PIAGGIO
GROUP

FINANCIAL STATEMENTS 2019

CONTENTS

REPORT ON OPERATIONS

REPORT ON OPERATIONS

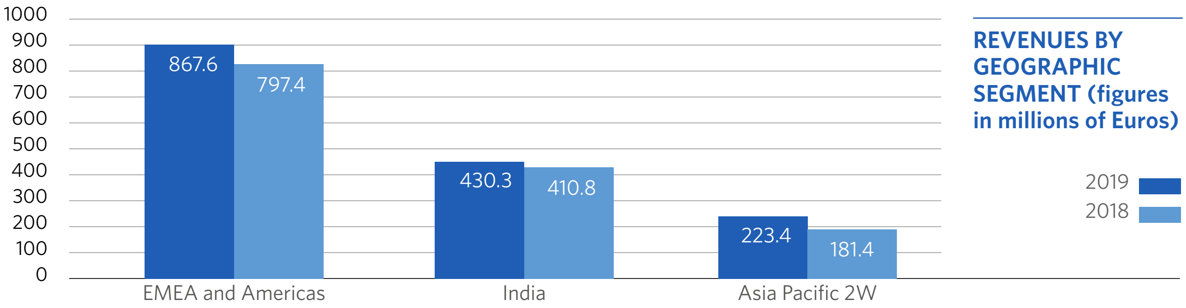
KEY OPERATING AND FINANCIAL DATA

	2019	2018
IN MILLIONS OF EUROS		
Data on financial position		
Net revenues	1,521.3	1,389.5
Gross industrial margin	458.8	423.6
Operating income	104.5	92.8
Profit before tax	80.7	67.8
Net profit	46.7	36.1
.Non-controlling interests		
.Group	*46.7*	*36.1*
Data on financial performance		
Net capital employed (NCE)	813.6	821.2
Consolidated net debt[1]	(429.7)	(429.2)
Shareholders' equity	383.8	392.0
Balance sheet figures and financial ratios		
Gross margin as a percentage of net revenues (%)	30.2%	30.5%
Net profit as a percentage of net revenues (%)	3.1%	2.6%
ROS (Operating income/net revenues)	6.9%	6.7%
ROE (Net profit/shareholders' equity)	12.2%	9.2%
ROI (Operating income/NCE)	12.8%	11.3%
EBITDA	227.8	201.8
EBITDA/net revenues (%)	15.0%	14.5%
Other information		
Sales volumes (unit/000)	611.3	603.6
Investments in property, plant and equipment and intangible assets	140.9	115.3
Employees at the end of the period (number)	6,222	6,515
Social indicators		
Carbon Disclosure Project Score Climate Change	B	C
Carbon Disclosure Project Score Water Security	B	B-

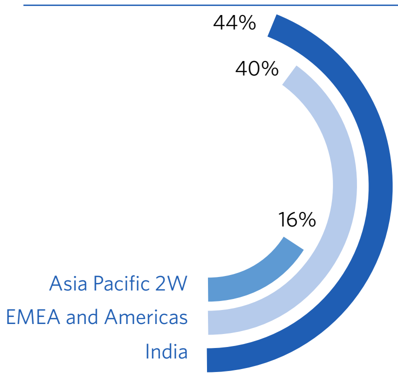
1 Figures for 2019 include the effects of IFRS 16 on the recognition of operating leases. The effect of the adoption of the new standard on Net Debt as of 31.12.2019 resulted in an increase of financial liabilities equal to €/ML 20.4.

Results by operating segments

		EMEA and AMERICAS	INDIA	ASIA PACIFIC 2W	TOTAL
Sales volumes (units/000)	2019	243.6	269.5	98.2	**611.3**
	2018	235.4	282.5	85.7	**603.6**
	Change	8.2	(12.9)	12.4	**7.7**
	Change %	3.5%	-4.6%	14.5%	**1.3%**
Turnover (million euros)	2019	867.6	430.3	223.4	**1,521.3**
	2018	797.4	410.8	181.4	**1,389.5**
	Change	70.2	19.5	42.0	**131.8**
	Change %	8.8%	4.8%	23.2%	**9.5%**
Average number of staff (no.)	2019	3,604	1,871	949	**6,424**
	2018	3,651	2,181	866	**6,698**
	Change	(47)	(310)	83	**(274)**
	Change %	-1.3%	-14.2%	9.6%	**-4.1%**
Investment in property, plant and equipment and intangible assets (million euros)	2019	101.8	29.0	10.1	**140.9**
	2018	95.8	15.5	4.0	**115.3**
	Change	6.0	13.5	6.1	**25.6**
	Change %	6.3%	86.8%	152.6%	**22.2%**



REVENUES BY GEOGRAPHIC SEGMENT (figures in millions of Euros)



SALES VOLUMES BY GEOGRAPHIC SEGMENT - 2019

GROUP PROFILE

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

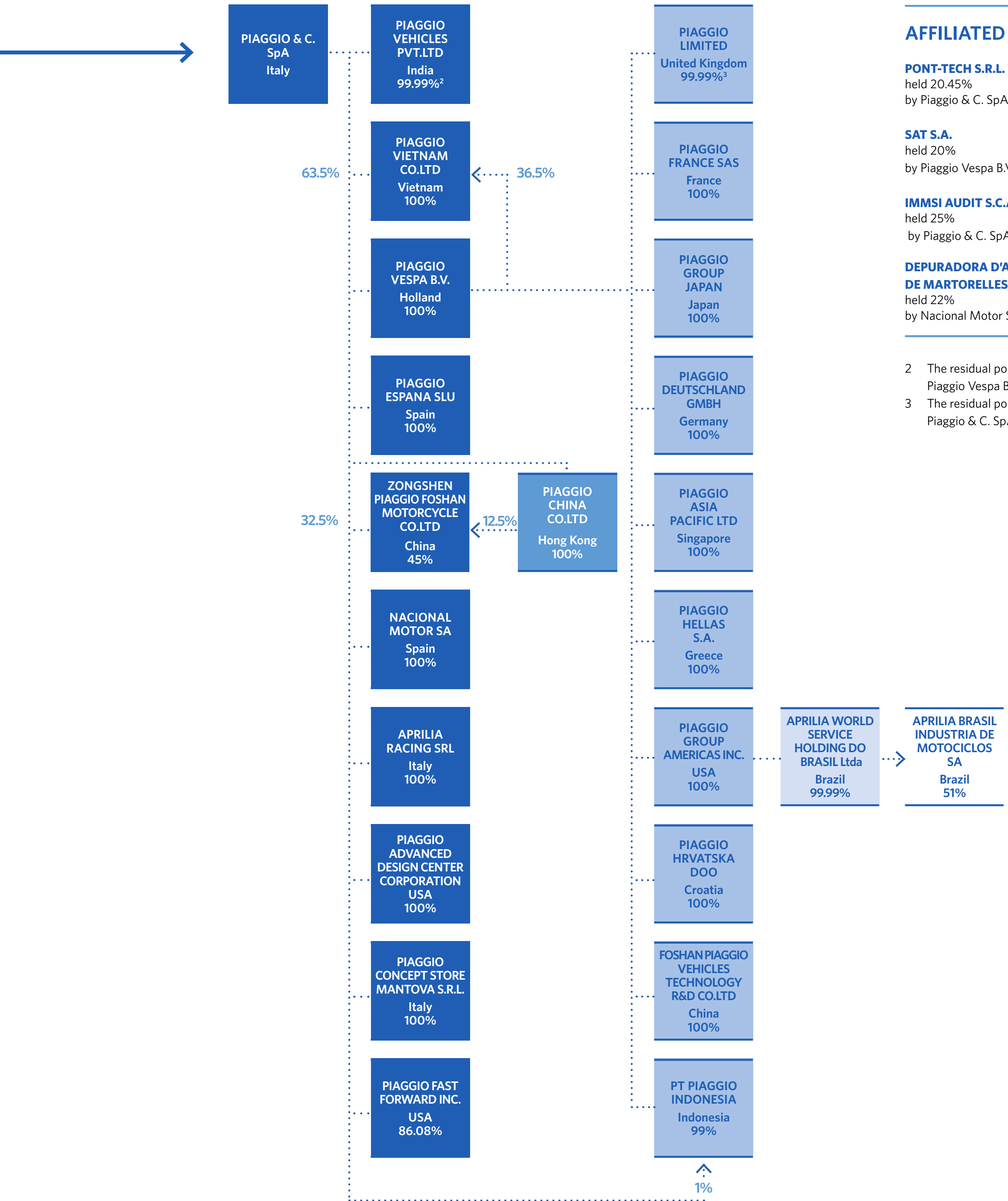
Mission

The mission of the Piaggio Group is to generate value for its shareholders, customers and employees, by acting as a global player that creates superior quality products, services and solutions for urban and extraurban mobility that respond to evolving needs and lifestyles.
To stand out as a player that contributes to the social and economic growth of the communities in which it operates, considering, in its activities, the need to protect the environment and the collective well-being of the community. To be an Italian global player in the light mobility segment, standing out for its superior design, creativity and tradition. To become a leading European company with a world-class reputation, championing a business model based on the values of quality and tradition, and on the ongoing creation of value.

Values

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

COMPANY STRUCTURE AT 31 DECEMBER 2019



AFFILIATED COMPANIES

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

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

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

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

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

3 The residual portion is held by Piaggio & C. SpA

COMPANY BODIES

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	Alessandra Simonotto
Officer in charge of preparing financial reports	Alessandra Simonotto
Independent Auditors	PricewaterhouseCoopers S.p.A.
Board Committees	Appointment Proposal Committee
	Remuneration Committee
	Internal Control and Risk Management Committee
	Related-Party Transactions Committee

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

(2) Executive Director

(3) Lead Independent Director

(4) Member of the Appointment Proposal Committee

(5) Member of the Remuneration Committee

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

(7) Member of the Related-Party Transactions Committee

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

ORGANISATIONAL STRUCTURE

As of 31 December 2019 the structure of Piaggio & C. S.p.A.'s organisation was based on the following front-line functions.

- **Finance Management:** responsible for administration, tax, finance, planning and control and information technology, and for the coordination and reporting of sustainability activities.

- **Corporate and Legal:** this function is responsible for providing assistance for all legal aspects, including assistance for contracts, managing problems concerning litigation involving the Group, guaranteeing protection of the Group's trademarks at a worldwide level, and the management of obligations concerning company law.

- **Human Resources Department:** this function is responsible for recruiting, managing and developing human resources, as well as managing industrial relations.

- **Marketing and Communications:** this function is responsible for managing and coordinating at a global level sales communication, digital marketing and customer experience activities, as well as monitoring brand image and awareness of the Group's brands and managing the Museums and historical archives of Group brands. This function also manages and coordinates communication activities and relations with the media and end consumers, and guarantees the management and coordination of relations with product and racing media at a global level.

- **Product Development and Marketing Division:** this division is responsible for identifying market/customer needs and opportunities arising from technological innovation and developments in laws and standards, in order to assist the definition of vehicle concepts, as part of product range development, and is also responsible for design activities at a global level for the Group's brands.

- **Racing:** this function is responsible for racing activities.

- **Two-wheeler Product Development:** this function is responsible for activities focussing on technological innovation, engineering, reliability, quality and regulatory activities for scooters, motorcycles and two-wheeler engines, and for protecting industrial property relative to the Group's technical patents and models.

- T**hree-, Four-wheeler Product Development:** this function is responsible for activities concerning design, engineering, reliability and quality relative to three- and four-wheeler commercial vehicles and engines.

- **Manufacturing Technologies:** this function is responsible for guaranteeing production technology innovation and change, managing infrastructure and plants, and ensuring the development of new industrial sites worldwide.

- **Purchasing:** this function is responsible for purchasing and supplier management.

- **Materials Management:** this function is responsible for managing vehicle distribution logistics and optimising commercial and production planning processes.

- **Two-Wheeler Italy and EMEA Market**,

- **Three-, Four-Wheeler EMEA Market and Emerging Markets**:
  each department, for the area and products in its management, is responsible for achieving sales targets, defining price policies for single markets and identifying appropriate actions to develop the sales network, through the coordination of sales companies in Europe, and for managing corporate sales to major clients and the central public administration sector at a European level.

- **EMEA production**: this function is responsible for guaranteeing the manufacture and quality of engines, motorcycles, scooters and commercial vehicles.

- **Asia Pacific 2 Wheeler**: this function is responsible for coordinating the companies Piaggio Vietnam, Piaggio Asia Pacific, Piaggio Group Japan and Piaggio Indonesia, to guarantee business and industrial profitability, turnover, market share and customer satisfaction for the Group's two-wheeler vehicles, by managing production and sales on reference markets.

- **China**: this function is responsible for monitoring operations in the area, coordinating the Company Foshan Piaggio Vehicles Technology Research & Development.

- **Piaggio Vehicles Private Limited**: this function is responsible for guaranteeing business and industrial profitability, turnover, market share and customer satisfaction for the Group's commercial vehicles and scooters in India, by managing production and sales on reference markets.

- **Piaggio Group Americas**: this function is responsible for guaranteeing business profitability, turnover, market share and customer satisfaction, for its reference area, by managing sales of Group products.

- **Business Unit Aftersales**: this function is responsible for managing after-sales activities, defining the range of spare parts and accessories, establishing prices in conjunction with the sales department, guaranteeing turnover is achieved and ensuring the distribution of the Group's spare parts and accessories, as well as the management of customer care activities.

- **Internal Audit**: this function is responsible for developing all activities concerning and functional to internal auditing, in order to improve the effectiveness and efficiency of the internal control system and evaluate its operation.

- **Corporate Press Office**: this function oversees media management and coordination for Corporate activities, inviting the press to attend institutional events, preparing notices and issuing press releases.

- **Investor Relations**: this function is responsible for promoting relations and engaging with the national and international financial community.

With reference to this organisational structure, on 23 October 2018, the Board of Directors of Piaggio & C. SpA, as part of the project to reorganise the product and marketing strategy areas, assigned Michele Colaninno authority to operate in this sector, with powers to manage and coordinate the following company functions, at worldwide level, involved in the product strategy creation and development process: Product Development and Marketing Division, Marketing, Communications and Racing Department.

STRATEGY AND AREAS OF DEVELOPMENT

Business strategy

The Piaggio Group aims to create value by adopting a strategy which:
- consolidates its leadership position on the European two-wheeler market and on the Indian light commercial vehicles market;
- increases its presence on international markets, with particular reference to the Asian area;
- increases the operating efficiency of all company processes, with a focus on industrial productivity.

EMEA and Americas

Europe Two-wheeler – lever market recovery, consolidating a leadership position in the scooter segment. Focus on the Aprilia and Moto Guzzi brands to improve sales and profitability in the motorcycle segment. Expand the range of electric vehicles, targeting its technological and design leadership, and the distribution network.
America Two-Wheeler segment - growth, with the introduction of the premium products Aprilia and Moto Guzzi and consolidation of the sales network.
*Europe Commercial Vehicle*s - maintain growth based on eco-sustainable solutions, with a product range featuring new engines with zero or low environmental impact and lower emissions.

India

Two-wheelers - consolidate the scooter market position through expansion of the Vespa and Aprilia brand ranges.
Commercial vehicles - growth in volumes and profitability, through the consolidation of a strong competitive position on the local three-wheeler market and a focus on the export of vehicles to Africa and Latin America.

Asia Pacific 2W

Development: the aim is to increase scooter sales in the entire area (Vietnam, Indonesia, Thailand, Malaysia and Taiwan), exploring opportunities for motorcycles with a medium capacity engine, consolidating penetration in the premium segment of the Chinese market.

Key Assets

The Group will aim to consolidate its business position by levering and investing in the potential of its key assets:
- distinctive brands, recognised worldwide;
- an extensive sales network on reference markets;
- competency in research and development, focussed on innovation, safety and the environment;
- a strong international presence, with local operations for all core company processes, from marketing to research and development, production and purchasing.

Sustainability strategy

The Group's Corporate Social Responsibility (CSR) strategic objectives – which are largely integrated with and connected to the development of the long-term plan – are based on the following areas:

- **Economic:** timely, correct, in-depth information to stakeholders.
  Creating value while respecting business ethics.
- **Product:** technological investments to meet the need for sustainable mobility - innovation to develop products that are environmentally friendly, safe and cost-effective.
- **Environmental:** decreasing energy consumption, reducing CO_2 emissions and emissions of other pollutants - conserving natural resources - waste management.
- **Social:** developing, training and promoting human resources so that everyone's expectations and aspirations are met. Engaging with customers in order to establish relations based on transparency and trust - developing Company Advocacy in partnership with the dealer network – selling products that are environmentally friendly, reliable, safe and cost-effective. Engaging and cooperating with suppliers through shared development projects - respecting human rights. Fighting against corruption. Engaging and supporting local communities through social, cultural and educational initiatives.

PIAGGIO AND FINANCIAL MARKETS

INVESTOR RELATIONS

Piaggio considers financial disclosure to be of vital importance in building a relationship of trust with the financial market.

In particular the Investor Relations function engages institutional and individual investors as well as financial analysts in an ongoing dialogue, producing transparent, timely and accurate information to promote a correct perception of the Group's value.

In 2019 there were numerous opportunities to interact with the financial community, with the Group meeting more than 160 investors on main European financial markets during road shows and conferences.
Initiatives also included direct meetings and conference calls, managed daily by the IR function, and institutional communication events concerning quarterly results.

To ensure adequate reporting and compliance with Borsa Italiana and Consob regulations, the Company's website is promptly and continually updated with all information concerning the Group and key corporate documents, published in both Italian and English.
In particular, press releases disclosed to the market, the Company's periodic financial reports, the Corporate Social Responsibility Report, and data on business and financial performance are all published online, along with the material used in meetings with the financial community, Piaggio share consensus, as well as corporate governance documents (articles of association, insider trading and material concerning shareholders' meetings).

Contacts Investor Relations Department
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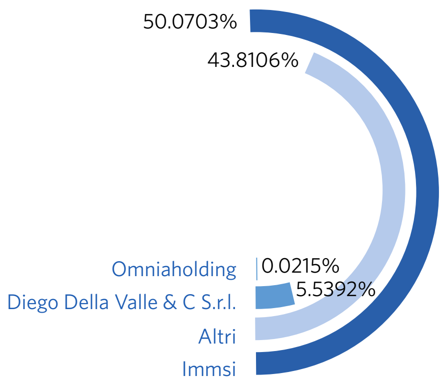
SHAREHOLDING STRUCTURE

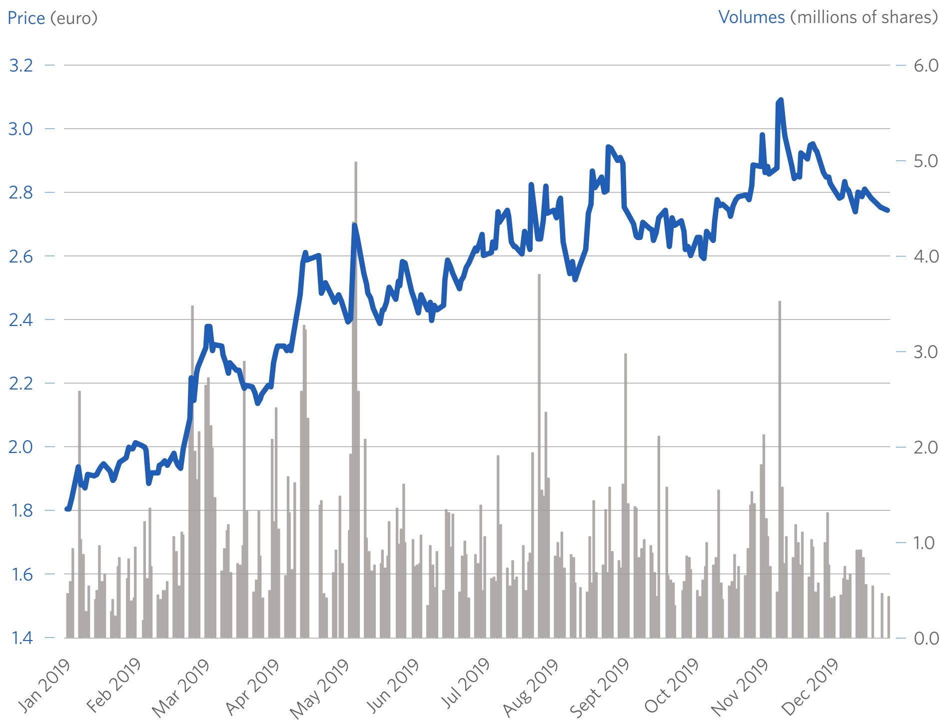
As of 31 December 2019, share capital comprised 358,153,644 ordinary shares. At the same date, the shareholding structure recorded in the shareholders' register, supplemented by notices received pursuant to Article 120 of Legislative Decree no. 58/1998 and other available information, was the following:



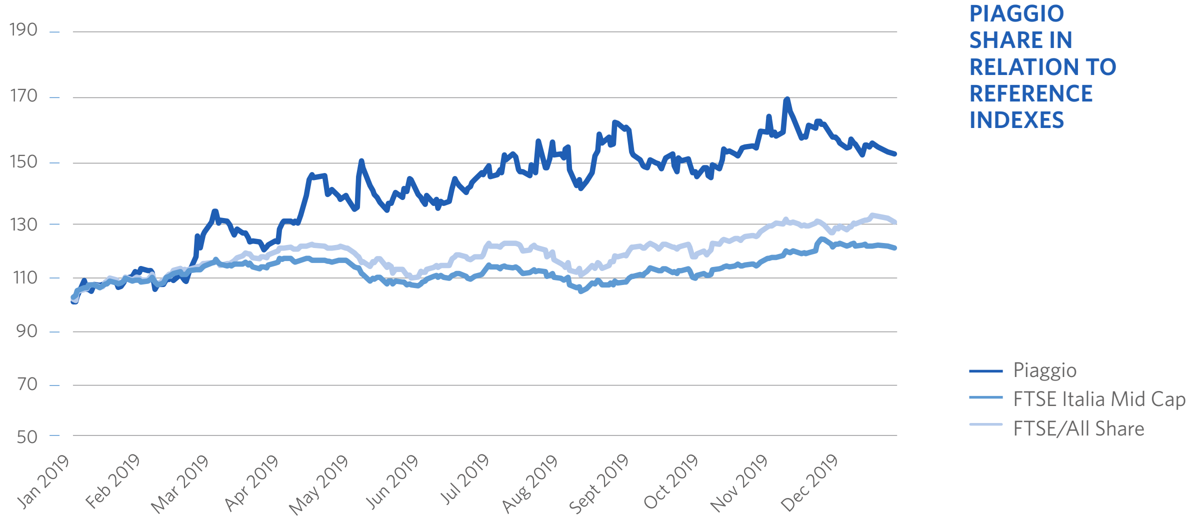
SHARE PERFORMANCE

Piaggio & C. SpA has been listed on the Milan Stock Exchange since 11 July 2006. The Piaggio share closed 2019 at 2.75 euro, up by 51% compared to the start of the year, outperforming main benchmarks.

PRICE AND DAILY VOLUMES



TREND OF THE PIAGGIO SHARE IN RELATION TO REFERENCE INDEXES



MAIN SHARE INDICATORS

	2019	2018
Official share price on the last day of trading (euro)	2.75	1.83
Number of shares (no.)	358,153,644	358,153,644
Treasury shares (no.)	898,818	793,818
Earnings per share (euro)		
Basic earnings	0.131	0.101
Diluted earnings	0.131	0.101
Shareholders' equity by share (euro)	1.07	1.10
Market capitalisation (millions of Euros)[4]	984.2	654.2

DIVIDENDS

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 optimising cash flow management, considering the seasonal nature of the business. The Board of Directors, having approved the Interim Financial Statements as of 30 June 2019 and Directors' Report pursuant to Article 2344-bis of the Civil Code, therefore resolved to allocate an interim dividend for 2019 equal to 5.5 eurocents, including taxes, for each entitled ordinary share (against a dividend of 9 eurocents resolved for all of 2018), 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	

SUMMARY OF DIVIDENDS PAID BY PIAGGIO & C. SPA IN 2019 AND 2018

YEAR	2019	2018
Detachment date	23 April 2019	23 April 2018
Payment date	25 April 2019	25 April 2018
Dividend per share (euro)	0.09	0.055
Detachment date	23 September 2019	
Payment date	25 September 2019	
Dividend per share (euro)[5]	0.055	

4 Source Borsa Italiana.
5 Interim dividend

GROUP RATINGS

	31/12/2019	31/12/2018
Standard & Poor's		
Corporate	BB-	BB-
Outlook	Stable	Stable
Moody's		
Corporate	Ba3	B1
Outlook	Stable	Stable


Rough
MOTO GUZZI
MOTO GUZZI

SIGNIFICANT EVENTS DURING THE YEAR

16 January 2019 – The rating agency Moody's Investors Service (Moody's) notified its revised rating of the Piaggio Group (PIA.MI), increasing it 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).

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 relative to a resolution to increase capital was eliminated from Article 5, as the term 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, which establishes that the Company is not required to appoint a subject that shareholders may appoint as proxy to represent them at the Shareholders' Meeting pursuant to Article 135-undecies of Legislative Decree 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 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 optimising cash flow management, considering the seasonal nature of the business. The Board of Directors, having approved the Interim Financial Statements as of 30 June 2019 and Directors' Report pursuant to Article 2344-bis of the Civil Code, therefore resolved to allocate an interim dividend for 2019 equal to 5.5 eurocents, including taxes, for each entitled ordinary share (against a dividend of 9 eurocents resolved for all of 2018), 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 interim 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. Piaggio filed an appeal with the Appeal Court of Florence, also requesting the suspension of the enforcement of the ruling. The first hearing will take place on 20 December 2020.

1 October 2019 - Alessandra Simonotto, Head of Administration and Financial Reporting, as well as Financial Reporting Officer for the company, continued her career path within the group, taking over the position of CFO, with effect from 1 October 2019, with relative powers and functions, following the resignation, for personal reasons, of Simone Montanari.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FINANCIAL POSITION AND PERFORMANCE OF THE GROUP

CONSOLIDATED INCOME STATEMENT

Consolidated income statement (reclassified)

	2019		2018		CHANGE	
	IN MILLIONS OF EUROS	ACCOUNTING FOR A %	IN MILLIONS OF EUROS	ACCOUNTING FOR A %	IN MILLIONS OF EUROS	ACCOUNTING FOR A %
Net revenues	1,521.3	100.0%	1,389.5	100.0%	131.8	9.5%
Cost to sell[6]	(1,062.5)	-69.8%	(966.0)	-69.5%	(96.5)	10.0%
Gross industrial margin[6]	**458.8**	**30.2%**	**423.6**	**30.5%**	**35.3**	**8.3%**
Operating expenses	(354.3)	-23.3%	(330.8)	-23.8%	(23.5)	7.1%
EBITDA[6]	**227.8**	**15.0%**	**201.8**	**14.5%**	**26.1**	**12.9%**
Amortization and Depreciation	(123.3)	-8.1%	(109.0)	-7.8%	(14.3)	13.1%
Operating income	**104.5**	**6.9%**	**92.8**	**6.7%**	**11.8**	**12.7%**
Result of financial items	(23.9)	-1.6%	(24.9)	-1.8%	1.1	-4.3%
Profit before tax	**80.7**	**5.3%**	**67.8**	**4.9%**	**12.8**	**18.9%**
Taxes	(33.9)	-2.2%	(31.8)	-2.3%	(2.2)	6.8%
Net profit	**46.7**	**3.1%**	**36.1**	**2.6%**	**10.7**	**29.6%**

Net revenues

	2019	2018	CHANGE
IN MILLIONS OF EUROS			
EMEA and Americas	867.6	797.4	70.2
India	430.3	410.8	19.5
Asia Pacific 2W	223.4	181.4	42.0
Total	**1,521.3**	**1,389.5**	**131.8**
Two-wheelers	1,055.1	957.9	97.2
Commercial Vehicles	466.2	431.6	34.6
Total	**1,521.3**	**1,389.5**	**131.8**

In terms of consolidated turnover, the Group closed 2019 with net revenues up compared to 2018 (+9.5%; +7.7% with constant exchange rates). All geographic segments recorded positive trends (Asia Pacific +23.2%; +18.0% with constant exchange rates; EMEA and Americas +8.8%; India +4.8%; +2.0% with constant exchange rates).
As regards product type, the increase in turnover was greater for Two-Wheeler Vehicles (+10.1%) and more moderate for Commercial Vehicles (+8.0%). As a result, the percentage of Commercial Vehicles accounting for overall turnover dropped from 31.1% in 2018 to the current figure of 30.6%; vice versa, the percentage of Two-wheelers rose from 68.9% in 2018 to the current figure of 69.4%.

The **gross industrial margin** of the Group increased compared to the previous year (€+ 35.3 million), and was equal to 30.2% (30.5% in 2018).
Amortisation/depreciation included in the gross industrial margin was equal to €31.4 million (€31.2 million in 2018).

6 For a definition of the parameter, see the "Economic Glossary".

Operating expenses in 2019 went up compared to the previous year, and amounted to €354.3 million (€330.8 million in 2018). Growth was related to the increase in sales and higher amortisation and depreciation included in operating expenses (€+14.1 million compared to 2018, of which €7.0 million due to the adoption of the new standard IFRS 16).

This performance resulted in a consolidated **EBITDA** which was higher than the previous year, and equal to €227.8 million (€201.8 million in 2018). In relation to turnover, EBITDA was equal to 15.0% (14.5% in 2018). The improvement was also due to the adoption of the new accounting standard IFRS 16, that had a positive effect on the analysed parameter of €7.6 million. In terms of Operating Income (**EBIT**), performance was better compared to 2018, with a consolidated EBIT equal to €104.5 million, up by €11.8 million over 2018; in relation to turnover, EBIT was equal to 6.9% (6.7% in 2018).

The result of **financial items** improved compared to the previous year by €1.1 million, with Net Charges amounting to €23.9 million (€24.9 million in 2018). This improvement would be higher considering that non-recurrent net income was recognised in 2018 and that the new accounting standard IFRS 16 was adopted from 2019.

Taxes for the period were equal to €33.9 million, while they amounted to €31.8 million in 2018. In 2019 the impact of taxes on profit before tax was estimated as equal to 42.1% (46.8% in 2018).

Adjusted net profit stood at €46.7 million (3.1% of turnover), up on the figure for the previous year of €36.1 million (2.6% of turnover).

Operating data

VEHICLES SOLD

	2019	2018	CHANGE
IN THOUSANDS OF UNITS			
EMEA and Americas	243.6	235.4	8.2
India	269.5	282.5	(12.9)
Asia Pacific 2W	98.2	85.7	12.4
Total	**611.3**	**603.6**	**7.7**
Two-wheelers	399.6	393.1	6.5
Commercial Vehicles	211.7	210.5	1.2
Total	**611.3**	**603.6**	**7.7**

During 2019, the Piaggio Group sold 611,300 vehicles worldwide, registering a growth of 1.3% in volume over the previous year, when 603,600 units were sold. 2W sales were up in Asia Pacific (+14.5%) and in EMEA and the Americas (+3.5%). 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 (+1.6), while commercial vehicles reported a more or less stable trend (+0.6%). For a more detailed analysis of market trends and results, see relative sections.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION[7]

STATEMENT OF FINANCIAL POSITION	AS OF 31 DECEMBER 2019	AS OF 31 DECEMBER 2018	CHANGE
IN MILLIONS OF EUROS			
Net working capital	(115.9)	(59.5)	(56.4)
Property, plant and equipment	272.7	276.5	(3.8)
Intangible assets	676.2	658.9	17.3
Rights of use	36.5		36.5
Financial assets	9.7	8.7	0.9
Provisions	(65.6)	(63.4)	(2.2)
Net capital employed	**813.6**	**821.2**	**(7.6)**
Net financial debt	429.7	429.2	0.5
Shareholders' equity	383.8	392.0	(8.1)
Sources of financing	**813.6**	**821.2**	**(7.6)**
Non-controlling interests	(0.2)	(0.2)	0.0

Net working capital as of 31 December 2019 was negative (€115.9 million), generating a cash flow of approximately €56.4 million during 2019.

Property, plant and equipment which includes investment property, totalled €272.7 million as of 31 December 2019, decreasing by €3.8 million compared to figures for the previous year. Depreciation for the year (€40.4 million), impairment costs (€3.4 million), disposals (€0.2 million), and the reclassification of assets acquired through finance leases under rights of use, decreased the carrying amount by approximately €10.7 million and other movements (€0.1 million), were only partially offset by investments for the year equal to approximately €51.0 million.

Intangible assets totalled €676.2 million, up by approximately €17.3 million compared to 31 December 2018. This increase is mainly due to investments for the period (€89.9 million) that exceeded amortisation (€70.4 million) and impairment costs (€2.3 million).

Rights of use, equal to €36.5 million, represent the current value of future operating lease payments, as required by the adoption of the new accounting standard IFRS 16 and include the net carrying amount of leased assets which had been classified as property, plant and equipment as of 31 December 2018. The amount of the reclassification was equal to €10.7 million.

Financial assets which total €9.7 million, increased by €0.9 million compared to figures for the previous year.

Provisions totalled €65.6 million, up on the figure as of 31 December 2018 (€63.4 million).
As fully described in the next section on the "Consolidated Statement of Cash Flows", **net financial debt** as of 31 December 2019 was equal to €429.7 million, compared to €429.2 million as of 31 December 2018. Excluding the effect of adopting the new accounting standard IFRS 16 (€20.4 million), debt decreased by €19.9 million, 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.

Shareholders' equity as of 31 December 2019 amounted to €383.8 million, down €8.1 million compared to 31 December 2018.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

The Consolidated Statement of Cash Flows, prepared in accordance with international accounting standards, is presented in the Consolidated Financial Statements and Notes as of 31 December 2019; the following is a comment relating to the summary statement shown.

CHANGE IN CONSOLIDATED NET DEBT	2019	2018	CHANGE
IN MILLIONS OF EUROS			
Opening Consolidated Net Debt	**(429.2)**	**(446.7)**	**17.5**
Cash Flow from Operating Activities	165.2	144.5	20.7
(Increase)/Reduction in Working Capital	48.8	14.0	34.8
Net Investments	(140.9)	(115.3)	(25.6)
Other changes	(18.7)	3.5	(22.2)
Change in Shareholders' Equity	(54.9)	(29.2)	(25.7)
Total Change	***(0.5)***	***17.5***	***(18.0)***
Closing Consolidated Net Debt	**(429.7)**	**(429.2)**	**(0.5)**

During 2019 the Piaggio Group used **financial resources** amounting to €0.5 million.
Cash flow from operating activities, defined as net profit, minus non-monetary costs and income, was equal to €165.2 million.
Working capital generated a cash flow of approximately €48.8 million; in detail:
- the collection of trade receivables[8] generated cash flows for a total of €9.4 million;
- stock management generated cash flows for a total of €9.4 million;
- supplier payment trends generated cash flows of €44.9 million;
- the movement of other non-trade assets and liabilities had a negative impact on cash flows by approximately €14.9 million.

Investing activities used financial resources for a total of €140.9 million, of which €39.6 million in capitalised development costs and €101.3 million in property, plant and equipment and intangible assets.
Dividends paid in the year were equal to €51.8 million.
Other changes mainly include the recognition of a financial payable for operating lease agreements, following the adoption of the new accounting standard IFRS 16.

As a result of the above financial dynamics, which involved a cash flow of €0.5 million, the **net debt** of the Piaggio Group amounted to €– 429.7 million.

8 Net of customer advances.

ALTERNATIVE NON-GAAP PERFORMANCE MEASURES

In accordance with Consob Communication DEM/6064293 of 28 July 2006 as amended (Consob Communication no. 0092543 of 3 December 2015 that enacts ESMA/2015/1415 guidelines on alternative performance measures), Piaggio, in its Report on Operations, refers to some alternative performance measures, in addition to IFRS financial measures (Non-GAAP Measures).
These are presented in order to measure the trend of the Group's operations to a better extent and should not be considered as an alternative to IFRS measures.
In particular the following alternative performance measures have been used:
- **EBITDA:** defined as "Operating income" before the amortisation/depreciation and impairment costs of intangible assets and property, plant and equipment, as resulting from the consolidated income statement.
- **Gross industrial margin:** defined as the difference between net revenues and the cost to sell;
- **Cost to sell:** this includes costs for materials (direct and consumables), accessory purchase costs (transport of incoming material, customs, warehousing), employee costs for direct and indirect manpower and related expenses, work carried out by third parties, energy costs, depreciation of property, plant, machinery and industrial equipment, maintenance and cleaning costs net of sundry cost recovery recharged to suppliers.
- **Consolidated net debt:** this consists of gross financial debt, including payables for rights of use, 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 the fair value adjustment of related hedged items. The notes to the Consolidated Financial Statements include a table indicating the statement of financial position items used to determine the measure.

BACKGROUND

THE MACROECONOMIC FRAMEWORK

During 2019, global economic growth reported a modest slowdown, to stand at a figure of 3%. This trend was more evident in the real economy, involving in particular the industrial and manufacturing sectors, which were considerably affected by trade tensions between the US and China; the rates dispute, along with the matter of Brexit, contributed to a sharp decline in investments.
The US economy decelerated, however recording a growth of 2.3% thanks to a boost from consumption, which accounted for over two thirds of economic activity. Growth in capital expenditure and exports waned considerably, while salaries started to decrease, reflecting the increasing rigidity of the labour market, while inflation stabilised.
The two main economic strongholds in Asia reported signs of a slowdown: in China (+6.2%) investments and consumption were strongly impacted by the uncertainty over the trade war; the Yuan appreciated against the Dollar, but inflation went up. In India, GDP decreased (by around +5.8%), while the cut in interest rates made by the Reserve Bank has not yet had an effect on the real economy, due to a clamp down on credit in the non-financial sector, while consumption fell, affected by the low rate of employment. Economic growth in Japan stabilised (+0.9%); the effects of the expansive monetary policy eased off and at the same time, domestic demand fell considerably, negatively affected by an increase in excise duties.
The economy in the Euro area ended the period recording a strong downturn (just +1.1% compared to +1.9% in 2018); continuing uncertainties over geopolitical factors, the growing threat of protectionism and vulnerabilities of emerging market weakened confidence, particularly in the manufacturing sector. In this context, inflation drivers remained low and indicators of inflation expectations pointed to a decrease. Considerable monetary stimulus is therefore necessary to ensure favourable financial conditions to support growth.
GDP in Italy amounted to 0.2%, slowing down considerably compared to 2018. Company investment prospects improved slightly compared to the start of the year, thanks in part to tax relief being re-introduced for capital expenditure. Growth is still being driven by private consumer trends, supported by an increase in employment and the introduction of the "citizen's income scheme"; the net foreign component had a negative impact due to the slowdown in exports of goods and services and increase in imports, mainly due to the global trade crisis.

THE MARKET

Two-wheelers

Currently available figures for monitored markets, and specifically the performance of the two-wheeler segment (scooters and motorcycles) are reported below.

India, the most important two-wheeler market, reported a significant reversal in its trend in 2019, closing the year with less than 18.6 million vehicles sold, down by 14.2% compared to 2018.

The People's Republic of China posted another decrease (-5.2%), closing the period with just over 6.5 million units sold.

The Asian area, termed Asean 5, reported a slight increase in 2019 (+0.8% compared to 2018) ending the period with over 13.7 million units sold. Indonesia, the main market in this area, reported slight growth (+1.6% compared to 2018), with total volumes of just under 6.5 million items. Thailand recorded a slight decline in 2019 (1.7 million units sold; -3.3% compared to 2018); Malaysia reported a considerable increase compared to the previous year (nearly 547 thousand units sold; +15.9% compared to 2018). Sales in Vietnam trended downwards in 2019 (3.3 million units sold; -3.9 % compared to 2018), while the Philippines recorded another increase (1.7 million units sold; +7.2% compared to 2018).

Volumes of other Asian area countries (Singapore, Hong Kong, South Korea, Japan, Taiwan, New Zealand and Australia) decreased slightly in overall all terms, compared to the previous year, with around 1.3 million units sold

(-3.0%). In particular, Taiwan continued the trend of the previous year, closing the period with approximately 705 thousand units sold (-6.6% compared to 2018). Japan continued its negative performance, with sales down to 362.5 thousand units (-1.8% compared to 2018).

The North American market recorded a slight increase (+0.3%) compared to 2018 (519,976 vehicles sold in 2019).

Brazil, the leading market in South America, continued its positive trend, and thanks to a considerable increase in sales (+13.2%) ended the year with 1.084 million vehicles sold.

Europe, the reference area for Piaggio Group activities, performed well in 2019, with an overall increase of 8.1% in sales compared to 2018 (+7.9% for the motorcycle segment and +8.2% for scooters), ending the period with approximately 1.384 million units sold.

The scooter market

Europe

The European scooter market in 2019 accounted for 689,000 registered vehicles, with sales up by 8.2% compared to 2018.

MARKET	VEHICLE REGISTRATIONS		CHANGE	CHANGE %		
	2019	2018		OVERALL	< 50 CC	> 50 CC
Italy	149,111	143,452	5,659	3.9%	-5.5%	5.2%
France	134,961	115,248	19,713	17.1%	27.5%	7.2%
Spain	117,541	107,097	10,444	9.8%	30.7%	7.0%
Holland	60,160	58,059	2,101	3.6%	3.1%	20.5%
Germany	57,038	54,522	2,516	4.6%	-2.3%	10.8%
Greece	34,849	30,742	4,107	13.4%	2.8%	14.5%
United Kingdom	25,582	24,643	939	3.8%	6.9%	3.1%
Europe	689,020	636,641	52,379	8.2%	11.2%	6.6%

North America

In 2019, the North American market still reported a downturn (-3.8%), with 25,274 units sold:

MARKET	VEHICLE REGISTRATIONS		CHANGE	CHANGE %		
	2019	2018		OVERALL	< 50 CC	> 50 CC
USA	21,371	22,615	(1,244)	-5.5%	-13.9%	4.1%
Canada	3,903	3,654	249	6.8%	11.6%	-14.9%
North America	25,274	26,269	(995)	-3.8%	-8.8%	3.0%

Asia

The main scooter market in the Asean 5 area is Indonesia, with over 6.1 million items sold, reporting an increase of 5.2% compared to 2018. The automatic scooter segment reported considerable growth in 2019 (+5.5% compared to 2018, with nearly 5.7 million units sold). The Cub segment also increased slightly in 2019, closing at +1.1% at 459 thousand units.

India

After years of growth, the automatic scooter market fell by 16.0% in 2019, closing at 5.8 million units sold.
The 125 cc segment was the best performer, with 5.7 million units sold in 2019, accounting for 97.7% of the total automatic scooter market. The 150 cc segment reported a considerable decline (-38.7%), mainly related to sales of the Aprilia SR 150, with 21,389 units sold in 2019. The 50 cc scooter segment is not operative in India.

The motorcycle market

Europe

With approximately 695,000 units registered, the motorcycle market ended 2019 with a 7.9% increase. The 50 cc segment also performed well (+15.0%) closing with 38,629 units sold, while the over 50 cc segment increased by 7.5%, closing the period with 656,808 units sold.

MARKET	VEHICLE REGISTRATIONS		CHANGE	CHANGE %		
	2019	2018		OVERALL	< 50 CC	> 50 CC
France	150,358	131,675	18,683	14.2%	19.90%	13.5%
Germany	133,450	126,459	6,991	5.5%	-22.0%	5.6%
Italy	103,030	96,767	6,263	6.5%	10.1%	6.3%
United Kingdom	81,448	80,857	591	0.7%	29.6%	0.4%
Spain	78,761	67,826	10,935	16.1%	12.2%	16.2%
Europe	695,437	644,536	50,901	7.9%	15.0%	7.5%

North America

The motorcycle market in North America (USA and Canada) recorded a slight increase in 2019 (+0.5%), closing the period with 494,702 units compared to 491,997 the previous year.

MARKET	VEHICLE REGISTRATIONS		CHANGE	CHANGE %		
	2019	2018		OVERALL	< 50 CC	> 50 CC
USA	438,526	434,640	3,886	0.9%	16.1%	0.4%
Canada	56,176	57,357	(1,181)	-2.1%	3.0%	-2.3%
North America	494,702	491,997	2,705	0.5%	13.9%	0.1%

Asia

India is the most important motorcycle market in Asia, selling 12 million units in 2019, accounting for a 12.9% decrease.

The motorcycle market in the Asean 5 area is far less important than the scooter sector. Sales of motorcycles in Vietnam were not significant. In other countries, the highest sales were recorded in Indonesia; however with 373 thousand units sold it reported a decrease of 34.6% compared to the previous year.

Commercial Vehicles

Europe

In 2019, the European market for light commercial vehicles (vehicles with a maximum mass of up to 3.5 tons) where the Piaggio Group operates, continued its growth trend, selling 2,115,650 units, with an increase of 2.8% compared to 2018 (source ACEA data). In detail, the trends of main European reference markets are as follows: Germany (+6.9%), France (+4.5%), Italy (+3.4%), UK (+2.4%) and Spain (+0.3%).

India

The Indian three-wheeler and LCV cargo market (the latter with vehicles that have a mass below 2 tonnes), on which Piaggio Vehicles Privates Limited - the Piaggio & C. S.p.A. subsidiary - operates, reported the following trends:

MARKET	VEHICLE REGISTRATIONS		CHANGE	CHANGE %
	2019	2018		
Cargo	123,214	126,443	(3,229)	-2.6%
Passengers	563,740	591,841	(28,101)	-4.7%
Total 3W India	686,954	718,284	(31,330)	-4.4%
4W LCV <2 Tons	210,333	226,524	(16,191)	-7.1%

THE REGULATORY FRAMEWORK

European Union

European Green Deal
The new European Commission published an initial document outlining the "European Green Deal" programme, which aims to tackle climate change by achieving the following objectives: a 50% reduction in CO_2 emissions by 2030 and climate neutrality (zero emissions) by 2050. The European Commission has identified various action areas and announced that new, stricter emission limits will be announced during 2021 for vehicles with internal combustion engines, and if necessary, the current CO_2 limits for cars and light commercial vehicles will be revised. The Commission will also publish an Action Plan on the circular economy by March 2020 with new measures for the end of life of vehicles and chemical substances, and will work on proposed legislation to ensure a safe and sustainable value chain for batteries of electric vehicles. The timing for achieving objectives will be detailed further in the work programme that the Commission will publish during 2020.

Emissions
With the new Regulation (EU) 2019/631 approved in April 2019, European institutions approved new limits for CO_2 emissions for cars and light commercial vehicles post-2020. An EU fleet-wide target of 147 g CO_2/km by 2030 for the average emissions of new light commercial vehicles (95g CO_2/km for cars), has been confirmed, and a gradual reduction in CO_2 emissions (g/Km) of 15% by 2025 and 31% by 2030, compared to 2021, has been decided. However, the new Regulation still allows manufacturers producing less than 22,000 units a year to request an extension.
During 2020, the Commission will work on a study on future post-Euro 6 limits for cars. A Euro 7 proposal for cars is expected for the end of 2021. Any developments for cars will have inevitable consequences on the two-wheeler segment (L category), with a new proposal for post-Euro 5 expected from the Commission.

Sound emissions
During 2018, the European Commission started consultations on the presentation of proposed legislation for new Euro 5 noise limits. After the study published in November 2017 gave a favourable opinion on a drastic reduction in noise limits, the Commission requested a second study and at the same time a second costs/benefits analysis of any reduction in noise limits for L category vehicles. The start of this second study requested by the European Commission on noise levels of vehicles was postponed to the beginning of 2020. Proposed legislation from the Commission is therefore expected in 2022.
To prevent a drastic reduction in noise limits, ACEM, the European Association of Motorcycle Manufacturers, is working on a shared strategy of which the key focus is to revise ASEP noise test procedures bearing in mind real driving conditions. Moreover, a more holistic approach to noise has been defined, which takes into account the widespread practice of motorcyclists replacing original exhausts, necessary controls on the road, and different riding styles.

CO_2 taxation
At present, only three European countries tax Category L vehicles based on CO_2 emissions: Austria, Spain and Norway. In all three nations, vehicles with a power up to 125 cc are exempt (therefore category L1, L2 and L3 vehicles up to 125 cc). At present, a similar tax scheme for France is being debated, while no initiatives in this regard have been taken by Italian Ministries.

Brexit and type approvals in the United Kingdom
With the United Kingdom leaving the EU on 31 January 2020, a transition period for bilateral relations has started, and will end on 31 December 2020, while European legislation will continue to apply until agreements on main issues for future trade and political relations have been reached. To enable manufacturers of motorcycles and mopeds holding a UK type approval to continue to register and sell these vehicles after Brexit, Regulation (EU) 2019/26, approved in January 2019, gives manufacturers the chance to request a switch from UK type approval to a new type approval granted by an approval authority of one of the EU27.

Braking systems

At present, the obligation to use ABS braking systems only applies to L3 category vehicles, with the exception of 125 cc vehicles. Under Article 79 of Regulation (EU) 168/2013, the European Commission will submit a report to the European Parliament and to the Council on the need to extend this obligation to the subcategory L3e-A1 (125 cc). To this end, the Commission began a study in June 2019 on the feasibility of making ABS mandatory for these vehicles. The study will be completed by July 2020 and, based on results, the Commission will assess the possibility of finalising proposed legislation by the end of 2020.

Electric vehicle batteries

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

End of life of vehicles

At present the EU Directive on the end of life of vehicles does not apply to two-wheelers. Manufacturers of cars and commercial vehicles are required to meet specific targets on the recycling and reuse of materials, comply with vehicle design obligations to facilitate the recovery of components, publish a manual on dismantling and collect and be responsible for the collection and disposal of end of life vehicles. The European Commission is evaluating the hypothesis of extending the scope to Category L vehicles. Any proposed legislation could be tabled by the Commission by the end of 2020. Similarly, the French government is deciding whether to extend the End of Life requirements, in France, to cover scooters and motorcycles. European manufacturers meeting as members of ACEM have decided to adopt a proactive approach, starting a debate on measures necessary to establish an End of Life Vehicle regime suitable for two-wheelers.

Business relations with the EU/US

In April 2019, following the case of EU state aid for Airbus/Boeing, the US government issued a list of products to be subject to customs' duties if imported into the US. Two-wheelers (motorcycles/scooters over 500 cc and under 800 cc) and some spare parts/accessories initially on the first list published were then removed from the second list of customs' duties presented in October 2019. The Airbus/Boeing case will be discussed during 2020, and could expose the EU to the risk of new repercussions from the US.

General vehicle safety regulation

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

Italy

Incentives for electric vehicles
In late December 2019, after numerous interventions from the industry, Government approved the decree renewing incentives for the purchase of electric vehicles in 2020, thanks also to resources allocated during 2019 which were not used.
The requirements to use the incentives have not changed over the previous year: the mandatory scrapping of an L1 to L7 category vehicle, from Euro 0 to Euro 3, and a sum of 30% of the purchase price allocated, up to a maximum of 3,000 euros per purchase of an electric or hybrid vehicle in categories L1 to L7. Vehicles registered in the name of one or more family members that benefit from the incentive may also be scrapped.

Highway code reform
The Bill amending the Highway Code was presented to parliament. The Bill's proposals include the possibility for 125 cc motorcycles to transit on motorways and main extra-urban roads, if ridden by persons aged 18 and over with a category A, B or higher licence. In addition, access to motorways should also be allowed for electric motorcycles over 11 kW. Negotiations are ongoing and the reform should be discussed and approved in Parliament in the first half of 2020.

Micromobility
In June 2019, the Ministry for Transport published the ministerial decree authorising the trial of so-called "micromobility devices". The ruling grants applicant local authorities 24 months to trial the use of these devices, also through sharing services, provided they install specific road signs. The use of four categories of devices has been authorised (monowheels, hoverboards, segways and scooters), on three types of routes (pedestrian, cycle paths and 30 km/h zones). The main requirements are: minimum age of 18 or holder of an AM licence - maximum speed of 20 km/h (in pedestrian areas 6 km/h) - no seating arrangements - obligation to have front and rear lights - CE marking pursuant to the Directive 2006/42/EC. The Budget voted in December 2019 therefore introduced some new aspects, putting electric scooters on the same level as electric bicycles (defined as "rail cycles" by the highway code). The same rules for electric bicycles will apply to electric scooters, without the obligation to have insurance, a licence or wear a safety helmet. The restrictions set out in the trial Ministerial Decree will still apply to other devices (hoverboards, segways and monowheels).

India

Bharat stage VI – emissions
In January 2016, the Indian Ministry of Transport decided to step up the transition from Bharat Stage IV (BS IV) on emissions, to Bharat Stage VI (BS VI) initially planned for 2024. The new BS VI will become mandatory in India for all vehicles manufactured from 1 April 2020 onwards (four-wheelers, light commercial vehicles and two-/three-wheelers). The regulation will include an update on: emission limits and standards; testing requirements and test cycles; requirements for on-board diagnostic systems (introduced for the first time for two-wheelers); durability levels for individual vehicle categories; new fuel standards.
The purpose of adopting BS VI is to update Indian regulations, making them more stringent and aligning them with European regulations (Euro 6 for cars).

"FAME" scheme - incentives
The Indian government recently announced its intention to have only electric three-wheelers by April 2023 and electric two-wheelers by April 2025. This strategy, which is part of the FAME (Faster Adoption of Electrical Mobility) scheme the Indian government adopted in 2015, aims to provide incentives for the purchase of electric and hybrid two-, three- and four-wheelers. In April 2019, the transition to the second stage of the scheme was officially announced, with new funds allocated for a total of 1.4 billion USD and incentives targeting the purchase of electric vehicles and development of charging infrastructure.

RESULTS BY TYPE OF PRODUCT

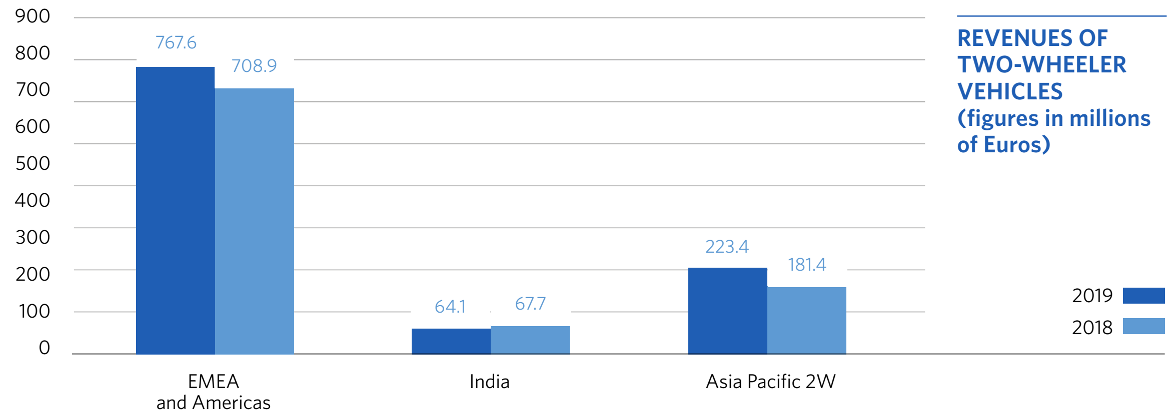
The Piaggio Group is comprised of and operates by geographic segments (EMEA and the Americas, India and Asia Pacific) to develop, manufacture and distribute two-wheeler and commercial vehicles.
Each Geographic Segment has production sites and a sales network dedicated to customers in the relative segment. 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 results and final capital invested by each operating segment, reference is made to the Notes to the Consolidated Financial Statements.
The volumes and turnover in the three geographic segments, also by product type, are analysed below.

TWO-WHEELERS

	2019		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	224.5	767.6	219.1	708.9	2.4%	8.3%	5.4	58.7
of which EMEA	213.5	710.4	207.7	656.1	2.8%	8.3%	5.8	54.3
(of which Italy)	*49.4*	*167.0*	*45.0*	*149.2*	*9.9%*	*12.0%*	*4.5*	*17.8*
of which America	10.9	57.2	11.4	52.8	-3.9%	8.4%	(0.4)	4.4
India	77.0	64.1	88.3	67.7	-12.8%	-5.3%	(11.3)	(3.6)
Asia Pacific 2W	98.2	223.4	85.7	181.4	14.5%	23.2%	12.4	42.0
Total	**399.6**	**1,055.1**	**393.1**	**957.9**	**1.6%**	**10.1%**	**6.5**	**97.2**
Scooters	363.0	737.9	357.2	682.5	1.6%	8.1%	5.8	55.4
Motorcycles	36.6	183.7	36.0	147.5	1.8%	24.6%	0.7	36.2
Spare Parts and Accessories		132.1		125.2		5.5%		6.9
Other		1.4		2.7		-48.3%		(1.3)
Total	**399.6**	**1,055.1**	**393.1**	**957.9**	**1.6%**	**10.1%**	**6.5**	**97.2**



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.

Main results

During 2019, the Piaggio Group sold a total of 399,600 two-wheeler vehicles worldwide, accounting for a net turnover equal to approximately €1,055.1 million, including spare parts and accessories (€132.1 million, +5.5%).
The overall growth in both volumes (+1.6%) and turnover (+10.1%) was generated by the excellent performance of Asia Pacific (+14.5% volume; +23.2% turnover; +18.0% at constant exchange rates) and EMEA and the Americas (+2.4% volumes; +8.3% turnover; +7.9% with constant exchange rates).

Market positioning[9]

On the European market, the Piaggio Group achieved a 14.1% share in 2019 (14.5% in 2018), confirming its leadership position in the scooter segment, where it reached a 24.1% share (-1.2% over 2018). In Italy, the Piaggio Group is a well-established leader in the scooter segment (29.9%) and an important player on the domestic two-wheeler market (a 19.4% share in 2019 and a 19.2% share in 2018).
The Group, with its own sites in India and Vietnam, also operates in the "premium" segment of the Indian market and in Asia Pacific countries. In particular, Piaggio is one of the leading segment operators in Vietnam, which is the Group's main market in the Asian area.
On the North American market, Piaggio consolidated its position, decreasing its share from 23.9% in 2018 to 23.7% in 2019. The Group is also committed to consolidating its operations in the motorcycle segment, with the Aprilia and Moto Guzzi brands.

9 Market shares are calculated based on "sell out" volumes, i.e. sales by the distribution network to end purchasers. Market shares for 2018 might differ from figures published last year, due to final vehicle registration data, which some countries publish with a few months' delay, being updated.

The distribution network

EMEA

In EMEA, the Piaggio Group has a direct sales presence in main European countries. On other European markets and in the Middle East and Africa, it operates through importers.
In December 2019, the Group's sales network comprised 1,145 partners managing around 2,800 sales agency agreements for various brands. 43% of these dealers sell only Group brands (one or more), without handling competitors' products.
At present, the Piaggio Group is active in 80 countries in the area and in 2019 further consolidated its sales activities. Actions targeting the distribution network followed market trends in the area, focussing on a better qualitative/quantitative balance for the sales network.
In addition, new sales and after-sales quality standards continued to be distributed, geared to offering end customers a better experience throughout the customer journey.
Guidelines on the distribution network cover the following areas:

1. improving customer experience at the sales outlet, consolidating the project to implement the new retail format which is consistent with the premium positioning of Piaggio products;
2. consolidating local coverage, through a quality-based selection of the network, with the objective of increasing the weight of exclusive Group dealers;
3. consolidating retail channel activities through a gradual increase in the importance of the primary network;
4. improving dealers' financial performance by expanding areas of expertise and offering them the chance to sell products and services attributable to the Piaggio Group;
5. improving the service level for dealers, through dedicated training and appropriate support tools;
6. continually improving service for end customers, through an integrated platform to manage the entire customer life cycle and customer loyalty.

Americas

In the Americas, the Piaggio Group is directly present in the United States and Canada, while in Latin America it operates through a network of importers. At the end of 2019, the Group had 215 partners, of which 164 in the United States, 39 in Canada and a network of 12 importers in Central and South America.
In 2019, the process to streamline and consolidate the distribution network continued, through the replacement and appointment of new partners to support the growth of Piaggio brands with a special focus on the motorcycle segment and on consolidating the Group's presence in the scooter segment.

Asia Pacific

In Asia Pacific, the Piaggio Group is directly present in Vietnam, Indonesia, China and Japan, while on other markets it operates through importers.
The distribution network is developed on an ongoing basis, in line with the Group's strategic objectives that plan to expand operations in the region.
Past and future actions in the Asia Pacific area include:

- an increase in sales outlets, and consolidation of the sales service and other services;
- consolidation of a local presence, with a more focussed, detailed geo-marketing study;
- growth in the size of the sales and after-sales area;
- the gradual channelling of the Corporate Identity towards a Motoplex concept, which is therefore increasingly widespread and uniform in all countries.

In Vietnam, the lead nation of the entire Asia Pacific area, the Group had 84 sales outlets throughout the country by the end of 2019, of which 46% Motoplexes. In Indonesia, Japan and China, Piaggio has a network of 43 (65% Motoplex), 54 (16% Motoplex) and 33 (100% Motoplex) sales outlets respectively.
In other areas of Asia Pacific, the number of sales outlets totalled 253 at the end of 2019, with major changes to the current network focussed on the Motoplex concept (43%), with 12 distributors operating in 11 nations - Thailand, Singapore, Taiwan, Australia, Malaysia, South Korea, New Zealand, Cambodia, Hong Kong, the Philippines and Macau. In 2019, 1 Vespa store was opened in Vietnam, 2 Vespa stores in Taiwan, 1 Vespa-Aprilia-Moto Guzzi store in New Zealand and 2 Piaggio-Vespa stores in Thailand.

India

In India, Piaggio Vehicles Private Limited had 260 dealers as of 31 December 2019, up considerably on the figure of 229 dealers at the end of 2018. At present, the network covers main areas throughout the country.

Investments

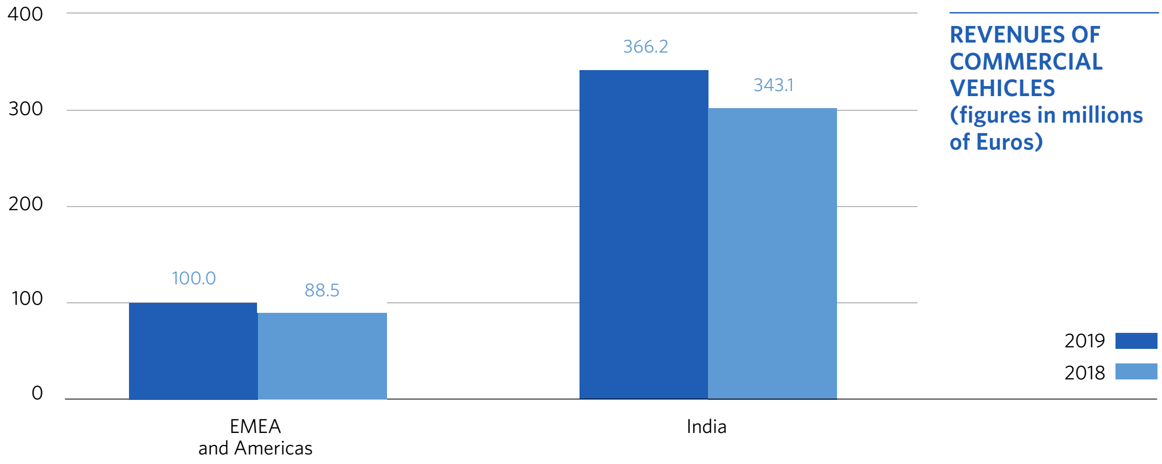
Investments mainly targeted the following areas:
- developing new products and face lifts for existing products;
- improving and modernising current production capacity.

As regards product investments in particular, considerable resources were allocated to developing new products to market on both European and Asian (Vietnamese and Indian) markets.

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

COMMERCIAL VEHICLES

	2019		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	19.2	100.0	16.3	88.5	17.4%	13.0%	2.8	11.5
of which EMEA	14.8	91.9	14.3	84.4	3.9%	8.8%	0.6	7.5
(of which Italy)	*4.2*	*51.0*	*3.7*	*46.2*	*12.4%*	*10.4%*	*0.5*	*4.8*
of which America	4.3	8.2	2.1	4.1	111.1%	98.5%	2.3	4.1
India	192.5	366.2	194.2	343.1	-0.8%	6.7%	(1.6)	23.1
TOTAL	**211.7**	**466.2**	**210.5**	**431.6**	**0.6%**	**8.0%**	**1.2**	**34.6**
Ape	206.7	358.5	204.7	330.7	1.0%	8.4%	2.1	27.8
Porter	4.4	54.5	4.0	47.6	10.9%	14.5%	0.4	6.9
Quargo	0.3	1.2	0.9	3.2	-63.4%	-61.5%	(0.6)	(2.0)
Mini Truk	0.2	0.6	0.9	2.4	-78.8%	-76.6%	(0.7)	(1.9)
Spare Parts and Accessories		51.4		47.7		7.8%		3.7
TOTAL	**211.7**	**466.2**	**210.5**	**431.6**	**0.6%**	**8.0%**	**1.2**	**34.6**



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.

Main results

In 2019, the Commercial Vehicles business generated a turnover of approximately €466.2 million, including approximately €51.4 million relative to spare parts and accessories, registering an 8.0% increase over the previous year. During the year, 211,700 units were sold, up by 0.6% compared to 2018.
Revenues increased in all geographic segments.
On the Indian three-wheeler market, Group sales reversed their trend, from 167,362 units in 2018 to 164,515 units in 2019, down by 1.7%; exports instead went up by 10.1%. Related turnover increased by 7.5%. On the four-wheeler domestic market, sales of Piaggio Vehicles Private Limited were equal to 491 units in 2019.
On the EMEA and Americas market, the Piaggio Group sold 19,200 units, generating a total net turnover of approximately €100.0 million, including spare parts and accessories for €16.1 million. The growth in sales of 17.4% was supported by the considerable increase in sales on US markets (+111.1% volumes; +98.5% turnover).

Market positioning[10]

The Piaggio Group operates in Europe and India on the light commercial vehicles market, with vehicles designed for short-range mobility in urban areas (European range) and suburban areas (the product range for India).

In Europe, the Group acts as operator on these markets in a niche segment (urban mobility), thanks to its range of low environmental impact products.

Piaggio operates in India in the passenger vehicle and cargo sub-segments of the three-wheeler market. It also operates on the four-wheeler light commercial vehicles (LCV) market (cargo vehicles for goods transport) with the Indian Porter range.

On the Indian three-wheeler market, Piaggio Vehicles Private Limited slightly increased its market share in 2019, to 23.9% (23.3% in 2018). Detailed analysis of the market shows that Piaggio Vehicles Private Limited maintained its market leader position in the goods transport segment (cargo segment) with a share of 41.8% (44.9% in 2018). The Passenger segment increased its share, to 20.0% (18.7% in 2018). On the four-wheeler market, Piaggio Vehicles Private Limited played a marginal role, with its share decreasing to 0.2% (0.8% in 2018).

10 Market shares are calculated based on "sell out" volumes, i.e. sales by the distribution network to end purchasers. Market shares for 2018 might differ from figures published the previous year, due to final vehicle registration data, which some countries publish with a few months' delay, being updated.

The distribution network

Europe and Overseas

During the year, Piaggio's sales network went through considerable change, based on the current project to develop a new four-wheeler vehicle that will expand the product range and make its mark in a competitive scenario which differs from the current situation.
Following the assessment process in 2018, to define a distribution format which basically separates three-wheeler sales and assistance from four-wheeler sales and assistance, two macro activities were implemented in parallel, in the year: the management and rationalisation of the current network which, apart from withdrawals, will mainly continue to operate in the future, only for the Ape range, and the recruiting of new operators, that will form the main part of the network that will operate for the new commercial vehicle.
The separation of the channel dedicated to three-wheelers and the channel dedicated to four-wheelers began by branding the four-wheeler stores with the new Piaggio Commercial logo (around 140). With the launch of the new vehicle, the separation will be completed, implementing the line dedicated to the Ape brand for relative sales and service points. Moreover, the division between the two brands will be channelled externally creating a dedicated Ape website in the first half of 2020.
As regards the figures, the European network ended 2019 with approximately 400 operators, through the closure of 26 former dealerships and the opening of 40 new Piaggio Commercial dealers (of whom 6 in Italy, 15 in France, 9 in Spain, 7 in Germany and 3 in Greece/Benelux). Coverage of market potential in the new business segment on the four main markets accounts for around 90%.
The profile of the newly acquired network, mainly from the truck segment, is very high in terms of financial, organisational and professional aspects, and scale, and boasts numerous locations, making it possible to effectively manage areas with considerable potential through just one mandate.
In 2019, besides opening in Macedonia, leading operators were selected for all countries where Piaggio does not have a direct presence, to successfully complete recruiting in the first half of the new year, thanks to the appeal guaranteed by the upcoming launch. In this case as well, through a suitable revision of the mandate, it may be possible to operate on the same market at the same time as the current network, only for the Ape brand, and with new specialised Piaggio Commercial importers.
As regards non-European areas, with a view to developing the quality of Piaggio's operations, the process to revise the distribution network continued, with results continually being consolidated. We are now present in 27 countries, including importers in Latin America, Africa, the Middle East, South East Asia and Pacific Asia. More specifically, the perimeter now includes Zambia and New Caledonia and on markets where we are already active, we have replaced five operators (Bolivia, Chile, Mexico, Colombia and Cambodia).
In keeping with the company's general objectives and guidelines for Network Development, the aim in 2020 is to further expand coverage and increase the quality of the Network's activities, maximising efficiency, above all in cases of recently appointed operators, who are still stepping up the organisational and commercial stages.

India

In India, Piaggio Vehicles Private Limited had 464 dealers as of 31 December 2019, up on the 424 dealers in 2018.

Investments

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

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

RISKS AND UNCERTAINTIES

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

EXTERNAL RISKS

Risks related to the macroeconomic and geopolitical context

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

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

Risks connected to consumer trends

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

Risks related to a high level of market competition

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

Risk relative to the regulatory and legal framework

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

Risks connected with natural events

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

Risk connected with the use of new technologies

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

Risks connected with the sales network

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

Risks connected with external offences

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

STRATEGIC RISKS

Reputational and Corporate Social Responsibility risks

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

Risks connected with the definition of strategies

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

Risks connected with the adoption of strategies

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

FINANCIAL RISKS

Risks connected with exchange rate trends

The Piaggio Group undertakes operations in currencies other than the euro and this exposes it to the risk of fluctuating exchange rates of different currencies.
Exposure to business risk consists of envisaged payables and receivables in foreign currency, taken from the budget for sales and purchases reclassified by currency and accrued on a monthly basis.
The Group's policy is to hedge at least 66% of the exposure of each reference month.
Exposure to the settlement risk consists of receivables and payables in foreign currency acquired in the accounting system at any moment. The hedge must at all times be equal to 100% of the import, export or net settlement exposure for each currency.
During the year, currency exposure was managed based on a policy that aims to neutralise the possible negative effects of exchange rate variations on company cash flow. This was achieved by hedging economic risk, which refers to changes in company profitability compared to the planned annual economic budget, based on a reference change (the "budget change"), and transaction risk, which refers to differences between the exchange rate at which receivables and payables are recognised in currency in the financial statements and the exchange rate at which the relative amount received or paid is recognised.
The Group has assets and liabilities which are sensitive to changes in interest rates and are necessary to manage liquidity and financial requirements. These assets and liabilities are subject to an interest rate risk and are hedged by derivatives or by specific fixed-rate loan agreements.
For a further description, reference is made to section 44 of the Notes to the Consolidated Financial Statements.

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

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

Risks connected with credit quality of counterparties

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

Risks connected with deleverage

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

OPERATING RISKS

Risks relative to the product

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

Risks connected with the production process/business continuity

The Group is exposed to risk connected with possible interruptions to company production, due to the unavailability of raw materials or components, skilled labour, systems or other resources.
To deal with these risks, the Group has necessary maintenance plans, invests in upgrading machinery, has a flexible production capacity and sources from several suppliers of components to prevent the unavailability of one supplier

affecting company production. Moreover, the operating risks related to industrial sites in Italy and other countries are managed through specific insurance cover assigned to sites based on their relative importance.

Risks connected with the supply chain

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

Risks connected with the environment and with health and safety

The Group has production sites, research and development centres and sales offices in different nations and so is exposed to the risk of not being able to guarantee a safe working environment, with the risk of causing potential harm to property or people and exposing the Group to legal sanctions, lawsuits brought by employees, costs for compensation payments and reputational harm.
To mitigate these risks, Piaggio adopts a sustainable development model that is based on environmental sustainability, in terms of safeguarding natural resources and the possibility that the ecosystem might absorb the direct and indirect impact of production activities. Specifically, Piaggio seeks to minimise the environmental impact of its industrial activities through careful definition of the technological transformation cycle and using the best technologies and most modern methods of production.
The risks related to accidents/injuries sustained by personnel are mitigated by aligning processes, procedures and structures with applicable Occupational Safety laws, as well as best international standards.
These commitments, set out in the Code of Ethics[11] and confirmed by top management in the Group's "environmental policy" which is the basis for environmental certification (ISO 14001) and health and safety certification (ISO 45001 for Italian sites and Vietnam and BS OHSAS 18001 for India) already awarded and maintained at production sites, is a mandatory benchmark for all company sites no matter where they are working.

Risks connected with processes and procedures adopted

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

Risks relative to human resources

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

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

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

Legal risks

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

Risks relative to internal offences

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

Risks relative to reporting

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

EVENTS OCCURRING AFTER THE END OF THE PERIOD

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

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

12 February 2020 – the Piaggio Medley was unveiled with an entirely new look, for an even more dynamic, high-performance and technological version. The 125 and 150 cc versions of the Piaggio i-get engines made their début on the new Piaggio Medley: both 4-valve, electronic engines are liquid cooled, delivering 11 and 12.1 kW respectively, and are some of the most powerful in their category. The Piaggio Medley also has new connectivity features for the first time ever in the high-wheel medium scooter segment.

OPERATING OUTLOOK

Despite the likely impact of the Covid-19 virus on the world economy, at least in the first half of the year, the Group is managing the effects on its supply chain without any particular impact for its production sites (located in Italy, India and Vietnam), and will continue to operate to consolidate its positioning on global markets.

Moreover, considering its product portfolio and diversified production and sales presence on international markets - enabling it to mitigate any negative effects, the Group is committed to:

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

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

More generally, the Group is committed - as it always has been - to increasing productivity in 2020 with a strong focus on streamlining costs and investments, carefully monitoring the situation so that it can take measures, where necessary, to guarantee the satisfaction of all its stakeholders.

TRANSACTIONS WITH RELATED PARTIES

Revenues, costs, payables and receivables as of 31 December 2019 involving parent companies, subsidiaries and affiliated companies refer to the sale of goods or services which are a part of normal operations of the Group.
Transactions are carried out at normal market values, depending on the characteristics of the goods and services provided.
Information on transactions with related parties, including information required by Consob in its communication of 28 July 2006 DEM/6064293, is given in the notes to the Consolidated Financial Statements and notes to the separate Financial Statements of the Parent Company.
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*.

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

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

CORPORATE GOVERNANCE

PROFILE

The Company is organised in accordance with the traditional administration and control model mentioned in Articles 2380-bis and following of the Italian Civil Code, with the Shareholders' Meeting, the Board of Directors and the Board of Statutory Auditors.
The Chairman and Chief Executive Officer of the Company is Roberto Colaninno, the Deputy Chairman is Matteo Colaninno.
The Board of Directors has given the Director Michele Colaninno powers to operate in the context of the development of Group operations and product and marketing strategies.
The Company has adopted the Corporate Governance Code approved by the Corporate Governance Committee in March 2006 and last updated in July 2018, aligning it with the corporate governance principles in the Code.
The Company is subject to the management and coordination of IMMSI S.p.A. pursuant to Article 2497 and following of the Italian Civil Code.

BOARD OF DIRECTORS

The Board of Directors of the Company in office at the date of this Report comprises nine members, appointed by the Ordinary General Meeting of Shareholders of 16 April 2018 based on the two lists of candidates submitted by the majority shareholder IMMSI S.p.A. and by the Legal Practice Trevisan & Associati. The Board of Directors will remain in office until the date of the Ordinary General Meeting of Shareholders called for approval of the Financial Statements for the financial year ending 31 December 2020.

The majority of the Board of Directors are non-executive, independent directors, and their number and authority are such that they ensure that their opinion has a significant weight in the Issuer's Board decisions. Non-executive directors and independent directors bring their specific competencies to Board discussions, contributing to the making of decisions that conform to corporate interests.

COMMITTEES

The Appointment Proposal Committee, the Remuneration Committee, the Internal Control and risk management Committee and the Related Parties Transactions Committee have been established within the Board.

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The internal control and risk management system requires the Board, after consulting with the Internal Control and Risk Management Committee, to define guidelines for the internal control and risk management system which comprises all processes to identify, measure, manage and monitor main risks. This system helps ensure efficient and effective company operations, the reliability of financial information, compliance with laws and regulations as well as the company's articles of association and with internal procedures, and the safeguarding of company assets.
In this context, the Board of Directors is assisted by a Director appointed to oversee operation of the internal control and risk management system and an Internal Control and risk management Committee.
The Board of Directors, in response to a proposal by the Director in charge of the internal control and risk management system and having obtained the opinion of the Internal Control and risk management Committee and the Board of Statutory Auditors, appointed the Internal Auditing Supervisor to verify that the internal control and risk management system is operative and adequate, ensuring that he/she receives adequate means to carry out his/her functions, including - as regards the operating structure and internal organisational procedures - access to information needed for his/her position.

BOARD OF STATUTORY AUDITORS

The Board of Statutory Auditors in office at the date of this Report was appointed by the Ordinary General Meeting of Shareholders of 16 April 2018, based on the two lists of candidates submitted by the majority shareholder IMMSI S.p.A. and by the Legal Practice Trevisan & Associati, in compliance with Article 24.2 of the Company Articles of Association, and will remain in office until approval of the Financial Statements for the year ending 31 December 2020.

CORPORATE GOVERNANCE REPORT

The Company produces an annual Report on Corporate Governance and Corporate Ownership, describing the corporate governance system adopted by the Issuer, and containing information on corporate ownership and the internal control and risk management system. The entire report is available on the website of the Issuer www.piaggiogroup.com under *Governance*.

OTHER INFORMATION

PERSONAL DATA PROCESSING - LEGISLATIVE DECREE NO. 196 OF 30 JUNE 2003 - REGULATION (EU) 679 OF 27 APRIL 2016 (GDPR - GENERAL DATA PROTECTION REGULATION)

As regards obligations in applicable legislation on data privacy, Piaggio & C. S.p.A., as Data Controller, has adopted various security measures listed in this legislation.
Following the entry into force of Regulation (EU) 2016/679 on the protection of natural persons with regard to the processing of personal data (GDPR), the company has completed the process to align with regulations.
The Company is responsible, in accordance with law and in its capacity as "Controller", for all personal data processing it carries out and in view of this responsibility, adopts adequate security measures in relation to risks for the rights and freedoms of natural persons. To guarantee effective data processing, the Board of Directors has appointed an officer from its members who, in the name and on behalf of the Company, independently takes decisions as to the purposes and procedures of personal data processing and instruments used, including the adoption and monitoring of security measures and their adequacy, and supervises all personal data processing activities carried out by the Company.
In compliance with the GDPR, and considering that the Company's operations involve, inter alia, the regular and systematic monitoring of the personal data of natural persons, a Data Protection Officer (DPO) has also been appointed, as provided for by Articles 37-39 of the GDPR, who acts as consultant to company functions on privacy, and inspects personal data management activities, as the reference point within the Company for all matters concerning personal data processing and as the interface with the Italian Data Protection Authority.

ARTICLE 36 OF THE CONSOB REGULATION ON MARKETS (ADOPTED WITH CONSOB RESOLUTION NO. 16191/2007 AS AMENDED): CONDITIONS FOR LISTING COMPANIES CONTROLLING COMPANIES ESTABLISHED AND GOVERNED ACCORDING TO LAWS OF NON-EU MEMBER STATES ON THE STOCK EXCHANGE

As regards regulatory requirements on conditions for listing companies controlling companies established and governed according to laws of non-EU Member States on the stock exchange and material importance for the purposes of consolidated financial statements, the following is reported:
- at 31 December 2019, regulatory provisions of Article 36 of the Regulation on Markets applied to the subsidiaries: Piaggio Vehicles Private Limited; Piaggio Vietnam Co Ltd; Piaggio Group Americas Inc; Zongshen Piaggio Foshan Motorcycle Co. Ltd; Foshan Piaggio Vehicles Technology R&D Co Ltd; Piaggio Advanced Design Center Corporation; Piaggio Fast Forward Inc.; Piaggio Group Japan; PT Piaggio Indonesia; Piaggio China Co. LTD; Piaggio Asia Pacific PTE Ltd;
- adequate procedures for ensuring full compliance with the above regulation have been adopted.

ARTICLE 37 OF THE CONSOB REGULATION ON MARKETS: CONDITIONS PREVENTING THE LISTING OF SHARES OF SUBSIDIARIES SUBJECT TO THE MANAGEMENT AND COORDINATION OF ANOTHER COMPANY

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

ARTICLE 2428 OF THE ITALIAN CIVIL CODE

The information required by Article 2428, paragraphs 1, 2, 3 and 6 is given in the Report on Operations. Information on financial instruments, objectives and policies of the Group concerning financial risk management is given in section F of the Notes to the Consolidated Financial Statements and in section E of the Parent Company's Financial Statements. Information about secondary sites of the Parent Company is given in section A of the Parent Company's Financial Statements.

STATEMENT OF RECONCILIATION BETWEEN SHAREHOLDERS' EQUITY AND NET PROFIT FOR THE PERIOD OF THE PARENT COMPANY AND CONSOLIDATED COMPANIES

IN THOUSANDS OF EUROS	SHAREHOLDERS' EQUITY 31/12/2018	2019 RESULT	OTHER MOVEMENTS	SHAREHOLDERS' EQUITY 31/12/2019
Piaggio & C. SpA	**317,385**	**46,211**	**(54,271)**	**309,325**
Net profit and shareholders' equity of subsidiaries	232,200	68,338	(82,087)	218,451
Elimination of the carrying amount of investments	(149,571)	(62,557)	75,287	(136,841)
Elimination of the effects of intergroup transactions	(8,062)	(5,243)	6,177	(7,128)
Piaggio Group	**391,952**	**46,749**	**(54,894)**	**383,807**

ECONOMIC GLOSSARY

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

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

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

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

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

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

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

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

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

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

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

In some cases, data could be affected by rounding off defects due to the fact that figures are represented in millions of Euros; changes and percentages are calculated from figures in thousands of Euros and not from rounded off figures in millions of Euros.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CONSOLIDATED NON-FINANCIAL STATEMENT - LEGISLATIVE DECREE NO. 254 OF 30 DECEMBER 2016

GENERAL

This "Non-Financial Statement" (hereinafter also "NFS" or statement), is published by Piaggio & C. S.p.A. (hereinafter "Piaggio" or the "Group") in compliance with Legislative Decree no. 254/2016 (Implementation of Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups).

REPORTING PERIOD	- Financial year 2019 (from 1 January to 31 December 2019). Data relative to 2018 are presented for comparison. The analysis for some data over 3 financial years is given in the 2019 CSR Report, available at www piaggio com.
BOUNDARY	- The information and figures in the NFS refer to wholly owned subsidiaries[12] (Italian and foreign) and the Fondazione Piaggio and the activities they engaged in over the course of the year, unless otherwise indicated. For further details on the scope of consolidation for various topics addressed, see the table in the section "Contents of the NFS". Information on the Fondazione Piaggio, which is not included in the scope of consolidation of the Group, refers to qualitative aspects useful for understanding its focus on the social fabric, even though this information is not included in the scope of consolidation of quantitative information of the NFS. The report duly indicates when aggregate data derive from estimates. 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 the incidence in percent were calculated based on data expressed in thousands and not on the rounded figures expressed in millions.
CONTENT	- The contents of the NFS were selected based on a process of materiality, focussing on the non-financial topics required by the Directive. All sustainability issues are fully described in the 2019 CSR Report available at www.piaggio.com.
REPORTING STANDARD	- The 2019 Non-Financial Statement has been prepared in compliance with the "GRI Standards" (GRI-Referenced), published by Global Reporting Initiative in 2016.

The "Table of correspondence with Legislative Decree no. 254/2016 - material topics – GRI Standards – core option" which clearly identifies the non-financial material topics for the Piaggio Group and standards used to report on each topic, is included at the end of the statement. This table also contains specific information in compliance with requirements of Legislative Decree no. 254/2016.

12 See the attachment to the 2019 Consolidated Financial Statements "Piaggio Group Companies".

SOCIAL AND ENVIRONMENTAL-ORIENTED POLICIES AND GUIDELINES

The Piaggio Group has established a system of policies, including its anti-corruption policy and environmental, training, safety and quality policies, to guarantee compliance with principles of fairness, transparency, honesty and integrity in keeping with international standards on responsible business management.
The Group operates in diverse geographic, legal and cultural contexts. Therefore its policies and guidelines are put in place by each company through their own operating procedures and practices.
The cornerstone of the system is the Group's Code of Ethics - not only for employees, but also for suppliers who must sign and comply with the Code in order to work with Piaggio.

DESCRIPTION OF THE PROCESS TO IDENTIFY MATERIAL ISSUES FOR NON-FINANCIAL STATEMENT PURPOSES

The contents are based on principles of materiality, the inclusion of stakeholders, the context of sustainability and completeness. The quality of information and adequacy of its presentation is guaranteed by principles of fairness, clarity, accuracy, timeliness, comparability and reliability.

Materiality analysis

The analysis process was conducted by the Group Consolidated Financial Statements and Sustainability Unit. The process comprises 4 stages:

1. identification of sustainability issues;
2. identification and involvement of relevant stakeholders;
3. assessment of the significance of topics;
4. approval by the Board of Directors.

The stage to identify sustainability topics that are relevant for the sector and Piaggio was based on a number of sources, including company policies and principles on conduct, the 2018 Sustainability Report and stakeholder engagement initiatives.

The Piaggio Group has always paid considerable attention to engaging with stakeholders, i.e. all entities inside and outside the organisation whose activities have an impact on company operations. In fact stakeholders are defined as having an interest in or expectations (social, economic, professional, human) of the company.
Based on this definition, the Group has identified a series of categories of stakeholders in relation to its operations.

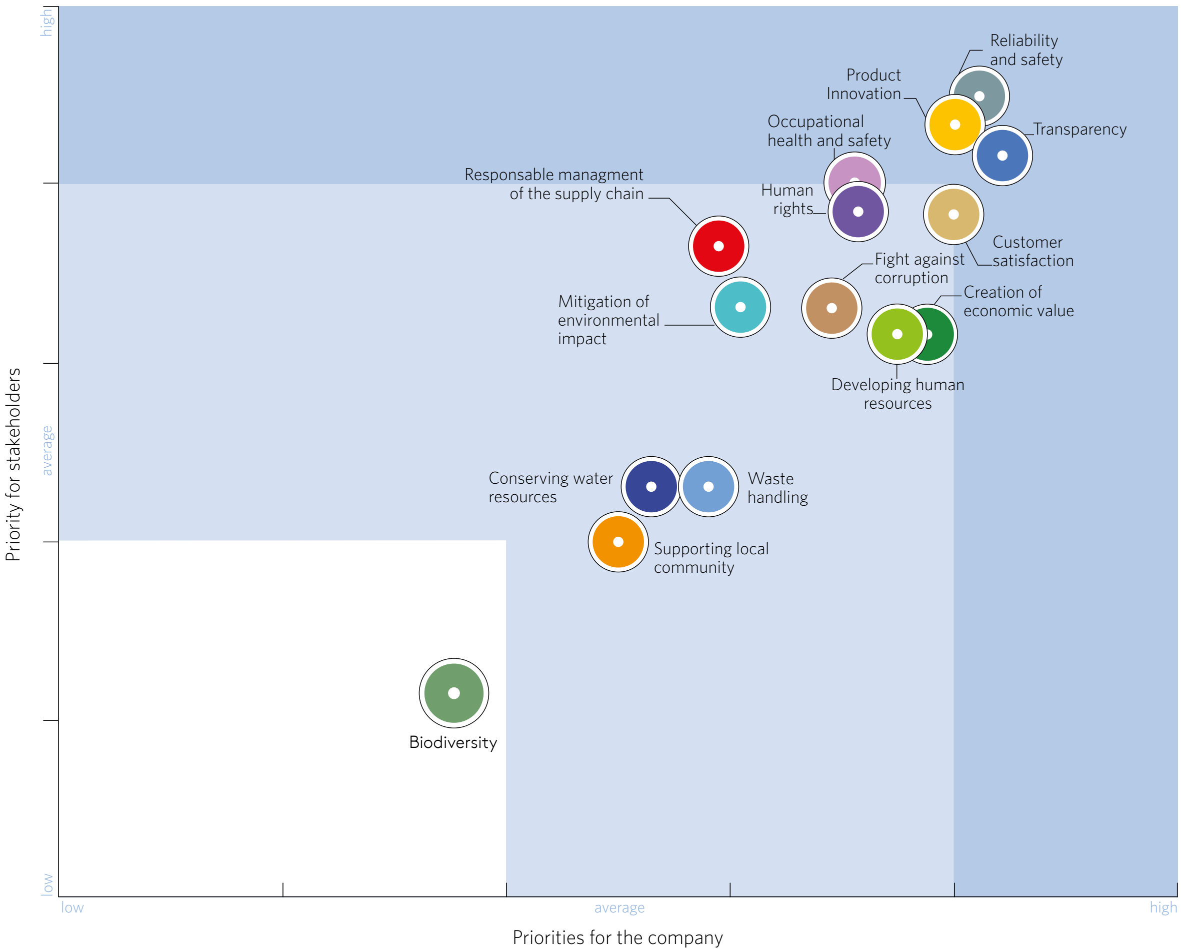
MAP OF PIAGGIO GROUP STAKEHOLDERS

The Group's top managers and a small but representative sample of categories of external stakeholders, were requested to compile a materiality form, combined and used to construct the materiality matrix. The 15 topics previously selected were positioned along the two axes:
- the x-axis shows the significance for Piaggio;
- the y-axis shows the significance for external stakeholders.

Of the 15 topics identified, only biodiversity did not exceed the materiality threshold. Piaggio's production sites are not located in protected areas or areas with high levels of biodiversity. The sole exception is the Scorzè site, which although located in an industrial zone, conveys its waste water into the drainage basin of the Venetian Lagoon. As such, the production site is subject to restrictions imposed by specific laws.

The 2019 matrix was examined and approved by the Board of Directors of Piaggio & C. S.p.A. in the meeting of 24 February 2020.

MATERIALITY DIAGRAM



Contents of the Non-Financial Statement

Based on the results of materiality analysis, the format of the 2019 Non-Financial Statement was defined, focussing on non-financial material topics, as referred to in Legislative Decree no. 254 of 30 December 2016. Similarly, the level of materiality of the topics - in turn broken down into detailed subtopics - influenced the level of depth with which the individual topics and GRI indicators were investigated, as well as the choice of the most suitable reporting tool to represent them (Consolidated Financial Statements and Corporate Governance Report).

The following table shows:

- the material topics for the company, represented by dimension,
- the impact on stakeholders,
- the relative section in the Non-Financial Statement or reference to the most appropriate reporting document and
- the reporting boundary.

DIMENSION	TOPIC	INTERNAL IMPACT	EXTERNAL IMPACT	RELATIVE SECTION IN THE NFS / OTHER DOCUMENT	REPORTING PERIMETER[13]
GOVERNANCE OF SUSTAINABILITY	– Fighting against corruption	All Group companies - Human resources	Public administration sector - Suppliers – Customers - Lenders	NFS: Governance of sustainability and CSR Report	All Group companies
	– Compliance with laws and regulations	All Group companies - Human resources	Public Administration - Suppliers - Customers - Lenders - Local communities	NFS: Governance of sustainability and CSR Report	All Group companies
	– Respecting human rights	All Group companies - Human resources	Suppliers	NFS: Governance of sustainability and CSR Report	All Group companies
RISK MANAGEMENT	– Risk management	All Group companies - Human resources	Customers - Local communities and the external environment	Risk Management	All Group companies
ECONOMIC	– Transparency – Creating economic value	All Group companies - Human resources	Shareholders and Lenders - Suppliers	Consolidated Financial Statements and Corporate Governance Report	All Group companies
PRODUCT	– Product innovation and sustainable mobility – Safety and reliability	Piaggio & C - Piaggio Vietnam - Piaggio Vehicles Private Limited – Piaggio Advance Design Center (PADC) – Piaggio Fast Forward - Foshan Piaggio Vehicles Technologies (FPVT)	Customers	NFS: The business model and the Corporate Governance Report	Piaggio & C - Piaggio Vietnam - Piaggio Vehicles Private Limited – PADC – Piaggio Fast Forward – FPVT
	– Meeting customer requirements	All Group companies	Customers and dealers	Corporate Governance Report	Piaggio & C - Piaggio Vietnam - Piaggio Vehicles Private Limited
ENVIRONMEN-TAL	– Energy efficiency – Waste handling – Conserving water resources	All Group companies	Local Communities - Suppliers	NFS: The environmental dimension and the Corporate Governance Report	All Group companies
SOCIAL	– Developing human capital – Health and safety	Human resources		NFS: The social dimension and the Corporate Governance Report	All Group companies
	– Responsible management of the supply chain	Piaggio & C - Piaggio Vietnam - Piaggio Vehicles Private Limited – PADC –Piaggio Fast Forward - FPVT	Suppliers	NFS: The social dimension and the Corporate Governance Report	Piaggio & C - Piaggio Vietnam – Piaggio Vehicles Private Limited - PADC – Piaggio Fast Forward – FPVT
	– Supporting local communities	All Group companies	Local Communities	NFS: The social dimension and the Corporate Governance Report	Fondazione Piaggio - All Group companies

For details of the stakeholder map and stakeholder engagement process, see the section "The commitment of the Piaggio Group" in the 2019 CSR Report.

13 Any exceptions are reported in a note at the time of reporting.

THE BUSINESS MODEL

The Piaggio Group Business Model

The Piaggio Group places its ongoing search for solutions for the mobility of people and things at the centre of its business model.
The Group's ultimate goal is the creation of long-term value through the effective and efficient use and management of available resources, constantly guided by the principles and values that make up the Code of Ethics.

Our resources

FINANCIAL
Shareholders, bondholders and banks ensure that Piaggio has the financial resources it needs, on condition that their expected return on invested capital is met.

HUMAN
Human resources, and the skills, abilities and dedication offered by individuals, represent a key factor in Piaggio's competitiveness and growth at a global level. Everything we do as individuals or as a team is shaped by our strategic vision, result-driven approach, constant commitment to customer satisfaction, desire for innovation and awareness of the future needs of the market, to generate value for each and every stakeholder. People are the key element that enables us to meet challenges in an increasingly dynamic and competitive international scenario. It is for these reasons that Piaggio places such central importance on people in the organisation, assuring them our respect and protection in all Group companies.

INTELLECTUAL
The Piaggio Group is aware of the great value of innovation and research and believes in the importance of sharing knowledge and ideas and in the stimulus that it can give to improving technologies, processes and products. For this reason the Piaggio Group has always been engaged on many fronts to consolidate the synergy between its research and development centres, the world of research and its industrial sector.
Every year, the Group's intensive research and development activities lead to patents being filed in the countries where it works.

PRODUCTION
The Piaggio Group operates on a global scale, with production sites in:
- **Pontedera**, the main technical headquarters of the Group, which manufactures Piaggio, Vespa and Gilera brand two-wheeler vehicles, light transport vehicles for the European market and engines for scooters, motorcycles and Ape vehicles;
- **Noale (Venice)**, the technical centre for the development of motorcycles for the entire Group, and the headquarters of Aprilia Racing;
- **Scorzè (Venice)**, a factory for the production of two-wheeler vehicles for the brands Aprilia, Scarabeo and Derbi, and for Wi-bikes;
- **Mandello del Lario (Lecco)**, a factory which produces Moto Guzzi vehicles and engines;
- **Baramati (India, in the state of Maharashtra)**, with plants dedicated to the manufacture of three- and four-wheeler commercial vehicles, Vespa and Aprilia brand scooters and engines;
- **Vinh Phuc (Vietnam)** where Vespa and Piaggio scooters and engines are produced.
- **Boston (USA)** research centre for the development of new solutions for people mobility and goods and the production of robots for goods transport.

The Piaggio Group also operates via a joint venture company in China (Zongshen Piaggio Foshan Motorcycles, in Foshan, in the province of Guangdong), which is 45% owned by Piaggio (and therefore not consolidated in the Group's results).

COMMERCIAL

The Piaggio Group has a direct sales presence in main countries in Europe, the USA, Canada, India, Vietnam, Indonesia, China and Japan, while it operates through importers in other markets of the Middle East, Africa, Central and Latin America and Asia Pacific.

How we build our strategic advantage

ORGANISATIONAL STRUCTURE

The Piaggio Group is structured into and operates within geographic segments (EMEA and the Americas, India and Asia Pacific), for the development, manufacture and distribution of two-wheeler and commercial vehicles, as well as new mobility solutions.
Each geographic segment is equipped with production facilities and a sales network specifically dedicated to customers in this region.
The Group boasts an agile and flexible production capacity, enabling it to adapt quickly to the needs of the market.

A UNIQUE BRAND PORTFOLIO

The Piaggio Group sells two-wheeler vehicles under the brands **Piaggio**, **Vespa**, **Aprilia**, **Moto Guzzi**, **Gilera**, **Derbi** and **Scarabeo** and commercial vehicles under the brands **Ape** and **Porter**. Some of the Piaggio Group brands are the most prestigious and historic in the world of motorcycle racing: from **Gilera** (established in 1909), to **Moto Guzzi (**established in 1921), **Derbi** (1922) and **Aprilia** (1945),which has made a name for itself as one of the most successful manufacturers taking part in the world speed and superbike championships. In the scooter sector, the legendary **Vespa** brand has been synonymous with two-wheel mobility since 1946, and with over 18 million units produced to date, it represents a commercial success story of incredible longevity, as well as being one of the most recognisable icons of Italian style and technology in the world.
Since November 2019, the American affiliate Piaggio Fast Forward has been selling the GITA in California. This smart robot is powered by electric motors and equipped with sensors and cameras, to follow people and avoid obstacles, and can transport up to 40 pounds.

DISTRIBUTION AND SERVICE NETWORK

Piaggio distributes its products in more than 100 countries. It has an extensive distribution and sales network of qualified and reliable partners.
Since the right location is essential in order to enable each brand to express its values, for a number of years Piaggio has been using a new distribution format called “Motoplex”, joined by more than 500 sales points around the world.
The Motoplex concept is based on the idea of showcasing “brand islands”, giving the customer the real experience of the brand represented.

PRODUCT RANGE

The main objective of the Piaggio Group is to meet the most progressive needs for mobility, through a deep understanding of people and their habits, reducing the environmental impact and fuel consumption of its vehicles, ensuring customers excellent levels of performance. In its effort to ensure the sustainability of its products, the Piaggio Group takes into account the entire life cycle, which comprises the design, procurement of raw materials, production proper, use of the product by customers and, finally, decommissioning, which consists in disassembly at the end of service life and in the disposal and/or recycling of the components and raw materials.
The Piaggio Group product range includes scooters, motorcycles and mopeds with engine displacements ranging from 50 to 1,400 cc, as well as light commercial three- and four-wheeler vehicles, plus smart robots for goods transports starting from November 2019.
In a society which is increasingly aware of the issue of sustainability, creating products with low environmental impact, in factories that are safe, non-polluting and do not waste resources, is becoming vital for survival.
Constant focus is placed on research into vehicles that are at the cutting edge in terms of:

- **Environmental credibility**: products that can avoid or at least reduce pollutant gas and CO_2 emissions in town and out-of-town use; this is achieved by introducing electric engines and further developing traditional engine technologies (increasingly sophisticated internal combustion engines), as well as making more use of renewable, sustainable energy sources;
- **reliability and safety**: vehicles that enable a growing number of users to get about town easily, helping to reduce traffic congestion and guaranteeing high standards of active, passive and preventive safety;
- **recyclability**: products that minimise environmental impact at the end of their life cycle;
- **cost-effectiveness**: vehicles with lower running and maintenance costs.

QUALITY CONTROL

Piaggio has a comprehensive quality management system to monitor end product quality levels in the various stages of the production process and prior to dispatch to the customer. The standard procedures introduced in all Piaggio Group plants enable the constant monitoring of the quality of all the vehicles produced, ensuring product standards that fully meet both regulatory and type approval specifications and the expectations of the end customer.

SUPPLY CHAIN

Some components are purchased externally in line with a global sourcing model that guarantees the quality and economy of the products supplied.
Piaggio ensures its suppliers sign its Code of Ethics, and as from this year requires suppliers to sign a "Sustainability Statement" in order for them to be included on the Supplier List for Italy, and ensure compliance with Piaggio's ethical values throughout the production cycle and sales of its products. Sustainability for Piaggio does not begin and end at the gates of its factories.

ENVIRONMENTAL SUSTAINABILITY

Piaggio aims at applying a model of sustainable development that not only satisfies the expectations of stakeholders (investors, shareholders, staff, suppliers, community, public administration) by guaranteeing economic and social sustainability, but also roots its actions in environmental sustainability, meaning the ability to safeguard natural resources and the ability for the ecosystem to absorb direct and indirect impacts generated by production activities. Specifically, Piaggio seeks to minimise the environmental impact of its industrial activities by carefully defining the manufacturing technological cycle and by using the best technology and the most modern production methods. The pursuit of these environmental sustainability goals is blazing a trail of ongoing improvement of environmental performance.

Results

REMUNERATION TO LENDERS

During 2019, dividends for €/000 51,805 were distributed.
The Piaggio share closed 2019 at 2.75 euro, up by 51% compared to the start of the year, outperforming main benchmarks.

EMPLOYEES

In 2019, the Piaggio Group employed 6,424 people (annual average figures), providing them and their family members with a health scheme. In the same period, accident statistics stayed at the minimum physiological level, at all sites. Moreover, 89,942 hours of training were delivered.
During 2019, none of the Piaggio Group companies were affected by episodes concerning employee discrimination or the breach of employee rights.

R&D

In 2019, the Piaggio Group continued its policy of retaining technological leadership in the sector, allocating total resources of €57.6 million to research and development, of which €39.6 million capitalised under intangible assets as development costs.

			2019			2018
	CAPITALISED	EXPENSES	TOTAL	CAPITALISED	EXPENSES	TOTAL
IN MILLIONS OF EUROS						
Two-wheelers	23.5	15.2	38.7	25.5	14.8	**40.3**
Commercial Vehicles	16.1	2.8	18.9	7.8	2.7	**10.5**
Total	**39.6**	**18.0**	**57.6**	**33.3**	**17.5**	**50.8**
EMEA and Americas	28.0	15.0	43.0	26.8	14.8	**41.6**
India	8.5	1.4	9.9	4.7	1.6	**6.3**
Asia Pacific 2W	3.1	1.6	4.8	1.8	1.1	**2.9**
Total	**39.6**	**18.0**	**57.6**	**33.3**	**17.5**	**50.8**

* The data indicated do not include research, development and prototype costs incurred by Piaggio Fast Foward for Gita, the new powered robot.

Patents are registered in countries where Piaggio operates on a continual basis, thanks to intense research and development carried out by the Group at its research centres. As of 31 December 2019, the number of new patented solutions remained high, confirming the Group's strong focus on intellectual property.
Piaggio has been at the forefront of advanced ICE (Internal Combustion Engines) since 2009, with its MP3 Hybrid.
The wealth of knowledge developed with the Hybrid Project has enabled it to develop the Liberty eMail, which went on sale in 2011.
This line of research has generated the electric powertrain which is fitted on the new Vespa Primavera Elettrica, the Vespa Elettrica 70 km/h and the Vespa Primavera X (Range Extender), as well as the WiBike.
Plus the S&S system - a micro-hybrid engine for scooters - has also been developed.

RISK MANAGEMENT

The Piaggio Group started an Enterprise Risk Management (ERM) project to define and implement a structured, integrated system to identify, measure and manage company risks in line with applicable best practices. During 2019, the campaign to update the Group's risk profile, involving company managers across the Group, identified 160 risk scenarios, comprising 25 categories which were grouped into 4 level-one macro-categories (External, Operational, Financial, Strategic Risks). In this framework, issues concerning environmental and social aspects, human resources, human rights and the fight against corruption were all analysed, as explained below.

Environment

The analysis refers to the actual and potential effects of the Group's operations on the environment considering, for example, atmospheric emissions, noise impact, waste disposal management, the use and safeguarding of natural resources and protection of biodiversity, as well as compliance with national and international environmental legislation.
Greenhouse gases (mainly CO_2) and Volatile Organic Compounds (VOCs), released by solvents used in painting, are some of the most hazardous substances for air pollution generated by automotive operators. Structural actions on the Group's production plants, carried out over time, guarantee limited pollutant emissions.
The structure of Piaggio's production sites has been designed based on support mechanisms that use energy from fossil fuels. The use of Use or resources at the production facilities and offices of all affiliates is monitored daily, with the aim of optimising energy use and reducing consumption.
Operations to clean up sites were necessary because of historical site contamination: the pollutants removed had not been used for several decades by the sites, proving the historical nature of the contamination. Other cases of ground contamination have never concerned the Group's operations: the classification, management and transport of waste produced comply with sector regulations.
The volume of water used in the production process is monitored monthly, to safeguard its conservation; a part of this water is re-used.
Lastly, all Piaggio sites have ISO 14001 environmental certification and investments are made each year to reduce the environmental impact of production sites.
Despite a considerable risk level, in line with other industry operators, control measures adopted significantly reduce environmental risks.

Employees

This area covers numerous aspects, such as the management of human capital, including career development, the remuneration and training system, the promotion of diversity and inclusion, as well as aspects relative to occupational health and safety and trade union relations.

Piaggio operates globally with employees in Europe, the Americas and Asia. It promotes diversity in age, culture, ethnics, religion, political opinion, civil status, gender, physical ability, sexual orientation, encouraging different ways to achieve and reach the highest levels of performance within a single and broader-ranging organisational set-up of the Group. The integration of disabled people into the workforce is also made possible in practice by the accessibility of company facilities and the existence of a relative company procedure.

Piaggio adopts a system of recruitment, development and salary packages for personnel which recognises and rewards merit and performance. Development tools are used to build on and continually improve skills, while empowering potential, recognising and rewarding outstanding performance. Reward policies remunerate people and their contribution based on principles of meritocracy and transparency. The above mechanisms reduce potential risks related to these aspects to a residual level which is not significant.

The Piaggio Group acknowledges the role of trade union organisations and workers' representatives and is committed to establishing relations with them focussed on attention, dialogue and a common understanding; in fact, assessment and continual engagement are considered essential for identifying the best solutions for the company's specific needs. For these reasons and despite the high number of employees with trade union membership, strikes are infrequent.

As regards occupational health and safety, testing motorcycles with a medium and large engine capacity entails the highest risk levels. Generally, the risk of accidents/injuries to personnel is mitigated by aligning processes, procedures and structures to applicable occupational safety laws and international best standards, and promoting safe behaviour, through targeted training.

Social sphere

The social sphere includes aspects concerning Piaggio's relations with consumers, as well as the effects of the business on the community.

In the first case, product quality and reliability are essential and key to obtaining and guaranteeing customer satisfaction and safety. In the "Product – Operational Risk" category, risk scenarios relating to potential product defects have been mapped. To mitigate these risks, Piaggio has established a Quality Control system, it tests products during various stages of the production process and carefully sources its suppliers based on technical/professional standards. The Group is also committed to being awarded and maintaining certification of its quality management systems at global level (ISO 9001).

The Group undertakes to redistribute economic value generated to support social solidarity initiatives and promote local areas. During 2019, the Piaggio Group continued to support activities of the Vespa for Children project, a humanitarian charity active in the fields of health and social care for children in developing countries. The collaboration between the Piaggio Group and (RED) - an association founded in 2006 by Bono and Bobby Shriver - which has contributed US$ 360 million to the Global Fund for the fight against AIDS, Tuberculosis and Malaria - continued.

Numerous cultural events were held in Italy, through the Piaggio Foundation and Piaggio Museum (exhibitions, conferences), as well as scientific and artistic initiatives.

The Asian subsidiary was involved in projects supporting local associations that help families in need and provide education for smaller children, and also endorsed a training programme for local hospital staff, in association with the Bambin Gesù Hospital in Rome.

The Indian subsidiary aided charity work in the Baramati area to support schools and villages, and was also involved in activities to raise awareness of road safety.

Human rights

As set out in the Code of Ethics, adopted in 2004 and updated during 2017, Piaggio specifically prohibits any form of discrimination or forced labour. This Code has been distributed to all subsidiaries and clearly states the principles and values the entire organisation takes inspiration from.
Based on the significant and specific nature of the Indian market, the following have been adopted: the Code of Business Conduct & Ethics and Whistle Blower Policy since December 2016; the latter is designed to protect people reporting infringements of the Code, and therefore to guarantee the Code's validity; a Policy on the Prevention of Sexual Harassment of women at the workplace.
Based on prevention and control mechanisms established in the Code of Ethics and adopted by all Group subsidiaries, no risk scenarios relative to the violation of human rights were identified.

Fighting against corruption

The fight against both active and passive corruption comes under the risk categories "Internal/external offences" of the Group's risk model. In its Code of Ethics, Piaggio strictly prohibits any practice of corruption, request for and/or provision of preferential treatment, of any collusive behaviour, solicitation, whether direct/indirect and/or through third parties, of personal benefits of any kind for oneself and/or for others, of material benefits and/or any other advantage of any extent in favour of third parties.
A number of processes, procedures, roles and responsibilities have been defined to achieve the above objective, as regards business negotiations/relations with the public administration sector and with private entities.
The controls briefly described above decrease residual risk relative to episodes of active/passive corruption to a negligible level.

TOPIC	RISK	CONTROLS	GRI[14]
Energy efficiency	Air pollution attributable to: - Uncontrolled greenhouse gas emissions - Uncontrolled emissions of Volatile Organic Compounds (i.e. paint/varnish solvents)) - Lower number of infrastructure works / initiatives to reduce energy consumption / needs - Increase in vehicle emission levels	- ISO 14001 environmental certification - Infrastructure improvements aimed at a rational use of energy - Energy consumption monitoring plans - Development of alternative engines (i.e. hybrid / electric)	- 305.1 Direct (Scope 1) GHG emissions - 305.2 Energy indirect (Scope 2) GHG emissions - 305.3 Other indirect (Scope 3) GHG emissions - 302.1 Energy consumption within the organization
Waste handling	Soil / water pollution attributable to: - No waste classification / characterisation - Uncontrolled spills and discharges into the sewage system	- ISO 14001 environmental certification - Water waste treatment	- 306.1 Water discharge by quality and destination - 306.2 Waste by type and disposal method - 306.3 Significant spills - 306.5 Water bodies affected by water discharge and/or runoff
Conserving water resources	- Uncontrolled use of water resources	- ISO 14001 environmental certification - Water use monitoring - Reuse of water for production activities	- 303.1 Water withdrawal by source - 303.2 Water sources significantly affected by withdrawal of water - 303.3 Water recycled and reused

14 Some GRI indicators are not covered by reporting.

TOPIC	RISK	CONTROLS	GRI[14]
Developing human capital	- Lack of competencies and professional expertise necessary to implement strategic / business objectives - Loss of key personnel - Tensions in relations the company has with trade unions	- Mapping key competencies / professional expertise and defining adequate retention plans - Performance review systems - Training courses and continuing professional development - Relations with trade union organisations based on attention, dialogue and a common understanding;	- 401.1 New employee hires and employee turnover - 404.2 Programmes for upgrading employee skills and transition assistance programs - 404.3 Percentage of employees receiving regular performance and career development reviews - 407.1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk
Health and safety	- Worker Injuries / onset of occupational diseases	- BS OHSAS 18001 and ISO 45001 certification - Periodic occupational health and safety training - Personal protective equipment and operating instructions	- 403.2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities - 403.3 Workers with high incidence or high risk of diseases related to their occupation
Product innovation and sustainable mobility	- Reduced level of technological innovation in the product range - Regulatory measures aimed at limiting the transit of vehicles with internal combustion engines, in order to reduce emissions and offset climate change - Reduced recyclability / recoverability of vehicles at end of life - Use of materials / substances that are harmful for the environment	- Considerable investments in research and development - Development of alternative engines (i.e. hybrid / electric) - Product conformity to the REACH Regulation 1907/2006 and End of Life Directive 2000/53/EC - Use of environmentally-friendly, recyclable materials	- 201.2 Financial implications and other risks and opportunities due to climate change - 301.1 Materials used by weight or volume - 301.2 Recycled input materials used - 301.3 Reclaimed products and their packaging materials
Safety and reliability	Faulty products for reasons attributable to: - Errors/ omissions of suppliers - Errors/omissions during the product development stage - Errors/ omissions during the production stage - Errors/ omissions during the quality control stage	- Supplier audits - Product testing during various stages of the production process - ISO 9001 quality certification	- 416.1 Assessment of the health and safety impacts of product and service categories - 416.2 Incidents of non compliance concerning the health and safety impacts of products and services
Meeting customer requirements	Service quality level not in line with customer requirements, for reasons attributable to: - the sales network / after-sales service (e.g. lengthy diagnostics / delivery times, use of non-original spare parts, etc.) - reduced sales network / after-sales service coverage	- Periodic appraisal of supplier performance based on international standards - Customer satisfaction analysis and preparation of action plans if areas for improvement are identified with reference to the service provided by the network - Geo-marketing system for optimal area through the network	

14 Some GRI indicators are not covered by reporting.

TOPIC	RISK	CONTROLS	GRI[14]
Responsible management of the supply chain	- Suppliers not conforming to environmental sustainability principles (e.g. regarding energy use, atmospheric emissions, waste management, safeguarding water resources, protecting biodiversity, etc.)- - Suppliers not conforming to social sustainability principles (e.g. with reference to the development of human resources, industrial relations, occupational health and safety, support for local communities, charity activities, etc.,) - Breach of the Group Code of Ethics by suppliers	- Obligation to have ISO 14001 certification - Obligation to provide suppliers with ethical certification for the supply chain - Obligation to sign the Group Code of Ethics	- 308.1 New suppliers that were screened using environmental criteria - 308.2 Negative environmental impacts in the supply chain and actions taken - 414.1 New suppliers that were screened using social criteria - 414.2 Negative social impacts in the supply chain and actions taken - 408.1 Operations and suppliers at significant risk for incidents of child labor - 409.1 Operations and suppliers at significant risk for incidents of forced or compulsory labor
Supporting local communities	- Reduced number of initiatives aimed at developing the area where the Group operates and promoting social inclusion values (e.g. partnerships with non-profit/ non-government, volunteer associations, etc.)	- Organisation of events at the Piaggio Museum - Piaggio Foundation cultural project - Charity activities and sponsorships	- 413.1 Operations with local community engagement, impact assessments, and development programs
Respecting human rights	Incidents of discrimination or exclusion of employees for reasons related for example to age, culture, ethnic origin, religion, political opinion, civil status, gender, physical ability, sexual orientation	- Prohibition on any type of discrimination, harm to personal dignity in the Code of Ethics - Use of instruments, including organisational tools, to ensure respect for human rights and the principles in the Group Code of Ethics	- 406.1 Incidents of discrimination and corrective actions taken
Fighting against corruption	- Unlawful collusion / corruption by employees	- Obligation to sign the Group Code of Ethics - Use of instruments, including organisational tools, to ensure respect for the principles in the Group Code of Ethics	- 205.1 Operations assessed for risks related to corruption
Transparency	- Information in mandatory financial disclosure (e.g. the annual report, interim report, interim report on operations / sustainability report) which is untruthful	- Mandatory financial information is audited by an external body - Non-Financial Statement audited by an external body - Formal undertaking, by all company functions, on achieving sustainability objectives establish and reporting, on an annual basis, of any gaps with results actually achieved	- 419.1 Non-compliance with laws and regulations in the social and economic area
Creating economic value	Failure to achieve established growth objectives for reasons attributable to: - competitive dynamics - sales network - political / macroeconomic instability of countries where the Group operates	- Brand positioning initiatives - Rationalisation of the sales network based on current and future - Market diversification	- 201.1 Direct economic value generated and distributed

14 Some GRI indicators are not covered by reporting.

GOVERNANCE OF SUSTAINABILITY

Piaggio has a specific governance system inspired by international best practices, which covers all company, decision-making and operational processes, along the entire value chain.

- The Board of Directors examines and approves strategic, industrial and financial plans, including the annual budget and Group's Business Plan, supplementing main guidelines to promote a sustainable business model and lay the foundations for creating long-term value. The Board approves the Sustainability Report and Non-Financial Statement pursuant to Legislative Decree 254/16 (NFS).
- The Ethics Committee, which is tasked, among others, with monitoring sustainability issues related to business operations, develops organisational regulations and rules of conduct in line with international best practices, in the context of Corporate Social Responsibility.

The Committee duties include the following:

- Monitors instruments, conduct, and relations between management and company personnel and all stakeholders;
- Optimises relations with local communities and stakeholders;
- Measures ethical standards, which are an integral part of the good governance of a company;
- Implements the provisions in the Code of Ethics, including the activity concerning the receipt and management of reports of frauds that may involve employees, managers and partners of Piaggio & C. and of Group companies;
- supervise the CSR Report and NFS.

All operations concerning relations between the Piaggio Group and the external world are analysed and revised by the Committee, with the aim of guaranteeing to all stakeholders that the information cycle is managed transparently. Starting from the assumption that transparency best describes the purpose of corporate social responsibility today, the Committee acts as a "guarantor" for investors, consumers and opinion leaders, to make sure company conduct is based on conformity to laws at all times, on fairness and on the truthfulness of disclosures to the public.

- The Internal Control and Risk Management Committee, required, among others, to review the contents of the Sustainability Report and NFS which are significant for the Internal Control and Risk Management System, as well as the main rules and company procedures related to this System and which are significant for stakeholders.
- The Financial Reporting Officer coordinates the preparation of the Non-Financial Statement and CSR Report, assisted by the CSR Manager. S/he presents both documents to the Ethics Committee and then submits them to the Board of Directors for approval.
- The CSR Manager and Consolidated Financial Statements and Sustainability Unit. To monitor sustainability issues more effectively, a CSR Manager was appointed, and the "Consolidated Financial Statements Unit", became the "Consolidated Financial Statements and Sustainability" Unit. The "Consolidated Financial Statements and Sustainability" as instructed by the Financial Reporting Officer manages all sustainability issues: definition of the Sustainability Plan and monitoring of progress, preparation of reporting, relations with international organisations.

The system for responsible business management

In achieving its mission, the Group has adopted tools and organisational instruments in order to respect environmental and social values.

Code of Ethics

Piaggio & C. has adopted a Code of Ethics since 2004 for the Organisational Model pursuant to Italian Legislative Decree 231/2001.

The Code of Ethics was last updated in 2017, with the introduction of an article on safeguarding human rights, aimed in particular at preventing "modern slavery". Through this article, the company expresses its commitment to recognising and ensuring the utmost respect for the principles that protect human rights, as shared at international level and articulated in a number of international conventions: In particular, respect for personal dignity, for the individual and the prohibition of any type of discrimination.

These principles, already embraced by the company as they are implicit in its code of ethics, have been described more specifically, in order to align the code with the ethical and social values that inspire the Piaggio Group's activities.

The company also issues a Modern Slavery Statement, annually, designed to ensure that the Group's activities comply with the regulatory provisions set out under the Modern Slavery Act 2015, as issued by the British Parliament and which all companies operating in the UK must observe.
The Code of Ethics, available on the Company's website (www.piaggiogroup.com/Governance), is in force at all Group's companies and sets out the principles and values which the entire company organisation takes inspiration from in a clear and transparent manner:
- complying with the laws of countries where Piaggio operates;
- dismissing and condemning unlawful and improper behaviour;
- preventing breaches of lawfulness, constant search for transparency and openness in managing the business;
- seeking excellence and market competitiveness;
- respecting, protecting and valuing human resources;
- pursuing sustainable development while respecting the environment and rights of future generations.

The Group's Code of Ethics sets out the social and ethical responsibilities of each member of the company's organisation. In particular the ethical and social responsibilities of senior management, middle management, employees and suppliers are defined in order to prevent any party acting in the name of and on behalf of Group companies, from adopting a conduct which is irresponsible or unlawful.
The articles of the Code of Ethics also set forth an important principle on how to manage relations with policy makers: "The company does not make contributions or offer advantages and/or benefits to political parties and trade unions or to their representatives or candidates without prejudice to compliance with applicable law".
All employees and suppliers are required to sign and respect the Group's Code of Ethics in order to be able to work with Piaggio.

Based on the specific nature and significance of India, the following have been prepared and in effect for some years now at the Indian affiliate:
- the Code of Business Conduct & Ethics;
- the Whistle Blower Policy, specifically designed to protect and guarantee whistle blowers of alleged breaches of the Code, and protect the Code's effectiveness;
- a Policy on the Prevention of Sexual Harassment of women in the workplace.

Organisational model pursuant to Legislative Decree no. 231/2001

The internal audit and risk management system of Piaggio & C. is completed by the Organisational, Management and Control Model for the prevention of crimes pursuant to Legislative Decree no. 231/2001 ("Model"), which Piaggio & C. has adopted since 2004 and which was last updated as approved by the Board of Directors on 26 July 2019.
The Model starts with the Code of Ethics, followed by general principles of internal control and guidelines for conduct, and is divided into two parts.
The first part is general, and includes an overview of the legal framework, followed by an introduction to the Model's function and operation within the Company; sections are also included on the disciplinary system, as well as a description of the role, composition, functioning and duties of the Supervisory Body.
Compliance with Law 179/2017, an entirely new section was introduced in 2018 with regulations on whistle-blowing designed to protect workers that report unlawful activities and irregularities that come to their knowledge during their work.
To guarantee the confidentiality of the identity of the person reporting information, the Company, in compliance with applicable legislation, believes that the management of reported information must involve the Supervisory Body appointed pursuant to Legislative Decree no. 231/2001. The system to protect whistleblowers, introduced by Law 179/2017 and implemented by Article 6 of Legislative Decree 231/2001, indirectly assigns the Supervisory Body the task of receiving and managing information reported on alleged offences and breaches of the Model or Code. The Company has therefore set up two communication channels: one via fax (0587.219027) and an IT channel via the dedicated SB e-mail address (organismodivigilanza@piaggio.com).
The second, "special" section of the Model formalises specific decision-making protocols by "sensitive process" in relation to the individual categories of offences the section refers to.

The Model pursuant to Legislative Decree 231/2001, which is widely distributed by e-mail to all Piaggio Group employees in Italy, and published on the company Intranet, is constantly monitored and periodically updated.
Piaggio & C. has also established a "Fraud Policy" with information channels for receiving, analysing and processing reported fraud that may involve employees, directors and partners of Piaggio and Group Companies. The policy is another instrument that the Piaggio Group has adopted to prevent infringement of the principles of lawfulness, transparency, fairness and loyalty which inspire the Model. 231/2001.
The Model is available on the corporate web site (www.piaggiogroup.com) in the section Governance/ System.

Social and environmental-oriented policies and guidelines

The Piaggio Group has a system of Policies aimed at guaranteeing compliance with principles of fairness, transparency, honesty and integrity in line with international standards on responsible business management.
The Group operates in diverse geographic, legal and cultural contexts. Therefore its policies and guidelines are put in place by each company through their own operating procedures and practices.

Anti-corruption policy

As stated in the Code of Ethics, in pursuing its mission the Group ensures, through appropriate tools, including organisational tools, compliance with the absolute prohibition of any practice of bribery, request for and/or provision of preferential treatment, of any collusive behaviour, solicitation, whether direct/indirect and/or through third parties, of personal benefits of any kind for oneself and/or for others, of material benefits and/or any other advantage of any extent in favour of third parties, whether they be private or public entities or government representatives, both Italian and foreign.
When participating in public tenders or competitions called by Public Administration as well as in any negotiations or contracts entered into with both Public Administration and private entities, all those involved must behave in good faith and in accordance with the law, correct commercial practice and current regulations, as well as with the corresponding company procedures, avoiding any situation from which violation of laws and/or principles of fairness and transparency in the conduct of negotiations may arise. Such negotiations must be conducted only by those previously and expressly authorised to do so, respecting roles and in accordance with corporate procedures. Adequate mechanisms for traceability of information flows towards the contracting party must also be put in place. Any request for advantages, any intimidating and/or constrictive or oppressive behaviour on the part of Public Administration officials or third contracting parties or which come to the knowledge of operators must be immediately reported.
Functional managers who liaise with the Public Administration must:
- provide their partners with guidelines regarding which operative conduct to follow in formal and informal contacts with various public subjects, according to the characteristics of each individual area of activity, sharing their knowledge of regulations and their awareness of situations liable to crime;
- provide for adequate tracing mechanisms as regards official information channels with the Public Administration;
- maintain and request on the part of those having relations with Public Administration conduct characterised by fairness, transparency, traceability and in good faith, respecting the roles and responsibilities attributed; strictly observe and enforce, also with specific reference to relations with the Public Administration, company procedures aimed at abstractly identifying and tracing the functions and positions responsible and appointed for relations with the Public Administration, in compliance with corporate roles;
- make clear, truthful, complete and traceable statements to the public authorities and exhibit complete, truthful and unaltered documents and data;
- maintain correct and clear conduct such as to avoid inducing the counterparty into even potential error. All consultants, suppliers, customers, and whoever is related to the Group, are committed to complying with laws and regulations in force in all countries where the Group operates.

No relation will be initiated or continued with those who do not intend to comply with such principles.
When appointing these subjects to operate as representatives and/or in the interest of the Group towards the Public

Administration, the appointment must be in writing, with a specific binding clause requiring compliance with the principles of ethics and conduct adopted by the Group.

Identical conduct guidelines to those indicated for relations with the Public Administration must also be adopted with regard to relations with any private third party, such as suppliers, customers, competitors, partners and/or any contractual counterparty. In this regard, the section on corporate crimes was updated in the Model, implementing Legislative Decree no. 38 of 15 March 2017 (implementing framework decision 2003/568/GAI of the Council, of 22 July 2003, on the fight against corruption in the private sector), new aspects introduced by Article 2635 of the Italian Civil Code on "private to private corruption" and the new circumstance of "inducement to corruption among private individuals", which punishes acts of corruption even if the bribe is not accepted (Article 2635 bis of the Italian Civil Code).

When contributions, grants or financial support are requested from the State, the public corporations or the European Union, all employees involved in such procedures must:
- be correct and truthful when using and presenting documents and declarations that are complete and pertinent to the activities for which such benefits can be legitimately requested and obtained;
- once the requested outpayment has been obtained, the sum should be employed for the goals to which it was originally requested and obtained. The people in charge of administrative/accounting functions must verify that each operation and transaction is: legitimate, consistent, congruous, authorised, verifiable; correctly and adequately registered, so that the process of decision, authorisation and implementation can be verified; supported by correct, authentic and appropriate documentation, so that careful inspections can be carried out at any time regarding the characteristics and the motivations of the operation, and the individuation of those who have authorised, carried out, registered and verified the operation itself.

No incidents of corruption occurred in the reporting year.

Guidelines for compliance with laws and local regulations

Group companies must comply with local laws and regulations and must conduct their activities in line with the Code of Ethics and its core values of honesty, integrity and respect for people. The Code of Ethics underpins Piaggio's commitment to behave in a responsible and respectful manner, and helps staff and contractors to make informed, ethical and legal decisions. Suppliers all over the world who wish to do business with Piaggio must sign the Group's general supply conditions, which include the Code of Ethics.
During 2019, none of the Piaggio Group companies were affected by episodes concerning employee discrimination or the breach of employee rights. Moreover, no infringement procedures have been filed against the Piaggio Group for the breach of anti-competitive or anti-trust laws.
As of 31 December 2019, there were no sanctions in place concerning non-compliance with laws and regulations on environmental matters, marketing, advertising, promotions, sponsorships and the supply and use of products.
Finally, no cases regarding the breach of consumer privacy or loss of consumer data were reported in 2019.

Guidelines for respecting human rights

The Piaggio Group conforms to the Guiding Principles on Business and Human Rights adopted by the United Nations in 2011 and the ILO Declaration on Fundamental Principles and Rights at Work adopted in 1998.
It recognises the importance of its role in condemning any violation of human rights and to this end improves and continually aligns its policies and controls, to prevent any potential violation that could affect the Group or its procurement chain.
Group companies comply with national and international laws and regulations and conduct their activities in compliance with the Code of Ethics. The Code of Ethics was supplemented in 2017 with a clause specifically dedicated to human rights. Suppliers all over the world who wish to do business with Piaggio must sign the Group's general supply conditions, which include the Code of Ethics and observe its values.

To maintain the highest standards of ethical, moral and legal conduct, Piaggio encourages its employees to report any allegedly nonconforming conduct, guaranteeing they will not be affected by harmful consequences.
The Whistleblowing Policy, initially developed for the Group's Indian company, aims to provide a safe means for employees and other parties concerned to report violations that come to their knowledge in the context of their work activities. For this purpose, in compliance with Law 179/2017, an entirely new section with regulations on whistle-blowing designed to protect workers that report unlawful activities and irregularities that come to their knowledge during their work was added to the last revision of the Organisational, Management and Control Model pursuant to Legislative Decree no. 231/2001 .

THE ENVIRONMENTAL DIMENSION

Piaggio has organised its processes and activities through a management system which focuses on Quality, the Environment and the Health and Safety of Workers, with a view to providing a model of sustainable development that not only guarantees lasting success, but which also ensures that the expectations of stakeholders are met (including investors, shareholders, partners, suppliers, the social community and public administration).
Environmental sustainability - understood as the ability to protect and safeguard natural resources, combined with the capacity of the ecosystem to absorb the direct and indirect impacts generated by manufacturing activities - is among the key focal points of Group Policy, as expressed by the company's senior management team. This concept provides the basis for the environmental certification (ISO 14001) process that has already been launched (or is being continued) at the various production sites, and is an essential point of reference for every Group company, wherever they may operate.
The Group has been committed for years now to identifying, reducing, eliminating and/or keeping the environmental impact of our activities and products under control through strict compliance with applicable requirements and the improvement of processes and behaviours.
Specifically, Piaggio seeks to minimise the environmental impact of its industrial activities by carefully defining the product design, the manufacturing technological cycle and by using the best technology and the most modern production methods. Pursuing these objectives generates continual improvement in environmental performance, not only in production but also throughout the product life cycle.
Quantitative data on the mitigation of the environmental impact resulting from the Group's operations are reported on in the sections below.
With these objectives in mind, initiatives and goals for the future focus on the following areas:

- maintaining environmental certification awarded to all production sites;
- reducing energy consumption;
- reducing emissions of CO_2 and other pollutants;
- conserving water resources;
- waste handling and recovering;
- absence of soil contamination;
- environmental spending and investments.

Environmental Management System

The Piaggio Group has defined a specific organisational structure to achieve the environmental sustainability objectives of its production sites.
The responsibilities and roles of the Environmental Management System (EMS) with Organisational Units / Functions involved are reported in the Quality, Environmental and Occupational Health and Safety Management Manuals, for sites in Italy.

ENVIRONMENTAL ORGANISATIONAL STRUCTURE OF ITALIAN SITES OF THE PIAGGIO GROUP

	ENVIRONMENTAL MANAGEMENT SYSTEM
Management Representative	Quality System Manager
Management System Manager	General Systems Manager
Coordination and control	Environmental Manager
Audits	Process Auditor (Internal Auditor)

The head of the Environmental Management System reports to the representative of the Processes Quality & Cost Engineering Department on the performance of the Management System and about any need for improvement. The Environmental Management System manager, a position held by the General Plants manager, has power of attorney to perform his duties and responsibilities, while Environmental Managers are appointed by the Environmental Management System manager and appointed after obtaining approval of their affiliated Manager.
The subsidiaries in Vietnam and India (PVPL) have EHS (Environment Health and Safety) teams which work full-time on environmental, health and safety issues, with clearly defined roles and responsibilities. Piaggio Vietnam's EHS team is led by the Technology and Maintenance Manager who reports to the Director of Operations while a full-time employee is responsible for the management of environmental issues. The environmental team at PVPL, consisting of senior management, engineers and operators, is part of the Maintenance Department and reports to the Director of Operations.

Environmental certification

For several years now, the Piaggio Group has implemented an environmental management system at its sites in Italy, India and Vietnam, in compliance with UNI EN ISO 14001. At the end of 2019, certification was renewed for a further three years for its Italian sites.

Energy consumption

The aim of the Group is to optimise plant management and minimise energy waste. Energy is procured through leading energy companies whose production is mainly from renewable sources, while energy for the company operating in Holland is sourced entirely from renewable sources.
Although the structure of the company's production sites has been designed to run on fossil fuels, Piaggio is engaged in optimising the management of existing sites to cut consumption. Specifically, when reconfiguring or restructuring plants, the Technology functions carry out evaluations and analysis with a view to introducing machinery and methods that minimise environmental impact.
Having an extensive monitoring network of main energy carriers is important for achieving noticeable results, especially in more complex activities. In this regard, since 2016, the Pontedera site has adopted measures to reduce energy waste, with a smart metering system that can use, observe and compare in real time (with a delay of 3 hours) the consumption recorded by over 90 meters at the site; the technology applied has made it possible reduce consumption by over 17% in three years. Changes in consumption at other Italian sites, which are negligible in quantitative terms compared to the Pontedera site, are due to variations in production volumes and heating system management based on recorded outdoor temperatures.
Consumption and emissions for sites where vehicles and engines are produced are reported separately, below. Data

from the Boston research centre, which began manufacturing a small lot of robots for goods' transport in December 2019, have been included in the scope of non-production companies, as the figures are negligible.

PIAGGIO GROUP ENERGY CONSUMPTION

		PONTEDERA	NOALE AND SCORZÈ	MANDELLO DEL LARIO	BARAMATI	VINH PHUC	TOTAL SITES
Electricity (Thousand KWh)	2019	33,210	3,750	713	26,603	15,763	80,039
	2018	33,239	3,865	638	28,866	14,451	81,059
	Change 2019-2018	-0.1%	-3.0%	11.8%	-7.8%	9.1%	-1.3%
Methane/Natural Gas (Sm^3)	2019	5,281,812	329,017	147,399			5,758,228
	2018	5,185,857	382,753	146,071			5,714,681
	Change 2019-2018	1.9%	-14.0%	0.9%			0.8%
GPL[15](Ton.)	2019				1,740	26	1,766
	2018				1,898	20	1,918
	Change 2019-2018				-8.3%	30.0%	-7.9%
Diesel fuel[15/16] (Litres)	2019	2,470	120	20	6,745	730,902	740,257
	2018	2,174			171,617	646,584	820,375
	Change 2019-2018	13.6%			-96.1%	13.0%	-9.8%

The Group also operates through commercial companies (distributors and selling agencies) and research centres located on various reference markets. The energy use of these sites cannot always be recorded, as the sites are sometimes located on property which is not owned, where communal services are shared with other occupants. For 2019, their consumption of electricity was estimated to be equal to 883 thousand KWh. Of this amount, 41 thousand KWh is from certified renewable sources.

Starting from this year, all sites have been monitored for consumption, referred to company vehicles and testing and development activities.

FUEL CONSUMPTION FOR TESTING AND COMPANY VEHICLES - 2019[17]

	PONTEDERA	NOALE AND SCORZÈ	MANDELLO DEL LARIO	BARAMATI	VINH PHUC	TOTAL
Petrol (litres)	268,503	79,657	41,335	160,360	91,691	641,547
Methane/Natural Gas (Sm^3)	181					181
GPL (Ton)	114			6		120
Diesel fuel (Litres)	57,413	39,363	6,669	175,410	3,500	282,355
CNG (Ton)				9		9

15 Some values are based on estimates.
16 Data on the Mandello and Noale and Scorzè sites have been finalised for the first time, as the figures were not considered significant in the past.
17 Some values are based on estimates.

PIAGGIO GROUP ENERGY CONSUMPTION IN GJ[18]

		ELECTRICITY	METHANE / NATURAL GAS	LPG	DIESEL FUEL	TOTAL
Sites	2019	288,137	224,628	81,431	26,344	620,540
	2018	294,534	222,930	88,411	29,871	635,746
	Change 2019-2018	-2.2%	0.8%	-7.9%	-11.8%	-2.4%

		PETROL	METHANE / NATURAL GAS	LPG	DIESEL FUEL	CNG	TOTAL
Testing and company cars	2019	20,602	6	5,497	10,048	430	36,583

Emissions of CO_2 and other pollutants

Greenhouse gases (mainly CO_2) and Volatile Organic Compounds (VOCs), released by solvents used in painting, are some of the most hazardous substances for air pollution generated by automotive operators.
Structural works (replacement of boilers and restructuring of distribution networks), carried out over time and already described in previous financial statements, show that changes made have been appropriate. In 2019, emissions were basically in line with figures for previous years, with a slight increase mainly related to the increase in production volumes in Vietnam.

DIRECT AND INDIRECT CO_2 EMISSIONS OF PIAGGIO GROUP PRODUCTION SITES

TON		PONTEDERA[19]	NOALE AND SCORZÈ	MANDELLO DEL LARIO	BARAMATI	VINH PHUC	TOTAL
2019	direct [20]	10,598	650	291	1,861	2,191	15,591
	indirect	10,979	1,240	236	21,814	13,633	47,902
2018	direct [20]	10,335	752	287	2,522	1,890	15,786
	indirect	10,989	1,278	211	23,670	9,555	45,703
Change 2019-2018	direct [20]	2.5%	-13.6%	1.4%	-26.2%	15.9%	-1.2%
	indirect	-0.1%	-3.0%	11.8%	-7.8%	42.7%	4.8%

For sites located in Italy, the conversion criteria of the “Emission Trading” Directive (Directive 2003/87/EC) were used to determine gases with a greenhouse effect resulting from the use of diesel, fuel oil and methane.
With reference to CO_2 emissions, the industrial plant at Pontedera comes under the sensitivity area classification of the “Emission Trading” directive (Directive 2003/87/EC) which implements the Kyoto Protocol. The site is classed as a “Group A” site, relative to companies releasing the lowest amount of CO_2 indicated in the Directive.
CO_2 emissions are almost entirely due to the combustion of methane, marginally to the combustion of diesel fuel in back-up power generators and extremely small amounts from the combustion of VOCs in the painting post-combuster.
The monitoring and reporting of CO_2 emissions from the Pontedera plant are governed by a specific Group procedure, which is periodically audited in-company and annually audited by a certification body.
CO_2 emissions at Piaggio’s Pontedera site are certified by a certification body accredited by the National Competent Authority in March of each year.

18 The figures are calculated using conversion standards defined by the GRI guidelines (1,000 m^3 of natural gas = 39.01 GJ; 1 Kwh = 0.0036 GJ). For LPG, a standard conversion factor of one kilogram of LPG = 46.1 MJ was used. For diesel fuel, the figure in the Ministry of the Environment 2019 table of national standard parameters was used. For CNG, a standard conversion factor of one ton of CNG = 48.383 GJ was used.
19 The figure on direct emissions published last year in the table differs from that later certified by the certification body accredited by the National Competent Authority (ANC), which instead was equal to 10,373 tons.
20 CO_2 emissions deriving from the combustion of methane, natural gas, diesel fuel and LPG used at plants.

The CO_2 emissions from the use of company cars and from testing and development activities are reported below.

DIRECT CO_2 EMISSIONS OF PIAGGIO GROUP PRODUCTION SITES FOR TESTING ACTIVITIES AND COMPANY VEHICLES

TON	PONTEDERA	NOALE AND SCORZÈ	MANDELLO DEL LARIO	BARAMATI	VINH PHUC	TOTAL
2019	1,171	291	115	896	37	2,510

Overall, direct emissions of the Group in 2019 were equal to 18,101 tons.

OTHER SIGNIFICANT EMISSIONS AT THE PRODUCTION SITES OF THE PIAGGIO GROUP[20]

		PONTEDERA	NOALE AND SCORZÈ	MANDELLO DEL LARIO	BARAMATI	VINH PHUC	TOTAL
COV (Ton.)	2019	33.8			425.4	2.7	461.9
	2018	30.8			601.0	3.3	635.1
	Delta 2019/2018	9.7%			-29.2%	-18.2%	-27.3%

In 2019, the reduction in VOC released by the Group's Indian and Vietnamese sites was significant.

Conserving water resources

Piaggio has always recognised the immense value of the natural resources it uses and has developed production processes designed to reduce water consumption. At the Pontedera site, water supply wells have inverters that can regulate system flow rates based on the amount of water required by the hydraulic loop.

WATER SUPPLIES

M^3		PONTEDERA	NOALE AND SCORZÈ	MANDELLO DEL LARIO	BARAMATI	VINH PHUC	TOTAL SITES
2019	Water from wells	176,957	4,687	10,262			191,906
	Water from the mains	63,196	13,368	552	278,334	113,898	469,348
	Total	240,153	18,055	10,814	278,334	113,898	661,254
2018	Water from wells	222,973	9,288	12,775			245,036
	Water from the mains	60,357	11,866	526	321,474	129,334	523,557
	Total	283,330	21,154	13,301	321,474	129,334	768,593
Change 2019-2018	Total	-15.2%	-14.6%	-18.7%	-13.4%	-11.9%	-14.0%

Thanks to actions taken and a mindful approach, water use fell significantly at all production sites.
As regards waste water, environmental respect is ensured with processes to treat and purify waste water.
The destination of waste water produced, estimated to be equivalent to the amount of water supply used, for each production site is reported below:
- **Pontedera**: all industrial and most non-industrial waste water is conveyed to a chemical/physical purification plant outside the site. After biological treatment, the waste is discharged into an open channel. A small part of the waste-water coming from the toilets located in two areas of the factory, is directly discharged into the public sewer system;
- **Noale**: all buildings are connected to the public sewer system. The waste water is of a non-industrial origin only (from toilets and the site canteen);

20 Reported data are also based on processing using estimates.

- **Scorzè**: the plant is not served by the public sewer system, so waste water is biologically purified at the site and then conveyed to the local Rio Desolino canal;
- **Mandello del Lario**: the plant discharges a part of waste water directly into the public sewer system (non-industrial waste water, canteen waste water, etc.), while waters used in the cooling plants are discharged into the Torrente Valletta stream;
- **Baramati**: waste water is treated and used for irrigation purposes;
- **Vinh Phuc**: the site has a chemical/physical purification plant for waste from painting pre-treatment operations before it is conveyed to the public sewer systems, where all other site waste (non-industrial waste) is sent. The final destination is in the public sewer system.

For **Commercial companies**, water use, which is only for toilet facilities and comes from the mains, coincides with waste water. The water use of these sites cannot always be recorded, as the sites are sometimes located on property which is not owned, where communal services are shared with other occupants. Use was estimated to be equal to 15,519 m3 in 2019.

New industrial drains, currently being built, will go into operation at Pontedera in 2020, to entirely separate waste, improving and optimising purification treatments.
Only the Baramati and Vinh Phuc sites re-use some of the water collected. Approximately 173,631 m^3 of water were recycled and re-used by the Indian site in 2019, equal to 62.4% of the total amount drawn by the site. At the Vietnamese factory, waste water recovery amounted to 14,610 m^3/y, equal to approximately 12.8%.

Waste handling and recovering

Handling and recovering waste is a fundamental part of the Group's environmental policy.
In this context, Italian sites consolidated their percentages of recovered waste in 2019, with the Mandello del Lario facility recovering nearly all waste produced.
Lastly, it should be noted that the separation of hazardous from non-hazardous waste and the possibility of recovering waste is affected by local regulations.
With the overall amount of waste produced going up considerably, the percentage of hazardous waste and its allocation in the last three years was basically stable.
Based on an analysis per type, most of the waste produced was metal waste (iron, aluminium, turning material, etc.) and packaging material (cardboard, wood, etc.). For example at the Pontedera site, approximately 3,500 tons of packaging and 1,500 tons of metal are produced, with these two categories comprising nearly 80% of waste generated.

WASTE PRODUCED AT PIAGGIO GROUP PRODUCTION SITES

TON		PONTEDERA	NOALE AND SCORZÈ	MANDELLO DEL LARIO	BARAMATI	VINH PHUC	TOTAL
2019	Total waste	8,356	829	249	3,054	1,267	13,756
	Hazardous	9.7%	1.7%	1.5%	22.0%	65.2%	16.9%
	For disposal	21.4%	6.2%	1.5%	34.1%	74.4%	27.8%
	For recycling	78.6%	93.8%	98.5%	65.9%	25.6%	72.2%
2018	Total waste	6,488	882	172	2,366	1,430	11,338
	Hazardous	11.1%	1.6%	2.7%	11.9%	75.6%	18.5%
	For disposal	5.5%	5.3%	2.7%	8.0%	66.4%	13.6%
	For recycling	94.5%	94.7%	97.3%	92.0%	33.6%	86.4%
Change 2019-2018	Total	28.8%	-6.0%	45.0%	29.1%	-11.4%	21.3%

Avoiding soil contamination

In 2019, as in previous years, no spills or polluting events of significance occurred at any of Piaggio's sites.
At the Mandello and Pontedera, decontamination initiatives are under way due to historic contaminations of the sites. These situations emerged during demolition work in Mandello and during environmental monitoring campaigns in Pontedera. In both cases, the pollutants found have not been used in the production sites for several decades, providing the historical nature of their origin. In accordance with legal obligations, the two situations have been reported to the relevant authorities and managed according to their instructions.

Environmental spending and investments

As proof of the Group's commitment to environmental sustainability, investments were made in the environment at the Italian sites during 2019, above all for the start of the project to develop the new cataphoresis plant and the new industrial drains system.

ENVIRONMENTAL SPENDING AND INVESTMENTS IN ITALY

EURO	2019	2018
Waste disposal, emissions management and and environmental clean-up costs	669,950	465,282
Costs for prevention and environmental management	980,718	738,422
Total	**1,650,668**	**1,203,704**

Logistics

The Group has consolidated its logistics model aimed at benefiting from the synergies among various distribution centres in Europe and identifying opportunities for optimisation, paying particular attention to service quality aspects. To optimise distribution the model calls for targeted management of departures and routes to travel.
The procedure also disciplines:
- the vehicles and equipment used by logistics operators certified by Piaggio, in accordance with the relevant quality standards;
- the replacement of vehicles for internal shuttling with others equipped with systems to cut CO_2 emissions;
- the packaging collection service to manage the pick-up of packaging from dealers and its disposal according to local regulations in force;
- the disposal and sorting of waste material (e.g., due to decontainerisation) and packaging substitution;

- printing only documents which are necessary.

To reduce transfer needs to a minimum the model requires manufactured vehicles to be stored at the distribution hub adjacent to the production site and that imports of vehicles manufactured overseas are stored at the distribution hub corresponding to the product type.

Thanks to centralised management of all logistics centres (Pontedera, Scorzè, Mandello):
- the number of trips needed to transfer stock between centres has been optimised;
- the use of electronic archives for storing shipment documents has been consolidated and paper copies reduced;
- printing of shipping documents to be sent to end customers has been minimised, and electronic documents are used whenever possible.

As part of vehicle distribution activities (for the contract valid for 2017-2019), the strategy to improve operating activities already underway continued. These activities led to an optimisation in vehicle distribution in 2019, by 1.73% for two-wheelers and 0.47% for commercial vehicles respectively, compared to 2018. As for the new vehicle distribution contract, stipulated for the 2020-2022 period, the planning of transport to directly managed markets was re-insourced. The utmost attention will be paid to distribution operations, in this scenario.
As part of activities to streamline the distribution warehouses at the Pontedera production hub, the crating process was reviewed, with vehicles only being crated during the dispatch stage. This has made it possible to combine the uncrated and crated vehicle warehouses, and since April 2019, all transit of crated vehicles to the external warehouse has been stopped, with this warehouse no longer used. The same crating strategy has also been adopted for scooters arriving from overseas (excluding units from India), thus reducing the transit necessary for these vehicles in Europe. Activities have started to have paperless transport documents as far as possible so that hard copy documents can be nearly entirely phased out.
The production centres in India and Vietnam also set up procedures aimed at minimising the number of trips for shipping produced vehicles and consumption of packing materials.

THE SOCIAL DIMENSION

Developing human resources

Human resources, with their skills, capacities and dedication, are a key factor in Piaggio's competitiveness and growth.
Everything we do as individuals or as a team is shaped by our strategic vision, our results-driven approach, our constant commitment to customer satisfaction, our desire for innovation and our awareness of future market scenarios, to generate value for each and every stakeholder. People are the key element that enables us to meet challenges in an increasingly dynamic and competitive international scenario.
It is for these reasons that Piaggio places such central importance on people in the organisation, assuring them our respect and protection in all Group companies.

Staff

Over the years, the Group has always focussed on aligning its organisation with international best practices. During 2019, it continued reorganisation activities to support its goals of achieving business growth, innovation and developing new products, while maintaining efficiency and productivity targets.

As of 31 December 2019, Group employees totalled 6,222, down overall by 4.5% compared to 31 December 2018.

COMPANY EMPLOYEES BY GEOGRAPHIC SEGMENT AS OF 31 DECEMBER

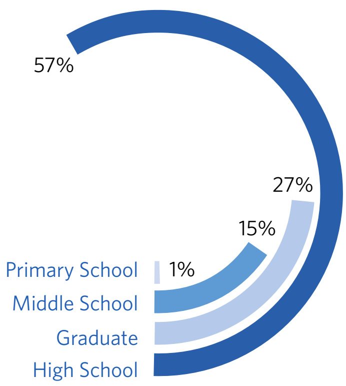
EMPLOYEE/STAFF NUMBERS	2019	2018
EMEA and Americas	3,483	3,586
of which Italy	*3,199*	*3,324*
India	1,749	2,026
Asia Pacific 2W	990	903
Total	**6,222**	**6,515**

AVERAGE NUMBER OF COMPANY EMPLOYEES BY PROFESSIONAL CATEGORY

EMPLOYEE/STAFF NUMBERS	2019	2018
Senior management	105	98
Middle management	671	631
White collars	1,728	1,708
Blue collars	3,920	4,261
Total	**6,424**	**6,698**

COMPANY EMPLOYEES BY EDUCATIONAL QUALIFICATIONS AS OF 31 DECEMBER 2019

EMPLOYEE/STAFF NUMBERS	GRADUATE	HIGH SCHOOL	MIDDLE SCHOOL	PRIMARY SCHOOL	TOTAL
EMEA and Americas	777	1,718	946	42	3,483
of which Italy	*593*	*1,636*	*933*	*37*	*3,199*
India	549	1,200	0	0	1,749
Asia Pacific 2W	365	623	2	0	990
Total	**1,691**	**3,541**	**948**	**42**	**6,222**



An entry turnover rate of 5% and leaving turnover rate of 8.3% were recorded for the Group in 2019 (excluding staff on a fixed-term contract).

GROUP EMPLOYEE TURNOVER AS OF 31 DECEMBER 2019

STAFF AS OF 31 DECEMBER 2019		MEN	WOMEN	TOTAL	< 31	31-40	41-50	> 50	TOTAL	% TURNOVER
						INCOMING				
EMEA & Americas	3,460	113	33	146	74	34	25	13	146	4.2%
Senior Management/Middle Management/White Collars	1,462	112	33	145	73	34	25	13	145	9.9%
Blue collars	1,998	1		1	1				1	0.1%
India	1,277	106	3	109	36	62	10	1	109	8.5%
Senior Management/Middle Management/White Collars	668	98	3	101	28	62	10	1	101	15.1%
Blue collars	609	8		8	8				8	1.3%
Asia Pacific	600	9	5	14	5	8	1	0	14	2.3%
Senior Management/Middle Management/White Collars	258	8	5	13	5	7	1		13	5.0%
Blue collars	342	1		1		1			1	0.3%
TOTAL	**5,337**	**228**	**41**	**269**	**115**	**104**	**36**	**14**	**269**	**5.0%**
Senior Management/Middle Management/White Collars	2,388	218	41	259	106	103	36	14	259	10.8%
Blue collars	2,949	10	0	10	9	1	0	0	10	0.3%
						LEAVERS				
EMEA & Americas	3,460	203	56	259	21	36	24	178	259	7.5%
Senior Management/Middle Management/White Collars	1,462	111	21	132	20	34	22	56	132	9.0%
Blue collars	1,998	92	35	127	1	2	2	122	127	6.4%
India	1,277	135	5	140	33	64	30	13	140	11.0%
Senior Management/Middle Management/White Collars	668	114	5	119	23	56	29	11	119	17.8%
Blue collars	609	21		21	10	8	1	2	21	3.4%
Asia Pacific	600	31	13	44	17	22	5	0	44	7.3%
Senior Management/Middle Management/White Collars	258	11	9	20	5	10	5		20	7.8%
Blue collars	342	20	4	24	12	12			24	7.0%
TOTAL	**5,337**	**369**	**74**	**443**	**71**	**122**	**59**	**191**	**443**	**8.3%**
Senior Management/Middle Management/White Collars	2,388	236	35	271	48	100	56	67	271	11.3%
Blue collars	2,949	133	39	172	23	22	3	124	172	5.8%

Personnel management policies

Piaggio adopts a system of recruitment, development and salary packages for personnel which recognises and rewards merit and performance. Any type of discrimination is specifically forbidden by the Code of Ethics.
The primary focus on human resources and the development of core competencies for business development are the cornerstone of relationships with people and are reflected in the following corporate policies:

COMPETITIVE ORGANISATION

The Group pursues an innovative organisation as a way of creating a competitive edge and supporting a multicultural, multinational, lean dimension focussed on the customer and on generating value.
In its relations with staff and regardless of the work they carry out, Piaggio respects the principles set forth by the Group's Code of Ethics in all circumstances, as well as the laws in force in the geographic areas where it operates.
Piaggio does not resort to child labour according to the age limits in force in the various countries or to forced labour and adheres to main international laws, such as the UN Convention on the Rights of the Child (UNCRC) and the 1998 Human Rights Act.

RECRUITMENT AND INTERNAL MOBILITY

During 2019, resourcing mainly concerned high-level professional and specialist profiles. Recruitment is now fully supported by digital tools, so that a common methodology can be adopted at a global level.
Alongside external recruitment, the number of positions filled by internal candidates has remained steady, with a view to job rotation and career development.

CAREER DEVELOPMENT

Development and career paths at Piaggio are mainly based on the assessment of managerial and technical skills, behaviour, performance and potential, with the aim of creating a pool of highly-motivated individuals to fill key positions.
The development of the core skills necessary to remain in step with evolving markets and business is a priority. This is why the Group's human resources development policies focus on building, maintaining and developing factors that are instrumental for competing in international contexts which are continually evolving.

The Group's managerial and professional competencies model

Piaggio has identified a managerial skills model, which constitutes the set of behaviours to be put into practice each day, in order to ensure the success of the manager in question and the Group as a whole at global level.
At the same time, Piaggio has developed a reference model regarding the various professional skills required, which represent the shared assets of professionalism and expertise that constitute the true foundation of the company, and serve as the only real guarantee of continuity and quality of results.
In 2019, detailed gap analysis was conducted, in order to set up training and continual professional development plans.

THE GROUP'S MANAGERIAL COMPETENCIES MODEL

Development paths

The goal of development tools is to build and improve the managerial and professional skills required by the respective models, while bringing potential to fruition and assessing and rewarding excellent performance and safeguarding specific technical know-how. Specifically, the tools used by Piaggio include:
- development plans, which identify the actions to be taken for employee development;
- job rotation and participation in strategic or international projects;
- management and professional training (see "training" section);
- the talent management programme for younger employees (see the "talent management" section).

During 2019, the development measures pursued by the company were consolidated, in order to reinforce the Group's international presence and its growth in keeping with strategic business choices. With a view to efficiency and a greater autonomy in managing talented resources, training was delegated to individual affiliates, to give emphasis to specific needs at local level.

Career paths

Resources are encouraged to follow a career path focussed on continual improvement through training and development of their expertise, so they can successfully tackle the changes and challenges of the near future.
Performance appraisal processes for succession planning are created to develop the technical expertise and managerial skills of resources, in order to consolidate the Group's leadership role. Expatriation and job rotation, plus Talent Development programmes are key to encouraging the growth of resources and laying the foundations for shaping the managers of tomorrow.
In line with market best practices, Piaggio deploys a number of tools for the supervision and management of succession plans with regard to key Group positions, and in 2019, the Group used the global IT platform to test the methodology implemented, which also takes into account the skills and performances recorded each year.

EVALUATION

The Group places great importance on using transparent criteria and methods for reviewing employees with respect to:
- performance,
- managerial and professional competencies and language skills,
- international mobility,
- potential,

as regards their specific role and company needs.

Both the evaluator and the person being evaluated are given the opportunity to share the result of the performance and skills assessment, and to add to this with suggestions for the establishment of the individual development and training path, to be implemented in accordance with a clearly defined time scale through the dedicated SAP SuccessFactors IT platform.
Employees are evaluated by comparing their competencies against the company model for their specific role, as evidenced by concrete and observable behavioural indicators relative to their everyday work. The review process is managed in an integrated way through a dedicated IT platform and provides the information necessary for the processes of succession planning, management reviews and a gap analysis of professional competencies, which are conducted across the Group.

PERCENTAGE OF EMPLOYEES WHO RECEIVED PERFORMANCE AND CAREER DEVELOPMENT REVIEWS IN 2019[21]

GEOGRAPHIC SEGMENT	EMEA&AMERICAS	*OF WHICH ITALY*	ASIA PACIFIC 2W	INDIA
Senior management	100%	*100%*	100%	100%
Middle management	100%	*100%*	100%	100%
White collars	100%	*100%*	100%	100%
Blue collars	-	-	100%	-

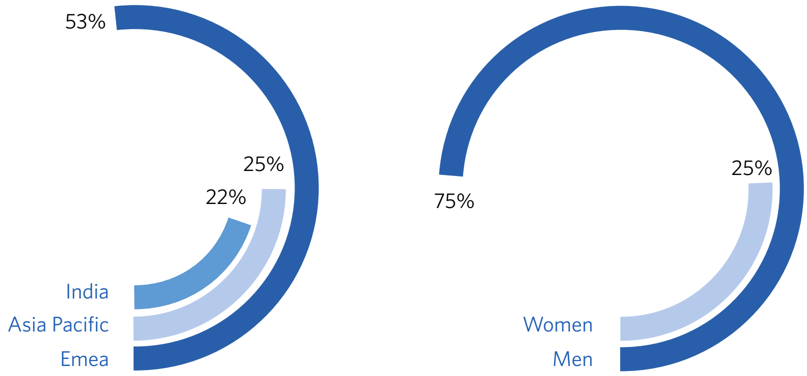
Talent Management: The talent development programme

Programmes to manage young talent are one of the main tools used for development, attraction and retention. The programmes are aimed at employees around the world who show a high potential, great enthusiasm for their work and the courage to undertake new paths, in order to identify and ensure a growth path for the most deserving resources.
In general, these programmes allow talented employees to access customised development plans, which comprise:
- job rotation;
- strategic and international projects;
- events involving top and senior management;
- coaching and personalised training.

The programmes include Piaggio Way, which involves employees of all geographic areas of the Group. At present 51

21 The figures regard members of the company who have been employed for at least six months at the time of the evaluation.

employees are involved, in addition to a community of 50 students who have completed their development plan and who still remain active in the programme.
The geographic breakdown of active participants is as follows: 53% EMEA, 22% India, 25% Asia Pacific.
A structured Talent Review process is conducted each year to verify programme participation.



GEOGRAPHIC DISTRIBUTION OF TALENT AND BREAKDOWN BY GENDER AS OF 31 DECEMBER 2019

TRAINING

Training hours are in line with the previous year, when a specific training and continuing professional development campaign was started for all Italian employees on health and safety, which is the most significant area in terms of undertaking. Technical/professional training in Europe and America increased considerably, besides managerial and language training in Asia.

HOURS OF TRAINING[22] BY TRAINING AREA

THEMATIC AREA	2019				2018			
	EMEA AMERICAS	INDIA	ASIA PACIFIC 2W	TOTAL	EMEA AMERICAS	INDIA	ASIA PACIFIC 2W	TOTALE
Managerial training	7,379	7,428	3,185	17,992	5,685	11,942	1,371	18,998
Technical – professional training	18,566	5,123	1,218	24,907	12,218	7,110	4,166	23,494
Language training	5,367	928	2,896	9,191	4,616	-	132	4,748
Health and safety training	22,902	10,262	4,688	37,852	29,418	8,674	3,059	41,151
TOTAL	**54,214**	**23,741**	**11,987**	**89,942**	**51,937**	**27,726**	**8,728**	**88,391**

TOTAL TRAINING HOURS BY PROFESSIONAL CATEGORY

PROFESSIONAL CATEGORY	2019	2018
Senior management	982	1,466
Middle management	12,007	12,100
White collars	29,464	36,724
Blue collars	37,712	36,434
Other workers[23]	9,777	1,667
Total	**89,942**	**88,391**
Total per-capita [24]	**12.9**	**13.3**

22 The figure does not include hours of on-the-job training.
23 This category includes agency workers and interns.
24 The calculation of the average per-capita hours is performed using the hours provided by the Group as the numerator (excluding those for non-salaried workers) and the total number of employees as of 31/12 as the denominator.

TRAINING HOURS BY GENDER

THEMATIC AREA			2019			2018
	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL
Managerial training	14,578	3,414	17,992	16,368	2,630	18,998
Technical – professional training	20,240	4,667	24,907	18,353	5,142	23,494
Language training	6,807	2,384	9,191	2,977	1,771	4,748
Health and safety training	30,719	7,133	37,852	31,343	9,808	41,151
Total	**72,344**	**17,598**	**89,942**	**69,041**	**19,351**	**88,391**

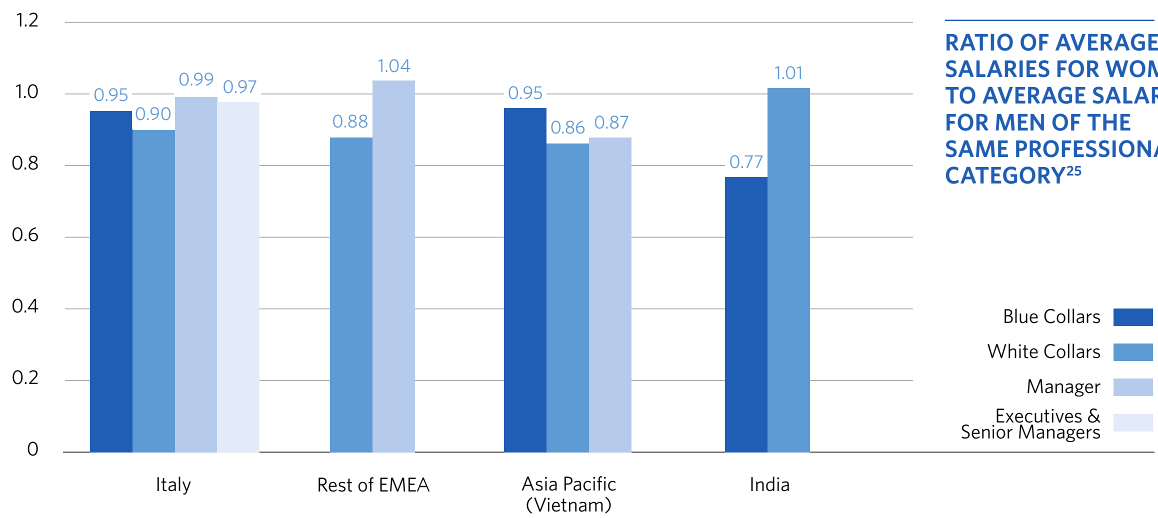
REWARDS

Reward policies are designed to reward individuals and recognise their contribution to the company, according to the criteria of competitiveness, fairness and meritocracy, which are openly shared throughout the evaluation processes, in order to motivate and retain those individuals who make significant contributions to the achievement of business results.
The Group reward system is differentiated for the various professional groups in the company and consists of a fixed salary component and variable objective and benefits-based incentive systems.

Salary packages

Piaggio offers to new recruits and all its employees a salary package in line with best market practices. Accordingly, Piaggio has adopted a structured salary review process based on:
- comparing salaries with market benchmarks, considering the market positioning of the company as a whole and the review of individual organisational roles, which is periodically revised. Comparisons are conducted using internationally-recognised methods, with the support of specialist consultants;
- setting out guidelines for the salary review process that take into account company results and focus on criteria of meritocracy, competitiveness, internal fairness and sustainability;
- specific identification of fixed and variable salary components, in accordance with guidelines, with meritocracy logics and retention needs relative to strategic resources for the business.

An analysis performed on a single country basis did not reveal any significant differences between the basic salary and remuneration of men compared to women with the same category, experience and assigned duties. This basic uniformity in salaries for male and female staff is also confirmed by analysis of the minimum salary of new recruits and guaranteed compliance with limits of local legislation.



RATIO OF AVERAGE SALARIES FOR WOMEN TO AVERAGE SALARIES FOR MEN OF THE SAME PROFESSIONAL CATEGORY[25]

25 Categories not reported in individual geographic segments do not have any female employees or their small numbers would make the calculation insignificant.

Objective-based incentive systems

The achievement of excellent results in terms of objectives set by the company is rewarded through variable incentive systems, focused on business-related qualitative and quantitative objectives as well as on the internal efficiency of each area of responsibility.
The full process of setting objectives and reviewing results is conducted with employees, using objective criteria.

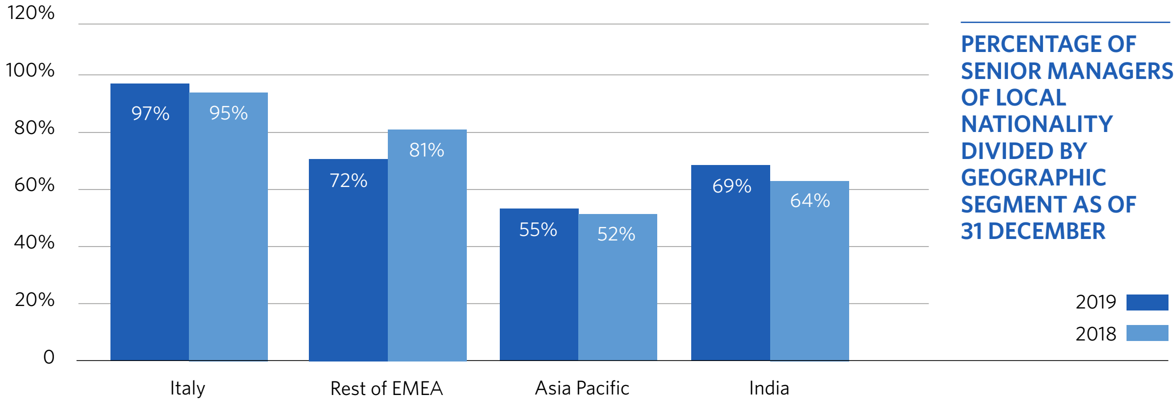
Benefits

Piaggio offers a benefits package in line with best local market practices, which is structured on an organisational basis. Benefits include, by way of example:
- company car;
- private health insurance;
- company medical centre at various sites;
- agreements with local groups and facilities of interest for employees.

Benefits are provided to full-time as well as to part-time employees without differentiation.

DIVERSITY AND EQUAL OPPORTUNITIES

Piaggio operates globally with a diversity of employees, in terms of age and gender, in Europe, the Americas and Asia. Staff diversity represents values and opportunities arising from various different ways of pursuing and achieving the highest levels of performance within a single, broader Group organisational design.
Managing diversity for Piaggio means recognising and respecting differences in the context of a common company culture, so the Group rejects any form of discrimination on the basis of gender, age, nationality, ethnic background, ideology or religion. It operates in strict compliance with law and with contractual requirements, and in keeping with the customs, practices and usages of each country in which Piaggio operates.
The Group's concrete commitment to embracing diversity is reflected by its adoption of a Code of Ethics, conformity to international laws on equal opportunities and use of policies that protect forms of diversity already found within the company.
The Group seeks to spread its culture and values throughout the world through shared digital platforms (company intranet and tools supporting the work of HR such as the Success Factor, Piaggio Global Training), with a view to creating the conditions for promoting an international mindset and a building a truly multinational organisation, in which all employees can benefit from equal opportunities.
Human resources management processes are conducted applying the same principles of merit, fairness and transparency in all the countries in which the Group operates, with the accent placed on aspects of relevance for the local culture.
Piaggio selects and hires its staff based solely on the candidates' characteristics and experiences and the requirements of the position. As shown in the graph below[26], Piaggio promotes and supports the recruitment of candidates from many parts of the world, to contribute to the international mindset that is a key value for the Group.



PERCENTAGE OF SENIOR MANAGERS OF LOCAL NATIONALITY DIVIDED BY GEOGRAPHIC SEGMENT AS OF 31 DECEMBER

In order to promote and sustain intercultural exchange and diversity management, the Group encourages the international mobility of its people, enabling the reciprocal secondment of employees between Group companies.

26 Figures include senior managers, first- and second-level executives reporting to top management at Piaggio & C SpA, and the first- and second-level executives of subsidiaries. The term local refers to the national level and local senior managers means senior managers with nationality the same as the country where they work.

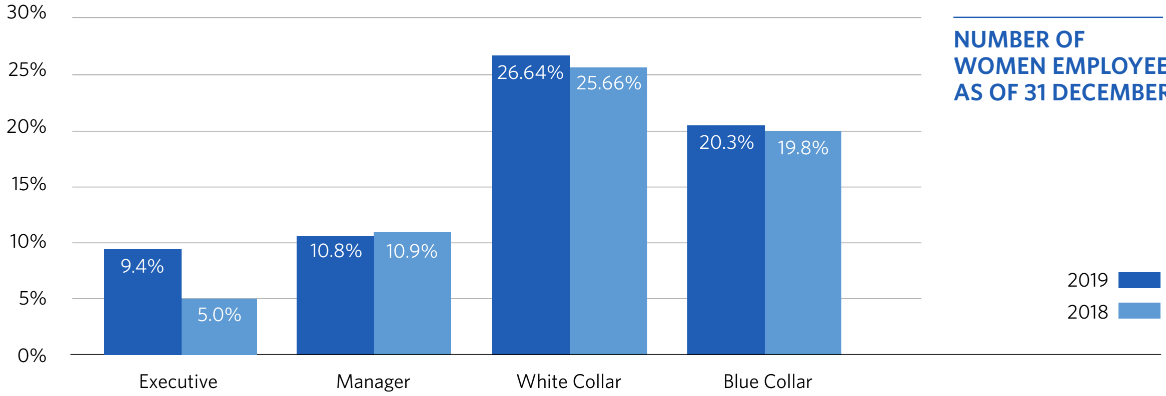
Female employment

Female employees at Piaggio play a fundamental role at all levels of the organisational structure. Their presence, which is equal to 20.8%, is in line with the previous year, with an increase in white-collar and managerial positions.

COMPANY EMPLOYEES BY GENDER AND GEOGRAPHIC SEGMENT AS OF 31 DECEMBER

	2019		2018	
	MEN	WOMEN	MEN	WOMEN
EMEA and Americas	2,397	1,086	2,474	1,112
of which Italy	*2,179*	*1,020*	*2,271*	*1,053*
India	1,717	32	1,971	55
Asia Pacific	810	180	749	154
Total	**4,924**	**1,298**	**5,194**	**1,321**

NUMBER OF WOMEN EMPLOYEES AS OF 31 DECEMBER



COMPANY EMPLOYEES BY CONTRACT TYPE, GENDER AND GEOGRAPHIC SEGMENT AS OF 31 DECEMBER 2019

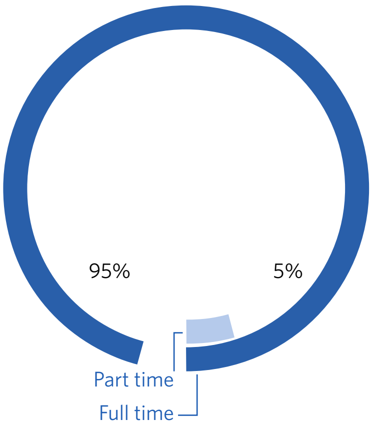
EMPLOYEE/ STAFF NUMBERS	FIXED-TERM CONTRACT			OPEN-ENDED CONTRACT		
	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL
EMEA and Americas	17	6	23	2,380	1,080	3,460
of which Italy	*17*	*5*	*22*	*2,162*	*1,015*	*3,177*
India	466	6	472	1,251	26	1,277
Asia Pacific	318	72	390	492	108	600
Total	**801**	**84**	**885**	**4,123**	**1,214**	**5,337**

Equal opportunities are offered to employees of both genders, with concrete initiatives in place to help people strike a balance between work and domestic life. Such initiatives include alternatives to full-time work.

COMPANY EMPLOYEES BY PROFESSION, GENDER AND GEOGRAPHIC SEGMENT AS OF 31 DECEMBER 2019

EMPLOYEE/ STAFF NUMBERS	FULL TIME			PART TIME		
	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL
EMEA and Americas	2,390	916	3,306	7	170	177
of which Italy	*2,172*	*853*	*3,025*	*7*	*167*	*174*
India	1,717	32	1,749	0	0	0
Asia Pacific	810	180	990	0	0	0
Total	**4,917**	**1,128**	**6,045**	**7**	**170**	**177**

PART-TIME EMPLOYMENT IN ITALY AS OF 31 DECEMBER 2019

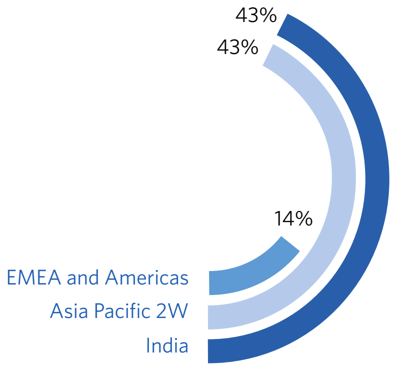


Young employees

Within the Group, the company's largest population is in the 41-50 age group. The generational mix is essential for more experienced workers, who can set an example and pass on skills and abilities learned over time, to impart their knowledge to younger employees.

COMPANY EMPLOYEES BY PROFESSIONAL CATEGORY AND AGE BRACKET AS OF 31 DECEMBER

EMPLOYEE/STAFF NUMBERS		UP TO 30	31-40	41-50	> 50	TOTAL
2019	Senior management	0	9	35	62	106
	Middle management	4	197	280	186	667
	White collars	287	584	471	366	1,708
	Blue collars	910	733	1,252	846	3,741
	Total	**1,201**	**1,523**	**2,038**	**1,460**	**6,222**
2018	Senior management	0	8	31	61	100
	Middle management	5	189	274	172	640
	White collars	265	607	494	372	1,738
	Blue collars	1,162	711	1,258	906	4,037
	Total	**1,432**	**1,515**	**2,057**	**1,511**	**6,515**



COMPANY EMPLOYEES UP TO 30 YEARS OF AGE BY GEOGRAPHIC SEGMENT AS OF 31 DECEMBER 2019

Parental/maternity leave

Our companies apply laws passed by pertinent national legislation.
The Group does not discriminate in any way against women who take maternity leave. Indeed, to support work-child care balance, a horizontal part-time contract has been granted to 181 employees in Italy. In addition, as further support for work-life balance, employees at the Pontedera site can benefit from an agreement for childcare support (see the Industrial Relations section).
As demonstration of the above, the following information has been provided for the companies where the phenomenon is more numerically significant[27].

	EMEA & AMERICAS (INCLUDING ITALY)			ASIA PACIFIC		
	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL
Employees on maternity leave during 2019	25	12	37	106	34	140
Employees returning in 2019 after maternity leave	25	18	43	87	32	119
Employees returning in 2018 after maternity leave	25	20	45	94	29	123
Employees returning to work and on the pay-roll 12 months after returning from maternity leave	24	19	43	82	26	108
Retention rate (%)	96.00%	95.00%	95.56%	87.23%	89.66%	87.80%

ENGAGEMENT AND DIALOGUE WITH STAFF

The Piaggio Group's internal communication guidelines are designed to keep employees informed with regard to business performance and prospects, bringing them closer to top management strategies.
The system is based on the conviction that sharing strategic objectives with every employee is a key factor to success. Piaggio uses communication and information tools which respect and empower the social and cultural realities within the Group.
In particular, in Italy there is an active national intranet portal, "PiaggioNet", which provides information on the Group, with company news and the latest on the product ranges of the various brands, as well as a range of staff services (e.g. online coupons, transfer management, manuals/internal procedures, Piaggio Global Training platform and direct access to the online company publication Wide Piaggio Group Magazine, which is also published on the Group's websites, is updated on a continual basis and available in Italian and English versions). Through specific intranet stations ("Piaggio InfoPoint"), located in the Italian factories of the Piaggio Group, blue collars also have access to news (company news, new products) and to many services using their corporate badge.
Similar information is made available to the employees of foreign subsidiaries through the dedicated intranet portal "PiaggioNet International", whose contents are published in English.
Additional specific initiatives are provided for employees of premises in Vietnam and India, for example:
- forums dedicated to employees in India (V-Speak);
- a quarterly meeting at Piaggio Vietnam with management to share quarterly results and targets for the next quarter;

27 The figures refer only to parental leave requested up to the child's first birthday.

- INDIA E-Care: this is an online platform where external consultants deal with various personal problems of employees and their families, guaranteeing confidentiality;
- Piaggio Vietnam Annual Safety training/Monthly Safety coordinator meeting/Safety Driving contest: these are activities that increase safety awareness.

Industrial relations

The Piaggio Group acknowledges the role of trade union organisations and workers' representatives and is committed to establishing relations with them focussed on attention, engagement and a common understanding; in fact ongoing dialogue is considered as fundamental for finding the best solutions to specific company needs.

The Group's approach lies in involving workers and their representatives in the pursuit of company objectives, establishing a continuous dialogue with them. The solutions and conduct adopted in various countries where the Group operates are in line with the social and institutional context, but are always consistent with the fundamental principles and overall needs of the Group.

Piaggio complies with the labour legislation of countries where it operates. The minimum notice to give in the case of major organisational changes depends on the country where the employee works and on local applicable legislation.

Italy

During 2019, dialogue and discussion continued with trade unions and workers' representatives, with the aim of seeking shared solutions, in order to respond to market situations and to manage the effect of these on employees. Collective negotiations have made it possible to identify shared management tools, that can tackle various scenarios safeguarding Company competencies.
The National Collective Bargaining Agreement (CCNL) is valid throughout Italy. In the case of major organisational changes, provisions of law and of the relative collective bargaining agreement are complied with.
At the end of negotiations which began in 2017, a draft version of a 2nd level (supplementary) collective agreement was signed on 23 January 2020 with national and provincial branches of trade unions and trade union representatives of Pontedera, Noale, Scorzè and Mandello del Lario, for production units in Italy, valid up until 31 December 2022 and that has been approved by workers in February 2020.

As regards the *Pontedera site*, which is now fully established as a centre of excellence in innovation, research and design and in the production of vehicles and engines, a new trade union agreement was signed for the use of the Solidarity Contract from November 2018 to March 2019, subsequently renewed from October 2019 to January 2020. In July 2019, a mobility procedure was launched for 180 employees in order to downsize staff activities and structurally rebalance the production workforce, also promoting generation turnover.

The Ordinary Redundancy Fund was used occasionally during 2019 at the *Noale* unit, where motorcycle design and development activities are carried out.
On 26 November 2018, an agreement with local trade unions and trade union representatives was signed at the Ministry of Labour and Social Policies, to continue the Special Redundancy Fund for reorganisation at the *Scorzè* unit from 9 January 2019 to 8 January 2020.
On the same date, a procedure was started for a collective decease in staff, approved by workers, and concerning 105 people overall, in order to promote an easier management of structural excesses.
On 13 December 2019, an agreement with local trade unions and trade union representatives was signed at the Ministry of Labour and Social Policies, to continue the Special Redundancy Fund for reorganisation at the Scorzè unit from 9 January 2020 to 8 January 2021. At the same time, a procedure for the collective decrease in personnel was started, agreed by staff and concerning a total of 100 people.

At the *Mandello del Lario* production unit, the increase in work related to the summer production peak was managed in 2019 by using contractual multi-week hours, as well as agency workers.

Membership of trade union organisations at Italian sites is shown in the table below:

	2019			2018		
	PONTEDERA	NOALE AND SCORZÈ	MANDELLO DEL LARIO	PONTEDERA	NOALE AND SCORZÈ	MANDELLO DEL LARIO
FIOM	211	119	35	248	125	41
UILM	239	1	2	285	1	2
FIM	283	142	23	326	141	21
UGL	97			5		
USB	45			36		
CGIL/CISL/UIL	1			1		
Total number of employees who are members of a trade union	**876**	**262**	**60**	**901**	**267**	**64**
	35.05%	**50.48%**	**64.51%**	**35.8%**	**51.3%**	**68.8%**

Company micro-conflicts, mainly attributable to a single trade union association, were down on previous years, even though the total number of hours of industrial unrest went up, due to conflict at a national or sector level.
The table below provides a summary of the hours lost due to strikes in the last two years at the company's sites in Italy:

		2019	2018
No. of hours lost due to strikes	general/category	22,303	1,400
	company	8,292	14,526
	Total	**30,595**	**15,926**
% hours lost compared to hours worked	general/category	1.18%	0.07%
	company	0.44%	0.8%
	of which Pontedera compared to hours worked in Pontedera	1.83%	0.89%
	Total	**1.61%**	**0.83%**
No. of days lost due to strikes	general/category	2,788	175
	company	1,036	1,816
	Total	**3,824**	**1,991**

A structured company welfare system has been established in Italy, with services that aim to increase the well-being of employees and their families, in economic and social terms. In particular, two childcare agreements are in place for employees at the Pontedera site.
Moreover, a national trade union agreement at the end of 2011 established a private health insurance fund (Métasalute) for metal and steel processing workers in Italy; the company started paying its contributions to the fund in 2012. Membership of the plan, which was initially on a voluntary basis, has been automatic for all Group employees since October 2017.

The scheme also includes health benefits/services for employees:
- at Pontedera, the company medical centre for employees has specialists (an optician, an orthopaedic specialist, a lung specialist, a dermatologist and an ENT specialist) for consultations during working hours;
- at Noale/Scorzè and Mandello del Lario, all employees are entitled to paid time off for specialist consultations outside the company and for clinical analyses.

All sites also offer employees vaccinations free of charge.

India

The Indian subsidiary has always based trade union relations on cooperation, seeking to establish an ongoing dialogue and exchange of views. The company and the trade unions acknowledge that it is in the mutual interest of employees and the Piaggio Group to guarantee and pursue greater productivity and higher quality of products, as well as ensuring excellent factory operating process function, all of which enable the company to remain competitive in an environment like the automotive sector which, even in India, constantly demands innovation in its work processes.

In India, trade unions have a two-tier structure: one at company level and the other at local/area level; this structure is also replicated at the Indian subsidiary where the trade union system comprises a company trade union committee with Piaggio workers' representatives, and a central trade union committee, which is the highest hierarchical level, with members selected by the trade union. Currently, the company trade union committee (appointed in September 2019 and with an annual term of office) is made up of 8 members.

At the Indian subsidiary, a collective bargaining agreement is negotiated and signed, at regular intervals. The contract is for four years and was renewed in 2018, following trade union negotiations without any episodes of conflict.

In 2019, besides signing the above agreement, main activities concerning industrial relations focused on:

- reaching and achieving the blue collar productivity levels established in the new agreement. Based on these indicators, levels of manpower connected with varying levels of production were established;
- implementation of a flexible temporary labour model. The use of temporary blue-collar workers is related to production volumes based on pre-established ratios;
- adopting other provisions in the agreement concerning salaries and other aspects (regulations on collective closures, the introduction of automation processes, flexibility in operating roles, training, etc.);
- maintaining and improving positive and cooperative relations with workers and trade unions;
- guaranteeing compliance with labour laws, also following new government regulations (e.g. on the use of apprenticeships, regulations concerning pension funds, etc.);
- employee engagement to improve business climate and, accordingly, employee motivation. In line with this approach, Piaggio organised numerous activities to involve its employees, including sports' competitions, health checks-ups and prevention, initiatives to raise awareness of environmental issues and the purchase of books for employees' children.

Vietnam

In Vietnam, trade union representatives at a company level (selected by a company trade union committee) are tasked with protecting employees, helping them to understand aspects concerning labour regulations and company policies, and providing economic support for some company initiatives benefiting employees.
In particular, the current Trade Union Committee, elected in February 2014 and comprising 15 members who will remain in office for 6 years, made an excellent contribution in 2019, having sponsored and assisted the company in a number of initiatives to bolster employee motivation.
In October 2019, the new Trade Union Committee was elected, basically conforming previous appointments. The main events are outlined below, following on from those organised last year:

- **"Safety Riding Contest" & "Safety Forklift Riding"**, lasting half a day, which promoted employee awareness on the subject of safety. It was also presented to local authorities to emphasise the company's strong focus on safety issues;

- the 6-month **"Road Safety"** campaign (starting in September 2018 and ending in March 2019), to increase awareness of safe road use, for all employees. This campaign, with specific monthly initiatives, was also organised as most blue-collar workers travel to work by motorcycle/scooter;

- the **"Nutrition Day**" for employees' children: in June, paediatric doctors met with employees to provide advice on the nutrition and health of their children. The half-day event was attended by approximately 300 children, mainly the sons and daughters of blue-collar workers. In particular, the children, who were entertained with games, entertainers and small gifts, were examined by 12 national nutrition doctors;

- the **"Piaggio Vietnam Summer Vacation"** lasting 3 days in August, when employees with their families were given a contribution to spend 3 days' holiday at a location selected in conjunction with the Company and trade union representatives;

- an **"Outing day"**, a team-building event lasting one day, held in August for all employees.

- **"Year End Party"**, for all employees, including management, to share results achieved and goals for 2020.

A company football tournament was also held, to increase team spirit through sport.
No strikes took place in 2019.

Occupational health and safety

Safeguarding and improving the health and safety of workers has always been integral to the Group's operations and is a strategic commitment which is positioned among the Group's more general objectives. This principle is valid and adopted in all countries where the Group operates. In particular, the Group has taken concrete actions for:
- continual developments towards a safer working environment, based on assessing all aspects of safety at work and the associated systems, beginning with planning new activities or when reviewing existing ones;
- safer conduct through education, information and awareness of all workers, to enable them to perform their duties safely and to become accountable with respect to Health and Safety at Work.

All employees guarantee and work together to put in place effective occupational health and safety programmes, to safeguard their own and others' safety.
Prevention and protection activities to safeguard the health of workers in a complex industrial context like the Piaggio Group, both in Italy and abroad, can only be achieved through an adequately structured organisation which specifically aims to foster a "culture" of safety within the company. Therefore, the belief that prevention must focus on behaviours and daily activities is today disseminated at all levels. This approach has led the Piaggio Group to adopt very similar safety management standards in all the countries in which it operates, regardless of the presence of less stringent regulatory constraints with respect to the Group's standards. From this perspective, the sites in Italy, Vietnam and India have a certified Occupational Health and Safety management system; the Indian site is certified to BS OHSAS 18001, while Italian and Vietnamese sites are certified to ISO 45001:2018 by an accredited certification body. Audits are conducted annually and were once again concluded successfully in 2019.
In line with Occupational Health and Safety Management System requirements, the Group has identified safety training as the key driver for disseminating a culture and fostering a conduct focussed on safety leadership and for generating commitment and steering conduct.
Promoting health is another important aspect for Piaggio, and this is achieved based on two areas of action: free testing and information campaigns on healthy lifestyles. Each Group site has a health unit for prevention, surveillance and first aid, manned by specialist medical and paramedical staff.

Italy

During the year, implementation of the SAP H&S IT application continued, with the assistance of the Information Technology department. This software is dedicated to managing Health and Safety aspects and covers the following in particular: risk assessment, health surveillance, managing deliveries of personal protective equipment, overseeing audit management processes, reporting, managing tracking notes. Modules currently being developed will be implemented and closed during 2020.
The objectives that will be pursued with these projects are:
- maintaining legislative compliance;
- standardising the management of Health and Safety aspects and applicable KPIs at international level;
- strengthening control over the scheduling of programmes in order to achieve objectives set;
- streamlining reporting operations;
- increasing access to information by all stakeholders.

FREQUENCY INDEX[28] - ITALY

			2019			2018
	M	W	TOT	M	W	TOT
Pontedera	1.2	1.7	**1.4**	1.0	1.6	**1.2**
Noale and Scorzè	0.8	0.0	**0.7**	0.4	0.7	**0.5**
Mandello del Lario	0.5	0.0	**0.5**	0.7	0.0	**0.7**

SEVERITY INDEX[29] – ITALY

			2019			2018
	M	W	TOT	M	W	TOT
Pontedera	19.6	36.1	**24.5**	16.6	44.3	**24.5**
Noale and Scorzè	18.6	0.0	**15.1**	12.2	9.3	**11.6**
Mandello del Lario	15.1	0.0	**14.3**	9.8	0.0	**9.2**

OCCUPATIONAL DISEASES IN ITALY

		2019		2018
	REPORTED	ACKNOWLE-DGED	REPORTED	ACKNOWLE-DGED
Pontedera	75	(*)	70	(*)
Noale and Scorzè	0	0	0	0
Mandello del Lario	0	0	1	0

(*) To date, the outcome from INAIL concerning occupational diseases reported in the year considered is not known.

NUMBER OF FATAL ACCIDENTS IN ITALY

			2019			2018
	M	W	TOT	M	W	TOT
Pontedera	0	0	**0**	1 [(a)]	0	**1**
Noale and Scorzè	0	0	**0**	0	0	**0**
Mandello del Lario	0	0	**0**	0	0	**0**

(a) An accident occurring while commuting

As regards external companies operating at Piaggio's Italian production sites, 6 accidents were recorded for 2019, only regarding the Pontedera site (7 in 2018).

28 The Frequency Index is: IF = (No. of accidents * 100,000) / Hours worked.
The number of accidents is calculated considering only accidents in the workplace, excluding accidents reported pursuant to Article 53 of Italian Presidential Decree no. 1124/65. Pursuant to Article 53, both commuting accidents and accidents not considered reliable (due to the lack of a violent cause or lack of a causal link or lack of work activity) are reported.

29 The severity index is calculated as Ig = (working days lost / hours worked) x 100,000.

India

In order to guarantee the highest occupational health and safety standards, the Indian subsidiary has an organisational structure that operatively involves the "Occupier" (employer), which is a single person for various production sites who has responsibility for the health, safety and well-being of all employees in the work place, Factory Managers and a Safety Committee comprising 20 members that includes executives, managers and white collars. The Safety Committee meets at regular intervals to plan, revise and discuss action plans necessary to establish and disseminate an awareness and safety culture in the work place among employees. The presence of a Health & Safety team guarantees that the entire system may operate effectively.
In line with the Group's approach, a great deal has been invested in training over the last few years as a key driver to increase employee accountability in relation to safety and, consequently, to promote a proactive approach to and engagement with safety issues.

FREQUENCY INDEX - INDIA

			2019			2018
	M	W	TOT	M	W	TOT
Engine & Commercial Vehicles	0.0	0.0	**0.0**	0.011	0.0	**0.01**
2W India	0.0	0.0	**0.0**	0.0	0.0	**0.0**
Spare Parts	0.0	0.0	**0.0**	0.0	0.0	**0.0**

SEVERITY INDEX IN INDIA

			2019			2018
	M	W	TOT	M	W	TOT
Engine & Commercial Vehicles	0.0	0.0	**0.0**	1.019	0.0	**1.0**
2W India	0.0	0.0	**0.0**	0.0	0.0	**0.0**
Spare Parts	0.0	0.0	**0.0**	0.0	0.0	**0.0**

OCCUPATIONAL DISEASES IN INDIA

		2019		2018
	REPORTED	ACKNOWLE-DGED	REPORTED	ACKNOWLE-DGED
Engine & Commercial Vehicles	0	0	0	0
2W India	0	0	0	0
Spare Parts	0	0	0	0

Compared to a considerable national trend, the number of occupational diseases reported at Indian sites was equal to zero and reflects the Piaggio Group's commitment to achieving the objective of guaranteeing healthy workplaces.

NUMBER OF FATAL ACCIDENTS IN INDIA

			2019			2018
	M	W	TOT	M	W	TOT
Engine & Commercial Vehicles	0	0	**0**	0	0	**0**
2W India	0	0	**0**	0	0	**0**
Spare Parts	0	0	**0**	0	0	**0**

Vietnam

The main priority of the company is compliance with local laws, international health and safety standards and Piaggio Group policies. In this framework, it guarantees the achievement of objectives to improve workers' health and safety through a dedicated H&S facility.
In accordance with Group guidelines, suppliers and external companies that operate at the site are contractually bound to comply with occupational health and safety policies, respect Piaggio Vietnam procedures and programmes, and observe the instructions given to them. Any breach thereof is a breach of the contract and sufficient reason for termination of the same; in the interests of improvement, the company organises specific safety courses for "contractors" in order to raise standards regarding these issues.
Moreover, a Safety Committee was established involving members of all functions and chaired by the production manager. The Committee members are responsible for managing any safety-related issues within their functional area and for taking the required corrective actions. They also conduct periodic audits of the entire site and report to the committee on all relevant aspects regarding safety, so that corrective actions may be promptly taken.
In order to effectively implement general health and safety regulations, a programme of activities is defined each year, based on operating plans, that are updated on an ongoing basis.
In parallel with training and awareness-raising activities, a number of initiatives have been adopted aimed at building a culture of safety and at raising the awareness of employees and their families on this issue; these include: "Forklift safety", "Road Safety Campaign".

FREQUENCY INDEX - VIETNAM

			2019			2018
	M	W	TOT	M	W	TOT
Vietnam	0.06	0.0	**0.05**	0.0	0.0	**0.0**

SEVERITY INDEX IN VIETNAM

			2019			2018
	M	W	TOT	M	W	TOT
Vietnam	0.05	0.0	**0.05**	0.0	0.0	**0.0**

OCCUPATIONAL DISEASES IN VIETNAM

		2019		2018
	REPORTED	ACKNOWLE-DGED	REPORTED	ACKNOWLE-DGED
Vietnam	0	0	0	0

Compared to a considerable national trend, the number of occupational diseases reported at the Vietnamese site was equal to zero and reflects the Piaggio Group's commitment to achieving the objective of guaranteeing healthy workplaces.

Number of fatal accidents in Vietnam

			2019			2018
	M	W	TOT	M	W	TOT
Vietnam	0	0	**0**	0	0	**0**

As regards external companies operating at Piaggio's Vietnamese site, no accidents were reported in 2019.

Responsible management of the supply chain

Piaggio Group produces vehicles that are sold under its brand on the various markets around the world. The only exception regards vehicles purchased by the Chinese subsidiary Zongshen Piaggio Foshan (about 17,210 units in 2019, equivalent to 2.8% of vehicles sold).
Piaggio is a leader in engine technology and produces engines at its plans both for internal production and to meet the demand of other manufacturers.
All the other components that constitute a vehicle are purchased externally and assembled in-company.

Italian plants

In 2019, Italian plants purchased merchandise and spare parts for an overall value of €415 million (excluding complete vehicles) from 683 suppliers.
The first ten suppliers made up 18.73% of total purchases.

GEOGRAPHIC LOCALISATION OF THE SUPPLIERS OF ITALIAN PLANTS[30]

GEOGRAPHIC SEGMENT	2019	2018
EMEA	67.5%	65.7%
China+Taiwan	19.4%	20.8%
Vietnam	6.0%	5.8%
India	6.2%	6.7%
Japan	0.4%	0.3%
Others	0.5%	0.7%

In 2019 payments were made to suppliers for approximately €641 million.

Indian plants

In 2019, plants in India purchased raw materials, merchandise and spare parts for an overall value of €318 million from around 620 suppliers.
The first ten suppliers made up 36% of the total purchases.

GEOGRAPHIC LOCATION OF THE SUPPLIERS TO INDIAN PLANTS

GEOGRAPHIC SEGMENT	2019	2018
India	96.0%	95.1%
Other	4.0%	4.9%

In 2019 payments were made to suppliers for approximately €500 million.

30 For the calculation of the percentages, the value of incoming goods for orders - open orders was taken into consideration.

Vietnamese plants

In 2019, plants in Vietnam purchased merchandise and spare parts for an overall value of €172 million from around 230 suppliers.
The first ten suppliers made up 36% of the total purchases.

GEOGRAPHIC LOCALISATION OF THE SUPPLIERS OF VIETNAMESE PLANTS

GEOGRAPHIC SEGMENT	2019	2018
Vietnam	59.0%	53.3%
China+Taiwan	18.4%	21.3%
EMEA	18.2%	20.1%
India	1.8%	2.0%
Others	2.6%	3.3%

In 2019 payments were made to suppliers for approximately €177 million.

Group relations with suppliers are based on loyalty, impartiality and respect of equal opportunities of all parties concerned.
The Piaggio Group is convinced that responsibility is a commitment which goes beyond the boundaries of the Company and must positively involve everyone in the Company-supplier chain; this is why suppliers worldwide that wish to do business with Piaggio have to sign the general conditions of supply of the Piaggio Group which include the "Code of Ethics and Guidelines for doing business". As from this year Piaggio requires suppliers to sign a "Sustainability Statement" in order for them to be included on the Supplier List for Italy, and ensure compliance with Piaggio's ethical values throughout the production cycle and sales of its products.

In line with the Group's guidelines, every year the Purchasing Unit seeks to improve the procurement process by promoting the technical skills of buyers and focusing on the management of the various goods categories.

Over the last few years, Piaggio Group Management has started a process of common development with its suppliers by setting up a specific department called "Vendor Assessment" as well as assigning the "Finance" Function to define and monitor activities of possible risks areas involving financial and corporate issues, guaranteeing the complete independence between corporate areas involved in the procurement processes, as well as meeting the needs of all stakeholders.

Corporate Finance Area

The responsibility for activities relating to the monitoring of the financial and corporate reliability of Strategic Suppliers rests with the Corporate Finance Area.
In 2019, Group Supplier analysis and monitoring continued, as did the mapping of controlling partners/shareholders (identified as "Beneficial Owners") of strategic partners. Furthermore, on the subject of compliance, controls of any politically exposed persons and/or subjects included on anti-terrorist lists (or in any case on lists of possible offences that could harm the company's reputation) among Suppliers continued, in order to mitigate "reputation risk". All possible company variations that may affect perceived risk are presented to a Suppliers' Committee (comprising the Purchasing Manager, Managers of Production Development (2W, 3-4W), the Manager of Administration and Credit Management, as well as the Finance Manager and the Chief Financial Officer) during periodic meetings in order to identify corrective and performance improvement actions, whenever critical issues are identified.
In the last part of 2019, activities began to define a new company procedure to assess Suppliers, in terms of their being legal entities and members of groups, identifying possible risks in the control chain.
The Financial Assessment of Aprilia Racing Strategic Suppliers continued in 2019, along with an analysis of the financial and corporate reliability of the main Sponsor Companies of the Team, including the monitoring of possible reputation risk.

Vendor Assessment

The purpose of the Vendor Assessment department within the Piaggio Group is to forge a long-lasting, mutually satisfying relationship with a network of highly qualified partners. In addition to managing the Supplier Qualification Process, the function has the task of doing an evaluation of the purchasing performance through Vendor Rating Campaigns.
Supplier relations are defined by specific company processes comprising two fundamental stages: new supplier qualification and periodic supplier monitoring.
New supplier qualification is an inter-functional process based on specific standards that lead to a potential supplier being included in the Supplier List, for its chosen goods' category; after an initial documentary prequalification stage, a multidisciplinary, supplier qualification team is involved, with specific positions giving a technical, economic/financial and corporate rating on goods' categories.

Suppliers are periodically monitored through six-monthly assessment sessions, called "Vendor Rating Campaigns", during which supplies for the period in question are reviewed based on the quality of the business relationship, the technical-scientific cooperation, compliance with delivery schedules and the quality of the product supplied. This provides a reference framework for procurement strategies and actions concerning suppliers.
The process involves:
- Assignment of a Vendor Rating Index, which measures the performance of the vendor using a weighted average of the assessments made by corporate functions (for direct materials, the relevant functions are R&D, Quality, Manufacturing and Spare Parts);
- Assignment of a Criticality Rating that takes into account the Quality function's assessment, to decide whether a supplier is "critical" for the purposes of granting them new supply agreements.

At present, Criticality Ratings have been assigned to most Group suppliers of European production sites only. In terms of "spending", the indicator for 2019 covered 99% of purchases of direct materials and 50% of services and works provided. The evaluation process was also carried out in Vietnam and India.

Suppliers Portal

To ensure the effective and efficient management of supplier relationships, the Supplier Portal, based on the SRM-SAP system, is available in Italy, India and Vietnam.
The "SRM – Suppliers Portal" system is a computer tool to exchange information and documents on purchasing materials, components, equipment and services in real time between all company functions and suppliers, so as to guarantee the proper and transparent management of all purchasing process stages: purchase requests to purchase orders, price lists and supply programmes, incoming goods, invoices and information on payments.
In particular, the Portal ensures the achievement of the following objectives:
- greater collaboration with suppliers, through self-service, connectivity, document and information sharing tools;
- greater efficiency of purchasing processes, through the implementation of automated tools, and greater compliance with purchasing procedures;
- minimisation of manual activities;
- quality and accuracy of information;
- reducing business processes and communication times;
- low use of paper (including through the use of the digital signature);
- reducing invoicing anomalies, in particular for digital invoicing, which has been in force in Italy since 1/1/2019;
- visibility of the entire authorisation process, from purchase orders to orders.

Supporting local communities

FONDAZIONE PIAGGIO[31]

While 2018 was a ground-breaking year for the Piaggio Foundation, with the expansion of the Museum and launch of the ambitious programme of high-level cultural and scientific events, 2019 firmly established it as a leading cultural and scientific hub for an ever-growing area.

PIAGGIO MUSEUM

During the year, the Piaggio Museum continued its development process and further improved display facilities, with new furnishings and systems for the Vespa Room, enhancing the aesthetics and ease-of-use for visitors. New models of the Vespa, Ape, new mopeds and new motorcycles, all with considerable historical value and of great interest to fans, were added to the collections on show.
The Museum's appeal was highly appreciated by visitors the world over, who awarded it a Certificate of Excellence for the fourth year running on Tripadvisor, with it joining the Hall of Fame.
The number of visitors also went up, with figures at just under 80,000, up by 10% over 2018.

PIAGGIO HISTORICAL ARCHIVE

In 2019, as has been the case in recent years, the Piaggio Historical Archive contributed significantly to many of the activities of the Piaggio Foundation. It continued its valuable role in supporting research and in managing requests for meetings and consultations from scholars and researchers (with a significant increase in requests for advice regarding high-profile scientific research within the academic sector), as well as assisting with the Museum's teaching activities and the iconographic and documentary research for books and publications and for the preparation of exhibitions and internal and external events. Work on the Fuoriporta. Un viaggio alla scoperta del gusto e dello stile italiani (Taking a trip. Travels to discover the history of Italian flavours and style exhibition) (15 May-10 November 2019), in association with the long-standing cooking magazine "Cucina italiana" was particularly important. The Archive was valuable in work to check the Museum's information content, with the aim of revising the explanatory texts of the models (over 200 items) in general.
The Archive has also continued to grow and strengthen its partnership with the Piaggio internal offices, providing advice and information on historical matters and selecting and sending images, in particular for the execution of a number of licensing projects, beginning with the impressive file-based publication Vespa che passione! (A passion for Vespa!) 62 issues, edited by Centuaria: the Historical Archive managed the iconography research and historical supervision. It also contributed recently to the launch of Ciao. L'indimenticabile ciclomotore italiano ((Ciao. The great Italian scooter), an upcoming publication of 50 issues, edited by Centauria. Support was also provided for image searches to provide inspiration for the new Lifestyle collections.

CULTURAL PROJECT

The activities and events organised or promoted by the Piaggio Foundation during the year are part of a wider-ranging cultural project designed to convey the historical and current values of the Piaggio Group to visitors, and to transform the Museum into a scientific, artistic and cultural meeting place which can be visited again and again.

31 Information on the Fondazione Piaggio (Piaggio Foundation), which is not included in the scope of consolidation of the Group, refers to qualitative aspects useful for understanding its focus on the social fabric, even though this information is not included in the scope of consolidation of quantitative information of the NFS.

CHARITY ACTIVITIES AND SPONSORSHIPS

2019 saw the consolidation of the collaboration between the Piaggio Group and (RED) - an association founded in 2006 by Bono and Bobby Shriver - which has contributed US$360 million to the Global Fund for the fight against AIDS, Tuberculosis and Malaria. The aid provided by (RED) to the Global Fund had an impact on more than 70 million people through activities such as prevention, treatment, counselling, HIV testing and support services.
The partnership was expanded to include not only the Vespa 946 (RED), but the Vespa Primavera (RED) too, which will be available on the market from spring 2020. The Vespa 946 (RED) is sold in Europe, Asia, the Pacific Area and the United States. For each Vespa 946 (RED) sold, US$150 will be donated to the Global Fund and the fight against AIDS. A concrete and valuable contribution, thanks to which (RED) will be able to guarantee more than 500 days of medical care to save lives threatened by HIV and help prevent the transmission of the virus from HIV-infected mothers to their unborn children.
Charity events supporting partnerships were also organised in Europe, Asia and India. In Europe, and particularly in Paris, the window displays of MOTOPLEX stores were painted red in support of the (RED) project for World Aid's Day.
Piaggio Fast Forward, the Piaggio Group's robot company has announced its partnership with Red, presenting Gita[32] (RED), its first limited-edition capsule collection. For each Gita-Red sold, US$50 will be donated to the Global Fund.
The last stage in the MotoGP season, in Valencia, also supported the global fund. Aprilia motorbikes were decked out in red, with a special (RED) livery and all sponsors waived their visibility to support the cause.
In the US and Canada, Vespa (RED) products were the stars of the Shopathon charity marathon and were put on sale through Amazon.
Lastly, (RED) accompanied participants in the MOTO GUZZI Experience event held in Tunisia from 23 November to 2 December. Participants paid tribute to the cause, having their photograph taken on the Star Wars set, wearing the Vespa (RED) t-shirts.

During 2019, the Piaggio Group continued to support activities of the Vespa for Children project, a humanitarian charity initiative which, by involving the Group's companies, intends setting up charitable projects to promote social solidarity in the fields of health and social care for children in developing countries.
Piaggio Vietnam in particular has been very active in the support of local associations that deal with families in need and education for children.
The Indian subsidiary has also supported a number of local initiatives for non-profit organisations working in the fields of health and education.
In Italy, Piaggio took part, also under the aegis of the Vespa for Children project, in various events held in 2019 to help the community, donating vehicles for charity auctions and raising funds for the Italian Association for Cancer Research, AIRC, the International Organization for Migration (IOM) and the children's charity Fondazione Laureus.

The Group took part in some very important cultural events, such as the Mantova Literature Festival, not to mention other events organised by the Vespa World Club.
Lastly, for some years now, for the end of the year holidays, together with the entire Immsi Group, Piaggio Group fosters educational and rehabilitative activities for disabled children affected by brain damage by making a donation to the "Casa del Sole Onlus" association, in the name of all the employees of the Immsi and Piaggio groups. In forty years of activities, the non-profit making organisation Casa del Sole Onlus has assisted over five thousand children affected by brain damage and been a valuable source of help for their families.

The partnership between Moto Guzzi and Canottieri Moto Guzzi was renewed in 2019. During the Open House event at Mandello del Lario, last September, the Canottieri rowing team starred in the event, recounting its success stories from the Open House stage.

32 For a further description of the Gita, please see the section "The business model".

TABLE OF CORRESPONDENCE LEGISLATIVE DECREE NO. 254/2016 - MATERIAL TOPICS - GRI STANDARDS

TOPIC AS OF LEGISLATIVE DECREE NO. 254/2016	TOPIC	RISKS IDENTIFIED	POLICIES ADOPTED	TOPIC SPECIFIC STANDARD/DISCLOSURE	REFERENCE CHAPTER / PARAGRAPH	REPORTING PERIMETER	NOTES
ENVIRONMENT	Product innovation and sustainable mobility	Chapter The business model The risk related to an actual or presumed product defect due to inadequate quality/safety/technological levels and a potential recall action	Policy adopted to monitor technological leadership in the sector				
	Energy efficiency	Chapter Risk Management Paragraph Environment Risk of environmental damage attributable to the Group's responsibility, with a potential impact on the surrounding community	Environmental policy - The Environmental Dimension	GRI 302-1: Energy consumption within the organization	The Environmental Dimension - Energy consumption	Production sites and commercial companies	Data on the consumption of the Rome and Milan offices are not considered relevant.
				GRI 305-1: Direct greenhouse gas (GHG) emissions (Scope 1)	The Environmental Dimension - Emissions of CO_2 and other pollutants	Production sites	
				GRI 305-2: Energy indirect greenhouse gas (GHG) emissions (Scope 2)	The Environmental Dimension - Emissions of CO_2 and other pollutants	Production sites	Emissions of commercial offices are not indicated. Data on the emissions of the Rome and Milan offices are not considered relevant.
				GRI 305-7: NOX, SOX, and other significant air emissions	The Environmental Dimension - Emissions of CO_2 and other pollutants	Production sites	The indicator only considers VOC (volatile organic compounds) released by solvents used in painting.
	Waste handling	Chapter Risk Management Paragraph Environment Risk of environmental damage attributable to the Group's responsibility, with a potential impact on the surrounding community	Environmental policy - The Environmental Dimension	GRI 306-2: Total weight of waste by type and disposal method	The Environmental Dimension - Waste handling and recovery	Production sites	Waste production of commercial offices, research centres and the Rome and Milan offices is considered as not relevant, as it is equivalent to municipal waste.
				Gri 306-3: total number and volume of significant spills	The Environmental Dimension - Soil contamination	Production sites	The indicator is treated only from a qualitative point of view.

TOPIC AS OF LEGISLATIVE DECREE NO. 254/2016	TOPIC	RISKS IDENTIFIED	POLICIES ADOPTED	TOPIC SPECIFIC STANDARD/DISCLOSURE	REFERENCE CHAPTER / PARAGRAPH	REPORTING PERIMETER	NOTES
ENVIRONMENT	Conserving water resources	Chapter Risk Management Paragraph Environment Risk of environmental damage attributable to the Group's responsibility, with a potential impact on the surrounding community	Environmental policy - The Environmental Dimension	GRI 303-1: Total water withdrawal by source	The Environmental Dimension - Conserving water resources	The entire Group	Data on the use of the Rome and Milan offices are not considered relevant.
				GRI 303-2: Water sources significantly affected by withdrawal of water	The Environmental Dimension - Conserving water resources	Production sites	
				GRI 303-3: Percentage and total volume of water recycled and reused	The Environmental Dimension - Conserving water resources	Production sites	
				GRI 306-1: Water discharge by quality and destination	The Environmental Dimension - Conserving water resources	Production sites and commercial companies	
	Broad-ranging	Chapter Risk Management Paragraph Environment Risk of environmental damage attributable to the Group's responsibility, with a potential impact on the surrounding community	Environmental policy - The Environmental Dimension	GRI 307-1: Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Governance of sustainability - The system for responsible business management	The entire Group	
				- Total environmental protection expenditures and investments by type	The environmental dimension - Environmental spending and investments	Italy	

TOPIC AS OF LEGISLATIVE DECREE NO. 254/2016	TOPIC	RISKS IDENTIFIED	POLICIES ADOPTED	TOPIC SPECIFIC STANDARD/DISCLOSURE	REFERENCE CHAPTER / PARAGRAPH	REPORTING PERIMETER	NOTES
SOCIAL	Safety and reliability	Chapter Risk Management Paragraph Social The risk related to an actual or presumed product defect due to inadequate quality/ safety/technological levels and a potential recall action	Policy adopted to produce vehicles that guarantee a high level of active, passive and preventive safety. The adoption of this policy is demonstrated by the Group's commitment to maintaining certification of its quality management systems (ISO 9001/ ISO 16949).				
	Responsible management of the supply chain	Risk relative to management of the Group's supply chain: supplier breach, excess reliance on individual/critical suppliers, management of partnerships and alliances	Policy adopted to qualify and periodically evaluate suppliers based on technical/professional/ financial criteria in line with international standards	GRI 204-1: Proportion of spending on local suppliers at significant locations of operation	The social dimension - Responsible management of the supply chain	Production sites	The Group provides data on the purchases of its production sites relative to the purchase of goods and spare parts. Purchases of commercial companies and research centres are not considered, as they are residual and not relevant.
	Supporting local communities	Chapter Risk Management Paragraph Social	Policies adopted to establish roots in the area and increase value for the community. The Fondazione Piaggio is an example of the Group's focus on the community.	GRI 413-1: Operations with local community engagement	The social dimension - Supporting local communities	The entire Group	The Group provides information about charity activities promoted in the year, and initiatives taken by the Fondazione Piaggio and Museo Piaggio.
	Broad-ranging	Chapter Risk Management		GRI 419-1: Non compliance with laws and regulations in the social and economic area	Governance of sustainability - The system for responsible business management	The entire Group	Tax sanctions are not included.

TOPIC AS OF LEGISLATIVE DECREE NO. 254/2016	TOPIC	RISKS IDENTIFIED	POLICIES ADOPTED	TOPIC SPECIFIC STANDARD/DISCLOSURE	REFERENCE CHAPTER / PARAGRAPH	REPORTING PERIMETER	NOTES
EMPLOYEES	Developing human capital	Chapter Risk Management Paragraph on Personnel Risk arising from a lack of skills, professionalism and experience of company resources, the inadequate sizing of the structure and trade union tensions	Policies adopted to manage personnel (e.g. recruitment and internal mobility, development and careers, training, industrial relations, diversity and equal opportunities)	GRI 401-1: New employee hires and employee turnover	The Social Dimension - Staff	The entire Group	The Group reports the turnover rate by professional category and geographic segment.
				GRI 401-2: Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	The social dimension - Personnel management policies - Rewarding	The entire Group	
				GRI 401-3: Parental leave	The social dimension - Personnel management policies - Diversity and equal opportunities	Italy Vietnam EMEA & Americas	The Group reports on the retention rate.
				GRI 202-1: Ratios of standard entry level wage by gender compared to local minimum wage	The social dimension - Personnel management policies - Rewarding	The entire Group	The indicator is treated only from a qualitative point of view.
				GRI 202-2: Proportion of senior management hired from the local community	The social dimension - Personnel management policies - Diversity and equal opportunities	The entire Group	
				GRI 404-1: Average hours of training per year per employee by gender, and by employee category	The social dimension - Personnel management policies - Training	The entire Group	The average of the training hours is calculated only on the group total.

TOPIC AS OF LEGISLATIVE DECREE NO. 254/2016	TOPIC	RISKS IDENTIFIED	POLICIES ADOPTED	TOPIC SPECIFIC STANDARD/DISCLOSURE	REFERENCE CHAPTER / PARAGRAPH	REPORTING PERIMETER	NOTES
EMPLOYEES	Developing human capital	Chapter Risk Management Paragraph on Personnel Risk arising from a lack of skills, professionalism and experience of company resources, the inadequate sizing of the structure and trade union tensions	Policies adopted to manage personnel (e.g. recruitment and internal mobility, development and careers, training, industrial relations, diversity and equal opportunities)	GRI 404-2: Programs for upgrading employee skills and transition assistance programs	The social dimension - Personnel management policies - Development and careers	The entire Group	
				GRI 404-3: Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	The social dimension - Personnel management policies - Appraisal	The companies PFF, PADC and PCSM are excluded.	
				GRI 405-1: Diversity of governance bodies and employees	The social dimension - Personnel management policies - Diversity and equal opportunities	The entire Group	The Group reports employee data.
				GRI 405-2: Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	The social dimension - Personnel management policies - Diversity and equal opportunities	Italy, EMEA, Vietnam, India	
				GRI 402-1: Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	The social dimension - Industrial relations	Italy	
	Health and safety	Chapter Risk Management Paragraph on Personnel Risk of injuries/ accidents sustained by personnel of the Group's offices / sites	Occupational health and safety (OHSAS 18001)	GRI 403-2: Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	The social dimension - Occupational health and safety	Production sites	

TOPIC AS OF LEGISLATIVE DECREE NO. 254/2016	TOPIC	RISKS IDENTIFIED	POLICIES ADOPTED	TOPIC SPECIFIC STANDARD/DISCLOSURE	REFERENCE CHAPTER / PARAGRAPH	REPORTING PERIMETER	NOTES
RESPECTING HUMAN RIGHTS	Respecting human rights	Risk Management - Human rights Risk from unlawful activities carried out by employees	Code of Ethics, Policy to report violations of human rights	GRI 406-1 Incidents of discrimination and corrective actions taken	Governance of sustainability - The system for responsible business management	The entire Group	The indicator is treated only from a qualitative point of view.
FIGHTING AGAINST CORRUPTION	Fighting against corruption	Risk Management - Fighting against corruption Risk from unlawful activities carried out by employees	Code of Ethics	GRI 205-3: Confirmed incidents of corruption and actions taken	Governance of sustainability - The system for responsible business management	The entire Group	

REPORT OF THE INDEPENDENT AUDITORS ON THE CONSOLIDATED NON-FINANCIAL STATEMENT - LEGISLATIVE DECREE NO. 254 OF 30 DECEMBER 2016

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Independent auditor's report on the consolidated non-financial statement

pursuant to article 3, paragraph 10, of Legislative Decree No. 254/2016 and article 5 of CONSOB Regulation No. 20267 of January 2018

To the Board of Directors of Piaggio & C. SpA

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016 (the "Decree") and article 5 of CONSOB Regulation No. 20267/2018, we have performed a limited assurance engagement on the consolidated non-financial statement of Piaggio & C. SpA and its subsidiaries (hereafter the "Group" or "Piaggio Group") for the year ended 31 December 2019 prepared in accordance with article 4 of the Decree, presented in a specific section of the Annual report, and approved by the Board of Directors on 26 February 2020 (hereafter the "NFS").

Responsibility of Management and those charged with Governance for the NFS

The Directors are responsible for the preparation of the NFS in accordance with article 3 and 4 of the Decree and with the "GRI-Sustainability Reporting Standards" defined in 2016 (hereafter the "GRI Standards"), identified by them as the reporting standards.

The Directors are responsible, in accordance with the law, for the implementation of internal controls necessary to ensure that the NFS is free from material misstatement, whether due to fraud or unintentional errors.

Moreover, the Directors are responsible for identifying the content of the NFS, within the matters mentioned in article 3, paragraph 1, of the Decree, considering the activities and characteristics of the Group and to the extent necessary to ensure an understanding of the Group's activities, its performance, its results and related impacts.

Finally, the Directors are responsible for defining the business and organisational model of the Group and, with reference to the matters identified and reported in the NFS, for the policies adopted by the Group and for the identification and management of risks generated and/or faced by the Group.

The Board of Statutory Auditors is responsible for overseeing, in the terms prescribed by law, compliance with the Decree.

PricewaterhouseCoopers SpA

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Auditor's Independence and Quality Control

We are independent in accordance with the principles of ethics and independence set out in *the Code of Ethics for Professional Accountants* published by the *International Ethics Standards Board for Accountants*, which are based on the fundamental principles of integrity, objectivity, competence and professional diligence, confidentiality and professional behaviour. Our audit firm adopts *International Standard on Quality Control 1 (ISQC Italy 1)* and, accordingly, maintains an overall quality control system which includes processes and procedures for compliance with ethical and professional principles and with applicable laws and regulations.

Auditor's responsibilities

We are responsible for expressing a conclusion, on the basis of the work performed, regarding the compliance of the NFS with the Decree and with the GRI Standards. We conducted our engagement in accordance with "*International Standard on Assurance Engagements ISAE 3000* (Revised) – *Assurance Engagements Other than Audits or Reviews of Historical Financial Information"* (hereafter "ISAE 3000 Revised"), issued by the *International Auditing and Assurance Standards Board* (IAASB) for limited assurance engagements. The standard requires that we plan and apply procedures in order to obtain limited assurance that the NFS is free of material misstatement. The procedures performed in a limited assurance engagement are less in scope than those performed in a reasonable assurance engagement in accordance with ISAE 3000 Revised ("*reasonable assurance engagement*") and, therefore, do not provide us with a sufficient level of assurance that we have become aware of all significant facts and circumstances that might be identified in a reasonable assurance engagement.

The procedures performed on the NFS were based on our professional judgement and consisted in interviews, primarily with company personnel responsible for the preparation of the information presented in the NFS, analysis of documents, recalculations and other procedures designed to obtain evidence considered useful.

In particular, we performed the following procedures:

1. analysis of the relevant matters reported in the NFS relating to the activities and characteristics of the Group, in order to assess the reasonableness of the selection process used, in accordance with article 3 of the Decree and the with the reporting standards adopted;
2. analysis and assessment of the criteria used to identify the consolidation area, in order to assess their compliance with the Decree;
3. comparison of the financial information reported in the NFS with those reported in Piaggio Group's Consolidated Financial Statements;
4. understanding of the following matters:
   - business and organisational model of the Group, with reference to the management of the matters specified by article 3 of the Decree;
   - policies adopted by the Group with reference to the matters specified in article 3 of the Decree, actual results and related key performance indicators;
   - main risks, generated and/or faced by the Group, with reference to the matters specified in article 3 of the Decree.

   With reference to those matters, we compared the information obtained with the information presented in the NFS and carried out the procedures described under point 5 a) below;

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5. understanding of the processes underlying the preparation, collection and management of the significant qualitative and quantitative information included in the NFS. In particular, we held meetings and interviews with the management of Piaggio & C. S.p.A. and with the personnel of Piaggio Vietnam Co. Ltd and we performed limited analysis of documentary evidence, to gather information about the processes and procedures for the collection, consolidation, processing and submission of the non-financial information to the function responsible for the preparation of the NFS.

   Moreover, for material information, considering the activities and characteristics of the Group:

   - at parent company level,
     a) with reference to the qualitative information included in the NFS, and in particular to the business model, the policies adopted and the main risks, we carried out interviews and acquired supporting documentation to verify their consistency with available evidence;
     b) with reference to quantitative information, we performed analytical procedures as well as limited tests, in order to assess, on a sample basis, the accuracy of consolidation of the information.
   - for the plants of Noale and Scorzè (Piaggio & C. SpA and Aprilia Racing S.r.l.) and Vinh Phuc (Piaggio Vietnam Co. Ltd), which were selected on the basis of their activities, their contribution to the performance indicators at a consolidated level and their location we met local management and gathered supporting documentation regarding the correct application of the procedures and calculation methods used for the key performance indicators.

Conclusions

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of Piaggio Group as of 31 December 2019 has not been prepared, in all material respects, in compliance with articles 3 and 4 of the Decree and with the GRI Standards.

Florence, 24 March 2020

PricewaterhouseCoopers SpA

Signed by	*Signed by*
Francesco Forzoni (Partner)	Paolo Bersani (Authorised signatory)

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

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PIAGGIO GROUP

CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

CONSOLIDATED INCOME STATEMENT

		2019		2018	
		TOTAL	of which related parties	TOTAL	of which related parties
NOTES	IN THOUSANDS OF EUROS				
4	Net revenues	1,521,325	112	1,389,546	2,772
5	Cost for materials	(927,511)	(14,377)	(838,270)	(20,026)
6	Cost for services and leases and rentals	(239,086)	(2,227)	(222,974)	(3,817)
7	Employee costs	(228,323)		(218,224)	
8	Depreciation and impairment costs of property, plant and equipment	(42,735)		(40,982)	
8	Amortisation and impairment costs of intangible assets	(72,695)		(68,005)	
8	Depreciation of rights of use	(7,854)			
9	Other operating income	124,118	436	114,014	423
10	Net reversals (impairment) of trade and other receivables	(2,629)		(2,212)	
11	Other operating costs	(20,064)	(20)	(20,115)	(97)
	Operating income	**104,546**		**92,778**	
12	Income/(loss) from investments	1,030	919	482	474
13	Financial income	3,495	21	7,775	17
13	Borrowing costs	(28,193)	(207)	(33,378)	(82)
13	Net exchange gains/(losses)	(194)		193	
	Profit before tax	**80,684**		**67,850**	
14	Taxes for the period	(33,935)	6,121	(31,775)	3,808
	Profit from continuing operations	**46,749**		**36,075**	
	Assets held for sale:				
15	Profits or losses arising from assets held for sale				
	Net Profit (loss) for the period	**46,749**		**36,075**	
	Attributable to:				
	Owners of the Parent	**46,749**		**36,075**	
	Non-controlling interests	**0**		**0**	
16	**Earnings per share (figures in €)**	**0.131**		**0.101**	
16	**Diluted earnings per share (figures in €)**	**0.131**		**0.101**	

Note: The effects from adopting IFRS 16 are described in the section of the Notes "New accounting standards, amendments applicable from 1 January 2019".

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		2019	2018
NOTES	IN THOUSANDS OF EUROS		
	Net Profit (loss) for the period (A)	**46,749**	**36,075**
	Items that will not be reclassified in the income statement		
46	Remeasurements of defined benefit plans	(2,453)	(1,019)
	Total	**(2,453)**	**(1,019)**
	Items that may be reclassified in the income statement		
46	Profit (loss) deriving from the translation of financial statements of foreign companies denominated in foreign currency	(347)	(3,027)
46	Share of Other Comprehensive Income of subsidiaries/associates valued with the equity method	61	(88)
46	Total profits (losses) on cash flow hedges	85	206
	Total	**(201)**	**(2,909)**
	Other Comprehensive Income (B)[33]	**(2,654)**	**(3,928)**
	Total Profit (loss) for the period (A + B)	**44,095**	**32,147**
	Attributable to:		
	Owners of the Parent	**44,092**	**32,122**
	Non-controlling interests	**3**	**25**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		AS OF 31 DECEMBER 2019		AS OF 31 DECEMBER 2018	
		TOTAL	of which related parties	TOTAL	of which related parties
NOTES	IN THOUSANDS OF EUROS				
	ASSETS				
	ASSETS				
17	Intangible assets	676,183		658,888	
18	Property, plant and equipment	263,496		266,198	
19	Rights of use	36,486			
20	Investment Property	9,203		10,269	
39	Investments	8,910		7,934	
40	Other financial assets	3,512		6,029	
25	Long-term tax receivables	14,114		17,399	
21	Deferred tax assets	63,190		59,250	
23	Trade receivables				
24	Other receivables	13,638	81	16,625	94
	Total non-current assets	**1,088,732**		**1,042,592**	
29	**Assets held for sale**				
	Current assets				
23	Trade receivables	78,195	992	86,557	1,264
24	Other receivables	31,706	14,601	33,507	15,262
25	Short-term tax receivables	18,538		7,368	
22	Inventories	214,682		224,108	
40	Other financial assets	3,789		2,805	
41	Cash and cash equivalents	190,746		188,740	
	Total current assets	**537,656**		**543,085**	
	Total assets	**1,626,388**		**1,585,677**	

Note: The effects from adopting IFRS 16 are described in the section of the Notes "New accounting standards, amendments applicable from 1 January 2019".

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		AS OF 31 DECEMBER 2019		AS OF 31 DECEMBER 2018	
		TOTAL	of which related parties	TOTAL	of which related parties
NOTES	IN THOUSANDS OF EUROS				
	SHAREHOLDERS' EQUITY AND LIABILITIES				
	Shareholders' equity				
45	Share capital and reserves attributable to the owners of the Parent	384,015		392,163	
45	Share capital and reserves attributable to non-controlling interests	(208)		(211)	
	Total shareholders' equity	**383,807**		**391,952**	
	Non-current liabilities				
42	Financial liabilities falling due after one year	463,587		512,498	
42	Financial liabilities for rights of use	19,996	4,579		
30	Trade payables				
31	Other long-term provisions	12,116		9,504	
32	Deferred tax liabilities	7,762		2,806	
33	Retirement funds and employee benefits	38,997		41,306	
34	Tax payables				
35	Other long-term payables	6,437		5,939	
	Total non-current liabilities	**548,895**		**572,053**	
	Current liabilities				
42	Financial liabilities falling due within one year	135,033		113,502	
42	Financial liabilities for rights of use	8,408	1,553		
30	Trade payables	478,688	5,701	432,722	8,402
34	Tax payables	14,934		14,635	
35	Other short-term payables	42,171	23	48,220	6,725
31	Current portion of other long-term provisions	14,452		12,593	
	Total current liabilities	**693,686**		**621,672**	
	Total Shareholders' Equity and Liabilities	**1,626,388**		**1,585,677**	

Note: The effects from adopting IFRS 16 are described in the section of the Notes "New accounting standards, amendments applicable from 1 January 2019".

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.

		2019		2018	
		TOTAL	of which related parties	TOTAL	of which related parties
NOTES	IN THOUSANDS OF EUROS				
	OPERATING ACTIVITIES				
	Net Profit (loss) for the period	46,749		36,075	
14	Taxes for the period	33,935		31,775	
8	Depreciation of property, plant and equipment	40,441		40,360	
8	Amortisation of intangible assets	70,356		65,574	
8	Depreciation of rights of use	7,854		0	
	Provisions for risks and retirement funds and employee benefits	21,278		18,540	
	Write-downs / (Reinstatements)	8,210		6,503	
	Losses / (Gains) on the disposal of property, plants and equipment	(3)		137	
13	Financial income	(3,495)		(7,775)	
12	Dividend income	(111)		(8)	
13	Borrowing costs	28,193		33,378	
	Income from public grants	(5,194)		(4,565)	
	Portion of earnings of associates	(919)		(474)	
	Change in working capital:				
23	(Increase)/Decrease in trade receivables	5,997	272	(4,388)	810
24	(Increase)/Decrease in other receivables	(2,902)	674	(11,429)	(5,212)
22	(Increase)/Decrease in inventories	9,426		(5,486)	
30	Increase/(Decrease) in trade payables	45,966	(2,701)	20,947	(973)
35	Increase/(Decrease) in other payables	(5,551)	(6,702)	2,114	(1,150)
31	Increase/(Decrease) in provisions for risks	(8,743)		(7,812)	
33	Increase/(Decrease) in retirement funds and employee benefits	(13,508)		(12,126)	
	Other changes	5,920		4,851	
	Cash generated from operating activities	**283,899**		**206,191**	
	Interest paid	(35,103)		(31,168)	
	Taxes paid	(33,126)		(26,974)	
	Cash flow from operating activities (A)	**215,670**		**148,049**	
	INVESTMENT ACTIVITIES				
18	Investment in property, plant and equipment	(50,992)		(37,148)	
	Sale price, or repayment value, of property, plant and equipment	179		860	
17	Investment in intangible assets	(89,880)		(78,130)	
	Sale price, or repayment value, of intangible assets	66		72	
	Public grants collected	2,697		2,845	
	Purchase of financial assets	0		(1)	
	Dividends cashed	111		8	
	Collected interests	3,285		510	
	CASH FLOW FROM INVESTMENT ACTIVITIES (B)	**(134,534)**		**(110,984)**	
	FINANCING ACTIVITIES				
45	Purchase of treasury shares	(212)		(1,537)	
45	Outflow for dividends paid	(51,805)		(19,698)	
42	Loans received	63,081		166,148	
42	Outflow for repayment of loans	(82,217)		(120,343)	
42	Lease payments for rights of use	(8,557)		(1,145)	
	CASH FLOW FROM FINANCING ACTIVITIES (C)	**(79,710)**		**23,425**	
	Increase / (Decrease) in cash and cash equivalents (A+B+C)	1,426		60,490	
	OPENING BALANCE	**188,386**		**127,894**	
	Exchange differences	916		2	
	CLOSING BALANCE	**190,728**		**188,386**	

CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

Movements from 1 January 2019 / 31 December 2019

NOTES	IN THOUSANDS OF EUROS	SHARE CAPITAL	SHARE PREMIUM RESERVE	LEGAL RESERVE	RESERVE FOR MEASUREMENT OF FINANCIAL INSTRUMENTS	IAS TRANSITION RESERVE	GROUP TRANSLATION RESERVE	TREASURY SHARES	EARNINGS RESERVE	GROUP CONSOLIDATED SHAREHOLDERS' EQUITY	SHARE CAPITAL AND RESERVES ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	TOTAL SHAREHOLDERS' EQUITY
	As of 1 January 2019	**207,614**	**7,171**	**20,125**	**(114)**	**(15,525)**	**(27,607)**	**(1,537)**	**202,036**	**392,163**	**(211)**	**391,952**
	Profit for the period								46,749	46,749		46,749
46	Other Comprehensive Income				85		(289)		(2,453)	(2,657)	3	(2,654)
	Total profit (loss) for the period	**0**	**0**	**0**	**85**	**0**	**(289)**	**0**	**44,296**	**44,092**	**3**	**44,095**
	Transactions with shareholders:											
45	Allocation of profits			1,779					(1,779)	0		0
45	Distribution of dividends								(32,155)	(32,155)		(32,155)
45	Purchase of treasury shares							(212)		(212)		(212)
45	2019 interim dividend								(19,650)	(19,650)		(19,650)
45	Other movements								(223)	(223)		(223)
	As of 31 December 2019	**207,614**	**7,171**	**21,904**	**(29)**	**(15,525)**	**(27,896)**	**(1,749)**	**192,525**	**384,015**	**(208)**	**383,807**

Movements from 1 January 2018 / 31 December 2018

NOTES	IN THOUSANDS OF EUROS	SHARE CAPITAL	SHARE PREMIUM RESERVE	LEGAL RESERVE	RESERVE FOR MEASUREMENT OF FINANCIAL INSTRUMENTS	IAS TRANSITION RESERVE	GROUP TRANSLATION RESERVE	TREASURY SHARES	EARNINGS RESERVE	GROUP CONSOLIDATED SHAREHOLDERS' EQUITY	SHARE CAPITAL AND RESERVES ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	TOTAL SHAREHOLDERS' EQUITY
	As of 1 January 2018	**207,614**	**7,171**	**19,095**	**(320)**	**(11,505)**	**(24,467)**	**0**	**187,708**	**385,296**	**(236)**	**385,060**
	Profit for the period								36,075	36,075		36,075
46	Other Comprehensive Income				206		(3,140)		(1,019)	(3,953)	25	(3,928)
	Total profit (loss) for the period	**0**	**0**	**0**	**206**	**0**	**(3,140)**	**0**	**35,056**	**32,122**	**25**	**32,147**
	Transactions with shareholders:											
45	Allocation of profits			1,030					(1,030)	0		0
45	Distribution of dividends								(19,698)	(19,698)		(19,698)
45	Adoption of IFRS 9					(4,020)				(4,020)		(4,020)
45	Purchase of treasury shares							(1,537)		(1,537)		(1,537)
	As of 31 December 2018	**207,614**	**7,171**	**20,125**	**(114)**	**(15,525)**	**(27,607)**	**(1,537)**	**202,036**	**392,163**	**(211)**	**391,952**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

A) GENERAL ASPECTS

Piaggio & C. S.p.A. (the Company) is a joint-stock company established in Italy at the Register of Companies of Pisa. The address of the registered office is Viale Rinaldo Piaggio 25 - Pontedera (Pisa). The main activities of the company and its subsidiaries are set out in the Report on Operations.
These Financial Statements are expressed in euros (€) since this is the currency in which most of the Group's transactions take place. Foreign operations are included in the consolidated financial statements according to the standards indicated in the notes below.

Scope of consolidation

As of 31 December 2019, the structure of the Piaggio Group was as indicated in the Report on Operations and is the structure referred to herein.
The scope of consolidation has changed compared to the Consolidated Financial Statements as of 31 December 2018 due to the liquidation of the company Piaggio Group Canada on 25 October 2019.

Compliance with international accounting standards

These Consolidated Financial Statements of the Piaggio Group as of 31 December 2019 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 of 27/7/06 containing "Provisions for the presentation of financial statements", Consob Resolution no. 15520 of 27/7/06 containing "Changes and additions to the Regulation on Issuers adopted by Resolution no. 11971/99", Consob communication no. 6064293 of 28/7/06 containing "Corporate reporting required in accordance with Article 114, paragraph 5 of Legislative Decree 58/98). The interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously the Standing Interpretations Committee ("SIC"), were also taken into account.
Moreover, international accounting standards have been uniformly adopted for all Group companies.
The financial statements of subsidiaries, used for consolidation and those of the joint venture consolidated using the equity method, have been appropriately modified and reclassified, where necessary, to bring them in line with the international accounting standards and classification criteria used by the Group on a consistent basis.

The Financial Statements have been prepared on a historical cost basis, amended as required for the measurement of investment property and some financial instruments, and on a going-concern basis. The Group did not identify any significant uncertainties (as of paragraph 25 of IAS 1) about its operations as a going concern, also in view of actions already established to meet changed levels of demand, and the Group's industrial and financial flexibility.
These Consolidated Financial Statements were audited by PricewaterhouseCoopers S.p.A..

Other information

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

1. FORM AND CONTENT OF THE FINANCIAL STATEMENTS

Form of the consolidated financial statements

The Group has chosen to highlight all changes generated by transactions with non-shareholders within two statements reporting trends of the period, respectively named the "Consolidated Income Statement" and "Consolidated Statement of Comprehensive Income". The Financial Statements are therefore composed of the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flows and the Consolidated Statement of Changes in Consolidated Shareholders' Equity, and these notes.

Consolidated Income Statement

The Consolidated Income Statement is presented with the items classified by nature. The overall Operating Income is shown, which includes all income and cost items, irrespective of their repetition or fact of falling outside normal operations, except for the items of financial operations included under Operating Income and Profit before tax. In addition, the income and cost items arising from assets that are held for sale or to be discontinued, including any capital gains or losses net of the tax element, are recorded in a specific item preceding profit attributable to the owners of the parent and to non-controlling interests.

Consolidated Statement of Comprehensive Income

The Consolidated Statement of Comprehensive Income is presented in accordance with the provisions of IAS 1 amended. Items presented in "Other comprehensive income (expense)" are grouped based on whether they are potentially reclassifiable to profit or loss.

Consolidated Statement of Financial Position

The Consolidated Statement of Financial Position is presented in opposite sections with separate indication of assets, liabilities and shareholders' equity.
In turn, assets and liabilities are reported in the Consolidated Financial Statements on the basis of their classification as current and non-current.

Consolidated Statement of Cash Flows

The Consolidated Statement of Cash Flows is divided into cash-flow generating areas. The Statement of Cash Flows model adopted by the Piaggio Group has been prepared using the indirect method. The cash and cash equivalents recorded in the Consolidated Statement of Cash Flows include the Consolidated Statement of Financial Position balances for this item at the reporting date. Cash flows in foreign currency have been converted at the average exchange rate for the period. Income and costs related to interest, dividends received and income taxes are included in the cash flow generated from operations.

Statement of Changes in Consolidated Shareholders' Equity

The Statement of Changes in Consolidated Shareholders' Equity is presented as provided for in IAS 1 revised.
It includes the total statement of comprehensive income while separately reporting the amounts attributable to owners of the Parent company as well as the quota pertaining to non-controlling interests, the amounts of operations with shareholders acting in this capacity and potential effects of retrospective application or of the retroactive calculation pursuant to IAS 8. Reconciliation between the opening and closing balance of each item for the period is presented.

Contents of the Consolidated Financial Statements

The Consolidated Financial Statements of the Group Piaggio & C. include the Financial Statements of the Parent Company Piaggio & C. S.p.A. and Italian and foreign companies in which it has direct or indirect control, which are listed in the attachments.

As of 31 December 2019 subsidiaries and associates of Piaggio & C. S.p.A. were as follows:

COMPANIES:	SUBSIDIARIES			ASSOCIATES			TOTAL
	ITALY	ABROAD	TOTAL	ITALY	ABROAD	TOTAL	
- consolidated on a line-by-line basis	2	20	22				22
- consolidated with the equity method				2	3	5	5
Total companies	**2**	**20**	**22**	**2**	**3**	**5**	**27**

2. CONSOLIDATION PRINCIPLES AND EVALUATION CRITERIA

2.1 Principles of consolidation

Assets and liabilities, and income and costs, of consolidated companies are recognised on a global integration basis, eliminating the carrying amount of consolidated investments in relation to the relative shareholders' equity at the time of purchase or underwriting. The carrying amount of investments has been eliminated against the shareholders' equity of subsidiaries/associates, assigning to non-controlling interests under specific items the relative portion of shareholders' equity and relative net profit due for the period, in the case of subsidiaries consolidated on a line-by-line basis.

Subsidiaries

Subsidiaries are companies in which the Group exercises control. This control exists when the Group is exposed, or is entitled to receive variable returns from its involvement in the company and has the capacity to influence such variable returns through its power over the controlled company. The acquisition of subsidiaries is recognised according to the acquisition method. The cost of acquisition is determined by the sum of present values at the date control of the given assets was obtained, liabilities borne or undertaken and financial instruments issued by the Group in exchange for control of the acquired company.
In the case of acquisitions of companies, acquired and identifiable assets, liabilities and potential liabilities are recognised at the present value at the date of acquisition. The positive difference between the acquisition cost and the share of the Group at the fair value of said assets and liabilities is classified as goodwill and recognised in the financial statements as an intangible asset. Any negative difference ("negative goodwill") is recognised instead in profit or loss at the date of acquisition.
The financial statements of subsidiaries are included in the Consolidated Financial Statements starting from the date when control is acquired until control ceases.
The portions of shareholders' equity and income attributable to non-controlling interests are separately indicated in the Consolidated Statement of Financial Position and Consolidated Income Statement respectively.

Associates and joint arrangements

Associates are companies in which the Group has considerable influence but not control of financial and operational policies.
The Group adopts IFRS 11 for all joint arrangements. According to IFRS 11, investments in joint arrangements are classified as joint operations or joint ventures depending on the contractual obligations and rights of each investor. The Group has classified the only joint arrangement agreement in place as being a joint venture.
In adopting the equity method, the investment in an associate or joint venture is initially recognised at cost and the carrying amount is increased or decreased to recognise the portion attributable to the Group of profit or loss of the investee realised after the date of acquisition. The portion of profit (loss) for the period of the investee attributable to the Group is recognised separately in consolidated profit or loss. Dividends received from an investee reduce the carrying amount of the investment. Adjustments to the carrying amount of the investment are also due to changes in items of other comprehensive income of the investee (e.g. changes arising from translation differences of items in foreign currency). The portion of these changes, attributable to the Group, is recognised under other components of consolidated comprehensive income. If the portion of losses of an entity in an associate or joint venture is equal to or exceeds its interest in the associate or joint venture, the Group discontinues recognising its share of further losses. After the interest is reduced to zero, additional losses are recognised by a provision (liability) only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate, or joint venture. If the associate or joint venture subsequently reports profits, the Group resumes recognising its portion of those profits only after its portion of the profits equals the share of losses not recognised. Profit and losses arising from "upwards" or "downwards" transactions between a Group and an associate or joint venture are recognised in the consolidated

financial statements only as regards the portion attributable to minority interest in the associate or joint venture. The portion of profit or loss of the associate or joint venture arising from these transactions, attributable to the Group, is eliminated in the consolidated income statement under "Income/(loss) from investments", with a counter entry of the asset's value, in "upwards" transactions, and of the value of the investment, in "downwards transactions".

Transactions eliminated during the consolidation process

In preparing the Consolidated Financial Statements, all balances and significant transactions between Group companies have been eliminated, as well as unrealised profits and losses arising from intergroup transactions. Unrealised profits and losses generated from transactions with associates or jointly controlled companies are eliminated based on the value of the investment of the Group in the companies.

Transactions in foreign currency

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.

Consolidation of foreign companies

The separate financial statements of each company belonging to the Group are prepared in the currency of the primary economic environment in which they operate (the functional currency). For the purposes of the Consolidated Financial Statements, the financial statements of each foreign entity are in euro, which is the functional currency of the Group and the presentation currency of the Consolidated Financial Statements.
All assets and liabilities of foreign companies in a currency other than the euro which come under the scope of consolidation are translated, using exchange rates in effect at the reporting date (currency exchange rates method). Income and costs are translated at the average exchange rate of the period. Translation differences arising from the application of this method, as well as translation differences arising from a comparison of initial shareholders' equity translated at current exchange rates and the same equity translated at historical rates, are recognised in the statement of comprehensive income and allocated to a specific reserve in shareholders' equity until disposal of the investment. Average exchange rates for translating the cash flows of foreign subsidiaries are used in preparing the Consolidated Statement of Cash Flows.
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 31 DECEMBER 2019	AVERAGE EXCHANGE RATE 2019	SPOT EXCHANGE RATE 31 DECEMBER 2018	AVERAGE EXCHANGE RATE 2018
US Dollar	1.1234	1.11947	1.1450	1.18095
Pounds Sterling	0.85080	0.877771	0.89453	0.884706
Indian Rupee	80.1870	78.83614	79.7298	80.73324
Singapore Dollars	1.5111	1.52728	1.5591	1.59261
Chinese Yuan	7.8205	7.73549	7.8751	7.80808
Croatian Kuna	7.4395	7.41796	7.4125	7.41816
Japanese Yen	121.94	122.00576	125.85	130.39588
Vietnamese Dong	25,746.15	25,793.13707	26,230.56	26,984.72276
Canadian Dollars	1.4598	1.48548	1.5605	1.52936
Indonesian Rupiah	15,573.69	15,840.81508	16,565.86	16,802.30086
Brazilian Real	4.5157	4.41343	4.4440	4.30849

2.2 Accounting policies

The most significant accounting policies adopted to prepare the Consolidated Financial Statements as of 31 December 2019 are outlined below.

Intangible assets

As provided for in IAS 38 - Intangible Assets, an intangible asset which is purchased or internally generated, is recognised as an asset only if it is identifiable, controllable and future economic benefits are expected and its cost may be measured reliably.

Intangible assets with a definite useful life are measured at acquisition cost or production cost net of amortisation and accumulated impairment losses. Borrowing costs related to the acquisition, construction or production of certain assets that require a significant period of time before they are ready for use or sale (qualifying assets), are capitalised along with the asset.
Amortisation is referred to the expected useful life and commences when the asset is available for use.

Goodwill

In the case of acquisitions of companies, acquired and identifiable assets, liabilities and potential liabilities are recognised at the present value at the date of acquisition. The positive difference between the acquisition cost and the share of the Group at the fair value of said assets and liabilities is classified as goodwill and recognised in the financial statements as an intangible asset. Any negative difference ("negative goodwill") is recognised instead in profit or loss at the date of acquisition.
Goodwill is not amortised but tested annually for impairment, or more frequently if specific events or changed circumstances indicate that an asset may be impaired, as provided for in IAS 36 - Impairment of Assets.
After initial recognition, goodwill is recognised at cost net of any accumulated impairment losses.
At the disposal of part of or an entire company previously acquired from whose acquisition goodwill arose, the corresponding residual value of goodwill is considered when measuring the capital gain or loss of the disposal.

Development costs

Development costs of projects for the manufacture of vehicles and engines are recognised as assets only if all of the following conditions are met: the costs can be reliably measured and the technical feasibility of the product, the volumes and expected prices indicate that costs incurred during development will generate future economic benefits. Capitalised development costs include only costs incurred that may be directly attributed to the development process. Capitalised development costs are amortised on a systematic criterion basis, starting from the beginning of production through the estimated life of the product.
All other development costs are recognised in profit or loss when they are incurred.

Other intangible assets

As provided for in IAS 38 – Intangible Assets, other intangible assets which are purchased or internally generated are recognised as assets if it is probable that use of the asset will generate future economic benefits and the cost of the asset can be reliably measured.
These assets are recognised at acquisition or production cost and are amortised on a straight line basis over their estimated useful life, if they have a definite useful life.
Other intangible assets recognised following the acquisition of a company are accounted for separately from goodwill, if their fair value may be reliably measured.
The amortisation period for an intangible asset with a useful life is revised at least at the end of each reporting period. If the expected useful life of the asset differs from estimates previously made, the amortisation period is changed accordingly.
The amortisation periods of intangible assets are shown below:

Development costs	3-5 years
Industrial Patent and Intellectual Property Rights	3-5 years
Other	5 years
Trademarks	15 years
Licences	10 years

Property, plant and equipment

The Piaggio Group has decided to adopt the cost method on first-time application of the IAS/IFRS, as allowed by IFRS 1. For the measurement of property, plant and equipment, therefore, the preference was not to use the fair value method. Property, plant and equipment were booked at the purchase or production cost and were not revalued. Borrowing costs related to the acquisition, construction or production of certain assets that require a significant period of time before they are ready for use or sale (qualifying assets), are capitalised along with the asset.
Costs incurred after acquisition are capitalised only if they increase the future economic benefits of the asset they refer to. All other costs are recognised in profit or loss when they are incurred. Property, plant and equipment under construction are measured at cost and depreciated starting from the period in which they are put into operation.

Depreciation is determined, on a straight line basis, on the cost of the assets net of their relative residual values, based on their estimated useful life.
The depreciation periods of Plant, property and equipment are summarised below:

Land	Land is not depreciated
Buildings	33-60 years
Plant and machinery	5 -15 years
Equipment	4-20 years
Other assets	3-10 years

Profits and losses arising from the sale or disposal of assets are measured as the difference between the sale revenue and net carrying amount of the asset and are recognised in profit or loss for the period.

Lease agreements as lessor

Lease agreements for property, plant and machinery entered into as lessor require the recognition of an asset representing the right of use of the leased asset, and a financial liability for the obligation to undertake contract payments. In particular, the lease liability is initially recognised as being equal to the present value of future payments to make, adopting a discount rate equal to the implicit interest rate of the lease, of if this cannot easily be determined, by using the incremental financing rate of the lessor. After initial recognition, the lease liability is recognised at amortised cost using the effective interest rate and is redetermined following contract renegotiation, changes in rates, or changes in the recognition of any contract options.
The right of use is initially recorded at cost and then adjusted to take into account recognised depreciation charges, any impairment losses and effects related to any redetermination of lease liabilities.
The Group has opted for some simplifications, allowed by the Standard, excluding agreements of less than 12 months (short term, calculated on the residual duration, on first-time adoption), and of a value below 5 thousand euros (low value).
The Group has its own production plants even in countries where ownership rights are not allowed. Rental paid in advance, to obtain the availability of land where own production sites are located, is recognised as a right of use.

Impairment

At the end of the reporting period, the Group reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that these assets may be impaired (impairment test). If there is an indication that an asset may be impaired, the asset's recoverable amount is estimated to determine the amount of the write-down. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the asset's cash generating unit.
The recoverable amount is the higher of an asset's fair value less costs to sell (if available) and its value in use. In measuring the value in use, estimated future cash flows are discounted at their fair value, using a rate which reflects current market changes in the fair value of money and specific risks of the asset.
If the recoverable amount of an asset (or of a cash generating unit) is estimated to be lower than the relative carrying amount, the carrying amount of the asset is reduced to the lower recoverable value. An impairment loss is immediately recognised in profit or loss, unless the asset concerns land or property other than investment property recognised at revalued values. In said case, the loss is recorded in the relative revaluation reserve.
When the conditions that gave rise to an impairment loss no longer exist, the carrying amount of the asset (or of a cash generating unit), except for goodwill, is increased to the new value arising from an estimate of its recoverable amount, up to the net carrying amount applicable to the asset if no impairment loss had been recognised. The reversal of the impairment loss is immediately recognised in profit or loss.
An intangible asset with an indefinite useful life is tested annually for impairment, or more frequently if there is an indication that an asset may be impaired.

Investment Property

As permitted by IAS 40, non instrumental property and buildings held for rental and/or asset appreciation purposes are measured at fair value. Investment properties are eliminated from the financial statements when they are disposed of or when they may not be used over time and future economic benefits from their sales are not expected.

Transactions with affiliates and related parties

Transactions with affiliates and related parties are indicated in specific sections of the Report on Operations and Notes, referred to herein.

Non-current assets held for sale

Non-current assets (or disposal groups) that are classified as held for sale are measured at the lower of the carrying amount and fair value less costs to sell.
Non-current assets (and disposal groups) are classified as held for sale when it is expected that their carrying amount will be recovered through a sale rather than through their use in company operations. This condition is only met when the sale is highly probable, the asset (or disposal group) is available for immediate sale and management is committed to a plan to sell, which should take place within 12 months from the date in which this item was classified as held for sale.

Financial assets

IFRS 9 adopts a single approach to analysing and classifying all financial assets, including those containing embedded derivatives. Classification and measurement consider the business model of the financial asset and the contractual characteristics of cash flows that may be obtained from the asset. Depending on the characteristics of the instrument and business model adopted, the following three categories are determined:
(i) financial assets measured at amortised cost; (ii) financial assets measured at fair value, with the effects recognised in other comprehensive income (OCI); (iii) financial assets measured at fair value, with the effects recognised in profit or loss.

The financial asset is measured at amortised cost if both the following conditions are met:
- the business model holds the financial asset only to collect the relative cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that only represent the return on the financial asset.

According to the amortised cost method, the value of initial recognition is subsequently adjusted to take into account repayments of principal, any impairment and amortisation of the difference between the repayment value and value of initial recognition.
Amortisation is based on the internal effective interest rate that represents the rate which, at the time of initial recognition, makes the present value of expected cash flows equal to the value of initial recognition.
Receivables and other financial assets measured at amortised cost are presented in the statement of financial position net of the relative provision for write-downs.
Financial assets representing debt instruments whose business model covers the possibility of collecting contractual cash flows and realising capital gains from sale (the hold to collect and sell business model), are measured at fair value, recognising the effects in OCI.
In this case, changes in fair value of the instrument are recognised as shareholders' equity in OCI. The total of changes in fair value, recognised in a shareholders' equity reserve that includes OCI, is reversed to profit or loss when the instrument is deleted from the accounts. Interest expense is recognised in profit or loss using the effective interest rate, exchange differences and write-downs.
A financial asset representing a debt instrument that has not been measured at amortised cost or at fair value through other comprehensive income is measured at fair value with the effects recognised in profit or loss.

Inventories

Inventories are recognised as the lower of the purchase or production cost, determined by assigning to products the costs directly incurred in addition to the portion of indirect costs reasonably attributable to the performance of production activities in normal production capacity conditions and the market value at the end of the reporting period. The purchase or production cost is determined based on the weighted average cost method.
As regards raw materials and work in progress, the market value is represented by the estimated net realisable value of corresponding finished products minus completion costs. As regards finished products, the market value is represented by the estimated net realisable value (price lists minus the costs to sell and distribution costs).
The lower measurement based on market trends is eliminated in subsequent years, if the trends no longer exist.
Obsolete, slow moving and/or excess inventories are impaired in relation to their possible use or future realisation, in a provision for the write-down of inventories.

Receivables

Trade receivables and other receivables are initially recognised at fair value and subsequently recognised based on the amortised cost method, net of the provisions for write-downs.
IFRS 9 establishes a new model for the impairment/write-down of these assets, with the aim of providing useful information for financial statement users on relative expected losses. According to this model, the Group measures receivables on an expected loss basis, replacing the provisions in IAS 39 which typically measure receivables on an incurred loss basis. For trade receivables, the Group adopts a simplified approach which does not require the recognition of periodic changes in credit risk, but instead the recognition of an expected credit loss (ECL) calculated over the ECL lifetime. In particular, the policy adopted by the Group involves the stratification of trade receivables in categories based on past due days, defining the allocation based on the historical experience of credit losses, adjusted to take into account specific forecasts referred to creditors and the economic environment.
Trade receivables are wholly written down in the absence of a reasonable expectation of their recovery, or in the case of inactive counterparties.
The carrying amount of the asset is reduced through the use of a provision for write-downs and the amount of the loss is recognised in the income statement.
When payment of amounts due exceeds standard terms of payment granted to clients, the receivable is discounted.

Factoring

The Group sells a significant part of its trade receivables through factoring and in particular, sells trade receivables without recourse. Following these sales with the total and unconditional transfer to the transferee of the risks and benefits transferred, the receivables are eliminated from the financial statements.
In the case of transfers in which the risks and benefits are not transferred, the relative receivables remain in the statement of financial position until the transferred sum has been paid. In this case any advance payments collected by the factor are recognised under payables as amounts due to other lenders.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, current bank accounts, deposits payable on demand and other high liquidity short term financial investments, which are readily convertible into cash and not affected by any major risk of a change in value. This item does not include bank overdrafts payable on demand.

Treasury shares

Treasury shares are recognised as a reduction of shareholders' equity. The original cost of treasury shares and revenues arising from subsequent sales are recognised as movements of shareholders' equity.

Financial liabilities

Financial liabilities include financial payables, including amounts payable for advances on the sale of receivables, as well as other financial liabilities, including financial derivatives and liabilities for assets recognised regarding finance lease agreements.
Pursuant to IFRS 9, they include trade and other payables.
Financial liabilities are recognised at fair value net of additional transaction costs. After initial recognition, loans are measured at amortised cost, calculated using the effective interest rate. With the introduction of IFRS 9, in the event of the renegotiation of a financial liability that does not qualify as "extinction of the original debt", the difference between i) the book value of the pre-change liability and ii) the present value of the cash flows of the revised debt, discounted at the original rate (IRR), is accounted for in the income statement.
Financial liabilities hedged by derivatives are recognised at present value, according to procedures established for

hedge accounting: gains and losses arising from subsequent measurements at present value are recognised in profit or loss and are offset by the effective portion of the loss and again arising from subsequent measurements at present value of the hedging instrument. On initial recognition, a liability may be designated at fair value recognised in profit or loss when this eliminates or considerably reduces a lack of uniformity in the measurement or recognition (sometimes defined as "asymmetric accounting") that would otherwise arise from the measurement of an asset or liability or recognition of relative profit and loss on different bases. This fair value designation is exclusively applied to some financial liabilities in currency subject to exchange risk hedging.

Derivatives and measurement of hedging transactions

Group assets are primarily exposed to financial risks from changes in exchange and interest rates. The Group uses derivatives to hedge risks arising from changes in foreign currency and interest rates in particular irrevocable commitments and planned future transactions. The use of these instruments is regulated by written procedures on the use of derivatives, in line with risk management policies of the Group. As permitted by IFRS 9, the Group has opted to continue to adopt the provisions on hedge accounting in IAS 39, rather than in IFRS 9.
Derivatives are initially recognised at fair value, represented by the initial amount and aligned with the fair value at subsequent ends of reporting periods. Financial derivatives are used solely for hedging purposes, in order to reduce exchange risk, interest rate risk and the risk of changes in the market price. In line with IAS 39, financial derivatives may qualify for hedge accounting, only when the hedging instrument is formally designated and documented, is expected to be highly effective and this effectiveness can be reliably measured and is highly effective throughout the reporting periods for which it is designated. When financial instruments may be measured by hedge accounting, the following accounting treatment is adopted:

- Fair value hedge: if a financial derivative is designated as a hedge of the exposure to changes in present value of a recognised asset or liability, attributable to a particular risk and could affect profit or loss, the gain or loss from the subsequent change in present value of the hedging instrument is recognised in profit or loss. The gain or loss on the hedged item, attributable to the hedged risk, changes the carrying amount of the hedged item and is recognised in profit or loss;
- Cash flow hedge: if an instrument is designated as a hedge of the exposure to variability in cash flows of a recognised asset or liability or of a highly probable forecast transaction which could affect profit or loss, the effective portion of the gain or loss on the financial instrument is recognised in the Statement of Comprehensive Income. Accumulated gain or loss is reversed from the Statement of Comprehensive Income and recognised in profit or loss in the same period as the hedging transaction. The gain or loss associated with hedging or the part of hedging which is ineffective, is immediately recognised in profit or loss. If the hedging instrument or hedging ceases, but the transaction covered by hedging is not yet realised, profits and losses, recognised in equity, are instead recognised in profit or loss when the transaction takes place. If the transaction to be hedged is deemed no longer probable, gains or losses deferred in the Statement of Comprehensive Income are recognised immediately in profit or loss.

If hedge accounting cannot be applied, gains or losses from measurement at present value of the financial derivative are immediately recognised in profit or loss.

Long-term provisions

The Group recognises provisions for risks and charges when it has a legal or implicit obligation to third parties and it is likely that Group resources will have to be used to meet the obligation and when the amount of the obligation itself can be reliably estimated.
Changes in estimates are recognised in profit or loss when the change takes place.
If the effect is considerable, provisions are calculated discounting future cash flows estimated at a discount rate gross of taxes, to reflect current market changes in the fair value of money and specifics risks of the liability.

Retirement funds and employee benefits

Liabilities relative to employee benefits paid on or after termination of employment for defined benefit plans are determined separately for each plan, based on actuarial hypotheses estimating the amount of future benefits that employees will accrue at the reporting date (the "projected unit credit method"). Liabilities, recognised in the financial statements net of any assets serving the plan, are entered for the period when the right accrues. Liabilities are measured by independent actuaries.
The cost components of defined benefits are recognised as follows:

- the costs relative to services are recognised in the Income Statement under employee costs;
- net borrowing costs of liabilities or assets with defined benefits are recognised in the Income Statement as financial income/(borrowing costs), and are determined by multiplying the value of the net liability/(asset) by the rate used

to discount the obligations, taking account of the payment of contributions and benefits during the period;
- the remeasurement components of net liabilities, which include actual gain and losses, the return on assets (excluding interest income recognised in the Income Statement) and any change in the limit of the assets, are immediately recognised as "Other comprehensive income (expense)". These components must not be reclassified to the Income Statement in a subsequent period.

Termination benefits
Termination benefits are recognised at the closest of the following dates: i) when the Group can no longer withdraw the offer of such benefits and ii) when the Group recognises the costs of restructuring.

Tax assets and liabilities
Deferred taxes are determined based on the temporary differences between the value of the asset and liability and their tax value. Deferred tax assets are measured only to the extent to which it is likely that adequate future taxable sums exist against which the deferred taxes can be used. The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent to which it is no longer likely that sufficient taxable income exists allowing for all or a portion of said assets to be recovered.
Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, considering the rates in effect or which are known to come into effect. Deferred taxes are directly recognised in profit or loss, except for items directly recognised in the statement of comprehensive income, in which case relative deferred taxes are also recognised in the statement of comprehensive income.
In the case of reserves of undistributed profits of subsidiaries and since the Group is able to control distribution times, deferred taxes are allocated for the reserves when distribution is expected in the future.
Deferred tax assets and liabilities are recognised at their net value when applied by the tax authorities and when they may be lawfully offset in the same tax jurisdiction.

Payables
Payables are recognised at fair value and then measured based on the amortised cost method.

Reverse factoring
To guarantee suppliers easier credit conditions, the Group has established factoring agreements, and typically supply chain financing or reverse factoring agreements. Based on the agreements, suppliers may, at their discretion, transfer receivables due from the Group to a lender and collect amounts before maturity.
In some cases, payment terms are extended further in agreements between the supplier and the Group; these extensions may be interest or non-interest bearing.
The Group has established a specific policy to assess the nature of reverse factoring operations. Based on the content of agreements, which differs by area of origin, the Finance function, at a central level, analyses the clauses of agreements in qualitative terms, as well as legal aspects in order to assess regulatory references and the type of transaction assignment (as provided for by IAS 9 B3 3.1). In some cases, as payment terms have been extended, quantitative analysis is carried out to verify the materiality of changes in contract terms, based on quantitative tests as required by IAS 9 B3.3.6.
In this context, relations, for which a primary obligation with the supplier is maintained and any deferment, if granted, does not significantly change payment terms, are still classified as trade liabilities.

Recognition of revenues
Based on the five-step model introduced by IFRS 15, the Group measures revenues after identifying the contracts with its customers and relative performance to provide (transfer of goods and/or services), after determining the transaction price it considers due in exchange for performance, and evaluating the procedure for satisfying the performance (performance at a given time versus performance over time).
In particular, the Group measures revenues only if the following requirements have been met (requirements to identify the "contract" with the customer):

a. the contract has been approved by the parties to the contract (in writing, verbally or in compliance with other standard business practices) and the parties undertake to meet their respective obligations; an agreement therefore exists between the parties that establishes the rights and obligations to be met, regardless of the form by which the agreement is made;
b. the Group can identify each party's rights in relation to the goods or services to be transferred;

c. the Group can identify the payment terms for the goods or services to be transferred;
d. the contract has commercial substance; and
e. it is probable that the Group will receive the consideration to which it is entitled in exchange for the goods or services that will be transferred to the customer.

If the above requirements are not met, the relative revenues are recognised when: (i) the Group has already transferred control of the goods and/or provided the services to the customer and all or nearly all of the consideration from the customer has been received and cannot be reimbursed; or (ii) the contract has ended and the consideration received by the Group from the customer cannot be reimbursed.
If the above requirements are instead met, the Group adopts the following rules for recognition.
Revenues for the sale of vehicles and spare parts are recognised when control of the good is transferred to the purchaser, or when the customer can use in full the good or substantially benefit from it.
Revenues are represented net of discounts, including, among others, sales incentive programmes and bonuses to customers, as well as taxes directly connected with the sale of the goods.
Revenues from the provision of services are recognised when the services are provided based on their progress.
Revenues also include lease payments recognised on a straight line basis for the duration of the contract.

Public grants
Set-up grants are recognised in the financial statements when their payment is certain and are recognised in profit or loss based on the useful life of the asset for which the grants have been provided.
Operating grants are recognised in the financial statements, when their payment is certain and are recognised in profit or loss in relation to costs for which the grants have been provided.

Financial income
Financial income is recognised on an accrual basis and includes interest payable on invested funds, exchange differences receivable and income from financial instruments, when not offset in hedging transactions. Interest receivable is recognised in profit or loss when it matures, considering the actual return.

Borrowing costs
Borrowing costs are recognised on an accrual basis and include interest payable on financial payables calculated using the effective interest rate method, exchange differences payable and losses on derivative financial instruments. The rate of interest payable of finance lease payments is recognised in profit or loss, using the effective interest rate method.

Dividends
Dividends recognised in profit or loss, from non-controlling interests, are recognised on an accrual basis, and therefore at the time when, following the resolution to distribute dividends by the subsidiary, the relative right to payment arises.

Income tax
Taxes represent the sum of current and deferred tax assets and liabilities.
Taxes allocated under accounting circumstances of individual companies included in the scope of consolidation are recognised in the consolidated financial statements, based on taxable income estimated in compliance with national laws in force at the end of the reporting period, considering applicable exemptions and tax receivables owing. Income taxes are recognised in the income statement, with the exception of those taxes relative to items directly deducted from or charged to the statement of comprehensive income.
Taxes are recorded under "Tax payables" net of advances and withheld taxes. Taxes due in the event of the distribution of reserves as withheld taxes recognised in the financial statements of individual Group companies are not allocated, as their distribution is not planned.
In 2019, for a further three years, the Parent Company signed up to the National Consolidated Tax Convention pursuant to Articles 117 to 129 of the Consolidated Income Tax Act (T.U.I.R.) of which IMMSI S.p.A. is the consolidating company, and to whom other IMMSI Group companies report to. The consolidating company determines a single global income equal to the algebraic sum of taxable amounts (income or loss) realised by individual companies that opt for this type of group taxation.
The consolidating company recognises a receivable from the consolidated company which is equal to the corporate tax to be paid on the taxable income transferred by the latter. Whereas, in the case of companies reporting tax losses, the consolidating company recognises a payable related to corporate tax on the portion of loss actually used to determine global overall income or calculated as a decrease of overall income for future tax periods, according to procedures in Article 84, based on the criterion established by the consolidation agreement.

Earnings per share

Basic earnings per share are calculated dividing the profit or loss attributable to shareholders of the Parent Company by the weighted average of ordinary shares in circulation during the period. Diluted earnings per share are calculated dividing the profit or loss attributable to shareholders of the Parent Company by the weighted average of ordinary shares in circulation adjusted to take account of the effects of all potential ordinary shares with a dilutive effect. Any shares related to the stock option plan are considered as shares that may be potentially issued. The adjustment to make to the number of stock options to calculate the number of adjusted shares is determined by multiplying the number of stock options by the subscription cost and dividing it by the share market price.

Use of estimates

The preparation of the financial statements and notes in compliance with IFRS requires management to make estimates and assumptions which have an impact on the values of assets and liabilities and on disclosure regarding contingent assets and liabilities at the end of the reporting period. Actual results could differ from estimates. Estimates are used to measure intangible assets tested for impairment (see § Impairment losses) and to identify provisions for bad debts, for obsolete inventories, amortisation and depreciation, impairment of assets, employee benefits, taxes, restructuring provisions and other allocations and funds. Estimates and assumptions are periodically revised and the effects of any change are immediately recognised in profit or loss.

In the current world economic and financial crisis, assumptions made as to future trends are marked by a considerable degree of uncertainty. Therefore the possibility in the next reporting period of results that differ from estimates cannot be ruled out, and these could require even significant adjustments which at present cannot be predicted or estimated.

The critical measurement processes and key assumptions used by the Group in adopting IFRS and that may have a significant impact on figures in the Consolidated Financial Statements or for which a risk exists that significant differences in value may arise in relation to the carrying amount of assets and liabilities in the future are summarised below.

Recoverable value of non-current assets

Non-current assets include Property, Plant and Equipment, Goodwill, Other Intangible Assets, Investment Property, Investments and Other Financial Assets. The Group periodically revises the carrying amount of non-current assets held and used and of assets held for sale, when facts and circumstances make this necessary. This analysis is carried out at least annually for Goodwill, and whenever facts and circumstances make it necessary. Analysis of the recoverability of the carrying amount of Goodwill is generally based on estimates of expected cash flows from the use or sale of the asset and adequate discount rates to calculate the fair value. For investment property, the Group appoints an independent expert at the end of each reporting period (six-monthly or annually) to measure the "Fair value less cost of disposal" based on a market approach. When the carrying amount of a non-current asset is impaired, the Group recognises a write-down equal to the excess between the carrying amount of the asset and its recoverable value through use or sale, determined with reference to cash flows of the most recent company plans.

Recoverability of deferred tax assets

The Group has deferred tax assets from deductible temporary differences and theoretical tax benefits from losses to be carried forward. In estimating recoverable value, the Group considered the results of the company plan in line with the results used for impairment testing. Net deferred tax assets allocated on this basis refer to temporary differences and tax losses which, to a significant extent, may be recovered over an indefinite period, and are therefore compatible with a context in which an end to current difficulties and uncertainties and an upswing in the economy could take longer than the time frame of the above-mentioned estimates. As regards Piaggio & C. SpA, which is party to the IMMSI Group National Consolidated Tax Convention, the recovery of deferred tax assets is related to results forecast for the company, and also to the taxable amounts of companies which are part of the IMMSI Group National Consolidated Tax Convention.

Pension schemes and other post-employment benefits

Provisions for employee benefits and net borrowing costs are measured using an actuarial method that requires the use of estimates and assumptions to determine the net value of the obligation. The actuarial method considers financial parameters such as the discount rate and growth rates of salaries and considers the likelihood of potential future events occurring on the basis of demographic parameters such as relative mortality rates and employee resignations or retirements. The assumptions used for the measurement are explained in section 33 "Retirement funds and employee benefits".

Provisions for bad debts
The provision for bad debts reflects management's estimate of expected losses related to receivables. The Group adopts the simplified approach of IFRS 9 and recognises expected losses for all trade receivables based on the residual duration, defining the allocation based on the historical experience of credit losses, adjusted to take into account specific forecasts referred to creditors and the economic environment (Expected Credit Loss – ECL concept).

Provision for obsolete inventories
The provision for obsolete inventories reflects management's estimate of impairment losses expected by the Group, determined based on past experience. Anomalous market price trends could have an effect on future inventory write-downs.

Provision for product warranties
At the time of a product's sale, the Group makes provisions relative to estimated costs for the product warranty. This provision is estimated based on historical information about the nature, frequency and average cost of warranty jobs.

Potential liabilities
The Group recognises a liability for ongoing legal disputes when it considers a financial outflow likely and when the amount of the losses arising therefrom may be reasonably estimated. If a financial outflow is possible, but the amount cannot be determined, it is recorded in the notes to the Financial Statements. The Group is subject to legal and tax proceedings concerning complex and difficult legal issues, of varying degrees of uncertainty, including facts and circumstances relative to each case, jurisdiction and different applicable laws. Given the uncertainties concerning these issues, it is hard to predict with certainty the outflow arising from these disputes and it is therefore possible that the value of provisions for legal proceedings and disputes of the Group may vary as a result of future developments in proceedings underway.
The Group monitors the status of ongoing proceedings and consults its legal and tax advisers.

Depreciation
The cost of assets is depreciated on a straight line basis over their estimated useful life, which for rights of use coincides with the assumed contract duration. The economic useful life of Group assets is determined by Directors at the time of purchase; the calculation is based on historical experience gained in years of operations and on knowledge of technological innovations that may make the asset obsolete and no longer economical.
The Group periodically evaluates technological and segment changes, in order to update the remaining useful life. This periodic updating could change the amortisation/depreciation period and therefore amortisation/depreciation charges of future years.

Income tax
The Group is subject to different income tax laws in various jurisdictions. Group tax liabilities are determined based on management valuations referred to transactions of which the tax effect is not certain at the end of the reporting period. The Group recognises the liabilities that could arise from future inspections of tax authorities based on an estimate of taxes that will be due. If the outcome of inspections differs from management's estimates, significant effects on current and deferred taxes could arise.

Rounding off
All amounts in the tables and in these notes have been rounded off to thousands of Euros.

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

IFRS 16 "Leases"

In January 2016, the IASB published IFRS 16 "Leases". This new standard replaced IAS 17. The main change concerns the accounting of lease agreements by lessees that, according to IAS 17, were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). With IFRS 16, operating leases are treated for accounting purposes as finance leases. According to the new standard, an asset representing the right of use of the leased asset is recognised, as well as a financial liability for the obligation to make lease payments. In particular, the lease liability is initially recognised as being equal to the present value of future payments to make, adopting a discount rate equal to the implicit interest rate of the lease, of if this cannot easily be determined, by using the incremental borrowing rate of the lessor. After initial recognition, the lease liability is recognised at amortised cost using the effective interest rate and is redetermined following contract renegotiation, changes in rates, or changes in the recognition of any contract options.
The right of use is initially recorded at cost and then adjusted to take into account recognised depreciation charges, any impairment losses and effects related to any redetermination of lease liabilities.
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 the following - with reference to the financial statements:

- the recognition of rights of use in the statement of financial position and corresponding financial liability as separate from other items:

	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**

- in the income statement, the recognition within operating costs of the depreciation of rights of use, and in the financial section of interest expense accrued on liabilities, unless capitalised, replacing operating lease payments (with the exception of short-term and low value payments), previously recognised as operating costs;
- in the cash flow statement, the recognition of reimbursements of lease liability principal in net cash flows from financing activities, while interest expense is recorded in net cash flows from operations if recognised in the income statement.

The effects of adopting IFRS 16 on the financial statements as of 31 December 2019 are summarised in the following table.

IN THOUSANDS OF EUROS	PUBLISHED 2019	EFFECT OF IFRS 16	IFRS 16 RECLASSIFICATIONS	2019 WITHOUT THE ADOPTION OF IFRS 16
Rights of use	36,486	19,120	17,366	0
Property, plant and equipment	263,496		(9,939)	273,435
Financial payables > 12 months	463,587		(6,862)	470,449
Financial liabilities for operating leases > 12 months	19,996	13,134	6,862	0
Financial payables < 12 months	135,033		(1,161)	136,194
Financial liabilities for operating leases < 12 months	8,408	7,247	1,161	0
Other non-current receivables	13,638		(7,219)	20,857
Other current receivables	31,706		(208)	31,914
Depreciation of rights of use	(7,854)	(6,975)	(879)	0
Depreciation	(42,735)		879	(43,614)
Costs for services, leases and rentals	(239,086)	7,627		(246,713)
Borrowing costs	(28,193)	(1,067)		(27,126)
Effect on the income statement before taxes		(415)		
Impact on Net Debt (higher debt)		20,381		

The following should be noted:
- Goods purchased through finance leases and corresponding liabilities classified at 31 December 2018 respectively under Property, plant and machinery, and Financial liabilities have been reclassified in 2019 under Rights of use and Financial liabilities for rights of use;
- accordingly, the depreciation of assets is now recognised as the depreciation of rights of use.
- 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.

2.4 Accounting standards amendments and interpretations not yet applicable

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

- In May 2017, the IASB issued the new standard IFRS 17 – Insurance Contracts. The new standard will replace IFRS 4 and will be effective from 1 January 2021.
- 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.
- In September 2019, the IASB published some amendments to IFRS 9, IAS 39 and IFRS 7 with some findings on the reform determining interbank rates. The findings concern the recognition of hedging and imply that a change in the interbank rate (IBOR) should not generally cause the accounting closure of hedging operations. However, the effects of all ineffective hedging should continue to be recognised in the income statement. Given the extensive nature of hedging that involves contracts based on interbank rates, the findings will concern companies from all sectors. 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.

B) SEGMENT REPORTING

3. Operating segment reporting

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

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

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

INCOME STATEMENT/NET CAPITAL EMPLOYED BY OPERATING SEGMENT

		EMEA AND AMERICAS	INDIA	ASIA PACIFIC 2W	TOTAL
Sales volumes (unit/000)	2019	243.6	269.5	98.2	611.3
	2018	235.4	282.5	85.7	603.6
	Change	8.2	(12.9)	12.4	7.7
	Change %	3.5%	-4.6%	14.5%	1.3%
Turnover (millions of Euros)	2019	867.6	430.3	223.4	1,521.3
	2018	797.4	410.8	181.4	1,389.5
	Change	70.2	19.5	42.0	131.8
	Change %	8.8%	4.8%	23.2%	9.5%
Gross margin (millions of Euros)	2019	252.9	119.0	86.9	458.8
	2018	242.4	110.8	70.4	423.6
	Change	10.5	8.2	16.6	35.3
	Change %	4.3%	7.4%	23.5%	8.3%
EBITDA (millions of Euros)	2019				227.8
	2018				201.8
	Change				26.1
	Change %				12.9%
EBIT (millions of Euros)	2019				104.5
	2018				92.8
	Change				11.8
	Change %				12.7%
Net profit (millions of Euros)	2019				46.7
	2018				36.1
	Change				10.7
	Change %				29.6%
Capital employed (millions of Euros)	2019	535.8	134.2	143.6	813.6
	2018	556.0	129.7	135.4	821.2
	Change	(20.3)	4.5	8.1	(7.6)
	Change %	-3.6%	3.5%	6.0%	-0.9%
Of which receivable (millions of Euros)	2019	946.7	273.3	203.2	1,423.2
	2018	928.3	267.8	187.9	1,384.0
	Change	18.4	5.5	15.3	39.2
	Change %	2.0%	2.1%	8.1%	2.8%
Of which payable (millions of Euros)	2019	410.9	139.0	59.6	609.6
	2018	372.3	138.1	52.4	562.8
	Change	38.6	1.0	7.2	46.8
	Change %	10.4%	0.7%	13.7%	8.3%

C) INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

4. Net revenues €/000 1,521,325

Revenues are shown net of premiums recognised to customers (dealers).
This item does not include transport costs, which are recharged to customers (€/000 27,204) and invoiced advertising cost recoveries (€/000 3,757), which are posted under other operating income.
The revenues for disposals of Group core business assets essentially refer to the marketing of vehicles and spare parts on European and non-European markets.

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

IN THOUSANDS OF EUROS	2019		2018		CHANGES	
	AMOUNT	%	AMOUNT	%	AMOUNT	%
EMEA and Americas	867,647	57.0	797,413	57.4	70,234	8.8
India	430,304	28.3	410,758	29.6	19,546	4.8
Asia Pacific 2W	223,374	14.7	181,375	13.1	41,999	23.2
Total	**1,521,325**	**100.0**	**1,389,546**	**100.0**	**131,779**	**9.5**

In 2019, net sales revenues went up by 9.5% compared to 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 (927,511)

The percentage of costs accounting for net sales went up, from 60.3% in 2018 to 61% in the current period. The item includes €/000 14,377 (€/000 20,026 in 2018) for purchases of scooters from the Chinese subsidiary Zongshen Piaggio Foshan Motorcycle Co. Ltd., that are sold on European and Asian markets.

The following table details the content of this item:

IN THOUSANDS OF EUROS	2019	2018	CHANGE
Raw, ancillary materials, consumables and goods	(915,779)	(843,357)	(72,422)
Change in inventories of raw, ancillary materials, consumables and goods	5,455	8,394	(2,939)
Change in work in progress of semifinished and finished products	(17,187)	(3,307)	(13,880)
Total	**(927,511)**	**(838,270)**	**(89,241)**

6. Costs for services and leases and rental costs €/000 (239,086)

Below is a breakdown of this item:

IN THOUSANDS OF EUROS	2019	2018	CHANGE
Employee costs	(16,884)	(15,932)	(952)
External maintenance and cleaning costs	(8,921)	(8,007)	(914)
Energy and telephone costs	(15,732)	(14,874)	(858)
Postal expenses	(838)	(649)	(189)
Commissions payable	(456)	(579)	123
Advertising and promotion	(49,002)	(39,920)	(9,082)
Technical, legal and tax consultancy and services	(20,429)	(18,540)	(1,889)
Company boards operating costs	(2,747)	(2,631)	(116)
Insurance	(4,568)	(3,958)	(610)
Insurance from related parties	(33)	(35)	2
Outsourced manufacturing	(19,565)	(18,118)	(1,447)
Outsourced services	(15,506)	(14,261)	(1,245)
Transport costs (vehicles and spare parts)	(38,282)	(35,605)	(2,677)
Sundry commercial expenses	(9,703)	(7,937)	(1,766)
Expenses for public relations	(3,110)	(2,746)	(364)
Product warranty costs	(1,990)	(1,356)	(634)
Quality-related events	(1,871)	(3,663)	1,792
Bank costs and factoring charges	(5,418)	(5,163)	(255)
Other services	(11,197)	(9,415)	(1,782)
Services from related parties	(2,103)	(2,134)	31
Lease and rental costs	(10,640)	(15,803)	5,163
Costs for leases and rentals of related parties	(91)	(1,648)	1,557
Total costs for services, leases and rental costs	**(239,086)**	**(222,974)**	**(16,112)**

In 2019, the Group increased its costs for services, leases and rentals by €/000 16,112.
The item "Other" includes costs for temporary work of €/000 1,956.
Costs for leases and rental costs for 2019 were adjusted by €/000 7,627 following the adoption of the new accounting standard IFRS 16, which requires operating lease costs to be recognised as depreciation of rights of use and as borrowing costs relative to the assumed debt.

7. Employee costs €/000 (228,323)

Employee costs include €/000 3,718 relating to costs for redundancy plans mainly for the Pontedera and Noale production sites.

IN THOUSANDS OF EUROS	2019	2018	CHANGE
Salaries and wages	(171,860)	(161,764)	(10,096)
Social security contributions	(43,344)	(43,158)	(186)
Termination benefits	(8,074)	(7,946)	(128)
Other costs	(5,045)	(5,356)	311
Total	**(228,323)**	**(218,224)**	**(10,099)**

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

	AVERAGE NUMBER		
LEVEL	2019	2018	CHANGE
Senior management	105	98	7
Middle management	671	631	40
White collars	1,728	1,708	20
Blue collars	3,920	4,261	(341)
Total	**6,424**	**6,698**	**(274)**

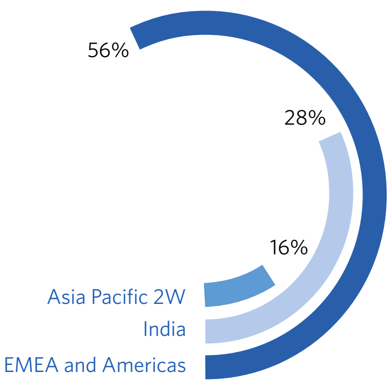
	NUMBER AS OF		
LEVEL	31 DECEMBER 2019	31 DECEMBER 2018	CHANGE
Senior management	106	100	6
Middle management	667	640	27
White collars	1,708	1,738	(30)
Blue collars	3,741	4,037	(296)
Total	**6,222**	**6,515**	**(293)**

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.

In 2019, the Group reduced employee numbers, continuing its restructuring, streamlining and organisational cutbacks. As of 31 December 2019, Group employees totalled 6,222[34] , down by 293 compared to 31 December 2018.

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

LEVEL	AS OF 31.12.18	INCOMING	LEAVERS	RELOCATIONS	AS OF 31.12.19
Senior management	100	7	(7)	6	106
Middle management	640	50	(71)	48	667
White collars	1,738	248	(225)	(53)	1,708
Blue collars	4,037	1,773	(2,068)	(1)	3,741
Total	**6,515**	**2,078**	**(2,371)**	**0**	**6,222**



DISTRIBUTION OF THE WORKFORCE BY GEOGRAPHIC SEGMENT AS OF 31 DECEMBER 2019

34 Of which 885 were on fixed-term contracts.

8. Amortisation/depreciation and impairment costs €/000 (123,284)

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

IN THOUSANDS OF EUROS	2019	2018	CHANGE
PROPERTY, PLANT AND EQUIPMENT			
Buildings	(4,916)	(5,072)	156
Plant and machinery	(20,670)	(21,544)	874
Industrial and commercial equipment	(9,186)	(9,528)	342
Other assets	(5,669)	(4,216)	(1,453)
Total depreciation of property, plant and equipment	**(40,441)**	**(40,360)**	**(81)**
Impairment costs of property, plant and equipment	(2,294)	(622)	(1,672)
Total depreciation of property, plant and equipment and impairment costs	**(42,735)**	**(40,982)**	**(1,753)**

IN THOUSANDS OF EUROS	2019	2018	CHANGE
INTANGIBLE ASSETS			
Development costs	(30,240)	(30,128)	(112)
Industrial Patent and Intellectual Property Rights	(35,072)	(30,522)	(4,550)
Concessions, licences, trademarks and similar rights	(4,823)	(4,823)	0
Other	(221)	(101)	(120)
Total amortisation of intangible assets	**(70,356)**	**(65,574)**	**(4,782)**
Impairment costs of intangible assets	(2,339)	(2,431)	92
Total amortisation of intangible assets and impairment costs	**(72,695)**	**(68,005)**	**(4,690)**

IN THOUSANDS OF EUROS	2019	2018	CHANGE
RIGHTS OF USE:			
Land	(169)		(169)
Buildings	(5,031)		(5,031)
Plant and equipment	(856)		(856)
Industrial and commercial equipment	(108)		(108)
Other assets	(1,690)		(1,690)
Total depreciation of rights of use	**(7,854)**	**0**	**(7,854)**

Costs for the depreciation of rights of use were calculated for the first time in 2019, following the adoption of IFRS 16. The recognition of these costs is conceptually offset by the reversal of rental payments. This item includes depreciation relative to assets made available through finance lease agreements, which came until last year under the depreciation of property, plant and equipment in the previous year (€/000 879 in 2019).

As indicated in more detail in the section on intangible assets, goodwill was tested for impairment, confirming the full recoverability of values indicated in the financial statements.
Impairment costs of intangible assets refer to development projects for which production plans were reviewed in the context of the Group's Business Plan.

9. Other operating income €/000 124,118

This item consists of:

IN THOUSANDS OF EUROS	2019	2018	CHANGE
Operating grants	5,194	4,565	629
Increases in fixed assets from internal work	51,471	47,394	4,077
Other revenue and income:			
- Rent receipts	5,723	4,671	1,052
- Capital gains on the disposal of assets	124	181	(57)
- Sale of miscellaneous materials	1,132	1,361	(229)
- Recovery of transport costs	27,204	24,639	2,565
- Recovery of advertising costs	3,757	3,633	124
- Recovery of sundry costs	3,644	2,701	943
- Compensation	756	1,932	(1,176)
- Compensation for quality-related events	1,422	3,019	(1,597)
- Licence rights and know-how	2,887	2,571	316
- Sponsorship	3,475	2,683	792
- Other income	16,893	14,241	2,652
- Other Group income	436	423	13
Total	**124,118**	**114,014**	**10,104**

The item contributions includes €/000 885 for state and EU contributions for research projects. The grants are recognised in profit or loss, with reference to the amortisation and depreciation of capitalised costs for which the grants were received. This item also includes contributions for exports (€/000 2,180) received from the Indian subsidiary.
In compliance with paragraph 125 of Law no. 124/2017 of 4 August 2017, details per project of funds received during 2019 are given in the section "Other information" of the Report on Operations.

10. Net reversals (impairment) of trade and other receivables €/000 (2,629)

This item consists of:

IN THOUSANDS OF EUROS	2019	2018	CHANGE
Reversals	12	7	5
Losses on receivables	(130)	(23)	(107)
Write-down of receivables in working capital	(2,511)	(2,196)	(315)
Total	**(2,629)**	**(2,212)**	**(417)**

11. Other operating costs €/000 (20,064)

This item consists of:

IN THOUSANDS OF EUROS	2019	2018	CHANGE
Provision for future risks	(1,175)	(72)	(1,103)
Provisions for product warranties	(10,051)	(10,522)	471
Duties and taxes not on income	(4,426)	(4,293)	(133)
Various subscriptions	(1,145)	(1,160)	15
Capital losses from disposal of assets	(121)	(318)	197
Losses from changes in the fair value of investment property	(1,066)	(1,254)	188
Miscellaneous expenses	(2,080)	(2,496)	416
Total sundry operating costs	*(8,838)*	*(9,521)*	*683*
Total	**(20,064)**	**(20,115)**	**51**

The item Losses from changes in the fair value of investment property relates to the depreciation noted in the expert appraisal of the Spanish site of Martorelles. For more details on how fair value is determined, reference is made to note 42.

12. Income/(loss) from investments €/000 1,030

Net income from investments comprise the following:
- €/000 906 relative to the portion of income attributable to the Group from the Zongshen Piaggio Foshan Motorcycle Co. Ltd. joint venture, valued at equity;
- €/000 13 relative to the portion of income attributable to the Group from the minority investment in Pontech;
- €/000 93 of dividends received from the minority investment in IVM;
- €/000 18 dividends received from the minority interest in Ecofor Service Pontedera.

13. Net financial income (borrowing costs) €/000 (24,892)

Below is the breakdown of borrowing costs and income:

IN THOUSANDS OF EUROS	2019	2018	CHANGE
Income:			
- Interest receivable from Parent Companies	21	17	4
- Interest receivable from clients	57	52	5
- Bank and post office interest payable	884	363	521
- Interest payable on financial receivables	2,391	2,242	149
- Income from fair value measurements		611	(611)
- Other	142	4,490	(4,348)
Total financial income	**3,495**	**7,775**	**(4,280)**
Expenses:			
- Interest payable on bank accounts	(3,951)	(4,319)	368
- Interest payable on debenture loans	(12,646)	(17,530)	4,884
- Interest payable on bank loans	(5,681)	(6,326)	645
- Interest payable to other lenders	(2,608)	(2,229)	(379)
- Interest to suppliers	(563)	(493)	(70)
- Cash discounts to clients	(796)	(674)	(122)
- Bank charges on loans	(974)	(1,065)	91
- Income from fair value measurements	(347)	0	(347)
- Borrowing costs from discounting back termination and termination benefits	(221)	(465)	244
- Interest on finance lease agreements	(143)	(168)	25
- Interest payable on operating lease agreements	(860)		(860)
- Financial charges with parents companies for operating leases	(207)		(207)
- Other	(209)	(426)	217
Total borrowing costs	**(29,206)**	**(33,695)**	**4,489**
Costs capitalised on property, plant and equipment	182	115	67
Costs capitalised on intangible assets	831	202	629
Total Capitalised Costs	**1,013**	**317**	**696**
Total net borrowing costs	**(28,193)**	**(33,378)**	**5,185**
Exchange gains	11,785	15,295	(3,510)
Exchange losses	(11,979)	(15,102)	3,123
Total net exchange gains/(losses)	**(194)**	**193**	**(387)**
Net financial income (borrowing costs)	**(24,892)**	**(25,410)**	**518**

The balance of financial income (charges) in 2019 was negative by €/000 24,892, less than the previous year (-€/000 25,410), due to the reduction in average debt and its lower cost. This improvement, partially offset by currency

management, would be even higher, considering that figures for 2018 included €/000 901 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 1,067.
During 2019, borrowing costs for €/000 1,013 were capitalised (in the previous year, borrowing costs for €/000 317 had been capitalised).
The average rate used during 2019 for the capitalisation of borrowing costs (because of general loans), was equal to 3.9% and also refers to loans obtained by the Vietnamese company in local currency (5.6% in 2018).
Interest payable to other lenders mainly refers to interest payable to factoring companies and banks for the sale of trade receivables.

14. Taxes €/000 (33,935)

The item "Income taxes" is detailed below:

IN THOUSANDS OF EUROS	2019	2018	CHANGE
Current taxes	(32,121)	(31,044)	(1,077)
Deferred tax assets/liabilities	(1,814)	(731)	(1,083)
Total	**(33,935)**	**(31,775)**	**(2,160)**

In 2019 the impact of taxes on profit before tax was estimated as equal to 42.1% (46.8% in 2018). The decrease in taxation is mainly due to the cut in the tax rate applicable in India, starting from 1 April 2019, and to the agreement signed with the Revenue Agency during 2019, to access the special tax regime established by the regulations that introduced the Patent Box scheme. These effects were partially offset by the recognition of deferred tax liabilities on distributable reserves of the Indian subsidiary, which are controlled by the Group and will be distributed as part of the wider-ranging liquidity management policy adopted at Group level.

The item current taxes includes net income from the Consolidated Tax Convention of €/000 6,121.

Reconciliation in relation to the theoretical rate is shown below:

IN THOUSANDS OF EUROS	2019	2018
Profit before tax	80,684	67,850
Theoretical rate	24.00%	24.00%
Theoretical income taxes	(19,364)	(16,284)
Effect arising from tax differences and the difference between foreign tax rates and the theoretical rate	(199)	(4,740)
Tax effect arising from losses for the year not offset	(5,857)	(7,556)
Tax effect arising from deferred taxes	(1,814)	(731)
Taxes on income generated abroad	(4,910)	(2,528)
Expenses/income from the Consolidated Tax Convention	6,121	3,808
Indian tax on the distribution of dividends	(6,737)	(2,007)
Regional production tax and other local taxes	(676)	(588)
Other differences	(499)	(1,149)
Income taxes recognised in the financial statements	**(33,935)**	**(31,775)**

Theoretical tax rates were determined applying the corporate tax rate in effect in Italy (24.0%) to profit before tax. The effect arising from the rate of regional production tax and other taxes paid abroad was determined separately, as these taxes are not calculated on the basis of profit before tax.

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:

		2019	2018
Net profit	€/000	46,749	36,075
Earnings attributable to ordinary shares	€/000	46,749	36,075
Average number of ordinary shares in circulation		357,273,610	357,915,567
Earnings per ordinary share	€	0.131	0.101
Adjusted average number of ordinary shares		357,273,610	357,915,567
Diluted earnings per ordinary share	€	0.131	0.101

D) INFORMATION ON OPERATING ASSETS AND LIABILITIES

17. Intangible assets €/000 676,183

Intangible assets increased overall by €/000 17,295 mainly due to investments for the year 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.
During 2019, borrowing costs for €/000 831 were capitalised.

The table below shows the breakdown of intangible assets as of 31 December 2018 and 31 December 2019, as well as movements during the financial years.

	DEVELOPMENT COSTS			PATENT RIGHTS AND KNOW-HOW			CONCESSIONS, LICENCES AND TRADEMARKS	GOODWILL	OTHER			TOTAL		
	IN SERVICE	ASSETS UNDER DEVELOPMENT AND ADVANCES	TOTAL	IN SERVICE	ASSETS UNDER DEVELOPMENT AND ADVANCES	TOTAL			IN SERVICE	ASSETS UNDER DEVELOPMENT AND ADVANCES	TOTAL	IN SERVICE	ASSETS UNDER DEVELOPMENT AND ADVANCES	TOTAL
IN THOUSANDS OF EUROS														
Historical cost	232,890	15,054	247,944	361,842	3,431	365,273	155,074	557,322	6,809	2	6,811	1,313,937	18,487	1,332,424
Provisions for write-down	(1,007)	(1,018)	(2,025)	(2,157)		(2,157)					0	(3,164)	(1,018)	(4,182)
Accumulated amortisation	(165,664)		(165,664)	(284,888)		(284,888)	(111,677)	(110,382)	(6,654)		(6,654)	(679,265)	0	(679,265)
Assets as of 01 01 2018	**66,219**	**14,036**	**80,255**	**74,797**	**3,431**	**78,228**	**43,397**	**446,940**	**155**	**2**	**157**	**631,508**	**17,469**	**648,977**
Investments	13,261	20,038	33,299	18,628	25,556	44,184	611		11	25	36	32,511	45,619	78,130
Entry into service in the period	8,045	(8,045)	0	1,947	(1,947)	0			27	(27)	0	10,019	(10,019)	0
Amortisation	(30,128)		(30,128)	(30,522)		(30,522)	(4,823)		(101)		(101)	(65,574)	0	(65,574)
Disposals	(41)		(41)	(20)		(20)			(11)		(11)	(72)	0	(72)
Write-downs	(1,571)	(500)	(2,071)	(360)		(360)					0	(1,931)	(500)	(2,431)
Exchange differences	(12)	(78)	(90)	(48)	(6)	(54)			2		2	(58)	(84)	(142)
Other movements			0			0					0	0	0	0
Movements in 2018	**(10,446)**	**11,415**	**969**	**(10,375)**	**23,603**	**13,228**	**(4,212)**	**0**	**(72)**	**(2)**	**(74)**	**(25,105)**	**35,016**	**9,911**
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 31 12 2018	**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	9,706	29,916	39,622	17,870	31,873	49,743			484	31	515	28,060	61,820	89,880
Entry into service in the period	18,485	(18,485)	0	14,948	(14,948)	0			31	(31)	0	33,464	(33,464)	0
Amortisation	(30,240)		(30,240)	(35,072)		(35,072)	(4,823)		(221)		(221)	(70,356)	0	(70,356)
Disposals	(9)		(9)	(18)		(18)			(39)		(39)	(66)	0	(66)
Write-downs	(2,043)	(284)	(2,327)	(12)		(12)					0	(2,055)	(284)	(2,339)
Exchange differences	88	(81)	7	(1)	(2)	(3)			1		1	88	(83)	5
Other movements			0			0			171		171	171	0	171
Movements in 2019	**(4,013)**	**11,066**	**7,053**	**(2,285)**	**16,923**	**14,638**	**(4,823)**	**0**	**427**	**0**	**427**	**(10,694)**	**27,989**	**17,295**
Historical cost	291,228	38,272	329,500	413,157	43,957	457,114	190,737	557,322	8,447		8,447	1,460,891	82,229	1,543,120
Provisions for write-down	(2,043)	(1,755)	(3,798)	(12)		(12)					0	(2,055)	(1,755)	(3,810)
Accumulated amortization	(237,425)		(237,425)	(351,008)		(351,008)	(156,375)	(110,382)	(7,937)		(7,937)	(863,127)	0	(863,127)
Assets as of 31 12 2019	**51,760**	**36,517**	**88,277**	**62,137**	**43,957**	**106,094**	**34,362**	**446,940**	**510**	**0**	**510**	**595,709**	**80,474**	**676,183**

Development costs €/000 88,277

Development costs include costs for products and engines referable to projects for which, as regards the period of the useful life of the asset, revenues are expected that allow for at least the costs incurred to be recovered. This item also includes assets under development for €/000 36,517 that represent costs for which the conditions for capitalisation exist, but in relation to products that will go into production in future years.
Development expenditure for new projects capitalised in 2019 refers to the study of new vehicles and new engines (including a new commercial vehicle in partnership with the Foton Motor Group), that will feature as the top products in the 2019-2021 range.
Borrowing costs attributable to the development of products which require a considerable period of time to be realised are capitalised as a part of the cost of the actual assets. Development costs included under this item are amortised on a straight line basis over a period of 3 to 5 years (lead products), in consideration of their remaining useful life.
During 2019, development expenditure amounting to €/000 18,000 was directly recognised in profit or loss. Write-downs concern development projects for which production plans were revised as part of the update to the Business Plan.

Industrial patent rights and know-how €/000 106,094

This item includes assets under development for €/000 43,957.
Increases for the period mainly refer to new calculation, design and production techniques and methodologies developed by the Group, referring to main new products in the 2019-2021 range.
Costs for industrial patent and intellectual property rights are amortised on a straight line basis over a period of 3 to 5 years, in consideration of their remaining useful life.

Trademarks, concessions and licences €/000 34,362

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

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2019	AS OF 31 DECEMBER 2018	CHANGE
Guzzi trademark	11,375	13,000	(1,625)
Aprilia trademark	22,351	25,544	(3,193)
Minor trademarks	25	30	(5)
Foton licence	611	611	0
Total	**34,362**	**39,185**	**(4,823)**

The Aprilia and Guzzi trademarks are amortised over a period of 15 years, expiring in 2026.
The Foton licence was acquired following agreements signed in 2018 between Piaggio and the Foton Motor Group for the development and manufacture of a new range of light commercial four-wheelers that will be launched on the market starting from 2020.
The licence will be amortised over 10 years, from production start-up.

Goodwill €/000 446,940

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

IN THOUSANDS OF EUROS	EMEA AND AMERICAS	INDIA	ASIA PACIFIC 2W	TOTAL
31 12 2019	305,311	109,695	31,934	446,940
31 12 2018	305,311	109,695	31,934	446,940

The organisational structure of the Group is based on 3 Geographic Segments (CGUs), involved in the production and sale of vehicles, relative spare parts and assistance in areas under their responsibility: EMEA and the Americas, India and Asia Pacific 2W. Each Geographic Segment has production sites and a sales network dedicated to customers in the relative segment. Central structures and development activities currently dealt with by EMEA and the Americas, are handled by individual CGUs.
As specified in the section on accounting standards, from 1 January 2004 goodwill is no longer amortised, but is tested annually or more frequently for impairment if specific events or changed circumstances indicate the possibility of it having been impaired, in accordance with the provisions of IAS 36 Impairment of Assets (impairment test).

The possibility of reinstating booked values is verified by comparing the net carrying amount of individual cash generating units with the recoverable value (value in use). This recoverable value is represented by the present value of future cash flows which, it is estimated, will be derived from the continual use of goods referring to cash generating units and by the terminal value attributable to these goods.
The recoverability of goodwill is verified at least once per year (as of 31 December), even in the absence of indicators of impairment losses.
The main assumptions used by the Group to determine future cash flows, relative to a four-year period, and the consequent recoverable value (value in use) refer to:

a. a hypothesis of estimated cash flows over a four-year period, inferred from budget data for 2020 supplemented by forecast data for 2021-2023, approved by the Board of Directors of the Company, along with an impairment test performed on 24 February 2020;
b. the WACC discount rate;
c. in addition to the period, a growth rate (g rate) has been estimated.

In particular, for discounting cash flows, the Group has adopted a discount rate (WACC) which differs based on different cash generating units. This reflects market valuations of the fair value of money and takes account of specific risks of activities and the geographic segment in which the cash generating unit operates.
In the future cash flows discounting model, a terminal value is entered at the end of the cash flow projection period, to reflect the residual value each cash-generating unit should produce. The terminal value represents the current value, at the last year of the projection, of all subsequent cash flows calculated as perpetual income, and was determined using a growth rate (g rate) which differed by CGU, to reflect the different growth potentials of each CGU.

	EMEA AND AMERICAS	ASIA PACIFIC 2W	INDIA
2019			
WACC	5.2%	7.6%	9.8%
G	1.0%	2.0%	2.0%
Growth rate during the Plan period	5.0%	5.2%	5.7%
2018			
WACC	6.4%	8.7%	11.1%
G	1.0%	2.0%	2.0%
Growth rate during the Plan period	6.9%	6.6%	4.6%

The terminal value growth rate (g rate) is specific for CGUs, considering the area's growth potential.
The medium-/long-term growth rate (g rate) for determining the Terminal Value of each CGU was considered as reasonable and prudent, in the light of:
- analysts' expectations for the Piaggio Group (source: Analyst Reports 2019-2020);
- the long-term real GDP growth trend expected for main countries where the Group operates (source: Economist Intelligence Unit – EIU);
- forecasts for the reference sector (source: Freedonia, «Global Motorcycle», May 2018[35]).

The WACC was determined based on the previous year.
The growth rate during the period of the Plan was determined using the trend expected for the reference sector as the benchmark (source: Freedonia, «Global Motorcycle», May 2018).

Analyses did not identify any impairment losses. Therefore no impairment was reflected in consolidated data as of 31 December 2019.
In addition, and on the basis of information in the document produced jointly by the Bank of Italy, Consob and Isvap no. 2 of 6 February 2009, the Group conducted sensitivity analysis of test results in relation to changes in basic assumptions (use of the growth rate in producing the terminal value and discount rate) which affect the value in use of cash generating units. In the case of a positive or negative change of 0.5% of the WACC and G used, analyses would not identify impairment losses.
In all cases, the value in use of the Group was higher than the net carrying amount tested.

35 Study valid for a two-year period.

Given that the recoverable value was determined based on estimates, the Group cannot ensure that there will be no impairment losses of goodwill in future financial periods.
Given the current market weakness, the various factors used in processing estimates could require revision; the Piaggio Group will constantly monitor these factors as well as the existence of impairment losses.

Other intangible assets €/000 510

This item mainly refers to costs incurred by Piaggio Vietnam.

18. Property, plant and equipment €/000 263,496

Property, plant and equipment mainly refer to Group production facilities in Pontedera (Pisa), Noale and Scorzè (Venice), Mandello del Lario (Lecco), Baramati (India) and Vinh Phuc (Vietnam).
The increases mainly relate to the construction of moulds for new vehicles launched during the period.
Borrowing costs attributable to the construction of assets which require a considerable period of time to be ready for use are capitalised as a part of the cost of the actual assets. During 2019, borrowing costs for €/000 182 were capitalised.

The table below shows the breakdown of property, plant and equipment as of 31 December 2018 and 31 December 2019, as well as movements during the period.

	LAND	BUILDINGS			PLANT AND MACHINERY			EQUIPMENT			OTHER ASSETS			TOTAL		
		IN SERVICE	ASSETS UNDER CON-STRUCTION AND ADVANCES	TOTAL	IN SERVICE	ASSETS UNDER CON-STRUCTION AND ADVANCES	TOTAL	IN SERVICE	ASSETS UNDER CON-STRUCTION AND ADVANCES	TOTAL	IN SERVICE	ASSETS UNDER CON-STRUCTION AND ADVANCES	TOTAL	IN SERVICE	ASSETS UNDER CON-STRUCTION AND ADVANCES	TOTAL
IN THOUSANDS OF EUROS																
Historical cost	27,640	167,730	1,969	169,699	475,729	8,025	483,754	508,427	3,467	511,894	52,353	1,287	53,640	1,231,879	14,748	1,246,627
Reversals				0			0			0			0	0	0	0
Provisions for write-down				0	(483)		(483)	(2,408)		(2,408)	(64)		(64)	(2,955)	0	(2,955)
Accumulated depreciation		(73,833)		(73,833)	(362,119)		(362,119)	(489,011)		(489,011)	(45,696)		(45,696)	(970,659)	0	(970,659)
Assets as of 01 01 2018	**27,640**	**93,897**	**1,969**	**95,866**	**113,127**	**8,025**	**121,152**	**17,008**	**3,467**	**20,475**	**6,593**	**1,287**	**7,880**	**258,265**	**14,748**	**273,013**
Investments		664	1,319	1,983	4,139	11,917	16,056	8,742	5,484	14,226	3,960	923	4,883	17,505	19,643	37,148
Entry into service		1,858	(1,858)	0	10,982	(10,982)	0	1,509	(1,509)	0	1,444	(1,444)	0	15,793	(15,793)	0
Depreciation		(5,072)		(5,072)	(21,544)		(21,544)	(9,528)		(9,528)	(4,216)		(4,216)	(40,360)	0	(40,360)
Disposals		(20)		(20)	(16)	(127)	(143)	(1)	(170)	(171)	(656)	(7)	(663)	(693)	(304)	(997)
Write-downs		(622)		(622)			0			0			0	(622)	0	(622)
Exchange differences		(354)	(5)	(359)	(1,528)	(145)	(1,673)			0	49	(1)	48	(1,833)	(151)	(1,984)
Other movements				0			0			0			0	0	0	0
Movements in 2018	**0**	**(3,546)**	**(544)**	**(4,090)**	**(7,967)**	**663**	**(7,304)**	**722**	**3,805**	**4,527**	**581**	**(529)**	**52**	**(10,210)**	**3,395**	**(6,815)**
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 31 12 2018	**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		393	2,457	2,850	2,267	27,562	29,829	7,411	3,891	11,302	5,293	1,718	7,011	15,364	35,628	50,992
Entry into service		993	(993)	0	16,132	(16,132)	0	5,982	(5,982)	0	534	(534)	0	23,641	(23,641)	0
Depreciation		(4,916)		(4,916)	(20,670)		(20,670)	(9,186)		(9,186)	(5,669)		(5,669)	(40,441)	0	(40,441)
Disposals				0	(74)		(74)	(1)		(1)	(101)		(101)	(176)	0	(176)
Write-downs				0	(618)		(618)	(1,676)		(1,676)			0	(2,294)	0	(2,294)
Exchange differences		70	(10)	60	53	(76)	(23)			0	55		55	178	(86)	92
Other movements				0	(10,699)		(10,699)	(4)		(4)	132	(303)	(171)	(10,571)	(303)	(10,874)
Movements in 2019	**0**	**(3,460)**	**1,454**	**(2,006)**	**(13,610)**	**11,354**	**(2,256)**	**2,526**	**(2,091)**	**435**	**244**	**881**	**1,125**	**(14,300)**	**11,598**	**(2,702)**
Historical cost	27,640	171,245	2,879	174,124	474,683	20,042	494,725	517,148	5,181	522,329	55,514	1,639	57,153	1,246,230	29,741	1,275,971
Reversals				0			0			0			0	0	0	0
Provisions for write-down		(622)		(622)	(1,101)		(1,101)	(3,983)		(3,983)	(64)		(64)	(5,770)	0	(5,770)
Accumulated depreciation		(83,732)		(83,732)	(382,032)		(382,032)	(492,909)		(492,909)	(48,032)		(48,032)	(1,006,705)	0	(1,006,705)
Assets as of 31 12 2019	**27,640**	**86,891**	**2,879**	**89,770**	**91,550**	**20,042**	**111,592**	**20,256**	**5,181**	**25,437**	**7,418**	**1,639**	**9,057**	**233,755**	**29,741**	**263,496**

On 1 January 2019, the net value of assets held through finance lease agreements, equal €/000 10,706 and consisting of the Pontedera painting plant for the Vespa and vehicles supporting the Aprilia Racing Team, was reclassified under rights of use, as required by the adoption of the new accounting standard IFRS 16.

Land €/000 27,640

Land is not depreciated.
Land mainly refers to Group production facilities in Pontedera (Pisa), Noale and Scorzè (Venice) and Mandello del Lario (Lecco). The item also includes land in Pisa, with a warehouse.

Buildings €/000 89,770

The item Buildings, net of accumulated depreciation, comprises:

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2019	AS OF 31 DECEMBER 2018	CHANGE
Industrial buildings	85,997	89,473	(3,476)
Ancillary buildings	444	430	14
Light constructions	450	448	2
Assets under construction	2,879	1,425	1,454
Total	**89,770**	**91,776**	**(2,006)**

Industrial buildings refer to Group production facilities in Pontedera (Pisa), Noale and Scorzè (Venice), Mandello del Lario (Lecco), Baramati (India) and Vinh Phuc (Vietnam). The item also includes a building at Pisa used as a warehouse. Buildings are depreciated on a straight-line basis using rates considered suitable to represent their useful life.

Plant and machinery €/000 111,592

The item Plant and machinery, net of accumulated depreciation, consists of:

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2019	AS OF 31 DECEMBER 2018	CHANGE
General plants	73,870	74,457	(587)
Automatic machinery	5,555	14,119	(8,564)
Furnaces and sundry equipment	270	275	(5)
Other	11,855	16,309	(4,454)
Assets under construction	20,042	8,688	11,354
Total	**111,592**	**113,848**	**(2,256)**

Plant and machinery refer to Group production facilities in Pontedera (Pisa), Noale and Scorzè (Venice), Mandello del Lario (Lecco), Baramati (India) and Vinh Phuc (Vietnam).
The "Other" item mainly includes non-automatic machinery and robotic centres.

Equipment €/000 25,437

The item Equipment mainly refers to production equipment at Pontedera (Pisa), Noale and Scorzè (Venice), Mandello del Lario (Lecco), Baramati (India) and Vinh Phuc (Vietnam).
Main investments in equipment concerned moulds for new vehicles launched during the year or scheduled to be launched in the first half of next year, moulds for new engines and specific equipment for assembly lines.

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2019	AS OF 31 DECEMBER 2018	CHANGE
Industrial equipment	20,247	17,720	2,527
Commercial equipment	9	10	(1)
Assets under construction	5,181	7,272	(2,091)
Total	**25,437**	**25,002**	**435**

Other plant, property and equipment €/000 9,057

The item Other assets comprises:

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2019	AS OF 31 DECEMBER 2018	CHANGE
EDP systems	2,689	2,923	(234)
Office furniture and equipment	2,379	2,119	260
Vehicles	831	695	136
Others	1,519	1,437	82
Assets under construction	1,639	758	881
Total	**9,057**	**7,932**	**1,125**

Warranties

As of 31 December 2019, the Group had no buildings with mortgages.

19. Rights of use €/000 36,486

The item "Rights of use" includes operating lease agreements, finance lease agreements and lease instalments paid in advance for the use of property.
The Group has stipulated rental/hire contracts for offices, plants, warehouses, company accommodation, cars and forklift trucks. The rental/lease agreements are typically for a fixed duration, but extension options are possible.
These agreements may also include service components. The Group opted to include only the component relative to the rental/hire payment in the recognition of rights of use.
The rental/hire agreements do not have any covenants to be met, nor require guarantees to be provided in favour of the lessor.
Until 31 December 2018, finance leases had been classified under property, plant and equipment. As from 1 January 2019, these items have been reclassified under rights of use.
As from 1 January 2019, lease payments made in advance by Asian companies for concessions on land where production sites are located and for the rental of property have been reclassified under the item rights of use.

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2019				AS OF 1 JANUARY 2019				
	OPERATING LEASES	FINANCE LEASES	RENTAL/HIRE PAYMENTS MADE IN ADVANCE	TOTAL	OPERATING LEASES	FINANCE LEASES	RENTAL/HIRE PAYMENTS MADE IN ADVANCE	TOTAL	CHANGE
Land	294		7,282	7,576	153		7,381	7,534	42
Buildings	14,878		144	15,022	15,403		163	15,566	(544)
Plant and machinery		9,844		9,844		10,699		10,699	(855)
Equipment	108			108	182			182	(74)
Other assets	3,841	95		3,936	5,286	7		5,293	(1,357)
Total	**19,121**	**9,939**	**7,426**	**36,486**	**21,024**	**10,706**	**7,544**	**39,274**	**(2,788)**

IN THOUSANDS OF EUROS	LAND	BUILDINGS	PLANT AND MACHINERY	EQUIPMENT	OTHER ASSETS	TOTAL
As of 31 12 2018						
Adoption of IFRS 16 as from 1 Jan 2019	**7,534**	**15,566**	**10,699**	**182**	**5,293**	**39,274**
Increases	128	4,351	1	31	325	4,836
Depreciation	(169)	(5,031)	(856)	(108)	(1,690)	(7,854)
Exchange differences	83	136		3	8	230
Movements in 2019	**42**	**(544)**	**(855)**	**(74)**	**(1,357)**	**(2,788)**
As of 31 12 2019	**7,576**	**15,022**	**9,844**	**108**	**3,936**	**36,486**

Future lease rental commitments are detailed in note 42.

20. Investment Property €/000 9,203

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	(1,066)
Closing balance as of 31 December 2019	**9,203**

The net carrying amount as of 31 December 2019 was determined by a specific appraisal conducted by an independent expert who measured the "Fair Value less cost of disposal" based on a market approach (as provided for in IFRS 13). This analysis identified the total value of the investment as €/000 9,203. In this regard, the valuation took account of the current status of the property, the project to convert the area, for the development of a retail centre prepared by the Group, together with comparable transactions. Following the site redevelopment project, an agency management contract was given to a Spanish property company, to seek investors interested in the property.
The Group uses the "fair value model" as provided for in IAS 40, thus the measurement updated during 2019 resulted in profit adjusted to fair value, equal to €/000 1,066 being recognised under other costs in the income statement for the period.
If the cost criterion had still been used instead of fair value, the value of the Martorelles site would have been equal to €/000 5,935.
During 2019, costs incurred for management of the site amounted to €/000 483.

21. Deferred taxes €/000 63,190

Deferred tax assets and liabilities are recognised at their net value when they may be offset in the same tax jurisdiction. Their breakdown was as follows:

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2019	AS OF 31 DECEMBER 2018	CHANGE
Deferred tax assets	78,475	75,433	3,042
Deferred tax liabilities	(15,285)	(16,183)	898
Total	**63,190**	**59,250**	**3,940**

The main effects recognised in the year are attributable to changes in temporary differences.

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

- tax regulations of countries where it operates, the impact of regulations in terms of temporary differences and any tax benefits arising from the use of previous tax losses;
- taxable income expected in the medium/long term for each single company and the economic and tax impact. In this framework, the Group made reference to the plans from the reprocessing of the Group plan approved by the Board of Directors on 24 February 2020. As regards Piaggio & C. SpA, which is part of the National Consolidated Tax Convention of the IMMSI Group, the recovery of deferred tax assets is related to and confirmed by company forecasts and by taxable amounts of companies that are part of the above convention, as indicated in the long-term plans approved by their respective Boards;
- the tax rate in effect in the year when temporary differences occur.

Based on 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.

	TEMPORARY DIFFERENCES	TAX RATE	TAX EFFECT
IN THOUSANDS OF EUROS			
	4,663	24%/27.9%	1,298
	4,257	27.90%	1,188
Provisions for risks	8,920		2,486
	11,697	27.90%	3,263
	1,223	24.68%	302
	419	24.00%	101
	237	32.08%	76
	157	25.00%	39
	54	25.00%	14
Provision for product warranties	13,787		3,795
	16,985	24.00%	4,076
	1,564	24.00%	375
	117	24.68%	29
	18	32.08%	6
Provisions for bad debts	18,684		4,486
	20,639	27.90%	5,758
	1,669	24.68%	412
	1,927	16.29%	314
	161	32.08%	52
	157	25.00%	39
	79	25.00%	20
	37	24.00%	9
	47	18.00%	9
Provisions for obsolete stock	24,716		6,613
	43,145	24%/27.9%	11,702
	12,258	24%/27.9%	2,945
	14,881	15% 19.6%;	2,740
	8,260	25.17%	2,079
	7,487	24.68%	1,847
	1,419	24.71%	351
	1,287	25.00%	322
	1,239	25%/30%	315
	509	17.00%	87
	233	32.08%	75
	278	24.00%	67
	207	25% 33.33%;	66
	186	25.00%	46
	187	24%/27.9%	45
	91	31.16%	28
	15	30.00%	5
	8	18.00%	2
	11	19.00%	2
	6	25.00%	1
Offsetting of Deferred Tax Liabilities	(53,324)	24%/27.9%	(14,570)
Other changes	38,383		8,155
Total for provisions and other changes	**104,490**		**25,535**
Deferred tax assets already recognised			**23,486**
Deferred tax assets not booked			**2,049**
Piaggio & C. S.p.A.	139,735	24.00%	33,536
Nacional Motor S.A.	34,367	25.00%	8,592
Piaggio Group Americas Inc.	19,652	24.68%	4,849
Piaggio Fast Forward Inc.	37,144	24.71%	9,178
Piaggio Group Japan	4,799	32.08%	1,540
Piaggio Concept Store Mantova S.r.l.	3,255	24.00%	781
Aprilia Racing s.r.l.	2,236	24.00%	537
Offsetting of Deferred Tax Liabilities	(2,862)	25.00%	(715)
Total out of tax losses	**238,326**		**58,298**
Deferred tax assets already recognised			**39,704**
Deferred tax assets not booked			**18,594**

22. Inventories €/000 214,682

This item comprises:

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2019	AS OF 31 DECEMBER 2018	CHANGE
Raw materials and consumables	110,954	104,701	6,253
Provision for write-down	(10,429)	(10,602)	173
Net value	*100,525*	*94,099*	*6,426*
Work in progress and semi-finished products	19,167	18,623	544
Provision for write-down	(852)	(852)	0
Net value	*18,315*	*17,771*	*544*
Finished products and goods	113,825	132,387	(18,562)
Provision for write-down	(19,778)	(20,295)	517
Net value	*94,047*	*112,092*	*(18,045)*
Advances	1,795	146	1,649
Total	**214,682**	**224,108**	**(9,426)**

As of 31 December 2019, inventories had decreased by €/000 9,426.

23. Current and non-current trade receivables €/000 78,195

As of 31 December, no non-current trade payables were recorded for the periods compared.
Current trade receivables are broken down as follows:

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2019	AS OF 31 DECEMBER 2018	CHANGE
Trade receivables due from customers	77,203	85,293	(8,090)
Trade receivables due from JV	969	1,252	(283)
Trade receivables due from parent companies	23	12	11
Total	**78,195**	**86,557**	**(8,362)**

Receivables due from joint ventures refer to amounts due from Zongshen Piaggio Foshan Motorcycles Co. Ltd. Receivables due from parent companies regard amounts due from Immsi.
The item Trade receivables comprises receivables referring to normal sale transactions, recorded net of a provision for bad debts of €/000 26,169.
Movements in the provision for bad debts were as follows:

IN THOUSANDS OF EUROS	
Opening balance as of 1 January 2019	**24,754**
Increases for allocations	2,365
Decreases for use	(864)
Other changes	(86)
Closing balance as of 31 December 2019	**26,169**

The Group sells, on a rotating basis, a large part of its trade receivables with and without recourse. Piaggio has signed contracts with some of the most important Italian and foreign factoring companies as a move to optimise the monitoring and the management of its trade receivables, besides offering its customers an instrument for funding their own inventories, for factoring classified as without the substantial transfer of risks and benefits. On the contrary, for factoring without recourse, contracts have been formalised for the substantial transfer of risks and benefits. As of 31 December 2019 trade receivables that have not come due, sold without recourse totalled €/000 100,629. Of these amounts, Piaggio received payment prior to natural expiry of €/000 100,525.
As of 31 December 2019, advance payments received from factoring companies and banks for trade receivables sold with recourse totalled €/000 9,946 with a counter entry recorded in current liabilities.

24. Other current and non-current receivables €/000 45,344

They consist of:

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2019			AS OF 31 DECEMBER 2018			CHANGE		
	CURRENT	NON-CURRENT	TOTALS	CURRENT	NON-CURRENT	TOTALS	CURRENT	NON-CURRENT	TOTALS
Receivables due from parent companies	13,260		13,260	14,205		14,205	(945)	0	(945)
Receivables due from joint ventures	1,313		1,313	1,034		1,034	279	0	279
Receivables due from affiliated companies	28	81	109	23	94	117	5	(13)	(8)
Accrued income	2,616		2,616	1,369		1,369	1,247	0	1,247
Deferred charges	4,219	10,751	14,970	2,880	13,673	16,553	1,339	(2,922)	(1,583)
Advance payments to suppliers	2,446		2,446	2,625		2,625	(179)	0	(179)
Advances to employees	1,245	31	1,276	2,133	45	2,178	(888)	(14)	(902)
Fair value of hedging derivatives	123		123	4		4	119	0	119
Security deposits	299	1,362	1,661	263	1,309	1,572	36	53	89
Receivables due from others	6,157	1,413	7,570	8,971	1,504	10,475	(2,814)	(91)	(2,905)
Total	**31,706**	**13,638**	**45,344**	**33,507**	**16,625**	**50,132**	**(1,801)**	**(2,987)**	**(4,788)**

The reduction is affected by the reclassification under rights of use of lease payments made in advance by Asian companies for the use of land and buildings, following the adoption of the new accounting standard IFRS 16.
Receivables due from associates are amounts due from the Fondazione Piaggio and Immsi Audit.
Receivables due from parent companies refer to the recognition of accounting effects relating to the transfer of taxable bases pursuant to the Group Consolidated Tax Convention.
Receivables due from joint ventures refer to amounts due from Zongshen Piaggio Foshan Motorcycle Co. Ltd.
The item Fair Value of hedging derivatives comprises the fair value of hedging transactions on the exchange risk on forecast transactions recognised on a cash flow hedge basis.
Other receivables are recognised net of a provision for bad debts of €/000 5,884

Movements in the provision for bad debts were as follows:

IN THOUSANDS OF EUROS	
Opening balance as of 1 January 2019	**6,076**
Increases for allocations	146
Decreases for use	(149)
Other changes	(189)
Closing balance as of 31 December 2019	**5,884**

25. Current and non-current tax receivables €/000 32,652

Receivables due from tax authorities consist of:

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2019			AS OF 31 DECEMBER 2018			CHANGE		
	CURRENT	NON-CURRENT	TOTALS	CURRENT	NON-CURRENT	TOTALS	CURRENT	NON-CURRENT	TOTALS
VAT	13,385	4,209	17,594	3,360	5,138	8,498	10,025	(929)	9,096
Income tax	2,141	9,886	12,027	2,538	12,235	14,773	(397)	(2,349)	(2,746)
Other	3,012	19	3,031	1,470	26	1,496	1,542	(7)	1,535
Total	**18,538**	**14,114**	**32,652**	**7,368**	**17,399**	**24,767**	**11,170**	**(3,285)**	**7,885**

The change is mainly related to higher VAT receivables of the Parent Company.

26. Breakdown of operating receivables by measurement method

The table below shows the breakdown of operating receivables by measurement method:

AS OF 31 DECEMBER 2019	ASSETS MEASURED AT FVPL	ASSETS MEASURED AT FVOCI	FINANCIAL DERIVATIVES	ASSETS AT AMORTISED COST	TOTAL
AS OF 31 DECEMBER 2019					
Non-current					
Tax receivables				14,114	14,114
Other receivables				13,638	13,638
Total non-current operating receivables			**-**	**27,752**	**27,752**
Current					
Trade receivables				78,195	78,195
Tax receivables				18,538	18,538
Other receivables			123	31,583	31,706
Total current operating receivables			**123**	**128,316**	**128,439**
Total operating receivables			**123**	**156,068**	**156,191**
AS OF 31 DECEMBER 2018					
Non-current					
Tax receivables				17,399	17,399
Other receivables				16,625	16,625
Total non-current operating receivables	**-**	**-**	**-**	**34,024**	**34,024**
Current					
Trade receivables				86,557	86,557
Tax receivables				7,368	7,368
Other receivables			4	33,503	33,507
Total current operating receivables	**-**	**-**	**4**	**127,428**	**127,432**
Total operating receivables	**-**	**-**	**4**	**161,452**	**161,456**

27. Receivables due after 5 years €/000 0

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

28. Breakdown of assets by geographic segment

As regards the breakdown of assets by geographic segment, reference is made to the section on segment reporting.

29. Assets held for sale €/000 0

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

30. Current and non-current trade payables €/000 478,688

As of 31 December 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:

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2019	AS OF 31 DECEMBER 2018	CHANGE
Amounts due to suppliers	472,987	424,320	48,667
Trade payables to JV	5,318	6,671	(1,353)
Trade payables due to other related parties		24	(24)
Amounts due to affiliates	26	55	(29)
Amounts due to parent companies	357	1,652	(1,295)
Total	**478,688**	**432,722**	**45,966**
of which reverse factoring	*197,640*	*181,578*	*16,062*

To facilitate credit conditions for its suppliers, the Group has used factoring agreements since 2012, mainly supply chain financing and reverse factoring agreements, as described in more detail in “Accounting policies and measurement criteria applied by the Group”, to which reference is made. These operations did not change the primary obligation, nor substantially changed payment terms, so their nature is the same and they are still classified as trade liabilities.
As of 31 December 2019, the value of trade payables covered by reverse factoring or supply chain financing agreements was equal to €/000 197,640 (€/000 181,578 as of 31 December 2018).

31. Provisions (current and non-current portion) €/000 26,568

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

IN THOUSANDS OF EUROS	BALANCE AS OF 31 DECEMBER 2018	ALLOCATIONS	USES	RECLASSIFICATIONS	EXCHANGE DIFFERENCES	BALANCE AS OF 31 DECEMBER 2019
Provision for product warranties	16,594	10,051	(7,396)	63	23	19,335
Provision for contractual risks	2,972	2,059	(1,227)		12	3,816
Risk provision for legal disputes	1,788	610	(50)		10	2,358
Provisions for risk on guarantee	58					58
Other provisions for risks	685	385	(70)		1	1,001
Total	**22,097**	**13,105**	**(8,743)**	**63**	**46**	**26,568**

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

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2019			AS OF 31 DECEMBER 2018			CHANGE		
	CURRENT	NON-CURRENT	TOTALS	CURRENT	NON-CURRENT	TOTALS	CURRENT	NON-CURRENT	TOTALS
Provision for product warranties	12,498	6,837	19,335	11,233	5,361	16,594	1,265	1,476	2,741
Provisions for contractual risks	816	3,000	3,816	662	2,310	2,972	154	690	844
Risk provision for legal disputes	695	1,663	2,358	575	1,213	1,788	120	450	570
Provisions for risk on guarantee	-	58	58	58	-	58	(58)	58	-
Other provisions for risks and charges	443	558	1,001	65	620	685	378	(62)	316
Total	**14,452**	**12,116**	**26,568**	**12,593**	**9,504**	**22,097**	**1,859**	**2,612**	**4,471**

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 10,051 and €/000 7,396 was used in relation to costs incurred during the period.
The provision for litigation concerns labour litigation and other legal proceedings.

32. Deferred tax liabilities — €/000 7,762

The increase compared to the balance as of 31 December 2018 (€/000 2,806) is mainly due to the recognition of deferred tax liabilities on distributable reserves of the Indian subsidiary, which are controlled by the Group and are distributed, as part of the wider-ranging liquidity management policy adopted at a Group level.

33. Retirement funds and employee benefits — €/000 38,997

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2019	AS OF 31 DECEMBER 2018	CHANGE
Retirement funds	868	769	99
Post-employment benefits provision	38,129	40,537	(2,408)
Total	**38,997**	**41,306**	**(2,309)**

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.
Their breakdown was as follows:

IN THOUSANDS OF EUROS	
Opening balance as of 1 January 2019	**40,537**
Cost for the year	8,074
Actuarial losses recognised in Equity	2,809
Interest cost	221
Uses and transfers of retirement funds	(13,508)
Other movements	(4)
Closing balance as of 31 December 2019	**38,129**

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

Technical annual discount rate	0.37%
Annual rate of inflation	1.50% as from 2019
Annual rate of increase in termination benefits	2.625% as from 2019

As regards the discount rate, the Group uses 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 31 December 2019 would have been lower by €/000 865.

The table below shows the effects, in absolute terms, as of 31 December 2019, which would have occurred following changes in reasonably possible actuarial assumptions:

IN THOUSANDS OF EUROS	PROVISION FOR TERMINATION BENEFITS
Turnover rate +2%	37,722
Turnover rate -2%	38,568
Inflation rate +0.25%	38,672
Inflation rate - 0.25%	37,585
Discount rate +0.50%	37,258
Discount rate -0.50%	39,021

The average financial duration of the bond ranges from 9 to 24 years.
Estimated future amounts are equal to:

	IN THOUSANDS OF EUROS
YEAR	FUTURE AMOUNTS
1	5,283
2	2,965
3	1,881
4	2,073
5	952

The affiliates operating in Germany and Indonesia have provisions for employees identified as defined benefit plans. As of 31 December 2019, these provisions amounted to €/000 129 and €/000 187 respectively. The amount of profits / (losses) recognized in the statement of comprehensive income related to foreign companies amounted to €/000 -326.

34. Current and non-current tax payables €/000 14,934

Their breakdown was as follows:

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2019			AS OF 31 DECEMBER 2018			CHANGE		
	CURRENT	NON-CURRENT	TOTALS	CURRENT	NON-CURRENT	TOTALS	CURRENT	NON-CURRENT	TOTALS
Due for income tax	8,291		8,291	8,511		8,511	(220)	0	(220)
Due for non-income tax	134		134	50		50	84	0	84
Tax payables for:									
- VAT	1,089		1,089	2,010		2,010	(921)	0	(921)
- Tax withheld at source	5,144		5,144	3,803		3,803	1,341	0	1,341
- Other	276		276	261		261	15	0	15
Total	6,509		6,509	6,074		6,074	435	0	435
TOTAL	**14,934**	**0**	**14,934**	**14,635**	**0**	**14,635**	**299**	**0**	**299**

As of 31 December 2019 and as of 31 December 2018, no tax payables were recorded under non-current liabilities.
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.

35. Other payables (current and non-current) €/000 48,608

This item comprises:

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2019			AS OF 31 DECEMBER 2018			CHANGE		
	CURRENT	NON-CURRENT	TOTALS	CURRENT	NON-CURRENT	TOTALS	CURRENT	NON-CURRENT	TOTALS
To employees	17,712	471	18,183	17,452		17,452	260	471	731
Guarantee deposits		3,247	3,247		2,750	2,750	0	497	497
Accrued expenses	4,122		4,122	3,782		3,782	340	0	340
Deferred income	1,303	2,649	3,952	1,403	3,113	4,516	(100)	(464)	(564)
Amounts due to social security institutions	8,765		8,765	8,584		8,584	181	0	181
Fair value of derivatives	46		46	16		16	30	0	30
To JV	3		3	31		31	(28)	0	(28)
To associates	9		9	5		5	4	0	4
To parent companies	11		11	6,689		6,689	(6,678)	0	(6,678)
Other	10,200	70	10,270	10,258	76	10,334	(58)	(6)	(64)
Total	**42,171**	**6,437**	**48,608**	**48,220**	**5,939**	**54,159**	**(6,049)**	**498**	**(5,551)**

Amounts due to employees include the amount for holidays accrued but not taken of €/000 9,900 and other payments to be made for €/000 7,812.
Payables due to associates refer to various amounts due to the Fondazione Piaggio (Foundation).
Payables to parent companies consist of payables to Immsi.
The item fair value of hedging derivatives mainly refers to the fair value of hedging derivatives relative to the exchange risk on forecast transactions recognised on an cash flow hedge basis.
The item Accrued liabilities includes €/000 313 for interest on hedging derivatives and relative hedged items measured at fair value.

36. Breakdown of operating payables by measurement method

The table below shows the breakdown of operating payables by measurement method:

IN THOUSANDS OF EUROS	LIABILITIES MEASURED AT FVPL	FINANCIAL DERIVATIVES	LIABILITIES AT AMORTISED COST	TOTAL
AS OF 31 DECEMBER 2019				
Non-current				
Tax payables				
Other payables			6,437	6,437
Total non-current operating payables		**-**	**6,437**	**6,437**
Current				
Trade payables			478,688	478,688
Tax payables			14,934	14,934
Other payables		46	42,125	42,171
Total current operating payables		**46**	**535,747**	**535,793**
Total operating payables		**46**	**542,184**	**542,230**
AS OF 31 DECEMBER 2018				
Non-current				
Tax payables				
Other payables			5,939	5,939
Total non-current operating payables		**-**	**5,939**	**5,939**
Current				
Trade payables			432,722	432,722
Tax payables			14,635	14,635
Other payables		16	48,220	48,236
Total current operating payables		**16**	**495,577**	**495,593**
Total operating payables		**16**	**501,516**	**501,532**

37. Payables due after 5 years

The Group has loans due after 5 years, which are referred to in detail in Note 42 Financial Liabilities.
With the exception of the above payables, no other long-term payables due after five years exist.

38. Breakdown of liabilities by geographic segment

As regards the breakdown of liabilities by geographic segment, reference is made to the section on segment reporting.

E) INFORMATION ON FINANCIAL ASSETS AND LIABILITIES

This section provides information on the carrying amount of financial assets and liabilities held, and in particular:
- specifically describes the type of financial assets and liabilities;
- the accounting standards adopted;
- describes how fair value is determined, how measurements and estimates are made, and the uncertainties involved.

The Group holds the following financial assets and liabilities:

IN THOUSANDS OF EUROS	ASSETS MEASURED AT FVPL	ASSETS MEASURED AT FVOCI	FINANCIAL DERIVATIVES	ASSETS AT AMORTISED COST	TOTAL
FINANCIAL ASSETS AS OF 31 DECEMBER 2019					
Non-current					
Other financial assets	37		3,475		3,512
Total non-current financial assets	**37**	**-**	**3,475**	**-**	**3,512**
Current					
Other financial assets			3,789		3,789
Cash and cash equivalents				128,565	128,565
Securities				62,116	62,116
Total current financial assets	**-**	**-**	**3,789**	**190,681**	**194,470**
Total financial assets	**37**	**-**	**7,264**	**190,681**	**197,982**
FINANCIAL ASSETS AS OF 31 DECEMBER 2018					
Non-current					
Other financial assets	37		5,992		6,029
Total non-current financial assets	**37**	**-**	**5,992**	**-**	**6,029**
Current					
Other financial assets			2,805		2,805
Cash and cash equivalents				131,282	131,282
Securities				57,396	57,396
Total current financial assets			**2,805**	**188,678**	**191,483**
Total financial assets	**37**	**-**	**8,797**	**188,678**	**197,512**

IN THOUSANDS OF EUROS	LIABILITIES MEASURED AT FVPL	FAIR VALUE ADJUSTMENT	FINANCIAL DERIVATIVES	LIABILITIES AT AMORTISED COST	TOTAL
FINANCIAL LIABILITIES AS OF 31 DECEMBER 2019					
Non-current					
Bank loans				178,092	178,092
Bonds		3,269		282,099	285,368
Other loans				127	127
Liabilities for rights of use				19,996	19,996
Total non-current liabilities		**3,269**		**480,314**	**483,583**
Current liabilities					
Bank loans				110,756	110,756
Bonds		3,265		11,022	14,287
Other loans				9,990	9,990
Liabilities for rights of use				8,408	8,408
Total current liabilities		**3,265**		**140,176**	**143,441**
Total		**6,534**		**620,490**	**627,024**
FINANCIAL LIABILITIES AS OF 31 DECEMBER 2018					
Non-current					
Bank loans				207,239	207,239
Bonds		5,475		291,694	297,169
Other loans				160	160
Leases				7,930	7,930
Hedging derivatives					-
Total non-current financial liabilities	**-**	**5,475**	**-**	**507,023**	**512,498**
Current					
Bank loans				89,741	89,741
Bonds		2,563		10,325	12,888
Other loans				9,636	9,636
Leases				1,237	1,237
Hedging derivatives					-
Total current financial liabilities	**-**	**2,563**	**-**	**110,939**	**113,502**
Total financial liabilities	**-**	**8,038**	**-**	**617,962**	**626,000**

39. Investments €/000 8,910

The investments heading comprises:

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2019	AS OF 31 DECEMBER 2018	CHANGE
Interests in joint ventures	8,753	7,786	967
Investments in associates	157	148	9
Total	**8,910**	**7,934**	**976**

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.

Investments in Joint Ventures €/000 8,753

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2019	AS OF 31 DECEMBER 2018	CHANGE
JOINT VENTURE			
Accounted for using the equity method:			
Zongshen Piaggio Foshan Motorcycles Co. Ltd	8,753	7,786	967
Total joint ventures	**8,753**	**7,786**	**967**

The investment in Zongshen Piaggio Foshan Motorcycles Co. Ltd was classified under the item "joint ventures" in relation to agreements made in the contract signed on 15 April 2004 between Piaggio & C. S.p.A. and its historical partner Foshan Motorcycle Plant, and the Chinese company Zongshen Industrial Group Company Limited.
Piaggio & C. S.p.A. has a 45% interest in Zongshen Piaggio Foshan Motorcycles Co. Ltd. of which 12.5% via the direct subsidiary Piaggio China Company Ltd. The carrying amount of the investment refers to shareholders' equity pro-quota adjusted to take into account the measurement criteria adopted by the Group.

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

IN THOUSANDS OF EUROS	ACCOUNTS AS OF 31 DECEMBER 2019		ACCOUNTS AS OF 31 DECEMBER 2018	
ZONGSHEN PIAGGIO FOSHAN MOTORCYCLE CO. LTD				
		45% *		45% *
Working capital	9,327	4,198	6,647	2,991
Net financial debt	4,052	1,823	667	300
Total assets	10,034	4,515	14,507	6,528
Net capital employed	**23,413**	**10,536**	**21,821**	**9,819**
Provisions	248	112	209	94
Net financial debt	0	0	0	0
Shareholders' equity	23,165	10,424	21,611	9,725
Total sources of financing	**23,413**	**10,536**	**21,821**	**9,819**
* Group ownership				
Shareholders' equity attributable to the Group		10,424		9,725
Elimination of margins on internal transactions		(1,671)		(1,939)
Value of the investment		**8,753**		**7,786**

IN THOUSANDS OF EUROS	
RECONCILIATION OF SHAREHOLDERS' EQUITY	
Opening balance as of 1 January 2019	**7,786**
Profit (Loss) for the period	638
Statement of Comprehensive Income	61
Elimination of margins on internal transactions	268
Closing balance as of 31 December 2019	**8,753**

Investments in associates €/000 157

This item comprises:

IN THOUSANDS OF EUROS	CARRYING AMOUNT AS OF 31 DECEMBER 2018	ADJUSTMENT	CARRYING AMOUNT AS OF 31 DECEMBER 2019
ASSOCIATES			
Immsi Audit S.c.a.r.l.	10		10
S.A.T. S.A. - Tunisia	0		0
Depuradora D'Aigues de Martorelles	27	(4)	23
Pontech Soc. Cons. a.r.l. - Pontedera	111	13	124
Total associates	**148**	**9**	**157**

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

40. Other current and non-current financial assets €/000 7,301

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2019			AS OF 31 DECEMBER 2018			CHANGE		
	CURRENT	NON-CURRENT	TOTALS	CURRENT	NON-CURRENT	TOTALS	CURRENT	NON-CURRENT	TOTALS
Fair Value of hedging derivatives	3,789	3,475	7,264	2,805	5,992	8,797	984	(2,517)	(1,533)
Investments in other companies		37	37		37	37	0	0	0
Total	**3,789**	**3,512**	**7,301**	**2,805**	**6,029**	**8,834**	**984**	**(2,517)**	**(1,533)**

The item Fair Value derivatives includes the fair value measurement of the Cross Currency Swap on the private debenture loan. For more details see section 44 "Financial risks" of the Notes.

The breakdown of the item "Investments in other companies" is shown in the table below:

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2019	AS OF 31 DECEMBER 2018	CHANGE
OTHER COMPANIES			
A.N.C.M.A. - Rome	2	2	0
ECOFOR SERVICE S.p.A. - Pontedera	2	2	0
Consorzio Fiat Media Center - Turin	3	3	0
S.C.P.S.T.V.	21	21	0
IVM	9	9	0
Total other companies	**37**	**37**	**0**

41. Cash and cash equivalents €/000 190,746

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

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2019	AS OF 31 DECEMBER 2018	CHANGE
Bank and postal deposits	128,565	131,282	(2,717)
Cheques	18		18
Cash on hand	47	62	(15)
Securities	62,116	57,396	4,720
Total	**190,746**	**188,740**	**2,006**

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

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

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

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2019	AS OF 31 DECEMBER 2018	CHANGE
Liquidity	190,746	188,740	2,006
Current account overdrafts	(18)	(354)	336
Closing balance	**190,728**	**188,386**	**2,342**

42. Current and non-current financial liabilities and financial liabilities for rights of use €/000 627,024

In 2019, the Group's overall debt increased slightly (+ €/000 1,024), despite the recognition of payables for rights of use (€/000 20,381[36] as of 31 December 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 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 the related hedged items, as of 31 December 2019 total financial debt of the Group had decreased by €/000 25,876. Moreover, the adoption of a new dividend distribution policy starting from 2019, with the distribution of an interim dividend during the year (rather than a single dividend), led to an advance outflow of €/000 19,650.

IN THOUSANDS OF EUROS	FINANCIAL LIABILITIES AS OF 31 DECEMBER 2019			FINANCIAL LIABILITIES AS OF 31 DECEMBER 2018			CHANGE		
	CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL
Financial liabilities	135,033	463,587	598,620	113,502	512,498	626,000	21,531	(48,911)	(27,380)
Gross financial debt	*131,768*	*460,318*	*592,086*	*110,939*	*507,023*	*617,962*	*20,829*	*(46,705)*	*(25,876)*
Fair value adjustment	*3,265*	*3,269*	*6,534*	*2,563*	*5,475*	*8,038*	*702*	*(2,206)*	*(1,504)*
Financial liabilities for rights of use	8,408	19,996	28,404	0	0	0	8,408	19,996	28,404
Total	**143,441**	**483,583**	**627,024**	**113,502**	**512,498**	**626,000**	**29,939**	**(28,915)**	**1,024**

Net financial debt of the Group amounted to €/000 429,744 as of 31 December 2019 compared to €/000 429,222 as of 31 December 2018.

36 The amount of €/000 28,404 indicated in the next table comprises €/000 20,381 previously not recognised in the financial statements, but indicated under commitments, and €/000 8,023 previously recognised under gross financial liabilities, as this item refers to payables for finance leases.

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2019	AS OF 31 DECEMBER 2018	CHANGE
Liquidity	**190,746**	**188,740**	**2,006**
Securities			0
Current financial receivables	**0**	**0**	**0**
Payables due to banks	(81,032)	(47,033)	(33,999)
Current portion of bank loans	(29,724)	(42,708)	12,984
Debenture loan	(11,022)	(10,325)	(697)
Amounts due to factoring companies	(9,946)	(9,291)	(655)
Amounts due under leases		(1,237)	1,237
Financial liabilities for rights of use	(8,408)		(8,408)
of which amounts due under finance leases	*(1,161)*		*(1,161)*
of which amounts due under operating leases	*(7,247)*		*(7,247)*
Current portion of payables due to other lenders	(44)	(345)	301
Current financial debt	**(140,176)**	**(110,939)**	**(29,237)**
Net current financial debt	**50,570**	**77,801**	**(27,231)**
Payables due to banks and lenders	(178,092)	(207,239)	29,147
Debenture loan	(282,099)	(291,694)	9,595
Amounts due under leases		(7,930)	7,930
Financial liabilities for rights of use	(19,996)		(19,996)
of which amounts due under finance leases	*(6,862)*		*(6,862)*
of which amounts due under operating leases	*(13,134)*		*(13,134)*
Amounts due to other lenders	(127)	(160)	33
Non-current financial debt	**(480,314)**	**(507,023)**	**26,709**
Net Financial Debt[36]	**(429,744)**	**(429,222)**	**(522)**
Effect of the adoption of IFRS 16	**(20,381)**	**0**	**(20,381)**

The tables above and below show payables for finance leases, and payables for operating leases, on separate rows, for an easier understanding. Both types of payable are combined under the item liabilities for rights of use, as required by IFRS 16, adopted from 1 January 2019. As of 31 December 2018, payables for finance leases were recognised under the item "Financial liabilities".

The tables below analyse the movements of the net financial position year on year.

36 Pursuant to Consob Communication of 28 July 2006 and in compliance with the recommendation of the CESR of 10 February 2005 "Recommendation for the consistent implementation of the European Commission's Regulation on Prospectuses". The indicator does not include financial assets and liabilities arising from the fair value measurement of financial derivatives for hedging and otherwise, the fair value adjustment of relative hedged items equal to €/000 6,534 and relative accruals.

IN THOUSANDS OF EUROS		CASH FLOWS							CASH FLOWS						
	BALANCE AS OF 31.12.2017	MOVEMEN-TS	REPAY-MENTS	NEW ISSUES	RECLASSIFI-CATIONS	EXCHAN-GE DELTA	OTHER CHANGES	BALANCE AS OF 31.12.2018	MOVE-MENTS	REPAY-MENTS	NEW ISSUES	RECLASSI-FICATIONS	EXCHANGE DELTA	OTHER CHANGES	BALANCE AS OF 31.12.2019
Liquidity	**128,067**	**60,671**				**2**		**188,740**	**1,090**				**916**		**190,746**
Securities	0														0
Current financial receivables	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Current account overdrafts	(173)			(181)				(354)		354	(18)				(18)
Current account payables	(59,520)		27,965	(13,486)		(1,638)		(46,679)		19,397	(53,135)		(597)		(81,014)
Current portion of medium-/long-term bank loans	(49,994)		52,062	(1,400)	(42,760)	(302)	(314)	(42,708)		42,835		(29,769)	(75)	(7)	(29,724)
Total current bank loans	*(109,687)*	*0*	*80,027*	*(15,067)*	*(42,760)*	*(1,940)*	*(314)*	*(89,741)*	*0*	*62,586*	*(53,153)*	*(29,769)*	*(672)*	*(7)*	*(110,756)*
Debenture loan	(9,625)		9,669		(10,359)		(10)	(10,325)		10,360		(11,050)		(7)	(11,022)
Amounts due to factoring companies	(14,613)		5,322					(9,291)		9,291	(9,946)				(9,946)
Amounts due under finance leases	(1,144)		1,145		(1,238)			(1,237)				1,237			0
Liabilities for rights of use	0		0		0			0		8,557		(16,964)		(1)	(8,408)
of which amounts due under finance leases								*0*		*1,257*		*(2,417)*		*(1)*	*(1,161)*
of which amounts due under operating leases								*0*		*7,300*		*(14,547)*			*(7,247)*
Current portion of payables due to other lenders	(331)		325		(345)	6		(345)		334		(33)			(44)
Current financial debt	**(135,400)**	**0**	**96,488**	**(15,067)**	**(54,702)**	**(1,934)**	**(324)**	**(110,939)**	**0**	**91,128**	**(63,099)**	**(56,579)**	**(672)**	**(15)**	**(140,176)**
Net current financial debt	**(7,333)**	**60,671**	**96,488**	**(15,067)**	**(54,702)**	**(1,932)**	**(324)**	**77,801**	**1,090**	**91,128**	**(63,099)**	**(56,579)**	**244**	**(15)**	**50,570**
Medium-/long-term bank loans	(125,259)		25,000	(151,100)	42,760	(256)	1,616	(207,239)				29,769	(110)	(512)	(178,092)
Debenture loan	(304,592)		168,497	(168,497)	10,359		2,539	(291,694)				11,050		(1,455)	(282,099)
Amounts due under finance leases	(9,168)				1,238			(7,930)				7,930			0
Liabilities for rights of use	0				0			0		0		7,797	(230)	(27,563)	(19,996)
of which amounts due under finance leases								*0*				*(6,750)*		*(112)*	*(6,862)*
of which amounts due under operating leases								*0*				*14,547*	*(230)*	*(27,451)*	*(13,134)*
Amounts due to other lenders	(344)			(162)	345	1		(160)				33			(127)
Non-current financial debt	**(439,363)**	**0**	**193,497**	**(319,759)**	**54,702**	**(255)**	**4,155**	**(507,023)**	**0**	**0**	**0**	**56,579**	**(340)**	**(29,530)**	**(480,314)**
NET FINANCIAL DEBT	**(446,696)**	**60,671**	**289,985**	**(334,826)**	**0**	**(2,187)**	**3,831**	**(429,222)**	**1,090**	**91,128**	**(63,099)**	**0**	**(96)**	**(29,545)**	**(429,744)**
of which the effect of IFRS 16										**7,300**			**(230)**	**(27,451)**	**(20,381)**

Financial liabilities €/000 592,086

Financial liabilities are broken down as follows:

IN THOUSANDS OF EUROS	ACCOUNTING BALANCE AS OF 31.12.2019	ACCOUNTING BALANCE AS OF 31.12.2018	NOMINAL VALUE AS OF 31.12.2019	NOMINAL VALUE AS OF 31.12.2018
Bank loans	288,848	296,980	290,165	298,815
Bonds	293,121	302,019	302,101	312,460
Other loans:				
of which leases		*9,167*		*9,178*
of which amounts due to other lenders	*10,117*	*9,796*	*10,117*	*9,796*
Total other loans	10,117	18,963	10,117	18,974
Total	**592,086**	**617,962**	**602,383**	**630,249**

IN THOUSANDS OF EUROS	ACCOUNTING BALANCE AS OF 31.12.2019	ACCOUNTING BALANCE AS OF 31.12.2018	CHANGE
Current financial debt	131,768	110,939	20,829
Non-current financial debt	460,318	507,023	(46,705)
Financial debt	**592,086**	**617,962**	**(25,876)**
Gross debt, fixed rate	329,313	359,658	(30,345)
Gross debt, variable rate	262,773	258,304	4,469
Financial debt	**592,086**	**617,962**	**(25,876)**

The table below shows the repayment schedule as of 31 December 2019:

IN THOUSANDS OF EUROS				AMOUNTS FALLING DUE IN				
	NOMINAL VALUE AS OF 31.12.2019	AMOUNTS FALLING DUE WITHIN 12 MONTHS	AMOUNTS FALLING DUE AFTER 12 MONTHS	2021	2022	2023	2024	AFTER
Bank loans	290,165	110,802	179,363	45,035	94,805	39,523		
- including opening of credit lines and bank overdrafts	*81,032*	*81,032*						
- of which medium/long-term bank loans	*209,133*	*29,770*	*179,363*	*45,035*	*94,805*	*39,523*		
Bonds	302,101	11,050	291,051	11,051	30,000			250,000
Other loans	10,117	9,990	127	23	23	23	23	35
Total	**602,383**	**131,842**	**470,541**	**56,109**	**124,828**	**39,546**	**23**	**250,035**

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

IN THOUSANDS OF EUROS	ACCOUNTING BALANCE AS OF 31.12.2018	ACCOUNTING BALANCE	NOMINAL VALUE	APPLICABLE INTEREST RATE
		AS OF 31.12.2019		
Euro	561,509	555,601	565,898	2.62%
Indian Rupee	24	9	9	9.25%
Indonesian Rupiah		*193*	*193*	*7.62%*
US Dollar	14,410	*17,091*	*17,091*	*3.03%*
Vietnamese Dong	39,286	*16,404*	*16,404*	*6.57%*
Japanese Yen	2,733	*2,788*	*2,788*	*2.60%*
Total currencies other than euro	56,453	36,485	36,485	
Total	**617,962**	**592,086**	**602,383**	**2.74%**

Medium and long-term bank debt amounts to €/000 207,816 (of which €/000 178,092 non-current and €/000 29,724 current) and consists of the following loans:

- a €/000 39,940 medium-term loan (nominal value of €/000 40,000) 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 €/000 116,326 loan (nominal value of €/000 117,500), a syndicate loan for a total of €/000 250,000 signed in June 2018 and comprising a €/000 187,500 four-year tranche (with 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 31 December 2019) and a tranche as a five-year loan with amortisation of €/000 62,500. Contract terms require covenants (described below);
- a €/000 8,148 medium-term loan (nominal value of €/000 8,160) granted by UBI Banca. The loan will fall due on 30 June 2021 with a repayment schedule of quarterly instalments;
- a €/000 17,961 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 6,820 loan from Banco BPM with a repayment schedule of six-monthly instalments and last payment in July 2022 (equal to €/000 6,820). This loan has an additional tranche of €/000 12,500 granted as a revolving credit line, entirely drawn as of 31 December 2019 (recognised under current account payables). Contract terms require covenants (described below);
- a €/000 5,472 medium-term loan (nominal value of €/000 5,500) granted by Interbanca-Banca IFIS. The loan will fall due on 30 September 2022 and has a quarterly repayment schedule. Contract terms require covenants (described below);
- a €/000 7,048 medium-term loan (nominal value of €/000 7,052) granted by Banca del Mezzogiorno, maturing on 2 January 2023 and with six-monthly repayment schedule. This loan has an additional tranche of €/000 20,000 granted as a revolving credit line, entirely drawn as of 31 December 2019 (recognised under current account payables). Contract terms require covenants (described below);
- a €/000 5,961 medium-term loan for VND/000 153,473,465 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 €/000 140 loan from Intesa SanPaolo granted pursuant to Italian Law no. 346/88 on subsidised applied research.

As of 31 December 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 €/000 293,121 (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 31 December 2019, the fair value measurement of the debenture loan was equal to €/000 28,635 (the fair value is determined based on IFRS relative to fair value hedging). A Cross Currency Swap has been taken out on this debenture loan to hedge the exchange risk and interest rate risk;
- €/000 29,915 (nominal value of €/000 30,000) for a five-year private debenture loan issued on 28 June 2017 and wholly subscribed by Fondo Sviluppo Export, the fund set up by SACE and managed by Amundi SGR. The issue has no specific rating or listing on a regulated market;
- €/000 241,147 (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 IAS 9 b4.3.5;
- all or part of the amount of the private placement issued on 28 June 2017, according to the conditions indicated in the contract. The value of prepayment options was not deducted from the original contract, as these are considered as being closely related to the host instrument, as provided for by IFRS 9 b4.3.5.

Financial advances received from factoring companies and banks, on the sale of trade receivables with recourse, totalled €/000 9,946.

Medium-/long-term payables due to other lenders equal to €/000 171 of which €/000 127 due after the year and €/000 44 as the current portion, are detailed as follows:

- a loan for €/000 9 granted by BMW Finance for the purchase of cars;
- a subsidised loan for a total of €/000 162 from the Region of Tuscany, related to regulations on incentives for investments in research and development (non-current portion equal to €/000 127).

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 abovementioned loan and debenture loan, if not remedied in agreed times, may give rise to an obligation for the early repayment of the outstanding amount of the loan.

Amortised Cost and Fair Value Measurement

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

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

The table below shows the fair value of payables measured using the amortised cost method as of 31 December 2019:

IN THOUSANDS OF EUROS	NOMINAL VALUE	CARRYING AMOUNT	FAIR VALUE [37]
High yield debenture loan	250,000	241,147	264,388
Private debenture loan 2021	22,101	22,059	21,436
Private debenture loan 2022	30,000	29,915	30,629
EIB (R&D loan 2016-2018)	40,000	39,940	39,701
Loan from B. Pop. Emilia Romagna	18,000	17,961	17,753
Loan from Banco BPM	6,820	6,820	7,204
Revolving syndicated loan	55,000	54,163	54,792
Syndicated loan maturing in 2023	62,500	62,163	62,245
Loan from UBI	8,160	8,148	8,145
Loan from MCC	7,052	7,048	7,011
Loan from Banca IFIS	5,500	5,472	5,648
VietinBank medium-term loan	5,961	5,961	5,930

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

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

Fair value hierarchy

The table below shows the assets and liabilities measured and recognised at fair value as of 31 December 2019, by hierarchical level of fair value measurement.

IN THOUSANDS OF EUROS	LEVEL 1	LEVEL 2	LEVEL 3
ASSETS MEASURED AT FAIR VALUE			
Investment Property			9,203
Financial derivatives:			
- of which financial assets		6,946	
- of which other receivables		123	
Investments in other companies			37
Total assets		**7,069**	**9,240**
LIABILITIES MEASURED AT FAIR VALUE			
Financial derivatives			
- of which financial liabilities			
- of which other payables		(46)	
Financial liabilities at fair value recognised through profit or loss		(28,635)	
Total liabilities		**(28,681)**	
General total		**(21,612)**	**9,240**

Investment property relative to the Martorelles site was measured as hierarchical level 3. This value was confirmed by a specific valuation of an independent expert, who measured the "Fair value less cost of disposal" based on a market approach (as provided for by IFRS 13). The valuation took account of comparable transactions on the local market, and the project to convert the area (from an industrial to a commercial site, as approved by the local authorities on 18 February 2014), referring however the value of the investment to its current status. Consequently, an accompanying 10% increase or decrease in all the variables based on the valuation of the investment would have generated a higher value of around €/000 2,500 and a lower value of €/000 2,600, with an equivalent greater or lesser impact on the income statement for the period.

The following tables show Level 2 and Level 3 changes during 2019:

IN THOUSANDS OF EUROS	LEVEL 2
Balance as of 31 December 2018	**(31,714)**
Gain (loss) recognised in profit or loss	(347)
Gain (loss) recognised in the statement of comprehensive income	89
(Increases)/Decreases	10,360
Balance as of 31 December 2019	**(21,612)**
	LEVEL 3
Balance as of 31 December 2018	**10,306**
Gain (loss) recognised in profit or loss	(1,066)
Increases/(Decreases)	
Balance as of 31 December 2019	**9,240**

Financial liabilities for rights of use €/000 28,404

As required by IFRS 16, financial payables for rights of use include both finance lease liabilities, which up until 31 December 2018 had been included under financial liabilities, and payments due of operating lease agreements, previously recognised as off-balance sheet guarantees.

The table below shows the repayment schedule as of 31 December 2019:

IN THOUSANDS OF EUROS				AMOUNTS FALLING DUE IN				
	CARRYING AMOUNT AS OF 31.12.2019	AMOUNTS FALLING DUE WITHIN 12 MONTHS	AMOUNTS FALLING DUE AFTER 12 MONTHS	2021	2022	2023	2024	OLTRE
Rights of use								
- of which operating leases	*20,381*	*7,247*	*13,134*	*5,003*	*3,986*	*2,557*	*921*	*668*
- of which finance leases	*8,023*	*1,161*	*6,862*	*1,180*	*1,199*	*1,218*	*1,267*	*1,998*
Total	**28,404**	**8,408**	**19,996**	**6,183**	**5,185**	**3,775**	**2,188**	**2,666**

Payables for finance leases, already recognised as of 31 December 2018 according to IAS 17, were equal to €/000 8,023 (nominal value of €/000 8,033) and are broken down as follows:
- a Sale&Lease back agreement for €/000 7,930 (nominal value of €/000 7,940) granted by Albaleasing on a production plant of the Parent Company. The agreement is for ten years, with quarterly repayments (non-current portion equal to €/000 6,781);
- a finance lease for €/000 93 granted by VFS Servizi Finanziari to the company Aprilia Racing for the use of vehicles (non-current portion equal to €/000 81).

Payables for rights of use include payables with the parent companies Immsi and Omniaholding for €/000 6,132 (€/000 4,579 non-current portion).

F) MANAGEMENT OF FINANCIAL RISK

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

43. Credit risk

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

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2019	AS OF 31 DECEMBER 2018
Liquid assets	128,565	131,282
Securities	62,116	57,396
Financial receivables	7,301	8,834
Other receivables	45,344	50,132
Tax receivables	32,652	24,767
Trade receivables	78,195	86,557
Total	**354,173**	**358,968**

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

44. Financial risks

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

Liquidity risk and capitals management

The liquidity risk arises from the possibility that available financial resources are not sufficient to cover, in due times and procedures, future payments arising from financial and/or commercial obligations. To deal with these risks, cash flows and the Group's credit line needs are monitored or managed centrally under the control of the Group's Treasury in order to guarantee an effective and efficient management of the financial resources as well as optimise the debt's maturity standpoint.
In addition, the Parent Company finances the temporary cash requirements of Group companies by providing direct short-term loans regulated in market conditions or guarantees. A cash pooling zero balance system is used between the Parent Company and European companies to reset the receivable and payable balances of subsidiaries on a daily basis, for a more effective and efficient management of liquidity in the Eurozone.
As of 31 December 2019 the most important sources of financing irrevocable until maturity granted to the Parent Company were as follows:
- a debenture loan of €/000 250,000 maturing in April 2025;
- a debenture loan of $/000 32,000 maturing in July 2021;
- a debenture loan of €/000 30,000 maturing in June 2022;
- a credit line of €/000 250,000 comprising a Revolving Credit Facility of €/000 187,500 maturing in July 2022 and a loan of €/000 62,500 maturing in July 2023;
- Revolving credit facilities for a total of €/000 32,500, with final settlement in July 2022;
- loans for a total of €/000 155,834, with final settlement in 2027.

Other Group companies also have irrevocable loans totalling €/000 19,322 with final settlement in September 2022.

As of 31 December 2019, the Group had a liquidity of €/000 190,746, €/000 215,813 of undrawn credit lines irrevocable to maturity and €/000 147,263 of revocable credit lines, as detailed below:

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2019	AS OF 31 DECEMBER 2018
Variable rate with maturity within one year - irrevocable until maturity		
Variable rate with maturity after one year - irrevocable until maturity	215,813	165,000
Variable rate with maturity within one year - cash revocable	128,263	126,225
Variable rate with maturity within one year - with revocation for self-liquidating typologies	19,000	19,000
Total undrawn credit lines	**363,076**	**310,225**

The table below shows the timing of future payments in relation to trade payables:

IN THOUSANDS OF EUROS	WITHIN 30 DAYS	BETWEEN 31 AND 60 DAYS	BETWEEN 61 AND 90 DAYS	OVER 90 DAYS	TOTAL AS OF 31 DECEMBER 2019
Trade payables	284,459	105,159	13,583	75,487	478,688

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

Exchange Risk

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

This policy analyses:

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

Cash flow hedging

As of 31 December 2019, the Group had undertaken the following futures transactions (recognised based on the regulation date) relative to payables and receivables already recognised to hedge the transaction exchange risk:

COMPANY	OPERATION	CURRENCY	AMOUNT IN CURRENCY	VALUE IN LOCAL CURRENCY (FORWARD EXCHANGE RATE)	AVERAGE MATURITY
			IN THOUSANDS	IN THOUSANDS	
Piaggio & C.	Purchase	CAD	200	137	31/01/2020
Piaggio & C.	Purchase	CNY	47,000	6,015	07/02/2020
Piaggio & C.	Purchase	JPY	220,000	1,832	08/02/2020
Piaggio & C.	Purchase	SEK	4,500	424	03/01/2020
Piaggio & C.	Purchase	USD	12,000	10,809	13/02/2020
Piaggio & C.	Sale	SEK	2,000	191	03/01/2020
Piaggio & C.	Sale	USD	56,650	50,778	19/03/2020
Piaggio Vietnam	Purchase	€	4,500	116,550,500	08/02/2020
Piaggio Vietnam	Sale	USD	18,000	419,613,000	05/02/2020
Piaggio Vespa BV	Sale	GBP	361	423	25/03/2020
Piaggio Vespa BV	Sale	SGD	800	528	25/03/2020
Piaggio Vespa BV	Sale	USD	9,850	8,714	21/04/2020
Piaggio Vehicles Private Limited	Sale	USD	7,667	548,684	03/02/2020
Piaggio Vehicles Private Limited	Sale	€	5,182	416,278	01/03/2020

As of 31 December 2019, the Group had undertaken the following transactions to hedge the business exchange risk:

COMPANY	OPERATION	CURRENCY	AMOUNT IN CURRENCY	VALUE IN LOCAL CURRENCY (FORWARD EXCHANGE RATE)	AVERAGE MATURITY
			IN THOUSANDS	IN THOUSANDS	
Piaggio & C.	Purchase	CNY	211,000	26,494	05/07/2020
Piaggio & C.	Sale	GBP	11,550	13,496	06/07/2020

To hedge the economic exchange risk alone, cash flow hedging is adopted with the effective portion of profits and losses recognised in a specific shareholders' equity reserve. Fair value is determined based on market quotations provided by main traders.

As of 31 December 2019, the total fair value of hedging instruments for exchange risk recognised on an hedge accounting basis was positive by €/000 78. During 2019, gains were recognised in other components of the Statement of Comprehensive Income for €/000 78 and gains from other components of the Statement of Comprehensive Income were reclassified to profit/loss for the year for €/000 89.

The net balance of cash flows during 2019 is shown below, divided by main currency:

IN MILLIONS OF EUROS	CASH FLOW 2019
Canadian Dollar	7.0
Pound Sterling	17.8
Swedish Krone	4.3
Japanese Yen	(3.6)
US Dollar	57.9
Indian Rupee	(14.2)
Chinese Yuan[38]	(55.1)
Vietnamese Dong	(53.9)
Singapore dollar	(2.5)
Indonesian Rupiah	32.4
Total cash flow in foreign currency	**(9.9)**

In view of the above, an assumed appreciation/deprecation of 3% of the euro would have generated potential profits for €/000 288 and potential losses for €/000 306 respectively.

Interest rate risk

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

As of 31 December 2019, the following hedging derivatives were in use:

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

- a Cross Currency Swap to hedge the private debenture loan issued by the Parent Company for a nominal amount of $/000 32,000. The purpose of the instrument is to hedge both the exchange risk and interest rate risk, turning the loan from US dollars to euro, and from a fixed rate to a variable rate; the instrument is accounted for on a fair value hedge basis, with effects arising from the measurement recognised in profit or loss. As of 31 December 2019, the fair value of the instrument was equal to €/000 6,946. The net economic effect arising from the measurement of the instrument and underlying private debenture loan was equal to €/000 -347; sensitivity analysis of the instrument and its underlying, assuming a 1% increase and decrease in the shift of the variable rates curve, showed a potential impact on the Income Statement, net of the related tax effect, of €/000 8 and €/000 -8 respectively, assuming constant exchange rates; whereas assuming a 1% reversal and write-down of exchange rates, sensitivity analysis identified a potential impact on the income statement, net of the relative tax effect, of €/000 -6 and €/000 6 respectively.

IN THOUSANDS OF EUROS	FAIR VALUE
PIAGGIO & C. S.P.A.	
Cross Currency Swap	6,946

38 Cash flow partially in euro.

G) INFORMATION ON SHAREHOLDERS' EQUITY

45. Share capital and reserves €/000 383,807

Share capital €/000 207,614

During the period, the nominal share capital of Piaggio & C. did not change.
The structure of Piaggio & C's share capital, equal to €207,613,944.37, fully subscribed and paid up, is indicated in the next table:

STRUCTURE OF SHARE CAPITAL AS OF 31 DECEMBER 2019

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

The Share of the Company are without par value, are indivisible, registered and issued on a dematerialisation basis, in the centralised management system of Monte Titoli S.p.A..
At the date of these financial statements, no other financial instruments with the right to subscribe to new issue shares had been issued, nor were there share based incentive plans in place involving increases, also without a consideration, in share capital.

Treasury shares €/000 (1,749)

During the period, 105,000 treasury shares were acquired. Therefore, as of 31 December 2019, Piaggio & C. held 898,818 treasury shares, equal to 0.251% of the shares issued.

SHARES IN CIRCULATION AND TREASURY SHARES

NO. OF SHARES		2018
Situation as of 1 January		
Shares issued	358,153,644	358,153,644
Treasury portfolio shares	793,818	0
Shares in circulation	357,359,826	358,153,644
Movements for the period		
Purchase of treasury shares	105,000	793,818
Situation as of 31 December		
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 31 December 2019 was unchanged compared to 31 December 2018.

Legal reserve €/000 21,904

The legal reserve as of 31 December 2019 had increased by €/000 1,779 as a result of the allocation of earnings for the previous year.

Financial instruments' fair value reserve €/000 (29)

The financial instruments fair value reserve is negative and refers to the effects of cash flow hedge accounting in foreign currencies, interest and specific business 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 optimising cash flow management, considering the seasonal nature of the business. The Board of Directors, having approved the Interim Financial Statements at 30 June 2019 and Directors' Report pursuant to Article 2344-bis of the Civil Code, therefore resolved to allocate an interim dividend for 2019 equal to 5.5 eurocents, including taxes, for each entitled ordinary share (against a dividend of 9 eurocents resolved for all of 2018), 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 €/000 192,525

Capital and reserves of non-controlling interest €/000 (208)

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

46. Other components of the Statement of Comprehensive Income €/000 (2,654)

The figure is broken down as follows:

IN THOUSANDS OF EUROS	RESERVE FOR MEASUREMENT OF FINANCIAL INSTRUMENTS	GROUP TRANSLATION RESERVE	EARNINGS RESERVE	GROUP TOTAL	SHARE CAPITAL AND RESERVES ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	TOTAL OTHER COMPONENTS OF THE STATEMENT OF COMPREHENSIVE INCOME
As of 31 December 2019						
Items that will not be reclassified in the income statement						
Remeasurements of defined benefit plans			(2,453)	(2,453)		(2,453)
Total	0	0	(2,453)	(2,453)	0	(2,453)
Items that may be reclassified in the income statement						
Total translation gains (losses)		(350)		(350)	3	(347)
Portion of components of the Statement of Comprehensive Income of subsidiaries/associates valued with the equity method		61		61		61
Total profits (losses) on cash flow hedges	85			85		85
Total	85	(289)	0	(204)	3	(201)
Other components of the Statement of Comprehensive Income	**85**	**(289)**	**(2,453)**	**(2,657)**	**3**	**(2,654)**
As of 31 December 2018						
Items that will not be reclassified in the income statement						
Remeasurements of defined benefit plans			(1,019)	(1,019)		(1,019)
Total	0	0	(1,019)	(1,019)	0	(1,019)
Items that may be reclassified in the income statement						
Total translation gains (losses)		(3,052)		(3,052)	25	(3,027)
Portion of components of the Statement of Comprehensive Income of subsidiaries/associates valued with the equity method		(88)		(88)		(88)
Total profits (losses) on cash flow hedges	206			206		206
Total	206	(3,140)	0	(2,934)	25	(2,909)
Other components of the Statement of Comprehensive Income	**206**	**(3,140)**	**(1,019)**	**(3,953)**	**25**	**(3,928)**

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

	AS OF 31 DECEMBER 2019			AS OF 31 DECEMBER 2018		
	GROSS VALUE	TAX (EXPENSE) / BENEFIT	NET VALUE	GROSS VALUE	TAX (EXPENSE) / BENEFIT	NET VALUE
IN THOUSANDS OF EUROS						
Remeasurements of defined benefit plans	(3,135)	682	(2,453)	(1,273)	254	(1,019)
Total translation gains (losses)	(347)		(347)	(3,027)		(3,027)
Portion of components of the Statement of Comprehensive Income of subsidiaries/associates valued with the equity method	61		61	(88)		(88)
Total profits (losses) on cash flow hedges	112	(27)	85	271	(65)	206
Other components of the Statement of Comprehensive Income	**(3,309)**	**655**	**(2,654)**	**(4,117)**	**189**	**(3,928)**

H) OTHER INFORMATION

47. Share-based incentive plans

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

48. Fees for Directors, Statutory Auditors and Key Managers

For a complete description and analysis of fees of Directors and Statutory Auditors, reference is made to the remuneration report available from the registered office, and on the Company's website in the section "Governance". At present, the Company has not identified any Key Senior Managers.

IN THOUSANDS OF EUROS	2019
Directors	2,405
Statutory auditors	180
Total fees	**2,585**

49. Information on related parties

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

Relations with Parent Companies

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

DESIGNATION	REGISTERED OFFICE	TYPE	% OF OWNERSHIP AS OF 31 DECEMBER 2019	% OF OWNERSHIP AS OF 31 DECEMBER 2018
IMMSI S.p.A.	Mantova - Italy	Direct parent company	50.0703	50.6287
Omniaholding S.p.A.	Mantova - Italy	Final parent company	0.0215	0.0215

Piaggio & C. S.p.A. is subject to the management and coordination of IMMSI S.p.A. pursuant to Article 2497 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 2019, for a further three years, the Parent Company[39] signed up to the National Consolidated Tax Mechanism pursuant to Articles 117 to 129 of the Consolidated Income Tax Act (T.U.I.R.) of which IMMSI S.p.A. is the consolidating company, and to whom other IMMSI Group companies report to. The consolidating company determines a single global income equal to the algebraic sum of taxable amounts (income or loss) realised by individual companies that opt for this type of group taxation.
The consolidating company recognises a receivable from the consolidated company which is equal to the corporate tax to be paid on the taxable income transferred by the latter. Whereas, in the case of companies reporting tax losses, the consolidating company recognises a payable related to corporate tax on the portion of loss actually used to determine global overall income or calculated as a decrease of overall income for future tax periods, according to procedures in Article 84, based on the criterion established by the consolidation agreement.
Moreover, under the National Consolidated Tax Mechanism, companies may, pursuant to Article 96 of Presidential Decree 917/86, allocate the excess of interest payable which is not deductible to one of the companies so that, up to the excess of Gross Operating Income produced in the same tax period by other subjects party to the consolidation, the amount may be used to reduce the total income of the Group.

39 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 & C. S.p.A. has two office lease agreements with IMMSI, one for property in Via Broletto 13 in Milan, and the other for property in Via Abruzzi 25 in Rome. A part of the property in Via Broletto 13 in Milan is sub-leased by Piaggio & C. S.p.A. to Piaggio Concept Store Mantova Srl.
Piaggio & C. S.p.A. has undertaken a rental agreement for offices owned by Omniaholding S.p.A.. This agreement, signed in normal market conditions, was previously approved by the Related Parties Transactions Committee, as provided for by the procedure for transactions with related parties adopted by the Company.
Piaggio Concept Store Mantova Srl has a lease contract for its sales premises and workshop with Omniaholding S.p.A.. This agreement was signed in normal market conditions.

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

Transactions with Piaggio Group companies

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

Piaggio & C. S.p.A.

- sells vehicles, spare parts and accessories to sell on respective markets, to:
  - Piaggio Hrvatska
  - Piaggio Hellas
  - Piaggio Group Americas
  - Piaggio Vehicles Private Limited
  - Piaggio Vietnam
  - Piaggio Concept Store Mantova

- sells components to:
  - Piaggio Vehicles Private Limited
  - Piaggio Vietnam

- grants licences for rights to use the brand and technological know how to:
  - Piaggio Vehicles Private Limited
  - Piaggio Vietnam

- provides support services for scooter and engine industrialisation to:
  - Piaggio Vehicles Private Limited
  - Piaggio Vietnam

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

- has cash pooling agreements with:
  - Piaggio France
  - Piaggio Deutschland
  - Piaggio España
  - Piaggio Vespa

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

Piaggio Vietnam sells vehicles, spare parts and accessories, which it has manufactured in some cases, for sale on respective markets, to:
- Piaggio Indonesia
- Piaggio Group Japan
- Piaggio & C. S.p.A.
- Foshan Piaggio Vehicles Technology R&D

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

Piaggio Vehicles Private Limited and Piaggio Vietnam reciprocally exchange materials and components to use in their manufacturing activities.

Piaggio Hrvatska, Piaggio Hellas, Piaggio Group Americas and Piaggio Vietnam
– distribute vehicles, spare parts and accessories purchased by Piaggio & C. S.p.A. on their respective markets.

Piaggio Indonesia and Piaggio Group Japan
– provide a vehicle, spare part and accessory distribution service to Piaggio Vietnam for their respective markets.

Piaggio France, Piaggio Deutschland, Piaggio Limited, Piaggio España and Piaggio Vespa
– provide a sales promotion service and after-sales services to Piaggio & C. S.p.A. for their respective markets.

Piaggio Asia Pacific
– provides a sales promotion service and after-sales services to Piaggio Vietnam in the Asia Pacific region.

Foshan Piaggio Vehicles Technology R&D provides to:
– Piaggio & C. S.p.A.:
- component and vehicle design/development service;
- scouting of local suppliers;

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

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

Aprilia Racing provides to Piaggio & C. :
- a racing team management service;
- vehicle design service.

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

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

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

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

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

The table below summarises relations described above and financial relations with parent companies, subsidiaries and affiliated companies as of 31 December 2019 and relations during the year, as well as their overall impact on financial statement items.

AS OF 31 DECEMBER 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		112						112	0.01%
Costs for materials		(14,377)						(14,377)	1.55%
Costs for services	(9)		(755)		(86)		(1,253)	(2,103)	0.94%
Insurance							(33)	(33)	0.72%
Leases and rentals						(47)	(44)	(91)	0.85%
Other operating income		346	37			3	50	436	0.35%
Other operating costs	(2)					(1)	(17)	(20)	0.10%
Write-down/Impairment of investments		906		13				919	89.22%
Financial income							21	21	0.60%
Borrowing costs						(14)	(193)	(207)	0.73%
Taxes							6,121	6,121	
Assets									
Other non-current receivables	81							81	0.59%
Current trade receivables		969					23	992	1.27%
Other current receivables		1,313	28				13,260	14,601	46.05%
Liabilities									
Financial liabilities for rights of use > 12 months						156	4,423	4,579	22.90%
Financial liabilities for rights of use < 12 months						144	1,409	1,553	18.47%
Current trade payables		5,318	25		1	34	323	5,701	1.19%
Other current payables	9	3					11	23	0.05%

50. Contract commitments and guarantees

Contract commitments of the Piaggio Group are summarised based on their expiry.

IN THOUSANDS OF EUROS	IN 1 YEAR	BETWEEN 2 AND 5 YEARS	AFTER 5 YEARS	TOTAL
IAS 16 operating leases	2,807	679	1,657	**5,143**
Other commitments	8,154	1,586	1,744	**11,484**
Total	**10,961**	**2,265**	**3,401**	**16,627**

The main guarantees issued by banks on behalf of Piaggio & C. S.p.A in favour of third parties are listed below:

TYPE	AMOUNT €/000
A guarantee of BCC-Fornacette issued to Pisa Customs Authorities for handling Piaggio goods at the Pisana docks and at Livorno Port	200
Guarantee of BCC-Fornacette issued in favour of Poste Italiane – Rome to guarantee contract obligations for the supply of vehicles	1,321
Guarantee of BCC-Fornacette issued in favour of Motoride Spa to reimburse VAT following the deductible tax surplus	298
Guarantee of Banco di Brescia issued to the local authorities of Scorzè, to guarantee payment of urbanisation and construction charges relative to the Scorzè site	166
Guarantee of Banca Intesa SanPaolo issued to the Ministry of the Interior of Algeria, to guarantee contract obligations for the supply of vehicles	140
Guarantee of Banca Intesa SanPaolo issued to the Ministry of the Defence of Algeria, to guarantee contract obligations for the supply of vehicles	158
Guarantee of Banca Nazionale del Lavoro issued in favour of Poste Italiane – Rome to guarantee contract obligations for the supply of vehicles (5,000 tricycles)	475
Guarantee of Banca Nazionale del Lavoro issued in favour of Poste Italiane – Rome to guarantee contract obligations for the supply of vehicles	469

51. Disputes

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

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

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

In June 2011 Elma srl, a Piaggio dealer since 1995, started two separate proceedings against the Parent Company, claiming the payment of approximately €2 million for alleged breach of the sole agency ensured by Piaggio for the Rome area and an additional €5 million as damages for alleged breach and abuse of economic dependence by the Company. Piaggio opposed the proceedings undertaken by Elma, fully disputing its claims and requesting a ruling for Elma to settle outstanding sums owing of approximately €966,000.
During the case, Piaggio requested the enforcement of bank guarantees that ensured against the risk of default by the dealer issued in its favour by three banks. Elma attempted to stop enforcement of the guarantees with preventive proceedings at the Court of Pisa (Pontedera section): the proceedings ended in favour of Piaggio that collected the amounts of the guarantees (over €400,000). Trial proceedings took place and a hearing was held on 24 April 2013 to examine evidence. After reaching a decision at the aforesaid hearing, the Judge rejected requests for preliminary examination of Elma and set the hearing for 17 December 2015 for closing arguments, which was adjourned to 3 March 2016 and was then not held as the judge was transferred. The case was reassigned to a new Judge, who set the hearing for 19 July 2018, which was adjourned to 4 October 2018 and then to 10 January 2019. In the latter hearing, although the parties had already filed their closing arguments, the Judge adjourned the case, for closing arguments to be made, to the hearing of 9 April 2019. In ruling no. 1211/2019, published on 25 November 2019, the Court of Pisa ruled in favour of Piaggio. The Judge rejectedall claims made by Elma, ruling it to pay Piaggio the sum of €966,787.95 plus interest on arrears, deducting the amount of €419,874.14, already received by Piaggio through enforcing the guarantee. Piaggio will have to pay Elma (offsetting the amount) the sum of €58,313.42 plus legal interest. On 14 January 2020, Piaggio filed for bankruptcy against Elma, while on 15 January 2020 Elma filed an appeal with the Appeal Court of Florence, against the aforementioned ruling, summoning Piaggio to appear at the hearing of 28 April 2020.
As regards the matter, Elma has also brought a case legal action against a former senior manager of the Company before the Court of Rome, claiming compensation for damages: Piaggio appeared in the proceedings, requesting, among other things, that the case be moved to the Court of Pisa. At the hearing of 27 January 2014, the Judge ruled on the preliminary exceptions and did not admit preliminary briefs. The hearing for closing arguments set for 21 December 2015 and subsequently adjourned, was not held as the Judge, on petition of Elma, re-opened the preliminary investigation, admitting testimonial evidence and setting the hearing for 25 May 2016. On this date, examination of the witnesses began and the hearing was adjourned to 24 October 2016 to continue the preliminary investigation. The Judge set the hearing for 11 April 2017 to reach a settlement between the parties, which was not successful. The Judge therefore admitted an accounting expert requested by Elma, although with a far more limited scope than the petition filed by the opposing party, adjourning the case to the hearing of 9 October 2018 for closing arguments. The expert's appraisal was filed on October 2018. The parties exchanged their closing arguments and respective answer briefs. In a ruling of 31 May 2019 (published on 3 June 2019) the Ordinary Court of Rome, Civil Section XII, rejected the claim made by Elma S.r.l., also ordering it to pay the expert's fees and legal fees. Elma filed an appeal before the Appeal Court of Rome, summoning Piaggio to appear at the hearing of 15 April 2020.

In a complaint received on 29 May 2007, Gammamoto S.r.l. in liquidation, an Aprilia licensee in Rome, started a legal action against the Parent Company before the Court of Rome for contractual and non-contractual liability. The Company fully opposed the injunction disputing the validity of Gammamoto's claims and objecting to the lack of jurisdiction of the Judge in charge. The Judge, accepting the petition formulated by the Company, declared its lack of jurisdiction with regards to the dispute. Gammamoto has continued proceedings through the Court of Venice. The Judge admitted testimonial evidence and evidence for examination requested by the parties, establishing the hearing for the preliminary investigation on 12 November 2012. After defining the closing arguments of the hearing of 26 June 2013, the terms for

final statements and relative replies were granted, and the case was not ruled on. The Court of Venice issued a ruling in favour of Piaggio, filed on 17 February 2014. Gammamoto appealed and at the first hearing on 23 October 2014 the Court decided to rule without proceeding with the preliminary investigation requested by the opposing party, and in particular without ordering a technical appraisal.
In a ruling of 8 April 2019 (published on 12 June 2019), the Court of Appeal of Venice, Civil section III, rejected the appeal made by Gammamoto S.r.l. in liquidation, as it was without grounds, confirming the ruling of the first instance, and ordering Gammamoto to pay legal fees. The terms for filing an appeal with the Court of Cassation have expired. The proceedings are therefore closed.

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

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

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

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

In November 2017, the Company filed two petitions with the Court of Beijing (People's Republic of China) on the infringement and counterfeiting of some marks ("Case 1") and designs ("Case 2") relative to the "Scarabeo" vehicle by Chinese companies which are part of Jincheng Group Co., Ltd. Following the above actions, the opposing party submitted a petition for invalidation (an administrative proceeding regarding the Chinese Patent Re-examination Board) of the registration of one of the two designs relative to an old model of the Scarabeo vehicle (no longer in production). The latter proceeding ended with the invalidation of the registration of the old Scarabeo design. Piaggio appealed against this decision, submitting a petition to suspend Case 2 pending the outcome of the petition against the invalidation, which was rejected on 9 December 2019.
For Case 1, the ruling in the first instance was issued in favour of Piaggio. The Court of Beijing ascertained the unlawful use of Aprilia trademarks by Jincheng, ordering it to pay compensation amounting to RMB 1,500,000, besides legal fees of RMB 211,958. Jincheng has filed an appeal. Proceedings are pending acceptance by the Appeal Court of Beijing. The amounts allocated by the Company for the potential risks deriving from the current dispute appear to be consistent with the predictable outcome of the disputes.

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

Lastly, on 22 December 2017, Piaggio & C. S.p.A. received two notices of assessment issued by the Revenue Agency - Regional Department of Tuscany - Major Taxpayers Section - both relative to the 2012 tax period and concerning transfer pricing for corporate income tax and regional production tax purposes. As regards both notices, the Company, convinced of its reasons and in keeping with OECD guidelines and the Decree of 14 May 2018, and with no intention of tax instrumentalisation, started a cross-examination stage with the Assessing Department, submitting an application for control with acceptance on 23 January 2018, in order to reach a quick settlement with the Revenue Agency.
As no agreement has been reached with the Department, and to avoid the final deadline lapsing and making the assessment final, the Company filed an appeal with the Provincial Tax Department of Florence on 11 June 2018 and 25 July 2018, concerning production tax and corporate income tax respectively. The appeals were presented together and following the hearing of 13 November 2019, the first instance body ruled in favour of the Company with a sentence filed on 15 January 2020. The Company is therefore waiting for the Revenue Agency to either appeal against this decision before the Regional Tax Commission or to abandon the case.

The Company was also successful before the Income Tax Appellate Tribunal with reference to appeals filed against assessment orders received on completion of the assessment of income generated by Piaggio & C. S.p.A. in India during the 2009-2010, 2010-2011, 2011-2012 and 2012-2013 Indian tax periods, involving sums for approximately €1.4 million, €1.2 million, €1 million and €0.9 million respectively, including interest.
With reference to the tax litigation relative to the 2009-2010 and 2010-2011 tax periods, the Indian tax authorities filed an appeal with the High Court against the decision taken in the first instance; a date for the hearing has yet to be set; as regards the disputes relative to the 2011-2012 and 2012-2013 tax periods, the Company is waiting to see if the local tax authorities decide to appeal against the High Court's decisions, or to abandon the case.
In compliance with local laws, the Parent Company has already paid part of the amounts related to the appeals to the Indian tax authorities, for a total of €0.8 million; a part of the above amounts was reimbursed to the Company following the first instance rulings in its favour.

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

Moreover, the Parent Company received a VAT assessment order from the Indian tax authorities relative to the 2010-2011 tax period, concerning the non-application of VAT to intergroup transactions with Piaggio Vehicles PVT Ltd relative to royalties. The amount of the dispute including interest is approximately €0.7 million, of which a small part already paid to the Indian Tax Authorities, in compliance with local law. The Company decided to appeal against the decision before the High Court, filing an action on 17 June 2019.

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

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

With reference to PT Piaggio Indonesia, the Company filed an appeal before the Tax Court against the claim concerning transfer pricing for the 2015 period; the ruling is pending and should be issued in January 2020. On 10 October 2019, the Indonesian company also appealed against the claim concerning withholding taxes, relative to the 2015 tax period; as regards this dispute, the company is waiting for the date of the first hearing to be set.

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

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

52. Significant non-recurring events and operations

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

The transaction resulted in the following being recognised in profit or loss for 2018:
- financial charges related to premiums paid to bond holders that did not take up the exchange offer and costs of the repaid loan not yet amortised (€3,530 thousand);
- financial income (net of costs from the exchange of outstanding securities), from the operation to change the original liability with a new bond issued at more favourable conditions for the issuer (€4,431 thousand).

This transaction came under significant non-recurrent transactions, as defined by Consob Communication no. DEM/6064293 of 28 July 2006.

53. Transactions arising from atypical and/or unusual transactions

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

54. Events occurring after the end of the period

After 31 December 2019 and up until the date of approval of these financial statements, no event occurred having a significant impact on financial performance and position, as determined by paragraph 9 of IAS 10.

However, at the end of the reporting period, a factor of macroeconomic instability came to light, related to the spread of Covid 19 (Coronavirus) which, in the first few weeks of 2020 initially affected the economy in China and then in other countries. This factor could also have a considerable impact on global prospects for future growth, affecting the general macro-economic scenario and financial and property markets, also in light of decisions taken by government authorities to contain the spread of the epidemic.

This factor refers to an event which occurred after the reporting period, which does not therefore require adjustments to be made to the financial statement balances pursuant to paragraphs 21 and 22 of IAS 10. This is because even though the Coronavirus occurred in the People's Republic of China close to the end of the reporting period, it was only at the end of January 2020 that the World Health Organisation declared an international emergency, and it was only from late January 2020 when cases in other countries were also diagnosed, leading to specific decisions being taken in China as well as in other nations.
On 21 February 2020, the authorities of the Region of Lombardy and Veneto ordered the lockdown of some towns and adopted containing measures.

At present, following assessments made based on available information, and as it is not possible to determine, with a sufficient degree of reliability, the impacts that may affect the economy and reference sector in the first quarter of 2020 and following months - also in view of the possibility that this emergency may pass in coming months as a result of the containment measures taken by governments, competent authorities as well as the central banks of countries affected by the spread of the virus - it is considered that this circumstance does not constitute an element that may impact the estimate process with reference to the financial statements at 31 December 2019.

The Group is managing the effects on its supply chain without any particular impact on production sites (situated in Italy, India and Vietnam) and also on its own distribution chain, continuing to operate to consolidate its positioning on global markets.

55. Authorisation for publication

This document was published on 25 March 2020 authorised by the Chairman and Chief Executive Officer.

Mantova, 26 February 2020

for the Board of Directors

Chairman and Chief Executive Officer
Roberto Colaninno

ATTACHMENTS

Piaggio Group companies

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

List of companies included in the scope of consolidation on a line-by-line basis as of 31 December 2019

COMPANY NAME	REGISTERED OFFICE	COUNTRY	SHARE CAPITAL	CURRENCY	% OF THE HOLDING			% TOTAL INTEREST
					DIRECT	INDIRECT	MEANS	
Parent company:								
Piaggio & C. S.p.A.	Pontedera (Pisa)	Italy	207,613,944.37	Euro				
Subsidiaries:								
Aprilia Brasil Industria de Motociclos S.A.	Manaus	Brazil	2,020,000.00	R$		51%	Aprilia World Service Holding do Brasil Ltda	51%
Aprilia Racing S.r.l.	Pontedera (Pisa)	Italy	250,000.00	Euro	100%			100%
Aprilia World Service Holding do Brasil Ltda.	São Paulo	Brazil	2,028,780.00	R$		99.999950709%	Piaggio Group Americas Inc	99.999950709%
Foshan Piaggio Vehicles Tecnology Research and Development Co Ltd	Foshan City	China	10,500,000.00	RMB		100%	Piaggio Vespa B.V.	100%
Nacional Motor S.A.	Barcelona	Spain	60,000.00	Euro	100%			100%
Piaggio Advanced Design Center Corp.	Pasadena	USA	100,000.00	USD	100%			100%
Piaggio Asia Pacific PTE Ltd.	Singapore	Singapore	100,000.00	sin$		100%	Piaggio Vespa B.V.	100%
Piaggio China Co. LTD	Hong Kong	China	12,500,000 auth. capital (12,136,000 subscribed and paid up)	USD	100%			100%
Piaggio Concept Store Mantova S.r.l.	Mantova	Italy	100,000.00	Euro	100%			100%
Piaggio Deutschland Gmbh	Düsseldorf	Germany	250,000.00	Euro		100%	Piaggio Vespa B.V.	100%
Piaggio España S.L.U.	Alcobendas	Spain	426,642.00	Euro	100%			100%
Piaggio Fast Forward Inc.	Boston	USA	14,753.30	USD	86.08%			86.08%
Piaggio France S.A.S.	Clichy Cedex	France	250,000.00	Euro		100%	Piaggio Vespa B.V.	100%
Piaggio Group Americas Inc	New York	USA	2,000.00	USD		100%	Piaggio Vespa B.V.	100%
Piaggio Group Japan	Tokyo	Japan	99,000,000.00	Yen		100%	Piaggio Vespa B.V.	100%
Piaggio Hellas S.A.	Athens	Greece	1,004,040.00	Euro		100%	Piaggio Vespa B.V.	100%
Piaggio Hrvatska D.o.o.	Split	Croatia	400,000.00	HKD		100%	Piaggio Vespa B.V.	100%
Piaggio Limited	Bromley Kent	United Kingdom	250,000.00	GBP	0,0004%	99,9996%	Piaggio Vespa B.V.	100%
Piaggio Vehicles Private Limited	Maharashtra	India	340,000,000.00	INR	99.9999971%	0.0000029%	Piaggio Vespa B.V.	100%
Piaggio Vespa B.V.	Breda	Holland	91,000.00	Euro	100%			100%
Piaggio Vietnam Co Ltd	Hanoi	Vietnam	64,751,000,000.00	VND	63.5%	36.5%	Piaggio Vespa B.V.	100%
PT Piaggio Indonesia	Jakarta	Indonesia	4,458,500,000.00	Rupiah	1%	99%	Piaggio Vespa B.V.	100%

List of companies included in the scope of consolidation with the equity method as of 31 December 2019

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

List of investments in affiliated companies as of 31 December 2019

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

Information pursuant to Article 149-duodiecies of the Consob Regulation on Issuers

This statement, prepared pursuant to Article 149 duodecies of the Consob Regulation on Issuers, indicates the fees for 2019 paid for auditing services and services other than auditing services provided by the independent auditors and entities of its network.

TYPE OF SERVICE	SUBJECT PROVIDING THE SERVICE	RECIPIENT	FEES FOR 2019
IN EUROS			
Auditing services	PWC	Parent Company Piaggio & C	369,314
	PWC	Subsidiaries	148,571
	PWC network	Subsidiaries	394,332
Auditing services for the NFS and CSR Report	PWC	Parent Company Piaggio & C	54,000
Certification services	PWC	Parent Company Piaggio & C	50,000
	PWC network	Subsidiaries	65,513
Other services	PWC	Parent Company Piaggio & C	233,000
Total			**1,314,730**

N.B.: Sums of subsidiaries operating in currencies other than the euro and agreed on in a local currency have been converted to the average exchange rate of 2019.


sky
aprilia

CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ARTICLE 154-BIS OF LEGISLATIVE DECREE 58/98

1. The undersigned Roberto Colaninno (Chairman and Chief Executive Officer) and Alessandra Simonotto (Appointed Executive) of Piaggio & C. S.p.A. hereby certify, also in consideration of article 154-bis, sections 3 and 4, of Legislative Decree no. 58 of 24 February 1998:
   - the appropriateness with regard to the company's characteristics and
   - the actual application of administrative and accounting procedures for the formation of the Consolidated Financial Statements as of 31 December 2019.

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

3. Moreover

   3.1 The Consolidated Financial Statements:

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

   b. correspond to accounting records;

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

   3.2 The Report on Operations includes reliable analysis of the trend of operations and operating results, as well as the situation of the Issuer and companies included in the scope of consolidation, as well as a description of main risks and uncertainties to which they are exposed.

Date: 26 February 2020

Chairman and Chief Executive Officer **Executive in charge**

REPORT OF THE INDEPENDENT AUDITORS ON THE CONSOLIDATED FINANCIAL STATEMENTS

pwc

Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the shareholders of
Piaggio & C. SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Piaggio Group (the Group), which comprise the consolidated statement of financial position as of 31 December 2019, the consolidated income statement, consolidated statement of comprehensive income, changes in consolidated shareholders' equity, consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2019, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of this report. We are independent of Piaggio & C. SpA (the Company) pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were

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addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Verification of the capitalisation criteria related to investments in development costs, industrial patent and intellectual property rights *Note D17) to the consolidated financial statements "Intangible assets"* During the financial year 2019, the Group made investments amounting to Euro 89.4 million, mainly in relation to the study of new vehicles and new engines which will feature as the future products in the 2019-2021 range. The net book value at 31 December 2019 of development costs and industrial patent rights amounted to Euro 194.4 million, equal to approximately 12 per cent of total assets. Given the size of the annual investments and the high degree of professional judgement required to verify the compliance with the requirements of international accounting standard "IAS 38 – intangible assets" adopted by the European Union, we considered it necessary to focus on this specific financial statement area. Management's main estimates relate to the technical feasibility and the availability of adequate resources, including financial resources, to complete the product being developed, the intention to complete the product for sale, as well as the verification of the existence of future cash flows from the sale of the product that are adequate to support the future recoverability of the costs capitalised and recorded in the financial statements.	We obtained an understanding and evaluated the procedure adopted by the Piaggio Group for capitalising development costs, industrial patent and intellectual property rights. We then obtained details of the costs capitalised by project, and analysed, on a sample basis, the increases and decreases during the year with particular attention to compliance with the requirements of international accounting standard "IAS 38 – Intangible Assets" adopted by the European Union for the capitalisation of internally generated intangible assets. Our procedures included discussions with management aimed at understanding the characteristics of the various projects. We also verified, on a sample basis, the estimated future cash flows and management's subsequent monitoring of the estimated future cash flows, which occurs at least once a year.
Assessment of the recoverability of goodwill *Note D17) to the consolidated financial statements "Intangible assets"*	

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Goodwill, which amounted to Euro 447 million as of 31 December 2019, is considered a significant item, equal to approximately 27 per cent of total assets. Given the complex valuation processes in respect of a number of variables and the high degree of professional judgement required for this financial statement area, we paid special attention to management's estimates relating to the recoverability of the goodwill recognised in the financial statements in accordance with international accounting standard "IAS 36 – Impairment of Assets" adopted by the European Union. Management calculated the present value of expected future cash flows to determine the recoverable amount of each cash generating unit identified to which goodwill was allocated, to be compared with the carrying amount of assets and liabilities attributed to the respective cash generating unit. In this respect, the main activities carried out by management were related to the confirmation of the allocation of goodwill to the cash generating units considering the current organisational structure, the estimate of the expected future cash flows, the methods used to calculate the discount rate and the steady growth rate of the financial cash flows beyond the reference time period.	We obtained an understanding of and evaluated the allocation process of goodwill to the cash generating units on the basis of the current organisational structure, which did not change compared with the previous years. We also obtained an understanding of and evaluated the estimates made by management with regard to the expected cash flows over a four-year period, inferred from budget data for 2020 and supplemented by forecast data for 2021-2023 (the "Plan"). As part of this process we examined sector studies and reviews. Furthermore, with the support of PwC network experts, we retraced the methods used to calculate the discount rate and of the steady growth rate of financial cash flows beyond the time period of the Plan approved by management. The analysis was specifically focused on the cash generating units identified by management, verifying also the correct determination of the carrying amount of assets and liabilities attributed to each single cash generating unit. With the support of PwC network experts, we conducted sensitivity analyses in relation to the significant assumptions adopted by management in order to determine whether there was any impairment of goodwill. Finally, we verified the information included in the explanatory notes to the consolidated financial statements as of 31 December 2019.
Assessment of the recoverability of deferred tax assets *Note D21) to the consolidated financial statements "Deferred tax assets"* Deferred tax assets in the consolidated financial statements of the Piaggio Group as of 31 December 2019 amounted to Euro 63.2 million and primarily related to temporary differences mainly due to provisions, as well as prior years tax losses.	Our audit procedures consisted of assessing the reasonableness of the estimates made by management in forecasting the future taxable profit of the Piaggio Group companies, included in the plan approved by the Board of Directors on 24 February 2020.

3 of 7

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
The parent company Piaggio & C. SpA joined the National Consolidated Tax Convention of the IMMSI Group, whose consolidating entity is IMMSI SpA. In addition to the future results expected by the Piaggio Group, the recoverability of deferred tax assets also depends on the results of all companies that are part of the National Consolidated Tax Convention of the IMMSI Group. Assessing the recoverability of deferred tax assets is a key audit matter given the significance of the amounts and the complexity of the valuation process which requires significant accounting estimates to be made by the management of the Piaggio Group and of the IMMSI Group, with the objective of forecasting the future taxable results of all companies that are part of the National Consolidated Tax Convention of the IMMSI Group.	These activities were carried out with the involvement of PwC network experts. We also obtained the findings of the work performed by the Group auditor on the parent company IMMSI SpA in respect of the recoverability of deferred tax assets of all companies included in the National Consolidated Tax Convention of the IMMSI Group.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate Piaggio & C. SpA or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No. 537/2014

On 13 April 2012, the shareholders of Piaggio & C. SpA in general meeting engaged us to perform the statutory audit of the Company's and the consolidated financial statements for the years ending 31 December 2012 to 31 December 2020.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to the board of statutory auditors, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

The directors of Piaggio & C. SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the Piaggio & C. SpA Group as of 31 December 2019, including their consistency with the relevant consolidated financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the consolidated financial statements of the Piaggio Group as of 31 December 2019 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of Piaggio Group as of 31 December 2019 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

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Statement in accordance with article 4 of Consob's Regulation implementing Legislative Decree No. 254 of 30 December 2016

The directors of Piaggio & C. SpA are responsible for the preparation of the non-financial statement pursuant to Legislative Decree No. 254 of 30 December 2016.
We have verified that the directors approved the non-financial statement.

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016, the non-financial statement is the subject of a separate statement of compliance issued by ourselves.

Florence, 24 March 2020

PricewaterhouseCoopers SpA

Signed by

Francesco Forzoni
(Partner)

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

PIAGGIO & C. SPA

SEPARATE FINANCIAL STATEMENTS OF THE PARENT COMPANY AS OF 31 DECEMBER 2019

SEPARATE FINANCIAL STATEMENTS OF THE PARENT COMPANY AS OF 31 DECEMBER 2019

INCOME STATEMENT

		2019		2018	
		TOTAL	of which related parties	TOTAL	of which related parties
NOTES	IN THOUSANDS OF EUROS				
3	**Net revenues**	**863,811**	**86,139**	**799,573**	**86,618**
4	Cost for materials	(533,455)	(102,680)	(480,289)	(94,099)
5	Cost for services and leases and rentals	(171,244)	(44,769)	(163,360)	(41,618)
6	Employee costs	(157,381)		(157,161)	
7	Depreciation and impairment costs of property, plant and equipment	(22,671)		(23,237)	
7	Amortisation and impairment costs of intangible assets	(66,103)		(61,314)	
7	Depreciation of rights of use	(3,435)			
8	Other operating income	123,787	49,104	113,305	36,827
9	Net reversals (impairment) of trade and other receivables	(1,473)		(1,943)	
10	Other operating costs	(14,454)	(542)	(12,847)	(859)
	Operating income	**17,382**		**12,727**	
11	Income/(loss) from investments	47,926	47,816	45,148	45,140
12	Financial income	1,653	1,420	5,607	554
12	Borrowing costs	(21,712)	(201)	(26,445)	(82)
12	Net exchange gains/(losses)	(1,301)		(447)	
	Profit before tax	**43,948**		**36,590**	
13	Taxes for the period	2,263	5,589	(1,012)	3,808
	Profit from continuing operations	**46,211**		**35,578**	
	Assets held for sale:				
14	Profits or losses arising from assets held for sale				
	Net Profit (loss) for the period	**46,211**		**35,578**	

Note: The effects from adopting IFRS 16 are described in the section of the Notes "New accounting standards, amendments applicable from 1 January 2019".

STATEMENT OF COMPREHENSIVE INCOME

		2019	2018
NOTES	IN THOUSANDS OF EUROS		
	Net Profit (loss) for the period (A)	**46,211**	**35,578**
	Items that will not be reclassified in the income statement		
41	Remeasurements of defined benefit plans	(2,055)	(750)
41	Share of Other Comprehensive Income of subsidiaries/associates measured with the equity method	(403)	(293)
	Total	**(2,458)**	**(1,043)**
	Items that may be reclassified in the income statement		
41	Total profits (losses) on cash flow hedges	85	206
41	Share of Other Comprehensive Income of subsidiaries/associates measured with the equity method	27	(2,714)
	Total	**112**	**(2,508)**
	Other Comprehensive Income (B)[40]	**(2,346)**	**(3,551)**
	Total Profit (loss) for the period (A + B)	**43,865**	**32,027**

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

STATEMENT OF FINANCIAL POSITION

NOTES	IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2019 TOTAL	of which related parties	AS OF 31 DECEMBER 2018 TOTAL	of which related parties
	ASSETS				
	Non-current assets				
15	Intangible assets	570,106		558,845	
16	Property, plant and equipment	159,487		169,362	
17	Rights of use	18,228			
18	Investment Property				
34	Investments	156,129		152,140	
35	Other financial assets	3,801	289	6,029	
23	Long-term tax receivables	8,024		10,348	
19	Deferred tax assets	44,752		41,855	
22	Other receivables	9,923	81	6,059	94
	Total non-current assets	**970,450**		**944,638**	
26	**Assets held for sale**				
	Current assets				
21	Trade receivables	43,599	20,616	48,063	22,978
22	Other receivables	88,617	80,741	64,923	55,164
23	Short-term tax receivables	11,399		3,086	
20	Inventories	154,901		166,463	
35	Other financial assets	15,878	12,407	14,797	11,993
36	Cash and cash equivalents	18,843		22,944	
	Total current assets	**333,237**		**320,276**	
	TOTAL ASSETS	**1,303,687**		**1,264,914**	
	SHAREHOLDERS' EQUITY AND LIABILITIES				
	Shareholders' equity				
40	Capital	207,614		207,614	
40	Share premium reserve	7,171		7,171	
40	Legal reserve	21,904		20,125	
40	Other reserves	(27,219)		(27,423)	
40	Retained earnings (losses)	53,644		74,320	
40	Net Profit (loss) for the period	46,211		35,578	
	Total shareholders' equity	**309,325**		**317,385**	
	Non-current liabilities				
37	Financial liabilities falling due after one year	461,600		506,637	
37	Financial liabilities for rights of use > 12 months	13,178	4,579		
28	Other long-term provisions	8,766		7,263	
29	Retirement funds and employee benefits	37,198		39,622	
30	Tax payables				
31	Other long-term payables	1,987		2,403	
	Total non-current liabilities	**522,729**		**555,925**	
	Current liabilities				
37	Financial liabilities falling due within one year	100,536		62,797	
37	Financial liabilities for rights of use < 12 months	4,414	1,484		
27	Trade payables	307,804	21,450	273,299	21,818
30	Tax payables	5,694		4,784	
31	Other short-term payables	44,548	14,665	43,324	12,196
28	Current portion of other long-term provisions	8,637		7,400	
	Total current liabilities	**471,633**		**391,604**	
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**1,303,687**		**1,264,914**	

Note: The effects from adopting IFRS 16 are described in the section of the Notes "New accounting standards, amendments applicable from 1 January 2019".

STATEMENT OF CASH FLOWS

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

NOTES	IN THOUSANDS OF EUROS	2019	of which related parties	2018	of which related parties
	OPERATING ACTIVITIES				
	Net Profit (loss) for the period	46,211		35,578	
13	Taxes for the period	(2,263)		1,012	
7	Depreciation of property, plant and equipment	20,377		22,615	
7	Amortisation of intangible assets	64,048		59,383	
7	Depreciation of rights of use	3,435			
	Provisions for risks and retirement funds and employee benefits	16,204		14,319	
	Write-downs / (Reinstatements)	(42,075)		(40,664)	
	Losses / (Gains) on the disposal of property, plants and equipment	20		265	
12	Financial income	(1,653)		(5,607)	
	Dividend income	(110)		(8)	
12	Borrowing costs	21,712		26,445	
	Income from public grants	(937)		(1,028)	
	Change in working capital:				
21	(Increase)/Decrease in trade receivables	3,139	2,362	(2,661)	(4,627)
22	(Increase)/Decrease in other receivables	(27,705)	(25,564)	(11,613)	(8,275)
20	(Increase)/Decrease in inventories	11,562		(5,574)	
27	Increase/(Decrease) in trade payables	34,505	(368)	9,537	2,797
31	Increase/(Decrease) in other payables	809	2,469	1,753	338
28	Increase/(Decrease) in provisions for risks	(5,678)		(6,357)	
29	Increase/(Decrease) in retirement funds and employee benefits	(13,124)		(12,391)	
	Other changes	35,930	5,360	(3,482)	2,178
	Cash generated from operating activities	**164,407**		**81,522**	
	Interest paid	(28,622)		(24,491)	
	Taxes paid	(4,726)		(2,482)	
	CASH FLOW FROM OPERATING ACTIVITIES (A)	**131,059**		**54,549**	
	INVESTMENT ACTIVITIES				
16	Investment in property, plant and equipment	(23,653)		(21,957)	
	Sale price, or repayment value, of property, plant and equipment	138		42	
15	Investment in intangible assets	(77,390)		(71,079)	
	Sale price, or repayment value, of intangible assets	26		62	
	Investment in non-current financial assets	(2,526)		(2,840)	
	Loans provided	(21,924)		(11,241)	
	Repayment of loans provided	52			
	Sale price of financial assets			842	
	Grants collected	633		728	
	Collected interests	1,260		523	
	Dividends from investments	42,044		32,309	
	CASH FLOW FROM INVESTMENT ACTIVITIES (B)	**(81,340)**		**(72,611)**	
	FINANCING ACTIVITIES				
40	Purchase of treasury shares	(212)		(1,537)	
40	Outflow for dividends paid	(51,805)		(19,698)	
37	Loans received	60,446		152,662	
37	Outflow for repayment of loans	(58,829)		(99,859)	(2,900)
37	Repayment of liabilities for rights of use	(3,129)		(1,108)	
	CASH FLOW FROM FINANCING ACTIVITIES (C)	**(53,529)**		**30,460**	
	Increase / (Decrease) in cash and cash equivalents (A+B+C)	(3,810)		12,398	
	OPENING BALANCE	**22,592**		**10,066**	
	Exchange differences	43		128	
	CLOSING BALANCE	**18,825**		**22,592**	

CHANGES IN SHAREHOLDERS' EQUITY

Movements from 1 January 2019/31 December 2019

NOTES	IN THOUSANDS OF EUROS	SHARE CAPITAL	SHARE PREMIUM RESERVE	LEGAL RESERVE	NET CAPITAL GAIN FROM CONTRIBUTION	RESERVE FOR MEASUREMENT OF FINANCIAL INSTRUMENTS	IAS TRANSITION RESERVE	TRANSLATION RESERVE	TREASURY SHARES	EARNINGS RESERVE	TOTAL SHAREHOL-DERS' EQUITY
	As of 1 January 2019	**207,614**	**7,171**	**20,125**	**152**	**(114)**	**1,769**	**(29,230)**	**(1,537)**	**111,435**	**317,385**
	Profit for the period									46,211	46,211
41	Other Comprehensive Income					85		27		(2,458)	(2,346)
	Total profit (loss) for the period	**0**	**0**	**0**	**0**	**85**	**0**	**27**	**0**	**43,753**	**43,865**
	Distribution of profit for 2018 as resolved by the or-dinary meeting of shareholders										
	- To shareholders									(32,155)	(32,155)
	- To shareholders' equity			1,779						(1,779)	0
	Adoption of IFRS 16						92				92
40	Purchase of treasury shares								(212)		(212)
40	2019 interim dividend									(19,650)	(19,650)
	Other changes										0
	As of 31 December 2019	**207,614**	**7,171**	**21,904**	**152**	**(29)**	**1,861**	**(29,203)**	**(1,749)**	**101,604**	**309,325**

Movements from 1 January 2018/31 December 2018

NOTES	IN THOUSANDS OF EUROS	SHARE CAPITAL	SHARE PREMIUM RESERVE	LEGAL RESERVE	NET CAPITAL GAIN FROM CONTRIBUTION	RESERVE FOR MEASUREMENT OF FINANCIAL INSTRUMENTS	IAS TRANSITION RESERVE	TRANSLATION RESERVE	TREASURY SHARES	EARNINGS RESERVE	TOTAL SHAREHOLDERS' EQUITY
	As of 1 January 2018	**207,614**	**7,171**	**19,095**	**152**	**(320)**	**5,789**	**(26,516)**	**0**	**97,628**	**310,613**
	Profit for the period									35,578	35,578
41	Other Comprehensive Income					206		(2,714)		(1,043)	(3,551)
	Total profit (loss) for the period	**0**	**0**	**0**	**0**	**206**	**0**	**(2,714)**	**0**	**34,535**	**32,027**
	Distribution of profit for 2017 as resolved by the ordinary meeting of shareholders										
	- To shareholders									(19,698)	(19,698)
	- To shareholders' equity			1,030						(1,030)	0
	Adoption of IFRS 9						(4,020)				(4,020)
	Purchase of treasury shares								(1,537)		(1,537)
	Other changes										0
	As of 31 December 2018	**207,614**	**7,171**	**20,125**	**152**	**(114)**	**1,769**	**(29,230)**	**(1,537)**	**111,435**	**317,385**

NOTES TO THE FINANCIAL STATEMENTS

A) GENERAL ASPECTS

Piaggio & C. S.p.A. (the Company) is a joint-stock company established in Italy at the Register of Companies of Pisa. The address of the registered office is Viale Rinaldo Piaggio 25 - Pontedera (Pisa). The main operations of the Company and its subsidiaries are described in the Report on Operations of the Consolidated Financial Statements.
These Financial Statements are expressed in Euros (€) since this is the currency in which most of the Company's transactions take place.

Compliance with international accounting standards

These Financial Statements of the Piaggio Group as of 31 December 2019 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 of 27/7/06 containing "Provisions for the presentation of financial statements", Consob Resolution no. 15520 of 27/7/06 containing "Changes and additions to the Regulation on Issuers adopted by Resolution no. 11971/99", Consob communication no. 6064293 of 28/7/06 containing "Corporate reporting required in accordance with Article 114, paragraph 5 of Legislative Decree 58/98). The interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously the Standing Interpretations Committee ("SIC"), were also taken into account.
The Financial Statements have been prepared on a historical cost basis, amended as required for the measurement of some financial instruments, and on a going-concern basis. In fact, despite the difficult economic and financial context, the Company has evaluated that there are no significant doubts about its continuing as a going concern (as defined in section 25 of IAS 1), also in relation to actions already identified to adapt to changing levels in demand, as well as the industrial and financial flexibility of the Company.

These Financial Statements are audited by PricewaterhouseCoopers S.p.A..

1. FORM AND CONTENT OF THE FINANCIAL STATEMENTS

Form of the financial statements

The Company has chosen to highlight all changes generated by transactions with non-shareholders in two statements reporting trends of the period, the "Income Statement" and "Statement of Comprehensive Income". The Financial Statements are therefore composed of the Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Shareholders' Equity and these notes.

Income Statement

The Income Statement is presented with items classified by nature. The overall Operating Income is shown, which includes all income and cost items, irrespective of their repetition or fact of falling outside normal operations, except for the items of financial operations included under Operating Income and profit before tax. In addition, income and cost items arising from assets held for sale or to be discontinued, including any capital gains or losses net of the tax element, are recognised in a specific item of the Financial Statements which precede financial performance.

Statement of Comprehensive Income

The Statement of Comprehensive Income is presented in accordance with the provisions of IAS 1 amended. Items presented in "Other comprehensive income(expense)" are grouped based on whether they are potentially reclassifiable to profit or loss.

Statement of Financial Position

The Statement of Financial Position is presented in opposite sections with separate indication of assets, liabilities and shareholders' equity.
In turn, assets and liabilities are reported in the Financial Statements on the basis of their classification as current and non-current.

Statement of Cash Flows

The Statement of Cash Flows is divided into cash-flow generating areas. The Statement of Cash Flows model adopted by Piaggio & C. S.p.A. has been prepared using the indirect method. The cash and cash equivalents recorded in the Consolidated Statement of Cash Flows include the Consolidated Statement of Financial Position balances for this item at the reporting date. Cash flows in foreign currency were converted at the spot rate in force at the end of the reporting period. Income and costs related to interest, dividends received and income taxes are included in the cash flow generated from operations.

Statement of Changes in Shareholders' Equity

The Statement of Changes in Shareholders' Equity is presented as provided for in IAS 1 revised.
The Statement includes overall profit (loss) for the period. Reconciliation between the opening and closing balance of each item for the period is presented.

2. ACCOUNTING POLICIES ADOPTED BY THE COMPANY

The most significant accounting policies adopted to prepare the Financial Statements as of 31 December 2019 are outlined below.

Intangible assets

As provided for in IAS 38 - Intangible Assets, an intangible asset which is purchased or internally generated is recognised as an asset only if it is identifiable, controllable and future economic benefits are expected and its cost may be measured reliably. Borrowing costs related to the acquisition, construction or production of certain assets that require a significant period of time before they are ready for use or sale (qualifying assets), are capitalised along with the asset.
Intangible assets with a definite useful life are measured at acquisition cost or production cost net of amortisation and accumulated impairment losses. Amortisation is referred to the expected useful life and commences when the asset is available for use.

Goodwill

In the case of acquisitions of companies, acquired and identifiable assets, liabilities and potential liabilities are recognised at the present value at the date of acquisition. The positive difference between the acquisition cost and share of the Company at the fair value of said assets and liabilities is classified as goodwill and recognised in the financial statements as an intangible asset. Any negative difference ("negative goodwill") is recognised instead in profit or loss at the date of acquisition.
Goodwill is not amortised but tested annually for impairment, or more frequently if specific events or changed circumstances indicate that an asset may be impaired, as provided for in IAS 36 - Impairment of Assets. After initial recognition, goodwill is recognised at cost net of any accumulated impairment losses.
At the disposal of part of or an entire company previously acquired from whose acquisition goodwill arose, the corresponding residual value of goodwill is considered when measuring the capital gain or loss of the disposal.

Development costs

Development costs of projects for the manufacture of vehicles and engines are recognised as assets only if all of the following conditions are met: the costs can be reliably measured and the technical feasibility of the product, the volumes and expected prices indicate that costs incurred during development will generate future economic benefits. Capitalised development costs include only costs incurred that may be directly attributed to the development process. Capitalised development costs are amortised on a systematic criterion basis, starting from the beginning of production through the estimated life of the product.
All other development costs are recognised in profit or loss when they are incurred.

Other intangible assets

As provided for in IAS 38 – Intangible Assets, other intangible assets which are purchased or internally generated are recognised as assets if it is probable that use of the asset will generate future economic benefits and the cost of the asset can be reliably measured.
These assets are recognised at acquisition or production cost and are amortised on a straight line basis over their estimated useful life, if they have a definite useful life.
Other intangible assets recognised following the acquisition of a company are accounted for separately from goodwill, if their fair value may be reliably measured.
The amortisation period for an intangible asset with a useful life is revised at least at the end of each reporting period. If the expected useful life of the asset differs from estimates previously made, the amortisation period is changed accordingly.
The amortisation periods of intangible assets are shown below:

Development costs	3-5 years
Industrial Patent and Intellectual Property Rights	3-5 years
Other	5 years
Trademarks	15 years
Licences	10 years

Property, plant and equipment

The Company has decided to adopt the cost method on first-time application of the IAS/IFRS, as allowed by IFRS 1. For the measurement of property, plant and equipment, therefore, the preference was not to use the fair value method.
Property, plant and equipment were booked at the purchase or production cost and were not revalued. Borrowing costs related to the acquisition, construction or production of certain assets that require a significant period of time before they are ready for use or sale (qualifying assets), are capitalised along with the asset.
Costs incurred after acquisition are capitalised only if they increase the future economic benefits of the asset they refer to. All other costs are recognised in profit or loss when they are incurred. Property, plant and equipment under construction are measured at cost and depreciated starting from the period in which they are put into operation.
Depreciation is determined, on a straight line basis, on the cost of the assets net of their relative residual values, based on their estimated useful life.
The depreciation periods of Plant, property and equipment are summarised below:

Land	Land is not depreciated
Buildings	33 years
Plant and machinery	From 5 to 15 years
Equipment	From 4 to 5 years
Other assets	From 5 to 10 years

Profits and losses arising from the sale or disposal of assets are measured as the difference between the sale revenue and net carrying amount of the asset and are recognised in profit or loss for the period.

Lease contracts

Lease agreements for property, plant and machinery entered into as lessor require the recognition of an asset representing the right of use of the leased asset, and a financial liability for the obligation to undertake contract payments. In particular, the lease liability is initially recognised as being equal to the present value of future payments to make, adopting a discount rate equal to the implicit interest rate of the lease, of if this cannot easily be determined, by using the incremental financing rate of the lessor. After initial recognition, the lease liability is recognised at amortised cost using the effective interest rate and is redetermined following contract renegotiation, changes in rates, or changes in the recognition of any contract options.
The right of use is initially recorded at cost and then adjusted to take into account recognised depreciation charges, any impairment losses and effects related to any redetermination of lease liabilities.
The Company has opted for some simplifications, allowed by the Standard, excluding agreements of less than 12 months (short term, calculated on the residual duration, on first-time adoption), and of a value below 5 thousand euros (low value).

Investments in subsidiaries, associates and joint ventures

Investments in subsidiaries, associates and joint ventures are recognised in the financial statements according to the equity method, as allowed by IAS 27 and as provided for by IAS 28 (Investments in Associates and Joint Ventures).

Subsidiaries, associates and joint venture are included in the financial statements from when control, significant influence or joint control commences until it ceases.

The financial statements of subsidiaries, associates and joint ventures, are appropriately modified and reclassified, where necessary, to bring them in line with the international accounting standards and uniform classification criteria used by the Group.

In adopting the equity method, the investment in a subsidiary, associate or joint venture is initially recognised at cost and the carrying amount is increased or decreased to recognise the portion attributable to the investor of profit or loss of the investee realised after the date of acquisition. The portion of profit (loss) for the period of the investee attributable to the investor is recognised separately in profit or loss. Dividends received from an investee reduce the carrying amount of the investment. Adjustments to the carrying amount of the investment are also due to changes in items of other comprehensive income of the investee (e.g. changes arising from translation differences of items in foreign currency). The portion of these changes, attributable to the investor, is recognised under other components of comprehensive income. If the portion of losses of an entity in a subsidiary, associate or joint venture is equal to or exceeds its interest in the subsidiary, associate or joint venture, the entity discontinues recognising its share of further losses. After the interest is reduced to zero, additional losses are recognised by a provision (liability) only to the extent that the entity has incurred legal or constructive obligations or made payments on behalf of the associate, subsidiary or joint venture. If the subsidiary, associate or joint venture subsequently reports profits, the entity resumes recognising its portion of those profits only after its portion of the profits equals the share of losses not recognised. Profit and losses arising from "upwards" or "downwards" transactions between an entity and a subsidiary, associate or joint venture are recognised in the entity's financial statements only as regards the portion attributable to minority interest in the subsidiary, associate or joint venture. The portion of profit or loss of the subsidiary, associate or joint venture arising from these transactions, attributable to the investor, is eliminated in the income statement under "earnings from investments", with a counter entry of the asset's value, in "upwards" transactions, and of the value of the investment, in "downwards transactions".

If there is objective evidence of an impairment loss, the investment is tested for impairment, as described in the relative section, to which reference is made.

Separate financial statements are prepared in the currency of the primary economic sector in which the subsidiary, associate or joint venture operates (functional currency). For the purposes of adopting the equity method, the financial statements of each foreign entity are in euro, which is the functional currency of Piaggio & C. SpA and the presentation currency of the separate Financial Statements.

All assets and liabilities of foreign companies in a currency other than the euro are translated, using exchange rates in effect at the reporting date (currency exchange rates method). Income and costs are translated at the average exchange rate of the period. Translation differences arising from the application of this method, as well as translation differences arising from a comparison of initial shareholders' equity translated at current exchange rates and the same equity translated at historical rates, are recognised in the statement of comprehensive income and allocated to a specific reserve in shareholders' equity until disposal of the investment.

The exchange rates used to translate the financial statements of subsidiaries, associates and joint ventures into euro are shown in the table below.

CURRENCY	SPOT EXCHANGE RATE 31 DECEMBER 2019	AVERAGE EX-CHANGE RATE 2019	SPOT EXCHANGE RATE 31 DECEMBER 2018	AVERAGE EX-CHANGE RATE 2018
US Dollar	1.1234	1.11947	1.1450	1.18095
Pounds Sterling	0.85080	0.877771	0.89453	0.884706
Indian Rupee	80.1870	78.83614	79.7298	80.73324
Singapore Dollars	1.5111	1.52728	1.5591	1.59261
Chinese Yuan	7.8205	7.73549	7.8751	7.80808
Croatian Kuna	7.4395	7.41796	7.4125	7.41816
Japanese Yen	121.94	122.00576	125.85	130.39588
Vietnamese Dong	25,746.15	25,793.13707	26,230.56	26,984.72276
Canadian Dollars	1.4598	1.48548	1.5605	1.52936
Indonesian Rupiah	15,573.69	15,840.81508	16,565.86	16,802.30086
Brazilian Real	4.5157	4.41343	4.4440	4.30849

Impairment

At the end of the reporting period, the Company reviews the book value of its plant, property and equipment, intangible assets and investments, to determine whether there is any indication that these assets may be impaired (impairment test). If there is an indication that an asset may be impaired, the asset's recoverable amount is estimated to determine the amount of the write-down. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the asset's cash generating unit.
The recoverable amount is the greater of the net sale price and value in use. In measuring the value in use, estimated future cash flows are discounted at their fair value, using a rate gross of taxes, which reflects current market changes in the fair value of money and specific risks of the asset.
If the recoverable amount of an asset (or of a cash generating unit) is estimated to be lower than the relative carrying amount, the carrying amount of the asset is reduced to the lower recoverable value. An impairment loss is immediately recognised in profit or loss, unless the asset concerns land or property other than investment property recognised at revalued values. In said case, the loss is recorded in the relative revaluation reserve.
When the conditions that gave rise to an impairment loss no longer exist, the carrying amount of the asset (or of a cash generating unit), except for goodwill, is increased to the new value arising from an estimate of its recoverable amount, up to the net carrying amount applicable to the asset if no impairment loss had been recognised. The reversal of the impairment loss is immediately recognised in profit or loss.
An intangible asset with an indefinite useful life is tested annually for impairment, or more frequently if there is an indication that an asset may be impaired.

Investment Property

The Company has no investment property. As permitted by IAS 40, non instrumental property and buildings held for rental and/or asset appreciation purposes are measured at fair value. Investment properties are eliminated from the financial statements when they are disposed of or when they may not be used over time and future economic benefits from their sales are not expected.

Transactions with affiliates and related parties

Relations with subsidiaries and related parties are indicated in the specific section of the Notes, to which reference is made.

Non-current assets held for sale

Non-current assets (or disposal groups) that are classified as held for sale are measured at the lower of the carrying amount and fair value less costs to sell.
Non-current assets (and disposal groups) are classified as held for sale when it is expected that their carrying amount will be recovered through a sale rather than through their use in company operations. This condition is only met when the sale is highly probable, the asset (or disposal group) is available for immediate sale and management is committed to a plan to sell, which should take place within 12 months from the date in which this item was classified as held for sale.

Financial assets

IFRS 9 adopts a single approach to analysing and classifying all financial assets, including those containing embedded derivatives. Classification and measurement consider the business model of the financial asset and the contractual characteristics of cash flows that may be obtained from the asset. Depending on the characteristics of the instrument and business model adopted, the following three categories are determined:

(i) financial assets measured at amortised cost; (ii) financial assets measured at fair value, with the effects recognised in other comprehensive income (OCI); (iii) financial assets measured at fair value, with the effects recognised in profit or loss.

The financial asset is measured at amortised cost if both the following conditions are met:
- the business model holds the financial asset only to collect the relative cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that only represent the return on the financial asset.

According to the amortised cost method, the value of initial recognition is subsequently adjusted to take into account repayments of principal, any impairment and amortisation of the difference between the repayment value and value of initial recognition.

Amortisation is based on the internal effective interest rate that represents the rate which, at the time of initial recognition, makes the present value of expected cash flows equal to the value of initial recognition.
Receivables and other financial assets measured at amortised cost are presented in the statement of financial position net of the relative provision for write-downs.

Financial assets representing debt instruments whose business model covers the possibility of collecting contractual cash flows and realising capital gains from sale (the hold to collect and sell business model), are measured at fair value, recognising the effects in OCI.

In this case, changes in fair value of the instrument are recognised as shareholders' equity in OCI. The total of changes in fair value, recognised in a shareholders' equity reserve that includes OCI, is reversed to profit or loss when the instrument is deleted from the accounts. Interest expense is recognised in profit or loss using the effective interest rate, exchange differences and write-downs.

A financial asset representing a debt instrument that has not been measured at amortised cost or at fair value through other comprehensive income is measured at fair value with the effects recognised in profit or loss.

Inventories

Inventories are recognised as the lower of the purchase or production cost, determined by assigning to products the costs directly incurred in addition to the portion of indirect costs reasonably attributable to the performance of production activities in normal production capacity conditions and the market value at the end of the reporting period. The purchase or production cost is determined based on the weighted average cost method.
As regards raw materials and work in progress, the market value is represented by the estimated net realisable value of corresponding finished products minus completion costs. As regards finished products, the market value is represented by the estimated net realisable value (price lists minus the costs to sell and distribution costs).
The lower measurement based on market trends is eliminated in subsequent years, if the trends no longer exist.
Obsolete, slow moving and/or excess inventories are impaired in relation to their possible use or future realisation, in a provision for the write-down of inventories.

Receivables

IFRS 9 establishes a new model for the impairment/write-down of these assets, with the aim of providing useful information for financial statement users on relative expected losses. According to this model, the Company measures receivables on an expected loss basis, replacing the provisions in IAS 39 which typically measure receivables on an incurred loss basis. For trade receivables, the Company adopts a simplified approach which does not require the recognition of periodic changes in credit risk, but instead the recognition of an expected credit loss (ECL) calculated over the ECL lifetime. In particular, the policy adopted by the Company involves the stratification of trade receivables in categories based on past due days, defining the allocation based on the historical experience of credit losses, adjusted to take into account specific forecasts referred to creditors and the economic environment.

Trade receivables are wholly written down in the absence of a reasonable expectation of their recovery, or in the case of inactive counterparties.

The carrying amount of the asset is reduced through the use of a provision for write-downs and the amount of the loss is recognised in the income statement. When payment of amounts due exceeds standard terms of payment granted to clients, the receivable is discounted.

Factoring

The Company sells a significant part of its trade receivables through factoring and in particular, sells trade receivables without recourse. Following these sales with the total and unconditional transfer to the transferee of the risks and benefits transferred, the receivables are eliminated from the financial statements.

In the case of transfers in which the risks and benefits are not transferred, the relative receivables remain in the statement of financial position until the transferred sum has been paid. In this case any advance payments collected by the factor are recognised under payables as amounts due to other lenders.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, current bank accounts, deposits payable on demand and other high liquidity short term financial investments, which are readily convertible into cash and not affected by any major risk of a change in value. This item does not include bank overdrafts payable on demand.

Treasury shares

Treasury shares are recognised as a reduction of shareholders' equity. The original cost of treasury shares and revenues arising from subsequent sales are recognised as movements of shareholders' equity.

Financial liabilities

Financial liabilities include financial payables, including amounts payable for advances on the sale of receivables, as well as other financial liabilities, including financial derivatives and liabilities for assets recognised regarding finance lease agreements. Pursuant to IFRS 9, they include trade and other payables.

Financial liabilities are recognised at fair value net of additional transaction costs. After initial recognition, loans are measured at amortised cost and calculated using the effective interest rate. With the introduction of IFRS 9, in the event of the renegotiation of a financial liability that does not qualify as "extinction of the original debt", the difference between i) the book value of the pre-change liability and ii) the present value of the cash flows of the revised debt, discounted at the original rate (IRR), is accounted for in the income statement.

Financial liabilities hedged by derivatives are recognised at present value, according to procedures established for hedge accounting: gains and losses arising from subsequent measurements at present value are recognised in profit or loss and are offset by the effective portion of the loss and again arising from subsequent measurements at present value of the hedging instrument. On initial recognition, a liability may be designated at fair value recognised in profit or loss when this eliminates or considerably reduces a lack of uniformity in the measurement or recognition (sometimes defined as "asymmetric accounting") that would otherwise arise from the measurement of an asset or liability or recognition of relative profit and loss on different bases. This fair value designation is exclusively applied to some financial liabilities in currency subject to exchange risk hedging.

Derivatives and measurement of hedging transactions

Company assets are primarily exposed to financial risks from changes in exchange and interest rates. The Company uses derivatives to hedge risks arising from changes in foreign currency and interest rates in particular irrevocable commitments and planned future transactions. The use of these instruments is regulated by written procedures on the use of derivatives, in line with risk management policies. As permitted by IFRS 9, the Company has opted to continue to adopt the provisions on hedge accounting in IAS 39, rather than in IFRS 9. Derivatives are initially recognised at fair value, represented by the initial amount and aligned with the fair value at subsequent ends of reporting periods. Financial derivatives are used solely for hedging purposes, in order to reduce exchange risk, interest rate risk and the risk of changes in the market price. In line with IAS 39, financial derivatives may qualify for hedge accounting, only when the hedging instrument is formally designated and documented, is expected to be highly effective and this effectiveness can be reliably measured and is highly effective throughout the reporting periods for which it is designated. When financial instruments may be measured by hedge accounting, the following accounting treatment is adopted:

- Fair value hedge: if a financial derivative is designated as a hedge of the exposure to changes in present value of a recognised asset or liability, attributable to a particular risk and could affect profit or loss, the gain or loss from the subsequent change in present value of the hedging instrument is recognised in profit or loss. The gain or loss on

the hedged item, attributable to the hedged risk, changes the carrying amount of the hedged item and is recognised in profit or loss;
- Cash flow hedge: if an instrument is designated as a hedge of the exposure to variability in cash flows of a recognised asset or liability or of a highly probable forecast transaction which could affect profit or loss, the effective portion of the gain or loss on the financial instrument is recognised in the Statement of Comprehensive Income. Accumulated gain or loss is reversed from the Statement of Comprehensive Income and recognised in profit or loss in the same period as the hedging transaction. The gain or loss associated with hedging or the part of hedging which is ineffective, is immediately recognised in profit or loss. If the hedging instrument or hedging ceases, but the transaction covered by hedging is not yet realised, profits and losses, recognised in equity, are instead recognised in profit or loss when the transaction takes place. If the transaction to be hedged is deemed no longer probable, gains or losses deferred in the Statement of Comprehensive Income are recognised immediately in profit or loss.

If hedge accounting cannot be applied, gains or losses from measurement at present value of the financial derivative are immediately recognised in profit or loss.

Long-term provisions

The Company recognises provisions for risks and charges when it has a legal or implicit obligation to third parties and it is likely that Company resources will have to be used to meet the obligation and when the amount of the obligation itself can be reliably estimated.
Changes in estimates are recognised in profit or loss when the change takes place.
If the effect is considerable, provisions are calculated discounting future cash flows estimated at a discount rate gross of taxes, to reflect current market changes in the fair value of money and specifics risks of the liability.

Retirement funds and employee benefits

Liabilities relative to employee benefits paid on or after termination of employment for defined benefit plans are determined separately for each plan, based on actuarial hypotheses estimating the amount of future benefits that employees will accrue at the reporting date (the "projected unit credit method"). Liabilities, recognised in the financial statements net of any assets serving the plan, are entered for the period when the right accrues. Liabilities are measured by independent actuaries.
The cost components of defined benefits are recognised as follows:
- the costs relative to services are recognised in the Income Statement under employee costs;
- net borrowing costs of liabilities or assets with defined benefits are recognised in the Income Statement as financial income/(borrowing costs), and are determined by multiplying the value of the net liability/(asset) by the rate used to discount the obligations, taking account of the payment of contributions and benefits during the period;
- the remeasurement components of net liabilities, which include actual gain and losses, the return on assets (excluding interest income recognised in the Income Statement) and any change in the limit of the assets, are immediately recognised as "Other comprehensive income (expense)". These components must not be reclassified to the Income Statement in a subsequent period.

Termination benefits

Termination benefits are recognised at the closest of the following dates: i) when the Company can no longer withdraw the offer of such benefits and ii) when the Company recognises the costs of restructuring.

Tax assets and liabilities

Deferred taxes are determined based on the temporary taxable differences between the value of the asset and liability and their tax value. Deferred tax assets are measured only to the extent to which it is likely that adequate future taxable sums exist against which the deferred taxes can be used. The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent to which it is no longer likely that sufficient taxable income exists allowing for all or a portion of said assets to be recovered.
Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, considering the rates in effect or which are known to come into effect. Deferred taxes are directly recognised in profit or loss, except for items directly recognised in the statement of comprehensive income, in which case relative deferred taxes are also recognised in the statement of comprehensive income.
Deferred tax assets and liabilities are recognised at their net value when applied by the tax authorities and when they may be lawfully offset in the same tax jurisdiction.

Payables

Payables are recognised at fair value and then measured based on the amortised cost method.

Reverse factoring

To guarantee suppliers easier credit conditions, the Company has established factoring agreements, and typically supply chain financing or reverse factoring agreements. Based on the agreements, suppliers may, at their discretion, transfer receivables due from the Company to a lender and collect amounts before the due date.
In some cases, payment terms are extended further in agreements between the supplier and the company; these extensions may be interest or non-interest bearing.
The Company has established a specific policy to assess the nature of reverse factoring operations. Based on the content of agreements, which differs by area of origin, the Finance function, at a central level, analyses the clauses of agreements in qualitative terms, as well as legal aspects in order to assess regulatory references and the type of transaction assignment (as provided for by IAS 9 B3 3.1). In some cases, as payment terms have been extended, quantitative analysis is carried out to verify the materiality of changes in contract terms, based on quantitative tests as required by IAS 9 B3.3.6.
In this context, relations, for which a primary obligation with the supplier is maintained and any deferment, if granted, does not significantly change payment terms, are still classified as trade liabilities.

Recognition of revenues

Based on the five-step model introduced by IFRS 15, the Company measures revenues after identifying the contracts with its customers and relative performance to provide (transfer of goods and/or services), after determining the transaction price it considers due in exchange for performance, and evaluating the procedure for satisfying the performance (performance at a given time versus performance over time).
In particular, the Company measures revenues only if the following requirements have been met (requirements to identify the "contract" with the customer):

a. the contract has been approved by the parties to the contract (in writing, verbally or in compliance with other standard business practices) and the parties undertake to meet their respective obligations; an agreement therefore exists between the parties that establishes the rights and obligations to be met, regardless of the form by which the agreement is made;
b. the Company can identify each party's rights in relation to the goods or services to be transferred;
c. the Company can identify the payment terms for the goods or services to be transferred;
d. the contract has commercial substance; and
e. it is probable that the Company will receive the consideration to which it is entitled in exchange for the goods or services that will be transferred to the customer.

If the above requirements are not met, the relative revenues are recognised when: (i) the Company has already transferred control of the goods and/or provided the service to the customer and all or nearly all of the consideration from the customer has been received and cannot be reimbursed; or (ii) the contract has ended and the consideration received by the Company from the customer cannot be reimbursed.
If the above requirements are instead met, the Company adopts the following rules for recognition.
Revenues for the sale of vehicles and spare parts are recognised when control of the good is transferred to the purchaser, or when the customer can use in full the good or substantially benefit from it. Revenues are represented net of discounts, including, among others, sales incentive programmes and bonuses to customers, as well as taxes directly connected with the sale of the goods.
Revenues from the provision of services are recognised when the services are provided based on their progress.
Revenues also include lease payments recognised on a straight line basis for the duration of the contract.

Public grants

Set-up grants are recognised in the financial statements when their payment is certain and are recognised in profit or loss based on the useful life of the asset for which the grants have been provided.
Operating grants are recognised in the financial statements, when their payment is certain and are recognised in profit or loss in relation to costs for which the grants have been provided.

Financial income

Financial income is recognised on time accrual basis. It includes interest payable on invested funds, exchange differences receivable and income from financial instruments, when not offset in hedging transactions. Interest receivable is recognised in profit or loss when it matures, considering the actual return.

Borrowing costs

Borrowing costs are recognised on an accrual basis and include interest payable on financial payables calculated using the effective interest rate method, exchange differences payable and losses on derivative financial instruments. The rate of interest payable of finance lease payments is recognised in profit or loss, using the effective interest rate method.

Dividends

Dividends are recognised on an accrual basis, and therefore at the time when, following the resolution to distribute dividends by the subsidiary, the relative right to payment arises. In compliance with IAS 27 Revised "Separate Financial Statements", dividends distributed by subsidiaries, associates and joint ventures are recognised minus their investment value.

Income tax

Taxes represent the sum of current and deferred tax assets and liabilities.
Taxes allocated on the basis of estimated taxable income determined in compliance with national laws in force at the year end are recorded, taking account of applicable exemptions and tax credits due. Income tax is recognised in profit or loss, with the exception of items directly charged or credited to shareholders' equity, in which case the tax effect is directly recognised in shareholders' equity.
Taxes are recorded under "Tax payables" net of advances and withheld taxes.
As from the 2007 reporting period, the Company has been party to the National Consolidated Tax Convention 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. Participation in the agreement was renewed starting from 2019 and will last for three years, up until the tax period ending at 31.12.2021.
Based on the procedure, the consolidating company determines one taxable base for the group of companies that are party to the National Consolidated Tax Convention, and may therefore offset taxable income against tax losses in one tax return. Each company which is party to the National Consolidated Tax Convention transfers taxable income (taxable income or loss) to the consolidating company. The latter recognises a receivable from the consolidated company which is equal to the corporate tax to be paid. 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 offset at a Group level.

Use of estimates

The preparation of the financial statements and notes in compliance with IFRS requires management to make estimates and assumptions which have an impact on the values of assets and liabilities and on disclosure regarding contingent assets and liabilities at the end of the reporting period. Actual results could differ from estimates. Estimates are used to measure intangible assets tested for impairment (see § Impairment losses) and to identify provisions for bad debts, for obsolete inventories, amortisation and depreciation, impairment of assets, employee benefits, taxes, restructuring provisions and other allocations and funds. Estimates and assumptions are periodically revised and the effects of any change are immediately recognised in profit or loss.
In the current world economic and financial crisis, assumptions made as to future trends are marked by a considerable degree of uncertainty. Therefore the possibility in the next reporting period of results that differ from estimates cannot be ruled out and these could require even significant adjustments which at present cannot be predicted or estimated.
The critical measurement processes and key assumptions used by the Company in adopting IFRS and that may have a significant impact on figures in the Financial Statements or for which a risk exists that significant differences in value may arise in relation to the carrying amount of assets and liabilities in the future are summarised below.

<u>Recoverable value of non-current assets</u>
Non-current assets include Property, Plant and Equipment, Goodwill, Other Intangible Assets, Investment Property, Investments and Other Financial Assets. The Company periodically revises the carrying amount of non-current assets held and used and of assets held for sale, when facts and circumstances make this necessary. This analysis is carried out at least annually for Goodwill, and whenever facts and circumstances make it necessary. Analysis of the recoverability of the carrying amount of Goodwill is generally based on estimates of expected cash flows from the use or sale of the asset and adequate discount rates to calculate the fair value. When the carrying amount of a non-current asset is

impaired, the Company recognises a write-down equal to the excess between the carrying amount of the asset and its recoverable value through use or sale, determined with reference to cash flows of the most recent company plans.

Recoverability of deferred tax assets
The Company has deferred tax assets from deductible temporary differences and theoretical tax benefits from losses to be carried forward. In estimating recoverable value, the Company considered the results of the company plan in line with the results used for impairment testing. Net deferred tax assets allocated on this basis refer to temporary differences and tax losses which, to a significant extent, may be recovered over an indefinite period, and are therefore compatible with a context in which an end to current difficulties and uncertainties and an upswing in the economy could take longer than the time frame of the above-mentioned estimates. As the Company is party to the IMMSI Group National Consolidated Tax Convention, the recovery of deferred tax assets is related to results forecast for the company, and also to the taxable amounts of companies which are part of the IMMSI Group National Consolidated Tax Convention.

Pension schemes and other post-employment benefits
Provisions for employee benefits and net borrowing costs are measured using an actuarial method that requires the use of estimates and assumptions to determine the net value of the obligation. The actuarial method considers financial parameters such as the discount rate and growth rates of salaries and considers the likelihood of potential future events occurring on the basis of demographic parameters such as relative mortality rates and employee resignations or retirements.
The assumptions used for the measurement are explained in section 29 "Retirement funds and employee benefits".

Provisions for bad debts
The provision for bad debts reflects management's estimate of expected losses related to receivables. The Company adopts the simplified approach of IFRS 9 and recognises expected losses for all trade receivables based on the residual duration, defining the allocation based on the historical experience of credit losses, adjusted to take into account specific forecasts referenced to creditors and the economic environment (Expected Credit Loss – ECL concept).Provision for obsolete inventories
The provision for obsolete inventories reflects management's estimate of impairment losses expected by the Company, determined based on past experience. Anomalous market price trends could have an effect on future inventory write-downs.

Provision for product warranties
At the time of a product's sale, the Company makes provisions relative to estimated costs for the product warranty. This provision is estimated based on historical information about the nature, frequency and average cost of warranty jobs.

Potential liabilities
The Company recognises a liability for ongoing legal disputes when it considers a financial outflow likely and when the amount of the losses arising therefrom may be reasonably estimated. If a financial outflow is possible, but the amount cannot be determined, it is recorded in the notes to the Financial Statements. The Company is subject to legal and tax proceedings concerning complex and difficult legal issues, of varying degrees of uncertainty, including facts and circumstances relative to each case, jurisdiction and different applicable laws. Given the uncertainties concerning these issues, it is hard to predict with certainty the outflow arising from these disputes and it is therefore possible that the value of provisions for legal proceedings and disputes of the Company may vary as a result of future developments in proceedings underway.
The Company monitors the status of ongoing proceedings and consults its legal and tax advisers.

Depreciation
The cost of assets is amortised/depreciated on a straight line basis over their estimated useful life. The economic useful life of Company assets is determined by Directors at the time of purchase; the calculation is based on historical experience gained in years of operations and on knowledge of technological innovations that may make the asset obsolete and no longer economical.
The Company periodically evaluates technological and segment changes, in order to update the remaining useful life. This periodic updating could change the amortisation/depreciation period and therefore amortisation/depreciation charges of future years.

Income tax

The Company is subject to Italian income tax laws. Tax liabilities are determined based on management valuations referred to transactions of which the tax effect is not certain at the end of the reporting period. The Company recognises the liabilities that could arise from future inspections of tax authorities based on an estimate of taxes that will be due. If the outcome of inspections differs from management's estimates, significant effects on current and deferred taxes could arise.

Rounding off

All amounts in the tables and in these notes have been rounded off to thousands of Euros.

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

IFRS 16 "Leases"

In January 2016, the IASB published IFRS 16 "Leases". This new standard replaced IAS 17. The main change concerns the accounting of lease agreements by lessees that, according to IAS 17, were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). With IFRS 16, operating leases are treated for accounting purposes as finance leases. According to the new standard, an asset representing the right of use of the leased asset is recognised, as well as a financial liability for the obligation to make lease payments. In particular, the lease liability is initially recognised as being equal to the present value of future payments to make, adopting a discount rate equal to the implicit interest rate of the lease, of if this cannot easily be determined, by using the incremental borrowing rate of the lessor. After initial recognition, the lease liability is recognised at amortised cost using the effective interest rate and is redetermined following contract renegotiation, changes in rates, or changes in the recognition of any contract options.
The right of use is initially recorded at cost and then adjusted to take into account recognised depreciation charges, any impairment losses and effects related to any redetermination of lease liabilities.
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 Company 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 the following - with reference to the financial statements:

- the recognition of rights of use in the statement of financial position and corresponding financial liability as separate from other items:

IN MILLIONS OF EUROS	AS OF 31 DECEMBER 2018
+ Commitments for operating leases	14.5
- short-term operating leases	(0.5)
- operating leases of a moderate value	(0.5)
- operating leases, no IFRS 16 compliance	(3.0)
- sub-lease agreements	(0.5)
- discounting effect	(0.5)
Total rights of use	**9.5**

- in the income statement, the recognition within operating costs of the depreciation of rights of use, and in the financial section of interest expense accrued on liabilities, unless capitalised, replacing operating lease payments (with the exception of short-term and low value payments), previously recognised as operating costs.
- in the cash flow statement, the recognition of reimbursements of lease liability principal in net cash flows from financing activities, while interest expense is recorded in net cash flows from operations if recognised in the income statement.

The effects of adopting IFRS 16 on the financial statements as of 31 December 2019 are summarised in the following table.

IN THOUSANDS OF EUROS	PUBLISHED 2019	EFFECT OF IFRS 16	IFRS 16 RECLASSIFICATIONS	2019 WITHOUT THE ADOPTION OF IFRS 16
Rights of use	18,228	8,385	9,843	0
Property, plant and equipment	159,487		(9,843)	169,330
Financial payables > 12 months	461,600		(6,781)	468,381
Financial liabilities for operating leases > 12 months	13,178	6,397	6,781	0
Financial payables < 12 months	100,536		(1,149)	101,685
Financial liabilities for operating leases < 12 months	4,414	3,265	1,149	0
Other non-current financial assets	3,801	289		3,512
Other current financial assets	15,878	146		15,732
Depreciation of rights of use	(3,435)	(2,579)	(856)	0
Depreciation	(22,671)		856	(23,527)
Costs for services, leases and rentals	(171,244)	2,837		(174,081)
Other operating income	123,787	(105)		123,892
Financial income	1,653	14		1,639
Borrowing costs	(21,712)	(317)		(21,395)
Effect on the income statement before taxes		(150)		
Impact on Net Debt (higher debt)		9,516		

The following should be noted:
- Goods purchased through finance leases and corresponding liabilities classified at 31 December 2018 respectively under Property, plant and machinery, and Financial liabilities have been reclassified in 2019 under Rights of use and Financial liabilities for rights of use;
- accordingly, the depreciation of assets is now recognised as the depreciation of 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.

Accounting standards, amendments and interpretations not yet applicable

At the date of these Financial Statements, competent bodies of the European Union had not completed the approval process necessary for the application of the following accounting standards and amendments:
- In May 2017, the IASB issued the new standard IFRS 17 – Insurance Contracts. The new standard will replace IFRS 4 and will be effective from 1 January 2021.
- 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.
- In September 2019, the IASB published some amendments to IFRS 9, IAS 39 and IFRS 7 with some findings on the reform determining interbank rates. The findings concern the recognition of hedging and imply that a change in the interbank rate (IBOR) should not generally cause the accounting closure of hedging operations. However, the effects of all ineffective hedging should continue to be recognised in the income statement. Given the extensive nature of hedging that involves contracts based on interbank rates, the findings will concern companies from all sectors. These amendments will apply from 1 January 2020.

The Company 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

Departures pursuant to Article 2423, section 4 of the Italian Civil Code

No exceptional circumstances occurred requiring departures from legal provisions concerning Financial Statements pursuant to Article 2423, section 4 of the Italian Civil Code.

Article 2428 of the Italian Civil Code

The information required by Article 2428, paragraphs 1, 2, 3 and 6 is given in the Report on Operations. Information on financial instruments, objectives and financial risk management policies is given in Section E of these notes. The registered office of the Company is in Viale R. Piaggio 25 56025 Pontedera (Pisa). Other offices of the Company are in Via G. Galilei 1 Noale (Venice) and in via E.V. Parodi 57 Mandello del Lario (Lecco).

B) INFORMATION ON THE INCOME STATEMENT

3. Net revenues — €/000 863,811

Revenues for disposals of company core business assets essentially refer to the marketing of vehicles and spare parts on European and non-European markets. They are recognised net of premiums paid to customers and include sales to Group companies amounting to €/000 86,139.

Revenues by geographic segment

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

IN THOUSANDS OF EUROS	2019		2018		VARIAZIONI	
	AMOUNT	%	AMOUNT	%	AMOUNT	%
EMEA and Americas	841,328	97.40	777,172	97.20	64,156	8.26
Asia Pacific	21,148	2.45	20,726	2.59	422	2.03
India	1,335	0.15	1,675	0.21	(340)	(20.28)
TOTAL	**863,811**	**100.00**	**799,573**	**100.00**	**64,238**	**8.03**

Revenues by type of product

The breakdown of revenues by type of product is shown in the following table:

IN THOUSANDS OF EUROS	2019		2018		VARIAZIONI	
	AMOUNT	%	AMOUNT	%	AMOUNT	%
Two-wheelers	763,941	88.44	711,186	88.95	52,755	7.42
Commercial Vehi-cles	99,870	11.56	88,387	11.05	11,483	12.99
TOTAL	**863,811**	**100.00**	**799,573**	**100.00**	**64,238**	**8.03**

In 2019, net sales revenues increased by €/000 64,238.

4. Costs for materials €/000 (533,455)

This item totalled €/000 533,455 compared to €/000 480,289 as of 31 December 2018, with an increase of 11% and includes costs for purchases from Group companies amounting to €/000 102,680.
The percentage of costs for materials accounting for net sales went up, from 60% in 2018 to 61.7% in 2019.
Costs for materials include costs for transport and outsourcing services relative to purchased assets.
The following table details the content of this item:

IN THOUSANDS OF EUROS	2019	2018	CHANGE
Raw, ancillary materials, consumables and goods	(521,566)	(485,832)	(35,734)
Change in inventories of raw, ancillary materials, consumables and goods	2,268	1,554	714
Change in work in progress of semifinished and finished products	(14,157)	3,989	(18,146)
Total costs for purchases	**(533,455)**	**(480,289)**	**(53,166)**

5. Costs for services and leases and rental costs €/000 (171,244)

This item totalled €/000 171,244 compared to €/000 163,360 as of 31 December 2018 and includes costs from Group companies and other related parties amounting to €/000 44,769.
Below is a breakdown of this item:

IN THOUSANDS OF EUROS	2019	2018	CHANGE
Employee costs	(6,917)	(6,744)	(173)
External maintenance and cleaning costs	(6,161)	(5,636)	(525)
Energy and telephone costs	(9,356)	(8,626)	(730)
Postal expenses	(565)	(373)	(192)
Commissions payable	(20,849)	(20,729)	(120)
Advertising and promotion	(15,768)	(13,083)	(2,685)
Technical, legal and tax consultancy and services	(8,008)	(10,645)	2,637
Company boards operating costs	(2,634)	(2,474)	(160)
Insurance	(2,554)	(2,402)	(152)
Outsourced manufacturing	(18,022)	(15,606)	(2,416)
Outsourced services	(8,318)	(7,885)	(433)
Transport costs (vehicles and spare parts)	(25,568)	(24,043)	(1,525)
Internal shuttle services	(251)	(285)	34
Sundry commercial expenses	(5,145)	(4,644)	(501)
Public relations	(1,640)	(1,016)	(624)
Product warranty costs	(1,641)	(1,275)	(366)
Costs for quality-related events	(1,837)	(3,665)	1,828
Bank costs and factoring charges	(4,195)	(3,790)	(405)
Misc services provided in the business year	(3,557)	(2,696)	(861)
Other services	(20,385)	(17,268)	(3,117)
Lease and rental costs	(7,873)	(10,475)	2,602
Total costs for services	**(171,244)**	**(163,360)**	**(7,884)**

Costs for quality-related events were partially offset by compensation received, recognised under "Other operating income" and amounting to €/000 1,432.
Third party work of €/000 18,022 refers to the processing of production components by outsourced suppliers.

Expenses for company boards are shown in the table below:

IN THOUSANDS OF EUROS	2019
Directors	2,337
Statutory auditors	161
Supervisory Body	62
Internal Control Committee	41
Remuneration Committee	30
Reimbursement of expenses	3
Total fees	**2,634**

Business services include services for the disposal of waste and water treatment amounting to €/000 1,782.
Other services include €/000 16,086 for technical, sports and promotional services for Group brands supplied by the subsidiary Aprilia Racing, €/000 1,272 for technical services supplied by the subsidiaries Foshan Piaggio Vehicles Technology Research and Development Co Ltd and Piaggio Advanced Design Center Corp. and €/000 1,000 for management services supplied by the parent company IMMSI S.p.A.
Insurance costs include €/000 33 paid with related parties.
Lease and rental costs include €/000 52 paid with related parties.
Costs for leases and rental costs for in 2019 were adjusted by €/000 2,837 following the adoption of the new accounting standard IFRS 16, which requires operating lease costs to be recognised as depreciation of rights of use and as borrowing costs relative to the assumed debt.

6. Employee costs €/000 (157,381)

Employee costs are broken down as follows:

IN THOUSANDS OF EUROS	2019	2018	CHANGE
Salaries and wages	(108,817)	(108,365)	(452)
Social security contributions	(36,485)	(36,229)	(256)
Termination benefits	(7,777)	(7,682)	(95)
Other costs	(4,302)	(4,885)	583
Total	**(157,381)**	**(157,161)**	**(220)**

The workforce as of 31 December 2019 totalled 3,149, of which 22 members of staff on a fixed-term contract.

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

	AVERAGE NUMBER		
LEVEL	2019	2018	CHANGE
Senior management	76	72	4
Middle management	241	232	9
White collars	863	876	(13)
Blue collars	2,098	2,259	(161)
Total	**3,278**	**3,439**	**(161)**

	NUMBER AS OF		
LEVEL	31 DECEMBER 2019	31 DECEMBER 2018	CHANGE
Senior management	79	73	6
Middle management	230	232	(2)
White collars	851	871	(20)
Blue collars	1,989	2,099	(110)
Total	**3,149**	**3,275**	**(126)**

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

LEVEL	AS OF 31.12.18	INCOMING	LEAVERS	RELOCATIONS	AS OF 31.12.19
Senior management	73	4	(2)	4	79
Middle management	232	5	(13)	6	230
White collars	871	60	(74)	(6)	851
Blue collars	2,099	101	(207)	(4)	1,989
Total (*)	**3,275**	**170**	**(296)**	**0**	**3,149**
(*) of which fixed-term contracts	13				22

7. Amortisation/depreciation and impairment costs €/000 (92,209)

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

IN THOUSANDS OF EUROS	2019	2018	CHANGE
PROPERTY, PLANT AND EQUIPMENT:			
Buildings	(4,165)	(4,145)	(20)
Plant and machinery	(6,512)	(8,552)	2,040
Industrial and commercial equipment	(9,062)	(9,428)	366
Other assets	(638)	(490)	(148)
Total depreciation of property, plant and equipment	**(20,377)**	**(22,615)**	**2,238**
Impairment costs of property, plant and equipment	(2,294)	(622)	(1,672)
Total depreciation of property, plant and equipment and impairment costs	**(22,671)**	**(23,237)**	**566**

Impairment costs of property, plant and equipment refer to the disposal of assets under construction no longer necessary for Company activities.

IN THOUSANDS OF EUROS	2019	2018	CHANGE
INTANGIBLE ASSETS:			
Development costs	(24,900)	(24,811)	(89)
Industrial Patent and Intellectual Property Rights	(34,603)	(30,026)	(4,577)
Concessions, licences, trademarks and similar rights	(4,545)	(4,546)	1
Total amortisation of intangible assets	**(64,048)**	**(59,383)**	**(4,665)**
Write-down of intangible assets	(2,055)	(1,932)	(123)
Total depreciation of intangible assets and impairment costs	**(66,103)**	**(61,315)**	**(4,788)**

As indicated in more detail in the section on intangible assets, goodwill was tested for impairment, confirming the full recoverability of values indicated in the financial statements.
Impairment costs of intangible assets refer to development projects for which production plans were reviewed in the context of the Company's 2020-2023 Business Plan.
Amortisation of the item "Concessions, licences, trademarks and similar rights" refers to amortisation of the Aprilia brand for €/000 2,915, of the Guzzi brand for €/000 1,625 and of other brands from the merged company Aprilia for €/000 5.
The item "Industrial Patent and Intellectual Property Rights" includes amortisation relative to software equal to €/000 6,147.

IN THOUSANDS OF EUROS	2019	2018	CHANGE
RIGHTS OF USE:			
Buildings	(1,532)		(1,532)
Plant and machinery	(856)		(856)
Other assets	(1,047)		(1,047)
Total depreciation of rights of use	**(3,435)**	**0**	**(3,435)**

Costs for the depreciation of rights of use were calculated for the first time in 2019, following the adoption of IFRS 16. The recognition of these costs is conceptually offset by the reversal of rental payments.

8. Other operating income €/000 123,787

This item consists of:

IN THOUSANDS OF EUROS	2019	2018	CHANGE
Operating grants	1,371	1,028	343
Increases in fixed assets from internal work	37,676	39,051	(1,375)
Other revenue and income:			
- Expenses recovered in invoices	22,994	21,037	1,957
- Rent receipts	486	528	(42)
- Contingent assets from measurement	0	0	0
- Capital gains on the disposal of assets	53	38	15
- Recovery of transport costs	147	251	(104)
- Recovery of business costs	2,941	2,857	84
- Recovery of registration costs	17	4	13
- Recovery of advertising costs	1	0	1
- Recovery of stamp duty	829	779	50
- Recovery of labour costs	5,065	4,273	792
- Recovery of supplier costs	595	629	(34)
- Recovery of warranty costs	47	35	12
- Recovery of taxes from customers	500	662	(162)
- Recovery of sundry costs	1,496	1,266	230
- Provision of services to group companies	11,168	9,498	1,670
- Licence rights and know-how	31,596	21,140	10,456
- Commission receivable	1,962	2,030	(68)
- Compensation from damage to third parties	707	1,842	(1,135)
- Compensation from third parties for quality-related events	1,432	3,019	(1,587)
- Sponsorship	164	205	(41)
- Clearance of payables	22	325	(303)
- Other income	2,518	2,808	(290)
Total other operating income	**123,787**	**113,305**	**10,482**

The increase amounted to €/000 10,482.
This item includes income from Group companies for a total of €/000 49,104.
Operating grants refer to:
- €/000 937 refers to other public grants concerning research projects;
- €/000 387 for funding for professional training provided by trade associations;
- €/000 47 for the portion relative to the year, of sums received from a customer for product development.

During the period, internal costs for development projects and know how of €/000 36,317 were capitalised, in addition to internal costs for the development of software for €/000 668 and internal costs for the construction of property, plant and equipment, amounting to €/000 691.
Expenses recovered in invoices refer to costs for preparation, advertising, insurance, transport and packaging charged to clients directly in product sales invoices.
This item also includes charges made to other Group companies amounting to €/000 575 and to third parties for €/000 921 for the recovery of sundry costs.
Licence rights were obtained from the subsidiaries Piaggio Vehicles (€/000 17,604) and Piaggio Vietnam (€/000 11,956), as well as from the associate Zongshen Piaggio Foshan Motorcycle Co. Ltd. (€/000 286).
Income (€/000 12) was also generated from the associate Zongshen Piaggio Foshan Motorcycle Co. Ltd. for technical assistance concerning the sale of know-how.
Income from the recovery of labour costs mainly refers to amounts charged to Group companies for the use of personnel.
The recovery of costs from suppliers refers to amounts charged for the reprocessing of materials and final inspections, and for failure to supply assembly lines with material.

The recovery of tax duties mainly refers to dealers being charged stamp duty on vehicle conformity certificates.

9. Net reversals (impairment) of trade and other receivables €/000 (1,473)

This item consists of:

IN THOUSANDS OF EUROS	2019	2018	CHANGE
Losses on receivables	(1)	(20)	19
Write-down of receivables in working capital	(1,472)	(1,923)	451
Total	**(1,473)**	**(1,943)**	**470**

10. Other operating costs €/000 (14,454)

This item consists of:

IN THOUSANDS OF EUROS	2019	2018	CHANGE
Allocation for litigation	(450)		(450)
Provision for future risks	(689)		(689)
Total provisions for risks	*(1,139)*	*0*	*(1,139)*
Provisions for product warranties	(6,835)	(6,111)	(724)
Total other provisions	*(6,835)*	*(6,111)*	*(724)*
Stamp duty	(955)	(883)	(72)
Duties and taxes not on income	(1,458)	(1,512)	54
Local tax, formerly council tax	(1,372)	(1,226)	(146)
Various subscriptions	(941)	(922)	(19)
Social charges	(627)	(588)	(39)
Capital losses from disposal of assets	(72)	(6)	(66)
Miscellaneous expenses	(1,055)	(1,599)	544
Total sundry operating costs	(6,480)	(6,736)	256
Total other operating costs	**(14,454)**	**(12,847)**	**(1,607)**

In total, other operating costs, which include costs from Group companies of €/000 542, increased by €/000 1,607.

Stamp duty of €/000 955 mainly refers to the tax due on vehicle conformity certificates. This cost is charged to Dealers and the recovered amount is entered under "Other operating income".

11. Income/(loss) from investments €/000 47,926

This item consists of:

IN THOUSANDS OF EUROS	2019	2018	CHANGE
Positive differences from the equity method valuation in subsidiaries	68,277	59,581	8,696
Positive differences from the equity method valuation in associates	712	313	399
Negative differences from the equity method valuation in subsidiaries	(21,173)	(14,754)	(6,419)
Dividends from the investments of non-controlling interests	110	8	102
Total	**47,926**	**45,148**	**2,778**

Dividends from investments of non-controlling interests were distributed by the companies IVM (€/000 92) and Ecofor Service Pontedera (€/000 18).

The tables below show the positive and negative differences for investments in subsidiaries and associates, valued using the Equity Method.

IN THOUSANDS OF EUROS	2019	2018	CHANGE
POSITIVE DIFFERENCES FROM THE EQUITY METHOD VALUATION IN SUBSIDIARIES			
Piaggio Vespa B.V.	15,622	8,457	7,165
Piaggio China	267	114	153
Piaggio Vehicles Pvt.	34,530	37,338	(2,808)
Piaggio Vietnam	17,259	13,325	3,934
Piaggio España	566	323	243
Piaggio Indonesia	8	0	8
Piaggio Advanced Design Center Corporation	25	24	1
Total	**68,277**	**59,581**	**8,696**

IN THOUSANDS OF EUROS	2019	2018	CHANGE
POSITIVE DIFFERENCES FROM THE EQUITY METHOD VALUATION IN ASSOCIATES			
Pontedera & Tecnologia	14	16	(2)
Zongshen Piaggio Foshan Motorcycle	698	297	401
Total	**712**	**313**	**399**

IN THOUSANDS OF EUROS	2019	2018	CHANGE
NEGATIVE DIFFERENCES FROM THE EQUITY METHOD VALUATION IN SUBSIDIARIES			
Piaggio China			0
Nacional Motor	(1,510)	(1,669)	159
Aprilia Racing	(1,154)	(440)	(714)
Piaggio Indonesia		(1)	1
Piaggio Fast Forward	(17,871)	(11,474)	(6,397)
Piaggio Concept Store	(638)	(612)	(26)
FCIIC Atlantic	0	(558)	558
Total	**(21,173)**	**(14,754)**	**(6,419)**

12. Net financial income/(borrowing costs) €/000 (21,360)

This item consists of:

IN THOUSANDS OF EUROS	2019	2018	CHANGE
Total financial income	1,653	5,607	(3,954)
Total borrowing costs	(21,712)	(26,445)	4,733
Total net exchange gains/(losses)	(1,301)	(447)	(854)
Net financial income (borrowing costs)	**(21,360)**	**(21,285)**	**(75)**

The balance of financial income (borrowing costs) in 2019 was negative by €/000 21,360, up by €/000 75 compared to the figure of €/000 21,285 for the previous year. In 2019, the adoption of the new accounting standard IFRS 16 led to the recognition of net borrowing costs for €/000 303
Below is the breakdown of borrowing costs and income:

IN THOUSANDS OF EUROS	2019	2018	CHANGE
Financial income:			
- From subsidiaries	1,385	537	848
- From subsidiaries for operating leases	14		14
- From the Parent company	21	17	4
Financial income from third parties:			
- Interest receivable from clients	45	43	2
- Bank and post office interest payable	3	5	(2)
- Interest income on tax receivables	169	80	89
- Income from fair value measurements	-	489	(489)
- Other	16	4,436	(4,420)
Total financial income from third parties	233	5,053	(4,820)
Total financial income	**1,653**	**5,607**	**(3,954)**

The amount of €/000 1,385 recognised as financial income from subsidiaries refers to interest from financing activities relative to the subsidiaries Nacional Motor (€/000 29), Piaggio Fast Forward (€/000 1,267) and Aprilia Racing (€/000 89).

IN THOUSANDS OF EUROS	2019	2018	CHANGE
Borrowing costs with Parent Companies:			
- Interest expense on operating leases with Parent Companies	(201)	0	(201)
Borrowing costs with Parent Companies:			
- Interest payable on a debenture loan	(12,646)	(17,530)	4,884
- Interest payable on bank accounts	(285)	(192)	(93)
- Interest payable on bank loans	(4,781)	(4,900)	119
- Interest to suppliers	(563)	(493)	(70)
- Interest payable to other lenders	(843)	(546)	(297)
- Interest payable on sub-discount factor operations	(702)	(613)	(89)
- Cash discounts to clients	(796)	(674)	(122)
- Income from fair value measurements	(347)	0	(347)
- Bank charges on loans	(974)	(1,061)	87
- Interest on finance lease agreements	(140)	(160)	20
- Interest payable on operating lease agreements	(116)	0	(116)
Borrowing costs from discounting back termination and termination benefits	(215)	(454)	239
- Other	(2)	(6)	4
Total borrowing costs with third parties	(22,410)	(26,629)	4,219
Total borrowing costs	**(22,611)**	**(26,629)**	**4,018**
Costs capitalised on Property, Plant and Equipment	153	18	135
Costs capitalised on Intangible Assets	746	166	580
Total Capitalised Costs	**899**	**184**	**715**
Total borrowing costs	**(21,712)**	**(26,445)**	**4,733**

During 2019, borrowing costs for €/000 899 were capitalised (184 in 2018). The average rate used for the capitalisation of borrowing costs (because of general loans), was equal to 3.60% (3.75% in 2018).
Interest payable to other lenders mainly refers to interest payable to factoring companies and banks for the sale of trade receivables.

IN THOUSANDS OF EUROS	2019	2018	CHANGE
EXCHANGE DIFFERENCES FROM SALE			
- Exchange gains	6,056	8,258	(2,202)
- Exchange losses	(7,638)	(8,593)	955
Total exchange gains (losses)	*(1,582)*	*(335)*	*(1,247)*
EXCHANGE DIFFERENCES FROM MEASUREMENT			
- Exchange gains	781	398	383
- Exchange losses	(500)	(510)	10
Total valuation exchange gains (losses)	*281*	*(112)*	*393*
Net exchange gains/(losses)	**(1,301)**	**(447)**	**(854)**

13. Taxes €/000 2,263

The item "Income taxes" is detailed below:

IN THOUSANDS OF EUROS	2019	2018	CHANGE
Current taxes	100	793	(693)
Deferred tax assets/liabilities	2,275	(2,033)	4,308
Taxes of previous years	(112)	228	(340)
Total taxes	**2,263**	**(1,012)**	**3,275**

During 2019, taxes generated a total income of €/000 2,263
Current taxes generated income of €/000 100 and comprise:
- €/000 (4,837) from taxes on income produced abroad;
- €/000 (652) from regional production tax on income for the year;
- €/000 5,589 from income related to transfers within the framework of the Consolidated Tax Convention.

Deferred tax represents the effects on income generated by the deferred tax assets and liabilities.
As regards deferred tax liabilities, during the year new provisions were made for €/000 (637), and provisions from previous years were released for €/000 1,153.
With regard to deferred tax assets, on the other hand, new provisions amounted to €/000 8,199, while the release of amounts allocated in previous years came to €/000 (6,440).
The negative balance of taxes from previous years amounted to €/000 112.

Reconciliation in relation to the theoretical rate is shown below:

IN THOUSANDS OF EUROS	2019	2018
REVENUE TAXES ON INCOME		
Profit before tax	43,948	36,590
Theoretical rate	24.00%	24.00%
Theoretical tax	(10,548)	(8,782)
Effect due to changes in Profit Before Taxes due to the adoption of tax laws	11,586	12,868
Reversal of deferred corporate tax liabilities allocated in previous years for temporary changes	1,027	1,106
Reversal of deferred corporate tax assets allocated in previous years for temporary changes	(803)	(3,727)
Reversal of deferred tax assets allocated in previous years for tax losses	5,589	(3,808)
Taxes on income generated abroad	(4,837)	(2,448)
Taxes relative to previous years	(384)	22
Expenses (income) from the Consolidated Tax Convention	(5,589)	3,808
Tax affect arising from deferred corporate tax liabilities for temporary changes	(636)	(431)
Tax affect arising from deferred corporate tax assets for temporary changes	1,974	706
Tax effect arising from the adjustment of deferred corporate income tax assets allocated for the tax loss of previous years	4,937	340
REGIONAL PRODUCTION TAX (IRAP)		
Regional production tax on net revenues for the year	(652)	(567)
Regional production tax referred to previous years	272	206
Reversal of deferred regional production tax liabilities allocated in previous years for temporary changes	126	125
Reversal of deferred regional production tax assets allocated in previous years for temporary changes	(48)	(419)
Tax affect arising from deferred regional production tax liabilities for temporary changes		(27)
Tax affect arising from deferred regional production tax assets for temporary changes	248	16
Income taxes recognised in the financial statements	**2,263**	**(1,012)**

Theoretical tax rates were determined applying the corporate tax rate in effect in Italy (24%) to profit before tax. The impact arising from the regional production tax rate was determined separately, as this tax is not calculated on the basis of profit before tax.

14. Gain/(loss) on 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.

C) INFORMATION ON OPERATING ASSETS AND LIABILITIES

15. Intangible assets €/000 570,106

Intangible assets increased overall by €/000 11,261 following investments net of disposals and 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.
During 2019, borrowing costs for €/000 611 were capitalised, applying an average interest rate of 3.6%.

The table below shows the breakdown of intangible assets as of 31 December 2018 and 31 December 2019, as well as movements during the two years.

	DEVELOPMENT COSTS			PATENT RIGHTS AND KNOW-HOW			CONCESSIONS, LICENCES AND TRADEMARKS	GOODWILL	OTHER			TOTAL		
	IN SERVICE	ASSETS UNDER DEVELOPMENT AND ADVANCES	TOTAL	IN SERVICE	ASSETS UNDER DEVELOPMENT AND ADVANCES	TOTAL			IN SERVICE	ASSETS UNDER DEVELOPMENT AND ADVANCES	TOTAL	IN SERVICE	ASSETS UNDER DEVELOPMENT AND ADVANCES	TOTAL
IN THOUSANDS OF EUROS														
Historical cost	166,893	11,454	178,347	350,069	3,296	353,365	209,105	463,926			0	1,189,993	14,750	1,204,743
Provisions for write-down	(1,007)		(1,007)	(2,157)		(2,157)					0	(3,164)	0	(3,164)
Accumulated amortisation	(114,339)		(114,339)	(274,521)		(274,521)	(168,204)	(95,375)			0	(652,439)	0	(652,439)
Assets as of 01 01 2018	**51,547**	**11,454**	**63,001**	**73,391**	**3,296**	**76,687**	**40,901**	**368,551**	**0**	**0**	**0**	**534,390**	**14,750**	**549,140**
Investments	13,262	13,323	26,585	18,580	25,305	43,885	611				0	32,453	38,628	71,081
Entry into service	3,483	(3,483)	0	1,670	(1,670)	0	0				0	5,153	(5,153)	0
Amortisation	(24,811)		(24,811)	(30,026)		(30,026)	(4,546)				0	(59,383)	0	(59,383)
Write-downs	(1,572)		(1,572)	(360)		(360)					0	(1,932)	0	(1,932)
Disposals	(41)		(41)	(20)		(20)					0	(61)	0	(61)
Other movements			0			0					0	0	0	0
Total movements for the period	**(9,679)**	**9,840**	**161**	**(10,156)**	**23,635**	**13,479**	**(3,935)**	**0**	**0**	**0**	**0**	**(23,770)**	**33,475**	**9,705**
Historical cost	182,564	21,294	203,858	368,132	26,931	395,063	209,716	463,926			0	1,224,338	48,225	1,272,563
Provisions for write-down	(1,572)		(1,572)	(360)		(360)					0	(1,932)	0	(1,932)
Accumulated amortisation	(139,124)		(139,124)	(304,537)		(304,537)	(172,750)	(95,375)			0	(711,786)	0	(711,786)
Assets as of 31 12 2018	**41,868**	**21,294**	**63,162**	**63,235**	**26,931**	**90,166**	**36,966**	**368,551**	**0**	**0**	**0**	**510,620**	**48,225**	**558,845**
Investments	9,649	18,228	27,877	17,866	31,647	49,513					0	27,515	49,875	77,390
Entry into service	11,781	(11,781)	0	14,815	(14,815)	0					0	26,596	(26,596)	0
Amortisation	(24,900)		(24,900)	(34,603)		(34,603)	(4,545)				0	(64,048)	0	(64,048)
Write-downs	(2,044)		(2,044)	(11)		(11)					0	(2,055)	0	(2,055)
Disposals	(8)		(8)	(18)		(18)					0	(26)	0	(26)
Other movements			0			0					0	0	0	0
Total movements for the period	**(5,522)**	**6,447**	**925**	**(1,951)**	**16,832**	**14,881**	**(4,545)**	**0**	**0**	**0**	**0**	**(12,018)**	**23,279**	**11,261**
Historical cost	202,399	27,741	230,140	399,650	43,763	443,413	209,716	463,926			0	1,275,691	71,504	1,347,195
Provisions for write-down	(2,044)		(2,044)	(11)		(11)					0	(2,055)	0	(2,055)
Accumulated amortisation	(164,009)		(164,009)	(338,355)		(338,355)	(177,295)	(95,375)			0	(775,034)	0	(775,034)
Assets as of 31 12 2019	**36,346**	**27,741**	**64,087**	**61,284**	**43,763**	**105,047**	**32,421**	**368,551**	**0**	**0**	**0**	**498,602**	**71,504**	**570,106**

Development costs €/000 64,087

Development costs include costs for products and engines in projects for which there is an expectation, for the period of the useful life of the asset, to see net sales at such a level in order to allow the recovery of the costs incurred.
Development expenditure for new projects capitalised in 2019 refers to the study of new vehicles and new engines (including a new commercial vehicle in partnership with the Foton Motor Group), that will feature as the top products in the 2019-2021 range.
Borrowing costs attributable to the development of products which require a considerable period of time to be realised are capitalised as a part of the cost of the actual assets. Development costs included under this item are amortised on a straight line basis over a period of 3 to 5 years (lead products), in consideration of their remaining useful life.
During 2019, development expenditure amounting to €/000 15,544 was directly recognised in profit or loss.
Pursuant to Article 2426, section 5 of the Italian Civil Code, the value of research and development costs still to be amortised equal to €/000 64,087 is unavailable in the shareholders' equity.

Industrial Patent and Intellectual Property Rights €/000 105,047

This item comprises patents for €/000 3,472, know-how for €/000 76,804 and software for €/000 24,771.
As regards software, the increase for the year amounted to €/000 11,358 and mainly refers to the purchase of various licences, as well as the implementation of commercial, production, personnel and administration projects.
Investments in know how amount to €/000 36,057 and mainly refer to new calculation, design and production techniques and methodologies developed by the Company, principally for new products in the 2019-2021 range.
As regards patent rights, costs for €/000 2,098 were capitalised.
Costs for industrial patent and intellectual property rights are amortised on a straight line basis over a period of 3 to 5 years, in consideration of their remaining useful life.

Trademarks, concessions and licences €/000 32,421

The item Trademarks, concessions and licences is broken down as follows:

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2019	AS OF 31 DECEMBER 2018	CHANGE
Guzzi trademark	11,375	13,000	(1,625)
Aprilia trademark	20,410	23,325	(2,915)
Minor trademarks	25	30	(5)
Foton licence	611	611	0
Total Trademark	**32,421**	**36,966**	**(4,545)**

The Guzzi and Aprilia trademarks are amortised over a period of 15 years, expiring in 2026.
The value of other brands acquired with the Aprilia merger decreased during the year by €/000 5 following amortisation calculated on the basis of the estimated useful life.
The Foton licence was acquired following agreements signed in 2018 between Piaggio and the Foton Motor Group for the development and manufacture of a new range of light commercial four-wheelers that will be launched on the market starting from 2020.
The licence will be amortised over 10 years, from production start-up.

Goodwill €/000 368,551

As specified in information on accounting standards, as from 1 January 2005 goodwill is no longer amortised, but is tested for impairment annually, or more frequently if specific events or changed circumstances indicate the possibility of impairment, in accordance with IAS 36 Impairment of Assets (impairment test).
In compliance with IAS 36 the methodology adopted is based on the unlevered version of discounted cash flows.
The main assumptions used by the Company to determine future cash flows, relative to a four-year period, and the consequent recoverable value (value in use) refer to:

a. a hypothesis of estimated cash flows over a four-year period, inferred from budget data for 2020 supplemented by forecast data for 2021-2023, approved by the Board of Directors of the Company, along with an impairment test performed on 24 February 2020;
b. the WACC discount rate;
c. in addition to the period, a growth rate (g rate) has been estimated.

In particular, for discount cash flows, the Company has adopted a discount rate (WACC) which differs based on different cash generating units. This reflects market valuations of the fair value of money and takes account of specific risks of activities and the geographic segment in which the cash generating unit operates.
In the future cash flows discounting model, a terminal value is entered at the end of the cash flow projection period, to reflect the residual value each cash-generating unit should produce. The terminal value represents the current value, at the last year of the projection, of all subsequent cash flows calculated as perpetual income, and was determined using a growth rate (g rate) which differed by CGU, to reflect the different growth potentials of each CGU.

	EMEA AND AMERICAS	ASIA PACIFIC 2W	INDIA
2019			
WACC	5.2%	7.6%	9.8%
G	1.0%	2.0%	2.0%
Growth rate during the Plan period	5.0%	5.2%	5.7%
2018			
WACC	6.4%	8.7%	11.1%
G	1.0%	2.0%	2.0%
Growth rate during the Plan period	6.9%	6.6%	4.6%

The terminal value growth rate (g rate) is specific for CGUs, considering the area's growth potential.
The medium-/long-term growth rate (g rate) for determining the Terminal Value of each CGU was considered as reasonable and prudent, in the light of:
- analysts' expectations for the Company (source: Analyst Reports 2019-2020);
- the long-term real GDP growth trend expected for main countries where the Group operates (source: Economist Intelligence Unit – EIU);
- forecasts for the reference sector (source: Freedonia, «World Motorcycle», May 2019[41]).

This rate was determined based on the previous year.
The growth rate during the period of the Plan was determined using the trend expected for the reference sector as the benchmark (source: Freedonia, "World Motorcycle", May 2019).
Analyses did not identify any impairment losses. Therefore no impairment was reflected in the data of the separate financial statements as of 31 December 2019.
In addition, and on the basis of information in the document produced jointly by the Bank of Italy, Consob and Isvap no. 2 of 6 February 2009, the Company conducted sensitivity analysis of test results in relation to changes in basic assumptions (use of the growth rate in producing the terminal value and discount rate) which affect the value in use of cash generating units. In the case of a positive or negative change of 0.5% of the WACC and G used, analyses would not identify impairment losses.
In all cases, the value in use of the Company was higher than the net carrying amount tested.
Given that the recoverable value was estimated, the Company cannot guarantee the absence of goodwill impairment in future financial periods.
Given the current market weakness, the various factors used in processing estimates could require revision; the Company will constantly monitor these factors as well as the existence of impairment losses.

41 Study valid for a two-year period.

16. Property, plant and equipment €/000 159,487

Property, plant and equipment decreased overall by €/000 9,875. Investments for the period amount to €/000 23,653 and mainly refer to moulds for new vehicles and engines that will be launched in the subsequent year, to drive shaft processing lines, engine test benches and the experimental workshop at Pontedera.
Borrowing costs attributable to the construction of assets which require a considerable period of time to be ready for use are capitalised as a part of the cost of the actual assets.
During 2019 borrowing costs for €/000 153 were capitalised, applying an average interest rate of 3.6%.

The table below shows the breakdown of property, plant and equipment as of 31 December 2018 and 31 December 2019, as well as movements during the two years.

	LAND	BUILDINGS			PLANT AND MACHINERY			EQUIPMENT			OTHER ASSETS			TOTAL		
		IN SERVICE	ASSETS UNDER CONSTRUCTION AND ADVANCES	TOTAL	IN SERVICE	ASSETS UNDER CONSTRUCTION AND ADVANCES	TOTAL	IN SERVICE	ASSETS UNDER CONSTRUCTION AND ADVANCES	TOTAL	IN SERVICE	ASSETS UNDER CONSTRUCTION AND ADVANCES	TOTAL	IN SERVICE	ASSETS UNDER CONSTRUCTION AND ADVANCES	TOTAL
IN THOUSANDS OF EUROS																
Historical cost	27,568	135,931	1,823	137,754	303,372	1,537	304,909	478,925	3,467	482,392	24,841	36	24,877	970,637	6,863	977,500
Reversals		4,816		4,816	2,368		2,368	6,253		6,253	199		199	13,636	0	13,636
Provisions for write-down				0	0		0	(2,318)		(2,318)	0		0	(2,318)	0	(2,318)
Accumulated depreciation		(66,241)		(66,241)	(262,777)		(262,777)	(466,019)		(466,019)	(23,216)		(23,216)	(818,253)	0	(818,253)
Assets as of 01 01 2018	**27,568**	**74,506**	**1,823**	**76,329**	**42,963**	**1,537**	**44,500**	**16,841**	**3,467**	**20,308**	**1,824**	**36**	**1,860**	**163,702**	**6,863**	**170,565**
Investments	72	974	312	1,286	4,101	2,185	6,286	8,638	5,484	14,122	272	302	574	14,057	8,283	22,340
Entry into service		856	(856)	0	655	(655)	0	1,509	(1,509)	0	36	(36)	0	3,056	(3,056)	0
Depreciation		(4,145)		(4,145)	(8,552)		(8,552)	(9,428)		(9,428)	(490)		(490)	(22,615)	0	(22,615)
Write-downs		(622)		(622)			0			0			0	(622)	0	(622)
Disposals				0	(6)	(127)	(133)	(2)	(170)	(172)	(1)		(1)	(9)	(297)	(306)
Exchange differences				0			0			0			0	0	0	0
Other movements				0			0			0			0	0	0	0
Total movements for the year	**72**	**(2,937)**	**(544)**	**(3,481)**	**(3,802)**	**1,403**	**(2,399)**	**717**	**3,805**	**4,522**	**(183)**	**266**	**83**	**(6,133)**	**4,930**	**(1,203)**
Historical cost	27,640	138,734	1,279	140,013	305,429	2,940	308,369	483,600	7,272	490,872	22,226	302	22,528	977,629	11,793	989,422
Reversals		4,816		4,816	2,368		2,368	6,253		6,253	199		199	13,636	0	13,636
Provisions for write-down		(622)		(622)			0	(2,318)		(2,318)			0	(2,940)	0	(2,940)
Accumulated depreciation		(71,359)		(71,359)	(268,636)		(268,636)	(469,977)		(469,977)	(20,784)		(20,784)	(830,756)	0	(830,756)
Assets as of 31 12 2018	**27,640**	**71,569**	**1,279**	**72,848**	**39,161**	**2,940**	**42,101**	**17,558**	**7,272**	**24,830**	**1,641**	**302**	**1,943**	**157,569**	**11,793**	**169,362**
Investments		371	1,062	1,433	2,238	8,010	10,248	7,164	3,891	11,055	523	394	917	10,296	13,357	23,653
Entry into service		169	(169)	0	2,228	(2,228)	0	5,982	(5,982)	0	245	(245)	0	8,624	(8,624)	0
Depreciation		(4,165)		(4,165)	(6,513)		(6,513)	(9,062)		(9,062)	(637)		(637)	(20,377)	0	(20,377)
Write-downs				0	(618)		(618)	(1,676)		(1,676)			0	(2,294)	0	(2,294)
Disposals				0	(69)		(69)	(2)		(2)	(87)		(87)	(158)	0	(158)
Exchange differences				0			0			0			0	0	0	0
Adoption of IFRS 16				0	(10,699)		(10,699)			0			0	(10,699)	0	(10,699)
Other movements				0			0			0			0	0	0	0
Total movements for the year	**0**	**(3,625)**	**893**	**(2,732)**	**(13,433)**	**5,782**	**(7,651)**	**2,406**	**(2,091)**	**315**	**44**	**149**	**193**	**(14,608)**	**4,733**	**(9,875)**
Historical cost	27,640	139,273	2,172	141,445	280,099	8,722	288,821	487,115	5,181	492,296	22,889	451	23,340	957,016	16,526	973,542
Reversals		4,816		4,816	2,368		2,368	6,253		6,253	199	0	199	13,636	0	13,636
Provisions for write-down		(622)		(622)	(618)		(618)	(3,893)		(3,893)			0	(5,133)	0	(5,133)
Accumulated depreciation		(75,523)		(75,523)	(256,121)		(256,121)	(469,511)		(469,511)	(21,403)		(21,403)	(822,558)	0	(822,558)
Assets as of 31 12 2019	**27,640**	**67,944**	**2,172**	**70,116**	**25,728**	**8,722**	**34,450**	**19,964**	**5,181**	**25,145**	**1,685**	**451**	**2,136**	**142,961**	**16,526**	**159,487**

On 1 January 2019, the net value of assets held through finance lease agreements, equal €/000 10,699 and consisting of the Pontedera painting plant for the Vespa, was reclassified under rights of use, as required by the adoption of the new accounting standard IFRS 16.

Land €/000 27,640

The value of land has not changed compared to the previous year.

Buildings €/000 70,116

Buildings decreased overall by €/000 2,732. The negative imbalance is due to new investments made during the year amounting to €/000 1,433 and to the decrease from depreciation for the period of €/000 4,165.
Capitalisation of €/000 1,433 refers to office buildings and mainly to renovation works at sites at Pontedera, Mandello del Lario, Noale and Scorzè.
During the period, capitalisation amounting to €/000 540 was recognised, of which €/000 169 relative to investments made in previous years.

Plant and machinery €/000 34,450

The item decreased overall by €/000 7,651. The negative imbalance is due to new investments made in the year for €/000 10,248, the decrease from amortisation and depreciation for the period of €/000 6,513, the disposal of residual costs for €/000 69, the write-down of residual costs for €/000 618 and reclassification under Rights of use of €/000 10,699 relative to the leased painting plant, following the adoption of the new accounting standard IFRS 16.

Capitalisation mainly concerned investments for production lines of new vehicles and the purchase of new machinery for mechanical processing.
During the period, capitalisation amounting to €/000 4,466 was recognised, of which €/000 2,228 relative to investments made in previous years.

Equipment €/000 25,145

The item increased overall by €/000 315. The positive imbalance is due to depreciation for the period amounting to €/000 9,062 the disposal of residual costs for €/000 2, new investments for €/000 11,055 and the write-down of residual costs for €/000 1,676.

Capitalisation relative to equipment concerned moulds for new vehicles launched during the year or scheduled to be launched in the first half of next year, moulds for new engines and specific equipment for assembly lines.
During the period, capitalisation amounting to €/000 13,146 was recognised, of which €/000 5,982 relative to investments made in previous years.

Other plant, property and equipment €/000 2,136

As of 31 December 2019, the item *Other assets*, including assets under construction, comprised the following:

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2019	AS OF 31 DECEMBER 2018	CHANGE
EDP systems	1,021	1,065	(44)
Office furniture and equipment	207	268	(61)
Vehicles	124	28	96
Cars	784	582	202
Total	**2,136**	**1,943**	**193**

The item increased overall by €/000 193. The positive imbalance is due to new investments made during the year amounting to €/000 917, partially offset by amortisation for the period of €/000 637 and the disposal of residual costs for €/000 87.
During the period, capitalisation amounting to €/000 768 was recognised, of which €/000 245 relative to investments made in previous years.

Warranties

As of 31 December 2019 the Company did not own land and buildings encumbered by mortgage liens or privileges in favour of banks to secure loans obtained in previous years.

17. Rights of use €/000 18,228

The Company has stipulated rental/hire contracts for offices, plants, warehouses, company accommodation, cars and forklift trucks. The rental/lease agreements are typically for a fixed duration, but extension options are possible. These agreements may also include service components.
the Company opted to include only the rent component in the recognition of rights of use.
The rental/hire agreements do not have any covenants to be met, nor require guarantees to be provided in favour of the lessor.
Until 31 December 2018, finance leases for material assets had been classified under property, plant and equipment. As from 1 January 2019, these values, which amounted to €/000 10,699 as of 31/12/2018, have been reclassified under rights of use, in accordance with the new accounting standard IFRS 16.
The following tables show the breakdown of rights of use as of 31 December 2019, as well as movements during the year.

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2019	AS OF 31 DECEMBER 2018	CHANGE
Buildings	5,713		5,713
Plant and machinery	9,843		9,843
Other assets	2,672		2,672
Total	**18,228**	**0**	**18,228**

IN THOUSANDS OF EUROS	BUILDINGS	PLANT AND MACHINERY	OTHER ASSETS	TOTAL
Historical cost		12,839		12,839
Accumulated depreciation		(2,140)		(2,140)
Property, plant and equipment covered by finance leases as of 31 12 2018, already recognised under fixed assets	**0**	**10,699**	**0**	**10,699**
Adoption of IFRS 16 01.01.2019	**5,527**	**10,699**	**3,386**	**19,612**
Increases	1,718		333	2,051
Depreciation	(1,532)	(856)	(1,047)	(3,435)
Decreases				0
Exchange differences				0
Other movements				0
Movements in 2019	**186**	**(856)**	**(714)**	**(1,384)**
Historical cost	7,245	12,839	3,719	23,803
Accumulated depreciation	(1,532)	(2,996)	(1,047)	(5,575)
Assets as of 31 12 2019	**5,713**	**9,843**	**2,672**	**18,228**

18. Investment Property €/000 0

As of 31 December 2019 no investment property was held.

19. Deferred tax assets €/000 44,752

In compliance with IAS 12, the item indicates the net balance of deferred tax assets and liabilities. This net balance is broken down in the table below:

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2019	AS OF 31 DECEMBER 2018	CHANGE
Deferred tax assets	57,537	55,137	2,400
Deferred tax liabilities	(12,785)	(13,282)	497
Total	**44,752**	**41,855**	**2,897**

Deferred tax assets total €/000 57,537, compared to €/000 55,137 as of 31 December 2018, with an increase of €/000 2,400.
The balance of deferred tax assets as of 31 December 2019 refers to:
- €/000 24,001 for allocations made for temporary differences;
- €/000 33,536 for allocations made for tax losses generated under the National Consolidated Tax Convention of which IMMSI S.p.A. is the consolidating company.

The positive change of €/000 2,400 is attributable to:
- €/000 (6,440) from the recognition in profit of loss of deferred tax assets recognised in previous years;
- €/000 (8) from the recognition in profit of loss of deferred tax assets recognised in previous years;
- €/000 8,199 from the recognition in profit of loss of new deferred tax assets;
- €/000 649 from the recognition in profit and loss of new deferred tax assets.

Deferred tax assets were recognised in light of forecast results of Piaggio & C. S.p.A., and the foreseeable use of relative tax benefits in future years based on the plan approved by the Board of Directors on 24 February 2020. As Piaggio & C. S.p.A. is part of the National Consolidated Tax Convention of the IMMSI Group, the recovery of deferred tax assets is related to and confirmed by taxable amounts of companies that are part of the above convention, as indicated in the long-term plans approved by their respective Boards.

Details of items affected by the allocation of deferred tax assets as well as the amount of deferred tax assets already recognised and not recognised are shown in the table below.

IN THOUSANDS OF EUROS	AMOUNT	TAX EFFECT 24%	TAX EFFECT 3.9%
Nacional Motor goodwill	12,919	3,101	504
Discounting termination benefit	5,465	1,312	
Derbi trademark	8,167	1,960	318
Provisions for risks	8,913	2,139	345
Provision for product warranties	11,697	2,807	456
Provisions for bad debts	16,985	4,076	
Provisions for obsolete stock	20,639	4,953	805
A.C. IFRS 9	1,568	376	
Other changes	3,246	779	42
Total for provisions and other changes	**89,599**	**21,503**	**2,470**
2007 tax loss including Moto Guzzi transferred to IMMSI	10,981	2,635	
2011 tax loss transferred to IMMSI	1,024	246	
2012 tax loss transferred to IMMSI	26,625	6,390	
2013 tax loss transferred to IMMSI	30,553	7,333	
2014 tax loss transferred to IMMSI	18,668	4,480	
2015 tax loss transferred to IMMSI	24,257	5,822	
2016 tax loss transferred to IMMSI	12,448	2,987	
2017 tax loss transferred to IMMSI	10,851	2,604	
2019 tax loss transferred to IMMSI	4,328	1,039	
Total out of tax losses	**139,735**	**33,536**	**0**
Losses from the fair value measurement of financial instruments		**28**	
Deferred tax assets already recognised		**57,537**	
Deferred tax assets not recognised for provisions and other changes		**0**	

Overall, the movement of deferred tax assets can be summarised as follows:

IN THOUSANDS OF EUROS	VALUES AS OF 31 DECEMBER 2018	PORTION TO THE INCOME STATEMENT	PORTION TO THE STATEMENT OF COMPREHENSIVE INCOME	PORTION TO THE INCOME STATEMENT	PORTION TO THE STATEMENT OF COMPREHENSIVE INCOME	VALUES AS OF 31 DECEMBER 2019
DEFERRED TAX ASSETS FOR:						
Temporary changes	21,988	(851)	(8)	2,223	649	24,001
Losses generated within the framework of tax consolidation	33,149	(5,589)		5,976		33,536
Total	**55,137**	**(6,440)**	**(8)**	**8,199**	**649**	**57,537**

As of 31 December 2019, deferred tax liabilities totalled €/000 12,785 compared to €/000 13,282 as of 31 December 2018, recording a positive change of €/000 497.
They refer to:
- €/000 3,152 for the surplus value recognised by the merged company Aprilia in 2005 for buildings already held through leases, and purchased back by Aprilia Leasing S.p.A.
- €/000 662 for temporary changes in taxable income that will be annulled next year;
- €/000 2,957 for depreciation charges minus tax-recognised goodwill values;
- €/000 483 for tax-deducted costs, off the accounts, in relation to the application of IAS/IFRS;
- €/000 2,363 for allocation of the merger loss to the Aprilia brand, arising from its merger in 2005;
- €/000 3,168 for allocation of the merger loss to the Guzzi brand, arising from its merger in 2008.

Deferred tax liabilities were reduced in the period by €/000 1,152 following issue of the relative portion, and increased overall by €/000 655 due to new provisions, of which €/000 19 to the statement of comprehensive income.

Deferred tax assets and liabilities were determined applying the tax rate in effect in the year when temporary differences occur.

20. Inventories €/000 154,901

This item comprises:

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2019	AS OF 31 DECEMBER 2018	CHANGE
Raw materials and consumables	71,787	67,993	3,794
Provision for write-down	(4,382)	(3,883)	(499)
Net value	**67,405**	**64,110**	**3,295**
Work in progress and semi-finished products	17,881	17,111	770
Provision for write-down	(852)	(852)	0
Net value	**17,029**	**16,259**	**770**
Finished products and goods	85,508	102,354	(16,846)
Provision for write-down	(15,404)	(16,295)	891
Net value	**70,104**	**86,059**	**(15,955)**
Advances	363	35	328
TOTAL	**154,901**	**166,463**	**(11,562)**

As of 31 December 2019 inventories had decreased by €/000 11,562 in line with production volumes and sales in the year.

Changes in the obsolescence fund are summarised in the table below:

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2018	USE	ALLOCATION	AS OF 31 DECEMBER 2019
Raw materials	3,882	(1,607)	2,107	4,382
Work in progress and semi-finished products	852			852
Finished products and goods	16,295	(6,665)	5,774	15,404
TOTAL	**21,029**	**(8,272)**	**7,881**	**20,638**

21. Current trade receivables €/000 43,599

Current trade receivables decreased by 4,464.
No non-current trade receivables were recorded for either period.

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2019	AS OF 31 DECEMBER 2018	CHANGE
Trade receivables	22,983	25,085	(2,102)
Trade receivables due from subsidiaries	19,627	21,985	(2,358)
Trade receivables due from affiliated companies	966	981	(15)
Trade receivables due from parent companies	23	12	11
Total	**43,599**	**48,063**	**(4,464)**

Trade receivables are recorded net of a provision for bad debts equal to €/000 22,096.
Trade receivables comprise receivables referred to normal sales operations and include receivables in foreign currency for a total value, at the exchange rate in effect as of 31 December 2019, taking account of exchange risk hedging, of €/000 8,237.

The item "Trade receivables" includes invoices to issue amounting to €/000 387 relative to normal business transactions and credit notes to issue amounting to €/000 11,763 mainly referring to premiums to pay to the sales network in Italy and abroad for having reached targets.
Trade receivables are usually sold to factoring companies and mainly on a without recourse and advance payment collection basis.
The Company sells a large part of its trade receivables with and without recourse. Piaggio has signed contracts with some of the most important Italian and foreign factoring companies as a move to optimise the monitoring and the management of its trade receivables, besides offering its customers an instrument for funding their own inventories, for factoring classified as without the substantial transfer of risks and benefits. On the contrary, for factoring without recourse, contracts have been formalised for the substantial transfer of risks and benefits. As of 31 December 2019, trade receivables still due, sold without recourse, totalled €/000 64,526. Of this amount, Piaggio received advance payments for €/000 64,422. As of 31 December 2019, advance payments received from factoring companies and banks for trade receivables sold with recourse totalled €/000 9,946, with a counter entry recorded in current liabilities.

Movements of the provisions for write-down relative to trade receivables were as follows:

IN THOUSANDS OF EUROS	
Opening balance as of 1 January 2019	**20,810**
Decreases for use recognised in profit or loss	(39)
Reclassifications from the provision for bad debts relative to long-term receivables	
Reclassifications to the provision for litigation	
Increases for allocations	1,325
Closing balance as of 31 December 2019	**22,096**

During the period, the provision for bad trade debts was used to cover losses amounting to €/000 39.
Allocations to the provision were made against risks arising from the valuation of relative receivables as of 31 December 2019.
Trade receivables due from subsidiaries and associates refer to the supply of products undertaken in normal market conditions.

22. Other current and non-current receivables €/000 98,540

Their breakdown was as follows:

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2019			AS OF 31 DECEMBER 2018			CHANGE		
	CURRENT	NON-CURRENT	TOTALS	CURRENT	NON-CURRENT	TOTALS	CURRENT	NON-CURRENT	TOTALS
Due to subsidiaries	66,991		66,991	40,220		40,220	26,771	0	26,771
Due to affiliated companies	1,340	81	1,421	1,056	94	1,150	284	(13)	271
Due to parent companies	12,410		12,410	13,888		13,888	(1,478)	0	(1,478)
Receivables due from employees	1,230		1,230	2,090		2,090	(860)	0	(860)
Due from social security institutions	315	43	358	1,460	25	1,485	(1,145)	18	(1,127)
Amounts due to suppliers	110		110	95		95	15	0	15
Supplier advances	162		162	140		140	22	0	22
Invoices and credit to issue	1,940		1,940	1,444		1,444	496	0	496
Sundry receivables from third parties	1,017		1,017	2,507		2,507	(1,490)	0	(1,490)
Fair value of derivatives	123		123	4		4	119	0	119
Other receivables	2,979	9,799	12,778	2,019	5,940	7,959	960	3,859	4,819
TOTAL	**88,617**	**9,923**	**98,540**	**64,923**	**6,059**	**70,982**	**23,694**	**3,864**	**27,558**

Receivables due from social security institutions refer to sums receivable from and payable by the Italian National Social Security Institute (INPS) for termination benefit accrued by employees on solidarity contracts.
The item "Other" includes guarantee deposits amounting to €/000 877 and prepaid expenses amounting to €/000 8,914
Receivables due from employees refer to advances paid for secondments, sick leave, contract advances, cash provisions, etc.
Sundry receivables mainly refer to receivables due from Italian and foreign parties, originating from transactions not related to typical activities.
Other current receivables are recognised net of a write-down provision of €/000 5,884.
Movements of the provision for bad debts relative to sundry receivables were as follows:

IN THOUSANDS OF EUROS	
Opening balance as of 1 January 2019	**5,887**
Decreases for use	(149)
Increases for allocations	146
Closing balance as of 31 December 2019	**5,884**

During the measurement of relative receivables as of 31 December 2019, a further allocation to the provision of €/000 146 was necessary.

23. Current and non-current tax receivables €/000 19,423

Tax receivables are broken down as follows:

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2019			AS OF 31 DECEMBER 2018			CHANGE		
	CURRENT	NON-CURRENT	TOTALS	CURRENT	NON-CURRENT	TOTALS	CURRENT	NON-CURRENT	TOTALS
VAT	10,628	61	10,689	1,996	26	2,022	8,632	35	8,667
Income tax	482	7,944	8,426	857	10,297	11,154	(375)	(2,353)	(2,728)
Other	289	19	308	233	25	258	56	(6)	50
Total	**11,399**	**8,024**	**19,423**	**3,086**	**10,348**	**13,434**	**8,313**	**(2,324)**	**5,989**

The positive net change amounted to €/000 5,989.

24. Breakdown of operating receivables by measurement method

The table below shows the breakdown of operating receivables by measurement method:

IN THOUSANDS OF EUROS	ASSETS MEASURED AT FVPL	ASSETS MEASURED AT FVOCI	FINANCIAL DERIVATIVES	ASSETS AT AMORTISED COST	TOTAL
OPERATING ASSETS AS OF 31 DECEMBER 2019					
Non-current assets					
Tax receivables				8,024	8,024
Other receivables				9,923	9,923
Total non-current operating receivables	**0**	**0**	**0**	**17,947**	**17,947**
Current assets					
Trade receivables				43,599	43,599
Other receivables			123	88,494	88,617
Tax receivables				11,399	11,399
Total current operating receivables	**0**	**0**	**123**	**143,492**	**143,615**
Total	**0**	**0**	**123**	**161,439**	**161,562**
OPERATING ASSETS AS OF 31 DECEMBER 2018					
Non-current assets					
Tax receivables				10,348	10,348
Other receivables				6,059	6,059
Total non-current operating receivables	**0**	**0**	**0**	**16,407**	**16,407**
Current assets					
Trade receivables				48,063	48,063
Other receivables			4	64,919	64,923
Tax receivables				3,086	3,086
Total current operating receivables	**0**	**0**	**4**	**116,068**	**116,072**
Total	**0**	**0**	**4**	**132,475**	**132,479**

25. Receivables due after 5 years €/000 0

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

26. Assets held for sale €/000 0

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

27. Trade payables (current) €/000 307,804

All trade payables are included in current liabilities.

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2019	AS OF 31 DECEMBER 2018	CHANGE
CURRENT LIABILITIES:			
Amounts due to suppliers	286,352	251,481	34,871
Trade payables due to subsidiaries	15,809	15,089	720
Trade payables due to associates	5,304	5,085	219
Trade payables due to parent companies	338	1,641	(1,303)
Trade payables due to other related parties	1	3	(2)
Total	**307,804**	**273,299**	**34,505**

The item comprises trade payables of €/000 293,298 for the purchase of goods, materials and services for business operations and €/000 14,506 for the purchase of assets.
The item includes payables in foreign currency for a total value, at the exchange rate in effect at 31 December 2019, taking account of hedging on exchange risk, of €/000 45,892.
To facilitate credit conditions for its suppliers, the Company has used factoring agreements since 2012, mainly supply chain financing and reverse factoring agreements, as described in more detail in "accounting policies adopted by the Company", to which reference is made. These operations did not change the primary obligation, nor substantially changed payment terms, so their nature is the same and they are still classified as trade liabilities.
As of 31 December 2019, the value of trade payables covered by reverse factoring or supply chain financing agreements was equal to €/000 148,679. (€/000 128,027 as of 31 December 2018).

28. Provisions (current and non-current portion) €/000 17,403

IN THOUSANDS OF EUROS	BALANCE AS OF 31 DECEMBER 2018	ALLOCATIONS	USES	BALANCE AS OF 31 DECEMBER 2019
Provisions for risks				
Provisions for risk on investments	11	90	(8)	93
Provision for contractual risks	2,311	689		3,000
Risk provision for legal disputes	1,212	450		1,662
Provision for guarantee risks	58			58
Total provisions for risks	*3,592*	*1,229*	*(8)*	*4,813*
Provisions for expenses				
Provision for product warranties	10,484	6,835	(5,622)	11,697
Other reserves	50	354	(48)	356
Provision for environmental clean-ups	537			537
Total provisions for expenses	*11,071*	*7,189*	*(5,670)*	*12,590*
Total provisions for risks and charges	**14,663**	**8,418**	**(5,678)**	**17,403**

They consist of:

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2019			AS OF 31 DECEMBER 2018			CHANGE		
	CURRENT	NON-CURRENT	TOTALS	CURRENT	NON-CURRENT	TOTALS	CURRENT	NON-CURRENT	TOTALS
Provisions for risk on investments	93		93	11		11	82	0	82
Provision for product warranties	8,188	3,509	11,697	7,339	3,145	10,484	849	364	1,213
Promotional expense fund	40		40	45		45	(5)	0	(5)
Provision for competition	316		316	5		5	311	0	311
Provision for contractual risks		3,000	3,000		2,310	2,310	0	690	690
Risk provision for legal disputes		1,662	1,662		1,213	1,213	0	449	449
Provision for guarantee risks		58	58		58	58	0	0	0
Provision for environmental clean-ups		537	537		537	537	0	0	0
Total	**8,637**	**8,766**	**17,403**	**7,400**	**7,263**	**14,663**	**1,237**	**1,503**	**2,740**

The provision for risks on investments refers to €/000 90 relative to the subsidiary Aprilia Racing and to €/000 3 to the subsidiary Piaggio Indonesia.
Provisions were made in compliance with the equity method valuation and the related risk provisions refer to the Parent Company's commitment for the re-capitalisation of the investees.
The provision for contract risks refers mainly to charges which could arise from a supply contract.
The provision for litigation totalled €/000 1,662.
The provision for risks on guarantees provided refers to charges expected for guarantees issued on the transfer of company equity investments.
The provision for product warranties of €/000 11,697 refers to potential liabilities related to the sale of products. The provision refers 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 to the sales market and to the customer acceptance of a scheduled maintenance plan.
The provision increased during the year by €/000 6,835 for new allocations and was used for €/000 5,622 for expenses sustained referring to sales in previous years.

29. Retirement funds and employee benefits — €/000 37,198

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2019	AS OF 31 DECEMBER 2018	CHANGE
Provision for retirement	139	142	(3)
Post-employment benefits provision	37,059	39,480	(2,421)
Total	**37,198**	**39,622**	**(2,424)**

The provision for retirement mainly consists of provision for supplementary customer allowances, representing the amounts payable to agents if agency agreements are terminated for reasons not attributable to them. During the year, the provision was increased by €/000 8 for benefits accrued during the period and reduced by €/000 11 for uses during the period.
Movements for post-employment benefits provision are as follows:

IN THOUSANDS OF EUROS	
Opening balance as of 1 January 2019	**39,480**
Cost for the year	7,777
Actuarial losses recognised in Shareholders' equity	2,704
Interest cost	215
Uses and transfers of retirement funds	(13,113)
Other movements	(4)
Closing balance as of 31 December 2019	**37,059**

Economic/technical assumptions

The economic/technical assumptions used to discount the value are described in the table below:

Technical annual discount rate	0.37%
Annual rate of inflation	1.50% as from 2019
Annual rate of increase in termination benefits	2.625% as from 2019

As regards the discount rate, the Company uses the iBoxx Corporates AA rating with a 7-10 duration as the valuation benchmark. If the iBoxx Corporates A rating with a 7-10 duration had been used, the value of actuarial losses and the provision as of 31 December 2019 would have been lower by €/000 837.

The table below shows the effects, in absolute terms, as of 31 December 2019, which would have occurred following changes in reasonably possible actuarial assumptions:

IN THOUSANDS OF EUROS	PROVISION FOR TERMINATION BENEFITS
Turnover rate +2%	36,667
Turnover rate -2%	37,482
Inflation rate +0.25%	37,584
Inflation rate - 0.25%	36,533
Discount rate +0.50%	36,217
Discount rate -0.50%	37,923

The average financial duration of the bond is 9 years.

Estimated future amounts are equal to:

	IN THOUSANDS OF EUROS
YEAR	FUTURE AMOUNTS
1	5,184
2	2,926
3	1,842
4	2,035
5	914

30. Current tax payables — €/000 5,694

All tax payables are included in current liabilities.
Their breakdown was as follows:

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2019	AS OF 31 DECEMBER 2018	CHANGE
Due for income taxes	1,735	1,189	546
Other tax payables for:			
- VAT		32	(32)
- Tax withheld at source	3,854	3,528	326
- Duty and tax records to pay	105	35	70
Total other tax payables	*3,959*	*3,595*	*364*
Total	**5,694**	**4,784**	**910**

Current tax payables refer wholly to taxes to pay abroad for income generated abroad during 2019, mainly for royalties, technical consultancy services and other services for the subsidiary Piaggio Vietnam.
Payables for regional production tax are entered offset against relative receivables. Regional production tax due for the year amounted to €/000 652.
Payables for withheld taxes paid refer to the income of employee and outsourced work and commission.

31. Other payables (current and non-current) €/000 46,535

Their breakdown was as follows:

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2019			AS OF 31 DECEMBER 2018			CHANGE		
	CURRENT	NON-CURRENT	TOTALS	CURRENT	NON-CURRENT	TOTALS	CURRENT	NON-CURRENT	TOTALS
Amounts due to subsidiaries	14,655		14,655	5,971		5,971	8,684	0	8,684
Amounts due to affiliated companies	9		9	22		22	(13)		(13)
Amounts due to parent companies			0	6,203		6,203	(6,203)	0	(6,203)
Payables to employees	10,581		10,581	10,791		10,791	(210)	0	(210)
Amounts due to social security institutions	7,626		7,626	7,553		7,553	73	0	73
Amounts due to company boards	605		605	609		609	(4)	0	(4)
Amounts due for temporary funding	512		512	521		521	(9)	0	(9)
Amounts due for financial statement assessments	244		244	210		210	34	0	34
Amounts due to customers	1,906		1,906	3,021		3,021	(1,115)	0	(1,115)
Payables from the fair value measurement of financial instruments	46		46	16		16	30	0	30
Accrued expenses	3,073		3,073	3,156		3,156	(83)	0	(83)
Deferred income	987	1,917	2,904	672	2,333	3,005	315	(416)	(101)
Other payables	4,304	70	4,374	4,579	70	4,649	(275)	0	(275)
Total	**44,548**	**1,987**	**46,535**	**43,324**	**2,403**	**45,727**	**1,224**	**(416)**	**808**

As regards the non-current portion:
- deferred income comprises €/000 1,047 from contributions to recognise in the income statement in relation to amortisation, €/000 78 from royalties for years after 2020, €/000 729 from income related to extended warranties on vehicles for years after 2020, and €/000 63 from income related to scheduled maintenance packages, also for years after 2020;
- Other payables refer to €/000 70 for a guarantee deposit .

As regards the current portion:
- amounts due to employees refer to the amount for holidays accrued but not taken of €/000 8,708 and other payments to be made for €/000 1,873;
- contributions of €/000 512 refer to contributions relative to subsidies for research activities not yet acquired;
- amounts due to clients mainly refer to premiums paid for achieving sales targets that will be paid at the end of the reporting period and to credit notes for returns;
- deferred income refers to €/000 337 from contributions for research activities to recognise in the income statement under amortisation, €/000 141 from royalties, €/000 509 from income related to extended warranties on vehicles
- accrued expenses refer to €/000 412 relative to interest expense, €/000 2,630 relative to interest on bonds and €/000 31 relative to interest on lease agreements.

32. Breakdown of operating payables by measurement method

The table below shows the breakdown of operating payables by measurement method:

IN THOUSANDS OF EUROS	DERIVATIVES AT FVPL	FINANCIAL DERIVATIVES	LIABILITIES AT AMORTISED COST	TOTAL
OPERATING LIABILITIES AS OF 31 DECEMBER 2019				
Non-current liabilities				
Tax payables				-
Other payables			1,987	1,987
Total non-current liabilities	**-**	**-**	**1,987**	**1,987**
Current liabilities				
Trade payables			307,804	307,804
Tax payables			5,694	5,694
Other payables		46	44,502	44,548
Total current liabilities	**-**	**46**	**358,000**	**358,046**
Total	**-**	**46**	**359,987**	**360,033**
OPERATING LIABILITIES AS OF 31 DECEMBER 2018				
Non-current liabilities				
Tax payables				-
Other payables			2,403	2,403
Total non-current liabilities	**-**	**-**	**2,403**	**2,403**
Current liabilities				
Trade payables			273,299	273,299
Tax payables			4,784	4,784
Other payables		16	43,308	43,324
Total current liabilities	**-**	**16**	**321,391**	**321,407**
Total	**-**	**16**	**323,794**	**323,810**

33. Payables due after 5 years

The Company has loans due after 5 years; details are given in Note 37 Financial Liabilities. Apart from these loans, no other long-term payables due after five years have been recorded.

D) INFORMATION ON FINANCIAL ASSETS AND LIABILITIES

This section provides information on the carrying amount of financial assets and liabilities held, and in particular:
- specifically describes the type of financial assets and liabilities;
- the accounting standards adopted;
- describes how fair value is determined, how measurements and estimates are made, and the uncertainties involved.

The Company holds the following financial assets and liabilities:

IN THOUSANDS OF EUROS	ASSETS MEASURED AT FVPL	ASSETS MEASURED AT FVOCI	FINANCIAL DERIVATIVES	ASSETS AT AMORTISED COST	TOTAL
FINANCIAL ASSETS AS OF 31 DECEMBER 2019					
Non-current assets					
Other financial assets	37		3,475	289	3,801
Total non-current assets	**37**	**0**	**3,475**	**289**	**3,801**
Current assets					
Other financial assets			3,471	12,407	15,878
Cash and cash equivalents				18,843	18,843
Securities					0
Total current assets	**0**	**0**	**3,471**	**31,250**	**34,721**
Total	**37**	**0**	**6,946**	**31,539**	**38,522**
FINANCIAL ASSETS AS OF 31 DECEMBER 2018					
Non-current assets					
Other financial assets	37		5,992		6,029
Total non-current assets	**37**	**0**	**5,992**	**0**	**6,029**
Current assets					
Other financial assets			2,804	11,993	14,797
Cash and cash equivalents				22,944	22,944
Securities					0
Total current assets	**0**	**0**	**2,804**	**34,937**	**37,741**
Total	**37**	**0**	**8,796**	**34,937**	**43,770**

IN THOUSANDS OF EUROS	LIABILITIES MEASURED AT FVPL	FAIR VALUE ADJUSTMENT	FINANCIAL DERIVATIVES	LIABILITIES AT AMORTISED COST	TOTAL
FINANCIAL LIABILITIES AS OF 31 DECEMBER 2019					
Non-current liabilities					
Bank loans				176,105	176,105
Bonds		3,269		282,099	285,368
Other loans				127	127
Rights of use					-
Leases					-
Hedging derivatives					-
Total non-current liabilities	**-**	**3,269**	**-**	**458,331**	**461,600**
Current liabilities					
Bank loans				76,268	76,268
Bonds		3,265		11,022	14,287
Other loans				9,981	9,981
Rights of use					-
Leases					-
Hedging derivatives					-
Total current liabilities	**-**	**3,265**	**-**	**97,271**	**100,536**
Total	**-**	**6,534**	**-**	**555,602**	**562,136**
FINANCIAL LIABILITIES AS OF 31 DECEMBER 2018					
Non-current liabilities					
Bank loans				201,388	201,388
Bonds		5,475		291,694	297,169
Other loans				150	150
Leases				7,930	7,930
Hedging derivatives					-
Total non-current liabilities	**-**	**5,475**	**-**	**501,162**	**506,637**
Current liabilities					
Bank loans				39,160	39,160
Bonds		2,563		10,325	12,888
Other loans				9,622	9,622
Leases				1,127	1,127
Hedging derivatives					-
Total current liabilities	**-**	**2,563**	**-**	**60,234**	**62,797**
Total	**-**	**8,038**	**-**	**561,396**	**569,434**

34. Investments €/000 156,129

The investments heading comprises:

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2019	AS OF 31 DECEMBER 2018	CHANGE
Investments in subsidiaries	149,681	146,447	3,234
Investments in associates	6,448	5,693	755
Total	**156,129**	**152,140**	**3,989**

Movements for the period are shown below:

IN THOUSANDS OF EUROS				COMPANY TRANSACTIONS			
	CARRYING AMOUNT AS OF 31/12/2018	2019 RESULT	TRANSLATION RESERVE	IAS 19 DISCOUNTING RESERVE	DECREASES FOR THE DISTRIBUTION OF DIVIDENDS	CAPITALISATION	CARRYING AMOUNT AS OF 31/12/2019
SUBSIDIARIES							
Piaggio Vespa B.V.	21,007	15,622	62		(16,100)		20,591
Piaggio Vehicles Pvt Ltd	102,299	34,529	(506)	(392)	(32,832)		103,098
Nacional Motor	2,754	(1,510)				5,650	6,894
Piaggio Vietnam Co Ltd	13,582	17,259	405		(18,276)		12,970
Piaggio China Ltd	2,133	267	17			14	2,431
Aprilia racing s.r.l.	1,064	(1,064)					0
Piaggio España SL	2,728	566			(560)		2,734
Piaggio Indonesia							0
Piaggio Advanced Design Center	308	25	6				339
Piaggio Fast Forward Inc.		(1,812)				1,812	0
Piaggio Concept Store Mantova S.r.l.	572	(638)		(10)		700	624
Total subsidiaries	**146,447**	**63,244**	**(16)**	**(402)**	**(67,768)**	**8,176**	**149,681**
ASSOCIATES							
Zongshen Piaggio Foshan	5,572	698	44				6,314
Pontech Soc. Cons. a.r.l.	111	13					124
Immsi Audit S.c.a.r.l.	10						10
Fondazione Piaggio onlus							0
Total associates	**5,693**	**711**	**44**	**0**	**0**	**0**	**6,448**
Total investments	**152,140**	**63,955**	**28**	**(402)**	**(67,768)**	**8,176**	**156,129**

Investments in subsidiaries €/000 149,681

The following company transactions concerned investments in subsidiaries during the year:
- Piaggio Vespa B.V., the recognition of dividends for €/000 16,100;
- Piaggio Vehicles, the recognition of dividends for €/000 32,832;
- Nacional Motor, capitalisation of €/000 5,650;
- Piaggio Vietnam, the recognition of dividends for €/000 18,276;
- Piaggio China, capitalisation of €/000 14;
- Piaggio España, the recognition of dividends for €/000 560;
- Piaggio Fast Forward, the capitalisation of €/000 1,812 and impairment of financial receivables for €/000 16,059 in relation to the loss recorded in the year;
- Piaggio Concept Store Mantova, capitalisation of €/000 700.

Investments in associates €/000 6,448.

Investments in affiliated companies did not change in relation to company transactions.

35. Other current and non-current financial assets €/000 19,679

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2019			AS OF 31 DECEMBER 2018			CHANGE		
	CURRENT	NON-CURRENT	TOTALS	CURRENT	NON-CURRENT	TOTALS	CURRENT	NON-CURRENT	TOTALS
Financial receivables due from subsidiaries	12,261		12,261	11,993		11,993	268	0	268
Financial receivables due from subsidiaries for rights of use	146	289	435				146	289	435
Fair value of hedging derivatives	3,471	3,475	6,946	2,804	5,992	8,796	667	(2,517)	(1,850)
Investments in other companies		37	37		37	37	0	0	0
Total	**15,878**	**3,801**	**19,679**	**14,797**	**6,029**	**20,826**	**1,081**	**(2,228)**	**(1,147)**

The item Financial receivables due from subsidiaries refers to loans to Nacional Motor for €/000 250, to Piaggio Fast Forward for €/000 3,011 and to Aprilia Racing for €/000 9,000.
The item "Fair value of hedging derivatives" refers to the fair value of the Cross Currency Swap on the private debenture loan, of which details are given in section 39.
The table below shows the composition of investments in other companies:

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2019	AS OF 31 DECEMBER 2018	CHANGE
OTHER COMPANIES:			
A.N.C.M.A. - Rome	2	2	0
ECOFOR SERVICE S.p.A. - Pontedera	2	2	0
Consorzio Fiat Media Center - Turin	3	3	0
S.C.P.S.T.V.	21	21	0
IVM	9	9	0
Total other companies	**37**	**37**	**0**

36. Cash and cash equivalents €/000 18,843

This item mainly includes short-term or on demand bank deposits.
Cash and cash equivalents are broken down as follows:

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2019	AS OF 31 DECEMBER 2018	CHANGE
Bank and postal deposits	18,818	22,919	(4,101)
Cash on hand	25	25	0
Total	**18,843**	**22,944**	**(4,101)**

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

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

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2019	AS OF 31 DECEMBER 2018	CHANGE
Cash and cash equivalents	18,843	22,944	(4,101)
Current account overdrafts	(18)	(352)	334
Closing balance	**18,825**	**22,592**	**(3,767)**

37. Current and non-current financial liabilities and financial liabilities for rights of use €/000 579,728

In 2019, overall debt increased by €/000 10,294, due to the recognition of payables for rights of use (€/000 17,592 as of 31 December 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 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 related hedged items, as of 31 December 2019 total financial debt of the Group decreased by €/000 5,794.
Moreover, the adoption of a new dividend distribution policy starting from 2019, with the distribution of an interim dividend during the year (rather than a single dividend), led to an advance outflow of €/000 19,650.

IN THOUSANDS OF EUROS	FINANCIAL LIABILITIES AS OF 31 DECEMBER 2019			FINANCIAL LIABILITIES AS OF 31 DECEMBER 2018			CHANGE		
	CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL
Financial liabilities	100,536	461,600	562,136	62,797	506,637	569,434	37,739	(45,037)	(7,298)
Gross financial liabilities	*97,271*	*458,331*	*555,602*	*60,234*	*501,162*	*561,396*	*37,037*	*(42,831)*	*(5,794)*
Fair value adjustment	*3,265*	*3,269*	*6,534*	*2,563*	*5,475*	*8,038*	*702*	*(2,206)*	*(1,504)*
Financial liabilities for rights of use	4,414	13,178	17,592				4,414	13,178	17,592
Total	**104,950**	**474,778**	**579,728**	**62,797**	**506,637**	**569,434**	**42,153**	**(31,859)**	**10,294**

Net financial debt of the Group amounted to €/000 541,943 as of 31 December 2019 compared to €/000 526,459 as of 31 December 2018.

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2019	AS OF 31 DECEMBER 2018	CHANGE
Liquidity	**18,843**	**22,944**	**(4,101)**
Short-term financial receivables due from subsidiaries	12,261	11,993	268
Short-term financial receivables due from subsidiaries for rights of use	146		146
Current financial receivables	**12,407**	**11,993**	**414**
Current account overdrafts	(18)	(352)	334
Current account payables	(50,500)	0	(50,500)
Current portion of bank loans	(25,750)	(38,808)	13,058
Bonds	(11,022)	(10,325)	(697)
Amounts due to factoring companies	(9,946)	(9,291)	(655)
Finance leases		(1,127)	1,127
Liabilities for rights of use	(4,414)		(4,414)
of which amounts due under finance leases	*(1,149)*		*(1,149)*
of which amounts due under operating leases	*(3,265)*		*(3,265)*
Current portion of payables due to other lenders	(35)	(331)	296
Current financial debt	**(101,685)**	**(60,234)**	**(41,451)**
Consolidated debt/net current debt	**(70,435)**	**(25,297)**	**(45,138)**
Payables due to banks and lenders	(176,105)	(201,388)	25,283
Debenture loan	(282,099)	(291,694)	9,595
Finance leases		(7,930)	7,930
Liabilities for rights of use	(13,177)		(13,177)
of which amounts due under finance leases	*(6,781)*		*(6,781)*
of which amounts due under operating leases	*(6,396)*		*(6,396)*
Amounts due to other lenders	(127)	(150)	23
Non-current financial debt	**(471,508)**	**(501,162)**	**29,654**
NET FINANCIAL DEBT[42]	**(541,943)**	**(526,459)**	**(15,484)**

The tables above and below show payables for finance leases, and payables for operating leases, on separate rows, for an easier understanding and greater comparability between data for the two years.

The tables below analyse the movements of the net financial position year on year.

42 Pursuant to Consob Communication of 28 July 2006 and in compliance with the recommendation of the CESR of 10 February 2005 "Recommendation for the consistent implementation of the European Commission's Regulation on Prospectuses". The indicator does not include financial assets and liabilities arising from the fair value measurement of financial derivatives for hedging and otherwise, the fair value adjustment of relative hedged items equal to €/000 6,534 and relative accruals.

IN THOUSANDS OF EUROS	BALANCE AS OF 31.12.2017	CASH FLOWS			RECLASSIFI-CATIONS	EXCHANGE DELTA	OTHER CHANGES	BALANCE AS OF 31.12.2018	CASH FLOWS			RECLASSIFI-CATION	EXCHANGE DELTA	OTHER CHANGES	BALANCE AS OF 31.12.2019
		MOVE-MENTS	REPAY-MENTS	NEW ISSUES					MOVE-MENTS	REPAY-MENTS	NEW ISSUES				
Liquidity	**10,239**	**12,705**						**22,944**		**(4,144)**			**43**		**18,843**
Short-term financial receivables subsidiaries	14,171			11,241	0	(81)	(13,338)	11,993			21,924		54	(21,710)	12,261
Financial receivables Subsidiaries for Operating Leases										(52)		93		105	146
Current financial receivables	**14,171**	**0**	**0**	**11,241**	**0**	**(81)**	**(13,338)**	**11,993**	**0**	**(52)**	**21,924**	**93**	**54**	**(21,605)**	**12,407**
Current account overdrafts	(173)			(179)				(352)		352	(18)				(18)
Current account payables	(15,000)		15,000					0			(50,500)				(50,500)
Current portion of medium-/long-term bank loans	(42,785)		44,551	(1,400)	(38,859)		(315)	(38,808)		38,859		(25,795)		(6)	(25,750)
Total current bank loans	*(57,958)*	*0*	*59,551*	*(1,579)*	*(38,859)*	*0*	*(315)*	*(39,160)*	*0*	*39,211*	*(50,518)*	*(25,795)*	*0*	*(6)*	*(76,268)*
Debenture loan	(9,625)		9,669		(10,359)		(10)	(10,325)		10,360		(11,050)		(7)	(11,022)
Due to factoring companies	(14,613)		5,322					(9,291)		9,291	(9,946)				(9,946)
Due under finance leases	(1,108)		1,108		(1,127)			(1,127)				1,127			0
Liabilities for ROU										1,885		(4,815)		0	(2,930)
- due under finance leases										*1,128*		*(2,277)*			*(1,149)*
- due under operating leases										*757*		*(2,538)*		*0*	*(1,781)*
Liabilities for ROU with Parent Companies										1,243		(2,727)		0	(1,484)
Current payables due to other lenders	(317)		317		(331)			(331)		319		(23)			(35)
Current financial debt	**(83,621)**	**0**	**75,967**	**(1,579)**	**(50,676)**	**0**	**(325)**	**(60,234)**	**0**	**62,309**	**(60,464)**	**(43,283)**	**0**	**(13)**	**(101,685)**
Net current financial debt	**(59,211)**	**12,705**	**75,967**	**9,662**	**(50,676)**	**(81)**	**(13,663)**	**(25,297)**	**0**	**58,113**	**(38,540)**	**(43,190)**	**97**	**(21,618)**	**(70,435)**
Payables due to banks and lenders	(115,763)		25,000	(151,100)	38,859		1,616	(201,388)				25,795		(512)	(176,105)
Debenture loan	(304,592)		168,497	(168,497)	10,359		2,539	(291,694)				11,050		(1,455)	(282,099)
Due under finance leases	(9,057)				1,127			(7,930)				7,930			0
Liabilities for ROU											0	(4,242)		(4,356)	(8,598)
- due under finance leases												*(6,780)*		*(1)*	*(6,781)*
- due under operating leases	*0*							*0*				*2,538*		*(4,355)*	*(1,817)*
Liabilities for ROU with Parent Companies											0	2,727		(7,306)	(4,579)
Due to other lenders	(319)			(162)	331			(150)				23			(127)
Non-current financial debt	**(429,731)**	**0**	**193,497**	**(319,759)**	**50,676**	**0**	**4,155**	**(501,162)**	**0**	**0**	**0**	**43,283**	**0**	**(13,629)**	**(471,508)**
NET FINANCIAL DEBT	**(488,942)**	**12,705**	**269,464**	**(310,097)**	**0**	**(81)**	**(9,508)**	**(526,459)**	**0**	**58,113**	**(38,540)**	**93**	**97**	**(35,247)**	**(541,943)**

Financial liabilities €/000 555,602

Financial liabilities are broken down as follows:

IN THOUSANDS OF EUROS	ACCOUNTING BALANCE AS OF 31.12.2019	ACCOUNTING BALANCE AS OF 31.12.2018	NOMINAL VALUE AS OF 31.12.2019	NOMINAL VALUE AS OF 31.12.2018
Bank loans	252,373	240,548	253,690	242,211
Bonds	293,121	302,019	302,101	312,460
Other loans	10,108	18,829	10,108	18,840
Total	**555,602**	**561,396**	**565,899**	**573,684**

IN THOUSANDS OF EUROS	ACCOUNTING BALANCE AS OF 31.12.2019	ACCOUNTING BALANCE AS OF 31.12.2018	CHANGE
Current financial debt	(97,271)	(60,234)	(37,037)
Non-current financial debt	(458,331)	(501,162)	42,831
Financial debt	**(555,602)**	**(561,396)**	**5,794**
Gross debt, fixed rate	(329,304)	(359,658)	30,354
Gross debt, variable rate	(226,298)	(201,738)	(24,560)
Financial debt	**(555,602)**	**(561,396)**	**5,794**

The table below shows the repayment schedule as of 31 December 2019:

IN THOUSANDS OF EUROS	NOMINAL VALUE AS OF 31.12.2019	AMOUNTS FALLING DUE WITHIN 12 MONTHS	AMOUNTS FALLING DUE AFTER 12 MONTHS	AMOUNTS FALLING DUE IN				
				2021	2022	2023	2024	AFTER
Bank loans	253,690	76,313	177,377	43,049	94,805	39,523	0	0
Bonds	302,101	11,050	291,051	11,051	30,000			250,000
Other medium-/long-term loans	10,108	9,981	127	23	23	23	23	35
Total	**565,899**	**97,344**	**468,555**	**54,123**	**124,828**	**39,546**	**23**	**250,035**

Medium and long-term bank debt amounts to €/000 201,855 (of which €/000 176,105 non-current and €/000 25,750 current) and consists of the following loans:

- a €/000 39,940 medium-term loan (nominal value of €/000 40,000) 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 €/000 116,326 loan (nominal value of €/000 117,500), a syndicate loan for a total of €/000 250,000 signed in June 2018 and comprising a €/000 187,500 four-year tranche (with 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 December 2019) and a tranche as a five-year loan with amortisation of €/000 62,500. Contract terms require covenants (described below);
- a €/000 8,148 medium-term loan (nominal value of €/000 8,160) granted by UBI Banca. The loan will fall due on 30 June 2021 with a repayment schedule of quarterly instalments;
- a €/000 17,961 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 6,820 loan from Banco BPM with a repayment schedule of six-monthly instalments and last payment in July 2022 (equal to €/000 6,820). This loan has an additional tranche of €/000 12,500 granted as a revolving credit line, entirely drawn as of 31 December 2019 (recognised under current account payables). Contract terms require covenants (described below);

- a €/000 5,472 medium-term loan (nominal value of €/000 5,500) granted by Interbanca-Banca IFIS. The loan will fall due on 30 September 2022 and has a quarterly repayment schedule. Contract terms require covenants (described below);
- a €/000 7,048 medium-term loan (nominal value of €/000 7,052) granted by Banca del Mezzogiorno, maturing on 2 January 2023 and with six-monthly repayment schedule. This loan has an additional tranche of €/000 20,000 granted as a revolving credit line, entirely drawn as of 31 December 2019 (recognised under current account payables). Contract terms require covenants (described below);
- a €/000 140 loan from Intesa SanPaolo granted pursuant to Italian Law no. 346/88 on subsidised applied research.

As of 31 December 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 Company under the contract flexibility granted (18-month period of use).

All the above financial liabilities are unsecured.

The item Bonds for €/000 293,121 (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 31 December 2019 the fair value valuation of the debenture loan was equal to €/000 28,635 (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 29,915 (nominal value of €/000 30,000) for a five-year private debenture loan issued on 28 June 2017 and wholly subscribed by Fondo Sviluppo Export, the fund set up by SACE and managed by Amundi SGR. The issue has no specific rating or listing on a regulated market;
- €/000 241,147 (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 IAS 9 b4.3.5;
- all or part of the amount of the private placement issued on 28 June 2017, according to the conditions indicated in the contract. The value of prepayment options was not deducted from the original contract, as these are considered as being closely related to the host instrument, as provided for by IFRS 9 b4.3.5.

Financial advances received from factoring companies and banks, on the sale of trade receivables with recourse, totalled €/000 9,946.

Medium-/long-term payables due to other lenders equal to €/000 162 of which €/000 127 due after the year and €/000 35 as the current portion, are detailed as follows:

- a subsidised loan for a total of €/000 162 from the Region of Tuscany, related to regulations on incentives for investments in research and development (non-current portion equal to €/000 127).

Covenants

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

liabilities, and change of control clauses, which are effective if the majority shareholder loses control of the company;
4. limitations on the extraordinary operations the company may carry out.

The measurement of financial covenants and other contract commitments is monitored by the Group on an ongoing basis.
The high yield debenture loan issued by the company in April 2018 provide for compliance with covenants which are typical of international practice on the high yield market. In particular, the company must observe the EBITDA/Net borrowing costs index, based on the threshold established in the Prospectus, to increase financial debt defined during issue. In addition, the Prospectus includes some obligations for the issuer, which limit, inter alia, the capacity to:
1. pay dividends or distribute capital;
2. make some payments;
3. grant collaterals for loans;
4. merge with or establish some companies;
5. sell or transfer own assets.

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

Amortised Cost and Fair Value Measurement

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

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

The table below shows the fair value of payables measured using the amortised cost method as of 31 December 2019:

IN THOUSANDS OF EUROS	NOMINAL VALUE	CARRYING AMOUNT	FAIR VALUE[43]
High yield debenture loan	250,000	241,147	264,388
Private debenture loan 2021	22,101	22,059	21,436
Private debenture loan 2022	30,000	29,915	30,629
EIB (loan R&D 2016-2018)	40,000	39,940	39,701
Loan from Banca . Pop. Emilia Romagna	18,000	17,961	17,753
Loan from Banco BPM	6,820	6,820	7,204
Revolving syndicated loan	55,000	54,163	54,792
Syndicated loan maturing in 2023	62,500	62,163	62,245
Loan from UBI	8,160	8,148	8,145
Loan from MCC	7,052	7,048	7,011
Loan from Banca IFIS	5,500	5,472	5,648

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

Fair value hierarchy

The table below shows the assets and liabilities measured and recognised at fair value as of 31 December 2019, by hierarchical level of fair value measurement.

IN THOUSANDS OF EUROS	LEVEL 1	LEVEL 2	LEVEL 3
ASSETS MEASURED AT FAIR VALUE			
Investment Property			
Financial derivatives:			
- of which financial assets		6,946	
- of which other receivables		123	
Investments in other companies			37
Total assets		**7,069**	**37**
LIABILITIES MEASURED AT FAIR VALUE			
Financial derivatives			
- of which financial liabilities			
- of which other payables		(46)	
Financial liabilities at fair value recognised through profit or loss		(28,635)	
Total liabilities		**(28,681)**	
General total		**(21,612)**	**37**

The following tables show Level 2 and Level 3 changes during 2019:

IN THOUSANDS OF EUROS	LEVEL 2
Balance as of 31 December 2018	**(31,714)**
Gain (loss) recognised in profit or loss	(347)
Gain (loss) recognised in the statement of comprehensive income	89
(Increases)/Decreases	10,360
Balance as of 31 December 2019	**(21,612)**
	LEVEL 3
Balance as of 31 December 2018	**37**
Gain (loss) recognised in profit or loss	-
Increases/(Decreases)	-
Balance as of 31 December 2019	**37**

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

Financial liabilities for rights of use €/000 17,592

As required by IFRS 16, financial payables for rights of use include both finance lease liabilities, which up until 31 December 2018 had been included under financial liabilities, and payments due of operating lease agreements, previously recognised as off-balance sheet guarantees.
The table below shows the repayment schedule as of 31 December 2019:

				AMOUNTS FALLING DUE IN				
IN THOUSANDS OF EUROS	CARRYING AMOUNT AS OF 31.12.2019	AMOUNTS FALLING DUE WITHIN 12 MONTHS	AMOUNTS FALLING DUE AFTER 12 MONTHS	2021	2022	2023	2024	OLTRE
Rights of use								
- of which operating leases	9,662	3,265	6,397	2,262	2,068	1,447	620	-
- of which finance leases	7,930	1,149	6,781	1,168	1,186	1,205	1,224	1,998
Total	**17,592**	**4,414**	**13,178**	**3,430**	**3,254**	**2,652**	**1,844**	**1,998**

Payables for finance leases, already recognised in the financial statements as of 31 December 2018 according to IAS 17, were equal to €/000 7,930 (nominal value of €/000 7,940) and refer to a Sale&Lease back agreement for a production facility of the Parent Company granted by Albaleasing. The agreement is for ten years, with quarterly repayments (non-current portion equal to €/000 6,781).

E) MANAGEMENT OF FINANCIAL RISK

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

38. Credit risk

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

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2019	AS OF 31 DECEMBER 2018
Liquid assets	18,843	22,944
Securities		
Financial receivables	15,878	14,797
Trade receivables	43,599	48,063
Tax receivables	19,423	13,434
Other receivables	98,540	70,982
Total	**196,283**	**170,220**

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

39. Financial risks

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

Liquidity risk and capitals management

The liquidity risk arises from the possibility that available financial resources are not sufficient to cover, in due times and procedures, future payments arising from financial and/or commercial obligations. To deal with this risk, cash flows and the Company's credit line needs are monitored or managed centrally under the control of the Treasury in order to guarantee an effective and efficient management of financial resources as well as optimise the debt's maturity standpoint.
In addition, the Company finances the temporary cash requirements of subsidiaries by providing direct short-term loans regulated in market conditions or guarantees. A cash pooling zero balance system is used between the Company and European companies to reset the receivable and payable balances of subsidiaries on a daily basis, for a more effective and efficient management of liquidity in the Eurozone.
As of 31 December 2019, the most important sources of financing irrevocable until maturity granted to the Company were as follows:
- a debenture loan of €/000 250,000 maturing in April 2025;
- a debenture loan of $/000 32,000 maturing in July 2021;
- a debenture loan of €/000 30,000 maturing in June 2022;
- a credit line of €/000 250,000 comprising a Revolving Credit Facility of €/000 187,500 maturing in July 2022 and a loan of €/000 62,500 maturing in July 2023;
- Revolving credit facilities for a total of €/000 32,500, with final settlement in July 2022;
- loans for a total of €/000 155,834, with final settlement in 2027.

As of 31 December 2019, the Company had a liquidity of €/000 18,843, €/000 202,500 of undrawn credit lines irrevocable to maturity and €/000 85,010 of revocable credit lines, as detailed below:

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2019	AS OF 31 DECEMBER 2018
Variable rate with maturity within one year - irrevocable until maturity		0
Variable rate with maturity after one year - irrevocable until maturity	202,500	165,000
Variable rate with maturity within one year - cash revocable	66,010	51,257
Variable rate with maturity within one year - with revocation for self-liquidating typologies	19,000	19,000
Total	**287,510**	**235,257**

The table below shows the timing of future payments in relation to trade payables:

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2019	WITHIN 30 DAYS	BETWEEN 31 AND 60 DAYS	BETWEEN 61 AND 90 DAYS	OVER 90 DAYS
Amounts due to suppliers	286,352	134,511	74,887	5,138	71,816
Amounts due to subsidiaries	15,809	8,776	5,663	1,047	323
Amounts due to affiliates	5,304	2,688	951	813	852
Amounts due to parent companies	338	318	20		
Trade payables due to other related parties	1	1			
Total trade payables	**307,804**	**146,294**	**81,521**	**6,998**	**72,991**

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

Exchange Risk

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

This policy analyses:

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

At the end of the reporting period, the Company's exposure to exchange risk was as follows:

AS OF 31 DECEMBER 2019	USD	GBP	CHF	CNY	YEN	SGD	CAD	SEK	HKD	INR	JPY	RMB	PLZ	VND	TOTAL
IN THOUSANDS OF EUROS															
Non-current assets															
Financial receivables															0
Trade receivables															0
Long-term tax receivables															0
Fair value of derivatives															0
Total non-current assets	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Current assets															
Trade and other receivables	9,008	(291)		1,184		261	(176)	(200)		17,437	728	190		21,256	49,397
Fair value of derivatives															0
Other financial assets	3,011														3,011
Bank and postal deposits	2,682	1,102		1,119	201	2	25	279							5,410
Securities															0
Total current assets	**14,701**	**811**	**0**	**2,303**	**201**	**263**	**(151)**	**79**	**0**	**17,437**	**728**	**190**	**0**	**21,256**	**57,818**
Total assets	**14,701**	**811**	**0**	**2,303**	**201**	**263**	**(151)**	**79**	**0**	**17,437**	**728**	**190**	**0**	**21,256**	**57,818**
Non-current liabilities															
Bank loans															0
Bonds															0
Other loans															0
Leases															0
Fair value of derivatives															0
Total non-current liabilities	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Current liabilities															
Bank loans															0
Trade and other payables	27,946	559	27	13,092		137		834	2	59	3,405	20	1	12	46,094
Other loans															0
Leases															0
Fair value of derivatives															0
Total current liabilities	**27,946**	**559**	**27**	**13,092**	**0**	**137**	**0**	**834**	**2**	**59**	**3,405**	**20**	**1**	**12**	**46,094**
Total liabilities	**27,946**	**559**	**27**	**13,092**	**0**	**137**	**0**	**834**	**2**	**59**	**3,405**	**20**	**1**	**12**	**46,094**

At the end of the reporting period, the company had no financial liabilities in currency subject to exchange risk.

Cash flow hedging

As of 31 December 2019, the Group had undertaken the following futures transactions (recognised based on the regulation date) relative to payables and receivables already recognised to hedge the transaction exchange risk:

OPERATION	CURRENCY	AMOUNT IN LOCAL CURRENCY/000	VALUE IN EURO (FORWARD EXCHANGE RATE) €/000	AVERAGE MATURITY
Purchase	CAD	200	137	31/01/2020
Purchase	CNY	47,000	6,015	07/02/2020
Purchase	JPY	220,000	1,832	08/02/2020
Purchase	SEK	4,500	424	03/01/2020
Purchase	USD	12,000	10,809	13/02/2020
Sale	SEK	2,000	191	03/01/2020
Sale	USD	56,650	50,778	19/03/2020

As of 31 December 2019, the Company had undertaken the following transactions to hedge the business exchange risk:

OPERATION	CURRENCY	AMOUNT IN LOCAL CURRENCY/000	VALUE IN EURO (FORWARD EXCHANGE RATE) €/000	AVERAGE MATURITY
Purchase	CNY	211,000	26,494	05/07/2020
Sale	GBP	11,550	13,496	06/07/2020

To hedge the economic exchange risk alone, cash flow hedging is adopted with the effective portion of profits and losses recognised in a specific shareholders' equity reserve. Fair value is determined based on market quotations provided by main traders.

As of 31 December 2019, the total fair value of hedging instruments for exchange risk recognised on an hedge accounting basis was positive by €/000 78. Therefore as of 31 December 2019 gains were recognised in other components of the Statement of Comprehensive Income for €/000 78. During 2019 previous year losses from other components of the Statement of Comprehensive Income were reclassified to profit/loss for the year for €/000 12.

The net balance of cash flows during 2019 is shown below, divided by main currency:

IN MILLIONS OF EURO	CASH FLOW 2019
Pound Sterling	17.8
Canadian Dollar	6.2
Swedish Krone	4.3
Japanese Yen	(4.8)
US Dollar	(39.1)
Chinese Yuan[42]	(73.8)
Total cash flow in foreign currency	**(89.4)**

In view of the above, an assumed appreciation/deprecation of 3% of the euro would have generated potential profits for €/000 2,602 and potential losses for €/000 2,763 respectively.

42 Cash flow partially in euro.

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 Company regularly measures and controls its exposure to the risk of interest rate changes, as established by its management policies, in order to reduce fluctuating borrowing costs, and limit the risk of a potential increase in interest rates. This objective is achieved through an adequate mix of fixed and variable rate exposure, and the use of derivatives, mainly interest rate swaps and cross currency swaps.
As of 31 December 2019, the following hedging derivatives were in use:

Derivatives for fair value hedging

- a Cross Currency Swap to hedge the private debenture loan issued by the Parent Company for a nominal amount of $/000 32,000. The purpose of the instrument is to hedge both the exchange risk and interest rate risk, turning the loan from US dollars to euro, and from a fixed rate to a variable rate; the instrument is accounted for on a fair value hedge basis, with effects arising from the measurement recognised in profit or loss. As of 31 December 2019, the fair value of the instrument was equal to €/000 6,946. The net economic effect arising from the measurement of the instrument and underlying private debenture loan was positive, equal to €/000 -347; sensitivity analysis of the instrument and its underlying, assuming a 1% increase and decrease in the shift of the variable rates curve, showed a potential impact on the Income Statement, net of the related tax effect, of €/000 8 and €/000 -8 respectively, assuming constant exchange rates; whereas assuming a 1% reversal and write-down of exchange rates, sensitivity analysis identified a potential impact on the income statement, net of the relative tax effect, of €/000 -6 and €/000 6 respectively.

IN THOUSANDS OF EUROS	FAIR VALUE
Cross Currency Swap	6,946

F) INFORMATION ON SHAREHOLDERS' EQUITY

40. Share capital and reserves €/000 309,325

Share capital €/000 207,614

During the period, the nominal share capital of Piaggio & C. did not change.
The structure of Piaggio & C's share capital, equal to €207,613,944.37, fully subscribed and paid up, is indicated in the next table:

STRUCTURE OF SHARE CAPITAL AS OF 31 DECEMBER 2019

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

The Share of the Company are without par value, are indivisible, registered and issued on a dematerialisation basis, in the centralised management system of Monte Titoli S.p.A..
At the date of these financial statements, no other financial instruments with the right to subscribe to new issue shares had been issued, nor were there share based incentive plans in place involving increases, also without a consideration, in share capital.

Treasury shares €/000 (1,749)

During the period, 105,000 treasury shares were acquired. Therefore, as of 31 December 2019, Piaggio & C. held 898,818 treasury shares, equal to 0.251% of the shares issued.

SHARES IN CIRCULATION AND TREASURY SHARES

NO. OF SHARES	2019	2018
Situation as of 1 January		
Shares issued	358,153,644	358,153,644
Treasury portfolio shares	793,818	0
Shares in circulation	357,359,826	358,153,644
Movements for the period		
Purchase of treasury shares	105,000	793,818
Situation as of 31 December		
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 31 December 2019 was unchanged compared to 31 December 2018.

Legal reserve €/000 21,904

The legal reserve as of 31 December 2019 had increased by €/000 1,779 as a result of the allocation of earnings for the previous year.

Other reserves €/000 (27,219)

This item consists of:

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2019	AS OF 31 DECEMBER 2018	CHANGE
Net capital gain from contribution	152	152	0
IFRS transition reserve	1,862	1,769	93
Financial instruments' fair value reserve	(29)	(114)	85
Translation reserve from the valuation of investments using the equity method	(29,204)	(29,230)	26
Total other reserves	**(27,219)**	**(27,423)**	**204**

The financial instruments fair value provision is negative and refers to the effects of cash flow hedge accounting in foreign currencies and interest. 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 optimising cash flow management, considering the seasonal nature of the business. The Board of Directors, having approved the Interim Financial Statements at 30 June 2019 and Directors' Report pursuant to Article 2344-bis of the Civil Code, therefore resolved to allocate an interim dividend for 2019 equal to 5.5 eurocents, including taxes, for each entitled ordinary share (against a dividend of 9 eurocents resolved for all of 2018), 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 €/000 101,604

The composition of reserves as of 31 December 2019 was as follows:

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2019
Earnings reserve	101,604
Of which:	
Earnings reserve from the valuation of investments with the equity method	69,082
Retained earnings (losses)	(13,689)
Profit (loss) for the period	46,211

Individual items of Shareholders' equity are analytically presented in the table below, based on origin, availability and use in previous years.

TYPE/DESCRIPTION	AMOUNT	POSSIBLE USE	PORTION AVAILABLE	2014 USES TO COVER LOSSES
IN THOUSANDS OF EUROS				
Share capital	207,614			
Capital reserves:				
Share premium	7,171	A,B,C(*)	7,171	
Profit reserves:				
Legal reserve	21,904	B	---	
Net capital gain from contribution	152	A,B	152	
IAS transition reserve	1,862	A,B	1,862	
Financial instruments' fair value reserve	(29)			
Translation reserve from the valuation of investments with the equity method	(29,204)			
Total Reserves	1,856		9,185	
Earnings reserve from the valuation of investments with the equity method:				
- Discounting the DBO	(1,389)			
- Financial gains	70,471	A,B	70,471	
Treasury shares	(1,749)			
Reserve for actuarial gains (losses) relative to termination benefit	(9,928)			
Stock option reserve	11,195	A,B,C	11,195	
Retained earnings (losses)	4,694	A,B,C	4,694	1,649
Interim dividend	(19,650)			
Total retained earnings (losses)	53,644			
Profits (losses) for the period	46,211			
Total shareholders' equity	**309,325**		**95,545**	

Key:
A: to increase capital
B: to cover losses
C: to allocate to shareholders

(*) wholly available to increase capital and cover losses. For other uses prior adjustment (also by transfer from the share premium reserve) of the legal reserve to 20% of the Share Capital is necessary. As of 31 December 2019 this adjustment would be equal to €/000 19,619.

Pursuant to Article 2426, section 5 of the Italian Civil Code, the value of research and development costs still to be amortised as of 31 December 2019, equal to €/000 64,087, is unavailable in shareholders' equity.

41. Other Comprehensive Income (Expense) €/000 (2,346)

The value of other components of the Statement of Comprehensive Income is broken down as follows:

IN THOUSANDS OF EUROS	RESERVE FOR MEASUREMENT OF FINANCIAL INSTRUMENTS	EARNINGS RESERVE	TOTAL OTHER COMPONENTS OF THE STATEMENT OF COMPREHENSIVE INCOME
As of 31 December 2019			
Items that will not be reclassified in the income statement			
Remeasurements of defined benefit plans		(2,055)	(2,055)
Portion of components of the Statement of Comprehensive Income of subsidiaries/associates measured with the equity method		(403)	(403)
Total	0	(2,458)	(2,458)
Items that may be reclassified in the income statement			
Total income (losses) for the fair value adjustment of financial assets available for sale			0
Total profits (losses) on cash flow hedges	85		85
Portion of components of the Statement of Comprehensive Income of subsidiaries/associates measured with the equity method		27	27
Total	85	27	112
Other components of the Statement of Comprehensive Income	**85**	**(2,431)**	**(2,346)**
As of 31 December 2018			
Items that will not be reclassified in the income statement			
Remeasurements of defined benefit plans		(750)	(750)
Portion of components of the Statement of Comprehensive Income of subsidiaries/associates measured with the equity method		(293)	(293)
Total	0	(1,043)	(1,043)
Items that may be reclassified in the income statement			
Total income (losses) for the fair value adjustment of financial assets available for sale			0
Total profits (losses) on cash flow hedges	206		206
Portion of components of the Statement of Comprehensive Income of subsidiaries/associates measured with the equity method		(2,714)	(2,714)
Total	206	(2,714)	(2,508)
Other components of the Statement of Comprehensive Income	**206**	**(3,757)**	**(3,551)**

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

	AS OF 31 DECEMBER 2019			AS OF 31 DECEMBER 2018		
	GROSS VALUE	TAX (EXPENSE) / BENEFIT	NET VALUE	GROSS VALUE	TAX (EXPENSE) / BENEFIT	NET VALUE
IN THOUSANDS OF EUROS						
Remeasurements of defined benefit plans	(2,704)	649	(2,055)	(987)	237	(750)
Total profits (losses) on cash flow hedges	112	(27)	85	272	(65)	207
Portion of components of the Statement of Comprehensive Income of subsidiaries/associates measured with the equity method	(376)		(376)	(3,008)		(3,008)
Other components of the Statement of Comprehensive Income	**(2,968)**	**622**	**(2,346)**	**(3,723)**	**172**	**(3,551)**

G) OTHER INFORMATION

42. Share-based incentive plans

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

43. Fees for Directors, Statutory Auditors and Key Managers

For a complete description and analysis of fees of Directors and Statutory Auditors, reference is made to the remuneration report available from the registered office, and on the Company's website in the section "Governance". At present, the Company has not identified any Key Senior Managers.

IN THOUSANDS OF EUROS	2019
Directors	2,405
Statutory auditors	180
Total fees	**2,585**

44. Information on related parties

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

Relations with Parent Companies

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

DESIGNATION	REGISTERED OFFICE	TYPE	% OF OWNERSHIP AS OF 31 DECEMBER 2019	% OF OWNERSHIP AS OF 31 DECEMBER 2018
Immsi S.p.A.	Mantova - Italy	Direct parent company	50.0703	50.6287
Omniaholding S.p.A.	Mantova - Italy	Final parent company	0.0215	0.0215

During 2019, transactions on the shares of parent companies were not carried out directly or indirectly.
Piaggio & C. S.p.A. is subject to the management and coordination of IMMSI S.p.A. pursuant to Article 2497 and following of the Italian Civil Code. During the period, this management and coordination concerned 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 2019, for a further three years, the Company signed up to the National Consolidated Tax Convention pursuant to Articles 117 to 129 of the Consolidated Income Tax Act (T.U.I.R) of which IMMSI S.p.A. is the consolidating company, and to whom other IMMSI Group companies report to. The consolidating company determines a single global income equal to the algebraic sum of taxable amounts (income or loss) realised by individual companies that opt for this type of group taxation.
The consolidating company recognises a receivable from the consolidated company which is equal to the corporate tax to be paid on the taxable income transferred by the latter. Whereas, in the case of companies reporting tax losses, the consolidating company recognises a payable related to corporate tax on the portion of loss actually used to determine global overall income or calculated as a decrease of overall income for future tax periods, according to procedures in Article 84, based on the criterion established by the consolidation agreement.
Moreover, under the National Consolidated Tax Mechanism, companies may, pursuant to Article 96 of Presidential Decree 917/86, allocate the excess of interest payable which is not deductible to one of the companies so that, up to the excess of Gross Operating Income produced in the same tax period by other subjects party to the consolidation, the amount may be used to reduce the total income of the Group.

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

Piaggio & 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.

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

Transactions with Piaggio Group companies

The main intercompany relations with subsidiaries refer to the following transactions:

Piaggio & C. S.p.A.

- sells vehicles, spare parts and accessories to sell on respective markets, to:
  - Piaggio Hrvatska
  - Piaggio Hellas
  - Piaggio Group Americas
  - Piaggio Vehicles Private Limited
  - Piaggio Vietnam
  - Piaggio Concept Store Mantova

- sells components to:
  - Piaggio Vehicles Private Limited
  - Piaggio Vietnam

- grants licences for rights to use the brand and technological know how to:
  - Piaggio Vehicles Private Limited
  - Piaggio Vietnam

- provides support services for scooter and engine industrialisation to:
  - Piaggio Vehicles Private Limited
  - Piaggio Vietnam

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

- has cash pooling agreements with:
  - Piaggio France
  - Piaggio Deutschland
  - Piaggio España
  - Piaggio Vespa

- provides support services for staff functions to other Group companies;
- issues guarantees for the Group's subsidiaries, for medium-term loans.
- purchases vehicles, spare parts and accessories from:
  - Piaggio Vehicles Private Limited
  - Piaggio Vietnam

- receives a vehicle, spare parts and accessories distribution service on respective markets from:
  - Piaggio Hrvatska
  - Piaggio Hellas
  - Piaggio Group Americas
  - Piaggio Vehicles Private Limited
  - Piaggio Vietnam

- receives a sales promotion service and after-sales services on respective markets from:
  - Piaggio France
  - Piaggio Deutschland
  - Piaggio Limited
  - Piaggio España
  - Piaggio Vespa

- receives a components and vehicles design/development service and a local supplier scouting service from Foshan Piaggio Vehicles Technologies R&D;

- receives a vehicle and components research/design/development service from Piaggio Advanced Design Center;

- receives a racing team management service and vehicle design service from Aprilia Racing.

Relations between Piaggio & C. S.p.A. and JV Zongshen Piaggio Foshan Motorcycle Co. Ltd

Main intercompany relations between Piaggio & C S.p.A. 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..

Zongshen Piaggio Foshan Motorcycle Co. Ltd

- sells vehicles, spare parts and accessories, which it has manufactured in some cases, to Piaggio & C. S.p.A. for subsequent sale.

The table below summarises relations described above and financial relations with parent companies, subsidiaries and affiliated companies as of 31 December 2019 and relations during the year, as well as their overall impact on financial statement items.

IN THOUSANDS OF EUROS	REVENUES FROM SALES	COSTS FOR MATERIALS	COSTS FOR SERVICES, LEASES AND RENTALS	OTHER OPERATING INCOME	OTHER OPERATING COSTS	RESULT FROM EQUITY VALUATION POS/(NEG)	FINANCIAL INCOME	BORROWING COSTS	TAXES	FINANCIAL RECEIVABLES DUE AFTER THE YEAR	OTHER RECEIVABLES DUE AFTER THE YEAR	TRADE RECEIVABLES	OTHER RECEIVABLES DUE WITHIN THE YEAR	FINANCIAL RECEIVABLES DUE WITHIN THE YEAR	FINANCIAL PAYABLES FOR RIGHTS OF USE DUE AFTER THE YEAR	FINANCIAL PAYABLES FOR RIGHTS OF USE DUE WITHIN THE YEAR	TRADE PAYABLES	OTHER PAYABLES WITHIN THE YEAR
Aprilia Racing Srl	625	(115)	(16,198)	1,365		(1,154)	89					34	492	9,000			57	
Aprilia Brasil Industria S.A.																		
Fondazione Piaggio			(9)		(2)						81		0					9
Foshan Piaggio Vehicles Technology R&D Co. Ltd			(3,542)	469								5	460				1,325	
Immsi Audit			(755)	37									28				25	
IMMSI S.p.A.			(1,330)	50	(17)		21	(193)	5,589			23	12,410		4,423	1,409	323	
Is Molas S.p.A.			(86)														1	
Nacional Motor S.A.						(1,510)	29							250				
Omniaholding			(8)					(8)							156	75	15	
Piaggio Advanced Design Center Corporation			(692)			25											115	
Piaggio Asia Pacific Ltd				371									260				137	44
Piaggio Concept Store Mantova	1,754		(26)	142	(2)	(638)	14			289		1,759	103	146			57	
Piaggio Deutschland GMBH			(5,129)	166									125				583	1,029
Piaggio España SLU			(4,376)	82		566						3	609				943	715
Piaggio Fast Forward				5		(17,871)	1,267						107	3,011				
Piaggio France SAS			(6,554)	111									46				302	4,119
Piaggio Group Americas Inc.	35,966		(225)	979								2,267	392				89	
Piaggio Group Japan				84									48					
Piaggio Hellas S.A.	21,994		(53)	1,480								2,149	55				18	
Piaggio Hrvatska DOO	3,145		(3)	121								1,526	28				1	
Piaggio Limited			(2,645)	97									108				270	
Piaggio Vehicles Pvt. Ltd	1,335	(33,883)	(338)	22,502	(21)	34,530						662	20,327				5,914	
Piaggio Vespa B.V.			(2,700)	60	(500)	15,622						5	16,145				284	8,270
Piaggio Vietnam Co. Ltd	21,148	(54,825)	(100)	19,810		17,259						11,220	27,405				5,723	377
Pontedera & Tecnologia S.C.AR.L						13												
PT Piaggio Indonesia				860		9							280					102
Zongshen Piaggio Foshan Motorcycle Co. Ltd	172	(13,857)		313		698						963	1,313				5,268	
Piaggio China						267												
TOTAL	86,139	(102,680)	(44,769)	49,104	(542)	47,816	1,420	(201)	5,589	289	81	20,616	80,741	12,407	4,579	1,484	21,450	14,665
% of accounting item	10.0%	19.2%	26.1%	39.7%	3.7%	99.8%	85.9%	0.9%	N.A.	7.6%	1.3%	42.9%	91.1%	78.1%	0.0%	0.0%	7.0%	32.9%

45. Contract commitments and guarantees

Contract commitments of the Company are summarised based on their expiry.

IN THOUSANDS OF EUROS	IN 1 YEAR	BETWEEN 2 AND 5 YEARS	AFTER 5 YEARS	TOTAL
IAS 16 operating leases	2,215	558	1,657	4,430
Other commitments	2,826	938		3,764
Total	**5,041**	**1,496**	**1,657**	**8,194**

The main guarantees issued by banks on behalf of Piaggio & C. S.p.A in favour of third parties are listed below:

TYPE	AMOUNT €/000
A guarantee of Piaggio & C. for USD 11,000,000 relative to the working capital loan of USD 10,000,000 granted by Hongkong and Shanghai Banking Corporation to the subsidiary Piaggio Vietnam of which drawn of which undrawn	0 8,902
A guarantee of Piaggio & C. for USD 17,250,000 relative to the working capital loan of USD 15,000,000 granted by BNP Paribas to the subsidiary Piaggio Vietnam of which drawn of which undrawn	39 13,313
A guarantee of Piaggio & C. for the credit line of the loan granted by VietinBank to the subsidiary Piaggio Vietnam of which drawn of which undrawn	5,961 0
A guarantee of Piaggio & C. for USD 5,500,000 relative to the working capital loan of USD 5,000,000 granted by Hongkong and Shanghai Banking Corporation to the subsidiary Piaggio Indonesia of which drawn of which undrawn	4,451
A guarantee of Piaggio & C. for USD 6,000,000 relative to the working capital loan of USD 5,000,000 granted by ANZ to the subsidiary Piaggio Indonesia of which drawn of which undrawn	193 4,258
A warrant to grant credit of Piaggio & C. to guarantee the credit line from Intesa SanPaolo to the subsidiary Piaggio Group Americas for USD 19,000,000 of which drawn of which undrawn	3,739 712
A warrant to grant credit of Piaggio & C. to guarantee the credit line from Intesa SanPaolo to the subsidiary Piaggio Group Japan for USD 4,500,000 of which drawn of which undrawn	2,788 1,217

The main guarantees issued by banks on behalf of Piaggio & C. S.p.A in favour of third parties are listed below:

TYPE	IMPORTO €/000
A guarantee of BCC-Fornacette issued to Pisa Customs Authorities for handling Piaggio goods at the Pisana docks and at Livorno Port	200
Guarantee of BCC-Fornacette issued in favour of Poste Italiane – Rome to guarantee contract obligations for the supply of vehicles	1,321
Guarantee of BCC-Fornacette issued in favour of Motoride Spa to reimburse VAT following the deductible tax surplus	298
Guarantee of Banco di Brescia issued to the local authorities of Scorzè, to guarantee payment of urbanisation and construction charges relative to the Scorzè site	166
Guarantee of Banca Intesa SanPaolo issued to the Ministry of the Interior of Algeria, to guarantee contract obligations for the supply of vehicles	140
Guarantee of Banca Intesa SanPaolo issued to the Ministry of the Defence of Algeria, to guarantee contract obligations for the supply of vehicles	158
Guarantee of Banca Nazionale del Lavoro issued in favour of Poste Italiane – Rome to guarantee contract obligations for the supply of vehicles (5,000 tricycles)	475
Guarantee of Banca Nazionale del Lavoro issued in favour of Poste Italiane – Rome to guarantee contract obligations for the supply of vehicles	459

46. Disputes

For details of litigation, see the same section in the Notes to the Consolidated Financial Statements.

47. Grants, contributions, paid appointments and economic benefits from the public administration

In compliance with paragraph 125 of Law no. 124/2017 of 4 August 2017, details per project are given below of funds received during 2019, and revenues from sales to public administrations:

PROJECTS	FUNDING ENTITY	2019 FUNDS
FIGURES IN EURO		
C-MOBILE	EUROPEAN COMMISSION	52,202.07
SAFE-STRIP	EUROPEAN COMMISSION	21,125.00
eCAIMAN	EUROPEAN COMMISSION	121,431.18
RESOLVE	EUROPEAN COMMISSION	73,961.57
CENTAURO	ARTEA	143,233.25
FUTURE-RADAR	EUROPEAN COMMISSION	9,492.11
DRIVE2THEFUTURE	EUROPEAN COMMISSION	105,000.00
ADAMO	ARTEA	93,847.81
SAFE	INEA	12,563.00
Total		**632,855.99**

CUSTOMER	2019 REVENUES FROM SALES
FIGURES IN EURO	
Carabinieri	77,805.00
C.I.S.A.M. Centro Interforze Studi	14,980.00
Italian local authorities	379,428.85
Animal husbandry institute	11,175.50
Schools and Universities	20,160.25
Territorial government department	14,713.04
Local health authorities	2,000.00
Total	**520,262.64**

48. Significant non-recurring events and operations

No significant, non-recurring operations were recorded in 2019.
Instead, the following are reported for 2018:
- on 9 April 2018, the Company exercised the call option of the debenture loan issued by the Company on 24 December 2014 for a total amount of €/000 250,000 and maturing on 30 December 2021.
- On 9 May 2018, the remaining portion of this loan (equal to approximately €168,497 million) 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 2018:
- financial charges related to premiums paid to bond holders that did not take up the exchange offer and costs of the repaid loan not yet amortised (€3,530 thousand);
- financial income (net of costs from the exchange of outstanding securities), from the operation to change the original liability with a new bond issued at more favourable conditions for the issuer (€4,431 thousand).

This transaction came under significant non-recurrent transactions, as defined by Consob Communication no. DEM/6064293 of 28 July 2006.

49. Transactions arising from atypical and/or unusual transactions

During 2019 and 2018, the Company 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.

50. Events occurring after the end of the period

After 31 December 2019 and up until the date of approval of these financial statements, no event occurred having a significant impact on financial performance and position, as determined by paragraph 9 of IAS 10.

However, at the end of the reporting period, a factor of macroeconomic instability came to light, related to the spread of Covid 19 (Coronavirus) which, in the first few weeks of 2020 initially affected the economy in China and then in other countries. This factor could also have a considerable impact on global prospects for future growth, affecting the general macro-economic scenario and financial and property markets, also in light of decisions taken by government authorities to contain the spread of the epidemic.

This factor refers to an event which occurred after the reporting period, which does not therefore require adjustments to be made to the financial statement balances pursuant to paragraphs 21 and 22 of IAS 10. This is because even though the Coronavirus occurred in the People's Republic of China close to the end of the reporting period, it was only at the end of January 2020 that the World Health Organisation declared an international emergency, and it was only from late January 2020 when cases in other countries were also diagnosed, leading to specific decisions being taken in China as well as in other nations.
On 21 February 2020, the authorities of the Region of Lombardy and Veneto ordered the lockdown of some towns and adopted containing measures.

At present, following assessments made based on available information, and as it is not possible to determine, with a sufficient degree of reliability, the impacts that may affect the economy and reference sector in the first quarter of 2020 and following months - also in view of the possibility that this emergency may pass in coming months as a result of the containment measures taken by governments, competent authorities as well as the central banks of countries affected by the spread of the virus - it is considered that this circumstance does not constitute an element that may impact the estimate process with reference to the financial statements at 31 December 2019.
The Company is managing the effects on its supply chain without any particular impact on production sites and also on its own distribution chain, continuing to operate to consolidate its positioning on global markets.

51. Proposal to allocate profit

The Financial Statements as of 31 December 2019 record a profit for the period equal to €46,210,954.66.
The Board of Directors of Piaggio & C S.p.A. proposes allocating profit as follows:
- €2,310,547.73 to the legal reserve;
- €5,330,867.93 to the reserve from the measurement of investments with the equity method
- €38,569,539.00 to shareholders as a dividend, of which €19,650,390.43 as prepayment already paid.

Moreover, considering the reserves available in the financial statements for €5,562,741.94 net of development costs - pursuant to Article 2426 no. 5 of the Civil Code - and purchases of treasury shares made by the Company, as well as the prospects of the Group, the Board propose to distribute a dividend equal to Euro 0.11, gross of taxes, per ordinary share having the right to it for a maximum total of €39,299,405.86 allocated as follow: (i) Euro 729,866.86 of the retained earnings reserve; and (ii) Euro 38,569,539.00 of the net residual profit of 2019 following the allocations to the legal reserve and to the reserve for equity-accounted investees.
Moreover, on 25 September 2019, the company paid an interim dividend equal to €0.055, with coupon detachment date of 23 September 2019 and payment date of 25 September 2019, the Board proposes paying, as the balance of the interim payment already made, a dividend equal to €0.055 for each entitled ordinary share, for a maximum total of €19,649,015.43 deducted from the profit of the year, with detachment date of coupon no. 14 on 20 April 2020, the record date coinciding with 21 April 2020 and payment date of 22 April 2020.

52. Authorisation for publication

This document was published on 25 March 2020 authorised by the Chairman and Chief Executive Officer.

Mantova, 26 February 2020

for the Board of Directors

Chairman and Chief Executive Officer
Roberto Colaninno

ATTACHMENTS

Piaggio Group companies

Reference is made to attachments to the Consolidated Financial Statements.

Information pursuant to Article 149-duodiecies of the Consob Regulation on Issuers

This statement, prepared pursuant to Article 149 duodecies of the Consob Regulation on Issuers, indicates the fees for 2019 paid for auditing services and services other than auditing services provided by the independent auditors and entities of its network.

TYPE OF SERVICE	SUBJECT PROVIDING THE SERVICE	FEES FOR 2019
FIGURES IN EURO		
Auditing services	PWC	369,314
Auditing services for the NFS and CSR Report	PWC	54,000
Certification services	PWC	50,000
Other services	PWC	233,000
Total		**706,314**

Information on company management and coordination activities

The Company is subject to the management and coordination of IMMSI S.p.A..
Pursuant to Article 2497-bis, section 4 of the Italian Civil Code, main data of the last financial statements of the parent company IMMSI S.p.A, with registered office in Mantova (MN), Piazza Vilfredo Pareto 3 – tax code 07918540019, for the year ended 31 December 2018, are summarised below. The above essential data were taken from the Financial Statements for the year ended 31 December 2018. To fully understand the financial position of IMMSI S.p.A as of 31 December 2018, as well as the financial performance of the company in the year ending at this date, reference is made to the financial statements, and the report of the independent auditors, available in the forms and according to procedures established by law.

INCOME STATEMENT

IN THOUSANDS OF EUROS		2018	2017
Financial income		27,126	29,939
	Of which related parties and intergroup	*27,030*	*25,017*
Borrowing costs		(19,768)	(25,685)
	Of which related parties and intergroup	*(9,540)*	*(15,040)*
Income/(loss) from investments			-
Operating income		4,516	4,452
	Of which related parties and intergroup	*2,358*	*2,356*
Costs for materials		(29)	(37)
Costs for services, leases and rentals		(3,521)	(3,615)
	Of which related parties and intergroup	*(384)*	*(428)*
Employee costs		(1,137)	(1,104)
Depreciation of plant, property and equipment		(50)	(67)
Amortisation of goodwill			
Amortisation of intangible assets with a definite life			
Other operating income		217	114
	Of which related parties and intergroup	*85*	*83*
Other operating costs		(752)	(778)
Profit before tax		**6,602**	**3,219**
Taxes		143	(175)
	Of which related parties and intergroup	-	-
Profit after taxes from continuing operations		**6,746**	**3,044**
Profit or loss arising from assets held for disposal or sale		-	-
Net profit for the period		**6,746**	**3,044**

STATEMENT OF COMPREHENSIVE INCOME

IN THOUSANDS OF EUROS	2018	2017
Net profit for the period	**6,746**	**3,044**
Items that may be reclassified to profit or loss:		
Effective portion of profit (losses) from instruments to hedge cash flows	130	221
Items that will not be reclassified in the income statement:		
Gains (losses) from the fair value measurement of financial assets	(1,591)	(18,057)
Actuarial gains (losses) relative to defined benefit plans	9	9
Total profit (loss) for the period	**5,294**	**(14,782)**

STATEMENT OF FINANCIAL POSITION

IN THOUSANDS OF EUROS		AS OF 31 DECEMBER 2018	AS OF 31 DECEMBER 2017
NON-CURRENT ASSETS			
Intangible assets			-
Plant, property and equipment		238	68
Investment Property		74,650	74,114
Investments in subsidiaries and associates		307,331	310,331
Other financial assets		260,580	-
	Of which related parties and intergroup	*260,580*	
Tax receivables		-	-
Deferred tax assets		-	-
Trade receivables and other receivables		12,726	6
	Of which related parties and intergroup	*12,720*	
Total non-current assets		**655,525**	**384,519**
ASSETS HELD FOR DISPOSAL			
CURRENT ASSETS			
Trade receivables and other receivables		8,647	26,770
	Of which related parties and intergroup	*8,386*	*26,350*
Tax receivables		268	191
Inventories		-	-
Works in progress to order		-	-
Other financial assets		2,767	239,261
	Of which related parties and intergroup	-	*234,916*
Cash and cash equivalents		2,865	5,281
Total current assets		**14,547**	**271,503**
Total assets		**670,072**	**656,022**
SHAREHOLDERS' EQUITY			
Share capital		178,464	178,464
Reserves and retained earnings		176,073	174,481
Net profit for the period		6,746	3,044
Total shareholders' equity		**361,283**	**355,989**
NON-CURRENT LIABILITIES			
Financial liabilities		-	102,017
Trade payables and other payables		162	208
Retirement fund and similar obligations		333	318
Other long-term provisions		-	-
Deferred tax assets/liabilities		19,447	19,375
Total non-current liabilities		**19,942**	**121,918**
LIABILITIES RELATED TO ASSETS HELD FOR DISPOSAL		**-**	**-**
CURRENT LIABILITIES			
Financial liabilities		282,689	175,101
Trade payables		2,118	1,450
	Of which related parties and intergroup	*605*	*442*
Current taxes		576	522
Other payables		3,463	1,042
	Of which related parties and intergroup	*2,002*	*2*
Current portion of other long-term provisions		-	-
Total current liabilities		**288,847**	**178,115**
Total Shareholders' Equity and Liabilities		**670,072**	**656,022**

CERTIFICATION OF THE FINANCIAL STATEMENTS PURSUANT TO ARTICLE 154-BIS OF LEGISLATIVE DECREE 58/98

1. The undersigned Roberto Colaninno (Chairman and Chief Executive Officer) and Alessandra Simonotto (Appointed Executive) of Piaggio & C. S.p.A. hereby certify, also in consideration of article 154-bis, sections 3 and 4, of Legislative Decree no. 58 of 24 February 1998:
   - the appropriateness with regard to the company's characteristics and
   - the actual application of administrative and accounting procedures for the formation of the Separate Financial Statements as of 31 December 2019.
2. With regard to the above, no relevant aspects are to be reported.

3. Moreover

   3.1 the financial statements:

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

   b. correspond to accounting records;

   c. give a true and fair view of the statement of financial position and results of operations of the Issuer;

   3.2 The Report on Operations includes reliable analysis of the trend of operations and operating results, as well as the situation of the Issuer and a description of main risks and uncertainties to which they are exposed.

Date: 26 February 2020

Chairman and Chief Executive Officer **Executive in charge**

REPORT OF THE INDEPENDENT AUDITORS ON THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

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Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the shareholders of
Piaggio & C. SpA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Piaggio & C. SpA (the Company), which comprise the statement of financial position as of 31 December 2019, the income statement, statement of comprehensive income, statement of changes in shareholders' equity, statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2019, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of this report. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 0805640211 - **Bergamo** 24121 Largo Belotti 5 Tel. 035229691 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25121 Viale Duca d'Aosta 28 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 01029041 - **Napoli** 80121 Via dei Mille 16 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332285039 - **Verona** 37135 Via Francia 21/C Tel. 0458263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444393311

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we do not provide a separate opinion on these matters.

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Verification of the capitalisation criteria related to investments in development costs, industrial patent and intellectual property rights *Note C15) to the financial statements "Intangible assets"* During the financial year 2019, the Company made investments amounting to Euro 77.4 million, mainly in relation to the study of new vehicles and new engines which will feature as the future products in the 2019-2021 range. The net book value at 31 December 2019 of development costs and industrial patent rights amounted to Euro 169.1 million, equal to approximately 13 per cent of total assets. Given the size of the annual investments and the high degree of professional judgement required to verify the compliance with the requirements of the international accounting standard "IAS 38 – Intangible Assets" adopted by the European Union, we considered it necessary to focus on this specific financial statement area. Management's main estimates relate to the technical feasibility and the availability of adequate resources, including financial resources, to complete the product being developed, the intention to complete the product for sale, as well as the verification of the existence of future cash flows from the sale of the product that are adequate to support the future recoverability of the costs capitalised and recorded in the financial statements.	We obtained an understanding of and evaluated the procedure adopted by Piaggio for capitalising development costs, industrial patent and intellectual property rights. We then obtained details of the costs capitalised by project, and analysed, on a sample basis, the increases and decreases during the year with particular attention to the compliance with the requirements of international accounting standard "IAS 38 – Intangible Assets" adopted by the European Union for the capitalisation of internally generated intangible assets. Our procedures also included discussions with management aimed at understanding the characteristics of the various projects. We also verified, on a sample basis, the estimated future cash flows and management's subsequent monitoring of the estimated future cash flows, which occurs at least once a year.
Assessment of the recoverability of goodwill *Note C15) to the financial statements "Intangible assets"* Goodwill which amounted to Euro 369 million as of 31 December 2019, is considered a significant	

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Key Audit Matters	*Auditing procedures performed in response to key audit matters*
item, equal to approximately 28 per cent of total assets.	
Given the complex valuation processes in respect of a number of variables and the high degree of professional judgement required for this financial statement area, we paid special attention to management's estimates relating to the recoverability of the goodwill recognised in the financial statements in accordance with international accounting standard "IAS 36 – Impairment of Assets" adopted by the European Union. Management calculated the present value of expected future cash flows to determine the recoverable amount of each cash generating unit identified, to which goodwill was allocated, to be compared with the carrying amount of assets and liabilities attributed to respective cash generating unit. In this respect, the main activities carried out by management were related to the estimate of the expected future cash flows, the methods used to calculate the discount rate and the steady growth rate of the financial cash flows beyond the reference time period.	We obtained an understanding of and evaluated the estimates made by management with regard to the expected cash flows over a four-year period, inferred from budget data for 2020 and supplemented by forecast data for 2021-2023 (the "Plan"). As part of this process we examined sector studies and reviews. Furthermore, with the support of PwC network experts, we retraced the methods used to calculate the discount rate and the steady growth rate of financial cash flows beyond the time period of the Plan approved by management. The analysis was specifically focused on the cash generating units identified by management, verifying also the correct determination of the carrying amount of assets and liabilities attributed to the each single cash generating unit. With the support of PwC network experts, we conducted sensitivity analyses in relation to the significant assumptions adopted by the Company's management in order to determine whether there was any impairment of goodwill. Finally, we verified the information included in the explanatory notes to the separate financial statements as of 31 December 2019.
Assessment of the recoverability of deferred tax assets *Note C19) to the financial statements "Deferred tax assets"*	
Deferred tax assets in the separate financial statements of Piaggio & C. SpA as of 31 December 2019 amounted to Euro 44,8 million and primarily related to the temporary differences mainly due to provisions, as well as prior years tax losses. Piaggio & C. SpA joined the National Consolidated Tax Convention of the IMMSI	Our audit procedures consisted of assessing the reasonableness of the estimates made by management in forecasting the future taxable profit of Piaggio & C. SpA, included in the plan approved by the Board of Directors on 24 February 2020. These activities were carried out with the involvement of PwC network experts.

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Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Group, whose consolidating entity is IMMSI SpA. In addition to the future results expected by Piaggio & C. SpA, the recoverability of deferred tax assets also depends on the results of all companies that are part of the National Consolidated Tax Convention of the IMMSI Group. Assessing the recoverability of deferred tax assets is a key audit matter given the significance of the amounts and the complexity of the valuation process which requires significant accounting estimates to be made by the management of Piaggio & C. SpA and of the IMMSI Group, with the objective of forecasting the future taxable results of all companies that are part of the National Consolidated Tax Convention of the IMMSI Group.	We also obtained the findings of the work performed by the Group auditor on the parent company IMMSI SpA in respect of the recoverability of deferred tax assets of all companies included in the National Consolidated Tax Convention of the IMMSI Group.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Company's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No 537/2014

On 13 April 2012, the shareholders of Piaggio & C. SpA in general meeting engaged us to perform the statutory audit of the Company's and consolidated financial statements for the years ending 31 December 2012 to 31 December 2020.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the board of statutory auditors, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

The directors of Piaggio & C. SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of Piaggio & C. SpA as of 31 December 2019, including their consistency with the relevant financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the financial statements of Piaggio & C. SpA as of 31 December 2019 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the financial statements of Piaggio & C. SpA as of 31 December 2019 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Florence, 24 March 2020

PricewaterhouseCoopers SpA

Signed by

Francesco Forzoni
(Partner)

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

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REPORT OF THE BOARD OF STATUTORY AUDITORS ON THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

Translation from the Italian original.

REPORT by the BOARD OF STATUTORY AUDITORS
on the FINANCIAL STATEMENTS as at 31 December 2019

To the Shareholders,

In this report – drawn up in accordance with article 153 of Legislative Decree no. 58/1998 and the second paragraph of article 2429 of the Italian Civil Code − the Board of Statutory Auditors of Piaggio & C. SpA describes the work and checks that it carried out in the financial year ended 31 December 2019, in compliance with the relevant legislation, and the rules of conduct recommended by the *Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili* (National Council of Professional Accountants).

1. The work of the Board of Statutory Auditors

In 2019 the Board of Statutory Auditors carried out its statutory duties in compliance with the rules of the Italian Civil Code, Legislative Decree no. 39/2010, as amended by Legislative Decree no. 135/2016, Legislative Decree no. 58/1998 (the Consolidated Law on Finance or "TUF"), the company's articles of association, and the rules issued by public regulatory authorities, also taking into account the rules of conduct recommended by the *Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili* (National Council of Professional Accountants).

Over the course of the year, the Board of Statutory Auditors held nine meetings, five of which with the Control and Risk Committee.

The Board also attended all the meetings of the Board of Directors.

The Chair of the Board of Statutory Auditors, or another member of the Board, attended the meetings of the Control and Risk Committee.

The head of Internal Audit also attended the meetings of the Board of Statutory Auditors, as a permanent guest, to ensure continuous interfacing with the third-level control function.

2. Significant transactions during the year

In the course of its supervisory work, the Board of Statutory Auditors periodically obtained from the company's directors, also by attending their board meetings, information on the activities and most important business, economic and financial transactions approved and implemented by the company and its subsidiaries, also pursuant to article 150(1) of the TUF.

The Board of Statutory Auditors also checked whether there were any significant non-recurring transactions, as defined in CONSOB Communication no. DEM/6064293 of 28 July 2006, noting that in 2019 there were no such transactions.

3. Checks

3.1 – Checking of compliance with the law, the articles of association, and the Code of Practice for the Self-Regulation of the Committee of Corporate Governance of Listed Companies

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Translation from the Italian original.

Based on the information gathered in the course of its work, the Board of Statutory Auditors did not discover any transactions that were not compliant with the principles of sound governance, not approved and implemented in compliance with the law and the company's articles of association, not in the company's interests, or not in line with the resolutions adopted by the shareholders' meeting, or any transactions that were manifestly imprudent, risky or such as to compromise the integrity of the company's equity value.

The Board of Statutory Auditors was not aware of any transactions involving a potential conflict of interest.

The Board of Statutory Auditors checked that the procedure governing business with related parties was compliant with the rules of law and was properly followed.

In particular, in accordance with that procedure, the Chair and/or other statutory auditors attended meetings of the Control and Risk Committee to discuss transactions with related parties; the Board received periodic information about the trends in this area.

The Board of Statutory Auditors judged that the Board of Directors, in its report and in the notes on the financial statements, had provided adequate information about transactions with related parties, taking account of the rules in force. So far as the Board of Statutory Auditors is aware, no intercompany transactions in 2019 were in conflict with the company's interests.

In 2019, there were no atypical or unusual transactions. The most significant ordinary transactions were prudent, did not conflict with the resolutions adopted by the shareholders' meeting, and were not such as to harm the company's equity value.

The Board of Statutory Auditors, noting that Piaggio & C. SpA had adopted the Code of Practice for the Self-Regulation of the Committee of Corporate Governance of Listed Companies, checked that its members satisfied the independence criteria, and that the criteria and procedures adopted by the Committee to evaluate the independence of directors had been correctly applied.

3.2 – Checking of the adequacy of the internal control system and the systems for managing risk and the organisational framework

The Board of Statutory Auditors checked the adequacy of the internal control system and risk management system by:

- holding meetings with the company's management;
- holding periodic meetings with the control functions – Internal Audit, Risk Management and the *Dirigente Preposto* (the manager in charge of preparing the company's financial reports) – in order to evaluate their planning methods, based on identification and evaluation of the main risks involved in the processes and associated with the organisational units;
- examining the periodic reports by the control functions and periodic information on the outcome of monitoring;
- gathering information from those in charge of the functions;
- discussing the results of the audit firm's work;
- participating in the work of the Control and Risk Committee and, when the issues required this, discussing them with the Committee;
- meeting the subsidiary's supervisory bodies.

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Translation from the Italian original.

3.3 – Checking of the administrative and accounting system and the process of reporting financial and other information

The Board of Statutory Auditors, in its capacity as the Internal Control and Audit Committee, also following the changes made to the Italian system by Legislative Decree no. 135/2016, monitored the process and checked the efficacy of the internal control and risk management systems in respect of financial reporting.

The Board of Statutory Auditors periodically met the *Dirigente Preposto* to exchange information on the administrative and accounting system, and on its reliability to give a true picture of transactions.

In the course of these meetings, the *Dirigente Preposto* did not report any shortcomings in the operating and control processes that could alter the view that the administrative and accounting procedures are adequate and actually applied.

The Board of Statutory Auditors examined the *Dirigente Preposto*'s report on the financial statements for 2019, which sets out the results of the tests on the controls, the main issues detected in light of the relevant rules of law and methodologies, and the appropriate remedies.

The Board of Statutory Auditors also noted the statements issued on 26 February 2020 by the Managing Director and the *Dirigente Preposto*, pursuant to article 154-*bis* of the TUF and article 81-*ter* of CONSOB Regulation no. 11971/1999. According to these statements, there are no shortcomings that could alter the view that the administrative and accounting procedures are adequate.

The Board of Statutory Auditors also took note of the checks carried out by the *Dirigente Preposto* with regard to the consolidated subsidiaries; no critical issues emerged from these.

The audit firm, PricewaterhouseCoopers S.p.A, in the course of periodic meetings and in light of its Supplementary Report – required by article 11 of Regulation (EU) No 537/2014 and issued on 24 March 2019 – did not inform the Board of Statutory Auditors of any critical issues that could affect the internal control system in relation to administrative and accounting procedures; nor did it ever mention any reprehensible facts or irregularities to be reported in compliance with article 155(2) of the TUF.

The Board of Directors drew up, in compliance with the law, Piaggio Group's consolidated financial statements for the year ended 31 December 2019. These were audited by the audit firm PricewaterhouseCoopers S.p.A. As required by the rules of conduct issued by the *Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili* (National Council of Professional Accountants), the Board of Statutory Auditors verified that the procedures governing the preparation and layout of the financial statements and directors' reports were followed.

In light of the above, there is nothing that leads the Board of Statutory Auditors to believe that the business was not run in compliance with the principles of sound governance or that the organisational framework, system of internal controls and accounting and administrative apparatus were not, as a whole, suited to the needs and size of the company.

The company has prepared a Non-Financial Statement ("NFS"): an obligation introduced by Legislative Decree no. 254/2016 for financial years starting on or after 1 January 2017. These rules were supplemented by the "Regulation Implementing Legislative Decree no. 254 of 30 December 2016, published on 18 January 2018 by CONSOB in the form of Resolution no. 20267.

Translation from the Italian original.

The company has prepared the NFS, as a section in the directors' report, on a consolidated basis and the Board of Statutory Auditors, in compliance with article 3(7) of Legislative Decree no. 254/2016, has verified – also in light of the audit firm's own report pursuant to article 3(10) of Legislative Decree no. 254/2016, issued on 24 March 2020 – that the NFS is complete and is compliant with the rules of law and NFS drafting criteria. The Board did not discover anything that needs to be mentioned in this report.

3.4 – Checking in accordance with Legislative Decree no. 39/2010

The Board of Statutory Auditors, in its capacity as the Internal Control and Audit Committee, checked the work of the audit firm, in compliance with article 19 of Legislative Decree no. 39/2010, as recast.

Following the so-called "Barnier Reform" and the ensuing new domestic legal framework introduced by Regulation (EU) No 537 of 16 April 2014 and Legislative Decree no. 135 of 17 July 2016, which has recast Legislative Decree no. 39/2010, the Board of Statutory Auditors has undergone appropriate training in this respect.

Moreover, at the invitation of the Board of Statutory Auditors, the company has drawn up adequate procedures for checking the payments made to the audit firm in accordance with the Barnier Reform.

As already mentioned, during the year, the Board of Statutory Auditors met the audit firm PricewaterhouseCoopers S.p.A. several times, pursuant to article 150 of the TUF, in order to exchange information about the work performed in the course of their respective duties.

The audit firm:

- issued on 24 March 2020 – in accordance with article 14 of Legislative Decree no. 39/2010 and article 10 of Regulation (EU) No 537 of 16 April 2014 – its audit reports, from which it emerges that the individual and consolidated financial statements, for the year ended 31 December 2019, were drawn up clearly and give a true and fair view of the assets and liabilities, financial position, profitability and cash flow of Piaggio & C. S.p.A. and its group. These reports also certify that the directors' report on the individual and consolidated financial statements for the year ended 31 December 2019 and the information given in the "Report on governance and ownership structures" are consistent with the individual and consolidated financial statements for the year ended 31 December 2019. The audit firm did not discover any material errors in the information.

The audit firm submitted to the Board of Statutory Auditors, again on 24 March 2019 [*sic*], the Supplementary Report required in accordance with article 11 of Regulation (EU) No 537/2014. The Board of Statutory Auditors will bring the Supplementary Report to the attention of the next Board of Directors' meeting.

In relation to the financial reporting process, the Supplementary Report does not indicate any significant shortcomings in the internal control system that deserve to be brought to the attention of those responsible for governance.

In its Supplementary Report to the Board of Statutory Auditors, the Audit Firm made the statement on its independence required by article 6 of Regulation (EU) No 537/2014; there was nothing in this statement to indicate any situations that could compromise its independence.

Translation from the Italian original.

Moreover, the Board of Statutory Auditors took note of the Report on Transparency drawn up by the audit firm and published on its website in accordance with article 18 of Legislative Decree no. 39/2010.

Finally, as already mentioned, the Board of Statutory Auditors examined the content of PricewaterhouseCoopers S.p.A.'s report on the NFS, issued in accordance with article 3(10) of Legislative Decree no. 254/2016 on 15 March 2018 [*sic*].

The Board of Statutory Auditors reports that in 2019, in addition to the auditing of the individual and consolidated financial statements and the financial statements of the company's subsidiaries, PricewaterhouseCoopers and its network were entrusted with the following work, with the approval of the Board of Statutory Auditors.

EUR	**Service provider**	**Client**	**Fee for 2019**
Auditing	PWC	Parent company Piaggio & C	369,314
	PWC	Subsidiaries	148,571
	PWC network	Subsidiaries	394,332
NFS and CSR auditing	PWC	Parent company Piaggio & C	54,000
Certification services	PWC	Parent company Piaggio & C	50,000
	PWC network	Subsidiaries	65,513
Other services	PWC	Parent company Piaggio & C	233,000
Total			**1,314,730**

The audit firm also confirmed that, over the course of the year, as there were no grounds for doing so, it did not issue any other opinions required by law.

3.5 – Dealings with the Supervisory Board

As recommended by the rules of conduct issued by the *Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili* (National Council of Professional Accountants), in 2019 the Board of Statutory Auditors obtained all useful information from the Supervisory Board in order to verify that it had the necessary level of autonomy, independence and expertise to carry out its duties effectively.

The Board of Statutory Auditors also gathered information from the Supervisory Board about the adequacy, working and actual implementation of the Organisational Model adopted by the company.

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Translation from the Italian original.

The Supervisory Board reported on the work it carried out in the course of the year ended 31 December 2019, without flagging up any particular issues, and describing a situation basically in line with that required by the Organisational and Management Model referred to in Legislative Decree no. 231/2001.

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Apart from the facts that it has already described above, the Board of Statutory Auditors is not aware of anything to be reported to the shareholders' meeting.

During the year the Board received no complaints from the shareholders under article 2408 of the Italian Civil Code.

In the course of its work, and on the basis of the information gathered, the Board of Statutory Auditors has not discovered any omissions, reprehensible facts, irregularities or significant circumstances that need to be reported to the regulatory authorities or mentioned in this report.

In conclusion, the Board of Statutory Auditors – taking into account the specific duties of the audit firm when auditing the accounts and when verifying the reliability of the individual financial statements, the fact that the audit firm has issued an unqualified opinion, and the statements issued pursuant to article 154-*bis* of Legislative Decree no. 58/1998 by the *Dirigente Preposto* – has no further comments that it wishes to make to the shareholders' meeting, pursuant to article 153 of the TUF, about the approval of the financial statements for the year ended 31 December 2019, as accompanied by the directors' report and as presented by the Board of Directors. Therefore it has no objection to the approval of the financial statements, the proposed allocation of the year's profit, and the distribution of dividends.

Milan, 24 March 2019

For the Board of Statutory
Auditors
The Chair

Piera Vitali

[*Signed*]

We would like to thank all colleagues for their valuable help
in preparing this document.

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

Disclaimer

This Financial Report as of 31 December 2019 has been translated into English solely for the convenience of the international reader. In the event of conflict or inconsistency between the terms used in the Italian version of the report and the English version, the Italian version shall prevail, as the Italian version constitutes the sole official document.

Management and Coordination
IMMSI S.p.A.
Share capital €207,613,944.37, fully paid up
Registered office: Viale R. Piaggio 25, Pontedera (Pisa)
Pisa Register of Companies and Tax Code 04773200011
Pisa Economic and Administrative Index no. 134077