PIAGGIO GROUP

Interim Report on Operations
as of 31 March 2018

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

Contacts

Head of Investor Relations
Raffaele Lupotto
Email: investorrelations@piaggio.com
Tel. +390587 272286
Fax +390587 276093

Piaggio & C. SpA
Viale Rinaldo Piaggio 25
56025 Pontedera (PI)

Management and Coordination

IMMSI S.p.A.

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

Registered office: Viale R. Piaggio 25, Pontedera (Pisa)

Pisa Register of Companies and Tax Code 04773200011

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Interim Directors' Report

Introduction

In order to guarantee continuity and regularity of information to the financial community, the Board of Directors resolved at the meeting held on 15 December 2016 to continue publishing quarterly reports on a voluntary basis, adopting the following disclosure policy starting from 2017 and until otherwise resolved:

a) Contents of quarterly reporting:

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

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

- consolidated income statement;

- net consolidated financial debt.

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

b) Communication methods and procedures:

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

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

- publication of the Interim Report on Operations.

Mission

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

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

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

Key operating and financial data

	1st Quarter 2018	1st Quarter 2017	2017
In millions of euros			
Data on financial position			
Net revenues	312.3	309.1	1,342.4
Gross industrial margin	96.7	95.1	411.3
Operating income	14.5	10.9	72.3
Profit before tax	7.0	2.5	40.1
Net profit	4.0	1.5	20.0
.Non-controlling interests			
.Group	4.0	1.5	20.0
Data on financial performance			
Net capital employed (NCE)	883.0	931.1	831.8
Net debt	(502.9)	(532.4)	(446.7)
Shareholders' equity	380.0	398.7	385.1
Balance sheet figures and financial ratios			
Gross margin as a percentage of net revenues (%)	31.0%	30.8%	30.6%
Net profit as a percentage of net revenues (%)	1.3%	0.5%	1.5%
ROS (Operating income/net revenues)	4.6%	3.5%	5.4%
ROE (Net profit/shareholders' equity)	1.0%	0.4%	5.2%
ROI (Operating income/NCE)	1.6%	1.2%	8.7%
EBITDA	43.2	41.2	192.3
EBITDA/net revenues (%)	13.8%	13.3%	14.3%
Other information			
Sales volumes (unit/000)	129.7	121.2	552.8
Investments in property, plant and equipment and intangible assets	22.3	18.3	86.7
Research and Development[1]	19.1	16.3	43.9
Employees at the end of the period (number)	6,632	6,470	6,620

[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**
	1-1/31-3-2018	48.0	64.5	17.2	**129.7**
Sales volumes	1-1/31-3-2017	56.5	49.2	15.5	**121.2**
(units/000)	Change	(8.5)	15.3	1.7	**8.5**
	Change %	-15.1%	31.0%	11.0%	**7.0%**
	1-1/31-3-2018	181.3	95.0	36.0	**312.3**
Turnover	1-1/31-3-2017	191.9	79.3	38.0	**309.1**
(million euros)	Change	(10.6)	15.7	(1.9)	**3.2**
	Change %	-5.5%	19.8%	-5.1%	**1.0%**
	1-1/31-3-2018	3,678.3	2,073.7	844.7	**6,596.7**
Average number of staff	1-1/31-3-2017	3,749.6	1,990.0	820.7	**6,560.3**
(no.)	Change	(71.3)	83.7	24.0	**36.4**
	Change %	-1.9%	4.2%	2.9%	**0.6%**
Investments property,	1-1/31-3-2018	18.1	3.7	0.4	**22.3**
Property, plant and equipment	1-1/31-3-2017	13.2	3.8	1.2	**18.3**
intangible assets	Change	4.9	(0.1)	(0.8)	**4.0**
(million euros)	Change %	37.0%	-2.9%	-63.0%	**22.0%**
	1-1/31-3-2018	15.8	2.8	0.5	**19.1**
Research and Development[2]	1-1/31-3-2017	12.9	2.2	1.2	**16.3**
(million euros)	Change	2.9	0.6	(0.7)	**2.8**
	Change %	22.4%	25.8%	-55.3%	**17.0%**

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

Company Boards[3]

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

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

(2) Executive Director

(3) Lead Independent Director

(4) Member of the Appointment Proposal Committee

(5) Member of the Remuneration Committee

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

(7) Member of the Related-Party Transactions Committee

3 This information refers to the date of approval of the Interim Report on Operations as of 31 March 2018. As of 31 March 2018, the Board of Directors was composed of Roberto Colaninno (Chairman and Chief Executive Officer), Matteo Colaninno (Deputy Chairman), Michele Colaninno, Giuseppe Tesauro, Graziano Gianmichele Visentin, Maria Chiara Carrozza, Federica Savasi, Vito Varvaro, Andrea Formica (Directors). The Board of Statutory Auditors was composed of Piera Vitali (Chairman), Giovanni Barbara e Daniele Girelli (Statutory Auditors), Elena Fornara and Giovanni Naccarato (Alternate Auditors).

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 in the first quarter of 2018

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

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

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

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

Financial position and performance of the Group

Consolidated income statement (restated)

	1st Quarter 2018		1st Quarter 2017		Change	
	In millions of euros	*Accounting for a %*	*In millions of euros*	*Accounting for a %*	*In millions of euros*	*%*
Net revenues	312.3	100.0%	309.1	100.0%	3.2	1.0%
Cost to sell[4]	215.6	69.0%	214.0	69.2%	1.7	0.8%
Gross industrial margin[4]	**96.7**	**31.0%**	**95.1**	**30.8%**	**1.5**	**1.6%**
Operating expenses	82.2	26.3%	84.2	27.2%	(2.0)	-2.4%
EBITDA[4]	**43.2**	**13.8%**	**41.2**	**13.3%**	**2.0**	**4.9%**
Amortisation/Depreciation	28.7	9.2%	30.3	9.8%	(1.5)	-5.1%
Operating income	**14.5**	**4.6%**	**10.9**	**3.5%**	**3.5**	**32.4%**
Result of financial items	(7.5)	-2.4%	(8.5)	-2.7%	0.9	-11.0%
Profit before tax	**7.0**	**2.2%**	**2.5**	**0.8%**	**4.5**	**181.6%**
Taxes	3.0	1.0%	1.0	0.3%	2.0	202.9%
Net profit	**4.0**	**1.3%**	**1.5**	**0.5%**	**2.5**	**167.5%**

Net revenues

	1st Quarter 2018	1st Quarter 2017	Change
In millions of euros			
EMEA and Americas	181.3	191.9	(10.6)
India	95.0	79.3	15.7
Asia Pacific 2W	36.0	38.0	(1.9)
TOTAL NET REVENUES	**312.3**	**309.1**	**3.2**
Two-wheeler	210.1	218.9	(8.8)
Commercial Vehicles	102.2	90.2	12.0
TOTAL NET REVENUES	**312.3**	**309.1**	**3.2**

In terms of consolidated turnover, the Group ended the first quarter of 2018 with net revenues up considerably compared to the same period of 2017 (+ 1.0%).

In terms of geographical areas, revenue growth in India (+ 19.8%; +33.3% at constant exchange rates) more than offset the decline in EMEA and Americas (-5.5%) and in Asia Pacific (- 5.1%; + 7.1% with constant exchange rates).

With regard to product type, the increase in turnover for commercial vehicles (+13.3%) offset the decrease in two-wheeler vehicles (-4.0%). As a result, the percentage of two-wheeler vehicles of overall turnover fell from 70.8% in the first three months of 2017 to the current figure of 67.3%; conversely, the percentage of commercial vehicles of overall turnover increased from 29.2% in the first three months of 2017 to the current figure of 32.7%.

The Group's **gross industrial margin** increased compared to the first quarter of the previous year in absolute terms (+1.6%), equal to 31.0% of net turnover (30.8% in the first quarter of 2017).

[4] For a definition of the parameter, see the “Economic Glossary”.

Amortisation/depreciation included in the gross industrial margin was equal to € 8.9 million (€ 8.9 million in the first quarter of 2017).

The **operating expenses** incurred in the period decreased compared to the same period in the previous financial year, amounting to € 82.2 million. The saving is mainly due to the reduction in amortisation/depreciation included in operating expenses (€ 19.8 million in the first quarter of 2018 compared to € 21.3 million in the first quarter of 2017).

This performance resulted in a consolidated **EBITDA** which was higher than the previous year, and equal to € 43.2 million (€ 41.2 million in the first quarter of 2017). In relation to turnover, EBITDA was equal to 13.8% (13.3% in the first quarter of 2017). Operating income (**EBIT**) amounted to € 14.5 million, up compared to the first quarter of 2017; in relation to turnover, EBIT was 4.6%, (3.5% in the first quarter of 2017).

The results for **financing activities** improved compared to the first few months of the previous financial year, due to the lower debt exposure and the reduction in the cost of debt, with Net Charges amounting to € 7.5 million (€ 8.5 million in the first quarter of 2017). The improvement is only partially mitigated by the effects deriving from currency management and the equity valuation of the investment in the joint venture operating on the Chinese market.

Income taxes for the period are estimated at € 3.0 million, equivalent to 43% of profit before tax.

Net profit stood at € 4.0 million (1.3% of turnover), also an improvement on the figure for the same period of the previous financial year (€ 1.5 million, or 0.5% of turnover).

Operating data

Vehicles sold

	1st Quarter 2018	1st Quarter 2017	Change
In thousands of units			
EMEA and Americas	48.0	56.5	(8.5)
India	64.5	49.2	15.3
Asia Pacific 2W	17.2	15.5	1.7
TOTAL VEHICLES	**129.7**	**121.2**	**8.5**
Two-wheeler	80.6	82.5	(1.9)
Commercial Vehicles	49.2	38.8	10.4
TOTAL VEHICLES	**129.7**	**121.2**	**8.5**

In the first quarter of 2018, the Piaggio Group sold 129,700 vehicles around the world, recording growth compared to the first quarter of the year before, when the vehicles sold amounted to 121,200. The number of vehicles sold was up in India (+31.0%) and Asia Pacific 2W (+11.0%), while those sold in EMEA and Americas were down (-15.1%). With regard to product type, the decrease in sales of two-wheelers (-2.3%) was largely offset by growth in the sales of commercial vehicles (+26.7%).

Staff

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

Average number of company employees by geographical area

Employee/staff numbers	1st Quarter 2018	1st Quarter 2017	Change
EMEA and Americas	3,678.3	3,749.6	(71.3)
of which Italy	*3,438.3*	*3,513.0*	(74.7)
India	2,073.7	1,990.0	83.7
Asia Pacific 2W	844.7	820.7	24.0
Total	**6,596.7**	**6,560.3**	**36.4**

As of 31 March 2018, the Group had 6,632 employees, a net increase of 12 compared with 31 December 2017, mainly attributable to India.

Breakdown of company employees by region

Employee/staff numbers	**As of 31 March 2018**	**As of 31 December 2017**	**As of 31 March 2017**
EMEA and Americas	3,673	3,682	3,745
of which Italy	3,435	3,444	3,509
India	2,109	2,090	1,914
Asia Pacific 2W	850	848	811
Total	**6,632**	**6,620**	**6,470**

Research and Development

In the first quarter of 2018, the Piaggio Group continued its policy of retaining technological leadership in the sector, allocating total resources of € 19.1 million to research and development, of which € 14.8 million capitalised under intangible assets as development costs.

	1st Quarter 2018			**1st Quarter 2017**		
	Capitalised	Expenses	**Total**	Capitalised	Expenses	**Total**
In millions of euros						
Two-wheeler	11.1	3.4	**14.5**	9.8	3.8	**13.6**
Commercial Vehicles	3.7	0.9	**4.6**	1.4	1.3	**2.7**
Total	**14.8**	**4.3**	**19.1**	**11.2**	**5.2**	**16.3**
EMEA and Americas	12.5	3.3	**15.8**	8.9	4.0	**12.9**
India	2.1	0.7	**2.8**	1.3	0.9	**2.2**
Asia Pacific 2W	0.2	0.3	**0.5**	1.0	0.2	**1.2**
Total	**14.8**	**4.3**	**19.1**	**11.2**	**5.2**	**16.3**

Consolidated Statement of Financial Position[5]

	As of 31 March 2018	As of 31 December 2017	Change
In millions of euros			
Statement of financial position			
Net working capital	17.6	(45.9)	63.5
Property, plant and equipment	275.8	284.5	(8.8)
Intangible assets	646.2	649.0	(2.8)
Financial assets	7.9	7.7	0.2
Provisions	(64.5)	(63.6)	(0.8)
Net capital employed	**883.0**	**831.8**	**51.2**
Net Financial Debt	502.9	446.7	56.2
Shareholders' equity	380.0	385.1	(5.0)
Sources of financing	**883.0**	**831.8**	**51.2**
Non-controlling interests	(0.2)	(0.2)	0.0

Net working capital as of 31 March 2018 was equal to € 17.6 million, using a cash flow of approximately € 63.5 million during the first quarter of 2018.

Property, plant and equipment, which include investment property, totalled € 275.8 million as of 31 March 2018, down by around € 8.8 million compared to 31 December 2017. This decrease was due to depreciation, which exceeded investments for the period by approximately €4.4 million, and to the effect of the devaluation of Asian currencies against the euro (approximately €4.4 million).

Intangible assets totalled €646.2 million, down by approximately €2.8 million compared to 31 December 2017. This decrease is due to amortisation, which exceeded investments for the period by approximately €1.7 million, to the effect of the devaluation of Asian currencies against the euro (approximately €0.8 million), and for the remaining amount to write-downs.

Financial assets which totalled €7.9 million, increased by €0.2 million compared to figures for the previous year.

Provisions totalled €64.5 million, up compared to 31 December 2017 (€63.6 million).

As fully described in the next section on the "Consolidated Statement of Cash Flows", **net financial debt** as of 31 March 2018 was equal to € 502.9 million, compared to € 446.7 million as of 31 December 2017. The increase of approximately €56.2 million is due to two effects:

- the adoption starting from 1 January 2018 of the new accounting standard IFRS 9 which had a negative effect of approximately €5.5 million on the Group's net financial debt;
- the seasonality of the two-wheeler market, which is known to absorb resources in the first half of the year and generate them in the second half.

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

Net financial debt decreased by approximately € 29.5 million compared to 31 March 2017.

The Group's **shareholders' equity** as of 31 March 2018 totalled € 380.0 million, down by around € 5.0 million compared to 31 December 2017, of which approximately € 4.0 million due to the adoption of the new accounting standard IFRS 9.

Consolidated Statement of Cash Flows

The consolidated statement of cash flows prepared in accordance with the models provided by international financial reporting standards (IFRS) is shown in the "Consolidated Condensed Interim Financial Statements as of 31 March 2018"; the following is a comment relating to the summary statement shown.

	1st Quarter 2018	1st Quarter 2017	Change
In millions of euros			
Change in consolidated net debt			
Opening Consolidated Net Debt	**(446.7)**	**(491.0)**	**44.3**
Cash flow from operating activities	33.5	30.6	2.9
(Increase)/Reduction in Working Capital	(63.5)	(54.3)	(9.2)
(Increase)/Reduction in net investments	(17.3)	(21.2)	3.9
Change in shareholders' equity	(9.0)	3.5	(12.4)
Total change	**(56.2)**	**(41.4)**	**(14.8)**
Closing Consolidated Net Debt	**(502.9)**	**(532.4)**	**29.5**

During the first quarter of 2018, the Piaggio Group formally used **financial resources** amounting to € 56.2 million. However, it should be noted that, as already mentioned, if the new accounting standard IFRS 9 had been adopted as of 31 December 2017, the total variation would have been € 5.5 million lower.

Cash flow from operating activities, defined as net profit, minus non-monetary costs and income, was equal to €33.5 million.

Working capital involved a cash flow of € 63.5 million; in detail:

- the dynamic of collecting trade receivables[6] used financial flows for a total of € 28.1 million;
- stock management absorbed financial flows for a total of approximately €54.5 million;
- supplier payment trends generated financial flows of approximately €28.9 million;
- the movement of other non-trade assets and liabilities had a negative impact on financial flows by approximately €9.8 million.

Investing activities involved a total of €17.3 million of financial resources. The investments refer to approximately €14.8 million for capitalised development expenditure, and approximately €7.5 million for property, plant and equipment and intangible assets.
As a result of the above financial dynamics, which involved a cash flow of € 56.2 million, the **net debt** of the Piaggio Group amounted to €-502.9 million.

[6] Net of customer advances.

Alternative non-GAAP performance measures

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

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

In particular the following alternative performance measures have been used:

- **EBITDA**: defined as "Operating income" before the amortisation/depreciation and impairment costs of intangible assets 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 geographical 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 geographical segments, also by product type, are analysed below.

Two-wheeler

Two-wheeler	***1st Quarter 2018***		***1st Quarter 2017***		*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	45.0	160.0	53.5	170.2	-15.9%	-6.0%	(8.5)	(10.1)
of which EMEA	43.1	149.0	51.0	157.2	-15.6%	-5.2%	(8.0)	(8.2)
(of which Italy)	*8.7*	*32.3*	*10.9*	*37.1*	*-20.5%*	*-13.0%*	*(2.2)*	*(4.8)*
of which America	2.0	11.0	2.5	13.0	-21.2%	-15.1%	(0.5)	(2.0)
India	18.3	14.0	13.4	10.8	36.4%	29.8%	4.9	3.2
Asia Pacific 2W	17.2	36.0	15.5	38.0	11.0%	-5.1%	1.7	(1.9)
TOTAL	**80.6**	**210.1**	**82.5**	**218.9**	**-2.3%**	**-4.0%**	**(1.9)**	**(8.8)**
Scooters	69.1	131.3	73.8	145.8	-6.3%	-9.9%	(4.7)	(14.5)
Motorcycles	11.4	47.9	8.7	42.8	31.9%	11.7%	2.8	5.0
Spare parts and Accessories		29.5		29.7		-0.7%		(0.2)
Other		1.4		0.6		134.0%		0.8
TOTAL	**80.6**	**210.1**	**82.5**	**218.9**	**-2.3%**	**-4.0%**	**(1.9)**	**(8.8)**

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

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

Background

In Europe, the Piaggio Group's reference area, the two-wheeler market sold 250,039 vehicles in the first quarter of 2018, a 4.0% decrease compared to the first three months of 2017 (+2.7% for the motorcycle segment and -11.5% for the scooter segment).
In Italy, the scooter segment saw an decrease of 7.8%, while motorcycles grew by 10.0%.
North America's two-wheeler market dropped by 4.3% in the first quarter of 2018 compared to the same period last year. The motorcycle market, which accounts for 96% of the overall market, decreased by 3.8%, while scooter market dropped by 14.3%.
In Vietnam, the Asian nation with most Group vehicles, sales went up by 8.9%.
In India, the two-wheeler market recorded a significant increase (+24.8%) in the first quarter of 2018 compared to the same period of the previous year, driven by a high growth in both the scooter segment (+24.4%) and the motorcycle segment (+26.7%).

Main results

During the first half of 2018, the Piaggio Group sold a total of 80,600 two-wheeler vehicles worldwide, accounting for a net turnover of approximately € 210.1 million (- 4.0%), including spare parts and accessories (€ 29.5 million, or - 0.7%).
The overall decline in both volumes (-2.3%) and turnover (-4.0%) was mitigated by the excellent performance of India (+ 36.4% volume; +29.8% turnover; +44.0% turnover at constant exchange rates). In Asia Pacific, good sales performance (+11.0%) was met by a 5.1% decline in turnover, due to exchange rate movements (+7.1% at constant exchange rates).

Market positioning[7]

In the European two-wheeler vehicle market, the Piaggio Group brought its overall share to 12.0% in the first quarter of 2018 (14.2% share in the first quarter of 2017), maintaining its leadership in the scooter segment (23.6% in the first quarter of 2018, compared to 26.5% in the first quarter of 2017). In Italy, Piaggio Group's market share went from 19.4% in the first quarter of 2017 to 16.4% in the same period 2018. The Group remains the leader in the scooter segment, with a market share of 28.3% (31.8% in the first quarter of 2017); penetration in the motorcycle segment was up, however, reaching a market share of 3.5% (3.3% in the first quarter of 2017).

In Vietnam, Group scooters decreased sell-out volumes by 7.6% in the first quarter of 2018, compared to the same period of the previous year.

In India, in the first quarter of 2018 the Group recorded a significant increase in sell-out volumes compared to the same period of the previous year, closing at 17,676 vehicles (+37.6%).

The Group retained its strong position in the North American scooter market, where it closed the year with a market share of 24.7% (22.3% in the first quarter of 2017), and where it is committed to increasing its profile in the motorcycle segment, through the Aprilia and Moto Guzzi brands.

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.

[7] Market shares for the first quarter of 2017 could differ from figures published last year, due to the updating of the final vehicle registration data, which some countries publish with a few months' delay.

Commercial Vehicles

Commercial Vehicles	1st Quarter 2018		1st Quarter 2017		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	2.9	21.2	2.9	21.7	-0.1%	-2.2%	(0.0)	(0.5)
of which EMEA	1.3	7.3	1.4	7.5	-5.1%	-2.7%	(0.1)	(0.2)
(of which Italy)	*1.0*	*12.8*	*1.3*	*13.6*	*-20.8%*	*-5.8%*	*(0.3)*	*(0.8)*
of which America	0.6	1.2	0.3	0.6	117.2%	82.0%	0.3	0.5
India	46.2	81.0	35.8	68.5	28.9%	18.3%	10.4	12.5
TOTAL	**49.2**	**102.2**	**38.8**	**90.2**	**26.7%**	**13.3%**	**10.4**	**12.0**
Ape	47.6	76.3	37.1	65.8	28.1%	16.0%	10.4	10.5
Porter	1.1	12.5	1.0	11.1	12.4%	12.9%	0.1	1.4
Quargo	0.1	0.4	0.1	0.7	-4.1%	-44.2%	(0.0)	(0.3)
Mini Truk	0.4	1.1	0.6	1.4	-31.8%	-21.5%	(0.2)	(0.3)
Spare parts and Accessories		11.9		11.2		6.2%		0.7
TOTAL	**49.2**	**102.2**	**38.8**	**90.2**	**26.7%**	**13.3%**	**10.4**	**12.0**

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 quarter of 2018, the European light commercial vehicles market (vehicles with a maximum mass of 3.5 tons and less), in which the Piaggio Group is active, recorded sales of 534,813 million units, an 2.7% increase compared to the first quarter of 2017 (data source ACEA). In detail, the trends of main European reference markets are as follows: Germany (+2.3%), France (+6.0%), Italy (+4.1%) and Spain (+9.3%).

India

Sales on the Indian three-wheeler market, where Piaggio Vehicles Private Limited, a subsidiary of Piaggio & C. S.p.A. operates, almost doubled from 105,700 units in the first quarter of 2017 to 197,471 in the same period of 2018, registering an increase of 86.8%.

Within this market, the passenger vehicles segment more than doubled its volumes (+117.4%), closing at 163,456 units. On the other hand, the cargo segment showed a slight increase (+11.5%) from 30,500 units in the first three months of 2017 to over 34,000 units in the first quarter of 2018. Piaggio Vehicles Private Limited also operates on the four-wheeler light commercial vehicles (LCV) market for the transport of goods (cargo). The LCV cargo market, with vehicles with a maximum mass below 2 tons, saw a significant increase with 56,471 units in the first quarter of 2018, increasing by 70.6% compared to the first three months of 2017.

Main results

In the first quarter of 2018, the Commercial Vehicles business generated a turnover of approximately € 102.2 million, including approximately € 11.9 million relative to spare parts and accessories, registering a 13.3% increase over the same period of the previous year. During the period, 49,200 units were sold, up compared to the first three months of 2017 (26.7%).
The growth is related to the expansion of the Indian market. The Indian affiliate Piaggio Vehicles Private Limited (PVPL) sold 41,149 units on the Indian three-wheeler market (32,647 in the first quarter of 2017) for a net turnover of approximately € 66.6 million (€ 56.5 million in the first quarter of 2017).
The same subsidiary also exported 4,543 three-wheeler vehicles (2,532 as of 31 March 2017) and 20 4-wheeler vehicles.
On the domestic four-wheeler market, PVPL sales in the first quarter of 2018 fell by 24.1% compared to the first quarter of 2017, to 506 units.
In overall terms, the Indian affiliate PVPL registered a turnover of € 81.0 million during the first quarter of 2018, compared to € 68.5 million for the same period of the previous year +18.3%; +31.6% at constant exchange rates).
On the EMEA and Americas market, the Piaggio Group recorded a decrease in total net turnover of approximately € 0.5 million, despite stable sales volumes.

Market positioning[8]

The Piaggio Group operates in Europe and India on the light commercial vehicles market, with products designed for short range mobility in urban areas (European urban centres) and suburban areas (the product range for India).
The Group is also present in India, in the passenger vehicle and cargo sub-segments of the three-wheeler market, where it is market leader.
On the Indian three-wheeler market, Piaggio has a market share of 20.8% (temporarily down compared to the 30.9% in the first quarter of 2017 due to the unfavourable effect of the differing performances in the various segments). Detailed analysis of the market shows that Piaggio has maintained its market leader position in the goods transport segment (cargo) with a market share of 45.1% (48.2% in the first quarter of 2017). In the passenger segment instead, Piaggio’s share saw a reduction to 15.8% (23.9% in the first quarter of 2017).

[8] Market shares for the first quarter of 2017 could differ from figures published last year, due to the updating of the final vehicle registration data, which some countries publish with a few months' delay.

Besides the traditional three-wheeler market in India, Piaggio also operates on the four-wheeler light commercial vehicles (LCV) market (cargo vehicles for goods transport) with the Porter range. On this market, the Group share fell to 0.9% (2.1% in the first quarter of 2017).

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.

Events occurring after the end of the period

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

18 April 2018 – The Piaggio Group has successfully completed today the placement on the high-yield bond market of a senior unsecured and non-convertible bond of € 250 million with a maturity of 7 years with fixed interest rate of 3.625% and issue price of 100 per cent. The Notes were rated by S&P (BB-) and Moody's (B1), in line with the ratings of the Group. The purpose of the transaction is to refinance Piaggio's outstanding notes for the same amount due in 2021, strengthening the debt profile of the Group, reducing its average cost and significantly extending the average maturity of the Group's debt. The response from institutional investors was very positive both in Italy and overseas, attracting orders of approximately € 1.7 billion.

Operating outlook

Against a macroeconomic backdrop characterised by a strengthening global economic recovery – which remains subject to uncertainties related to the speed of European growth – the Group remains committed, from a commercial and industrial point of view, to:

- confirming its leadership position on the European two-wheeler market, optimally levering expected recovery by:
  - further consolidating its product range;
  - maintaining current positions on the European commercial vehicles market;
- consolidating operations in Asia Pacific, thanks also to the opening of new Motoplex stores, exploring new opportunities in countries in the area, always paying particular attention to the premium segment of the market;
- strengthening sales on the Indian scooter market thanks to the Vespa and Aprilia SR product range;
- increasing the penetration of commercial vehicles in India, thanks to the introduction of new engines.

More in general, the Group is committed - as in the past and for operations in 2018 - to increasing productivity with a strong focus on efficient costs and investments, while complying with its business ethics.

Transactions with related parties

Revenues, costs, receivables and payables as of 31 March 2018 involving parent companies, subsidiaries and affiliated companies refer to the sale of goods or services which are a part of normal operations of the Group.
Transactions are carried out at normal market values, depending on the characteristics of the goods and services provided.
Information on related-party transactions, including the information required by Consob communication no. DEM/6064293 of 28 July 2006 is presented in the "Notes to the Condensed Consolidated Interim Financial Statements as of 31 March 2018".

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

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

Economic glossary

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

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

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

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

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

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

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

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

Consolidated Ebitda: defined as “Operating income” before the amortisation/depreciation and impairment costs of intangible assets 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.

Condensed Interim Financial Statements as of 31 March 2018

Consolidated Income Statement

In thousands of Euros	Notes	1st Quarter 2018 Total	1st Quarter 2018 *of which related parties*	1st Quarter 2017 Total	1st Quarter 2017 *of which related parties*
Net revenues	4	312,312	1,154	309,124	54
Cost for materials	5	180,106	6,471	177,027	8,472
Cost for services and leases and rentals	6	52,695	942	53,299	965
Employee costs	7	52,726		54,454	
Depreciation and impairment costs of property, plant and equipment	8	11,040		11,573	
Amortisation and impairment costs of intangible assets	8	17,669		18,676	
Other operating income	9	20,551	40	22,439	82
Other operating costs	10	4,131	4	5,587	3
Operating income		**14,496**		**10,947**	
Income/(loss) from investments	11	67	67	352	352
Financial income	12	609		256	
Borrowing costs	12	8,025	33	9,111	33
Net exchange gains/(losses)	12	(196)		24	
Profit before tax		**6,951**		**2,468**	
Taxes for the period	13	2,990		987	
Profit from continuing operations		**3,961**		**1,481**	
Assets held for sale:					
Profits or losses arising from assets held for sale	14				
Net Profit (loss) for the period		**3,961**		**1,481**	
Attributable to:					
Owners of the Parent		**3,961**		**1,481**	
Non controlling interests					
Earnings per share (figures in €)	15	**0.011**		**0.004**	
Diluted earnings per share (figures in €)	15	**0.011**		**0.004**	

Consolidated Statement of Comprehensive Income

In thousands of Euros	Notes	**1st Quarter 2018**	**1st Quarter 2017**
Net Profit (Loss) for the period (A)		**3,961**	**1,481**
Items that will not be reclassified in the income statement			
Remeasurements of defined benefit plans	39	(833)	1,000
Total		**(833)**	**1,000**
Items that may be reclassified in the income statement			
Profit (loss) deriving from the translation of financial statements of foreign companies denominated in foreign currency	39	(4,413)	2,062
Portion of components of the Statement of Comprehensive Income of subsidiaries/associates valued with the equity method	39	72	(58)
Total profits (losses) on cash flow hedges	39	215	466
Total		**(4,126)**	**2,470**
Other components of the Statement of Comprehensive Income (B)*		**(4,959)**	**3,470**
Total Profit (loss) for the period (A + B)		**(998)**	**4,951**

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

Attributable to:			
Owners of the Parent		**(1,005)**	**4,955**
Non controlling interests		**7**	**(4)**

Consolidated Statement of Financial Position

		As of 31 March 2018		As of 31 December 2017	
		Total	*of which related parties*	Total	*of which related parties*
In thousands of Euros	*Notes*				
ASSETS					
Non-current assets					
Intangible assets	16	646,183		648,977	
Property, plant and equipment	17	264,241		273,013	
Investment Property	18	11,523		11,523	
Investments	33	7,692		7,553	
Other financial assets	34	5,881		7,364	
Long-term tax receivables	23	19,728		19,913	
Deferred tax assets	19	60,452		58,601	
Trade receivables	21				
Other receivables	22	12,810	115	12,157	115
Total non-current assets		**1,028,510**		**1,039,101**	
Assets held for sale	25				
Current assets					
Trade receivables	21	113,064	2,760	83,995	2,150
Other receivables	22	27,498	10,834	26,916	10,029
Short-term tax receivables	23	19,386		11,106	
Inventories	20	273,109		218,622	
Other financial assets	35	1,874		2,321	
Cash and cash equivalents	36	125,213		128,067	
Total current assets		**560,144**		**471,027**	
Total assets		**1,588,654**		**1,510,128**	

		As of 31 March 2018		As of 31 December 2017	
		Total	*of which related parties*	Total	*of which related parties*
In thousands of Euros	*Notes*				
SHAREHOLDERS' EQUITY AND LIABILITIES					
Shareholders' equity					
Share capital and reserves attributable to the owners of the Parent	38	380,271		385,296	
Share capital and reserves attributable to non-controlling interests	38	(229)		(236)	
Total shareholders' equity		**380,042**		**385,060**	
Non-current liabilities					
Financial liabilities falling due after one year	37	509,972	2,900	446,483	2,900
Trade payables	26				
Other long-term provisions	27	9,117		9,096	
Deferred tax liabilities	28	2,894		3,170	
Retirement funds and employee benefits	29	45,126		44,457	
Tax payables	30				
Other long-term payables	31	6,391	13	5,621	12
Total non-current liabilities		**573,500**		**508,827**	
Current liabilities					
Financial liabilities falling due within one year	37	125,736		137,780	
Trade payables	26	441,684	10,040	411,775	9,375
Tax payables	30	6,656		10,185	
Other short-term payables	31	50,816	7,919	46,424	7,863
Current portion of other long-term provisions	27	10,220		10,077	
Total current liabilities		**635,112**		**616,241**	
Total Shareholders' Equity and Liabilities		**1,588,654**		**1,510,128**	

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.

		1st Quarter 2018		1st Quarter 2017	
		Total	of which related parties	Total	of which related parties
In thousands of Euros	*Notes*				
Operating activities					
Net Profit (loss) for the period		3,961		1,481	
Allocation of profit to non-controlling interests					
Taxes for the period	13	2,990		987	
Depreciation of property, plant and equipment	8	11,040		11,573	
Amortisation of intangible assets	8	17,423		18,676	
Provisions for risks and retirement funds and employee benefits		3,810		4,478	
Write-downs / (Reinstatements)		584		235	
Losses / (Gains) on the disposal of property, plants and equipment		(20)		(6)	
Losses / (Gains) on the disposal of intangible assets					
Financial income	12	(599)		(183)	
Dividend income					
Borrowing costs	12	7,813		8,470	
Income from public grants		(432)		(957)	
Portion of earnings of affiliated companies		(67)		(352)	
Change in working capital:					
(Increase)/Decrease in trade receivables	21	(28,813)	(610)	(26,671)	1,312
(Increase)/Decrease in other receivables	22	(1,153)	(805)	235	(924)
(Increase)/Decrease in inventories	20	(54,487)		(48,599)	
Increase/(Decrease) in trade payables	26	29,909	665	27,255	2,533
Increase/(Decrease) in other payables	31	5,162	57	1,328	40
Increase/(Decrease) in provisions for risks	27	(1,762)		(1,922)	
Increase/(Decrease) in retirement funds and employee benefits	29	(1,112)		(3,679)	
Other changes		(8,105)		(7,173)	
Cash generated from operating activities		**(13,858)**		**(14,824)**	
Interest paid		(5,293)		(6,296)	
Taxes paid		(6,924)		(2,829)	
Cash flow from operating activities (A)		**(26,075)**		**(23,949)**	
Investment activities					
Investment in property, plant and equipment	17	(6,627)		(5,832)	
Sale price or repayment value of property, plant and equipment		42		49	
Investment in intangible assets	16	(15,664)		(12,437)	
Sale price, or repayment value, of intangible assets					
Collected interests		132		162	
Cash flow from investment activities (B)		**(22,117)**		**(18,058)**	
Financing activities					
Purchase of treasury shares	38				
Loans received	37	70,936		42,488	
Outflow for repayment of loans	37	(21,547)		(57,564)	
Repayment of finance leases	37	(285)		(279)	
Cash flow from funding activities (C)		**49,104**		**(15,355)**	
Increase / (Decrease) in cash and cash equivalents (A+B+C)		912		(57,362)	
Opening balance		**127,894**		**191,400**	
Exchange differences		(3,945)		560	
Closing balance		**124,861**		**134,598**	

Changes in Consolidated Shareholders' Equity

Movements from 1 January 2018 / 31 March 2018

	Notes	Share capital	Share premium reserve	Legal reserve	Reserve for measurement of financial instruments	IAS transition reserve	Group translation reserve	Treasury shares	Earnings reserve	Consolidated Group shareholders' equity	Share capital and reserves attributable to non-controlling interests	TOTAL SHAREHOLDERS' EQUITY
In thousands of Euros												
As of 1 January 2018		**207,614**	**7,171**	**19,095**	**(320)**	**(11,505)**	**(24,467)**	**0**	**187,708**	**385,296**	**(236)**	**385,060**
Profit for the period									3,961	**3,961**		**3,961**
Other components of the Statement of Comprehensive Income	39				215		(4,348)		(833)	**(4,966)**	**7**	**(4,959)**
Total profit (loss) for the period		**0**	**0**	**0**	**215**	**0**	**(4,348)**	**0**	**3,128**	**(1,005)**	**7**	**(998)**
<u>Transactions with shareholders:</u>												
Allocation of profits	38											
Distribution of dividends	38											
Adoption of IFRS 9	38					(4,020)				**(4,020)**		**(4,020)**
As of 31 March 2018		**207,614**	**7,171**	**19,095**	**(105)**	**(15,525)**	**(28,815)**	**0**	**190,836**	**380,271**	**(229)**	**380,042**

Movements from 1 January 2017 / 31 March 2017

	Notes	Share capital	Share premium reserve	Legal reserve	Reserve for measurement of financial instruments	IAS transition reserve	Group translation reserve	Treasury shares	Earnings reserve	Consolidated Group shareholders' equity	Share capital and reserves attributable to non-controlling interests	TOTAL SHAREHOLDERS' EQUITY
In thousands of Euros												
As of 1 January 2017		**207,614**	**7,171**	**18,395**	**(388)**	**(5,859)**	**(14,116)**	**(5,646)**	**186,848**	**394,019**	**(305)**	**393,714**
Profit for the period									1,481	**1,481**		**1,481**
Other components of the Statement of Comprehensive Income	39				466		2,008		1,000	**3,474**	**(4)**	**3,470**
Total profit (loss) for the period		**0**	**0**	**0**	**466**	**0**	**2,008**	**0**	**2,481**	**4,955**	**(4)**	**4,951**
Transactions with shareholders:												
Allocation of profits	38									**0**		**0**
Distribution of dividends	38									**0**		**0**
Other changes	38									**0**		**0**
As of 31 March 2017		**207,614**	**7,171**	**18,395**	**78**	**(5,859)**	**(12,108)**	**(5,646)**	**189,329**	**398,974**	**(309)**	**398,665**

Notes to the Consolidated Financial Statements

A) GENERAL ASPECTS

Piaggio & C. S.p.A. (the Company) is a joint-stock company established in Italy at the Register of Companies of Pisa. The address of the registered office is Viale Rinaldo Piaggio 25 - Pontedera (Pisa). The main activities of the company and its subsidiaries are set out in the Report on Operations.

These Financial Statements are expressed in euros (€) since this is the currency in which most of the Group's transactions take place. Transactions in foreign currency are recorded at the exchange rate in effect on the date of the transaction. Monetary assets and liabilities in foreign currency are translated at the exchange rate in effect at the reporting date.

1. Scope of consolidation

The scope of consolidation has not changed compared to the Consolidated Financial Statements as of 31 December 2017 and 31 March 2017.

2. Compliance with international accounting standards

These Condensed Interim Financial Statements have been drafted in compliance with the International Accounting Standards (IAS/IFRS) in force at that date, issued by the International Accounting Standards Board and approved by the European Union, as well as in compliance with the provisions established in Article 9 of Legislative Decree no. 38/2005 (Consob Resolution no. 15519 dated 27 July 2006 containing the "Provisions for the presentation of financial statements", Consob Resolution no. 15520 dated 27 July 2006 containing the "Changes and additions to the Regulation on Issuers adopted by Resolution no. 11971/99", Consob communication no. 6064293 dated 28 July 2006 containing the "Corporate reporting required in accordance with Article 114, paragraph 5 of Legislative Decree no. 58/98"). The interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously the Standing Interpretations Committee ("SIC"), were also taken into account.

During the drafting of these Condensed Consolidated Interim Financial statements, prepared in compliance with IAS 34 - *Interim Financial Reporting*, the same accounting standards adopted in the drafting of the Consolidated Financial Statements as of 31 December 2017 were applied, with the exception of the paragraph "New accounting standards, amendments and interpretations applied as from 1 January 2018". The information provided in the Interim Report should be read together with the Consolidated Financial Statements as of 31 December 2017, prepared according to IFRS.

The preparation of the interim financial statements requires management to make estimates and assumptions which have an impact on the values of revenues, costs, consolidated balance sheet assets and liabilities and on the information regarding contingent assets and liabilities at the

reporting date. If these management estimates and assumptions should, in future, differ from the actual situation, they will be changed as appropriate in the period in which the circumstances change. For a more detailed description of the most significant measurement methods of the Group, reference is made to the section "Use of estimates" of the Consolidated Financial Statements as of 31 December 2017.
It should also be noted that some assessment processes, in particular the most complex ones such as establishing any impairment of fixed assets, are generally undertaken in full only when preparing the annual financial statements, when all the potentially necessary information is available, except in cases where there are indications of impairment which require an immediate assessment of any impairment loss.

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

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

New accounting standards, amendments and interpretations applied as from 1 January 2018

IFRS 15 "Revenue from Contracts with Customers"
The new standard is applicable in a retrospective manner for years commencing from or after 1 January 2018. IFRS 15 sets out the requirements for recognising revenues, introducing an approach whereby revenue is only recognised if contractual obligations have been met in full. According to the standard, revenue is recognised based on the following five steps:

- identify the contract;
- identify individual obligations;
- determine the transaction price;
- allocate the transaction price to individual obligations based on their "market prices" ("stand-alone selling price");
- recognise revenue allocated to the individual obligation when it is regulated, i.e. when the customer acquires control of the goods and/or services.

The Group has carried out in-depth analysis of the different types of contracts relative to the sale of two-/three- and four-wheeler vehicles, spare parts, accessories and components to dealers, importers or direct customers that represent the most significant component, as well as types of contract with less economic impact (for example royalties). Following this analysis, the Group concluded that there is no significant impact arising from the adoption of the new standard, as the most significant component of revenue will continue to be recognised in line with previous accounting guidelines.
One exception is a number of scheduled maintenance schemes and extended warranties that go beyond the statutory period (sold together with the vehicle) which, according to the new standard,

constitute separate performance bonds and, as such, must now be identified and accounted for separately from the vehicle revenue. To date, these scheduled maintenance plans / extended warranties have, however, been limited in number and mainly provided in the Vietnamese market.
Other differences in approach refer to different ways of representing revenues, without however impacting results, and refer to a different approach to classifying some types of bonuses paid to dealers, consumer financing plans, procedures for representing funds returned by customers (only applicable for the US market in which there is a legal obligation to buy back the vehicle from dealers on the occurrence of certain conditions). The cumulative effect would have led to a reduction in revenues and in promotional costs of approximately €10 million in 2017. The effect on results is however negligible, given the current contractual structure.

IFRS 9 "Financial Instruments"
The new provisions of IFRS 9: (i) amend the model that classifies and measures financial assets; (ii) introduce a new method for writing down financial assets, that takes account of expected credit losses; (iii) amend hedge accounting provisions and (iv) establish new criteria for the recognition of transactions amending financial liabilities. The provisions of IFRS 9 will be applicable for years commencing on or after 1 January 2018. Early application was allowed.
The Group has completed the analysis of the quantitative impacts deriving from application of the principle. The only significant impact is believed to be the determination of the amortised cost of financial liabilities subject to renegotiation. With the introduction of IFRS 9, in the event of the renegotiation of a financial liability that does not qualify as "extinction of the original debt", the difference between i) the book value of the pre-change liability and ii) the present value of the cash flows of the revised debt, discounted at the original rate (IRR), is accounted for in the income statement. The Group has examined the liability management operations conducted in previous years. The effects deriving from the adoption of IFRS 9 are summarised in the following table:

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

Amendment to IFRS 2 "Share-based Payment"
The amendments clarifying how to account for some share-based payments are applicable with effect from 1 January 2018.

Amendment to IAS 40 – "Investment Property"
These amendments clarify change in use, which is a necessary condition for transfer from/to Investment Property. These amendments apply from 1 January 2018.

Series of annual amendments to IFRS 2014–2016
The main change concerns IAS 28 "Investments in Associates and Joint Ventures" (applicable from 1 January 2018)
The amendments clarify, correct or remove redundant wording in the related IFRS Standard and are not expected to have a material impact to our Consolidated Financial Statements or disclosures upon adoption of the amendments.

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

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

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

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

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

- In May 2017, IASB issued the new standard IFRS 17 – Insurance Contracts. The new standard will replace IFRS 4 and will be effective from 1 January 2021.
- In December 2016, the IASB issued IFRIC Interpretation 22 - Foreign Currency Transactions and Advance Consideration, which addresses the exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency. The interpretation will be effective from 1 January, 2018.
- In June 2017 the IASB published interpretation IFRIC 23 “Uncertainty over Income Tax Treatments" which provides information on how to account for uncertainties over the tax treatment of a given phenomenon in the recognition of income taxes. IFRIC 23 will be effective from 1 January 2019.

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

Other information

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

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

Currency	**Spot exchange rate 30 March 2018**	**Average exchange rate 1st Quarter**	**Spot exchange rate 29 December 2017**	**Average exchange rate 1st Quarter**
US Dollar	1.2321	1.22921	1.1993	1.06480
Pounds Sterling	0.87490	0.883372	0.88723	0.86009
Indian Rupee	80.2960	79.12637	76.6055	71.28420
Singapore Dollars	1.6158	1.62102	1.6024	1.50804
Chinese yuan	7.7468	7.81544	7.8044	7.33527
Croatian Kuna	7.4323	7.43800	7.4400	7.46682
Japanese Yen	131.15	133.16619	135.01	121.01385
Vietnamese Dong	27,848.75	27,719.04938	26,934.34	24,007.37631
Canadian Dollars	1.5895	1.55396	1.5039	1.41012
Indonesian Rupiah	16,969.71	16,676.38683	16,260.11	14,214.14569
Brazilian Real	4.0938	3.98865	3.9729	3.34676

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)	1-1/31-3-2018	48.0	64.5	17.2	**129.7**
	1-1/31-3-2017	56.5	49.2	15.5	**121.2**
	Change	(8.5)	15.3	1.7	**8.5**
	Change %	-15.1%	31.0%	11.0%	**7.0%**
Net turnover (millions of euros)	1-1/31-3-2018	181.3	95.0	36.0	**312.3**
	1-1/31-3-2017	191.9	79.3	38.0	**309.1**
	Change	(10.6)	15.7	(1.9)	**3.2**
	Change %	-5.5%	19.8%	-5.1%	**1.0%**
Gross margin (millions of euros)	1-1/31-3-2018	57.3	24.7	14.6	**96.7**
	1-1/31-3-2017	58.5	20.5	16.1	**95.1**
	Change	(1.2)	4.2	(1.5)	**1.5**
	Change %	-2.0%	20.5%	-9.5%	**1.6%**
EBITDA (millions of euros)	1-1/31-3-2018				**43.2**
	1-1/31-3-2017				**41.2**
	Change				**2.0**
	Change %				**4.9%**
EBIT (millions of euros)	1-1/31-3-2018				**14.5**
	1-1/31-3-2017				**10.9**
	Change				**3.5**
	Change %				**32.4%**
Net profit (millions of euros)	1-1/31-3-2018				**4.0**
	1-1/31-3-2017				**1.5**
	Change				**2.5**
	Change %				**167.5%**

C) INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

4. Net revenues €/000 312,312

Revenues are shown net of premiums recognised to customers (dealers).
This item does not include transport costs, which are recharged to customers (€/000 5,113) and invoiced advertising cost recoveries (€/000 739), 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 Quarter 2018		1st Quarter 2017		Changes	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
In thousands of Euros						
EMEA and Americas	181,253	58.0	191,858	62.1	(10,605)	-5.5
India	95,021	30.4	79,301	25.6	15,720	19.8
Asia Pacific 2W	36,038	11.6	37,965	12.3	(1,927)	-5.1
Total	**312,312**	**100.0**	**309,124**	**100.0**	**3,188**	**1.0**

In the first half of 2018 net sales revenues showed a 1.0% increase compared to the same period in the previous year. For a more detailed analysis of trends in individual geographic segments, see comments in the Report on Operations.

5. Costs for materials €/000 180,106

Costs for materials increased by €/000 3,079 compared to the first quarter of 2017. The item includes €/000 6,471 (€/000 8,472 in the first quarter of 2017) for purchases of scooters from the Chinese affiliate Zongshen Piaggio Foshan Motorcyle Co., that are sold in European and Asian markets.

6. Costs for services and leases and rental costs €/000 52,695

Costs for services and leases and rental costs recorded a downturn of €/000 604 compared to the first quarter of 2017. The item includes costs for temporary work of €/000 251.
Costs for leases and rentals, amounting to €/000 4,398, include lease rentals for business properties of €/000 1,728, as well as lease payments for car hire, computers and photocopiers.

7. Employee costs €/000 52,726

Employee costs include €/000 438 relating to costs for redundancy plans for the Pontedera and Noale production sites.

	1st Quarter 2018	1st Quarter 2017	Change
In thousands of Euros			
Salaries and wages	40,116	40,313	(197)
Social security contributions	10,270	11,054	(784)
Termination benefits	1,781	1,806	(25)
Other costs	559	1,281	(722)
Total	**52,726**	**54,454**	**(1,728)**

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

	Average number		
	1st Quarter 2018	1st Quarter 2017	Change
Level			
Senior management	97.0	97.0	0.0
Middle management	614.3	587.7	26.6
White collars	1,710.4	1,729.0	(18.6)
Blue collars	4,175.0	4,146.6	28.4
Total	**6,596.7**	**6,560.3**	**36.4**

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		
	31 March 2018	31 December 2017	Change
Level			
Senior management	98	97	1
Middle management	625	603	22
White collars	1,694	1,733	(39)
Blue collars	4,215	4,187	28
Total	**6,632**	**6,620**	**12**
EMEA and Americas	3,673	3,682	(9)
India	2,109	2,090	19
Asia Pacific 2W	850	848	2
Total	**6,632**	**6,620**	**12**

8. Amortisation/depreciation and impairment costs **€/000 28,709**

The item decreased by €/000 1,540 compared to the first three months of 2017. This item includes:

- Amortisation and impairment costs of intangible assets for €/000 17,669 (€/000 18,676 in the first quarter of 2017);

- Depreciation and impairment costs of property, plant and equipment for €/000 11,040 (€/000 11,573 in the first quarter of 2017).

9. Other operating income **€/000 20,551**

This item, consisting prevalently of increases in fixed assets for internal work and of recoveries of costs re-invoiced to customers, shows a decrease of €/000 1,888 compared to the first quarter of 2017.

10. Other operating costs **€/000 4,131**

This item decreased by €/000 1,456.

11. Income/(loss) from investments **€/000 67**

Income from investments equivalent to €/000 67 in the quarter relate to the portion of income attributable to the Group from the Zongshen Piaggio Foshan Motorcycle Co. Ltd joint venture, valued at equity.

12. Net financial income (borrowing costs) **€/000 (7,612)**

The balance of financial income (borrowing costs) in the first quarter of 2018 was negative by €/000 7,612, an improvement on the figure of €/000 8,831 for the same period of the previous year, thanks to lower debt and the reduction in the cost of debt. The improvement is only partially mitigated by the effects deriving from currency management.
The average rate used during 2018 for the capitalisation of borrowing costs (because of general loans), was equal to 7.91% and relates to loans taken out by the Vietnamese company in the local currency.

13. Taxes **€/000 2,990**

Income tax for the period, determined based on IAS 34, was estimated by applying a rate of 43% 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 Quarter 2018	1st Quarter 2017
Net profit	€/000	3,961	1,481
Earnings attributable to ordinary shares	€/000	3,961	1,481
Average number of ordinary shares in circulation		358,153,644	358,153,644
Earnings per ordinary share	€	0.011	0.004
Adjusted average number of ordinary shares		358,153,644	358,153,644
Diluted earnings per ordinary share	€	0.011	0.004

D) INFORMATION ON OPERATING ASSETS AND LIABILITIES

16. Intangible assets €/000 646,183

The table below shows the breakdown of intangible assets as of 31 March 2018, as well as changes during the period.

In thousands of Euros	*Development costs*	*Patent rights*	*Concessions, licences and trademarks*	*Goodwill*	*Other*	*Assets under development and advances*	*Total*
As of 1 January 2018							
Historical cost	232,890	361,842	155,074	557,322	6,809	18,487	1,332,424
Provisions for write-down	(1,007)	(2,157)				(1,018)	(4,182)
Accumulated amortisation	(165,664)	(284,888)	(111,677)	(110,382)	(6,654)		(679,265)
Net carrying amount	**66,219**	**74,797**	**43,397**	**446,940**	**155**	**17,469**	**648,977**
1st Quarter 2018							
Investments	2,144	42				13,478	15,664
Transitions in the period	514	39			9	(562)	0
Amortisation	(8,596)	(7,597)	(1,206)		(24)		(17,423)
Disposals							0
Write-downs						(246)	(246)
Exchange differences	(558)	(55)			(3)	(173)	(789)
Other changes							0
Total movements for the 1st Quarter 2018	**(6,496)**	**(7,571)**	**(1,206)**	**0**	**(18)**	**12,497**	**(2,794)**
As of 31 March 2018							
Historical cost	232,257	361,555	155,074	557,322	6,599	31,180	1,343,987
Provisions for write-down	(1,007)	(2,157)				(1,214)	(4,378)
Accumulated amortisation	(171,527)	(292,172)	(112,883)	(110,382)	(6,462)		(693,426)
Net carrying amount	**59,723**	**67,226**	**42,191**	**446,940**	**137**	**29,966**	**646,183**

The breakdown of intangible assets in operation and under construction is as follows:

	Value as of 31 March 2018			**Value as of 31 December 2017**			**Change**		
In thousands of Euros	**In operation**	**Under development and advances**	**Total**	**In operation**	**Under development and advances**	**Total**	**In operation**	**Under development and advances**	**Total**
Development costs	59,723	25,779	85,502	66,219	14,036	80,255	(6,496)	11,743	5,247
Patent rights	67,226	4,187	71,413	74,797	3,431	78,228	(7,571)	756	(6,815)
Concessions, licences and trademarks	42,191		42,191	43,397		43,397	(1,206)	0	(1,206)
Goodwill	446,940		446,940	446,940		446,940	0	0	0
Other	137		137	155	2	157	(18)	(2)	(20)
Total	**616,217**	**29,966**	**646,183**	**631,508**	**17,469**	**648,977**	**(15,291)**	**12,497**	**(2,794)**

Intangible assets went down overall by €/000 2,794 mainly due to amortisation for the period which was only partially balanced by investments for the period.

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

During the first quarter of 2018, borrowing costs for €/000 52 were capitalised.

17. Property, plant and equipment €/000 264,241

The table below shows the breakdown of property, plant and equipment as of 31 March 2018, as well as changes during the period.

In thousands of Euros	***Land***	***Buildings***	***Plant and machinery***	***Equipment***	***Other assets***	***Assets under construction and advances***	***Total***
As of 1 January 2018							
Historical cost	27,640	167,730	475,729	508,427	52,353	14,748	1,246,627
Provisions for write-down			(483)	(2,408)	(64)		(2,955)
Accumulated depreciation		(73,833)	(362,119)	(489,011)	(45,696)		(970,659)
Net carrying amount	**27,640**	**93,897**	**113,127**	**17,008**	**6,593**	**14,748**	**273,013**
1st Quarter 2018							
Investments		70	68	457	2,050	3,982	6,627
Transitions in the period		5	1,498	796	842	(3,141)	0
Depreciation		(1,250)	(5,205)	(3,678)	(907)		(11,040)
Disposals		(9)	(4)	(1)	(8)		(22)
Write-downs							0
Exchange differences		(938)	(2,974)		(123)	(302)	(4,337)
Other changes							0
Total movements for the 1st Quarter 2018	**0**	**(2,122)**	**(6,617)**	**(2,426)**	**1,854**	**539**	**(8,772)**
As of 31 March 2018							
Historical cost	27,640	166,430	470,690	509,678	54,683	15,287	1,244,408
Provisions for write-down			(483)	(2,408)	(64)		(2,955)
Accumulated depreciation		(74,655)	(363,697)	(492,688)	(46,172)		(977,212)
Net carrying amount	**27,640**	**91,775**	**106,510**	**14,582**	**8,447**	**15,287**	**264,241**

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

	Value as of 31 March 2018			**Value as of 31 December 2017**			**Change**		
In thousands of Euros	**In operation**	**Under construction and advances**	**Total**	**In operation**	**Under construction and advances**	**Total**	**In operation**	**Under construction and advances**	**Total**
Land	27,640		27,640	27,640		27,640	0	0	0
Buildings	91,775	2,273	94,048	93,897	1,969	95,866	(2,122)	304	(1,818)
Plant and machinery	106,510	8,290	114,800	113,127	8,025	121,152	(6,617)	265	(6,352)
Equipment	14,582	4,195	18,777	17,008	3,467	20,475	(2,426)	728	(1,698)
Other assets	8,447	529	8,976	6,593	1,287	7,880	1,854	(758)	1,096
Total	**248,954**	**15,287**	**264,241**	**258,265**	**14,748**	**273,013**	**(9,311)**	**539**	**(8,772)**

Property, plant and equipment mainly refer to Group production facilities in Pontedera (Pisa), Noale (Venice), Mandello del Lario (Lecco), Baramati (India) and Vinh Phuc (Vietnam).
The increases mainly relate to the construction of moulds for new vehicles launched during the period.
Borrowing costs attributable to the construction of assets which require a considerable period of time to be ready for use are capitalised as a part of the cost of the actual assets. During the first quarter of 2018, borrowing costs for €/000 56 were capitalised.

As of 31 March 2018, the net value of assets held by lease agreements was as follows:

In thousands of Euros	**As of 31 March 2018**
Vespa painting plant	11,341
Vehicles	48
Total	**11,389**

Future lease rental commitments are detailed in note 37.

18. Investment Property €/000 11,523

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

In thousands of Euros	
Opening balance as of 1 January 2018	**11,523**
Fair value adjustment	-
Balance as of 31 March 2018	**11,523**

During the quarter, no indicators of changes in fair value were identified, and therefore the carrying amount determined for the 2017 Financial Statements, with the assistance of a specific appraisal by an independent expert, was confirmed. The expert evaluated the "Fair value less cost of disposal" using a market approach (as provided for by IFRS 13). This analysis identified the total value of the investment as €/000 11,523.

The Group uses the "fair value model" as provided for by IAS 40.

19. Deferred tax assets **€/000 60,452**

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 60,452, up on the figure of €/000 58,601 as of 31 December 2017.

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 **€/000 273,109**

This item comprises:

	As of 31 March 2018	**As of 31 December 2017**	**Change**
In thousands of Euros			
Raw materials and consumables	134,465	104,450	30,015
Provision for write-down	(14,484)	(13,941)	(543)
Net value	*119,981*	*90,509*	29,472
Work in progress and semifinished products	16,811	18,241	(1,430)
Provision for write-down	(852)	(852)	0
Net value	*15,959*	*17,389*	(1,430)
Finished products and goods	161,338	134,055	27,283
Provision for write-down	(24,542)	(23,526)	(1,016)
Net value	*136,796*	*110,529*	26,267
Advances	373	195	178
Total	**273,109**	**218,622**	**54,487**

As of 31 March 2018, inventories had increased by €/000 54,487, in line with the trend expected for production volumes and sales in the future.

21. Current and non-current trade receivables €/000 113,064

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

	As of 31 March 2018	As of 31 December 2017	Change
In thousands of Euros			
Trade receivables due from customers	110,304	81,845	28,459
Trade receivables due from JV	2,725	2,148	577
Trade receivables due from parent companies	2	2	0
Trade receivables due from associates	33	-	33
Total	**113,064**	**83,995**	**29,069**

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

The item Trade receivables comprises receivables referring to normal sale transactions, recorded net of a provision for bad debts of €/000 29,215.

The Group sells, on a rotating basis, a large part of its trade receivables with and without recourse. Piaggio has signed contracts with some of the most important Italian and foreign factoring companies as a move to optimise the monitoring and the management of its trade receivables, besides offering its customers an instrument for funding their own inventories, for factoring classified as without the substantial transfer of risks and benefits. On the contrary, for factoring without recourse, contracts have been formalised for the substantial transfer of risks and benefits.
As of 31 March 2018, trade receivables still due sold without recourse totalled €/000 125,507.
Of these amounts, Piaggio received payment prior to natural expiry of €/000 112,204.
As of 31 March 2018, advance payments received from factoring companies and banks, for trade receivables sold with recourse totalled €/000 10,461 with a counter entry recorded in current liabilities.

22. Other current and non-current receivables **€/000 40,308**

They consist of:

In thousands of Euros	As of 31 March 2018	As of 31 December 2017	Change
Non-current portion:			
Sundry receivables due from associates	115	115	0
Prepaid expenses	10,077	9,312	765
Advances to employees	49	50	(1)
Security deposits	1,228	1,112	116
Receivables due from others	1,341	1,568	(227)
Total non-current portion	**12,810**	**12,157**	**653**

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

In thousands of Euros	As of 31 March 2018	As of 31 December 2017	Change
Current portion:			
Sundry receivables due from parent companies	9,897	9,080	817
Sundry receivables due from JV	924	904	20
Sundry receivables due from associates	13	45	(32)
Accrued income	878	737	141
Prepaid expenses	4,740	3,516	1,224
Advance payments to suppliers	3,372	3,860	(488)
Advances to employees	310	1,638	(1,328)
Fair value of derivatives	398	102	296
Security deposits	349	331	18
Receivables due from others	6,617	6,703	(86)
Total current portion	**27,498**	**26,916**	**582**

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

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

Receivables due from associates regard amounts due from Immsi Audit.

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

23. Current and non-current tax receivables **€/000 39,114**

Receivables due from tax authorities consist of:

	As of 31 March 2018	As of 31 December 2017	Change
In thousands of Euros			
VAT receivables	19,889	12,083	7,806
Income tax receivables	13,613	13,590	23
Other tax receivables	5,612	5,346	266
Total	**39,114**	**31,019**	**8,095**

Non-current tax receivables totalled €/000 19,728, compared to €/000 19,913 as of 31 December 2017, while current tax receivables totalled €/000 19,386 compared to €/000 11,106 as of 31 December 2017.

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

As of 31 March 2018, there were no receivables due after 5 years.

25. Assets held for sale **€/000 0**

As of 31 March 2018, there were no assets held for sale.

26. Current and non-current trade payables **€/000 441,684**

As of 31 March 2018 and as of 31 December 2017 no trade payables were recorded under non-current liabilities. Trade payables recorded as current liabilities are broken down as follows:

	As of 31 March 2018	As of 31 December 2017	Change
In thousands of Euros			
Amounts due to suppliers	431,644	402,400	29,244
Trade payables to JV	9,642	8,811	831
Trade payables due to other related parties	14	34	(20)
Trade payables due to parent companies	384	530	(146)
Total	**441,684**	**411,775**	**29,909**

27. Provisions (current and non-current portion) €/000 19,337

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

	Balance as of 31 December 2017	Allocations	Uses	Adjustments	Reclassifications	Change	Balance as of 31 March 2018
In thousands of Euros							
Provision for product warranties	13,619	2,016	(1,785)		23	(86)	13,787
Provision for contractual risks	2,732	13				(3)	2,742
Risk provision for legal disputes	2,013			15		(13)	2,015
Provisions for risk on guarantee	58						58
Other provisions for risks	751		(15)			(1)	735
Total	**19,173**	**2,029**	**(1,800)**	**15**	**23**	**(103)**	**19,337**

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

	As of 31 March 2018	As of 31 December 2017	Change
In thousands of Euros			
Non-current portion:			
Provision for product warranties	4,330	4,294	36
Provision for contractual risks	2,607	2,607	0
Risk provision for legal disputes	1,512	1,512	0
Other provisions for risks and charges	668	683	(15)
Total non-current portion	**9,117**	**9,096**	**21**

	As of 31 March 2018	As of 31 December 2017	Change
In thousands of Euros			
Current portion:			
Provision for product warranties	9,457	9,325	132
Provision for contractual risks	135	125	10
Risk provision for legal disputes	503	501	2
Provisions for risk on guarantee	58	58	0
Other provisions for risks and charges	67	68	(1)
Total current portion	**10,220**	**10,077**	**143**

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 2,016 and was used for €/000 1,785 in relation to charges incurred during the period.

The provision of contractual risks refers mainly to charges which may arise from the ongoing negotiation of a supply contract.
The provision for litigation concerns labour litigation and other legal proceedings.

28. Deferred tax liabilities — €/000 2,894

Deferred tax liabilities amount to €/000 2,894 compared to €/000 3,170 as of 31 December 2017.

29. Retirement funds and employee benefits — €/000 45,126

	As of 31 March 2018	As of 31 December 2017	Change
In thousands of Euros			
Retirement funds	738	727	11
Post-employment benefits provision	44,388	43,730	658
Total	**45,126**	**44,457**	**669**

Retirement funds comprise provisions for employees allocated by foreign companies and additional customer indemnity provisions, which represent the compensation due to agents in the case of the agency contract being terminated for reasons beyond their control. Uses refer to the payment of benefits already accrued in previous years, while allocations refer to benefits accrued in the period.
The item "Termination benefits provision", comprising severance pay of employees of Italian companies, includes termination benefits indicated in defined benefit plans.
As regards the discount rate, the Group has decided to use the iBoxx Corporates AA rating with a 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 31 March 2018 would have been lower by € 671 thousand.

30. Current and non-current tax payables **€/000 6,656**

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

	As of 31 March 2018	As of 31 December 2017	Change
In thousands of Euros			
Due for income taxes	697	4,628	(3,931)
Due for non-income tax	33	31	2
Tax payables for:			
- VAT	2,353	568	1,785
- Tax withheld at source	2,984	4,260	(1,276)
- other	589	698	(109)
Total	5,926	5,526	400
Total	**6,656**	**10,185**	**(3,529)**

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 57,207**

This item comprises:

	As of 31 March 2018	As of 31 December 2017	Change
In thousands of Euros			
Non-current portion:			
Guarantee deposits	2,792	2,731	61
Accrued expenses	745		745
Deferred income	2,741	2,764	(23)
Miscellaneous payables to JV	13	12	1
Other payables	100	114	(14)
Total non-current portion	**6,391**	**5,621**	**770**

	As of 31 March 2018	As of 31 December 2017	Change
In thousands of Euros			
Current portion:			
Payables to employees	18,690	14,474	4,216
Accrued expenses	7,741	5,007	2,734
Deferred income	2,331	1,016	1,315
Amounts due to social security institutions	5,154	8,124	(2,970)
Fair value of derivatives	125	6	119
Miscellaneous payables to JV	150	190	(40)
Sundry payables due to affiliated companies	24	24	0
Sundry payables due to parent companies	7,745	7,649	96
Other payables	8,856	9,934	(1,078)
Total current portion	**50,816**	**46,424**	**4,392**

Amounts due to employees include the amount for holidays accrued but not taken of €/000 9,450 and other payments to be made for €/000 9,240.

Payables due to affiliated companies refer to various amounts due to the Fondazione Piaggio (Foundation).

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

The item fair value of hedging derivatives mainly refers to the *fair value* of hedging derivatives relative to the exchange risk on *forecast transactions* recognised on an *cash flow hedge* basis.

The item Accrued liabilities includes €/000 492 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

33. Investments €/000 7,692

The investments heading comprises:

	As of 31 March 2018	As of 31 December 2017	Change
In thousands of Euros			
Interests in joint ventures	7,554	7,415	139
Investments in affiliated companies	138	138	0
Total	**7,692**	**7,553**	**139**

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.

34. Other non-current financial assets €/000 5,881

	As of 31 March 2018	As of 31 December 2017	Change
In thousands of Euros			
Fair value of derivatives	5,845	7,328	(1,483)
Investments in other companies	36	36	0
Total	**5,881**	**7,364**	**(1,483)**

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

35. Other current financial assets €/000 1,874

	As of 31 March 2018	As of 31 December 2017	Change
In thousands of Euros			
Fair value of derivatives	1,874	2,321	(447)
Total	**1,874**	**2,321**	**(447)**

The item refers €/000 1,741 to the fair value of the Cross Currency Swap on the private debenture loan and €/000 133 to the short-term portion of the Cross Currency Swap on the medium-term loan of the Vietnamese subsidiary.

36. Cash and cash equivalents €/000 125,213

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

	As of 31 March 2018	As of 31 December 2017	Change
In thousands of Euros			
Bank and postal deposits	96,555	88,697	7,858
Cash on hand	46	46	0
Securities	28,612	39,324	(10,712)
Total	**125,213**	**128,067**	**(2,854)**

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

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

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

	As of 31 March 2018	As of 31 March 2017	Change
In thousands of Euros			
Liquidity	125,213	134,735	(9,522)
Current account overdrafts	(352)	(137)	(215)
Closing balance	**124,861**	**134,598**	**(9,737)**

37. Current and non-current financial liabilities **€/000 635,708**

During the first quarter of 2018, the Group's total debt increased by €/000 51,445. Total financial debt of the Group, net of the fair value measurement of financial derivatives to hedge foreign exchange risk and interest rate risk and adjustment of relative hedged items, as of 31 March 2018, increased by €/000 53,387.

	Financial liabilities as of 31 March 2018			Financial liabilities as of 31 December 2017			Change		
	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total
In thousands of Euros									
Gross financial debt	123,807	504,343	628,150	135,400	439,363	574,763	(11,593)	64,980	53,387
Fair value adjustment	1,929	5,629	7,558	2,380	7,120	9,500	(451)	(1,491)	(1,942)
Total	**125,736**	**509,972**	**635,708**	**137,780**	**446,483**	**584,263**	**(12,044)**	**63,489**	**51,445**

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

Net financial debt of the Group amounted to €/000 502,937 as of 31 March 2018 compared to €/000 446,696 as of 31 December 2017.

	As of 31 March 2018	As of 31 December 2017	Change
In thousands of Euros			
Liquidity	**125,213**	**128,067**	**(2,854)**
Securities			0
Current financial receivables	**0**	**0**	**0**
Payables due to banks	(58,032)	(59,693)	1,661
Current portion of bank loans	(44,099)	(49,994)	5,895
Debenture loan	(9,632)	(9,625)	(7)
Amounts due to factoring companies	(10,461)	(14,613)	4,152
Amounts due under leases	(1,250)	(1,144)	(106)
Current portion of payables due to other lenders	(333)	(331)	(2)
Current financial debt	**(123,807)**	**(135,400)**	**11,593**
Net current financial debt	**1,406**	**(7,333)**	**8,739**
Payables due to banks and lenders	(185,394)	(125,259)	(60,135)
Debenture loan	(310,152)	(304,592)	(5,560)
Amounts due under leases	(8,777)	(9,168)	391
Amounts due to other lenders	(20)	(344)	324
Non-current financial debt	**(504,343)**	**(439,363)**	**(64,980)**
Net Financial Debt[9]	**(502,937)**	**(446,696)**	**(56,241)**

Non-current financial liabilities totalled €/000 504,343 against €/000 439,363 as of 31 December 2017, whereas current financial liabilities totalled €/000 123,807 compared to €/000 135,400 as of 31 December 2017.

[9] 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 7,558 and relative accruals.

The attached table summarises the breakdown of financial debt as of 31 March 2018 and as of 31 December 2017, as well as changes for the period.

		Cash flows						
	Balance as of 31.12.2017	**Changes**	**Repayments**	**New issues**	**Reclassifications**	**Exchange delta**	**Other changes**	**Balance as of 31.03.2018**
In thousands of Euros								
Liquidity	**128,067**	**13,183**	**(12,092)**	**0**	**0**	**(3,945)**	**0**	**125,213**
Securities	0							0
Current financial receivables	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Current account overdrafts	(173)			(179)				(352)
Current account payables	(59,520)		4,222	(3,436)		1,054		(57,680)
Current portion of medium-/long-term bank loans	(49,994)		12,853		(6,951)	237	(244)	(44,099)
Total current bank loans	*(109,687)*		*17,075*	*(3,615)*	*(6,951)*	*1,291*	*(244)*	*(102,131)*
Debenture loan	(9,625)						(7)	(9,632)
Amounts due to factoring companies	(14,613)		4,152					(10,461)
Amounts due under leases	(1,144)		285		(391)			(1,250)
Current portion of payables due to other lenders	(331)		320		(323)	1		(333)
Current financial debt	**(135,400)**	**0**	**21,832**	**(3,615)**	**(7,665)**	**1,292**	**(251)**	**(123,807)**
Net current financial debt	**(7,333)**	**13,183**	**9,740**	**(3,615)**	**(7,665)**	**(2,653)**	**(251)**	**1,406**
Medium-/long-term bank loans	(125,259)			(67,500)	6,951	312	102	(185,394)
Debenture loan	(304,592)						(5,560)	(310,152)
Amounts due under leases	(9,168)				391			(8,777)
Amounts due to other lenders	(344)				323	1		(20)
Non-current financial debt	**(439,363)**	**0**	**0**	**(67,500)**	**7,665**	**313**	**(5,458)**	**(504,343)**
NET FINANCIAL DEBT	**(446,696)**	**13,183**	**9,740**	**(71,115)**	**0**	**(2,340)**	**(5,709)**	**(502,937)**

Medium and long-term bank debt amounts to €/000 229,493 (of which €/000 185,394 non-current and €/000 44,099 current) and consists of the following loans:

- a €/000 21,818 medium-term loan from the European Investment Bank to finance Research & Development investments planned for the 2013-2015 period. The loan will fall due in December 2019 and has a repayment schedule of 11 six-monthly instalments at a fixed rate of 2.723%. Contract terms require covenants (described below);
- a €/000 55,627 medium-term loan (nominal value of €/000 55,714) from the European Investment Bank to finance Research & Development investments planned for the 2016-2018 period. The loan will mature in December 2023 and has a repayment schedule of 7 fixed-rate annual instalments. Contract terms require covenants (described below);

- a €/000 59,769 loan (nominal value of €/000 60,000), a syndicate loan for a total of €/000 250,000 comprising a €/000 175,000 four-year tranche as a revolving credit line (of which a nominal value of €/000 35,000 had been used as of 31 March 2018) and a tranche as a five-year loan with amortisation of €/000 75,000 (totalling €/000 25,000 at 31 March 2018). Contract terms require covenants (described below);
- a €/000 3,331 three-year loan (nominal value of €/000 3,333) with amortisation granted by Banco BPM for an original amount of €/000 10,000;
- a €/000 12,487 medium-term loan (nominal value of €/000 12,505) granted by Banca Popolare Emilia Romagna. The loan will fall due on 5 June 2019 and has an amortisation quota of six-monthly instalments;
- €/000 22,728 loan granted by Banco BPM and comprising a tranche of €/000 12,500, granted as a revolving credit line (completely used as of 31 March 2018) with due date in January 2021 and a tranche granted as a loan with amortisation of €/000 12,500 (€/000 10,228 remaining at 31 March 2018), with due date in July 2022;
- €/000 20,000 loan granted by Banca del Mezzogiorno in the form of a revolving credit line expiring in July 2022;
- a €/000 8,953 medium-term loan (nominal value of €/000 9,000) granted by Interbanca-Banca IFIS. The loan will fall due on 30 September 2022 and has a quarterly repayment plan. Contract terms require covenants (described below);
- a €/000 9,992 medium-term loan (nominal value of €/000 10,000) granted by Banca del Mezzogiorno. The loan will fall due on 2 January 2023 and has a six-monthly repayment plan. Contract terms require covenants (described below);
- a €/000 1,649 medium-term loan for USD/000 2,184 granted by International Finance Corporation to the subsidiary Piaggio Vietnam with interest accruing at a variable rate. The loan will fall due on 15 July 2018 and has an amortisation quota of six-monthly instalments from July 2014. Contract terms include a guarantee of the Parent Company and some covenants (described below). Cross currency swaps have been taken out on this loan to hedge the exchange risk and interest rate risk;
- a €/000 12,859 medium-term loan for VND/000 358,104,752 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;
- €/000 280 of loans from various banks granted pursuant to Italian Law no. 346/88 on subsidised applied research.

All the above financial liabilities are unsecured.

The item Bonds for €/000 319,784 (nominal value of €/000 322,130) refers to:

- a €/000 42,043 private debenture loan (nominal value of €/000 42,130), (*US Private Placement*) issued on 25 July 2011 for $/000 75,000 wholly subscribed by an American institutional investor, payable in 5 annual portions from July 2017, with a semi-annual coupon. As of 31 March 2018 the fair value measurement of the debenture loan was equal to €/000 49,436 (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;

- €/000 247,887 (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 positive outlook respectively;
- €/000 29,854 (nominal value of €/000 30,000) for a five-year private debenture loan issued on 28 June 2017 and wholly subscribed by Fondo Sviluppo Export, the fund set up by SACE and managed by Amundi SGR. The issue has no specific rating or listing on a regulated market.

The company may repay in advance:

- all or part of the amount of the high yield debenture loan issued on 24 April 2014, according to the conditions indicated in the indenture. The value of these 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);
- all or part of the amount of the private placement issued on 28 June 2017, according to the conditions indicated in the contract. The value of prepayment options was not deducted from the original contract, as these are considered as being closely related to the host instrument (as provided for by IAS 39 AG30 g).

Medium-/long-term payables due to other lenders equal to €/000 10,380 of which €/000 8,797 due after the year and €/000 1,583 as the current portion, are detailed as follows:

- a finance lease for €/000 9,890 (nominal value of €/000 9,902) granted by Albaleasing as a Sale&Lease back agreement on a production plant of the Parent Company. The agreement is for ten years, with quarterly repayments (non-current portion equal to €/000 8,777);
- a financial lease for €/000 137 granted by VFS Servizi Finanziari for the use of vehicles;
- a loan of €/000 33 from BMW finance for the purchase of cars (non-current portion equal to €/000 20);
- subsidised loans for a total of €/000 320 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.

Financial advances received from factoring companies and banks, on the sale of trade receivables with recourse, totalled €/000 10,461.

Covenants

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

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

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

The high yield debenture loan issued by the company in April 2014 provide for compliance with covenants which are typical of international practice on the high yield market. In particular, the company must observe the EBITDA/Net borrowing costs index, based on the threshold established in the Prospectus, to increase financial debt defined during issue. In addition, the Prospectus includes some obligations for the issuer, which limit, inter alia, the capacity to:

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

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

Financial instruments

Exchange Risk

The Group operates in an international context where transactions are conducted in currencies different from the euro. This exposes the Group to risks arising from exchange rates fluctuations.

For this purpose, the Group has an exchange rate risk management policy which aims to neutralise the possible negative effects of the changes in exchange rates on company cash-flows.

This policy analyses:

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

As of 31 March 2018, the Group had undertaken the following futures operations (recognised based on the regulation date), relative to payables and receivables already recognised to hedge the transaction exchange risk:

Company	Operation	Currency	Amount in currency	Value in local currency (forward exchange rate)	Average maturity
			In thousands	*In thousands*	
Piaggio & C.	Purchase	CNY	123,100	15,685	26/04/2018
Piaggio & C.	Purchase	JPY	435,000	3,292	30/04/2018
Piaggio & C.	Purchase	SEK	21,100	2,074	24/05/2018
Piaggio & C.	Purchase	USD	21,665	17,486	02/05/2018
Piaggio & C.	Sale	CAD	3,800	2,379	14/05/2018
Piaggio & C.	Sale	CNY	800	102	04/04/2018
Piaggio & C.	Sale	GBP	640	728	08/06/2018
Piaggio & C.	Sale	JPY	25,000	187	27/04/2018
Piaggio & C.	Sale	SEK	21,600	2,157	28/05/2018
Piaggio & C.	Sale	USD	26,315	21,215	16/04/2018
Piaggio Vietnam	Purchase	€	6,800	191,564,000	28/05/2018
Piaggio Vietnam	Purchase	SGD	1,092	18,958,850	23/04/2018
Piaggio Vietnam	Sale	JPY	55,000	11,864,050	25/05/2018
Piaggio Vietnam	Sale	USD	35,000	797,220,000	29/06/2018
Piaggio Indonesia	Purchase	USD	7,918	108,272,441	16/05/2018
Piaggio Vespa BV	Sale	USD	6,600	5,496	27/04/2018
Piaggio Vehicles Private Limited	Sale	€	3,723	296,124	03/05/2018
Piaggio Vehicles Private Limited	Sale	USD	1,427	93,236	30/04/2018
Piaggio Group Americas Inc.	Sale	CAD	4,700	3,697	30/04/2018
Piaggio Group Americas Inc.	Sale	€	300	371	24/05/2018

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

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

As of 31 March 2018, the Group had the following transactions to hedge 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	157,500	19,624	03/08/2018
Piaggio & C.	Sale	GBP	10,825	12,176	02/08/2018

To hedge the economic exchange risk alone, cash flow hedging is adopted with the effective portion of profits and losses recognised in a specific shareholders' equity reserve. Fair value is determined based on market quotations provided by main traders.
As of 31 March 2018 the total fair value of hedging instruments for the economic exchange risk recognised on a hedge accounting basis was positive by €/000 273.

Interest rate risk

This risk arises from fluctuating interest rates and the impact this may have on future cash flows arising from variable rate financial assets and liabilities. The Group regularly measures and controls its exposure to the risk of interest rate changes, as established by its management policies, in order to reduce fluctuating borrowing costs, and limit the risk of a potential increase in interest rates. This objective is achieved through an adequate mix of fixed and variable rate exposure, and the use of derivatives, mainly interest rate swaps and cross currency swaps.
As of 31 March 2018, the following hedging derivatives were in use:

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

- a Cross Currency Swap to hedge the private debenture loan issued by the Parent Company for a nominal amount of $/000 61,000. The purpose of the instrument is to hedge both the exchange risk and interest rate risk, turning the loan from US dollars to euro, and from a fixed rate to a variable rate; the instrument is accounted for on a fair value hedge basis, with effects arising from the measurement recognised in profit or loss. As of 31 March

2018 the *fair value* of the instrument was equal to €/000 7,586. The net economic effect arising from the measurement of the instrument and underlying private debenture loan was equal to €/000 10;

- *Cross Currency Swap* to hedge the loan in place relative to the Vietnamese subsidiary for $/000 2,184 (as of 31 March 2018 for €/000 1,649) 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 31 March 2018 the *fair value* of the instruments was positive by €/000 133.

	FAIR VALUE
In thousands of Euros	
Piaggio & C. S.p.A.	
Cross Currency Swap	7,586
Piaggio Vietnam	
Cross Currency Swap	133

F) INFORMATION ON SHAREHOLDERS' EQUITY

<u>38. Share capital and reserves</u> <u>€/000 380,042</u>

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.

<u>Share capital</u> <u>€/000 207,614</u>

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

Therefore, as of 31 March 2018, the nominal share capital of Piaggio & C., fully subscribed and paid up, was equal to € 207,613,944.37, divided into 358,153,644 ordinary shares.

<u>Treasury shares</u> <u>€/000 0</u>

During the period, no treasury shares were purchased. Therefore, as of 31 March 2018, Piaggio & C. did not hold any treasury shares.

Shares in circulation and treasury shares

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

<u>Share premium reserve</u> <u>€/000 7,171</u>

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

<u>Legal reserve</u> <u>€/000 19,095</u>

The legal reserve as of 31 March 2018 was unchanged compared to 31 December 2017.

Financial instruments' fair value reserve €/000 (105)

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

Dividends €/000 19,698

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

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

Earnings reserve €/000 190,836

Capital and reserves of non-controlling interest €/000 (229)

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

39. Other components of the Statement of Comprehensive Income €/000 (4,959)

The figure is broken down as follows:

In thousands of Euros	*Reserve for measurement of financial instruments*	*Group translation reserve*	*Earnings reserve*	*Group total*	*Share capital and reserves attributable to non-controlling interests*	*Total Other components of the Statement of Comprehensive Income*
As of 31 March 2018						
Items that will not be reclassified in the income statement						
Remeasurements of defined benefit plans			(833)	(833)		(833)
Total	0	0	(833)	(833)	0	(833)
Items that may be reclassified in the income statement						
Total translation gains (losses)		(4,420)		(4,420)	7	(4,413)
Portion of components of the Statement of Comprehensive Income of subsidiaries/associates valued with the equity method		72		72		72
Total profits (losses) on cash flow hedges	215			215		215
Total	215	(4,348)	0	(4,133)	7	(4,126)
Other components of the Statement of Comprehensive Income	**215**	**(4,348)**	**(833)**	**(4,966)**	**7**	**(4,959)**
As of 31 March 2017						
Items that will not be reclassified in the income statement						
Remeasurements of defined benefit plans			1,000	1,000		1,000
Total	0	0	1,000	1,000	0	1,000
Items that may be reclassified in the income statement						
Total translation gains (losses)		2,066		2,066	(4)	2,062
Portion of components of the Statement of Comprehensive Income of subsidiaries/associates valued with the equity method		(58)		(58)		(58)
Total profits (losses) on cash flow hedges	466			466		466
Total	466	2,008	0	2,474	(4)	2,470
Other components of the Statement of Comprehensive Income	**466**	**2,008**	**1,000**	**3,474**	**(4)**	**3,470**

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

	As of 31 March 2018			**As of 31 March 2017**		
In thousands of Euros	*Gross value*	*Tax (expense) / benefit*	*Net value*	*Gross value*	*Tax (expense) / benefit*	*Net value*
Remeasurements of defined benefit plans	(1,085)	252	(833)	1,316	(316)	1,000
Total translation gains (losses)	(4,413)		(4,413)	2,062		2,062
Portion of components of the Statement of Comprehensive Income of subsidiaries/ associates measured with the equity method	72		72	(58)		(58)
Total profits (losses) on cash flow hedges	232	(17)	215	466		466
Other components of the Statement of Comprehensive Income	**(5,194)**	**235**	**(4,959)**	**3,786**	**(316)**	**3,470**

G) OTHER INFORMATION

40. Share-based incentive plans

As of 31 March 2018, there were no incentive plans based on financial instruments.

41. Information on related parties

Revenues, costs, receivables and payables as of 31 March 2018 involving parent companies, subsidiaries and affiliated companies refer to the sale of goods or services which are a part of normal operations of the Group.
Transactions are carried out at normal market values, depending on the characteristics of the goods and services provided.
Information on transactions with related parties, including information required by Consob in its communication of 28 July 2006 n. DEM/6064293, is reported in the notes of the Consolidated Financial Statements.
The procedure for transactions with related parties, pursuant to article 4 of Consob Regulation no. 17221 of 12 March 2010 as amended, approved by the Board on 30 September 2010, is published on the institutional site of the Issuer www.piaggiogroup.com, under *Governance*.

Relations with Parent Companies

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

Designation	**Registered office**	**Type**	**% of ownership**	
			As of 31 March 2018	**As of 31 December 2017**
IMMSI S.p.A.	Mantua - Italy	Direct parent company	50.0703	50.0703
Omniaholding S.p.A.	Mantua - Italy	Final parent company	0.1370	0.1370

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, management and coordination comprised the following activities:

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

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

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

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

In 2016, for a further three years, the Parent Company signed up to the National Consolidated Tax Mechanism pursuant to articles 117 to 129 of the Consolidated Income Tax Act (T.U.I.R.) of which IMMSI S.p.A. is the consolidating company, and to whom other IMMSI Group companies report to. The consolidating company determines a single global income equal to the algebraic sum of taxable amounts (income or loss) realised by individual companies that opt for this type of group taxation.
The consolidating company recognises a receivable from the consolidated company which is equal to the corporate tax to be paid on the taxable income transferred by the latter. Whereas, in the case of companies reporting tax losses, the consolidating company recognises a payable related to corporate tax on the portion of loss actually used to determine global overall income, or calculated as a decrease of overall income for subsequent tax periods, according to the procedures in article 84, based on the criterion established by the consolidation agreement.
Under the National Consolidated Tax Mechanism, companies may, pursuant to article 96 of Presidential Decree no. 917/86, allocate the excess of interest payable which is not deductible to one of the companies so that, up to the excess of Gross Operating Income produced in the same tax period by other subjects party to the consolidation, the amount may be used to reduce the total income of the Group.

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

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

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 Tecnologies 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 to Piaggio & C..

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 31 March 2018	Fondazione Piaggio	Zongshen Piaggio Foshan	IMMSI Audit	Is Molas	Studio Girelli	Trevi	Omniaholding	IMMSI	**Total**	**% of accounting item**
In thousands of Euros										
Income statement										
Revenues from sales		1,154							**1,154**	**0.37%**
Costs for materials		6,471							**6,471**	**3.59%**
Costs for services			195	4	9	5		307	**520**	**1.10%**
Insurance								9	**9**	**0.86%**
Leases and rentals							56	357	**413**	**9.39%**
Other operating income		22	6					12	**40**	**0.19%**
Other operating costs								4	**4**	**0.10%**
Write-down/Impairment of investments		67							**67**	**100.00%**
Borrowing costs							33		**33**	**0.41%**
Assets										
Other non-current receivables	115								**115**	**0.90%**
Current trade receivables		2,725	33					2	**2,760**	**2.44%**
Other current receivables		924	13					9,897	**10,834**	**39.40%**
Liabilities										
Financial liabilities falling due after one year							2,900		**2,900**	**0.57%**
Other non-current payables		13							**13**	**0.20%**
Current trade payables		9,642			9	5	40	344	**10,040**	**2.27%**
Other current payables	24	150						7,745	**7,919**	**15.58%**

42. Significant non-recurring events and operations

For the first quarter of 2018 and for 2017, no significant non-recurrent transactions were recorded.

43. Transactions arising from atypical and/or unusual transactions

During 2017 and the first quarter of 2018, the Group did not record any significant atypical and/or unusual operations, as defined by Consob Communication DEM/6037577 of 28 April 2006 and DEM/6064293 of 28 July 2006.

44. Events occurring after the end of the period

To date, no events have occurred after 31 March 2018 that make additional notes or adjustments to these Financial Statements necessary.

In this regard, reference is made to the Report on Operations for significant events after 31 March 2018.

45. Authorisation for publication

This document was published on 23 May 2018 authorised by the Chairman and Chief Executive Officer.

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

Milan, 8 May 2018

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