Interim Report on Operations
as of 30 September 2019

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

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Management and Coordination

IMMSI S.p.A.

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

Registered office: Pontedera (PI) viale R. Piaggio, 25

Pisa Register of Companies and Tax Code 04773200011

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Interim Directors' Report

Introduction

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

a) Contents of quarterly reporting:

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

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

- consolidated income statement;

- net consolidated financial debt.

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

b) Communication methods and procedures:

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

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

- publication of the Interim Report on Operations.

Mission

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

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

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

Key operating and financial data

	First nine months		
	2019	**2018**	**2018**
In millions of euros			
Data on financial position			
Net revenues	1,200.5	1,093.7	1,389.5
Gross industrial margin	363.7	334.4	423.6
Operating income	99.5	84.9	92.8
Profit before tax	81.5	66.1	67.8
Net profit	46.0	36.3	36.1
.Non-controlling interests			
.Group	46.0	36.3	36.1
Data on financial performance			
Net capital employed (NCE)	792.3	791.7	821.2
Net debt	(405.1)	(405.1)	(429.2)
Shareholders' equity	387.2	386.6	392.0
Balance sheet figures and financial ratios			
Gross margin as a percentage of net revenues (%)	30.3%	30.6%	30.5%
Net profit as a percentage of net revenues (%)	3.8%	3.3%	2.6%
R.O.S. (Return on sales)	8.3%	7.8%	6.7%
R.O.E. (Return on equity)	11.9%	9.4%	9.2%
R.O.I. (Return on investment)	12.6%	10.7%	11.3%
EBITDA	188.8	166.0	201.8
EBITDA/net revenues (%)	15.7%	15.2%	14.5%
Other information			
Sales volumes (unit/000)	479.2	469.4	603.6
Investments in property, plant and equipment and intangible assets	91.6	72.2	115.3
Employees at the end of the period (number)	6,313	6,754	6,515

Results by operating segments

		EMEA and AMERICAS	INDIA	ASIA PACIFIC 2W	**TOTAL**
	1-1/30-9-2019	203.5	202.2	73.6	**479.2**
Sales volumes	1-1/30-9-2018	195.6	211.9	62.0	**469.4**
(units/000)	Change	7.9	(9.7)	11.6	**9.8**
	Change %	4.0%	-4.6%	18.7%	**2.1%**
	1-1/30-9-2019	715.0	319.0	166.4	**1,200.5**
Turnover	1-1/30-9-2018	656.9	306.3	130.5	**1,093.7**
(million euros)	Change	58.1	12.7	35.9	**106.7**
	Change %	8.8%	4.2%	27.5%	**9.8%**
	1-1/30-9-2019	3,634.9	1,893.6	941.2	**6,469.7**
Average number of staff	1-1/30-9-2018	3,671.2	2,198.3	861.2	**6,730.7**
(no.)	Change	(36.3)	(304.7)	80.0	**(261.0)**
	Change %	-1.0%	-13.9%	9.3%	**-3.9%**
Investment in property,	1-1/30-9-2019	66.1	18.4	7.1	**91.6**
plant and equipment and	1-1/30-9-2018	58.4	11.6	2.3	**72.2**
intangible assets	Change	7.8	6.7	4.8	**19.3**
(million euros)	Change %	13.3%	57.8%	213.6%	**26.7%**

Company Boards

Board of Directors	
Chairman and Chief Executive Officer	Roberto Colaninno (1), (2)
Deputy Chairman	Matteo Colaninno
Directors	Michele Colaninno
	Giuseppe Tesauro (3), (4), (5), (6), (7)
	Graziano Gianmichele Visentin (4), (5), (6), (7)
	Maria Chiara Carrozza
	Federica Savasi
	Patrizia Albano
	Andrea Formica (5), (6), (7)
Board of Statutory Auditors	
Chairman	Piera Vitali
Statutory Auditors	Giovanni Barbara
	Daniele Girelli
Alternate Auditors	Fabrizio Piercarlo Bonelli
	Gianmarco Losi
Supervisory Body	Antonino Parisi
	Giovanni Barbara
	Ulisse Spada
Chief Financial Officer[1]	Alessandra Simonotto
Financial reporting officer[1]	Alessandra Simonotto
Independent Auditors	PricewaterhouseCoopers S.p.A.

(1) Director responsible for the internal control system and risk management

(2) Executive Director

(3) Lead Independent Director

(4) Member of the Appointment Proposal Committee

(5) Member of the Remuneration Committee

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

(7) Member of the Related-Party Transactions Committee

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

[1] This information refers to the date of approval of the Interim Report on Operations as of 30 September 2019. Since 1 October 2019, Alessandra Simonotto has held the position of Chief Financial Officer. Until 30 September 2019, Simone Montanari was in this position.

Significant events in the first nine months of 2019

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

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

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

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

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

26 July 2019 - The Board of Directors approved a new policy to distribute dividends with the distribution of an interim dividend during the year (rather than a single distribution), to align with other international companies in the two-wheeler sector, also with the aim of optimise cash flow management, considering the seasonal nature of the business. After approving the Financial Statements as of 30 June 2019 and the Report on Operations, pursuant to article 2344-*bis* of the Civil Code, the Board of Directors therefore resolved to allocate an ordinary interim dividend for 2019, equal to 5.5 eurocents, gross of tax, for each eligible ordinary share (compared to a dividend of 9 eurocents resolved for the entire 2018 financial year), for a total amount of €/000 19,650.

27 August 2019 - Piaggio received notification of a first degree ruling issued following the proceedings brought by one of its suppliers in 2009 (in relation to which information was provided in the annual and half-year financial statements), ordering it to pay a total amount of approximately seven million, six hundred thousand euros and to publish the ruling in two national newspapers and two specialist journals. The Company would like to state that it considers the decision to be wrong, for numerous reasons, and has already appointed legal advisors to appeal against it.

Financial position and performance of the Group

Consolidated income statement (restated)

	First nine months of 2019		First nine months of 2018		Change	
	In millions of euros	*Accounting for a %*	*In millions of euros*	*Accounting for a %*	*In millions of euros*	*%*
Net revenues	1,200.5	100.0%	1,093.7	100.0%	106.7	9.8%
Cost to sell[2]	(836.7)	-69.7%	(759.4)	-69.4%	(77.4)	10.2%
Gross industrial margin[2]	**363.7**	**30.3%**	**334.4**	**30.6%**	**29.3**	**8.8%**
Operating expenses	(264.2)	-22.0%	(249.5)	-22.8%	(14.7)	5.9%
EBITDA[2]	**188.8**	**15.7%**	**166.0**	**15.2%**	**22.8**	**13.8%**
Amortisation/Depreciation	(89.3)	-7.4%	(81.0)	-7.4%	(8.2)	10.1%
Operating income	**99.5**	**8.3%**	**84.9**	**7.8%**	**14.6**	**17.2%**
Result of financial items	(18.1)	-1.5%	(18.8)	-1.7%	0.8	-4.1%
Profit before tax	**81.5**	**6.8%**	**66.1**	**6.0%**	**15.4**	**23.3%**
Taxes	(35.4)	-3.0%	(29.7)	-2.7%	(5.7)	19.2%
Net profit	**46.0**	**3.8%**	**36.3**	**3.3%**	**9.7**	**26.7%**

Net revenues

	First nine months of 2019	First nine months of 2018	Change
In millions of euros			
EMEA and Americas	715.0	656.9	58.1
India	319.0	306.3	12.7
Asia Pacific 2W	166.4	130.5	35.9
TOTAL NET REVENUES	**1,200.5**	**1,093.7**	**106.7**
Two-wheeler	854.1	772.3	81.8
Commercial Vehicles	346.4	321.4	24.9
TOTAL NET REVENUES	**1,200.5**	**1,093.7**	**106.7**

In terms of consolidated turnover, the Group closed the first nine months of 2019 with higher net revenues compared to the same period of 2018 (+9.8%).

All geographic segments recorded positive trends (Asia Pacific +27.5%; +22.1% with constant exchange rates; EMEA and Americas +8.8%; India +4.2%; +2.0% with constant exchange rates).

As regards product type, the increase in turnover was greater for Two-Wheeler Vehicles (+10.6%) and more moderate for Commercial Vehicles (+7.8%). As a result, the percentage of Commercial Vehicles accounting for overall turnover went down from 29.4% in the first nine months of 2018 to the current figure of 28.9%; vice versa, the percentage of Two-Wheeler vehicles accounting for overall turnover rose from 70.6% in the first nine months of 2018 to the current figure of 71.1%.

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

The **gross industrial margin** of the Group increased in absolute terms compared to the first nine months of the previous year (+8.8%) in relation to a net turnover equal to 30.3% (30.6% in the first nine months of 2018).
Amortisation/depreciation included in the gross industrial margin was equal to €23.3 million (€23.1 million in the first nine months of 2018).

Operating expenses incurred in the period went up compared to the same period in the previous financial year, amounting to €264.2 million. This result is mainly due to the increase in amortisation/depreciation included in operating expenses (€66.0 million in the first nine months of 2019 compared to €57.9 million in the first nine months of 2018).

The change in the aforementioned income statement resulted in an increased consolidated **EBITDA** of €188.8 million (€166.0 million in the first nine months of 2018). In relation to turnover, EBITDA was equal to 15.7% (15.2% in the first nine months of 2018). This growth trend partially benefited (€+5.6 million) from the adoption of the new accounting standard IFRS 16. For effects, see the section "New accounting standards, amendments and interpretations adopted from 1 January 2019" in the Notes.

Operating income (**EBIT**) amounted to €99.5 million, up on the figure for the first nine months of 2018; in relation to turnover, EBIT was equal to 8.3% (7.8% in the first nine months of 2018).

The results for **financing activities** improved compared to the first nine months of the previous financial year, due to a lower debt exposure and reduction in borrowing costs, with Net Charges amounting to €18.1 million (€18.8 million in the first nine months of 2018). The improvement was partly mitigated by effects arising from currency management, the recognition of non-recurrent net income in 2018 and the adoption of the new accounting standard IFRS 16 starting from the 2019 financial year.

Income taxes for the period amounted to €35.4 million, equivalent to 43.5% of profit before tax.

Net profit stood at €46.0 million (3.8% of turnover), also an improvement on the figure for the same period of the previous financial year (€36.3 million; 3.3% of turnover).

Operating data

Vehicles sold

	First nine months of 2019	First nine months of 2018	Change
In thousands of units			
EMEA and Americas	203.5	195.6	7.9
India	202.2	211.9	(9.7)
Asia Pacific 2W	73.6	62.0	11.6
TOTAL VEHICLES	**479.2**	**469.4**	**9.8**
Two-wheeler	321.9	312.2	9.7
Commercial Vehicles	157.4	157.2	0.1
TOTAL VEHICLES	**479.2**	**469.4**	**9.8**

In the first nine months of 2019, the Piaggio Group sold 479,200 vehicles worldwide, recording growth compared to the first nine months of the previous year, when 469,400 vehicles were sold. 2W sales were up in Asia Pacific (+18.7%) and in EMEA and the Americas (+4.0%). In India instead, the number of vehicles sold recorded a slight downturn (-4.6%). As regards the type of products sold, the increase mainly referred to two-wheeler vehicles (+3.1%), while commercial vehicles reported a more or less stable trend (+0.1%).

Staff

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

Average number of company employees by geographic segment

Employee/staff numbers	First nine months of 2019	First nine months of 2018	Change
EMEA and Americas	3,634.9	3,671.2	(36.3)
of which Italy	3,360.5	3,423.0	(62.5)
India	1,893.6	2,198.3	(304.7)
Asia Pacific 2W	941.2	861.2	80.0
Total	**6,469.7**	**6,730.7**	**(261.0)**

As of 30 September 2019, the Group had 6,313 employees, a total reduction of 202 compared to 31 December 2018, mainly attributable to India.

Breakdown of company employees by region

Employee/staff numbers	**As of 30 September 2019**	**As of 31 December 2018**	**As of 30 September 2018**
EMEA and Americas	3,564	3,586	3,645
of which Italy	3,287	3,324	3,383
India	1,793	2,026	2,228
Asia Pacific 2W	956	903	881
Total	**6,313**	**6,515**	**6,754**

Consolidated Statement of Financial Position[3]

	As of 30 September 2019	As of 31 December 2018	Change
In millions of euros			
Statement of financial position			
Net working capital	(119.7)	(59.5)	(60.2)
Property, plant and equipment	278.5	276.5	2.1
Intangible assets	667.6	658.9	8.8
Rights of use	25.6		25.6
Financial assets	9.7	8.7	1.0
Provisions	(69.4)	(63.4)	(6.0)
Net capital employed	**792.3**	**821.2**	**(28.9)**
Net Financial Debt	405.1	429.2	(24.1)
Shareholders' equity	387.2	392.0	(4.8)
Sources of financing	**792.3**	**821.2**	**(28.9)**
Non-controlling interests	(0.2)	(0.2)	0.0

As of 30 September 2019, **net working capital** amounted to negative €119.7 million, with a cash generation equal to approximately €60.2 million in the first nine months of 2019.

Property, plant and equipment, which include investment property, amounted to €278.5 million as of 30 September 2019, registering an increase of approximately €2.1 million compared to 31 December 2018. This growth is mainly due to the revaluation of Asian currencies against the euro (approximately €3.6 million), which offset the effect from depreciation, of which the value exceeded investments for the period by approximately €0.3 million, as well as the impairment of investment property (€-1.0 million).

Intangible assets totalled €667.6 million, up by approximately €8.8 million compared to 31 December 2018. This growth is mainly due to investments for the period, of which the value exceeded amortisation by approximately €8.0 million, and to the effect of the revaluation of Asian currencies against the euro (approximately €0.8 million).

Rights of use, equal to €25.6 million, represent the current value of future operating lease payments, as required by the adoption of the new accounting standard IFRS 16.

Financial assets which totalled €9.7 million, increased by €1.0 million compared to figures for the previous year.

Provisions totalled €69.4 million, up compared to 31 December 2018 (€63.4 million).

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

As fully described in the next section on the “Consolidated Statement of Cash Flows”, **net financial debt** as of 30 September 2019 was equal to €405.1 million, compared to €429.2 million as of 31 December 2018. The improvement of approximately €24.1 million (€43.1 million excluding the effect of adopting the new accounting standard IFRS 16) is due to the positive performance of operations, which enabled the payment of dividends (€32.2 million relative to 2018 and €19.6 million relative to the interim divided on 2019 results) and funding of the investments programme.
Compared to 30 September 2018, net financial debt was basically stable (down by €19.0 million, excluding the effect of adopting the new accounting standard IFRS 16).

Group **shareholders’ equity** as of 30 September 2019 totalled €387.2 million, down by approximately €4.8 million compared to 31 December 2018.

Consolidated Statement of Cash Flows

The consolidated statement of cash flows prepared in accordance with the models provided by international financial reporting standards (IFRS) is shown in the "Consolidated Condensed Interim Financial Statements as of 30 September 2019"; the following is a comment relating to the summary statement shown.

	First nine months of 2019	**First nine months of 2018**	**Change**
In millions of euros			
Change in Consolidated Net Debt			
Opening Consolidated Net Debt	**(429.2)**	**(446.7)**	**17.5**
Cash flow from operating activities	141.3	118.3	23.0
(Increase)/Reduction in Net Working Capital	60.2	23.3	36.9
(Increase)/Reduction in net investments	(126.6)	(65.2)	(61.4)
Change in shareholders' equity	(50.8)	(34.9)	(16.0)
Total change	**24.1**	**41.6**	**(17.5)**
Closing Consolidated Net Debt	**(405.1)**	**(405.1)**	**(0.0)**

In the first nine months of 2019 the Piaggio Group generated **financial resources** amounting to €24.1 million.

Cash flow from operating activities, defined as net profit, minus non-monetary costs and income, was equal to €141.3 million.

Working capital generated a cash flow of approximately €60.2 million; in detail:

- the collection of trade receivables[4] used financial flows for a total of €40.2 million;
- stock management absorbed financial flows for a total of approximately €1.2 million;
- supplier payment trends generated financial flows of approximately €88.1 million;
- the movement of other non-trade assets and liabilities had a positive impact on financial flows by approximately €13.5 million.

Investing activities involved a total of €126.6 million of financial resources. This change was due to the following:

- the recognition of rights of use, following the adoption of the new accounting standard IFRS 16 (€-25.2 million);
- investments for €26.5 million in capitalised development costs and for €65.0 million in property, plant and equipment and intangible assets;
- other movements for the remaining amount.

[4] Net of customer advances.

As a result of the above financial dynamics, which generated a use of €24.1 million, the **net debt** of the Piaggio Group amounted to €–405.1 million. However, as already stated, the adoption of the new accounting standard IFRS 16 generated an increase in financial debt of €19.0 million.

Alternative non-GAAP performance measures

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

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

In particular the following alternative performance measures have been used:

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

Results by type of product

The Piaggio Group is comprised of and operates by geographic segments - EMEA and the Americas, India and Asia Pacific - to develop, manufacture and distribute two-wheeler and commercial vehicles.
Each Geographic Segment has production sites and a sales network dedicated to customers in the relative segment. Specifically:

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

For details of final results from each operating segment, reference is made to the Notes to the Consolidated Financial Statements.
The volumes and turnover in the three geographic segments, also by product type, are analysed below.

Two-wheeler

Two-wheeler	***First nine months of 2019***		***First nine months of 2018***		***Change %***		***Change***	
	Volumes Sell-in (units/000)	Turnover (million euros)	Volumes Sell-in (units/000)	Turnover (million euros)	Volumes	Turnover	Volumes	Turnover
EMEA and Americas	188.6	639.1	184.0	591.6	2.5%	8.0%	4.6	47.6
of which EMEA	179.8	593.5	175.4	547.3	2.5%	8.4%	4.4	46.2
(of which Italy)	*41.2*	*138.7*	*38.5*	*127.4*	*7.0%*	*8.9%*	*2.7*	*11.3*
of which America	8.8	45.6	8.6	44.3	2.4%	3.1%	0.2	1.4
India	59.7	48.6	66.3	50.2	-9.9%	-3.3%	(6.6)	(1.7)
Asia Pacific 2W	73.6	166.4	62.0	130.5	18.7%	27.5%	11.6	35.9
TOTAL	**321.9**	**854.1**	**312.2**	**772.3**	**3.1%**	**10.6%**	**9.7**	**81.8**
Scooters	290.2	594.3	281.5	545.4	3.1%	9.0%	8.7	48.9
Motorcycles	31.7	156.6	30.7	126.9	3.1%	23.4%	1.0	29.7
Spare parts and Accessories		102.1		97.7		4.4%		4.3
Other		1.2		2.3		-50.0%		(1.2)
TOTAL	**321.9**	**854.1**	**312.2**	**772.3**	**3.1%**	**10.6%**	**9.7**	**81.8**

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

In Europe, the Piaggio Group's reference area, the two-wheeler market ended the first nine months of 2019 with 1,159,534 vehicles sold, an 8.7% increase compared to the first nine months of 2018 (+8.3% for the motorcycle segment and +9.2% for the scooter segment).
In Italy, the scooter segment saw an increase of 3.4%, while the motorcycle segment registered a growth of 8.8%.
North America's two-wheeler market dropped by 1.7% in the first nine months of 2019 compared to the same period of the previous year. The motorcycle market, which accounts for 94.6% of the overall market, decreased by 1.6%, while the scooter market dropped by 3%.
In Vietnam, the Asian nation with most Group vehicles, sales went down overall by 4.8%.
In India, the two-wheeler market recorded a drop (-14.0%) in the first nine months of 2019 compared to the same period of the previous year, driven by a decrease in the scooter segment (-16.5%) and in the motorcycle segment (-12.4%).

Main results

During the first nine months of 2019, the Piaggio Group sold a total of 321,900 units in the two-wheeler segment worldwide, accounting for a net turnover equal to approximately €854.1 million (+10.6%), including spare parts and accessories (€102.1 million, +4.4%).
The overall growth in both volumes (+3.1%) and turnover (+10.6%) was mainly due to the good performance of Asia Pacific (+18.7% volumes; +27.5% turnover, +22.1% with constant exchange rates). Both volumes and turnover increased (+2.5% and +8.0% respectively) in EMEA and the Americas. In India, instead, a slight decrease was recorded in both volumes (-9.9%) and turnover (-3.3%; -5.1% with constant exchange rates).

Market positioning[5]

On the European two-wheeler market, the Piaggio Group achieved a total share of 14.0% in the first nine months of 2019, down on the share held in the first nine months of 2018 (14.3%). The Group's leadership position in the scooter segment was confirmed (24.3% in the first nine months of 2019, compared to 25.5% in the first nine months of 2018). In Italy, the Piaggio Group’s market share went from 19.2% in the first nine months of 2018 to 18.8% in the same period of 2019. The Group held a 29.4% share in the scooter segment (29.9% in the first nine months of 2018) and a 4.1% share in the motorcycle segment (3.7% in the first nine months of 2018).
In India, in the first nine months of 2019, the Group recorded a drop in sell-out volumes compared to the same period of the previous year, closing at 52,803 vehicles (-11.9%).
The Group's position on the North American scooter market stayed strong, where it ended the period with a share of 22.9% (23.3% in the first nine months of 2018).

Investments

Investments mainly targeted the following areas:

- developing new products and updating existing products;
- improving and modernising current production capacity.

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

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

Commercial Vehicles

Commercial Vehicles	*First nine months of 2019*		*First nine months of 2018*		*Change %*		*Change*	
	Volumes Sell-in (units/000)	Turnover (million euros)	Volumes Sell-in (units/000)	Turnover (million euros)	Volumes	Turnover	Volumes	Turnover
EMEA and Americas	14.8	75.9	11.6	65.4	27.8%	16.1%	3.2	10.5
of which EMEA	11.6	69.8	10.0	62.1	15.9%	12.4%	1.6	7.7
(of which Italy)	*3.2*	*38.1*	*2.8*	*34.3*	*14.0%*	*11.1%*	*0.4*	*3.8*
of which America	3.3	6.1	1.6	3.3	102.0%	86.5%	1.6	2.8
India	142.5	270.5	145.6	256.1	-2.1%	5.6%	(3.1)	14.4
TOTAL	**157.4**	**346.4**	**157.2**	**321.4**	**0.1%**	**7.8%**	**0.1**	**24.9**
Ape	153.6	266.2	152.8	246.1	0.5%	8.2%	0.8	20.1
Porter	3.3	40.0	3.0	35.4	8.3%	13.1%	0.3	4.6
Quargo	0.3	1.2	0.6	2.2	-48.1%	-45.5%	(0.3)	(1.0)
Mini Truk	0.2	0.5	0.7	2.0	-75.2%	-73.1%	(0.6)	(1.5)
Spare parts and Accessories		38.4		35.7		7.5%		2.7
TOTAL	**157.4**	**346.4**	**157.2**	**321.4**	**0.1%**	**7.8%**	**0.1**	**24.9**

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 nine months of 2019, the European light commercial vehicles market (vehicles with a maximum mass less than or equal to 3.5 tons), in which the Piaggio Group operates, recorded sales of 1,597,527 units, a 4.4% increase compared to the first nine months of 2018 (data source ACEA). In detail, the trends of main European reference markets are as follows: Germany (+11.2%), Italy (+6.9%), France (+5.9%), UK (+4.5%) and Spain (+1.9%).

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 551,750 units in the first nine months of 2018 to 510,894 in the same period of 2019, registering a 7.4% decrease. Within this market, the passenger vehicles segment declined (-8.4%), closing at 417,358 units. The cargo segment decreased slightly (-2.9%), from 96,331 units in the first nine months of 2018 to 93,536 units in the first nine months of 2019.

Piaggio Vehicles Private Limited also operates on the four-wheeler light commercial vehicles (LCV) market for the transport of goods (cargo). The LCV cargo market, with vehicles with a maximum mass below 2 tons, recorded sales of 153,568 units in the first nine months of 2019, decreasing by 8.2% compared to the first nine months of 2018.

Main results

During the first nine months of 2019, the Commercial vehicles business generated a turnover of €346.4 million, up by 7.8% compared to the same period of the previous year.
In percentage terms, the most significant increase was recorded in EMEA and the Americas (16.1%) where all areas reported positive trends (EMEA +12.4%; Americas +86.5%).
In India, the Group increased revenues, despite a 2.1% downturn in volumes sold. The Indian affiliate Piaggio Vehicles Private Limited (PVPL) sold 121,651 three-wheelers on the Indian market (126,806 in the first nine months of 2018).
The same affiliate also exported 20,357 three-wheeler vehicles (17,426 as of 30 September 2018).
Overall, the Indian affiliate PVPL invoiced €270.5 million in the first nine months of 2019, compared to €256.1 million in the first nine months of 2018, (+5.6%; +3.4% with constant exchange rates).
Overall, during the period, the Piaggio Group sold 157,400 commercial vehicles, up slightly compared to the first nine months of 2018 (+0.1%).

Market positioning[6]

The Piaggio Group operates in Europe and India on the light commercial vehicles market, with products designed for short range mobility in urban areas (European urban centres) and suburban areas (the product range for India).
The Group is also present in India, in the passenger vehicle and cargo sub-segments of the three-wheeler market, where it is market leader.
On the Indian three-wheeler market, Piaggio had a market share of 23.8% (up on the figure of 23.0% in the first nine months of 2018). Detailed analysis of the market shows that Piaggio maintained its leadership position in the goods transport segment (cargo segment) with a share of 42.9% (45.7% in the first nine months of 2018). In the passenger segment, Piaggio’s share increased, closing at 19.5% (18.2% in the first nine months of 2018).

Besides the traditional three-wheeler market in India, Piaggio also operates on the four-wheeler light commercial vehicles (LCV) market (cargo vehicles for goods transport) with the Porter range. On this market, the Group's share fell to 0.3% (0.9% in the first nine months of 2018).

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

Investments

Investments mainly targeted the following areas:

- developing new products and updating existing products;
- improving and modernising current production capacity.

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

Events occurring after the end of the period

1 October 2019 - Alessandra Simonotto, head of Administration & Reporting and Manager in Charge of Preparing the Company Accounts and Documents, is to continue her progress inside the Group by taking on the role of CFO – following the resignation of Simone Montanari for personal reasons. She will begin work in her new role on 1st October 2019, with the same powers and functions.

Operating outlook

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

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

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

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

Transactions with related parties

Net sales, costs, payables and receivables as of 30 September 2019 involving parent companies, subsidiaries and associates relate 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 September 2019".

Economic glossary

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

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

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

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

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

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

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

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

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

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

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

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

Condensed Interim Financial Statements as of 30 September 2019

Consolidated Income Statement

In thousands of Euros	Notes	First nine months of 2019 Total	First nine months of 2019 *of which related parties*	First nine months of 2018 Total	First nine months of 2018 *of which related parties*
Net revenues	4	**1,200,453**	**111**	**1,093,740**	**2,663**
Cost for materials	5	(729,290)	(12,612)	(653,919)	(17,451)
Cost for services and leases and rentals	6	(182,306)	(1,744)	(170,978)	(2,828)
Employee costs	7	(173,075)		(165,937)	
Depreciation and impairment costs of property, plant and equipment	8	(30,383)		(30,008)	
Amortisation and impairment costs of intangible assets	8	(53,704)		(51,031)	
Amortisation of rights of use	8	(5,172)		0	
Other operating income	9	90,021	294	78,744	203
Net reversals (impairment) of trade and other receivables	10	(1,197)		(1,492)	
Other operating costs	11	(15,798)	(16)	(14,194)	(94)
Operating income		**99,549**		**84,925**	
Income/(loss) from investments	12	735	624	765	757
Financial income	13	2,577	19	6,770	17
Borrowing costs	13	(21,155)	(128)	(26,531)	(82)
Net exchange gains/(losses)	13	(223)		160	
Profit before tax		**81,483**		**66,089**	
Taxes for the period	14	(35,445)		(29,740)	
Profit from continuing operations		**46,038**		**36,349**	
Assets held for sale:					
Profits or losses arising from assets held for sale	15				
Net Profit (loss) for the period		**46,038**		**36,349**	
Attributable to:					
Owners of the Parent		**46,038**		**36,349**	
Non-controlling interests		**0**			
Earnings per share (figures in €)	16	**0.129**		**0.102**	
Diluted earnings per share (figures in €)	16	**0.129**		**0.102**	

Consolidated Statement of Comprehensive Income

In thousands of Euros	Notes	First nine months of 2019	First nine months of 2018
Net Profit (Loss) for the period (A)		**46,038**	**36,349**
Items that will not be reclassified in the income statement			
Remeasurements of defined benefit plans	41	(2,980)	(1,114)
Total		**(2,980)**	**(1,114)**
Items that may be reclassified in the income statement			
Profit (loss) deriving from the translation of financial statements of foreign companies denominated in foreign currency	41	3,951	(8,681)
Portion of components of the Statement of Comprehensive Income of subsidiaries/associates valued with the equity method	41	117	(208)
Total profits (losses) on cash flow hedges	41	92	139
Total		**4,160**	**(8,750)**
Other components of the Statement of Comprehensive Income (B)*		**1,180**	**(9,864)**
Total Profit (loss) for the period (A + B)		**47,218**	**26,485**

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

Attributable to:			
Owners of the Parent		**47,214**	**26,450**
Non-controlling interests		**4**	**35**

Consolidated Statement of Financial Position

		As of 30 September 2019		As of 31 December 2018	
		Total	*of which related parties*	**Total**	*of which related parties*
In thousands of Euros	*Notes*				
ASSETS					
Non-current assets					
Intangible assets	17	667,642		658,888	
Property, plant and equipment	18	269,272		266,198	
Rights of use	19	25,562			
Investment Property	20	9,275		10,269	
Investments	35	8,658		7,934	
Other financial assets	36	3,923		6,029	
Long-term tax receivables	25	17,156		17,399	
Deferred tax assets	21	61,053		59,250	
Trade receivables	23				
Other receivables	24	13,338	94	16,625	94
Total non-current assets		**1,075,879**		**1,042,592**	
Assets held for sale	27				
Current assets					
Trade receivables	23	126,095	974	86,557	1,264
Other receivables	24	28,949	14,752	33,507	15,262
Short-term tax receivables	25	21,268		7,368	
Inventories	22	225,327		224,108	
Other financial assets	37	3,880		2,805	
Cash and cash equivalents	38	212,472		188,740	
Total current assets		**617,991**		**543,085**	
Total assets		**1,693,870**		**1,585,677**	

		As of 30 September 2019		As of 31 December 2018	
		Total	*of which related parties*	**Total**	*of which related parties*
In thousands of Euros	*Notes*				
SHAREHOLDERS' EQUITY AND LIABILITIES					
Shareholders' equity					
Share capital and reserves attributable to the owners of the Parent	40	387,360		392,163	
Share capital and reserves attributable to non-controlling interests	40	(207)		(211)	
Total shareholders' equity		**387,153**		**391,952**	
Non-current liabilities					
Financial liabilities > 12 months	39	479,650		512,498	
Lease liabilities for rights of use > 12 months	39	12,349	3,427		
Trade payables	28				
Other long-term provisions	29	10,928		9,504	
Deferred tax liabilities	30	12,636		2,806	
Retirement funds and employee benefits	31	43,144		41,306	
Tax payables	32				
Other long-term payables	33	6,574		5,939	
Total non-current liabilities		**565,281**		**572,053**	
Current liabilities					
Financial liabilities < 12 months	39	125,705		113,502	
Lease liabilities for rights of use < 12 months	39	6,692	1,357		
Trade payables	28	520,192	7,995	432,722	8,402
Tax payables	32	16,370		14,635	
Other short-term payables	33	57,115	6,286	48,220	6,725
Current portion of other long-term provisions	29	15,362		12,593	
Total current liabilities		**741,436**		**621,672**	
Total Shareholders' Equity and Liabilities		**1,693,870**		**1,585,677**	

Consolidated Statement of Cash Flows

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

		First nine months of 2019		First nine months of 2018	
		Total	of which related parties	Total	of which related parties
In thousands of Euros	*Notes*				
Operating activities					
Net Profit (loss) for the period		46,038		36,349	
Allocation of profit to non-controlling interests		0		0	
Taxes for the period	14	35,445		29,740	
Depreciation of property, plant and equipment	8	30,383		30,008	
Amortisation of intangible assets	8	53,420		50,438	
Amortisation of rights of use	8	5,172		0	
Provisions for risks and retirement funds and employee benefits		14,466		13,677	
Write-downs / (Reinstatements)		2,379		2,316	
Losses / (Gains) on the disposal of property, plants and equipment		(38)		(75)	
Financial income	13	(2,577)		(6,770)	
Dividend income		(111)		(8)	
Borrowing costs	13	21,155		26,531	
Income from public grants		(3,545)		(1,495)	
Portion of earnings of affiliated companies		(624)		(757)	
Change in working capital:					
(Increase)/Decrease in trade receivables	23	(40,520)	290	(36,887)	485
(Increase)/Decrease in other receivables	24	23	510	1,359	(407)
(Increase)/Decrease in inventories	22	(1,219)		(23,300)	
Increase/(Decrease) in trade payables	28	87,470	(407)	64,487	2,220
Increase/(Decrease) in other payables	33	9,530	(439)	5,294	(1,047)
Increase/(Decrease) in provisions for risks	29	(6,586)		(6,616)	
Increase/(Decrease) in retirement funds and employee benefits	31	(7,700)		(7,611)	
Other changes		(16,984)		2,064	
Cash generated from operating activities		**225,577**		**178,744**	
Interest paid		(17,336)		(22,587)	
Taxes paid		(23,020)		(19,812)	
Cash flow from operating activities (A)		**185,221**		**136,345**	
Investment activities					
Investment in property, plant and equipment	18	(30,122)		(20,942)	
Sale price, or repayment value, of property, plant and equipment		85		745	
Investment in intangible assets	17	(61,434)		(51,298)	
Sale price, or repayment value, of intangible assets		41		65	
Public grants collected		2,114		0	
Dividends received		111		0	
Collected interests		515		286	
Cash flow from investment activities (B)		**(88,690)**		**(71,144)**	
Financing activities					
Purchase of treasury shares	40	(212)		(1,272)	
Outflow for dividends paid	40	(51,805)		(19,698)	
Loans received	39	40,055		283,889	
Outflow for repayment of loans	39	(61,757)		(253,664)	
Reimbursement of lease liabilities for rights of use	39	(4,005)		0	
Repayment of finance leases	39	(955)		(858)	
Cash flow from financing activities (C)		**(78,679)**		**8,397**	
Increase / (Decrease) in cash and cash equivalents (A+B+C)		17,852		73,598	
Opening balance		**188,386**		**127,894**	
Exchange differences		5,803		(3,999)	
Closing balance		**212,041**		**197,493**	

Changes in Consolidated Shareholders' Equity

Movements from 1 January 2019 / 30 September 2019

	Notes	Share capital	Share premium reserve	Legal reserve	Reserve for measurement of financial instruments	IAS transition reserve	Group translation reserve	Treasury shares	Earnings reserve	Consolidated Group shareholders' equity	Share capital and reserves attributable to non-controlling interests	TOTAL SHAREHOLDERS' EQUITY
In thousands of Euros												
As of 1 January 2019		**207,614**	**7,171**	**20,125**	**(114)**	**(15,525)**	**(27,607)**	**(1,537)**	**202,036**	**392,163**	**(211)**	**391,952**
Profit for the period									46,038	**46,038**		**46,038**
Other components of the Statement of Comprehensive Income	41				92		4,064		(2,980)	**1,176**	**4**	**1,180**
Total profit (loss) for the period		**0**	**0**	**0**	**92**	**0**	**4,064**	**0**	**43,058**	**47,214**	**4**	**47,218**
<u>Transactions with shareholders:</u>												
Allocation of profits	40			1,779					(1,779)	**0**		**0**
Distribution of dividends	40								(32,155)	**(32,155)**		**(32,155)**
Interim dividend	40								(19,650)	**(19,650)**		**(19,650)**
Purchase of treasury shares	40							(212)		**(212)**		**(212)**
As of 30 September 2019		**207,614**	**7,171**	**21,904**	**(22)**	**(15,525)**	**(23,543)**	**(1,749)**	**191,510**	**387,360**	**(207)**	**387,153**

Movements from 1 January 2018 / 30 September 2018

	Notes	Share capital	Share premium reserve	Legal reserve	Reserve for measurement of financial instruments	IAS transition reserve	Group translation reserve	Treasury shares	Earnings reserve	Consolidated Group shareholders' equity	Share capital and reserves attributable to non-controlling interests	TOTAL SHAREHOLDERS' EQUITY
In thousands of Euros												
As of 1 January 2018		**207,614**	**7,171**	**19,095**	**(320)**	**(11,505)**	**(24,467)**	**0**	**187,708**	**385,296**	**(236)**	**385,060**
Profit for the period									36,349	**36,349**		**36,349**
Other components of the Statement of Comprehensive Income	41				139		(8,924)		(1,114)	**(9,899)**	**35**	**(9,864)**
Total profit (loss) for the period		**0**	**0**	**0**	**139**	**0**	**(8,924)**	**0**	**35,235**	**26,450**	**35**	**26,485**
Transactions with shareholders:												
Allocation of profits	40			1,030					(1,030)	**0**		**0**
Distribution of dividends	40								(19,698)	**(19,698)**		**(19,698)**
Adoption of IFRS 9	40					(4,020)				**(4,020)**		**(4,020)**
Purchase of treasury shares	40							(1,272)		**(1,272)**		**(1,272)**
As of 30 September 2018		**207,614**	**7,171**	**20,125**	**(181)**	**(15,525)**	**(33,391)**	**(1,272)**	**202,215**	**386,756**	**(201)**	**386,555**

Notes to the Consolidated Financial Statements

A) GENERAL ASPECTS

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

1. Scope of consolidation

The scope of consolidation has not changed compared to the Consolidated Financial Statements as of 31 December 2018, while it has changed compared to the Consolidated Financial Statements as of 30 September 2018 due to the liquidation of Fondo Immobiliare First Atlantic on 14 December 2018.

2. Compliance with International Accounting Standards

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

The preparation of the interim financial statements requires management to make estimates and assumptions which have an impact on the values of revenues, costs, consolidated balance sheet assets and liabilities and on the information regarding contingent assets and liabilities at the reporting date. If these management estimates and assumptions should, in future, differ from the actual situation, they will be changed as appropriate in the period in which the circumstances change. For a more detailed description of the most significant measurement methods of the Group, reference is made to the section "Use of estimates" of the Consolidated Financial Statements as of 31 December 2018.

It should also be noted that some assessment processes, in particular the most complex ones such as establishing any impairment of fixed assets, are generally undertaken in full only when preparing the annual financial statements, when all the potentially necessary information is available, except in cases where there are indications of impairment which require an immediate assessment of any impairment loss.

The Group's activities, especially those regarding two-wheeler products, are subject to significant seasonal changes in sales during the year.

Income tax is recognised on the basis of the best estimate of the average weighted tax rate for the entire financial period.

New accounting standards, amendments and interpretations adopted from 1 January 2019

IAS 16 "Leases"

In January 2016, the IASB published IFRS 16 "Leases". This new standard replaced IAS 17. The main change concerns the accounting of lease agreements by lessees that, according to IAS 17, were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). With IFRS 16, operating leases are treated for accounting purposes as finance leases. According to the new standard, an asset (the right to use the leased item) and a financial liability are recognised for future rental payments. The IASB has provided for the optional exemption for certain leasing contracts and low value and short-term leases.

The standard mainly has an effect on the recognition of the Group's operating leases.

The Group opted to use the simplified transition approach, and therefore comparative amounts of the year prior to first-time adoption were not modified. Assets recognised for rights to use are measured for the amount of the lease debt at the time of adoption.

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

	As of 31 December 2018
In millions of Euros	
+ Commitments for operating leases	29
- short-term operating leases	(1)
- operating leases of a moderate value	(1)
- operating leases, no IFRS 16 compliance	(5)
- discounting effect	(1)
Total rights of use	**21**

The effects of adopting IFRS 16 on the financial statements as of 30 September 2019 are summarised in the following table.

	As of 30 September 2019 published	Effect of IFRS 16	As of 30 September 2019 without the adoption of IFRS 16
In thousands of Euros			
Rights of use	25,562	25,562	0
Lease liabilities for rights of use	19,041	19,041	0
Other non-current receivables	13,338	(7,536)	20,874
Other current receivables	28,949	(167)	29,116
Amortisation of rights of use	(5,172)	(5,172)	0
Costs for services, leases and rentals	(182,306)	5,585	(187,891)
Borrowing costs	(21,155)	(713)	(20,442)
Effect on the income statement before taxes		(300)	

- In order to facilitate the understanding of impacts arising from the adoption of the new standard, assets purchased through finance leases and corresponding liabilities were kept under the line items Property, plant and equipment (€/000 10,156) and Financial liabilities (€/000 8,309) respectively.
- The change in the item "Other non-current receivables" refers to leases paid in advance by Asian companies for concessions on land where production sites are located being reclassified under the item rights of use.
- The change in the item "Other current receivables" refers to lease payments paid in advance by the company PT Piaggio Indonesia for a lease agreement that started in September 2019 being reclassified under the item rights of use.

IFRS 9 "Financial Instruments"

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

IAS 28

The amendments issued in October 2017 clarify that entities must apply the provisions of IFRS 9 "Financial instruments" to non-current investments in associates and joint ventures for which the equity method is not applied. The amendments are applicable from 1 January 2019 and did not have a significant impact on the financial statements or on disclosure.

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

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

IFRIC 23
In June 2017 the IASB published interpretation IFRIC 23 "Uncertainty over Income Tax Treatments" which provides information on how to account for uncertainties over the tax treatment of a given phenomenon in the recognition of income taxes. IFRIC 23 became effective on 1 January 2019 and did not have a significant impact on the financial statements or on disclosure.

<u>Accounting standards, amendments and interpretations not yet applicable</u>

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

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

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

Other information

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

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

Currency	**Spot exchange rate 30 September 2019**	**Average exchange rate first nine months of 2019**	**Spot exchange rate 31 December 2018**	**Average exchange rate first nine months of 2018**
US Dollar	1.0889	1.12362	1.1450	1.19420
Pounds Sterling	0.88573	0.883464	0.89453	0.88405
Indian Rupee	77.1615	78.83009	79.7298	80.19052
Singapore Dollars	1.5060	1.53324	1.5591	1.60033
Chinese Yuan	7.7784	7.71347	7.8751	7.77886
Croatian Kuna	7.4110	7.41086	7.4125	7.41765
Japanese Yen	117.59	122.56963	125.85	130.92534
Vietnamese Dong	25,156.91	25,906.44125	26,230.56	27,174.07228
Canadian Dollars	1.4426	1.49349	1.5605	1.53724
Indonesian Rupiah	15,456.93	15,929.37792	16,565.86	16,769.34251
Brazilian Real	4.5288	4.36465	4.4440	4.29662

B) SEGMENT REPORTING

3. Operating segment reporting

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

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

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

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

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

INCOME STATEMENT BY OPERATING SEGMENT

		EMEA and Americas	India	Asia Pacific 2W	**Total**
Sales volumes (unit/000)	1-1/30-9-2019	203.5	202.2	73.6	**479.2**
	1-1/30-9-2018	195.6	211.9	62.0	**469.4**
	Change	7.9	(9.7)	11.6	**9.8**
	Change %	4.0%	-4.6%	18.7%	**2.1%**
Net turnover (millions of Euros)	1-1/30-9-2019	715.0	319.0	166.4	**1,200.5**
	1-1/30-9-2018	656.9	306.3	130.5	**1,093.7**
	Change	58.1	12.7	35.9	**106.7**
	Change %	8.8%	4.2%	27.5%	**9.8%**
Gross margin (millions of Euros)	1-1/30-9-2019	212.1	86.6	64.9	**363.7**
	1-1/30-9-2018	202.7	81.9	49.7	**334.4**
	Change	9.4	4.7	15.2	**29.3**
	Change %	4.6%	5.8%	30.5%	**8.8%**
EBITDA (millions of Euros)	1-1/30-9-2019				**188.8**
	1-1/30-9-2018				**166.0**
	Change				**22.8**
	Change %				**13.8%**
EBIT (millions of Euros)	1-1/30-9-2019				**99.5**
	1-1/30-9-2018				**84.9**
	Change				**14.6**
	Change %				**17.2%**
Net profit (millions of Euros)	1-1/30-9-2019				**46.0**
	1-1/30-9-2018				**36.3**
	Change				**9.7**
	Change %				**26.7%**

C) INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

4. Net revenues €/000 1,200,453

Revenues are shown net of premiums recognised to customers (dealers).
This item does not include transport costs, which are recharged to customers (€/000 22,095) and invoiced advertising cost recoveries (€/000 2,783), 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:

	First nine months of 2019		First nine months of 2018		Changes	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
In thousands of Euros						
EMEA and Americas	715,041	59.6	656,945	60.1	58,096	8.8
India	319,004	26.6	306,278	28.0	12,726	4.2
Asia Pacific 2W	166,408	13.8	130,517	11.9	35,891	27.5
Total	**1,200,453**	**100.0**	**1,093,740**	**100.0**	**106,713**	**9.8**

In the first nine months of 2019 net sales revenues increased by 9.8% compared to the same period of the previous year. For a more detailed analysis of trends in individual geographic segments, see comments in the Report on Operations.

5. Costs for materials €/000 (729,290)

The increase in costs for materials of €/000 75,371 compared to the first nine months of 2018 is mainly due to the increase in products sold. The item includes €/000 12,612 (€/000 17,451 in the first nine months of 2018) for purchases of scooters from the Chinese affiliate Zongshen Piaggio Foshan Motorcycle Co., that are sold on European and Asian markets.

6. Costs for services and leases and rental costs €/000 (182,306)

Costs for services and leases and rental costs recorded an increase of €/000 11,328 compared to the first nine months of 2018. The item includes costs for temporary work of €/000 1,661.
Costs for leases and rental costs for the first nine months of 2019 were reduced by €/000 5,585 following the adoption of the new accounting standard IFRS 16, which requires operating lease costs to be recognised as amortisation of rights of use and as borrowing costs relative to the assumed debt.

7. Employee costs €/000 (173,075)

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

	First nine months 2019	First nine months of 2018	Change
In thousands of Euros			
Salaries and wages	(131,836)	(124,522)	(7,314)
Social security contributions	(33,086)	(32,761)	(325)
Termination benefits	(5,617)	(5,592)	(25)
Other costs	(2,536)	(3,062)	526
Total	**(173,075)**	**(165,937)**	**(7,138)**

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

	Average number		
	First nine months of 2019	First nine months of 2018	Change
Level			
Senior management	104.1	97.7	6.4
Middle management	667.9	628.6	39.3
White collars	1,731.2	1,706.8	24.4
Blue collars	3,966.5	4,297.6	(331.1)
Total	**6,469.7**	**6,730.7**	**(261.0)**

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

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

	Number as of		
	30 September 2019	31 December 2018	Change
Level			
Senior management	106	100	6
Middle management	683	640	43
White collars	1,724	1,738	(14)
Blue collars	3,800	4,037	(237)
Total	**6,313**	**6,515**	**(202)**
EMEA and Americas	3,564	3,586	(22)
India	1,793	2,026	(233)
Asia Pacific 2W	956	903	53
Total	**6,313**	**6,515**	**(202)**

8. Amortisation/depreciation and impairment costs **€/000 (89,259)**

This item includes:

- Amortisation and impairment costs of intangible assets for €/000 53,704 (€/000 51,031 in the first nine months of 2018).
- Depreciation and impairment costs of plant, property and equipment for €/000 30,383 (€/000 30,008 in the first nine months of 2018).
- Amortisation of rights of use for €/000 5,172. This cost item was introduced in 2019, following the adoption of the new accounting standard IFRS 16. For the relative effects, see the previous section "New accounting standards, amendments and interpretations applied as from 1 January 2019".

9. Other operating income **€/000 90,021**

This item, consisting mainly of increases in fixed assets for internal work and of recoveries of costs re-invoiced to customers, increased by €/000 11,277 compared to the first nine months of 2018.

10. Net reversals (impairment) of trade and other receivables **€/000 (1,197)**

This item consists of:

	First nine months 2019	First nine months 2018	Change
In thousands of Euros			
Release of provisions	91	32	59
Losses on receivables	(186)	(10)	(176)
Write-down of receivables in working capital	(1,102)	(1,514)	412
Total	**(1,197)**	**(1,492)**	**295**

11. Other operating costs **€/000 (15,798)**

The increase of €/000 1,604 is mainly due to higher provisions for risks (€/000 -764) and to the greater impairment of the property fund (€/000 -785) compared to the same period of the previous year.

12. Income/(loss) from investments **€/000 735**

Income from investments refers to the portion attributable to the Group of the Zongshen Piaggio Foshan Motorcycle Co. Ltd joint venture (€/000 611) and of the associate Pontech (€/000 13) measured at equity, as well as dividends from the associates IVM (€/000 93) and Ecofor Service (€/000 18).

13. Net financial income (borrowing costs) €/000 (18,801)

The balance of financial income (borrowing costs) in the first nine months of 2019 was negative by €/000 18,801, an improvement on the figure of €/000 19,601 for the same period of the previous year, thanks to lower average debt and the reduction in the cost of debt. This improvement would be even higher, considering that figures for 2018 included €/000 910 from non-recurrent net income generated by the liability management operation on the high yield debenture loan and that the new accounting standard IFRS 16 was adopted in 2019, resulting in the recognition of charges for €/000 713.

14. Taxes €/000 (35,445)

Income tax for the period, determined based on IAS 34, was estimated by applying a rate of 43.5% 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:

		First nine months 2019	First nine months
Net profit	€/000	46,038	36,349
Earnings attributable to ordinary shares	€/000	46,038	36,349
Average number of ordinary shares in circulation		357,279,871	358,057,087
Earnings per ordinary share	€	0.129	0.102
Adjusted average number of ordinary shares		357,279,871	358,057,087
Diluted earnings per ordinary share	€	0.129	0.102

D) INFORMATION ON FINANCIAL ASSETS AND LIABILITIES

17. Intangible assets €/000 667,642

Intangible assets went up overall by €/000 8,754 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 for new products and new engines, as well as the purchase of software.
In the first nine months of 2019, borrowing costs for €/000 580 were capitalised.

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

In thousands of Euros	***Development costs***			***Patent rights and know-how***			***Concessions, licences and trademarks***	***Goodwill***	***Other***			***Total***		
	In operation	***Assets under development and advances***	***Total***	***In operation***	***Assets under development and advances***	***Total***			***In operation***	***Assets under development and advances***	***Total***	***In operation***	***Assets under development and advances***	***Total***
Historical cost	257,677	26,935	284,612	381,477	27,034	408,511	128,021	557,322	7,517		7,517	1,332,014	53,969	1,385,983
Provisions for write-down	(1,572)	(1,484)	(3,056)	(360)		(360)					0	(1,932)	(1,484)	(3,416)
Accumulated amortisation	(200,332)		(200,332)	(316,695)		(316,695)	(88,836)	(110,382)	(7,434)		(7,434)	(723,679)	0	(723,679)
Assets as of 01 01 2019	**55,773**	**25,451**	**81,224**	**64,422**	**27,034**	**91,456**	**39,185**	**446,940**	**83**	**0**	**83**	**606,403**	**52,485**	**658,888**
Investments	7,092	19,454	26,546	6,779	27,724	34,503			356	29	385	14,227	47,207	61,434
Transitions in the period	10,551	(10,551)	0	11,686	(11,686)	0			29	(29)	0	22,266	(22,266)	0
Amortisation	(22,260)		(22,260)	(27,428)		(27,428)	(3,617)		(115)		(115)	(53,420)	0	(53,420)
Disposals	(5)		(5)	(4)		(4)			(32)		(32)	(41)	0	(41)
Write-downs		(283)	(283)			0					0	0	(283)	(283)
Exchange differences	519	259	778	33	5	38			18		18	570	264	834
Other changes			0			0			230		230	230	0	230
Total movements for the period	**(4,103)**	**8,879**	**4,776**	**(8,934)**	**16,043**	**7,109**	**(3,617)**	**0**	**486**	**0**	**486**	**(16,168)**	**24,922**	**8,754**
Historical cost	283,614	36,154	319,768	399,941	43,077	443,018	128,021	557,322	8,510		8,510	1,377,408	79,231	1,456,639
Provisions for write-down		(1,824)	(1,824)			0					0	0	(1,824)	(1,824)
Accumulated amortisation	(231,944)		(231,944)	(344,453)		(344,453)	(92,453)	(110,382)	(7,941)		(7,941)	(787,173)	0	(787,173)
Assets as of 30 09 2019	**51,670**	**34,330**	**86,000**	**55,488**	**43,077**	**98,565**	**35,568**	**446,940**	**569**	**0**	**569**	**590,235**	**77,407**	**667,642**

18. Property, plant and equipment **€/000 269,272**

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.
In the first nine months of 2019, borrowing costs for €/000 204 were capitalised.

The table below shows the breakdown of property, plant and equipment as of 30 September 2019, as well as changes during the period.

In thousands of Euros	***Land***	***Buildings***			***Plant and machinery***			***Equipment***			***Other assets***			***Total***		
		In operation	***Assets under construction and advances***	***Total***	***In operation***	***Assets under construction and advances***	***Total***	***In operation***	***Assets under construction and advances***	***Total***	***In operation***	***Assets under construction and advances***	***Total***	***In operation***	***Assets under construction and advances***	***Total***
Historical cost	27,640	169,761	1,425	171,186	486,249	8,688	494,937	513,415	7,272	520,687	54,308	758	55,066	1,251,373	18,143	1,269,516
Reversals				0			0			0			0	0	0	0
Provisions for write-down		(622)		(622)	(483)		(483)	(2,408)		(2,408)	(64)		(64)	(3,577)	0	(3,577)
Accumulated depreciation		(78,788)		(78,788)	(380,606)		(380,606)	(493,277)		(493,277)	(47,070)		(47,070)	(999,741)	0	(999,741)
Assets as of 01 01 2019	**27,640**	**90,351**	**1,425**	**91,776**	**105,160**	**8,688**	**113,848**	**17,730**	**7,272**	**25,002**	**7,174**	**758**	**7,932**	**248,055**	**18,143**	**266,198**
Investments		90	1,401	1,491	1,062	15,854	16,916	5,551	1,714	7,265	4,167	283	4,450	10,870	19,252	30,122
Transitions in the period		531	(531)	0	9,844	(9,844)	0	3,953	(3,953)	0	313	(313)	0	14,641	(14,641)	0
Depreciation		(3,691)		(3,691)	(15,907)		(15,907)	(6,919)		(6,919)	(3,866)		(3,866)	(30,383)	0	(30,383)
Disposals				0	(5)		(5)	(1)		(1)	(41)		(41)	(47)	0	(47)
Write-downs				0			0			0			0	0	0	0
Exchange differences		808	11	819	2,344	283	2,627			0	161	5	166	3,313	299	3,612
Other changes				0			0			0	73	(303)	(230)	73	(303)	(230)
Total movements for the period	**0**	**(2,262)**	**881**	**(1,381)**	**(2,662)**	**6,293**	**3,631**	**2,584**	**(2,239)**	**345**	**807**	**(328)**	**479**	**(1,533)**	**4,607**	**3,074**
Historical cost	27,640	171,623	2,306	173,929	503,005	14,981	517,986	522,919	5,033	527,952	57,662	430	58,092	1,282,849	22,750	1,305,599
Reversals				0			0			0			0	0	0	0
Provisions for write-down		(622)		(622)	(483)		(483)	(2,408)		(2,408)	(64)		(64)	(3,577)	0	(3,577)
Accumulated depreciation		(82,912)		(82,912)	(400,024)		(400,024)	(500,197)		(500,197)	(49,617)		(49,617)	(1,032,750)	0	(1,032,750)
Assets as of 30 09 2019	**27,640**	**88,089**	**2,306**	**90,395**	**102,498**	**14,981**	**117,479**	**20,314**	**5,033**	**25,347**	**7,981**	**430**	**8,411**	**246,522**	**22,750**	**269,272**

As of 30 September 2019, the net value of assets held through finance leases was as follows:

In thousands of Euros	**As of 30 September 2019**
Vespa painting plant	10,057
Vehicles	99
Total	**10,156**

Future lease rental commitments are detailed in note 39.

19. Rights of use **€/000 25,562**

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

20. Investment Property **€/000 9,275**

Investment property refers to the Spanish site of Martorelles, where production was stopped in March 2013 and relocated to Italian sites.

In thousands of Euros	
Opening balance as of 1 January 2019	**10,269**
Fair value adjustment	(994)
Final balance as of 30 September 2019	**9,275**

During the last quarter, no indicators of changes in fair value were identified, and therefore the carrying amount determined for the Half-year Financial Report as of 30 June 2019, with the assistance of a specific appraisal by an independent expert, was confirmed. The expert evaluated the "Fair value less cost of disposal" using a market approach (as provided for by IFRS 13). This analysis identified the total value of the investment as €/000 9,275.
The Group uses the "fair value model" as provided for in IAS 40, thus the measurement updated during 2019 resulted in profit adjusted to fair value, equal to €/000 994 being recognised under other costs in the income statement for the period.

21. Deferred tax assets **€/000 61,053**

Deferred tax assets and liabilities are recognised at their net value when they may be offset in the same tax jurisdiction.

The item totalled €/000 61,053, up on the figure of €/000 59,250 as of 31 December 2018.

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

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

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

22. Inventories **€/000 225,327**

This item comprises:

	As of 30 September 2019	**As of 31 December 2018**	**Change**
In thousands of Euros			
Raw materials and consumables	110,117	104,701	5,416
Provision for write-down	(11,117)	(10,602)	(515)
Net value	*99,000*	*94,099*	4,901
Work in progress and semi-finished products	15,062	18,623	(3,561)
Provision for write-down	(852)	(852)	0
Net value	*14,210*	*17,771*	(3,561)
Finished products and goods	130,397	132,387	(1,990)
Provision for write-down	(19,046)	(20,295)	1,249
Net value	*111,351*	*112,092*	(741)
Advances	766	146	620
Total	**225,327**	**224,108**	**1,219**

As of 30 September 2019, inventories had increased by €/000 1,219, in line with the trend expected for production volumes and sales in the future.

23. Current and non-current trade receivables **€/000 126,095**

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

	As of 30 September 2019	As of 31 December 2018	Change
In thousands of Euros			
Trade receivables due from customers	125,121	85,293	39,828
Trade receivables due from JV	946	1,252	(306)
Trade receivables due from parent companies	14	12	2
Trade receivables due from associates	14		14
Total	**126,095**	**86,557**	**39,538**

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

The item Trade receivables comprises receivables referring to normal sale transactions, recorded net of a provision for bad debts of €/000 25,695.

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 September 2019, trade receivables still due sold without recourse totalled €/000 124,926.
Of these amounts, Piaggio received payment prior to natural expiry of €/000 114,768.
As of 30 September 2019, advance payments received from factoring companies and banks, for trade receivables sold with recourse totalled €/000 15,955 with a counter entry recorded in current liabilities.

24. Other current and non-current receivables **€/000 42,287**

They consist of:

In thousands of Euros	As of 30 September 2019	As of 31 December 2018	Change
Non-current portion:			
Sundry receivables due from associates	94	94	0
Prepaid expenses	10,288	13,673	(3,385)
Advances to employees	35	45	(10)
Security deposits	1,369	1,309	60
Receivables due from others	1,552	1,504	48
Total non-current portion	**13,338**	**16,625**	**(3,287)**

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

In thousands of Euros	As of 30 September 2019	As of 31 December 2018	Change
Current portion:			
Sundry receivables due from parent companies	13,529	14,205	(676)
Sundry receivables due from JV	1,223	1,034	189
Sundry receivables due from associates	-	23	(23)
Accrued income	1,253	1,369	(116)
Prepaid expenses	6,054	2,880	3,174
Advance payments to suppliers	1,292	2,625	(1,333)
Advances to employees	237	2,133	(1,896)
Fair value of derivatives	128	4	124
Security deposits	269	263	6
Receivables due from others	4,964	8,971	(4,007)
Total current portion	**28,949**	**33,507**	**(4,558)**

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

<u>25. Current and non-current tax receivables</u> **<u>€/000 38,424</u>**

Receivables due from tax authorities consist of:

	As of 30 September 2019	As of 31 December 2018	Change
In thousands of Euros			
VAT receivables	20,277	8,498	11,779
Income tax receivables	15,352	14,773	579
Other tax receivables	2,795	1,496	1,299
Total	**38,424**	**24,767**	**13,657**

Non-current tax receivables totalled €/000 17,156, compared to €/000 17,399 as of 31 December 2018, while current tax receivables totalled €/000 21,268 compared to €/000 7,368 as of 31 December 2018.

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

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

<u>27. Assets held for sale</u> **<u>€/000 0</u>**

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

<u>28. Current and non-current trade payables</u> **<u>€/000 520,192</u>**

As of 30 September 2019 and as of 31 December 2018 no trade payables were recorded under non-current liabilities. Trade payables recorded as current liabilities are broken down as follows:

	As of 30 September 2019	As of 31 December 2018	Change
In thousands of Euros			
Amounts due to suppliers	512,197	424,320	87,877
Trade payables to JV	7,950	6,671	1,279
Trade payables due to other related parties	1	24	(23)
Amounts due to affiliates		55	(55)
Amounts due to parent companies	44	1,652	(1,608)
Total	**520,192**	**432,722**	**87,470**

29. Provisions (current and non-current portion) **€/000 26,290**

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

	Balance as of 31 December 2018	Allocations	Uses	Reclassifications	Exchange differences	Balance as of30 September 2019
In thousands of Euros						
Provision for product warranties	16,594	8,845	(5,460)	53	270	20,302
Provision for contractual risks	2,972	1,139	(1,064)		35	3,082
Risk provision for legal disputes	1,788	39	(42)	(8)	26	1,803
Provisions for risk on guarantee	58					58
Other provisions for risks	685	422	(65)		3	1,045
Total	**22,097**	**10,445**	**(6,631)**	**45**	**334**	**26,290**

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

	As of 30 September 2019	As of 31 December 2018	Change
In thousands of Euros			
Non-current portion			
Provision for product warranties	6,802	5,361	1,441
Provision for contractual risks	2,311	2,310	1
Risk provision for legal disputes	1,212	1,213	(1)
Provisions for risk on guarantee	58	0	58
Other provisions for risks and charges	545	620	(75)
Total non-current portion	**10,928**	**9,504**	**1,424**

	As of 30 September 2019	As of 31 December 2018	Change
In thousands of Euros			
Current portion			
Provision for product warranties	13,500	11,233	2,267
Provision for contractual risks	771	662	109
Risk provision for legal disputes	591	575	16
Provisions for risk on guarantee	-	58	(58)
Other provisions for risks and charges	500	65	435
Total current portion	**15,362**	**12,593**	**2,769**

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 8,845 and was used for €/000 5,460 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. For an analysis of the proceedings, reference is made to the Half-Year Report as of 30 June 2019. The only consideration to note concerns the notification received of a first degree ruling, issued following the proceedings brought by a supplier in 2009 (in relation to which information was provided in the Half-Year Report as of 30 June 2019), ordering Piaggio to pay a total amount of approximately seven million, six hundred thousand euros and to publish the ruling in two national newspapers and two specialist journals. The Company has appealed against the ruling, considering the decision of the Court of Pisa to be wrong, for numerous reasons.

30. Deferred tax liabilities €/000 12,636

Deferred tax liabilities amount to €/000 12,636 compared to €/000 2,806 as of 31 December 2018.

31. Retirement funds and employee benefits €/000 43,144

	As of 30 September 2019	As of 31 December 2018	Change
In thousands of Euros			
Retirement funds	812	769	43
Post-employment benefits provision	42,332	40,537	1,795
Total	**43,144**	**41,306**	**1,838**

Retirement funds comprise provisions for employees allocated by foreign companies and additional customer indemnity provisions, which represent the compensation due to agents in the case of the agency contract being terminated for reasons beyond their control. Uses refer to the payment of benefits already accrued in previous years, while allocations refer to benefits accrued in the period.
The item "Termination benefits provision", comprising severance pay of employees of Italian companies, includes termination benefits indicated in defined benefit plans.
As regards the discount rate, the Group has decided to use the iBoxx Corporates AA rating with a 7-10 duration as the valuation reference.
If the iBoxx Corporates A rating with a 7-10 duration had been used, the value of actuarial losses and the provision as of 30 September 2019 would have been lower by €/000 964.

32. Current and non-current tax payables **€/000 16,370**

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

	As of 30 September 2019	As of 31 December 2018	Change
In thousands of Euros			
Due for income taxes	7,442	8,511	(1,069)
Due for non-income tax	90	50	40
Tax payables for:			
- VAT	4,570	2,010	2,560
- Tax withheld at source	3,616	3,803	(187)
- other	652	261	391
Total	8,838	6,074	2,764
Total	**16,370**	**14,635**	**1,735**

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 63,689**

This item comprises:

	As of 30 September 2019	As of 31 December 2018	Change
In thousands of Euros			
Non-current portion:			
Guarantee deposits	3,413	2,750	663
Deferred income	3,091	3,113	(22)
Other payables	70	76	(6)
Total non-current portion	**6,574**	**5,939**	**635**

	As of 30 September 2019	As of 31 December 2018	Change
In thousands of Euros			
Current portion:			
Payables to employees	27,570	17,452	10,118
Accrued expenses	8,868	3,782	5,086
Deferred income	1,527	1,403	124
Amounts due to social security institutions	5,343	8,584	(3,241)
Fair value of derivatives	36	16	20
Miscellaneous payables to JV	8	31	(23)
Sundry payables due to associates		5	(5)
Sundry payables due to parent companies	6,278	6,689	(411)
Other payables	7,485	10,258	(2,773)
Total current portion	**57,115**	**48,220**	**8,895**

Amounts due to employees include the amount for holidays accrued but not taken of €/000 10,036 and other payments to be made for €/000 17,534.
Payables to parent companies consist of payables to Immsi referring to expenses relative to the consolidated tax convention.
The item fair value of derivatives mainly refers to the fair value of hedging derivatives relative to the exchange risk on forecast transactions recognised on an cash flow hedge basis.
The item Accrued expenses includes €/000 125 for interest on hedging derivatives and relative hedged items measured at fair value.

34. Payables due after 5 years

The Group has loans due after 5 years, which are referred to in detail in Note 39 Financial Liabilities and Operating Leases.
With the exception of the above payables, no other long-term payables due after five years exist.

E) INFORMATION ON FINANCIAL ASSETS AND LIABILITIES

35. Investments €/000 8,658

The investments heading comprises:

	As of 30 September 2019	As of 31 December 2018	Change
In thousands of Euros			
Interests in joint ventures	8,514	7,786	728
Investments in associates	144	148	(4)
Total	**8,658**	**7,934**	**724**

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

36. Other non-current financial assets €/000 3,923

	As of 30 September 2019	As of 31 December 2018	Change
In thousands of Euros			
Fair value of derivatives	3,886	5,992	(2,106)
Investments in other companies	37	37	0
Total	**3,923**	**6,029**	**(2,106)**

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

37. Other current financial assets €/000 3,880

	As of 30 September 2019	As of 31 December 2018	Change
In thousands of Euros			
Fair value of derivatives	3,880	2,805	1,075
Total	**3,880**	**2,805**	**1,075**

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

38. Cash and cash equivalents €/000 212,472

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

	As of 30 September 2019	As of 31 December 2018	Change
In thousands of Euros			
Bank and postal deposits	159,208	131,282	27,926
Cash on hand	53	62	(9)
Securities	53,211	57,396	(4,185)
Total	**212,472**	**188,740**	**23,732**

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

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

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

	As of 30 September 2019	As of 30 September 2018	Change
In thousands of Euros			
Liquidity	212,472	197,498	14,974
Current account overdrafts	(431)	(5)	(426)
Closing balance	**212,041**	**197,493**	**14,548**

39. Financial liabilities and operating leases (current and non-current) €/000 624,396

In the first nine months of 2019, the Group's overall debt decreased by €/000 1,604, despite the recognition of payables for rights of use (€/000 19,041 as of 30 September 2019) under financial liabilities in the financial statements as from 1 January 2019, following the adoption of the new accounting standard IFRS 16; reference is made to the relative effects in the previous section "New accounting standards, amendments and interpretations adopted from 1 January 2019". Net of this change and the fair value measurement of financial derivatives to hedge the exchange risk and interest rate risk, and the adjustment of relative hedged items, as of 30 September 2019 total financial debt of the Group had decreased by €/000 19,385.

	Financial liabilities as of 30 September 2019			Financial liabilities as of 31 December 2018			Change		
	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total
In thousands of Euros									
Gross financial debt	122,319	476,258	598,577	110,939	507,023	617,962	11,380	(30,765)	(19,385)
Amounts due under rights of use	6,692	12,349	19,041				6,692	12,349	19,041
Fair value adjustment	3,386	3,392	6,778	2,563	5,475	8,038	823	(2,083)	(1,260)
Total	**132,397**	**491,999**	**624,396**	**113,502**	**512,498**	**626,000**	**18,895**	**(20,499)**	**(1,604)**

Net financial debt of the Group amounted to €/000 405,146 as of 30 September 2019 compared to €/000 429,222 as of 31 December 2018.

	As of 30 September 2019	As of 31 December 2018	Change
In thousands of Euros			
Liquidity	**212,472**	**188,740**	**23,732**
Securities			0
Current financial receivables	**0**	**0**	**0**
Payables due to banks	(46,379)	(47,033)	654
Current portion of bank loans	(47,774)	(42,708)	(5,066)
Debenture loan	(11,022)	(10,325)	(697)
Amounts due to factoring companies	(15,955)	(9,291)	(6,664)
Amounts due under finance leases	(1,153)	(1,237)	84
Amounts due under rights of use	(6,692)		(6,692)
Current portion of payables due to other lenders	(36)	(345)	309
Current financial debt	**(129,011)**	**(110,939)**	**(18,072)**
Net current financial debt	**83,461**	**77,801**	**5,660**
Payables due to banks and lenders	(187,620)	(207,239)	19,619
Debenture loan	(281,344)	(291,694)	10,350
Amounts due under finance leases	(7,156)	(7,930)	774
Amounts due under rights of use	(12,349)		(12,349)
Amounts due to other lenders	(138)	(160)	22
Non-current financial debt	**(488,607)**	**(507,023)**	**18,416**
NET FINANCIAL DEBT	**(405,146)**	**(429,222)**	**24,076**
of which lease liabilities for rights of use	**(19,041)**	**0**	**(19,041)**

Non-current financial liabilities totalled €/000 488,607 against €/000 507,023 as of 31 December 2018, whereas current financial liabilities totalled €/000 129,011 compared to €/000 110,939 as of 31 December 2018.

The tables below summarise the breakdown of financial debt as of 30 September 2019 and as of 31 December 2018, as well as changes for the period.

	Balance as of 31.12.2018	Cash flows			Reclassifications	Exchange delta	Other changes	Balance as of 30.09.2019
		Changes	Repayments	New issues				
In thousands of Euros								
Liquidity	**188,740**	**17,929**				**5,803**		**212,472**
Securities	0							0
Current financial receivables	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Current account overdrafts	(354)			(77)				(431)
Current account payables	(46,679)		13,999	(11,600)		(1,668)		(45,948)
Current portion of medium-/long-term bank loans	(42,708)		27,776		(32,667)	(181)	6	(47,774)
Total current bank loans	*(89,741)*	*0*	*41,775*	*(11,677)*	*(32,667)*	*(1,849)*	*6*	*(94,153)*
Debenture loan	(10,325)		10,360		(11,050)		(7)	(11,022)
Amounts due to factoring companies	(9,291)		9,291	(15,955)				(15,955)
Amounts due under finance leases	(1,237)		955		(869)		(2)	(1,153)
Amounts due under rights of use							(6,692)	(6,692)
Current portion of payables due to other lenders	(345)		331		(22)			(36)
Current financial debt	**(110,939)**	**0**	**62,712**	**(27,632)**	**(44,608)**	**(1,849)**	**(6,695)**	**(129,011)**
Net current financial debt	**77,801**	**17,929**	**62,712**	**(27,632)**	**(44,608)**	**3,954**	**(6,695)**	**83,461**
Medium-/long-term bank loans	(207,239)			(12,500)	32,667	(154)	(394)	(187,620)
Debenture loan	(291,694)				11,050		(700)	(281,344)
Amounts due under finance leases	(7,930)				869		(95)	(7,156)
Amounts due under rights of use							(12,349)	(12,349)
Amounts due to other lenders	(160)				22			(138)
Non-current financial debt	**(507,023)**	**0**	**0**	**(12,500)**	**44,608**	**(154)**	**(13,538)**	**(488,607)**
NET FINANCIAL DEBT	**(429,222)**	**17,929**	**62,712**	**(40,132)**	**0**	**3,800**	**(20,233)**	**(405,146)**
of which lease liabilities for rights of use	**0**	**0**	**0**	**0**	**0**	**0**	**(19,041)**	**(19,041)**

Medium and long-term bank debt amounts to €/000 235,394 (of which €/000 187,620 non-current and €/000 47,774 current) and consists of the following loans:

- a €/000 5,455 medium-term loan from the European Investment Bank to finance Research & Development investments planned for the 2013-2015 period. The loan will mature in December 2019 and has a repayment schedule of 11 six-monthly instalments at a fixed rate of 2.723%. Contract terms require covenants (described below);
- a €/000 45,650 medium-term loan (nominal value of €/000 45,714) from the European Investment Bank to finance Research & Development investments planned for the 2016-2018 period. The loan will mature in December 2023 and has a repayment schedule of 7 fixed-rate annual instalments. Contract terms require covenants (described below);

- a €/000 116,208 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 September 2019) and a tranche as a five-year loan with amortisation of €/000 62,500. Contract terms require covenants (described below);
- a €/000 9,507 medium-term loan (nominal value of €/000 9,520) granted by UBI Banca. The loan will fall due on 30 June 2021 with a repayment schedule of quarterly instalments;
- a €/000 17,958 medium-term loan (nominal value of €/000 18,000) 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 19,320 loan granted by Banco BPM and comprising a tranche granted as a loan with amortisation, maturing in July 2022 (equal to €/000 6,820) and a tranche of €/000 12,500 granted as a revolving credit line, completely used as of 30 September 2019. Contract terms require covenants (described below);
- a €/000 5,969 medium-term loan (nominal value of €/000 6,000) 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 7,052 medium-term loan granted by Banca del Mezzogiorno, comprising a tranche of €/000 8,039 granted as a loan maturing on 2 January 2023, with a repayment schedule of six-monthly instalments and a tranche of €/000 20,000 granted as a revolving credit line unused as of 30 September 2019. Contract terms require covenants (described below);
- a €/000 8,134 medium-term loan for VND/000 204,631,287 granted by VietinBank to the affiliate Piaggio Vietnam (for a total amount of VND/000 414,000,000) to fund the Research & Development investment plan. The loan matures in June 2021, with a repayment schedule in 7 six-monthly instalments, starting from June 2018, with a fixed rate for the first year, followed by a variable rate;
- a €/000 141 loan from Intesa Sanpaolo granted pursuant to Italian Law no. 346/88 on subsidised applied research.

As of 30 September 2019, the loan of €/000 70,000 granted by the European Investment Bank on 4 July 2019 was not yet granted, as decided by the Parent Company under the contract flexibility granted (18-month period of use).

All the above financial liabilities are unsecured.

The item Bonds for €/000 292,366 (nominal value of €/000 302,101) refers to:

- a €/000 22,059 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 September 2019 the fair value valuation of the debenture loan was equal to €/000 28,879 (the fair value was 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 29,907 (nominal value of €/000 30,000) for a five-year private debenture loan issued on 28 June 2017 and wholly subscribed by Fondo Sviluppo Export, the fund set up by SACE and managed by Amundi SGR. The issue has no specific rating or listing on a regulated market;
- €/000 240,400 (nominal value of €/000 250,000) related to a high-yield debenture loan issued on 30 April 2018 for a nominal amount of €/000 250,000, maturing on 30 April 2025 and with a semi-annual coupon with fixed annual nominal rate of 3.625%. Standard & Poor's and Moody's assigned a BB- rating with a stable outlook and a Ba3 rating with a stable outlook respectively.

The company may repay in advance:

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

Financial advances received from factoring companies and banks, on the sale of trade receivables with recourse, totalled €/000 15,955.

Payables for finance leases amounted to €/000 8,309 (nominal value of €/000 8,319) and break down as follows:

- a Sale&Lease back agreement for €/000 8,214 (nominal value of €/000 8,224) granted by Albaleasing on a production plant of the Parent Company. The agreement is for ten years, with quarterly repayments (non-current portion equal to €/000 7,073);
- a finance lease for €/000 95 granted by VFS Servizi Finanziari to the company Aprilia Racing for the use of vehicles (non-current portion equal to €/000 83).

Payables for rights of use totalled €/000 19,041 (non-current portion equal to €/000 12,349).

Medium-/long-term payables due to other lenders equal to €/000 174 of which €/000 138 due after the year and €/000 36 as the current portion, are detailed as follows:

- a loan for €/000 13 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 €/000 138).

Covenants

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

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

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

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

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

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

Financial instruments

Exchange Risk

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

This policy analyses:

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

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

Company	Transaction	Currency	Amount in currency	Value in local currency (forward exchange rate)	Average maturity
			In thousands	*In thousands*	
Piaggio & C.	Purchase	CNY	53,500	6,803	14/11/2019
Piaggio & C.	Purchase	GBP	800	895	09/10/2019
Piaggio & C.	Purchase	JPY	80,000	668	25/12/2019
Piaggio & C.	Purchase	SEK	20,000	1,866	09/10/2019
Piaggio & C.	Purchase	USD	16,250	14,502	14/11/2019
Piaggio & C.	Sale	CAD	450	307	19/11/2019
Piaggio & C.	Sale	CAD	450	307	19/11/2019
Piaggio & C.	Sale	CNY	5,000	634	11/10/2019
Piaggio & C.	Sale	GBP	300	337	09/10/2019
Piaggio & C.	Sale	JPY	160,000	1,341	29/10/2019
Piaggio & C.	Sale	SEK	4,000	374	09/10/2019
Piaggio & C.	Sale	USD	54,050	48,466	15/12/2019
Piaggio Vehicles Private Limited	Sale	USD	4,274	303,324	31/10/2019
Piaggio Vehicles Private Limited	Sale	€	7,500	596,710	29/11/2019
Piaggio Indonesia	Purchase	USD	5,685	81,019,713	28/10/2019
Piaggio Vespa BV	Sale	USD	4,750	4,152	21/04/2020
Piaggio Vietnam	Purchase	€	9,100	237,724,700	30/10/2019
Piaggio Vietnam	Sale	USD	29,000	680,086,000	24/11/2019

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

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

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

Company	Transaction	Currency	Amount in currency	Value in local currency (forward exchange rate)	Average maturity
			In thousands	*In thousands*	
Piaggio & C.	Purchase	CNY	28,000	3,454	25/11/2019
Piaggio & C.	Sale	GBP	1,980	2,197	11/11/2019

To hedge the economic exchange risk alone, cash flow hedging is adopted with the effective portion of profits and losses recognised in a specific shareholders' equity reserve. Fair value is determined based on market quotations provided by main traders.
As of 30 September 2019 the total fair value of hedging instruments for the economic exchange risk recognised on a hedge accounting basis was positive by €/000 92.

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 September 2019, the following hedging derivatives had been 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 September 2019, the fair value of the instrument was equal to €/000 7,766. The net economic effect arising from the measurement of the instrument and underlying private debenture loan was equal to €/000 229.

	FAIR VALUE
In thousands of Euros	
Piaggio & C. S.p.A.	
Cross Currency Swap	7,766

F) INFORMATION ON SHAREHOLDERS' EQUITY

40. Share capital and reserves **€/000 387,153**

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

Share capital €/000 207,614

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

Therefore, as of 30 September 2019, the nominal share capital of Piaggio & C., fully subscribed and paid up, was equal to €207,613,944.37, divided into 358,153,644 ordinary shares.

Treasury shares €/000 (1,749)

During the period, 105,000 treasury shares were acquired. Therefore, as of 30 September 2019, Piaggio & C. held 898,818 treasury shares, equal to 0.251% of the shares issued.

Shares in circulation and treasury shares

	2019	**2018**
no. of shares		
Situation as of 1 January		
Shares issued	358,153,644	358,153,644
Treasury portfolio shares	793,818	0
Shares in circulation	357,359,826	358,153,644
Movements for the period		
Purchase of treasury shares	105,000	793,818
Situation as of 30 September 2019 and 31 December 2018		
Shares issued	358,153,644	358,153,644
Treasury portfolio shares	898,818	793,818
Shares in circulation	357,254,826	357,359,826

Share premium reserve €/000 7,171

The share premium reserve as of 30 September 2019 was unchanged compared to 31 December 2018.

Legal reserve €/000 21,904

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

Financial instruments' fair value reserve €/000 (22)

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

Dividends €/000 51,805

The Shareholders' Meeting of Piaggio & C. S.p.A. of 12 April 2019 resolved to distribute a dividend of 9.0 eurocents per ordinary share. During April this year, therefore, dividends were distributed to a total value of €/000 32,155. During 2018, dividends totalling €/000 19,698 were paid.
In the meeting of 26 July 2019, the Board of Directors approved a new policy to distribute dividends with the distribution of an interim dividend during the year (rather than a single distribution), to align with other international companies in the two-wheeler sector, also with the aim of optimise cash flow management, considering the seasonal nature of the business. After approving the Financial Statements as of 30 June 2019 and the Report on Operations, pursuant to article 2344-*bis* of the Civil Code, the Board of Directors therefore resolved to allocate an ordinary interim dividend for 2019, equal to 5.5 eurocents, gross of tax, for each eligible ordinary share (compared to a dividend of 9 eurocents resolved for the entire 2018 financial year), for a total amount of €/000 19,650.

	Total amount		**Dividend per share**	
	2019	**2018**	**2019**	**2018**
	€/000	€/000	€	€
Of the previous year's result	32,155	19,698	0.090	0.055
Interim dividend on 2019 result	19,650		0.055	

Earnings reserve €/000 191,510

Capital and reserves of non-controlling interest €/000 (207)

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

41. Other components of the Statement of Comprehensive Income €/000 1,180

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-controlling interests	Total Other components of the Statement of Comprehensive Income
In thousands of Euros						
As of 30 September 2019						
Items that will not be reclassified in the income statement						
Remeasurements of defined benefit plans			(2,980)	(2,980)		(2,980)
Total	0	0	(2,980)	(2,980)	0	(2,980)
Items that may be reclassified in the income statement						
Total translation gains (losses)		3,947		3,947	4	3,951
Portion of components of the Statement of Comprehensive Income of subsidiaries/ associates valued with the equity method		117		117		117
Total profits (losses) on cash flow hedges	92			92		92
Total	92	4,064	0	4,156	4	4,160
Other components of the Statement of Comprehensive Income	**92**	**4,064**	**(2,980)**	**1,176**	**4**	**1,180**
As of 30 September 2018						
Items that will not be reclassified in the income statement						
Remeasurements of defined benefit plans			(1,114)	(1,114)		(1,114)
Total	0	0	(1,114)	(1,114)	0	(1,114)
Items that may be reclassified in the income statement						
Total translation gains (losses)		(8,716)		(8,716)	35	(8,681)
Portion of components of the Statement of Comprehensive Income of subsidiaries/ associates valued with the equity method		(208)		(208)		(208)
Total profits (losses) on cash flow hedges	139			139		139
Total	139	(8,924)	0	(8,785)	35	(8,750)
Other components of the Statement of Comprehensive Income	**139**	**(8,924)**	**(1,114)**	**(9,899)**	**35**	**(9,864)**

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

	As of 30 September 2019			As of 30 September 2018		
	Gross value	Tax (expense) / benefit	Net value	Gross value	Tax (expense) / benefit	Net value
In thousands of Euros						
Remeasurements of defined benefit plans	(3,921)	941	(2,980)	(1,454)	340	(1,114)
Total translation gains (losses)	3,951		3,951	(8,681)		(8,681)
Portion of components of the Statement of Comprehensive Income of subsidiaries/ associates valued with the equity method	117		117	(208)		(208)
Total profits (losses) on cash flow hedges	121	(29)	92	231	(92)	139
Other components of the Statement of Comprehensive Income	**268**	**912**	**1,180**	**(10,112)**	**248**	**(9,864)**

G) OTHER INFORMATION

42. Share-based incentive plans

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

43. Information on related parties

Net sales, costs, payables and receivables as of 30 September 2019 involving parent companies, subsidiaries and associates relate 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 these notes to 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 September 2019	As of 31 December 2018
IMMSI S.p.A.	Mantova - Italy	Direct parent company	50.0703	50.6287
Omniaholding S.p.A.	Mantova - Italy	Final parent company	0.0215	0.0215

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

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

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

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

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

In 2016, for a further three years, the Parent Company[7] signed up to the National Consolidated Tax Mechanism pursuant to articles 117 to 129 of the Consolidated Income Tax Act (T.U.I.R.) of which IMMSI S.p.A. is the consolidating company, and to whom other IMMSI Group companies report to. The consolidating company determines a single global income equal to the algebraic sum of taxable amounts (income or loss) realised by individual companies that opt for this type of group taxation.

The consolidating company recognises a receivable from the consolidated company which is equal to the corporate tax to be paid on the taxable income transferred by the latter. Whereas, in the case of companies reporting tax losses, the consolidating company recognises a payable related to corporate tax on the portion of loss actually used to determine global overall income, or calculated as a decrease of overall income for subsequent tax periods, according to the procedures in article 84, based on the criterion established by the consolidation agreement.

Under the National Consolidated Tax Mechanism, companies may, pursuant to article 96 of Presidential Decree no. 917/86, allocate the excess of interest payable which is not deductible to one of the companies so that, up to the excess of Gross Operating Income produced in the same tax period by other subjects party to the consolidation, the amount may be used to reduce the total income of the Group.

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

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

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[7] 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.

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

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

Transactions with Piaggio Group companies

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

Piaggio & C. S.p.A.

- o 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

- o sells components to:

- Piaggio Vehicles Private Limited
- Piaggio Vietnam

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

- Piaggio Vehicles Private Limited
- Piaggio Vietnam

- o provides support services for scooter and engine industrialisation to:

- Piaggio Vehicles Private Limited
- Piaggio Vietnam

- o subleases a part of the rented property to:

- Piaggio Concept Store Mantova

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

- o Piaggio Indonesia
- o Piaggio Group Japan
- o Piaggio & C. S.p.A.
- o 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 exchange materials and components for 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.

Piaggio Group Canada

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

Foshan Piaggio Vehicles Technology R&D provides to:

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

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

- Piaggio Vietnam:

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

Piaggio Advanced Design Center:

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

Aprilia Racing provides to Piaggio & C. S.p.A.:

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

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

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

Piaggio & C. S.p.A.

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

Foshan Piaggio Vehicles Technology R&D

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

Zongshen Piaggio Foshan Motorcycle Co. Ltd

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

As of 30 September 2019	Fondazione Piaggio	Zongshen Piaggio Foshan	IMMSI Audit	Pontech - Pontedera & Tecnologia	Is Molas	Omniaholding	IMMSI	**Total**	**% of accounting item**
In thousands of Euros									
Income statement									
Revenues from sales		111						**111**	**0.01%**
Costs for materials		(12,612)						**(12,612)**	**1.73%**
Costs for services			(615)		(86)		(940)	**(1,641)**	**0.96%**
Insurance							(25)	**(25)**	**0.73%**
Leases and rentals						(33)	(45)	**(78)**	**0.97%**
Other operating income		229	24			3	38	**294**	**0.33%**
Other operating costs	(2)					(1)	(13)	**(16)**	**0.10%**
Write-down/Impairment of investments		611		13				**624**	**84.90%**
Financial income							19	**19**	**0.74%**
Borrowing costs						(10)	(118)	**(128)**	**0.61%**
Assets									
Other non-current receivables	94							**94**	**0.70%**
Current trade receivables		946	14				14	**974**	**0.77%**
Other current receivables		1,223					13,529	**14,752**	**50.96%**
Liabilities									
Lease liabilities for rights of use > 12 months						156	3,271	**3,427**	**27.75%**
Lease liabilities for rights of use < 12 months						207	1,150	**1,357**	**20.28%**
Current trade payables		7,950			1	35	9	**7,995**	**1.54%**
Other current payables		8					6,278	**6,286**	**11.01%**

44. Significant non-recurring events and operations

For the first nine months of 2019, no significant non-recurrent transactions were recorded.

The following is reported for the first nine months of 2018:

- on 9 April 2018, the Parent Company exercised the call option of the debenture loan issued by the Company on 24 December 2014 for a total amount of €/000 250,000 and maturing on 30 April 2021.
- on 9 May, the remaining portion of this loan (equal to approximately €/000 168,497) was paid back at the price of 101.25%, after the finalisation of the exchange offer launched on 9 April.

The transaction resulted in the following being recognised in profit or loss for the first nine months of 2018:

- borrowing costs related to premiums paid to bond holders that did not take up to the exchange offer and for the exchange of outstanding securities and costs of the repaid loan not yet amortised (€/000 3,521);
- financial income from the operation to change the original liability with a new bond issued at more favourable conditions for the issuer (€/000 4,431).

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

45. Transactions arising from atypical and/or unusual transactions

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

46. Events occurring after the end of the period

To date, no events have occurred after 30 September 2019 that make additional notes or adjustments to these Financial Statements necessary.

In this regard, refer to the Report on Operations for significant events after 30 September 2019.

47. Authorisation for publication

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

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

Mantova, 30 October 2019

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