1 July 2020 - 31 December 2023), also considering the overall decrease as of 30 June 2020.

At present, no updated market studies are available in order to devise a new long-term plan, which will be prepared in the next few months. In view also of this point, the following aspects were considered when producing the impairment test and scenarios, to determine impacts in the period, as well as the considerations made previously:

- a. the performance of the reference market where the Group operates, identified in June 2020, along with an estimate of the trend identified in July, with figures being finalised, and the portfolio of orders already obtained by the Group, with the "EMEA and Americas" and "Asia Pacific 2W" CGUs, which is even better than figures recorded in the previous year, while the India CGU has still been affected by some intermittent lockdowns ordered by the Indian government;
- b. the reference sector is robust, as demonstrated by surveys conducted, the world population is now seeking independent mobility over public transport;
- c. analysts' expectations for the Piaggio Group (source: Analyst Reports 2019-2020).

A basic scenario has therefore been developed which considers an average decrease in the period in terms of EBITDA equal to around 13%, compared to the plan approved on 24 February 2020.

Details of the main assumptions used for the impairment test approved on 27 July 2020 are given below, and compared with the assumptions used for the plan and impairment test approved on 24 February 2020:

	EMEA AND AMERICAS	ASIA PACIFIC 2W	INDIA
Plan - 24 February 2020			
WACC	5.2%	7.6%	9.8%
G	1.0%	2.0%	2.0%
Impairment test - 27 July 2020			
WACC	6.1%	8.2%	10.2%
G	1.0%	2.0%	2.0%

Despite the reductions indicated, no impairment losses were identified for any of the CGUs, even though the time horizon considered was just 3.5 years (1 July 2020 - 31 December 2023) in line with the plan approved on 24 February 2020. The sensitivity analyses carried out using the same methodology for impairment testing on the 2019 Financial Statements did not identify any impairment losses for the CGUs and in all cases developed the value in use of the Group was therefore higher than the net carrying amount tested.

Given that the recoverable value was determined in any case on estimates and assumptions, the Group cannot ensure that there will be no impairment losses of goodwill in future financial periods. Given the current climate of uncertainty, the Piaggio Group will continually monitor various factors and the existence of impairment losses.

18. Property, plant and equipment

€/000 256,595

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 2020, borrowing costs for €/000 191 were capitalised.

The table below shows the breakdown of intangible assets as of 30 June 2020, as well as changes during the period.



19. Rights of use

€/000 37,180

This financial statement item refers to the discounted value of operating lease payments due, as provided for by IFRS 16.

IN THOUSANDS OF EUROS	LAND	BUILDINGS	PLANT AND MACHINERY	EQUIPMENT	OTHER ASSETS	TOTAL
Assets as of 01 01 2020	7,576	15,022	9,844	108	3,936	36,486
Increases		4,765			356	5,121
Depreciation	(95)	(2,750)	(428)	(56)	(830)	(4,159)
Exchange differences	(42)	(147)		3	(24)	(210)
Other changes		(23)	(1)		(34)	(58)
Total movements for the period	(137)	1,845	(429)	(53)	(532)	694
Assets as of 30 06 2020	7,439	16,867	9,415	55	3,404	37,180

The Group opted to use the optional exemption provided for by IASB for low value and short-term lease agreements. Future lease rental commitments are detailed in note 38.

20. Investment Property

€/000 7,257

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 2020	9,203
Fair value adjustment	(1,946)
Balance as of 30 June 2020	7,257

The carrying amount as of 30 June 2020 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 7,257. 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 2020 resulted in profit adjusted to fair value, equal to €/000 1,946 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 5,848. During the first half of 2020, costs incurred for site management amounted to €/000 196.

21. Deferred tax assets

€/000 60,967

Deferred tax assets and liabilities are recognised at their net value when they may be offset in the same tax jurisdiction. As part of measurements to define deferred tax assets, the Group mainly considered the following:

- tax regulations of countries where it operates, the impact of regulations in terms of temporary differences and any tax benefits arising from the use of previous tax losses;
- taxable income expected in the medium term for each single company and the economic and tax impact. In this framework, the plans from the reprocessing of the Group plan approved by the Board of Directors on 24 February 2020 were used as the reference, revised following the impairment test approved on 27 July 2020. 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;
- the tax rate in effect in the year when temporary differences occur.

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

22. Inventories

€/000 241,251

This item comprises:

IN THOUSANDS OF EUROS	AS OF 30 JUNE 2020	AS OF 31 DECEMBER 2019	CHANGE
Raw materials and consumables	128,789	110,954	17,835
Provision for write-down	(11,310)	(10,429)	(881)
<i>Net value</i>	<i>117,479</i>	<i>100,525</i>	<i>16,954</i>
Work in progress and semi-finished products	16,584	19,167	(2,583)
Provision for write-down	(852)	(852)	0
<i>Net value</i>	<i>15,732</i>	<i>18,315</i>	<i>(2,583)</i>
Finished products and goods	124,744	113,825	10,919
Provision for write-down	(17,957)	(19,778)	1,821
<i>Net value</i>	<i>106,787</i>	<i>94,047</i>	<i>12,740</i>
Advances	1,253	1,795	(542)
Total	241,251	214,682	26,569

As of 30 June 2020, inventories had increased by €/000 26,569, in line with the trend expected for production volumes and sales in the future.

23. Trade receivables (current and non-current)

€/000 120,991

As of 30 June 2020 and 31 December 2019, there were no trade receivables in non-current assets. Current trade receivables are broken down as follows:

IN THOUSANDS OF EUROS	AS OF 30 JUNE 2020	AS OF 31 DECEMBER 2019	CHANGE
Trade receivables due from customers	119,866	77,203	42,663
Trade receivables due from JV	1,088	969	119
Trade receivables due from parent companies	25	23	2
Trade receivables due from associates	12		12
Total	120,991	78,195	42,796

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 26,451.

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 2020, trade receivables still due sold without recourse totalled €/000 138,690.

Of these amounts, Piaggio received payment prior to natural expiry of €/000 126,070.

As of 30 June 2020, advance payments received from factoring companies and banks, for trade receivables sold with recourse totalled €/000 11,849 with a counter entry recorded in current liabilities.

24. Other receivables (current and non-current)

€/000 49,647

They consist of:

	AS OF 30 JUNE 2020			AS OF 31 DECEMBER 2019			CHANGE		
	CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL
IN THOUSANDS OF EUROS									
Receivables due from parent companies	13,387		13,387	13,260		13,260	127		127
Receivables due from joint ventures	1,496		1,496	1,313		1,313	183		183
Receivables due from affiliated companies		81	81	28	81	109	(28)		(28)
Accrued income	3,488		3,488	2,616		2,616	872		872
Deferred charges	5,252	12,703	17,955	4,219	10,751	14,970	1,033	1,952	2,985
Advance payments to suppliers	1,601	1	1,602	2,446		2,446	(845)	1	(844)
Advances to employees	281	30	311	1,245	31	1,276	(964)	(1)	(965)
Fair value of hedging derivatives	453		453	123		123	330		330
Security deposits	275	1,353	1,628	299	1,362	1,661	(24)	(9)	(33)
Receivables due from others	7,807	1,439	9,246	6,157	1,413	7,570	1,650	26	1,676
Total	34,040	15,607	49,647	31,706	13,638	45,344	2,334	1,969	4,303

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

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

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

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

25. Tax receivables (current and non-current)

€/000 25,533

Receivables due from tax authorities consist of:

	AS OF 30 JUNE 2020			AS OF 31 DECEMBER 2019			CHANGE		
	CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL
IN THOUSANDS OF EUROS									
VAT	9,768	1,213	10,981	13,385	4,209	17,594	(3,617)	(2,996)	(6,613)
Income tax	3,006	9,788	12,794	2,141	9,886	12,027	865	(98)	767
Others	1,739	19	1,758	3,012	19	3,031	(1,273)		(1,273)
Total	14,513	11,020	25,533	18,538	14,114	32,652	(4,025)	(3,094)	(7,119)

26. Receivables due after 5 years €/000 0

As of 30 June 2020, there were no receivables due after 5 years.

27. Assets held for sale €/000 0

As of 30 June 2020, there were no assets held for sale.

28. Trade payables (current and non-current) €/000 459,511

As of 30 June 2020 and as of 31 December 2019 no trade payables were recorded under non-current liabilities. Trade payables recorded as current liabilities are broken down as follows:

IN THOUSANDS OF EUROS	AS OF 30 JUNE 2020	AS OF 31 DECEMBER 2019	CHANGE
Amounts due to suppliers	451,832	472,987	(21,155)
Trade payables to JV	7,228	5,318	1,910
Trade payables due to associates	235	26	209
Trade payables due to parent companies	216	357	(141)
Total	459,511	478,688	(19,177)
<i>of which reverse factoring</i>	<i>166,106</i>	<i>197,640</i>	<i>(31,534)</i>

To facilitate credit conditions for its suppliers, the Group has always used some factoring agreements, mainly supply chain financing and reverse factoring agreements. These operations have not changed the primary obligation or substantially changed payment terms, so their nature is the same and they are still classified as trade liabilities.

As of 30 June 2020, the value of trade payables covered by reverse factoring or supply chain financing agreements was equal to €/000 166,106 (€/000 197,640 as of 31 December 2019).

29. Provisions (current and non-current portion) €/000 26,946

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

IN THOUSANDS OF EUROS	BALANCE AS OF 31 DECEMBER 2019	ALLOCA- TIONS	USES	RECLASSIFI- CATIONS	EXCHANGE DIFFERENCES	BALANCE AS OF 30 JUNE 2020
Provision for product warranties	19,335	3,654	(2,817)	11	(176)	20,007
Provision for contractual risks	3,816	7			3	3,826
Risk provision for legal disputes	2,358		(110)		1	2,249
Provisions for risk on guarantee	58					58
Other provisions for risks	1,001		(195)			806
Total	26,568	3,661	(3,122)	11	(172)	26,946

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

	AS OF 30 JUNE 2020			AS OF 31 DECEMBER 2019			CHANGE		
	CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL
IN THOUSANDS OF EUROS									
Provision for product warranties	12,707	7,300	20,007	12,498	6,837	19,335	209	463	672
Provisions for contractual risks	826	3,000	3,826	816	3,000	3,816	10		10
Risk provision for legal disputes	586	1,663	2,249	695	1,663	2,358	(109)		(109)
Provisions for risk on guarantee		58	58		58	58			
Other provisions for risks and charges	248	558	806	443	558	1,001	(195)		(195)
Total	14,367	12,579	26,946	14,452	12,116	26,568	(85)	463	378

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 3,654 and was used for €/000 2,817 in relation to charges incurred during the period.

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

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

30. Deferred tax liabilities

€/000 4,275

Deferred tax liabilities amount to €/000 4,275 compared to €/000 7,762 as of 31 December 2019.

31. Retirement funds and employee benefits

€/000 37,475

IN THOUSANDS OF EUROS	AS OF 30 JUNE 2020	AS OF 31 DECEMBER 2019	CHANGE
Retirement funds	901	868	33
Termination benefits provision	36,574	38,129	(1,555)
Total	37,475	38,997	(1,522)

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

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

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

Technical annual discount rate	0.74%
Annual rate of inflation	1.20% as from 2020
Annual rate of increase in termination benefits	2.400% as from 2020

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 the iBoxx Corporates A rating with a 7-10 duration had been used, the value of actuarial losses and the provision as of 30 June 2020 would have been lower by €/000 2,517.

The table below shows the effects, in absolute terms, as of 30 June 2020, which would have occurred following changes in reasonably possible actuarial assumptions:

IN THOUSANDS OF EUROS	PROVISION FOR TERMINATION BENEFITS
Turnover rate +2%	36,218
Turnover rate -2%	36,958
Inflation rate +0.25%	37,090
Inflation rate - 0.25%	36,058
Discount rate +0.50%	35,750
Discount rate -0.50%	37,419

The average financial duration of the bond ranges from 10 to 24 years.

Estimated future amounts are equal to:

IN THOUSANDS OF EUROS	FUTURE AMOUNTS
YEAR	
1	5,383
2	2,054
3	2,517
4	1,317
5	1,098

The affiliates operating in Germany and Indonesia have provisions for employees identified as defined benefit plans. As of 30 June 2020, these provisions amounted to €/000 129 and €/000 208 respectively.

32. Tax payables (current and non-current)

€/000 9,017

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

	AS OF 30 JUNE 2020			AS OF 31 DECEMBER 2019			CHANGE		
	CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL
IN THOUSANDS OF EUROS									
Due for income tax	3,271		3,271	8,291		8,291	(5,020)		(5,020)
Due for non-income tax	66		66	134		134	(68)		(68)
Tax payables for:									
- VAT	1,170		1,170	1,089		1,089	81		81
- Tax withheld at source	4,107		4,107	5,144		5,144	(1,037)		(1,037)
- Other	403		403	276		276	127		127
Total	5,680		5,680	6,509		6,509	(829)		(829)
TOTAL	9,017	0	9,017	14,934	0	14,934	(5,917)	0	(5,917)

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

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

33. Other payables (current and non-current)

€/000 52,193

This item comprises:

	AS OF 30 JUNE 2020			AS OF 31 DECEMBER 2019			CHANGE		
	CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL
IN THOUSANDS OF EUROS									
To employees	21,502	446	21,948	17,712	471	18,183	3,790	(25)	3,765
Guarantee deposits		3,177	3,177		3,247	3,247	0	(70)	(70)
Accrued expenses	6,045		6,045	4,122		4,122	1,923		1,923
Deferred income	4,117	2,649	6,766	1,303	2,649	3,952	2,814		2,814
Amounts due to social security institutions	6,985		6,985	8,765		8,765	(1,780)		(1,780)
Fair value of derivatives	955		955	46		46	909		909
To JV	3		3	3		3			
To associates				9		9	(9)		(9)
To parent companies	51		51	11		11	40		40
Others	6,193	70	6,263	10,200	70	10,270	(4,007)		(4,007)
Total	45,851	6,342	52,193	42,171	6,437	48,608	3,680	(95)	3,585

Amounts due to employees include the amount for holidays accrued but not taken of €/000 10,058 and other payments to be made for €/000 11,890.

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

The item Fair Value of hedging derivatives refers to the fair value of instruments designated as hedging derivatives.

The item Accrued liabilities includes €/000 305 for interest on hedging derivatives and relative hedged items measured at fair value.

34. Payables due after 5 years

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

35. Investments

€/000 9,332

The investments heading comprises:

IN THOUSANDS OF EUROS	AS OF 30 JUNE 2020	AS OF 31 DECEMBER 2019	CHANGE
Interests in joint ventures	9,158	8,753	405
Investments in associates	174	157	17
Total	9,332	8,910	422

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.

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

IN THOUSANDS OF EUROS	ACCOUNTS AS OF 30 JUNE 2020		ACCOUNTS AS OF 31 DECEMBER 2019	
ZONGSHEN PIAGGIO FOSHAN MOTORCYCLE CO. LTD				
		45% *		45% *
Working capital	8,619	3,879	9,327	4,198
Financial debt	6,222	2,800	4,052	1,823
Total assets	9,180	4,131	10,034	4,515
Net capital employed	24,021	10,810	23,413	10,536
Provisions	245	110	248	112
Shareholders' equity	23,776	10,700	23,165	10,424
Total sources of financing	24,021	10,810	23,413	10,536
* Group ownership				
Shareholders' equity attributable to the Group		10,700		10,424
Elimination of margins on internal transactions		(1,542)		(1,671)
Value of the investment		9,158		8,753

IN THOUSANDS OF EUROS	
RECONCILIATION OF SHAREHOLDERS' EQUITY	
Opening balance as of 1 January 2020	8,753
Profit/(Loss) for the period	418
Other comprehensive income	(142)
Elimination of margins on internal transactions	129
Closing balance as of 30 June 2020	9,158

Investments in associates

€/000 174

This item comprises:

IN THOUSANDS OF EUROS	CARRYING AMOUNT AS OF 31 DECEMBER 2019	ADJUSTMENT	CARRYING AMOUNT AS OF 30 JUNE 2020
ASSOCIATES			
Immsi Audit S.c.a.r.l.	10		10
S.A.T. S.A. - Tunisia	0		0
Depuradora D'Aigues de Martorelles	23		23
Pontech Soc. Cons. a.r.l. - Pontedera	124	17	141
Total associates	157	17	174

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

36. Other financial assets (current and non-current)

€/000 6,950

This item comprises:

	AS OF 30 JUNE 2020			AS OF 31 DECEMBER 2019			CHANGE		
	CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL
IN THOUSANDS OF EUROS									
Fair Value of hedging derivatives	3,454	3,459	6,913	3,789	3,475	7,264	(335)	(16)	(351)
Investments in other companies		37	37		37	37			
Total	3,454	3,496	6,950	3,789	3,512	7,301	(335)	(16)	(351)

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

IN THOUSANDS OF EUROS	AS OF 30 JUNE 2020	AS OF 31 DECEMBER 2019	CHANGE
OTHER COMPANIES:			
A.N.C.M.A. - Rome	2	2	-
ECOFOR SERVICE S.p.A. - Pontedera	2	2	-
Consorzio Fiat Media Center - Turin	3	3	-
S.C.P.S.T.V.	21	21	-
IVM	9	9	-
Total other companies	37	37	-

37. Cash and cash equivalents

€/000 158,647

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

IN THOUSANDS OF EUROS	AS OF 30 JUNE 2020	AS OF 31 DECEMBER 2019	CHANGE
Bank and postal deposits	158,591	128,565	30,026
Cheques		18	(18)
Cash on hand	56	47	9
Securities		62,116	(62,116)
Total	158,647	190,746	(32,099)

The item Securities as of 31 December 2019 referred 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.

IN THOUSANDS OF EUROS	AS OF 30 JUNE 2020	AS OF 30 JUNE 2019	CHANGE
Liquidity	158,647	168,459	(9,812)
Current account overdrafts		(7,925)	7,925
Closing balance	158,647	160,534	(1,887)

38. Financial liabilities and financial liabilities for rights of use (current and non-current) €/000 693,968

During the first half of 2020, the Group's total debt increased by €/000 66,944. Net of the change in right of use financial liabilities and the fair value measurement of financial derivatives to hedge foreign exchange risk and interest rate risk and the adjustment of relative hedged items, as of 30 June 2020 total financial debt of the Group had increased by €/000 64,989.

IN THOUSANDS OF EUROS	FINANCIAL LIABILITIES AS OF 30 JUNE 2020			FINANCIAL LIABILITIES AS OF 31 DECEMBER 2019			CHANGE		
	CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL
Financial liabilities	123,324	540,524	663,848	135,033	463,587	598,620	(11,709)	76,937	65,228
Gross financial debt	119,940	537,135	657,075	131,768	460,318	592,086	(11,828)	76,817	64,989
Fair value adjustment	3,384	3,389	6,773	3,265	3,269	6,534	119	120	239
Financial liabilities for rights of use	8,209	21,911	30,120	8,408	19,996	28,404	(199)	1,915	1,716
Total	131,533	562,435	693,968	143,441	483,583	627,024	(11,908)	78,852	66,944

Net financial debt of the Group amounted to €/000 528,548 as of 30 June 2020 compared to €/000 429,744 as of 31 December 2019.

IN THOUSANDS OF EUROS	AS OF 30 JUNE 2020	AS OF 31 DECEMBER 2019	CHANGE
Liquidity	158,647	190,746	(32,099)
Payables due to banks	(67,401)	(81,032)	13,631
Current portion of bank loans	(29,612)	(29,724)	112
Debenture loan	(11,031)	(11,022)	(9)
Amounts due to factoring companies	(11,849)	(9,946)	(1,903)
Financial liabilities for rights of use	(8,209)	(8,408)	199
of which finance leases	(1,170)	(1,161)	(9)
of which operating leases	(7,039)	(7,247)	208
Current portion of payables due to other lenders	(47)	(44)	(3)
Current financial debt	(128,149)	(140,176)	12,027
Net current financial debt	30,498	50,570	(20,072)
Payables due to banks	(254,190)	(178,092)	(76,098)
Debenture loan	(282,830)	(282,099)	(731)
Financial liabilities for rights of use	(21,911)	(19,996)	(1,915)
of which finance leases	(6,275)	(6,862)	587
of which operating leases	(15,636)	(13,134)	(2,502)
Amounts due to other lenders	(115)	(127)	12
Non-current financial debt	(559,046)	(480,314)	(78,732)
NET FINANCIAL DEBT	(528,548)	(429,744)	(98,804)
of which operating leases	(22,675)	(20,381)	(2,294)

Non-current financial liabilities totalled €/000 559,046 against €/000 480,314 as of 31 December 2019, whereas current financial liabilities totalled €/000 128,149 compared to €/000 140,176 as of 31 December 2019.

The attached table summarises the breakdown of financial debt as of 30 June 2020 and as of 31 December 2019, as well as changes for the period.

IN THOUSANDS OF EUROS	CASH FLOWS							BALANCE AS OF 30.06.2020
	BALANCE AS OF 31.12.2019	MOVEMENTS	REPAYMENTS	NEW ISSUES	RECLASSIFICATIONS	EXCHANGE DELTA	OTHER CHANGES	
Liquidity	190,746	(31,920)					(179)	158,647
Current account overdrafts	(18)		18					0
Current account payables	(81,014)		32,500	(18,650)		(237)		(67,401)
Current portion of medium-/ long-term bank loans	(29,724)		14,193		(14,208)	(56)	183	(29,612)
<i>Total current bank loans</i>	<i>(110,756)</i>	<i>0</i>	<i>46,711</i>	<i>(18,650)</i>	<i>(14,208)</i>	<i>(293)</i>	<i>183</i>	<i>(97,013)</i>
Debenture loan	(11,022)						(9)	(11,031)
Amounts due to factoring companies	(9,946)		445	(2,348)				(11,849)
Financial liabilities for rights of use	(8,408)		3,363		(2,919)	30	(275)	(8,209)
<i>of which finance leases</i>	<i>(1,161)</i>		<i>578</i>		<i>(587)</i>			<i>(1,170)</i>
<i>of which operating leases</i>	<i>(7,247)</i>		<i>2,785</i>		<i>(2,332)</i>	<i>30</i>	<i>(275)</i>	<i>(7,039)</i>
Current portion of payables due to other lenders	(44)		9		(12)			(47)
Current financial debt	(140,176)	0	50,528	(20,998)	(17,139)	(263)	(101)	(128,149)
Net current financial debt	50,570	(31,920)	50,528	(20,998)	(17,139)	(442)	(101)	30,498
Medium-/long-term bank loans	(178,092)			(90,000)	14,208	(31)	(275)	(254,190)
Debenture loan	(282,099)						(731)	(282,830)
Financial liabilities for rights of use	(19,996)				2,919	135	(4,969)	(21,911)
<i>of which finance leases</i>	<i>(6,862)</i>				<i>587</i>			<i>(6,275)</i>
<i>of which operating leases</i>	<i>(13,134)</i>				<i>2,332</i>	<i>135</i>	<i>(4,969)</i>	<i>(15,636)</i>
Amounts due to other lenders	(127)				12			(115)
Non-current financial debt	(480,314)	0	0	(90,000)	17,139	104	(5,975)	(559,046)
NET FINANCIAL DEBT	(429,744)	(31,920)	50,528	(110,998)	0	(338)	(6,076)	(528,548)
of which operating leases	(20,381)		2,785	0		165	(5,244)	(22,675)

Financial liabilities

€/000 657,075

Financial liabilities are broken down as follows:

IN THOUSANDS OF EUROS	ACCOUNTING BALANCE AS OF 30.06.2020	ACCOUNTING BALANCE AS OF 31.12.2019	NOMINAL VALUE AS OF 30.06.2020	NOMINAL VALUE AS OF 31.12.2019
Bank loans	351,203	288,848	352,428	290,165
Bonds	293,861	293,121	302,101	302,101
Other loans	12,011	10,117	12,011	10,117
Total	657,075	592,086	666,540	602,383

The table below shows the debt servicing schedule as of 30 June 2020:

IN THOUSANDS OF EUROS	NOMINAL VALUE AS OF 30.06.2020	AMOUNTS FALLING DUE WITHIN 12 MONTHS	AMOUNTS FALLING DUE AFTER 12 MONTHS	AMOUNTS FALLING DUE IN				
				2 ND HALF OF 2021	2022	2023	2024	AFTER
Bank loans	352,428	97,241	255,187	35,858	121,473	51,189	11,667	35,000
- of which opening of credit lines and bank overdrafts	67,401	67,401						
- of which medium/long-term bank loans	285,027	29,840	255,187	35,858	121,473	51,189	11,667	35,000
Bonds	302,101	11,050	291,051	11,051	30,000	0	0	250,000
Other loans	12,011	11,896	115	11	23	23	23	35
Total	666,540	120,187	546,353	46,920	151,496	51,212	11,690	285,035

Medium and long-term bank debt amounts to €/000 283,802 (of which €/000 254,190 non-current and €/000 29,612 current) and consists of the following loans:

- a €/000 35,661 medium-term loan (nominal value of €/000 35,714) from the European Investment Bank to finance Research & Development investments planned for the 2016-2018 period. The loan will mature in December 2023 and has a repayment schedule of 7 fixed-rate annual instalments. Contract terms require covenants (described below);
- a €/000 69,905 (nominal value €/000 70,000) medium-term loan granted by the European Investment Bank to support Research and Development projects of investment plans, that will be carried out at the Piaggio Group's Italian sites in the 2019-2021 period. The loan will mature in February 2027 and has a repayment schedule of 6 fixed-rate annual instalments. Contract terms require covenants (described below);
- a €/000 116,559 syndicate loan (nominal value of €/000 117,500) for a total of €/000 250,000 signed in June 2018 and comprising a €/000 187,500 four-year tranche (with a year's extension at the discretion of the borrower) as a revolving credit line (of which a nominal value of €/000 55,000 used as of 30 June 2020) and a tranche as a five-year loan with amortisation of €/000 62,500. Contract terms require covenants (described below);
- a €/000 19,931 medium-term loan (nominal value of €/000 20,000) granted by Banca Nazionale del Lavoro. The loan will fall due on 12 June 2022 with a repayment schedule of quarterly instalments and 12-month prepayment;
- a €/000 5,433 medium-term loan (nominal value of €/000 5,440) granted by UBI Banca. The loan will fall due on 30 June 2021 with a repayment schedule of quarterly instalments;
- a €/000 15,966 medium-term loan (nominal value of €/000 16,000) granted by Banca Popolare Emilia Romagna. The loan will fall due on 1 December 2023 and has a repayment schedule of six-monthly instalments;
- a €/000 5,684 loan from Banco BPM with a repayment schedule of six-monthly instalments and last payment in July 2022. The loan includes an additional €/000 12,500 tranche granted as a revolving credit line, unused as of 30 June 2020. Contract terms require covenants (described below);
- a €/000 4,477 medium-term loan (nominal value of €/000 4,500) granted by Interbanca-Banca IFIS. The loan will fall due on 30 September 2022 and has a quarterly repayment schedule. Contract terms require covenants (described below);
- a €/000 6,056 medium-term loan (nominal value of €/000 6,060) granted by Banca del Mezzogiorno, maturing on 2 January 2023 and with six-monthly repayment schedule. The loan includes an additional €/000 20,000 tranche granted as a revolving credit line, unused as of 30 June 2020. Contract terms require covenants (described below);
- a €/000 4,035 medium-term loan for VND/000 102,315,643 granted by VietinBank to the affiliate Piaggio Vietnam (for a total amount of VND/000 414,000,000) to fund the Research & Development investment plan. The loan matures in June 2021, with a repayment schedule in 7 six-monthly instalments, starting from June 2018, with a fixed rate for the first year, followed by a variable rate;

- a € /000 95 loan from Intesa SanPaolo granted pursuant to Italian Law no. 346/88 on subsidised applied research.

All the above financial liabilities are unsecured.

The item Bonds for € /000 293,861 (nominal value of € /000 302,101) refers to:

- a € /000 22,077 private debenture loan (nominal value of € /000 22,101), (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 2020, the fair value measurement of the debenture loan was equal to € /000 28,874 (the fair value is determined based on IFRS relative to fair value hedging). A Cross Currency Swap has been taken out on this debenture loan to hedge the exchange risk and interest rate risk;
- € /000 29,932 (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;
- € /000 241,852 (nominal value of € /000 250,000) related to a high-yield debenture loan issued on 30 April 2018 for a nominal amount of € /000 250,000, maturing on 30 April 2025 and with a semi-annual coupon with fixed annual nominal rate of 3.625%. Standard & Poor's and Moody's assigned a B+ rating with a negative outlook and a Ba3 rating with a negative outlook respectively for the issue.

The Company may repay in advance:

- all or part of the amount of the high yield debenture loan issued on 30 April 2018, according to the conditions indicated in the indenture. The value of prepayment options was not deducted from the original contract, as these are considered as being closely related to the host instrument, as provided for by IFRS 9 b4.3.5;
- all or part of the amount of the private placement issued on 28 June 2017, according to the conditions indicated in the contract. The value of prepayment options was not deducted from the original contract, as these are considered as being closely related to the host instrument, as provided for by IFRS 9 b4.3.5.

Financial advances received from factoring companies and banks, on the sale of trade receivables with recourse, totalled € /000 11,849.

Medium-/long-term payables due to other lenders equal to € /000 162 of which € /000 115 due after the year and € /000 47 as the current portion, are detailed as follows:

- a loan for € /000 1 granted by BMW Finance for the purchase of cars;
- a subsidised loan for a total of € /000 161 from the Region of Tuscany, related to regulations on incentives for investments in research and development (non-current portion equal to € /000 115).

Covenants

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

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

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

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

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

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

Amortised Cost and Fair Value Measurement

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

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

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

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

The table below shows the fair value of payables measured using the amortised cost method as of 30 June 2020:

IN THOUSANDS OF EUROS	NOMINAL VALUE	CARRYING AMOUNT	FAIR VALUE ⁹
High yield debenture loan	250,000	241,852	248,658
Private debenture loan 2022	30,000	29,932	29,943
EIB (R&D loan 2016-2018)	35,714	35,661	35,863
Loan from B. Pop. Emilia Romagna	16,000	15,966	17,753
Loan from Banco BPM	5,684	5,684	6,040
Revolving syndicated loan 2023	55,000	54,329	55,242
Syndicated loan 2023	62,500	62,230	62,759
Loan from MCC	6,060	6,056	6,057
Loan from Banca Ifis	4,500	4,477	4,616

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 2020, by hierarchical level of fair value measurement.

IN THOUSANDS OF EUROS	LEVEL 1	LEVEL 2	LEVEL 3
ASSETS MEASURED AT FAIR VALUE			
Investment Property			7,257
Financial derivatives:			
- of which financial assets		6,913	
- of which other receivables		453	
Investments in other companies			37
Total assets	0	7,366	7,294
LIABILITIES MEASURED AT FAIR VALUE			
Financial derivatives			
- of which financial liabilities			
- of which other payables		(955)	
Financial liabilities at fair value recognised through profit or loss		(28,874)	
Total liabilities	0	(29,829)	
General total	0	(22,463)	7,294

Investment property related to the Martorelles site was measured as hierarchical level 3. This value was confirmed 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 by IFRS 13). The valuation took account of comparable transactions on the local market, and the project to convert the area (from an industrial to a commercial site, as approved by the local authorities on 18 February 2014), referring however the value of the investment to its current status. Consequently, an accompanying 10% increase or decrease in all the variables based on the valuation of the investment would have generated a higher value of around €/000 2,500 and a lower value of €/000 1,800, with an equivalent greater or lesser impact on the income statement for the period.

⁹ The value deducts DVA related to the issuer, i.e. it includes the risk of insolvency of Piaggio.

The following tables show Level 2 and Level 3 changes during the first half of 2020:

IN THOUSANDS OF EUROS	LEVEL 2	LEVEL 3
Balance as of 31 December 2019	(21,612)	9,240
Gain (loss) recognised in profit or loss	(949)	(1,946)
Gain (loss) recognised in the statement of comprehensive income	98	
Increases/(Decreases)		
Balance as of 30 June 2020	(22,463)	7,294

Financial liabilities for rights of use

€/000 30,120

As required by IFRS 16, financial payables for rights of use include financial lease liabilities as well as payments due on operating lease agreements.

	AS OF 30 JUNE 2020			AS OF 31 DECEMBER 2019			CHANGE		
	CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL
IN THOUSANDS OF EUROS									
Operating leases	7,039	15,636	22,675	7,247	13,134	20,381	(208)	2,502	2,294
Finance leases	1,170	6,275	7,445	1,161	6,862	8,023	9	(587)	(578)
Total	8,209	21,911	30,120	8,408	19,996	28,404	(199)	1,915	1,716

The increase in operating lease liabilities is due to the renegotiation of contracts in order to reduce the cost of payments.

Payables for finance leases amounted to €/000 7,445 (nominal value of €/000 7,454) and break down as follows:

- a Sale&Lease back agreement for €/000 7,358 (nominal value of €/000 7,367) granted by Albaleasing on a production plant of the Parent Company. The agreement is for ten years, with quarterly repayments (non-current portion equal to €/000 6,200);
- a finance lease for €/000 87 granted by VFS Servizi Finanziari to the company Aprilia Racing for the use of vehicles (non-current portion equal to €/000 75).

The table below shows the repayment schedule as of 30 June 2020:

IN THOUSANDS OF EUROS	CARRYING AMOUNT AS OF 30.06.2020	AMOUNTS FALLING DUE WITHIN 12 MONTHS	AMOUNTS FALLING DUE AFTER 12 MONTHS	AMOUNTS FALLING DUE IN				
				2 ND HALF OF 2021	2022	2023	2024	AFTER
Financial liabilities for rights of use								
- of which operating leases	22,675	7,039	15,636	3,845	5,136	3,267	1,433	1,955
- of which finance leases	7,445	1,170	6,275	593	1,198	1,217	1,266	2,001
Total	30,120	8,209	21,911	4,438	6,334	4,484	2,699	3,956

Payables for rights of use include payables with the parent companies Immsi and Omniaholding for €/000 6,694 (€/000 4,723 non-current portion).

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:

IN THOUSANDS OF EUROS	AS OF 30 JUNE 2020	AS OF 31 DECEMBER 2019
Liquid assets	158,591	128,565
Securities	-	62,116
Financial receivables	6,950	7,301
Other receivables	49,647	45,344
Tax receivables	25,533	32,652
Trade receivables	120,991	78,195
Total	361,712	354,173

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

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 2020 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 32,000 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 €/000 223,398, with final settlement in 2027.

Other Group companies also have irrevocable loans totalling €/000 17,640 with final settlement in September 2022.

As of 30 June 2020, the Group had a liquidity of €/000 158,647, undrawn irrevocable credit lines of €/000 236,257 and revocable credit lines of €/000 106,375, as detailed below:

IN THOUSANDS OF EUROS	AS OF 30 JUNE 2020	AS OF 31 DECEMBER 2019
Variable rate with maturity within one year - irrevocable until maturity	12,500	
Variable rate with maturity after one year - irrevocable until maturity	163,757	215,813
Fixed rate with maturity after one year - irrevocable until maturity	60,000	
Variable rate with maturity within one year - cash revocable	106,375	128,263
Variable rate with maturity within one year - with revocation for self-liquidating typologies	16,000	19,000
Total undrawn credit lines	358,632	363,076

Exchange Risk

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

This policy analyses:

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

Cash flow hedging

As of 30 June 2020, the Group had undertaken the following futures operations (recognised based on the settlement date), relative to payables and receivables already recognised to hedge the transaction exchange risk:

COMPANY	OPERATION	CURRENCY	AMOUNT	VALUE IN LOCAL	AVERAGE
			IN CURRENCY	CURRENCY	
			IN THOUSANDS	(FORWARD EXCHANGE RATE)	
			IN THOUSANDS	IN THOUSANDS	
Piaggio & C.	Purchase	CAD	2,050	1,338	08/07/2020
Piaggio & C.	Purchase	CNY	102,000	12,935	17/07/2020
Piaggio & C.	Purchase	JPY	105,000	881	20/08/2020
Piaggio & C.	Purchase	SEK	6,000	571	03/07/2020
Piaggio & C.	Purchase	USD	19,100	17,287	12/08/2020
Piaggio & C.	Sale	CAD	4,250	2,780	26/07/2020
Piaggio & C.	Sale	JPY	20,000	167	02/09/2020
Piaggio & C.	Sale	USD	50,850	45,364	01/09/2020
Piaggio Vietnam	Purchase	€	3,500	89,925,000	15/07/2020
Piaggio Vietnam	Sale	JPY	150,000	32,145,000	29/07/2020
Piaggio Vietnam	Sale	USD	34,000	795,598,000	05/09/2020
Piaggio Indonesia	Purchase	USD	2,264	32,493,104	30/08/2020
Piaggio Vespa BV	Sale	SGD	400	253	22/07/2020
Piaggio Vehicles Private Limited	Sale	USD	6,000	456,158	31/08/2020

As of 30 June 2020, the Group had undertaken the following hedging transactions on the exchange risk:

COMPANY	OPERATION	CURRENCY	AMOUNT	VALUE IN LOCAL	AVERAGE
			IN CURRENCY	CURRENCY	
			IN THOUSANDS	(FORWARD EXCHANGE RATE)	
			IN THOUSANDS	IN THOUSANDS	
Piaggio & C.	Purchase	CNY	582,000	72,115	16/04/2021
Piaggio & C.	Sale	GBP	5,570	6,493	26/09/2020

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 2020 the total fair value of hedging instruments for the economic exchange risk recognised on a hedge accounting basis was positive by €/000 195. During the first half of 2020, profit was recognised under Other Comprehensive Income amounting to €/000 160 and losses from Other Comprehensive Income were reclassified under profit/loss for the period amounting to €/000 42.

The net balance of cash flows during the first half of 2020 in main currencies is shown below:

IN MILLIONS OF EUROS	CASH FLOW FOR THE 1 ST HALF OF 2020
Canadian Dollar	3.1
Pound Sterling	6.0
Swedish Krone	2.9
Japanese Yen	(1.0)
US Dollar	31.3
Indian Rupee	(90.5)
Croatian Kuna	1.5
Chinese Yuan ¹⁰	(12.5)
Vietnamese Dong	(43.3)
Singapore Dollar	(1.2)
Indonesian Rupiah	5.3
Total cash flow in foreign currency	(98.4)

In view of the above, an assumed appreciation/depreciation of 3% of the euro would have generated potential profits for €/000 2,870 and potential losses for €/000 3,047 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 2020, 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 2020, the fair value of the instrument was €/000 6,913. The net economic effect arising from the measurement of the instrument and underlying private debenture loan was equal to €/000 -273; 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 -3 and €/000 3 respectively, assuming constant exchange rates; whereas assuming a 1% revaluation and devaluation of exchange rates, sensitivity analysis identified a potential impact on the Income Statement, net of the relative tax effect, of €/000 -31 and €/000 +29 respectively.

IN THOUSANDS OF EUROS	FAIR VALUE
PIAGGIO & C. S.P.A.	
Cross Currency Swap	6,913

¹⁰ Cash flow partially in USD.

G) INFORMATION ON SHAREHOLDERS' EQUITY

41. Share capital and reserves

€/000 368,314

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.

The structure of Piaggio & C's share capital, equal to €207,613,944.37, fully subscribed and paid up, is indicated in the next table:

STRUCTURE OF SHARE CAPITAL AS OF 30 JUNE 2020

	NO. OF SHARES	% COMPARED TO THE SHARE CAPITAL	MARKET LISTING	RIGHTS AND OBLIGATIONS
Ordinary shares	358,153,644	100%	Electronic stock market	Right to vote in the Ordinary and Extraordinary Shareholders' Meetings of the Company

The Share of the Company are without par value, are indivisible, registered and issued on a dematerialisation basis, in the centralised management system of Monte Titoli S.p.A..

At the date of these financial statements, no other financial instruments with the right to subscribe to new issue shares had been issued, nor were there share based incentive plans in place involving increases, also without a consideration, in share capital.

Treasury shares

€/000 (1,966)

During the period, 130,000 treasury shares were acquired. Therefore, as of 30 June 2020, Piaggio & C. held 1,028,818 treasury shares, equal to 0.2873% of the shares issued.

SHARES IN CIRCULATION AND TREASURY SHARES

NO. OF SHARES	2020	2019
Situation as of 1 January		
Shares issued	358,153,644	358,153,644
Treasury portfolio shares	898,818	793,818
Shares in circulation	357,254,826	357,359,826
Movements for the period		
Purchase of treasury shares	130,000	105,000
Situation as of 30 June 2020 and 31 December 2019		
Shares issued	358,153,644	358,153,644
Treasury portfolio shares	1,028,818	898,818
Shares in circulation	357,124,826	357,254,826

Share premium reserve

€/000 7,171

The share premium reserve as of 30 June 2020 was unchanged compared to 31 December 2019.

Legal reserve

€/000 24,215

The legal reserve as of 30 June 2020 had increased by €/000 2,311 as a result of the allocation of earnings for the last period.

Financial instruments' fair value reserve

€/000 69

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 approved

The Ordinary Shareholders' Meeting of Piaggio & C. S.p.A. held on 22 April 2020 resolved to distribute a final dividend of 5.5 eurocents, including taxes, for each eligible ordinary share (in addition to the interim dividend of 5.5 eurocents paid on 25.9.2019, coupon detachment date 23.9.2019), for a total dividend of 11 eurocents for 2019, equal to a total of €39,299,405.86.

Earnings reserve

€/000 170,767

Capital and reserves of non-controlling interest

€/000 (153)

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 (4,708)

The figure is broken down as follows:

	RESERVE FOR MEASUREMENT OF FINANCIAL INSTRUMENTS	GROUP TRANSLATION RESERVE	EARNINGS RESERVE	GROUP TOTAL	SHARE CAPITAL AND RESERVES ATTRIBUTABLE TO NON-CON- TROLLING INTERESTS	TOTAL OTHER COMPONENTS OF THE STATEMENT OF COMPREHENSIVE INCOME
IN THOUSANDS OF EUROS						
As of 30 June 2020						
Items that will not be reclassified in the income statement						
Remeasurements of defined benefit plans			195	195		195
Total	0	0	195	195	0	195
Items that may be reclassified in the income statement						
Total translation gains (losses)		(4,914)		(4,914)	55	(4,859)
Portion of components of the Statement of Comprehensive Income of subsidiaries/associates valued with the equity method		(142)		(142)		(142)
Total profits (losses) on cash flow hedges	98			98		98
Total	98	(5,056)	0	(4,958)	55	(4,903)
Other components of the Statement of Comprehensive Income	98	(5,056)	195	(4,763)	55	(4,708)
As of 30 June 2019						
Items that will not be reclassified in the income statement						
Remeasurements of defined benefit plans			(2,234)	(2,234)		(2,234)
Total	0	0	(2,234)	(2,234)	0	(2,234)
Items that may be reclassified in the income statement						
Total translation gains (losses)		1,525		1,525	(4)	1,521
Portion of components of the Statement of Comprehensive Income of subsidiaries/associates valued with the equity method		65		65		65
Total profits (losses) on cash flow hedges	123			123		123
Total	123	1,590	0	1,713	(4)	1,709
Other components of the Statement of Comprehensive Income	123	1,590	(2,234)	(521)	(4)	(525)

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

	AS OF 30 JUNE 2020			AS OF 30 JUNE 2019		
	GROSS VALUE	TAX (EXPENSE) / BENEFIT	NET VALUE	GROSS VALUE	TAX (EXPENSE) / BENEFIT	NET VALUE
IN THOUSANDS OF EUROS						
Remeasurements of defined benefit plans	257	(62)	195	(2,940)	706	(2,234)
Total translation gains (losses)	(4,859)		(4,859)	1,521		1,521
Portion of components of the Statement of Comprehensive Income of subsidiaries/associates valued with the equity method	(142)		(142)	65		65
Total profits (losses) on cash flow hedges	129	(31)	98	162	(39)	123
Other components of the Statement of Comprehensive Income	(4,615)	(93)	(4,708)	(1,192)	667	(525)

H) OTHER INFORMATION

43. Share-based incentive plans

As of 30 June 2020, there were no incentive plans based on financial instruments.

44. Information on related parties

Revenues, costs, payables and receivables as of 30 June 2020 involving parent, subsidiary and associate companies, refer to the sale of goods or services which are a part of normal operations of the Group.

Transactions are carried out at normal market values, depending on the characteristics of the goods and services provided.

Information on transactions with related parties, including information required by Consob in its communication of 28 July 2006 n. DEM/6064293, is reported in the notes of the Consolidated Financial Statements.

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

Relations with Parent Companies

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

DESIGNATION	REGISTERED OFFICE	TYPE	% OF OWNERSHIP	
			AS OF 30 JUNE 2020	AS OF 31 DECEMBER 2019
IMMSI S.p.A.	Mantova - Italy	Direct parent company	50.0703	50.0703
Omniaholding S.p.A.	Mantova - Italy	Final parent company	0.0773	0.0215

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 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 concerning extraordinary financing operations, organisation, strategy and coordination, as well as services intended to optimise the financial structure of the Group.

In 2019, for a further three years, the Parent Company¹¹ 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 future tax periods, according to procedures in Article 84, based on the criterion established by the consolidation agreement.

Moreover, under the National Consolidated Tax Mechanism, companies may, pursuant to Article 96 of Presidential Decree 917/86, allocate the excess of interest payable which is not deductible to one of the companies so that, up to the excess of Gross Operating Income produced in the same tax period by other subjects party to the consolidation, the amount may be used to reduce the total income of the Group.

Piaggio & C. S.p.A. has two office lease agreements with IMMSI, one for property in Via Broletto 13 in Milan, and the other for property in Via Abruzzi 25 in Rome. A part of the property in Via Broletto 13 in Milan is sub-leased by Piaggio & C. S.p.A. to Piaggio Concept Store Mantova Srl.

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

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

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

¹¹ Aprilia Racing and Piaggio Concept Store Mantova were also party to the national consolidated tax convention, of which IMMSI S.p.A. is the consolidating company.

Transactions with Piaggio Group companies

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

Piaggio & C. S.p.A.

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

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

- sells components to:

- Piaggio Vehicles Private Limited
- Piaggio Vietnam

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

- Piaggio Vehicles Private Limited
- Piaggio Vietnam

- provides support services for scooter and engine industrialisation to:

- Piaggio Vehicles Private Limited
- Piaggio Vietnam

- subleases a part of the rented property to:

- Piaggio Concept Store Mantova

- has cash pooling agreements with:

- Piaggio France
- Piaggio Deutschland
- Piaggio España
- Piaggio Vespa

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

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

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

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

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

[Piaggio Vehicles Private Limited](#) and [Piaggio Vietnam](#) reciprocally exchange materials and components to use in their manufacturing activities.

[Piaggio Hrvatska](#), [Piaggio Hellas](#), [Piaggio Group Americas](#) and [Piaggio Vietnam](#)

- distribute vehicles, spare parts and accessories purchased by Piaggio & C. S.p.A. 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.

Foshan Piaggio Vehicles Technology R&D provides to:

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

- component and vehicle design/development service;
- scouting of local suppliers to Piaggio & C S.p.A.;

- Piaggio Vehicles Private Limited:

- scouting of local suppliers to Piaggio & C S.p.A.;

- Piaggio Vietnam:

- scouting of local suppliers to Piaggio & C S.p.A.;
- a distribution service for vehicles, spare parts and accessories on its own market.

Piaggio Advanced Design Center:

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

Aprilia Racing provides to Piaggio & C. :

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

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

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

Piaggio & C. S.p.A.

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

Foshan Piaggio Vehicles Technology R&D

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

Zongshen Piaggio Foshan Motorcycle Co. Ltd

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

- Piaggio Vietnam
- Piaggio & C. S.p.A.
- Piaggio Vehicles Private Limited.

The table below summarises relations described above and financial relations with parent companies, subsidiaries and affiliated companies as of 30 June 2020 and relations during the year, as well as their overall impact on financial statement items.

AS OF 30 JUNE 2020	FONDAZIONE PIAGGIO	ZONGSHEN PIAGGIO FOSHAN	IMMSIAUDIT	PONTECH- PONTEDERA & TECNOLOGIA	OMNIAHOLDING	IMMSI	TOTAL	% OF ACCOUNTING ITEM
IN THOUSANDS OF EUROS								
Income statement								
Revenues from sales		25					25	0.00%
Costs for materials		(8,569)					(8,569)	2.34%
Costs for services, leases and rentals			(410)		(25)	(426)	(861)	0.99%
Other operating income		276	13			27	316	0.64%
Other operating costs			(6)		(1)	(8)	(15)	0.15%
Write-down/impairment of investments		547		17			564	100.00%
Borrowing costs					(5)	(77)	(82)	0.58%
Assets								
Other non-current receivables	81						81	0.52%
Current trade receivables		1,088	12			25	1,125	0.93%
Other current receivables		1,496				13,387	14,883	43.72%
Liabilities								
Current financial liabilities for rights of use					931		4,723	21.56%
Non current financial liabilities for rights of use					112	1,859	1,971	24.01%
Current trade payables	9	7,228	226		40	176	7,679	1.67%
Other current payables		3				51	54	0.12%

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. Piaggio is assessing the possibility of filing a petition for an "order to dismiss" the proceedings, due to inactivity.

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

Da Lio S.p.A., by means of a complaint received on 15 April 2009, summoned the Parent Company before the Court of Pisa to claim compensation for the alleged damages sustained for various reasons as a result of the termination of supply relationships. The Company appeared in court requesting the rejection of all opposing requests. Da Lio requested a joinder with the opposition concerning the injunction obtained by Piaggio to return the moulds retained by the supplier at the end of the supply agreement. Judgements were joined and a ruling issued pursuant to Article 186-ter of the Italian Code of Civil Procedure, on 7 June 2011, ordering Piaggio to pay the sum of Euro 109,586.60, plus interest relative to sums which were not disputed. During 2012, testimonial evidence was presented. After reaching a decision at the end of testimonial evidence, the Judge admitted a technical/accounting court-appointed expert requested by Da Lio to quantify the amount of interest claimed by Da Lio and value of stock. The technical appraisal was completed at the end of 2014. The case was adjourned to 23 September 2016 for specification of the pleadings and a decision was reached. Subsequently, the Court of Pisa had to reassign the case, and after the interruption, the newly appointed Judge decided to re-examine the proceedings and has set the hearing for closing arguments. The parties submitted their closing arguments again, exchanging relative briefs and rejoinders. In a ruling published on 8 August 2019, the Court of Pisa ordered Piaggio in the first instance to pay a total of approximately €7,600,000 and to publish the ruling in two national newspapers and two specialist journals. Piaggio, assisted by its lawyers providing counsel in the appeal proceedings who had indicated the many reasons for filing an appeal and the grounds of the Company, filed an appeal before the Appeal Court of Florence, requesting the ruling to be revised and its enforcement to be suspended. The first hearing will take place on 20 December 2020. The risk is assessed as possible and not as likely.

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

During the case, Piaggio requested the enforcement of bank guarantees that ensured against the risk of default by the dealer issued in its favour by three banks. Elma attempted to stop enforcement of the guarantees with preventive proceedings at the Court of Pisa (Pontedera section): the proceedings ended in favour of Piaggio that collected the amounts of the guarantees (over €400,000). Trial proceedings took place and a hearing was held on 24 April 2013 to examine evidence. After reaching a decision at the aforesaid hearing, the Judge rejected requests for preliminary examination of Elma and set the hearing for 17 December 2015 for closing arguments, which was adjourned to 3 March 2016 and was then not held as the judge was transferred. The case was reassigned to a new Judge, who set the hearing for 19 July 2018, which was adjourned to 4 October 2018 and then to 10 January 2019 to discuss arguments. In the latter hearing, although the parties had already filed their closing arguments, the Judge adjourned the case, for closing arguments to be made, to the hearing of 9 April 2019. In ruling no. 1211/2019, published on 25 November 2019, the Court of Pisa ruled in favour of Piaggio. The Judge threw out all claims made by Elma, ruling it to pay Piaggio the sum of €966,787.95 plus interest on

arrears, deducting the amount of €419,874.14, already received by Piaggio through enforcing the guarantee. Piaggio will have to pay Elma (offsetting the amount) the sum of €58,313.42 plus legal interest. On 14 January 2020, Piaggio filed a bankruptcy petition against Elma in relation to the sums to receive, while on 15 January 2020, Elma appealed against the above ruling with the Court of Appeal of Florence. The first hearing has been set for 2 March 2021. As regards the matter, Elma has also brought a case against a former senior manager of the Company before the Court of Rome, claiming compensation for damages: Piaggio appeared in the proceedings, requesting, among other things, that the case be moved to the Court of Pisa. At the hearing of 27 January 2014, the Judge ruled on the preliminary exceptions and did not admit preliminary briefs. The hearing for closing arguments set for 21 December 2015 and subsequently adjourned, was not held as the Judge, on petition of Elma, re-opened the preliminary investigation, admitting testimonial evidence and setting the hearing for 25 May 2016. On this date, examination of the witnesses began and the hearing was adjourned to 24 October 2016 to continue the preliminary investigation. The Judge set the hearing for 11 April 2017 to reach a settlement between the parties, which was not successful. The Judge therefore admitted an accounting expert requested by Elma, although with a far more limited scope than the petition filed by the counterparty, adjourning the case to the hearing of 9 October 2018 for closing arguments. The expert's appraisal was filed in October 2018. The parties exchanged their closing arguments and respective rejoinders. In a ruling of 31 May 2019 (published on 3 June 2019) the Ordinary Court of Rome, Civil Section XII, rejected the claim made by Elma S.r.l., also ordering it to pay the expert's fees and legal fees. Elma appealed before the Appeal Court of Rome, summoning Piaggio to the hearing of 15 April 2020. The hearing of 15 April 2020 was adjourned to 31 March 2021.

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

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

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

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

In November 2017, the Company filed two appeals with the Court of Beijing (PRC), concerning the assessment of the breach and counterfeiting of some trademarks ("Case 1") and ornamental designs ("Case 2"), relative to the "Scarabeo" vehicle by Chinese companies which are part of the Jincheng Group Co., Ltd. Following these actions, the counterparty filed a claim for invalidation (an administrative procedure with the Chinese Patent Re-examination Board) of the registration of one of the ornamental designs relative to an old model of the Scarabeo (no longer in production). The latter proceeding ended with the invalidation of the registration of the old Scarabeo design. Piaggio appealed against this decision, submitting a petition to suspend Case 2 pending the outcome of the petition against the invalidation, which was rejected on 9 December 2019.

For Case 1, the ruling in the first instance was issued in favour of Piaggio. The Court of Beijing ascertained the unlawful use of Aprilia trademarks by Jincheng, ordering it to pay compensation amounting to RMB 1,500,000, besides legal fees of RMB 211,958. Jincheng has filed an appeal. Proceedings are pending acceptance by the Appeal Court of Beijing.

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

As regards tax disputes involving the Parent Company Piaggio & C. S.p.A., the proceedings regarding two against two tax assessments notified to the Company and related to the 2002 and 2003 tax years respectively, are still ongoing, pending final settlement.

The Parent Company obtained a favourable ruling concerning these proceedings, in both the first and second instance, and with reference to both tax periods. The Italian Revenue Agency filed an appeal with the Court of Cassation and the Company filed related appeals against it on 27 May 2013, with reference to the tax litigation made related to the 2002 tax period, and on 10 March 2014, for the tax litigation made relative to the 2003 tax period. On 22 May 2019, the Company filed an application for a settlement concession pursuant to Article 6 of Law Decree 119/2018, paying the amounts required by this law and on 10 June 2019, filed relative applications for suspension. The above rulings are therefore suspended at present, pending their final settlement.

Moreover, with a ruling filed on 15 January 2020, the Company's appeals of 11 June 2018 and 25 July 2018 concerning the tax assessments for regional business tax and corporate income tax notified on 22 December 2017 regarding the 2012 tax period and transfer pricing, were upheld in the first instance before the Provincial Tax Commission of Florence. The Company is therefore waiting for the Provincial Tax Commission to either appeal against this decision before the Regional Tax Commission or to abandon the case.

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, 2010-2011, 2011-2012 and 2012-2013 Indian tax periods, involving sums for approximately €1.3 million, €1.1 million, €1 million and €0.9 million respectively, including interest.

As regards disputes relative to the 2009-2010 and 2010-2011 periods, the Indian tax authorities filed an appeal against the first instance decision before the High Court.

The dispute relative to the 2009-2010 period can be considered as settled, as no reply was received from the local tax authorities within the deadlines established by local regulations in response to a request for clarifications made over 700 days previously by the ruling body. In this regard, the Indian tax authorities could request a remittal for the reply, but in the opinion of consultants assisting the Company the likelihood of the High Court granting this is remote.

As regards the dispute relative to the 2010-2011 tax period, the date for the hearing still has to be set; as regards the disputes relative to the 2011-2012 and 2012-2013 tax periods, the Company is waiting to see if the local tax authorities decide to appeal against the High Court's decisions, or to abandon the case.

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; a part of the above amounts was reimbursed to the Company following the first instance rulings in its favour.

The Company has not considered allocating provisions for these disputes, considering the rules in its favour, in the first instance, and the positive opinions expressed by consultants appointed as counsel. Therefore, Company considers a favourable outcome of the rulings and subsequent reimbursement of amounts paid with reference to the Indian disputes as likely.

Moreover, the Parent Company received a VAT assessment order from the Indian tax authorities relative to the 2010-2011 tax period, concerning the non-application of VAT to intergroup transactions with Piaggio Vehicles PVT Ltd relative to royalties. A similar order was also notified for the 2011-2012 period. The amount of the dispute including interest is approximately €0.7 million for the 2010-2011 period and €0.6 million for the 2011-2012 period, of which a small part already paid to the Indian Tax Authorities, in compliance with local law. The Company decided to appeal against the order relative to the 2010-2011 tax period before the High Court, filing its appeal on 17 June 2019; The Departmental Appellate Authority appealed against the order, in July 2020.

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

With reference to the Indian subsidiary, some disputes concerning different tax years from 1998 to 2016 are ongoing related to direct and indirect tax assessments and for a part of which, considering positive opinions expressed by consultants appointed as counsel, provisions have not been made in the financial statements. The Indian company has already partly paid the amounts contested, as required by local laws, that will be paid back when proceedings are successfully concluded in its favour.

With reference to PT Piaggio Indonesia, the company appealed against the claim concerning transfer pricing for the 2015 period before the Tax Court, with a ruling of 27 January 2020 against the company only as regards one of the findings of the local tax authorities. On 8 June 2020, the company filed an appeal against this ruling before the Supreme Court; a date for the hearing still has to be set.

On 10 October 2019, the Indonesian company also appealed before the Tax Court against the claim concerning withholding taxes, relative to the 2015 tax period; related hearings are now underway.

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

The Company appealed against the notices and appeals were filed against the findings on withholding tax and corporate income tax, before the *Tribunal Administratif*. Appeals were lodged against decisions taken against the Company on 7 September 2015 and 8 July 2016 before the *Cour Administrative d'Appel de Versailles*. Following the hearing on 23 January 2018, appeal judges issued a ruling in favour of the Company. The amount in question, equal to approximately €3.7 million, including interest, initially paid in full to the French tax authorities, was then reimbursed following the ruling handed down by the *Cour Administrative d'Appel de Versailles*. This last ruling was appealed against by the French financial administration before the *Conseil d'Etat* that, in a ruling of 4 October 2019, put the case before the *Cour Administrative d'Appel de Versailles* to review the decision at a second level, identifying a lack of grounds. Following the hearing on 22 June 2020, the court ruled against the French company, which is now assessing the next steps to take.

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 operations

No significant, non-recurring operations, as defined by Consob Communication DEM/6064293 of 28 July 2006 took place during the first half of 2020 and in 2019.

47. Transactions arising from atypical and/or unusual transactions

During 2019 and the first six months of 2020, 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 2020 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 2020.

49. Authorisation for publication

This document was published on 20 August 2020 authorised by the Chairman and Chief Executive Officer.

Mantova, 27 July 2020

for the Board of Directors

Chairman and Chief Executive Officer
Roberto Colaninno





ATTACHMENTS

Piaggio Group companies

Companies and material investments of the Group are listed below.

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

The following are also shown for each company: the company name, the registered office, the country of origin and the share capital in the original currency, in addition to the percentage held by Piaggio & C. S.p.A. or by other subsidiaries.

It should be noted that the percentage share of ownership corresponds to the percentage share of the voting rights exercised at Ordinary General Meetings of Shareholders.

List of companies included in the scope of consolidation on a line-by-line basis as of 30 June 2020

COMPANY NAME	REGISTERED OFFICE	COUNTRY	SHARE CAPITAL	CURRENCY	% OF THE HOLDING			% TOTAL INTEREST
					DIRECT	INDIRECT	MEANS	
Parent company:								
Piaggio & C. s.p.A.	Pontedera (Pisa)	Italy	207,613,944.37	Euros				
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	Euros	100%			100%
Aprilia World Service Holding do Brasil Ltda.	São Paulo	Brazil	2,028,780.00	R\$		99.999950709%	Piaggio Group Americas Inc	99.999950709%
Foshan Piaggio Vehicles Technology Research and Development Co Ltd	Foshan City	China	10,500,000.00	CNY		100%	Piaggio Vespa B.V.	100%
Nacional Motor S.A.	Barcelona	Spain	60,000.00	Euros	100%			100%
Piaggio Advanced Design Center Corp.	Pasadena	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 (12,136,000 subscribed and paid up)	USD	100%			100%
Piaggio Concept Store Mantova S.r.l.	Mantova	Italy	100,000.00	Euros	100%			100%
Piaggio Deutschland GmbH	Düsseldorf	Germany	250,000.00	Euros		100%	Piaggio Vespa B.V.	100%
Piaggio España S.L.U.	Alcobendas	Spain	426,642.00	Euros	100%			100%
Piaggio Fast Forward Inc.	Boston	USA	14,753.30	USD	86.08%			86.08%
Piaggio France S.A.S.	Clichy Cedex	France	250,000.00	Euros		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 Japan	Tokyo	Japan	99,000,000.00	JPY		100%	Piaggio Vespa B.V.	100%
Piaggio Hellas S.A.	Athens	Greece	1,004,040.00	Euros		100%	Piaggio Vespa B.V.	100%
Piaggio Hrvatska D.o.o.	Split	Croatia	400,000.00	HRK		100%	Piaggio Vespa B.V.	100%
Piaggio Limited	Orpington	United Kingdom	250,000.00	GBP	0.0004%	99.9996%	Piaggio Vespa B.V.	100%
Piaggio Vehicles Private Limited	Maharashtra	India	340,000,000.00	INR	99.9999971%	0.0000029%	Piaggio Vespa B.V.	100%
Piaggio Vespa B.V.	Breda	Holland	91,000.00	Euros	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	IDR	1%	99%	Piaggio Vespa B.V.	100%

List of companies included in the scope of consolidation with the equity method as of 30 June 2020

COMPANY NAME	REGISTERED OFFICE	COUNTRY	SHARE CAPITAL	CURRENCY	% OF THE HOLDING		MEANS	% TOTAL INTEREST
					DIRECT	INDIRECT		
Zongshen Piaggio Foshan Motorcycle Co. Ltd	Foshan City	China	255,942,515.00	CNY	32.50%	12.50%	Piaggio China Co. LTD	45%

List of investments in associates as of 30 June 2020

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





Certification of the 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 2020.

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 2020

/s/ Roberto Colaninno

/s/ Alessandra Simonotto

Roberto Colaninno
Chairman and Chief Executive Officer

Alessandra Simonotto
Executive in charge of financial reporting

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



REVIEW REPORT ON CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

To the shareholders of
Piaggio & C. SpA

Foreword

We have reviewed the accompanying condensed consolidated interim financial statements of Piaggio & C. SpA and its subsidiaries (the Piaggio Group) as of 30 June 2020, 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 cashflows 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

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Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements of Piaggio Group as of 30 June 2020 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, 5 August 2020

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



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Pisa Economic and Administrative Index no. 134077

