



**PIAGGIO
GROUP**

**Interim Report on Operations
as of 30 September 2020**

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

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Management and Coordination

IMMSI S.p.A.

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

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

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Piaggio Group

Interim Directors' Report

Introduction

Article 154 ter, paragraph 5 of the Consolidated Law on Finance, as amended by Legislative Decree no. 25/2016, no longer requires issuers to publish an interim report on operations for the first and third quarters of the financial year. This law gives CONSOB the possibility of requiring issuers, on the outcome of a specific impact analysis and through its own regulations, to publish interim financial information in addition to the annual report and half-year financial report.

Considering the above, the Piaggio Group has decided to continue publishing its interim report on operations for the first and third quarters of each financial year on a voluntary basis, to guarantee continual, regular disclosure to the financial community.

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.

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.

Health emergency - COVID-19

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

Following the health emergency declared by the World Health Organisation, the government authorities of various countries ordered production and commercial activities to stop, limiting people's freedom of movement in some cases, with a considerable impact on the general macro-economic framework in the first half of the year in the West and in China – and also in the third quarter in India – affecting in particular the automotive markets where the Company and its subsidiaries operate.

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

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

In India, based on the lockdown instruction issued on 24 March by the Indian government, production was stopped from 25 March 2020 to 18 May 2020, even though the Indian government decided on activities restarting from 4 May, with local, intermittent lockdowns put in place for new outbreaks in the last few months.

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

Distribution and sales in various countries where the Company and its subsidiaries operate were initially stopped, but resumed on 14 April and have continued based on schedules defined in each country where the Group is present.

Since late spring, Western markets and China have picked up considerably, enabling a partial recovery in GDP and demand for vehicles.

In the light of the trend registered in the last quarter (apart from the Indian market, still affected by intermittent lockdowns), with results above expectations and better than the same period of the

previous year, considering the financial structure, compliance with covenants (tested in June 2020) and irrevocable and revocable loans available, there are no doubts as to the business being a going concern.

Key operating and financial data

	First nine months		Financial Statements
	2020	2019	2019
<i>In millions of Euros</i>			
Data on financial position			
Net revenues	993.8	1,200.5	1,521.3
Gross industrial margin	286.0	363.7	458.8
Operating income	63.6	99.5	104.5
Profit before tax	48.5	81.5	80.7
Net profit	29.1	46.0	46.7
.Non-controlling interests			
.Group	29.1	46.0	46.7
Data on financial performance			
Net capital employed (NCE)	830.8	792.3	813.6
Consolidated net debt	(444.8)	(405.1)	(429.7)
Shareholders' equity	386.0	387.2	383.8
Balance sheet figures and financial ratios			
Gross margin as a percentage of net revenues (%)	28.8%	30.3%	30.2%
Net profit as a percentage of net revenues (%)	2.9%	3.8%	3.1%
ROS (Operating income/net revenues)	6.4%	8.3%	6.9%
ROE (Net profit/shareholders' equity)	7.5%	11.9%	12.2%
ROI (Operating income/NCE)	7.7%	12.6%	12.8%
EBITDA	150.1	188.8	227.8
EBITDA/net revenues (%)	15.1%	15.7%	15.0%
Other information			
Sales volumes (unit/000)	353.9	479.2	611.3
Investments in property, plant and equipment and intangible assets	88.0	91.6	140.9
Employees at the end of the period (number)	6,312	6,313	6,222

Results by operating segments

		EMEA and AMERICAS	INDIA	ASIA PACIFIC 2W	TOTAL
Sales volumes (units/000)	1-1/30-9-2020	189.6	89.2	75.0	353.9
	1-1/30-9-2019	203.5	202.2	73.6	479.2
	Change	(13.8)	(113.0)	1.5	(125.3)
	Change %	-6.8%	-55.9%	2.0%	-26.2%
Turnover (million Euros)	1-1/30-9-2020	656.3	159.5	178.0	993.8
	1-1/30-9-2019	715.0	319.0	166.4	1,200.5
	Change	(58.7)	(159.5)	11.6	(206.6)
	Change %	-8.2%	-50.0%	7.0%	-17.2%
Average number of staff (no.)	1-1/30-9-2020	3,617.9	1,683.3	991.9	6,293.1
	1-1/30-9-2019	3,634.9	1,893.6	941.2	6,469.7
	Change	(17.0)	(210.3)	50.7	(176.6)
	Change %	-0.5%	-11.1%	5.4%	-2.7%
Investment in property, plant and equipment and intangible assets (million Euros)	1-1/30-9-2020	69.1	15.1	3.8	88.0
	1-1/30-9-2019	66.1	18.4	7.1	91.6
	Change	2.9	(3.2)	(3.3)	(3.6)
	Change %	4.4%	-17.7%	-46.0%	-3.9%

Company boards

Board of Directors

Chairman and Chief Executive Officer

Roberto Colaninno ^{(1), (2)}

Deputy Chairman

Matteo Colaninno

Directors

Michele Colaninno

Giuseppe Tesauro ^{(3), (4), (5), (6), (7)}

Graziano Gianmichele Visentin ^{(4), (5), (6), (7)}

Maria Chiara Carrozza

Federica Savasi

Patrizia Albano

Andrea Formica ^{(5), (6), (7)}

Board of Statutory Auditors

Chairman

Piera Vitali

Statutory Auditors

Giovanni Barbara

Daniele Girelli

Alternate Auditors

Fabrizio Piercarlo Bonelli

Gianmarco Losi

Supervisory Body

Antonino Parisi

Giovanni Barbara

Ulisse Spada

Chief Financial Officer Executive in charge of financial reporting

Alessandra Simonotto

Alessandra Simonotto

Independent Auditors

PricewaterhouseCoopers S.p.A.

Board Committees

Appointment Proposal Committee

Remuneration Committee

Internal Control and Risk Management Committee

Related-Party Transactions Committee

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

⁽²⁾ Executive Director

⁽³⁾ Lead Independent Director

⁽⁴⁾ Member of the Appointment Proposal Committee

⁽⁵⁾ Member of the Remuneration Committee

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

⁽⁷⁾ Member of the Related-Party Transactions Committee

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

Significant events in the first nine months of 2020

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

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

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

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

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

30 April 2020 – The last meeting between the Group and trade union organisations of Italian sites was held to explain the procedures and measures introduced to guarantee workers the utmost health protection, in view of the Piaggio Group sites re-opening in Italy on 4 May. The measures, in line with Protocols of agreement signed in previous days, are based on provisions of government decrees issued as part of actions to combat the spread of COVID-19 and have been supplemented by additional health measures already introduced by the Piaggio Group, to keep its employees safe. In view of the return to work, the Piaggio Group has carried out major sanitisation at all workplaces. A daily plan to sanitise workplaces and equipment at the end of the day and after each shift, and for additional weekly sanitisation, has been prepared. Work organisation takes into account both health and production requirements. Suitable measures have been adopted to guarantee social distancing of at least 1 metre during work activities, when entering and leaving sites, and in the canteen and communal areas. The

body temperature of people entering sites is measured using thermal scanners. Production lines have been redesigned and organised to guarantee a distance between operators. During the day, the company doctor will be on hand, for all workers. Access to canteens has been planned to reduce the number of users at the same time. Spaces have been redesigned and Plexiglass barriers fitted at tables. Disposable items are also used. All workers will be given a kit at regular intervals with personal protective equipment such as masks, gloves and, when necessary, goggles. Hand sanitiser dispensers are available for everyone. Work shifts end earlier so personnel can get changed in time and organise their return home. If compatible with technical/organisational requirements, home working will be used for specific activities and for people with particular health conditions assessed by the Company Doctor. An information pack on the measures and rules to adopt on company premises is distributed to all workers. Suppliers and staff of external companies are also required to comply with the rules in the signed Protocols.

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

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

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

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

7 August 2020 - The Piaggio Group was awarded an EU-wide contract from Poste Italiane S.p.A. for the supply of 5,000 three-wheeler scooters for postal services. The total value of the contract is over

€31 million. The vehicle to be supplied is the new Piaggio 3W- Delivery 125cc Euro 5 scooter, specifically designed and developed by the Piaggio Group for the transport and delivery needs of company fleets and standard delivery requirements. The fleet will be delivered before the end of the first half of 2021.

9 September 2020 - The International Jury of the XXVI Compasso d'Oro (Golden Compass) Award nominated the Electric Vespa for an Honourable Mention, a prestigious acknowledgement celebrating excellence in design worldwide.

30 September 2020 – Gita, the revolutionary robot, designed, developed and produced by Piaggio Fast Forward, (PFF), was given an Honourable Mention in the *Innovation by Design 2020* award of the Fast Company magazine, in the “mobility” category.

Financial position and performance of the Group

Consolidated income statement

	First nine months of 2020		First nine months of 2019		Change	
	<i>In millions of Euros</i>	<i>Accounting for a %</i>	<i>In millions of Euros</i>	<i>Accounting for a %</i>	<i>In millions of Euros</i>	<i>%</i>
Income statement (reclassified)						
Net revenues	993.8	100.0%	1,200.5	100.0%	(206.6)	-17.2%
Cost to sell	(707.8)	-71.2%	(836.7)	-69.7%	128.9	-15.4%
Gross industrial margin	286.0	28.8%	363.7	30.3%	(77.7)	-21.4%
Operating expenses	(222.3)	-22.4%	(264.2)	-22.0%	41.8	-15.8%
EBITDA	150.1	15.1%	188.8	15.7%	(38.7)	-20.5%
Amortisation/Depreciation	(86.4)	-8.7%	(89.3)	-7.4%	2.8	-3.2%
Operating income	63.6	6.4%	99.5	8.3%	(35.9)	-36.1%
Result of financial items	(15.1)	-1.5%	(18.1)	-1.5%	3.0	-16.4%
Profit before tax	48.5	4.9%	81.5	6.8%	(32.9)	-40.4%
Taxes	(19.4)	-2.0%	(35.4)	-3.0%	16.0	-45.2%
Net profit	29.1	2.9%	46.0	3.8%	(16.9)	-36.7%

Net revenues

	First nine months of 2020	First nine months of 2019	Change
<i>In millions of Euros</i>			
EMEA and Americas	656.3	715.0	(58.7)
India	159.5	319.0	(159.5)
Asia Pacific 2W	178.0	166.4	11.6
TOTAL NET REVENUES	993.8	1,200.5	(206.6)
Two-wheelers	797.2	854.1	(56.9)
Commercial Vehicles	196.6	346.4	(149.8)
TOTAL NET REVENUES	993.8	1,200.5	(206.6)

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

In terms of consolidated turnover, the Group closed the first nine months of 2020 with lower net revenues compared to the same period of 2019 (-17.2%). The downturn concerned India in particular (-50.0%; -47.2% at constant exchange rates) and the EMEA and Americas markets (-8.2%).

Instead, the Asia Pacific area recorded a positive performance (+7.0%; +7.5% with constant exchange rates).

As regards product type, the decrease was greater for Commercial Vehicles (-43.2%) and more moderate for Two-Wheeler Vehicles (-6.7%). As a result, the percentage of Commercial Vehicles accounting for overall turnover went down from 28.9% in the first nine months of 2019 to the current

figure of 19.8%; vice versa, the percentage of Two-Wheeler vehicles accounting for overall turnover rose from 71.1% in the first nine months of 2019 to the current figure of 80.2%.

The Group's **gross industrial margin** decreased compared to the first nine months of the previous year (-21.4%), accounting for 28.8% in relation to net turnover (30.3% as of 30 September 2019).

Amortisation/depreciation included in the gross industrial margin was equal to €23.3 million (€23.3 million in the first nine months of 2019).

Operating expenses were down over the same period of the previous year. The reduction was mainly due to activities being temporarily stopped in Italy and India because of the health emergency. The percentage accounting for net turnover went up from 22.0% as of 30 September 2019 to the current figure of 22.4%.

The change in the aforementioned income statement resulted in a decreased consolidated **EBITDA** of €150.1 million (€188.8 million in the first nine months of 2019). In relation to turnover, EBITDA was equal to 15.1% (15.7% in the first nine months of 2019).

Operating income (**EBIT**) amounted to €63.6 million, down on the figure for the first nine months of 2019; in relation to turnover, EBIT was equal to 6.4% (8.3% in the first nine months of 2019).

The results for **financing activities** improved compared to the first nine months of the previous year, despite a higher debt exposure, thanks to the reduction in borrowing costs and positive contribution from currency management, with Net Charges amounting to €15.1 million (€18.1 million as of 30 September 2019).

Income taxes for the period are estimated to be €19.4 million, equivalent to 40% of profit before tax.

Net profit stood at €29.1 million (2.9% of turnover), also down on the figure for the same period of the previous year which amounted to €46.0 million (3.8% of turnover).

Operating data

Vehicles sold

	First nine months of 2020	First nine months of 2019	Change
<i>In thousands of units</i>			
EMEA and Americas	189.6	203.5	(13.8)
India	89.2	202.2	(113.0)
Asia Pacific 2W	75.0	73.6	1.5
TOTAL VEHICLES	353.9	479.2	(125.3)
Two-wheelers	284.1	321.9	(37.8)
Commercial Vehicles	69.8	157.4	(87.5)
TOTAL VEHICLES	353.9	479.2	(125.3)

In the first nine months of 2020, the Piaggio Group sold 353,900 vehicles worldwide, a drop of 26.2% compared to the first nine months of the previous year, when 479,200 vehicles were sold. All markets, apart from Asia Pacific 2W (+2.0%) posted a decrease due to COVID-19. This decline was less marked in EMEA and Americas (-6.8%), while in India the number of vehicles sold fell by 55.9%. As regards product type, sales of Commercial Vehicles fell by 55.6% and of Two-Wheelers by 11.7%.

Staff

In the first nine months of 2020, average staff numbers fell in the geographic areas most affected by the COVID emergency. Figures only went up in Vietnam, where production was never stopped. During lockdown, the Group obviously used fewer temporary staff.

Average number of company employees by geographic segment

<i>Employee/staff numbers</i>	First nine months of 2020	First nine months of 2019	Change
EMEA and Americas	3,617.9	3,634.9	(17.0)
<i>of which Italy</i>	3,338.7	3,360.5	(21.8)
India	1,683.3	1,893.6	(210.3)
Asia Pacific 2W	991.9	941.2	50.7
Total	6,293.1	6,469.7	(176.6)

As of 30 September 2020, Group employees totalled 6,312, basically in line with 30 September 2019 and were up overall by 90 compared to 31 December 2019.

Breakdown of company employees by geographic segment

<i>Employee/staff numbers</i>	As of 30 September 2020	As of 31 December 2019	As of 30 September 2019
EMEA and Americas	3,644	3,483	3,564
<i>of which Italy</i>	3,369	3,199	3,287
India	1,691	1,749	1,793
Asia Pacific 2W	977	990	956
Total	6,312	6,222	6,313

Consolidated statement of financial position¹

	As of 30 September 2020	As of 31 December 2019	Change
<i>In millions of Euros</i>			
Statement of financial position			
Net working capital	(95.9)	(115.9)	20.1
Property, plant and equipment	263.3	272.7	(9.4)
Intangible assets	684.0	676.2	7.8
Rights of use	34.5	36.5	(2.0)
Financial assets	9.5	9.7	(0.2)
Provisions	(64.6)	(65.6)	1.0
Net capital employed	830.8	813.6	17.3
Net financial debt	444.8	429.7	15.1
Shareholders' equity	386.0	383.8	2.2
Sources of financing	830.8	813.6	17.3
Non-controlling interests	(0.1)	(0.2)	0.1

Net working capital as of 30 September 2020, which was negative by €95.9 million, used cash for approximately €20.1 million in the first nine months of 2020.

Property, plant and equipment, which include investment property, totalled €263.3 million as of 30 September 2020, down by approximately €9.4 million compared to 31 December 2019. This decrease was mainly due to the negative effect of the devaluation of the rupee (approximately €5.9 million), depreciation that exceeded approximately €1.3 million related to investments for the period and the impact of impairment costs on investment property (approximately €1.9 million).

Intangible assets totalled €684.0 million, up by approximately €7.8 million. The imbalance between investments and amortisation for the period of approximately €9.2 million more than offset the negative effect of the devaluation of the Rupee (approximately €1.4 million).

Rights of use, equal to €34.5 million, decreased by approximately €2.0 million compared to figures as of 31 December 2019.

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

Provisions totalled €64.6 million, down compared to 31 December 2019 (€65.6 million).

¹ For a definition of individual items, see the "Economic Glossary".

As fully described in the next section on the “Consolidated Statement of Cash Flows”, **net financial debt** as of 30 September 2020 was equal to €444.8 million, compared to €429.7 million as of 31 December 2019, up by approximately €15.1 million.

Net financial debt increased by approximately €39.7 million compared to 30 September 2019.

Group **shareholders’ equity** as of 30 September 2020 totalled €386.0 million, up by approximately €2.2 million compared to 31 December 2019.

Consolidated Statement of Cash Flows

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

	First nine months of 2020	First nine months of 2019	Change
<i>In millions of Euros</i>			
Change in Consolidated Net Debt			
Opening Consolidated Net Debt	(429.7)	(429.2)	(0.5)
Cash Flow from Operating Activities	108.9	136.2	(27.3)
(Increase)/Reduction in Net Working Capital	(19.6)	60.2	(79.8)
(Increase)/Reduction in net investments	(88.0)	(91.6)	3.6
Other changes	10.6	(29.9)	40.5
Change in Shareholders' Equity	(27.0)	(50.8)	23.8
Total Change	(15.1)	24.1	(39.2)
Closing Consolidated Net Debt	(444.8)	(405.1)	(39.7)

During the first nine months of 2020, the Piaggio Group used **financial resources** amounting to €15.1 million.

Cash flow from operating activities, defined as net profit, minus non-monetary costs and income, was equal to €108.9 million.

Working capital involved a cash flow of €19.6 million; in detail:

- the collection of trade receivables² used financial flows for a total of €18.7 million;
- stock management generated financial flows for a total of approximately €11.0 million;
- supplier payments used financial flows of approximately €27.8 million;
- the movement of other non-trade assets and liabilities had a positive impact on financial flows by approximately €15.9 million.

Investing activities involved a total of €88.0 million of financial resources. This change was generated by investments in development costs capitalised and in property, plant and equipment and intangible assets.

As a result of the above financial dynamics, which involved a cash flow of €15.1 million, the **net debt** of the Piaggio Group amounted to €-444.8 million.

² Net of customer advances.

Alternative non-GAAP performance measures

In accordance with CESR/05-178b recommendation on alternative performance measures, in addition to IFRS financial measures, Piaggio has included other non-IFRS measures in its Interim Directors' Report. These are presented in order to measure the trend of the Group's operations to a better extent and should not be considered as an alternative to IFRS measures.

In particular the following alternative performance measures have been used:

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

Results by type of product

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

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

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

For details of final results from each operating segment, reference is made to the Notes to the Consolidated Financial Statements.

The volumes and turnover in the three geographic segments, also by product type, are analysed below.

Two-wheelers

Two-wheelers	First nine months of 2020		First nine months of 2019		Change %		Change	
	Volumes Sell-in	Turnover	Volumes Sell-in	Turnover	Volumes	Turnover	Volumes	Turnover
	(units/000)	(million Euros)	(units/000)	(million Euros)				
EMEA and Americas	179.2	590.6	188.6	639.1	-5.0%	-7.6%	(9.4)	(48.6)
of which EMEA	169.4	546.1	179.8	593.5	-5.8%	-8.0%	(10.4)	(47.4)
<i>(of which Italy)</i>	36.7	114.9	41.2	138.7	-10.8%	-17.2%	(4.5)	(23.9)
of which America	9.8	44.4	8.8	45.6	11.9%	-2.6%	1.0	(1.2)
India	29.8	28.7	59.7	48.6	-50.1%	-41.0%	(29.9)	(19.9)
Asia Pacific 2W	75.0	178.0	73.6	166.4	2.0%	7.0%	1.5	11.6
TOTAL	284.1	797.2	321.9	854.1	-11.7%	-6.7%	(37.8)	(56.9)
Scooters	256.4	571.5	290.2	594.3	-11.6%	-3.8%	(33.8)	(22.8)
Motorcycles	27.6	134.4	31.7	156.6	-12.8%	-14.1%	(4.1)	(22.1)
Spare Parts and Accessories		89.6		102.1		-12.2%		(12.5)
Other		1.7		1.2		49.2%		0.6
TOTAL	284.1	797.2	321.9	854.1	-11.7%	-6.7%	(37.8)	(56.9)

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

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

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

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

Background

India, the most important two-wheeler market, reported a strong decrease in the first nine months of 2020, closing with sales of nearly 9.5 million vehicles, down by 33.9% compared to the first nine months of 2019.

The North American market recorded an increase compared to the same period of 2019 (+9.7%), selling 442,902 vehicles.

Europe, which is the reference area for the Piaggio Group's operations, reported a slight increase in sales on the two-wheeler market (+0.5%) compared to the first nine months of 2019 (+0.1% for the motorcycle segment and +1.0% for the scooter segment). However, the over 50cc scooter segment reported a downturn (-2.0%), while the 50cc segment posted growth (+6.4%). The 50cc motorcycle market also improved, up by 4.5%, while the over 50cc segment was down slightly (-0.1%).

Main results

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

In the first nine months of 2020, the Piaggio Group sold a total of 284,100 two-wheeler vehicles worldwide, accounting for a net turnover equal to approximately €797.2 million, including spare parts and accessories (€89.6 million, -12.2%).

The overall downturn recorded in volumes (-11.7%) as well as turnover (-6.7%) was mainly due to the decreases reported in India (-50.1%; -41.0% turnover; -37.5% with constant exchange rates) and in EMEA and Americas (-5.0% volumes; -7.6% turnover). Only the Asia Pacific area managed to react positively (+2.0% volumes; +7.0% turnover; +7.5% with constant exchange rates).

Market positioning³

On the European market, the Piaggio Group held a 14.1% share in the first nine months of 2020, up slightly on the same period of 2019 (13.9%), confirming its leadership position in the scooter segment (24.4% in the first nine months of 2020 compared to 24.2% in the first nine months of 2019).

In Italy, the Piaggio Group had an 18.5% share (18.8% in the first nine months of 2019), which was higher for the scooter segment, at 28.5% (29.4% in the first nine months of 2019).

³ Market shares for the first nine months of 2019 might differ from figures published last year, due to final vehicle registration data, which some countries publish with a few months' delay, being updated.

In India, in the first nine months of 2020, the Group recorded a considerable drop in sell-out volumes compared to the same period of the previous year, closing at 28,135 vehicles (-46.7%).

The Group retained its strong position on the North American scooter market, where it closed the period with a market share of 27.3% (22.9% in the first nine months of 2019), and where it is committed to consolidating its profile in the motorcycle segment, through the Aprilia and Moto Guzzi brands.

Commercial Vehicles

Commercial Vehicles	First nine months of 2020		First nine months of 2019		Change %		Change	
	Volumes Sell-in	Turnover	Volumes Sell-in	Turnover	Volumes	Turnover	Volumes	Turnover
	(units/000)	(million Euros)	(units/000)	(million Euros)				
EMEA and Americas	10.4	65.8	14.8	75.9	-30.1%	-13.4%	(4.5)	(10.2)
of which EMEA	9.1	62.9	11.6	69.8	-21.7%	-10.0%	(2.5)	(7.0)
of which Italy	2.6	32.3	3.2	38.1	-18.8%	-15.2%	(0.6)	(5.8)
of which America	1.3	2.9	3.3	6.1	-59.7%	-52.5%	(1.9)	(3.2)
India	59.5	130.8	142.5	270.5	-58.3%	-51.6%	(83.1)	(139.6)
TOTAL	69.8	196.6	157.4	346.4	-55.6%	-43.2%	(87.5)	(149.8)
Ape	66.5	128.9	153.6	266.2	-56.7%	-51.6%	(87.1)	(137.2)
Porter	3.3	40.5	3.3	40.0	1.1%	1.2%	0.0	0.5
Quargo	0.0	0.0	0.3	1.1	-94.4%	-96.4%	(0.3)	(1.0)
Mini Truk	0.1	0.2	0.2	0.7	-71.8%	-75.7%	(0.2)	(0.5)
Spare Parts and Accessories		26.9		38.4		-29.9%		(11.5)
TOTAL	69.8	196.6	157.4	346.4	-55.6%	-43.2%	(87.5)	(149.8)

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

Background

Europe

In the first nine months of 2020, the European light commercial vehicles market (vehicles with a maximum mass less than or equal to 3.5 tons), in which the Piaggio Group operates, recorded sales of 1,218,056 units, a decrease compared to the first nine months of 2019, when this figure stood at 23.7% (data source ACEA). In detail, the trends of main European reference markets are as follows: France (-20.6%), Germany (-18.6%), Great Britain (-27.4%), Spain (-33.5%) and Italy (-21.7%).

India

Sales on the Indian three-wheeler market, where Piaggio Vehicles Private Limited, a subsidiary of Piaggio & C. S.p.A. operates, went down from 510,894 units in the first nine months of 2019 to 188,473 in the same period of 2020, registering a 63.1% decrease.

In this market, the downturn affected both segments: the passenger vehicle segment, with sales down by 66.9% (138,347 units sold); and the cargo segment, with a drop of 46.4%, from 93,536 units in the first nine months of 2019 to 50,126 units in the first nine months of 2020. Piaggio Vehicles Private Limited also operates on the four-wheeler light commercial vehicles (LCV) market for the transport of goods (cargo). The LCV cargo market, with vehicles with a maximum mass below 2 tons, recorded sales

of 41,058 units in the first nine months of 2020, decreasing by 70.1% compared to the first nine months of 2019.

Main results

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

During the first nine months of 2020, the Commercial Vehicles business generated turnover of approximately €196.6 million, including around €26.9 million relating to spare parts and accessories, a 43.2% decrease compared to the same period of the previous year. During the period, 69,800 units were sold, down by 55.6% compared to the first nine months of 2019.

In EMEA and Americas, the decrease in turnover was equal to 13.4%.

In India, the Group recorded a 58.3% decrease in sales. The Indian affiliate Piaggio Vehicles Private Limited (PVPL) sold 52,655 three-wheelers on the Indian market (121,651 in the first nine months of 2019).

The same affiliate also exported 6,755 three-wheeler vehicles (20,357 as of 30 September 2019).

On the four-wheeler market, sales by the Indian affiliate PVPL in the first nine months of 2020 fell by 89.0% compared to the first nine months of 2019, to 53 units.

In overall terms, the Indian affiliate PVPL registered a turnover of €130.8 million in the first nine months of 2020, compared to €270.5 million for the same period of the previous year (-51.6%; -49.0% with constant exchange rates).

Market positioning⁴

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

On the Indian three-wheeler market, Piaggio has a market share of 27.9% (23.8% in the first nine months of 2019). Detailed analysis of the market shows that Piaggio maintained its leadership position in the goods transport segment (cargo segment) with a share of 50.3% (42.9% in the first nine months of 2019). In the Passenger segment, its share stood at 19.8% (19.5% in the first nine months of 2019).

Besides the traditional three-wheeler market in India, Piaggio also operates on the four-wheeler light commercial vehicles (LCV) market (cargo vehicles for goods transport) with the Indian Porter range. On this market, its share fell to 0.1% (0.3% in the first nine months of 2019).

⁴ Market shares for the first nine months of 2019 might differ from figures published last year, due to final vehicle registration data, which some countries publish with a few months' delay, being updated.

Events occurring after the end of the period

19 October 2020 - The European Investment Bank (EIB) and the Piaggio Group signed a 7-year, €30 million loan agreement, to support investment plan Research and Development projects that will be carried out at Piaggio Group sites before the end of 2021. The loan agreement signed with the EIB will support the development of innovative technological solutions for products and processes in the areas of active and passive safety and sustainability (including electric engines and reduced consumption in combustion engines), with the aim of consolidating the scooter, motorcycle and commercial vehicle ranges.

Operating outlook

The third quarter of 2020 ended with results higher than expectations on both European and Asian markets, and overall the results of the first nine months of 2020 confirm the Group's effective response to the pandemic that has hit the world economy.

Forecasts for the last quarter of the year are complex however, as they depend on how the COVID-19 emergency continues to unfold – with the virus spreading quickly in Europe in October – and on the government measures taken in the meantime to limit the spread and to support the economy in countries where the Group is present.

Against this backdrop, Piaggio will continue to work to meet its commitments and targets, keeping all measures in place to manage the crisis caused by the pandemic until necessary, and to respond with a flexible and immediate approach to unexpected and difficult situations that could occur in the last few months of 2020, thanks to an increasingly efficient cost structure.

Transactions with related parties

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

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

Information on related-party transactions, including the information required by Consob communication no. DEM/6064293 of 28 July 2006 is presented in the Notes to the Condensed Consolidated Interim Financial Statements as of 30 September 2020.

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

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

Economic glossary

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

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

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

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

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

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

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

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

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

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

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

Piaggio Group

**Condensed Consolidated Interim Financial
Statements as of 30 September 2020**

Consolidated Income Statement

	Notes	First nine months of 2020		First nine months of 2019	
		Total	of which related parties	Total	of which related parties
<i>In thousands of Euros</i>					
Net revenues	4	993,819	23	1,200,453	111
Cost for materials	5	(612,086)	(13,063)	(729,290)	(12,612)
Cost for services and leases and rentals	6	(145,843)	(1,421)	(182,306)	(1,744)
Employee costs	7	(156,834)		(173,075)	
Depreciation and impairment costs of property, plant and equipment	8	(29,230)		(30,383)	
Amortisation and impairment costs of intangible assets	8	(50,842)		(53,704)	
Depreciation of rights of use	8	(6,340)		(5,172)	
Other operating income	9	87,581	452	90,021	294
Net reversals (impairment) of trade and other receivables	10	(1,473)		(1,197)	
Other operating costs	11	(15,104)	(18)	(15,798)	(16)
Operating income		63,648		99,549	
Income/(loss) from investments	12	797	772	735	624
Financial income	13	965		2,577	19
Borrowing costs	13	(20,748)	(146)	(21,155)	(128)
Net exchange gains/(losses)	13	3,877		(223)	
Profit before tax		48,539		81,483	
Taxes for the period	14	(19,416)		(35,445)	
Profit from continuing operations		29,123		46,038	
Assets held for sale:					
Profits or losses arising from assets held for sale	15				
Net Profit (loss) for the period		29,123		46,038	
Attributable to:					
Owners of the Parent		29,123		46,038	
Non-controlling interests					
Earnings per share (figures in €)	16	0.082		0.129	
Diluted earnings per share (figures in €)	16	0.082		0.129	

Consolidated Statement of Comprehensive Income

<i>In thousands of Euros</i>	Notes	First nine months of 2020	First nine months of 2019
Net Profit (loss) for the period (A)		29,123	46,038
Items that will not be reclassified in the income statement			
Remeasurements of defined benefit plans	40	(285)	(2,980)
Total		(285)	(2,980)
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	40	(6,866)	3,951
Share of Other Comprehensive Income of subsidiaries/associates valued with the equity method	40	(206)	117
Total profits (losses) on cash flow hedges	40	269	92
Total		(6,803)	4,160
Other comprehensive income (B)*		(7,088)	1,180
Total Profit (loss) for the period (A + B)		22,035	47,218
* Other Profits (and losses) take account of relative tax effects.			
Attributable to:			
Owners of the Parent		21,968	47,214
Non-controlling interests		67	4

Consolidated Statement of Financial Position

		As of 30 September 2020		As of 31 December 2019	
		Total	of which related parties	Total	of which related parties
<i>In thousands of Euros</i>	<i>Notes</i>				
ASSETS					
Non-current assets					
Intangible assets	17	684,001		676,183	
Property, plant and equipment	18	256,006		263,496	
Rights of use	19	34,471		36,486	
Investment Property	20	7,257		9,203	
Investments	35	9,476		8,910	
Other financial assets	36	37		3,512	
Tax receivables	25	9,537		14,114	
Deferred tax assets	21	53,833		63,190	
Trade receivables	23				
Other receivables	24	17,074	81	13,638	81
Total non-current assets		1,071,692		1,088,732	
Assets held for sale	27				
Current assets					
Trade receivables	23	95,790	962	78,195	992
Other receivables	24	40,595	14,166	31,706	14,601
Tax receivables	25	14,046		18,538	
Inventories	22	203,709		214,682	
Other financial assets	36	2,869		3,789	
Cash and cash equivalents	37	260,074		190,746	
Total current assets		617,083		537,656	
Total assets		1,688,775		1,626,388	

	Notes	As of 30 September 2020		As of 31 December 2019	
		Total	of which related parties	Total	of which related parties
<i>In thousands of Euros</i>					
SHAREHOLDERS' EQUITY AND LIABILITIES					
Shareholders' equity					
Share capital and reserves attributable to the owners of the Parent	39	386,124		384,015	
Share capital and reserves attributable to non-controlling interests	39	(141)		(208)	
Total shareholders' equity		385,983		383,807	
Non-current liabilities					
Financial liabilities	38	560,813		463,587	
Financial liabilities for rights of use	38	19,582	3,816	19,996	4,579
Trade payables	28				
Other long-term provisions	29	12,711		12,116	
Deferred tax liabilities	30	5,603		7,762	
Retirement funds and employee benefits	31	37,384		38,997	
Tax payables	32				
Other payables	33	6,751		6,437	
Total non-current liabilities		642,844		548,895	
Current liabilities					
Financial liabilities	38	119,612		135,033	
Financial liabilities for rights of use	38	7,770	1,949	8,408	1,553
Trade payables	28	449,764	8,791	478,688	5,701
Tax payables	32	12,996		14,934	
Other payables	33	55,330	169	42,171	23
Current portion of other long-term provisions	29	14,476		14,452	
Total current liabilities		659,948		693,686	
Total Shareholders' Equity and Liabilities		1,688,775		1,626,388	

Consolidated Statement of Cash Flows

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

	Notes	First nine months of 2020		First nine months of 2019	
		Total	of which related parties	Total	of which related parties
<i>In thousands of Euros</i>					
<i>Operating activities</i>					
Net Profit (loss) for the period		29,123		46,038	
Taxes for the period	14	19,416		35,445	
Depreciation of property, plant and equipment	8	29,230		30,383	
Amortisation of intangible assets	8	50,842		53,420	
Depreciation of rights of use	8	6,340		5,172	
Provisions for risks and retirement funds and employee benefits		12,157		14,466	
Write-downs / (Reinstatements)		3,381		2,379	
Losses / (Gains) on the disposal of property, plant and equipment		(108)		(38)	
Financial income	13	(965)		(2,577)	
Dividend income		(25)		(111)	
Borrowing costs	13	20,748		21,155	
Income from public grants		(3,015)		(3,545)	
Portion of earnings of associates		(772)		(624)	
<i>Change in working capital:</i>					
(Increase)/Decrease in trade receivables	23	(18,668)	30	(40,520)	290
(Increase)/Decrease in other receivables	24	(12,687)	435	23	510
(Increase)/Decrease in inventories	22	10,973		(1,219)	
Increase/(Decrease) in trade payables	28	(28,924)	3,090	87,470	(407)
Increase/(Decrease) in other payables	33	13,473	146	9,530	(439)
Increase/(Decrease) in provisions for risks	29	(5,484)		(6,586)	
Increase/(Decrease) in retirement funds and employee benefits	31	(2,197)		(7,700)	
Other changes		(1,141)		(16,984)	
Cash generated from operating activities		121,697		225,577	
Interest paid		(13,774)		(17,336)	
Taxes paid		(8,991)		(23,020)	
Cash flow from operating activities (A)		98,932		185,221	
<i>Investment activities</i>					
Investment in property, plant and equipment	18	(27,960)		(30,122)	
Sale price, or repayment value, of property, plant and equipment		290		85	
Investment in intangible assets	17	(60,027)		(61,434)	
Sale price, or repayment value, of intangible assets		8		41	
Public grants collected		954		2,114	
Dividends cashed		25		111	
Collected interests		796		515	
Cash flow from investment activities (B)		(85,914)		(88,690)	
<i>Financing activities</i>					
Purchase of treasury shares	39	(217)		(212)	
Outflow for dividends paid	39	(19,642)		(51,805)	
Loans received	38	220,191		40,055	
Outflow for repayment of loans	38	(135,010)		(61,757)	
Lease payments for rights of use	38	(5,543)		(4,960)	
Cash flow from financing activities (C)		59,779		(78,679)	
Increase / (Decrease) in cash and cash equivalents (A+B+C)		72,797		17,852	
Opening balance		190,728		188,386	
Exchange differences		(3,452)		5,803	
Closing balance		260,073		212,041	

Changes in Consolidated Shareholders' Equity

Movements from 1 January 2020 / 30 September 2020

	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
<i>In thousands of Euros</i>												
As of 1 January 2020		207,614	7,171	21,904	(29)	(15,525)	(27,896)	(1,749)	192,525	384,015	(208)	383,807
Profit for the period										29,123		29,123
Other comprehensive income	40				269		(7,139)		(285)	(7,155)	67	(7,088)
Total profit (loss) for the period		0	0	0	269	0	(7,139)	0	(285)	21,968	67	22,035
<u>Transactions with shareholders:</u>												
Allocation of profits	39			2,311					(2,311)	0		0
Distribution of dividends	39								(19,642)	(19,642)		(19,642)
Purchase of treasury shares	39							(217)		(217)		(217)
As of 30 September 2020		207,614	7,171	24,215	240	(15,525)	(35,035)	(1,966)	170,287	386,124	(141)	385,983

Movements from 1 January 2019 / 30 September 2019

	Notes	Share capital	Share premium reserve	Legal reserve	Reserve for measurement of financial instruments	IAS transition reserve	Group translation reserve	Treasury shares	Earnings reserve	Consolidated Group shareholders' equity	Share capital and reserves attributable to non-controlling interests	TOTAL SHAREHOLDERS' EQUITY
<i>In thousands of Euros</i>												
As of 1 January 2019		207,614	7,171	20,125	(114)	(15,525)	(27,607)	(1,537)	202,036	392,163	(211)	391,952
Profit for the period									46,038	46,038		46,038
Other comprehensive income	40				92		4,064		(2,980)	1,176	4	1,180
Total profit (loss) for the period		0	0	0	92	0	4,064	0	43,058	47,214	4	47,218
<i>Transactions with shareholders:</i>												
Allocation of profits	39			1,779					(1,779)	0		0
Distribution of dividends	39								(32,155)	(32,155)		(32,155)
Interim dividend	39								(19,650)	(19,650)		(19,650)
Purchase of treasury shares	39							(212)		(212)		(212)
As of 30 September 2019		207,614	7,171	21,904	(22)	(15,525)	(23,543)	(1,749)	191,510	387,360	(207)	387,153

Notes to the Consolidated Financial Statements

A) GENERAL ASPECTS

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

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

1. Scope of consolidation

The scope of consolidation has not changed compared to the Consolidated Financial Statements as of 31 December 2019, while it has changed compared to the Consolidated Financial Statements as of 30 September 2019 due to the liquidation of the company Piaggio Group Canada on 25 October 2019.

2. Compliance with international accounting standards

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

During the drafting of these Condensed 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 2019 were applied, with the exception of the paragraph "New accounting standards, amendments and interpretations applied as from 1 January 2020".

The information provided in the Interim Report should be read together with the Consolidated Financial Statements as of 31 December 2019, prepared according to IFRS.

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

Group, reference is made to the section "Use of estimates" of the Consolidated Financial Statements as of 31 December 2019.

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

In particular, following the health emergency caused by COVID-19, the Group tested the recoverability of goodwill for impairment as of 30 June 2020. Analyses did not identify any impairment losses. No impairment indicators have been identified in the last 90 days requiring an immediate measurement of any impairment losses. Therefore no impairment cost is recognised in consolidated data.

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

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

New accounting standards, amendments and interpretations adopted from 1 January 2020

Amendments to IAS 1 and IAS 8

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

Amendments to IFRS 9, IAS 39 and IFRS 7

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

Amendments to IFRS 3

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

Amendments to IFRS 16

In May 2020, the IASB published an amendment to IFRS 16, which provides a practical expedient for the evaluation of lease agreements, if lease payments are renegotiated following COVID-19.

The lessee may opt to recognise the concession in the accounts as a variable lease payment in the period when a lower payment is recognised.

These amendments have applied since 1 January 2020. The effects are not considered to be significant.

Accounting standards, amendments and interpretations not yet applicable

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

- In May 2017, IASB issued the new standard IFRS 17 – Insurance Contracts. The new standard will replace IFRS 4 and will be effective from 1 January 2021.
- In January 2020, the IASB published some amendments to IAS 1 that clarify the definition of "current" or "non-current" liabilities based on rights existing at the reporting date. These amendments will apply from 1 January 2022.
- In May 2020, the IASB published some limited-scope amendments to IFRS 3, IAS 16 and IAS 17 and some annual revisions of IFRS 1, IFRS 9, IAS 41 and IFRS 16. These amendments will apply from 1 January 2022.

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.

<i>Currency</i>	Spot exchange rate 30 September 2020	Average exchange rate first nine months of 2020	Spot exchange rate 31 December 2019	Average exchange rate first nine months of 2019
Indian Rupee	86.2990	83.49460	80.1870	78.83009
US Dollar	1.1708	1.12503	1.1234	1.12362
Pounds Sterling	0.91235	0.885085	0.85080	0.883464
Singapore Dollars	1.6035	1.56354	1.5111	1.53324
Chinese Yuan	7.9720	7.86593	7.8205	7.71347
Croatian Kuna	7.5565	7.53124	7.4395	7.41086
Japanese Yen	123.76	120.91083	121.94	122.56963
Canadian Dollars	1.5676	1.52176	1.4598	1.49349
Vietnamese Dong	26,453.31	25,559.90000	25,746.15	25,906.44125
Indonesian Rupiah	17,497.60	16,497.96297	15,573.69	15,929.37792
Brazilian Real	6.6308	5.71002	4.5157	4.36465

B) SEGMENT REPORTING

3. Operating segment reporting

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

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

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

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

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

INCOME STATEMENT BY OPERATING SEGMENT

		EMEA and Americas	India	Asia Pacific 2W	Total
Sales volumes (unit/000)	1-1/30-9-2020	189.6	89.2	75.0	353.9
	1-1/30-9-2019	203.5	202.2	73.6	479.2
	Change	(13.8)	(113.0)	1.5	(125.3)
	Change %	-6.8%	-55.9%	2.0%	-26.2%
Net turnover (millions of Euros)	1-1/30-9-2020	656.3	159.5	178.0	993.8
	1-1/30-9-2019	715.0	319.0	166.4	1,200.5
	Change	(58.7)	(159.5)	11.6	(206.6)
	Change %	-8.2%	-50.0%	7.0%	-17.2%
Gross margin (millions of Euros)	1-1/30-9-2020	187.0	30.6	68.4	286.0
	1-1/30-9-2019	212.1	86.6	64.9	363.7
	Change	(25.1)	(56.1)	3.4	(77.7)
	Change %	-11.8%	-64.7%	5.3%	-21.4%
EBITDA (millions of Euros)	1-1/30-9-2020				150.1
	1-1/30-9-2019				188.8
	Change				(38.7)
	Change %				-20.5%
EBIT (millions of Euros)	1-1/30-9-2020				63.6
	1-1/30-9-2019				99.5
	Change				(35.9)
	Change %				-36.1%
Net profit (millions of Euros)	1-1/30-9-2020				29.1
	1-1/30-9-2019				46.0
	Change				(16.9)
	Change %				-36.7%

C) INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

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

4. Net revenues

€/000 993,819

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

This item does not include transport costs, which are recharged to customers (€/000 22,667) and invoiced advertising cost recoveries (€/000 2,483), which are posted under other operating income.

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

Revenues by geographic segment

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

	First nine months of 2020		First nine months of 2019		Changes	
	Amount	%	Amount	%	Amount	%
<i>In thousands of Euros</i>						
EMEA and Americas	656,312	66.0	715,041	59.5	(58,729)	-8.2
India	159,498	16.1	319,004	26.6	(159,506)	-50.0
Asia Pacific 2W	178,009	17.9	166,408	13.9	11,601	7.0
Total	993,819	100.0	1,200,453	100.0	(206,634)	-17.2

In the first nine months of 2020, net sales revenues decreased by 17.2% compared to the same period of the previous year. For a more detailed analysis of trends in individual geographic segments, see comments in the Report on Operations.

5. Cost for materials

€/000 (612,086)

Costs for materials decreased by €/000 117,204 compared to the same period of the previous year. The decrease of 16.1% is due to the 26.2% drop in vehicles sold, due mainly to the COVID emergency. The item includes €/000 13,063 (€/000 12,612 in the first nine months of 2019) for purchases of two-wheelers from the Chinese affiliate Zongshen Piaggio Foshan Motorcycle Co., that are sold on European and Asian markets.

6. Costs for services and leases and rental costs**€/000 (145,843)**

Costs for services and leases and rentals decreased by €/000 36,463 compared to the first nine months of 2019. The decrease refers to the activities, transfers and promotional and advertising costs affected to a greater extent by the lengthy lockdown.

The item includes costs for temporary work of €/000 976.

7. Employee costs**€/000 (156,834)**

Employee costs include €/000 2,149 relating to costs for redundancy plans mainly for the Pontedera and Noale production sites.

	First nine months of 2020	First nine months of 2019	Change
<i>In thousands of Euros</i>			
Salaries and wages	(119,197)	(131,836)	12,639
Social security contributions	(29,123)	(33,086)	3,963
Termination benefits	(5,592)	(5,617)	25
Other costs	(2,922)	(2,536)	(386)
Total	(156,834)	(173,075)	16,241

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

	Average number		
	First nine months of 2020	First nine months of 2019	Change
<i>Level</i>			
Senior management	106.2	104.1	2.1
Middle management	663.9	667.9	(4.0)
White collars	1,682.3	1,731.2	(48.9)
Blue collars	3,840.7	3,966.5	(125.8)
Total	6,293.1	6,469.7	(176.6)

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

	Number as of		
	30 September 2020	31 December 2019	Change
Senior management	106	106	0
Middle management	660	667	(7)
White collars	1,658	1,708	(50)
Blue collars	3,888	3,741	147
Total	6,312	6,222	90
EMEA and Americas	3,644	3,483	161
India	1,691	1,749	(58)
Asia Pacific 2W	977	990	(13)
Total	6,312	6,222	90

8. Amortisation/depreciation and impairment costs

€/000 (86,412)

This item consists of:

	First nine months of 2020	First nine months of 2019	Change
<i>In thousands of Euros</i>			
Total amortisation of intangible assets and impairment costs	(50,842)	(53,704)	2,862
Total depreciation of plant, property and equipment and impairment costs	(29,230)	(30,383)	1,153
Depreciation of rights of use	(6,340)	(5,172)	(1,168)
Total	(86,412)	(89,259)	2,847

9. Other operating income

€/000 87,581

This item, consisting mainly of increases in fixed assets for internal work and recoveries of costs re-invoiced to customers, decreased by €/000 2,440 compared to the first nine months of 2019.

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

€/000 (1,473)

This item, mainly comprising the impairment of trade receivables in current assets, went up by €/000 276 compared to the first nine months of 2019.

11. Other operating costs

€/000 (15,104)

The decrease of €/000 694 is mainly due to lower provisions for risks, only partially offset by the greater write-down of investment property, and by an increase in sundry expenses compared to the same period of the previous year.

12. Income/(loss) from investments**€ / 000 797**

Income from investments refers to the portion attributable to the Group of the Zongshen Piaggio Foshan Motorcycle Co. Ltd joint venture (€ / 000 755), and of the associate Pontech (€ / 000 17) measured at equity, as well as dividends from the associate Ecofor Service Pontedera (€ / 000 25).

13. Net financial income (borrowing costs)**€ / 000 (15,906)**

The balance of financial income (borrowing costs) for the first nine months of 2020 was negative by € / 000 15,906, an improvement on the figure of the same period of the previous year (€ / 000 18,801), thanks to a reduction in the cost of debt and the positive contribution from currency operations, which more than offset the increase in average debt.

14. Taxes**€ / 000 (19,416)**

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

15. Gain/(loss) from assets held for disposal or sale**€ / 000 0**

At the end of the reporting period, there were no gains or losses from assets held for disposal or sale.

16. Earnings per share

Earnings per share are calculated as follows:

		First nine months 2020	First nine months 2019
Net profit	€ / 000	29,123	46,038
Earnings attributable to ordinary shares	€ / 000	29,123	46,038
Average number of ordinary shares in circulation		357,159,736	357,279,871
Earnings per ordinary share	€	0.082	0.129
Adjusted average number of ordinary shares		357,159,736	357,279,871
Diluted earnings per ordinary share	€	0.082	0.129

D) INFORMATION ON OPERATING ASSETS AND LIABILITIES

17. Intangible assets

€/000 684,001

Intangible assets went up overall by €/000 7,818 mainly due to investments for the period which were only partially balanced by amortisation for the period.

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

In the first nine months of 2020, borrowing costs for €/000 1,033 were capitalised.

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

<i>In thousands of Euros</i>	Development costs			Patent rights and know-how			Concessions, licences and trademarks	Goodwill	Other			Total		
	Assets under development and advances			Assets under development and advances					Assets under development and advances			Assets under development and advances		
	In service	advances	Total	In service	advances	Total			In service	advances	Total	In service	advances	Total
Historical cost	291,228	38,272	329,500	413,157	43,957	457,114	190,737	557,322	8,447		8,447	1,460,891	82,229	1,543,120
Provisions for write-down	(2,043)	(1,755)	(3,798)	(12)		(12)					0	(2,055)	(1,755)	(3,810)
Accumulated amortisation	(237,425)		(237,425)	(351,008)		(351,008)	(156,375)	(110,382)	(7,937)		(7,937)	(863,127)	0	(863,127)
Assets as of 01 01 2020	51,760	36,517	88,277	62,137	43,957	106,094	34,362	446,940	510	0	510	595,709	80,474	676,183
Investments	1,524	25,979	27,503	3,403	29,081	32,484			14	26	40	4,941	55,086	60,027
Transitions in the period	9,672	(9,672)	0	4,120	(4,120)	0			8	(8)	0	13,800	(13,800)	0
Amortisation	(20,928)		(20,928)	(26,072)		(26,072)	(3,617)		(225)		(225)	(50,842)	0	(50,842)
Disposals			0			0			(8)		(8)	(8)	0	(8)
Write-downs			0			0					0	0	0	0
Exchange differences	(859)	(516)	(1,375)	(54)	(17)	(71)			(8)		(8)	(921)	(533)	(1,454)
Other movements	(441)	536	95			0					0	(441)	536	95
Total movements for the period	(11,032)	16,327	5,295	(18,603)	24,944	6,341	(3,617)	0	(219)	18	(201)	(33,471)	41,289	7,818
Historical cost	294,740	54,475	349,215	419,961	68,901	488,862	190,737	557,322	8,247	18	8,265	1,471,007	123,394	1,594,401
Provisions for write-down		(1,631)	(1,631)			0					0	0	(1,631)	(1,631)
Accumulated amortisation	(254,012)		(254,012)	(376,427)		(376,427)	(159,992)	(110,382)	(7,956)		(7,956)	(908,769)	0	(908,769)
Assets as of 30 09 2020	40,728	52,844	93,572	43,534	68,901	112,435	30,745	446,940	291	18	309	562,238	121,763	684,001

18. Property, plant and equipment**€/000 256,006**

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).

This item decreased by €/000 7,490 in the period, mainly due to the devaluation of the Rupee and depreciations that exceeded investments.

The increases mainly relate to the construction of moulds for new vehicles launched during the period.

Borrowing costs attributable to the construction of assets which require a considerable period of time to be ready for use are capitalised as a part of the cost of the actual assets. In the first nine months of 2020, borrowing costs for €/000 311 were capitalised.

The table below shows the breakdown of property, plant and equipment as of 30 September 2020, as well as changes during the period.

<i>In thousands of Euros</i>	Land	Buildings			Plant and machinery			Equipment			Other assets			Total		
		Assets under construction and advances			Assets under construction and advances			Assets under construction and advances			Assets under construction and advances			Assets under construction and advances		
		<i>In service</i>	<i>advances</i>	<i>Total</i>	<i>In service</i>	<i>advances</i>	<i>Total</i>	<i>In service</i>	<i>advances</i>	<i>Total</i>	<i>In service</i>	<i>advances</i>	<i>Total</i>	<i>In service</i>	<i>advances</i>	<i>Total</i>
Historical cost	27,640	171,245	2,879	174,124	474,683	20,042	494,725	517,148	5,181	522,329	55,514	1,639	57,153	1,246,230	29,741	1,275,971
Reversals				0			0			0			0	0	0	0
Provisions for write-down		(622)		(622)	(1,101)		(1,101)	(3,983)		(3,983)	(64)		(64)	(5,770)	0	(5,770)
Accumulated depreciation		(83,732)		(83,732)	(382,032)		(382,032)	(492,909)		(492,909)	(48,032)		(48,032)	(1,006,705)	0	(1,006,705)
Assets as of 01 01 2020	27,640	86,891	2,879	89,770	91,550	20,042	111,592	20,256	5,181	25,437	7,418	1,639	9,057	233,755	29,741	263,496
Investments		63	797	860	685	11,725	12,410	1,084	9,422	10,506	3,361	823	4,184	5,193	22,767	27,960
Transitions in the period		512	(512)	0	9,422	(9,422)	0	463	(463)	0	1,290	(1,290)	0	11,687	(11,687)	0
Depreciation		(3,628)		(3,628)	(15,144)		(15,144)	(6,803)		(6,803)	(3,655)		(3,655)	(29,230)	0	(29,230)
Disposals		(10)		(10)	(37)	(120)	(157)	(1)		(1)	(12)	(2)	(14)	(60)	(122)	(182)
Write-downs				0			0			0			0	0	0	0
Exchange differences		(1,194)	(60)	(1,254)	(3,867)	(652)	(4,519)			0	(165)	(4)	(169)	(5,226)	(716)	(5,942)
Other movements			70	70		(39)	(39)			0		(127)	(127)	0	(96)	(96)
Total movements for the period	0	(4,257)	295	(3,962)	(8,941)	1,492	(7,449)	(5,257)	8,959	3,702	819	(600)	219	(17,636)	10,146	(7,490)
Historical cost	27,640	169,928	3,174	173,102	475,317	21,534	496,851	518,584	14,140	532,724	58,472	1,039	59,511	1,249,941	39,887	1,289,828
Reversals				0			0			0			0	0	0	0
Provisions for write-down		(622)		(622)	(1,101)		(1,101)	(3,983)		(3,983)	(64)		(64)	(5,770)	0	(5,770)
Accumulated depreciation		(86,672)		(86,672)	(391,607)		(391,607)	(499,602)		(499,602)	(50,171)		(50,171)	(1,028,052)	0	(1,028,052)
Assets as of 30 09 2020	27,640	82,634	3,174	85,808	82,609	21,534	104,143	14,999	14,140	29,139	8,237	1,039	9,276	216,119	39,887	256,006

19. Rights of use**€/000 34,471**

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

	<i>Land</i>	<i>Buildings</i>	<i>Plant and machinery</i>	<i>Equipment</i>	<i>Other assets</i>	<i>Total</i>
<i>In thousands of Euros</i>						
Assets as of 01 01 2020	7,576	15,022	9,844	108	3,936	36,486
Increases		4,407			1,117	5,524
Depreciation	(140)	(4,126)	(642)		(1,432)	(6,340)
Decreases		(451)			(39)	(490)
Exchange differences	(301)	(376)			(32)	(709)
Other changes			(1)	(108)	109	0
Total movements for the period	(441)	(546)	(643)	(108)	(277)	(2,015)
Assets as of 30 09 2020	7,135	14,476	9,201	0	3,659	34,471

The Group opted to use the optional exemption provided for by IASB for low-value and short-term lease agreements.

Future lease rental commitments are detailed in note 38.

20. Investment Property**€/000 7,257**

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

In thousands of Euros

Opening balance as of 1 January 2020	9,203
Fair value adjustment	(1,946)
Final balance as of 30 September 2020	7,257

During the quarter, no indicators of changes in fair value were identified, and therefore the carrying amount determined for the Half-year Financial Report as of 30 June 2020, with the assistance of a specific appraisal conducted 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 7,257.

The Group uses the "fair value model" as provided for in IAS 40, thus the measurement updated during 2020 resulted in profit adjusted to fair value, equal to €/000 1,946 being recognised under other costs in the income statement for the period.

21. Deferred tax assets

€/000 53,833

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

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

- tax regulations of countries where it operates, the impact of regulations in terms of temporary differences and any tax benefits arising from the use of previous tax losses;
- taxable income expected in the medium term for each single company and the economic and tax impact. In this framework, the plans from the re-elaboration of the Piaggio Group plan approved by the Board of Directors on 24 February 2020 were used as the reference, revised following the impairment test approved on 27 July 2020. As regards Piaggio & C. SpA, which is part of the National Consolidated Tax Convention of the IMMSI Group, the recovery of deferred tax assets is related to and confirmed by company forecasts and by taxable amounts of companies that are part of the above convention, as indicated in the long-term plans approved by their respective Boards;
- the tax rate in effect in the year when temporary differences occur.

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

22. Inventories

€/000 203,709

This item comprises:

	As of 30 September 2020	As of 31 December 2019	Change
<i>In thousands of Euros</i>			
Raw materials and consumables	111,168	110,954	214
Provision for write-down	(12,032)	(10,429)	(1,603)
<i>Net value</i>	<i>99,136</i>	<i>100,525</i>	<i>(1,389)</i>
Work in progress and semi-finished products	12,760	19,167	(6,407)
Provision for write-down	(852)	(852)	0
<i>Net value</i>	<i>11,908</i>	<i>18,315</i>	<i>(6,407)</i>
Finished products and goods	109,700	113,825	(4,125)
Provision for write-down	(18,220)	(19,778)	1,558
<i>Net value</i>	<i>91,480</i>	<i>94,047</i>	<i>(2,567)</i>
Advances	1,185	1,795	(610)
Total	203,709	214,682	(10,973)

As of 30 September 2020, inventories had decreased by €/000 10,973, in line with the trend expected for production volumes and future sales.

23. Trade receivables (current and non-current)

€/000 95,790

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

	As of 30 September 2020	As of 31 December 2019	Change
<i>In thousands of Euros</i>			
Trade receivables due from customers	94,828	77,203	17,625
Trade receivables due from JV	924	969	(45)
Trade receivables due from parent companies	25	23	2
Trade receivables due from associates	13		13
Total	95,790	78,195	17,595

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

Receivables due from associates regard amounts due from Immsi Audit.

The item Trade receivables comprises receivables referring to normal sale transactions, recorded net of a provision for bad debts of €/000 26,982.

The Group sells, on a rotating basis, a large part of its trade receivables with and without recourse. Piaggio has signed contracts with some of the most important Italian and foreign factoring companies as a move to optimise the monitoring and the management of its trade receivables, besides offering its customers an instrument for funding their own inventories, for factoring

classified as without the substantial transfer of risks and benefits. On the contrary, for factoring without recourse, contracts have been formalised for the substantial transfer of risks and benefits. As of 30 September 2020, trade receivables still due sold without recourse totalled €/000 142,421. Of these amounts, Piaggio received payment prior to natural expiry of €/000 132,006. As of 30 September 2020, advance payments received from factoring companies and banks, for trade receivables sold with recourse totalled €/000 11,633 with a counter entry recorded in current liabilities.

24. Other receivables (current and non-current)

€/000 57,669

These consist of:

	As of 30 September 2020			As of 31 December 2019			Change		
	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total
<i>In thousands of Euros</i>									
Receivables due from parent companies	13,195		13,195	13,260		13,260	(65)		(65)
Receivables due from joint ventures	957		957	1,313		1,313	(356)		(356)
Receivables due from associates	14	81	95	28	81	109	(14)		(14)
Accrued income	2,729		2,729	2,616		2,616	113		113
Deferred charges	5,425	14,280	19,705	4,219	10,751	14,970	1,206	3,529	4,735
Advance payments to suppliers	926	1	927	2,446		2,446	(1,520)	1	(1,519)
Advances to employees	96	30	126	1,245	31	1,276	(1,149)	(1)	(1,150)
Fair value of hedging derivatives	1,104		1,104	123		123	981		981
Security deposits	254	1,323	1,577	299	1,362	1,661	(45)	(39)	(84)
Receivables due from others	15,895	1,359	17,254	6,157	1,413	7,570	9,738	(54)	9,684
Total	40,595	17,074	57,669	31,706	13,638	45,344	8,889	3,436	12,325

Receivables due from affiliated companies are amounts due from the Fondazione Piaggio and Immsi Audit.

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

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

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

25. Tax receivables (current and non-current)**€ / 000 23,583**

Receivables due from tax authorities consist of:

	As of 30 September 2020			As of 31 December 2019			Change		
	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total
<i>In thousands of Euros</i>									
VAT	7,966	184	8,150	13,385	4,209	17,594	(5,419)	(4,025)	(9,444)
Income tax	3,696	9,334	13,030	2,141	9,886	12,027	1,555	(552)	1,003
Others	2,384	19	2,403	3,012	19	3,031	(628)	0	(628)
Total	14,046	9,537	23,583	18,538	14,114	32,652	(4,492)	(4,577)	(9,069)

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

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

27. Assets held for sale**€ / 000 0**

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

28. Trade payables (current and non-current)**€ / 000 449,764**

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

	As of 30 September 2020	As of 31 December 2019	Change
<i>In thousands of Euros</i>			
Amounts due to suppliers	440,973	472,987	(32,014)
Trade payables to JV	8,635	5,318	3,317
Trade payables due to associates	9	26	(17)
Trade payables due to parent companies	147	357	(210)
Total	449,764	478,688	(28,924)

29. Provisions (current and non-current portion)**€/000 27,187**

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

	Balance as of 31 December 2019	Alloca-tions	Reclasi Uses fications	Exchange differences	Balance as of 30 September 2020	
<i>In thousands of Euros</i>						
Provision for product warranties	19,335	6,436	(5,109)	11	(381)	20,292
Provision for contractual risks	3,816	45	(19)		(34)	3,808
Risk provision for legal disputes	2,358		(110)		(22)	2,226
Provisions for risk on guarantee	58					58
Other provisions for risks	1,001	50	(246)		(2)	803
Total	26,568	6,531	(5,484)	11	(439)	27,187

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

	As of 30 September 2020			As of 31 December 2019			Change		
	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total
<i>In thousands of Euros</i>									
Provision for product warranties	12,860	7,432	20,292	12,498	6,837	19,335	362	595	957
Provisions for contractual risks	808	3,000	3,808	816	3,000	3,816	(8)	-	(8)
Risk provision for legal disputes	563	1,663	2,226	695	1,663	2,358	(132)	-	(132)
Provisions for risk on guarantee	-	58	58	-	58	58	-	-	-
Other provisions for risks	245	558	803	443	558	1,001	(198)	-	(198)
Total	14,476	12,711	27,187	14,452	12,116	26,568	24	595	619

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 6,436 and was used for €/000 5,109 in relation to charges incurred during the period.

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

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

30. Deferred tax liabilities**€/000 5,603**

Deferred tax liabilities amount to €/000 5,603 compared to €/000 7,762 as of 31 December 2019.

31. Retirement funds and employee benefits**€/000 37,384**

	As of 30 September 2020	As of 31 December 2019	Change
<i>In thousands of Euros</i>			
Retirement funds	902	868	34
Termination benefits provision	36,482	38,129	(1,647)
Total	37,384	38,997	(1,613)

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

As regards the discount rate, the Group has decided to use the iBoxx Corporates AA rating with a 7-10 duration as the valuation reference.

If the iBoxx Corporates A rating with a 7-10 duration had been used, the value of actuarial losses and the provision as of 30 September 2020 would have been lower by €/000 1,200.

32. Tax payables (current and non-current)**€/000 12,996**

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

	As of 30 September 2020	As of 31 December 2019	Change
<i>In thousands of Euros</i>			
Due for income tax	4,743	8,291	(3,548)
Due for non-income tax	106	134	(28)
Tax payables for:			
- VAT	2,462	1,089	1,373
. Tax withheld at source	4,274	5,144	(870)
- Other	1,411	276	1,135
Total	8,147	6,509	1,638
Total	12,996	14,934	(1,938)

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

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

33. Other payables (current and non-current)**€/000 62,081**

This item comprises:

	As of 30 September 2020			As of 31 December 2019			Change		
	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total
<i>In thousands of Euros</i>									
To employees	21,483	437	21,920	17,712	471	18,183	3,771	(34)	3,737
Guarantee deposits		3,382	3,382		3,247	3,247	-	135	135
Accrued expenses	9,853		9,853	4,122		4,122	5,731	-	5,731
Deferred income	8,639	2,619	11,258	1,303	2,649	3,952	7,336	(30)	7,306
Amounts due to social security institutions	7,706		7,706	8,765		8,765	(1,059)	-	(1,059)
Fair value of derivatives	429	243	672	46		46	383	243	626
To JV	3		3	3		3	-	-	-
To associates	95		95	9		9	86	-	86
To parent companies	71		71	11		11	60	-	60
Others	7,051	70	7,121	10,200	70	10,270	(3,149)	-	(3,149)
Total	55,330	6,751	62,081	42,171	6,437	48,608	13,159	314	13,473

Amounts due to employees include the amount for holidays accrued but not taken of €/000 8,032 and other payments to be made for €/000 13,888.

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

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

The item Accrued liabilities includes €/000 164 for interest on hedging derivatives and relative hedged items measured at fair value.

34. Payables due after 5 years

The Group has loans due after 5 years, which are referred to in detail in Note 38 Financial Liabilities.

With the exception of the above payables, no other long-term payables due after five years exist.

E) INFORMATION ON FINANCIAL ASSETS AND LIABILITIES

35. Investments

€/000 9,476

The investments heading comprises:

	As of 30 September 2020	As of 31 December 2019	Change
<i>In thousands of Euros</i>			
Interests in joint ventures	9,302	8,753	549
Investments in associates	174	157	17
Total	9,476	8,910	566

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

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

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

€/000 2,906

This item comprises:

	As of 30 September 2020			As of 31 December 2019			Change		
	Current	Non- current	Totals	Current	Non- current	Totals	Current	Non- current	Totals
<i>In thousands of Euros</i>									
Fair Value of hedging derivatives	2,869		2,869	3,789	3,475	7,264	(920)	(3,475)	(4,395)
Investments in other companies		37	37		37	37	-	-	-
Total	2,869	37	2,906	3,789	3,512	7,301	(920)	(3,475)	(4,395)

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

37. Cash and cash equivalents

€/000 260,074

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

	As of 30 September 2020	As of 31 December 2019	Change
<i>In thousands of Euros</i>			
Bank and postal deposits	260,035	128,565	131,470
Cheques		18	(18)
Cash on hand	39	47	(8)
Securities		62,116	(62,116)
Total	260,074	190,746	69,328

The item Securities as of 31 December 2019 referred to deposit agreements entered into by the Indian subsidiary to effectively use temporary liquidity.

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

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

	As of 30 September 2020	As of 30 September 2019	Change
<i>In thousands of Euros</i>			
Liquidity	260,074	212,472	47,602
Current account overdrafts	(1)	(431)	430
Closing balance	260,073	212,041	48,032

38. Financial liabilities and financial liabilities for rights of use (current and non-current) **€/000 707,777**

In the first nine months of 2020, the Group's total debt increased by €/000 80,753. Net of the change in financial liabilities for rights of use and the fair value measurement of financial derivatives to hedge foreign exchange risk and interest rate risk and the adjustment of relative hedged items, as of 30 September 2020 total financial debt of the Group had increased by €/000 85,478.

	Financial liabilities as of 30 September 2020			Financial liabilities as of 31 December 2019			Change		
	Current	Non- current	Total	Current	Non- current	Total	Current	Non- current	Total
<i>In thousands of Euros</i>									
Financial liabilities	119,612	560,813	680,425	135,033	463,587	598,620	(15,421)	97,226	81,805
<i>Gross financial debt</i>	<i>116,751</i>	<i>560,813</i>	<i>677,564</i>	<i>131,768</i>	<i>460,318</i>	<i>592,086</i>	<i>(15,017)</i>	<i>100,495</i>	<i>85,478</i>
<i>Fair value adjustment</i>	<i>2,861</i>	<i>0</i>	<i>2,861</i>	<i>3,265</i>	<i>3,269</i>	<i>6,534</i>	<i>(404)</i>	<i>(3,269)</i>	<i>(3,673)</i>
Financial liabilities for rights of use	7,770	19,582	27,352	8,408	19,996	28,404	(638)	(414)	(1,052)
Total	127,382	580,395	707,777	143,441	483,583	627,024	(16,059)	96,812	80,753

Net financial debt of the Group amounted to €/000 444,842 as of 30 September 2020 compared to €/000 429,744 as of 31 December 2019.

	As of 30	As of 31	Change
	September 2020	December 2019	
<i>In thousands of Euros</i>			
Liquidity	260,074	190,746	69,328
Payables due to banks	(44,887)	(81,032)	36,145
Current portion of medium-/long-term bank loans	(49,147)	(29,724)	(19,423)
Debenture loan	(11,038)	(11,022)	(16)
Amounts due to factoring companies	(11,633)	(9,946)	(1,687)
Financial liabilities for rights of use	(7,770)	(8,408)	638
<i>of which finance leases</i>	<i>(1,175)</i>	<i>(1,161)</i>	<i>(14)</i>
<i>of which operating leases</i>	<i>(6,595)</i>	<i>(7,247)</i>	<i>652</i>
Current portion of payables due to other lenders	(46)	(44)	(2)
Current financial debt	(124,521)	(140,176)	15,655
Net current financial debt	135,553	50,570	84,983
Medium-/long-term bank loans	(288,906)	(178,092)	(110,814)
Debenture loan	(271,792)	(282,099)	10,307
Financial liabilities for rights of use	(19,582)	(19,996)	414
<i>of which finance leases</i>	<i>(5,979)</i>	<i>(6,862)</i>	<i>883</i>
<i>of which operating leases</i>	<i>(13,603)</i>	<i>(13,134)</i>	<i>(469)</i>
Amounts due to other lenders	(115)	(127)	12
Non-current financial debt	(580,395)	(480,314)	(100,081)
NET FINANCIAL DEBT	(444,842)	(429,744)	(15,098)
of which operating leases	(20,198)	(20,381)	183

Non-current financial liabilities totalled €/000 580,395 against €/000 480,314 as of 31 December 2019, whereas current financial liabilities totalled €/000 124,521 compared to €/000 140,176 as of 31 December 2019.

The attached tables summarise the breakdown of financial debt as of 30 September 2020 and as of 31 December 2019, as well as changes for the period.

	Balance as of 31.12.2019	Cash flows			Reclassifications	Exchange delta	Other changes	Balance as of 30.09.2020
		Movements	Repayments	New issues				
<i>In thousands of Euros</i>								
Liquidity	190,746	72,780				(3,452)		260,074
Current account overdrafts	(18)		18	(1)				(1)
Current account payables	(81,014)		64,223	(28,558)		463		(44,886)
Current portion of medium-/long-term bank loans	(29,724)		49,781		(69,378)		174	(49,147)
<i>Total current bank loans</i>	<i>(110,756)</i>	<i>0</i>	<i>114,022</i>	<i>(28,559)</i>	<i>(69,378)</i>	<i>463</i>	<i>174</i>	<i>(94,034)</i>
Debenture loan	(11,022)		11,050		(11,050)		(16)	(11,038)
Amounts due to factoring companies	(9,946)		9,946	(11,633)				(11,633)
Financial liabilities for rights of use	(8,408)		5,543	(574)	(4,421)	105	(15)	(7,770)
<i>of which finance leases</i>	<i>(1,161)</i>		<i>869</i>		<i>(883)</i>			<i>(1,175)</i>
<i>of which operating leases</i>	<i>(7,247)</i>		<i>4,674</i>	<i>(574)</i>	<i>(3,538)</i>	<i>105</i>	<i>(15)</i>	<i>(6,595)</i>
Current portion of payables due to other lenders	(44)		10		(12)			(46)
Current financial debt	(140,176)	0	140,571	(40,766)	(84,861)	568	143	(124,521)
Net current financial debt	50,570	72,780	140,571	(40,766)	(84,861)	(2,884)	143	135,553
Medium-/long-term bank loans	(178,092)			(180,000)	69,378		(192)	(288,906)
Debenture loan	(282,099)				11,050		(743)	(271,792)
Financial liabilities for rights of use	(19,996)			(5,281)	4,421	317	957	(19,582)
<i>of which finance leases</i>	<i>(6,862)</i>				<i>883</i>			<i>(5,979)</i>
<i>of which operating leases</i>	<i>(13,134)</i>			<i>(5,281)</i>	<i>3,538</i>	<i>317</i>	<i>957</i>	<i>(13,603)</i>
Amounts due to other lenders	(127)				12			(115)
Non-current financial debt	(480,314)	0	0	(185,281)	84,861	317	22	(580,395)
NET FINANCIAL DEBT	(429,744)	72,780	140,571	(226,047)	0	(2,567)	165	(444,842)
of which operating leases	(20,381)		4,674	(5,855)		422	942	(20,198)

Medium and long-term bank debt amounts to €/000 338,053 (of which €/000 288,906 non-current and €/000 49,147 current) and consists of the following loans:

- a €/000 35,666 medium-term loan (nominal value of €/000 35,714) from the European Investment Bank to finance Research & Development investments planned for the 2016-2018 period. The loan will mature in December 2023 and has a repayment schedule of 7 fixed-rate annual instalments. Contract terms require covenants (described below);
- a €/000 69,908 (nominal value €/000 70,000) medium-term loan granted by the European Investment Bank to support Research and Development projects of investment plans, scheduled for the Piaggio Group's Italian sites in the 2019-2021 period. The loan will

mature in February 2027 and has a repayment schedule of 6 fixed-rate annual instalments. Contract terms require covenants (described below);

- a €/'000 91,677 syndicate loan (nominal value of €/'000 92,500) for a total of €/'000 250,000 signed in June 2018 and comprising a €/'000 187,500 four-year tranche (with a year's extension at the discretion of the borrower) as a revolving credit line (of which a nominal value of €/'000 30,000 used as of 30 September 2020) and a tranche as a five-year loan with amortisation of €/'000 62,500. Contract terms require covenants (described below);
- a €/'000 19,940 medium-term loan (nominal value of €/'000 20,000) granted by Banca Nazionale del Lavoro. The loan will fall due on 12 June 2022 with a repayment schedule of quarterly instalments and 12-month prepayment;
- a €/'000 4,074 medium-term loan (nominal value of €/'000 4,080) granted by UBI Banca. The loan will fall due on 30 June 2021 with a repayment schedule of quarterly instalments;
- a €/'000 13,968 medium-term loan (nominal value of €/'000 14,000) granted by Banca Popolare Emilia Romagna. The loan will fall due on 1 December 2023 and has a repayment schedule of six-monthly instalments;
- a €/'000 29,884 loan (nominal value of €/'000 30,000) granted by Banco BPM with a repayment schedule of six-monthly instalments and last payment in July 2025. An Interest Rate Swap has been taken out on this loan to hedge the interest rate risk. Contract terms require covenants (described below);
- a €/'000 59,982 medium-term loan (nominal value of €/'000 60,000) from Cassa Depositi e Prestiti and Monte dei Paschi di Siena. The loan will mature on 25 December 2021, with a single repayment on maturity;
- a €/'000 3,979 medium-term loan (nominal value of €/'000 4,000) granted by Interbanca-Banca IFIS. The loan will fall due on 30 September 2022 and has a quarterly repayment schedule. Contract terms require covenants (described below);
- a €/'000 5,059 medium-term loan (nominal value of €/'000 5,062) granted by Banca del Mezzogiorno, maturing on 2 January 2023 and with six-monthly repayment schedule. The loan includes an additional €/'000 20,000 tranche granted as a revolving credit line, unused as of 30 September 2020. Contract terms require covenants (described below);
- a €/'000 3,868 medium-term loan for VND/'000 102,315,643 granted by VietinBank to the affiliate Piaggio Vietnam (for a total amount of VND/'000 414,000,000) to fund the Research & Development investment plan. The loan matures in June 2021, with a repayment schedule in 7 six-monthly instalments, starting from June 2018, with a fixed rate for the first year, followed by a variable rate;
- a €/'000 48 loan from Intesa Sanpaolo granted pursuant to Italian Law no. 346/88 on subsidised applied research.

The Parent Company has a revolving credit line for €/'000 20,000 (unused as of 30 September 2020) from Banca Intesa San Paolo maturing on 6 January 2020.

All the above financial liabilities are unsecured.

The item Bonds for €/000 282,830 (nominal value of €/000 291,050) refers to:

- a €/000 11,038 private debenture loan (nominal value of €/000 11,050), (US Private Placement) issued on 25 July 2011 for \$/000 75,000 wholly subscribed by an American institutional investor, payable in 5 annual portions from July 2017, with a semi-annual coupon. As of 30 September 2020 the fair value valuation of the debenture loan was equal to €/000 13,912 (the fair value was determined based on IFRS related to fair value hedging). A Cross Currency Swap has been taken out on this debenture loan to hedge the exchange risk and interest rate risk;
- €/000 29,940 (nominal value of €/000 30,000) for a five-year private debenture loan issued on 28 June 2017 and wholly subscribed by Fondo Sviluppo Export, the fund set up by SACE and managed by Amundi SGR. The issue has no specific rating or listing on a regulated market;
- €/000 241,852 (nominal value of €/000 250,000) related to a high-yield debenture loan issued on 30 April 2018 for a nominal amount of €/000 250,000, maturing on 30 April 2025 and with a semi-annual coupon with fixed annual nominal rate of 3.625%. Standard & Poor's and Moody's assigned a B+ rating with a negative outlook and a Ba3 rating with a negative outlook respectively for the issue.

The Company may repay in advance:

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

Financial advances received from factoring companies and banks, on the sale of trade receivables with recourse, totalled €/000 11,633.

- Medium-/long-term payables to other lenders equal to €/000 161 of which €/000 115 maturing after the year and €/000 46 as the current portion refer to a loan from the Region of Tuscany, pursuant to regulations on incentives for investments in research and development.

Covenants

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

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

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

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

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

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

Financial liabilities for rights of use

€/000 27,352

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

	As of 30 September 2020			As of 31 December 2019			Change		
	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total
<i>In thousands of Euros</i>									
Operating leases	6,595	13,603	20,198	7,247	13,134	20,381	(652)	469	(183)
Finance leases	1,175	5,979	7,154	1,161	6,862	8,023	14	(883)	(869)
Total	7,770	19,582	27,352	8,408	19,996	28,404	(638)	(414)	(1,052)

Payables for finance leases amounted to €/000 7,154 (nominal value of €/000 7,163) and break down as follows:

- a Sale&Lease back agreement for €/000 7,070 (nominal value of €/000 7,079) granted by Albaleasing on a production plant of the Parent Company. The loan will mature in August 2026, with quarterly repayments (non-current portion equal to €/000 5,908);
- a finance lease for €/000 84 granted by VFS Servizi Finanziari to the company Aprilia Racing for the use of vehicles (non-current portion equal to €/000 71).

Payables for rights of use include payables with the parent companies Immsi and Omniaholding for €/000 5,765 (€/000 3,816 non-current portion).

Financial instruments**Exchange Risk**

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

This policy analyses:

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

As of 30 September 2020, the Group had undertaken the following futures operations (recognised based on the settlement date), related 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
			<i>In thousands</i>	<i>In thousands</i>	
Piaggio & C.	Purchase	CAD	280	181	05/10/2020
Piaggio & C.	Purchase	CNY	41,000	5,074	08/11/2020
Piaggio & C.	Purchase	GBP	200	216	21/10/2020
Piaggio & C.	Purchase	JPY	50,000	399	02/11/2020
Piaggio & C.	Purchase	USD	25,650	21,676	10/11/2020
Piaggio & C.	Sale	CAD	650	421	19/10/2020
Piaggio & C.	Sale	JPY	135,000	1,096	30/10/2020
Piaggio & C.	Sale	USD	65,900	55,577	16/12/2020
Piaggio Vehicles Private Limited	Purchase	€	200	17,411	15/10/2020
Piaggio Vehicles Private Limited	Sale	USD	10,800	803,049	24/11/2020
Piaggio Indonesia	Purchase	USD	4,799	71,550,919	20/10/2020
Piaggio Vespa BV	Sale	GBP	330	364	09/12/2020
Piaggio Vespa BV	Sale	SGD	750	465	08/06/2021
Piaggio Vespa BV	Sale	VND	154,159,529	5,503	28/04/2021
Piaggio Vietnam	Sale	USD	65,000	1,510,865,000	05/12/2020

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

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

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

Company	Operation	Currency	Amount in currency	Value in local currency (forward exchange rate)	Average maturity
			<i>In thousands</i>	<i>In thousands</i>	
Piaggio & C.	Sale	GBP	2,430	2,831	09/11/2020
Piaggio & C.	Purchase	CNY	847,000	102,352	22/10/2021

To hedge the economic exchange risk alone, cash flow hedging is adopted with the effective portion of profits and losses recognised in a specific shareholders' equity reserve. Fair value is determined based on market quotations provided by main traders.

As of 30 September 2020 the total fair value of hedging instruments for the economic exchange risk recognised on a hedge accounting basis was positive by €/000 689.

Interest rate risk

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

As of 30 September 2020, the following hedging derivatives had been taken out:

Cash flow hedging

- an Interest Rate Swap to hedge the variable-rate loan for a nominal amount of €/000 30,000 from Banco BPM. The purpose of this instrument is to manage and mitigate exposure to interest rate risk; in accounting terms, the instrument is recognised on a cash flow hedge basis, with profits/losses arising from the fair value measurement allocated to a specific reserve in Shareholders' equity; as of 30 September 2020, the fair value of the instrument was negative by €/000 273.

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

- a Cross Currency Swap to hedge the private debenture loan issued by the Parent Company for a nominal amount of \$/000 75,000. The purpose of the instrument is to hedge both the exchange risk and interest rate risk, turning the loan from US dollars to Euro, and from a fixed rate to a variable rate; the instrument is accounted for on a fair value hedge basis, with effects arising from the measurement recognised in profit or loss. As of 30 September 2020, the fair value of the instrument was equal to €/000 2,869.

FAIR VALUE

In thousands of Euros

Piaggio & C. S.p.A.

Interest Rate Swap	(273)
Cross Currency Swap	2,869

F) INFORMATION ON SHAREHOLDERS' EQUITY

39. Share capital and reserves

€/000 385,983

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

Share capital

€/000 207,614

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

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

Structure of share capital as of 30 September 2020				
	No. of shares	% compared to the share capital	Market listing	Rights and obligations
Ordinary shares	358,153,644	100%	Electronic stock market	Right to vote in the Ordinary and Extraordinary Shareholders' Meetings of the Company

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

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

Treasury shares

€/000 (1,966)

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

Shares in circulation and treasury shares

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

Share premium reserve €/000 7,171

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

Legal reserve €/000 24,215

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

Financial instruments' fair value reserve €/000 240

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

Dividends approved

The Ordinary Shareholders' Meeting of Piaggio & C. S.p.A. held on 22 April 2020 resolved to distribute a final dividend of 5.5 eurocents, including taxes, for each eligible ordinary share (in addition to the interim dividend of 5.5 eurocents paid on 25 September 2019, coupon detachment date 23 September 2019), for a total dividend of 11 eurocents for 2019, equal to an overall amount of €39,299,405.86.

Earnings reserve €/000 170,287

Capital and reserves of non-controlling interest €/000 (141)

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

40. Other comprehensive income**€/000 (7,088)**

The figure is broken down as follows:

	<i>Reserve for measurement of financial instruments</i>	<i>Group translation reserve</i>	<i>Earnings reserve</i>	<i>Group total</i>	<i>Share capital and reserves attributable to non-controlling interests</i>	<i>Total other comprehensive income</i>
<i>In thousands of Euros</i>						
As of 30 September 2020						
Items that will not be reclassified in the income statement						
Remeasurements of defined benefit plans			(285)	(285)		(285)
Total	0	0	(285)	(285)	0	(285)
Items that may be reclassified in the income statement						
Total translation gains (losses)		(6,933)		(6,933)	67	(6,866)
Share of Other Comprehensive Income of subsidiaries/associates valued with the equity method		(206)		(206)		(206)
Total profits (losses) on cash flow hedges	269			269		269
Total	269	(7,139)	0	(6,870)	67	(6,803)
Other comprehensive income	269	(7,139)	(285)	(7,155)	67	(7,088)

As of 30 September 2019

Items that will not be reclassified in the income statement						
Remeasurements of defined benefit plans			(2,980)	(2,980)		(2,980)
Total	0	0	(2,980)	(2,980)	0	(2,980)
Items that may be reclassified in the income statement						
Total translation gains (losses)		3,947		3,947	4	3,951
Share of Other Comprehensive Income of subsidiaries/associates valued with the equity method		117		117		117
Total profits (losses) on cash flow hedges	92			92		92
Total	92	4,064	0	4,156	4	4,160
Other comprehensive income	92	4,064	(2,980)	1,176	4	1,180

The tax effect related to other comprehensive income is broken down as follows:

	As of 30 September 2020			As of 30 September 2019		
	<i>Gross value</i>	<i>Tax (expense) / benefit</i>	<i>Net value</i>	<i>Gross value</i>	<i>Tax (expense) / benefit</i>	<i>Net value</i>
<i>In thousands of Euros</i>						
Remeasurements of defined benefit plans	(375)	90	(285)	(3,921)	941	(2,980)
Total translation gains (losses)	(6,866)		(6,866)	3,951		3,951
Share of Other Comprehensive Income of subsidiaries/associates valued with the equity method	(206)		(206)	117		117
Total profits (losses) on cash flow hedges	354	(85)	269	121	(29)	92
Other comprehensive income	(7,093)	5	(7,088)	268	912	1,180

H) OTHER INFORMATION

41. Share-based incentive plans

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

42. Information on related parties

Information on transactions with related parties, including information required by Consob in its communication of 28 July 2006 no. DEM/6064293, is reported below.

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

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

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

Relations with Parent Companies

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

Designation	Registered office	Type	% of ownership	
			As of 30 September 2020	As of 31 December 2019
IMMSI S.p.A.	Mantova - Italy	Direct parent company	50.0703	50.0703
Omniaholding S.p.A.	Mantova - Italy	Final parent company	0.0773	0.0215

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

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

- IMMSI has defined procedures and times for preparing the budget and in general the business plan of Group companies, as well as final management analysis to support management control activities.
- IMMSI has also provided services for the development and management of assets, with a view to optimising resources within the Group, and provided property consultancy services and other administrative services.
- IMMSI has provided consultancy services and assistance concerning extraordinary financing operations, organisation, strategy and coordination, as well as services intended to optimise the financial structure of the Group.

In 2019, for a further three years, the Parent Company⁵ signed up to the National Consolidated Tax Mechanism pursuant to Articles 117 to 129 of the Consolidated Income Tax Act (T.U.I.R.) of which IMMSI S.p.A. is the consolidating company, and to whom other IMMSI Group companies report to. The consolidating company determines a single global income equal to the algebraic sum of taxable amounts (income or loss) realised by individual companies that opt for this type of group taxation.

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

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

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

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

⁵ Aprilia Racing and Piaggio Concept Store Mantova were also party to the national consolidated tax convention, of which IMMSI S.p.A. is the consolidating company.

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

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

Transactions with Piaggio Group companies

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

Piaggio & C. S.p.A.

- sells vehicles, spare parts and accessories to sell on respective markets, to:
 - Piaggio Hrvatska
 - Piaggio Hellas
 - Piaggio Group Americas
 - Piaggio Vehicles Private Limited
 - Piaggio Vietnam
 - Piaggio Concept Store Mantova
- sells components to:
 - Piaggio Vehicles Private Limited
 - Piaggio Vietnam
- grants licences for rights to use the brand and technological know-how to:
 - Piaggio Vehicles Private Limited
 - Piaggio Vietnam
- provides support services for scooter and engine industrialisation to:
 - Piaggio Vehicles Private Limited
 - Piaggio Vietnam
- subleases a part of the rented property to:
 - Piaggio Concept Store Mantova
- has cash pooling agreements with:
 - Piaggio France
 - Piaggio Deutschland
 - Piaggio España
 - Piaggio Vespa
- provides support services for staff functions to other Group companies;
- issues guarantees for the Group's subsidiaries, for medium-term loans.

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

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

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

Piaggio Vehicles Private Limited and Piaggio Vietnam reciprocally exchange materials and components to use in their manufacturing activities.

Piaggio Hrvatska, Piaggio Hellas, Piaggio Group Americas and Piaggio Vietnam

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

Piaggio Indonesia and Piaggio Group Japan

- provide a vehicle, spare part and accessory distribution service to Piaggio Vietnam for their respective markets.

Piaggio France, Piaggio Deutschland, Piaggio Limited, Piaggio España and Piaggio Vespa

- provide a sales promotion service and after-sales services to Piaggio & C. S.p.A. for their respective markets.

Piaggio Asia Pacific

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

Foshan Piaggio Vehicles Technology R&D provides to:

- Piaggio & C. S.p.A. :
 - component and vehicle design/development service;
 - scouting of local suppliers to Piaggio & C S.p.A.;
- Piaggio Vehicles Private Limited:
 - scouting of local suppliers to Piaggio & C S.p.A.;
- Piaggio Vietnam:
 - scouting of local suppliers to Piaggio & C S.p.A.;
 - a distribution service for vehicles, spare parts and accessories on its own market.

Piaggio Advanced Design Center:

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

Aprilia Racing provides to Piaggio & C. :

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

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

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

Piaggio & C. S.p.A.

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

Foshan Piaggio Vehicles Technology R&D

- provides advisory services to Zongshen Piaggio Foshan Motorcycle Co. Ltd.

Zongshen Piaggio Foshan Motorcycle Co. Ltd

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

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

As of 30 September 2020	Fondazione Piaggio	IMMSI	IMMSI Audit	Omniaholding	Pontech - Pontedera & Tecnologia	Zongshen Piaggio Foshan	Total	% of accounting item
<i>In thousands of Euros</i>								
<u>Income statement</u>								
Revenues from sales						23	23	0.00%
Costs for materials						(13,063)	(13,063)	2.13%
Costs for services, leases and rentals		(770)	(615)	(36)			(1,421)	0.97%
Other operating income		40	24			388	452	0.52%
Other operating costs		(12)	(6)				(18)	0.12%
Write-down/Impairment of investments					17	755	772	96.86%
Borrowing costs		(129)		(17)			(146)	0.70%
<u>Financial statements</u>								
Other non-current receivables	81						81	0.47%
Current trade receivables		25	13			924	962	1.00%
Other current receivables		13,195	14			957	14,166	34.90%
Financial liabilities for rights of use > 12 months		3,043		773			3,816	19.49%
Financial liabilities for rights of use < 12 months		1,729		220			1,949	25.08%
Current trade payables	9	118		29		8,635	8,791	1.95%
Other current payables		71	95			3	169	0.31%

43. Significant non-recurring events and operations

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

44. Transactions arising from atypical and/or unusual transactions

During 2019 and the first nine months of 2020, the Group did not record any significant atypical and/or unusual operations, as defined by Consob Communication DEM/6037577 of 28 April 2006 and DEM/6064293 of 28 July 2006.

45. Events occurring after the end of the period

To date, no events have occurred after 30 September 2020 that make additional notes or adjustments to these Financial Statements necessary.

In this regard, refer to the Report on Operations for significant events after 30 September 2020.

46. Authorisation for publication

This document was published on 12 November 2020 authorised by the Chairman and Chief Executive Officer.

* * *

Mantova, 30 October 2020

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