PIAGGIO GROUP

Half-year
Financial Report 2016

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INTERIM DIRECTORS' REPORT


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Introduction

This Half-year Financial Report as of 30 June 2016 was drafted in compliance with Italian Legislative Decree no. 58/1998 as amended, as well as the Consob Regulation on Issuers. This Half-year Financial Report has been prepared in compliance with International Financial Reporting Standards (« IFRS ») issued by the International Accounting Standards Board (« IASB ») and approved by the European Union and in accordance with IAS 34 – Interim Financial Reporting.

Mission

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

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

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

Key operating and financial data

	1st half		
	2016	2015	2015
In millions of euros			
Data on financial position			
Net revenues	706.5	693.9	1,295.3
Gross industrial margin	216.4	204.4	374.4
Operating income	47.8	42.9	56.7
Profit before tax	30.0	24.6	20.1
Net profit	18.0	14.8	11.9
.Non-controlling interests			
.Group	*18.0*	*14.8*	*11.9*
Data on financial performance			
Net capital employed (NCE)	873.1	945.1	902.4
Net debt	(479.9)	(535.3)	(498.1)
Shareholders' equity	393.2	409.8	404.3
Balance sheet figures and financial ratios			
Gross margin as a percentage of net revenues (%)	30.6%	29.5%	28.9%
Net profit as a percentage of net revenues (%)	2.5%	2.1%	0.9%
ROS (Operating income/net revenues)	6.8%	6.2%	4.4%
ROE (Net profit/shareholders' equity)	4.6%	3.6%	2.9%
ROI (Operating income/NCE)	5.5%	4.6%	6.3%
EBITDA	101.5	95.1	161.8
EBITDA/net revenues (%)	14.4%	13.7%	12.5%
Other information			
Sales volumes (unit/000)	276.7	269.6	519.7
Investments in property, plant and equipment and intangible assets	47.0	43.5	101.9
Research and Development[1]	35.1	37.5	46.8
Employees at the end of the period (number)	7,025	7,675	7,053

1_ The item Research and Development includes investments for the period recognised in the statement of financial position and costs recognised in profit and loss.

Results by operating segments

		EMEA and AMERICAS	INDIA	ASIA PACIFIC 2W	TOTAL
Sales volumes (units/000)	1st half of 2016	137.6	101.7	37.5	**276.7**
	1st half of 2015	128.7	101.4	39.5	**269.6**
	Change	8.9	0.2	(2.0)	**7.1**
	Change %	6.9%	0.2%	-5.2%	**2.6%**
Turnover (million euros)	1st half of 2016	456.4	165.0	85.1	**706.5**
	1st half of 2015	433.5	169.8	90.5	**693.9**
	Change	22.9	(4.8)	(5.4)	**12.6**
	Change %	5.3%	-2.8%	-6.0%	**1.8%**
Average number of staff (no.)	1st half of 2016	3,855.3	2,274.7	874.5	**7,004.5**
	1st half of 2015	3,979.0	2,911.0	879.2	**7,769.2**
	Change	(123.7)	(636.3)	(4.7)	**(764.7)**
	Change %	-3.1%	-21.9%	-0.5%	**-9.8%**
Investments in property, plant and equipment and intangible assets (million euros)	1st half of 2016	36.6	5.9	4.5	**47.0**
	1st half of 2015	34.9	2.9	5.7	**43.5**
	Change	1.7	3.0	(1.2)	**3.5**
	Change %	4.9%	103.6%	-21.8%	**8.0%**
Research and Development[2] (million euros)	1st half of 2016	28.9	3.7	2.5	**35.1**
	1st half of 2015	33.6	2.3	1.6	**37.5**
	Change	(4.7)	1.3	1.0	**(2.4)**
	Change %	-14.1%	57.6%	62.4%	**-6.5%**

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


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Charleston
PIZZERIA
ENOTECA

The Piaggio Group

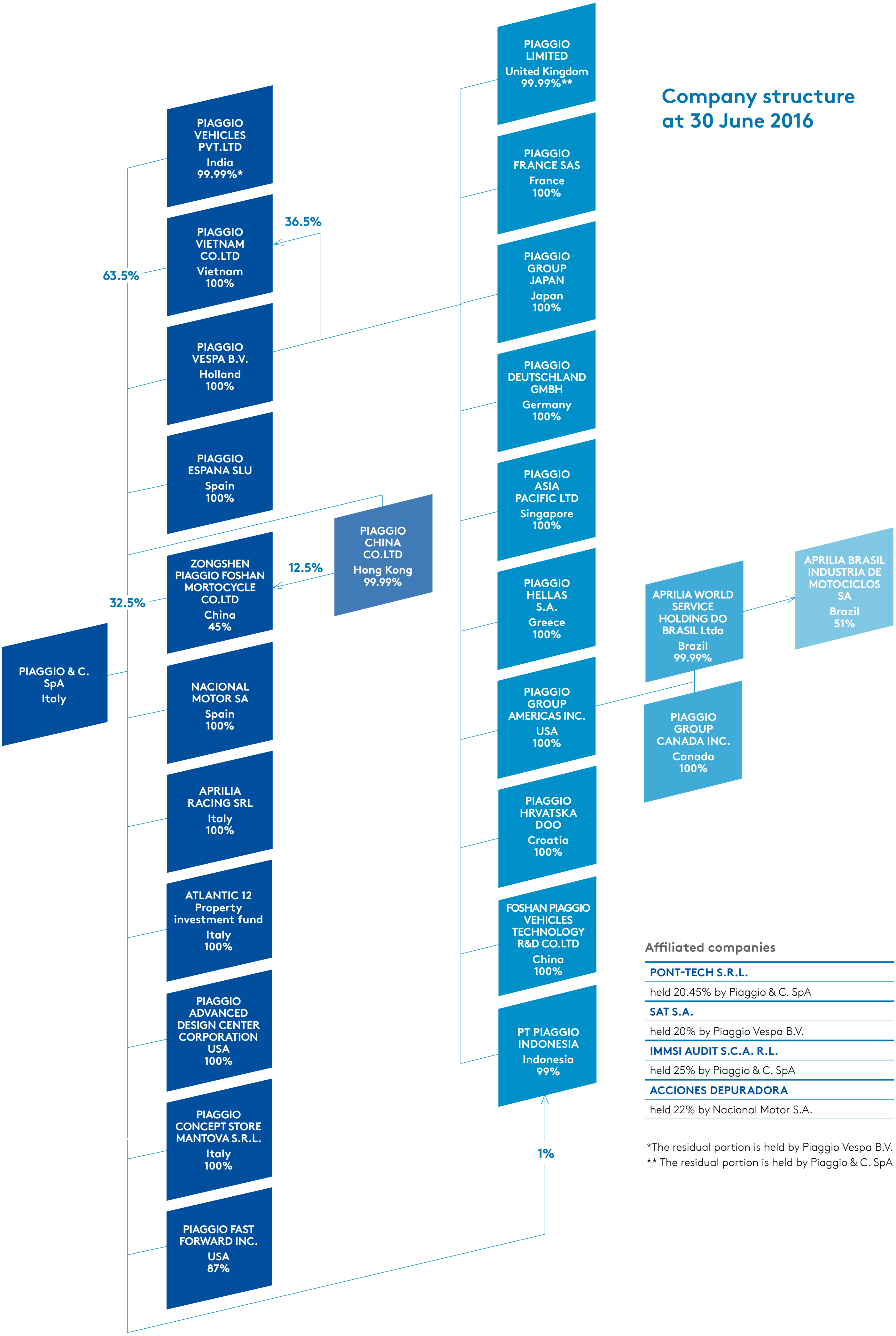
The Piaggio Group is Europe's largest manufacturer of two-wheeler motor vehicles and an international leader in its field. The Group is also a major player worldwide in the commercial vehicles market.

The Piaggio Group product range includes scooters, mopeds and motorcycles from 50cc to 1,400cc marketed under the Piaggio, Vespa, Gilera, Aprilia, Moto Guzzi, Derbi and Scarabeo brands. The Group also operates in the three- and four-wheeler light transport sector with its Ape, Porter and Quargo ranges of commercial vehicles.

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** which in just over twenty years has made a name for itself as one of the most successful manufacturers taking part in the world speed and superbike championships.

The Group, with headquarters in Pontedera (Pisa, Italy), operates at an international level through production sites located in Pontedera, which manufactures two-wheeler vehicles under the Piaggio, Vespa and Gilera brands, vehicles for light transport for the European market and engines for scooters and motorcycles; in Noale (Venice) with a technical centre for the development of motorcycles for the entire Group and the headquarters of Aprilia Racing; in Scorzè (Venice), which manufactures Aprilia, Scarabeo and Derbi two-wheelers, and Piaggio Wi-Bikes; in Mandello del Lario (Lecco), which manufactures Moto Guzzi vehicles and engines; in Baramati (in the Indian state of Maharashtra), which manufactures three- and four-wheeler light transport vehicles for the Indian market and exports, the Vespa for the Indian market and engines for the Group's commercial vehicles; in Vinh Phuc (Vietnam), which manufactures scooters and engines for the local market and Asean area. The Piaggio Group is also a 45% stakeholder in a joint-venture operation in China (in Foshan, in the Guangdong province) which is therefore consolidated with the equity method in the Group's results. In the US, the Piaggio Group Advanced Design Center operates at Pasadena, California. In addition, Piaggio Fast Forward Inc. was set up in Cambridge, Massachusetts in June 2015, a subsidiary of Piaggio & C. S.p.A., for research into innovative solutions in the mobility and transport sector.

Company structure at 30 June 2016



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
ACCIONES DEPURADORA
held 22% by Nacional Motor S.A.

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

Company Boards

Board of Directors	
Chairman and Chief Executive Officer	Roberto Colaninno (1), (2)
Deputy Chairman	Matteo Colaninno
Directors	Michele Colaninno
	Giuseppe Tesauro (3), (4), (5), (6)
	Graziano Gianmichele Visentin (4), (5), (6)
	Maria Chiara Carrozza (4)
	Federica Savasi
	Vito Varvaro (5), (6)
	Andrea Formica

Board of Statutory Auditors	
Chairman	Piera Vitali
Statutory Auditors	Giovanni Barbara
	Daniele Girelli
Alternate Auditors	Giovanni Naccarato
	Elena Fornara

Supervisory Body	
	Antonino Parisi
	Giovanni Barbara
	Ulisse Spada
General Manager Finance	Gabriele Galli
Executive in charge of financial reporting	Alessandra Simonotto
Independent Auditors	PricewaterhouseCoopers S.p.A.

(1) Director responsible for the internal control system and risk management
(2) Executive Director
(3) Lead Indipendent Director
(4) Member of the Appointment Proposal Committee
(5) Member of the Remuneration Committee
(6) Member of the Internal Control and Risk Management Committee

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

Significant events during first half of 2016

14 January 2016 - The new range of state-of-the-art Piaggio iGet engines with the air cooled version made its début on the new Piaggio Liberty. The new Piaggio iGet engines are based on a design philosophy that targets an improved fuel consumption and emissions, plus a better and more advanced quality and reliability.

2 March 2016 - The 2016 MotoGP season for Aprilia Racing kicked off in Qatar. For the Italian team, this is a fundamental stage of the project begun in 2015, since the new Aprilia RS-GP is a completely redesigned prototype, developed and built by Aprilia down to the last component, starting with the engine.

14 March 2016 - The new Moto Guzzi V9 was launched in Mandello del Lario, the mid-size light custom bike, powered by a new 850cc, 90° V-twin engine with traditional shaft drive.

18 April 2016 - The Piaggio Medley was launched on the European market, already introduced on the Vietnamese market on 17 March. Medley combines the benefits of an agile, lightweight vehicle with all the advantages of a high-wheeler scooter, superior in terms of technology, performance, size and weight. Equipped with the highest performing model of Piaggio's new four-valve liquid-cooled iGet engine, the Medley is available as 125cc and 150cc and equipped with a Start & Stop system.

9 June 2016 - The subsidiary Piaggio Vietnam signed a medium term loan for VND/000 414,000,000 with VietinBank to support its investments programme.

10 June 2016 - The free floating scooter sharing service was launched in Rome, by Enjoy in partnership with the Piaggio Group and Trenitalia. 300 Piaggio MP3 three-wheeler scooters (300LT Business ABS version) will make up the fleet that can be used in Rome. The vehicles, designed and developed specifically for sharing, are safe, easy and simple to use.

16 June 2016 - The international jury of the XXIV Adi Compasso d'Oro Design Award gave a MENTION OF HONOUR, in the DESIGN FOR MOBILITY category to the VESPA 946 for the following reason: "The Vespa brings the lines that have made it such a famous and loved brand up to date, while also considering the need for sustainability and a low environmental impact".

27 June 2016 - The Piaggio Group and (RED), the no-profit organisation established in 2006 by Bono and Bobby Shriver, announced the start of a partnership to support fund raising for programmes to fight AIDS. The Piaggio Group will develop a special version of the Vespa, giving 150 USD from each sale to the activities of the Global Fund to fight AIDS.

Financial position and performance of the Group

Consolidated income statement (restated)

	1st half of 2016		1st half of 2015		Change	
	In millions of euros	Accounting for a %	In millions of euros	Accounting for a %	In millions of euros	%
Net revenues	706.5	100.0%	693.9	100.0%	12.6	1.8%
Cost to sell[3]	490.1	69.4%	489.5	70.5%	0.6	0.1%
Gross industrial margin[3]	**216.4**	**30.6%**	**204.4**	**29.5%**	**12.0**	**5.9%**
Operating expenses	168.6	23.9%	161.5	23.3%	7.1	4.4%
EBITDA[3]	**101.5**	**14.4%**	**95.1**	**13.7%**	**6.4**	**6.7%**
Amortisation/Depreciation	53.7	7.6%	52.1	7.5%	1.6	3.1%
Operating income	**47.8**	**6.8%**	**42.9**	**6.2%**	**4.8**	**11.3%**
Result of financial items	(17.7)	-2.5%	(18.3)	-2.6%	0.5	-3.0%
Profit before tax	*30.0*	4.2%	**24.6**	**3.6%**	**5.4**	21.9%
Taxes	12.0	1.7%	9.9	1.4%	2.2	21.9%
Net profit	**18.0**	**2.5%**	**14.8**	**2.1%**	**3.2**	**21.9%**

3_ For a definition of the parameter, see the "Economic Glossary".

Net revenues

	1st half of 2016	1st half of 2015	Change
In millions of euros			
EMEA and Americas	456.4	433.5	22.9
India	165.0	169.8	(4.8)
Asia Pacific 2W	85.1	90.5	(5.4)
TOTAL NET REVENUES	**706.5**	**693.9**	**12.6**
Two-wheeler	507.4	496.3	11.1
Commercial Vehicles	199.1	197.6	1.5
TOTAL NET REVENUES	**706.5**	**693.9**	**12.6**

In terms of consolidated turnover, the Group closed the first half of 2016 with net revenues up compared to the same period in 2015 (+ 1.8%). In terms of geographic segments, the increase in revenues in EMEA and the Americas (+ 5.3%) more than offset the downturn in India, due to the effect of an unfavourable exchange rate (- 2.8%; +3.5% with constant exchange rates) and the decrease in Asia Pacific (- 6.0%; -4.1% with constant exchange rates).
As regards product type, the increase in turnover was greater for two-wheeler vehicles (+ 2.2%) than for Commercial Vehicles (+0.7%). Consequently, the impact of two-wheeler vehicles on turnover went up from 71.5% in the first half of 2015 to the current figure of 71.8%; conversely, the impact of Commercial Vehicles fell from 28.5% in the first half of 2015 to the current figure of 28.2%.

The **gross industrial margin** of the Group increased in absolute terms compared to the first half of the previous year (+12.0 million euro) amounting to 30.6% in relation to net turnover (29.5% in the first half of 2015).
Amortisation/depreciation included in the gross industrial margin was equal to €18.7 million (€19.8 million in the first half of 2015).

Operating expenses incurred during the first half of 2016 also increased compared to the same period in the previous year, amounting to €168.6 million.
Operating expenses include amortisation and depreciation not covered by the gross industrial margin totalling €35.0 million (€32.3 million in the first half of 2015).

The change in the aforementioned income statement resulted in a greater consolidated **EBITDA**, which was equal to €101.5 million (€95.1 million in the first half of 2015). In relation to turnover, EBITDA was equal to 14.4% (13.7% in the first half of 2015). Operating income (**EBIT**) improved, amounting to €47.8 million (€42.9 million in the first half of 2015); in relation to turnover, EBIT was equal to 6.8% (6.2% in the first half of 2015).

The result of **financing activities** improved compared to the first half of the previous year by €0.5 million, with Net Charges amounting to €17.7 million (€18.3 million in the first half of 2015). The improvement is due to a decrease in average debt for the period, a reduction in the cost of funding and improved performance from investments measured with the equity method, which were nearly offset by the negative contribution from currency operations and lower capitalisation of interest.

Income taxes for the period were equal to €12.0 million, equivalent to 40% of profit before tax.

Net profit stood at €18.0 million (2.5% of turnover), up on the figure for the same period of the previous year (€14.8 million, or 2.1% of turnover).

Operating data

Vehicles sold

	1st half of 2016	1st half of 2015	Change
In thousands of units			
EMEA and Americas	137.6	128.7	8.9
India	101.7	101.4	0.2
Asia Pacific 2W	37.5	39.5	(2.0)
TOTAL VEHICLES	**276.7**	**269.6**	**7.1**
Two-wheeler	182.1	175.7	6.4
Commercial Vehicles	94.7	94.0	0.7
TOTAL VEHICLES	**276.7**	**269.6**	**7.1**

In the first half of 2016, the Piaggio Group sold 276,700 vehicles worldwide, with an increase in volumes totalling around 2.6% compared to the same period of the previous year, when 269,600 vehicles were sold. Sales in EMEA and the Americas were up (+ 6.9%), driven by the volumes achieved on the Italian market (+ 24.5%) and in Europe (+ 4.9%), while there was a fall in vehicles sold in the Americas (- 21.5%), and in Asia Pacific 2W (- 5.2%). The figure for vehicles delivered to India remained more or less the same (+ 0.2%). As regards product types with an improved sales performance, sales increased for both two-wheeler vehicles (+ 3.6%), boosted by the introduction of the Wi-Bike, and commercial vehicles (+ 0.8%).

Staff

In 2016, the Group continued to rationalise operations and organisational efficiency.
The decrease in the average workforce of 765 is mainly concentrated in India, where the fall in demand for commercial vehicles led to less use of temporary labour.

Breakdown of company employees by region	As of 30 June 2016	As of 31 December 2015	As of 30 June 2015
Employee/staff numbers			
EMEA and Americas	3,851	3,872	3,962
of which Italy	*3,619*	*3,638*	*3,718*
India	2,282	2,353	2,840
Asia Pacific 2W	892	828	873
Total	**7,025**	**7,053**	**7,675**

Average number of company employees by geographic area	1st half of 2016	1st half of 2015	Change
Employee/staff numbers			
EMEA and Americas	3,855.3	3,979.0	(123.7)
of which Italy	3,622.8	3,724.2	(101.4)
India	2,274.7	2,911.0	(636.3)
Asia Pacific 2W	874.5	879.2	(4.7)
Total	**7,004.5**	**7,769.2**	**(764.7)**

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.

Research and Development

In the first half of 2016, the Piaggio Group continued its policy of retaining technological leadership in the sector, allocating total resources of €35.1 million to research and development, of which €25.0 million capitalised under intangible assets as development costs.

			1st half of 2016			1st half of 2015
	Capitalised	Expenses	**Total**	Capitalised	Expenses	**Total**
In millions of euros						
Two-wheeler	21.9	8.7	**30.6**	22.9	8.7	**31.6**
Commercial Vehicles	3.1	1.4	**4.5**	4.1	1.8	**5.9**
Total	**25.0**	**10.2**	**35.1**	**27.0**	**10.5**	**37.5**
EMEA and Americas	19.4	9.4	**28.9**	24.5	9.2	**33.6**
India	3.4	0.3	**3.7**	1.7	0.7	**2.3**
Asia Pacific 2W	2.1	0.4	**2.5**	0.9	0.7	**1.6**
Total	**25.0**	**10.2**	**35.1**	**27.0**	**10.5**	**37.5**

Consolidated statement of financial position[4]

Statement of financial position	As of 30 June 2016	As of 31 December 2015	Change
In millions of euros			
Net working capital	(46.9)	(32.0)	(14.9)
Property, plant and equipment	312.6	319.6	(6.9)
Intangible assets	669.8	674.0	(4.2)
Financial assets	10.6	9.7	0.9
Provisions	(73.1)	(68.8)	(4.3)
Net capital employed	**873.1**	**902.4**	**(29.3)**
Net Financial Debt	479.9	498.1	(18.2)
Shareholders' equity	393.2	404.3	(11.1)
Sources of funds	**873.1**	**902.4**	**(29.3)**
Non-controlling interests	(0.3)	(0.2)	(0.0)

4_ For a definition of individual items, see the "Economic Glossary".

As of 30 June 2016, **net working capital** amounted to negative €46.9 million, with a cash generation equal to approximately €14.9 million during the first half of 2016.

Property, plant and equipment, which include investment property, totalled €312.6 million as of 30 June 2016, down by approximately €6.9 million compared to 31 December 2015. This decrease is mainly due to depreciation, which exceeded investments for the period by approximately €3.3 million, and to the effect of the devaluation of Asian currencies against the euro (approximately €3.4 million). The adjustment of the value of investment property to fair value and divestments for the period refer to the remaining decrease of €0.2 million.

Intangible assets totalled €669.8 million, down by approximately €4.2 million compared to 31 December 2015. This decrease is due to amortisation, which exceeded investments for the period by approximately €3.5 million, and to the effect of the devaluation of Asian currencies against the euro (approximately €0.7 million).

Financial assets which totalled €10.6 million, increased by €0.9 million compared to figures for the previous year.

Provisions totalled €73.1 million, increasing compared to 31 December 2015 (€68.8 million).

As described in full in the next section "Consolidated Statement of Cash Flows", net debt as of 30 June 2016 was equal to €479.9 million, compared to €498.1 million as of 31 December 2015. The reduction of approximately €18.2 million is mainly attributable to the good performance of operations and greater efficiency of working capital, with a cash flow generation allowing for the payment of dividends (€18 million) and the funding of the investment programme.

Group **shareholders' equity** as of 30 June 2016 totalled €393.2 million, down by around €11.1 million compared to 31 December 2015.

Consolidated Statement of Cash Flows

The Consolidated Statement of Cash Flows, prepared in accordance with International Financial Reporting Standards, is presented in the "Consolidated Financial Statements and Notes as of 30 June 2016"; the following is a comment relating to the summary statement shown.

Change in consolidated net debt	1st half of 2016	1st half of 2015	Change
In millions of euros			
Opening Consolidated Net Debt	**(498.1)**	**(492.8)**	**(5.3)**
Cash flow from operating activities	76.0	63.9	12.1
(Increase)/Reduction in Working Capital	14.9	(33.8)	48.7
(Increase)/Reduction in net investments	(43.5)	(54.6)	11.0
Change in shareholders' equity	(29.1)	(18.1)	(11.1)
Total change	**18.2**	**(42.5)**	**60.8**
Closing Consolidated Net Debt	**(479.9)**	**(535.3)**	**55.4**

During the first half of 2016 the Piaggio Group generated **financial resources** amounting to €18.2 million.

Cash flow from operating activities, defined as net profit, minus non-monetary costs and income, was equal to €76.0 million.

Working capital generated a cash flow of approximately €14.9 million; in detail:
- the collection of trade receivables[5] used financial flows for a total of €39.9 million;
- stock management absorbed financial flows for a total of approximately €44.2 million;
- supplier payment trends generated financial flows of approximately €103.6 million;
- the movement of other non-trade assets and liabilities had a negative impact on financial flows by approximately €4.6 million.

5_Net of customer advances.

Investing activities involved a total of €43.5 million of financial resources. The investments refer to approximately €25.0 million for capitalised development expenditure, and approximately €22.0 million for property, plant and equipment and intangible assets.

As a result of the above financial dynamics, which generated a cash flows of €18.2 million, the **net debt** of the Piaggio Group amounted to €-479.9 million.

Alternative non-GAAP performance measures

In accordance with CESR/05-178b recommendation on alternative performance measures, in addition to IFRS financial measures, Piaggio has included other non-IFRS measures in its Interim Directors' Report. These are presented in order to measure the trend of the Group's operations to a better extent and should not be considered as an alternative to IFRS measures.
In particular the following alternative performance measures have been used:
- **EBITDA**: defined as "Operating income" before the amortisation/depreciation and impairment costs of intangible assets and property, plant and equipment, as resulting from the consolidated income statement.
- **Gross industrial margin**: defined as the difference between net revenues and the cost to sell;
- **Cost to sell**: this includes costs for materials (direct and consumables), accessory purchase costs (transport of incoming material, customs, warehousing), employee costs for direct and indirect manpower and related expenses, work carried out by third parties, energy costs, depreciation of property, plant, machinery and industrial equipment, maintenance and cleaning costs net of sundry cost recovery recharged to suppliers.
- **Consolidated net debt**: gross financial debt, minus cash on hand and other cash and cash equivalents, as well as other current financial receivables. Consolidated net debt does not include other financial assets and liabilities arising from the fair value measurement of financial derivatives used as hedging and otherwise, and the fair value adjustment of related hedged items and relative deferrals. The notes to the Consolidated Financial Statements include a table indicating the statement of financial position items used to determine the measure.

Results by type of product

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

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

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

Two-wheeler

Two-wheeler	1st half of 2016		1st half of 2015		Change %		Change	
	Volumes Sell-in[6] (units/ 000)	Turnover (million euros)	Volumes Sell-in (units/ 000)	Turnover (million euros)	Volumes	Turnover	Volumes	Turnover
EMEA and Americas	130.5	410.1	122.1	394.4	6.9%	4.0%	8.4	15.7
of which EMEA	124.2	378.7	113.6	354.2	9.4%	6.9%	10.6	24.5
(of which Italy)	*28.6*	*90.9*	*22.9*	*76.9*	*25.0%*	*18.1%*	*5.7*	*13.9*
of which America	6.3	31.4	8.5	40.2	-26.5%	-21.8%	(2.3)	(8.8)
India	14.1	12.2	14.1	11.3	0.5%	7.5%	0.1	0.9
Asia Pacific 2W	37.5	85.1	39.5	90.5	-5.2%	-6.0%	(2.0)	(5.4)
TOTAL	**182.1**	**507.4**	**175.7**	**496.3**	**3.6%**	**2.2%**	**6.4**	**11.1**
Scooters	161.8	341.7	156.3	334.8	3.5%	2.1%	5.5	6.9
Motorcycles	19.1	96.8	19.4	95.6	-1.4%	1.3%	(0.3)	1.2
Wi-Bike	1.1	2.5			100.0%	100.0%	1.1	2.5
Spare parts and Accessories		64.8		65.1		-0.6%		(0.4)
Other		1.6		0.7		128.1%		0.9
TOTAL	**182.1**	**507.4**	**175.7**	**496.3**	**3.6%**	**2.2%**	**6.4**	**11.1**

6_ "Sell-in" means sales by the Group to its own distribution network.

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

The world two-wheeler market comprises two macro areas, which clearly differ in terms of characteristics and scale of demand: economically advanced countries (Europe, United States, Japan) and emerging nations (Asia Pacific, China, India, Latin America).
In the first macro area, which is a minority segment in terms of volumes, the Piaggio Group has a historical presence, with scooters meeting the need for mobility in urban areas and motorcycles for recreational purposes.
In the second macro area, which in terms of sales, accounts for most of the world market and is the Group's target for expanding operations, two-wheeler vehicles are the primary mode of transport.

Background

Based on available data, in the first half of 2016, the international two-wheeler market (scooters and motorcycles) recorded sales of approximately 21.8 million vehicles, a drop of around 0.4% compared to the same period of the previous year.

India, the most important two-wheeler market, reported a considerable increase, also in the first six months of 2016, closing with sales of over 8.7 million vehicles, up by 11.5% compared to the first half of 2015.

The People's Republic of China continued to lose volumes also in the first half of 2016, with a 17.6% drop compared to the same period of the previous year and closing with sales of 3.8 million units.

The Asian area, Asean 5, reported an increase of 1.1%, closing with sales of just over 6.1 million units. In Indonesia, the main market in this area, the downturn in sales continued in the first half of 2016, with a drop of 5.9%, and nearly 3 million vehicles sold. Conversely, sales in Vietnam went up (1.4 million units sold; +8.1% compared to the first half of 2015). Figures for sales in the Philippines are significant, with an increase of 40.2%, equal to approximately 536 thousand units.

Other countries in the Asian area (Singapore, Hong Kong, South Korea, Japan, Taiwan, New Zealand and Australia) overall recorded a slight increase compared to the first half of 2015, closing with sales of over 670 thousand units (+0.5%). In this area, Taiwan resumed its growth trend, reporting a 6.3% increase compared to the first half of 2015 and closing the period with 351 thousand units sold. The downturn on the Japanese market continued, with a loss of 9.3%, reporting sales of nearly 191 thousand units.

The North American market, which has reversed its growth trend of recent years, reported a slight fall compared to the first half of 2015 (- 1.3%) with more than 300 thousand vehicles sold.

Brazil, the most important market in South America, also reported a downturn in the first half of 2016, (- 31.4%), closing with sales of just over 453 thousand vehicles.

Europe, the reference area for Piaggio Group activities, confirmed its positive trend, reporting a 5.5% increase in sales on the two-wheeler market compared to the first half of 2015 (+9.4% for the motorcycle segment and +1.7% for scooters). On the scooter market, the 50cc segment maintained its negative trend in the first half of 2016 (-3.1%), while growth in the over 50cc segment continued (+4.9%). In the motorcycle segment, performance was positive in the over 50cc and 50cc categories (+9.2% and +14% respectively).

The scooter market

In the first half of 2016, the European scooter market accounted for 353.5 thousand registered vehicles, equal to a 1.7% increase in sales compared to the same period in 2015.
In the first part of 2016 as well, over 50cc vehicle registrations showed an imbalance with 219.5 thousand units compared to 134 thousand units for the 50cc scooter market. Over 50cc scooters increased by 4.9% compared to the first six months of 2015, while 50cc scooters recorded a decrease of 3.1%.
In the first six months of 2016, Italy was the most important market with 77,700 units, followed by France with 61,300 and Spain with 53,100. Holland ranked fourth in terms of sales (33,400 units), exceeding Germany which placed fifth, with sales of 33,200 units. Greece reported 17,200 units, while the United Kingdom closed with 17,000 vehicles registered.
In the first half of 2016, the Italian market recorded a growth of 10.1% compared to the first half of the previous year. The increase is due to the over 50cc segment, which went up by 12.1% to 67 thousand

units, while the 50cc segment, down by 0.6% compared to the first six months of 2015, recorded 10,700 units sold.
With 61,300 vehicles sold, France reported a 5.8% drop compared to sales of 65,100 vehicles in the same period in the previous year. The downturn was recorded in both the 50cc segment (-6.4%) and in the over 50cc segment (- 5.1%).
The German market also registered a decrease (-3%) with approximately 33,200 vehicles sold in the first half of 2016 compared to 34,250 in the same period of the previous year. Both the 50cc segment (-5%) and over 50cc segment (- 0.8%) were affected.
Spain, instead, continued its growth trend, up by +7.3% in the first half of 2016 compared to the same period in 2015. In this case, the result is split over both market segments: the over 50cc segment reported an +8.1% increase, while the 50cc scooter segment, a 2.6% increase.
After Italy, the highest increase was recorded in the United Kingdom, with market growth up by 8%, thanks to the excellent performance of the over 50cc segment (+12.9%) which offset the 5.9% decrease in the 50cc segment.

North America
In the first half of 2016, the United States, which is the main market in the area (accounting for 90% of the reference area) continued its downturn (-11.1%), with nearly 14 thousand units sold: this negative trend was greater in the over 50cc segment, with sales down by 15.1%, while the 50cc scooter segment recorded a 7.4% decrease.

Asia
Vietnam, the Piaggio Group's most important market, recorded a 11.1% growth, with nearly 650 thousand items sold.

India
The automatic scooter market increased by 19.8% in 2016, closing the year with nearly 2.7 million units sold.
The over 90cc range is the main product segment, with nearly 2.66 million units sold in the first half of 2016 (+20.7% compared to the previous year) and accounting for 99% of the total automatic scooter market. The 50cc scooter segment is not operative in India.

The motorcycle market

Europe
With 357 thousand units registered, the motorcycle market ended the first half of 2016 with a 9.4% increase. All engine segments increased volumes. The 50cc segment recorded a 14% increase, with 16,400 units sold; the 51-125cc segment closed with sales of 46,540 units (+8.4%), while the 126-750cc segment reported sales of just over 103,500 units (+8.4%). Lastly, the over 750cc segment reported the highest growth, (+9.9%), with 190,490 motorcycles sold.
The main European market is Germany with nearly 84,000 units, while France placed second (65,700); Italy ranked third with 50,800 vehicles, exceeding the United Kingdom which closed the period with 48,900 units sold; Spain, with nearly 28,000 vehicles sold, ranked fifth.
In the first half of 2016, all main countries in the area recorded an increase in sales. Spain (+25.3%), Italy (+21.6%), United Kingdom (+7.2%), France (+6.6%), and Germany (+5.1%).

North America
In the United States (accounting for 89% of the area), the motorcycle segment recorded a 1.5% decrease, selling 248,700 units against 252,500 units in the first half of 2015. The negative trend in the over 50cc segment (-1.6%) was only partially offset by the positive trend (+5.3%) in the 50cc motorcycle segment.

Asia
The most important motorcycle market in Asia is India, which reported sales of more than 5.6 million, with an increase of 8%, in the first six months of 2016.
The motorcycle market in the Asean 5 area is far less important than the scooter sector. Sales of motorcycles in Vietnam were not significant.

Main results

During the first half of 2016, the Piaggio Group sold a total of 182,100 units in the two-wheeler segment worldwide, accounting for a net turnover equal to approximately €507.4 million (+2.2%), including spare parts and accessories (€64.8 million, -0.6%).
In terms of turnover, the increases recorded in Italy (+18.1%) and India (+7.5%) were particularly important. Turnover decreased, instead, in America (- 21.8%) and Asia Pacific (-6.0%). As regards volumes, the 25.0% increase in sales of two-wheeler vehicles in Italy more than offset the downturn in Asia Pacific (- 5.2%) and the Americas (-26.5%).
The introduction of the Wi-Bike on the market had a positive impact on figures for the first half of 2016.

Market positioning[7]

On the European market, the Piaggio Group achieved a total share of 14.8% in the first half of 2016 (14.6% in the first half of 2015), consolidating its leadership position on the total two-wheeler vehicles market. In Italy, the Piaggio Group also retained its leadership of the two-wheeler vehicles market, with a 21% share.

In Vietnam, Group scooters decreased sell-out[8] volumes by 2.8% in the first half of 2016, compared to the same period of the previous year.

The Group retained its strong position on the North American scooter market, where it closed the year with a market share of 19.1% (20.3% in the first half of 2015), and where it is committed to consolidating its profile in the motorcycle segment, through the Aprilia and Moto Guzzi brands.

7_Market shares for the first half of 2015 might differ from figures published last year, due to final vehicle registration data, which some countries publish with a few months' delay, being updated.
8_"Sell-out" means sales by the distribution network to the final purchaser.

Investments

Investments mainly targeted the following areas:
› developing new products and face lifts for existing products;
› updating vehicles to Euro 4 standards;
› improving and modernising current production capacity.

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

Commercial Vehicles

Commercial Vehicles	1st half of 2016		1st half of 2015		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	7.1	46.3	6.6	39.1	8.0%	18.3%	0.5	7.2
of which EMEA	6.4	44.3	6.2	37.9	3.3%	17.0%	0.2	6.4
(of which Italy)	*2.6*	*25.6*	*2.2*	*20.4*	*19.8%*	*25.6%*	*0.4*	*5.2*
of which America	0.8	1.9	0.5	1.2	72.1%	59.3%	0.3	0.7
India	87.5	152.8	87.4	158.5	0.2%	-3.6%	0.2	(5.7)
TOTAL	**94.7**	**199.1**	**94.0**	**197.6**	**0.8%**	**0.7%**	**0.7**	**1.5**
Ape	90.4	149.3	89.4	153.3	1.2%	-2.6%	1.1	(4.0)
Porter	1.7	19.6	1.4	15.5	20.5%	26.0%	0.3	4.0
Quargo	0.6	3.6	0.5	3.1	17.2%	15.8%	0.1	0.5
Mini Truk	1.9	4.3	2.7	6.2	-27.4%	-30.6%	(0.7)	(1.9)
Spare parts and Accessories		22.4		19.5		14.9%		2.9
TOTAL	**94.7**	**199.1**	**94.0**	**197.6**	**0.8%**	**0.7%**	**0.7**	**1.5**

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

Background

Europe

In the first five months of 2016[9], the European light commercial vehicles market (vehicles with a maximum mass less than or equal to 3.5 tons), in which the Piaggio Group is active, recorded sales of 718 thousand units, a 12.5% increase compared to the same period in 2015 (data source ACEA). In detail, the trends of main European reference markets are as follows: Germany (+10.4%), France (+12.7%), Italy (+31.5%) and Spain (+13%).

9_ Official figures for the first six months are not yet available.

India

Sales on the Indian three-wheeler market, where Piaggio Vehicles Private Limited, a subsidiary of Piaggio & C. S.p.A. operates, went up from 228,700 units in the first half of 2015 to 279,300 in the same period of 2016, registering a 22.1% increase.

On this market, the passenger vehicles segment recoded a positive trend of 25.7%, closing with 227 thousand units. Even the cargo segment increased, albeit to a lesser extent (+ 8.7%) from 48,100 units in the first six months of 2015 to 52,300 units in the first half of 2016. The traditional three-wheeler market is flanked by the four-wheeler light commercial vehicles (LCV) market (cargo vehicles for goods transport) where Piaggio Vehicles Private Limited operates with the Porter 600 and 1000. The LCV cargo market, with vehicles with a maximum mass below 2 tons, recorded sales of 59,900 units in the first six months of 2016, increasing by 4.5% compared to the first half of 2015.

Main results

During the first half of 2016, the Commercial Vehicles business generated a turnover of approximately €199.1 million, including around €22.4 million relating to spare parts and accessories, a 14.9% increase compared to the same period of the previous year. 94,700 units were sold during the period, an increase of around 0.8% compared to the first half of 2015.
On the EMEA and Americas market, the Piaggio Group sold 7,100 units, with sales increasing by 8% and a total net turnover of approximately €46.3 million, including spare parts and accessories for €9.9 million.

The Indian affiliate Piaggio Vehicles Private Limited (PVPL) sold 78,991 three-wheeler vehicles on the Indian market (74,123 in the first half of 2015) achieving a net turnover of approximately €126.3 million (€125.2 million in the first half of 2015).
The same affiliate also exported 6,377 three-wheeler vehicles (10,407 in the first half of 2015); the downturn is mainly due to a slowdown in the sales of some African countries.
On the four-wheeler market, PVPL sales in the first half of 2016 fell by 23.4% compared to the first half of 2015, to 2,166 units.
In overall terms, the Indian affiliate PVPL registered a turnover of €152.8 million during the first half of 2016, down compared to the figure of €158.5 million for the same period of the previous year.

Market positioning[10]

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

The Group is also present in India, in the passenger vehicle and cargo sub-segments of the three-wheeler market, where it is market leader.
On the Indian three-wheeler market, Piaggio had a market share of 28.3% (32.4% in the first half of 2015). Detailed analysis of the market shows that Piaggio maintained its leadership position in the goods transport segment (cargo segment) with a share of 52.8% (55.2% in the first half of 2015). Its share in the passenger segment although decreasing, was still considerable (22.6% compared to 26.3% in the first half of 2015).

Besides the traditional three-wheeler market in India, Piaggio also operates on the four-wheeler light commercial vehicles (LCV) market (cargo vehicles for goods transport) with the Porter 600 and 1000. On this market, its share fell to 3.6% (4.9% in the first half of 2015).

10_Market shares for the first half of 2015 might differ from figures published last year, due to final vehicle registration data, which some countries publish with a few months' delay, being updated.

Investments

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

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

The regulatory framework

European Union
As provided for in Regulation (EU) No 168/2013 on the approval and market surveillance of two- or three-wheeler vehicles and quadricycles, the European Commission recently launched an environmental impact study to assess air quality and the pollution and noise levels caused by category L vehicles (mopeds, motorcycles, tricycles and quadricycles).
The study was overseen by a consortium of laboratories that have been conducting tests on models and current market technologies since January 2016, to assess applicability for 2020 and the cost/benefit ratio of European Commission (EC) Euro 5 standards. The test programme should be completed by mid-2017, with a report presented to the Commission, that will advise the Council and Parliament on whether to confirm or amend Euro 5 standards.

On 27 January 2016, the European Commission published a draft European regulation to replace directive 2007/46 on the main requirements currently applicable for the type approval of vehicles (categories M and N). This draft regulation covers the following issues: market surveillance, safeguard measures and recall campaigns, designation and monitoring of Technical Services, access to repair and maintenance information and penalties for Manufacturers and Technical Services that infringe type approval regulations. The process for turning this proposal into law is expected to be lengthy, given the number and importance of issues addressed, but it could be accelerated due to the considerable focus from institutions on the actual compliance of car manufacturers with anti-pollution requirements.

In February 2016, the Council of the European Union adopted regulation 2016/425 on personal protective equipment and repealing Council Directive 89/686/EEC as from 21 April 2018. The main change that concerns all PPE (Personal Protective Equipment) is the more specific definition of risks against which the user must be protected.
As regards the directive currently in force, to facilitate a common interpretation and uniform application of the directive, guidelines were adopted some years ago which are currently under review by an EU working group. The working group is made up of representatives from European institutions, Member States and the two-wheeler industry. ACEM, the association of European motorcycle manufacturers, of which Piaggio is a member, has submitted some proposals, with the European Commission requesting members of the working group to provide comments. Discussion has been postponed to October/November.

In March and April 2016, the European Union formalised some new requirements concerning real driving emissions (RDE) which introduce a new anti-pollution test for the type approval of passenger and transport vehicles. These new requirements are included in the regulations (EU) 2016/427 published on 31 March and (EU) 2016/646 published on 26 April. These regulations include new test procedures, specifications for test equipment and calculation methods for applying RDE, based on road use and a PEMS (Portable Emission Monitoring System). Besides laboratory testing, vehicles will also have to pass the RDE test and comply with relative limits on the road.
In particular, manufacturers will have to be able to limit the difference between laboratory emissions and emissions in real driving conditions (the so-called conformity factor):
- by a maximum 2.1 (110%) for new models by September 2017 (for new vehicles by September 2019);
- by a maximum 1.5 (50%) for new models by January 2020 (for new vehicles by January 2021).

On 2 March 2016, some corrigenda to Regulation 168/2013/EC were published, intended to clarify or correct inaccuracies in the Regulation for the European type approval of two- or three-wheeler vehicles and quadricycles. A more in-depth review of the regulation will take place during 2018.

Italy
Regulation no. 219 "Electrical re-qualification system for M and N1 category vehicles" was published in the Gazzetta Ufficiale no.7 of 11 January 2016. The regulation establishes the technical and administrative procedures for the type approval of electrical re-qualification systems that allow for cars, buses and light commercial vehicles with combustion engines to be converted into electrical vehicles.

In March, the ruling of the Italian Ministry of Transport was published in the Gazzetta Ufficiale, on: "Extraordinary technical testing of levels of pollutant emissions in newly manufactured vehicles, and on components, devices and approved systems". This ruling enacts provisions in the latest stability law (Law no. 208/2015), allocating a budget of 5 million euros for the Ministry of Transport to adopt an extraordinary testing programme for newly manufactured vehicles and vehicles in transit, to check levels of actual pollutant emissions against levels recorded during type approval tests, and to increase conformity tests on vehicles and devices, to protect road safety and public health.

During 2014, an amendment was tabled before the Italian Parliament concerning highway code reforms delegated to the Government. Along with other legislative proposals, it sought to allow access to ring roads and motorways for motorcycles with an engine capacity of ≥ 120 cc if ridden by persons aged over eighteen. This amendment, approved by the Chamber of Deputies, was stalled, following a negative opinion from the Budget Committee of the Senate, concerning an assumed lack of financial cover for some of the proposals it contained. In April 2016, the Committee for Public Works of the Senate started to explain the new amendments that concern, among others, a reduction in speed limits on extra-urban roads and the modernisation of safety barriers and measures for two-wheeler transit and safety and for pedestrians in urban areas. An amendment for motorcycles under 120cc to access motorways, if ridden by persons aged over eighteen, was re-represented. Review - subject to indications from the Ministry of the Economy concerning some issues regarding State finances - was deferred.

In May, the Committee for Public Works no. 8 and Committee for the Environment no. 13 of the Chamber of Deputies started their review of a draft Ministerial Decree concerning the national test programme for sustainable home/school and home/work mobility (government act 302), with the aim of sending an opinion to the Ministry for the Environment. Under the decree, the State will co-finance initiatives of local administrations (in areas with at least 100 thousand inhabitants), in order to provide collective and/or shared mobility services and infrastructures with low emissions, including car-pooling, car-sharing and scooter-sharing.

In June, the Prime Minister's Decree with "Approval of the update to the national infrastructure plan to recharge electrical vehicles, approved with the Prime Minister's Decree of 26 September 2014" was published in the Gazzetta Ufficiale.

France

The entry into force of European Regulation 168/2013/EC on the approval of two- or three-wheeler vehicles and quadricycles, as from 1 January 2016, stopped the application of a specific French law that limited the maximum power of motorcycles that may be registered in France to 100 horsepower.
In April, the French government published a decree on the basis of which motorcycles with an hp of 100 or greater can be registered, as from 15 April 2016, only if equipped with ABS (anti-lock braking system).

On 2 June 2016, the French government published a decree stopping the possibility of directly obtaining an A category licence (to drive motorcycles up to 35 kW). It is now compulsory for people who want to obtain a category A licence to drive these vehicles to have held a category A2 licence (with limited power) for at least two years and to take a 7-hour training course.

USA

The Pedestrian Safety Enhancement Act of 2010 delegated the NHTSA (National Highway Traffic Safety Administration) to adopt a regulatory process to establish a regulation that would require electric and hybrid vehicles to have an acoustic warning system enabling pedestrians and particularly non-sighted pedestrians to perceive the presence of vehicles that operate below their cross over speed (the speed at which the noise of the tyres, wind resistance or other factors mean that vehicles can be detected even without an alarm system). Motorcycles are also considered. The MIC (Motorcycle Industry Council) presented some technical observations requiring the exclusion of two-wheeler vehicles from these requirements. The draft Final Rule is expected to be published in December 2016.

In July 2015, EPA (Environmental Protection Agency) and NHTSA published a regulatory proposal to create a new stage compared to current standards on greenhouse gas emissions and the energy efficiency of vehicles. The proposal does not apply entirely to motorcycles and the Final Rule is expected to be published in August 2016.

India

In February, it became mandatory for two-wheeler vehicles to be fitted with automatic lights or alternatively, with a DRL (daytime running light) system as from 1 April 2017.

In March, the Ministry of Transport notified new provisions requiring over 50cc motorcycles and scooters with a maximum engine capacity of 125cc, a maximum power of 11 kW and a power/weight ratio of up to 0.1 kW/kg, to be fitted with an ABS (anti-lock braking system) or, alternatively, with a CBS (combined braking system). Over 50cc two-wheelers that do not meet the above criteria shall be fitted with an ABS. The obligation will come into force for new models as from 1 April 2018, and for newly registered models as from 1 April 2019.

In April, Bharat IV standards on pollution caused by two- and three-wheeler motor vehicles came into force. In February, the Indian Ministry of Transport published a proposal of new standards which will cancel Bharat V in favour of a direct transition to Bharat VI as from 2020. As Bharat VI (BS VI) corresponds to Euro 5 standards which are currently being validated in Europe, the Indian Manufacturers' Association (SIAM) requested the Government to reconsider BS VI requirements in 2017, in view of the results of the feasibility study underway in Europe.

Malaysia

The Department for the Environment declared that it intends adopting anti-pollution requirements based on European standards, and in particular Euro 4, starting from 1 January 2020 for motorcycles and scooters of more than 50cc which have been newly approved and as from 1 January 2022 for vehicles which have been newly registered.

Thailand

The Thai government declared that it intends promoting Thailand as a hub of the Association of South-East Asian Nations for electrical vehicles and has assigned competent ministries (Energy, Science and Industry) to devise a strategy to promote the use of electrical vehicles in the country.


C. N. V. A.

Risks and uncertainties

After the adoption of the new Corporate Governance Code, the Group launched an **Enterprise Risk Management (ERM) Project** to **define and gradually implement** a structured and integrated system to identify, measure and manage company risks in line with relative best practices (i.e. CoSO ERM) and applicable regulatory requirements.
The project developed a structured, proactive and disciplined **methodological approach** to map and evaluate all potential risks later identified by the Piaggio Group being updated.

External risks

Risks related to the macroeconomic scenario and the sector

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

Risks related to changed customer preferences

Piaggio's success depends on its ability to manufacture products that cater for consumer's tastes and can meet their needs for mobility. If the Group's products were not appreciated by customers, lower revenues would be generated, or if more aggressive sales policies were adopted in terms of discounts given, margins would be lower, with a negative impact on financial position and performance.
To tackle this risk, the Piaggio Group has always invested in major research and development projects, to enable it to optimally meet customer needs and anticipate market trends, introducing innovative products with high added value, levering brand identity.

Risks related to a high level of market competition

Over the last few years, the competitiveness of markets in which the Group operates has increased considerably, above all in terms of prices and 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.

The risk relative to the regulatory reference 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.
The enactment of regulations which are more stringent than those currently in force could lead to products being taken off the market and force manufacturers to make investments to renew product ranges and/or renovate/modernise production sites.
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.

Country risk

The Piaggio Group operates in an international arena and is therefore exposed to risks connected with a high level of internationalisation, such as exposure to local economic conditions and policies, compliance with different tax systems, customs barriers or more in general the introduction of laws or regulations which are more stringent than the current regulatory framework. The countries where the Piaggio Group operates may adopt economic policies and/or government measures in the form of incentives or tax relief, that may have a considerable impact on consumer trends.

All these factors may have a negative impact on the financial position and performance of the Group. In particular, the growing presence of the Group in India and Vietnam has increased its exposure to political instability or negative economic developments in these countries.

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

Financial market

The Piaggio Group is exposed to financial risk concerning trends and the volatility of financial markets, that may affect the value of financial instruments and price of company shares. Any particularly negative economic trends could make it difficult or particularly expensive for the Group to raise funds.

Risks related to seasonal fluctuations in operations

The Group's business is extremely seasonal, particularly on western markets where sales of two-wheeler vehicles mainly take place in spring and summer. In addition, an extremely wet spring could lead to fewer sales of products with a negative effect on the Group's business and financial performance. Piaggio tackles these risks first and foremost by consolidating its presence on markets, such as India and Asia Pacific, which are not affected by an extremely seasonal nature, and by adopting a flexible production structure that can deal with peak demand through vertical part-time and fixed-term employment contracts, as well as seasonal planning.

Risks connected with natural disasters and catastrophes

The Group operates through industrial sites located in Italy, India and Vietnam. These sites are subject to operating risks, including natural disasters, sabotage, terrorist attacks and significant interruptions to supplies of commodities or components. Any interruption to production activities could have a negative impact on the operations and financial position and performance of the Group.

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.

Natural disasters may also prevent the distribution and sale of company products in affected areas.

Risks connected with inflation

Group profitability on some markets could be negatively affected by any decrease in the purchasing power of currency and consequent increase in prices. In particular, the Group is subject to the risk arising from the organisation's failure to put in place an appropriate response plan to deal with these price fluctuations.

Internal risks

Corporate Social Responsibility risks

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. This strategy exposes the Group to the risk of using suppliers or sub-suppliers that do not meet the Group's sustainability standards (risk connected to the sustainable supply chain); and to the risk connected with inadequate technological investments that are functional for sustainable mobility, for creating environmentally friendly products and an adequate technological level of products to meet new mobility needs of consumers and regulatory developments (risk connected with the development of environmentally friendly products). This could exacerbate how stakeholders perceive the Group and its reputation, and affect stakeholder loyalty.

Financial risks

Risks connected with the exchange rate

The Piaggio Group undertakes operations in currencies other than the euro and this exposes it to the risk of fluctuating exchange rates of different currencies.
Exposure to the business risk consists of envisaged payables and receivables in foreign currency, taken from the budget for sales and purchases reclassified by currency and accrued on a monthly basis.
The Group's policy is to hedge at least 66% of the exposure of each reference month.
Exposure to the settlement risk consists of receivables and payables in foreign currency acquired in the accounting system at any moment. The hedge must at all times be equal to 100% of the import, export or net settlement exposure for each currency.
In the first half of 2016, the exchange risk was managed in line with Group policy, which aims to neutralise the possible negative effects of exchange rate changes on company cash-flow, by hedging the business risk which concerns changes in company profitability compared to the annual business budget on the basis of a key change (the so-called "budget change") and of the transaction risk, which concerns the differences between the exchange rate recorded in the financial statements for receivables or payables in foreign currency and that recorded in the related receipt or payment.

Risks connected with production factor prices

Production costs are exposed to the risk of fluctuating energy, raw material and component. Piaggio has chosen to manage this risk by adopting plans to reduce energy consumption and provide specific training on energy saving. If the Piaggio Group were not able to offset an increase in these costs against sales prices, its financial position and performance would be affected.

Interest rate risks

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 39 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 suppliers and consequent possibility of late payments, or the insolvency of customers and suppliers and consequent failure to receive payments.
To balance this risk, the Parent Company has stipulated agreements with primary factoring companies in Italy and other countries for the sale of trade receivables without recourse. For a further description, reference is made to section 21 of the Notes to the Consolidated Financial Statements.

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 products

These risks are connected with a failure to maintain product technological innovation at adequate levels and failure to comply with regulatory requirements and product quality and safety standards in relation to market requests, with a consequent liability of the Group in relation to:

- claims for compensation that exceed insurance cover;
- repairs under warranty;
- recall campaigns.

To mitigate these risks, the Piaggio Group adopts an efficient quality control system for supplied components and finished products.

Risks connected with the production process

The Group is exposed to the following risks:

- risk connected with operating efficiency being maintained at adequate levels to guarantee necessary industrial productivity. Inadequate analysis of the production cycle could cause the erroneous use of resources and energy (production efficiency);
- risk connected with inadequate production capacity, that could prevent the Group from meeting market demand and could result in excess production that does not guarantee an adequate offsetting of costs;
- 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 a flexible production capacity and sources from several suppliers of components in order 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.

Supply chain risks

Risks connected with reliance on suppliers

In carrying out its operations, the Group sources raw materials, semifinished products and components from a number of suppliers. Group operations are conditioned by the ability of its suppliers to guarantee the quality standards and specifications requested for products, as well as relative delivery times.

Legal risks

Risks related to the protection of trademark, licence and patent rights

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. Unlawful plagiarism by competitors could have a negative effect on the Group's sales.
The Group is also exposed to the risk of failing to comply with laws on intellectual property rights.

Risks related to litigation and tax litigation

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. Detailed analysis of main legal proceedings is given in the relative paragraph of the Notes to the Consolidated Financial Statements.

Risks relative to human resources

Risks related to industrial relations

In Europe, the Piaggio Group operates in an industrial context with a strong trade union presence, and is potentially exposed to the risk of strikes and interruptions to production activities.
In the recent past, the Group was not affected by major interruptions to production because of strikes. To avoid the risk of interruptions to production activities, as far as possible, the Group bases its relations with trade union organisations on dialogue.

Risks related to talent management, recruitment and retention

The following are connected risks:
› the adoption of an adequate human resources management policy in terms of motivation, remuneration, development and growth;
› any loss of key competencies and know-how due to strategic employees no longer working for the Group;
› any inadequate management of these organisational changes.

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.

Risks relative to information management

IT and data and information management risks

The Group is exposed to the risk of the unauthorised access to/use of company data and information that could have a negative impact on profitability, in particular concerning data and information which is strategic for the company (e.g. technological and product know-how), confidential information and sensitive information protected by privacy laws (for example information about employees and customers). The Group has established operating policies and technical security measures designed to afford adequate protection for company data and information.

Risks relative to business reporting

Risks related to the publication of the financial disclosure

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 Condensed Interim Financial Statements are audited by the Independent Auditors in a limited form. Moreover, the control activities required by Italian Law 262/2005 are also carried out during the period at the most important foreign subsidiaries, Piaggio Vehicles Pvt. Ltd., Piaggio Vietnam Co.Ltd. and Piaggio Group Americas Inc.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Events occurring after the end of the period

7 July 2016 - The Piaggio Group signed important agreements to market the Vespa and Piaggio brands in Brazil, Argentina and Uruguay.

7 July 2016 – The new versions of the Vespa Primavera and Vespa Sprint, with the new Piaggio i-Get engine that meets Euro 4 standards, were unveiled. The vehicles have enhanced features, including an extremely useful USB port and ABS now fitted as standard on all 125cc and 150cc versions.

14 July 2016 – The Piaggio Group continued its growth on markets that are developing considerably and are characterised by large volumes, with the introduction of the Aprilia brand on the Indian scooter market. In the next few days, the Aprilia SR 150 scooter will start to be sold in India.

Operating outlook

In a macroeconomic context in which the recovery of the global economy will probably consolidate, but that is still affected by uncertainties over the growth rate in Europe and risks of a slowdown in some countries in Far East Asia, the Group is committed, in commercial and industrial terms, to:

› confirm its leadership position on the European two-wheeler market, optimally levering expected recovery by:
  – further consolidating the product range and targeting a growth in sales and margins in the high-wheeler scooter segment, with the new Liberty and Medley, and in the motorcycle segment, thanks to the restyled Moto Guzzi and Aprilia ranges;
  – entry on the electrical bicycle market, with the new Piaggio Wi-Bike, levering technological and design leadership;
  – current positions on the European commercial vehicles market will be maintained;
› consolidating operations in Asia Pacific, exploring new opportunities in medium and large sized motorcycle segments, and replicating the premium strategy for Vietnam, throughout the region, with particular reference to the Chinese market;
› consolidating sales on the Indian scooter market, focussing on an increase in Vespa products and the introduction, along with other Group brands, of new models in the premium scooter and motorcycle segments;
› increasing sales of commercial vehicles in India and in emerging countries, targeting a further development of exports to African and Latin American markets.

Transactions with related parties

Revenues, costs, payables and receivables as of 30 June 2016 involving parent, subsidiaries and associate companies, refer to the sale of goods or services which are a part of normal operations of the Group.
Transactions are carried out at normal market values, depending on the characteristics of the goods and services provided.
Information on related-party transactions, including the information required by Consob communication no. DEM/6664293 of 28 July 2006 is presented in the "Notes to the Condensed Consolidated Interim Financial Statements as of 30 June 2016".

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

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

Other information

Processing of personal data - Italian Legislative Decree no. 196 of 30 June 2003

With reference to the obligations of the "Consolidated Privacy Act", enacted with Italian Legislative Decree no. 196 of 30 June 2003, – Annex B), Technical Regulations – Piaggio & C. S.p.A., as Data Controller has adopted the security measures listed in the regulations, and updated its Security Policy Document according to law.
The purpose of the Security Policy Document is to:

1. define and describe the security policies adopted concerning the processing of personal data relative to employees, outsourced staff, customers, suppliers and other subjects concerned;
2. define and explain the organisational criteria adopted by the Company to put these measures in place.

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:

- as of 30 June 2016, the regulatory requirements of article 36 of the Regulation on Markets apply to the subsidiaries: Piaggio Vehicles Private Limited, Piaggio Vietnam Co Ltd and Piaggio Group Americas Inc;
- adequate procedures for ensuring full compliance with the above regulation have been adopted.

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

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

Economic glossary

Net working capital: defined as the net sum of: current and non-current trade and other receivables, inventories, trade and other long term payables and current trade payables, other receivables (short and long term tax receivables, deferred tax assets) and other payables (tax payables, other short term payables and deferred tax liabilities).

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

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

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

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

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

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

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

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

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

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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CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

AT 30 JUNE 2016

Consolidated Income Statement

Notes	In thousands of euros	1st half of 2016 Total	of which related parties	1st half of 2015 Total	of which related parties
4	**Net revenues**	**706,496**	**684**	**693,886**	**167**
5	Cost for materials	412,043	14,825	409,794	16,549
6	Cost for services and leases and rentals	122,748	1,878	119,029	1,892
7	Employee costs	112,196		113,920	
8	Depreciation and impairment costs of property, plant and equipment	23,145		23,695	
8	Amortisation and impairment costs of intangible assets	30,565		28,449	
9	Other operating income	52,358	510	55,418	403
10	Other operating costs	10,395	13	11,494	12
	Operating income	**47,762**		**42,923**	
11	Income/(loss) from investments	704	696	246	246
12	Financial income	581		364	
12	Borrowing costs	18,348	67	18,994	90
12	Net exchange gains/(losses)	(680)		94	
	Profit before tax	**30,019**		**24,633**	
13	Taxes for the period	12,008		9,853	
	Profit from continuing operations	**18,011**		**14,780**	
	Assets held for sale:				
14	Profits or losses arising from assets held for sale				
	Net Profit (loss) for the period	**18,011**		**14,780**	
	Attributable to:				
	Owners of the Parent Company	**18,011**		**14,788**	
	Non-controlling interests	**0**		**(8)**	
15	**Earnings per share (figures in €)**	**0.050**		**0.041**	
15	**Diluted earnings per share (figures in €)**	**0.050**		**0.041**	

Consolidated Statement of Comprehensive Income

Notes	In thousands of euros	1st half of 2016	1st half of 2015
	Net Profit (Loss) for the period (A)	**18,011**	**14,780**
	Items that will not be reclassified in the income statement		
41	Remeasurements of defined benefit plans	(3,367)	2,102
	Total	**(3,367)**	**2,102**
	Items that may be reclassified in the income statement		
41	Profit (loss) deriving from the translation of financial statements of foreign companies denominated in foreign currency	(2,951)	5,098
41	Total gains (losses) on cash flow hedges	147	752
	Total	**(2,804)**	**5,850**
	Other Comprehensive Income (Expense) (B)*	**(6,171)**	**7,952**
	Total Comprehensive Income (Expense) for the period (A + B)	**11,840**	**22,732**
	Attributable to:		
	Owners of the Parent Company	**11,889**	**22,707**
	Non-controlling interests	**(49)**	**25**

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

Consolidated Statement of Financial Position

Notes	In thousands of euros	As of 30 June 2016 Total	of which related parties	As of 31 December 2015 Total	of which related parties
	Assets				
	Non-current assets				
16	Intangible assets	669,812		673,986	
17	Property, plant and equipment	300,823		307,608	
18	Investment Property	11,811		11,961	
33	Investments	9,819		9,529	
34	Other financial assets	23,164		24,697	
23	Long-term tax receivables	5,784		5,477	
19	Deferred tax assets	57,452		56,434	
21	Trade receivables				
22	Other receivables	13,068	133	13,419	153
	Total non-current assets	**1,091,733**		**1,103,111**	
25	**Assets held for sale**				
	Current assets				
21	Trade receivables	121,223	1,159	80,944	1,150
22	Other receivables	26,096	9,039	29,538	8,879
23	Short-term tax receivables	34,653		21,541	
20	Inventories	257,003		212,812	
35	Other financial assets	2,212		2,176	
36	Cash and cash equivalents	152,591		101,428	
	Total current assets	**593,778**		**448,439**	
	Total assets	**1,685,511**		**1,551,550**	
	Shareholders' equity and liabilities				
	Shareholders' equity				
40	Share capital and reserves attributable to the owners of the Parent Company	393,482		404,535	
40	Share capital and reserves attributable to non-controlling interests	(291)		(242)	
	Total shareholders' equity	**393,191**		**404,293**	
	Non-current liabilities				
37	Financial liabilities falling due after one year	510,696	2,900	520,391	2,900
26	Trade payables				
27	Other long-term provisions	10,837		9,584	
28	Deferred tax liabilities	4,023		4,369	
29	Retirement funds and employee benefits	53,283		49,478	
30	Tax payables				
31	Other long-term payables	5,019		4,624	
	Total non-current liabilities	**583,858**		**588,446**	
	Current liabilities				
37	Financial liabilities falling due within one year	146,377		105,895	
26	Trade payables	484,364	14,648	380,363	10,108
30	Tax payables	13,540		14,724	
31	Other short-term payables	55,200	9,540	48,050	8,666
27	Current portion of other long-term provisions	8,981		9,779	
	Total current liabilities	**708,462**		**558,811**	
	Total shareholders' equity and liabilities	**1,685,511**		**1,551,550**	

Consolidated Statement of Cash Flows

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

Notes	In thousands of euros	1st half of 2016 Total	1st half of 2016 of which related parties	1st half of 2015 Total	1st half of 2015 of which related parties
	Operating activities				
	Consolidated net profit	18,011		14,788	
	Allocation of profit to non-controlling interests	0		(8)	
13	Taxes for the period	12,008		9,853	
8	Depreciation of property, plant and equipment	23,145		23,695	
8	Amortisation of intangible assets	30,565		28,449	
	Provisions for risks and retirement funds and employee benefits	9,321		9,777	
	Write-downs/ (Reversals)	514		969	
	Losses/ (Gains) on the disposal of property, plants and equipment	(74)		(70)	
12	Financial income	(499)		(239)	
11	Dividend income	(7)		0	
12	Borrowing costs	16,927		18,781	
	Income from public grants	(2,078)		(1,258)	
11	Portion of earnings of associates	(697)		(246)	
	Change in working capital:				
21	(Increase)/Decrease in trade receivables	(39,828)	(9)	(84,948)	(17)
22	(Increase)/Decrease in other receivables	3,856	(140)	1,902	767
20	(Increase)/Decrease in inventories	(44,191)		(14,101)	
26	Increase/(Decrease) in trade payables	104,001	4,540	55,389	1,459
	Increase/(Decrease) in other payables	7,545	874	10,211	146
27	Increase/(Decrease) in provisions for risks	(5,114)		(5,278)	
29	Increase/(Decrease) in retirement funds and employee benefits	83		(7,878)	
	Other changes	(18,900)		(1,533)	
	Cash generated from operating activities	**114,588**		**58,255**	
	Interest paid	(15,967)		(18,994)	
	Taxes paid	(9,941)		(8,715)	
	Cash flow from operating activities (A)	**88,680**		**30,546**	
	Investment activities				
17	Investment in property, plant and equipment	(19,871)		(13,950)	
	Sale price, or repayment value, of property, plant and equipment	192		274	
16	Investment in intangible assets	(27,100)		(29,542)	
	Sale price, or repayment value, of intangible assets	0		44	
	Collected interests	307		203	
	Cash flow from investment activities (B)	**(46,472)**		**(42,971)**	
	Financing activities				
40	Purchase of treasury shares	(4,980)		0	
40	Outflow for dividends paid	(17,962)		(26,007)	
37	Loans received	77,723		86,439	
37	Outflow for repayment of loans	(45,815)		(21,357)	
37	Repayment of finance leases	(15)		(16)	
	Cash flow from financing activities (C)	**8,951**		**39,059**	
	Increase/ (Decrease) in cash and cash equivalents (A+B+C)	51,159		26,634	
	Opening balance	**101,302**		**90,125**	
	Exchange differences	(1,182)		3,150	
	Closing balance	**151,279**		**119,909**	

Changes in Consolidated Shareholders' Equity

Movements from 1 January 2016 / 30 June 2016

Notes	In thousands of euros	Share capital	Share premium reserve	Legal reserve	Reserve for measurement of financial instruments	IAS transition reserve
	As of 1 January 2016	**207,614**	**7,171**	**17,643**	**(586)**	**(5,859)**
	Profit for the period					
41	Other Comprehensive Income (Expense)				147	
	Total profit (loss) for the period	**0**	**0**	**0**	**147**	**0**
	Transactions with shareholders:					
40	Allocation of profits			752		
40	Distribution of dividends					
40	Annulment of treasury shares					
40	Purchase of treasury shares					
40	Other changes					
	As of 30 June 2016	**207,614**	**7,171**	**18,395**	**(439)**	**(5,859)**

Movements from 1 January 2015 / 30 June 2015

Notes	In thousands of euros	Share capital	Share premium reserve	Legal reserve	Reserve for measurement of financial instruments	IAS transition reserve
	As of 1 January 2015	**207,614**	**7,171**	**16,902**	**(830)**	**(5,859)**
	Profit for the period					
41	Other Comprehensive Income (Expense)				752	
	Total profit (loss) for the period	**0**	**0**	**0**	**752**	**0**
	Transactions with shareholders:					
40	Allocation of profits			741		
40	Distribution of dividends					
40	Annulment of treasury shares					
	As of 30 June 2015	**207,614**	**7,171**	**17,643**	**(78)**	**(5,859)**

Group conversion reserve	Treasury shares	Earnings reserve	Consolidated Group shareholders' equity	Share capital and reserves attributable to non-controlling interests	TOTAL SHAREHOLDERS' EQUITY
(15,608)	**(34)**	**194,194**	**404,535**	**(242)**	**404,293**
		18,011	**18,011**		**18,011**
(2,902)		(3,367)	**(6,122)**	**(49)**	**(6,171)**
(2,902)	**0**	**14,644**	**11,889**	**(49)**	**11,840**
		(752)	**0**		**0**
		(17,962)	**(17,962)**		**(17,962)**
			0		**0**
	(4,980)		**(4,980)**		**(4,980)**
			0		**0**
(18,510)	**(5,014)**	**190,124**	**393,482**	**(291)**	**393,191**

Group conversion reserve	Treasury shares	Earnings reserve	Consolidated Group shareholders' equity	Share capital and reserves attributable to non-controlling interests	TOTAL SHAREHOLDERS' EQUITY
(18,839)	**(5,787)**	**211,775**	**412,147**	**922**	**413,069**
		14,788	**14,788**	**(8)**	**14,780**
5,065		2,102	**7,919**	**33**	**7,952**
5,065	**0**	**16,890**	**22,707**	**25**	**22,732**
		(741)	**0**		**0**
		(26,007)	**(26,007)**		**(26,007)**
	5,787	(5,787)	**0**		**0**
(13,774)	**0**	**196,130**	**408,847**	**947**	**409,794**

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 addresses of the registered office and places where the Group conducts its main business operations are listed in the financial statements. The main operations of the Company and its subsidiaries (the Group) are described in the Report on Operations.
These Financial Statements are expressed in euros (€) since this is the currency in which most of the Group's transactions take place. Transactions in foreign currency are recorded at the exchange rate in effect on the date of the transaction. Monetary assets and liabilities in foreign currency are translated at the exchange rate in effect at the reporting date.

Scope of consolidation

As of 30 June 2016, 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 not changed compared to the Consolidated Financial Statements as of 31 December 2015 and 30 June 2015.

1. Compliance with international accounting standards

These Condensed Interim Financial Statements have been drafted in compliance with the International Accounting Standards (IAS/IFRS) in force at that date, issued by the International Accounting Standards Board and approved by the European Commission, as well as in compliance with the provisions established in Article 9 of Legislative Decree no. 38/2005 (CONSOB Resolution no. 15519 dated 27 July 2006 containing the "Provisions for the presentation of financial statements", CONSOB Resolution no. 15520 dated 27 July 2006 containing the "Changes and additions to the Regulation on Issuers adopted by Resolution no. 11971/99", CONSOB communication no. 6064293 dated 28 July 2006 containing the "Corporate reporting required in accordance with Article 114, paragraph 5 of Leg. Decree no. 58/98"). The interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously the Standing Interpretations Committee ("SIC"), were also taken into account.
During the drafting of these Condensed Interim Financial statements, prepared in compliance with IAS 34 - Interim Financial Reporting, the same accounting standards adopted in the drafting of the Consolidated Financial Statements as of 31 December 2015 were applied, with the exception of paragraph "New accounting standards, amendments and interpretations applied as from 1 January 2016".
The information provided in the Half-Year Report should be read together with the Consolidated Financial Statements as of 31 December 2015, prepared according to IFRS.

The preparation of the interim financial statements requires management to make estimates and assumptions which have an impact on the values of revenues, costs, consolidated balance sheet assets and liabilities and on the information regarding contingent assets and liabilities at the reporting date. If these management estimates and assumptions should, in future, differ from the actual situation, they will be changed as appropriate in the period in which the circumstances change. For a more detailed description of the most significant measurement methods of the Group, reference is made to the section "Use of estimates" of the Consolidated Financial Statements as of 31 December 2015.

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

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

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

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

2. 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, the Statement of Changes in Consolidated Shareholders' Equity and these notes.

<u>Consolidated Income Statement</u>

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.

<u>Consolidated Statement of Comprehensive Income</u>

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.

<u>Consolidated Statement of Financial Position</u>

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.

<u>Consolidated Statement of Cash Flows</u>

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. Financial 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.

<u>Statement of Changes in Consolidated Shareholders' Equity</u>

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 Piaggio Group 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.

2.1 New accounting standards, amendments and interpretations applied as from 1 January 2016

As from 1 January 2016, several changes introduced by international accounting standards and interpretations have been applied, none of which have had a significant impact on the Group's financial statements. The main changes are outlined below:

- IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortisation": according to the changes, it is considered inappropriate to adopt an amortisation/depreciation method based on revenues. As regards intangible assets, this indication is considered as a relative assumption, that may only be overcome in one of the following circumstances: (i) the right to use an intangible asset is related to the realisation of a predefined threshold for revenues to be produced; or (ii) when it may be demonstrated that the realisation of revenues and use of the economic benefits of the asset are strongly related.
- IFRS 11 "Joint arrangements: recording the acquisition of an interest in a joint operation": the changes provide clarification on the recording for accounting purposes of the acquisition of interests in joint operations constituting a business. The amendments are applicable in a retrospective manner for years commencing from or after 1 January 2016.
- Annual amendments to IFRS 2012-2014: the amendments concern:

(i) IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations";
(ii) IFRS 7 "Financial Instruments: Disclosures";
(iii) IAS 19 "Employee Benefits";
(iv) IAS 34 "Interim Financial Reporting".

As regards the first point, the amendment clarifies that the financial statements need not be restated if an asset or group of assets available for sale was reclassified as "held for distribution", or vice versa.
With reference to IFRS 7, the amendment states that if an entity transfers a financial asset on terms that allow the de-recognition of the asset, information must be disclosed concerning the entity's involvement in the transferred asset.
The proposed amendment to IAS 19 makes it clear that, in determining the discount rate of the obligation arising following the termination of the employment relationship, it is the currency in which the obligations are denominated that counts, rather than the country in which they arise.
The proposed amendment to IAS 34 requires cross-references between information reported in the interim financial statements and the related disclosure.

- IAS 1 "Presentation of Financial Statements": the amendment to the principle in question is intended to provide clarification on the aggregation or disaggregation of financial statement items if the amount is significant, or "material". In particular, the amended standard requires there to be no aggregation of items with different characteristics or disaggregation that hampers disclosure or interpretation of the financial statements. Moreover, the amendment requires the presentation of headings, partial results and additional items, also separating the items listed in section 54 (Statement of Financial Position) and 82 (Income Statement) of IAS 1, when this presentation is significant for the purposes of understanding the statement of financial position and financial position and performance of the entity.

The Group is assessing the feasibility of adopting IAS 27 Revised "Separate Financial Statements": the amendment, applicable from 1 January 2016, allows an entity to use the equity method to recognise investments in subsidiaries, joint ventures and associates in the separate financial statements.

2.2 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 2014, the IASB and FASB jointly published IFRS 15 "Revenue from Contracts with Customers". The purpose of this standard is to improve reporting on revenues and their comparability between different financial statements. The new standard is applicable in a retrospective manner for years commencing from or after 1 January 2018. Early adoption is possible.
- On 24 July 2014, the IASB finalised its project to revise the accounting standard for financial instruments, with the issue of the complete version of IFRS 9 "Financial Instruments". In particular, the new provisions of IFRS 9: (i) amend the model that classifies and measures financial assets; (ii) introduce a new method for writing down financial assets, that takes account of expected credit losses; and (iii) amend hedge accounting provisions. The provisions of IFRS 9 will be applicable for years commencing on or after 1 January 2018.
- On 18 December 2014, the IASB amended IFRS 10 "Consolidated Financial Statements", and IAS 28 "Investments in associates and joint ventures".
  Regarding the first point, the amendment clarifies that the exemption of the presentation of consolidated financial statements applies to a parent company that is controlled by an investment company, when the latter measures all its subsidiaries at fair value. IAS 28 was amended as regards investments in associates or joint ventures that are "investment entities": these investments may be recognised with the equity method or at fair value. These amendments apply from 1 January 2016.
- In the month of January 2016, the IASB published IFRS 16 "Leases". This new standard will replace the current IAS 17. The main change concerns the accounting by lessees that, according to IAS 17, were required to make a distinction between a financial lease (in the budget) and operating leases (off budget). With IFRS 16, operating leases will be treated for accounting purposes as financial leases. The IASB has provided for the optional exemption for certain leasing contracts and low value and short-term leases.
  This standard will apply from 1 January 2019. Early application will be possible if IFRS 15 "Revenue from contracts with customers" is jointly adopted.
- In February 2016, the IASB issued an amendment to IAS 12 "Income Taxes." These amendments clarify how to enter deferred tax assets related to debt instruments measured at fair value.
  These amendments will apply from 1 January 2017.
- In February 2016, the IASB issued an amendment to IAS 7 "Statement of Cash Flows." These amendments to IAS 7 introduce additional information that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. These amendments will apply from 1 January 2017.
- In June 2016, the IASB issued an amendment to IFRS 2 "Share-based Payment". These amendments clarify how some share-based payments are recognised. These amendments will apply from 1 January 2018.

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

Other information

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

Currency	Spot exchange rate 30 June 2016	Average exchange rate 1st half of 2016	Spot exchange rate 31 December 2015	Average exchange rate 1st half
US Dollar	1.1102	1.11594	1.0887	1.11579
Pounds Sterling	0.8265	0.77877	0.73395	0.73233
Indian Rupee	74.9603	75.00187	72.0215	70.12440
Singapore Dollars	1.4957	1.53997	1.5417	1.50608
Chinese Renminbi	7.3755	7.29646	7.0608	6.94081
Croatian Kuna	7.5281	7.55941	7.638	7.62773
Japanese Yen	114.05	124.41362	131.07	134.20424
Vietnamese Dong	24,583.58	24,728.10126	24,435.06	23,858.57440
Canadian Dollars	1.4384	1.48444	1.5116	1.37736
Indonesian Rupiah	14,632.43	14,968.97504	15,029.50	14,468.81304
Brazilian Real	3.5898	4.12955	4.3117	3.31015

B) Segment reporting

3. Operating segment reporting

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

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

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

Income statement by operating segment

		EMEA and Americas	India	Asia Pacific 2W	Total
Sales volumes (unit/000)	1st half of 2016	137.6	101.7	37.5	**276.7**
	1st half of 2015	128.7	101.4	39.5	**269.6**
	Change	8.9	0.2	(2.0)	**7.1**
	Change %	6.9%	0.2%	-5.2%	**2.6%**
Net turnover (millions of euros)	1st half of 2016	456.4	165.0	85.1	**706.5**
	1st half of 2015	433.5	169.8	90.5	**693.9**
	Change	22.9	(4.8)	(5.4)	**12.6**
	Change %	5.3%	-2.8%	-6.0%	**1.8%**
Gross margin (millions of euros)	1st half of 2016	139.4	45.6	31.4	**216.4**
	1st half of 2015	133.5	36.1	34.7	**204.4**
	Change	5.9	9.4	(3.3)	**12.0**
	Change %	4.4%	26.1%	-9.6%	**5.9%**
EBITDA (millions of euros)	1st half of 2016				**101.5**
	1st half of 2015				**95.1**
	Change				**6.4**
	Change %				**6.7%**
EBIT (millions of euros)	1st half of 2016				**47.8**
	1st half of 2015				**42.9**
	Change				**4.8**
	Change %				**11.3%**
Net profit (millions of euros)	1st half of 2016				**18.0**
	1st half of 2015				**14.8**
	Change				**3.2**
	Change %				**21.9%**

C) Information on the consolidated income statement

4. Net revenues €/000 706,496

Revenues are shown net of premiums recognised to customers (dealers).
This item does not include transport costs, which are recharged to customers (€/000 13,394) and invoiced advertising cost recoveries (€/000 2,661), 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 geographical segment is shown in the following table:

	1st half of 2016		1st half of 2015		Changes	
	Amount	%	Amount	%	Amount	%
In thousands of euros						
EMEA and Americas	456,389	64.6	433,517	62.5	22,872	5.3
India	165,020	23.4	169,845	24.5	(4,825)	-2.8
Asia Pacific 2W	85,087	12.0	90,524	13.0	(5,437)	-6.0
Total	**706,496**	**100.0**	**693,886**	**100.0**	**12,610**	**1.8**

In the first half of 2016, net sales revenues increased by 1.8% compared to the same period of the previous year. For a more detailed analysis of trends in individual geographic segments, see comments in the Report on Operations.

5. Costs for materials €/000 412,043

The percentage of costs accounting for net sales went down, from 59.1% in the first half of 2015 to 58.3% in the current period. The item includes €/000 14,825 (€/000 16,549 in the first half of 2015) for purchases of scooters from the Chinese affiliate Zongshen Piaggio Foshan, that are sold on European and Asian markets.

The following table details the content of this item:

	1st half of 2016	1st half of 2015	Change
In thousands of euros			
Raw, ancillary materials, consumables and goods	456,827	419,529	37,298
Change in inventories of raw, ancillary materials, consumables and goods	(10,824)	(10,793)	(31)
Change in work in progress of semifinished and finished products	(33,960)	1,058	(35,018)
Total	**412,043**	**409,794**	**2,249**

6. Costs for services and leases and rental costs — *€/000 122,748*

Below is a breakdown of this item:

In thousands of euros	1st half 2016	1st half of 2015	Change
Employee costs	8,247	8,970	(723)
External maintenance and cleaning costs	4,319	4,018	301
Energy, telephone costs	8,416	9,130	(714)
Postal expenses	643	433	210
Commissions payable	483	480	3
Advertising and promotion	17,641	14,948	2,693
Technical, legal and tax consultancy and services	8,068	8,937	(869)
Company boards operating costs	1,030	1,295	(265)
Insurance	1,811	1,977	(166)
Outsourced manufacturing	11,898	8,437	3,461
Outsourced services	6,974	7,092	(118)
Transport costs (vehicles and spare parts)	18,063	17,876	187
Internal shuttle services	344	278	66
Sundry commercial expenses	6,060	6,006	54
Expenses for public relations	1,504	2,129	(625)
Product warranty costs	4,000	3,629	371
Costs for quality-related events	2,446	4,799	(2,353)
Bank costs and factoring charges	3,001	2,777	224
Misc services provided in the business year	4,457	4,116	341
Other services	3,898	2,591	1,307
Insurance from related parties	25	25	0
Services from related parties	1,048	1,112	(64)
Lease and rental costs	7,597	7,219	378
Costs for leases and rentals of related parties	775	755	20
Costs for services and leases and rental costs	**122,748**	**119,029**	**3,719**

The increase is mainly due to higher costs incurred for outsourced manufacturing and for advertising and promotions.
Costs for leases and rentals include lease rentals for business properties of €/000 3,450, as well as lease payments for car hire, computers and photocopiers.
The item "Other" includes costs for temporary work of €/000 1,277.

7. Employee costs — *€/000 112,196*

Employee costs include €/000 1,118 relating to costs for redundancy plans mainly for the Pontedera and Noale production sites.

In thousands of euros	1st half 2016	1st half of 2015	Change
Salaries and wages	83,796	84,415	(619)
Social security contributions	23,216	23,179	37
Termination benefits	3,722	3,835	(113)
Other costs	1,462	2,491	(1,029)
Total	**112,196**	**113,920**	**(1,724)**

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

11_ At the end of 2015, criteria identifying professional categories in India were updated, to bring them further in line with the Group's criteria, with data for the first half of 2015 being reclassified.

Level	Average number	1st half of 2016	1st half of 2015[11]	Change
Senior management		101.5	106.0	(4.5)
Middle management		570.8	578.3	(7.5)
White collars		1,825.7	2,067.5	(241.8)
Blue collars		4,506.5	5,017.4	(510.9)
Total		**7,004.5**	**7,769.2**	**(764.7)**

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

Number as of	30 June 2016	31 December 2015	Change
Senior management	101	104	(3)
Middle management	586	573	13
White collars	1,762	1,933	(171)
Blue collars	4,576	4,443	133
Total	**7,025**	**7,053**	**(28)**
EMEA and Americas	3,851	3,872	(21)
India	2,282	2,353	(71)
Asia Pacific 2W	892	828	64
Total	**7,025**	**7,053**	**(28)**

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

Level	As of 31/12/2015	Incoming	Leavers	Relocations	As of 30/06/2016
Senior management	104	2	(5)		101
Middle management	573	14	(30)	29	586
White collars	1,933	99	(136)	(134)	1,762
Blue collars	4,443	1,449	(1,421)	105	4,576
Total (*)	**7,053**	**1,564**	**(1,592)**	**0**	**7,025**
(*) of which fixed-term contracts	1,003	1,294	(1,292)	(1)	1,004

8. Amortisation/depreciation and impairment costs *€/000 53,710*

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

Property, plant and equipment	1st half of 2016	1st half of 2015	Change
In thousands of euros			
Buildings	2,523	2,593	(70)
Plant and machinery	11,972	11,378	594
Industrial and commercial equipment	6,690	8,203	(1,513)
Other assets	1,960	1,521	439
Total depreciation of property, plant and equipment	**23,145**	**23,695**	**(550)**
Write-down of property, plant and equipment			
Total depreciation of property, plant and equipment and impairment costs	**23,145**	**23,695**	**(550)**

Intangible assets	1st half of 2016	1st half of 2015	Change
In thousands of euros			
Development costs	15,779	16,206	(427)
Industrial Patent and Intellectual Property Rights	12,228	9,407	2,821
Concessions, licences, trademarks and similar rights	2,412	2,412	0
Other	146	424	(278)
Total amortisation of intangible fixed assets	**30,565**	**28,449**	**2,116**
Write-down of intangible assets			
Total amortisation of intangible assets and impairment costs	**30,565**	**28,449**	**2,116**

9. Other operating income *€/000 52,358*

This item consists of:

	1st half of 2016	1st half of 2015	Change
In thousands of euros			
Operating grants	2,078	1,258	820
Increases in fixed assets from internal work	21,971	20,688	1,283
Other revenue and income:			
- Rent receipts	1,906	1,816	90
- Capital gains on assets and investments	78	72	6
- Sale of miscellaneous materials	378	544	(166)
- Recovery of transport costs	13,394	12,932	462
- Recovery of advertising costs	2,661	2,863	(202)
- Recovery of sundry costs	1,761	1,557	204
- Compensation	264	255	9
- Compensation for quality-related events	436	2,791	(2,355)
- Licence rights and know-how	1,125	1,616	(491)
- Sponsorship	1,057	2,415	(1,358)
- Other income	5,249	6,611	(1,362)
Total other operating income	**52,358**	**55,418**	**(3,060)**

The item "Operating grants" includes €/000 1,342 for government and EU grants for research projects and export subsidies (€/000 736) received relative to the Indian affiliate. The subsidies are recognised in profit or loss, strictly relating to the amortisation and depreciation of capitalised costs for which the subsidies were received.
The item "Compensation for quality-related events" relates to the relevant costs item entered in the context of the costs for services..

10. Other operating costs *€/000 10,395*

This item consists of:

	1st half of 2016	1st half of 2015	Change
In thousands of euros			
Provision for future risks	907	276	631
Provisions for product warranties	4,692	5,666	(974)
Duties and taxes not on income	2,162	2,373	(211)
Various subscriptions	643	642	1
Capital losses from disposal of assets	4	2	2
Losses from changes in the fair value of investment property	150	147	3
Losses on receivables	1,323	1,419	(96)
Total sundry operating costs	**4,282**	**4,583**	**(301)**
Write-down of current receivables	514	969	(455)
Total	**10,395**	**11,494**	**(1,099)**

The reduction is due partly to the decrease in provisions for product warranties and partly to the lower write-down of current receivables.
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 37.

11. Income/(loss) from investments *€/000 704*

Income from investments amounted to €/000 704 in the first half of the year and refers to €/000 7 from minority interest dividends and the remainder to the portion of income attributable to the Group of the Zongshen Piaggio Foshan joint venture, valued at equity.

12. Net financial income (borrowing costs) *€/000 (18,447)*

Financial income (borrowing costs) for the first half of 2016 was negative €/000 18,447, down compared to €/000 18,536 for the same period of the previous year. The reduction in average debt and relative costs are factors that contributed most to this improvement, partially offset by currency operations and by a lower capitalisation of borrowing costs compared to the same period of the previous year. During the first half of 2016, borrowing costs for €/000 598 were capitalised (compared to borrowing costs of €/000 1,233 capitalised in the first half of the previous year).
The average rate used during 2016 for the capitalisation of borrowing costs (because of general loans) was equal to 5.76%.

13. Taxes *€/000 12,008*

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

14. 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.

15. Earnings per share

Earnings per share are calculated as follows:

		1st half 2016	1st half of 2015
Net profit	€/000	18,011	14,780
Earnings attributable to ordinary shares	€/000	18,011	14,780
Average number of ordinary shares in circulation		359,312,853	361,208,380
Earnings per ordinary share	€	0.050	0.041
Adjusted average number of ordinary shares		359,312,853	361,208,380
Diluted earnings per ordinary share	€	0.050	0.041

D) Information on operating assets and liabilities

16. Intangible assets — *€/000 669,812*

The table below shows the breakdown of intangible assets as of 30 June 2016, as well as changes during the period.

In thousands of euros	Development costs	Patent rights	Concessions, licences and trademarks	Goodwill	Other	Assets under development and advances	Total
As of 1 January 2016							
Historical cost	171,056	303,888	149,074	557,322	7,304	29,676	1,218,320
Provisions for bad debt							0
Accumulated amortisation	(103,682)	(227,373)	(96,031)	(110,382)	(6,866)		(544,334)
Net carrying amount	**67,374**	**76,515**	**53,043**	**446,940**	**438**	**29,676**	**673,986**
1st half of 2016							
Investments	9,669	368	0	0	49	17,014	27,100
Transitions in the period	6,513	1,327	0	0	15	(7,855)	0
Amortisation	(15,779)	(12,228)	(2,412)		(146)	0	(30,565)
Disposals	0	0	0		0	0	0
Write-downs						0	0
Exchange differences	(487)	(32)	0		(3)	(187)	(709)
Other changes	0	0			0	0	0
Total movements for the 1st half of 2016	**(84)**	**(10,565)**	**(2,412)**	**0**	**(85)**	**8,972**	**(4,174)**
As of 30 June 2016							
Historical cost	185,163	305,364	149,074	557,322	7,322	38,648	1,242,893
Provisions for bad debt							0
Accumulated amortisation	(117,873)	(239,414)	(98,443)	(110,382)	(6,969)		(573,081)
Net carrying amount	**67,290**	**65,950**	**50,631**	**446,940**	**353**	**38,648**	**669,812**

The breakdown of intangible assets for the year and under development is as follows:

	Value as of 30 June 2016			Value as of 31 December 2015			Change		
In thousands of euros	Put into operation in the period	Under development and advances	Total	Put into operation in the period	Under development and advances	Total	Put into operation in the period	Under development and advances	Total
Development costs	67,290	35,796	103,086	67,374	27,193	94,567	(84)	8,603	8,519
Patent rights	65,950	2,850	68,800	76,515	2,472	78,987	(10,565)	378	(10,187)
Concessions, licences and trademarks	50,631		50,631	53,043		53,043	(2,412)	0	(2,412)
Goodwill	446,940		446,940	446,940		446,940	0	0	0
Other	353	2	355	438	11	449	(85)	(9)	(94)
Total	**631,164**	**38,648**	**669,812**	**644,310**	**29,676**	**673,986**	**(13,146)**	**8,972**	**(4,174)**

Intangible assets went down overall by €/000 4,174 mainly due to amortisation for the period which was only partially balanced by investments for the half-year period.

Increases mainly refer to the capitalisation of development costs for new products and new engines, as well as the purchase of software.
During the first half of 2016, borrowing costs for €/000 287 were capitalised.

Development costs include costs for products and engines referable to projects for which, as regards the period of the useful life of the asset, revenues are expected that allow for at least the costs incurred to be recovered. This item also includes assets under development for €/000 35,796 that represent costs for which the conditions for capitalisation exist, but in relation to products that will go into production in future years.
Borrowing costs attributable to the development of products which require a considerable period of time to be realised are capitalised as a part of the cost of the actual assets. Development costs included under this item are amortised on a straight line basis over a period of 3 to 5 years, in consideration of their remaining useful life.
In the first half of 2016, development costs amounting to €/000 10,200 are carried as expenses directly in the income statement.

The item Industrial patents and intellectual property rights comprises software for €/000 15,291 and patents and know-how. It includes assets under development for €/000 2,850.
Patents and know-how mainly refer to the Vespa, GP 800, MP3, RSV4, MP3 hybrid and 1,200 cc engine. 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 2016-2017 range.
Industrial patent and intellectual property rights costs are amortised over three years.

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

	As of 30 June 2016	As of 31 December 2015	Change
In thousands of euros			
Guzzi trademark	17,062	17,875	(813)
Aprilia trademark	33,526	35,123	(1,597)
Minor trademarks	43	45	(2)
Total Trademark	**50,631**	**53,043**	**(2,412)**

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

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

	EMEA and AMERICAS	INDIA	ASIA PACIFIC 2W	TOTAL
In thousands of euros				
30 06 2016	305,311	109,695	31,934	**446,940**
31 12 2015	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 Geographical Segment has production sites and a sales network dedicated to customers in the relative segment. Central structures and development activities currently dealt with by EMEA and the Americas, are handled by individual CGUs.
Goodwill cannot be amortised, but is tested for impairment annually or frequently, if specific events take place or changed circumstances indicate that the asset may have been affected by impairment, to identify impairment as provided for by IAS 36 - Impairment of Assets.
The possibility of reinstating booked values is verified by comparing the net carrying amount of individual cash generating units (CGUs) with the recoverable value (value in use). This recoverable value is represented by the present value of future cash flows which, it is estimated, will be derived from the

continual use of goods referring to cash generating units and by the terminal value attributable to these goods.
The recoverability of goodwill is verified at least once per year (as of 31 December), even in the absence of indicators of impairment losses.
As of 30 June 2016, the Group compared final and estimated figures of 2016, combined with forecast data for the 2017-2019 period, approved by the Board of Directors on 10 March 2016. This analysis did not highlight any indicators calling for the need to update impairment testing carried out for the purposes of the financial statements as of 31 December 2015.

Given that the recoverable value was estimated, the Group cannot ensure that there will be no impairment losses of goodwill in future financial periods.

The item "Other intangible assets" mainly refers to costs incurred by Piaggio Vietnam.

17. Property, plant and equipment *€/000 300,823*

The table below shows the breakdown of property, plant and equipment as of 30 June 2016, as well as changes during the period.

	Land	Buildings	Plant and machinery	Equipment	Other assets	Assets under construction and advances	Total
In thousands of euros							
As of 1 January 2016							
Historical cost	28,083	166,102	444,581	512,246	47,967	33,737	1,232,716
Provisions for bad debt			(483)	(1,521)	(93)		(2,097)
Accumulated depreciation		(64,798)	(330,302)	(486,602)	(41,309)		(923,011)
Net carrying amount	**28,083**	**101,304**	**113,796**	**24,123**	**6,565**	**33,737**	**307,608**
1st half of 2016							
Investments		264	6,696	2,814	3,221	6,876	19,871
Transitions in the period		1,673	21,420	1,681	329	(25,103)	0
Depreciation		(2,523)	(11,972)	(6,690)	(1,960)		(23,145)
Disposals	0	0	(21)	0	(97)	0	(118)
Write-downs			0	0	0		0
Exchange differences		(703)	(2,333)	0	(87)	(270)	(3,393)
Other changes	0	1	(1)	(10)	0	10	0
Total movements for the 1st half of 2016	**0**	**(1,288)**	**13,789**	**(2,205)**	**1,406**	**(18,487)**	**(6,785)**
As of 30 June 2016							
Historical cost	28,083	167,119	468,560	516,687	50,017	15,250	1,245,716
Provisions for bad debt			(483)	(1,538)	(93)		(2,114)
Accumulated depreciation		(67,103)	(340,492)	(493,231)	(41,953)		(942,779)
Net carrying amount	**28,083**	**100,016**	**127,585**	**21,918**	**7,971**	**15,250**	**300,823**

The breakdown of property, plant and equipment put into operation for the period and under construction is as follows:

	Value as of 30 June 2016			Value as of 31 December 2015			Change		
	Put into operation in the period	Under construction and advances	Total	Put into operation in the period	Under construction and advances	Total	Put into operation in the period	Under construction and advances	Total
In thousands of euros									
Land	28,083		28,083	28,083		28,083	0	0	0
Buildings	100,016	2,065	102,081	101,304	3,373	104,677	(1,288)	(1,308)	(2,596)
Plant and machinery	127,585	5,722	133,307	113,796	23,032	136,828	13,789	(17,310)	(3,521)
Equipment	21,918	7,257	29,175	24,123	6,949	31,072	(2,205)	308	(1,897)
Other assets	7,971	206	8,177	6,565	383	6,948	1,406	(177)	1,229
Total	**285,573**	**15,250**	**300,823**	**273,871**	**33,737**	**307,608**	**11,702**	**(18,487)**	**(6,785)**

Property, plant and equipment mainly refer to Group production facilities in Pontedera (Pisa), Noale (Venice), Mandello del Lario (Lecco), Baramati (India) and Vinh Phuc (Vietnam).
The increases mainly refer to moulds for new vehicles launched during the period, as well as the new painting plant for two-wheeler products 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 the first half of 2016, borrowing costs for €/000 311 were capitalised.

As of 30 June 2016, the net value of assets held through lease agreements was equal to €/000 143, referring to vehicles used by the Aprilia Racing Team.
Future lease rental commitments are detailed in note 37.

18. Investment Property — *€/000 11,811*

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 2016	**11,961**
Fair value adjustment	(150)
Balance as of 30 June 2016	**11,811**

The net book value as of 30 June 2016 was determined by a specific appraisal conducted by an independent expert who measured the "Fair Value less cost of disposal" based on a market approach (as provided for in IFRS 13). This analysis identified the total value of the investment as €/000 11,811. 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 2016 resulted in a loss from fair value adjustment, equal to €/000 150, being recognised under other costs in the income statement for the period. If the cost criterion had still been used instead of fair value, the value of the Martorelles site would have been equal to €/000 6,675.
During the first half of 2016, costs incurred for site management amounted to €/000 223.

19. Deferred tax assets *€/000 57,452*

Deferred tax assets and liabilities are recognised at their net value when they may be offset in the same tax jurisdiction.
The item totalled €/000 57,452, up on the figure of €/000 56,434 as of 31 December 2015.
As part of measurements to define deferred tax assets, the Group mainly considered the following:

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

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

20. Inventories *€/000 257,003*

This item comprises:

In thousands of euros	As of 30 June 2016	As of 31 December 2015	Change
Raw materials and consumables	121,667	101,082	20,585
Provision for write-down	(13,345)	(12,590)	(755)
Net value	*108,322*	*88,492*	*19,830*
Work in progress and semifinished products	18,065	18,873	(808)
Provision for write-down	(852)	(852)	0
Net value	*17,213*	*18,021*	*(808)*
Finished products and goods	153,888	129,106	24,782
Provision for write-down	(22,591)	(22,871)	280
Net value	*131,297*	*106,235*	*25,062*
Advances	171	64	107
Total	**257,003**	**212,812**	**44,191**

As of 30 June 2016, inventories increased by €/000 44,191, in line with the trend expected for production volumes and sales in the future.

21. Current and non-current trade receivables *€/000 121,223*

As of 30 June 2016 and 31 December 2015, there were no trade receivables in non-current assets. Those included in current assets amount to €/000 121,223 compared to €/000 80,944 as of 31 December 2015.

Their breakdown was as follows:

In thousands of euros	As of 30 June 2016	As of 31 December 2015	Change
Trade receivables due from customers	120,064	79,794	40,270
Trade receivables due from JV	1,110	1,136	(26)
Trade receivables due from parent companies	2		2
Trade receivables due from associates	47	14	33
Total	**121,223**	**80,944**	**40,279**

Receivables due from joint ventures comprise amounts due from Zongshen Piaggio Foshan Motorcycles. Receivables due from associates regard amounts due from Immsi Audit.

The item Trade receivables comprises receivables referring to normal sale transactions, recorded net of a provision for bad debts of €/000 27,945.

The Group sells, on a rotating basis, a large part of its trade receivables with and without recourse. Piaggio has signed contracts with some of the most important Italian and foreign factoring companies as a move to optimise the monitoring and the management of its trade receivables, besides offering its customers an instrument for funding their own inventories, for factoring classified as without the substantial transfer of risks and benefits. On the contrary, for factoring without recourse, contracts have been formalised for the substantial transfer of risks and benefits. As of 30 June 2016, trade receivables still due sold without recourse totalled €/000 123,525.
Of these amounts, Piaggio received payment prior to natural expiry, of €/000 114,202.
As of 30 June 2016, advance payments received from factoring companies and banks, for trade receivables sold with recourse totalled €/000 19,978 with a counter entry recorded in current liabilities.

22. Other current and non-current receivables *€/000 39,164*

Other non-current receivables totalled €/000 13,068 against €/000 13,419 as of 31 December 2015, whereas other current receivables totalled €/000 26,096 compared to €/000 29,538 as of 31 December 2015. They consist of:

Other non-current receivables:	As of 30 June 2016	As of 31 December 2015	Change
In thousands of euros			
Sundry receivables due from associates	133	153	(20)
Prepaid expenses	10,617	10,975	(358)
Advances to employees	63	58	5
Security deposits	959	977	(18)
Receivables due from others	1,296	1,256	40
Total non-current portion	**13,068**	**13,419**	**(351)**

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

Other current receivables:	As of 30 June 2016	As of 31 December 2015	Change
In thousands of euros			
Sundry receivables due from the Parent Companies	8,051	7,959	92
Sundry receivables due from JV	968	873	95
Sundry receivables due from associates	20	47	(27)
Accrued income	1,344	966	378
Prepaid expenses	5,305	3,946	1,359
Advance payments to suppliers	1,635	1,237	398
Advances to employees	259	2,440	(2,181)
Fair value of derivatives	602	647	(45)
Security deposits	236	250	(14)
Receivables due from others	7,676	11,173	(3,497)
Total current portion	**26,096**	**29,538**	**(3,442)**

Receivables due from parent companies consist of receivables to Immsi referring 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 comprise amounts due from Zongshen Piaggio Foshan.
Receivables due from associates are amounts due from the Fondazione Piaggio and Immsi Audit.
The item Fair Value of derivatives comprises the fair value of hedging transactions on the exchange risk on forecast transactions recognised on a cash flow hedge basis.

23. Current and non-current tax receivables *€/000 40,437*

Receivables due from tax authorities consist of:

	As of 30 June 2016	As of 31 December 2015	Change
In thousands of euros			
VAT receivables	32,173	18,166	14,007
Income tax receivables	6,727	7,727	(1,000)
Other tax receivables	1,537	1,125	412
Total	**40,437**	**27,018**	**13,419**

Non-current tax receivables totalled €/000 5,784, compared to €/000 5,477 as of 31 December 2015, while current tax receivables totalled €/000 34,653 compared to €/000 21,541 as of 31 December 2015. The increase is due to higher VAT receivables.

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

As of 30 June 2016, there were no receivables due after 5 years.

25. Assets held for sale *€/000 0*

As of 30 June 2016, there were no assets held for sale.

26. Current and non-current trade payables *€/000 484,364*

As of 30 June 2016 and as of 31 December 2015 no trade payables were recorded under non-current liabilities. Those included in current liabilities totalled €/000 484,364, against €/000 380,363 as of 31 December 2015.

	As of 30 June 2016	As of 31 December 2015	Change
In thousands of euros			
Amounts due to suppliers	469,716	370,255	99,461
Trade payables to JV	14,564	9,311	5,253
Trade payables due to other related parties	30	29	1
Amounts due to parent companies	54	768	(714)
Total	**484,364**	**380,363**	**104,001**
of which reverse factoring	*197,250*	*147,341*	*49,909*

To facilitate credit conditions for its suppliers, the Group has used factoring agreements since 2012, mainly supply chain financing and reverse factoring agreements. These operations did not change the primary obligation, nor substantially changed payment terms, so their nature is the same and they are still classified as trade liabilities.
As of 30 June 2016, the value of trade payables covered by reverse factoring or supply chain financing agreements was equal to €/000 197,250 (€/000 147,341 as of 31 December 2015).

27. Provisions (current and non-current portion) *€/000 19,818*

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

	Balance as of 31 December 2015	Allocations	Applications	Delta exchange rate	Balance as of 30 June 2016
In thousands of euros					
Provision for product warranties	11,445	4,692	(3,988)	(7)	12,142
Provision for contractual risks	3,913	454		(2)	4,365
Risk provision for legal disputes	2,107		(47)	(10)	2,050
Provisions for risks on guarantees	58				58
Other provisions for risks	1,840	453	(1,079)	(11)	1,203
Total	**19,363**	**5,599**	**(5,114)**	**(30)**	**19,818**

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

Non-current portion:	As of 30 June 2016	As of 31 December 2015	Change
In thousands of euros			
Provision for product warranties	3,988	3,173	815
Provision for contractual risks	4,365	3,913	452
Risk provision for legal disputes	1,509	1,509	0
Other provisions for risks and charges	975	989	(14)
Total non-current portion	**10,837**	**9,584**	**1,253**

Current portion:	As of 30 June 2016	As of 31 December 2015	Change
In thousands of euros			
Provision for product warranties	8,154	8,272	(118)
Risk provision for legal disputes	541	598	(57)
Provisions for risks on guarantees	58	58	0
Other provisions for risks and charges	228	851	(623)
Total current portion	**8,981**	**9,779**	**(798)**

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 4,692 and was used for €/000 3,988 in relation to charges incurred during the period.
The provision for contractual risks refers mainly to charges which may arise from the ongoing negotiation of a supply contract.
The provision for legal disputes concerns labour litigation and other legal proceedings.

28. Deferred tax liabilities *€/000 4,023*

Deferred tax liabilities amount to €/000 4,023 compared to €/000 4,369 as of 31 December 2015.

29. Retirement funds and employee benefits *€/000 53,283*

	As of 30 June 2016	As of 31 December 2015	Change
In thousands of euros			
Retirement funds	809	782	27
Termination benefits provision	52,474	48,696	3,778
Total	**53,283**	**49,478**	**3,805**

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

Technical annual discount rate	1.05%
Annual rate of inflation	1.50% for 2016
	1.80% for 2017
	1.70% for 2018
	1.60% for 2019
	2.00% from 2020 onwards
Annual rate of increase in termination benefits	2.625% for 2016
	2.850% for 2017
	2.775% for 2018
	2.700% for 2019
	3.000% from 2020 onwards

As regards the discount rate, the Group has decided to use the iBoxx Corporates AA rating with a 10+ duration as the valuation reference.

If instead an iBoxx Corporates A rating with a 10+ duration had been used, the value of actuarial losses and the provision as of 30 June 2016 would have been lower by €1,716 thousand.
The table below shows the effects, in absolute terms, as of 30 June 2016, which would have occurred following changes in reasonably possible actuarial assumptions:

	Termination benefits
In thousands of euros	
Turnover rate +2%	51,542
Turnover rate -2%	53,605
Inflation rate + 0.25%	53,238
Inflation rate - 0.25%	51,684
Discount rate + 0.50%	50,030
Discount rate - 0.50%	55,076

The average financial duration of the bond ranges from 10 to 31 years.

Estimated future amounts are equal to:

Year	Future amounts
In thousands of euros	
1	3,686
2	3,373
3	1,285
4	4,435
5	5,249

30. Current and non-current tax payables — *€/000 13,540*

"Tax payables" included in current liabilities totalled €/000 13,540, against €/000 14,724 as of 31 December 2015. As of 30 June 2016 and as of 31 December 2015 no tax payables were recorded under non-current liabilities.
Their breakdown was as follows:

	As of 30 June 2016	As of 31 December 2015	Change
In thousands of euros			
Due for income taxes	7,210	7,479	(269)
Due for non-income tax	26	38	(12)
Tax payables for:			
- VAT	2,570	1,833	737
- Tax withheld at source	2,976	4,799	(1,823)
- other	758	575	183
Total	6,304	7,207	(903)
Total	**13,540**	**14,724**	**(1,184)**

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.

31. Other payables (current and non-current) — *€/000 60,219*

Non-current portion:	As of 30 June 2016	As of 31 December 2015	Change
In thousands of euros			
Guarantee deposits	2,155	2,201	(46)
Deferred income	2,635	2,194	441
Other payables	229	229	0
Total non-current portion	**5,019**	**4,624**	**395**

Current portion:	As of 30 June 2016	As of 31 December 2015	Change
In thousands of euros			
Payables to employees	26,137	15,632	10,505
Accrued expenses	6,049	6,196	(147)
Deferred income	1,219	1,044	175
Amounts due to social security institutions	5,944	6,781	(837)
Fair value of derivatives	290	420	(130)
Miscellaneous payables to JV	1,472	1,604	(132)
Sundry payables due to associates	30	30	0
Sundry payables due to parent companies	8,038	7,032	1,006
Other payables	6,021	9,311	(3,290)
Total	**55,200**	**48,050**	**7,150**

Other payables included in non-current liabilities totalled €/000 5,019 against €/000 4,624 as of 31 December 2015, whereas other payables included in current liabilities totalled €/000 55,200 compared to €/000 48,050 as of 31 December 2015.
Amounts due to employees include the amount for holidays accrued but not taken of €/000 13,112 and other payments to be made for €/000 13,025.
Payables due to associates refer to various amounts due to the Fondazione Piaggio and Immsi Audit.
Payables to parent companies consist of payables to Immsi referring to expenses relative to the consolidated tax convention.
The item fair value of derivatives mainly refers to the fair value of hedging derivatives relative to the exchange risk on forecast transactions recognised on a cash flow hedge basis.
The item Accrued liabilities includes €/000 2,209 for interest on hedging derivatives and relative hedged items measured at fair value.

32. Payables due after 5 years

The Group has loans due after 5 years, which are referred to in detail in Note 37 Financial Liabilities.
With the exception of the above payables, no other long-term payables due after five years exist.

E) Information on financial assets and liabilities

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.

33. Investments — *€/000 9,819*

The investments heading comprises:

	As of 30 June 2016	As of 31 December 2015	Change
In thousands of euros			
Interests in joint ventures	9,640	9,350	290
Investments in associates	179	179	0
Total	**9,819**	**9,529**	**290**

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

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

Zongshen Piaggio Foshan Motorcycle Co.	Accounts as of 30 June 2016		Accounts as of 31 December 2015	
In thousands of euros				
		45% *		45% *
Working capital	16,673	7,503	10,474	4,714
Total assets	9,776	4,399	14,957	6,731
Net capital employed	**26,450**	**11,902**	**25,432**	**11,444**
Provisions	101	45	105	47
Consolidated debt	4,928	2,217	4,549	2,047
Shareholders' equity	21,422	9,640	20,777	9,350
Total sources of financing	**26,450**	**11,902**	**25,432**	**11,444**

** Group ownership*

Reconciliation of Shareholders' Equity	
In thousands of euros	
Opening balance as of 1 January 2016	**9,350**
Profit (Loss) for the period	696
Other comprehensive income (expense)	(406)
Final value as of 30 June 2016	**9,640**

34. Other non-current financial assets — *€/000 23,164*

	As of 30 June 2016	As of 31 December 2015	Change
In thousands of euros			
Fair value of derivatives	23,125	24,658	(1,533)
Investments in other companies	39	39	0
Total	**23,164**	**24,697**	**(1,533)**

The item Fair value of derivatives refers to €/000 19,729 from the fair value of the cross currency swap for a private debenture loan, to €/000 3,171 from the long-term portion of the fair value of the cross currency swap for medium-term loans of the Indian subsidiary and to €/000 225 from the long-term portion of the cross currency swap for a medium-term loan of the Vietnamese subsidiary. For more details see section 39 "Financial risks" of the Notes.

35. Other current financial assets *€/000 2,212*

In thousands of euros	As of 30 June 2016	As of 31 December 2015	Change
Fair value of derivatives	2,212	2,176	36
Total	**2,212**	**2,176**	**36**

This item refers to €/000 2,062 relative to the short-term portion of the fair value of cross currency swaps for medium-term loans of the Indian subsidiary and €/000 150 for the short-term portion of the cross currency swap for the medium-term loan of the Vietnamese subsidiary. For more details see section 39 "Financial risks" of the Notes.

36. Cash and cash equivalents *€/000 152,591*

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

In thousands of euros	As of 30 June 2016	As of 31 December 2015	Change
Bank and postal deposits	139,962	95,913	44,049
Cheques	2	1	1
Cash on hand	66	50	16
Securities	12,561	5,464	7,097
Total	**152,591**	**101,428**	**51,163**

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 within assets with cash and cash equivalents recognised in the Statement of Cash Flows

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

In thousands of euros	As of 30 June 2016	As of 30 June 2015	Change
Liquidity	152,591	120,683	31,908
Current account overdrafts	(1,312)	(774)	(538)
Closing balance	**151,279**	**119,909**	**31,370**

37. Current and non-current financial liabilities *€/000 657,073*

During the first half of 2016, the Group's total debt increased by €/000 30,787. Net of the fair value measurement of financial derivatives to hedge the exchange risk and interest rate risk, and the adjustment of relative hedged items, as of 30 June 2016 total financial debt of the Group increased by €/000 32,925.

	Financial liabilities as of 30 June 2016			Financial liabilities as of 31 December 2015			Change		
	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total
In thousands of euros									
Gross financial debt	144,199	488,277	632,476	102,865	496,686	599,551	41,334	(8,409)	32,925
Fair value adjustment	2,178	22,419	24,597	3,030	23,705	26,735	(852)	(1,286)	(2,138)
Total	**146,377**	**510,696**	**657,073**	**105,895**	**520,391**	**626,286**	**40,482**	**(9,695)**	**30,787**

This increase is attributable to a greater use of short-term credit lines.

Net financial debt of the Group amounted to €/000 479,885 as of 30 June 2016 compared to €/000 498,123 as of 31 December 2015.

	As of 30 June 2016	As of 31 December 2015	Change
In thousands of euros			
Liquidity	**152,591**	**101,428**	**51,163**
Securities			0
Current financial receivables	**0**	**0**	**0**
Payables due to banks	(76,912)	(47,978)	(28,934)
Current portion of bank borrowings	(46,950)	(39,211)	(7,739)
Amounts due to factoring companies	(19,978)	(15,321)	(4,657)
Amounts due under leases	(32)	(31)	(1)
Current portion of payables due to other lenders	(327)	(324)	(3)
Current financial debt	**(144,199)**	**(102,865)**	**(41,334)**
Net current financial debt	**8,392**	**(1,437)**	**9,829**
Payables due to banks and lenders	(196,374)	(205,363)	8,989
Debenture loan	(291,058)	(290,139)	(919)
Amounts due under leases	(163)	(179)	16
Amounts due to other lenders	(682)	(1,005)	323
Non-current financial debt	**(488,277)**	**(496,686)**	**8,409**
NET FINANCIAL DEBT[12]	**(479,885)**	**(498,123)**	**18,238**

12_ 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 24,597 and relative accruals.

Other payables included in non-current liabilities totalled €/000 488,277 against €/000 496,686 as of 31 December 2015, whereas other payables included in current liabilities totalled €/000 144,199 compared to €/000 102,865 as of 31 December 2015.

The attached tables summarise the breakdown of financial debt as of 30 June 2016 and 31 December 2015, as well as the changes for the period.

Non-current portion:	Accounting balance as of 31/12/2015	Re-payments	New issues	Reclassification to the current portion	Exchange delta	Other changes	Accounting balance as of 30/06/2016
In thousands of euros							
Bank borrowings	205,363		41,877	(50,558)	(555)	247	196,374
Bonds	290,139					919	291,058
Other medium-/long-term loans:							
of which leases	*179*			*(16)*			*163*
of which amounts due to other lenders	*1,005*			*(321)*		*(2)*	*682*
Total other loans	1,184	0	0	(337)	0	(2)	845
Total	**496,686**	**0**	**41,877**	**(50,895)**	**(555)**	**1,164**	**488,277**

Current portion:	Accounting balance as of 31/12/2015	Re-payments	New issues	Reclassification from the non-current portion	Exchange delta	Other changes	Accounting balance as of 30/06/2016
In thousands of euros							
Current account overdrafts	126		1,186				1,312
Short-term bank payables	47,852	(2,936)	31,189		(505)		75,600
Payables due to factoring companies	15,321		4,657				19,978
Current portion of medium-/long-term loans:							
of which leases	*31*	*(15)*		*16*			*32*
of which due to banks	*39,211*	*(42,562)*		*50,558*	*(244)*	*(13)*	*46,950*
of which amounts due to other lenders	*324*	*(317)*		*321*		*(1)*	*327*
Total other loans	39,566	(42,894)	0	50,895	(244)	(14)	47,309
Total	**102,865**	**(45,830)**	**37,032**	**50,895**	**(749)**	**(14)**	**144,199**

The breakdown of the debt is as follows:

	Accounting balance as of 30/06/2016	Accounting balance as of 31/12/2015	Nominal value as of 30/06/2016	Nominal value as of 31/12/2015
In thousands of euros				
Bank borrowings	320,236	292,552	321,793	294,343
Bonds	291,058	290,139	301,799	301,799
Other medium-/long-term loans:				
of which leases	*195*	*210*	*195*	*210*
of which amounts due to other lenders	*20,987*	*16,650*	*20,987*	*16,650*
Total other loans	21,182	16,860	21,182	16,860
Total	**632,476**	**599,551**	**644,774**	**613,002**

The table below shows the debt servicing schedule as of 30 June 2016:

	Nominal value as of 30/06/2016	Amounts falling due within 12 months	Amounts falling due after 12 months	Amounts falling due in				
				2nd half of 2017	2018	2019	2020	Beyond
In thousands of euros								
Bank borrowings	321,793	123,896	197,897	41,275	81,784	49,071	6,076	19,691
- including opening of credit lines and bank overdrafts	*76,912*	*76,912*						
of which medium/long-term bank loans	*244,881*	*46,984*	*197,897*	*41,275*	*81,784*	*49,071*	*6,076*	*19,691*
Bonds	301,799		301,799	9,669	9,669	10,359	11,050	261,052
Other medium-/long-term loans:								
of which leases	*195*	*32*	*163*	*17*	*35*	*111*		
of which amounts due to other lenders	*20,987*	*20,305*	*682*	*6*	*331*	*335*	*10*	
Total other loans	21,182	20,337	845	23	366	446	10	0
Total	**644,774**	**144,233**	**500,541**	**50,967**	**91,819**	**59,876**	**17,136**	**280,743**

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

	Accounting balance as of 31/12/2015	as of 30/06/2016		
		Accounting balance	Nominal value	Applicable interest rate
In thousands of euros				
Euro	521,714	519,215	531,513	3.51%
Indian Rupee	18,709	16,444	16,444	9.92%
Indonesian Rupiah	3,327	2,050	2,050	9.50%
US Dollar	19,748	25,221	25,221	3.08%
Vietnamese Dong	31,323	66,477	66,477	7.57%
Japanese Yen	4,730	3,069	3,069	2.75%
Total currencies other than euro	*77,837*	*113,261*	*113,261*	
Total	**599,551**	**632,476**	**644,774**	

Medium and long-term bank debt amounts to €/000 243,324 (of which €/000 196,374 non-current and €/000 46,950 current) and consists of the following loans:

- a €/000 38,182 medium-term loan from the European Investment Bank to finance Research & Development investments planned for the 2013-2015 period. The loan will fall due in December 2019 and has a repayment schedule of 11 fixed-rate annual instalments. Contract terms require covenants (described below);
- a €/000 29,886 (of a nominal value of €/000 30,000) medium-term loan from the European Investment Bank (for a total value of €/000 70,000 to leverage by the end of 2016) to finance Research & Development investments planned for the 2016-2018 period. The loan will fall due in February 2023 and has a repayment schedule of 7 fixed-rate annual instalments. Contract terms require covenants (described below);
- a €/000 93,610 (of the nominal value of €/000 95,000) syndicated loan agreement signed in July 2014 for €/000 220,000 and increased in April 2015 by €/000 30,000. This overall loan of €/000 250,000 comprises a €/000 175,000 four-year tranche as a revolving credit line of which a nominal value of €/000 20,000 had been used as of 30 June 2016 and a tranche as a five-year loan with repayment of €/000 75,000 which has been wholly disbursed. Contract terms require covenants (described below);

- a €/000 18,326 (of a nominal value of €/000 18,333) loan granted by the Banco Popolare and undersigned in July 2015. This loan comprises a tranche maturing in January 2017 of €/000 10,000 granted as a revolving credit line of which a nominal value of €/000 10,000 had been used at 30 June 2016 and a tranche as a three-year loan with amortisation of €/000 8,333.
- a €/000 24,954 (of the nominal value of €/000 25,000) medium-term loan granted by Banca Popolare Emilia Romagna in June 2015. The loan matures on 5 June 2019 and will be repaid with an amortisation plan with six-monthly instalments as from 31 December 2016;
- a €/000 5,012 medium-term loan for USD/000 8,436 granted by International Finance Corporation (a World Bank member) to the subsidiary Piaggio Vehicles Private Limited with interest accruing at a variable rate. The loan will fall due on 15 January 2018 and has an amortisation schedule of six-monthly instalments as from January 2014. Contract terms include a guarantee of the Parent Company and some covenants (described below). Cross currency swaps have been taken out on this loan to hedge the exchange risk and interest rate risk;
- a €/000 10,191 medium-term loan for USD/000 13,869 granted by International Finance Corporation to the subsidiary Piaggio Vehicles Private Limited with interest accruing at a variable rate. The loan will fall due on 15 July 2019 and has an amortisation schedule of six-monthly instalments from July 2015. Contract terms include a guarantee of the Parent Company and some covenants (described below). Cross currency swaps have been taken out on this loan to hedge the exchange risk and interest rate risk;
- a €/000 9,340 medium-term loan for USD/000 10,922 granted by International Finance Corporation to the affiliate Piaggio Vietnam with interest accruing at a variable rate. The loan will fall due on 15 July 2018 and has an amortisation schedule of six-monthly instalments from July 2014. Contract terms include a guarantee of the Parent Company and some covenants (described below). Cross currency swaps have been taken out on this loan to hedge the exchange risk and interest rate risk;
- a €/000 11,877 medium-term loan for VND/000 291,989,585 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;
- €/000 1,796 of loans from various banks pursuant to Italian Law no. 346/88 on subsidised applied research;
- a €/000 150 eight-year subsidised loan from ICCREA in December 2008 granted under Italian Law 100/90.

All the above financial liabilities are unsecured.

The item Bonds for €/000 291,058 (nominal value of €/000 301,799) refers to:
- a €/000 51,607 private debenture loan (nominal value of €/000 51,799) (US Private Placement) issued on 25 July 2011 for $/000 75,000, wholly undersigned by an American institutional investor, payable in 5 annual instalments from July 2017, with a six-monthly coupon. As of 30 June 2016 the fair value measurement of the debenture loan was equal to €/000 70,928 (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;
- €/000 239,451 (nominal value of €/000 250,000) related to a high-yield debenture loan issued on 24 April 2014 for a nominal amount of €/000 250,000, maturing on 30 April 2021 and with a semi-annual coupon with fixed annual nominal rate of 4.625%. Standard & Poor's and Moody's assigned a B+ rating with a stable outlook and a B1 rating with a stable outlook respectively.

The company may pay back the amount of the High Yield debenture loan issued on 24 April 2014, early, in full or in part, under 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 39 AG30 g).

Medium-/long-term payables due to other lenders equal to €/000 1,204 of which €/000 845 due after the year and €/000 359 as the current portion, are detailed as follows:

› a finance lease for €/000 195 granted by VFS Servizi Finanziari for the use of vehicles (non-current portion equal to €/000 163);
› subsidised loans for a total of €/000 951 provided by the Italian Ministry of Economic Development and Italian Ministry of Education, University and Research using regulations to encourage exports and investments in research and development (non-current portion of €/000 636).
› a loan of €/000 58 from BMW finance for the purchase of cars (non-current portion equal to €/000 46).

Financial advances received from factoring companies and banks, on the sale of trade receivables with recourse, totalled €/000 19,978.

Covenants

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

The measurement of financial covenants and other contract commitments is monitored by the Group on an ongoing basis. According to results as of 30 June 2016, all covenants had been fully met.
The high yield debenture loan issued by the company in April 2014 provides for compliance with covenants which are typical of international 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 method, the nominal amount of the liability is decreased by the amount of relative costs of issue and/or stipulation, in addition to any costs relating to refinancing of previous liabilities. The amortisation of these costs is determined on an effective interest rate basis, and namely the rate which discounts the future flows of interest payable and reimbursements of principal at the net carrying amount of the financial liability.

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

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

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

The table below shows the fair value of payables measured using the amortised cost method as of 30 June 2016:

	Nominal value	Carrying amount	Fair Value *
In thousands of euros			
High yield debenture loan	250,000	239,451	258,793
Private debenture loan	51,799	51,607	72,265
EIB (R&D loan 2013-2015)	38,182	38,182	37,982
EIB (R&D loan 2016-2018)	30,000	29,886	27,541
Credit line from B. Pop. Emilia Romagna	25,000	24,954	24,291
Loan from Banco Popolare	8,333	8,326	6,620
Revolving syndicated loan	20,000	19,077	19,487
Syndicated loan maturing in July 2019	75,000	74,533	74,592
VietinBank medium-term loan	11,877	11,877	10,922

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

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

Fair value hierarchy

The table below shows the assets and liabilities measured and recognised at fair value as of 30 June 2016, by hierarchical level of fair value measurement.

	Level 1	Level 2	Level 3
In thousands of euros			
Assets measured at fair value			
Investment Property			11,811
Financial derivatives:			
- of which financial assets		24,962	375
- of which other receivables		602	
Investments in other companies			39
Total assets		**25,564**	**12,225**
Liabilities measured at fair value			
Financial derivatives			
- of which financial liabilities			
- of which other payables		(290)	
Financial liabilities at fair value recognised through profit or loss		(100,939)	
Total liabilities		**(101,229)**	
General total		**(75,665)**	**12,225**

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 3,800 and a lower value of €/000 3,600, with an equivalent greater or lesser impact on the income statement for the period.
The valuation of the cross currency swap relative to the Vietnamese subsidiary was also assigned the same hierarchy level. This classification reflects the illiquidity of the local market, which does not allow for a valuation based on conventional criteria. If valuation techniques typical of liquid markets had been adopted, which is not the case for the Vietnamese financial market, derivatives would have had a negative fair value totalling €/000 342, rather than a positive fair value of €/000 375 (included under financial hedging instruments - level 3) and accrued expenses on financial derivatives equal to €/000 590.

The following tables show the changes in Level 2 and Level 3 in the period under review:

	Level 2
In thousands of euros	
Balance as of 31 December 2015	(82,045)
Gain (loss) recognised in profit or loss	6,294
Gain (loss) recognised in OCI	86
Balance as of 30 June 2016	**(75,665)**

	Level 3
In thousands of euros	
Balance as of 31 December 2015	12,652
Gain (loss) recognised in profit or loss	(427)
Gain (loss) recognised in OCI	
Balance as of 30 June 2016	**12,225**

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.

38. Credit risk

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

	As of 30 June 2016	As of 31 December 2015
In thousands of euros		
Liquid assets	139,962	95,913
Securities	12,561	5,464
Financial receivables	25,376	26,873
Other receivables	39,164	42,957
Tax receivables	40,437	27,018
Trade receivables	121,223	80,944
Total	**378,723**	**279,169**

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 Company has established revolving programmes with some primary factoring companies for selling its trade receivables without recourse in Europe and the United States.

39. Financial risks

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

Liquidity risk and capitals management

The liquidity risk arises from the possibility that available financial resources are not sufficient to cover, in due times and procedures, future payments arising from financial and/or commercial obligations. To deal with these risks, cash flows and the Group's credit line needs are monitored or managed centrally under the control of the Group's Treasury in order to guarantee an effective and efficient management of the financial resources as well as optimise the debt's maturity standpoint.
In addition, the Parent Company finances the temporary cash requirements of Group companies by providing direct short-term loans regulated in market conditions or guarantees. A cash pooling zero balance system is used between the Parent Company and European companies to reset the receivable and payable balances of subsidiaries on a daily basis, for a more effective and efficient management of liquidity in the Eurozone.
As of 30 June 2016 the most important credit lines irrevocable until maturity granted to the Parent Company were as follows:

- a debenture loan of €/000 250,000 maturing in April 2021;
- a debenture loan of $/000 75,000 maturing in July 2021;
- a credit line of €/000 250,000 comprising a Revolving Credit Facility of €/000 175,000 maturing in July 2018 and a loan of €/000 75,000 maturing in July 2019;
- a revolving credit facility of €/000 10,000 maturing in January 2017;
- a loan of €/000 8,333 maturing in December 2018;

- a loan of €/000 25,000 maturing in June 2019;
- a loan of €/000 38,182 maturing in December 2019;
- a loan of €/000 70,000 maturing in 2023.

Other Group companies also have the following irrevocable loans:
- a loan of €/000 5,012 maturing in January 2018;
- a loan of €/000 10,191 maturing in July 2019;
- a loan of €/000 9,340 maturing in July 2018;
- a loan of €/000 11,877 maturing in June 2021.

As of 30 June 2016, the Group had a liquidity of €/000 152,591, undrawn irrevocable credit lines of €/000 199,963 and revocable credit lines of €/000 106,927, as detailed below:

	As of 30 June 2016	As of 31 December 2015
In thousands of euros		
Variable rate with maturity within one year - irrevocable until maturity		
Variable rate with maturity beyond one year - irrevocable until maturity	199,963	205,000
Variable rate with maturity within one year - cash revocable	87,927	110,537
Variable rate with maturity within one year - with revocation for self-liquidating typologies	19,000	19,000
Total undrawn credit lines	**306,890**	**334,537**

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 conversion into euro of the financial statements of subsidiaries prepared in currencies other than the euro during consolidation. The policy adopted by the Group does not require this type of exposure to be covered;
- **the economic exchange risk:** arises from changes in company profitability in relation to annual figures planned in the economic budget on the basis of a reference change (the "budget change") and is covered by derivatives. The items of these hedging operations are therefore represented by foreign costs and revenues forecast by the sales and purchases budget. The total of forecast costs and revenues is processed monthly and relative hedging is positioned exactly on the average weighted date of the economic event, recalculated based on historical criteria. The economic occurrence of future receivables and payables will occur during the budget year.

Cash flow hedging

As of 30 June 2016, the Group had undertaken the following futures operations (recognised based on the settlement date), relative to payables and receivables already recognised to hedge the transaction exchange risk:

Company	Operation	Currency	Amount in currency	Value in local currency (forward exchange rate)	Average maturity
			In thousands	In thousands	
Piaggio & C.	Purchase	GBP	800	966	30/09/2016
Piaggio & C.	Purchase	CNY	87,700	11,825	16/07/2016
Piaggio & C.	Purchase	JPY	285,000	2,341	06/07/2016
Piaggio & C.	Purchase	SEK	12,700	1.344	29/07/2016
Piaggio & C.	Purchase	USD	18,331	16,231	09/07/2016
Piaggio & C.	Sale	CAD	3,930	2,720	06/08/2016
Piaggio & C.	Sale	GBP	700	841	30/09/2016
Piaggio & C.	Sale	INR	96,000	1,273	27/07/2016
Piaggio & C.	Sale	JPY	35.000	302	29/07/2016
Piaggio & C.	Sale	SEK	10,800	1,156	12/08/2016
Piaggio & C.	Sale	USD	7,240	6,510	04/08/2016
Piaggio Group Americas	Purchase	CAD	4,996	3,853	27/07/2016
Piaggio Group Americas	Sale	CAD	2,950	2,267	25/07/2016
Piaggio Vespa BV	Sale	HRK	9,200	1,224	29/07/2016
Piaggio Vietnam	Sale	€	18,600	466,129,000	20/08/2016
Piaggio Indonesia	Purchase	€	5,740	259,663	27/08/2016
Piaggio Indonesia	Purchase	USD	95	128,668	12/08/2016
Piaggio Vehicles Private Limited	Purchase	€	101	7,609	29/07/2016
Piaggio Vehicles Private Limited	Sale	€	2,312	178,374	26/08/2016
Piaggio Vehicles Private Limited	Sale	USD	3,805	259,663	27/08/2016

As of 30 June 2016, the Group had undertaken the following hedging transactions on the 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	99,000	13,584	19/09/2016
Piaggio & C.	Sale	GBP	2,830	3,999	26/09/2016

To hedge the economic exchange risk alone, cash flow hedging is adopted with the effective portion of profits and losses recognised in a specific shareholders' equity reserve. Fair value is determined based on market quotations provided by main traders.
As of 30 June 2016 the total fair value of hedging instruments for the economic exchange risk recognised on a hedge accounting basis was negative by €/000 311. During the first half of 2016, profit was recognised under Other Comprehensive Income amounting to €/000 249 and losses from Other Comprehensive Income were reclassified under profit/loss for the period amounting to €/000 223.
The net balance of cash flows during the first half of 2016 in main currencies is shown below:

	Cash flow for the 1st half of 2016
In millions of euros	
Canadian Dollar	3.4
Pound Sterling	14.8
Japanese Yen	(1.8)
US Dollar	(15.0)
Indian Rupee	2.3
Croatian Kuna	1.5
Chinese Yuan*	(30.2)
Vietnamese Dong	8.3
Indonesian Rupiah	6.4
Total cash flow in foreign currency	**(10.3)**

** cash flow partially in USD*

In view of the above, an assumed appreciation/deprecation of 3% of the euro would have generated potential profits for €/000 299 and potential losses for €/000 317 respectively.

Interest rate risk

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

As of 30 June 2016, the following hedging derivatives were taken out:

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

- a Cross Currency Swap to hedge the private debenture loan issued by the Parent Company for a nominal amount of $/000 75,000. The purpose of the instrument is to hedge both the exchange risk and interest rate risk, turning the loan from US dollars to euro, and from a fixed rate to a variable rate; the instrument is accounted for on a fair value hedge basis, with effects arising from the measurement recognised in profit or loss. As of 30 June 2016, the fair value of the instrument was €/000 19,729. The net economic effect arising from the recognition of the instrument and underlying private debenture loan was equal to €/000 (236); 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 76 and €/000 (72) respectively, assuming constant exchange rates; whereas assuming a 1% appreciation and depreciation of exchange rates, sensitivity analysis identified a potential impact on the income statement, net of the relative tax effect, of €/000 (24) and €/000 24 respectively;
- a Cross Currency Swap to hedge loans relative to the Indian subsidiary for $/000 8,436 (as of 30 June 2016 €/000 5,012) granted by International Finance Corporation. The purpose of the instruments is to

hedge the exchange risk and interest rate risk, turning the loan from US dollars to Indian Rupees, and half of said loan from a variable rate to a fixed rate; As of 30 June 2016 the fair value of the instruments was equal to €/000 2,646. 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 relative tax effect, of €/000 13 and €/000 (13) respectively, assuming constant exchange rates. Assuming a 1% appreciation and depreciation of the exchange rate of the Indian Rupee, sensitivity analysis of the instrument and its underlying identified a potential impact on the Income Statement, net of the relative tax effect, of €/000 (1) and €/000 1 respectively;

- a Cross Currency Swap to hedge loans relative to the Indian subsidiary for $/000 13,869 (as of 30 June 2016 €/000 10,191) granted by International Finance Corporation. The purpose of the instruments is to hedge interest rate risk and exchange risk, turning the loan from US dollars to Indian Rupees, and to hedge the interest rate risk on the US dollar. As of 30 June 2016 the fair value of the instruments was equal to €/000 2,587. 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 relative tax effect, of €/000 14 and €/000 (14) respectively, assuming constant exchange rates. Assuming a 1% appreciation and depreciation of the exchange rate of the Indian Rupee, sensitivity analysis of the instrument and its underlying identified a potential impact on the Income Statement, net of the relative tax effect, of €/000 (3) and €/000 3 respectively;
- a Cross Currency Swap to hedge the loan in place relative to the Vietnamese subsidiary for $/000 10,922 (as of 30 June 2016 for €/000 9,340) granted by International Finance Corporation. The purpose of the instruments is to hedge the exchange risk and partially hedge the interest rate risk, turning the loan from US dollars at a variable rate into Vietnamese Dong at a fixed rate, except for a minor portion (24%) at a variable rate. As of 30 June 2016 the fair value of the instruments is positive, amounting to €/000 375. 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 relative tax effect, of €/000 44 and €/000 (45) respectively, assuming constant exchange rates. Assuming a 1% appreciation and depreciation of the exchange rate of the Vietnamese Dong, sensitivity analysis of the instrument and its underlying identified a potential impact on the Income Statement, net of the relative tax effect, of €/000 (1) and €/000 1 respectively.

	FAIR VALUE
In thousands of euros	
Piaggio & C. S.p.A.	
Cross Currency Swap	19,729
Piaggio Vehicles Private Limited	
Cross Currency Swap	2,646
Cross Currency Swap	2,587
Piaggio Vietnam	
Cross Currency Swap	375

G) Information on shareholders' equity

40. Share capital and reserves — *€/000 393,191*

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

Share capital — €/000 207,614

During the period, the nominal share capital of Piaggio & C. did not change.
Therefore, as of 30 June 2016, the nominal share capital of Piaggio & C., fully subscribed and paid up, was equal to €207,613,944.37, divided into 361,208,380 ordinary shares.

Treasury shares — €/000 (5,014)

During the period, 2,657,000 treasury shares were acquired. Therefore, as of 30 June 2016, Piaggio & C. held 2,673,000 treasury shares, equal to 0.74% of the share capital.

Shares in circulation and treasury shares	2016	2015
no. of shares		
Situation as of 1 January		
Shares issued	361,208,380	363,674,880
Treasury shares in portfolio	16,000	2,466,500
Shares in circulation	361,192,380	361,208,380
Movements for the period		
Cancellation of treasury shares		(2,466,500)
Purchase of treasury shares	2,657,000	16,000
Situation as of 30 June 2016 and 31 December 2015		
Shares issued	361,208,380	361,208,380
Treasury shares in portfolio	2,673,000	16,000
Shares in circulation	358,535,380	361,192,380

Share premium reserve — €/000 7,171

The share premium reserve as of 30 June 2016 was unchanged compared to 31 December 2015.

Legal reserve — €/000 18,395

The legal reserve as of 30 June 2016 had increased by €/000 752 as a result of the allocation of earnings for the last period.

Financial instruments' fair value reserve — €/000 (439)

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 17,962

The Shareholders' Meeting of Piaggio & C. S.p.A. of 14 April 2016 resolved to distribute a dividend of 5.0 eurocents per ordinary share. During April this year, therefore, dividends were distributed to a total value of €/000 17,962. During 2015, dividends totalling €/000 26,007 were paid.

	Total amount		Dividend per share	
	2016 €/000	2015 €/000	2016 €	2015 €
Authorised and paid	17,962	26,007	0.05	0.072

Earnings reserve €/000 190,124

Capital and reserves of non-controlling interests €/000 (291)

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

41. Other Comprehensive Income (Expense) €/000 (6,171)

The figure is broken down as follows:

In thousands of euros	Reserve for measurement of financial instruments	Group conversion reserve	Earnings reserve	Group total	Share capital and reserves attributable to non-controlling interests	Total Other Comprehensive Income (Expense)
As of 30 June 2016						
Items that will not be reclassified in the income statement						
Remeasurements of defined benefit plans			(3,367)	(3,367)		(3,367)
Total	0	0	(3,367)	(3,367)	0	(3,367)
Items that may be reclassified in the income statement						
Total translation gains (losses)		(2,902)		(2,902)	(49)	(2,951)
Total profits (losses) on cash flow hedges	147			147		147
Total	147	(2,902)	0	(2,755)	(49)	(2,804)
Other Comprehensive Income (Expense)	**147**	**(2,902)**	**(3,367)**	**(6,122)**	**(49)**	**(6,171)**
As of 30 June 2015						
Items that will not be reclassified in the income statement						
Remeasurements of defined benefit plans			2,102	2,102		2,102
Total	0	0	2,102	2,102	0	2,102
Items that may be reclassified in the income statement						
Total translation gains (losses)		5,065		5,065	33	5,098
Total profits (losses) on cash flow hedges	752			752		752
Total	752	5,065	0	5,817	33	5,850
Other Comprehensive Income (Expense)	**752**	**5,065**	**2,102**	**7,919**	**33**	**7,952**

The tax effect relative to Other Comprehensive Income (Expense) is broken down as follows:

	As of 30 June 2016			As of 30 June 2015		
	Gross value	Tax (expense) / benefit	Net value	Gross value	Tax (expense) / benefit	Net value
In thousands of euros						
Remeasurements of defined benefit plans	(4,428)	1,061	(3,367)	2,931	(829)	2,102
Total translation gains (losses)	(2,951)		(2,951)	5,098		5,098
Total profits (losses) on cash flow hedges	163	(16)	147	860	(108)	752
Other Comprehensive Income (Expense)	**(7,216)**	**1,045**	**(6,171)**	**8,889**	**(937)**	**7,952**

H) Other information

42. Share-based incentive plans

As of 30 June 2016, there were no incentive plans based on financial instruments.

43. Information on related parties

Revenues, costs, payables and receivables as of 30 June 2016 involving parent companies, subsidiaries and associates, refer to the sale of goods or services which are a part of normal operations of the Group. Transactions are carried out at normal market values, depending on the characteristics of the goods and services provided.
The information on transactions with related parties, including information required by Consob in its communication of 28 July 2006 DEM/6664293, is given in the notes to the Consolidated Financial Statements.
The procedure for transactions with related parties, pursuant to article 4 of Consob Regulation no. 17221 of 12 March 2010 as amended, approved by the Board on 30 September 2010, is published on the institutional site of the Issuer www.piaggiogroup.com, under Governance.

Relations with Parent Companies

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

Name	Registered office	Type	% of ownership	
			As of 30 June 2016	As of 31 December 2015
IMMSI S.p.A.	Mantova - Italy	Direct parent company	50.0621	50.0621
Omniaholding S.p.A.	Mantova - Italy	Ultimate parent company	0.0443	0.0277

Piaggio & C. S.p.A. is subject to the management and coordination of IMMSI S.p.A. pursuant to article 2497 et seq. of the Italian Civil Code. During the period, 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 2016, for a further three years, the Parent Company signed up to the National Consolidated Tax Mechanism pursuant to articles 117-129 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. Under the National Consolidated Tax Mechanism, companies may, pursuant to Article 96 of Presidential Decree no. 917/86, allocate the excess of interest payable which is not deductible to one of the companies so that, up to the excess of Gross Operating Income produced in the same tax period by other subjects party to the consolidation, the amount may be used to reduce the total income of the Group.

Piaggio & C. S.p.A. has undertaken a rental agreement for offices owned by Omniaholding S.p.A.. This agreement, signed in normal market conditions, was previously approved by the Related Parties Transactions Committee, as provided for by the procedure for transactions with related parties adopted by the Company.
Piaggio Concept Store Mantova Srl has a lease contract for its sales premises and workshop with Omniaholding S.p.A.. This agreement was signed in normal market conditions.
Omniaholding S.p.A. has undersigned Piaggio & C. bonds for a value of €2.9 million on the financial market, and collected related interest.

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

Transactions with Piaggio Group companies

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

Piaggio & C. S.p.A.
› sells vehicles, spare parts and accessories to sell on respective markets, to:

- Piaggio Hrvatska
- Piaggio Hellas
- Piaggio Group Americas
- Piaggio Vehicles Private Limited
- Piaggio Vietnam

- Piaggio Concept Store Mantova

› sells components to:
- Piaggio Vehicles Private Limited
- Piaggio Vietnam

› grants licences for rights to use the brand and technological know how to:
- Piaggio Vehicles Private Limited
- Piaggio Vietnam

› provides support services for scooter and engine industrialisation to:
- Piaggio Vehicles Private Limited
- Piaggio Vietnam

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

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

Piaggio Vietnam sells vehicles, spare parts and accessories, which it has manufactured in some cases, for sale on respective markets, to:
› Piaggio Indonesia
› Piaggio Group Japan
› Piaggio & C. S.p.A.
› Foshan Piaggio Vehicles Tecnologies R&D

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

Piaggio Hrvatska, Piaggio Hellas, Piaggio Group Americas and Piaggio Vietnam
› distribute vehicles, spare parts and accessories purchased by Piaggio & C. on their respective markets.

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

Piaggio France, Piaggio Deutschland, Piaggio Limited, Piaggio España and Piaggio Vespa
› provide a sales promotion service and after-sales services to Piaggio & C. S.p.A. for their respective markets.

Piaggio Asia Pacific
› provides a sales promotion service and after-sales services to Piaggio Vietnam in the Asia Pacific region.

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

Foshan Piaggio Vehicles Technologies 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.

Atlantic 12
› rents a property to Piaggio & C. S.p.A.

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

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

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

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

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

As of 30 June 2016	Fondazione Piaggio	Zongshen Piaggio Foshan	IMMSI Audit	Studio Girelli	Trevi	Omniaholding	IMMSI	Total	% of accounting item
In thousands of euros									
Income statement									
Revenues from sales		684						**684**	**0.10%**
Costs for materials		14,825						**14,825**	**3.60%**
Costs for services			435	20	10		613	**1,078**	**0.96%**
Insurance							25	**25**	**1.36%**
Leases and rentals						95	680	**775**	**9.26%**
Other operating income		433	51				26	**510**	**0.97%**
Other operating costs							13	**13**	**0.13%**
Write-down/Impairment of investments		696						**696**	**98.86%**
Borrowing costs						67		**67**	**0.37%**
Assets									
Other non-current receivables	133							**133**	**1.02%**
Current trade receivables		1,110	47				2	**1,159**	**0.96%**
Other current receivables	20	968					8,051	**9,039**	**34.64%**
Liabilities									
Financial liabilities falling due after one year						2,900		**2,900**	**0.57%**
Current trade payables		14,564		20	10	38	16	**14,648**	**3.02%**
Other current payables	30	1,472					8,038	**9,540**	**17.28%**

44. Disputes

Piaggio opposed the proceedings undertaken by the consumer association Altroconsumo, in accordance with article 140 of the Consumer Code, opposing, also with the filing of a specific technical report written by an independent expert, the alleged existence of a design defect and hazardous nature of the Gilera Runner first series, which was manufactured and sold by Piaggio from 1997 to 2005. In the case put forward by Altroconsumo, the erroneous design would make the vehicle in question more hazardous in the event of an accident with frontal impact, referring, as an example to two accidents occurring in 1999 and 2009 to Mr Gastaldi and Mr Stella respectively, following which the Gilera Runner burst into flames. The trial judge rejected the claim, ordering Altroconsumo to pay Piaggio's legal fees. Following the appeal made by Altroconsumo, the Board ordered a technical appraisal to ascertain the existence of the design defect claimed by Altroconsumo. Following the results of the appraisal and hearing held on 18 December 2012, the Board informed the parties on 29 January 2013 that Altroconsumo's appeal had been upheld, ruling Piaggio to (i) inform owners of the hazardous nature of the product, (ii) publish the ruling of the Board in some newspapers and specialised magazines (iii) recall the product. The effects of the ruling were subsequently suspended by the Court of Pontedera with a ruling ("inaudita altera parte") of 28 March 2013, concerning the appeal made by Piaggio, in accordance with article 700 of the Italian Code of Civil Procedure. Following the cross examination with Altroconsumo, the suspension ruling was confirmed by the Court of Pontedera on 3 June 2013. Altroconsumo appealed against the suspension ruling before the Board at the Court of Pisa. The Board therefore ordered a new expert witness report, having established contradictions between i) the report of the Court-appointed expert Professor Cantore in proceedings brought by Altroconsumo and ii) the report of the Court-appointed expert Professor Cantore in proceedings brought by Mr Stella in a separate ruling for the compensation of damages. Activities of the expert were completed and the expert witness report was filed in December 2014. The results of the expert witness report were discussed at the hearing of 19 January 2015, at the end of which the Court of Pisa upheld the judgement issued on 29 January 2013. Piaggio has complied with the decision by publishing a notice in the press and launching a recall campaign for its vehicles pending the outcome of the proceedings, as described below.
Piaggio has taken action before the Court of Pontedera (now the Court of Pisa) for a final dismissal of the ruling of the Court of Pisa of 29 January 2013. Upholding Piaggio's appeal, the Judge ordered a new expert witness report for the product, appointing Professor Belingardi of Turin Polytechnic as the expert, who was sworn in during the hearing of 14 July 2015. The initial deadline granted by the Judge for the report, was extended and the report is now being produced. The hearing has been set for 20 September 2016.

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). Proceedings have been stopped while a settlement of the dispute is being defined.

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, Holland and the US), 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 has appealed against this award to the Appeal Court of Milan, which has established the first hearing for 4 June 2013. With ruling no. 2295, the Court of Appeal of Milan on 8 June 2016 rejected Piaggio's appeal. The Company has appointed its advisors to lodge an appeal with the Court of Cassation, considering the numerous aspects to appeal against the ruling of the Appeal Court of Milan.

Da Lio S.p.A., by means of a writ 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, in addition to interest relative to sums which were not disputed. During 2012, testimonial evidence was presented. After reaching a decision at the end of testimonial evidence, the Judge admitted a technical/accounting court-appointed expert requested by Da Lio to quantify the amount of interest claimed by Da Lio and value of stock. The technical appraisal was completed at the end of 2014. At the hearing of 12 February 2015, the Judge arranged for a mediation hearing for 23 April 2015. Following the hearing and in the absence of conciliation, the case was adjourned until 23 September 2016 for closing arguments.

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. At present, the case is pending, with a new Judge to be assigned.
As regards the matter, Elma has also brought a case against a former senior manager of the Company before the Court of Rome, claiming compensation for damages: Piaggio appeared in the proceedings, requesting, among others, 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.

In a writ received on 29 May 2007, Gammamoto S.r.l. in liquidation, an Aprilia licensee in Rome, brought a case 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 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 other party, and in particular without ordering a technical appraisal. The hearing for closing arguments has been set for 1 April 2019.

The company TAIZHOU ZHONGNENG summoned Piaggio before the Court of Turin, requesting the annulment of the Italian part of the 3D mark registered in Italy protecting the form of the Vespa, as well as a ruling dismissing the offence of the counterfeiting of the 3D mark 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 mark and the infringement or otherwise of Znen scooter models, setting the next hearing for the court-appointed expert to be sworn in on 18 March 2015. This hearing was then adjourned to 29 May 2015. At that hearing, the judge set the deadline for filing the final expert witness report as 10 January 2016, and scheduled the discussion hearing for 3

February 2016. During this hearing, the Judge, considering the preliminary investigation as completed, set the hearing for closing arguments for 26 October 2016.

In a writ of 27 October 2014 Piaggio summoned the companies PEUGEOT MOTOCYCLES ITALIA s.p.a., MOTORKIT s.a.s. di Turcato Bruno e C., GI.PI. MOTOR di Bastianello Attilio and GMR MOTOR s.r.l. before the Court of Milan to obtain the recall of Peugeot "Metropolis" motorcycles from the market, and to establish the infringement of some European patents and designs owned by Piaggio, as well as a ruling for the compensation of damages for unfair competition, and the publication of the ruling in some newspapers.
At the first hearing for the parties to appear set for 4 March 2015, the judge stipulated the terms for the submission of statements pursuant to article 183.6 of the Italian Code of Civil Procedure. In the hearing swearing in the court-appointed expert, on 6 October 2015, the deadline for filing the final expert witness report was set for 15 October 2016, and the discussion hearing for 8 November 2016.

Piaggio brought a similar 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 witness, 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 for evaluating preliminary investigation results has been set for 29 September 2016.

In a writ of 4 November 2014 Piaggio summoned the companies YAMAHA MOTOR ITALIA s.p.a., TERZIMOTOR di Terzani Giancarlo e Alberto s.n.c., NEGRIMOTORS s.r.l. and TWINSBIKE s.r.l. before the Court of Milan to obtain the recall of Yamaha "Tricity" motorcycles from the market, and to establish the infringement of some European patents and designs owned by Piaggio, as well as a ruling for the compensation of damages for unfair competition, and the publication of the ruling in some newspapers.
At the first hearing scheduled for 24 March 2015, the judge set the deadline for filing statements pursuant to article 183.6 of the Italian Code of Civil Procedure, scheduling the appointment of the expert witness for the hearing on 1 July 2015, that was sworn in on 9 September 2015. On 30 April 2016, the technical appraisal in favour of Piaggio was filed. The hearing for closing arguments has been set for 9 May 2017.

In July 2015 YAMAHA HATSUDOKI KABUSHIKI KAISHA (YAMAHA MOTOR CO LTD) brought three separate proceedings before the Court of Rome, the Tribunal de Grande Istance de Paris and the Court of Düsseldorf, against Piaggio & C. SpA, Piaggio France and Piaggio Deutschland GmbH, to obtain (i) the recall of Piaggio MP3, Gilera Fuoco motorcycles, (ii) a ruling for the compensation of damages, (iii) and the publication of the ruling in some newspapers, after establishing the infringement of some European patents owned by Yamaha concerning an air intake for the cooling of a continuously variable transmission (CVT) and an outer cover with boomerang shape, with basically an aesthetic function, located below the vehicle seat, as well as for unfair competition.
At the first hearing before the Court of Rome, the judge set the deadline for filing statements. The hearing for swearing in the expert has been scheduled for 6 October 2016.
During the first hearing before the Tribunal de Grande Istance de Paris, the exchange of briefs was admitted, with the deadline for filing the briefs set for 20 September 2016.
The first hearing for the parties to appear before the Court of Düsseldorf has been set for 10 November 2016.

In July 2015 YAMAHA HATSUDOKI KABUSHIKI KAISHA (YAMAHA MOTOR CO LTD) brought three separate proceedings before the Court of Rome, the Tribunal de Grande Istance de Paris and the Court of Düsseldorf, against Piaggio & C. SpA, Aprilia Racing S.p.A., Piaggio France and Piaggio Deutschland GmbH, to obtain (i) the recall of Aprilia RSV4 motorcycles, (ii) a ruling for the compensation of damages, (iii) and the publication of the ruling in some newspapers, after establishing the infringement of some European patents owned by Yamaha concerning an injection system for high performance with variable intake pipes, as well as for unfair competition.
At the first hearing before the Court of Rome, the judge set the deadline for exchanging briefs. The hearing for swearing in the expert has been scheduled for 20 October 2016.

During the first hearing before the Tribunal de Grande Istance de Paris, the exchange of briefs was admitted, with the deadline for filing the briefs set for 20 September 2016.
The first hearing for the parties to appear before the Court of Düsseldorf has been set for 10 November 2016.

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 claim rulings involving the Parent Company Piaggio & C. S.p.A. (hereinafter "the Company"), two appeals are ongoing against two tax assessments notified to the Company and relative to the 2002 and 2003 tax years respectively. These assessments originate from an access conducted by the Italian Revenue Agency in 2007 at the Company's offices, following information filed in the Report of Verification issued in 2002 following a general audit.
The Company has obtained a favourable ruling concerning these assessments, in both the first and second instance, and with reference to both tax periods. The Revenue Agency filed an appeal with the Court of Cassation and the Company filed its own appeal. The dates for the hearings still have to be set.
The Company also filed two appeals with the Income Tax Appellate Tribunal against the assessment orders received on completion of the assessment of income generated by Piaggio & C. S.p.A. in India during the Indian 2009-2010 and 2010-2011 tax periods, involving sums totalling approximately €1 million for each assessment. Piaggio & C. S.p.A. also received a draft assessment order from the Indian tax authorities following an assessment of income generated in India in the Indian tax period 2011-12, involving sums totalling approximately €0.9 million. The Company has filed an appeal against the order with the Dispute Resolution Panel (a pre-litigation body to which taxpayers can apply and whose decisions are binding for the tax authorities). A date for the hearing still has to be set.

The Company has not considered allocating provisions for these disputes, in view of the positive opinions expressed by consultants appointed as counsel.

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

With reference to the Indian subsidiary, some disputes concerning different tax years from 1998 to 2014 are ongoing related to direct and indirect tax assessments and for a part of which, considering positive opinions expressed by consultants appointed as counsel, provisions have not been made in the financial statements. The Indian company has already partly paid the amounts contested, as required by local laws, that will be paid back when proceedings are successfully concluded in its favour.

As regards the French company, a favourable ruling was issued in December 2012 by the Commission Nationale des Impots directes et des taxes sur le chiffre d'affaires, the decision-making body ruling prior to legal proceedings in disputes with the French tax authorities concerning a general audit of the 2006 and 2007 periods. The French tax authorities however upheld its claims against the Company, requesting payment of the amounts claimed and issuing relative notices (one for withholding tax and the other for corporate income tax and VAT). The amount concerned, equal to approximately €3.7 million, was paid in part to the French tax authorities.
The Company appealed against the notices and appeals were filed against the findings on withholding tax and corporate income tax, before the Tribunal Administratif. In both cases, a ruling was issued against the Company. These decisions were appealed against on 7 September 2015 and 8 July 2016 before the Appeal Court, and the dates of hearings still have to be set. The Company has decided not to allocate provisions as it considers that sums already paid may be recovered, in view of the opinions of its advisors, and the opinion of the above mentioned Commission.

On 8 April 2015, Piaggio Hellas S.A. received a Tax Report following a general audit for the 2008 tax period, with findings for approximately €0.5 million. On 12 June 2015, the Company appealed against the report with the Tax Center – Dispute Resolution Department. Following the unsuccessful outcome of the appeal, the Company filed an appeal before the Administrative Court of Appeal. The hearing has been set for 5 December 2016. The amount concerned was paid in full to the Greek tax authorities, however, based on positive opinions from professionals appointed as counsel, the Company considers a positive outcome as likely and the subsequent reimbursement of amounts paid.

45. Significant non-recurring events and operations

During 2015 and the first half of 2016, there were no significant non-recurring transactions.

46. Transactions arising from atypical and/or unusual transactions

During the first half of 2015 and first half of 2016, the Group did not record any significant atypical and/or unusual operations, as defined by CONSOB Communication no. DEM/6037577 of 28 April 2006 and no. DEM/6064293 of 28 July 2006.

47. Events occurring after the end of the period

7 July 2016 - The Piaggio Group signed important agreements to market the Vespa and Piaggio brands in Brazil, Argentina and Uruguay.

7 July 2016 – The new versions of the Vespa Primavera and Vespa Sprint, with the new Piaggio i-Get engine that meets Euro 4 standards, were unveiled. The vehicles have enhanced features, including an extremely useful USB port and ABS now fitted as standard on all 125cc and 150cc versions.

14 July 2016 – The Piaggio Group continued its growth on markets that are developing considerably and are characterised by large volumes, with the introduction of the Aprilia brand on the Indian scooter market. In the next few days, the Aprilia SR 150 scooter will start to be sold in India.

48. Authorisation for publication

This document was published on 11 August 2016 authorised by the Chairman and Chief Executive Officer.

Milan, 27 July 2016

for the Board of Directors

Chairman and Chief Executive Officer
Roberto Colaninno


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Attachments

Piaggio Group companies

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

List of companies included in the scope of consolidation on a line-by-line basis as of 30 June 2016.

Company name	Registered office	Country	Share capital	Currency	% of the holding Direct	Indirect	Means	% total interest
Parent company								
Piaggio & C. S.p.A.	Pontedera (Pisa)	Italy	207,613,944.37	Euro				
Subsidiaries								
Aprilia Brasil Industria de Motociclos S.A.	Manaus	Brazil	2,020,000.00	R$		51%	Aprilia World Service Holding do Brasil Ltda	51%
Aprilia Racing S.r.l.	Pontedera (Pisa)	Italy	250,000.00	Euro	100%			100%
Aprilia World Service Holding do Brasil Ltda.	São Paulo	Brazil	2,028,780.00	R$		99.999950709%	Piaggio Group Americas Inc	99.999950709%
Atlantic 12- Property investment fund	Rome	Italy	10,580,503.49	Euro	100%			100%
Foshan Piaggio Vehicles Technology Research and Development Co Ltd	Foshan City	China	10,500,000.00	RMB		100%	Piaggio Vespa B.V.	100%
Nacional Motor S.A.	Barcelona	Spain	60,000.00	Euro	100%			100%
Piaggio Advanced Design Center Corp.	Pasadena (California)	USA	100,000.00	USD	100%			100%
Piaggio Asia Pacific PTE Ltd.	Singapore	Singapore	100,000.00	sin$		100%	Piaggio Vespa B.V.	100%
Piaggio China Co. LTD	Hong Kong	China	12,500,000 auth. capital (12,100,000 subscribed and paid up)	USD	99.999990%			99.999990%
Piaggio Concept Store Mantova S.r.l.	Mantua	Italy	100,000.00	Euro	100%			100%
Piaggio Deutschland GmbH	Düsseldorf	Germany	250,000.00	Euro		100%	Piaggio Vespa B.V.	100%
Piaggio Espana S.L.U.	Alcobendas	Spain	426,642.00	Euro	100%			100%
Piaggio Fast Forward Inc.	Boston (Massachusetts)	USA	4,712.64 share capital subscribed (1,676.47 capital paid up)	USD	87%			87%
Piaggio France S.A.S.	Clichy Cedex	France	250,000.00	Euro		100%	Piaggio Vespa B.V.	100%
Piaggio Group Americas Inc	New York	USA	2,000.00	USD		100%	Piaggio Vespa B.V.	100%
Piaggio Group Canada Inc.	Toronto	Canada	10,000.00	CAD$		100%	Piaggio Group Americas Inc	100%
Piaggio Group Japan	Tokyo	Japan	99,000,000.00	Yen		100%	Piaggio Vespa B.V.	100%
Piaggio Hellas S.A.	Athens	Greece	2,204,040.00	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	349,370,000.00	INR	99.9999971%	0.0000029%	Piaggio Vespa B.V.	100%
Piaggio Vespa B.V.	Breda	Holland	91,000.00	Euro	100%			100%
Piaggio Vietnam Co Ltd	Hanoi	Vietnam	64,751,000,000.00	VND	63.5%	36.5%	Piaggio Vespa B.V.	100%
PT Piaggio Indonesia	Jakarta	Indonesia	4,458,500,000.00	Rupiah	1%	99%	Piaggio Vespa B.V.	100%

List of companies included in the scope of consolidation with the equity method as of 30 June 2016

Company name	Registered office	Country	Share capital	Currency	% of the holding			% total interest
					Direct	Indirect	Means	
Zongshen Piaggio Foshan Motorcycle Co. LTD.	Foshan City	China	29,800,000.00	USD	32.50%	12.50%	Piaggio China Co. LTD	45%

List of investments in associates as of 30 June 2016

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.	Mantua	Italy	40,000.00	Euro	25%			25%
Pont - Tech, Pontedera & Tecnologia S.c.r.l.	Pontedera (Pisa)	Italy	884,160.00	Euro	20.45%			20.45%
S.A.T. Societé d'Automobiles et Triporteurs S.A.	Tunis	Tunisia	210,000.00	TND		20%	Piaggio Vespa B.V.	20%

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

PIAGGIO GROUP

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

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

- the appropriateness with regard to the company's characteristics and
- the actual application of administrative and accounting procedures for the formation of the Condensed Consolidated Interim Financial Statements during the first half of 2016.

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

3. Moreover, it is stated that

3.1 the Condensed Consolidated Interim Financial Statements:

a) have been prepared in compliance with the international accounting standards recognised by the European Community pursuant to regulation (EC) no. 1606/2002 of the European Parliament and Council of 19 July 2002;
b) correspond to accounting records;
c) give a true and fair view of the consolidated statement of financial position and results of operations of the Issuer and of all companies included in the scope of consolidation.

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

Date: 27 July 2016

/s/ Roberto Colaninno	/s/ Alessandra Simonotto
Roberto Colaninno	Alessandra Simonotto
Chairman and Chief Executive Officer	Executive in charge of financial reporting

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Report of the Independent Auditors on the Condensed Consolidated Interim Financial Statements

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REVIEW REPORT ON CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

To the shareholders of
Piaggio & C. SpA

Foreword

We have reviewed the accompanying condensed consolidated interim financial statements of Piaggio & C. SpA and its subsidiaries (the Piaggio Group) as of 30 June 2016, comprising the consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, statement of changes in consolidated shareholders' equity, consolidated statement of cash flows and related explanatory notes. The directors of Piaggio & C. SpA are responsible for the preparation of the condensed consolidated interim financial statements in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of review

We conducted our work in accordance with the criteria for a review recommended by Consob in Resolution n°. 10867 of 31 July 1997. A review of condensed consolidated interim financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than a full-scope audit conducted in accordance with International Standards on Auditing (ISA Italia) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the condensed consolidated interim financial statements.

Conclusion

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

PricewaterhouseCoopers SpA

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June 30 2016 are not prepared, in all material respects, in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Florence, 2 August 2016

PricewaterhouseCoopers SpA

Signed by

Corrado Testori
(Partner)

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

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Disclaimer

This Half-year Financial Report as of 30 June 2016 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
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Pisa Register of Companies and Tax Code 04773200011
Pisa Economic and Administrative Index no. 134077