PIAGGIO GROUP

Financial Statements 2015

BEAUTIFUL
ENGINEERING
FOR THE MOBILITY
OF TOMORROW

130 YEARS OF
PIAGGIO GROUP

We design innovative, beautiful, efficient, smart and sustainable technologies to reinvent mobility for future generations.

We imagine how people will move in the future, to anticipate their needs and aspirations.

We give a voice to different cultures, to drive development, knowledge and greater quality of life.

We analyse how cities and their transport networks are developing, to learn to manage urban systems that are growing larger and more complex.

We move quickly in a world of rapid and constant change, to offer products that solve problems and create new opportunities.

We move people and things, but also emotions and passions, through global brands that have made history and become legends.

Ordinary General Shareholders' Meeting Call

Eligible persons are called to an Ordinary and Extraordinary General Meeting of Shareholders to be held in the Boardroom of Intesa SanPaolo, in Milan, Piazza Belgioioso 1, on 14 April 2016, at 11:00 AM in first call and, if necessary, in second call, on 15 April 2016 at 9:00, at the same place, to deliberate on the following:

Agenda

The Ordinary General Meeting of Shareholders:

1. Financial Statements of Piaggio & C. S.p.A. as of 31 December 2015; Directors' Report on Operations for 2015 and proposal to allocate profit for the period; Report of the Board of Statutory Auditors; Report of the Independent Auditors; Related and consequent resolutions; Presentation of the Consolidated Financial Statements as of 31 December 2015 of the Piaggio Group and relative reports.
2. Report on remuneration, pursuant to article 123-ter of Italian Legislative Decree no. 58/1998. Related and consequent resolutions.
3. Authorisation to purchase and use treasury shares, pursuant to articles 2357 and 2357-ter of the Italian Civil Code, as well as article 132 of Legislative Decree no. 58/1998 and relative provisions for enactment, subject to withdrawal of the authorisation granted by the Ordinary General Meeting of Shareholders of 13 April 2015, for the portion not executed. Related and consequent resolutions.

Milan, March 11th 2016

For the Board of Directors

/s/ Roberto Colaninno

Chairman and Chief Executive Officer
Roberto Colaninno

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REPORT ON OPERATIONS


SUPERCORTEMAGGIORE
98-100
IMPORTO DA PAGARE
LITRI
brembo

Mission

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

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

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

Key operating and financial data[1]

	2015	2014	2013
In millions of euros			
Data on earnings			
Net revenues	1,295.3	1,213.3	1,212.5
Gross industrial margin	374.4	364.7	357.5
Operating income	56.7	69.7	62.6
Profit before tax	20.1	26.5	30.3
Adjusted profit before tax[2]	20.1	30.1	30.3
Adjusted net profit[3]	11.9	18.6	18.1
Net profit	11.9	16.1	(6.5)
Non-controlling interests	*0.0*	*0.0*	*0.0*
Owners of the Parent	*11.9*	*16.1*	*(6.5)*
Data on financial performance			
Net employed capital (NEC)	902.4	905.9	867.7
Net debt	(498.1)	(492.8)	(475.6)
Shareholders' equity	404.3	413.1	392.1
Balance sheet figures and financial ratios			
Gross margin as a percentage of net revenues (%)	28.9%	30.1%	29.5%
Adjusted net profit[2] as a percentage of net revenues (%)	0.9%	1.5%	1.5%
Net profit as a percentage of net revenues (%)	0.9%	1.3%	-0.5%
ROS (Operating income/net revenues)	4.4%	5.7%	5.2%
ROE (Net profit/shareholders' equity)	2.9%	3.9%	-1.7%
ROI (Operating income/NCE)	6.3%	7.7%	7.2%
EBITDA	161.8	159.3	146.8
EBITDA/net revenues (%)	12.5%	13.1%	12.1%
Other information			
Sales volumes (unit/000)	519.7	546.5	555.6
Investments in property, plant and equipment and intangible assets	101.9	94.9	87.6
Research and Development[4]	46.8	46.3	47.7
Employees at the end of the period (number)	7,053	7,510	7,688

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

2) To make results of the previous 3 financial years comparable, the Group determined profit before tax as "adjusted" which excludes the effect of non-recurrent operations.

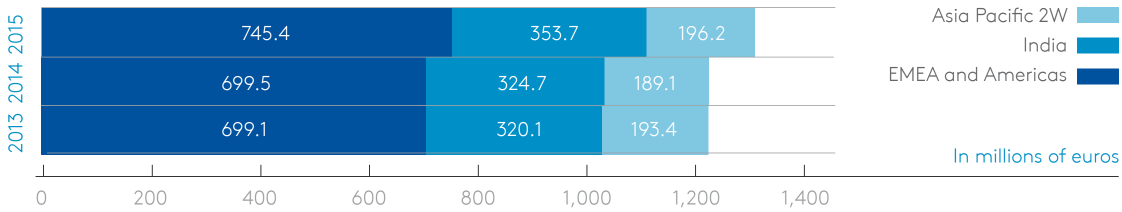
3) To make results of the previous 3 financial years comparable, the Group determined a net profit defined as "adjusted" which excludes the effect of non-recurrent operations.

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

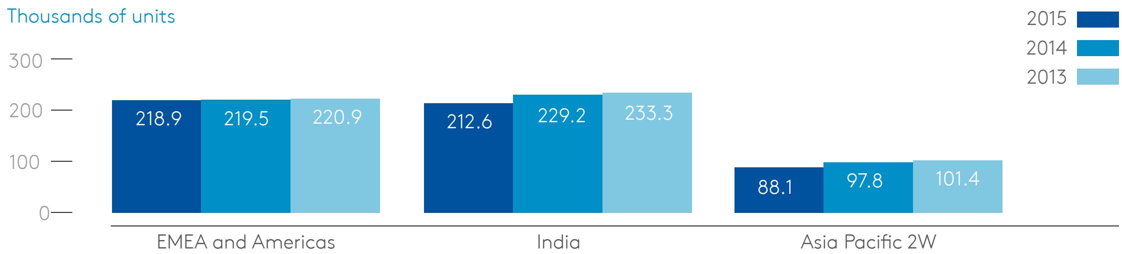
Results by operating segments

		EMEA and Americas	India	Asia Pacific 2W	Total
Sales volumes (units/000)	2015	218.9	212.6	88.1	**519.7**
	2014	219.5	229.2	97.8	**546.5**
	Change	(0.5)	(16.5)	(9.7)	**(26.8)**
	Change %	-0.2%	-7.2%	-9.9%	**-4.9%**
Turnover (million euros)	2015	745.4	353.7	196.2	**1,295.3**
	2014	699.5	324.7	189.1	**1,213.3**
	Change	45.9	29.0	7.1	**82.0**
	Change %	6.6%	8.9%	3.8%	**6.8%**
Average number of staff (no.)	2015	3.943,6	2,761.2	857.5	**7,562.3**
	2014	4,054.3	2,866.0	896.0	**7,816.3**
	Change	(110.7)	(104.8)	(38.5)	**(254.0)**
	Change %	-2.7%	-3.7%	-4.3%	**-3.2%**
Investments property, Property, plant and equipment intangible assets (million euros)	2015	74.0	12.5	15.4	**101.9**
	2014	79.3	9.7	5.9	**94.9**
	Change	(5.3)	2.8	9.5	**7.0**
	Change %	-6.7%	28.5%	161.9%	**7.4%**
Research and Development[5] (million euros)	2015	36.0	4.7	6.1	**46.8**
	2014	39.6	3.1	3.5	**46.3**
	Change	(3.6)	1.6	2.5	**0.5**
	Change %	-9.1%	49.9%	72.4%	**1.1%**

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



Revenues by geographic segment



Sales volumes by geographic area

Sales volumes by geographic segment - 2015

The Piaggio Group

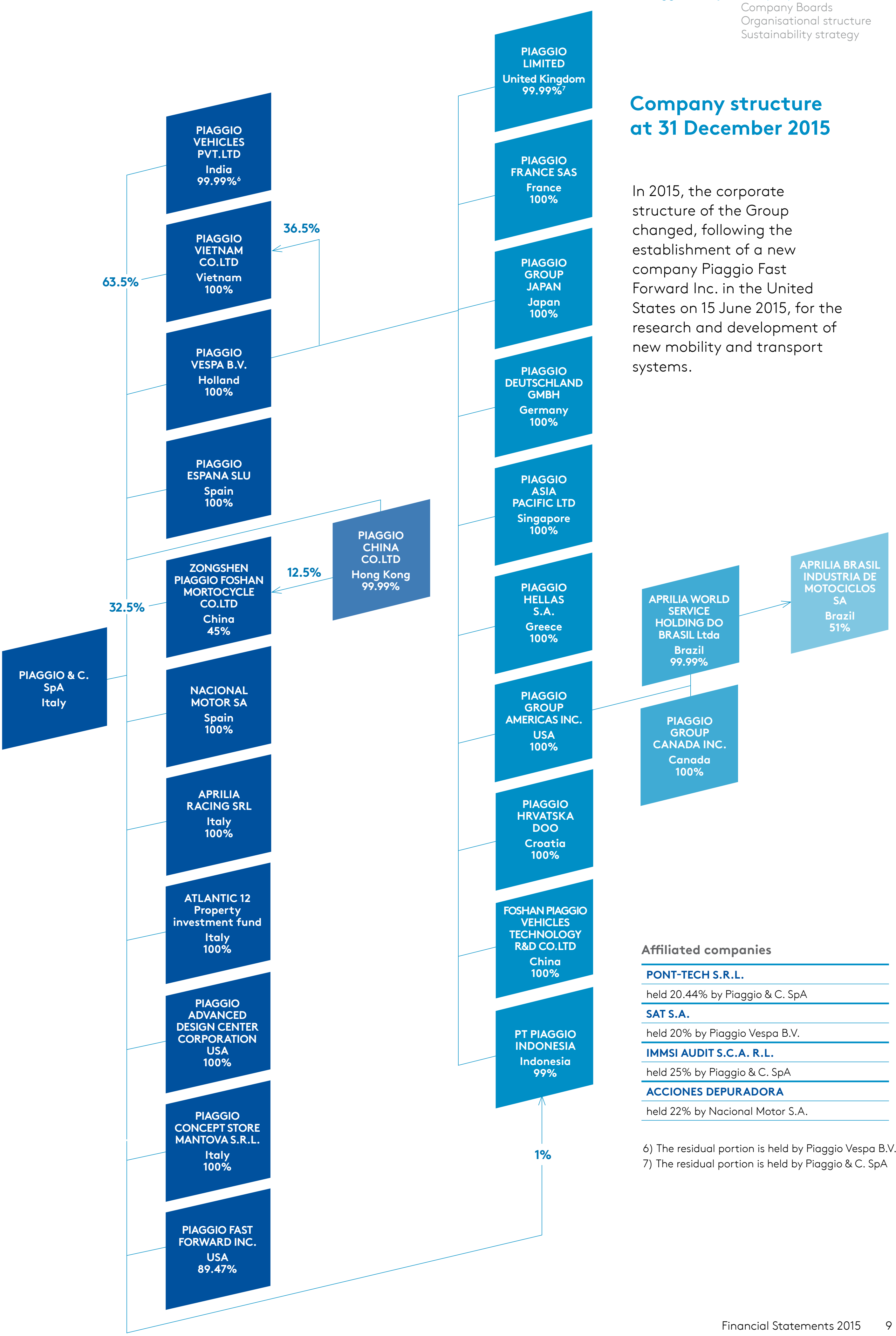
The Piaggio Group is Europe's largest manufacturer of two-wheeler motor vehicles and an international leader in its field. The Group is also a major player worldwide in the commercial vehicles market.
The Piaggio Group product range includes scooters, mopeds and motorcycles from 50cc to 1,400cc marketed under the Piaggio, Vespa, Gilera, Aprilia, Moto Guzzi, Derbi and Scarabeo brands. The Group also operates in the three- and four-wheeler light transport sector with its Ape, Porter and Quargo ranges of commercial vehicles.

Some of the Piaggio Group brands are the most prestigious and historic in the world of motorcycle racing: from **Gilera** (established in 1909), to **Moto Guzzi** (established in 1921), **Derbi** (1922) and **Aprilia** which in just over twenty years has made a name for itself as one of the most successful manufacturers taking part in the world speed and superbike championships.

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

Company structure at 31 December 2015

In 2015, the corporate structure of the Group changed, following the establishment of a new company Piaggio Fast Forward Inc. in the United States on 15 June 2015, for the research and development of new mobility and transport systems.



Affiliated companies

PONT-TECH S.R.L.	held 20.44% by Piaggio & C. SpA
SAT S.A.	held 20% by Piaggio Vespa B.V.
IMMSI AUDIT S.C.A. R.L.	held 25% by Piaggio & C. SpA
ACCIONES DEPURADORA	held 22% by Nacional Motor S.A.

6) The residual portion is held by Piaggio Vespa B.V.
7) The residual portion is held by Piaggio & C. SpA

Company Boards

Board of Directors	
Chairman and Chief Executive Officer	Roberto Colaninno (8), (9)
Deputy Chairman	Matteo Colaninno
Directors	Michele Colaninno
	Giuseppe Tesauro (10), (11), (12), (13)
	Graziano Gianmichele Visentin (11), (12), (13)
	Maria Chiara Carrozza (11)
	Federica Savasi
	Vito Varvaro (12), (13)
	Andrea Formica

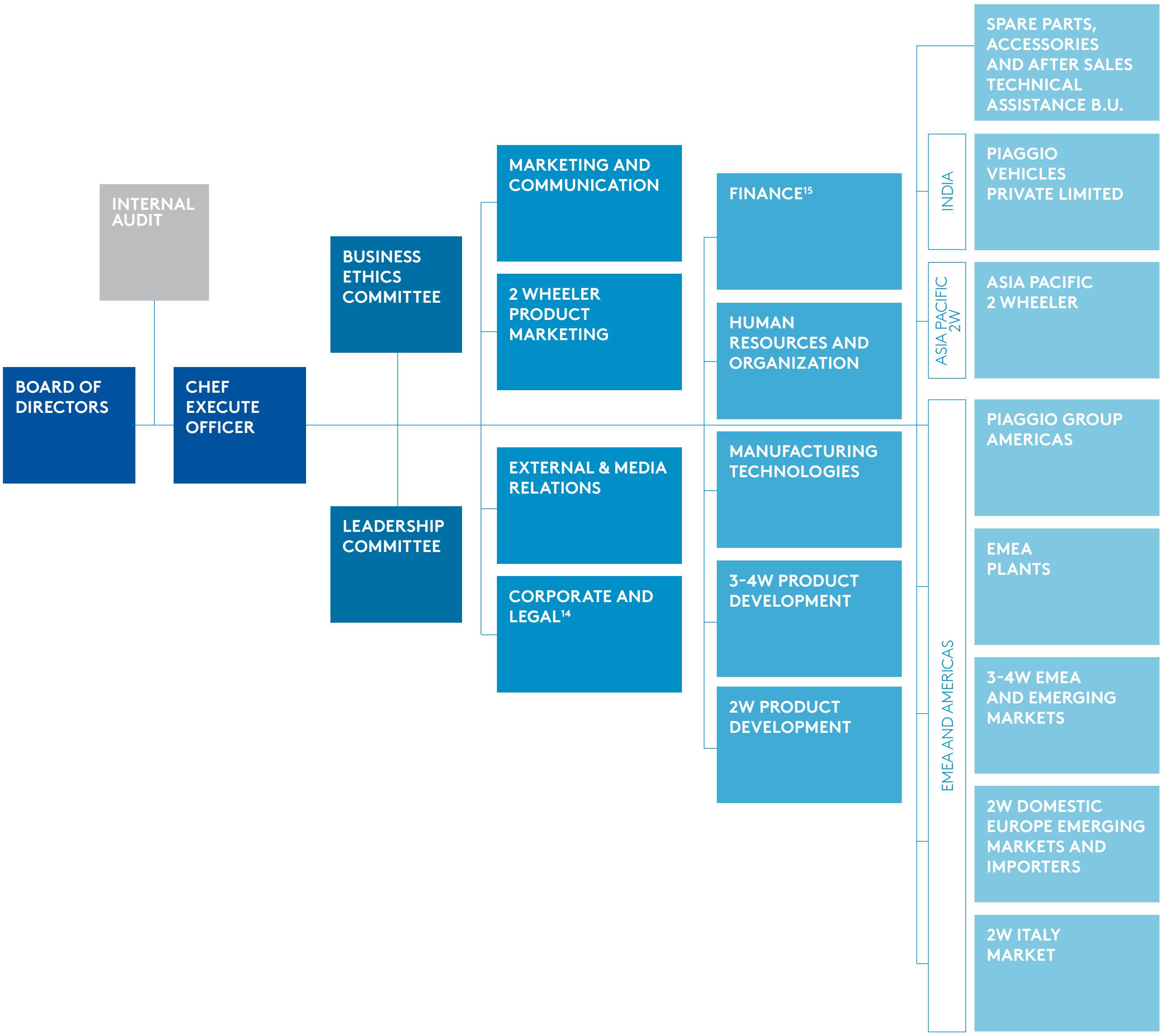
Board of Statutory Auditors	
Chairman	Piera Vitali
Statutory Auditors	Giovanni Barbara
	Daniele Girelli
Alternate Auditors	Giovanni Naccarato
	Elena Fornara

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

(8) Director responsible for the internal control system and risk management
(9) Executive Director
(10) Lead Indipendent Director
(11) Member of the Appointment Proposal Committee
(12) Member of the Remuneration Committee
(13) Member of the Internal Control and Risk Management Committee

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

Organisational structure



14) The Compliance Officer works within this structure and functionally reports to the Board of Directors of Piaggio & C. S.p.A.

15) The Risk Officer works within this structure and functionally reports to the Board of Directors of Piaggio & C. S.p.A.

The structure of Piaggio & C. S.p.A.'s organisation is based on the following Front-line functions:

- ***Internal Audit:*** this function is responsible for developing all activities concerning and functional to internal auditing, in order to improve the effectiveness and efficiency of the internal control system and evaluate its operation.
- ***External & Media Relations:*** this function is responsible for developing, managing and coordinating at a global level relations with information bodies as concerns the Group's image, liaising with trade and consumer associations, as well as promoting and managing the Group's public relations.
- ***Marketing and Communications:*** this function is responsible for managing and coordinating at a global level sales communication, digital marketing and customer experience activities, as well as monitoring brand image and awareness of the Group's brands and managing the Museums and historical archives of Group brands.
- ***Corporate and Legal:*** this function is responsible for providing assistance for all legal aspects, including assistance for contracts, managing problems concerning litigation involving the Group, guaranteeing protection of the Group's trademarks at a worldwide level, and the management of obligations concerning company law.
- ***Two-wheeler Product Marketing:*** this function is responsible for identifying market/customer needs and opportunities arising from technological innovation and developments in laws and standards, in order to assist the definition of the two-wheeler vehicle concept, as part of product range development.
- ***Two-wheeler Product Development:*** this function is responsible for activities focussing on innovation, style, engineering, reliability and quality relative to scooters, motorcycles and two-wheeler engines, and for protecting industrial property relative to the Group's technical patents and models.
- ***Three-, Four-wheeler Product Development:*** this function is responsible for activities concerning style, engineering, reliability and quality relative to three- and four-wheeler commercial vehicles and engines.
- ***Manufacturing Technologies:*** this function is responsible for guaranteeing innovation and changes to production technologies, for managing infrastructures and sites, for ensuring the development of new industrial sites worldwide and for managing activities for the purchase of materials and components.
- ***Human Resources and Organization:*** this function is responsible for human resources development and organisation, and for handling industrial relations.
- ***Finance:*** this function is responsible for the administration, finance, tax, investor relations, planning and control, purchasing (purchasing of goods, services, supplier management) logistics (two-, three- and four-wheeler vehicle distribution) and information technology functions.
- ***Two-Wheeler Italy Market,***
- ***Two-Wheeler Domestic Europe Emerging Markets and Importers,***
- ***Three-, Four-Wheeler EMEA Market and Emerging Markets:*** each department, for the area and products in its management, is responsible for achieving sales targets established for scooters, motorcycles, commercial vehicles, spare parts and accessories, defining price policies for single markets and identifying appropriate actions to develop the sales network, through the coordination of sales companies in Europe, and for managing corporate sales to Major Clients and the central public administration sector at a European level.
- ***EMEA Plants:*** this function is responsible for guaranteeing the manufacture and quality of engines, motorcycles, scooters and commercial vehicles.
- ***Asia Pacific 2 Wheeler:*** this is responsible for coordinating the companies Piaggio Vietnam, Piaggio Asia Pacific, Piaggio Group Japan Corporation, Foshan Piaggio Vehicles Technology Research & Development and Piaggio Indonesia, in order to guarantee business and industrial profitability, turnover, market share and customer satisfaction for the Group's two-wheeler vehicles, by managing production and sales on reference markets.
- ***Piaggio Vehicles Private Limited:*** this is responsible for guaranteeing business and industrial profitability, turnover, market share and customer satisfaction for the Group's commercial vehicles and Vespa scooters in India, by managing production and sales on reference markets.
- ***Piaggio Group Americas:*** this is responsible for guaranteeing business profitability for its reference

area, turnover, market share and customer satisfaction by managing sales of Group products.
› ***Spare Parts, Accessories and Technical Assistance Business Unit:*** this function is responsible for managing after-sales activities and for defining the range of spare parts, establishing prices in conjunction with the sales department and ensuring distribution of the Group's spare parts and accessories.

Strategy and areas of development

Business strategy

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

EMEA and Americas

Europe Two-wheeler – *lever market recovery, consolidating a leadership position in the scooter segment.* Focus on the Aprilia and Moto Guzzi brands to improve sales and profitability in the motorcycle segment. Entry on the electrical bicycle market, levering technological and design leadership, as well as the strength of the distribution network.
America Two-Wheeler segment - *continuing growth*, with the introduction of the premium products Aprilia and Moto Guzzi and consolidating the sales network.
Europe Commercial Vehicles - *maintaining growth based on eco-sustainable solutions*, with a product range featuring new engines with zero or low environmental impact and lower emissions.

India

Two-wheeler - *consolidating the position on the scooter market* with the expansion of the Vespa range and the introduction of new models in the premium segment (scooters and motorcycles).
Commercial Vehicles - *an increase in volumes and profitability*, through the consolidation of a strong competitive position on the three-wheeler market thanks to the Apè city Pax, the introduction of the new four-wheeler products, the sub 0.5 stroke and sub 1 stroke and a focus on the export of three-wheeler vehicles to Africa and Latin America.

Asia Pacific 2W

Strong growth: the objective is to replicate the premium strategy for Vietnam throughout the area (Indonesia, Thailand, Malaysia, Taiwan), exploring opportunities for medium and large sized motorcycles, penetrating the premium segment on the Chinese market thanks to a new, direct presence in the country.

Key Assets

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

Sustainability strategy

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

› **Economic**: timely, correct, in-depth information to stakeholders.
Creating value while respecting business ethics.

› **Product**: technological investments to meet the need for sustainable mobility - innovation to develop products that are environmentally friendly, safe and cost-effective.

› **Environmental**: decreasing energy consumption, reducing CO_2 emissions and emissions of other pollutants - conserving natural resources - waste management.

› **Social**: developing, training and promoting human resources so that everyone's expectations and aspirations are met. Engaging with customers in order to establish relations based on transparency and trust - developing Company Advocacy in partnership with the dealer network – selling products that are environmentally friendly, reliable, safe and cost-effective. Engaging and cooperating with suppliers through shared development projects - respecting human rights. Engaging and supporting local communities through social, cultural and educational initiatives.

The results achieved in 2015, the sustainability policy adopted by the Group and initiatives taken are presented in the Piaggio Group's Corporate Social Responsibility Report, which is issued at the same time as this Report and is available on its institutional website www.piaggiogroup.com under Social Responsibility.

Piaggio and financial markets

Investor Relations

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

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

In 2015, the Group had numerous occasions to engage with the financial community, meeting more than 130 investors on main financial markets during road shows and conferences.
Initiatives also included direct meetings and conference calls, managed daily by the IR function, and institutional communication events concerning quarterly results.

The Company's website www.piaggiogroup.com is constantly updated with exhaustive information concerning the Group and all major corporate documentation, in both Italian and English.
In particular, press releases disclosed to the market by the Press Office, the Company's periodic financial reports, the Corporate Social Responsibility Report, and the Company's business and financial performance are all published on-line, along with the material used in meetings with the financial community, Piaggio share consensus as well as corporate governance documents (articles of association, insider trading and material concerning shareholders' meetings).

Contacts Investor Relations Department
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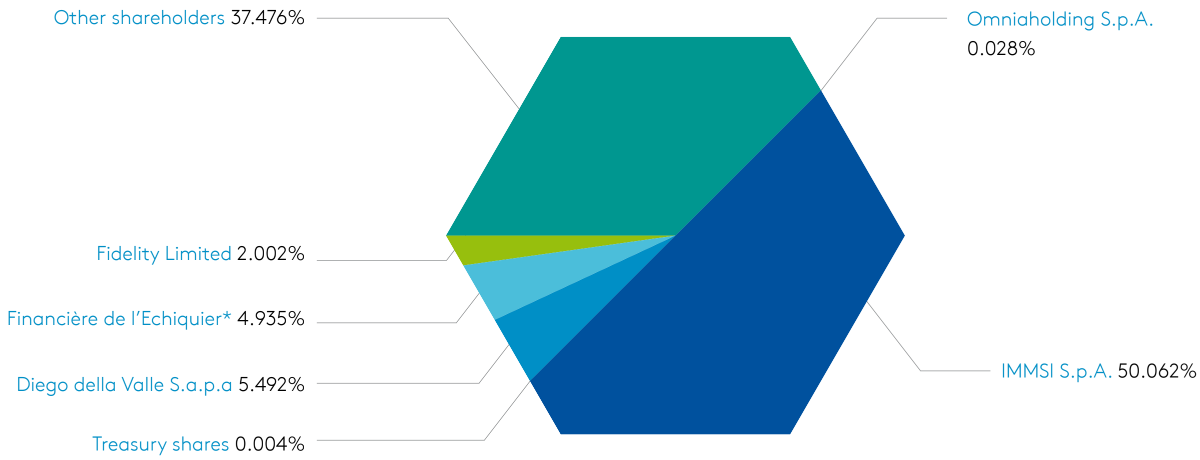
Email: investorrelations@piaggio.com
Tel: +39 0587 272286
Fax: +39 0587 276093

Shareholding structure

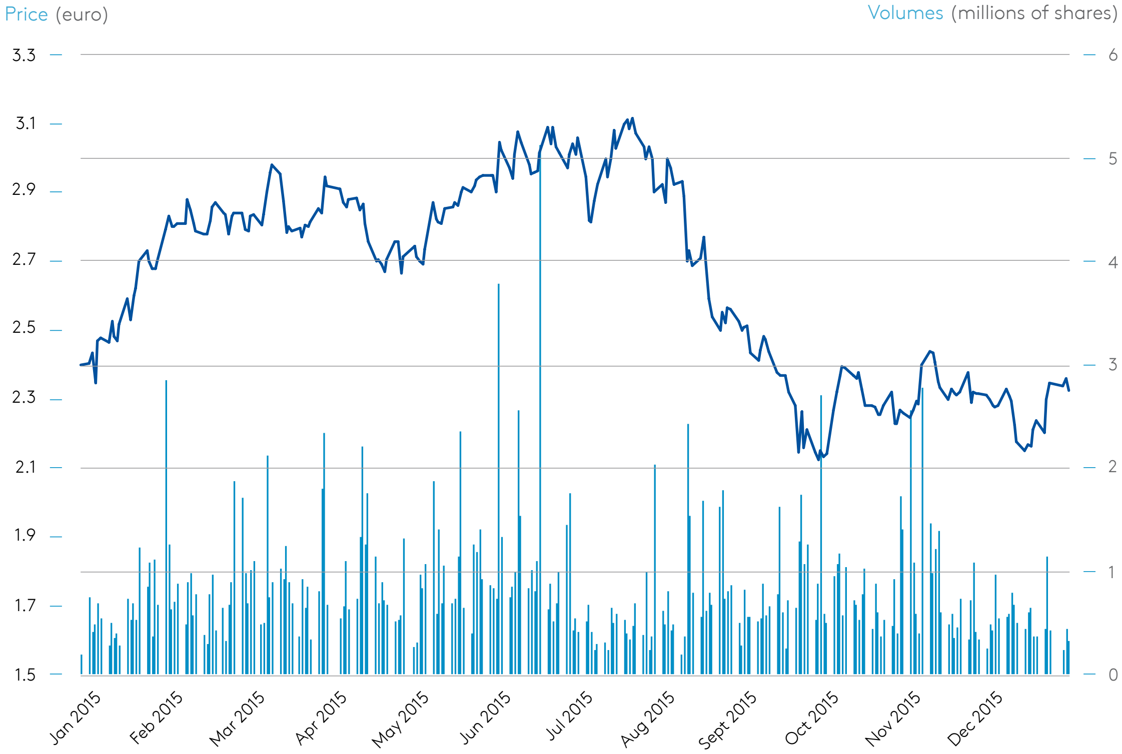
As of 31 December 2015, share capital consisted of 361,208,380 ordinary shares. At the same date, the shareholding structure, according to the shareholder ledger supplemented with notices received pursuant to article 120 of Legislative Decree no. 58/1998 and other available information, was as follows:



** In a capacity as manager, among others, of the FCP Aggressor fund which holds 2.2729% of the share capital.*

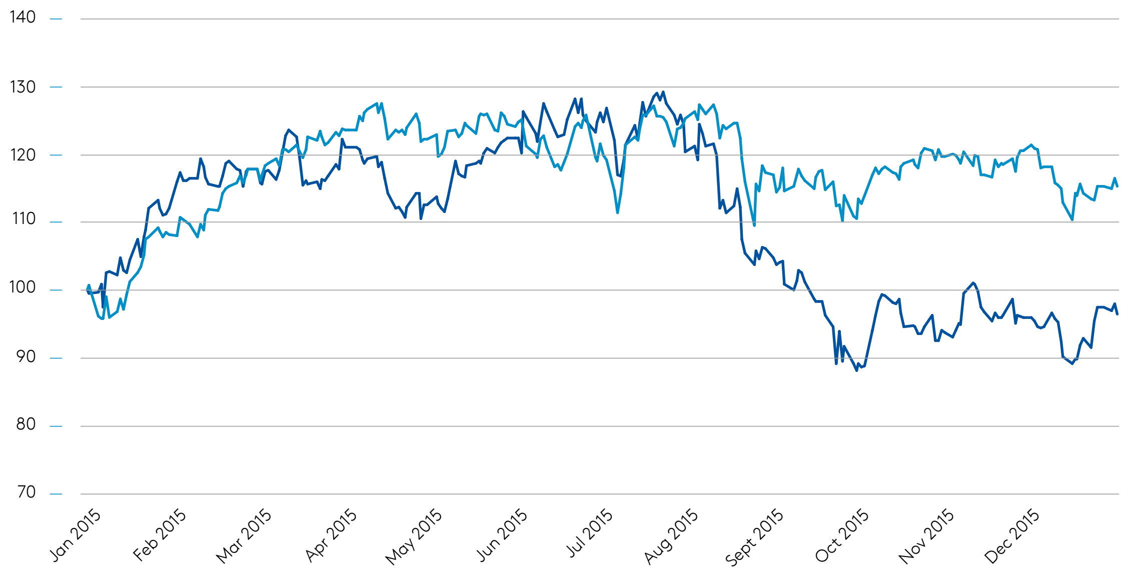
Share performance

Piaggio & C. SpA has been listed on the Milan Stock Exchange since 11 July 2006. Piaggio shares, also affected by market volatility in the second half of the year, ended 2015 at € 2.34 per share, slightly down compared to the end of 2014.



Price and daily volumes

Price
Volumes



Trend of the Piaggio share in relation to FTSE All-Share

Piaggio
FTSE/All Share

Main share indicators

	2015	2014
Official share price on the last day of trading (euro)	2.34	2.40
Number of shares (no.)	361,208,380	363,674,880
Earnings per share (euro)		
Basic earnings	0.033	0.044
Diluted earnings	0.033	0.044
Shareholders' equity by share (euro)	1.12	1.14
Market capitalisation (in millions of euros)[16]	840	873

16) Obtained by multiplying the official share price of the last day of trading by the number of shares.

Dividends

The Shareholders Meeting of Piaggio & C. S.p.A. of 13 April 2015 resolved to distribute a dividend of 7.2 eurocents per ordinary share. During 2014, dividends were not distributed.

Statement of Piaggio & C. SpA dividends for -2012 -2013 - 2014

Reference Financial Statements	2014	2013	2012
Detachment date	20 April 2015	-	20 May 2013
Payment date	22 April 2015	-	23 May 2013
Dividend per share (euro)	0.072	-	0.092

Group ratings

	Current	31/12/2014
Standard & Poor’s		
Corporate	B+	B+
Outlook	Stable	Stable
Moody’s		
Corporate	B1	Ba3
Outlook	Stable	Negative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Significant events during the year

17) *On 8 July 2015 Aprilia Racing and Marco Melandri reached an agreement to terminate the rider's contract. Consequently, Marco Melandri stopped riding for Aprilia Racing as from the German Grand Prix of 12 July 2015.*

5 March 2015 – Aprilia's 2015 sports' season was presented. In 2015, Aprilia took part in the MotoGP championships with the riders Alvaro Bautista and Marco Melandri[17], in the Superbike championships with the riders Leon Haslam and Jordi Torres and in the Superstock championships with the riders Kevin Calia and Lorenzo Savadori. As regards Aprilia's involvement in MotoGP, a first year will be spent entirely on development, above all in race conditions, before a prototype motorbike with a Full Factory configuration makes its début on the track in 2016.

9 March 2015 - The Indian subsidiary Piaggio Vehicles Private Ltd. announced the launch of its new commercial vehicle, the Ape Xtra Dlx.

31 March 2015 - Piaggio & C. S.p.A. signed a document with ING Bank NV to access 30 million euros relative to a five-year 220 million euro loan formalised with a pool of banks in July 2014. With this document, of which the amount is available since early April 2015, the syndicated loan has reached the maximum amount foreseen of 250 million euros.

23 April 2015 - The Indian subsidiary Piaggio Vehicles Private Ltd. obtained ISO 14001:2004 certification (environmental management systems) and OHSAS 18001:2007 certification (occupational health and safety management systems) for its Commercial Vehicles and Engines production sites, as well as ISO 50001 certification for the energy management system of its two-wheeler production site.

21 May 2015 - The new Moto Guzzi Audace and Eldorado motorcycles were unveiled.

9 June 2015 - The Vespa 946 Emporio Armani, the result of a collaboration between Giorgio Armani and Piaggio to celebrate two world-famous symbols of Italian style and design was unveiled.

15 July 2015 – The world's first scooter sharing service, with a free floating format, was launched in Milan. The service is provided by the company Enjoy and uses Piaggio Mp3 scooters. To mark the occasion, the Piaggio Group developed a special version of the Mp3 - the 300LT Business ABS - which combines all the new functions of smartphone localisation with a vehicle sharing format. The initial fleet for the scooter sharing initiative launched by Enjoy in the city of Milan comprises a first supply of 150 vehicles.

12 August 2015 - Piaggio Group announced the start of Vespa brand business operations in Nepal. Manufactured at the Piaggio Vehicles Private Ltd.'s Baramati site, the Vespa VX and Vespa S 125cc models immediately went on sale at three different showrooms in Kathmandu, owned by D-Lifestyles, a company of the Nepalese group Dev Jyoti, which operates in the consumer goods, IT and energy sectors.

17 September 2015 – After its launch in Italy and European countries last June, the Vespa 946 Emporio Armani made its début on leading Asian markets and is now available in Japan and will shortly sell in Vietnam and Indonesia, which are strategic markets for Piaggio Group operations in Asia.

29 September 2015 – Moody's lowered Piaggio's rating from Ba3 to B1, giving it a stable outlook.

2 October 2015 – More than one thousand students - with several other thousands in streaming - attended the presentation of Piaggio Fast Forward, the Piaggio Group's great innovation project. Piaggio Fast Forward (piaggiofastforward.com) was created in 2015 as a new company established and controlled by the Piaggio Group, in order to develop a new way of doing research, to interpret signs of change and to come up with intelligent solutions to future problems and needs. Piaggio Fast Forward is located at a centre of excellence: Cambridge (Massachusetts, United States) - a platform where research, the university, visions for the future, technology and businesses all come together and encourage ideas.

4 October 2015 – Lorenzo Savadori riding an Aprilia RSV4 RF won the Superstock 1000 FIM Cup 2015 and Aprilia won the manufacturer's title.

13 October 2015 - Piaggio Group Americas, a subsidiary of the Piaggio Group based in New York, opened the Group's first multi-brand flagship store in America, in Manhattan, in the very heart of the city, on 6, Grand Street, based on the strategic lines of the Motoplex store opening programme. The dealership showcases the Piaggio Group's most prestigious brands such as Vespa, Piaggio, Aprilia and Moto Guzzi.

14 October 2015 - The Vespa 946 Emporio Armani made its début in the United States. To mark the occasion, an event was held at the Emporio Armani, SoHo - New York.

In October, the Piaggio Group started to sell new versions of the Piaggio Porter featuring the new MultiTech Euro 6 petrol engine, which delivers a better performance, fewer emissions and fuel savings.

30 October 2015 - The Vespa 946 Emporio Armani was launched in the People's Republic of China, during a dedicated event in Beijing.

13 November 2015 - The new high-wheeled scooter, the Piaggio Medley, made its début at EICMA, based on a more powerful model, with new liquid cooled Piaggio iGet 125 and 150cc engines, and start&stop function. Slightly bigger than the Liberty, and more compact than the powerful Beverly, the Medley is a new segment from the Piaggio Group targeting a young, often male target, with driving licence. The new generation of the Liberty was also unveiled, Piaggio's high-wheeled scooter, with a new range of eco-friendly, energy-efficient, electronic injection four stroke engines (Piaggio iGet 50, 125 and 150cc), with ABS fitted as standard on the 125 and 150 versions.

13 November 2015 - The new standard version of the Piaggio Wi-Bike, entirely designed and manufactured by Piaggio in Italy, with four different configurations available, was unveiled at EICMA.

13 November 2015 - The Moto Guzzi V9 with new 850cc V engine and shaft drive, new chassis and design was unveiled at EICMA, in the V9 Bobber version, with large tyres and the light and easy Roamer version, a custom model with medium engine capacity.

3 December 2015 – The European Investment Bank (EIB) and Piaggio signed a loan agreement for 70 million euros supporting Piaggio Group Research and Development projects that will take place at its Italian sites. The seven-year loan will fund the development of innovative technological, product and process solutions in the areas of active and passive safety, sustainability (including electric engines and reduced consumption in petrol engines) and customer satisfaction, with the study of new mobility concepts, new driver/vehicle interfaces, and communication and web connection profiles.

Background

The macroeconomic framework

As in 2014 and 2015, the world economy grew by approximately 3%, with dynamics differing by geographic segment, against a background of reduced inflation in western countries and commodity prices affected by a further drastic fall in oil prices.
In East Asia, the two leading economies confirmed considerable growth factors, albeit with different dynamics. In China, this growth slowed down to 6.9% in a scenario with policies weakening the domestic currency, while in India growth improved (approximately +7%) with a concurrent decrease in inflation and the budget deficit.
Japan instead still did not manage to record a significant growth, despite the considerable state deficit and expansive monetary policy adopted.
In the United States, growth was consolidated (approximately +2.5%), allowing for a gradual reduction in the federal deficit and normalisation of the monetary policy. As a result the dollar got stronger, with a positive impact on the trade balances of EU countries.
Overall growth improved in the eurozone, in a context of marginal inflation, which led the ECB to confirm major programmes for monetary intervention.
In Italy, after three consecutive years of decline, GDP registered a growth which is near 1%. The slight improvement in consumer trends and employment confirmed the need for further structural reforms - to improve competitiveness, and for EU policies that not only focus on the strict control of government undertakings, but also on supporting investments.

The market

Two-wheeler

In 2015, the world two-wheeler market (scooters and motorcycles), based on figures from monitored markets, recorded sales of nearly 46 million vehicles, with a decrease of approximately 6.5% compared to the previous year, but with different dynamics anchored to the geographic segment.

India, the most important two-wheeler market, registered a slight growth in 2015, ending the year with just over 16 million vehicles sold, up by 0.9% compared to 2014.

China instead recorded decreasing volumes in 2015, down by 14.8% compared to the previous year and ending the period with 9.1 million units sold.

The Asian area, Asean 5, reported a considerable decrease in 2015 (-10.1% compared to 2014) ending the year with 12.18 million units sold. Indonesia, the main market in this area, declined considerably in 2015, with total volumes of over 6.48 million units and a decrease of 17.6% compared to the previous year. Thailand also recorded a downwards trend (1.6 million units sold; -4.1% compared to 2014) as well as Malaysia (378 thousand units sold; - 14.7% compared to 2014). Whereas sales in Vietnam increased (2.8 million units sold; +4.8% compared to 2014), and in the Philippines (850 thousand units sold; +8% compared to 2014).

Volumes of other Asian area countries (Singapore, Hong Kong, South Korea, Japan, Taiwan, New Zealand and Australia) decreased, in overall terms, compared to the previous year, with 1.22 million units sold (-5%). In this area, the decrease registered by Japan was considerable (-10.3% in 2015, with 374 thousand vehicles sold), while it was less negative for Taiwan, which ended the period with 668 thousand units sold (-0.9% compared to 2014).

The North American market, up by 3.3% compared to 2014 (557,000 vehicles sold) confirmed its growth trend in 2015 as well.

Brazil, the first market in the South America area, recorded a downturn of 16.8%, with just under 1.2 million vehicles sold in 2015.

Europe, the reference area for Piaggio Group activities, confirmed its positive growth trend in 2015 as well, reporting a 5.4% increase in sales on the two-wheeler market compared to 2014 (+10% for the motorcycle segment and +1.8% for scooters), ending the period with 1.212 million units sold.

The scooter market

Europe

The European scooter market in 2015 accounted for 673,000 registered vehicles, with an increase in sales of 1.8% compared to 2014.
In 2015, vehicle registrations were higher in the over 50cc segment, with 396,000 units against 277,000 units in the 50cc scooter segment. The over 50cc scooter segment increased by 6.9% compared to 2014, while the 50cc segment fell by 4.6%.
France was the most important market with 134,300 thousand units sold, followed by Italy with 129,600 thousand units and Spain with 102,500 thousand units. Holland has become the fourth country, in terms of sales volumes (64,700 units) ahead of Germany, which is now in fifth place on the European market with 61,500 units sold. Lastly, the United Kingdom registered 32,200 vehicles. In 2015, the Italian market reported a positive growth trend compared to the previous year (+3%). The 50cc segment went down by 13.3%, with 21,000 units sold. In the over 50cc segment, 108,600 units were sold, registering an increase of 7% compared to 2014.
The French market with 134,300 vehicles decreased by 5.8% compared to the 142,500 vehicles sold the previous year: this is due to the performance of the 50cc scooter subsegment (-10.2%) while the over 50cc subsegment was stable (+0.6%).
The German market registered a slight decrease (-1.6%) with approximately 61,500 vehicles sold in 2015 compared to 62,500 in 2014. On this market, the downturn was due to the 50cc scooter segment (-4.7%), while the over 50cc scooter segment reported an increase (+2%).
Spain performed the best among leading markets, with a growth of +16.6% compared to 2014. In this case as well, the result was due to a considerable increase in the over 50cc subsegment (+18.1%), while the 50cc scooter subsegment reported an increase of 8.2%.
In the United Kingdom the market grew by 1.1% thanks to a good performance from the over 50cc subsegment (+6.6%), which was only partially offset by a fall in the 50cc scooter subsegment (- 11.2%).

North America

In 2015 the market still reported a downturn (-10.4%), with approximately 33,000 units sold: this negative trend is due to the over 50cc scooter segment, where sales fell by 13% and to the 50cc scooter segment, with sales going down by 8.3%.
The scooter market in the United States (which accounts for 90% of the reference area), declined by 10.7%, with 30,000 vehicles sold; a downturn was also registered on the Canadian market, with nearly 3,300 vehicles registered in 2015, accounting for a decrease of 8.3%.

Asia

The main scooter market in the Asean 5 area is Indonesia, with just under 5.7 million items sold, reporting a decrease of approximately 16% compared to 2014. The Cub segment (vehicles with gears) recorded the most significant downturn, confirming the negative trend of the previous year and closing with 829 thousand units and a decrease of -43%. The decrease in the automatic scooter segment was far more moderate (-8.3% compared to 2014 and nearly 4.9 million units sold).
The second main market is Vietnam, which reported a 4.8% increase and 2.8 million units sold, of which 1.5 million Cub scooters (-0.9% compared to 2014) and 1.3 million automatic scooters (+12.8% compared to 2014).

Vietnam

The Vietnamese market mainly concerns scooters, as sales in the motorcycle segment are not particularly significant. The 50cc scooter segment is not operative on this market.
In the Cub segment, 51cc to 115cc models were the best performers, with more than 1.2 million units sold, accounting for 78% of the entire segment.

India

The automatic scooter market increased by 12.9% in 2015, ending the year with over 4.9 million units sold.
The over 90cc range is the main product segment, with more than 4.7 million units sold in 2015 (+14.2% compared to the previous year) and accounting for 97% of the total automatic scooter market. The 50cc scooter segment is not operative in India.

The motorcycle market

Europe

With 539,000 units registered, the motorcycle market ended 2015 with a 10% increase. All subsegments reported a growth trend, including the 50cc subsegment (+1.9%, closing with 31,100 units sold). More significant growth trends were recorded for other sub-segments: 51-125cc motorcycles closed with sales of 85,000 units (+18.9%), while sales of 126-750cc motorcycles amounted to 156,000 units (+4.8%).
Lastly, the over 750cc segment reported the highest growth, +11.6%, with 266,600 motorcycles sold.
Germany is now the main European market with 121,700 units sold, taking over from France (107,000); the United Kingdom with 82,500 vehicles stayed in third place, ahead of Italy which ended the year with 65,000 units sold; Spain ranked fifth with 45,500 vehicles sold.
In 2015, all main countries in the eurozone reported positive trends compared to the previous year: the increase (as a percentage) was highest in Spain (+22.5%), with a very good performance also recorded in the United Kingdom (+18%), Italy (+13.7%) and Germany (+8.4%), while France recorded a slight downturn (0.8%).

North America

The recovery of the motorcycle market in North America (USA and Canada) confirmed the trend underway in the past three years: 2015 ended with an increase of 4.4%, and 524,000 units were sold compared to 502,000 in the previous year. In the United States (accounting for 89% of the area), the motorcycle segment improved, recording a 4.6% increase, selling 470,600 units against 450,000 units in 2014. The trend on the Canadian market was also positive, ending the year with 53,700 units sold and an increase of 2.3%.

Asia

India is the most important motorcycle market in Asia, selling over 10.5 million units in 2015, accounting for a 3.4% decrease.
The motorcycle market in the Asean 5 area is far less important than the scooter sector. Sales of motorcycles in Vietnam were not significant. In other countries, the highest sales were recorded in Indonesia; however with 839 thousand units sold, it reported a decrease of 33.2% compared to the previous year.

Commercial Vehicles

Europe

In 2015, the European market for light commercial vehicles (vehicles with a maximum mass of up to 3.5 tons) where the Piaggio Group operates, accounted for 1.7 million units sold, up 11.6% compared to 2014 (source ACEA data). In detail, the trends of main European reference markets are as follows: Germany (+4.2%), France (+2.0%), Italy (+12.4%) and Spain (+36.1%).

India
Sales on the Indian three-wheeler market, where Piaggio Vehicles Private Limited, a subsidiary of Piaggio & C. S.p.A. operates, fell from 531,500 units in 2014 to 514,000 in 2015, registering a 3.3% decrease.
Within this market, the passenger vehicle subsegment reported a negative trend, decreasing by 2.9% and closing with 419,000 units. The cargo segment reported a decrease of 5.1%, from 100,000 units in 2014 to 95,000 units in 2015. The traditional three-wheeler market is flanked by the four-wheeler light commercial vehicles (LCV) market (cargo vehicles for goods transport) where Piaggio Vehicles Private Limited operates. The LCV cargo market, with vehicles with a maximum mass below 2 tons and where the Porter 600 and Porter 1000 compete, accounted for 115,400 units sold in 2015, falling by 16.6% compared to 2014.

The regulatory framework

European Union
In March, the European Commission launched a public consultation on the 2011 White Paper on Transport: "Roadmap to a Single European Transport Area: Towards a competitive and resource efficient transport system".
The aim of the 2015 consultation was to assess the implementation status of the guidelines contained in the White Paper and to identify new topics of interest for transport policy in light of various new technological developments and the changing socio-economic environment in Europe.
The consultation closed on 2 June 2015. ACEM (the Association of European Motorcycle Manufacturers) took part on behalf of its members, including Piaggio.
Based on the consultation analysis document, published by the Commission in August, the majority of participants involved had the following opinions:

- the general purpose of the 2011 White Paper is still valid;
- the level of White Paper expectations is considered very high and consequently some expectations are not realistic;
- progress and coordination, particularly at a member state level, are not considered satisfactory;
- greater regulatory stability is required.

Moreover, in July 2015, the Committee on Transport of the European Parliament adopted the report prepared by the Euro MP Wim Van de Camp on the review of the White Paper on Transport. This report has a positive general approach to two-wheeler vehicles and in particular states that two-wheelers (motorcycles, scooters, mopeds), including electrical vehicles, have a considerable role to play in sustainable mobility, specifically in urban areas where they can help solve congestion and parking problems, and provide a solution for logistics. The report underscores the fact that the specific benefits of these vehicles must be adequately considered and reflected in laws and guidelines on transport established by the European Union.

As provided for in Regulation (EU) No 168/2013 on the approval and market surveillance of two- or three-wheeler vehicles and quadricycles, published in January 2013, the European Commission launched an environmental impact study in the first half of 2015 to assess air quality and the pollution caused by category L vehicles (mopeds, motorcycles, tricycles and quadricycles).
The Joint Research Centre (JRC), on request of the European Commission, held a public consultation from 31 March to 10 July 2015, involving European manufacturers who are members of ACEM, on the costs, benefits and technical feasibility of Euro 5.
In June 2015, the Commission called a tender to identify research laboratories/centres, supervised by JRC, to check and validate the results obtained by JRC during the pre-study and data collection stage. The research centres identified shall submit a final report to the European Commission in September

2016 and, in light of the results, the Commission will present a report to the European Parliament and Council by the end of 2016. It will either confirm the requirements already contained in Regulation (EC) No 168/2013 for Euro 5 emissions standards (2020), or else will put forward new suitable legislative proposals, which will have to be approved by the European Parliament and the EU Council.

As for personal protective equipment (PPE), the European Union has issued a number of directives over the years, including the Directive 89/686/EEC on the manufacture and sale of PPE, including products intended for drivers of scooters and motorcycles. It also defines the legal obligations designed to ensure that PPE placed on the European market offers the highest level of protection.
To facilitate a common interpretation and uniform application of the directive, guidelines were adopted some years ago which are currently under review by an EU working group. The working group is made up of representatives from European institutions, Member States and the two-wheeler industry.

In 2014, under the aegis of UNECE Working Party 29 (World Forum for Harmonization of Vehicle Regulations) in Geneva, the European Commission unveiled a raft of proposals for Global Technical Regulations relating to pollution from two-wheeler vehicles. Discussions of the proposals continued into the first half of 2015. One of the objectives is to negotiate with member countries of Working Party 29 on the transposition, to the fullest extent possible, of the requirements that will come into force from January 2016, making Europe the global leader for this type of regulation. Among the regulations currently under discussion are those relating to exhaust emissions, evaporative emissions, durability of anti-pollution systems and on-board diagnostic systems.

At the June 2015 meeting of UNECE Working Party 29, Member States ratified the final version of the 03 series of amendments to UNECE Regulation 51 concerning noise emissions from motor vehicles.
With this new series of amendments, the UNECE has adopted the requirements of Regulation (EU) No 540/2014 on the sound level of motor vehicles, which it will implement according to the same timetable. Phase 1 of the new noise limits applies to new vehicle types from 1 July 2016. Unlike the European regulation, it also introduces exemptions for certain vehicle categories commonly found outside Europe.
For example, until 30 June 2022, less stringent limits will apply to goods vehicles with a gross vehicle weight of ≤ 2.5 tonnes, provided they meet certain specific constraints in terms of engine displacement and conformation.

On 29 April 2015, Regulation (EU) 2015/758 concerning type-approval requirements for the deployment of the eCall in-vehicle system was published in the Official Journal of the European Union. This makes it compulsory to fit the eCall (emergency call) system on board in new types of passenger cars and light commercial vehicles (categories M1 and N1), which, in the event of a road accident, must be able to dial the single European emergency number 112 automatically and transmit the vehicle's location.
For this mechanism to be fully operational, the appropriate infrastructure must exist for the eCall system, which must be free to use for all consumers. In short:
› the regulation will apply to new types of M1 and N1 vehicles (excluding small series vehicles or vehicles with individual approval);
› the date of mandatory application for new type-approvals will be 31 March 2018 for both M1 and N1 vehicles;
› by 31 March 2021, the Commission will present a report to the EU Parliament and the EU Council on the effects of the eCall system, including its penetration rate. In addition, the Commission will investigate whether the eCall requirement should be extended to other categories of vehicles, such as two-wheelers. If appropriate, the Commission will have to present a legislative proposal for consideration by the European Parliament and Council.

During the second half of 2015, the European Commission also presented two proposals for delegated regulations, that will define the administrative procedure and technical requirements and testing procedures for the type approval of vehicles, with reference to respective eCall systems.

On 28 October, representatives of EU Member States on the Technical Committee of Motor Vehicles (TCMV) voted by a large majority on a package of measures to introduce real driving emissions tests for air pollutant emissions for passenger and commercial vehicles. This is because some recent laboratory tests did not accurately reflect the amount of air pollution emitted during real driving conditions. The member states therefore established that as from September 2017, these RDE tests will determine, along with new WLTP (Worldwide harmonized Light vehicles Test Procedures), whether a vehicle may be granted type approval and therefore placed on the market.
In particular, manufacturers will have to be able to limit the difference between laboratory emissions and emissions in real driving conditions (the so-called conformity factor):
› by a maximum 2.1 (110%) for new models by September 2017 (for new vehicles by September 2019);
› by a maximum 1.5 (50%) for new models by January 2020 (for new vehicles by January 2021).

Italy

In the first few months of 2015, the Italian Government announced its intention of presenting the Green Act, to establish government guidelines on energy efficiency, the development of renewable energies, incentives for sustainable mobility, measures to manage and efficiently use natural energy resources, sustainable agriculture, and financial and tax measures for development of the green economy. The Green Act should be issued as a framework regulation involving various institutions.
Pending the publication of the Green Act, stakeholders, including trade associations such as ANFIA (the Italian Association of the Automotive Industry) and ANCMA (the Italian National Association of Manufacturers of Mopeds, Motorcycles and Accessories), which Piaggio belongs to, prepared and presented some proposals for environmental and industrial policy, calling for:
› a strategic vision of Italy's position within the European context;
› strategic objectives in the medium and long term;
› knowledge of Italy's competencies and technological vocation;
› a clear and stable regulatory framework;
› effective policy instruments to support objectives.

In the second half of 2014, an amendment was tabled before the Italian Parliament in the context of highway code reforms delegated to the Government. Along with other legislative proposals, it sought to allow access to ring roads and motorways for motorcycles with an engine capacity of ≥ 120 cc if driven by drivers over the age of 18. This amendment, approved by the Chamber of Deputies, was stalled, following a negative opinion from the Budget Committee of the Senate, concerning an assumed lack of financial cover for some of the proposals it contained. The bill was then reviewed by the Senate in November 2015, with some amendments presented by members of the Public Works Committee, which should be voted on during the first few months of 2016.

In June 2015, Confindustria ANCMA (the Italian National Association of Manufacturers of Mopeds, Motorcycles and Accessories), of which Piaggio is a member, attended a hearing organised by the joint finance and manufacturing committees of the Chamber of Deputies to discuss the "Competition" bill. The subject of the hearing was ANCMA proposals to tackle the high cost of insurance that has penalised mopeds and motorcycles for years. Based on the results of a study commissioned from the LUISS University in Rome, ANCMA showed how the direct compensation mechanism, introduced in Italy in 2007, has led to higher costs for companies that insure two-wheeler vehicles and, consequently, an increase in insurance premiums for these vehicles.

The bill "Provisions for the fulfilment of obligations arising from Italy's membership of the European Union" (European Law 2014)", after being approved by the Chamber of Deputies, went to the Senate in June 2015 and was assigned to the 14th Committee on Political Affairs of the European Union. The bill in question allows drivers over the age of 16 who hold an AM, A1 or B1 licence to carry a passenger (not precedently permitted by the highway code), thus bringing national requirements into line with EU legislation. On 23 July, the Senate gave final approval and the bill was published in the Gazzetta Ufficiale and became law on 3 August.

France

During the first half of 2015, a package of new measures to improve road safety was unveiled and subsequently approved by the French Government. Two changes that came into force on 1 July for drivers of two-wheeler vehicles are particularly worth mentioning:

› the ban on using headphones or earphones while driving. This measure applies to drivers of cars, HGVs, motorcycles, scooters, mopeds and bicycles;

› the reduction of the legal alcohol limit for new drivers to 0.2 grams per litre.

The entry into force of European Regulation 168/2013/EC on the approval of two- or three-wheel vehicles and quadricycles, as from January 2016, will stop the application of a specific French law that currently limits the maximum power of motorcycles that may be registered in France to 100 horsepower.

The French government is preparing a draft decree based on which motorcycles approved before this date must have ABS in order for the version with unlimited power (over 100 hp) to be registered. This problem does not apply to motorcycles with type approval from January 2016 onwards, as these will be approved according to European Regulation 168/2013 and so have ABS as standard (for two wheelers over 125cc).

USA

The Pedestrian Safety Enhancement Act of 2010 delegated the NHTSA (National Highway Traffic Safety Administration) to adopt a regulatory process to establish a regulation that would require electric and hybrid vehicles to have an acoustic warning system enabling pedestrians and particularly non-sighted pedestrians to perceive the presence of vehicles that operate below their cross over speed (the speed at which the noise of the tyres, wind resistance or other factors mean that vehicles can be detected even without an alarm system). Motorcycles are also considered. The MIC (Motorcycle Industry Council) presented some technical observations requiring the exclusion of two-wheeler vehicles from these requirements. Based on information released in December 2015 from the Department of Transport, the Final Rule on the matter should be published in March 2016, while requirements will become mandatory starting from three years from this date.

In July, the EPA (Environmental Protection Agency) and NHTSA published a regulatory proposal to create a new stage compared to current standards on greenhouse gas emissions and the energy efficiency of vehicles. Not all of the proposal applies to motorcycles, but the EPA has suggested adopting a part of stage 2 requirements (recall devices and hearing procedures) for on-road motorcycles.

The AMA (American Motorcyclist Association) is promoting the implementation of requirements that will enable motorcyclists to advance through slow-moving traffic using a manoeuvre commonly known as "lane splitting". According to the AMA, this would make motorcyclists less exposed to the frequent acceleration and deceleration of vehicles on congested roads and could help reduce collisions involving these vulnerable road users.

Canada

The Canadian Ministry of Transport is evaluating the possibility of including the UNECE 60 regulation (identification of driver-operated controls) as part of CMVSS (Canada Motor Vehicle Safety Standard) no. 123 on controls and displays. Times are still being defined.

India

In July 2014, the Expert Committee on Auto Fuel Vision & Policy 2025 published a report with its contribution to defining a roadmap for Bharat V (emission standards). According to information disclosed in early 2015, the time frames for this new stage of standards to come into force appear to be as follows: 1 April 2020 for newly type-approved two-wheeler vehicles, and 1 April 2021 for newly registered two-wheeler vehicles.

On 12 June 2015, final notification for Bharat Stage IV was issued, which requires the entry into force, by 1 April 2016, of new requirements for vehicles with new type approval (one year later for existing vehicles).

To encourage the development and production of hybrid and electric two-wheeler vehicles, in April

2015 the Ministry of Transport announced a specific type-approval procedure, with less stringent requirements than those existing for conventional internal combustion engine vehicles.

People's Republic of China

The entry into force of anti-pollution legislation known as "China 4", basically equivalent to Euro 4 standards and originally scheduled for January 2016, has been postponed to 1 January 2017.

Japan

Between 2012 and 2014, the Japanese authorities and various stakeholders examined and discussed a proposal for new emissions regulations for two-wheeler vehicles. This led to the implementation of several amendments to the original proposal in April 2015. New rules have also been drawn up, which manufacturers will have to follow for the type-approval of their two-wheeler vehicles in the near future.

Of these requirements, it is worth mentioning the following:

› emissions values comparable to Euro 4 for the European Union;
› limit values for evaporative emissions;
› new requirements for on-board diagnostic systems.

These requirements are due to enter into force in October 2016 (September 2017 for imported vehicles) and are not expected to include mopeds.

Indonesia

In August, the obligation for newly registered motorcycles to conform to Euro 3 emission standards came into force. This obligation has been in effect since August 2013 for models with new type approval.

Financial position and performance of the Group

Consolidated income statement

Consolidated Income Statement (reclassified)

	2015		2014		Change	
	In millions of euros	Accounting for a %	In millions of euros	Accounting for a %	In millions of euros	%
Net sales revenues	1,295.3	100.0%	1,213.3	100.0%	82.0	6.8%
Cost to sell[18]	920.9	71.1%	848.6	69.9%	72.3	8.5%
Gross industrial margin[18]	**374.4**	**28.9%**	**364.7**	**30.1%**	**9.7**	**2.7%**
Operating expenses	317.7	24.5%	295.0	24.3%	22.7	7.7%
EBITDA[18]	**161.8**	**12.5%**	**159.3**	**13.1%**	**2.4**	**1.5%**
Amotisation/Depreciation	105.0	8.1%	89.6	7.4%	15.4	17.2%
Operating income	**56.7**	**4.4%**	**69.7**	**5.7%**	**(13.0)**	**-18.6%**
Result of financial items	(36.6)	-2.8%	(43.1)	-3.6%	6.5	-15.2%
of which non-recurrent costs		*0.0%*	*(3.6)*	*-0.3%*	*3.6*	*-100.0%*
Profit before tax	**20.1**	**1.6%**	**26.5**	**2.2%**	**(6.4)**	**-24.2%**
Adjusted profit before tax	**20.1**	**1.6%**	**30.1**	**2.5%**	**(10.0)**	**-33.1%**
Taxes	8.2	0.6%	10.5	0.9%	(2.2)	-21.2%
Net profit	**11.9**	**0.9%**	**16.1**	**1.3%**	**(4.2)**	**-26.1%**
Impact of non-recurrent costs			*(2.6)*		*2.6*	*-100.0%*
Adjusted net profit	**11.9**	**0.9%**	**18.6**	**1.5%**	**(6.8)**	**-36.3%**

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

Net revenues

	2015	2014	Change
in millions of euros			
EMEA and Americas	745.4	699.5	45.9
India	353.7	324.7	29.0
Asia Pacific 2W	196.2	189.1	7.1
Total Net Revenues	**1,295.3**	**1,213.3**	**82.0**
Two-wheeler	884.9	841.0	43.9
Commercial Vehicles	410.4	372.3	38.1
Total Net Revenues	**1,295.3**	**1,213.3**	**82.0**

In terms of consolidated turnover, the Group ended 2015 with net revenues up considerably compared to 2014 (+ 6.8%). Growth, due mainly to the devaluation of the euro against Asian currencies and the dollar, was stronger in India (+ 8.9%). The decrease in units sold was offset by a shift in the mix towards products with a greater unit value (+ 5.0% from motorcycle sales), and by the premium prices policy. With regard to product type, the increase in turnover was significant for both two-wheeler vehicles (+ 5.2%) and Commercial Vehicles (+ 10.2%). Consequently, the impact of two-wheeler vehicles on turnover went down from 69.3% in 2014 to the current figure of 68.3%, while the impact of commercial vehicles went up from 30.7% in 2014 to 31.7% in 2015.

The Group's **gross industrial margin** increased compared to the previous year, in absolute terms (€ +9.7 million), and decreased in relation to net turnover (28.9% against 30.1% in 2014).
Amortisation/depreciation included in the gross industrial margin was equal to € 36.9 million (€ 34.5 million in 2014).

Operating expenses in 2015 went up compared to the previous year, and amounted to € 317.7 million (€ 295.0 million in 2014). The increase is due to higher amortisation recognised under operating expenses (€ 68.1 million in 2015 compared to € 55.1 million in 2014) and communication, marketing and racing costs.

This performance resulted in a consolidated **EBITDA** which was higher than the previous year, and equal to € 161.8 million (€ 159.3 million in 2014). In relation to turnover, EBITDA was equal to 12.5% (13.1% in 2014). In terms of Operating Income (**EBIT**), performance was down on 2014, with a consolidated EBIT equal to € 56.7 million, decreasing by € 13.0 million compared to 2014; in relation to turnover, EBIT was equal to 4.4% (5.7% in 2014).

The result of financing activities improved compared to the previous year by € 6.5 million, with Net Charges amounting to € 36.6 million (€ 43.1 million in 2014). The lower financial charges are due to the fall in the cost of indebtedness on account of refinancing operations carried out during 2014, which resulted in a non-recurrent cost of € 3.6 million in the same period, to a greater capitalisation of interest and fewer charges from currency management, which more than offset the effects of the higher level of average indebtedness for the period.

Adjusted net profit stood at € 11.9 million (0.9% of turnover), down on the figure for the previous year of € 16.1 million (1.3% of turnover).

Taxes for the period were equal to € 8.2 million, while they amounted to € 10.5 million in 2014. The figure for 2014 was affected by the above recognition of non-recurrent income amounting to € 1.0 million.

Operating data

Vehicles sold

	2015	2014	Change
In thousands of units			
EMEA and Americas	218.9	219.5	(0.5)
India	212.6	229.2	(16.5)
Asia Pacific 2W	88.1	97.8	(9.7)
Total vehicles	**519.7**	**546.5**	**(26.8)**
Two-wheeler	322.5	334.2	(11.7)
Commercial Vehicles	197.2	212.3	(15.1)
Total vehicles	**519.7**	**546.5**	**(26.8)**

The Piaggio Group sold 519,700 vehicles worldwide in 2015, with a reduction in volumes totalling around 4.9% compared to the previous year, when 546,500 vehicles were sold. The number of vehicles sold in India (- 7.2%) and Asia Pacific 2W (- 9.9%) decreased, while figures were steady for vehicles sold in EMEA and the Americas (- 0.2%). As regards product type, the downturn mainly concerned sales of commercial vehicles (- 7.1%), while the decrease for two-wheelers was less significant (- 3.5%).

For a more detailed analysis of market trends and results, see relative sections.

Consolidated statement of financial position[19]

Statement of financial position	As of 31 December 2015	As of 31 December 2014	Change
In millions of euros			
Net working capital	(32.0)	(16.1)	(15.9)
Property, plant and equipment	319.6	319.5	0.0
Intangible assets	674.0	668.4	5.6
Financial assets	9.7	10.0	(0.3)
Provisions	(68.8)	(76.0)	7.1
Net capital employed	**902.4**	**905.9**	**(3.5)**
Net financial debt	498.1	492.8	5.3
Shareholders' equity	404.3	413.1	(8.8)
Sources of funds	**902.4**	**905.9**	**(3.5)**
Non-controlling interests	(0.2)	0.9	(1.2)

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

Net working capital as of 31 December 2015 was negative (€ 32.0 million), generating a cash flow of approximately € 15.9 million during 2015.

Property, plant and equipment, which includes investment property, totalled € 319.6 million as of 31 December 2015, more or less in line with figures for the previous year. Investments for the year were equal to approximately € 38.1 million and the value adjustment of this balance sheet item to the end-of-year exchange rate increased the carrying amount by approximately € 7.2 million, which offset depreciation for the year (€ 45.5 million).

Intangible assets totalled € 674.0 million, up by approximately € 5.6 million compared to 31 December 2014. This increase is mainly due to investments for the period (€ 63.8 million) that exceeded amortisation for the period by approximately € 4.3 million. The appreciation of Asian currencies against the Euro generated an increase in the carrying amount of approximately € 2.0 million.

Financial assets totalled € 9.7 million, and were basically in line with figures for the previous year.

Provisions totalled € 68.8 million, decreasing compared to 31 December 2014 (€ 76.0 million).

As fully described in the next section on the "Consolidated Statement of Cash Flows", **net financial debt** as of 31 December 2015 was equal to € 498.1 million, compared to € 492.8 million as of 31 December 2014. The increase of approximately € 5.3 million is mainly due to the reduction in shareholders' equity arising from the payment of dividends, which was only partially offset by the positive contribution of working capital.

Shareholders' equity as of 31 December 2015 amounted to € 404.3 million, down by approximately € 8.8 million compared to 31 December 2014.

Consolidated Statement of Cash Flows

The Consolidated Statement of Cash Flows, prepared in accordance with international accounting standards, is presented in the "Consolidated Financial Statements and Notes as of 31 December 2015"; the following is a comment relating to the summary statement shown.

Change in Consolidated Net Debt	2015	2014	Change
In millions of euros			
Opening Consolidated Net Debt	**(492.8)**	**(475.6)**	**(17.2)**
Cash flow from operating activities	109.8	105.3	4.5
(Increase)/Reduction in Working Capital	15.9	(14.3)	30.2
(Increase)/Reduction in Net Investments	(110.4)	(113.0)	2.7
Change in Shareholders' Equity	(20.6)	4.9	(25.5)
Total change	**(5.3)**	**(17.2)**	**11.9**
Closing Consolidated Net Debt	**(498.1)**	**(492.8)**	**(5.3)**

During 2015 the Piaggio Group used **financial resources** amounting to € 5.3 million.

Cash flow from operating activities, defined as net profit, minus non-monetary costs and income, was equal to € 109.8 million.

Working capital generated a cash flow of approximately € 15.9 million; in detail:
- the collection of trade receivables[20] used financial flows for a total of € 7.3 million;
- stock management originated financial flows for a total of approximately € 19.6 million;
- supplier payments used financial flows of approximately € 5.4 million;
- the movement of other non-trade assets and liabilities had a positive impact on financial flows by approximately € 9.0 million.

20) *Net of customer advances.*

Investing activities generated a total of € 2.7 million of financial resources. The investments refer to approximately € 31.4 million for capitalised development expenditure, and approximately € 70.5 million for property, plant and equipment and intangible assets.

As a result of the above financial dynamics, which involved a cash flow of € 5.3 million, the **net debt** of the Piaggio Group amounted to € –498.1 million.

Alternative non-GAAP performance measures

In accordance with CESR/05-178b recommendation on alternative performance measures, in addition to IFRS financial measures, Piaggio has included other non-IFRS measures in its Report on Operations. 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 gross of amortisation/depreciation and impairment costs of intangible assets and property, plant and equipment, as resulting from the consolidated income statement;
- **Gross industrial margin:** defined as the difference between net revenues and the cost to sell;
- **Cost to sell:** this includes costs for materials (direct and consumables), accessory purchase costs (transport of incoming material, customs, warehousing), employee costs for direct and indirect manpower and related expenses, work carried out by third parties, energy costs, depreciation of

property, plant, machinery and industrial equipment, maintenance and cleaning costs net of sundry cost recovery recharged to suppliers;

- **Consolidated net debt:** gross financial debt, minus cash on hand and other cash and cash equivalents, as well as other current financial receivables. Consolidated net debt does not include other financial assets and liabilities arising from the fair value measurement of financial derivatives used as hedging and the fair value adjustment of related hedged items. The notes to the Consolidated Financial Statements include a table indicating the statement of financial position items used to determine the measure.

For a comparison of 2014 and 2013 results with the current year, profit before tax and net profit for 2014 and net profit for 2013 were recalculated, excluding the effect of non-recurring events (which are discussed in full in section 51 "Significant non-recurring events and operations" of the Notes). Further profitability measures are defined as adjusted profit before tax and adjusted net profit.

Results by type of product

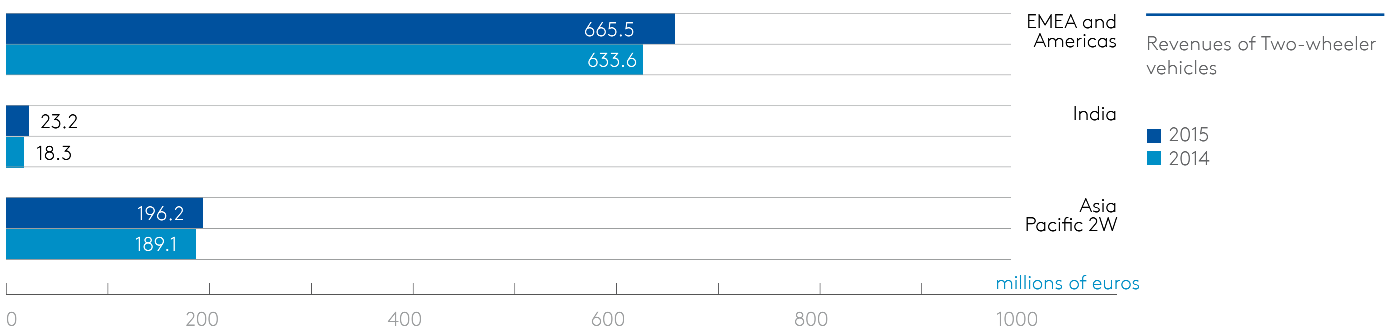
The Piaggio Group is comprised of and operates by geographical segments - EMEA and the Americas, India and Asia Pacific - to develop, manufacture and distribute two-wheeler and commercial vehicles. Each Geographical Segment has production sites and a sales network dedicated to customers in the relative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

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

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

Two-wheeler

	2015		2014		Change %		Change	
	Volumes Sell-in (units/000)	Turnover (million euros)	Volumes Sell-in (units/000)	Turnover (million euros)	Volumes	Turnover	Volumes	Turnover
EMEA and Americas	206.1	665.5	209.4	633.6	-1.6%	5.0%	(3.3)	32.0
of which EMEA	*191.0*	*592.1*	*193.2*	*572.8*	*-1.1%*	*3.4%*	*(2.2)*	*19.3*
(of which Italy)	*39.5*	*132.2*	*37.0*	*120.6*	*6.9%*	*9.7%*	*2.5*	*11.6*
of which America	*15.1*	*73.4*	*16.1*	*60.8*	*-6.7%*	*20.8%*	*(1.1)*	*12.7*
India	28.3	23.2	27.0	18.3	4.9%	26.2%	1.3	4.8
Asia Pacific 2W	88.1	196.2	97.8	189.1	-9.9%	3.8%	(9.7)	7.1
Total	**322.5**	**884.9**	**334.2**	**841.0**	**-3.5%**	**5.2%**	**(11.7)**	**43.9**
Scooters	291.8	605.2	305.1	604.6	-4.4%	0.1%	(13.3)	0.6
Motorcycles	30.5	152.5	29.1	120.3	5.0%	26.7%	1.4	32.2
Wi-Bike	0.2	0.4					0.2	0.4
Spare parts and Accessories		123.9		114.4		8.3%		9.5
Other		2.9		1.7		73.2%		1.2
Total	**322.5**	**884.9**	**334.2**	**841.0**	**-3.5%**	**5.2%**	**(11.7)**	**43.9**



Revenues of Two-wheeler vehicles

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

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

Main results

During 2015, the Piaggio Group sold a total of 322,500 two-wheeler vehicles worldwide, accounting for a net turnover equal to approximately € 884.9 million (+ 5.2%), including spare parts and accessories (€ 123.9 million, +8.3%).
The decrease in units sold was offset by a shift in the mix towards products with a greater unit value (+ 5.0% from motorcycle sales), and by the premium prices policy.
In Asia Pacific, the fall in sales was affected by a considerable drop in demand in the Asean 5 area (-10.4% compared to 2014).

Market positioning

The Piaggio Group maintained its leadership position on the European market in 2015, closing with a 15.2% share thanks to a strong presence in the scooter segment (24.1% share in 2015).

The Group, with its own sites in India and Vietnam, also operates in the "premium" segment of the Indian market and in Asia Pacific countries. In particular, Piaggio is one of the leading segment operators in Vietnam, which is the Group's main market in the Asian area.

The Group retained its strong position on the North American scooter market, where it closed the year with a market share of just under 21%, and where it is committed to increasing its profile in the motorcycle segment, through the Aprilia and Moto Guzzi brands.

Brands and products

The Piaggio Group operates on the two-wheeler market with a portfolio of 7 brands that have enabled it to establish and consolidate a leadership position in Europe: Piaggio, Vespa, Gilera, Aprilia, Scarabeo, Moto Guzzi and Derbi.

The brands offer a complementary product assortment, so that the Group can supply the market with a fully comprehensive range to target the needs of different customer groups.

Engines for the Piaggio, Vespa, Gilera, Derbi, Aprilia, Scarabeo and Moto Guzzi brands are entirely designed and manufactured by the company.

In 2015, the Piaggio Group was absolute market leader, thanks to the introduction of vehicles with a style and content placing them at the top of their segments.

Piaggio

With a wide range of models covering all main scooter segments, Piaggio is one of Europe's and the world's leading brands. The huge success of Piaggio has been built up around the ease of use, design and outstanding functionality of its products.

During 2015, three new models were unveiled:
› the new Liberty ABS;
› the new Medley ABS;
› Wi-Bike

with results, in terms of volumes and turnover, having an impact as from 2016.

In November, during the 2015 edition of EICMA, the new generation of the Liberty was unveiled - one of Piaggio's greatest successes and a symbol of the compact High Wheeled segment since 1997 - selling over 900,000 models worldwide.
The new Liberty has been entirely re-engineered and is the first vehicle in its category with Front Wheel ABS as standard (for number plate versions).
It has also been restyled and now features a new range of "i-get" (Italian Green Experience Technology) 50cc, 125cc and 150cc 3 valve engines that are standard setters for their quiet, superb, energy-efficient performance (up to 45km/l WMTC cycle for the 125cc version).

Created with a discerning, adult rider in mind, and as a link between the prestigious Beverly and easy-to-handle Liberty, Piaggio unveiled its new mid-power High Wheeled Medley at EICMA, as part of an entirely new project that will help Piaggio gain an edge in the entire High Wheeled segment, which is one of the most important and competitive the world over.
With its unique style and content, the Piaggio Medley introduces the new "i-get" range of air-cooled, 125cc and 150cc 4 valve engines, with radiator on board and Start&Stop system, representing the state-of-the-art in terms of performance and energy efficiency (over 47 km/l WMTC cycle for the 125cc version).
Concept and style are based on the best seller the Beverly, plus the Piaggio Medley features the biggest under-seat compartment in the segment (for up to 2 full face helmets), which, along with the Bosch, 2 channel ABS system fitted as standard on all versions, makes it a leader in the category.

After its official presentation at EICMA 2015, Piaggio launched its latest project on the European market at the end of 2015: the Wi-Bike, a pedal assist bicycle with 250 watt electric motor, entirely designed, developed and manufactured in Italy by the Piaggio Group.
Besides the attractive design, the Wi-Bike has an outstanding technological content. It features an integrated satellite security system: a GPS/GSM module always connects the bike to the user, via a special App, so the bike can be located at any time and the rider can receive alerts by smartphone if it gets stolen.
With sophisticated algorithms designed by Piaggio, the App extends basic vehicle functions, enabling the user to select 3 different riding modes and up to 10 motor assistance levels. By selecting Fitness mode, the Wi-Bike turns into a mobile trainer, and the user can configure power, measure calories burnt and monitor heart beat (if wearing a heart rate monitor).
With the Wi-Bike, Piaggio has designed a product that goes well beyond the concept of an electric bicycle, proposing innovative functions and new levels of interaction between the rider, bike and environment.

Vespa

Vespa is the leading brand of the Piaggio Group. Distributed worldwide, it is synonymous with style and sophistication and is a true ambassador of the best in Italian design.

In 2015, Vespa unveiled two models that are the very essence of its image and style:
› the Primavera Touring special series;
› the Vespa 946 Emporio Armani.

The Vespa Primavera now includes a special Touring series, with accessories and design details inspired by a passion for travel: the front and rear racks are both chrome-plated, the brown seat matches the new Silk Grey shade, plus the model features a stylish front and signature plate.
This new version is available for the entire Primavera engine range: 50 2-stroke, 50 4-stroke 4V, 125 4-stroke 3V and 150 4-stroke 3V.
To mark the 40th anniversary of the Giorgio Armani foundation and the 130th anniversary of the Piaggio Group in 2015, Giorgio Armani designed the new version of the Vespa 946. A single shade: a special palette of greys with just a hint of green, metal parts with a matt effect, the Emporio Armani logo on the side, the logo with eagle on the front headlamp, brown leather finishes, plus an innovative four stroke electronic injection engine, ideal for urban mobility, designed for the utmost energy efficiency. The dual 220 mm disk brake system, dual channel ABS and large 12 inch wheels guarantee the utmost safety on the road.

Gilera
The Gilera brand features models in both the scooter and motorcycle segments. The brand came into being in 1909 and was acquired by the Piaggio Group in 1969. Gilera is known for its successes in racing, winning six world championship manufacturer's titles and eight world championship rider's titles. Gilera is a brand designed for a young, vibrant market and dynamic motorcyclists.

Derbi
The Derbi brand features a range of 50cc to 300cc scooters and a range of 50cc and 125cc motorcycles. Its target customers, aged 14-17 years, have made it one of the biggest manufacturers in the 50cc segment. The brand has made a name for itself winning 21 world titles, gaining a leadership position in Spain and Europe on the 50cc and 125cc motorcycle market.

Aprilia
Aprilia includes a 50cc to 850cc scooter range, and a 50cc to 1200cc motorcycle range. The brand is known for its sporting style worldwide, winning many important competitions, the excellent performance of its products, and a cutting-edge innovation and design.
In 2015, Aprilia re-engineered its leading products (the RSV4 1000 and Tuono V4 1100), increasing engine performance (the RSV4 has an hp of over 200) and implementing innovative technological solutions related to electronic management, making the RSV4 and Tuono standard setters in the ultra-performance sports bike segment.

Scarabeo
The Scarabeo brand features a wide range of scooters from 50cc to 500cc, and is the Group's premium brand, along with the Vespa. The Scarabeo brand was launched by Aprilia in 1993, and is the first brand to have introduced high-wheeled scooters in Europe.

Moto Guzzi
The Moto Guzzi brand came into being in 1921, and is one of the most well-known motorcycle brands in Europe, with a strong brand loyalty among customers. In 1970 Moto Guzzi gained worldwide popularity when it became the motorcycle of choice of the police in Los Angeles, California. Moto Guzzis, which have always been unique with their distinctive 90° V twin cylinder engines, are perfect for touring and combine a stylish traditional design with the latest technologies in the world of motorcycles.
During 2015, Moto Guzzi re-engineered the California range, based on the superb V2 1400 engine made in Mandello. The new Audace, Eldorado and Touring SE models feature a new design and technical innovations, that have enabled the Audace to become the Piaggio Group's first motorcycle to comply with strict Euro 4 standards.

The distribution network

EMEA

In the Domestic Europe, Emerging Markets and Importers area (Europe excluding Italy, and the Middle East and Africa) the Piaggio Group operates directly in main European countries and through importers on other markets. In December 2015, the Group's sales network comprised more than 1,372 dealers.
At present, the Piaggio Group is active in 87 countries in the area and in 2015 it further consolidated its sales activities.
In 2015, measures concerning the Group's distribution structure took into account market changes in the area, and focussed on achieving a greater qualitative/quantitative balance. Contractual sales and after-sales standards in agency agreements regulating network relationships were also revised. These standards are geared towards improving the end customer's experience during all stages of the "customer journey".

Guidelines on the distribution structure cover 5 main points:
1. improving customer experience of the sales outlet, with the implementation of a new retail format which is consistent with the premium positioning of Piaggio products;
2. continually improving end customer service and monitoring the European market;
3. consolidating retail channel activities through a gradual increase in the importance of the primary network;
4. loyalty programmes for end customers, featuring dedicated services and initiatives;
5. improving the service level for dealers, based on appropriate support tools.

Americas

In the Americas, the Piaggio Group is directly present in the United States and Canada, while in Latin America it operates through a network of importers. At the end of 2015, the Group had 250 partners, of which 208 in the United States, 42 in Canada and a network of 20 importers in Central and South America.

In 2015, the process to streamline and consolidate the distribution network continued, through the replacement and appointment of new partners to support the growth of Piaggio's brands with a special focus on the motorcycle segment and on consolidating the Group's presence in the scooter segment.
In Latin America, the Piaggio Group continued to consolidate its own distribution network, with the signing of new business agreements and the introduction of new products in the motorcycle segment.

Asia Pacific

In the Asia Pacific Area, the Piaggio Group has a direct commercial presence in Vietnam, Indonesia, China and Japan, while in all other markets of this area it operates through importers.
The distribution network is being continually developed in line with the Group's strategic objectives, which plan to expand operations in the region.
In Vietnam, the headquarters of the entire Asia Pacific area, the Group's distribution network of 4 importers in 2008 increased to 54 dealers at the end of 2015, with 86 sales outlets throughout the country. The main goal was and still is to increase distribution network figures, and above all to consolidate the quality of corporate identity in order to "convert" the entire Asian network to a Motoplex concept.
The same goal applies to Indonesia, Japan and China, where Piaggio manages a network of 36, 59 and 12 outlets respectively.
Lastly, as concerns Asia Pacific, managed by the Singapore team, the number of sales outlets went up from 254 in 2014 to 263 at the end of 2015, with a network of 15 distributors operating in Cambodia, Malaysia, Taiwan, Thailand, South Korea, Hong Kong, Singapore, Macau, Australia and New Zealand.

Past and ongoing actions for all markets in the Asia Pacific area, include:
› increasing the number of sales outlets, consolidating all retail services and other services;
› consolidating a local presence, with a more focussed, detailed geo-marketing study;
› growth in terms of the size of the retail area and after sales;
› gradually channelling Corporate Identity towards a Motoplex concept, which is therefore increasingly consistent and uniform in all countries.

India
In India, Piaggio Vehicles Private Limited had 80 dealers as of 31 December 2015, with plans to further increase its sales outlets in 2016. At present, the network covers main areas throughout the country.

Investments

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

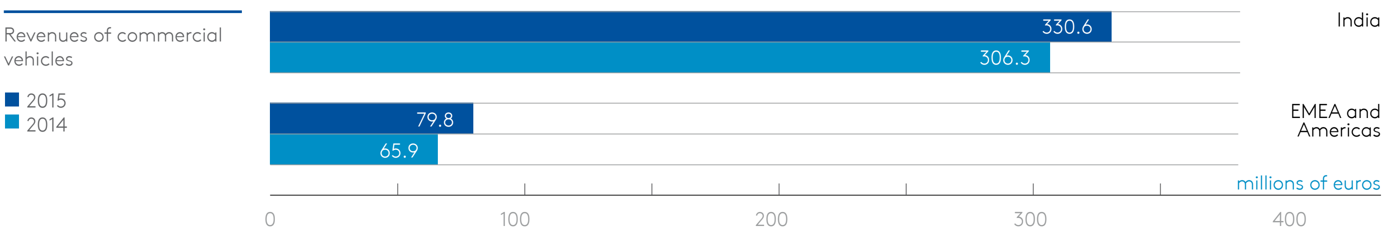
As regards product investments in particular, considerable resources were allocated to developing new products to market in both European and Asian (Vietnamese and Indian) areas, as commented on previously.

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

Commercial Vehicles

	2015		2014		Change %		Change	
	Volumes Sell-in (units/000)	Turnover (million euros)	Volumes Sell-in (units/000)	Turnover (million euros)	Volumes	Turnover	Volumes	Turnover
EMEA and Americas	12.8	79.8	10.1	65.9	27.1%	21.1%	2.7	13.9
of which EMEA	*11.5*	*76.7*	*9.1*	*63.8*	*26.1%*	*20.3%*	*2.4*	*13.0*
(of which Italy)	*4.2*	*43.1*	*3.6*	*36.4*	*16.3%*	*18.6%*	*0.6*	*6.8*
of which America	*1.4*	*3.1*	*1.0*	*2.1*	*36.5%*	*43.3%*	*0.4*	*0.9*
India	184.3	330.6	202.1	306.3	-8.8%	7.9%	(17.8)	24.2
Total	**197.2**	**410.4**	**212.3**	**372.3**	**-7.1%**	**10.2%**	**(15.1)**	**38.1**
Ape	188.7	319.5	202.9	294.6	-7.0%	8.5%	(14.2)	24.9
Porter	2.8	31.8	2.4	26.2	17.1%	21.1%	0.4	5.5
Quargo	0.9	5.3	0.6	4.4	46.8%	20.7%	0.3	0.9
Mini Truk	4.7	11.0	6.3	12.6	-25.2%	-12.7%	(1.6)	(1.6)
Spare parts and Accessories		42.7		34.4		24.2%		8.3
Total	**197.2**	**410.4**	**212.3**	**372.3**	**-7.1%**	**10.2%**	**(15.1)**	**38.1**

Revenues of commercial vehicles



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

Main results

In 2015, sales of Commercial Vehicles generated a turnover of approximately € 410.4 million, including approximately € 42.7 million relative to spare parts and accessories, up by 10.2% over the previous year. During the year, 197,200 units were sold, down 7.1% compared to 2014.

On the Emea and Americas market, the Piaggio Group sold 12,800 units, generating a total net turnover of approximately € 79.8 million, including spare parts and accessories for € 18.9 million. The 27.1% increase in sales was supported by the good performance of the reference market.

Sales of three-wheeler vehicles went down from 172,615 units in 2014 to 158,950 units in 2015, registering a decrease of 7.9%.
The same subsidiary also exported 20,259 three-wheeler vehicles (23,144 in 2014); the downturn is mainly due to a slowdown in the sales of some African countries.
On the four-wheeler market, sales of Piaggio Vehicles Private Limited decreased by 21.1% in 2015, compared to sales of 5,037 units in 2014.

Market positioning

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

The Group distributes its products mainly in Italy (which accounted for 45% of the Group's volumes in Europe in 2015), as well as in Germany (22%), France (3%) and Spain (2%). The Group acts as operator on these markets in a niche segment (urban mobility), thanks to its range of low environmental impact products.

The Group is also present in India, in the passenger vehicle and cargo sub-segments of the three-wheeler market. The traditional three-wheeler market in India is flanked by the four-wheeler light commercial vehicles (LCV) market (cargo vehicles for goods transport) where Piaggio Vehicles Private Limited operates with the Porter 600 and 1000.

On the Indian three-wheeler market, Piaggio Vehicles Private Limited had a market share of 30.9% in 2015 (32.5% in 2014). Detailed analysis of the market shows that Piaggio Vehicles Private Limited consolidated its market leader position in the goods transport segment (cargo segment) with a market share of 54.1% (52.2% in 2014). Its market share, although decreasing, remained steady in the Passenger segment, standing at 25.7% (27.9% in 2014). On the four-wheeler market, Piaggio Vehicles Private Limited had a marginal role, with its share decreasing to 4.4% (4.6% in 2014).

Brands and products

The Ape is the Group's best-selling brand in the commercial vehicles sector. The Ape is highly regarded because of its outstanding versatility, and is the ideal solution for door-to-door deliveries and short-range mobility requirements.
The Piaggio Group range also includes the compact, robust Porter and Quargo models.
European range vehicles are currently manufactured at production sites in Pontedera, while the range of vehicles intended for the Indian market is manufactured entirely at the production site in Baramati.

Europe

In September 2015, Piaggio started production of the Porter and Porter MAXXI Euro 6, with petrol engine. In the first quarter or 2016, the Euro 6 LPG and natural gas engines will go onto the market.

India

The Indian subsidiary Piaggio Vehicles Private Limited has achieved a considerable brand awareness over the years and has an excellent reputation for customer service, quality and style. Combined with a network of dealers throughout India, this has enabled the Group to gain a significant market share.
Traditionally a market leader in the three-wheeler segment with various models of the Ape, Piaggio has also operated on the four-wheeler commercial vehicles market for several years now, with two versions of the Porter which are manufactured locally.

The distribution network

Europe and Overseas

In Europe, Piaggio Commercial Vehicles operates through a direct sales network in Italy, Benelux, France, Greece, Germany and Spain (accounting for approximately 60% of all of Europe), with some 400 sales outlets and 1,000 service centres.
In Italy, 101 dealers manage a second-level network, comprising some 500 sales outlets and authorised repair centres, to provide a professional service in line with the expectations of the end customer.
The strategy to consolidate Piaggio's presence on the direct network continued, in order to ensure an extensive commercial presence by consolidating partnerships with operators and ensuring continual qualification in terms of image and content, in line with technological updates to the product range (Porter Euro 6).
As regards the indirect sales network, with importers that manage a sales & service network as a whole or based on part ownership, Piaggio Commercial Vehicles has 15 operators in Europe and 25 on emerging markets in Latin America, Africa and the East.

India

In India, Piaggio Vehicles Private Limited has 332 dealers, as well as 465 authorised after-sales centres.

Investments

In 2015, investments concerned the development of the Porter with a Euro 6 engine and consolidation of the Indian three- and four-wheeler range.

Risks and uncertainties

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

External risks

Risks related to the macroeconomic scenario and the sector

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

Risks related to changed customer preferences

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

Risks related to a high level of market competition

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

The risk relative to the regulatory reference framework

Numerous national and international laws and regulations on safety, noise levels, consumption and the emission of pollutant gases apply to Piaggio products. Strict regulations on atmospheric emissions, waste disposal, the drainage and disposal of water and other pollutants also apply to the Group's production sites.
The enactment of regulations which are more stringent than those currently in force could lead to products being taken off the market and force manufacturers to make investments to renew product ranges and/or renovate/modernise production sites.
To deal with these risks, the Group has always invested in research and development into innovative products, anticipating any restrictions on current regulations. Moreover, the Group, as one of the

sector's leading manufacturers, is often requested to be represented on parliamentary committees appointed to discuss and formulate new laws.

Country risk

The Piaggio Group operates in an international arena and is therefore exposed to risks connected with a high level of internationalisation, such as exposure to local economic conditions and policies, compliance with different tax systems, customs barriers or more in general the introduction of laws or regulations which are more stringent than the current regulatory framework. The countries where the Piaggio Group operates may adopt economic policies and/or government measures in the form of incentives or tax relief, that may have a considerable impact on consumer trends.
All these factors may have a negative impact on the financial position and performance of the Group. In particular, the growing presence of the Group in India and Vietnam has increased its exposure to political instability or negative economic developments in these countries.

Financial market

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

Risks related to seasonal fluctuations in operations

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

Risks connected with natural disasters and catastrophes

The Group operates through industrial sites located in Italy, India and Vietnam. These sites are subject to operating risks, including natural disasters, sabotage, terrorist attacks and significant interruptions to supplies of commodities or components. Any interruption to production activities could have a negative impact on the operations and financial position and performance of the Group.
The operating risks related to industrial sites in Italy and other countries are managed through specific insurance cover assigned to sites based on their relative importance.
Natural disasters may also prevent the distribution and sale of company products in affected areas.

Risks connected with inflation

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

Internal risks

Corporate Social Responsibility risks

In its effort to ensure the sustainability of its products, the Piaggio Group takes into account the entire life cycle, which comprises the design, procurement of raw materials, production proper, use of the product by customers and, finally, decommissioning, which consists in disassembly at the end of service life and in the disposal and/or recycling of the components and raw materials. This strategy exposes the Group to the risk of using suppliers or sub-suppliers that do not meet the Group's sustainability standards (risk connected to the sustainable supply chain); and to the risk connected with inadequate technological investments that are functional for sustainable mobility, for creating environmentally friendly products and an adequate technological level of products to meet new mobility needs of consumers and regulatory developments (risk connected with the development of environmentally friendly products). This could exacerbate how stakeholders perceive the Group and its reputation, and affect stakeholder loyalty.

Financial risks

Risks connected with the exchange rate

The Piaggio Group undertakes operations in currencies other than the euro and this exposes it to the risk of fluctuating exchange rates of different currencies.
Exposure to the business risk consists of envisaged payables and receivables in foreign currency, taken from the budget for sales and purchases reclassified by currency and accrued on a monthly basis.
The Group's policy is to hedge at least 66% of the exposure of each reference month.
Exposure to the settlement risk consists of receivables and payables in foreign currency acquired in the accounting system at any moment. The hedge must at all times be equal to 100% of the import, export or net settlement exposure for each currency.
In 2015, the exchange risk was managed in line with the current policy, which aims to neutralise the possible negative effects of exchange rate changes on company cash-flow, by hedging the business risk, which concerns changes in company profitability in relation to the annual business budget on the basis of a key change (the so-called "budget change") and of the settlement risk, which concerns the differences between the exchange rate recorded in the financial statements for receivables or payables in foreign currency and that recorded in the related receipt or payment.

Risks connected with production factor prices

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

Interest rate risks

The Group has assets and liabilities which are sensitive to changes in interest rates and are necessary to manage liquidity and financial requirements. These assets and liabilities are subject to an interest rate risk and are hedged by derivatives or by specific fixed-rate loan agreements.
For a further description, reference is made to section 43 of the Notes to the Consolidated Financial Statements.

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

The Group is exposed to the risk arising from the production of cash flows that are not sufficient to guarantee Group payments due, or adequate profitability and growth to achieve its strategic objectives. Moreover, this risk is connected with the difficulty the Group may have in obtaining loans or a worsening in conditions of loans necessary to support Group operations in appropriate time frames.

To deal with these risks, cash flows and the Group's credit line needs are monitored or managed centrally under the control of the Group's Treasury in order to guarantee an effective and efficient management of financial resources as well as optimise the debt maturity standpoint.
In addition, the Parent Company finances the temporary cash requirements of Group companies by providing direct short-term loans regulated in market conditions or guarantees.

Risks connected with credit quality of counterparties

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

Risks connected with deleverage

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

Operating risks

Risks relative to products

These risks are connected with a failure to maintain product technological innovation at adequate levels and failure to comply with regulatory requirements and product quality and safety standards in relation to market requests, with a consequent liability of the Group in relation to:
› claims for compensation that exceed insurance cover;
› repairs under warranty;
› recall campaigns.
To mitigate these risks, the Piaggio Group adopts an efficient quality control system for supplied components and finished products.

Risks connected with the production process

The Group is exposed to the following risks:
› risk connected with operating efficiency being maintained at adequate levels to guarantee necessary industrial productivity. Inadequate analysis of the production cycle could cause the erroneous use of resources and energy (production efficiency);
› risk connected with inadequate production capacity, that could prevent the Group from meeting market demand and could result in excess production that does not guarantee an adequate offsetting of costs;
› risk connected with possible interruptions to company production, due to the unavailability of raw materials or components, skilled labour, systems or other resources.
To deal with these risks, the Group has a flexible production capacity and sources from several suppliers of components in order to prevent the unavailability of one supplier affecting company production. Moreover, the operating risks related to industrial sites in Italy and other countries are managed through specific insurance cover assigned to sites based on their relative importance.

Supply chain risks

Risks connected with reliance on suppliers

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

Legal risks

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

The Piaggio Group legally protects its products and brands throughout the world. In some countries where the Group operates, laws do not offer certain standards of protection for intellectual property rights. This circumstance could render the measures adopted by the Group to protect itself from the unlawful use of these rights by third parties inadequate. Unlawful plagiarism by competitors could have a negative effect on the Group's sales.
The Group is also exposed to the risk of failing to comply with laws on intellectual property rights.

Risks related to litigation and tax litigation

Within the framework of its operations, the Group is involved in legal and tax proceedings. As regards some of the proceedings, the Group could be in a position where it is not able to effectively quantify potential liabilities that could arise. Detailed analysis of main legal proceedings is given in the relative paragraph of the Notes to the Consolidated Financial Statements.

Risks relative to human resources

Risks related to industrial relations

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

Risks related to talent management, recruitment and retention

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

To offset these risks, the Group has established specific policies for recruitment, career development, training, remuneration and talent management, which are adopted in all countries where the Group operates according to the same principles of merit, fairness and transparency, and focussing on aspects that are relevant for the local culture.

Risks relative to information management

IT and data and information management risks

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

Risks relative to business reporting

Risks related to the publication of the financial disclosure

The Group is exposed to the risk of possible inadequacies in its procedures that are intended to ensure compliance with Italian and relevant foreign regulations applicable to financial disclosure, running the risk of fines and other sanctions. In particular there is a risk that financial reporting for Group stakeholders is not accurate and reliable due to significant errors or the omission of material facts and that the Group provides disclosure required by applicable laws in a manner which is inadequate, inaccurate or untimely.

To deal with these risks, the financial statements are audited by Independent Auditors. The control activities required by Law 262/2005 are also carried out at the most important foreign subsidiaries Piaggio Vehicles Pvt. Ltd, Piaggio Vietnam Co Ltd, Piaggio Hellas S.A. and Piaggio Group Americas Inc.

Sustainability

The Group's conduct is guided by the principles and values set forth by the Group's Code of Ethics, which all Group personnel is required to observe as well as all those who interact with the Company throughout the world.

The Group's objectives include creating value for all shareholders, while complying with business ethics and adopting a number of social values.
In particular, its industrial strategy is based on technological innovation which targets environmentally friendly mobility.

In this context, the Group considers research into cutting-edge solutions as a critical factor for successful investment choices and industrial and commercial initiatives. Innovation is geared to cutting pollutant emissions and consumption, as well as increasing vehicle safety. Plus the Piaggio Group firmly believes that stakeholder involvement is fundamental for the development of the Company and communities where it works, in terms of economic and social well-being.

Safeguarding the environment while carrying out all Company operations is essential for humankind, technology and nature to coexist peacefully. The Group therefore makes sustainable products, which must be manufactured using production facilities with minimal environmental impact. Production systems are made sustainable through optimising process efficiency and converting facilities that are no longer competitive.
The environmental strategy for the Group's production sites aims for a more rational use of natural resources and minimal harmful emissions and waste from production.

People are fundamental for Piaggio. They are vital to creating added value in the long term. The Group has defined objectives for the growth, promotion and training of human resources, ensuring that each person is rewarded for the contributions they make and that their expectations and goals are met.

In order to achieve the objective of sustainable development, growth must go beyond the boundaries of the Company. It must go further afield to reach suppliers and dealers, with whom Piaggio wants to cooperate being a reliable partner, forging a common ground to work and grow together, to create value for the end customer. The success of a company is also closely linked to customer confidence and satisfaction: customers must be listened to, informed and respected, establishing relations based on transparency and trust.

Since 2008, the Piaggio Group has published, on a voluntary basis, its annual Corporate Social Responsibility Report, which provides information on the economic as well as the environmental and social performance of the Group and is an important form of dialogue with internal and external stakeholders.

In its CSR 2015 Report, the Group undertook and published a structured analysis of the "materiality" of sustainability issues for the Company and its Stakeholders, making it possible to produce more streamlined information that targets key issues for the Group's stakeholders.

Research and Development

Anticipating customer requirements, creating products that are innovative in terms of their technology, style and functionality, pursuing research for a better quality of life are all fields of excellence in which the Piaggio Group excels, as well as a means for measuring its leadership position on the market.
The Piaggio Group develops these areas through activities at its research and development centres in Italy, India, Vietnam, the United States and China.

In particular, the main objective of the Piaggio Group is to meet the most progressive needs for mobility, while reducing the environmental impact and consumption of its vehicles, guaranteeing their performance and levels of excellence. A constant focus is placed on research into vehicles that are at the forefront in terms of:

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

In 2015, the Piaggio Group continued its policy of retaining technological leadership in the sector, allocating total resources of € 46.8 million to research and development, of which € 31.4 million capitalised under intangible assets as development expenditure.

			2015			2014
	Capitalised	Expenses	Total	Capitalised	Expenses	Total
In millions of euros						
Two-wheeler	25.7	12.6	**38.3**	27.2	12.5	**39.7**
Commercial Vehicles	5.8	2.7	**8.5**	4.6	2.0	**6.6**
Total	**31.4**	**15.4**	**46.8**	**31.8**	**14.5**	**46.3**
EMEA and Americas	22.7	13.3	**36.0**	26.9	12.7	**39.6**
India	3.7	1.0	**4.7**	2.5	0.7	**3.1**
Asia Pacific 2W	5.0	1.1	**6.1**	2.4	1.1	**3.5**
Total	**31.4**	**15.4**	**46.8**	**31.8**	**14.5**	**46.3**

During the year, the Piaggio Group focussed on four fundamental areas, in order to achieve the best results possible:

› improving engines, optimising engine thermal/fluid dynamics, with particular reference to the combustion process, reducing leaks (friction, pumping), improving performance of the CVT (continuously variable transmission) system;
› improving efficiency;
› enhancing the riding experience;
› increasing safety.

Engine acoustics and timbre were also focussed on, developing numerical/experimental methodologies for designing the intake and exhaust systems and engine components with acoustic emissions that are lower and more pleasant.

Improving engines

21) As from 1 January 2016, all new models of motorcycles shall meet Euro 4 standards. Euro 3 motorcycles may still be sold for one year, provided they were previously type approved. As from 1 January 2017, all newly registered motor vehicles shall meet Euro 4 standards.

In 2015, the process to continually improve the 125 cc engine led to the development of the new iGet 125 and 150 Euro 4 air engine[21], which made its début on the new Liberty ABS 3V. The project, which aims to reduce overall and improve rideability, made it possible to optimise the engine injection and control system.

Improving efficiency

The greatest efforts in 2015 were focused on the development of a new family of engines called "iGet 4V Water", available in 125cc and 150cc. With electronic injection, four valve distribution and radiator on the engine, they can also feature the "Start & Stop" system.
Compliant with the Euro 4 standard, they are the result of a design philosophy guided primarily by new and higher levels of quality and reliability.
Each component, from the exhaust to the inside of the gearbox cover and the new air filter has been designed to make for a smooth, quiet and comfortable ride, and to lengthen the life of the engine.
The design aims above all to reduce friction and in particular friction in the timing system.
The mechanical noise of the new iGet is also extremely low thanks to a reduction in play and the optimisation of materials and shapes.
Building the radiator into the engine has reduced the overall weight of the vehicle and engine warm-up times, with benefits in terms of consumption and cold emissions.
The gearbox has been entirely redesigned and uses a latest-generation double toothed belt to minimise passive losses, as well as a setting that improves rideability, performance and consumption.
The new built-in engine electronic control unit, integrated with the S&S management part (Alternator, S&S Inverter, RISS), has been entirely developed by Piaggio.

Riding pleasure

One example of the application of research to improve riding pleasure is the new power unit for the Moto Guzzi Roamer V9 and V9 Bobber, developed to increase maximum torque and elasticity, key ways to ensure a pleasurable ride and fun on the road.
The changes have affected practically everything, except the traditional transversal 90° V-twin engine. In addition to the crankcase and the drive shaft, the lubrication system has also been redesigned to reduce power consumption. The reduced-flow oil pump is new, made possible by the use of new piston cooling oil jets equipped with a control valve and flow and thermodynamic management, starting with the bore and stroke values. The timing now has inclined valves to improve volumetric efficiency. The electronic engine control unit and electronic injection system are new. The engine is in line with the Euro 4 anti-emissions standard.
The six-speed gearbox is new and highly precise with soft changes, and the clutch is single disc. The final transmission again uses a cardan shaft.

Increase in safety and comfort

Activities were strongly focussed in this area in 2015, including:
- ABS for light scooters: the new Medley, developed in 2015 and on sale in 2016, is equipped as standard with disc brakes with ABS. Each wheel is equipped with a sensor and a phonic wheel for measuring angular speeds. The 2-channel hydraulic control unit continuously compares the two signals and activates the ABS system, when the change of speed of one of the two wheels is abnormal, avoiding locking and ensuring stability and braking efficiency even on a low friction coefficient surfaces. The new Liberty 125 is also equipped with single-channel ABS, a completely new feature especially for Asian markets, which will get a specific version;
- wireless traction control for vehicles without the ride by wire system, combined with ABS, for optimal grip

during acceleration and braking; the system was extended to the entire Vespa product line > 50cc, MP3, Beverly, X10; in particular, in 2015 it was extended to the Moto Guzzi V7 Range;
› the study and trial of an advanced semi-active electronic suspension system ADD (Aprilia Dynamic Damping) and its application to the mass produced Aprilia Caponord 1200;
› extension of the Ride by wire to the majority of Group vehicles, including the 500 version of MP3 2014; allows adoption of "by wire" Traction Control together with ABS, to maximise traction while accelerating or breaking, and offers the multi-map management of the engine to adapt the power supply to the traction or driving conditions;
› cruise control (based on Ride by wire); available on Aprilia and Moto Guzzi motorcycles;
› the APRC system (Aprilia Performance Ride Control based on the ride by wire system) on the RSV4;
› the ABS race system (only for the RSV4), designed and developed by Aprilia in conjunction with Bosch to guarantee not only outstanding safety on the road, but also the best performance on the track;
› electrically adjustable suspension, on the Piaggio X10 and Aprilia Caponord, of which the ADD package is a part (electronic suspension);
› dissemination and expansion of the Piaggio Multimedia Platform info-mobility system, based on linking the smartphone and the vehicle via Bluetooth®, iOS and Android;
› development and installation on the Porter and Porter Maxxi of the electronic stability control system (ABS+ESC);
› development and installation of the Child Lock system on the VAN glass version of the Porter.

Respect for the environment

In keeping with the principles set forth in its Code of Ethics, the Piaggio Group operates at a global level with "*choices of investment and of industrial and commercial initiatives [.....] based on the respect of the environment and of public health.*" (article 7).
In particular "*In compliance with the applicable regulations, the Company has respect for environmental issues in determining its choices, also adopting – where operationally and economically compatible and possible – eco-compatible technologies and methods of production, with the purpose of reducing the environmental impact of its own activities.*" (article 8).

The Piaggio Group firmly believes that safeguarding the environment while carrying out all Company operations is essential for mankind, technology and nature to coexist peacefully. It is convinced that commitment to sustainable development is not only a business ethic, but also an important variable of all corporate strategies. The Group therefore makes sustainable products, which must be manufactured using production facilities with minimal environmental impact.

The Piaggio Group, which has expanded some production sites, is continuing to pursue its environmental policy to cut down on the use of natural resources and minimise harmful emissions and production-related waste. With these objectives in mind, initiatives focus on the following areas:
› maintaining environmental certification awarded to the Group's production sites;
› reducing energy consumption;
› reducing emissions of CO_2 and other pollutants;
› conserving water resources;
› waste handling and recovery;
› soil contamination;
› biodiversity;
› environmental spending and investments.

In 2015, the Group completed development of the painting plant at the two-wheeler site in Pontedera, which will become fully operational during 2016. This plant guarantees high quality standards and also delivers very significant environmental benefits, above all as regards atmospheric emissions.

In the context of management systems, ISO 14001 environmental certification enables Piaggio to adopt a structured and co-ordinated approach to management at the Group's sites, so it may define environmental objectives and identify risks and opportunities for improvement, ensure compliance with all environmental laws and regulations, reduce energy costs, manage waste and raw materials, and put in place a process for the continuous improvement of its environmental performance.
The Piaggio Group, which has had ISO 14001 certification for the **Environment** for years, for its three Italian sites, for the Vinh Phuc Vietnamese plant and for the Indian plant, obtained this certification in 2015 for its Indian sites manufacturing Commercial Vehicles and Engines.
Moreover, the Indian subsidiary obtained **ISO 50001** certification (for energy management systems) for its two-wheeler site.
During 2015, no damage was caused to the environment for which the Group, through its companies, was declared as being definitively liable, nor were sanctions or penalties applied for environmental offences or damage.
Piaggio's focus on the environmental impact of its operations is also reflected by its CSR Report, which it has published since 2008, defining its commitments and describing its performance to stakeholders.
See the CSR 2015 - "The Environmental Dimension" for an analysis of the Group's environmental performance.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Developing human resources

Staff

In 2015, the Group continued its rationalisation operations and organisational redesign, extending the activities already under way in the EMEA region to Asia and India. As of 31 December 2015, Group employees totalled 7,053, down by 457 (- 6.1%) compared to 31 December 2014.

Company employees by geographic segment as of 31 December

Employee/staff numbers	2015	2014	2013
EMEA and Americas	3,872	4,008	4,098
of which Italy	*3,638*	*3,734*	*3,805*
India	2,353	2,622	2,677
Asia Pacific 2W	828	880	913
Total	**7,053**	**7,510**	**7,688**

Average number of Company employees by professional category[22]

Employee/staff numbers	2015	2014	2013
Senior management	105	110	111
Middle management	579	554	558
White collars	2,012	2,122	2,161
Blue collars	4,866	5,030	5,343
Total	**7,562**	**7,816**	**8,173**

Company employees by educational qualifications as of 31 December 2015

Employee/staff numbers	Graduate	High School	Middle School	Primary School	Total
EMEA and Americas	677	1,670	1,422	103	3,872
of which Italy	*545*	*1,592*	*1,404*	*97*	*3,638*
India	589	1,757	7	0	2,353
Asia Pacific 2W	314	514	0	0	828
Total	**1,580**	**3,941**	**1,429**	**103**	**7,053**

22) In 2015, criteria identifying professional categories in India were updated, to bring them further in line with the Group's criteria, with 2013-14 data also being reclassified.

An entry turnover rate of 1.51% and leaving turnover rate of 4.4% was recorded in Italy in 2015.

Company employee turnover in Italy as of 31 December 2015

Staff as of 31 December 2015		Men	Women	< 31	31 - 40	41 - 50	> 50	Total	% Turnover
Employee/staff numbers		Incoming							
Senior management	63	2	-	-	1	-	1	2	3.17%
Middle management	231	11	-	-	8	3	-	11	4.76%
White collars	934	23	19	24	14	4	-	42	4.50%
Blue collars	2,410	-	-	-	-	-	-	-	0%
Total	**3,638**	**36**	**19**	**24**	**23**	**7**	**1**	**55**	**1.51%**
		Leavers							
Senior management	63	5	-	-	-	3	2	5	7.94%
Middle management	231	9	2	-	4	5	2	11	4.76%
White collars	934	27	10	3	11	11	12	37	3.96%
Blue collars	2,410	81	26	1	6	6	94	107	4.44%
Total	**3,638**	**122**	**38**	**4**	**21**	**25**	**110**	**160**	**4.40%**

Personnel management policies

Piaggio adopts a system of recruitment, development and salary packages for personnel which recognises and rewards merit and performance. Any type of discrimination is explicitly forbidden by the Code of Ethics.
The central importance of human resources and the development of core competencies for the growth of our business represent the underlying foundations of our relationship with our employees, shaping company policy for the placement, development, training and rewarding of staff.

Competitive organisation
Organisational innovation is pursued as a means of sharpening the Company's competitive advantage and supporting the creation of a multinational, lean, customer-oriented organisation that generates value and works in an integrated way, based on a "network" logic, with all partners (e.g.: supplier, dealers) that contribute to the Company's value chain.
In its relations with staff and regardless of the work they carry out, Piaggio respects the principles set forth by the Group's Code of Ethics in all circumstances, as well as the laws in force in the geographic areas where it operates.
Piaggio does not resort to child labour according to the age limits in force in the various countries or to forced labour and adheres to main international laws, such as the UN Convention on the Rights of the Child (UNCRC) and the 1998 Human Rights Act.

Recruitment and internal mobility
The recruitment process is based on ongoing monitoring of the domestic and international labour market. Real recruitment needs are anticipated by creating constantly updated application pipelines.

Career development
The Group promotes the development of its human resources and keeps a "pool" of resources ready and able to cover key management and professional positions. Career ladders and development paths are based primarily on the review of an employee's competencies, conduct, performance and potential.

Reviews
Importance is placed on using transparent criteria and methods used for reviewing employees. Such reviews focus on:
› performance,
› managerial and professional competencies,
› potential,

in relation to the employee's role, company needs and possible development paths.

Training
The training process analyses training needs and defines training procedures and actions to guarantee that each resource is adequately aligned with the managerial and technical-professional skills model. It involves the transfer of knowledge and procedures conducive to the acquisition of knowledge for the safe performance of business tasks and identifying, reducing and managing risks.

Rewards
The Group rewards people and their work on the basis of competitive, fair and merit-based criteria that are transparent, and aimed at motivating and retaining the human resources that make important contributions to achieving the Company's results.

Diversity and equal opportunity
The Group rejects any form of discrimination on the basis of gender, age, nationality, ethnic background, ideology or religion. It operates in strict compliance with law and contractual requirement, and in keeping with the customs, practices and usages of each country in which the Company operates.

Staff Engagement and Industrial Relations
Workers and their representatives are encouraged to contribute to the pursuit of the Company's objectives, while promoting the underlying values of the Company and its competitive standing in full compliance with existing regulations and collective labour agreements.

Competitive organisation

Organisational changes continued during 2015 to strengthen global organisation and spread knowledge of the Group's brands with products at the cutting-edge of technology, innovation and quality.
Suitable measures were continued to ensure the organisational system is maintained and continually improved, and that the Company's various geographic areas are aligned on an ongoing basis.

Recruitment and internal mobility

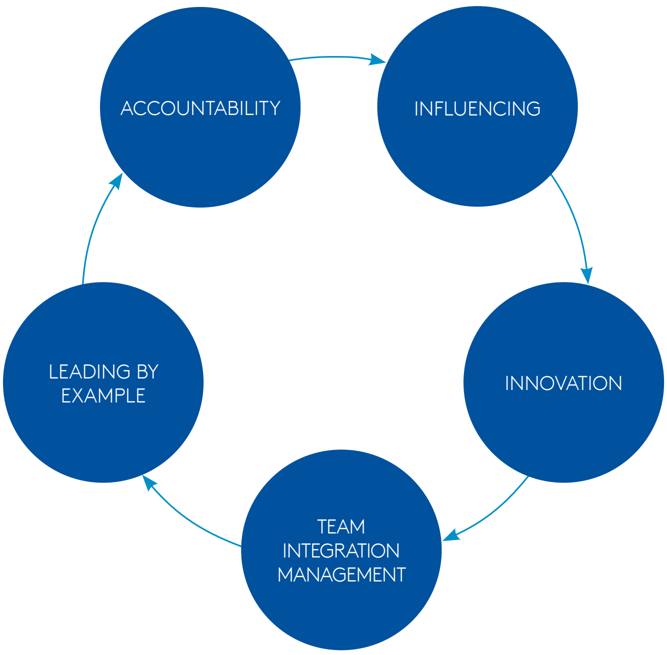
Identifying and assessing resources who can meet various organisational needs in each country where Piaggio is present.
The Group's desired positioning as an employer is established through employer branding initiatives and an extensive network of Academic Relations (32 agreements with Italian and foreign universities providing internships for young graduates) that covers all company geographic areas.
The process of digitising Recruitment activities across the web and social media was also finalised in 2015.
During the recruitment process, candidates undergo two types of evaluation based on Piaggio's competencies model: one concerns managerial skills and is carried out by HR, the other looks at professional competencies and is carried out by the line manager. This evaluation method and the authorisation flow for recruitment are fully integrated in SAP in the SAP Recruiting module.

Developing human capital

The development of core competencies required by business and market developments is a priority. This is why the Group's human resources development policies focus on building, maintaining and developing factors that are instrumental for competing in international contexts which are continually evolving.

The Group's managerial and professional competencies model
In line with the Group's strategic plan and its core values, Piaggio has identified a managerial

competencies model that represents the skills set to be implemented day by day to ensure personal success and the success of the Company.
At the same time, it has developed a benchmark model of professional competencies that reflect the company's pool of professional skills and know-how, which is the true foundation and the only real guarantee of the continuity and quality of results.
During 2015, the identification of managerial and technical/professional competencies was also updated at Group level, and development and training plans were configured to overcome gaps identified in 2014.
In addition, in line with organisational developments in 2014, the technical and professional competencies model was updated, introducing new roles and competencies in marketing and digital.



The Group's managerial competencies model

Development paths

Development tools are provided with the objective of building and continuously improving the managerial and professional competencies identified in the respective models, while at the same time bringing out people's potential and identifying and rewarding outstanding performance. The set of tools provided by Piaggio includes:
› development plans, which identify the action to be taken for the growth of the employee;
› job rotation and participation in strategic or international projects;
› management and professional training (see "training" section);
› Piaggio Way - the young talent management programme (see "talent management" section).

During 2015, development actions to consolidate the Company's international mindset were consolidated.

Career paths
For our highest value human assets, management and professional career paths are designed in order to cover key roles and ensure that strategic and technological know-how is kept and developed in the Group at the international level. In 2014, tools for monitoring and managing plans for taking over key positions within the Group were consolidated. In light of this, during 2015 an analysis was conducted on integrating these processes using a dedicated IT platform.

Reviews

On the basis of the position they hold, staff reviews focus on the following key aspects, taking into account professional growth and company objectives reached:
› managerial and professional competencies;
› performance;
› potential;
› international mobility.

Evaluation outcomes are discussed by reviewers with the people they evaluate, and may form the basis of a development and training plan.

Employees are evaluated by comparing their competencies against the Company mode for their specific role, as evidenced by concrete and observable action in their everyday work. The review process is managed in an integrated way through a dedicated IT platform and provides the information necessary for the processes of succession planning, management reviews and a gap analysis of professional competencies, which are conducted across the Group.
Performance reviews affect development paths and career opportunities, as well as rewards (see "reward policies" section).

During 2015, the Evaluation Management System was consolidated at Group level. This standard evaluation system is for all white collar and managerial staff, assisted by computer tools for the real-time management of all evaluations, for human capital development purposes.

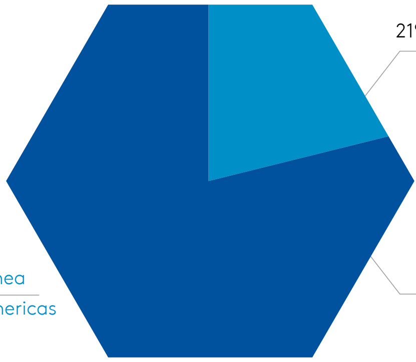
Percentage of employees who received performance and career development reviews in 2015[23].

Geographic segment	EMEA&Americas	of which Italy	Asia Pacific 2W	India
Senior Management (Executives and Senior Managers)	100%	100%	100%	100%
Middle management	100%	100%	100%	100%
White Collars	100%	100%	100%	100%
Blue Collars	N.A.	N.A.	100%[24]	N.A.

23) The definition of this indicator considered all employees who had worked at least six months during the year and had not left the Company before six months from the evaluation.

24) A specific process based on local standards was adopted for worker performance reviews in Vietnam.

Talent Management: the Piaggio Way programme
The Piaggio Way talent management programme has been one of the development tools adopted by the Group since 2010. It is aimed at employees around the world who show a high potential, great enthusiasm for their work and the courage to undertake new paths, in order to identify and ensure a growth path for the most deserving resources.
Three assessment sessions have been performed since its launch, involving a total of 193 employees of all the Group's geographic areas (52% EMEA, 31% India, 17% Asia Pacific), with an increasing proportion of Asian participants.
At present, the Group's pool talent comprises some 70 employees. Piaggio Way boasts a community of 34 students who have completed their development plan and who still remain active in the programme.



Geographic distribution of talent and breakdown by gender as of 31 December 2015

The talents added to the programme are given fast-lane access to development, involving:
- job rotation;
- strategic and international projects;
- events involving top management;
- coaching and personalised training.

To remain on the programme participants undergo a structured annual Talent Review conducted with the involvement of Piaggio top management.

Training

The training process analyses training needs and defines training procedures and actions to guarantee that each resource is adequately aligned with the managerial and technical-professional skills model. The training process for internal resources is designed to:
- promote professional development and retention of Key People and Young Talents;
- assist with managing the process of globalisation and internationalisation by harmonising culture and methodologies to achieve a unifying and shared "distinctive identity";
- facilitate "Digital Transformation and Innovation";
- manage and mitigate overall risk management, in order to ensure business continuity;
- guarantee compliance with safety rules and procedures by preventing risk through continuous cultural alignment;
- ensure organisational efficiency and support the company's business objectives by facilitating generational transitions.

In order to operate effectively, the Group has adopted a Learning Management System called **Piaggio Global Training** to manage the training process. The system matches training needs analysis with the gaps identified during performance assessments (Evaluation Management System), improving active cooperation between managers of the process.

In addition, the system provides a real-time overview of progress with training activities and improves effectiveness by expanding training methods from traditional methods (e.g. classroom-based) to the possibilities offered by e-learning technologies.

Thematic area	2015[25]				2014[25]			
	Emea Americas	India	Asia Pacific 2W	Total	Emea Americas	India	Asia Pacific 2W	Total
Managerial training	4,129	10,160	1,431	15,720	5,542	18,440	2,472	26,454
Technical – professional training	8,429	38,281	52	46,762	16,204	37,496	964	54,664
Language training	8,074	939	996	10,009	8,707	136	1,993	10,836
Health and safety training	4,686	7,965	801	13,452	3,763	5,870	6,147	15,780
Total	**25,318**	**57,345**	**3,280**	**85,943**	**34,216**	**61,942**	**11,576**	**107,734**

Hours of training by training area

25) Data does not include on-the-job training

Total training hours by professional category

Professional category	2015[26]	2014[26]
Senior management	1,073	666
Middle management	8,935	10,909
White collars	36,290	56,107
Blue collars	25,847	30,195
Project workers	13,798	9,857
Total	**85,943**	**107,734**
Total per-capita	**12.2**	**14.3**

26) Data does not include on-the-job training

Training hours by gender

Thematic area	2015			2014		
	Men	Women	Total	Men	Women	Total
Managerial training	14,285	1,435	15,720	24,113	2,341	26,454
Technical – professional training	43,728	3,034	46,762	50,555	4,109	54,664
Language training	7,415	2,594	10,009	7,818	3,018	10,836
Health and safety training	11,913	1,539	13,452	14,994	786	15,780
Total	**77,341**	**8,602**	**85,943**	**97,481**	**10,253**	**107,734**

Analysing 2015 data, the number of hours devoted to Language training remained stable, strongly influenced by Italy, which alone accounted for 80% of the time (7,982 hours).
The number of hours of training on Health and Safety issues fell, as the figure for 2014 included specific ad hoc campaigns in India and the Asia Pacific area. There was an increase in hours of training in EMEA & the Americas (+24.5%) due to specific training projects aimed at creating a culture of safety.
In India, technical/professional training comprised extensive campaigns on quality management, project management and lean management.

Reward policies

Reward policies aim to reward people and their work on the basis of competitive, fair and merit-based criteria that are transparent and used in review processes (see the section "Developing Human Capital").
The Group reward system is differentiated for the various professional groups in the Company, and consists of a fixed salary component and variable objective- and benefits-based incentive systems.

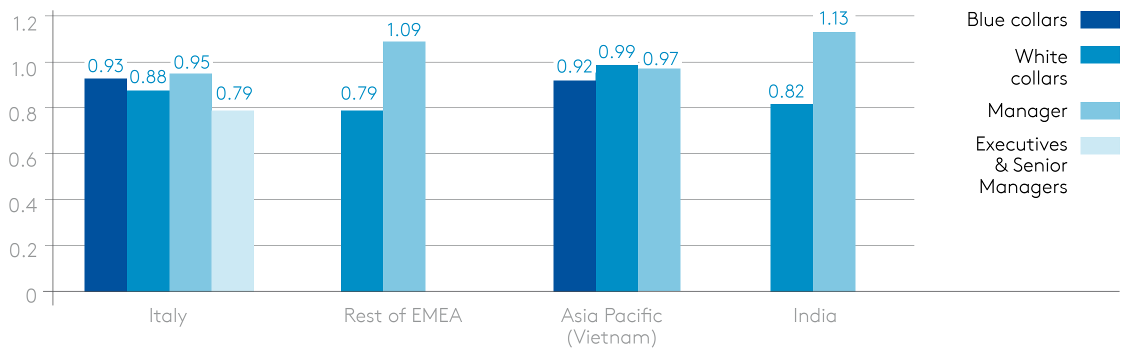
Salary packages

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

An analysis performed on a single country basis where Piaggio works did not reveal any significant differences between the basic salary and remuneration of men compared to women with the same category, experience and assigned duties.

In fact, the ratio of minimum standard entry-level salaries and to local minimum wage in Italy in 2015 was 1.06 for male and female white collars and 1.51 for newly-hired male middle management[27].
An equivalent comparison made in Vietnam and India for blue collars alone showed a ratio of 1.10 and 1.00 respectively. In these markets there are no legal minimums for white collars and middle management.

27) The ratio cannot be calculated for categories of male/female blue collars and female middle management, as no employees were recruited to these categories in 2015.



Ratio of average basic salaries for women to average basic salaries for men of the same professional category[28]

28) Categories not reported in individual geographic segments do not have any female employees.

Objective-based incentive systems

Achieving excellent results for company-established objectives is rewarded by variable incentive systems focused on quality and quantity objectives in line with the business, as well as the internal efficiency of each area of responsibility.
The full process of setting objectives and reviewing results is conducted with employees, using objective criteria.

Benefits

Piaggio offers a benefits package in line with the best local market practices, which is structured on an organisational basis. Benefits include, by way of example:
› company car;
› private health insurance;
› company medical centre at various sites;
› agreements with local groups and facilities of interest for employees.
Benefits are offered to full-time, part-time and temporary employees without distinction.

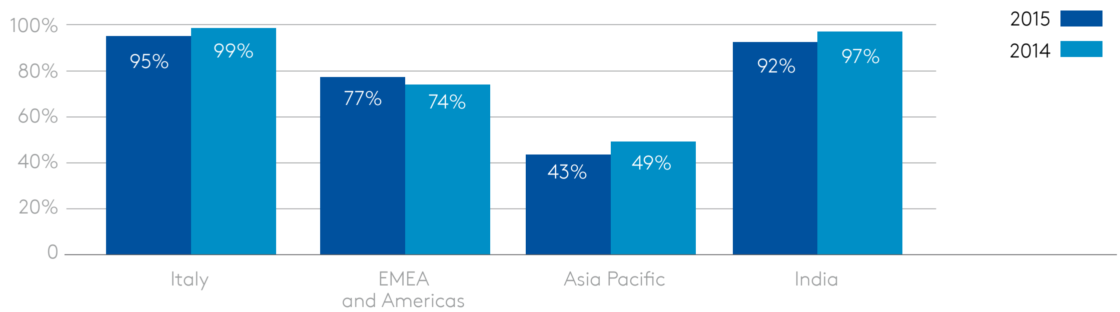
Diversity and equal opportunity

Piaggio operates globally with a diversity of employees, in terms of age and gender, in Europe, the Americas and Asia. For Piaggio, managing diversity means acknowledging and respecting difference as part of the shared substratum of company culture. Staff diversity represents various different ways of pursuing and achieving the highest levels of performance within a single, broader Group organisational design.
The Group's concrete commitment to embracing diversity is reflected by its adoption of a Code of Ethics, conformity to international laws on equal opportunities and use of policies that protect forms of diversity already found within the Company.
The company seeks to spread its culture and values throughout the world with a view to creating the conditions for promoting an international mindset and a truly multinational organisation in which all employees can benefit from equal opportunities.
Human resources management processes are conducted applying the same principles of merit, fairness and transparency in all the countries in which the Group operates, with the accent placed on aspects of relevance for the local culture.

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

Piaggio selects and hires its staff based solely on the candidates' characteristics and experiences and the requirements of the position. As shown in the graph below[29], Piaggio promotes and supports the selection and hiring of candidates from many parts of the world, to contribute to the international mindset that is a key value for the Group.

Percentage of senior managers of local nationality divided by geographic segment as of 31 December



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

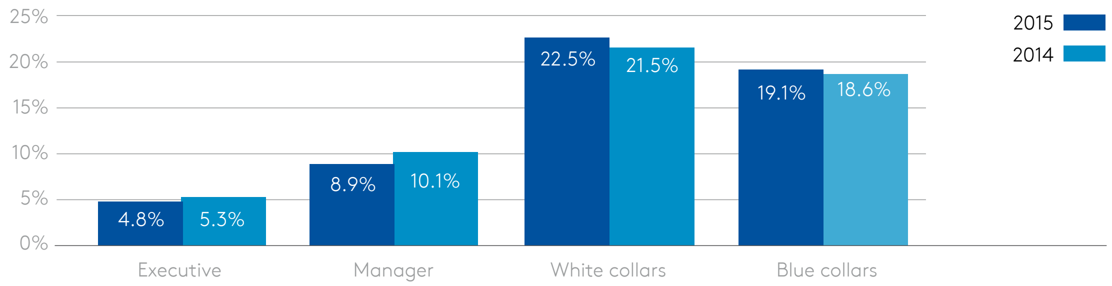
Female employment

Female employees at Piaggio play a fundamental role at all levels of the organisational structure and account for 22.5% of white collars.

Company employees by gender and geographic segment as of 31 December

	2015		2014	
Employee/staff numbers	**Men**	**Women**	**Men**	**Women**
EMEA and Americas	2,725	1,147	2,827	1,181
of which Italy	*2,545*	*1,093*	*2,622*	*1,112*
India	2,306	47	2,564	58
Asia Pacific 2W	681	147	723	157
Total	**5,712**	**1,341**	**6,114**	**1,396**

Number of women employees as of 31 December



Company employees by contract type, gender and geographic segment as of 31 December 2015

	Fixed-term contract			Open-ended contract[30]		
Employee/staff numbers	**Men**	**Women**	**Total**	**Men**	**Women**	**Total**
EMEA and Americas	6	2	8	2,719	1,145	3,864
of which Italy	*6*	*1*	*7*	*2,539*	*1,092*	*3,631*
India	971	19	990	1,335	28	1,363
Asia Pacific 2W	131	40	171	550	107	657
Total	**1,108**	**61**	**1,169**	**4,604**	**1,280**	**5,884**

30) *For Italy, this data also includes some internship contracts that are considered open-ended contracts.*

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

Company employees by profession, gender and geographic segment as of 31 December 2015

	Full time			Part time		
Employee/staff numbers	**Men**	**Women**	**Total**	**Men**	**Women**	**Total**
EMEA and Americas	2,627	827	3,454	98	320	418
of which Italy	*2,447*	*778*	*3,225*	*98*	*315*	*413*
India	2,306	47	2,353	0	0	0
Asia Pacific 2W	681	146	827	0	1	1
Total	**5,614**	**1,020**	**6,634**	**98**	**321**	**419**

Piaggio's aim is to consolidate its number of female employees and make their working conditions easier. To this end, alternatives to full time work have been in use for several years in Italy and are becoming increasingly popular with employees.
In 2015, 413 employees were working an alternative to full-time hours in Italy. In particular, 4.3% of the workforce was employed with a horizontal part-time contract, and 7.1% on a job-share contract.

Young employees

Within the Group, the largest population is in the age group between 41-50 years old, while the youngest population, up to 30 years, is the second largest. This generational mix is a fundamental condition for more expert staff, capable of taking the initiative and handing down the skills they have learnt, to disseminate their knowledge and expertise to younger employees.

Company employees by professional category and age bracket as of 31 December

Employee/staff numbers		**up to 30**	**31-40**	**41-50**	**> 50**	**Total**
2014	Senior management	0	3	45	62	110
	Middle management	1	148	274	129	552
	White collars	381	847	558	316	2,102
	Blue collars	1,795	791	1,237	923	4,746
	Total	**2,177**	**1,789**	**2,114**	**1,430**	**7,510**
2015	Senior management	0	3	40	61	104
	Middle management	2	145	290	136	573
	White collars	291	778	547	317	1,933
	Blue collars	1,591	658	1,306	888	4,443
	Total	**1,884**	**1,584**	**2,183**	**1,402**	**7,053**

Company employees up to 30 years of age by geographic segment as of 31 December 2015

People with disabilities

Piaggio not only guarantees people with disabilities the chance to work, but also recognises the value of their diversity and importance of dialogue in any activity, from the simplest to the most complex. In agreement with trade union organisations and laws in force, which require companies to employ a certain number of people with disabilities, Piaggio in Italy has also forged alliances with social cooperatives, convinced that work can contribute to personal development.
The insertion and integration of disabled people into the workforce is also made possible in practice by the accessibility of company facilities and the existence of a relative company procedure.

Employees with disabilities in Italy (pursuant to Law no. 68/1999) as of 31 December

Employee/staff numbers	2015	2014	2013
Middle management	0	1	1
White collars	11	10	10
Blue collars with supervisory duties/blue collars	132	137	130
Total	**143**	**148**	**141**
Percentage out of total employees	**3.9%**	**4.0%**	**3.7%**

In 2015, 143 people with disabilities and from legally protected categories were employed at sites in Italy. The breakdown in the table above shows that people with disabilities account for 3.9% of the total work force.

Parental/maternity leave

Our companies apply the laws passed by pertinent national legislation.
The Group does not discriminate in any way against women who take maternity leave. On the contrary, to try to help balance family and work life, 156 employees have been granted horizontal part-time contracts in Italy. In addition, as a further supplement to the work-life balance, at the Pontedera site workers can take advantage of the childcare agreement (see Industrial Relations section).
As proof of the above, the following information has been provided for the companies where the phenomenon is more numerically significant.

	Parental/maternity leaves								
	Italy			Vietnam			Emea/Usa		
	M	W	Total	M	W	Total	M	W	Total
Employees on maternity leave during 2015	24	47	**71**	88	32	**120**	1	8	**9**
Employees retuning to work in 2015 after maternity leave	24	18	**42**	84	25	**109**	1	2	**3**
Employees retuning to work in 2014 after maternity leave	23	11	**34**		23	**23**	3	5	**8**
Employees retuning to work and on payroll 12 month after returning from maternity leaves	22	10	**32**		19	**19**	2	3	**5**
% Retention rate	95.65%	90.91%	**94.12%**	-	82.61%	**82.61%**	66.67%	60.00%	**62.50%**

Personnel dialogue and involvement

Piaggio Group's Internal Communication Policy is aimed at informing employees on business performance and prospects and bringing them closer to top management strategies.
The system is based on the conviction that sharing strategic objectives with every employee is a key factor to success.

Piaggio uses communication and information tools which respect and empower the social and cultural realities within the Group.
Specifically, in Italy there is the "PiaggioNet" corporate intranet, which provides news and information about the Group, as well as services for staff (e.g. an area devoted to time management, employees' payslips online and internal manuals/procedures). In 2015 the Piaggio Welfare section was enhanced to improve the visibility of related issues and of initiatives to improve the "welfare" of employees and their families (e.g. supplementary healthcare, the Family Space, company catering, special agreements and discounts, and supplementary pension schemes).
These functions are also accessible to blue collars through their corporate badge by using specific "Info Points" in the Italian plants of the Piaggio Group.

Employees of foreign subsidiaries are provided equivalent information through the dedicated PiaggioNet International portal, where content is published in English.

Additional specific initiatives are provided for employees of premises in Asia and India, for example:
- Forums dedicated to employees in India (V-Speak and Crucial Conversation);
- A quarterly meeting at Piaggio Vietnam with management to share quarterly results and targets for the next quarter;
- INDIA E-Care: this is an online platform where external consultants deal with various personal problems of employees and their families, guaranteeing confidentiality;
- Piaggio Vietnam Safety Corner: brings together reports from employees on safety issues.

Industrial relations

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

The Piaggio Group's Industrial Relations policy is therefore based on involving workers and their representatives in pursuing company objectives, and is focussed on ongoing dialogue and engagement. The solutions and conduct adopted in various countries where the Group operates are in line with the social and institutional context, but are always consistent with the fundamental principles and overall needs of the Group.

Italy

In 2015, dialogue and engagement with trade union organisations and workers' representatives continued with the aim of seeking shared solutions to respond to the market crisis and manage consequences for workers. Collective bargaining has made it possible to identify shared management tools that can be used to tackle the long period of crisis in the industry, while safeguarding company competencies, thus avoiding a loss of resources and instead promoting their re-employment.

At the Pontedera site – which has established itself as a centre of excellence in innovation, research and design, and in the production of vehicles and engines – the union agreement signed in February 2015 extended the Solidarity Contract from February to November 2015. An additional agreement signed in October 2015 saw it extended once again until November 2016.
In February 2015, a mobility procedure was activated for 150 employees in order to downsize staff activities and structurally rebalance the production workforce.

At the Noale site, activities continued to streamline staff and staff activities, with a new mobility procedure affecting 20 people. Additionally, the ordinary wage guarantee fund was invoked in light of the unexpected fall in work volumes during 2015.

At the Scorzè site, the union agreement signed in January 2015 affirmed the importance of the production site; however, taking into account, the steady decline in orders and the consequent fall in production runs, a union agreement was reached in December 2014 for the use of the Solidarity Contract for all employees at the site, with effect from February 2015 to January 2016; a union agreement signed in December 2015 extended the duration of the agreement until January 2017.

By contrast, at the Mandello del Lario production site, 2015 saw confirmation of a rising trend in sales volumes; in agreement with the trade unions, the increase in production was managed by using temporary employment contracts and flexible working time.

Membership of trade union organisations at Italian sites (2013 – 2015) is shown in the table below:

	2015			2014			2013		
	Pontedera	Noale and Scorzé	Mandello del Lario	Pontedera	Noale and Scorzé	Mandello del Lario	Pontedera	Noale and Scorzé	Mandello del Lario
FIOM	321	134	43	373	145	42	363	153	44
UILM	326	1	2	330	1	2	318	1	2
FIM	334	137	21	354	128	24	352	135	24
UGL	13	0	0	19	0	0	66	0	0
CGIL/CISL/UIL	2	0	0	2	0	0	2	0	0
Total number of employeess who are members of a trade union	**996**	**272**	**66**	**1,078**	**274**	**68**	**1,101**	**289**	**70**
	35.1%	**48.7%**	**65.3%**	**36.8%**	**48.3%**	**65.4%**	**37.1%**	**48.1%**	**68.0%**

As regards **industrial action**, the trend of strikes in 2015 showed a clear fall in the number of hours lost for this reason; in particular, during the year there were no general/category-wide strikes (with

the exception of one event at Mandello del Lario for the loss of 144 hours), while in terms of micro-disputes at the company, the number of hours lost fell by more than 57% compared to 2014, to a very low level overall.
All micro-disputes at the company were at the Pontedera site.

The table below summarises hours lost due to strikes in 2014 and 2015 at company sites, with a focus on micro conflicts:

		2015	2014
N° HOUR LOST DUE TO STRIKES	General/category	144	2,094
	Company	6,807	15,992
	Total	**6,951**	**18,086**
% HOUR LOST compared to HOUR WORKED	General/category	0%	0.10%
	Company	0.34%	0.78%
	of which Pontedera compared to hour worked at Pontedera	*0.41%*	*0.90%*
	Total	**0.34%**	**0.88%**
N° OF DAYS LOST DUE TO STRIKES	General/category	18	262
	Company	851	1,999
	Total	**869**	**2,261**

A structured company welfare system has been established in Italy, with services that aim to increase the well-being of employees and their families, in economic and social terms. In particular, the following have been put in place for employees at Pontedera:
› a supplementary health scheme, with the chance for employees to extend insurance cover to their families by paying an additional contribution;
› a childcare agreement between the Company and the Association of Valdera Communities.

A national trade union agreement at the end of 2011 established a private health insurance fund (Metasalute) for metal and steel processing workers in Italy; the Company started paying its portion of the fund in 2012. Participation in the scheme is voluntary and became operative in 2013.

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

Finally all sites offer employees vaccinations free of charge.

Vietnam

In Vietnam, trade union representatives at a company level (selected by a Company Trade Union Committee) are tasked with protecting employees, helping them to understand aspects concerning labour regulations and company policies, and providing economic support for some company initiatives benefiting employees.

In particular, the current Trade Union Committee, elected in February 2014 and comprising 15 members who will remain in office for 5 years, made an excellent contribution in 2015, having sponsored and assisted the Company in a number of events to bolster employee motivation. The main events are outlined below, following on from those organised last year:

- the **"Nutrition Day"** for employees' children: in June, paediatric doctors met with employees to provide advice on the nutrition and health of their children. The half-day event was attended by approximately 200 children, mainly the sons and daughters of blue-collar workers. In particular, the children, who were entertained with games, entertainers and small gifts, were examined by 20 national nutrition doctors;
- the **"Piaggio Vietnam Summer Vacation"** lasting 3 days in August, when employees with their families were given a contribution to spend 3 days' holiday at a location selected by the Company and trade union representatives;
- to mark International Women's Day (March), the **"Excellent Female Trade Union Member"** event was organised, to award 10 female employees that had particularly excelled for results achieved in the past year and for their commitment to and compliance with company policies and procedures.

No strikes were held in 2015.

<u>India</u>
In India, trade unions have a two-tier structure - at a company and local/area level; this structure is also replicated at the Indian subsidiary where the trade union system comprises a company trade union committee with Piaggio workers' representatives, and a central trade union committee, which is the highest hierarchical level, with members selected by the trade union. At present, the Company trade union committee (appointed in December 2015 and remaining in office for one year) has 8 members.

A collective company agreement is in place at the Indian subsidiary, signed in July 2013 and with a 4-year validity.
In 2015, main activities concerning industrial relations focussed on:

- maintaining and achieving productivity levels of blue-collar workers as established in the July 2013 agreement. The agreement establishes labour levels based on productivity indicators linked to various production levels;
- implementing a flexible, temporary labour model. The use of temporary blue-collar workers is related to production volumes based on pre-established ratios;
- maintaining and improving positive and cooperative relations with workers and trade unions;
- guaranteeing full compliance with labour laws, also in view of new government legislation (for example the Provident Fund Act, Minimum Wages Act, Apprentice Act, etc.);
- involving workers to improve the Company climate and motivate them. In line with this approach, Piaggio carried out numerous employee-engagement activities, including family picnics, sports competitions, awards for children who have done particularly well at school and buying schoolbooks for the children of employees.

Occupational health and safety

Safeguarding and improving the health and safety of workers is integral to the Piaggio Group's operations and strategic within the framework of its more general objectives. This principle is valid and adopted in all countries where the Piaggio Group operates. In particular, the Group has taken concrete actions for:

- continual developments towards a safer working environment, based on assessing all aspects of safety at work and associated systems, beginning with planning new activities or reviewing existing ones;
- safer conduct through training, information and raising awareness among all workers to enable them to carry out their work safely and take responsibility in terms of occupational health and safety.

Health prevention and protection for workers in such a complex industrial context as the Piaggio Group, both in Italy and abroad, can only take place through an adequately structured organisation which specifically aims to foster as far as possible a safety "culture" within the company. Therefore, the belief that safety must focus on conduct and daily operations is today disseminated at all levels. This approach has led the Piaggio Group to adopt safety management standards that are very similar in all countries where it operates, regardless of whether legal constraints are not as strict as company standards. In this framework, the sites in Italy, India and Vietnam have an Occupational Health and Safety Management System certified to OHSAS 18001 by an accredited certification body.

In line with Health and Safety Management System requirements, the Group has identified safety training as the key driver for disseminating a culture and fostering a conduct focussed on safety leadership and for generating commitment and steering conduct.

Promoting health is another important aspect for Piaggio, and this is achieved based on two areas of action: free testing and information campaigns on healthy lifestyles. Each Group site has a health unit for prevention, surveillance and first aid, manned by specialist medical and paramedical staff.

Italy

Starting in February 2015, an organisational change was initiated regarding the system for managing health and safety at work, which is based on the identification of different levels of responsibilities as summarised below, followed by the launch of a project to update the relevant procedural framework.
- Employers appointed by the BoD
- Heads of macro-areas applicable to all Employers
- Heads of macro-areas applicable to each Employer
- Senior Management and Persons Responsible for safety identified by specific appointments.

From March 2015, a new method of investigating accidents was adopted to improve the process of identifying the causes and preventative/protective measures to be taken to avoid the recurrence of similar events.

During 2015, the close relationship between the "Training" department and the "Safety, Hygiene and Occupational Medicine" was further consolidated as regards analysing staff training needs on safety. This relationship led in July to a course for the company experts whom Piaggio entrusts with the responsibility of supervising external companies, ensuring their coordination and cooperation, and overseeing their operations.

Starting in March 2015, the "safety walk" was launched to strengthen the visibility and presence in the factory of the Safety, Hygiene and Occupational Medicine department. The "safety walks" involve unannounced site inspections on safety aspects. The remedial actions identified during the inspections are managed in the same ways and using the same reports as for Integrated Quality, Environment and Safety Audits.

Frequency Index - Italy [31]

Production sites	2015	2014	2013	2012	2011
Pontedera	2.4	2.5	3.0	3.3	3.0
Noale and Scorzè	1.4	0.6	0.2	0.9	1.7
Mandello del Lario	1.6	1.2	1.1	3.2	3.1

*31) The Frequency Index is: IF = (No. of accidents * 100,000) / Hours worked. The number of accidents is calculated considering only accidents in the workplace, excluding accidents reported as of article 53 of Presidential Decree no. 1124/65. Accidents as of article 53 include both commuting accidents and accidents not considered reliable (due to the lack of a specific, short-term external cause of the injury or the lack of a causal link).*

Severity index - Italy[32]

32) The severity index is calculated as Ig = (working days lost / hours worked) x 100,000. In calculating the Index, working days lost because of all events that resulted in absence from work were calculated; so accidents reported pursuant to article 53 of Presidential Decree no. 1124/65 (commuting accidents and accidents not considered reliable due to the lack of a specific, short-term external cause of the injury or the lack of a causal link) were also considered.

Production sites	2015	2014
Pontedera	73.1	130.8
Noale and Scorzè	65.5	22.4
Mandello del Lario	19.5	49.6

At the Pontedera production site, the Lost Day Rate in 2015 was almost half that of 2014. Also at the Mandello del Lario site, the rate fell despite the increase in workplace accidents. However, at the Noale and Scorzè sites, the rate rose compared to 2014 due to commuting accidents that resulted in relatively long periods of absence for the employees involved.

Vietnam

The main priority of **the company**, in compliance with local laws, international health and safety standards and Piaggio Group policies. In this framework, it guarantees that objectives to improve occupational health and safety are pursued through an Occupational Safety and Medicine unit.

Managers of each department guarantee that the occupational health and safety programme is effectively developed and implemented, helping their co-workers perform activities in their remit.

All managers and supervisors are tasked with establishing and maintaining a safe working environment, that poses no risks to health; in this context, each supervisor adopts concrete measures to guarantee to ensure that employees receive training and information on health and safety.

At the same time, **all employees** cooperate in developing programmes that guarantee their own and colleagues' health and safety.

In accordance with Group guidelines, **suppliers and external companies** that perform works at the site are contractually bound to comply with occupational health and safety policies, respect Piaggio Vietnam procedures and programmes, and observe instructions given to them. Violating these instructions is considered as a breach of contract and sufficient grounds to terminate the contract.

In addition, a **Safety Committee** has been established involving all members of functions and chaired by the production manager. The Committee members are responsible for managing any safety-related problems within their functional area and the required corrective actions. They also conduct periodic audits of the entire site and report to the committee on all relevant aspects regarding safety, so that corrective actions may be promptly taken.
In order to effectively implement general health and safety regulations, a programme of activities is defined each year, based on operating plans, that are updated on an ongoing basis.

Again in 2015, extensive training on conduct and specialist training was provided, for a total of around 2,260 hours (801 hours for Piaggio employees and 1,460 for staff of external companies).

Alongside the training and awareness-raising activities, a number of initiatives – introduced in 2014 to reward and reinforce exemplary behaviour – were used again in 2015. For example, at the 17th National Safety Week 2015, Piaggio Vietnam hosted an event to raise awareness and boost commitment to the health and safety of employees and employers.

There has been a company medical centre at the Vinh Phuc site in Vietnam since 2013, with nurses and a doctor who monitor general health problems, offer check-ups and provide medical assistance in first-aid situations.

During 2015, Piaggio Vietnam was awarded at "Certificate of Merit" by the Ministry for Labour and Social Affairs for its health and safety activities in 2014. In the province of Vinh Phuc, Piaggio Vietnam is one of the five companies to receive such an award.

	2015	2014	2013	2012	2011
Vietnam	0.3	0.1	0.2	0.2	0.1

Frequency Index - Vietnam

India

In order to guarantee the highest occupational health and safety standards, the Indian subsidiary has an organisational structure that operatively involves the "Occupier" (employer), which is a single person for various production sites with responsibility for the health, safety and well-being of all employees in the work place, Factory Managers and a Safety Committee comprising 20 members that include executives, managers and white collars. The Safety Committee meets at regular intervals to plan, revise and discuss action plans necessary to establish and disseminate a safety culture in the work place among employees. The presence of a Health & Safety team guarantees that the entire system may operate effectively.

In particular, in accordance with the guidelines adopted by the Group, as part of this organisation, additional roles and responsibilities have been defined that apply to the entire company.
Functional area managers have primary responsibility for health and safety within their division and for managing safety policies and relative organisational procedures, supported by safety managers.
Managers and supervisors have primary responsibility for guaranteeing that the company occupational health and safety policy and objectives are implemented and pursued. All managers and supervisors are responsible for the health and safety of their co-workers. This responsibility also covers the safety of equipment and assets within their areas of responsibility.

In line with the Group's approach, a great deal has been invested in training over the last few years as a main driver to increase each employee's accountability in relation to safety and, consequently, to promote their proactive approach and involvement in safety issues.
In 2015, training was provided on safety in the workplace for employees, suppliers and contractors working at the site for a total of about 7,600 hours, in order to increase the awareness of individuals about safe conduct and provide the necessary updates on changes in local legislation.
Alongside the training and awareness-raising activities, a number of initiatives were introduced to reward and reinforce exemplary behaviour. For example, again this year, as part of the safety week celebration held 4-11 March 2015, awards were handed out to the winners of various competitions.

	2015	2014	2013	2012
Engine & Commercial Vehicles	0.08	0.3	0.2	0.4
2W India	0.0	n/a	n/a	n/a

Frequency Index - India

Events occurring after the end of the period

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

Operating outlook

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

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

In technological terms, the Piaggio Group will focus on new solutions for current and future mobility problems. This is the strategy of Piaggio Fast Forward, established in Cambridge, Massachusetts and tasked with developing - in partnership with university professors and researchers and leading companies worldwide - innovative solutions for future mobility, as well as PADc (Piaggio Advanced Design Center) in Pasadena, that will continue to explore new frontiers in design in order to develop increasingly innovative, functional and efficient products with a style that is unique and deserving of the track record of the Piaggio Group and its most prestigious brands.

In Europe, the Group's Research and Development Centres had a more conventional focus, defining new products and production startup, continuing the development of technologies and platforms that underline the functional aspects and emotional appeal of vehicles with ongoing developments to engines, extended use of vehicle/user digital platforms and the trialling of new product and service configurations. These Centres will be flanked by Aprilia Racing, renowned for its sporting glory, but also for its activities as a profit centre for the development and sale of high-performance motorcycles, and as the most advanced development platform for studying and testing new materials and technological solutions that may benefit all Group products.

More in general, the Group is committed - as in the past and for operations in 2016 - to increasing productivity with a strong focus on efficient costs and investments, while complying with its business ethics.

Transactions with related parties

Revenues, costs, payables and receivables as of 31 December 2015 involving parent companies, subsidiaries and associates refer to the sale of goods or services which are a part of normal operations of the Group.
Transactions are carried out at normal market values, depending on the characteristics of the goods and services provided.
The information on transactions with related parties, including information required by Consob in its communication of 28 July 2006 DEM/6664293, is given in the notes to the Consolidated Financial Statements and notes to the separate Financial Statements of the Parent Company.
The procedure for transactions with related parties, pursuant to article 4 of Consob Regulation no. 17221 of 12 March 2010 as amended, approved by the Board on 30 September 2010, is published on the institutional site of the Issuer www.piaggiogroup.com, under *Governance*.

Relations with Parent Companies

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

Designation	Registered office	Type	% of ownership	
			2015	2014
IMMSI S.p.A.	Mantova - Italy	Direct parent company	50.0621	50.2450
Omniaholding S.p.A.	Mantova - Italy	Final parent company	0.0277	0.0275

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

- as regards mandatory financial disclosure, and in particular the financial statements and reports on operations of the Group, IMMSI has produced a group manual containing the accounting standards adopted and options chosen for implementation, in order to give a consistent and fair view of the consolidated financial statements.
- IMMSI has defined procedures and times for preparing the budget and in general the business plan of Group companies, as well as final management analysis to support management control activities.
- IMMSI has also provided services for the development and management of Company assets, with a view to optimising resources within the Group, and provided property consultancy services and other administrative services.
- IMMSI has provided consultancy services and assistance for the Company and subsidiaries concerning extraordinary financing operations, organisation, strategy and coordination, as well as services intended to optimise the financial structure of the Group.

In 2013, for a further three years, the Parent Company signed up to the National Consolidated Tax Mechanism pursuant to articles 117-129 of the Consolidated Income Tax Act (T.U.I.R) of which IMMSI S.p.A. is the consolidating company, and to whom other IMMSI Group companies report to. The consolidating company determines a single global income equal to the algebraic sum of taxable amounts (income or loss) realised by individual companies that opt for this type of group taxation.
The consolidating company recognises a receivable from the consolidated company which is equal to the corporate tax to be paid on the taxable income transferred by the latter. Whereas, in the case of companies reporting tax losses, the consolidating company recognises a payable related to corporate tax on the portion of loss actually used to determine global overall income. Under the National Consolidated Tax Mechanism, companies may, pursuant to Article 96 of Presidential Decree no. 917/86, allocate the excess of interest payable which is not deductible to one of the companies so that, up to the excess of Gross Operating Income produced in the same tax period by other subjects party to the consolidation (or, in the presence of specific legal requirements, from foreign companies), the amount may be used to reduce the total income of the Group.

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

Piaggio Concept Store Mantova Srl has a lease contract for its sales premises and workshop with Omniaholding S.p.A.. This agreement was signed in normal market conditions.
Omniaholding S.p.A. has undersigned Piaggio & C. bonds for a value of € 2.9 million on the financial market, and collected related interest.

Transactions with Piaggio Group companies

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

Piaggio & C. S.p.A.

- sells vehicles, spare parts and accessories to sell on respective markets, to:
  - Piaggio Hrvatska
  - Piaggio Hellas
  - Piaggio Group Americas
  - Piaggio Vehicles Private Limited
  - Piaggio Vietnam
  - Piaggio Concept Store Mantova
- sells components to:
  - Piaggio Vehicles Private Limited
  - Piaggio Vietnam
- grants licences for rights to use the brand and technological know how to:
  - Piaggio Vehicles Private Limited
  - Piaggio Vietnam
- provides support services for scooter and engine industrialisation to:
  - Piaggio Vehicles Private Limited
  - Piaggio Vietnam
- provides support services for staff functions to other Group companies;
- issues guarantees for the Group's subsidiaries, for medium-term loans.

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

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

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

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

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

Piaggio Indonesia and Piaggio Group Japan

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

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

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

Piaggio Asia Pacific

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

Piaggio Group Canada

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

Foshan Piaggio Vehicles Technologies R&D provides to:

› Piaggio & C. S.p.A.:
  · component and vehicle design/development service;
  · scouting of local suppliers;

› Piaggio Vietnam:
  · scouting of local suppliers;
  · a distribution service for vehicles, spare parts and accessories on its own market.

Piaggio Advanced Design Center:

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

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

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

Atlantic 12

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

Piaggio China

› charges its management costs to Piaggio & C. S.p.A.

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

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

Piaggio & C. S.p.A.

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

Foshan Piaggio Vehicles Tecnologies R&D

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

Zongshen Piaggio Foshan Motorcycle Co. Ltd

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

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

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

Corporate Governance

Profile

The Company is organised in accordance with the traditional administration and control model mentioned in articles 2380-bis et seq. of the Italian Civil Code, with the Shareholders' Meeting, the Board of Directors and the Board of Statutory Auditors.

Roberto Colaninno is Chairman and Chief Executive Officer of the Company, Matteo Colaninno is Deputy Chairman and Gabriele Galli is General Manager Finance.

The Company has adopted the Corporate Governance Code of Borsa Italiana S.p.A. and observes principles of corporate governance contained in the code.

The Company is subject to the management and coordination of IMMSI S.p.A. pursuant to article 2497 et seq. of the Italian Civil Code.

Board of Directors

The Board of Directors of the Company in office at the date of this Report comprises nine members, appointed by the Ordinary General Meeting of Shareholders of 13 April 2015 based on the two lists of candidates submitted by the majority shareholder IMMSI S.p.A. and by the Legal Practice Trevisan & Associati. The Board of Directors will remain in office until the date of the Ordinary General Meeting of Shareholders called for approval of the Financial Statements for the financial year ending 31 December 2017.

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

Committees

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

Internal control and risk management system

The internal control and risk management system requires the Board, after consulting with the Internal Control and Risk Management Committee, to define guidelines for the internal control and risk management system which comprises all processes to identify, measure, manage and monitor main risks. This system helps ensure efficient and effective company operations, the reliability of financial information, compliance with laws and regulations as well as the company's articles of association and with internal procedures, and the safeguarding of company assets.

In this context, the Board of Directors is assisted by a Director appointed to oversee operation of the internal control and risk management system and an Internal Control and risk management Committee. The Board of Directors, in response to a proposal by the Director in charge of the internal control and risk management system and having obtained the opinion of the Internal Control and risk management Committee and the Board of Statutory Auditors, appointed the Internal Auditing Supervisor to verify that the internal control and risk management system is operative and adequate, ensuring that he/she receives adequate means to carry out his/her functions, including - as regards the operating structure and internal organisational procedures - access to information needed for his/her position.

Board of Statutory Auditors

The Board of Statutory Auditors in office at the date of this Report was elected by the Ordinary General Meeting of Shareholders held on 13 April 2015, based on the two lists of candidates submitted by the majority shareholder IMMSI S.p.A. and by the Legal Practice Trevisan & Associati, in accordance with the provisions of Article 24.2 of the Articles of Association, and will hold office until approval of the annual financial statements for the year ending 31 December 2017.

Corporate Governance Report

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

Other information

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

With reference to the obligations of the "Consolidated Privacy Act", enacted with Italian Legislative Decree no. 196 of 30 June 2003, – Annex B), Technical Regulations – Piaggio & C. S.p.A., as Data Controller has adopted the security measures listed in the regulations, and updated its Security Policy Document according to law.
The purpose of the Security Policy Document is to:
1. define and describe the security policies adopted concerning the processing of personal data relative to employees, outsourced staff, customers, suppliers and other subjects concerned;
2. define and explain the organisational criteria adopted by the Company to put these measures in place.

Article 36 of the Consob Regulation on Markets (adopted with Consob resolution no. 16191/2007 as amended): conditions for listing companies controlling companies established and governed according to laws of non-EU Member States on the stock exchange

As regards regulatory requirements on conditions for listing companies controlling companies established and governed according to laws of non-EU Member States on the stock exchange and material importance for the purposes of consolidated financial statements, the following is reported:
› as of 31 December 2015, the regulatory requirements of article 36 of the Regulation on Markets apply to the subsidiaries: Piaggio Vehicles Private Limited, Piaggio Vietnam Co Ltd and Piaggio Group Americas Inc;
› adequate procedures for ensuring full compliance with the above regulation have been adopted.

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

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

Statement of reconciliation between shareholders' equity and earnings for the period of the Parent Company and consolidated companies

	Net profit as of 31.12.2015	Shareholders' equity as of 31.12.2015	Net profit as of 31.12.2014	Shareholders' equity as of 31.12.2014
In thousands of euros				
Piaggio & C. S.p.A.	**15,058**	**320,321**	**14,810**	**328,978**
Net profit and shareholders' equity of subsidiaries	60,358	187,541	59,164	187,768
Elimination of the carrying amount of investments		(92,390)		(89,597)
Elimination of dividends from subsidiaries	(65,389)		(56,985)	
Sale/disposal of intangible assets/ property, plant and equipment to subsidiaries	538	(16,381)	(328)	(16,247)
Elimination of the effects of other intergroup transactions and other records	1,302	5,202	(597)	2,167
Piaggio Group	**11,867**	**404,293**	**16,064**	**413,069**

Proposal to approve the Financial Statements and allocate profit for the period

Dear Shareholders,

The Board of Directors of your Company has convened the ordinary Shareholders' Meeting for your approval of the draft financial statements for Piaggio & C. S.p.A. at 31 December 2015.

The financial statements at 31 December 2015 closed with a profit of Euro 15,057,591.94, therefore, we propose to allocate the profit as follows:

› Euro 752,879.60 as legal reserve;
› Euro 14,304,712.34 as dividends.

Furthermore, taking into account the amount of the available reserves in the financial statement of the Company (equal to Euro 5,773,666.36) and – pursuant to the article 2426 no. 5 of the Italian civil code – the amount of the development costs and the purchase of treasury share, we are submitting, for your approval, the proposal to distribute a dividend of Euro 0.05 for every qualifying share and therefore (taking into account the 1,896,000 treasury shares in the Company's portfolio) a total of Euro 17,965,619, of which:

› Euro 14,304,712.34, from the profit of the period (excluding the amount of Euro 752.879,60 to be allocated as legal reserve);
› additional Euro 3,660,906.66 from the "Retained Earnings" reserve.

We also propose to establish 18th April 2016 as the coupon no. 9 detachment date, 19th April 2016 as dividend record date and 20th April 2016 as the date from which the dividend is payable.

Milan, March 11th 2016

For the Board of Directors
/s/ Roberto Colaninno

Chairman and Chief Executive Officer
Roberto Colaninno

Economic glossary

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

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

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

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

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

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

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

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

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

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

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

GRUPPO PIAGGIO
CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2015

Consolidated Income Statement

Notes	In thousands of euros	2015 Total	of which related parties	2014 Total	of which related parties
4	Net revenues	1,295,286	794	1,213,272	166
5	Cost for materials	770,297	25,616	707,515	20,674
6	Cost for services and leases and rentals	235,892	3,776	212,638	3,715
7	Employee costs	213,326		211,513	
8	Depreciation and impairment costs of property, plant and equipment	45,552		41,710	
8	Amortisation and impairment costs of intangible assets	59,491		47,934	
9	Other operating income	106,180	737	97,123	2,491
10	Other operating costs	20,198	33	19,424	19
	Operating income	**56,710**		**69,661**	
11	Income/(loss) from investments	295	141	(184)	(113)
12	Financial income	878		1,606	
12	Borrowing costs	37,476	157	43,504	388
51	*of which non-recurrent*			*3,552*	
12	Net exchange gains/(losses)	(304)		(1,065)	
	Profit before tax	**20,103**		**26,514**	
13	Taxes for the period	8,236	(655)	10,450	(125)
51	*of which non-recurrent*			*(977)*	
	Profit from continuing operations	**11,867**		**16,064**	
	Assets held for sale:				
14	Gains or losses arising from assets held for sale				
	Net Profit (Loss) for the period	**11,867**		**16,064**	
	Attributable to:				
	Owners of the Parent	**11,873**		**16,065**	
	Non controlling interests	**(6)**		**(1)**	
15	**Earnings per share (figures in €)**	**0.033**		**0.044**	
15	**Diluted earnings per share (figures in €)**	**0.033**		**0.044**	

Consolidated Statement of Comprehensive Income

Notes	In thousands of euros	2015	2014
	Net Profit (loss) for the period (A)	**11,867**	**16,064**
	Items that will not be reclassified to profit or loss		
45	Remeasurements of defined benefit plans	1,841	(5,594)
	Total	**1,841**	**(5,594)**
	Items that may be reclassified to profit or loss		
45	Profit (loss) deriving from the translation of financial statements of foreign companies denominated in foreign currency	3,313	8,215
45	Total gains (losses) on cash flow hedges	244	735
	Total	**3,557**	**8,950**
	Other Comprehensive Income (Expense) (B)[33]	**5,398**	**3,356**
	Total Comprehensive Income (Expense) for the period (A + B)	**17,265**	**19,420**
	Attributable to:		
	Owners of the Parent	**17,189**	**19,430**
	Non controlling interests	**76**	**(10)**

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

Consolidated Statement of Financial Position

Notes	In thousands of euros	As of 31 December 2015 Total	of which related parties	As of 31 December 2014 Total	of which related parties
	Assets				
	Non-current assets				
16	Intangible assets	673,986		668,354	
17	Property, plant and equipment	307,608		307,561	
18	Investment property	11,961		11,961	
37	Investments	9,529		8,818	
38	Other financial assets	24,697		19,112	
23	Long-term tax receivables	5,477		3,230	
19	Deferred tax assets	56,434		46,434	
21	Trade receivables				
22	Other receivables	13,419	153	13,647	197
	Total non-current assets	**1,103,111**		**1,079,117**	
28	**Assets held for sale**				
	Current assets				
21	Trade receivables	80,944	1,150	74,220	856
22	Other receivables	29,538	8,879	36,749	9,440
23	Short-term tax receivables	21,541		35,918	
20	Inventories	212,812		232,398	
39	Other financial assets	2,176			
40	Cash and cash equivalents	101,428		98,206	
	Total current assets	**448,439**		**477,491**	
	Total assets	**1,551,550**		**1,556,608**	
	Shareholders' equity and liabilities				
	Shareholders' equity				
44	Share capital and reserves attributable to the owners of the Parent	404,535		412,147	
44	Share capital and reserves attributable to non-controlling interests	(242)		922	
	Total shareholders' equity	**404,293**		**413,069**	
	Non-current liabilities				
41	Financial liabilities falling due after one year	520,391	2,900	506,463	2,900
28	Trade payables				
29	Other long-term provisions	9,584		10,394	
30	Deferred tax liabilities	4,369		5,123	
31	Retirement funds and employee benefits	49,478		55,741	
32	Tax payables			0	
33	Other long-term payables	4,624		3,645	
	Total non-current liabilities	**588,446**		**581,366**	
	Current liabilities				
41	Financial liabilities falling due within one year	105,895		102,474	
28	Trade payables	380,363	10,108	386,288	15,580
32	Tax payables	14,724		14,445	
33	Other short-term payables	48,050	8,666	49,148	8,397
29	Current portion of other long-term provisions	9,779		9,818	
	Total current liabilities	**558,811**		**562,173**	
	Total shareholders' equity and liabilities	**1,551,550**		**1,556,608**	

Consolidated Statement of Cash Flows

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

Notes	In thousands of euros	2015 Total	2015 of which related parties	2014 Total	2014 of which related parties
	Operating activities				
	Consolidated net profit	11,873		16,065	
	Allocation of profit to non-controlling interests	(6)		(1)	
13	Taxes for the period	8,236		10,450	
8	Depreciation of property, plant and equipment	45,523		41,419	
8	Amortisation of intangible assets	59,491		47,934	
	Allocations for risks and retirement funds and employee benefits	17,032		17,453	
	Write-downs/ (Reversals)	2,470		(1,969)	
	Losses/ (Gains) on the disposal of property, plants and equipment	(251)		32	
	Losses/ (Gains) on the disposal of intangible assets	0		0	
12	Financial income	(877)		(905)	
	Dividend income	(130)		(5)	
12	Borrowing costs	36,751		41,044	
	Income from public grants	(3,487)		(2,823)	
	Portion of earnings of associates	(141)		113	
	Change in working capital:				
21	(Increase)/Decrease in trade receivables	(4,957)	(294)	3,383	8
23	(Increase)/Decrease in other receivables	8,113	605	(10,040)	(2,244)
20	(Increase)/Decrease in inventories	19,586		(24,590)	
28	Increase/ (Decrease) in trade payables	(5,925)	(5,472)	40,124	4,376
	Increase/ (Decrease) in other payables	(119)	269	3,229	1,923
29	Increase/ (Decrease) in provisions for risks	(9,913)		(15,495)	
31	Increase/ (Decrease) in retirement funds and employee benefits	(14,613)		(2,851)	
	Other changes	16,375		(38,193)	
	Cash generated from operating activities	**185,031**		**124,374**	
	Interest paid	(32,790)		(36,180)	
	Taxes paid	(23,400)		(21,832)	
	Cash flow from operating activities (A)	**128,841**		**66,362**	
	Investing activities				
17	Investment in property, plant and equipment	(38,062)		(36,628)	
	Sale price, or repayment value, of property, plant and equipment	581		833	
16	Investment in intangible assets	(63,828)		(58,265)	
	Sale price, or repayment value, of intangible assets	56		59	
	Sale price of financial assets	47		915	
	Collected interests	749		528	
	Cash flow from investment activities (B)	**(100,457)**		**(92,558)**	
	Financing activities				
44	Exercise of stock option with capital increase			5,076	
	Exercising of stock options with sale of treasury shares			245	
44	Purchase of treasury shares	(34)		(3,787)	
44	Outflow for dividends paid	(26,007)			
41	Loans received	58,130		207,973	
41	Outflow for repayment of loans	(49,270)		(134,683)	
41	Financing received for leases			267	
41	Repayment of finance leases	(31)		(5,835)	
	Cash flow from financing activities (C)	**(17,212)**		**69,256**	
	Increase/ (Decrease) in cash and cash equivalents (A+B+C)	11,172		43,060	
	Opening balance	**90,125**		**52,816**	
	Exchange differences	5		(5,751)	
	Closing balance	**101,302**		**90,125**	

Changes in Consolidated Shareholders' Equity

Movements from 1 January 2015 / 31 December 2015

Notes	In thousands of euros	Share capital	Share premium reserve	Legal reserve	Reserve for measurement of financial instruments	IAS transition reserve
	As of 1 January 2015	**207,614**	**7,171**	**16,902**	**(830)**	**(5,859)**
	Profit for the period					
	Other Comprehensive Income (expense)				244	
	Total comprehensive income (expense) for the period	**0**	**0**	**0**	**244**	**0**
	Transactions with shareholders:					
44	Allocation of profits			741		
44	Distribution of dividends					
44	Annulment of treasury shares					
44	Purchase of treasury shares					
44	25% acquisition of Piaggio Hrvatska					
	As of 31 December 2015	**207,614**	**7,171**	**17,643**	**(586)**	**(5,859)**

Movements from 1 January 2014 / 31 December 2014

Notes	In thousands of euros	Share capital	Share premium reserve	Legal reserve	Reserve for measurement of financial instruments	IAS transition reserve
	As of 1 January 2014	**206,027**	**3,681**	**16,902**	**(1,565)**	**(5,859)**
	Profit for the period					
	Other Comprehensive Income (expense)				735	
	Total comprehensive income (expense) for the period	**0**	**0**	**0**	**735**	**0**
	Transactions with shareholders:					
	Allocation of profits					
44	Distribution of dividends					
	Exercise of stock options:					
44	*- issue of new shares*	*1,587*	*3,489*			
44	*- sale of treasury shares*					
44	Purchase of treasury shares					
44	Other changes		1			
	As of 31 December 2014	**207,614**	**7,171**	**16,902**	**(830)**	**(5,859)**

Group conversion reserve	Treasury shares	Earnings reserve	Consolidated Group shareholders' equity	Share capital and reserves attributable to non-controlling interests	Total shareholders' equity
(18,839)	**(5,787)**	**211,775**	**412,147**	**922**	**413,069**
		11,873	11,873	(6)	11,867
3,231		1,841	5,316	82	5,398
3,231	**0**	**13,714**	**17,189**	**76**	**17,265**
		(741)	0		0
		(26,007)	(26,007)		(26,007)
	5,787	(5,787)	0		0
	(34)		(34)		(34)
		1,240	1,240	(1,240)	0
(15,608)	**(34)**	**194,194**	**404,535**	**(242)**	**404,293**

Group conversion reserve	Treasury shares	Earnings reserve	Consolidated Group shareholders' equity	Share capital and reserves attributable to non-controlling interests	Total shareholders' equity
(27,063)	**(2,245)**	**201,305**	**391,183**	**932**	**392,115**
		16,065	16,065	(1)	16,064
8,224		(5,594)	3,365	(9)	3,356
8,224	**0**	**10,471**	**19,430**	**(10)**	**19,420**
			0		0
			0		0
			5,076		*5,076*
	245		*245*		*245*
	(3,787)		(3,787)		(3,787)
		(1)	0		0
(18,839)	**(5,787)**	**211,775**	**412,147**	**922**	**413,069**

Notes to the Consolidated Financial Statements

A) General aspects

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

Scope of consolidation

As of 31 December 2015, the structure of the Piaggio Group was as indicated in the Report on Operations and is the structure referred to herein.
The scope of consolidation has changed since the consolidated financial statements as of 31 December 2014, following the creation, on 15 June 2015, of Piaggio Fast Forward Inc., a company set up in the United States for the research and development of new mobility and transportation systems.

Compliance with international accounting standards

The Consolidated Financial Statements of the Piaggio Group as of 31 December 2015 have been drafted in compliance with the International Accounting Standards (IAS/IFRS) in force at that date, issued by the International Accounting Standards Board and approved by the European Commission, as well as in compliance with the provisions established in Article 9 of Legislative Decree no. 38/2005 (Consob Resolution no. 15519 dated 27 July 2006 containing the "Provisions for the presentation of financial statements", Consob Resolution no. 15520 dated 27 July 2006 containing the "Changes and additions to the Regulation on Issuers adopted by Resolution no. 11971/99", Consob communication no. 6064293 dated 28 July 2006 containing the "Corporate reporting required in accordance with Article 114, paragraph 5 of Legislative Decree no. 58/98"). The interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously the Standing Interpretations Committee ("SIC"), were also taken into account.
Moreover, international accounting standards have been uniformly adopted for all Group companies.
The financial statements of subsidiaries, used for consolidation and for the joint venture consolidated using the equity method, have been appropriately modified and reclassified, where necessary, to bring them in line with the international accounting standards and classification criteria used by the Group on a consistent basis.

The Financial Statements have been prepared on a historical cost basis, amended as required for the measurement of investment property and some financial instruments, and on a going-concern basis. In fact, despite the difficult economic and financial context, the Group has evaluated that there are no significant doubts about its continuing as a going concern (as defined in section 25 of IAS 1), also in relation to actions already identified to adapt to changing levels in demand, as well as the industrial and financial flexibility of the Group.
These Consolidated Financial Statements were audited by PricewaterhouseCoopers S.p.A..

Other information

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

1. Form and content of the financial statements

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

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

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

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

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

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

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

As of 31 December 2015 subsidiaries and associates of Piaggio & C. S.p.A. were as follows:

	Subsidiaries			Associates			Total
	Italy	Abroad	Total	Italy	Abroad	Total	
Companies:							
- consolidated on a line-by-line basis	3	21	24				24
- consolidated with the equity method				2	3	5	5
Total companies	**3**	**21**	**24**	**2**	**3**	**5**	**29**

2. Consolidation principles and evaluation criteria

2.1 Principles of consolidation

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

Subsidiaries

Subsidiaries are companies in which the Group exercises control. This control exists when the Group is exposed, or is entitled to receive variable returns from its involvement in the company and has the capacity to influence such returns through its power over the controlled company. The acquisition of subsidiaries is recognised according to the acquisition method. The cost of acquisition is determined by the sum of present values at the date control of the given assets was obtained, liabilities borne or undertaken and financial instruments issued by the Group in exchange for control of the acquired company.
In the case of acquisitions of companies, acquired and identifiable assets, liabilities and potential liabilities are recognised at the present value at the date of acquisition. The positive difference between the acquisition cost and the share of the Group at the present value of said assets and liabilities is classified as goodwill and recognised in the financial statements as an intangible asset. Any negative difference ("negative goodwill") is recognised instead in profit and loss at the date of acquisition.
The financial statements of subsidiaries are included in the Consolidated Financial Statements starting from the date when control is acquired until control ceases.
The portions of shareholders' equity and income attributable to non-controlling interests are separately indicated in the Consolidated Statement of Financial Position and Consolidated Income Statement respectively.
On 11 November 2015, Piaggio Vespa BV acquired the remaining 25% of Piaggio Hrvatska, already consolidated on a line-by-line basis. In compliance with IAS 27 requirement, in respect of these transactions on non-controlling interest, the difference between the price paid and value of acquired assets, previously assigned to non-controlling interest, is now recognised in consolidated shareholders' equity.

Associates

Associates are companies in which the Group has considerable influence but not control of financial and operational policies. The Consolidated Financial Statements include the portion relative to the Group of income of associates, accounted for using the equity method, starting from the date when it commences to have considerable influence and ending when said influence ceases. With the equity method, investments in associates are initially recognised at cost and subsequently adjusted to indicate the portion of post-acquisition profits or losses attributable to the Group and movements in the statement of comprehensive income. If any portion attributable to the Group of losses of the associates exceeds the carrying amount of the investment in the financial statements, the value of the investment is reset to zero and the portion of further losses is not recorded, except in cases where and to the extent to which the Group is required to be held liable for said losses.

Joint arrangements

The Group adopts IFRS 11 for all joint arrangements. According to IFRS 11, investments in joint arrangements are classified as joint operations or joint ventures depending on the contractual obligations and rights of each investor. The Group has classified the only joint arrangement agreement in place as being a joint venture. Joint ventures are measured with the equity method.

With the equity method, interests in joint ventures are initially recognised at cost and subsequently adjusted to indicate the portion of post-acquisition profits or losses attributable to the Group and movements in the statement of comprehensive income.

In the event any portion attributable to the Group of losses of the joint venture exceeds the carrying amount of the investment in the financial statements, the value of the investment is reset to zero and the portion of further losses is not recorded, except in cases where and to the extent in which the Group is required to be held liable for said losses.

As regards transactions between a Group company and a joint venture, unrealised profits and losses are eliminated to an extent equal to the percentage of the investment of the Group in the jointly controlled company, with the exception of unrealised losses that constitute evidence of an impairment of the transferred asset.

Transactions eliminated during the consolidation process

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

Transactions in foreign currency

Transactions in foreign currency are recorded at the exchange rate in effect on the date of the transaction. Monetary assets and liabilities in foreign currency are translated at the exchange rate in effect at the reporting date.

Consolidation of foreign companies

The separate financial statements of each company belonging to the Group are prepared in the currency of the primary economic environment in which they operate (the functional currency). For the purposes of the Consolidated Financial Statements, the financial statements of each foreign entity are in euro, which is the functional currency of the Group and the presentation currency of the Consolidated Financial Statements.

All assets and liabilities of foreign companies in a currency other than the euro which come under the scope of consolidation are translated, using exchange rates in effect at the reporting date (currency exchange rates method). Income and costs are translated at the average exchange rate of the period. Translation differences arising from the application of this method, as well as translation differences arising from a comparison of initial shareholders' equity translated at current exchange rates and the same equity translated at historical rates, are recognised in the statement of comprehensive income and allocated to a specific reserve in shareholders' equity until disposal of the investment. Average exchange rates for translating the cash flows of foreign subsidiaries are used in preparing the Consolidated Statement of Cash Flows.

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

Currency	Spot exchange rate 31 December 2015	Average exchange rate 2015	Spot exchange rate 31 December 2014	Average exchange rate 2014
US Dollar	1.0887	1.10951	1.2141	1.3285
Pounds Sterling	0.73395	0.72585	0.7789	0.80612
Indian Rupee	72.0215	71.1956	76.719	81.0406
Singapore Dollars	1.5417	1.52549	1.6058	1.68232
Chinese Renminbi	7.0608	6.97333	7.5358	8.18575
Croatian Kuna	7.638	7.6137	7.6580	7.63442
Japanese Yen	131.07	134.314	145.23	140.306
Vietnamese Dong	24,435.06	24,147.36965	25,834.65	27,967.22
Canadian Dollars	1.5116	1.41856	1.4063	1.46614
Indonesian Rupiah	15,029.50	14,861.45152	15,103.40	15,720.31055
Brazilian Real	4.3117	3.70044	3.2207	3.12113

2.2 Accounting policies

The most significant accounting policies adopted to prepare the Consolidated Financial Statements as of 31 December 2015 are outlined below.

Intangible assets

As provided for in IAS 38, an intangible asset which is purchased or internally generated, is recognised as an asset only if it is identifiable, controllable and future economic benefits are expected and its cost may be measured reliably.
Intangible assets with a definite useful life are measured at acquisition cost or production cost net of amortisation and accumulated impairment losses. Borrowing costs related to the acquisition, construction or production of certain activities that require a significant period of time before they are ready for use or sale (qualifying assets), are capitalised along with the asset.
Amortisation is referred to the expected useful life and commences when the asset is available for use.

Goodwill

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

Development costs

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

Other intangible assets

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

The amortisation periods of intangible assets are shown below:

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

Property, plant and equipment

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

The depreciation periods of Plant, property and equipment are summarised below:

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

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

Lease contracts

Lease contracts for property, plant and machinery where the Group, as lessee, basically undertakes all risks and benefits of the property, are classified as finance leases. Finance leases are capitalised when the lease is established, at the fair value of the leased asset or, if less, at the current value of minimum payments due. The corresponding amount due to the lessor, net of borrowing costs, is recognised as a financial payable. The borrowing cost is recognised in profit or loss over the lease period, so as to produce an interest rate that is constant for the remaining amount due for each period. Property, plant and machinery of finance leases are depreciated during the useful life of the asset or the shorter of the useful life of the asset or the duration of the lease agreement, if there is no reasonably certainty that the Group will obtain the property at the end of the lease period.
Leases in which a significant part of the risks and benefits of ownership are not transferred to the Group as the lessor, are classified as operating leases. Payments made for operating leases (net of any incentives received from the lessee), are recognised in profit or loss on a straight-line basis for the duration of the lease agreement.
The Group has its own production plants even in countries where ownership rights are not allowed. In 2007, on the basis of clarification from IFRIC, the Group reclassified as receivables the rentals paid in advance to obtain the availability of land where its production sites are situated.

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

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

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

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

Financial assets
Financial assets are recognised and deleted from the financial statements based on the negotiation date and are initially measured at fair value, represented by the initial increased amount, with the exception of assets held for negotiation, of costs relative to the transaction.
At subsequent end of reporting periods, the financial assets the Group intends and can retain up until maturity (securities held until maturity) are recognised at amortised cost based on the effective interest rate method, net of reversals for impairment losses.
Financial assets other than those held to maturity are classified as held for trading or for sale, and are measured at fair value at the end of each period. When financial assets are held for trading, profits and losses arising from changes in fair value are recognised in profit or loss for the period; in the case of financial assets held for sale, profits and losses arising from changes in fair value

are recognised in the statement of comprehensive income and allocated to a specific reserve of shareholders' equity until sold, recovered or disposed of.

Inventories

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

Receivables

Trade receivables and other receivables are initially recognised at fair value and subsequently recognised based on the amortised cost method, net of the provisions for write-downs. Losses on receivables are recognised when there is objective evidence that the Group is not able to recover the amount due from the other party on the basis of contractual terms.
When payment of amounts due exceeds standard terms of payment granted to clients, the receivable is discounted.

Factoring

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

Cash and cash equivalents

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

Treasury shares

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

Financial liabilities

Financial liabilities are recognised based on amounts cashed net of relative transaction costs. After initial recognition, loans are measured at amortised cost and calculated using the effective interest rate. Financial liabilities hedged by derivatives are measured at present value, according to procedures established for hedge accounting applicable to the fair value hedge and cash flow hedge.
On initial recognition, a liability may also be designated at fair value recognised in profit or loss

when this eliminates or considerably reduces a lack of uniformity in the measurement or recognition (sometimes defined as "asymmetric accounting") that would otherwise arise from the measurement of an asset or liability or recognition of relative profit and loss on different bases. This fair value designation is exclusively applied to some financial liabilities in currency subject to exchange risk hedging.

Derivatives and measurement of hedging transactions

Group assets are primarily exposed to financial risks from changes in exchange and interest rates, and commodity prices. The Group also uses derivatives to manage these risks, according to procedures in line with the Group's risk management policies.
Derivatives are initially measured at fair value represented by the initial amount.
Financial derivatives are only used for hedging purposes, against exchange rate and interest rate fluctuations. In line with IAS 39, financial derivatives may qualify for hedge accounting, only when the hedging instrument is formally designated and documented, is expected to be highly effective and this effectiveness can be reliably measured and is highly effective throughout the reporting periods for which it is designated.
When financial instruments may be measured by hedge accounting, the following accounting treatment is adopted:

› Fair value hedge: if a financial derivative is designated as a hedge of the exposure to changes in present value of a recognised asset or liability, attributable to a particular risk and could affect profit or loss, the gain or loss from the subsequent change in present value of the hedging instrument is recognised in profit or loss. The gain or loss on the hedged item, attributable to the hedged risk, changes the carrying amount of the hedged item and is recognised in profit or loss.
› Cash flow hedge: if an instrument is designated as a hedge of the exposure to variability in cash flows of a recognised asset or liability or of a highly probable forecast transaction which could affect profit or loss, the effective portion of the gain or loss on the financial instrument is recognised in the Statement of Comprehensive Income. Accumulated gain or loss is reversed from other shareholders' equity and recognised in profit or loss in the same period as the hedging transaction. The gain or loss associated with hedging or the part of hedging which is ineffective, is immediately recognised in profit or loss. If the hedging instrument or hedging ceases, but the transaction covered by hedging is not yet realised, profits and losses, recognised in equity, are instead recognised in profit or loss when the transaction takes place. If hedge accounting ceases for a cash flow hedge relationship, gains and losses deferred in other shareholders' equity are recognised immediately in profit or loss.

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

Long-term provisions

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

Retirement funds and employee benefits

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

The cost components of defined benefits are recognised as follows:
- the costs relative to services are recognised in the Income Statement under employee costs;
- net borrowing costs of liabilities or assets with defined benefits are recognised in the Income Statement as financial income/(borrowing costs), and are determined by multiplying the value of the net liability/(asset) by the rate used to discount the obligations, taking account of the payment of contributions and benefits during the period;
- the remeasurement components of net liabilities, which include actual gain and losses, the return on assets (excluding interest income recognised in the Income Statement) and any change in the limit of the assets, are immediately recognised as "Other total profits (losses). These components must not be reclassified to the Income Statement in a subsequent period.

Termination benefit

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

Stock Option Plan

As provided for in IFRS 2 - Share-Based Payment, the total amount of the present value of stock options at the date of assignment is recognised wholly in profit or loss under employee costs, with a counter entry recognised directly in shareholders' equity, if the grantees of the instruments representing capital become owners of the right on assignment. If a "maturity period" is required, in which certain conditions are necessary before grantees become holders of the right, the cost for payments, determined on the basis of the present value of options at the date of assignment, is recognised under employee costs on a straight line basis for the period between the date of assignment and maturity, with a counter entry directly recognised in shareholders' equity.
Determination of fair value based on the Black Scholes method.
Changes in the present value of options subsequent to the date of assignment do not have any effect on initial recognition.

Tax assets and liabilities

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

Payables

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

Reverse factoring

To guarantee suppliers easier credit conditions, the Group has established factoring agreements, and typically supply chain financing or reverse factoring agreements. Based on the agreements, suppliers may, at their discretion, transfer receivables due from the Group to a lender and collect

amounts before the due date.
In some cases, payment terms are extended further in agreements between the supplier and the Group; these extensions may be interest or non-interest bearing.
The Group has established a specific policy to assess the nature of reverse factoring operations. Based on the content of agreements, which differs by area of origin, the Finance function, at a central level, analyses the clauses of agreements in qualitative terms, as well as legal aspects in order to assess regulatory references and the type of transaction assignment (as provided for by IAS 39 AG57 b). In some cases, as payment terms have been extended, quantitative analysis is carried out to verify the materiality of changes in contract terms, based on quantitative tests as required by IAS 39 AG 62.
In this context, relations, for which a primary obligation with the supplier is maintained and any deferment, if granted, does not significantly change payment terms, are still classified as trade liabilities.

Recognition of revenues

Revenues for the sale of vehicles and spare parts are recognised to the extent that it is likely the Group will receive the economic benefits and their amount may be measured reliably. Revenues are recognised when the risks and benefits connected with ownership are transferred to the purchaser, the sale price is agreed or may be determined and payment is reasonably certain.
Revenues are represented net of discounts, including, among others, sales incentive programmes and bonuses to customers, as well as taxes directly connected with the sale of the goods.
Revenues from the provision of services are recognised when the services are provided with reference to the interim payment certificate.
Revenues also include lease payments recognised on a straight line basis for the duration of the contract.

Operating grants

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

Financial income

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

Borrowing Costs

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

Dividends

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

Income tax

Taxes represent the sum of current and deferred tax assets and liabilities.
Taxes allocated under statutory accounting circumstances of individual companies included in the scope of consolidation are recognised in the consolidated financial statements, based on taxable

income estimated in compliance with national laws in force at the end of the reporting period, considering applicable exemptions and tax receivables owing. Income taxes are recognised in the income statement, with the exception of those taxes relative to items directly deducted from or charged to the statement of comprehensive income.
Taxes are recorded under "Tax payables" net of advances and withheld taxes. Taxes due in the event of the distribution of reserves as withheld taxes recognised in the financial statements of individual Group companies are not allocated, as their distribution is not planned.
In 2013, for a further three years, the Parent Company signed up to the National Consolidated Tax Convention pursuant to articles 117-129 of the Consolidated Income Tax Act (T.U.I.R) of which IMMSI S.p.A. is the consolidating company, and to whom other IMMSI Group companies report to. The consolidating company determines a single global income equal to the algebraic sum of taxable amounts (income or loss) realised by individual companies that opt for this type of group taxation. The consolidating company recognises a receivable from the consolidated company which is equal to the corporate tax to be paid on the taxable income transferred by the latter. Whereas, in the case of companies reporting tax losses, the consolidating company recognises a payable related to corporate tax on the portion of loss actually used to determine global overall income.

Earnings per share

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

Use of estimates

The preparation of the financial statements and notes in compliance with IFRS requires management to make estimates and assumptions which have an impact on the values of assets and liabilities and on disclosure regarding contingent assets and liabilities at the end of the reporting period. Actual results could differ from estimates. Estimates are used to measure intangible assets tested for impairment (see § Impairment losses) and to identify provisions for bad debts, for obsolete inventories, amortisation and depreciation, impairment of assets, employee benefits, taxes, restructuring provisions and other allocations and funds. Estimates and assumptions are periodically revised and the effects of any change are immediately recognised in profit or loss.
In the current world economic and financial crisis, assumptions made as to future trends are marked by a considerable degree of uncertainty. Therefore the possibility in the next reporting period of results that differ from estimates cannot be ruled out, and these could require even significant adjustments which at present cannot be predicted or estimated.

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

<u>Recoverable value of non-current assets</u>
Non-current assets include Property, Plant and Equipment, Goodwill, Other Intangible Assets, Investment Property, Investments and Other Financial Assets. The Group periodically revises the carrying amount of non-current assets held and used and of assets held for sale, when facts and circumstances make this necessary. This analysis is carried out at least annually for Goodwill, and whenever facts and circumstances make it necessary. Analysis of the recoverability of the carrying amount of Goodwill is generally based on estimates of expected cash flows from the use or sale of the asset and adequate discount rates to calculate the fair value. For investment property, the

Group appoints an independent expert at the end of each reporting period (six-monthly or annually) to measure the "Fair value less cost of disposal" based on a market approach. When the carrying amount of a non-current asset is impaired, the Group recognises a write-down equal to the excess between the carrying amount of the asset and its recoverable value through use or sale, determined with reference to cash flows of the most recent company plans.

Recoverability of deferred tax assets

The Group has deferred tax assets from deductible temporary differences and theoretical tax benefits from losses to be carried forward. In estimating recoverable value, the Group considered the results of the company plan in line with the results used for impairment testing. Net deferred tax assets allocated on this basis refer to temporary differences and tax losses which, to a significant extent, may be recovered over an indefinite period, and are therefore compatible with a context in which an end to current difficulties and uncertainties and an upswing in the economy could take longer than the time frame of the above-mentioned estimates.

Pension schemes and other post-employment benefits

Provisions for employee benefits and net borrowing costs are measured using an actuarial method that requires the use of estimates and assumptions to determine the net value of the obligation. The actuarial method considers financial parameters such as the discount rate and growth rates of salaries and considers the likelihood of potential future events occurring on the basis of demographic parameters such as relative mortality rates and employee resignations or retirements. The assumptions used for the measurement are explained in section 31 "Retirement funds and employee benefits".

Provisions for bad debts

The provision for bad debts reflects management's estimate of expected losses related to receivables. Based on past experience, provisions are made for expected losses on receivables. Management carefully monitors the quality of receivables and current and forward-looking conditions of the economy and reference markets. Estimates and assumptions are periodically revised and the effects of any change are recognised in profit or loss.

Provision for obsolete inventories

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

Provision for product warranties

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

Potential liabilities

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

Amortisation and Depreciation

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

Income tax

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

Rounding off

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

New accounting standards, amendments and interpretations applied as from 1 January 2015

As from 1 January 2015, several changes introduced by international accounting standards and interpretations have been applied, none of which have had a significant impact on the Group's financial statements. The main changes are outlined below:

- Revised IAS 19 *"Employee Benefits"*: following the amendments made to IAS 19 on 21 November 2013, if the amount of the contributions is independent of the number of years of service, the entity is permitted (but not required) to recognise such contributions as a reduction of the current service cost in the period in which the contributions are made, rather than over the period in which the service is rendered. These contributions must meet the following conditions: (i) they are set out in the formal terms of the plan; (ii) they are linked to the service provided by the employee; (iii) they are independent of the number of years of service of the employee (e.g. the contributions are a fixed percentage of the employee's salary, a fixed amount throughout the service period or dependent on the employee's age).
- On 12 December 2013, the IASB proposed a series of amendments to several accounting standards, summarised below:
  - IFRS 13 *"Fair Value Measurement"*: the amendments clarify that the exemption allowing an entity to measure groups of assets and liabilities at fair value applies to all contracts, including non-financial contracts, and that the possibility also remains of recognising current trade receivables and payables without recording discounting effects, if these effects are not material;
  - IAS 16 *"Property, Plant and Equipment"* and IAS 38 *"Intangible Assets"*: both standards have been amended to clarify how recoverable value and useful life are treated in case of revaluation by the entity.

Amendments and interpretations effective as from 1 January 2015 and not relevant for the Group

The following amendments and interpretations, applicable as of 1 January 2015, regulate specific cases which are not present within the Group at the end of the reporting period:

- On 12 December 2013, the IASB proposed a series of amendments to several accounting standards, summarised below:
  - IFRS 2 *"Share-based Payment"*: the amendment clarifies the definition of "vesting condition" and separately defines the "performance conditions" and "service conditions";
  - IFRS 3 *"Business Combinations"*: the amendment clarifies that an obligation to pay a consideration in a business combination that meets the definition of financial instrument should be classified as a financial liability in accordance with IAS 32 *"Financial Instruments: Presentation"*. It also clarified

that the principle in question does not apply to joint ventures and joint arrangements covered by IFRS 11;

- IFRS 8 *"Operating segments"*: the standard has been amended in terms of the reporting requirements that apply in cases where different operating segments with the same economic characteristics are aggregated;
- IAS 40 – *"Investment Property"*: the amendment to the standard concerns the interaction between the provisions of IFRS 3 *"Business Combinations"* and those of this standard in cases where the acquisition of a property is identifiable as a business combination.

Accounting standards, amendments and interpretations not yet applicable

The following accounting standard is applicable for years commencing on or after 1 January 2016:

› On 12 May 2014, the IASB issued amendments to IAS 16 and IAS 38 *"Clarification of Acceptable Methods of Depreciation and Amortisation"*, that consider the adoption of depreciation and amortisation methods based on revenues as unacceptable. As regards intangible assets, this indication is considered as a relative assumption, that may only be overcome in one of the following circumstances: (i) the right to use an intangible asset is related to the realisation of a predefined threshold for revenues to be produced; or (ii) when it may be demonstrated that the realisation of revenues and use of the economic benefits of the asset are strongly related.

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:

› On 6 May 2014, the IASB issued some amendments to IFRS 11 *"Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations"*, providing clarifications on the accounting by entities that jointly control an arrangement. The amendments are applicable in a retrospective manner for years commencing from or after 1 January 2016. Early adoption is possible.

› In May 2014, the IASB and FASB jointly published IFRS 15 *"Revenue from Contracts with Customers"*. The purpose of this standard is to improve reporting on revenues and their comparability between different financial statements. The new standard is applicable in a retrospective manner for years commencing from or after 1 January 2018. Early adoption is possible.

› On 24 July 2014, the IASB finalised its project to revise the accounting standard for financial instruments, with the issue of the complete version of IFRS 9 *"Financial Instruments"*. In particular, the new provisions of IFRS 9: (i) amend the model that classifies and measures financial assets; (ii) introduce a new method for writing down financial assets, that takes account of expected credit losses; and (iii) amend hedge accounting provisions. The provisions of IFRS 9 will be applicable for years commencing on or after 1 January 2018.

› On 12 August 2014, the IASB issued an amendment to the revised IAS 27 *"Separate Financial Statements"*: this amendment, applicable from 1 January 2016, allows an entity to use the shareholders' equity method to recognise investments in subsidiaries, joint ventures and associates in the separate financial statements.

› In September 2014, the IASB amended IAS 28 *"Investments in Associates and Joint Ventures"* and IFRS 10 "Consolidated Financial Statements" with a view to resolving an inconsistency in the treatment of the sale or transfer of assets between an investor and its affiliate or joint venture. The gain or loss is now fully recognised when the transaction relates to a business. These changes were to apply with effect from 1 January 2016, however in January 2015, it was decided that the effective date would be postponed until certain inconsistencies with IAS 28 had been resolved.

› Annual amendments to IFRS 2012-2014: on 25 September 2014, the IASB published a series of amendments to certain international accounting standards, applicable with effect from 1 January 2016. The amendments concern:
  - IFRS 5 *"Non-current Assets Held for Sale and Discontinued Operations";*
  - IFRS 7 *"Financial Instruments: Disclosures";*
  - IAS 19 ***"****Employee Benefits";*
  - IAS 34 *"Interim Financial Reporting".*

As regards the first point, the amendment clarifies that the financial statements need not be restated if an asset or group of assets available for sale was reclassified as "held for distribution", or vice versa.

With reference to IFRS 7, the amendment states that if an entity transfers a financial asset on terms that allow the de-recognition of the asset, information must be disclosed concerning the entity's involvement in the transferred asset.
The proposed amendment to IAS 19 makes it clear that, in determining the discount rate of the obligation arising following the termination of the employment relationship, it is the currency in which the obligations are denominated that counts, rather than the country in which they arise.
The proposed amendment to IAS 34 requires cross-references between information reported in the interim financial statements and the related disclosure.

- On 18 December 2014, the IASB issued the amendment to IAS 1 *"Presentation of Financial Statements"*. The amendment to the standard concerned, applicable from 1 January 2016, seeks to provide clarification regarding the aggregation or disaggregation of items if their amount is relevant or "material". In particular, the amended standard requires there to be no aggregation of items with different characteristics or disaggregation that hampers disclosure or interpretation of the financial statements. Moreover, the amendment requires the presentation of headings, partial results and additional items, also separating the items listed in section 54 (Statement of Financial Position) and 82 (Income Statement) of IAS 1, when this presentation is significant for the purposes of understanding the statement of financial position and financial position and performance of the entity.
- On 18 December 2014, the IASB amended IFRS 10 *"Consolidated Financial Statements"*, and IAS 28 *"Investments in associates and joint ventures"*.
  Regarding the first point, the amendment clarifies that the exemption of the presentation of consolidated financial statements applies to a parent company that is controlled by an investment company, when the latter measures all its subsidiaries at fair value.
  IAS 28 was amended as regards investments in associates or joint ventures that are "investment entities": these investments may be recognised with the equity method or at fair value.
  These amendments apply from 1 January 2016.

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

B) Segment reporting

3. Operating segment reporting

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

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

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

Income statement/ net capital employed by operating segment

		EMEA and Americas	India	Asia Pacific 2W	Total
Sales volumes (unit/000)	2015	218.9	212.6	88.1	**519.7**
	2014	219.5	229.2	97.8	**546.5**
	Change	(0.5)	(16.5)	(9.7)	**(26.8)**
	Change %	-0.2%	-7.2%	-9.9%	**-4.9%**
Turnover (in millions of euros)	2015	745.4	353.7	196.2	**1,295.3**
	2014	699.5	324.7	189.1	**1,213.3**
	Change	45.9	29.0	7.1	**82.0**
	Change %	6.6%	8.9%	3.8%	**6.8%**
Gross margin (in millions of euros)	2015	218.7	83.4	72.3	**374.4**
	2014	224.8	72.1	67.8	**364.7**
	Change	(6.1)	11.3	4.5	**9.7**
	Change %	-2.7%	15.7%	6.7%	**2.7%**
EBITDA (in millions of euros)	2015				**161.8**
	2014				**159.3**
	Change				**2.4**
	Change %				**1.5%**
EBIT (in millions of euros)	2015				**56.7**
	2014				**69.7**
	Change				**(13.0)**
	Change %				**-18.6%**
Net profit (in millions of euros)	2015				**11.9**
	2014				**16.1**
	Change				**(4.2)**
	Change %				**-26.1%**
Capital employed (in millions of euros)	2015	591.1	143.6	167.7	**902.4**
	2014	581.5	156.5	168.0	**905.9**
	Change	9.6	(12.8)	(0.3)	**(3.5)**
	Change %	1.7%	-8.2%	-0.2%	**-0.4%**
Of which receivable (in millions of euros)	2015	947.6	256.7	217.0	**1,421.3**
	2014	957.2	268.0	212.6	**1,437.8**
	Change	(9.6)	(11.3)	4.4	**(16.5)**
	Change %	-1.0%	-4.2%	2.1%	**-1.1%**
Of which payable (in millions of euros)	2015	356.5	113.1	49.3	**518.9**
	2014	375.8	111.6	44.6	**532.0**
	Change	(19.2)	1.5	4.7	**(13.1)**
	Change %	-5.1%	1.3%	10.5%	**-2.5%**

C) Information on the consolidated income statement

4. Net revenues *€/000 1,295,286*

Revenues are shown net of premiums recognised to customers (dealers).
This item does not include transport costs, which are recharged to customers (€/000 22,854) and invoiced advertising cost recoveries (€/000 4,083), 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 geographical segment

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

	2015		2014		Change	
	Amount	%	Amount	%	Amount	%
In thousands of euros						
EMEA and Americas	745,364	57.5	699,511	57.7	45,854	6.6
India	353,709	27.3	324,679	26.8	29,030	8.9
Asia Pacific 2W	196,213	15.1	189,082	15.6	7,131	3.8
Total	**1,295,286**	**100.0**	**1,213,272**	**100.0**	**82,014**	**6.8**

In 2015, net sales revenues went up by 6.8% compared to the previous year. For a more detailed analysis of trends in individual geographic segments, see comments in the Report on Operations.

5. Costs for materials *€/000 770,297*

These totalled €/000 770,297 compared to €/000 707,515 in 2014.
The percentage of costs accounting for net sales went up, from 58.3% in 2014 to 59.5% in the current period. The item includes €/000 25,616 (€/000 20,674 in 2014) for purchases of scooters from the Chinese subsidiary Zongshen Piaggio Foshan, that are sold on European and Asian markets.

The following table details the content of this financial statement item:

	2015	2014	Change
In thousands of euros			
Raw, ancillary materials, consumables and goods	746,041	726,117	19,924
Change in inventories of raw, ancillary materials, consumables and goods	9,329	(12,227)	21,556
Change in work in progress of semifinished and finished products	14,927	(6,375)	21,302
Total costs for purchases	**770,297**	**707,515**	**62,782**

6. Costs for services and leases and rental costs — *€/000 235,892*

Below is a breakdown of this item:

	2015	2014	Change
In thousands of euros			
Employee costs	17,743	16,188	1,555
External maintenance and cleaning costs	8,689	8,243	446
Energy and telephone costs	17,211	17,493	(282)
Postal expenses	960	972	(12)
Commissions payable	1,060	1,237	(177)
Advertising and promotion	31,388	23,330	8,058
Technical, legal and tax consultancy and services	18,207	15,494	2,713
Company boards operating costs	2,147	2,261	(114)
Insurance	3,732	4,064	(332)
Insurance from related parties	49	49	0
Third party work	15,048	12,657	2,391
Outsourced services	13,706	13,280	426
Transport costs (vehicles and spare parts)	33,460	32,958	502
Internal shuttle services	509	661	(152)
Sundry commercial expenses	12,478	10,647	1,831
Expenses for public relations	3,616	3,740	(124)
Product warranty costs	8,128	8,652	(524)
Quality-related events	10,836	4,214	6,622
Bank costs and factoring charges	5,345	5,197	148
Misc services provided in the business year	8,555	8,713	(158)
Other services	4,850	5,196	(346)
Services from related parties	2,314	2,221	93
Lease and rental costs	14,371	13,726	645
Costs for leases and rentals of related parties	1,490	1,445	45
Total costs for services, leases and rental costs	**235,892**	**212,638**	**23,254**

The increase recorded was partly due to higher advertising and promotion costs and partly to costs incurred in the year for quality incidents.
Costs for leases and rentals include lease rentals for business properties of €/000 6,829, as well as lease payments for car hire, computers and photocopiers.
The item "Other" includes costs for temporary work of €/000 942.

7. Employee costs — *€/000 213,326*

Employee costs include €/000 4,613 relating to costs for redundancy plans mainly for the Pontedera and Noale production sites.

	2015	2014	Change
In thousands of euros			
Salaries and wages	157,085	154,587	2,498
Social security contributions	42,492	42,722	(230)
Termination benefits	8,350	8,374	(24)
Other costs	5,399	5,830	(431)
Total	**213,326**	**211,513**	**1,813**

34) *In 2015, criteria identifying professional categories in India were updated, to bring them further in line with the Group's criteria, with 2014 data also being reclassified.*

A breakdown of the headcount by actual number and average number is shown below[34]:

Level	Average number	2015	2014	Change
Senior management		105.3	110.9	(5.6)
Middle management		579.3	553.9	25.4
White collars		2,011.7	2,121.7	(110.0)
Blue collars with supervisory duties/blue collars		4,866.0	5,029.8	(163.8)
Total		**7,562.3**	**7,816.3**	**(254.0)**

Level	Number as of	31.12.2015	31.12.2014	Change
Senior management		104	110	(6)
Middle management		573	552	21
White collars		1,933	2,102	(169)
Blue collars with supervisory duties/blue collars		4,443	4,746	(303)
Total		**7,053**	**7,510**	**(457)**

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

In 2015, the Group reduced employee numbers, continuing its restructuring, streamlining and organisational cutbacks. As of 31 December 2015, Group employees totalled 7,053, down by 457 (- 6.1%) compared to 31 December 2014.

35) *In 2015, criteria identifying professional categories in India were updated, to bring them further in line with the Group's criteria, with 2014 data also being reclassified.*

Changes in employee numbers in the two periods are compared below[35]:

Level	As of 31.12.14	Incoming	Leavers	Relocations	As of 31.12.15
Senior management	110	3	(11)	2	104
Middle management	552	38	(54)	37	573
White collars	2,102	154	(283)	(40)	1,933
Blue collars	4,746	3,025	(3,329)	1	4,443
Total (*)	**7,510**	**3,220**	**(3,677)**	**0**	**7,053**
(*) of which fixed-term contracts	1,162	2,967	(3,109)	(17)	1,003

Distribution of the workforce by geographic segment as of 31 December 2015

8. Amortisation/depreciation and impairment costs *€/000 105,043*

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

Property, plant and equipment	2015	2014	Change
In thousands of euros			
Buildings	5,199	4,974	225
Plant and machinery	22,073	19,411	2,662
Industrial and commercial equipment	14,454	14,929	(475)
Other assets	3,797	2,105	1,692
Total depreciation of property, plant and equipment	**45,523**	**41,419**	**4,104**
Write-down of property, plant and equipment	29	291	(262)
Total depreciation of property, plant and equipment and impairment costs	**45,552**	**41,710**	**3,842**

Intangible assets	2015	2014	Change
In thousands of euros			
Development costs	32,680	26,754	5,926
Industrial Patent and Intellectual Property Rights	21,233	15,500	5,733
Concessions, licences, trademarks and similar rights	4,823	4,823	0
Other	755	857	(102)
Total amortisation of intangible fixed assets	**59,491**	**47,934**	**11,557**
Write-down of intangible assets			0
Total amortisation of intangible assets and impairment costs	**59,491**	**47,934**	**11,557**

As set out in more detail in the paragraph on intangible assets, as from 1 January 2004, goodwill is no longer amortised, but tested annually for impairment.
The impairment test carried out as of 31 December 2015 confirmed the full recoverability of the amounts recorded in the financial statements.

9. Other operating income *€/000 106,180*

This item consists of:

	2015	2014	Change
In thousands of euros			
Operating grants	3,487	2,823	664
Increases in fixed assets from internal work	47,047	39,103	7,944
Other revenue and income:			
- Rent receipts	3,706	650	3,056
- Capital gains on the disposal of assets	259	899	(640)
- Sale of miscellaneous materials	1,056	1,378	(322)
- Recovery of transport costs	22,854	22,244	610
- Recovery of advertising costs	4,083	3,799	284
- Recovery of sundry costs	3,672	3,832	(160)
- Compensation	779	1,099	(320)
- Compensation for quality-related events	2,804	2,583	221
- Licence rights and know-how	3,104	3,072	32
- Sponsorship	4,059	2,845	1,214
- Profit from changes in the fair value of investment property		4,615	(4,615)
- Other income	9,270	8,181	1,089
Total other operating income	**106,180**	**97,123**	**9,057**

The increase is mainly due to the capitalisation of development projects for new products, greater revenues from the rental of racing bikes to teams taking part in various championships and to the growth in sponsorships.

In 2014, this item included "*profit from changes in the fair value of investment property*" referred to the valuation of the Spanish site of Martorelles for €/000 4,615.
The item contributions includes €/000 2,344 for state and EU contributions for research projects. The grants are recognised in profit or loss, with reference to the amortisation and depreciation of capitalised costs for which the grants were received. This item also includes contributions for exports (€/000 1,143) received from the Indian subsidiary.

10. Other operating costs *€/000 20,198*

This item consists of:

	2015	2014	Change
In thousands of euros			
Provision for future risks	15	190	(175)
Provisions for product warranties	8,667	8,501	166
Duties and taxes not on income	4,448	3,933	515
Various subscriptions	1,059	1,060	(1)
Capital losses from disposal of assets	8	76	(68)
Miscellaneous expenses	3,472	3,028	444
Losses on receivables	88	281	(193)
Total sundry operating costs	**9,075**	**8,378**	**697**
Write-down of current receivables	2,441	2,355	86
Total	**20,198**	**19,424**	**774**

The increase is mainly due to higher duties and taxes other than income tax and to miscellaneous expenses.

11. Income/(loss) from investments *€/000 295*

Net income from investments comprise the following:
› €/000 163 relative to the portion of income attributable to the Group from the Zongshen Piaggio Foshan joint venture, valued at equity;
› €/000 (22) relative to the portion of income attributable to the Group from the minority investment in Pontech;
› €/000 130 relative to the minority investment in IVM;
› €/000 24 relative to the capital gain arising from the sale of the investment in Geofor.

12. Net financial income (borrowing costs) *€/000 (36,902)*

Below is the breakdown of borrowing costs and income:

In thousands of euros	2015	2014	Change
Income:			
- Interest receivable from clients	62	59	3
- Bank and post office interest payable	330	434	(104)
- Interest payable on financial receivables	95	299	(204)
- Income from fair value measurements	1	701	(700)
- Other	390	113	277
Total financial income	**878**	**1,606**	**(728)**
Expenses:			
- Interest payable on bank accounts	5,407	5,258	149
- Interest payable on debenture loans	15,498	18,548	(3,050)
- Interest payable on bank loans	12,603	13,827	(1,224)
- Interest payable to other lenders	2,212	2,605	(393)
- Interest to suppliers	785	523	262
- Cash discounts to clients	471	445	26
- Bank charges on loans	1,206	1,707	(501)
- Income from fair value measurements	649	680	(31)
- Borrowing costs from discounting back termination and termination benefits	873	1,422	(549)
- Interest payable on lease agreements	13	141	(128)
- Other	233	142	91
Total borrowing costs	**39,950**	**45,298**	**(5,348)**
Costs capitalised on property, plant and equipment	1,405	315	1,090
Costs capitalised on intangible assets	1,069	1,479	(410)
Total Capitalised Costs	**2,474**	**1,794**	**680**
Total net borrowing costs	**37,476**	**43,504**	**(6,028)**
Exchange gains	18,905	12,350	6,555
Exchange losses	19,209	13,415	5,794
Total net exchange gains/(losses)	**(304)**	**(1,065)**	**761**
Net financial income (borrowing costs)	**(36,902)**	**(42,963)**	**6,061**

The balance of financial income (charges) in 2015 was negative (- €/000 36,902), less than the previous year (- €/000 42,963). The lower financial charges are due to the fall in the cost of indebtedness on account of refinancing operations carried out during 2014, which resulted in a non-recurrent cost of € 3.6 million in the same period, to a greater capitalisation of interest and fewer charges from currency management, which more than offset the effects of the higher level of average indebtedness for the period.

The average rate used during 2015 for the capitalisation of borrowing costs (because of general loans), was equal to 7.05% (6.20% in 2014).

Interest on the debenture loan refers to €/000 134 (€/000 156 in 2014) to the parent company Omniaholding.

Interest payable to other lenders mainly refers to interest payable to factoring companies and banks for the sale of trade receivables. This item includes €/000 23 (€/000 232 in 2014) of interest payable to Chinese subsidiary Zongshen Piaggio Foshan.

13. Taxes *€/000 8,236*

The item "Income taxes" is detailed below:

	2015	2014	Change
In thousands of euros			
Current taxes	20,327	21,968	(1,641)
Taxes relative to previous years	(459)	518	(977)
Deferred tax liabilities	(11,632)	(11,059)	(573)
Non-recurrent costs		(977)	977
Total taxes	**8,236**	**10,450**	**(2,214)**

Taxes for 2015 were equal to €/000 8,236, and account for 41.0% of profit before tax. The item current taxes includes income from the Consolidated Tax Convention of €/000 655.
In 2014, taxes were equal to €/000 10,450 and accounted for 39.4% of profit before tax.

Reconciliation in relation to the theoretical rate is shown below:

	2015	2014
In thousands of euros		
Profit before tax	20,103	26,514
Theoretical rate	27.50%	27.50%
Theoretical income taxes	5,528	7,291
Tax effect arising from the difference between foreign tax rates and the theoretical rate	7,705	5,876
Effect arising from changes in Profit before tax and deferred taxes	(7,490)	(8,265)
Taxes on income generated abroad	3,292	3,343
Expenses (income) from the Consolidated Tax Convention	(655)	(125)
Indian tax on the distribution of dividends	2,997	2,104
Regional production tax and other local taxes	252	3,587
Non-recurrent costs (income)		(977)
Other differences	(3,394)	(2,384)
Income taxes recognised in the financial statements	**8,236**	**10,450**

Theoretical tax rates were determined applying the corporate tax rate in effect in Italy (27.5%) to profit before tax. The effect arising from the rate of regional production tax and other taxes paid abroad was determined separately, as these taxes are not calculated on the basis of profit before tax.

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

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

15. Earnings per share

Earnings per share are calculated as follows:

		2015	2014
Net profit	€/000	11,867	16,064
Earnings attributable to ordinary shares	€/000	11,867	16,064
Average number of ordinary shares in circulation		361,207,606	361,396,654
Earnings per ordinary share	€	0.033	0.044
Adjusted average number of ordinary shares		361,207,606	361,692,731
Diluted earnings per ordinary share	€	0.033	0.044

The potential effects deriving from stock option plans, which ended in late 2014, were considered when calculating diluted earnings per share for 2014.

D) Information on operating assets and liabilities

16. Intangible assets *€/000 673,986*

The table below shows the breakdown of intangible assets as of 31 December 2015 and 31 December 2014, as well as movements during the period.

	Development costs	Patent rights	Concessions, licences and trademarks	Goodwill	Other	Assets under development and advances	Total
In thousands of euros							
As of 1 January 2014							
Historical cost	125,623	230,024	149,074	557,322	7,010	32,293	1,101,346
Provisions for write-down							
Accumulated amortisation	(56,513)	(187,933)	(86,385)	(110,382)	(5,605)		(446,818)
Net carrying amount	**69,110**	**42,091**	**62,689**	**446,940**	**1,405**	**32,293**	**654,528**
2014							
Investments	13,239	25,316			142	19,568	58,265
Put into operation in the period	14,190	5,238			256	(19,684)	
Amortisation	(26,754)	(15,500)	(4,823)		(857)		(47,934)
Disposals	(55)	(4)					(59)
Write-downs							
Exchange differences	2,879	174			116	366	3,535
Other changes	(7,345)	7,407			(43)		19
Total movements for the year	**(3,846)**	**22,631**	**(4,823)**	**0**	**(386)**	**250**	**13,826**
As of 31 December 2014							
Historical cost	134,222	270,415	149,074	557,322	7,167	32,543	1,150,743
Provisions for write-down							
Accumulated amortisation	(68,958)	(205,693)	(91,208)	(110,382)	(6,148)		(482,389)
Net carrying amount	**65,264**	**64,722**	**57,866**	**446,940**	**1,019**	**32,543**	**668,354**
2015							
Investments	16,193	29,980			116	17,539	63,828
Put into operation in the period	19,781	725			26	(20,532)	
Amortisation	(32,680)	(21,233)	(4,823)		(755)		(59,491)
Disposals	(4)	(44)				(7)	(55)
Write-downs							
Exchange differences	1,647	116			66	133	1,962
Other changes	(2,827)	2,249			(34)		(612)
Total movements for the year	**2,110**	**11,793**	**(4,823)**	**0**	**(581)**	**(2,867)**	**5,632**
As of 31 December 2015							
Historical cost	171,056	303,888	149,074	557,322	7,304	29,676	1,218,320
Provisions for write-down							
Accumulated amortisation	(103,682)	(227,373)	(96,031)	(110,382)	(6,866)		(544,334)
Net carrying amount	**67,374**	**76,515**	**53,043**	**446,940**	**438**	**29,676**	**673,986**

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

	Value as of 31 December 2015			Value as of 31 December 2014			Change		
	For the period	Under development and advances	Total	For the period	Under development and advances	Total	For the period	Under development and advances	Total
In thousands of euros									
Development costs	67,374	27,193	94,567	65,264	31,631	96,895	2,110	(4,438)	(2,328)
Patent rights	76,515	2,472	78,987	64,722	887	65,609	11,793	1,585	13,378
Concessions, licences and trademarks	53,043		53,043	57,866		57,866	(4,823)	0	(4,823)
Goodwill	446,940		446,940	446,940		446,940	0	0	0
Other	438	11	449	1,019	25	1,044	(581)	(14)	(595)
Total	**644,310**	**29,676**	**673,986**	**635,811**	**32,543**	**668,354**	**8,499**	**(2,867)**	**5,632**

Intangible assets went up overall by €/000 5,632 mainly referring to investments in the year which were only partially balanced by amortisation for the period.
Increases mainly refer to the capitalisation of development costs for new products and new engines, as well as the purchase of software.
During 2015, borrowing costs for €/000 1,069 were capitalised.

Development costs €/000 94,567

Development costs include costs for products and engines referable to projects for which, as regards the period of the useful life of the asset, revenues are expected that allow for at least the costs incurred to be recovered. This item also includes assets under development for €/000 27,193 that represent costs for which the conditions for capitalisation exist, but in relation to products that will go into production in future years.
Development expenditure for new projects capitalised in 2015 refers to the study of new vehicles and new engines (two-/three-/four-wheeler) which will feature as the top products in the 2015-2017 range.
Borrowing costs attributable to the development of products which require a considerable period of time to be realised are capitalised as a part of the cost of the actual assets. Development costs included under this item are amortised on a straight line basis over a period of 3 to 5 years, in consideration of their remaining useful life.
During 2015, development expenditure amounting to €/000 15,400 was directly recognised in profit or loss.

Industrial Patent and Intellectual Property Rights €/000 78,987

This item comprises software for €/000 16,030 and patents and know-how. It includes assets under development for €/000 2,472.
Patents and know-how mainly refer to Vespa vehicles, the GP 800, MP3, RSV4, the hybrid MP3 and 1200 cc engine. Increases for the period mainly refer to new calculation, design and production technologies and methodologies developed by the Group for main new products from the 2015-2017 range.
Industrial patent and intellectual property rights costs are amortised over three years.

Trademarks, concessions and licences €/000 53,043

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

	As of 31 December 2015	As of 31 December 2014	Change
In thousands of euros			
Guzzi trademark	17,875	19,500	(1,625)
Aprilia trademark	35,123	38,316	(3,193)
Minor trademarks	45	50	(5)
Total Trademark	**53,043**	**57,866**	**(4,823)**

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

Goodwill €/000 446,940

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

	EMEA and Americas	India	Asia Pacific 2W	Total
In thousands of euros				
31 12 2015	305,311	109,695	31,934	446,940
31 12 2014	305,311	109,695	31,934	446,940

The organisational structure of the Group is based on 3 Geographic Segments (CGUs), involved in the production and sale of vehicles, relative spare parts and assistance in areas under their responsibility: EMEA and the Americas, India and Asia Pacific 2W. Each Geographical Segment has production sites and a sales network dedicated to customers in the relative segment. Central structures and development activities currently dealt with by EMEA and the Americas, are handled by individual CGUs.
As specified in the section on accounting standards, from 1 January 2004 goodwill is no longer amortised, but is tested annually or more frequently for impairment if specific events or changed circumstances indicate the possibility of it having been impaired, in accordance with the provisions of IAS 36 ***Impairment of Assets*** (impairment test).
The possibility of reinstating booked values is verified by comparing the net carrying amount of individual cash generating units with the recoverable value (value in use). This recoverable value is represented by the present value of future cash flows which, it is estimated, will be derived from the continual use of goods referring to ***cash generating units*** and by the terminal value attributable to these goods.
The recoverability of goodwill is verified at least once per year (as of 31 December), even in the absence of indicators of impairment losses.
The main assumptions used by the Group to determine future financial flows, relative to a four-year period, and the consequent recoverable value (value in use) refer to:

a. a hypothesis of estimated financial flows over a four-year period, inferred from budget data for 2016 supplemented by forecast data for 2017-2019, approved by the Board of Directors of the Company, along with an impairment test performed on 10 March 2016;
b. the WACC discount rate;
c. in addition to the period, a growth rate (g rate) has been estimated.

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

2014	EMEA and Americas	Asia Pacific 2W	India
WACC	6.13%	9.53%	10.97%
G	1.0%	2.0%	2.0%
Growth rate during the Plan period	9.8%	10.7%	12.5%

2015	EMEA and Americas	Asia Pacific 2W	India
WACC	5.74%	9.01%	10.60%
G	1.0%	2.0%	2.0%
Growth rate during the Plan period	8.7%	10.8%	10.2%

Growth rates used in the Plan are supported by sector analyses and studies. The reduction in the WACC compared to the previous year is mainly due to the reduction in borrowing costs. This rate was determined based on the previous year.
Analyses did not identify any impairment losses. Therefore no write-down was recognised in consolidated data as of 31 December 2015.
In addition, and on the basis of information in the document produced jointly by the Bank of Italy, Consob and Isvap (the insurance watchdog) no. 2 of 6 February 2009, the Group conducted sensitivity analysis of test results in relation to changes in basic assumptions (use of the growth rate in producing the terminal value and discount rate) which affect the value in use of cash generating units. In the case of a positive or negative change of 0.5% of the WACC and G used, analyses would not identify impairment losses.
In all cases, the value in use of the Group was higher than the net carrying amount tested.

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

Other intangible assets €/000 449

This item mainly refers to costs incurred by Piaggio Vietnam.

17. Property, plant and equipment €/000 307,608

The table below shows the breakdown of plant, property and equipment as of 31 December 2015 and 31 December 2014, as well as movements during the period.

	Land	Buildings	Plant and machinery	Equipment	Other assets	Assets under construction and advances	Total
In thousands of euros							
As of 1 January 2014							
Historical cost	28,040	153,593	398,588	492,649	44,842	27,640	1,145,352
Provisions for write-down			(362)	(1,409)	(46)		(1,817)
Accumulated depreciation		(51,564)	(287,752)	(462,357)	(39,095)		(840,768)
Net carrying amount	**28,040**	**102,029**	**110,474**	**28,883**	**5,701**	**27,640**	**302,767**
2014							
Investments		2,625	4,592	8,182	1,966	19,263	36,628
Put into operation in the period		1,070	11,250	9,283	623	(22,226)	
Depreciation		(4,974)	(19,411)	(14,929)	(2,105)		(41,419)
Disposals		(11)	(185)	(191)	(116)	(362)	(865)
Write-downs			(167)	(106)	(18)		(291)
Exchange differences		1,724	7,994	4	295	784	10,801
Other changes	43	(41)	267	(356)	27		(60)
Total movements for the year	**43**	**393**	**4,340**	**1,887**	**672**	**(2,541)**	**4,794**
As of 31 December 2014							
Historical cost	28,083	161,628	425,865	507,011	45,918	25,099	1,193,604
Provisions for write-down			(483)	(1,515)	(64)		(2,062)
Accumulated depreciation		(59,206)	(310,568)	(474,726)	(39,481)		(883,981)
Net carrying amount	**28,083**	**102,422**	**114,814**	**30,770**	**6,373**	**25,099**	**307,561**
2015							
Investments		1,005	2,493	5,230	3,256	26,078	38,062
Put into operation in the period		1,733	12,872	2,618	714	(17,937)	
Depreciation		(5,199)	(22,073)	(14,454)	(3,797)		(45,523)
Disposals		(10)	(118)	(44)	(157)		(329)
Write-downs					(29)		(29)
Exchange differences		1,600	4,961	3	184	497	7,245
Other changes		(247)	847		21		621
Total movements for the year	**0**	**(1,118)**	**(1,018)**	**(6,647)**	**192**	**8,638**	**47**
As of 31 December 2015							
Historical cost	28,083	166,102	444,581	512,246	47,967	33,737	1,232,716
Provisions for write-down			(483)	(1,521)	(93)		(2,097)
Accumulated depreciation		(64,798)	(330,302)	(486,602)	(41,309)		(923,011)
Net carrying amount	**28,083**	**101,304**	**113,796**	**24,123**	**6,565**	**33,737**	**307,608**

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

	Value As of 31 December 2015			Value As of 31 December 2014			Change		
	For the period	Under construction and advances	Total	For the period	Under construction and advances	Total	For the period	Under construction and advances	Total
In thousands of euros									
Land	28,083		28,083	28,083		28,083	0	0	0
Buildings	101,304	3,373	104,677	102,422	3,652	106,074	(1,118)	(279)	(1,397)
Plant and machinery	113,796	23,032	136,828	114,814	13,692	128,506	(1,018)	9,340	8,322
Equipment	24,123	6,949	31,072	30,770	7,584	38,354	(6,647)	(635)	(7,282)
Other assets	6,565	383	6,948	6,373	171	6,544	192	212	404
Total	**273,871**	**33,737**	**307,608**	**282,462**	**25,099**	**307,561**	**(8,591)**	**8,638**	**47**

Property, plant and equipment mainly refer to Group production facilities in Pontedera (Pisa), Noale (Venice), Mandello del Lario (Lecco), Baramati (India) and Vinh Phuc (Vietnam).
The increases mainly refer to moulds for new vehicles launched during the period, as well as the new painting plant for two-wheeler products at Pontedera.
Borrowing costs attributable to the construction of products which require a considerable period of time to be ready for use are capitalised as a part of the cost of the actual assets.
During 2015, borrowing costs for €/000 1,405 were capitalised.

Land — €/000 28,083

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

Buildings — €/000 104,677

The item *Buildings*, net of accumulated depreciation, comprises:

In thousands of euros	As of 31 December 2015	As of 31 December 2014	Change
Industrial buildings	100,418	101,462	(1,044)
Ancillary buildings	464	455	9
Light constructions	422	505	(83)
Assets under construction	3,373	3,652	(279)
Total	**104,677**	**106,074**	**(1,397)**

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

Plant and machinery — €/000 136,828

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

In thousands of euros	As of 31 December 2015	As of 31 December 2014	Change
General plants	90,982	87,822	3,160
Automatic machinery	6,943	8,765	(1,822)
Furnaces and sundry equipment	425	509	(84)
Other	15,446	17,718	(2,272)
Assets under construction	23,032	13,692	9,340
Total	**136,828**	**128,506**	**8,322**

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

Equipment €/000 31,072

In thousands of euros	As of 31 December 2015	As of 31 December 2014	Change
Industrial equipment	24,075	30,706	(6,631)
Commercial equipment	48	64	(16)
Assets under construction	6,949	7,584	(635)
Total	**31,072**	**38,354**	**(7,282)**

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

Other plant, property and equipment €/000 6,948

The item *Other assets* comprises:

In thousands of euros	As of 31 December 2015	As of 31 December 2014	Change
EDP systems	943	714	229
Office furniture and equipment	2,788	3,288	(500)
Vehicles	2,072	1,784	288
Other	762	587	175
Assets under construction	383	171	212
Total	**6,948**	**6,544**	**404**

As of 31 December 2015, the net value of assets held through lease agreements was equal to €/000 169, referring to vehicles used by the Aprilia Racing Team.
Future lease rental commitments are detailed in note 41.

Warranties

As of 31 December 2015 the Group had no buildings with mortgages.

18. Investment Property *€/000 11,961*

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 2015	11,961
Closing balance as of 31 December 2015	11,961

The net carrying amount as of 31 December 2015 was determined by a specific appraisal conducted by an independent expert who measured the "Fair Value less cost of disposal" based on a market approach (as provided for in IFRS 13). This appraisal identified an overall investment value which was more or less the same as that of the previous year. In this regard, the valuation took account of the current status of the property, the project to convert the area, for the development of a retail centre prepared by the Group, together with comparable transactions. Following the site redevelopment project, an agency management contract was given to a Spanish property company, to seek investors interested in the property.
The Group uses the "fair value model" as provided for by IAS 40. If the cost criterion had still been used instead of fair value, the value of the Martorelles site would have been equal to €/000 6,792.
During 2015, costs incurred for management of the site amounted to €/000 479.

19. Deferred tax assets *€/000 56,434*

Deferred tax assets and liabilities are recognised at their net value when they may be offset in the same tax jurisdiction.
The item totalled €/000 56,434, up on the figure of €/000 46,434 as of 31 December 2014. The increase is mainly due to the recognition of deferred assets from temporary deductible changes.

This net balance is broken down in the table below.

	As of 31 December 2015	As of 31 December 2014	Change
In thousands of euros			
Deferred tax assets	72,751	65,691	7,060
Deferred tax liabilities	(16,317)	(19,257)	2,940
Total	**56,434**	**46,434**	**10,000**

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

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

Deferred tax assets and liabilities were determined applying the tax rate in effect in the year when temporary differences occur. Therefore, the Group adjusted deferred tax assets and liabilities to the new rate introduced by Italian Law no. 208/2015 (2016 Stability Law), which amended article 77, paragraph 1 of the Consolidated Law on Income Tax (TUIR), reducing the nominal corporate income tax (IRES) rate from 27.5% to 24%, with effect for tax periods after the period ending 31 December 2016.

Taxes for the year take account of the positive effect arising from the recognition of deferred tax assets relative to the subsidiary Piaggio Group Americas Inc. for tax losses that may be offset against taxable income of future years, which as of 31 December 2015 equalled €/000 20,510.

In thousands of euros	Amount of temporary differences	Tax rate	Tax effect
Provisions for risks	5,937	24.00%/27.90%	1,654
	5,937		1,654
Provision for product warranties	8,327	27.90%	2,323
	854	37.63%	321
	229	29.00%	66
	207	34.30%	71
	40	25.00%	10
	9,658		2,792
Provisions for write-down	14,868	24.00%	3,568
	1,651	29.00%	479
	121	37.63%	46
	13	34.30%	4
	16,653		4,097
Provisions for obsolete stock	29,945	27.90%	8,355
	1,620	37.63%	610
	550	34.30%	189
	962	7.50%	72
	213	29.00%	62
	60	20.00%	12
	11	25.00%	3
	33,362		9,302
Other changes	36,480	24.00%/27.9%	9,411
	20,375	27.90%/31.40%	6,026
	5,704	37.63%	2,147
	4,266	33.99%	1,450
	3,452	24.00%	828
	2,650	25.00%	662
	2,339	12.56%	294
	282	100.00%	282
	1,954	9.31%	182
	538	27.50%	148
	1,086	10.07%	109
	268	29.00%	78
	228	33.33%	76
	190	34.30%	65
	343	18.10%	62
	160	30.00%	48
	161	27.90%	45
	69	31.16%	21
	237	7.50%	18
	64	17.00%	11
	58	18.00%	10
	27	30.00%	8
	6	20.00%	1
	(57,606)	24.00%/27.90%	(15,950)
	23,329		6,032
Total for provisions and other changes	**88,940**		**23,877**
Deferred tax assets already recognised			**23,101**
Deferred tax assets not booked			**776**
Piaggio & C. S.p.A.	101,873	24.00%	24,449
Piaggio Group Americas Inc.	20,510	37.63%	7,718
Piaggio Group Japan	3,996	34.30%	1,371
PT Piaggio Indonesia	3,394	25.00%	848
Piaggio Concept Store Mantova S.r.l.	2,274	24.00%	546
Piaggio Vespa B.V.	1,619	25.00%	405
Piaggio Hrvatska Doo	127	20.00%	25
Piaggio Advanced Design Center Co.	6	23.84%	2
	(1,455)	25%/37.63%	(367)
Total out of tax losses	**132,344**		**34,997**
Deferred tax assets already recognised			**33,333**
Deferred tax assets not booked			**1,664**

Overall, the movement of deferred tax assets can be summarised as follows:

In thousands of euros	Values as of 31 December 2014	Portion to the Income Statement	Portion to the Statement of Comprehensive Income	Portion allocated to the Income Statement	Portion allocated to the Statement of Comprehensive Income	Portion offset as part of tax consolidation	Values as of 31 December 2015
Deferred tax assets for:							
Temporary changes	41,589	(7,855)	(990)	6,307			39,051
Previous tax losses	588	(293)		8,956			9,251
Losses generated within the framework of tax consolidation	23,514	(3,703)		4,974		(336)	24,449
Total	**65,691**	**(11,851)**	**(990)**	**20,237**	**0**	**(336)**	**72,751**

20. Inventories *€/000 212,812*

This item comprises:

In thousands of euros	As of 31 December 2015	As of 31 December 2014	Change
Raw materials and consumables	101,082	107,219	(6,137)
Provision for write-down	(12,590)	(14,228)	1,638
Net value	***88,492***	***92,991***	***(4,499)***
Work in progress and semifinished products	18,873	19,040	(167)
Provision for write-down	(852)	(852)	0
Net value	***18,021***	***18,188***	***(167)***
Finished products and goods	129,106	142,573	(13,467)
Provision for write-down	(22,871)	(21,479)	(1,392)
Net value	***106,235***	***121,094***	***(14,859)***
Advances	64	125	(61)
Total	**212,812**	**232,398**	**(19,586)**

As of 31 December 2015, inventories had decreased by €/000 19,586.

21. Current and non-current trade receivables *€/000 80,944*

As of 31 December 2015 current trade receivables amounted to €/000 80,944 compared to €/000 74,220 as of 31 December 2014. No non-current trade payables were recorded for the periods.
Their breakdown was as follows:

In thousands of euros	As of 31 December 2015	As of 31 December 2014	Change
Trade receivables due from customers	79,794	73,364	6,430
Trade receivables due from JV	1,136	836	300
Trade receivables due from parent companies		9	(9)
Trade receivables due from associates	14	11	3
Total	**80,944**	**74,220**	**6,724**

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

The item Trade receivables comprises receivables referring to normal sale transactions, recorded net of a provision for bad debt of €/000 27,525.

Movements of provisions were as follows:

In thousands of euros	
Opening balance as of 1 January 2015	**26,715**
Increases for allocations	1,767
Decreases for use	(1,124)
Other changes	167
Closing balance as of 31 December 2015	**27,525**

The Group sells, on a rotating basis, a large part of its trade receivables with and without recourse. Piaggio has signed contracts with some of the most important Italian and foreign factoring companies as a move to optimise the monitoring and the management of its trade receivables, besides offering its customers an instrument for funding their own inventories, for factoring classified as without the substantial transfer of risks and benefits. On the contrary, for factoring without recourse, contracts have been formalised for the substantial transfer of risks and benefits. As of 31 December 2015 trade receivables still due, sold without recourse totalled €/000 84,037.
Of these amounts, Piaggio received payment prior to natural expiry, of €/000 83,013.

As of 31 December 2015, advance payments received from factoring companies and banks, for trade receivables sold with recourse totalled €/000 15,321 with a counter entry recorded in current liabilities.

22. Other current and non-current receivables *€/000 42,957*

Other non-current receivables totalled €/000 13,419 against €/000 13,647 as of 31 December 2014, whereas other current receivables totalled €/000 29,538 compared to €/000 36,749 as of 31 December 2014. They consist of:

Other non-current receivables	As of 31 December 2015	As of 31 December 2014	Change
In thousands of euros			
Sundry receivables due from associates	153	197	(44)
Prepaid expenses	10,975	10,102	873
Advances to employees	58	61	(3)
Security deposits	977	596	381
Receivables due from others	1,256	2,691	(1,435)
Total non-current portion	**13,419**	**13,647**	**(228)**

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

Other current receivables	As of 31 December 2015	As of 31 December 2014	Change
In thousands of euros			
Sundry receivables due from the parent company	7,959	6,882	1,077
Sundry receivables due from JV	873	2,541	(1,668)
Sundry receivables due from associates	47	17	30
Accrued income	966	528	438
Prepaid expenses	3,946	3,834	112
Advance payments to suppliers	1,237	1,836	(599)
Advances to employees	2,440	2,030	410
Fair value of derivatives	647	696	(49)
Security deposits	250	293	(43)
Receivables due from others	11,173	18,092	(6,919)
Total current portion	**29,538**	**36,749**	**(7,211)**

Receivables due from the Parent Company refer to the recognition of accounting effects relating to the transfer of taxable bases pursuant to the Group Consolidated Tax Convention.
Receivables due from joint venues refer to amounts due from Zongshen Piaggio Foshan.
Receivables due from associates regard amounts due from Immsi Audit.
The item Fair Value of hedging derivatives comprises the fair value of hedging transactions on the exchange risk on forecast transactions recognised on a cash flow hedge basis (€/000 647 current portion).
Other receivables are recognised net of a write-down of €/000 4,965.

Movements of provisions were as follows:

In thousands of euros	
Opening balance as of 1 January 2015	**4,572**
Decreases for use	(179)
Increases for allocations	572
Closing balance as of 31 December 2015	**4,965**

23. Current and non-current tax receivables — *€/000 27,018*

Receivables due from tax authorities consist of:

	As of 31 December 2015	As of 31 December 2014	Change
In thousands of euros			
VAT receivables	18,166	34,982	(16,816)
Income tax receivables	7.727	2.743	4.984
Other tax receivables	1,125	1,423	(298)
Total tax receivables	**27,018**	**39,148**	**(12,130)**

Non-current tax receivables totalled €/000 5,477, compared to €/000 3,230 as of 31 December 2014, while current tax receivables totalled €/000 21,541 compared to €/000 35,918 as of 31 December 2014. The reduction is due to the decrease in VAT receivables of the Indian subsidiary.

24. Breakdown of operating receivables by measurement method

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

Operating assets as of 31 December 2015

In thousands of euros	Assets measured at FVPL	Assets measured at FVOCI	Financial derivatives	Assets at amortised cost	Total
Non-current					
Tax receivables				5,477	5,477
Other receivables				13,419	13,419
Total non-current operating receivables	**-**	**-**	**-**	**18,896**	**18,896**
Current					
Trade receivables				80,944	80,944
Tax receivables				21,541	21,541
Other receivables			647	28,891	29,538
Total current operating receivables	**-**	**-**	**647**	**131,376**	**132,023**
Total operating receivables	**-**	**-**	**647**	**150,272**	**150,919**

Operating assets as of 31 December 2014

In thousands of euros	Assets measured at FVPL	Assets measured at FVOCI	Financial derivatives	Assets at amortised cost	Total
Non-current					
Tax receivables				3,230	3,230
Other receivables				13,647	13,647
Total non-current assets	**-**	**-**	**-**	**16,877**	**16,877**
Current					
Trade receivables				74,220	74,220
Tax receivables				35,918	35,918
Other receivables			696	36,053	36,749
Total current assets	**-**	**-**	**696**	**146,191**	**146,887**
Total operating receivables	**-**	**-**	**696**	**163,068**	**163,764**

25. Receivables due after 5 years — *€/000 0*

As of 31 December 2015, there were no receivables due after 5 years.

26. Breakdown of assets by geographic segment

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

27. Assets held for sale — *€/000 0*

As of 31 December 2015, there were no assets held for sale.

28. Current and non-current trade payables *€/000 380,363*

As of 31 December 2015 and as of 31 December 2014 no trade payables were recorded under non-current liabilities. Those included in current liabilities totalled €/000 380,363, against €/000 386,288 as of 31 December 2014.

	As of 31 December 2015	As of 31 December 2014	Change
In thousands of euros			
Amounts due to suppliers	370,255	370,708	(453)
Trade payables to JV	9,311	14,874	(5,563)
Trade payables due to other related parties	29	80	(51)
Amounts due to parent companies	768	626	142
Total	**380,363**	**386,288**	**(5,925)**
of which reverse factoring	*147,341*	*168,431*	*(21,090)*

To facilitate credit conditions for its suppliers, the Group has used factoring agreements since 2012, mainly supply chain financing and reverse factoring agreements, as described in more detail in "*Accounting policies and measurement criteria applied by the Group*", to which reference is made. These operations did not change the primary obligation, nor substantially changed payment terms, so their nature is the same and they are still classified as trade liabilities.
As of 31 December 2015, the value of trade payables covered by reverse factoring or supply chain financing agreements was equal to €/000 147,341 (€/000 168,431 as of 31 December 2014).

29. Provisions (current and non-current portion) *€/000 19,363*

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

	Balance as of 31 December 2014	Allocations	Applications	Adjustments	Delta exchange rate	Balance 31 December 2015
In thousands of euros						
Provision for product warranties	11,782	8,667	(9,217)		213	11,445
Provision for contractual risks	3,905	8				3,913
Provision for litigation	2,346		(8)	(315)	84	2,107
Provisions for guarantee risks	58					58
Provision for tax risks	186		(186)			0
Other provisions for risks	1,935	7	(125)	(62)	85	1,840
Total	**20,212**	**8,682**	**(9,536)**	**(377)**	**382**	**19,363**

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

Non-current portion	As of 31 December 2015	As of 31 December 2014	Change
In thousands of euros			
Provision for product warranties	3,173	3,850	(677)
Provision for contractual risks	3,913	3,905	8
Provision for litigation	1,509	1,516	(7)
Other provisions for risks and charges	989	1,123	(134)
Total non-current portion	**9,584**	**10,394**	**(810)**

Current portion	As of 31 December 2015	As of 31 December 2014	Change
In thousands of euros			
Provision for product warranties	8,272	7,932	340
Provision for litigation	598	830	(232)
Provisions for guarantee risks	58	58	-
Provision for tax risks		186	(186)
Other provisions for risks and charges	851	812	39
Total current portion	**9,779**	**9,818**	**(39)**

The product warranty provision relates to allocations for technical assistance on products covered by customer service which are estimated to be provided over the contractually envisaged warranty period. This period varies according to the type of goods sold and the sales market, and is also determined by customer take-up to commit to a scheduled maintenance plan.
The provision increased during the period by €/000 8,667 and €/000 9,217 was used in relation to costs incurred during the period.
The provision of contractual risks refers mainly to charges which may arise from the ongoing negotiation of a supply contract.
The provision for litigation concerns labour litigation and other legal proceedings.

30. Deferred tax liabilities — *€/000 4,369*

Deferred tax liabilities amount to €/000 4,369 compared to €/000 5,123 as of 31 December 2014.

31. Retirement funds and employee benefits — *€/000 49,478*

	As of 31 December 2015	As of 31 December 2014	Change
In thousands of euros			
Retirement funds	782	858	(76)
Termination benefits provision	48,696	54,883	(6,187)
Total	**49,478**	**55,741**	**(6,263)**

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

Their breakdown was as follows:

In thousands of euros	
Opening balance as of 1 January 2015	**54,883**
Cost for the period	8,350
Actuarial losses recognised in Equity	(2,982)
Interest cost	873
Use and transfers of retirement funds	(12,428)
Closing balance as of 31 December 2015	**48,696**

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

Technical annual discount rate	2.03%
Annual rate of inflation	1.50% for 2016
	1.80% for 2017
	1.70% for 2018
	1.60% for 2019
	2.00% from 2020 onwards
Annual rate of increase in termination benefits	2.625% for 2016
	2.850% for 2017
	2.775% for 2018
	2.700% for 2019
	3.000% from 2020 onwards

As regards the discount rate, the Group uses the iBoxx Corporates AA rating with a 10+ duration as the valuation reference.
If instead an iBoxx Corporates A rating with a 10+ duration were used, the value of actuarial losses and the provision as of 31 December 2015 would have been lower by € 1,191 thousand.
The table below shows the effects, in absolute terms, as of 31 December 2015, which would have occurred following changes in reasonably possible actuarial assumptions:

	Provision for post-termination benefits
In thousands of euros	
Turnover rate +2%	48,413
Turnover rate -2%	49,006
Inflation rate + 0.25%	49,382
Inflation rate - 0.25%	47,980
Discount rate + 0.50%	46,507
Discount rate - 0.50%	51,016

The average financial duration of the bond ranges from 10 to 30 years.
Estimated future amounts are equal to:

Year	**Future amounts**
In thousands of euros	
1	3,260
2	2,920
3	4,403
4	1,381
5	4,438

The subsidiaries operating in Germany and Indonesia have provisions for employees identified as defined benefit plans. As of 31 December 2015, these provisions amounted to €/000 141 and €/000 53 respectively.

32. Current and non-current tax payables *€/000 14,724*

"Tax payables" included in current liabilities totalled €/000 14,724, against €/000 14,445 as of 31 December 2014. As of 31 December 2015 and as of 31 December 2014 no tax payables were recorded under non-current liabilities.
Their breakdown was as follows:

	As of 31 December 2015	As of 31 December 2014	Change
In thousands of euros			
Due for income taxes	7,479	8,343	(864)
Due for non-income tax	38	40	(2)
Tax payables for:			
- VAT	1,833	970	863
- taxes withheld at source	4,799	4,656	143
- other	575	436	139
Total	7,207	6,062	1,145
Total	**14,724**	**14,445**	**279**

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 tax withholdings made refer mainly to withholdings on employees' earnings, on employment termination payments and on self-employed earnings.

33. Other payables (current and non-current) *€/000 52,674*

Non-current portion	As of 31 December 2015	As of 31 December 2014	Change
In thousands of euros			
Guarantee deposits	2,201	1,973	228
Deferred income	2,194	1,241	953
Fair value of derivatives		231	(231)
Other payables	229	200	29
Total non-current portion	**4,624**	**3,645**	**979**

Current portion	As of 31 December 2015	As of 31 December 2014	Change
In thousands of euros			
Amounts due to employees	15,632	16,686	(1,054)
Guarantee deposits		2	(2)
Accrued expenses	6,196	6,818	(622)
Deferred income	1,044	430	614
Amounts due to social security institutions	6,781	8,726	(1,945)
Fair value of derivatives	420	502	(82)
Miscellaneous payables to JV	1,604	1,758	(154)
Sundry payables due to associates	30	39	(9)
Sundry payables due to parent companies	7,032	6,600	432
Other payables	9,311	7,587	1,724
Total	**48,050**	**49,148**	**(1,098)**

Other payables included in non-current liabilities totalled €/000 4,624 against €/000 3,645 as of 31 December 2014, whereas other payables included in current liabilities totalled €/000 48,050 compared to €/000 49,148 as of 31 December 2014.
Amounts due to employees include the amount for holidays accrued but not taken of €/000 8,745 and other payments to be made for €/000 6,887.
Payables due to associates refer to various amounts due to the Fondazione Piaggio and Immsi Audit.
Payables to parent companies consist of payables to Immsi referring to expenses relative to the consolidated tax convention.
The item Fair value of hedging derivatives refers to the fair value (€/000 59 current portion) of an interest rate swap for hedging, recognised on a cash flow hedge basis as provided for in IAS 39 (see section 44) and the fair value of derivatives to hedge the foreign exchange risk of forecast transactions recognised on a cash flow hedge basis (€/000 361 current portion).
The item Accrued expenses includes €/000 2,997 for interest on hedging derivatives and relative hedged items measured at fair value.

34. Breakdown of operating payables by measurement method

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

Operating liabilities as of 31 December 2015

	Liabilities measured at FVPL	Financial derivatives	Liabilities at amortised cost	Total
In thousands of euros				
Non-current				
Tax payables				-
Other payables			4,624	4,624
Total non-current operating payables	**-**	**-**	**4,624**	**4,624**
Current				
Trade payables			380,363	380,363
Tax payables			14,724	14,724
Other payables		420	47,630	48,050
Total current operating payables	**-**	**420**	**442,717**	**443,137**
Total operating payables	**-**	**420**	**447,341**	**447,761**

Operating liabilities as of 31 December 2014

	Liabilities measured at FVPL	Financial derivatives	Liabilities at amortised cost	Total
In thousands of euros				
Non-current				
Tax payables				-
Other payables		231	3,414	3,645
Total non-current operating payables	**-**	**231**	**3,414**	**3,645**
Current				
Trade payables			386,288	386,288
Tax payables			14,445	14,445
Other payables		502	48,646	49,148
Total current operating payables	**-**	**502**	**449,379**	**449,881**
Total operating payables	**-**	**733**	**452,793**	**453,526**

35. Payables due after 5 years

The Group has loans due after 5 years, which are referred to in detail in Note 41 Financial Liabilities. With the exception of the above payables, no other long-term payables due after five years exist.

36. Breakdown of liabilities by geographic segment

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

E) Information on financial assets and liabilities

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

The Group holds the following financial assets and liabilities:

Financial assets as of 31 December 2015

	Assets measured at FVPL	Assets measured at FVOCI	Financial derivatives	Assets at amortised cost	Total
In thousands of euros					
Non-current					
Other financial assets			24,658	39	24,697
Total non-current financial assets	**-**	**-**	**24,658**	**39**	**24,697**
Current					
Other financial assets			2,176		2,176
Cash and cash equivalents				95,964	95,964
Securities				5,464	5,464
Total current financial assets	**-**	**-**	**2,176**	**101,428**	**103,604**
Total financial assets	**-**	**-**	**26,834**	**101,467**	**128,301**

Financial assets as of 31 December 2014

	Assets measured at FVPL	Assets measured at FVOCI	Financial derivatives	Assets at amortised cost	Total
In thousands of euros					
Non-current					
Other financial assets			19,026	86	19,112
Total non-current financial assets	**-**	**-**	**19,026**	**86**	**19,112**
Current					
Other financial assets					-
Cash and cash equivalents				92,211	92,211
Securities				5,941	5,941
Total current financial assets	**-**	**-**	**-**	**98,152**	**98,152**
Total financial assets	**-**	**-**	**19,026**	**98,238**	**117,264**

Financial liabilities as of 31 December 2015

	Liabilities measured at FVPL	Fair value adjustment	Financial derivatives	Liabilities at amortised cost	Total
In thousands of euros					
Non-current					
Bank borrowings	20,521	4,251		184,842	209,614
Bonds		19,454		290,139	309,593
Other loans				1,005	1,005
Leases				179	179
Hedging derivatives					-
Total non-current financial liabilities	**20,521**	**23,705**	**-**	**476,165**	**520,391**
Current					
Bank borrowings	9,397	2,131		77,792	89,320
Other loans				15,645	15,645
Leases				31	31
Hedging derivatives			899		899
Total current financial liabilities	**9,397**	**2,131**	**899**	**93,468**	**105,895**
Total financial liabilities	**29,918**	**25,836**	**899**	**569,633**	**626,286**

Financial liabilities as of 31 December 2014

	Liabilities measured at FVPL	Fair value adjustment	Financial derivatives	Liabilities at amortised cost	Total
In thousands of euros					
Non-current					
Bank borrowings	33,848	5,647		164,851	204,346
Bonds		12,275		288,369	300,644
Other loans				1,262	1,262
Leases				211	211
Hedging derivatives					-
Total non-current financial liabilities	**33,848**	**17,922**	**-**	**454,693**	**506,463**
Current					
Bank borrowings	6,805			73,770	80,575
Other loans				21,869	21,869
Leases				30	30
Hedging derivatives					-
Total current financial liabilities	**6,805**	**-**	**-**	**95,669**	**102,474**
Total financial liabilities	**40,653**	**17,922**	**-**	**550,362**	**608,937**

37. Investments *€/000 9,529*

The *investments* heading comprises

	As of 31 December 2015	As of 31 December 2014	Change
In thousands of euros			
Interests in joint ventures	9,350	8,610	740
Investments in associates	179	208	(29)
Total	**9,529**	**8,818**	**711**

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

Investments in Joint Ventures €/000 9,350

Joint venture	As of 31 December 2015	As of 31 December 2014	Change
In thousands of euros			
Accounted for using the equity method:			
Zongshen Piaggio Foshan Motorcycles Co. Ltd – China	9,350	8,610	740
Total joint ventures	**9,350**	**8,610**	**740**

The investment in Zongshen Piaggio Foshan Motorcycles Co. Ltd was classified under the item "joint ventures" in relation to agreements made in the contract signed on 15 April 2004 between Piaggio & C. S.p.A. and its historical partner Foshan Motorcycle Plant, and the Chinese company Zongshen Industrial Group Company Limited.
Piaggio & C. S.p.A. has a 45% interest in Zongshen Piaggio Foshan Motorcycles, of which 12.5% via the direct subsidiary Piaggio China Company Ltd. The carrying amount of the investment is equal to €/000 9,350 and refers to shareholders' equity pro-quota adjusted to take into account the measurement criteria adopted by the Group.

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

Zongshen Piaggio Foshan Motorcycle Co.	Accounts as of 31 December 2015		Accounts as of 31 December 2014	
In thousands of euros				
		45%[36]		45%[36]
Working capital	10,474	4,714	11,083	4,987
Total assets	14,957	6,731	12,098	5,444
Net capital employed	**25,432**	**11,444**	**23,182**	**10,432**
Provisions	105	47	131	59
Consolidated debt	4,549	2,047	4,073	1,833
Shareholders' equity	20,777	9,350	18,978	8,540
Total sources of financing	**25,432**	**11,444**	**23,182**	**10,432**

36) Group ownership

Reconciliation of Shareholders' Equity	
In thousands of euros	
Opening balance as of 1 January 2015	**8,540**
Profit (Loss) for the period	163
Other comprehensive income	647
Closing balance as of 31 December 2015	**9,350**

Investments in Associates €/000 179

This item comprises:

Associates	Carrying amount as of 31 December 2014	Adjustment	Carrying amount as of 31 December 2015
In thousands of euros			
Immsi Audit S.c.a.r.l.	10		10
S.A.T. S.A. – Tunisia			-
Depuradora D'Aigues de Martorelles S.C.C.L.	42	(7)	35
Pontech Soc. Cons. a.r.l. – Pontedera	156	(22)	134
Total associates	**208**	**(29)**	**179**

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

38. Other non-current financial assets *€/000 24,697*

	As of 31 December 2015	As of 31 December 2014	Change
In thousands of euros			
Fair value of derivatives	24,658	19,026	5,632
Investments in other companies	39	86	(47)
Total	**24,697**	**19,112**	**5,585**

The item Fair value of hedging derivatives refers to €/000 20,290 from the fair value of the cross currency swap for a private debenture loan, to €/000 3,933 from the long-term portion of the fair value of the cross currency swap for medium-term loans of the Indian subsidiary and to €/000 435 from the long-term portion of the cross currency swap for a medium-term loan of the Vietnamese subsidiary. For more details see section 43 "Financial risks" of the Notes.

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

	As of 31 December 2015	As of 31 December 2014	Change
In thousands of euros			
A.N.C.M.A. – Rome	2	2	0
GEOFOR S.p.A. – Pontedera	0	47	(47)
ECOFOR SERVICE S.p.A. – Pontedera	2	2	0
Mitsuba Italia SpA			0
Consorzio Fiat Media Center – Turin	3	3	0
S.C.P.S.T.V.	21	21	0
IVM	11	11	0
Total other companies	**39**	**86**	**(47)**

During the year, the investment in Geofor S.p.A. Pontedera was sold, realising a capital gain of €/000 24 recognised as income from investments.

39. Other current financial assets *€/000 2,176*

This item refers to €/000 1,959 relative to the short-term portion of the fair value of cross currency swaps for medium-term loans of the Indian subsidiary and €/000 217 for the short-term portion of the cross currency swap for the medium-term loan of the Vietnamese subsidiary. For more details see section 43 "Financial risks" of the Notes.

As of 31 December 2014, no values relative to current financial assets were recognised.

40. Cash and cash equivalents *€/000 101,428*

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

	As of 31 December 2015	As of 31 December 2014	Change
In thousands of euros			
Bank and post office deposits	95,913	92,211	3,702
Cheques	1	7	(6)
Cash and assets in hand	50	54	(4)
Securities	5,464	5,934	(470)
Total	**101,428**	**98,206**	**3,222**

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

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

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

	As of 31 December 2015	As of 31 December 2014	Change
In thousands of euros			
Liquidity	101,428	98,206	3,222
Current account overdrafts	(126)	(8,081)	7,955
Closing balance	**101,302**	**90,125**	**11,177**

41. Current and non-current financial liabilities *€/000 626,286*

During 2015, the Group's total debt increased by €/000 17,349. Net of the fair value measurement of financial derivatives to hedge exchange risk and interest rate risk, and the adjustment of relative hedged items, as of 31 December 2015 total financial debt of the Group increased by €/000 8,536.

	Financial liabilities as of 31 December 2015			Financial liabilities as of 31 December 2014			Change		
	Current	*Non-current*	*Total*	*Current*	*Non-current*	*Total*	*Current*	*Non-current*	*Total*
In thousands of euros									
Gross financial debt	102,865	496,686	599,551	102,474	488,541	591,015	391	8,145	8,536
Fair value adjustment	3,030	23,705	26,735		17,922	17,922	3,030	5,783	8,813
Total	**105,895**	**520,391**	**626,286**	**102,474**	**506,463**	**608,937**	**3,421**	**13,928**	**17,349**

This increase is attributable to a greater use of available medium-term credit lines.
Net financial debt of the Group amounted to €/000 498,123 as of 31 December 2015 compared to €/000 492,809 as of 31 December 2014.

In thousands of euros	As of 31 December 2015	As of 31 December 2014	Change
Liquidity	**101,428**	**98,206**	**3,222**
Securities			-
Current financial receivables	**-**	**-**	**-**
Payables due to banks	(47,978)	(38,262)	(9,716)
Current portion of bank borrowings	(39,211)	(42,313)	3,102
Amounts due to factoring companies	(15,321)	(20,744)	5,423
Amounts due under leases	(31)	(30)	(1)
Current portion of payables due to other lenders	(324)	(1,125)	801
Current financial debt	**(102,865)**	**(102,474)**	**(391)**
Net current financial debt	**(1,437)**	**(4,268)**	**2,831**
Payables due to banks and lenders	(205,363)	(198,699)	(6,664)
Debenture loan	(290,139)	(288,369)	(1,770)
Amounts due under leases	(179)	(211)	32
Amounts due to other lenders	(1,005)	(1,262)	257
Non-current financial debt	**(496,686)**	**(488,541)**	**(8,145)**
Net financial debt[37]	**(498,123)**	**(492,809)**	**(5,314)**

37) Pursuant to Consob Communication of 28 July 2006 and in compliance with the recommendation of the CESR of 10 February 2005 "Recommendation for the consistent implementation of the European Commission's Regulation on Prospectuses". The indicator does not include financial assets and liabilities arising from the fair value measurement of financial derivatives for hedging and otherwise, the fair value adjustment of relative hedged items equal to €/000 26,735 and relative accruals.

Non-current financial liabilities totalled €/000 496,686 against €/000 488,541 as of 31 December 2014, whereas current financial liabilities totalled €/000 102,865 compared to €/000 102,474 as of 31 December 2014.

The attached tables summarise the breakdown of financial debt as of 31 December 2015 and 31 December 2014, as well as changes for the period.

	Accounting balance as of 31.12.2014	Repayments	New issues	Reclassification to the current portion	Exchange delta	Other changes	Accounting balance as of 31.12.2015
In thousands of euros							
Non-current portion:							
Bank borrowings	198,699		44,000	(39,091)	1,204	551	205,363
Bonds	288,369					1,770	290,139
Other medium-/long-term loans:							
of which leases	*211*			*(32)*			*179*
of which amounts due to other lenders	*1,262*		*54*	*(311)*			*1,005*
Total other loans	1,473		54	(343)			1,184
Total	**488,541**	**-**	**44,054**	**(39,434)**	**1,204**	**2,321**	**496,686**

	Accounting balance as of 31.12.2014	Repayments	New issues	Reclassification from the non-current portion	Exchange delta	Other changes	Accounting balance as of 31.12.2015
In thousands of euros							
Current portion:							
Current account overdrafts	8,081	(7,955)					126
Current account payables	30,181		14,064		3,607		47,852
Bonds							-
Payables due to factoring companies	20,744	(5,423)					15,321
Current portion of medium-/long-term loans:							
of which leases	*30*	*(31)*		*32*			*31*
of which due to banks	*42,313*	*(42,723)*		*39,091*	*549*	*(19)*	*39,211*
of which amounts due to other lenders	*1,125*	*(1,124)*	*12*	*311*			*324*
Total other loans	43,468	(43,878)	12	39,434	549	(19)	39,566
Total	**102,474**	**(57,256)**	**14,076**	**39,434**	**4,156**	**(19)**	**102,865**

The breakdown of the debt is as follows:

	Accounting balance as of 31.12.2015	Accounting balance as of 31.12.2014	Nominal value as of 31.12.2015	Nominal value as of 31.12.2014
In thousands of euros				
Bank borrowings	292,552	279,274	294,343	281,601
Bonds	290,139	288,369	301,799	301,799
Other medium-/long-term loans:				
of which leases	*210*	*241*	*210*	*241*
of which amounts due to other lenders	*16,650*	*23,131*	*16,650*	*23,131*
Total other loans	16,860	23,372	16,860	23,372
Total	**599,551**	**591,015**	**613,002**	**606,772**

The table below shows the debt servicing schedule as of 31 December 2015:

	Nominal value as of 31.12.2015	Amounts falling due within 12 months	Amounts falling due after 12 months	Amounts falling due in				
				2017	2018	2019	2020	Beyond
In thousands of euros								
Bank borrowings	294,343	87,208	207,135	57,793	105,994	43,207	94	47
of which opening of credit lines and bank overdrafts	*47,979*	*47,979*						
of which medium/long-term bank loans	*246,364*	*39,229*	*207,135*	*67,793*	*95,994*	*43,207*	*94*	*47*
Bonds	301,799		301,799	9,669	9,669	10,359	11,050	261,052
Other medium-/long-term loans:								
of which leases	*210*	*31*	*179*	*33*	*35*	*111*		
of which amounts due to other lenders	*16,650*	*15,645*	*1,005*	*328*	*331*	*336*	*10*	
Total other loans	16,860	15,676	1,184	361	366	447	10	-
Total	**613,002**	**102,884**	**510,118**	**77,823**	**106,029**	**54,013**	**11,154**	**261,099**

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

	Accounting balance	Accounting balance	Nominal value	Applicable interest rate
	as of 31.12.2014	as of 31.12.2015		
In thousands of euros				
Euro	519,023	521,714	535,165	3.54%
Indian Rupee	21,385	18,709	18,709	10.19%
Indonesian Rupiah	3,112	3,327	3,327	10.52%
US Dollar	11,148	19,748	19,748	3.14%
Vietnamese Dong	31,596	31,323	31,323	9.61%
Japanese Yen	4,751	4,730	4,730	2.87%
Total currencies other than the euro	***71,992***	***77,837***	***77,837***	
Total	**591,015**	**599,551**	**613,002**	**4.08%**

Medium and long-term bank debt amounts to €/000 244,574 (of which €/000 205,363 non-current and €/000 39,211 current) and consists of the following loans:

› a €/000 10,714 medium-term loan from the European Investment Bank to finance Research & Development investments planned for the 2009-2012 period. The loan will fall due in February 2016 and has an initial amortisation quota of 14 six-monthly instalments to be repaid at a variable rate equal to the six-month Euribor plus a spread of 1.323%. Contract terms require covenants (described below). An Interest Rate Swap has been taken out on this loan to hedge the interest rate risk;
› a €/000 43,636 medium-term loan from the European Investment Bank to finance Research & Development investments planned for the 2013-2015 period. The loan will fall due in December 2019 and has an amortisation quota of 11 six-monthly instalments at a fixed rate of 2.723%. Contract terms require covenants (described below);
› a €/000 113,271 (of the nominal value of €/000 115,000) syndicated loan agreement signed in July 2014 for €/000 220,000 and increased in April 2015 by €/000 30,000. This overall loan of €/000 250,000 comprises a €/000 175,000 four-year tranche as a revolving credit line of which a nominal value of €/000 40,000 had been used at 31 December 2015 and a tranche as a five-year loan with amortisation of €/000 75,000 which has been wholly disbursed. Contract terms require covenants (described below);

- a €/000 19,992 (nominal value of €/000 20,000) loan granted by Banco Popolare and signed in July 2015 of €/000 20,000. This loan comprises a tranche maturing in January 2017 of €/000 10,000 granted as a revolving credit line of which a nominal value of €/000 10,000 had been used at 31 December 2015 and a tranche as a three-year loan with amortisation of €/000 10,000 which has been wholly disbursed;
- a €/000 24,946 (of the nominal value of €/000 25,000) medium-term loan granted by Banca Popolare Emilia Romagna in June 2015. The loan matures on 5 June 2019 and will be repaid with an amortisation plan with six-monthly instalments as from 31 December 2016;
- a €/000 6,521 medium-term loan for USD/000 10,545 granted by International Finance Corporation (a World Bank member) to the subsidiary Piaggio Vehicles Private Limited with interest accruing at a variable rate. The loan will fall due on 15 January 2018 and has an amortisation schedule of six-monthly instalments as from January 2014. Contract terms include a guarantee of the Parent Company and some covenants (described below). Cross currency swaps have been taken out on this loan to hedge the exchange risk and interest rate risk;
- a €/000 12,122 medium-term loan for USD/000 15,851 granted by International Finance Corporation to the subsidiary Piaggio Vehicles Private Limited with interest accruing at a variable rate. The loan will fall due on 15 July 2019 and has an amortisation schedule of six-monthly instalments from July 2015. Contract terms include a guarantee of the Parent Company and some covenants (described below). Cross currency swaps have been taken out on this loan to hedge the exchange risk and interest rate risk;
- a €/000 11,276 medium-term loan for USD/000 13,107 granted by International Finance Corporation to the subsidiary Piaggio Vietnam with interest accruing at a variable rate. The loan will fall due on 15 July 2018 and has an amortisation schedule of six-monthly instalments from July 2014. Contract terms include a guarantee of the Parent Company and some covenants (described below). Cross currency swaps have been taken out on this loan to hedge the exchange risk and interest rate risk;
- €/000 1,796 of loans from various banks pursuant to Italian Law no. 346/88 on subsidised applied research;
- a €/000 300 eight-year subsidised loan from ICCREA in December 2008 granted under Italian Law 100/90.

All the above financial liabilities are unsecured.

The item Bonds for €/000 290,139 (nominal value of €/000 301,799) refers to:
- €/000 51,569 (nominal value of €/000 51,799) related to a private debenture loan (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 with fixed annual nominal rate of 6.50%. As of 31 December 2015 the fair value measurement of the debenture loan was equal to €/000 71,253 (the fair value is determined based on IFRS relative to fair value hedging). A Cross Currency Swap has been taken out on this debenture loan to hedge the exchange risk and interest rate risk;
- €/000 238,570 (nominal value of €/000 250,000) related to a high-yield debenture loan issued on 24 April 2014 for a nominal amount of €/000 250,000, maturing on 30 April 2021 and with a semi-annual coupon with fixed annual nominal rate of 4.625%. Standard & Poor's and Moody's assigned a B+ rating with a stable outlook and a B1 rating with a stable outlook respectively.

The company may pay back the amount of the High Yield debenture loan issued on 24 April 2014, early, in full or in part, under the conditions indicated in the indenture. The value of prepayment options was not deducted from the original contract, as these are considered as being closely related to the host instrument (as provided for by IAS 39 AG30 g).

Medium-/long-term payables due to other lenders equal to €/000 1,539 of which €/000 1,184 due after the year and €/000 355 as the current portion, are detailed as follows:

- a financial lease for €/000 210 granted by VFS Servizi Finanziari for the use of vehicles;

- subsidised loans for a total of €/000 1,263 provided by the Italian Ministry of Economic Development and Italian Ministry of Education, University and Research using regulations to encourage exports and investments in research and development (non-current portion of €/000 951);
- a loan of €/000 66 from BMW finance for the purchase of cars (non-current portion equal to €/000 54).

Financial advances received from factoring companies and banks, on the sale of trade receivables with recourse, totalled €/000 15,321.

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 transactions the company may carry out.

The measurement of financial covenants and other contract commitments is monitored by the Group on an ongoing basis. According to results as of 31 December 2015, all covenants had been fully met.

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

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

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

Amortised Cost and Fair Value Measurement

All financial liabilities are measured in accordance with accounting standards and based on the amortised cost method (except for liabilities with hedging derivatives measured at Fair Value Through Profit & Loss, for which the same measurement criteria used for the derivative are applied): according to this method, the nominal amount of the liability is decreased by the amount of relative costs of issue and/or stipulation, in addition to any costs relating to refinancing of previous liabilities. The amortisation of these costs is determined on an effective interest rate basis, and namely the rate which discounts the future flows of interest payable and reimbursements of principle at the net carrying amount of the financial liability.
IFRS 13 – Fair Value Measurement defines fair value on the basis of the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In the absence of an active market or market that does not operate regularly, fair value is measured by valuation techniques. The standard defines a fair value hierarchy:

- level 1 – quoted prices in active markets for assets or liabilities measured;

- level 2 – inputs other than quoted prices included within Level 1 that are observable directly (prices) or indirectly (derived from prices) on the market;
- level 3 – inputs not based on observable market data.

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

The table below shows the fair value of payables measured using the amortised cost method as of 31 December 2015:

	Nominal value	Carrying amount	Fair Value[38]
In thousands of euros			
High yield debenture loan	250,000	238,570	256,690
Private debenture loan	51,799	51,569	71,618
EIB (R&D loan 2013-2015)	43,636	43,636	42,979
Credit line from B. Pop. Emilia Romagna	25,000	24,946	24,291
Loan from Banco Popolare	10,000	9,992	8,214
Revolving syndicated loan	40,000	38,852	38,201
Syndicated loan maturing in July 2019	75,000	74,419	52,644

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

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

Fair value hierarchy

The table below shows the assets and liabilities measured and recognised at fair value as of 31 December 2015, by hierarchical level of fair value measurement.

	Level 1	Level 2	Level 3
In thousands of euros			
Assets measured at fair value			
Investment property			11,961
Financial derivatives:			
of which financial assets		*26,181*	*652*
of which other receivables		*647*	
Investments in other companies			39
Total assets		**26,828**	**12,652**
Liabilities measured at fair value			
Financial derivatives			
of which financial liabilities		*(899)*	
of which other payables		*(420)*	
Financial liabilities at fair value recognised through profit or loss		(107,554)	
Total liabilities		**(108,873)**	
General total		**(82,045)**	**12,652**

Investment property relative to the Martorelles site was measured as hierarchical level 3. This value was confirmed by a specific valuation of an independent expert, who measured the "Fair value less cost of disposal" based on a market approach (as provided for by IFRS 13). The valuation took account of comparable transactions on the local market, and the project to convert the area (from an industrial to a commercial site, as approved by the local authorities on 18 February 2014), referring however the value of the investment to its current status. Consequently, an accompanying 10% increase or decrease in all the variables based on the valuation of the investment would have generated a higher value of around €/000 3,800 and a lower value of €/000 3,600, with an equivalent greater or lesser impact on the income statement for the period.
The valuation of the cross currency swap relative to the Vietnamese subsidiary was also assigned the same hierarchy level. This classification reflects the illiquidity of the local market, which does now allow for a valuation based on conventional criteria. If valuation techniques typical of liquid markets had been adopted, which is not the case for the Vietnamese financial market, derivatives would have had a negative fair value totalling €/000 355, rather than a positive fair value of €/000 652 (included under financial hedging instruments - level 3) and accrued expenses on financial derivatives equal to €/000 734.

The following tables show Level 2 and Level 3 changes during 2015:

	Level 2
In thousands of euros	
Balance as of 31 December 2014	(86,422)
Gain (loss) recognised in profit or loss	4,747
Increases/(Decreases)	(370)
Balance as of 31 December 2015	**(82,045)**

	Level 3
In thousands of euros	
Balance as of 31 December 2014	12,131
Gain (loss) recognised in profit or loss	568
Increases/(Decreases)	(47)
Balance as of 31 December 2015	**12,652**

Net profit relative to hierarchy level 3 of €/000 568 refers to profit from hedging derivatives of €/000 568 and the decrease refers to the sale of the investment in Geofor S.p.A. for €/000 47.

F) Management of financial risk

This section describes all financial risks to which the Group is exposed and how these risks could affect future results.

42. Credit risk

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

	As of 31 December 2015	As of 31 December 2014
In thousands of euros		
Liquid assets	95,913	92,211
Securities	5,464	5,941
Financial receivables	26,873	19,112
Other receivables	42,957	50,396
Tax receivables	27,018	39,148
Trade receivables	80,944	74,220
Total	**279,169**	**281,028**

The Group monitors or manages credit centrally by using established policies and guidelines. The portfolio of trade receivables shows no signs of concentrated credit risk in light of the broad distribution of our licensee or distributor network. In addition, most trade receivables are short-term. In order to optimise credit management, the Company has established revolving programmes with some primary factoring companies for selling its trade receivables without recourse in Europe and the United States.

43. Financial risks

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

Liquidity risk and capital management

The liquidity risk arises from the possibility that available financial resources are not sufficient to cover, in due times and procedures, future payments arising from financial and/or commercial obligations. To deal with these risks, cash flows and the Group's credit line needs are monitored or managed centrally under the control of the Group's Treasury in order to guarantee an effective and efficient management of the financial resources as well as optimise the debt's maturity standpoint.
In addition, the Parent Company finances the temporary cash requirements of Group companies by providing direct short-term loans regulated in market conditions or guarantees. A cash pooling zero balance system is used between the Parent Company and European companies to reset the receivable and payable balances of subsidiaries on a daily basis, for a more effective and efficient management of liquidity in the Eurozone.
As of 31 December 2015 the most important sources of financing irrevocable until maturity granted to the Parent Company were as follows:

- a debenture loan of €/000 250,000 maturing in April 2021;
- a debenture loan of $/000 75,000 maturing in July 2021;
- a credit line of €/000 250,000 comprising a Revolving Credit Facility of €/000 175,000 maturing in July 2018 and a loan of €/000 75,000 maturing in July 2019;
- a revolving credit facility of €/000 10,000 maturing in January 2017;
- a loan of €/000 10,000 maturing in December 2018;
- a loan of €/000 25,000 maturing in June 2019;

› a loan of €/000 10,714 maturing in February 2016;
› a loan of €/000 43,636 maturing in December 2019;
› a loan of €/000 70,000 maturing in 2023[39].

Other Group companies also have the following irrevocable loans:
› a loan of €/000 6,520 maturing in July 2018;
› a loan of €/000 12,122 maturing in July 2019;
› a loan of €/000 11,276 maturing in July 2018.

39) *Undersigned on 3 December 2015 and not used at the end of the reporting period.*

As of 31 December 2015, the Group had a liquidity of €/000 101,428, €/000 205,000 of undrawn credit lines irrevocable to maturity and €/000 129,537 of revocable credit lines, as detailed below:

	As of 31.12.2015	As of 31.12.2014
In thousands of euros		
Variable rate with maturity within one year - irrevocable until maturity		20,000
Variable rate with maturity beyond one year - irrevocable until maturity	205,000	104,000
Variable rate with maturity within one year - cash revocable	110,537	99,037
Variable rate with maturity within one year - with revocation for self-liquidating typologies	19,000	19,000
Total undrawn credit lines	**334,537**	**242,037**

The table below shows the timing of future payments in relation to trade payables:

	Within 30 days	Between 31 and 60 days	Between 61 and 90 days	Over 90 days	Total
In thousands of euros					
Trade payables	237,152	91,384	18,928	32,900	**380,363**

Management considers that currently available funds, as well as funds that will be generated from operations and loans, will enable the Group to meets its requirements relative to investments, the management of working capital and repayment of loans on expiry and will ensure an adequate level of operating and strategic flexibility.

Exchange Risk

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

This policy analyses:
› ***the transaction exchange risk:*** the policy wholly covers this risk which arises from differences between the recognition exchange rate of receivables or payables in foreign currency in the financial statements and the recognition exchange rate of actual collection or payment. To cover this type of exchange risk, the exposure is naturally offset in the first place (netting between sales and purchases in the same currency) and if necessary, by signing currency future derivatives, as well as advances of receivables denominated in currency;
› ***the translation exchange risk:*** arises from the conversion into euro of the financial statements of subsidiaries prepared in currencies other than the euro during consolidation. The policy adopted by the Group does not require this type of exposure to be covered;
› ***the economic exchange risk:*** arises from changes in company profitability in relation to annual figures planned in the economic budget on the basis of a reference change (the "budget change") and is covered by derivatives. The items of these hedging operations are therefore represented by foreign costs and revenues forecast by the sales and purchases budget. The total of forecast costs and revenues is processed monthly and relative hedging is positioned exactly on the average weighted date of the economic event, recalculated based on historical criteria. The economic occurrence of future receivables and payables will occur during the budget year.

Cash flow hedging

As of 31 December 2015, the Group had undertaken the following futures operations (recognised based on the regulation date), relative to payables and receivables already recognised to hedge the transaction exchange risk:

Company	Operation	Currency	Amount in currency	Value in local currency (forward exchange rate)	Average maturity
			In thousands	In thousands	
Piaggio & C.	Purchase	CNY	58,700	8,315	29/01/2016
Piaggio & C.	Purchase	JPY	225,000	1,700	13/01/2016
Piaggio & C.	Purchase	SEK	1,000	109	29/02/2016
Piaggio & C.	Purchase	USD	11,500	10,575	21/01/2016
Piaggio & C.	Sale	CAD	640	434	29/01/2016
Piaggio & C.	Sale	CNY	11,900	1,652	15/01/2016
Piaggio & C.	Sale	GBP	650	879	30/03/2016
Piaggio & C.	Sale	INR	506,000	6,969	10/01/2016
Piaggio & C.	Sale	USD	5,650	5,151	29/01/2016
Piaggio Group Americas	Sale	€	415	442	28/01/2016
Piaggio Vespa BV	Sale	HRK	17,050	2,227	15/01/2016
Piaggio Vespa BV	Sale	SGD	610	401	18/02/2016
Piaggio Indonesia	Purchase	€	3,620	56,986,716	02/02/2016
Piaggio Indonesia	Purchase	USD	128	1,820,070	15/02/2016
Piaggio Vehicles Private Limited	Sale	€	1,645	119,895	23/02/2016
Piaggio Vehicles Private Limited	Sale	USD	2,211	147,136	01/02/2016

As of 31 December 2015, the Group had undertaken the following transactions to hedge the business exchange risk:

Company	Operation	Currency	Amount in currency	Value in local currency (forward exchange rate)	Average maturity
			In thousands	In thousands	
Piaggio & C.	Purchase	CNY	254,700	35,462	02/06/2016
Piaggio & C.	Sale	GBP	7,240	10,516	19/06/2016

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

As of 31 December 2015 the total fair value of hedging instruments for the economic exchange risk recognised on a hedge accounting basis was positive by €/000 285. During 2015, gains under other components of the Statement of Comprehensive Income were recognised amounting to €/000 285 and profits from other components of the Statement of Comprehensive Income amounting to €/000 656 were reclassified under profit/loss for the period.

The net balance of cash flows during 2015 is shown below, divided by main currency:

Cash Flow	2015
in millions of euros	
Canadian Dollar	5.4
Pound Sterling	26.2
Japanese Yen	(5.7)
US Dollar	19.0
Indian Rupee	22.6
Croatian Kuna	2.8
Chinese Yuan[40]	(36.2)
Vietnamese Dong	20.4
Indonesian Rupiah	11.1
Total cash flow in foreign currency	**65.6**

40) Cash flow partially in euro

In view of the above, an assumed appreciation/depreciation of 3% of the Euro would have generated potential losses for €/000 1,915 and potential profits for €/000 2,033 respectively.

Interest rate risk

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

As of 31 December 2015, the following hedging derivatives were in use:

Hedging of financial flows (cash flow hedging)

- an interest rate swap to hedge a variable rate loan for a nominal amount of €/000 117,857 (as of 31 December 2015 for €/000 10,714) granted by the European Investment Bank. The structure has fixed step-up rates, in order to stabilise financial flows associated with the loan; 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 31 December 2015, the fair value of the instrument was negative by €/000 59; sensitivity analysis of the instrument, assuming a 1% increase and decrease in the shift of the variable rates curve, shows a potential impact on Shareholders' Equity, net of the relative tax effect, which was negligible.

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 31 December 2015, the fair value of the instrument was equal to €/000 20,289. The net economic effect arising from the measurement of the instrument and underlying private debenture loan was equal to €/000 -120; sensitivity analysis of the instrument and its underlying, assuming a 1% increase and decrease in the shift of the variable rates curve, showed a potential impact on the Income Statement, net of the related tax effect, of €/000 78 and €/000 -74 respectively, assuming constant exchange rates; whereas assuming a 1% reversal and write-down of exchange rates, sensitivity analysis identified a potential impact on the Income Statement, net of the relative tax effect, of €/000 -35 and €/000 37 respectively;
- a cross currency swap to hedge loans relative to the Indian subsidiary for $/000 10,545 (as of 31 December €/000 6,520) granted by International Finance Corporation. The purpose of the instruments is to hedge the exchange risk and interest rate risk, turning the loan from US dollars to Indian Rupees, and half of said loan from a variable rate to a fixed rate. As of 31 December 2015 the fair value of the instruments was equal to €/000 3,238. Sensitivity analysis of the instrument and its underlying, assuming a 1% increase and decrease in the shift of the variable rates curve, showed a potential impact on the Income Statement, net of the relative tax effect, of €/000 20 and €/000 -21 respectively, assuming constant exchange rates. Assuming a 1% reversal and write-down of the exchange rate of the Indian Rupee, sensitivity analysis of the instrument and its underlying identified a potential impact on the Income Statement, net of the relative tax effect, of €/000 -1 and €/000 1 respectively;
- a cross currency swap to hedge loans relative to the Indian subsidiary for $/000 15,851 (as of 31 December €/000 12,122) granted by International Finance Corporation. The purpose of the instruments is to hedge interest rate risk and exchange risk, turning the loan from US dollars to Indian Rupees, and to hedge the interest rate risk on the US dollar. As of 31 December 2015, the fair value of the instrument was equal to €/000 2,654. Sensitivity analysis of the instrument and its underlying, assuming a 1% increase and decrease in the shift of the variable rates curve, showed a potential impact on the Income Statement, net of the relative tax effect of €/000 2 and €/000

-2 respectively, assuming constant exchange rates. Assuming a 1% reversal and write-down of the exchange rate of the Indian Rupee, sensitivity analysis of the instrument and its underlying identified a potential impact on the Income Statement, net of the relative tax effect, of €/000 -4 and €/000 4 respectively;

- a cross currency swap to hedge a loan relative to the Vietnamese subsidiary for $/000 13,107 (as of 31 December €/000 11,276) granted by International Finance Corporation. The purpose of the instruments is to hedge the exchange risk and partially hedge the interest rate risk, turning the loan from US dollars at a variable rate into Vietnamese Dong at a fixed rate, except for a minor portion (24%) at a variable rate. As of 31 December 2015 the fair value of the instruments was negative by €/000 652. Sensitivity analysis of the instrument and its underlying, assuming a 1% increase and decrease in the shift of the variable rates curve, showed a potential impact on the Income Statement, net of the relative tax effect, of €/000 63 and €/000 -64 respectively, assuming constant exchange rates. Assuming a 1% reversal and write-down of the exchange rate of the Vietnamese Dong, sensitivity analysis of the instrument and its underlying identified a potential impact on the Income Statement, net of the relative tax effect, of €/000 -2 and €/000 2 respectively.

As of 31 December 2015, the Group had a cross currency swap relative to the Indian subsidiary to hedge the intercompany loan of €/000 5,000 granted by the Parent Company. The purpose of the instrument is to hedge the exchange risk and interest rate risk, turning the loan from Euros to Indian Rupees and from a variable to a fixed rate. Based on hedge accounting principles, this derivative is classified as non-hedging and therefore is measured at fair value with measurement effects recognised in profit or loss. As of 31 December 2015, the fair value of the instrument was equal to €/000 -890. Sensitivity analysis of the instrument and its underlying, assuming a 1% increase and decrease in the shift of the variable rates curve, showed a potential impact on the Income Statement, net of the relative tax effect of €/000 14 and €/000 -15 respectively, assuming constant exchange rates. Assuming a 1% reversal and write-down of the exchange rate of the Indian Rupee, sensitivity analysis of the instrument and its underlying identified a potential impact on the Income Statement, net of the relative tax effect, of €/000 -30 and €/000 31 respectively.

In thousands of euros	Fair Value
Piaggio & C. S.p.A.	
Interest Rate Swap	(59)
Cross Currency Swap	20,289
Piaggio Vehicles Private Limited	
Cross Currency Swap	3,238
Cross Currency Swap	2,654
Cross Currency Swap	(890)
Piaggio Vietnam	
Cross Currency Swap	652

G) Information on shareholders' equity

44. Share capital and reserves — €/000 404,293

Share capital — €/000 207,614

During the year, the nominal share capital of Piaggio & C. did not change.
On 23 April 2015 the new composition of share capital of Piaggio & C. S.p.A (fully subscribed and paid up) was registered with the relative Companies Register, following the annulment of 2,466,500 treasury shares without any change to the share capital, resolved by the Extraordinary Shareholders' Meeting of 13 April 2015.
Therefore, as of 31 December 2015, the nominal share capital of Piaggio & C., fully subscribed and paid up, was equal to € 207,613,944.37, divided into 361,208,380 ordinary shares.
On 14 December 2015, the Parent Company acquired 16,000 treasury shares at the average price of € 2.1285 euro per share, for a total value of € 34,056 euro.
Consequently, as of 31 December 2015, Piaggio & C. S.p.A. held 16,000 treasury shares, equal to 0.0044% of the share capital.

Shares in circulation and treasury shares	2015	2014
no. of shares		
Situation as of 1 January		
Shares issued	363,674,880	360,894,880
Treasury shares in portfolio	2,466,500	839,669
Shares in circulation	361,208,380	360,055,211
Movements for the period		
Exercise of stock options		2,780,000
Cancellation of treasury shares	(2,466,500)	
Purchase of treasury shares	16,000	1,826,831
Sale of treasury shares to exercise stock options		(200,000)
Situation as of 31 December		
Shares issued	361,208,380	363,674,880
Treasury shares in portfolio	16,000	2,466,500
Shares in circulation	361,192,380	361,208,380

In the first few months of 2016, the Parent Company acquired 1,880,000 treasury shares. Therefore at the time of going to press, Piaggio & C. S.p.A. held 1,896,000 treasury shares, equal to 0.525% of the share capital.

Share premium reserve — €/000 7,171

The share premium reserve as of 31 December 2015 had not changed.

Legal reserve — €/000 17,643

The legal reserve increased by €/000 741 as a result of the allocation of earnings for the last period.

Financial instruments' fair value reserve — €/000 (586)

The financial instruments fair value reserve is negative and refers to the effects of cash flow hedge accounting in foreign currencies, interest and specific business transactions. These transactions are described in full in the note on financial instruments.

Dividends paid and proposed — €/000 26,007

The Shareholders Meeting of Piaggio & C. S.p.A. of 13 April 2015 resolved to distribute a dividend of 7.2 eurocents per ordinary share. During 2014, dividends were not distributed.

	Total amount		Dividend per share	
	2015 €/000	2014 €/000	2015 €	2014 €
Authorised and paid	26,007	-	0.072	-

Earnings reserve €/000 194,194

As the stock plan has terminated, the relative reserve was included under Earnings reserves.

Capital and reserves of non-controlling interest €/000 (242)

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

45. Other Comprehensive Income (Expense) *€/000 5,398*

The figure is broken down as follows:

In thousands of euros	Reserve for measurement of financial instruments	Group conversion reserve	Earnings reserve	Group total	Share capital and reserves attributable to non-controlling interests	Total other comprehensive income (expense)
As of 31 December 2015						
Items that will not be reclassified to profit or loss						
Remeasurements of defined benefit plans			1,841	1,841		1,841
Total	**0**	**0**	**1,841**	**1,841**	**0**	**1,841**
Items that may be reclassified to profit or loss						
Total translation gains (losses)		3,231		3,231	82	3,313
Total profits (losses) on cash flow hedges	244			244		244
Total	**244**	**3,231**	**0**	**3,475**	**82**	**3,557**
Other Comprehensive Income (Expense)	**244**	**3,231**	**1,841**	**5,316**	**82**	**5,398**
As of 31 December 2014						
Items that will not be reclassified to profit or loss						
Remeasurements of defined benefit plans			(5,594)	(5,594)		(5,594)
Total	**-**	**-**	**(5,594)**	**(5,594)**	**-**	**(5,594)**
Items that may be reclassified to profit or loss						
Total translation gains (losses)		8,224		8,224	(9)	8,215
Total profits (losses) on cash flow hedges	735			735		735
Total	**735**	**8,224**	**-**	**8,959**	**(9)**	**8,950**
Other Comprehensive Income (Expense)	**735**	**8,224**	**(5,594)**	**3,365**	**(9)**	**3,356**

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

	As of 31 December 2015			As of 31 December 2014		
	Gross value	*Tax (expense) / benefit*	*Net value*	*Gross value*	*Tax (expense) / benefit*	*Net value*
In thousands of euros						
Remeasurements of defined benefit plans	2,710	(869)	1,841	(7,598)	2,004	(5,594)
Total translation gains (losses)	3,313		3,313	8,215		8,215
Total profits (losses) on cash flow hedges	418	(174)	244	1,050	(315)	735
Other Comprehensive Income (Expense)	**6,441**	**(1,043)**	**5,398**	**1,667**	**1,689**	**3,356**

H) Other information

46. Share-based incentive plans

As of 31 December 2015, there were no incentive plans based on financial instruments.

47. Fees for Directors, Statutory Auditors and Key Managers

For a complete description and analysis of fees of Directors, Statutory Auditors and Key Managers, reference is made to the remuneration report available from the registered office, and on the Company's website in the section "Governance".

	2015
In thousands of euros	
Directors	1,694
Statutory auditors	201
Key Managers	422
Total fees	**2,317**

48. Information on related parties

Revenues, costs, payables and receivables as of 31 December 2015 involving parent companies, subsidiaries and associates refer to the sale of goods or services which are a part of normal operations of the Group.
Transactions are carried out at normal market values, depending on the characteristics of the goods and services provided.
The information on transactions with related parties, including information required by Consob in its communication of 28 July 2006 DEM/6664293, is given in the notes to the Consolidated Financial Statements and notes to the separate Financial Statements of the Parent Company.
The procedure for transactions with related parties, pursuant to article 4 of Consob Regulation no. 17221 of 12 March 2010 as amended, approved by the Board on 30 September 2010, is published on the institutional site of the Issuer www.piaggiogroup.com, under Governance.

Relations with Parent Companies

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

Designation	Registered office	Type	% of ownership	
			2015	2014
Immsi S.p.A.	Mantova - Italy	Direct parent company	50.0621	50.2450
Omniaholding S.p.A.	Mantova - Italy	Final parent company	0.0277	0.0275

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

- as regards mandatory financial disclosure, and in particular the financial statements and reports on operations of the Group, IMMSI has produced a group manual containing the accounting standards adopted and options chosen for implementation, in order to give a consistent and fair view of the consolidated financial statements.
- IMMSI has defined procedures and times for preparing the budget and in general the business plan of Group companies, as well as final management analysis to support management control activities.
- IMMSI has also provided services for the development and management of Company assets, with a view to optimising resources within the Group, and provided property consultancy services and other administrative services.
- IMMSI has provided consultancy services and assistance for the Company and subsidiaries concerning extraordinary financing operations, organisation, strategy and coordination, as well as services intended to optimise the financial structure of the Group.

In 2013, for a further three years, the Parent Company signed up to the National Consolidated Tax Mechanism pursuant to articles 117-129 of the Consolidated Income Tax Act (T.U.I.R) of which IMMSI S.p.A. is the consolidating company, and to whom other IMMSI Group companies report to. The consolidating company determines a single global income equal to the algebraic sum of taxable amounts (income or loss) realised by individual companies that opt for this type of group taxation.
The consolidating company recognises a receivable from the consolidated company which is equal to the corporate tax to be paid on the taxable income transferred by the latter. Whereas, in the case of companies reporting tax losses, the consolidating company recognises a payable related to corporate tax on the portion of loss actually used to determine global overall income. Under the National Consolidated Tax Mechanism, companies may, pursuant to Article 96 of Presidential Decree no. 917/86, allocate the excess of interest payable which is not deductible to one of the companies so that, up to the excess of Gross Operating Income produced in the same tax period by other subjects party to the consolidation (or, in the presence of specific legal requirements, from foreign companies), the amount may be used to reduce the total income of the Group.

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

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

Transactions with Piaggio Group companies

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

Piaggio & C. S.p.A

- sells vehicles, spare parts and accessories to sell on respective markets, to:
  - Piaggio Hrvatska
  - Piaggio Hellas
  - Piaggio Group Americas
  - Piaggio Vehicles Private Limited
  - Piaggio Vietnam
  - Piaggio Concept Store Mantova
- sells components to:
  - Piaggio Vehicles Private Limited
  - Piaggio Vietnam
- grants licences for rights to use the brand and technological know how to:
  - Piaggio Vehicles Private Limited
  - Piaggio Vietnam
- provides support services for scooter and engine industrialisation to:
  - Piaggio Vehicles Private Limited
  - Piaggio Vietnam
- provides support services for staff functions to other Group companies;
- issues guarantees for the Group's subsidiaries, for medium-term loans.

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

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

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

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

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

Piaggio Indonesia and Piaggio Group Japan

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

Piaggio France, Piaggio Deutschland, Piaggio Limited, Piaggio Espana and Piaggio Vespa

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

Piaggio Asia Pacific

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

Piaggio Group Canada

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

Foshan Piaggio Vehicles Tecnologies R&D provides to:

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

Piaggio Advanced Design Center:

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

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

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

Atlantic 12

- rents a property to Piaggio & C. S.p.A.

Piaggio China

- charges its management costs to Piaggio & C. S.p.A.

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

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

Piaggio & C. S.p.A

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

Foshan Piaggio Vehicles Tecnologies R&D

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

Zongshen Piaggio Foshan Motorcycle Co. Ltd

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

The table below summarises relations described above and financial relations with parent companies and associates as of 31 December 2015 and relations during the year, as well as their overall impact on financial statement items.

As of 31 December 2015	Fondazione Piaggio	Zongshen Piaggio Foshan	IMMSI Audit	Pontech Pontedera & Tecnologia	Is Molas	Studio Girelli	Trevi	Omnia-holding	IMMSI	**Total**	**% of accounting item**
In thousands of euros											
Income statement											
Revenues from sales		794								794	0.06%
Costs for materials		25,616								25,616	3.33%
Costs for services	30		850		37	34	19		1,267	2,237	1.06%
Insurance									49	49	0.57%
Leases and rentals								181	1,309	1,490	9.40%
Other operating income		648	38					1	50	737	0.69%
Other operating costs		19							14	33	0.16%
Write-down/Impairment of investments		163		(22)						141	47.80%
Borrowing costs		23						134		157	0.42%
Taxes									(655)	(655)	-7.95%
Assets											
Other non-current receivables	153									153	1.14%
Current trade receivables		1,136	14							1,150	1.42%
Other current receivables		873	47						7,959	8,879	30.06%
Liabilities											
Financial liabilities falling due after one year								2,900		2,900	0.56%
Current trade payables		9,311				19	10	39	729	10,108	2.66%
Other current payables	30	1,604							7,032	8,666	18.04%

49. Contract commitments and guarantees

Contract commitments of the Piaggio Group are summarised based on their expiry.

	In 1 year	Between 2 and 5 years	After 5 years	Total
In thousands of euros				
Operating leases	5,551	11,810	2,760	**20,121**
Other commitments	22,452	14,681		**37,133**
Total	**28,003**	**26,491**	**2,760**	**57,254**

The main guarantees issued by banks on behalf of Piaggio & C. S.p.A in favour of third parties are listed below:

Type	Amount €/000
A guarantee of BCC-Fornacette to Livorno Customs Authorities for handling Piaggio goods at Livorno Port	200
A guarantee of BCC-Fornacette issued to Pisa Customs Authorities for handling Piaggio goods at the Pisa docks and at Livorno Port	200
A guarantee of BCC-Fornacette issued for the Group to Poste Italiane – Rome to guarantee contract obligations for the supply of vehicles	1,321
A guarantee of Banco di Brescia issued to the local authorities of Scorzè, to guarantee payment of urbanisation and construction charges relative to the Scorzè site	166
A guarantee of Intesa Sanpaolo issued to the Ministry of the Interior of Algeria, to guarantee contract obligations for the supply of vehicles	140
A guarantee of Intesa Sanpaolo issued to the Ministry of the Defense of Algeria, to guarantee contract obligations for the supply of vehicles	158
A guarantee of Intesa Sanpaolo issued to Hafei Motor for € 1,500,000 for an ongoing supply agreement	1,500
A guarantee of Monte dei Paschi di Siena issued to Chen ShinRubber for € 650,000 for an ongoing supply agreement	650
A guarantee of Banca Nazionale del Lavoro issued to the local authorities of Scorzè, to guarantee urbanisation and construction charges relative to the Scorzè site for USD 122,000	100
A guarantee of Banca Nazionale del Lavoro - Innovation and Networks Executive Agency issued for Project 1_HeERO	350

50. Disputes

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

with the decision by publishing a notice in the press and launching a recall campaign for its vehicles pending the outcome of the proceedings, as described below.
Piaggio has taken action before the Court of Pontedera (now the Court of Pisa) for a final dismissal of the ruling of the Court of Pisa of 29 January 2013. Upholding Piaggio's appeal, the Judge ordered a new expert witness report for the product, appointing Professor Belingardi of Turin Polytechnic as the expert, who was sworn in during the hearing of 14 July 2015. The case has been adjourned until 21 April 2016 for a discussion of the expert witness report.

Canadian Scooter Corp. (CSC), sole distributor of Piaggio for Canada, summoned Piaggio & C. S.p.A., Piaggio Group Americas Inc. and Nacional Motor S.A to appear before the Court of Toronto (Canada) in August 2009 to obtain compensation for damages sustained due to the alleged infringement of regulations established by Canadian law on franchising (the Arthur Wishart Act). Proceedings have been stopped while a settlement of the dispute is being defined.

In 2010, Piaggio took action to establish an arbitration board through the Arbitration Chamber of Milan, for a ruling against some companies of the Case New Holland Group (Italy, Holland and the US), to recover damages under contractual and non-contractual liability relating to the execution of a supply and development contract of a new family of utility vehicles (NUV). In the award notified to the parties on 3 August 2012, the Board rejected the claims made by the Company. The Company has appealed against this award to the Appeal Court of Milan, which has established the first hearing for 4 June 2013. The hearing for closing arguments set for 12 January 2016 was adjourned to 26 January 2016. The Court therefore deferred its ruling, assigning the parties the terms for final statements and relative rejoinders and replications.

Da Lio S.p.A., by means of a writ received on 15 April 2009, summoned the Parent Company before the Court of Pisa to claim compensation for the alleged damages sustained for various reasons as a result of the termination of supply relationships. The Company appeared in court requesting the rejection of all opposing requests. Da Lio requested a joinder with the opposition concerning the injunction obtained by Piaggio to return the moulds retained by the supplier at the end of the supply agreement. Judgements were considered and a ruling issued pursuant to article 186-ter of the Italian Code of Civil Proceedings, on 7 June 2011, ordering Piaggio to pay the sum of Euro 109,586.60, in addition to interest relative to sums which were not disputed. During 2012, testimonial evidence was presented. After reaching a decision at the end of testimonial evidence, the Judge admitted a technical/accounting court-appointed expert requested by Da Lio to quantify the amount of interest claimed by Da Lio and value of stock. The technical appraisal was completed at the end of 2014. At the hearing of 12 February, the Judge arranged for a mediation hearing for 23 April 2015. Following the hearing and in the absence of conciliation, the case was adjourned until 23 September 2016 for closing arguments.

In June 2011 Elma srl, a Piaggio dealer since 1995, started two separate proceedings against the Parent Company, claiming the payment of approximately € 2 million for alleged breach of the sole agency ensured by Piaggio for the Rome area and an additional € 5 million as damages for alleged breach and abuse of economic dependence by the Company. Piaggio opposed the proceedings undertaken by Elma, fully disputing its claims and requesting a ruling for Elma to settle outstanding sums owing of approximately € 966,000.
During the case, Piaggio requested the enforcement of bank guarantees that ensured against the risk of default by the dealer issued in its favour by three banks. Elma attempted to stop enforcement of the guarantees with preventive proceedings at the Court of Pisa (Pontedera section): the proceedings ended in favour of Piaggio that collected the amounts of the guarantees (over € 400,000). Trial proceedings took place and a hearing was held on 24 April 2013 to examine evidence. After reaching a decision at the aforesaid hearing, the Judge rejected requests for preliminary examination of Elma and set the hearing for 17 December 2015 for closing arguments.
As regards the matter, Elma has also brought a case against a former senior manager of the Company before the Court of Rome, claiming compensation for damages: Piaggio appeared in the

proceedings, requesting, among others, that the case be moved to the Court of Pisa. At the hearing of 27 January 2014, the Judge ruled on the preliminary exceptions and did not admit preliminary briefs. The hearing for closing arguments, set for 21 December 2015, has been adjourned to 3 March 2016.

In a writ received on 29 May 2007, Gammamoto S.r.l. in liquidation, an Aprilia licensee in Rome, brought a case against the Parent Company before the Court of Rome for contractual and non-contractual liability. The Company fully opposed the injunction disputing the validity of Gammamoto's claims and objecting to the lack of jurisdiction of the Judge in charge. The Judge, accepting the petition formulated by the Company, declared its lack of jurisdiction with regards to the dispute. Gammamoto has continued proceedings through the Court of Venice. The Judge admitted testimonial evidence and evidence for examination requested by the parties, establishing the hearing for the preliminary investigation on 12 November 2012. After defining the closing arguments of the hearing of 26 June 2013, the terms for final statements and relative replies were granted, and the case was ruled on. The Court of Venice issued a ruling in favour of Piaggio, filed on 17 February 2014. Gammamoto appealed and at the first hearing on 23 October 2014 the Court decided to rule without proceeding with the preliminary investigation requested by the other party, and in particular without ordering a technical appraisal. The hearing for closing arguments has been set for 1 April 2019.

The company TAIZHOU ZHONGNENG summoned Piaggio before the Court of Turin, requesting the annulment of the Italian part of the 3D mark registered in Italy protecting the form of the Vespa, as well as a ruling dismissing the offence of the counterfeiting of the 3D mark in relation to scooter models seized by the Guardia di Finanza [Italian tax police] at the 2013 EICMA trade show, based on the petition filed by Piaggio, in addition to compensation for damages. At the first hearing for the parties to appear, set for 4 February 2015 and adjourned to 5 February 2015, the Judge lifted reservations, arranging for a technical appraisal to establish the validity of the Vespa 3D mark and the infringement or otherwise of Znen scooter models, setting the next hearing for the court-appointed expert to be sworn in on 18 March 2015. This hearing was then adjourned to 29 May 2015. At that hearing, the judge set the deadline for filing the final expert witness report as 10 January 2016, and scheduled the discussion hearing for 3 February 2016. During this hearing, the final expert witness report filed on 10 January 2016 was discussed and the judge, considering the preliminary stage completed, set the hearing for closing arguments for 26 October 2016.

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

Piaggio brought a similar action against Peugeot Motocycles SAS before the Tribunal de Grande Instance in Paris. As a result of the Piaggio action ("Saisie Contrefaçon"), several documents were obtained by a bailiff and tests carried out to prove the infringement of the MP3 motorcycle by the Peugeot "Metropolis" motorcycle. The hearing took place on 8 October 2015 for the appointment of the expert witness, who will examine the findings of the Saisie Contrefaçon. On 3 February 2016 the hearing took place to discuss the preliminary briefs exchanged between the parties. During this hearing, the judge requested the nomination, possibly in accordance with Peugeot's lawyer, of two or three experts, to select one expert in relation to the selection of seized documents.

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

In July 2015 YAMAHA HATSUDOKI KABUSHIKI KAISHA (YAMAHA MOTOR CO LTD) brought three separate proceedings before the Court of Rome, the Tribunal de Grande Istance de Paris and the Court of Düsseldorf, against Piaggio & C. SpA, Piaggio France and Piaggio Deutschland GmbH, to obtain (i) the recall of MP3, Gilera Fuoco motorcycles, (ii) a ruling for the compensation of damages, (iii) and the publication of the ruling in some newspapers, after establishing the infringement of some European patents owned by Yamaha concerning an air intake for the cooling of a continuously variable transmission (CVT) and an outer cover with boomerang shape, with basically an aesthetic function, located below the vehicle seat, as well as for unfair competition. The hearing for the first appearance has been set for 11 February 2016 in Rome, for 24 March 2016 in Paris and for 10 November 2016 in Düsseldorf.

In July 2015 YAMAHA HATSUDOKI KABUSHIKI KAISHA (YAMAHA MOTOR CO LTD) brought three separate proceedings before the Court of Rome, the Tribunal de Grande Istance de Paris and the Court of Düsseldorf, against Piaggio & C. SpA, Aprilia Racing S.p.A, Piaggio France and Piaggio Deutschland GmbH, to obtain (i) the recall of Aprilia RSV4 motorcycles, (ii) a ruling for the compensation of damages, (iii) and the publication of the ruling in some newspapers, after establishing the infringement of some European patents owned by Yamaha concerning an injection system for high performance with variable intake pipes, as well as for unfair competition. The hearing for the first appearance has been set for 2 March 2016 in Rome, for 24 March 2016 in Paris and for 10 November 2016 in Düsseldorf.

The amounts allocated by the Company for the potential risks deriving from the current litigation appear to be consistent with the predictable outcome of the disputes.

As regards tax claim rulings involving the Parent Company Piaggio & C. S.p.A. (hereinafter "the Company"), two appeals are ongoing against two tax assessments notified to the Company and relative to the 2002 and 2003 tax years respectively. These assessments originate from an access conducted by the Italian Revenue Agency in 2007 at the Company's offices, following information filed in the Report of Verification issued in 2002 following a general audit.
The Company has obtained a favourable ruling concerning these assessments, in both the first and second instance, and with reference to both tax periods, against which the Italian Revenue Agency has lodged an appeal with the Court of Cassation; the Company has filed relative counter claims and is waiting for dates of hearings to be set.
The Company also filed two appeals with the Income Tax Appellate Tribunal against the assessment orders received on completion of the assessment of income generated by Piaggio & C. S.p.A. in India during the Indian 2009-2010 and 2010-2011 tax periods, involving sums totalling approximately € 1 million for each assessment. These appeals were submitted on 25 March 2015 and 22 February 2016 respectively.
The Company has not considered allocating provisions for these disputes, in view of the positive opinions expressed by consultants appointed as counsel.

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

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

As regards the French company, a favourable ruling was issued in December 2012 by the *Commission Nationale des Impots directes et des taxes sur le chiffre d'affaires*, the decision-making body ruling prior to legal proceedings in disputes with the French tax authorities concerning a general audit of the 2006 and 2007 periods. The French tax authorities however upheld its claims against the Company, requesting payment of the amounts claimed and issuing relative notices (one for withholding tax and the other for corporate income tax and VAT). The amount concerned, equal to approximately € 3.7 million, was paid in part to the French tax authorities. However, based on positive opinions from professionals appointed as counsel, the Company considers a positive outcome as likely and the subsequent reimbursement of amounts paid.
The Company appealed against the notices and filed an appeal with the *Tribunal Administratif* concerning withholding tax, which was quashed. This decision was appealed against on 7 September 2015 before the Appeal Court and a date for the hearing still has to be set.
A hearing will also take place before the *Tribunal Administratif* for findings concerning corporate income tax. The Company has not considered allocating provisions necessary, in view of the positive opinions expressed by consultants appointed as counsel, as well as the opinion of the above Commission.
On 8 April 2015, the Greek company Piaggio Hellas S.A. received a Tax Report following a general audit for the 2008 tax period, with findings for approximately € 0.5 million. On 12 June 2015, the Company appealed against the report with the Tax Center – Dispute Resolution Department. Following the unfavourable outcome of this appeal, the Company, on 9 December 2015, filed an appeal with the *Administrative Court of Appeal*. A date for the hearing still has to be set. The amount in question was paid in full to the Greek tax authorities. However, based on positive opinions from professionals appointed as counsel, the Company considers a positive outcome as likely and the subsequent reimbursement of amounts paid.

51. Significant non-recurring events and operations

During 2014, the Parent Company exercised the call option of the debenture loan issued by the Company on 1 December 2009 for a total amount of €/000 150,000 and maturing on 1 December 2016. On 9 June, the remaining portion of this loan (equal to approximately € 42 million) was paid back at the price of 103.50%, after the finalisation of the exchange offer launched on 7 April.
The operation led in 2014 to the premium paid to bond holders that did not take up the exchange offer and of costs not yet amortised of the reimbursed loan being recognised under borrowing costs in the income statement.
In 2014, the Parent Company refinanced a revolving credit line with a limited pool of banks of a nominal value of €/000 200,000 maturing in December 2015. This operation resulted in the recognition of costs not yet amortised in the income statement in 2014.
These operations come under significant non-recurrent transactions, as defined by CONSOB Communication DEM/6064293 of 28 July 2006.
For 2015, no significant non-recurrent transactions were recorded.

52. Transactions arising from atypical and/or unusual operations

During 2015 and 2014, the Group did not record any significant atypical and/or unusual transactions, as defined by CONSOB Communication DEM/6037577 of 28 April 2006 and DEM/6064293 of 28 July 2006.

53. Events occurring after the end of the period

No events to be reported occurred after the end of the period.

54. Authorisation for publication

This document was published on 24 March 2016, authorised by the Chairman and Chief Executive Officer.

Milan, 11 March 2016

for the Board of Directors

/s/ Roberto Colaninno

Chairman and Chief Executive Officer
Roberto Colaninno

Attachments

Piaggio Group companies

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

List of companies included in the scope of consolidation on a line-by-line basis as of 31 December 2015.

Company name	Registered office	Country	Share capital	Currency	% of the holding			% total interest
					Direct	Indirect	Means	
Parent company								
Piaggio & C. S.P.A.	Pontedera (Pisa)	Italy	207,613,944.37	Euro				
Subsidiaries								
Aprilia Brasil Industria de Motociclos S.A.	Manaus	Brazil	2,020,000.00	R$		51%	Aprilia World Service Holding do Brasil Ltda	51%
Aprilia Racing s.r.l.	Pontedera (Pisa)	Italy	250,000.00	Euro	100%			100%
Aprilia World Service Holding do Brasil Ltda.	São Paulo	Brazil	2,028,780.00	R$		99,999950709%	Piaggio Group Americas Inc	99.999950709%
Atlantic 12- Property investment fund	Rome	Italy	10,439,872.51	Euro	100%			100%
Foshan Piaggio Vehicles Technology Research and Development Co Ltd	Foshan City	China	10,500,000.00	RMB		100%	Piaggio Vespa B.V.	100%
Nacional Motor S.A.	Barcelona	Spain	60,000.00	Euro	100%			100%
Piaggio Advanced Design Center Corp.	California	USA	100,000.00	USD	100%			100%
Piaggio Asia Pacific PTE Ltd.	Singapore	Singapore	100,000.00	sin$		100%	Piaggio Vespa B.V.	100%
Piaggio China Co. LTD	Hong Kong	China	12,500,000 auth. capital (12,100,000 subscribed and paid up)	USD	99.999990%			99.999990%
Piaggio Concept Store Mantova S.r.l.	Mantova	Italy	100,000.00	Euro	100%			100%
Piaggio Deutschland GmbH	Düsseldorf	Germany	250,000.00	Euro		100%	Piaggio Vespa B.V.	100%
Piaggio España S.L.U.	Alcobendas	Spain	426,642.00	Euro	100%			100%
Piaggio Fast Forward Inc.	Delaware	USA	1,676.47	USD	89.47%			89.47%
Piaggio France S.A.S.	Clichy Cedex	France	250,000.00	Euro		100%	Piaggio Vespa B.V.	100%
Piaggio Group Americas Inc	New York	USA	2,000.00	USD		100%	Piaggio Vespa B.V.	100%
Piaggio Group Canada Inc.	Toronto	Canada	10,000.00	CAD$		100%	Piaggio Group Americas Inc	100%
Piaggio Group Japan	Tokyo	Japan	99,000,000.00	Yen		100%	Piaggio Vespa B.V.	100%
Piaggio Hellas S.A.	Athens	Greece	2,204,040.00	Euro		100%	Piaggio Vespa B.V.	100%
Piaggio Hrvatska D.o.o.	Split	Croatia	400,000.00	HKD		100%	Piaggio Vespa B.V.	100%
Piaggio Limited	Bromley Kent	United Kingdom	250,000.00	GBP	0.0004%	99.9996%	Piaggio Vespa B.V.	100%
Piaggio Vehicles Private Limited	Maharashtra	India	349,370,000.00	INR	99.9999971%	0.0000029%	Piaggio Vespa B.V.	100%
Piaggio Vespa B.V.	Breda	Holland	91,000.00	Euro	100%			100%
Piaggio Vietnam Co Ltd	Hanoi	Vietnam	64,751,000,000.00	VND	63.5%	36.5%	Piaggio Vespa B.V.	100%
PT Piaggio Indonesia	Jakarta	Indonesia	4,458,500,000.00	Rupiah	1%	99%	Piaggio Vespa B.V.	100%

List of companies included in the scope of consolidation with the equity method as of 31 December 2015.

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

List of investments in associates as of 31 December 2015.

Company name	Registered office	Country	Share capital	Currency	% of the holding			% total interest
					Direct	Indirect	Means	
Depuradora D'Aigues de Martorelles Soc. Coop. Catalana Limitada	Barcelona	Spain	60,101.21	Euro		22%	Nacional Motor S.A.	22%
Immsi Audit S.c.a.r.l.	Mantova	Italy	40,000.00	Euro	25%			25%
Pont - Tech, Pontedera & Tecnologia S.c.r.l.	Pontedera (Pisa)	Italy	884,160.00	Euro	20.45%			20.45%
S.A.T. Societé d'Automobiles et Triporteurs S.A.	Tunis	Tunisia	210,000.00	TND		20%	Piaggio Vespa B.V.	20%

Information pursuant to article 149-duodecies of the Consob Regulation on Issuers

The following statement was prepared pursuant to article 149 duodecies of the Consob Regulation on Issuers and indicates the fees for 2015 for auditing services and other services provided by the same independent auditors and entities belonging to the independent auditor's network.

	Subject providing the service	Recipient	Fees for 2015
In euro			
Auditing services	PWC	Parent Company Piaggio & C	323,870
	PWC	Subsidiaries	113,447
	PWC network	Subsidiaries	344,718
Auditing services CSR	PWC	Parent Company Piaggio & C	29,000
Certification services	PWC	Parent Company Piaggio & C	103,000
	PWC	Subsidiaries	13,000
	PWC network	Subsidiaries	62,471
Other services	PWC	Parent Company Piaggio & C	18,000
	PWC network	Subsidiaries	8,500
Total			**1,016,006**

N.B. Sums of subsidiaries operating in currencies other than the euro and agreed on in a local currency have been converted to the average exchange rate of 2015.


MY BIKE, MY PRIDE.
EWAN McGREGOR
MOTO GUZZI


19

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

1. The undersigned Roberto Colaninno (Chairman and Chief Executive Officer) and Alessandra Simonotto (Appointed Executive) of Piaggio & C. S.p.A. hereby certify, also in consideration of article 154-bis, sections 3 and 4, of Legislative Decree no. 58 of 24 February 1998:
   - › the appropriateness with regard to the company's characteristics and
   - › the actual application of administrative and accounting procedures for the formation of the Consolidated Financial Statements as of 31 December 2015.

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

3. Moreover
   3.1 the Consolidated Financial Statements:

   a. have been prepared in compliance with the international accounting standards endorsed by the European Community pursuant to regulation (EC) no. 1606/2002 of the European Parliament and Council of 19 July 2002;

   b. correspond to accounting records;

   c. give a true and fair view of the consolidated statement of financial position and results of operations of the Issuer and of all companies included in the scope of consolidation;

   3.2 The Report on Operations includes reliable analysis of the trend of operations and operating results, as well as the situation of the Issuer and companies included in the scope of consolidation, as well as a description of main risks and uncertainties to which they are exposed.

Date: 11 March 2016

/s/ Roberto Colaninno

Roberto Colaninno
Chairman and Chief Executive Officer

/s/ Alessandra Simonotto

Alessandra Simonotto
Executive in charge

Report of the Independent Auditors on the Consolidated Financial Statements

INDEPENDENT AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE N° 39 OF 27 JANUARY 2010

To the shareholders of
Piaggio & C. SpA

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of the Piaggio Group, which comprise the consolidated statement of financial position as of 31 December 2015, the consolidated income statement, the consolidate statement of comprehensive income, statement of changes in consolidated shareholders' equity, the consolidated statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of Piaggio & C. SpA are responsible for the preparation of consolidated financial statements that give a true and fair view in compliance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n° 38/2005.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) drawn up pursuant to article 11, paragraph 3, of Legislative Decree n° 39 of 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The audit procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view, in order to plan and perform audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 0805640211 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 01029041 - **Napoli** 80121 Via dei Mille 16 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Via Grazioli 73 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Verona** 37135 Via Francia 21/C Tel.0458263001

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policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Piaggio Group as of 31 December 2015 and of the result of its operations and cash flows for the year then ended in compliance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n° 38/2005.

Report on compliance with other laws and regulations

Opinion on the consistency with the consolidated financial statements of the report on operations and of certain information set out in the report on corporate governance and ownership structure

We have performed the procedures required under auditing standard (SA Italia) n° 720B in order to express an opinion, as required by law, on the consistency of the report on operations and of the information set out in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree n° 58/98, which are the responsibility of the directors of Piaggio & C. SpA, with the consolidated financial statements of the Piaggio Group as of 31 December 2015. In our opinion, the report on operations and the information in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of the Piaggio Group as of 31 December 2015.

Florence, 21 March 2016

PricewaterhouseCoopers SpA

Signed by

Corrado Testori
(Partner)

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

PIAGGIO & C. SPA

SEPARATE FINANCIAL STATEMENTS OF THE PARENT COMPANY AS OF 31 DECEMBER 2015

Income statement

Notes	In thousands of euros	2015 Total	2015 of which related parties	2014 Total	2014 of which related parties
3	Net revenues	743,470	95,344	716,426	105,169
4	Cost for materials	433,400	56,407	406,334	45,444
5	Cost for services and leases and rentals	182,570	43,449	173,929	39,004
6	Employee costs	159,033	42	162,662	4
7	Depreciation and impairment costs of property, plant and equipment	27,561		28,210	
7	Amortisation and impairment costs of intangible assets	48,109		38,775	
8	Other operating income	113,109	43,915	113,729	36,073
9	Other operating costs	15,582	770	15,534	909
	Operating income	**(9,676)**		**4,711**	
10	Income/(loss) from investments	49,919		42,194	
11	Financial income	705	352	1,158	319
11	Borrowing costs	26,750	167	32,642	411
46	*of which non-recurrent*			*3,552*	
11	Net exchange gains/(losses)	(590)		(498)	
	Profit before tax	**13,608**		**14,923**	
12	Taxes for the period	(1,450)	(534)	113	(64)
46	*of which non-recurrent*			*(977)*	
	Profit from continuing operations	**15,058**		**14,810**	
	Assets held for sale:				
13	Profits or losses arising from assets held for sale				
	Net profit	**15,058**		**14,810**	

Statement of Comprehensive Income

Notes	In thousands of euros	2015	2014	Change
	Net Profit (loss) for the period (A)	**15,058**	**14,810**	**247**
	Items that will not be reclassified to profit or loss			
40	Remeasurements of defined benefit plans	2,080	(5,159)	7,239
	Total	**2,080**	**(5,159)**	**7,239**
	Items that may be reclassified to profit or loss			
40	Total income (losses) for the fair value adjustment of financial assets available for sale			
40	Total profits (losses) on cash flow hedges	245	735	(490)
	Total	**245**	**735**	**(490)**
	Other Comprehensive Income (Expense) (B)[41]	**2,325**	**(4,424)**	**6,749**
	Total Comprehensive Income (Expense) for the period (A + B)	**17,383**	**10,386**	**6,996**

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

Statement of Financial Position

Notes	In thousands of euros	As of 31 December 2015 Total	of which related parties	As of 31 December 2014 Total	of which related parties
	Assets				
	Non-current assets				
14	Intangible assets	577,138		572,402	
15	Property, plant and equipment	188,433		197,006	
16	Investment property	0		0	
32	Investments	64,317		63,480	
33	Other financial assets	20,328		13,316	
21	Long-term tax receivables	634		893	
17	Deferred tax assets	32,522		29,653	
20	Other receivables	2,839	152	3,430	197
	Total non-current assets	**886,211**		**880,180**	
	Assets held for sale				
	Current assets				
19	Trade receivables	57,244	18,428	74,669	35,867
20	Other receivables	91,417	77,052	82,536	64,364
21	Short-term tax receivables	5,942		3,266	
18	Inventories	157,233		170,645	
34	Other financial assets	13,403	13,403	13,669	13,669
35	Cash and cash equivalents	12,745		29,196	
	Total current assets	**337,984**		**373,981**	
	Total assets	**1,224,195**		**1,254,161**	
	Shareholders' equity and liabilities				
	Shareholders' equity				
39	Capital	207,614		207,614	
39	Share premium reserve	7,171		7,171	
39	Legal reserve	17,643		16,902	
39	Other reserves	11,001		10,756	
39	Retained earnings (losses carried forward)	61,834		71,725	
39	Profit (loss) for the period	15,058		14,810	
	Total shareholders' equity	**320,321**		**328,978**	
	Non-current liabilities				
36	Financial liabilities falling due after one year	495,386	2,900	472,439	2,900
26	Other long-term provisions	7,220		8,089	
27	Retirement funds and employee benefits	47,885		54,051	
28	Tax payables	0		0	
29	Other long-term payables	1,434		1,666	
	Total non-current liabilities	**551,925**		**536,245**	
	Current liabilities				
36	Financial liabilities falling due within one year	49,704	4,205	62,380	3,856
25	Trade payables	246,893	19,754	266,143	29,578
28	Tax payables	6,465		7,131	
29	Other short-term payables	41,365	12,304	46,961	16,974
26	Current portion of other long-term provisions	7,522		6,323	
	Total current liabilities	**351,949**		**388,938**	
	Total shareholders' equity and liabilities	**1,224,195**		**1,254,161**	

Statement of Cash Flows

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

Notes	In thousands of euros	2015	2014
	Operating activities		
	Profit (Loss) for the period	15,057	14,810
12	Taxes for the period	(1,450)	113
7	Amortisation/depreciation of property, plant and equipment	27,561	28,211
7	Amortisation of intangible assets	48,109	38,776
	Allocations for risks and retirement funds and employee benefits	15,911	16,076
	Write-downs/ (Reversals)	4,150	4,164
	Losses/ (Gains) on the disposal of property, plants and equipment	(46)	(4,346)
11	Financial income	(704)	(1,158)
	Dividend income	(52,395)	(44,380)
11	Borrowing costs	27,340	33,140
	Change in working capital:		
19	(Increase)/Decrease in trade receivables	(1,594)	3,409
20	(Increase)/Decrease in other receivables	8,576	(9,974)
18	(Increase)/Decrease in inventories	13,412	(13,013)
25	Increase/(Decrease) in trade payables	(9,506)	21,218
29	Increase/(Decrease) in other payables	(15,571)	3,252
26	Increase/(Decrease) in the current portion of provisions for risks	(5,731)	(12,548)
26	Increase/(Decrease) in the non-current portion of provisions for risks	(869)	(1,002)
27	Increase/(Decrease) in retirement funds and employee benefits	(15,147)	(3,612)
	Other changes	7,126	(2,758)
	Cash generated from operating activities	**64,229**	**70,378**
	Interest paid	(24,230)	(34,070)
	Taxes paid	(7,927)	(10,217)
	Cash flow from operating activities (A)	**32,072**	**26,091**
	Investing activities		
15	Investment in property, plant and equipment	(19,053)	(24,651)
	Sale price, or repayment value, of property, plant and equipment	112	5,383
14	Investment in intangible assets	(56,010)	(55,958)
	Sale price, or repayment value, of intangible assets	56	58
	Investment in non-current financial assets	(2,785)	(4,507)
	Loans provided	266	(717)
	Collected interests	565	302
	Dividends from investments	46,469	44,084
	Cash flow from investment activities (B)	**(30,380)**	**(36,006)**
	Financing activities		
39	Purchase of treasury shares	(34)	(3,787)
39	Collection for the exercise of stock options	0	5,321
39	Outflow for dividends paid	(26,007)	0
36	Loans received	51,119	208,554
36	Outflow for repayment of loans	(41,423)	(159,592)
36	Repayment of finance leases	0	(5,809)
	Cash flow from financing activities (C)	**(16,345)**	**44,687**
	Increase/ (Decrease) in cash and cash equivalents (A+B+C)	(14,653)	34,772
	Opening balance	**27,416**	**(7,448)**
	Exchange differences	(71)	92
	Closing balance	**12,692**	**27,416**

Changes in Shareholders' Equity

Movements from 1 January 2015/31 December 2015

Notes	In thousands of euros	Share capital	Share premium reserve	Legal reserve
	As of 1 January 2015	**207,614**	**7,171**	**16,902**
	Profit for the period			
	Other Comprehensive Income (expense)			
	Total comprehensive income (expense) for the period	**0**	**0**	**0**
	Distribution of profit for 2014 as resolved by the ordinary meeting of shareholders			
	- To shareholders			
	- To shareholders' equity			741
39	Cancellation of treasury shares			
39	Purchase of treasury shares			
	Other changes			
	As of 31 December 2015	**207,614**	**7,171**	**17,643**

Movements from 1 January 2014/31 December 2014

Notes	In thousands of euros	Share capital	Share premium reserve	Legal reserve
	As of 1 January 2014	**206,027**	**3,681**	**16,902**
	Profit for the period			
	Other Comprehensive Income (expense)			
	Total comprehensive income (expense) for the period	**0**	**0**	**0**
39	Exercise of stock options	1,587	3,489	
39	Purchase of treasury shares			
39	Sale of treasury shares			
39	Net capital gain from contribution			
	Other changes		1	
	As of 31 December 2014	**207,614**	**7,171**	**16,902**

Net capital gain from contribution	Reserve for measurement of financial instruments	IAS transition reserve	Treasury shares	Earnings reserve	Total shareholders' equity
152	**(830)**	**11,435**	**(5,787)**	**92,321**	**328,978**
				15,058	**15,058**
	245			2,080	**2,325**
0	**245**	**0**	**0**	**17,138**	**17,383**
				(26,007)	**(26,007)**
				(741)	**0**
			5,787	(5,787)	**0**
			(34)		**(34)**
	(1)			2	**1**
152	**(586)**	**11,435**	**(34)**	**76,926**	**320,321**

Net capital gain from contribution	Reserve for measurement of financial instruments	IAS transition reserve	Treasury shares	Earnings reserve	Total shareholders' equity
0	**(1,565)**	**11,435**	**(2,245)**	**82,671**	**316,906**
				14,810	**14,810**
	735			(5,159)	**(4,424)**
	735	**0**	**0**	**9,651**	**10,386**
					5,076
			(3,787)	0	**(3,787)**
			245	0	**245**
152					**152**
				(1)	**0**
152	**(830)**	**11,435**	**(5,787)**	**92,321**	**328,978**

Notes to the Financial Statements

A) General aspects

Piaggio & C. S.p.A. (the Company) is a joint-stock company established in Italy at the Register of Companies of Pisa. The addresses of the registered office and places where main business operations are conducted are listed in the introduction to the financial statements.
These Financial Statements are expressed in Euros (€) since this is the currency in which most of the Company's transactions take place.

Compliance with international accounting standards

The Financial Statements as of 31 December 2015 have been drafted in compliance with the International Accounting Standards (IAS/IFRS) in force at that date, issued by the International Accounting Standards Board and approved by the European Commission, as well as in compliance with the provisions established in Article 9 of Italian Legislative Decree no. 38/2005 (Consob Resolution no. 15519 dated 27 July 2006 containing "Provisions for the presentation of financial statements", Consob Resolution no. 15520 dated 27 July 2006 containing "Changes and additions to the Regulation on Issuers adopted by Resolution no. 11971/99", Consob communication no. 6064293 dated 28 July 2006 containing "Corporate reporting required in accordance with Article 114, paragraph 5 of Italian Legislative Decree no. 58/98"). The interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously the Standing Interpretations Committee ("SIC"), were also taken into account.
The Financial Statements have been prepared on a historical cost basis, amended as required for the measurement of some financial instruments, and on a going-concern basis. In fact, despite the difficult economic and financial context, the Company has evaluated that there are no significant doubts about its continuing as a going concern (as defined in section 25 of IAS 1), also in relation to actions already identified to adapt to changing levels in demand, as well as the industrial and financial flexibility of the Company.

These Financial Statements are audited by PricewaterhouseCoopers S.p.A..

1. Form and content of the financial statements

Form of the financial statements

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

Income Statement

The Income Statement is presented with items classified by nature. The overall Operating Income is shown, which includes all income and cost items, irrespective of their repetition or fact of falling outside normal operations, except for the items of financial operations included under Operating Income and profit before tax. In addition, income and cost items arising from assets held for sale or to be discontinued, including any capital gains or losses net of the tax element, are recognised in a specific item of the Financial Statements which precede financial performance.

Statement of Comprehensive Income

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

Statement of Financial Position

The Statement of Financial Position is presented in opposite sections with separate indication of assets,

liabilities and shareholders' equity.
In turn, assets and liabilities are reported in the Financial Statements on the basis of their classification as current and non-current.

Statement of Cash Flows

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

Statement of Changes in Shareholders' Equity

The Statement of Changes in Shareholders' Equity is presented as provided for in IAS 1 revised.
The Statement includes overall profit (loss) for the period. Reconciliation between the opening and closing balance of each item for the period is presented.

2. Accounting policies adopted by the Company

The most significant accounting policies adopted to prepare the Financial Statements as of 31 December 2015 are outlined below.

Intangible assets

As provided for in IAS 38, an intangible asset which is purchased or internally generated is recognised as an asset only if it is identifiable, controllable and future economic benefits are expected and its cost may be measured reliably. Borrowing costs related to the acquisition, construction or production of certain activities that require a significant period of time before they are ready for use or sale (qualifying assets), are capitalised along with the asset.
Intangible assets with a definite useful life are measured at acquisition cost or production cost net of amortisation and accumulated impairment losses. Amortisation is referred to the expected useful life and commences when the asset is available for use.

Goodwill

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

Development costs

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

of production through the estimated life of the product.
All other development costs are recognised in profit or loss when they are incurred.

Other intangible assets

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

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

Property, plant and equipment

The Company has decided to adopt the cost method on first-time application of the IAS/IFRS, as allowed by IFRS 1. For the measurement of property, plant and equipment, therefore, the preference was not to use the fair value method. Property, plant and equipment were booked at the purchase or production cost and were not revalued. Borrowing costs related to the acquisition, construction or production of certain assets that require a significant period of time before they are ready for use or sale (qualifying assets), are capitalised along with the asset.
Costs incurred after acquisition are capitalised only if they increase the future economic benefits of the asset they refer to. All other costs are recognised in profit or loss when they are incurred. Property, plant and equipment under construction are measured at cost and depreciated starting from the period in which they are put into operation.
Depreciation is determined, on a straight line basis, on the cost of the assets net of their relative residual values, based on their estimated useful life.
The depreciation periods of Plant, property and equipment are summarised below:

Land	Land is not depreciated.
Buildings	33 years
Plant and machinery	From 5 to 11 years
Equipment	From 4 to 5 years
Other	From 5 to 10 years

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

Lease contracts

Lease contracts for property, plant and machinery where the Company, as lessee, basically undertakes all risks and benefits of the property, are classified as finance leases. Finance leases are capitalised when the lease is established, at the fair value of the leased asset or, if less, at the current value of minimum payments due. The corresponding amount due to the lessor, net of borrowing costs, is recognised as a financial payable. The borrowing cost is recognised in profit or loss over the lease period, so as to

produce an interest rate that is constant for the remaining amount due for each period. Property, plant and machinery of finance leases are depreciated during the useful life of the asset or the shorter of the useful life of the asset and the duration of the lease agreement, if there is no reasonably certainty that the Company will obtain the property at the end of the lease period.
Leases in which a significant part of the risks and benefits of ownership are not transferred to the Company as the lessor, are classified as operating leases. Payments made for operating leases (net of any incentives received from the lessee), are recognised in profit or loss on a straight-line basis for the duration of the lease agreement.

Investments
Investments in subsidiaries and associates are recognised at cost adjusted for impairment losses.
Investments in subsidiaries and associates are tested annually for impairment, or more frequently if necessary. If evidence of impairment exists, the loss is recognised in profit or loss as a write-down. In the event any portion attributable to the Company of losses of the subsidiary exceeds the book value of the investment and the Company is liable, the value of the investment is reset to zero and the portion of further losses is recorded as a provision in liabilities. If the impairment loss is subsequently reversed or reduced, the value is reversed within cost limits in the income statement.

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

Investment property
The Company has no investment property. As permitted by IAS 40, non instrumental property and buildings held for rental and/or asset appreciation purposes are measured at fair value. Investment properties are eliminated from the financial statements when they are disposed of or when they may not be used over time and future economic benefits from their sales are not expected.

Transactions with subsidiaries and related parties
Relations with subsidiaries and related parties are indicated in the specific section of the Notes, to which reference is made.

Non-current assets held for sale
Non-current assets (or disposal groups) that are classified as held for sale are measured at the lower of

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

Financial assets

Financial assets are recognised and deleted from the financial statements based on the negotiation date and are initially measured at fair value, represented by the initial increased amount, with the exception of assets held for negotiation, of costs relative to the transaction.
At subsequent end of reporting periods, the financial assets the Company intends and can retain up until maturity (securities held until maturity) are recognised at amortised cost based on the effective interest rate method, net of reversals for impairment losses.
Financial assets other than those held to maturity are classified as held for trading or for sale, and are measured at fair value at the end of each period. When financial assets are held for trading, profits and losses arising from changes in fair value are recognised in profit or loss for the period; in the case of financial assets held for sale, profits and losses arising from changes in fair value are recognised in the statement of comprehensive income and allocated to a specific reserve of shareholders' equity until sold, recovered or disposed of.

Inventories

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

Receivables

Trade receivables and other receivables are initially recognised at fair value and subsequently recognised based on the amortised cost method, net of the provisions for write-downs. Losses on receivables are recognised when there is objective evidence that the Company is not able to recover the amount due from the other party on the basis of contractual terms.
When payment of amounts due exceeds standard terms of payment granted to clients, the receivable is discounted.

Factoring

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

Cash and cash equivalents

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

Treasury shares

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

Financial liabilities

Financial liabilities are recognised based on amounts cashed net of relative transaction costs. After initial recognition, loans are measured at amortised cost and calculated using the effective interest rate. Financial liabilities hedged by derivatives are measured at present value, according to procedures established for hedge accounting applicable to the fair value hedge and cash flow hedge.
On initial recognition, a liability may also be designated at fair value recognised in profit or loss when this eliminates or considerably reduces a lack of uniformity in the measurement or recognition (sometimes defined as "asymmetric accounting") that would otherwise arise from the measurement of an asset or liability or recognition of relative profit and loss on different bases. This fair value designation is exclusively applied to some financial liabilities in currency subject to exchange risk hedging.

Derivatives and measurement of hedging transactions

Company assets are primarily exposed to financial risks from changes in exchange and interest rates, and commodity prices. The Company uses derivatives to hedge risks arising from changes in foreign currency and interest rates in particular irrevocable commitments and planned future transactions. The use of these instruments is regulated by written procedures on the use of derivatives, in line with the Company's risk management policies.
Derivatives are initially measured at fair value represented by the initial amount.
Financial derivatives are only used for hedging purposes, against exchange rate and interest rate fluctuations. In line with IAS 39, financial derivatives may qualify for hedge accounting, only when the hedging instrument is formally designated and documented, is expected to be highly effective and this effectiveness can be reliably measured and is highly effective throughout the reporting periods for which it is designated.
When financial instruments may be measured by hedge accounting, the following accounting treatment is adopted:

- ***Fair value hedge:*** if a financial derivative is designated as a hedge of the exposure to changes in present value of a recognised asset or liability, attributable to a particular risk and could affect profit or loss, the gain or loss from the subsequent change in present value of the hedging instrument is recognised in profit or loss. The gain or loss on the hedged item, attributable to the hedged risk, changes the carrying amount of the hedged item and is recognised in profit or loss.
- ***Cash flow hedge:*** if an instrument is designated as a hedge of the exposure to variability in cash flows of a recognised asset or liability or of a highly probable forecast transaction which could affect profit or loss, the effective portion of the gain or loss on the financial instrument is recognised in the Statement of Comprehensive Income. Accumulated gain or loss is reversed from other shareholders' equity and recognised in profit or loss in the same period as the hedging transaction. The gain or loss associated with hedging or the part of hedging which is ineffective, is immediately recognised in profit or loss. If the hedging instrument or hedging ceases, but the transaction covered by hedging is not yet realised, profits and losses, recognised in equity, are instead recognised in profit or loss when the transaction takes place. If hedge accounting ceases for a cash flow hedge relationship, gains and losses deferred in other shareholders' equity are recognised immediately in profit or loss.

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

Long-term provisions

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

Retirement funds and employee benefits

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

› the costs relative to services are recognised in the Income Statement under employee costs;
› net borrowing costs of liabilities or assets with defined benefits are recognised in the Income Statement as financial income/(borrowing costs), and are determined by multiplying the value of the net liability/(asset) by the rate used to discount the obligations, taking account of the payment of contributions and benefits during the period;
› the remeasurement components of net liabilities, which include actual gain and losses, the return on assets (excluding interest income recognised in the Income Statement) and any change in the limit of the assets, are immediately recognised as "Other total profits (losses). These components must not be reclassified to the Income Statement in a subsequent period.

Termination benefits

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

Stock Option Plan

As provided for in IFRS 2 - Share-Based Payment, the total amount of the present value of stock options at the date of assignment is recognised wholly in profit or loss under employee costs, with a counter entry recognised directly in shareholders' equity, if the grantees of the instruments representing capital become owners of the right on assignment. If a "maturity period" is required, in which certain conditions are necessary before grantees become holders of the right, the cost for payments, determined on the basis of the present value of options at the date of assignment, is recognised under employee costs on a straight line basis for the period between the date of assignment and maturity, with a counter entry directly recognised in shareholders' equity.
Determination of fair value based on the Black Scholes method.
Changes in the present value of options subsequent to the date of assignment do not have any effect on initial recognition.

Tax assets and liabilities

Deferred taxes are determined based on the temporary taxable differences between the value of the asset and liability and their tax value. Deferred tax assets are measured only to the extent to which it is likely that adequate future taxable sums exist against which the deferred taxes can be used. The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent to which it is no longer likely that sufficient taxable income exists allowing for all or a portion of said assets to be recovered.
Deferred taxes are determined based on tax rates expected for the period in which the tax assets are realised, considering the rates in effect or which are known to come into effect. Deferred taxes are directly recognised in profit or loss, except for items directly recognised in the statement of comprehensive income, in which case relative deferred taxes are also recognised in the statement of comprehensive income.

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

Payables

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

Reverse factoring

To guarantee suppliers easier credit conditions, the Company has established factoring agreements, and typically supply chain financing or reverse factoring agreements. Based on the agreements, suppliers may, at their discretion, transfer receivables due from the Company to a lender and collect amounts before the due date.
In some cases, payment terms are extended further in agreements between the supplier and the company; these extensions may be interest or non-interest bearing.
The Company has established a specific policy to assess the nature of reverse factoring operations. Based on the content of agreements, which differs by area of origin, the Finance function, at a central level, analyses the clauses of agreements in qualitative terms, as well as legal aspects in order to assess regulatory references and the type of transaction assignment (as provided for by IAS 39 AG57 b). In some cases, as payment terms have been extended, quantitative analysis is carried out to verify the materiality of changes in contract terms, based on quantitative tests as required by IAS 39 AG 62.
In this context, relations, for which a primary obligation with the supplier is maintained and any deferment, if granted, does not significantly change payment terms, are still classified as trade liabilities.

Recognition of revenues

Revenues for the sale of vehicles and spare parts are recognised to the extent that it is likely the Group will receive the economic benefits and their amount may be measured reliably.
Revenues are recognised when the risks and benefits connected with ownership are transferred to the purchaser, the sale price is agreed or may be determined and payment is reasonably certain.
Revenues are represented net of discounts, including, among others, sales incentive programmes and bonuses to customers, as well as taxes directly connected with the sale of the goods.
Revenues from the provision of services are recognised when the services are provided with reference to the interim payment certificate.
Revenues also include lease payments recognised on a straight line basis for the duration of the contract.

Contributions

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

Financial income

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

Borrowing Costs

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

Dividends

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

Income tax

Taxes represent the sum of current and deferred tax assets and liabilities.
Taxes allocated on the basis of estimated taxable income determined in compliance with national laws in force at the year end are recorded, taking account of applicable exemptions and tax credits due. Income tax is recognised in profit or loss, with the exception of items directly charged or credited to shareholders' equity, in which case the tax effect is directly recognised in shareholders' equity.
Taxes are recorded under "Tax payables" net of advances and withheld taxes.
As from the 2007 reporting period, the Company has been party to the National Consolidated Tax Convention pursuant to articles 117 - 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. This arrangement was renewed with effects starting from 2013 and will be operative up until 2015.
Based on the procedure, the consolidating company determines one taxable base for the group of companies that are party to the National Consolidated Tax Convention, and may therefore offset taxable income against tax losses in one tax return. Each company which is party to the National Consolidated Tax Convention transfers taxable income (taxable income or loss) to the consolidating company. The latter recognises a receivable from the consolidated company which is equal to the corporate tax to be paid. Whereas, in the case of companies reporting tax losses, the consolidating company recognises a payable related to corporate tax on the portion of loss actually offset at a Group level.

Use of estimates

The preparation of the financial statements and notes in compliance with IFRS requires management to make estimates and assumptions which have an impact on the values of assets and liabilities and on disclosure regarding contingent assets and liabilities at the end of the reporting period. Actual results could differ from estimates. Estimates are used to measure intangible assets tested for impairment (see § Impairment losses) and to identify provisions for bad debts, for obsolete inventories, amortisation and depreciation, impairment of assets, employee benefits, taxes, restructuring provisions and other allocations and funds. Estimates and assumptions are periodically revised and the effects of any change are immediately recognised in profit or loss.
In the current world economic and financial crisis, assumptions made as to future trends are marked by a considerable degree of uncertainty. Therefore the possibility in the next reporting period of results that differ from estimates cannot be ruled out, and these could require even significant adjustments which at present cannot be predicted or estimated.
The critical measurement processes and key assumptions used by the Company in adopting IFRS and that may have a significant impact on figures in the Financial Statements or for which a risk exists that significant differences in value may arise in relation to the carrying amount of assets and liabilities in the future are summarised below.

<u>Recoverable value of non-current assets</u>
Non-current assets include Property, Plant and Equipment, Goodwill, Other Intangible Assets, Investment Property, Investments and Other Financial Assets. The Company periodically revises the carrying amount of non-current assets held and used and of assets held for sale, when facts and circumstances make this necessary. This analysis is carried out at least annually for Goodwill, and whenever facts and circumstances make it necessary. Analysis of the recoverability of the carrying amount of Goodwill is generally based on estimates of expected cash flows from the use or sale of the asset and adequate discount rates to calculate the fair value. When the carrying amount of a non-current asset is impaired, the Company recognises a write-down equal to the excess between the carrying amount of the asset and its recoverable value through use or sale, determined with reference to cash flows of the most recent company plans.

<u>Recoverability of deferred tax assets</u>
The Company has deferred tax assets from deductible temporary differences and theoretical tax benefits from losses to be carried forward. In estimating recoverable value, the Company considered the results of the company plan in line with the results used for impairment testing. Net deferred tax assets allocated on this basis refer to temporary differences and tax losses which, to a significant

extent, may be recovered over an indefinite period, and are therefore compatible with a context in which an end to current difficulties and uncertainties and an upswing in the economy could take longer than the time frame of the above-mentioned estimates.

Pension schemes and other post-employment benefits
Provisions for employee benefits and net borrowing costs are measured using an actuarial method that requires the use of estimates and assumptions to determine the net value of the obligation. The actuarial method considers financial parameters such as the discount rate and growth rates of salaries and considers the likelihood of potential future events occurring on the basis of demographic parameters such as relative mortality rates and employee resignations or retirements.
The assumptions used for the measurement are explained in section 27 "Retirement funds and employee benefits".

Provisions for bad debts
The provision for bad debts reflects management's estimate of expected losses related to receivables. Based on past experience, provisions are made for expected losses on receivables. Management carefully monitors the quality of receivables and current and forward-looking conditions of the economy and reference markets. Estimates and assumptions are periodically revised and the effects of any change are recognised in profit or loss.

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

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

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

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

Income tax
The Company is subject to Italian income tax laws. Tax liabilities are determined based on management valuations referred to transactions of which the tax effect is not certain at the end of the reporting period. The Company recognises the liabilities that could arise from future inspections

of tax authorities based on an estimate of taxes that will be due. If the outcome of inspections differs from management's estimates, significant effects on current and deferred taxes could arise.

Rounding off

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

New accounting standards, amendments and interpretations applied as from 1 January 2015

As from 1 January 2015, several changes introduced by international accounting standards and interpretations have been applied, none of which have had a significant impact on the Company's financial statements. The main changes are outlined below:

› Revised IAS 19 "Employee Benefits": following the amendments made to IAS 19 on 21 November 2013, if the amount of the contributions is independent of the number of years of service, the entity is permitted (but not required) to recognise such contributions as a reduction of the current service cost in the period in which the contributions are made, rather than over the period in which the service is rendered. These contributions must meet the following conditions: (i) they are set out in the formal terms of the plan; (ii) they are linked to the service provided by the employee; (iii) they are independent of the number of years of service of the employee (e.g. the contributions are a fixed percentage of the employee's salary, a fixed amount throughout the service period or dependent on the employee's age).

› On 12 December 2013, the IASB proposed a series of amendments to several accounting standards, summarised below:
  · IFRS 13 "Fair Value Measurement": the amendments clarify that the exemption allowing an entity to measure groups of assets and liabilities at fair value applies to all contracts, including non-financial contracts, and that the possibility also remains of recognising current trade receivables and payables without recording discounting effects, if these effects are not material;
  · IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets": both standards have been amended to clarify how recoverable value and useful life are treated in case of revaluation by the entity.

Amendments and interpretations effective as from 1 January 2015 and not relevant for the Company

The following amendments and interpretations, applicable as of 1 January 2015, regulate specific cases which are not present within the Company at the date of these Financial Statements:

› On 12 December 2013, the IASB proposed a series of amendments to several accounting standards, summarised below:
  · IFRS 2 "Share-based Payment": the amendment clarifies the definition of "vesting condition" and separately defines the "performance conditions" and "service conditions";
  · IFRS 3 "Business Combinations": the amendment clarifies that an obligation to pay a consideration in a business combination that meets the definition of financial instrument should be classified as a financial liability in accordance with IAS 32 "Financial Instruments: Presentation". It also clarified that the principle in question does not apply to joint ventures and joint arrangements covered by IFRS 11;
  · IFRS 8 "Operating segments": the standard has been amended in terms of the reporting requirements that apply in cases where different operating segments with the same economic characteristics are aggregated;
  · IAS 40 – "Investment Property": the amendment to the standard concerns the interaction between the provisions of IFRS 3 "Business Combinations" and those of this standard in cases where the acquisition of a property is identifiable as a business combination.

Accounting standards, amendments and interpretations not yet applicable

The following accounting standard is applicable for years commencing on or after 1 January 2016:

› On 12 May 2014, the IASB issued amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortisation", that consider the adoption of depreciation and amortisation methods based on revenues as unacceptable. As regards intangible assets, this indication is considered as a relative assumption, that may only be overcome in one of the following circumstances: (i) the right to use an intangible asset is related to the realisation of a predefined threshold for revenues to be produced; or (ii) when it may be demonstrated that the realisation of revenues and use of the economic benefits of the asset are strongly related.

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:

- on 6 May 2014, the IASB issued some amendments to IFRS 11 "Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations", providing clarifications on the accounting by entities that jointly control an arrangement. The amendments are applicable in a retrospective manner for years commencing from or after 1 January 2016. Early adoption is possible.
- In May 2014, the IASB and FASB jointly published IFRS 15 "Revenue from Contracts with Customers". The purpose of this standard is to improve reporting on revenues and their comparability between different financial statements. The new standard is applicable in a retrospective manner for years commencing from or after 1 January 2018. Early adoption is possible.
- On 24 July 2014, the IASB finalised its project to revise the accounting standard for financial instruments, with the issue of the complete version of IFRS 9 "Financial Instruments". In particular, the new provisions of IFRS 9: (i) amend the model that classifies and measures financial assets; (ii) introduce a new method for writing down financial assets, that takes account of expected credit losses; and (iii) amend hedge accounting provisions. The provisions of IFRS 9 will be applicable for years commencing on or after 1 January 2018.
- On 12 August 2014, the IASB issued an amendment to the revised IAS 27 "Separate Financial Statements": this amendment, applicable from 1 January 2016, allows an entity to use the shareholders' equity method to recognise investments in subsidiaries, joint ventures and associates in the separate financial statements.
- In September 2014, the IASB amended IAS 28 "Investments in Associates and Joint Ventures" and IFRS 10 "Consolidated Financial Statements" with a view to resolving an inconsistency in the treatment of the sale or transfer of assets between an investor and its affiliate or joint venture. The gain or loss is now fully recognised when the transaction relates to a business. These changes were to apply with effect from 1 January 2016, however in January 2015, it was decided that the effective date would be postponed until certain inconsistencies with IAS 28 had been resolved.
- Annual amendments to IFRS 2012-2014: on 25 September 2014, the IASB published a series of amendments to certain international accounting standards, applicable with effect from 1 January 2016. The amendments concern:
  - (i) IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations";
  - (ii) IFRS 7 "Financial Instruments: Disclosures";
  - (iii) IAS 19 "Employee Benefits";
  - (iv) IAS 34 "Interim Financial Reporting".

  As regards the first point, the amendment clarifies that the financial statements need not be restated if an asset or group of assets available for sale was reclassified as "held for distribution", or vice versa.

  With reference to IFRS 7, the amendment states that if an entity transfers a financial asset on terms that allow the de-recognition of the asset, information must be disclosed concerning the entity's involvement in the transferred asset.

  The proposed amendment to IAS 19 makes it clear that, in determining the discount rate of the obligation arising following the termination of the employment relationship, it is the currency in which the obligations are denominated that counts, rather than the country in which they arise.

  The proposed amendment to IAS 34 requires cross-references between information reported in the interim financial statements and the related disclosure.
- On 18 December 2014, the IASB issued the amendment to IAS 1 "Presentation of Financial Statements". The amendment to the standard concerned, applicable from 1 January 2016, seeks to provide clarification regarding the aggregation or disaggregation of items if their amount is relevant or "material". In particular, the amended standard requires there to be no aggregation of items with different characteristics or disaggregation that hampers disclosure or interpretation of

the financial statements. Moreover, the amendment requires the presentation of headings, partial results and additional items, also separating the items listed in section 54 (Statement of Financial Position) and 82 (Income Statement) of IAS 1, when this presentation is significant for the purposes of understanding the statement of financial position and financial position and performance of the entity.
- On 18 December 2014, the IASB amended IFRS 10 "Consolidated Financial Statements", and IAS 28 "Investments in associates and joint ventures".
  Regarding the first point, the amendment clarifies that the exemption of the presentation of consolidated financial statements applies to a parent company that is controlled by an investment company, when the latter measures all its subsidiaries at fair value.
  IAS 28 was amended as regards investments in associates or joint ventures that are "investment entities": these investments may be recognised with the equity method or at fair value.
  These amendments apply from 1 January 2016.

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

Other information

Departures pursuant to article 2423, section 4 of the Italian Civil Code

No exceptional circumstances occurred requiring departures from legal provisions concerning Financial Statements pursuant to article 2423, section 4 of the Italian Civil Code.

B) Information on the income statement

3. Net revenues €/000 743,470

Revenues for disposals of company core business assets essentially refer to the marketing of vehicles and spare parts on European and non-European markets. They are recognised net of premiums paid to customers and include sales to Group companies amounting to €/000 95,344.

Revenues by geographical segment

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

	2015		2014		Changes	
	Amount	%	Amount	%	Amount	%
In thousands of euros						
EMEA and Americas	713,313	95.94	680,930	95.05	32,383	4.76
Asia Pacific	29,911	4.02	35,121	4.90	(5,210)	(14.83)
India	246	0.03	375	0.05	(129)	(34.38)
Total	**743,470**	**100.00**	**716,426**	**100.00**	**27,044**	**3.77**

Revenues by type of product

The breakdown of revenues by type of product is shown in the following table:

	2015		2014		Changes	
	Amount	%	Amount	%	Amount	%
In thousands of euros						
Two-wheeler	663,793	89.28	650,620	90.81	13,173	2.02
Commercial Vehicles	79,677	10.72	65,807	9.19	13,870	21.08
Total	**743,470**	**100.00**	**716,426**	**100.00**	**27,044**	**3.77**

In 2015, net sales revenues increased by €/000 27,044.

4. Costs for materials €/000 433,400

This item totalled €/000 433,400 compared to €/000 406,334 as of 31 December 2014 and includes costs for purchases from Group companies amounting to €/000 56,407.
Costs for materials increased by 6.7% compared to the previous year.
The percentage of costs for materials accounting for net sales went up, from 56.7% in 2014 to 58.3% in 2015.
Costs for materials include costs for transport and outsourcing services relative to purchased assets.
The following table details the content of this financial statement item:

	2015	2014	Change
In thousands of euros			
Raw, ancillary materials, consumables and goods	420,087	419,293	794
Change in inventories of raw, ancillary materials, consumables and goods	(1,859)	(10,322)	8,463
Change in work in progress of semifinished and finished products	15,172	(2,637)	17,809
Total costs for purchases	**433,400**	**406,334**	**27,066**

5. Costs for services and leases and rental costs *€/000 182,570*

This item totalled €/000 182,570 compared to €/000 173,929 as of 31 December 2014 and includes costs from Group companies and other related parties amounting to €/000 43,449.
Below is a breakdown of this item:

	2015	2014	Change
In thousands of euros			
Employee costs	7,731	7,431	300
External maintenance and cleaning costs	4,792	4,614	178
Energy, telephone and telex costs	10,901	11,286	(385)
Postal expenses	562	529	33
Commissions payable	20,393	20,842	(449)
Advertising and promotion	11,380	11,684	(304)
Technical, legal and tax consultancy and services	10,405	9,530	875
Company boards operating costs	2,031	2,184	(153)
Insurance	2,278	2,955	(677)
Third party work	13,748	12,188	1,560
Outsourced services	6,913	7,626	(713)
Transport costs (vehicles and spare parts)	25,569	25,583	(14)
Internal shuttle services	509	661	(152)
Sundry commercial expenses	6,384	6,175	209
Public relations	2,420	2,654	(234)
Product warranty costs	6,784	7,065	(281)
Costs for quality-related events	10,948	4,517	6,431
Bank costs and factoring charges	3,932	3,965	(33)
Misc services provided in the business year	5,383	6,386	(1,003)
Other services	19,722	16,223	3,499
Lease and rental costs	9,785	9,831	(46)
Total costs for services	**182,570**	**173,929**	**8,641**

Costs for quality-related events were partially offset by compensation received, recognised under "Other operating income" and amounting to €/000 2,877.
Lease and rental costs refer to €/000 3,156 for rental payments for buildings and €/000 6,629 for car, software and photocopier hire payments.
Third party work, of €/000 13,748 refers to the processing of production components by outsourced suppliers.
Expenses for the operation of company boards refer to the activities of the Board of Directors and Board Directors with particular responsibilities, as well as the Board of Statutory Auditors, Supervisory Body, Internal Control Committee and Remuneration Committee. These expenses include fees and the reimbursement of costs for €/000 386, €/000 1,310, €/000 202, €/000 62, €/000 41 and €/000 30 respectively.
Business services include services for the disposal of waste and water treatment amounting to €/000 1,095.
Other services include €/000 15,151 for technical, sports and promotional services for Group brands supplied by the subsidiary Aprilia Racing, €/000 1,952 for technical services supplied by the subsidiaries Foshan Piaggio Vehicles Technology Research and Development Co and Piaggio Advanced Design Co and €/000 1,000 for management services supplied by the parent company IMMSI S.p.A.
Insurance costs include €/000 49 paid with related parties. Lease and rental costs include € 1,490 paid with related parties.

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6. Employee costs *€/000 159,033*

Employee costs are broken down as follows:

In thousands of euros	2015	2014	Change
Salaries and wages	110,546	112,689	(2,143)
Social security contributions	36,464	36,938	(474)
Termination benefits	8,115	8,190	(75)
Other costs	3,908	4,845	(937)
Total	**159,033**	**162,662**	**(3,629)**

The workforce as of 31 December 2015 totalled 3,585 members of staff.

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

Average number

Level	2015	2014	Change
Senior management	75	79	(4)
Middle management	235	227	8
White collars	894	926	(32)
Blue collars with supervisory duties/blue collars	2,446	2,513	(67)
Total	**3,650**	**3,745**	**(95)**

Number as of

Level	31 December 2015	31 December 2014	Change
Senior management	76	78	(2)
Middle management	234	227	7
White collars	895	907	(12)
Blue collars with supervisory duties/blue collars	2,380	2,487	(107)
Total	**3,585**	**3,699**	**(114)**

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

Level	As of 31.12.14	Incoming	Leavers	Relocations	As of 31.12.15
Senior management	78	3	(7)	2	76
Middle management	227	14	(15)	8	234
White collars	907	34	(35)	(11)	895
Blue collars	2,487		(108)	1	2,380
Total (*)	**3,699**	**51**	**(165)**	**0**	**3,585**
(*) of which fixed-term contracts	*1*	*8*	*(3)*	*(1)*	*5*

7. Amortisation/depreciation and impairment costs *€/000 75,670*

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

Property, plant and equipment	2015	2014	Change
In thousands of euros			
Buildings	4,058	3,984	74
Plant and machinery	8,625	8,864	(239)
Industrial and commercial equipment	14,393	14,881	(488)
Other assets	485	481	4
Total depreciation of property, plant and equipment	**27,561**	**28,210**	**(649)**
Write-down of property, plant and equipment			-
Total depreciation of property, plant and equipment and impairment costs	**27,561**	**28,210**	**(649)**

Intangible assets	2015	2014	Change
In thousands of euros			
Development costs	21,760	18,225	3,535
Industrial Patent and Intellectual Property Rights	20,603	14,804	5,799
Concessions, licences, trademarks and similar rights	5,746	5,746	0
Total amortisation of intangible fixed assets	**48,109**	**38,775**	**9,334**
Write-down of intangible assets			-
Total amortisation of intangible assets and impairment costs	**48,109**	**38,775**	**9,334**

As set out in more detail in the paragraph on intangible assets, as from 1 January 2005, goodwill is no longer amortised, but tested annually for impairment.
The impairment test carried out as of 31 December 2015 confirmed the full recoverability of the amounts recorded in the financial statements.

Amortisation of the item "Concessions, licences, trademarks and similar rights" refers to amortisation of the Aprilia brand for €/000 2,916, of the Guzzi brand for €/000 1,625, of the Derbi brand for €/000 1,200 and of other brands from the merged company Aprilia for €/000 5.
The item "Industrial Patent and Intellectual Property Rights" includes amortisation relative to software equal to €/000 5,303.

8. Other operating income *€/000 113,109*

This item consists of:

In thousands of euros	2015	2014	Change
Operating grants	1,405	1,952	(547)
Increases in fixed assets from internal work	34,754	36,680	(1,926)
Other revenue and income:			
- Expenses recovered in invoices	18,920	18,399	521
- Rent receipts	367	268	99
- Contingent assets from measurement		259	(259)
- Capital gains on the disposal of assets	51	4,397	(4,346)
- Recovery of transport costs	453	559	(106)
- Recovery of business costs	2,063	1,985	78
- Recovery of registration costs	15	26	(11)
- Recovery of advertising costs	401		401
- Recovery of stamp duty	702	648	54
- Recovery of labour costs	5,551	5,624	(73)
- Recovery of duty on exported products	67	79	(12)
- Recovery of supplier costs	769	778	(9)
- Recovery of warranty costs	36	77	(41)
- Recovery of taxes from customers	620	528	92
- Recovery of professional training costs	83		83
- Recovery of sundry costs	2,898	4,247	(1,349)
- Provision of services to group companies	15,610	7,248	8,362
- Licence rights and know-how	18,544	19,355	(811)
- Commission receivable	1,771	1,778	(7)
- Sale of miscellaneous materials		65	(65)
- Compensation from damage to third parties	688	1,041	(353)
- Compensation from third parties for quality-related events	2,877	2,582	295
- Sponsorship	268	1,000	(732)
- Other income	4,196	4,154	42
Total other operating income	**113,109**	**113,729**	**(620)**

The decrease totals €/000 620.

Operating grants refer to:

- €/000 69 for benefits established by Italian Law no. 296/2006 (2007 Budget), subsequently amended by Italian Law no. 244/2007 (2008 Budget), which provided benefits for companies undertaking pre-competitive Research and Development programmes, starting from 1 January 2007 and reaching completion by 31 December 2009. The benefit consists of a tax income to be used against payable taxes. The costs to which the benefit refers were incurred in 2007/2008/2009. This funding refers to funding recognised in profit or loss in relation to the amortisation of capitalised costs subsequently recognised in the year;
- €/000 1,014 refers to other public grants concerning research projects;
- €/000 245 for funding for professional training provided by trade associations;
- €/000 77 for the portion relative to the year, of sums received from a customer for product development.

During the period, internal costs for development projects of €/000 34,022 were capitalised, in addition to internal costs for the development of software for €/000 704 and internal costs for the construction of property, plant and equipment, amounting to €/000 28.
Expenses recovered in invoices refer to costs for preparation, advertising, insurance, transport and packaging charged to clients directly in product sales invoices.
This item also includes charges made to other Group companies amounting to €/1,286 and to third parties for €/1,612 for the recovery of sundry costs.
Licence rights were obtained from the subsidiaries Piaggio Vehicles (€/000 8,950) and Piaggio Vietnam

(€/000 7,647), as well as from the affiliate Zongshen Piaggio Foshan (€/000 304).
Income (€/000 75) was also generated from the affiliate Zongshen Piaggio Foshan for the sale of know-how.
Income from the recovery of labour costs mainly refers to amounts charged to Group companies for the use of personnel.
The recovery of costs from suppliers refers to amounts charged for the reprocessing of materials and final inspections, and for failure to supply assembly lines with material.
The recovery of tax duties mainly refers to dealers being charged stamp duty on vehicle conformity certificates.

9. Other operating costs €/000 15,582

This item consists of:

In thousands of euros	2015	2014	Change
Total provisions for risks	**0**	**0**	**0**
Provisions for product warranties	6,448	6,479	(31)
Provision for financial services expenses	5	-	5
Total other provisions	**6,453**	**6,479**	**(26)**
Stamp duty	854	813	41
Duties and taxes not on income	1,658	952	706
Local tax, formerly council tax	1,364	1,396	(32)
Various subscriptions	845	880	(35)
Social charges	309	241	68
Capital losses from disposal of assets	5	51	(46)
Miscellaneous expenses	1,864	2,776	(912)
Losses on receivables	78	270	(192)
Total sundry operating costs	**6,977**	**7,379**	**(402)**
Write-down of current receivables	2,152	1,676	476
Total impairment	**2,152**	**1,676**	**476**
Total other operating costs	**15,582**	**15,534**	**48**

In total, other operating costs, which include costs from Group companies of €/000 770, increased by €/000 48.
Stamp duty of €/000 854 mainly refers to the tax due on vehicle conformity certificates. This cost is charged to Dealers and the recovered amount is entered under "Other operating income".

10. Income/(loss) from investments *€/000 49,919*

This item consists of:

	2015	2014	Change
In thousands of euros			
Dividends from subsidiaries	52,241	44,375	7,866
Value reinstatements on investments in subsidiaries	523	-	523
Value reinstatements on investments in associates	1,016	-	1,016
Dividends from the investments of non-controlling interests	130	5	125
Capital gains on the sale of non-controlling interests	24	-	24
Write-down of investments in subsidiaries	(4,015)	(2,110)	(1,905)
Write-down of minority interests	0	(76)	76
Total	**49,919**	**42,194**	**7,725**

Dividends of €/000 14,314 were distributed by the subsidiary Piaggio Vehicles Ltd, of €/000 21,000 by Piaggio Vespa B.V., of €/000 16,227 by Piaggio Vietnam, of €/000 200 by Piaggio España and of €/000 500 by Aprilia Racing.
Dividends from non-controlling interests were distributed by IVM.
Impairment reversals refer to the subsidiary Piaggio China and the associate Zongshen Piaggio Foshan Motorcycles. The impairment reversal was based on the impairment test that basically confirmed the possible recovery of the corresponding portion of shareholders' equity as of 31 December 2015 presented by the above companies. The assumptions used in the test refer to the 2016-2019 plan (in line with the plan approved at a Group level), the WACC and G in line with the WACC and G used for the Group impairment test, weighted based on geographic segments where cash flows will be produced. In view of the above, the weighted average WACC was equal to 5.87% and the G equal to 1.04%.
The impairment of investments in subsidiaries reflects the impairment losses determined for the following investments:

- Piaggio Fast Forward €/000 1,722: the company, which was established in 2015, carries out research. In the current situation, Piaggio & C. does not consider the investment as recoverable and consequently adjusted the value of the investment to the portion of shareholders' equity (basically comprising the cash and cash equivalents of the subsidiary as of 31 December 2015).
- Closed property mutual investment fund Atlantic 12 €/000 1,312: the value of the investment was adjusted to the net asset value of the fund as of 31 December 2015, as future forecasts do not expect a recovery in the fund's historical property values, due to the continuing crisis on the property market.
- Piaggio Concept Store Mantova €/000 942: the impairment loss was recognized in view of the results of the subsidiary and recapitalization commitments as sole shareholder.
- Piaggio Indonesia €/000 39.

The capital gain of €/000 24 was relative to the sale of the investment in Geofor SpA.

11. Net financial proceeds/(charges) *€/000 (26,635)*

This item consists of:

	2015	2014	Change
In thousands of euros			
Total financial income	705	1,158	(453)
Total borrowing costs	(26,750)	(32,642)	5,892
Total net exchange gains/(losses)	(590)	(498)	(92)
Net financial income (borrowing costs)	**(26,635)**	**(31,982)**	**5,347**

Details are given below:

In thousands of euros	2015	2014	Change
Financial income			
- From subsidiaries	352	319	33
Financial income from third parties:			
- Interest receivable from clients	49	23	26
- Bank and post office interest payable	28	68	(40)
- Income from fair value measurements	2	677	(675)
- Other	274	71	203
Total financial income from third parties	353	839	(486)
Total financial income	**705**	**1,158**	**(453)**

The amount of €/000 352 recognised as financial income from subsidiaries refers to interest from financing activities relative to the subsidiaries Piaggio Vehicles Private Limited (€/000 194), Nacional Motor (€/000 65), and Piaggio Concept Store Mantova (€/000 88) and Aprilia Racing (€/000 4). It also includes interest accrued for cash pooling (€/000 1) undertaken with the subsidiaries Piaggio España and Piaggio Deutschland.

In thousands of euros	2015	2014	Change
Borrowing Costs			
- Interest payable on a debenture loan	15,498	18,548	(3,050)
- Interest payable on bank accounts	332	968	(636)
- Interest payable on bank loans	7,190	8,094	(904)
- Interest to suppliers	785	523	262
- Interest payable on import/export advance loan	-	15	(15)
- Interest payable to other lenders	705	1,020	(315)
- Interest payable on subdiscount factor operations	899	1,198	(299)
- Cash discounts to clients	471	445	26
- Costs for derivatives	120	-	120
- Bank charges on loans	1,202	1,703	(501)
- Interest payable on lease agreements	-	128	(128)
- Borrowing costs from discounting back termination and termination benefits	857	1,398	(541)
- Other	2	5	(3)
Total borrowing costs	**28,061**	**34,045**	**(5,984)**
Costs capitalised on Property, Plant and Equipment	362	65	297
Costs capitalised on Intangible Assets	949	1,338	(389)
Total Capitalised Costs	**1,311**	**1,403**	**(92)**
Total borrowing costs	**26,750**	**32,642**	**(5,892)**

During 2015, borrowing costs for €/000 1,311 were capitalised. The average rate used for the capitalisation of borrowing costs (because of general loans), was equal to 4.73%.
Interest on the debenture loan refers to €/000 134 (€/000 156 in 2014) to the parent company Omniaholding.
Interest payable to other lenders mainly refers to interest payable to factoring companies and banks for the sale of trade receivables. This item includes €/000 33 (€/000 255 in 2014) of interest payable to subsidiaries and associates.

In thousands of euros	2015	2014	Change
Exchange differences from sale			
- Exchange gains	11,644	7,328	4,316
- Exchange losses	(12,484)	(7,104)	(5,380)
Total exchange gains (losses)	**(840)**	**224**	**(1,064)**
Exchange differences from measurement			
- Exchange gains	898	903	(5)
- Exchange losses	(648)	(1,625)	977
Total valuation exchange gains (losses)	**250**	**(722)**	**972**
Net exchange gains/(losses)	**(590)**	**(498)**	**(92)**

12. Taxes *€/000 (1,450)*

The item "Income taxes" is detailed below:

In thousands of euros	2015	2014	Change
Current taxes	2,876	6,526	(3,650)
Deferred tax liabilities	(4,241)	(5,635)	1,394
Taxes of previous years	(85)	199	(284)
Non-recurrent costs (income)		(977)	977
Total taxes	**(1,450)**	**113**	**(1,563)**

In 2015, taxes were equal to €/000 1,450, and accounted for 10.6% of profit before tax.
Current taxes consist of:

- €/000 3,170 from foreign income tax, mainly relative to royalties from the Indian subsidiary Piaggio Vehicles Ltd. and from the subsidiary Piaggio Vietnam, with taxes amounting to €/000 1,848 and €/000 1,266 respectively;
- €/000 240 from regional production tax on income for the year;
- €/000 (534) from net costs arising from transfers within the framework of the Consolidated Tax Convention.

Deferred tax represents the effects on income generated by the deferred tax assets and liabilities.
As regards deferred tax liabilities, during the year new provisions were made for €/000 913, and provisions from previous years were released for €/000 4,191.
As regards deferred tax assets, on the other hand, new provisions amounted to €/000 8,016, while the release of amounts allocated in previous years came to €/000 7,053.
Payables for taxes allocated in the previous year, of €/000 85, were also released.

Reconciliation in relation to the theoretical rate is shown below:

	2015	2014
In thousands of euros		
Revenue taxes on income		
Profit before tax	13,607	14,923
Theoretical rate	27.50%	27.50%
Theoretical tax	3,742	4,104
Tax effect arising from permanent changes	(11,399)	(10,100)
Tax effect arising from temporary changes	3,166	1,538
Effect arising from the future reduction of the tax rate on the tax loss not offset as part of tax consolidation	488	
Reversal of deferred corporate tax liabilities allocated in previous years for temporary changes	(4,056)	(1,481)
Reversal of deferred corporate tax assets allocated in previous years for temporary changes	3,956	3,653
Reversal of deferred tax assets allocated in previous years for tax losses	3,047	341
Tax effect arising from taxes on income produced abroad	3,171	3,160
Taxes relative to previous years	(85)	147
Expenses (income) from the Consolidated Tax Convention	121	(64)
Tax effect arising from deferred corporate tax liabilities for temporary changes	885	1,394
Tax effect arising from deferred corporate tax assets for temporary changes	(3,698)	(4,926)
Tax effect arising from the adjustment of deferred corporate income tax assets allocated for the 2014 tax loss	(759)	
Non-recurrent costs (income)		(977)
Effetto fiscale derivante dall'IRES anticipata stanz. sugli interessi passivi		
Tax effect arising from deferred corporate tax assets on interest payable deducted within the framework of the Consolidated Tax Convention	(211)	(121)
Regional production tax (irap)		
Regional production tax on net revenues for the year	240	3,429
Regional production tax referred to previous years		52
Reversal of deferred regional production tax liabilities allocated in previous years for temporary changes	(135)	(114)
Reversal of deferred regional production tax assets allocated in previous years for temporary changes	50	195
Tax effect arising from deferred regional production tax liabilities for temporary changes	27	27
Tax effect arising from deferred regional production tax assets for temporary changes		(144)
Income taxes recognised in the financial statements	**(1,450)**	**113**

Theoretical tax rates were determined applying the corporate tax rate in effect in Italy (27.5%) to profit before tax. The impact arising from the regional production tax rate was determined separately, as this tax is not calculated on the basis of profit before tax.
As regards corporate income tax, the Company expects it will contribute to the National Consolidated Tax Convention, in which IMMSI acts as Consolidating Party, with a negative taxable amount of €/000 17,210. With reference to the portion of the 2015 tax loss offset by IMMSI, income of €/000 655 was recognised in the income statement.

13. Gain/(loss) on assets held for disposal or sale — *€/000 0*

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

C) Information on operating assets and liabilities

14. Intangible Assets *€/000 577,138*

The table below shows the breakdown of intangible assets as of 31 December 2015 and 31 December 2014, as well as movements during the year.

	Development costs	Patent rights	Concessions, licences and trademarks	Goodwill	Other	Assets under development and advances	Total
In thousands of euros							
As of 1 January 2014							
Historical cost	87,430	222,756	227,105	463,926	-	28,284	1,029,501
Provisions for write-down	-	-	-	-	-	-	-
Accumulated amortisation	(42,011)	(182,015)	(154,821)	(95,375)	-	-	(474,222)
Net carrying amount	**45,419**	**40,741**	**72,284**	**368,551**	**-**	**28,284**	**555,279**
2014							
Investments	13,242	25,128	-	-	-	17,587	55,957
Put into operation in the period	3,677	12,167	-	-	-	(15,844)	-
Amortisation	(18,225)	(14,804)	(5,746)	-	-	-	(38,775)
Write-downs	-	-	-	-	-	-	0
Disposals	(56)	(3)	-	-	-	-	(59)
Other changes	-	-	-	-	-	-	-
Total movements for the year	**(1,362)**	**22,488**	**(5,746)**	**-**	**-**	**1,743**	**17,123**
As of 31 December 2014							
Historical cost	86,973	260,045	227,105	463,926		30,027	1,068,076
Provisions for write-down	-	-	-	-	-	-	-
Accumulated amortisation	(42,916)	(196,816)	(160,567)	(95,375)			(495,674)
Net carrying amount	**44,057**	**63,229**	**66,538**	**368,551**	**-**	**30,027**	**572,402**
2015							
Investments	16,228	29,867	-	-	-	10,414	56,509
Put into operation in the period	15,001	2,793	-	-	-	(18,293)	(499)
Amortisation	(21,760)	(20,603)	(5,746)	-	-	-	(48,109)
Write-downs	-	-	-	-	-	-	-
Disposals	(4)	(44)	-	-	-	(8)	(56)
Other changes	(3,102)	1	1	-	-	(9)	(3,109)
Total movements for the year	**6,363**	**12,014**	**(5,745)**	**-**	**-**	**(7,896)**	**4,736**
As of 31 December 2015							
Historical cost	115,095	292,661	227,106	463,926	-	22,131	1,120,919
Provisions for write-down	-	-	-	-	-	-	-
Accumulated amortisation	(64,675)	(217,418)	(166,313)	(95,375)	-		(543,781)
Net carrying amount	**50,420**	**75,243**	**60,793**	**368,551**	**-**	**22,131**	**577,138**

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

	Value as of 31 December 2015			Value as of 31 December 2014			Change		
	For the period	Under development and advances	Total	For the period	Under development and advances	Total	For the period	Under development and advances	Total
In thousands of euros									
R&D costs	50,420	19,989	70,409	44,057	29,306	73,363	6,363	(9,317)	(2,954)
Patent rights	75,243	2,142	77,385	63,229	721	63,950	12,014	1,421	13,435
Concessions, licences and trademarks	60,793	-	60,793	66,538	-	66,538	(5,745)	-	(5,745)
Goodwill	368,551	-	368,551	368,551	-	368,551	-	-	-
Total	**555,007**	**22,131**	**577,138**	**542,375**	**30,027**	**572,402**	**12,632**	**(7,896)**	**4,736**

Intangible assets increased overall by €/000 4,736 following investments net of disposals and amortisation for the period.

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

During 2015 borrowing costs for €/000 949 were capitalised, applying an average interest rate of 4.73%.

Development costs — €/000 70,409

Development costs include costs for products and engines in projects for which there is an expectation, for the period of the useful life of the asset, to see net sales at such a level in order to allow the recovery of the costs incurred.

Development expenditure for new projects capitalised in 2015 refers to the study of new vehicles and new engines (two-/three-/four-wheeler) which will feature as the top products in the 2015-2017 range.

Borrowing costs attributable to the development of products which require a considerable period of time to be realised are capitalised as a part of the cost of the actual assets. Development costs included under this item are amortised on a straight line basis over a period of 3 to 5 years, in consideration of their remaining useful life.

During 2015, development costs of approximately € 10.8 million were recognised directly in profit or loss. Pursuant to article 2426, section 5 of the Italian Civil Code, the value of research and development costs still to be amortised equal to €/000 70,409 is unavailable in shareholders' equity.

Industrial Patent and Intellectual Property Rights — €/000 77,385

This item comprises patents for €/000 1,550, know-how for €/000 61,289 and software for €/000 14,546. As regards software, the increase for the year amounted to €/000 5,728 and mainly refers to the purchase of various licences, as well as the implementation of commercial, production, personnel and administration projects.
Investments in know how amount to €/000 25,074 and mainly refer to new calculation, design and production techniques and methodologies developed by the Company, principally for new products in the 2015-2017 range.
As regards patent rights, costs for €/000 952 were capitalised.
Costs for industrial patent and intellectual property rights are amortised on a straight line basis over three years, except for costs for founding products and costs for the purchase of SAP licences which are amortised over 5 years.

Trademarks, concessions and licences €/000 60,793

The item Trademarks, concessions and licences, equal to €/000 60,793 consists of:

In thousands of euros	As of 31 December 2015	As of 31 December 2014	Change
Derbi trademark	10,800	12,000	(1,200)
Guzzi trademark	17,875	19,500	(1,625)
Aprilia trademark	32,073	34,988	(2,915)
Minor trademarks	45	50	(5)
Total Trademark	**60,793**	**66,538**	**(5,745)**

The Derbi brand is amortised over 15 years, maturing in 2024. Amortisation during the year amounted to €/000 1,200.
The Guzzi and Aprilia trademarks are amortised over a period of 15 years, expiring in 2026.
The value of other brands acquired with the Aprilia merger decreased during the year by €/000 5 following amortisation calculated on the basis of the estimated useful life.

Goodwill €/000 368,551

As specified in information on accounting standards, as from 1 January 2005 goodwill is no longer amortised, but is tested for impairment annually, or more frequently if specific events or changed circumstances indicate the possibility of impairment, in accordance with IAS 36 Impairment of Assets (impairment test).

In compliance with IAS 36 the methodology adopted is based on the unlevered version of discounted cash flows.

The main assumptions used by the Company to determine future financial flows, relative to a four-year period, and the consequent recoverable value (value in use) refer to:

a. a hypothesis of estimated financial flows over a four-year period, inferred from budget data for 2016 supplemented by forecast data for 2017-2019, approved by the Board of Directors of the Company, along with an impairment test performed on 10 March 2016;
b. the WACC discount rate.
c. in addition to the period, a growth rate (g rate) has been estimated.

In particular, to discount cash flows, the Group adopted a discount rate (WACC) which reflects market valuations of the fair value of money and takes account of specific risks of activities and the geographic segment in which the cash generating unit operates (5.74% for 2015 - 6.13% for 2014).
In the future cash flows discounting model, a terminal value is entered at the end of the cash flow projection period, to reflect the residual value Piaggio should produce. The terminal value represents the current value, at the last year of the projection, of all subsequent cash flows calculated as perpetual income, and was determined using a growth rate (g rate) equal to 1%, in line with the previous year.
The impairment test carried out as of 31 December 2015 confirmed that there was no need to make any changes to the figures in the financial statements.
In addition, and on the basis of information in the document produced jointly by the Bank of Italy, CONSOB and Isvap (the insurance watchdog) no. 2 of 6 February 2009, the Company conducted sensitivity analysis of test results in relation to changes in basic assumptions (use of the growth rate in producing the terminal value and discount rate). In the case of a positive or negative change of 0.5% of the WACC and G used, analyses would not identify impairment losses.
Given that the recoverable value was estimated, the Company cannot guarantee the absence of goodwill impairment in future financial periods.
Given the current market crisis, the various factors utilised in the estimates could require revision; the Company will constantly monitor these factors as well as the existence of impairment losses.

15. Property, plant and equipment *€/000 188,433*

The table below shows the breakdown of plant, property and equipment as of 31 December 2015 and 31 December 2014, as well as movements during the period.

	Land	Buildings	Plant and machinery	Equipment	Other assets	Assets under construction and advances	Total
In thousands of euros							
As of 1 January 2014							
Historical cost	28,010	127,371	278,575	463,129	26,390	21,574	945,049
Reversals	-	4,816	2,368	6,253	199	-	13,636
Provisions for write-down	-	-	-	(1,324)	-	-	(1,324)
Accumulated depreciation	-	(50,316)	(241,549)	(439,348)	(24,546)	-	(755,759)
Net carrying amount	**28,010**	**81,871**	**39,394**	**28,710**	**2,043**	**21,574**	**201,602**
2014							
Investments	-	2,625	4,146	8,055	439	9,386	24,651
Put into operation in the period	-	576	4,356	8,964	4	(13,900)	-
Depreciation	-	(3,984)	(8,864)	(14,881)	(481)	-	(28,210)
Write-downs	-	-	-	-	-	-	-
Disposals	-	(10)	(460)	(202)	(4)	(361)	(1,037)
Other changes	-	2	(1)	-	(1)	-	-
Total movements for the year	**0**	**(791)**	**(823)**	**1,936**	**(43)**	**(4,875)**	**(4,596)**
As of 31 December 2014							
Historical cost	28,010	130,563	285,689	477,612	25,167	16,699	963,740
Reversals	-	4,816	2,368	6,253	199	-	13,636
Provisions for write-down	-	-	-	(1,324)	-	-	(1,324)
Accumulated depreciation		(54,300)	(249,486)	(451,894)	(23,366)		(779,046)
Net carrying amount	**28,010**	**81,079**	**38,571**	**30,647**	**2,000**	**16,699**	**197,006**
2015							
Investments	-	992	2,482	5,089	268	9,723	18,554
Put into operation in the period	-	735	1,586	2,628	26	(4,476)	499
Depreciation	-	(4,058)	(8,625)	(14,393)	(485)	-	(27,561)
Write-downs	-	-	-	5	-	-	5
Disposals	-	(11)	(6)	(54)	-	-	(71)
Other changes	-	-	1	-	-	-	1
Total movements for the year	**0**	**(2,342)**	**(4,562)**	**(6,725)**	**(191)**	**5,247**	**(8,573)**
As of 31 December 2015							
Historical cost	28,010	132,279	284,538	482,703	23,987	21,946	973,463
Reversals	-	4,816	2,368	6,253	199	-	13,636
Provisions for write-down	-	-	-	(1,319)	-	-	(1,319)
Accumulated depreciation	-	(58,358)	(252,897)	(463,715)	(22,377)		(797,347)
Net carrying amount	**28,010**	**78,737**	**34,009**	**23,922**	**1,809**	**21,946**	**188,433**

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

	Value As of 31 December 2015			Value As of 31 December 2014			Change		
	For the period	Under construction and advances	Total	For the period	Under construction and advances	Total	For the period	Under construction and advances	Total
In thousands of euros									
Land	28,010	-	28,010	28,010	-	28,010	-	-	-
Buildings	78,737	3,303	82,040	81,079	2,977	84,056	(2,342)	326	(2,016)
Plant and machinery	34,009	11,339	45,348	38,571	6,112	44,683	(4,562)	5,227	665
Equipment	23,922	6,938	30,860	30,647	7,584	38,231	(6,725)	(646)	(7,371)
Other assets	1,809	366	2,175	2,000	26	2,026	(191)	340	149
Total	**166,487**	**21,946**	**188,433**	**180,307**	**16,699**	**197,006**	**(13,820)**	**5,247**	**(8,573)**

Property, plant and equipment decreased overall by €/000 8,573. Investments for the period amount to €/000 18,554 and mainly refer to moulds for new vehicles and engines that will be launched in the subsequent year, to drive shaft processing lines, engine test benches, the experimental workshop as well as the new painting plant for two-wheeler products at Pontedera.
Borrowing costs attributable to the construction of products which require a considerable period of time to be ready for use are capitalised as a part of the cost of the actual assets.
During 2015 borrowing costs for €/000 362 were capitalised, applying an average interest rate of 4.73%.

Land — €/000 28,010

The value of land has not changed compared to the previous year.

Buildings — €/000 82,040

Buildings decreased overall by €/000 2,016. The negative imbalance is due to new investments made during the year amounting to €/000 2,052, the decrease from amortisation for the period of €/000 4,058 and the disposal of residual costs of €/000 11.

The capitalisation of €/000 2,052 relative to production buildings mainly refers to works to expand the building for the new two-wheeler painting plant at Pontedera and various works at the sites at Pontedera, Mandello del Lario, Noale and Scorzè.

During the period, capitalisation amounting to €/000 1.727 was recognised, of which €/000 735 relative to investments made in previous years.

Plant and machinery — €/000 45,348

The item increased overall by €/000 665. The positive imbalance is due to new investments made during the year amounting to €/000 8,796, the reclassification of projects from other categories amounting to €/000 499, the decrease from amortisation for the period of €/000 8,625 and the disposal of residual costs of €/000 6.
Capitalisation mainly concerned investments for the new two-wheeler painting plant at Pontedera and activities for production lines for new vehicles and engines.

During the period, capitalisation amounting to €/000 4,068 was recognised, of which €/000 1,586 relative to investments made in previous years.

Equipment — €/000 30,860

The item decreased overall by €/000 7,371. The negative imbalance is due to depreciation for the period amounting to €/000 14,393 and the disposal of residual costs of €/000 54, partially offset by new investments for €/000 7,072.
Capitalisation of €/000 7,072 refers to equipment and namely moulds for new vehicles launched during the year or scheduled to be launched in the first half of next year, moulds for new engines and

specific equipment for assembly lines.

During the period, capitalisation amounting to €/000 7,718 was recognised, of which €/000 2,628 relative to investments made in previous years.

Other plant, property and equipment €/000 2,175

As of 31 December 2015 the item Other assets, including assets under construction, comprised the following:

	As of 31 December 2015	As of 31 December 2014	Change
In thousands of euros			
EDP systems	919	567	352
Office furniture and equipment	607	750	(143)
Vehicles	72	105	(33)
Cars	577	604	(27)
Total	**2,175**	**2,026**	**149**

The item increased overall by €/000 149. The positive imbalance is due to the increase from new investments made during the year amounting to €/000 633 partially offset by depreciation for the year of €/000 484.
During the period, capitalisation amounting to €/000 293 was recognised, of which €/000 26 relative to investments made in previous years.

Finance lease agreements

As of 31 December 2015, the Company had no payments for finance leases due on property, plant or machinery.

Warranties

As of 31 December 2015 the Company did not own land and buildings encumbered by mortgage liens or privileges in favour of banks to secure loans obtained in previous years.

16. Investment Property *€/000 0*

As of 31 December 2015 no investment property was held.

17. Deferred tax assets *€/000 32,522*

In compliance with IAS 12, the item indicates the net balance of deferred tax assets and liabilities. This net balance is broken down in the table below.

	As of 31 December 2015	As of 31 December 2014	Change
In thousands of euros			
Deferred tax assets	48,472	48,882	(410)
Deferred tax liabilities	(15,950)	(19,229)	3,279
Total	**32,522**	**29,653**	**2,869**

Deferred tax assets total €/000 48,472 compared to €/000 48,882 as of 31 December 2014, recording a negative change of €/000 410.
The balance of deferred tax assets as of 31 December 2015 refers to:
› €/000 24,022 for allocations made for temporary differences;

› €/000 24,450 for allocations made for tax losses generated under the National Consolidated Tax Convention of which IMMSI S.p.A. is the consolidating company.

The negative change of €/000 410 is attributable to:

› €/000 7,054 from the recognition in profit and loss of deferred tax assets recognised in previous years;
› €/000 1,036 from the recognition in shareholders' equity of deferred tax assets recognised in previous years;
› €/000 336 from the portion of deferred tax assets offset as part of tax consolidation relative to the fiscal year 2014;
› €/000 8,016 from the recognition in profit and loss of new deferred tax assets.

Additional deferred tax assets amounting to €/000 8,016 were recognised in light of forecast results of Piaggio & C. S.p.A., and the foreseeable use of relative tax benefits in future years.

Details of items affected by the allocation of deferred tax assets as well as the amount of deferred tax assets already recognised and not recognised are shown in the table below.

	Amount	Tax effect 27.5%/24%	Tax effect 3.9%
In thousands of euros			
Nacional Motor goodwill	15,503	3,766	605
Provisions for risks	5,937	1,427	227
Provision for product warranties	8,327	1,998	325
Provisions for write-down	14,436	3,464	
Provisions for obsolete stock	25,698	6,167	1,002
Interest payable	13,278	3,187	
Other changes	5,872	1,348	65
Total for provisions and other changes	**89,051**	**21,357**	**2,224**
Actuarial losses on termination benefits	**1,769**	**425**	
Other IAS effects			
2007 tax loss including Moto Guzzi transferred to IMMSI	10,987	2,637	
2011 tax loss transferred to IMMSI	390	94	
2012 tax loss transferred to IMMSI	27,498	6,600	
2013 tax loss transferred to IMMSI	29,978	7,195	
2014 tax loss transferred to IMMSI	18,193	4,366	
2015 tax loss transferred to IMMSI	14,826	3,558	
Total out of tax losses	**101,872**	**24,450**	**0**
Losses from the fair value measurement of financial instruments	**59**	**16**	
Deferred tax assets already recognised		**48,472**	
Deferred tax assets not recognised for provisions and other changes		**0**	

Overall, the movement of deferred tax assets can be summarised as follows:

	Values as of 31 December 2014	Portion to the Income Statement	Portion to the Statement of Comprehensive Income	Portion allocated to the Income Statement	Portion allocated to the Statement of Comprehensive Income	Portion offset as part of tax consolidation	Values as of 31 December 2015
In thousands of euros							
Deferred tax assets for:							
Temporary changes	25,367	(4,007)	(1,036)	3,698			24,022
Losses generated within the framework of tax consolidation	23,515	(3,047)		4,318		(336)	24,450
Total	**48,882**	**(7,054)**	**(1,036)**	**8,016**	**-**	**(336)**	**48,472**

Deferred tax liabilities total €/000 15,950 compared to €/000 19,229 as of 31 December 2014, recording a negative change of €/000 3,279.
As of 31 December 2015, provisions for deferred taxes referred to:

› €/000 3,575 for the surplus value recognised by the merged company Aprilia in 2005 for buildings already held through leases, and purchased back by Aprilia Leasing S.p.A.;
› €/000 720 for temporary changes in taxable income that will be annulled next year;
› €/000 2,381 for depreciation charges minus tax-recognised goodwill values;
› €/000 483 for tax-deducted costs, off the accounts, in relation to the application of IAS/IFRS;
› €/000 3,756 for allocation of the merger loss to the Aprilia brand, arising from its merger in 2005;
› €/000 5,035 for allocation of the merger loss to the Guzzi brand, arising from its merger in 2008.

Provisions for deferred tax liabilities were reduced in the period by €/000 4,191 following issue of the relative portion and increased overall by €/000 912 for new provisions.

Deferred tax assets and liabilities were determined applying the tax rate in effect in the year when temporary differences occur. Therefore, the company adjusted deferred tax assets and liabilities to the new rate introduced by Italian Law no. 208/2015 (2016 Stability Law), which amended article 77, paragraph 1 of the Consolidated Law on Income Tax (TUIR), reducing the nominal corporate income tax rate from 27.5% to 24%, with effect for tax periods after the period ending 31 December 2016.

18. Inventories — *€/000 157,233*

As of 31 December 2015, this item totalled €/000 157,233, compared to €/000 170,645 at the end of 2014, and consisted of:

	As of 31 December 2015	As of 31 December 2014	Change
In thousands of euros			
Raw, ancillary materials and consumables	69,013	75,322	(6,309)
Provision for write-down	(6,706)	(7,998)	1,292
Net value	**62,307**	**67,324**	**(5,017)**
Work in progress and semifinished products	18,240	17,843	397
Provision for write-down	(852)	(852)	0
Net value	**17,388**	**16,991**	**397**
Finished products and goods	95,677	102,445	(6,768)
Provision for write-down	(18,140)	(16,214)	(1,926)
Net value	**77,537**	**86,231**	**(8,694)**
Advances	1	99	(98)
Total	**157,233**	**170,645**	**(13,412)**

As of 31 December 2015 inventories had decreased by €/000 13,412 in line with production volumes and sales in the year.

Changes in the obsolescence fund are summarised in the table below:

	As of 31/12/2014	Use	Allocation	As of 31/12/2015
In thousands of euros				
Raw materials	7,998	(1,509)	217	6,706
Work in progress and semifinished products	852	-	-	852
Finished products and goods	16,214	(866)	2,792	18,140
Total	**25,064**	**(2,375)**	**3,009**	**25,698**

19. Current trade receivables *€/000 57,244*

Current trade receivables amounted to €/000 57,244 compared to €/000 74,669 as of 31 December 2014, registering a decrease of €/000 17,425.
No non-current trade receivables were recorded for either period.

In thousands of euros	As of 31 December 2015	As of 31 December 2014	Change
Trade receivables	38,816	38,801	15
Trade receivables due from subsidiaries	17,490	35,022	(17,532)
Trade receivables due from associates	938	836	102
Trade receivables due from parent companies	-	10	(10)
Total	**57,244**	**74,669**	**(17,425)**

Trade receivables are recorded net of a provision for bad debts equal to €/000 18,290.
Trade receivables comprise receivables referred to normal sales operations and include receivables in foreign currency for a total value, at the exchange rate in effect as of 31 December 2015, taking account of exchange risk hedging, of €/000 8,581.

The item "Trade receivables" includes invoices to issue amounting to €/000 1,005 relative to normal business transactions and credit notes to issue amounting to €/000 9,974 mainly referring to premiums to pay to the sales network in Italy and abroad, for having reached targets.
Trade receivables are usually sold to factoring companies and mainly on a without recourse and advance payment collection basis.
The Company sells a large part of its trade receivables with and without recourse. Piaggio has signed contracts with some of the most important Italian and foreign factoring companies as a move to optimise the monitoring and the management of its trade receivables, besides offering its customers an instrument for funding their own inventories, for factoring classified as without the substantial transfer of risks and benefits. On the contrary, for factoring without recourse, contracts have been formalised for the substantial transfer of risks and benefits. As of 31 December 2015 trade receivables still due, sold without recourse totalled €/000 51,542. Of these amounts, Piaggio received payment prior to natural expiry, of €/000 50,518.
As of 31 December 2015, advance payments received from factoring companies and banks, for trade receivables sold with recourse totalled €/000 15,320 with a counter entry recorded in current liabilities.

Movements of the provisions for write-down relative to trade receivables were as follows:

In thousands of euros	
Opening balance as of 1 January 2015	**17,602**
Decreases for use recognised in profit or loss	(891)
Increases for allocations	1,579
Closing balance as of 31 December 2015	**18,290**

During the period, the provision for bad trade debts was used to cover losses amounting to €/000 891.
Allocations to the provision were made against risks arising from the valuation of relative receivables as of 31 December 2015.
Trade receivables due from subsidiaries and associates refer to the supply of products undertaken in normal market conditions.

20. Other current and non-current receivables — *€/000 94,256*

Other non-current receivables amounted to €/000 2,839 compared to €/000 3,430 as of 31 December 2014, registering a decrease of €/000 591.
Their breakdown was as follows:

	As of 31 December 2015	As of 31 December 2014	Change
In thousands of euros			
Other receivables due from social security institutions	191	895	(704)
Other receivables due from associates	152	197	(45)
Other receivables due from third parties	2,496	2,338	158
Total	**2,839**	**3,430**	**(591)**

Receivables due from social security institutions refer to sums receivable from and payable by the Italian National Social Security Institute (INPS) for termination benefit accrued by employees on solidarity contracts.
The item "Other" includes guarantee deposits amounting to €/000 329 and prepaid expenses amounting to €/000 2,144.

Current trade receivables amounted to €/000 91,417 compared to €/000 82,536 as of 31 December 2014, registering an increase of €/000 8,881.
Their breakdown is as follows:

	As of 31 December 2015	As of 31 December 2014	Change
In thousands of euros			
Other receivables due from third parties	14,365	18,173	(3,808)
Other receivables due from subsidiaries	68,294	54,985	13,309
Other receivables due from associates	920	2,557	(1,637)
Other receivables due from parent companies	7,838	6,821	1,017
Total	**91,417**	**82,536**	**8,881**

The item other receivables due from third parties comprises the following:

	As of 31 December 2015	As of 31 December 2014	Change
In thousands of euros			
Receivables due from employees	2,350	1,863	487
Due from social security institutions	2,130	3,625	(1,495)
Sundry receivables from third parties:			
Amounts due to suppliers	543	634	(91)
Supplier advances	84	799	(715)
Invoices and credit to issue	2,146	2,431	(285)
Sundry receivables due from Italian and foreign third parties	2,912	2,453	459
Receivables for the sale of property	2	2	0
Due from research subsidies to receive	-	3,096	(3,096)
Fair value of derivatives	647	696	(49)
Other receivables	3,551	2,574	977
Total	**14,365**	**18,173**	**(3,808)**

Receivables due from employees refer to advances paid for secondments, sick leave, contract advances, cash provisions, etc.
Sundry receivables of €/000 2,912 mainly refer to receivables due from Italian and foreign parties, originating from transactions not related to typical activities. The item is recognised net of provisions for write-downs of €/000 4,786.

Movements of the provision for bad debts relative to sundry receivables were as follows:

In thousands of euros	
Opening balance as of 1 January 2015	**4,393**
Decreases for use	(179)
Increases for allocations	572
Closing balance as of 31 December 2015	**4,786**

During the period, €/000 179 of the provision for bad debts relative to sundry receivables was used to cover losses. During the measurement of relative receivables as of 31 December 2015, a further allocation to the provision of €/000 572 was necessary.

21. Current and non-current tax receivables *€/000 6,576*

Tax receivables are broken down as follows:

In thousands of euros	As of 31 December 2015	As of 31 December 2014	Change
VAT receivables	2,506	3,363	(857)
Income tax receivables	3,848	450	3,398
Other tax receivables	222	346	(124)
Total	**6,576**	**4,159**	**2,417**

Non-current tax receivables total €/000 634 compared to €/000 893 as of 31 December 2014. The net negative change amounted to €/000 259.
Current tax receivables due from Tax authorities total €/000 5,942 compared to €/000 3,266 as of 31 December 2014. The positive net change amounted to €/000 2,676.

22. Breakdown of operating receivables by measurement method

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

Operating assets as of 31 December 2015

In thousands of euros	Assets measured at FVPL	Assets measured at FVOCI	Financial derivatives	Assets at amortised cost	Total
Non-current assets					
Tax receivables				634	634
Other receivables				2,839	2,839
Total non-current operating receivables	**0**	**0**	**0**	**3,473**	**3,473**
Current assets					
Trade receivables				57,244	57,244
Other receivables			647	90,770	91,417
Tax receivables				5,942	5,942
Total current operating receivables	**0**	**0**	**647**	**153,956**	**154,603**
Total	**0**	**0**	**647**	**157,429**	**158,076**

Operating assets as of 31 December 2014

	Assets measured at FVPL	Assets measured at FVOCI	Financial derivatives	Assets at amortised cost	Total
In thousands of euros					
Non-current assets					
Tax receivables				893	893
Other receivables				3,430	3,430
Total non-current operating receivables	**0**	**0**	**0**	**4,323**	**4,323**
Current assets					
Trade receivables				74,669	74,669
Other receivables			696	81,840	82,536
Tax receivables				3,266	3,266
Total current operating receivables	**0**	**0**	**696**	**159,775**	**160,471**
Total operating receivables	**0**	**0**	**696**	**164,098**	**164,794**

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

As of 31 December 2015, there were no receivables due after 5 years.

24. Assets held for sale *€/000 0*

As of 31 December 2015, there were no assets held for sale.

25. Trade payables (current) *€/000 246,893*

Trade payables are wholly included under current liabilities and total €/000 246,893, compared to €/000 266,143 as of 31 December 2014.

Current liabilities	As of 31 December 2015	As of 31 December 2014	Change
In thousands of euros			
Amounts due to suppliers	227,139	236,565	(9,426)
Trade payables due to subsidiaries	9,918	14,708	(4,790)
Trade payables due to associates	9,067	14,164	(5,097)
Trade payables due to parent companies	769	626	143
Trade payables due to other related parties	-	80	(80)
Total	**246,893**	**266,143**	**(19,250)**
of which reverse factoring	*91,038*	*114,576*	*(23,538)*
of which supply chain financing	*12,218*	*10,340*	*1,878*

The item comprises trade payables of €/000 212,038 for the purchase of goods, materials and services for business operations and €/000 15,101 for the purchase of assets.
The item includes payables in foreign currency for a total value, at the exchange rate in effect at 31 December 2015, taking account of hedging on exchange risk, of €/000 37,133.
As regards the amount of €/000 614, the payment of amounts due under this item is guaranteed by bank guarantees.
To facilitate credit conditions for its suppliers, the Company has used factoring agreements since 2012, mainly supply chain financing and reverse factoring agreements, as described in more detail in "accounting policies adopted by the Company", to which reference is made. These operations did not change the primary obligation, nor substantially changed payment terms, so their nature is the same and they are still classified as trade liabilities.
As of 31 December 2015, the value of trade payables covered by reverse factoring or supply chain financing agreements was equal to €/000 103,256 (€/000 124,916 as of 31 December 2014).

26. Provisions (current and non-current portion) *€/000 14,742*

	Balance as of 31 December 2014	Allocations	Applications	Balance as of 31 December 2015
In thousands of euros				
Provisions for risks				
Provisions for risk on investments	0	478		478
Provision for purchase risks relative to used vehicles	0	431		431
Provision for contractual risks	3,899			3,899
Provision for litigation	1,516		(8)	1,508
Provision for guarantee risks	58			58
Provisions for tax risks	186		(186)	0
Total provisions for risks	**5,659**	**909**	**(194)**	**6,374**
Provisions for expenses				
Provision for product warranties	8,719	6,447	(6,839)	8,327
Other reserves	34	7		41
Total provisions for expenses	**8,753**	**6,454**	**(6,839)**	**8,368**
Total provisions for risks and charges	**14,412**	**7,363**	**(7,033)**	**14,742**

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

Current portion	As of 31 December 2015	As of 31 December 2014	Change
In thousands of euros			
Provisions for risk on investments	478	-	478
Provisions for tax risks	-	186	(186)
Provision for purchase risks relative to used vehicles	431	-	431
Provision for product warranties	6,572	6,103	470
Promotional expense fund	36	34	2
Provision for financial services expenses	5	-	5
Total current portion	**7,522**	**6,323**	**1,200**

Non-current portion	As of 31 December 2015	As of 31 December 2014	Change
In thousands of euros			
Provision for contractual risks	3,899	3,899	0
Provision for litigation	1,508	1,516	(8)
Provision for guarantee risks	58	58	0
Provision for product warranties	1,755	2,616	(861)
Total non-current portion	**7,220**	**8,089**	**(869)**

The provision for risks on investments refers to €/000 472 relative to the subsidiary Piaggio Concept Store Mantova and to €/000 6 relative to the subsidiary Piaggio Indonesia. Provisions were made in consideration of the recapitalization commitments.
The provision for contract risks refers mainly to charges which could arise from the renegotiation of a supply contract.

The provision for litigation concerns €/000 40 for labour litigation and the difference of €/000 1,468 refers to other legal proceedings. Uses of €/000 8 refer to the definition of labour law disputes.
The provision risks on guarantees provided refers to charges expected for guarantees issued on the transfer of company investments.
The provision for tax risk was used in the year as regards the tax assessment of the German tax authorities concerning the VAT registration number directly registered in Germany.
The provision for product warranties of €/000 8,327 refers to potential liabilities related to the sale of products. The provision refers to allocations for technical assistance on products covered by customer service which are estimated to be provided over the contractually envisaged warranty period. This period varies according to the type of goods sold to the sales market and to customer take-up to commit to a scheduled maintenance plan.
The provision increased during the year by €/000 6,447 for new allocations and €/000 6,839 was used for expenses sustained referring to sales in previous years.

27. Retirement funds and employee benefits *€/000 47,885*

	As of 31 December 2015	As of 31 December 2014	Change
In thousands of euros			
Provision for retirement	134	125	9
Termination benefits provision	47,751	53,926	(6,175)
Total	**47,885**	**54,051**	**(6,166)**

The provision for retirement mainly consists of supplementary client funds, representing the amounts payable to agents if agency agreements are terminated for reasons not attributable to them. During the year, the provision was increased by €/000 9 for benefits accrued during the period.

Movements for termination benefits provision are as follows:

In thousands of euros	
Opening balance as of 1 January 2015	**53,926**
Cost for the period	8,115
Actuarial losses recognised in Equity	(2,942)
Interest cost	857
Use and transfers of retirement funds	(12,183)
Other changes	(22)
Closing balance as of 31 December 2015	**47,751**

Economic/technical assumptions

The economic/technical assumptions used to discount the value are described in the table below:

In thousands of euros	
Technical annual discount rate	2.03%
Annual rate of inflation	1.50% for 2016
	1.80% for 2017
	1.70% for 2018
	1.60% for 2019
	2.00% from 2020 onwards
Annual rate of increase in termination benefits	2.625% for 2016
	2.850% for 2017
	2.775% for 2018
	2.700% for 2019
	3.000% from 2020 onwards

As regards the discount rate, the Company uses the iBoxx Corporates AA rating with a 10+ duration as the valuation benchmark. If the iBoxx Corporates AA rating with a 10+ duration had been used, the value of actuarial losses and the provision as of 31 December 2015 would have been lower by €/000 1,163.

The table below shows the effects, in absolute terms, as of 31 December 2015, which would have occurred following changes in reasonably possible actuarial assumptions:

	Provision for termination benefits
In thousands of euros	
Turnover rate +2%	47,476
Turnover rate -2%	48,052
Inflation rate + 0.25%	48,421
Inflation rate - 0.25%	47,052
Discount rate + 0.50%	45,613
Discount rate - 0.50%	50,017

The average financial duration of the bond is 10 years.

Estimated future amounts are equal to:

Year	Future amounts
In thousands of euros	
1	3,214
2	2,876
3	4,360
4	1,338
5	4,362

28. Current and non-current tax payables *€/000 6,465*

Tax payables totalled €/000 6,465 compared to €/000 7,131 as of 31 December 2014.

In thousands of euros	As of 31 December 2015	As of 31 December 2014	Change
Non-current portion	-	-	-
Current portion:			
Due for income taxes	1,767	2,800	(1,033)
Other tax payables for:			
- VAT	18	-	18
- Taxes withheld at source	4,311	4,048	263
- Duty and tax records to pay	327	261	66
- Stamp duty paid electronically	42	22	20
Total other tax payables	***4,698***	***4,331***	***367***
Total current portion	***6,465***	***7,131***	***(666)***
Total	**6,465**	**7,131**	**(666)**

Current tax payables of €/000 1,767 refer wholly to taxes to pay abroad for income generated abroad, mainly for royalties, technical consultancy services and other services to the subsidiaries Piaggio Vehicles and Piaggio Vietnam.

Payables for regional production tax are entered offset against relative receivables. Regional production tax due for the year amounted to €/000 240. As regards corporate income tax, the Company expects to contribute to the National Consolidated Tax Convention, with a negative taxable amount of €/000 17,210.

Payables for withheld taxes paid refer to the income of employee and outsourced work and commission.

29. Other payables (current and non-current) *€/000 42,799*

Non-current portion In thousands of euros	As of 31 December 2015	As of 31 December 2014	Change
Deferred income	1,234	1,235	(1)
Payables from the fair value measurement of financial instruments	-	231	(231)
Other payables	200	200	0
Total	**1,434**	**1,666**	**(232)**

Current portion In thousands of euros	As of 31 December 2015	As of 31 December 2014	Change
Amounts due to subsidiaries	6,176	10,880	(4,704)
Amounts due to associates	34	119	(85)
Amounts due to parent companies	6,094	5,975	119
Amounts due to employees	9,613	10,470	(857)
Amounts due to social security institutions	5,803	7,742	(1,939)
Amounts due to company boards	271	307	(36)
Amounts due for temporary funding	612	126	486
Amounts due for financial statement assessments	331	265	66
Amounts due to customers	2,951	2,110	841
Payables from the fair value measurement of financial instruments	420	502	(82)
Accrued expenses	3,824	3,969	(145)
Deferred income	671	425	246
Other payables	4,565	4,071	494
Total	**41,365**	**46,961**	**(5,596)**

Other payables included in non-current liabilities totalled €/000 1,434 against €/000 1,666 as of 31 December 2014, whereas other payables included in current liabilities totalled €/000 41,365 compared to €/000 46,961 as of 31 December 2014.
As regards the non-current portion:

- Deferred income comprises €/000 1,150 from grants to recognise in profit or loss in relation to amortisation/depreciation, and €/000 84 for income cashed but relative to other years arising from licence agreements.
- Other payables refer to €/000 200 for the guarantee deposit paid in 1997 by T.N.T. Automotive Logistics S.p.A. to guarantee the payment of termination benefits accrued by employees of the sold company branch concerned with the receipt, packing, storage and distribution of spare parts and accessories.

As regards the current portion:

- payables to parent companies refer to IMMSI S.p.A. and chiefly to tax consolidation;
- amounts due to employees refer to the amount for holidays accrued but not taken of €/000 7,931 and other payments to be made for €/000 1,682;
- contributions of €/000 612 refer to contributions relative to subsidies for research activities not yet acquired;
- amounts due to clients mainly refer to premiums paid for achieving sales targets that will be paid at the end of the reporting period and to credit notes for returns;
- deferred income comprises research subsidies (€/000 472) to recognise in profit or loss in relation to amortisation, royalties (€/000 105), interest receivable on deferred payments of customers (€/000 32) and various services (€/000 62).
- accrued expenses refer to €/000 682 relative to interest expense, €/000 3,027 relative to interest on bonds and €/000 115 relative to various services.

30. Breakdown of operating payables by measurement method

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

	Derivatives at FVPL	Financial derivatives	Liabilities at amortised cost	Total
In thousands of euros				
Non-current liabilities				
Other payables			1,434	1,434
Total non-current liabilities	**-**	**-**	**1,434**	**1,434**
Current liabilities				
Trade payables			246,893	246,893
Tax payables			6,465	6,465
Other payables		420	40,945	41,365
Total current liabilities	**-**	**420**	**294,303**	**294,723**
Total	**-**	**420**	**295,737**	**296,157**

Operating liabilities as of 31 December 2015

Operating liabilities as of 31 December 2014

	Derivatives at FVPL	Financial derivatives	Liabilities at amortised cost	Total
In thousands of euros				
Non-current liabilities				
Other payables		231	1,435	1,666
Total non-current liabilities	**-**	**231**	**1,435**	**1,666**
Current liabilities				
Trade payables			266,143	266,143
Tax payables			7,131	7,131
Other payables		502	46,459	46,961
Total current liabilities	**-**	**502**	**319,733**	**320,235**
Total	**-**	**733**	**321,168**	**321,901**

31. Payables due after 5 years

The company has loans due after 5 years; details are given in Note 36 Financial Liabilities. Apart from these loans, no other long-term payables due after five years have been recorded.

D) Information on financial assets and liabilities

This section provides information on the carrying amount of financial assets and liabilities held, and in particular:

› specifically describes the type of financial assets and liabilities;
› the accounting standards adopted;
› describes how fair value is determined, how measurements and estimates are made, and the uncertainties involved.

The Company holds the following financial assets and liabilities:

Financial assets as of 31 December 2015

	Assets measured at FVPL	Assets measured at FVOCI	Financial derivatives	Assets at amortised cost	Total
In thousands of euros					
Non-current assets					
Other financial assets			20,289	39	20,328
Total non-current assets	**0**	**0**	**20,289**	**39**	**20,328**
Current assets					
Other financial assets				13,403	13,403
Cash and cash equivalents				12,745	12,745
Securities					-
Total current assets	**0**	**0**	**0**	**26,148**	**26,148**
Total	**0**	**0**	**20,289**	**26,187**	**46,476**

Financial assets as of 31 December 2014

	Assets measured at FVPL	Assets measured at FVOCI	Financial derivatives	Assets at amortised cost	Total
In thousands of euros					
Non-current assets					
Other financial assets			13,230	86	13,316
Total non-current assets	**0**	**0**	**13,230**	**86**	**13,316**
Current assets					
Other financial assets				13,669	13,669
Cash and cash equivalents				29,196	29,196
Securities					-
Total current assets	**0**	**0**	**0**	**42,865**	**42,865**
Total	**0**	**0**	**13,230**	**42,951**	**56,181**

Financial liabilities as of 31 December 2015

In thousands of euros	Derivatives at FVPL	Fair value adjustment	Financial derivatives	Liabilities at amortised cost	Total
Non-current liabilities					
Bank borrowings				184,842	184,842
Bonds		19,454		290,139	309,593
Other loans				951	951
Leases					-
Hedging derivatives					-
Total non-current liabilities	**-**	**19,454**	**-**	**475,932**	**495,386**
Current liabilities					
Bank borrowings				29,867	29,867
Other loans				19,837	19,837
Leases					-
Hedging derivatives					-
Total current liabilities	**-**	**-**	**-**	**49,704**	**49,704**
Total	**-**	**19,454**	**-**	**525,636**	**545,090**

Financial liabilities as of 31 December 2014

In thousands of euros	Derivatives at FVPL	Fair value adjustment	Financial derivatives	Liabilities at amortised cost	Total
Non-current liabilities					
Bank borrowings				170,533	170,533
Bonds		12,575		288,369	300,944
Other loans				1,262	1,262
Leases					-
Hedging derivatives					-
Total non-current liabilities	**-**	**12,575**	**-**	**460,164**	**472,739**
Current liabilities					
Bank borrowings				36,655	36,655
Other loans				25,725	25,725
Leases					-
Hedging derivatives					-
Total current liabilities	**-**	**-**	**-**	**62,380**	**62,380**
Total	**-**	**12,575**	**-**	**522,544**	**535,119**

32. Investments *€/000 64,317*

The investments heading comprises:

In thousands of euros	As of 31 December 2015	As of 31 December 2014	Change
Investments in subsidiaries	57,374	57,553	(179)
Investments in associates	6,943	5,927	1,016
Total	**64,317**	**63,480**	**837**

Movements for the period are shown below:

In thousands of euros	Carrying amount as of 31/12/2014	Increases	Reclassifications	Value reinstatement	Write-downs	Carrying amount as of 31/12/2015
Subsidiaries						
Piaggio Vespa B.V.	11,927					11,927
Piaggio Vehicles Pvt Ltd	23,725					23,725
Nacional Motor	1,522	550				2,072
Piaggio Vietnam Co Ltd	1,762					1,762
Piaggio China Ltd	2,046			523		2,569
Aprilia Racing s.r.l.	1,440					1,440
Piaggio España SL	2,721					2,721
Piaggio Indonesia	30				(30)	-
Piaggio Advanced Design Center	158					158
Piaggio Fast Forward Inc.		2,282			(1,722)	560
Piaggio Concept Store Mantova S.r.l.	470				(470)	-
Atlantic 12 FCIIC	11,752				(1,312)	10,440
Total subsidiaries	**57,553**	**2,832**	**0**	**523**	**(3,534)**	**57,374**
Associates						
Zongshen Piaggio Foshan	5,736			1,016		6,752
Pontech Soc. Cons. a.r.l.	181					181
Immsi Audit S.c.a.r.l.	10					10
Fondazione Piaggio onlus	-					-
Total associates	**5,927**	**0**	**0**	**1,016**	**0**	**6,943**
Total investments	**63,480**	**2,832**	**0**	**1,539**	**(3,534)**	**64,317**

Investments in subsidiaries €/000 57,374

Increases for the year refer to €/000 550 relative to the financial receivables waiver in favour of Nacional Motor and €/000 2,282 relative to the establishment of Piaggio Fast Forward.
Following impairment test results, the value of the investment in the subsidiary Piaggio China for €/000 523 was reversed, and investments in Piaggio Indonesia for €/000 30, Piaggio Fast Forward for €/000 1,722, Piaggio Concept Store Mantova for €/000 470 and the Closed Property Mutual Investment Fund Atlantic 12 for €/000 1,312 were reversed.

Investments in Associates €/000 6,943

In compliance with the impairment test, the value of the investment in the affiliate Zongshen Piaggio Foshan Motorcycle for €/000 1,016 was reversed.

33. Other non-current financial assets *€/000 20,328*

	As of 31 December 2015	As of 31 December 2014	Change
In thousands of euros			
Fair value of hedging derivatives	20,289	13,230	7,059
Investments in other companies	39	86	(47)
Total	**20,328**	**13,316**	**7,012**

The item "*Fair value of hedging derivatives*" refers to the fair value of the Cross Currency Swap on the private debenture loan, of which details are given in section 38.

The table below shows the composition of investments in other companies:

Other companies	As of 31 December 2015	As of 31 December 2014	Change
In thousands of euros			
A.N.C.M.A. – Rome	2	2	-
GEOFOR S.p.A. – Pontedera	0	47	(47)
ECOFOR SERVICE S.p.A. – Pontedera	2	2	-
Mitsuba Italia S.p.A.			-
Consorzio Fiat Media Center – Turin	3	3	-
S.C.P.S.T.V.	21	21	-
IVM	11	11	-
Total other companies	**39**	**86**	**(47)**

During the year, the investment in Geofor S.p.A. Pontedera was sold, realising a capital gain of €/000 23 recognised as "*Income from investments*".

34. Other current financial assets *€/000 13,403*

This item comprises:

	As of 31 December 2015	As of 31 December 2014	Change
In thousands of euros			
Financial receivables due from third parties			-
Financial receivables due from subsidiaries	13,403	13,669	(266)
Total	**13,403**	**13,669**	**(266)**

The item *Financial receivables* due from subsidiaries refers to loans to Nacional Motor for €/000 5,939, to Piaggio Vehicles Private Limited for €/000 5,000, to Piaggio Concept Store Mantova for €/000 2,462 and Aprilia Racing per €/000 2.

35. Cash and cash equivalents *€/000 12,745*

This item mainly includes short-term or on demand bank deposits.
Cash and cash equivalents totalled €/000 12,745 against €/000 29,196 as of 31 December 2014, as detailed below:

	As of 31 December 2015	As of 31 December 2014	Change
In thousands of euros			
Bank and post office deposits	12,720	29,167	(16,447)
Cash and assets in hand	25	29	(4)
Total	**12,745**	**29,196**	**(16,451)**

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

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

	As of 31 December 2015	As of 31 December 2014	Change
In thousands of euros			
Cash and cash equivalents	12,745	29,196	(16,451)
Current account overdrafts	(53)	(1,780)	1,727
Closing balance	**12,692**	**27,416**	**(14,724)**

36. Current and non-current financial liabilities *€/000 545,090*

In 2015, overall debt increased by €/000 10,271, from €/000 534,819 to €/000 545,090. Total financial debt in 2015, net of the fair value measurement of financial derivatives to hedge foreign exchange risk and interest rate risk of €/000 19,454, increased by €/000 3,092.

	Financial liabilities as of 31 December 2015			Financial liabilities as of 31 December 2014			Change		
	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total
In thousands of euros									
Gross financial debt	49,704	475,932	525,636	62,380	460,164	522,544	(12,676)	15,768	3,092
Fair Value of hedging derivatives		19,454	19,454		12,275	12,275		7,179	7,179
Total	**49,704**	**495,386**	**545,090**	**62,380**	**472,439**	**534,819**	**(12,676)**	**22,947**	**10,271**

This increase is due to repayments, using available resources, of financial payables due, offset by new loans granted.

Total net financial debt went up from €/000 479,679 as of 31 December 2014 to €/000 499,488 as of 31 December 2015, with an increase of €/000 19,809.

	As of 31 December 2015	As of 31 December 2014	Change
In thousands of euros			
Liquidity	**12,745**	**29,196**	**(16,451)**
Short-term financial receivables due from subsidiaries	13,403	13,669	(266)
Current financial receivables	**13,403**	**13,669**	**(266)**
Current account overdrafts	(53)	(1,780)	1,727
Current portion of bank borrowings	(29,814)	(34,875)	5,061
Amounts due to factoring companies	(15,320)	(20,744)	5,424
Current portion of payables due to other lenders	(312)	(1,125)	813
Borrowings from subsidiaries	(4,205)	(3,856)	(349)
Current financial debt	**(49,704)**	**(62,380)**	**12,676**
Net current financial debt	**(23,556)**	**(19,515)**	**(4,041)**
Payables due to banks and lenders	(184,842)	(170,533)	(14,309)
Debenture loan	(290,139)	(288,369)	(1,770)
Amounts due to other lenders	(951)	(1,262)	311
Non-current financial debt	**(475,932)**	**(460,164)**	**(15,768)**
Net financial debt[42]	**(499,488)**	**(479,679)**	**(19,809)**

42) Pursuant to Consob Communication of 28 July 2006 and in compliance with the recommendation of the CESR of 10 February 2005 "Recommendation for the consistent implementation of the European Commission's Regulation on Prospectuses". The indicator does not include financial assets and liabilities arising from the fair value measurement of financial derivatives used as hedging and the fair value adjustment of relative hedged items equal to €/000 19,454 and relative accruals.

The tables below show the composition of financial debt as of 31 December 2015 and 31 December 2014, as well as movements for the year.

	Book value as of 31.12.2014	Repayments	New issues	Reclassification to the current portion	Other changes	Book value as of 31.12.2015
In thousands of euros						
Non-current portion:						
Bank borrowings	170,533	0	43,591	(29,814)	532	184,842
Bonds	288,369				1,770	290,139
Other medium-/long-term loans:						
of which amounts due to other lenders	*1,262*			*(311)*		*951*
Total other loans	1,262	0	0	(311)	0	951
Total	**460,164**	**0**	**43,591**	**(30,125)**	**2,302**	**475,932**

	Book value as of 31.12.2014	Repayments	New issues	Reclassification from the non-current portion	Other changes	Book value as of 31.12.2015
In thousands of euros						
Current portion:						
Current account overdrafts	1,780	(1,727)				53
Payables due to subsidiaries	3,856		349			4,205
Payables due to factoring companies	20,744	(5,424)				15,320
Current portion of medium-/long-term loans:						
of which due to banks	*34,875*	*(34,875)*		*29,814*		*29,814*
of which amounts due to other lenders	*1,125*	*(1,124)*		*311*		*312*
Total other loans	36,000	(35,999)	0	30,125	0	30,126
Total	**62,380**	**(43,150)**	**349**	**30,125**	**0**	**49,704**

The breakdown of the debt is as follows:

	Accounting balance as of 31.12.2015	Accounting balance as of 31.12.2014	Nominal value as of 31.12.2015	Nominal value as of 31.12.2014
In thousands of euros				
Bank borrowings	214,709	207,188	216,499	209,511
Bonds	290,139	288,369	301,799	301,799
Borrowings from subsidiaries	4,205	3,856	4,205	3,856
Other medium-/long-term loans:				
of which amounts due to other lenders	*16,583*	*23,131*	*16,583*	*23,131*
Total other loans	16,583	23,131	16,583	23,131
Total	**525,636**	**522,544**	**539,086**	**538,297**

The table below shows the debt servicing schedule as of 31 December 2015:

	Nominal value as of 31.12.2015	Amounts falling due within 12 months	Amounts falling due after 12 months	Amounts falling due in				
				2017	2018	2019	2020	Beyond
In thousands of euros								
Bank borrowings	216,499	29,885	186,614	58,396	87,901	40,177	93	47
Bonds	301,799		301,799	9,669	9,669	10,360	11,051	261,050
of which amounts due to subsidiaries	*4,205*	*4,205*						
Other medium/long-term bank loans								
of which amounts due to other lenders	*16,583*	*15,632*	*951*	*314*	*317*	*320*		
Total other loans	16,583	15,632	951	314	317	320		
Total	**539,086**	**45,517**	**489,364**	**68,379**	**97,887**	**50,857**	**11,144**	**261,097**

The financial debt consisted of loans and debenture loans contracted primarily in euro; the only financial liability in currency consisted of the private debenture loan (US Private Placement), also covered by a cross currency swap as described in detail below.
Medium and long-term bank debt amounts to €/000 214,656 (of which €/000 184,842 non-current and €/000 29,814 current) and consists of the following loans:

- a €/000 10,714 medium-term loan from the European Investment Bank to finance Research & Development investments planned for the 2009-2012 period. The loan will fall due in February 2016 and has an initial amortisation quota of 14 six-monthly instalments to be repaid at a variable rate equal to the six-month Euribor plus a spread of 1.323%. Contract terms require covenants (described below). An Interest Rate Swap has been taken out on this loan to hedge the interest rate risk;
- a €/000 43,636 medium-term loan from the European Investment Bank to finance Research &

Development investments planned for the 2013-2015 period. The loan will fall due in December 2019 and has an amortisation quota of 11 six-monthly instalments at a fixed rate of 2.723%. Contract terms require covenants (described below);
- a €/000 113,271 (of the nominal value of €/000 115,000) syndicated loan agreement signed in July 2014 for €/000 220,000 and increased in April 2015 by €/000 30,000. This overall loan of €/000 250,000 comprises a €/000 175,000 four-year tranche as a revolving credit line of which a nominal value of €/000 40,000 had been used at 31 December 2015 and a tranche as a five-year loan with amortisation of €/000 75,000 which has been wholly disbursed. Contract terms require covenants (described below);
- a €/000 19,992 (nominal value of €/000 20,000) loan granted by Banco Popolare and signed in July 2015 of €/000 20,000. This loan comprises a tranche maturing in January 2017 of €/000 10,000 granted as a revolving credit line of which a nominal value of €/000 10,000 had been used at 31 December 2015 and a tranche as a three-year loan with amortisation of €/000 10,000 which has been wholly disbursed;
- a €/000 24,947 (of the nominal value of €/000 25,000) medium-term loan granted by Banca Popolare Emilia Romagna in June 2015. The loan matures on 5 June 2019 and will be repaid with an amortisation plan with six-monthly instalments as from 31 December 2016;
- €/000 1,796 of loans from various banks pursuant to Italian Law no. 346/88 on subsidised applied research;
- a €/000 300 eight-year subsidised loan from ICCREA in December 2008 granted under Italian Law 100/90.

All the above financial liabilities are unsecured.

The item *Bonds* for €/000 290,139 (nominal value of €/000 301,799) refers to:
- €/000 51,569 (nominal value of €/000 51,799) related to a private debenture loan (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 with fixed annual nominal rate of 6.50%. As of 31 December 2015 the fair value measurement of the debenture loan was equal to €/000 71,253 (the fair value is determined based on IFRS relative to fair value hedging). A Cross Currency Swap has been taken out on this debenture loan to hedge the exchange risk and interest rate risk;
- €/000 238,570 (nominal value of €/000 250,000) related to a high-yield debenture loan issued on 24 April 2014 for a nominal amount of €/000 250,000, maturing on 30 April 2021 and with a semi-annual coupon with fixed annual nominal rate of 4.625%. Standard & Poor's and Moody's assigned a B+ rating with a stable outlook and a B1 rating with a stable outlook respectively.

The Company may pay back the amount of the High Yield debenture loan issued on 24 April 2014, early, in full or in part, under the conditions indicated in the indenture. The value of prepayment options was not deducted from the original contract, as these are considered as being closely related to the host instrument, as provided for by IAS 39 AG30 g).

Medium-/long-term payables due to other lenders equal to €/000 1,263 of which €/000 951 due after the year and €/000 312 as the current portion, refer to subsidised loans provided by the Italian Ministry of Economic Development and Italian Ministry of Education, University and Research using regulations to encourage exports and investments in research and development.

Financial advances received from factoring companies and banks, on the sale of trade receivables with recourse, totalled €/000 15,320.

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 transactions the company may carry out.

The measurement of financial covenants and other contract commitments is monitored by the Company on an ongoing basis. According to results as of 31 December 2015, all covenants had been fully met.
The high-yield debenture loan issued by the company in April 2014 requires compliance with typical covenants of international high-yield market practices. In particular, the company must observe the EBITDA/Net borrowing costs index, based on the threshold established in the Prospectus, to increase financial debt defined during issue. In addition, the Prospectus includes some obligations for the issuer, which limit, inter alia, the capacity to:
1. pay dividends or distribute capital;
2. make some payments;
3. grant collaterals for loans;
4. merge with or establish some companies;
5. sell or transfer own assets.

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

Amortised Cost and Fair Value Measurement

All financial liabilities are measured in accordance with accounting standards and based on the amortised cost method (except for liabilities with hedging derivatives measured at Fair Value Through Profit & Loss, for which the same measurement criteria used for the derivative are applied). According to this method, the nominal amount of the liability is decreased by the amount of relative costs of issue and/or stipulation, in addition to any costs relating to refinancing of previous liabilities. The amortisation of these costs is determined on an effective interest rate basis, and namely the rate which discounts the future flows of interest payable and reimbursements of principle at the net carrying amount of the financial liability.
IFRS 13 – *Fair Value Measurement* defines fair value on the basis of the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In the absence of an active market or market that does not operate regularly, fair value is measured by valuation techniques. The standard defines a fair value hierarchy:
- level 1 – quoted prices in active markets for assets or liabilities measured;
- level 2 – inputs other than quoted prices included within Level 1 that are observable directly (prices) or indirectly (derived from prices) on the market;
- level 3 – inputs not based on observable market data.

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

The table below shows the fair value of payables measured using the amortised cost method as of 31 December 2015:

In thousands of euros	Nominal value	Carrying amount	Fair Value[43]
High yield debenture loan	250,000	238,570	256,690
Private debenture loan	51,799	51,569	71,618
EIB (R&D loan 2013-2015)	43,636	43,636	42,979
Credit line from B. Pop. Emilia Romagna	25,000	24,947	24,291
Loan from Banco Popolare	10,000	9,992	8,214
Revolving syndicated loan	40,000	38,852	38,201
Syndicated loan maturing in July 2019	75,000	74,419	52,644

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

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

Fair value hierarchy

The table below shows the assets and liabilities measured and recognised at fair value as of 31 December 2015, by hierarchical level of fair value measurement.

In thousands of euros	Level 1	Level 2	Level 3
Assets measured at fair value			
Hedging financial derivatives			
of which financial assets		*20,289*	
of which other receivables		*647*	
Investments in other companies			39
Total		**20,936**	**39**
Liabilities measured at fair value			
Hedging financial derivatives			
of which other payables		*(420)*	
Financial liabilities at fair value recognised through profit or loss		(71,253)	
Total		**(71,673)**	

The following tables show Level 2 and Level 3 changes during 2015:

In thousands of euros	Level 2
Net balance of liabilities as of 31 December 2014	(50,881)
Gain (loss) recognised in profit or loss	514
Increases/(Decreases)	(370)
Net balance of liabilities as of 31 December 2015	**(50,737)**

In thousands of euros	Level 3
Balance of assets as of 31 December 2014	86
Gain (loss) recognised in profit or loss	
Increases/(Decreases)	(47)
Balance of assets as of 31 December 2015	**39**

E) Management of financial risk

This section describes all financial risks to which the Company is exposed and how these risks could affect future results.

37. Credit risk

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

	As of 31 December 2015	As of 31 December 2014
In thousands of euros		
Liquid assets	12,745	29,196
Financial receivables	13,403	13,669
Trade receivables	57,244	74,669
Tax receivables	6,576	4,159
Other receivables	94,256	85,966
Total	**184,224**	**207,659**

The Company monitors or manages credit centrally by using established policies and guidelines. The portfolio of trade receivables shows no signs of concentrated credit risk in light of the broad distribution of our licensee or distributor network. In addition, most trade receivables are short-term. In order to optimise credit management, the Company has established revolving programmes with some primary factoring companies for selling its trade receivables without recourse.

38. Financial risks

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

Liquidity risk and capital management
The liquidity risk arises from the possibility that available financial resources are not sufficient to cover, in due times and procedures, future payments arising from financial and/or commercial obligations. To deal with this risk, cash flows and the Company's credit line needs are monitored or managed centrally under the control of the Treasury in order to guarantee an effective and efficient management of financial resources as well as optimise the debt's maturity standpoint.
In addition, the Company finances the temporary cash requirements of subsidiaries by providing direct short-term loans regulated in market conditions or guarantees. A cash pooling zero balance system is used between the Company and European companies to reset the receivable and payable balances of subsidiaries on a daily basis, for a more effective and efficient management of liquidity in the Eurozone.
As of 31 December 2015 the most important sources of financing irrevocable until maturity granted to the Company were as follows:
› a debenture loan of €/000 250,000 maturing in April 2021;
› a debenture loan of $/000 75,000 maturing in July 2021;
› a credit line of €/000 250,000 comprising a Revolving Credit Facility of €/000 175,000 maturing in July 2018 and a loan of €/000 75,000 maturing in July 2019;
› a revolving credit facility of €/000 10,000 maturing in January 2017;
› a loan of €/000 10,000 maturing in December 2018;

› a loan of €/000 25,000 maturing in June 2019;
› a loan of €/000 10,714 maturing in February 2016;
› a loan of €/000 43,636 maturing in December 2019;
› a loan of €/000 70,000 maturing in 2023[44].

44) Undersigned on 3 December 2015 and not used at the end of the reporting period.

As of 31 December 2015, the Company had a liquidity of €/000 12,745, €/000 205,000 of undrawn credit lines irrevocable to maturity and €/000 93,436 of revocable credit lines, as detailed below:

	As of 31 December 2015	As of 31 December 2014
In thousands of euros		
Variable rate with maturity within one year - irrevocable until maturity		20,000
Variable rate with maturity beyond one year - irrevocable until maturity	205,000	104,000
Variable rate with maturity within one year - cash revocable	74,436	58,835
Variable rate with maturity within one year - with revocation for self-liquidating typologies	19,000	19,000
Total	**298,436**	**201,835**

The table below shows the timing of future payments in relation to trade payables:

	As of 31 December 2015	Within 30 days	Between 31 and 60 days	Between 61 and 90 days	Over 90 days
In thousands of euros					
Amounts due to suppliers	227,139	133,433	62,622	3,796	27,288
Amounts due to subsidiaries	9,918	7,239	2,669	-	10
Amounts due to associates	9,067	4,187	2,329	606	1,945
Amounts due to parent companies	769	749	-	20	-
Trade payables due to other related parties	-	-	-	-	-
Total trade payables	**246,893**	**145,608**	**67,620**	**4,422**	**29,243**

Management considers that currently available funds, as well as funds that will be generated from operations and loans, will enable the Company to meets its requirements relative to investments, the management of working capital and repayment of loans on expiry and will ensure an adequate level of operating and strategic flexibility.

Exchange Risk

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

› ***the transaction exchange risk:*** the policy wholly covers this risk which arises from differences between the recognition exchange rate of receivables or payables in foreign currency in the financial statements and the recognition exchange rate of actual collection or payment. To cover this type of exchange risk, the exposure is naturally offset in the first place (netting between sales and purchases in the same currency) and if necessary, by signing currency future derivatives, as well as advances of receivables denominated in currency;
› ***the economic exchange risk:*** arises from changes in company profitability in relation to annual figures planned in the economic budget on the basis of a reference change (the "budget change") and is covered by derivatives. The items of these hedging operations are therefore represented by foreign costs and revenues forecast by the sales and purchases budget. The total of forecast costs and revenues is processed monthly and relative hedging is positioned exactly on the average weighted

date of the economic event, recalculated based on historical criteria. The economic occurrence of future receivables and payables will occur during the budget year.

At the end of the reporting period, the Company's exposure to exchange risk was as follows:

Financial assets
as of 31 December 2015

	USD	GBP	CNY	YEN	SGD	CAD	SEK	Total
In thousands of euros								
Non-current assets								
Financial receivables								-
Fair value of derivatives								-
Total non-current assets	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Current assets								
Trade receivables	6,648	(137)	299	1,116	51	392	212	8,581
Fair value of derivatives								-
Other financial assets								-
Bank and post office deposits	1,184	280	137	389	1	36	91	2,118
Securities								-
Total current assets	**7,832**	**143**	**436**	**1,505**	**52**	**428**	**303**	**10,699**
Total	**7,832**	**143**	**436**	**1,505**	**52**	**428**	**303**	**10,699**

At the end of the reporting period, the Company had no financial liabilities in currency subject to exchange risk.

Cash flow hedging

As of 31 December 2015, the Group had undertaken the following futures operations (recognised based on the regulation date), relative to payables and receivables already recognised to hedge the transaction exchange risk:

Operation	Currency	Amount in local currency	Value in euro (forward exchange rate)	Average maturity
		In thousands	In thousands	
Purchase	CNY	58,700	8,315	29/01/2016
Purchase	JPY	225,000	1,700	13/01/2016
Purchase	SEK	1,000	109	29/02/2016
Purchase	USD	11,500	10,575	21/01/2016
Sale	CAD	640	434	29/01/2016
Sale	CNY	11,900	1,652	15/01/2016
Sale	GBP	650	879	30/03/2016
Sale	INR	506,000	6,969	10/01/2016
Sale	USD	5,650	5,151	29/01/2016

As of 31 December 2015, the Company had undertaken the following transactions to hedge the business exchange risk:

Operation	Currency	Amount in local currency	Value in euro (forward exchange rate)	Average maturity
		In thousands	In thousands	
Purchase	CNY	254,700	35,462	02/06/2016
Sale	GBP	7,240	10,516	19/06/2016

To hedge the economic exchange risk alone, cash flow hedging is adopted with the effective portion of profits and losses recognised in a specific shareholders' equity reserve. Fair value is determined based on market quotations provided by main traders.
As of 31 December 2015 the total fair value of hedging instruments for the economic exchange risk recognised on a hedge accounting basis was positive by €/000 285. During 2015, gains under other components of the Statement of Comprehensive Income were recognised amounting to €/000 285 and profits from other components of the Statement of Comprehensive Income amounting to €/000 656 were reclassified under profit/loss for the period.
The net balance of cash flows during 2015 is shown below, divided by main currency:

Cash Flow	2015
In millions of euros	
Canadian Dollar	4.4
Pound Sterling	26.4
Japanese Yen	(6.8)
US Dollar	18.2
Chinese Yuan[45]	(36.2)
Total cash flow in foreign currency	**6.1**

45) *Cash flow partially in euro*

In view of the above, an assumed appreciation/depreciation of 3% of the Euro would have generated potential losses for €/000 177 and potential profits for €/000 188 respectively.

Interest rate risk

This risk arises from fluctuating interest rates and the impact this may have on future cash flows arising from variable rate financial assets and liabilities. The Company regularly measures and controls its exposure to the risk of interest rate changes, as established by its management policies, in order to reduce fluctuating borrowing costs, and limit the risk of a potential increase in interest rates. This objective is achieved through an adequate mix of fixed and variable rate exposure, and the use of derivatives, mainly interest rate swaps and cross currency swaps.
As of 31 December 2015, the following hedging derivatives were in use:

Hedging of financial flows (cash flow hedging)

› *an interest rate swap* to hedge a variable rate loan for a nominal amount of €/000 117,857 (as of 31 December 2015 for €/000 10,714) granted by the European Investment Bank. The structure has fixed step-up rates, in order to stabilise financial flows associated with the loan; 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 31 December 2015, the fair value of the instrument was negative by €/000 59; the sensitivity analysis of the instrument, assuming a 1% increase and decrease in the shift of the variable rates curve, shows a potential impact on Shareholders' Equity, net of the relative tax effect, which was negligible.

Derivatives for fair value hedging

› *a Cross Currency Swap* to hedge the private debenture loan issued by the 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 31 December 2015, the fair value of the instrument was equal to €/000 20,289. The net economic effect arising from the measurement of the instrument and underlying private debenture loan was equal to €/000 -120; the sensitivity analysis of the instrument and its underlying, assuming a 1% increase and decrease in the shift of the variable rates curve, showed a potential impact on the Income Statement, net of the related tax effect, of €/000 78 and €/000 -74 respectively, assuming constant exchange rates; whereas assuming a 1% reversal and write-down of exchange rates, sensitivity analysis identified a potential impact on the income statement, net of the relative tax effect, of €/000 -35 and €/000 37 respectively.

	Fair Value
In thousands of euros	
Interest Rate Swap	(59)
Cross Currency Swap	20,289

F) Information on shareholders' equity

39. Share capital and reserves €/000 320,321

Share capital €/000 207,614

During the year, the share capital of Piaggio & C. did not change.
On 23 April 2015 the new composition of share capital of Piaggio & C. S.p.A (fully subscribed and paid up) was registered with the relative Companies Register, following the annulment of 2,466,500 treasury shares without any change to the share capital, resolved by the Extraordinary Shareholders' Meeting of 13 April 2015.
Therefore, as of 31 December 2015, the share capital of Piaggio & C., fully subscribed and paid up, was equal to € 207,613,944.37, divided into 361,208,380 ordinary shares.
On 14 December 2015, the Company acquired 16,000 treasury shares at the average price of € 2.1285 euro per share, for a total value of € 34,056 euro.
Following purchases made as of 31 December 2015, Piaggio & C. S.p.A. held 16,000 treasury shares, equal to 0.0044% of the share capital.

Shares in circulation and treasury shares	2015	2014
no. of shares		
Situation as of 1 January		
Shares issued	363,674,880	360,894,880
Treasury shares in portfolio	2,466,500	839,669
Shares in circulation	361,208,380	360,055,211
Movements for the period		
Exercise of stock options		2,780,000
Cancellation of treasury shares	(2,466,500)	
Purchase of treasury shares	16,000	1,826,831
Sale of treasury shares to exercise stock options		(200,000)
Situation as of 31 December		
Shares issued	361,208,380	363,674,880
Treasury shares in portfolio	16,000	2,466,500
Shares in circulation	361,192,380	361,208,380

In the first few months of 2016, the Company acquired 1,880,000 treasury shares. Therefore at the time of going to press, Piaggio & C. S.p.A. held 1,896,000 treasury shares, equal to 0.525% of the share capital.

Share premium reserve €/000 7,171

The share premium reserve as of 31 December 2015 had not changed.

Legal reserve €/000 17,643

The legal reserve increased by €/000 741 as a result of the allocation of earnings for the last period.

Other reserves €/000 11,001

This item consists of:

	As of 31 December 2015	As of 31 December 2014	Change
In thousands of euros			
Net capital gain from contribution	152	152	0
Financial instruments' fair value reserve	(586)	(830)	244
IFRS transition reserve	11,435	11,435	0
Total other provisions	**11,001**	**10,757**	**244**

The financial instruments fair value provision is negative and refers to the effects of cash flow hedge accounting in foreign currencies and interest. These transactions are described in full in the note on financial instruments.
As of 31 December 2014 this valuation was negative, amounting to €/000 830.

Dividends paid and proposed €/000 26,007

The Shareholders Meeting of Piaggio & C. S.p.A. of 13 April 2015 resolved to distribute a dividend of 7.2 eurocents per ordinary share. During 2014, dividends were not distributed.

	Total amount		Dividend per share	
	2015	2014	2015	2014
In thousands of euros				
Authorised and paid	26,007	-	0.072	-

Earnings reserve €/000 76,892

As the stock plan has terminated, the relative reserve was included under Earnings reserves.

The breakdown of Earnings reserve as of 31 December 2015 is shown in the following table:

	As of 31 December 2015
In thousands of euros	
Earnings reserve gross of treasury shares	76,926
Treasury shares	(34)
Total Earnings reserve	**76,892**
Of which:	
Retained earnings (losses carried forward)	61,834
Profit (loss) for the period	15,058

Individual items of Shareholders' equity are analytically presented in the table below, based on origin, availability and use in the three previous years.

Type/description	Amount	Possible use	Portion available	2014 uses to cover losses
In thousands of euros				
Share capital	207,614			
Capital reserves:				
Share premium	7,171	A,B,C[46]	7,171	
Profit reserves:				
Legal reserve	17,643	B	---	
Net capital gain from contribution	152	A,B		
IAS transition reserve	11,435	A,B,C	11,435	
Financial instruments' fair value reserve	(586)			
Total Reserves	*35,815*		*18,606*	
Treasury shares	(34)			
Retained earnings (losses)	54,057			1,649
Stock option reserve	13,385			
Reserve for actuarial gains (losses) relative to termination benefit	(5,574)			
Total retained earnings (losses)	*61,834*	*A,B,C*		*1,649*
Profits (losses) for the period	15,058			
Total shareholders' equity	**320,321**			

Key:
A: to increase capital
B: to cover losses
C: to allocate to shareholders

46) Wholly available to increase capital and cover losses. For other uses prior adjustment (also by transfer from the share premium reserve) of the legal reserve to 20% of the Share Capital is necessary. As of 31 December 2015 this adjustment would be equal to €/000 23,880.

Pursuant to article 2426 section 5 of the Italian Civil Code, shareholders' equity is not available for the value of development costs still to be amortised as of 31 December 2015 that amount to €/000 70,409.

40. Other Comprehensive Income (expense) *€/000 2,325*

The value of other components of the Statement of Comprehensive Income is broken down as follows:

	Reserve for measurement of financial instruments	Earnings reserve	Total other comprehensive income (expense)
In thousands of euros			
As of 31 December 2015			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit plans		2,080	2,080
Total	**0**	**2,080**	**2,080**
Items that may be reclassified to profit or loss			
Total income (losses) for the fair value adjustment of financial assets available for sale			0
Total profits (losses) on cash flow hedges	245		245
Total	**245**	**0**	**245**
Other Comprehensive Income (Expense)	**245**	**2,080**	**2,325**
As of 31 December 2014			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit plans		(5,159)	(5,159)
Total	**0**	**(5,159)**	**(5,159)**
Items that may be reclassified to profit or loss			
Total income (losses) for the fair value adjustment of financial assets available for sale			0
Total profits (losses) on cash flow hedges	735		735
Total	**735**	**0**	**735**
Other Comprehensive Income (Expense)	**735**	**(5,159)**	**(4,424)**

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

	As of 31 December 2015			As of 31 December 2014		
	Gross value	*Tax (expense) / benefit*	*Net value*	*Gross value*	*Tax (expense) / benefit*	*Net value*
In thousands of euros						
Remeasurements of defined benefit plans	2,942	(862)	2,080	(7,116)	1,957	(5,159)
Total profits (losses) on cash flow hedges	419	(174)	245	1,050	(315)	735
Other Comprehensive Income (Expense)	**3,361**	**(1,036)**	**2,325**	**(6,066)**	**1,642**	**(4,424)**

G) Other information

41. Share-based incentive plans

As of 31 December 2015, there were no incentive plans based on financial instruments.

42. Fees for Directors, Statutory Auditors and Key Managers

For a complete description and analysis of fees of Directors, Statutory Auditors and Key Managers, reference is made to the remuneration report available from the registered office, and on the Company's website in the section "Governance".

	2015
In thousands of euros	
Directors	1,694
Statutory auditors	201
Key Managers	422
Total fees	**2,317**

43. Information on related parties

Revenues, costs, payables and receivables as of 31 December 2015 involving parent companies, subsidiaries and associates refer to the sale of goods or services which are a part of normal operations of the Group.
Transactions are carried out at normal market values, depending on the characteristics of the goods and services provided.
The information on transactions with related parties, including information required by Consob in its communication of 28 July 2006 DEM/6664293, is given in the notes to the Consolidated Financial Statements and notes to the separate Financial Statements.
The procedure for transactions with related parties, pursuant to article 4 of Consob Regulation no. 17221 of 12 March 2010 as amended, approved by the Board on 30 September 2010, is published on the institutional site of the Issuer www.piaggiogroup.com, under *Governance*.

Relations with Parent Companies

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

Designation	Registered office	Type	% of ownership	
			2015	2014
IMMSI S.p.A.	Mantova - Italy	Direct parent company	50.0621	50.2450
Omniaholding S.p.A.	Mantova - Italy	Final parent company	0.0277	0.0275

During 2015, transactions on the shares of parent companies were not carried out directly or indirectly.
Piaggio & C. S.p.A. is subject to the management and coordination of IMMSI S.p.A. pursuant to article 2497 et seq. of the Italian Civil Code. During the period, this management and coordination concerned the following activities:

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

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

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

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

In 2013, for a further three years, the Parent Company signed up to the National Consolidated Tax Mechanism pursuant to articles 117-129 of the Consolidated Income Tax Act (T.U.I.R) of which IMMSI S.p.A. is the consolidating company, and to whom other IMMSI Group companies report to. The consolidating company determines a single global income equal to the algebraic sum of taxable amounts (income or loss) realised by individual companies that opt for this type of group taxation.

The consolidating company recognises a receivable from the consolidated company which is equal to the corporate tax to be paid on the taxable income transferred by the latter. Whereas, in the case of companies reporting tax losses, the consolidating company recognises a payable related to corporate tax on the portion of loss actually used to determine global overall income. Under the National Consolidated Tax Mechanism, companies may, pursuant to Article 96 of Presidential Decree no. 917/86, allocate the excess of interest payable which is not deductible to one of the companies so that, up to the excess of Gross Operating Income produced in the same tax period by other subjects party to the consolidation (or, in the presence of specific legal requirements, from foreign companies), the amount may be used to reduce the total income of the group.

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

Omniaholding S.p.A. has undersigned Piaggio & C. bonds for a value of € 2.9 million on the financial market, and collected related interest.

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

Transactions with Piaggio Group companies

The main intercompany relations with subsidiaries refer to the following transactions:

Piaggio & C. S.p.A

› sells vehicles, spare parts and accessories to sell on respective markets, to:
  - Piaggio Hrvatska
  - Piaggio Hellas
  - Piaggio Group Americas
  - Piaggio Vehicles Private Limited
  - Piaggio Vietnam
  - Piaggio Concept Store Mantova

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

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

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

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

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

› purchases vehicles, spare parts and accessories from:
  - Piaggio Vehicles Private Limited
  - Piaggio Vietnam

› receives a vehicle, spare parts and accessories distribution service on respective markets from:
  - Piaggio Hrvatska
  - Piaggio Hellas
  - Piaggio Group Americas
  - Piaggio Vehicles Private Limited
  - Piaggio Vietnam

› receives a sales promotion service and after-sales services on respective markets from:
  - Piaggio France
  - Piaggio Deutschland
  - Piaggio Limited
  - Piaggio Espana
  - Piaggio Vespa

› receives a components and vehicles design/development service and a local supplier scouting service from Foshan Piaggio Vehicles Technologies R&D;

› receives a vehicle and components research/design/development service from Piaggio Advanced Design Center;

› receives a racing team management service and vehicle design service from Aprilia Racing;

› rents property from Atlantic 12;

› receives administration services from Piaggio China.

Relations between Piaggio & C. S.p.A. and JV Zongshen Piaggio Foshan Motorcycle Co. Ltd

Main intercompany relations between Piaggio & C S.p.A. and JV Zongshen Piaggio Foshan Motorcycle Co. Ltd, refer to the following transactions:

Piaggio & C. S.p.A

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

Zongshen Piaggio Foshan Motorcycle Co. Ltd

› sells vehicles, spare parts and accessories, which it has manufactured in some cases, to Piaggio & C. S.p.A. for subsequent sale.

The table below summarises relations described above and financial relations with parent companies, subsidiaries and associates as of 31 December 2015 and relations during the year, as well as their overall impact on financial statement items.

	Revenues from sales	Costs for materials	Costs for services, leases and rentals	Employee costs	Other operating income	Other operating costs	Financial income	Borrowing costs	Taxes	Other receivables due after one year	Trade receivables	Other receivables due within one year	Financial receivables	Financial payables due after one year	Financial payables due within one year	Trade payables	Other payables due within one year
In thousands of euros																	
Piaggio France			6,380		294	1						95				820	2,179
Piaggio Deutschland			4,180		160						29	62				657	156
Piaggio Limited			3,025		84						7	122				423	
Piaggio Hrvatska Doo	1,823		17		35			3			1	10				3	
Piaggio Hellas	15,804	978	469		250	11					7	113				57	
Piaggio Group Americas Inc.	46,215		320		1,092			3			4,287	274				9	
Piaggio Asia Pacific Ltd					321						0	165				6	21
Piaggio Vehicles Pvt.	246	11,005	382		14,421	39	194				633	11,991	5,000			2,733	110
Nacional Motor							65				0	50	5,939				
Atlantic 12			648		118						0	104				593	
Piaggio España			4,132	28	93	4					942	243				886	1,251
Piaggio Vespa			2,798		107	620					13	21,089				283	2,233
Zongshen Piaggio Foshan Motorcycle Co.	279	24,020			503	19		23			924	873				9,067	4
Piaggio Fast Forward					538							537					
Is Molas Resort			37														
Fondazione Piaggio			30							152							30
IMMSI S.p.A.			2,625		50	14			(534)			7,838				729	6,086
IMMSI Audit			850		38						14	47					
Piaggio China			9														
Piaggio Group Japan					423							158					
Piaggio Vietnam Co.	29,437	20,399	155	0	22,408	43					10,798	30,745				2,460	162
Aprilia Racing	485	5	15,239	14	1,428	19	4	4			30	1,844	2		4,205	566	
PT Piaggio Indonesia					1,089						0	244					71
Foshan Piaggio Vehicles Technology R&D Co. Ltd			1,720		240						29	258				308	
Piaggio Advanced Design Center			322		0						0	99				55	
Piaggio Concept Store Mantova	1,055		45		222		88				713	93	2,462			58	
Omniaholding			64		1			134						2,900		39	
Total	95,344	56,407	43,449	42	43,915	770	352	167	(534)	152	18,428	77,052	13,403	2,900	4,205	19,754	12,304
% of accounting item	12.8%	13.0%	23.8%	0.0%	38.8%	4.9%	50.0%	0.6%	36.8%	5.4%	32.2%	84.3%	100.0%	0.6%	8.5%	8.0%	29.7%

44. Contract commitments and guarantees

Contract commitments of the Company are summarised based on their expiry

	In 1 year	Between 2 and 5 years	After 5 years	Total
In thousands of euros				
Operating leases	2,494	5,857	414	**8,765**
Other commitments	14,460	11,480	-	**25,940**
Total	**16,954**	**17,337**	**414**	**34,705**

The main guarantees issued by banks on behalf of Piaggio & C. S.p.A in favour of subsidiaries and third parties are listed below:

Type	Amount €/000
A guarantee of Piaggio & C. for the loan granted by I.F.C. to the subsidiary Piaggio Vehicles Private Limited	
of which drawn	9,686
of which undrawn	7,766
A guarantee of Piaggio & C. for the loan granted by I.F.C. to the subsidiary Piaggio Vehicles Private Limited	
of which drawn	14,559
of which undrawn	1,836
A guarantee of Piaggio & C. for USD 6,400,000 relative to the working capital loan of USD 5,800,000 granted by the Bank of America to the subsidiary Piaggio Vehicles Private Limited	
of which drawn	0
of which undrawn	5,879
A guarantee of Piaggio & C. for INR 550,000,000 relative to the working capital loan of INR 500,000,000 granted by Hongkong and Shanghai Banking Corporation to the subsidiary Piaggio Vehicles Private Limited	
of which drawn	0
of which undrawn	7,637
A guarantee of Piaggio & C. for INR 1,500,000,000 relative to the working capital loan of INR 1,500,000,000 granted by Credit Agricole CIB to the subsidiary Piaggio Vehicles Private Limited	
of which drawn	0
of which undrawn	20,827
A guarantee of Piaggio & C. for USD 18,700,000 relative to the loan for the Supply Chain Finance programme of USD 17,000,000 granted by Bank of America to the subsidiary Piaggio Vehicles Private Limited	
of which drawn	11,350
of which undrawn	5,826
A guarantee of Piaggio & C. for the loan granted by I.F.C. to the subsidiary Piaggio Vietnam	
of which drawn	12,039
of which undrawn	6,037
A guarantee of Piaggio & C. for USD 22,000,000 relative to the working capital loan of USD 20,000,000 granted by ANZ to the subsidiary Piaggio Vietnam	
of which drawn	0
of which undrawn	20,208
A guarantee of Piaggio & C. for USD 11,000,000 relative to the working capital loan of USD 10,000,000 granted by Hongkong and Shanghai Banking Corporation to the subsidiary Piaggio Vietnam	
of which drawn	0
of which undrawn	10,104

A guarantee of Piaggio & C. for USD 6,000,000 relative to the working capital loan of USD 5,000,000 granted by ANZ to the subsidiary Piaggio Indonesia of which drawn of which undrawn	 1,331 4,180
A guarantee of Piaggio & C. for USD 5,500,000 relative to the working capital loan of USD 5,000,000 granted by Hongkong and Shanghai Banking Corporation to the subsidiary Piaggio Indonesia of which drawn of which undrawn	 1,996 3,056
Warrant to grant credit of Piaggio & C. to guarantee the credit line from Intesa Sanpaolo to the subsidiary Piaggio Group Americas for USD 14,000,000 of which drawn of which undrawn	 12,859 0
Warrant to grant credit of Piaggio & C. to guarantee the credit line from Intesa Sanpaolo to the subsidiary Piaggio Group Japan for USD 7,000,000 of which drawn of which undrawn	 4,730 1,699
Warrant to grant credit of Piaggio & C. to guarantee the credit line from Intesa Sanpaolo to the subsidiary Foshan Piaggio Vehicles Technology Research & Development for USD 1,000,000 of which drawn of which undrawn	 0 919
A guarantee of Piaggio & C. on the surety granted by BNP Paribas to the subsidiary Piaggio France for € 2,792,280 of which drawn of which undrawn	 2,792 0
A guarantee of Piaggio & C. on a line for derivatives, agreed on with Citibank, for the subsidiary Piaggio Vehicles Private Limited for USD 9,000,000 of which drawn of which undrawn	 194 8,073
A guarantee of Piaggio & C. on a line for derivatives, agreed on with Hongkong and Shanghai Banking Corporation, for the subsidiary Piaggio Vehicles Private Limited for USD 7,150,000 of which drawn of which undrawn	 291 6,276
A guarantee of Piaggio & C. on a line for derivatives granted by Bank of America to the subsidiary Piaggio Vehicles Private Limited for USD 3,000,000 of which drawn of which undrawn	 1,249 1,507
A guarantee of Piaggio & C. for a guarantee on derivatives agreed on by I.F.C. for the subsidiary Piaggio Vietnam of which drawn	 316
A guarantee of Piaggio & C. on a line for derivatives, from Hongkong and Shanghai Banking Corporation to the subsidiary Piaggio Indonesia for USD 1,100,000 of which drawn of which undrawn	 143 2,888
A guarantee of BCC-Fornacette to Livorno Customs Authorities for handling Piaggio goods at Livorno Port	200
A guarantee of BCC-Fornacette issued to Pisa Customs Authorities for handling Piaggio goods at the Pisa docks and at Livorno Port	200
A guarantee of BCC-Fornacette issued for the Group to Poste Italiane – Rome to guarantee contract obligations for the supply of vehicles	1,321
A guarantee of Banco di Brescia issued to the local authorities of Scorzè, to guarantee payment of urbanisation and construction charges relative to the Scorzè site	166
A guarantee of Intesa Sanpaolo issued to the Ministry of the Interior of Algeria, to guarantee contract obligations for the supply of vehicles	140
A guarantee of Intesa Sanpaolo issued to the Ministry of the Defense of Algeria, to guarantee contract obligations for the supply of vehicles	158
A guarantee of Intesa Sanpaolo issued to Harbin Dongan Import & Export for € 1,500,000 for an ongoing supply agreement	1,500
A guarantee of Monte dei Paschi di Siena issued to Chen ShinRubber for € 650,000 for an ongoing supply agreement	650
A guarantee of Banca Nazionale del Lavoro issued to the local authorities of Scorzè, to guarantee urbanisation and construction charges relative to the Scorzè site for USD 122,000	100
A guarantee of Banca Nazionale del Lavoro - Innovation and Networks Executive Agency issued for Project 1_ HeERO	350

45. Rulings

For details of litigation, see the same section in the Notes to the Consolidated Financial Statements.

46. Significant non-recurring events and operations

During 2014, the Company exercised the call option of the debenture loan issued by the Company on 1 December 2009 for a total amount of €/000 150,000 and maturing on 1 December 2016. On 9 June, the remaining portion of this loan (equal to approximately € 42 million) was paid back at the price of 103.50%, after the finalisation of the exchange offer launched on 7 April.
The operation led in 2014 to the premium paid to bond holders that did not take up the exchange offer and of costs not yet depreciated of the reimbursed loan being recognised under borrowing costs in the income statement.
In 2014, the Company refinanced a revolving credit line with a limited pool of banks of a nominal value of €/000 200,000 maturing in December 2015. This operation resulted in the recognition of costs not yet amortised in the income statement in 2014.
These operations come under significant non-recurrent transactions, as defined by CONSOB Communication DEM/6064293 of 28 July 2006.
For 2015, no significant non-recurrent transactions were recorded.

47. Transactions arising from atypical and/or unusual operations

During 2015 and 2014, the Company did not record any significant atypical and/or unusual transactions, as defined by Consob Communication DEM/6037577 of 28 April 2006 and DEM/6064293 of 28 July 2006.

48. Events occurring after the end of the period

No events to be reported occurred after the end of the period.

49. Authorisation for publication

This document was published on 24 March 2016, authorised by the Chairman and Chief Executive Officer.

Milan, 11 March 2016

for the Board of Directors

/s/ Roberto Colaninno

Chairman and Chief Executive Officer
Roberto Colaninno

Attachments

Piaggio Group companies

Reference is made to attachments to the Consolidated Financial Statements.

Information pursuant to article 149-duodecies of the Consob Regulation on Issuers

The following statement was prepared pursuant to article 149 duodecies of the Consob Regulation on Issuers and indicates the fees for 2015 for auditing services and other services provided by the same independent auditors and entities belonging to the independent auditor's network.

	Subject providing the service	Fees for 2015
In euro		
Auditing services	PWC	323,870
Auditing services CSR	PWC	29,000
Certification services	PWC	103,000
Other services	PWC	18,000
Total		**473,870**

Information on company management and coordination activities

The Company is subject to the management and coordination of IMMSI S.p.A..
Pursuant to article 2497-bis, section 4 of the Italian Civil Code, main data of the last financial statements of the parent company IMMSI S.p.A, with registered office in Mantova (MN), Piazza Vilfredo Pareto 3 – tax code 07918540019, for the year ended 31 December 2014, are summarised below. The above essential data were taken from the Financial Statements for the year ended 31 December 2014. To fully understand the financial position of IMMSI S.P.A as of 31 December 2014, as well as the financial performance of the company in the year ending at this date, reference is made to the financial statements, and the report of the independent auditors, available in the forms and according to procedures established by law.

IMMSI S.p.A. - Income statement	2015	2014
In thousands of euros		
Financial income	7,841	35,467
Of which related parties and intergroup	*7,538*	*24,828*
Borrowing costs	(74,200)	(23,364)
Of which related parties and intergroup	*-*	*(1,192)*
Income/(loss) from investments	-	-
Operating income	4,549	4,754
Of which related parties and intergroup	*2,049*	*2,041*
Costs for materials	(40)	(40)
Costs for services, leases and rentals	(3,479)	(3,276)
Of which related parties and intergroup	*(548)*	*(551)*
Employee costs	(1,295)	(1,344)
Depreciation of plant, property and equipment	(78)	(128)
Amortisation of goodwill	-	-
Amortisation of intangible assets with a definite life	-	-
Other operating income	230	169
Of which related parties and intergroup	*86*	*86*
Other operating costs	(838)	(702)
Profit before tax	**(67,309)**	**11,536**
Taxes	1,681	3,307
Of which related parties and intergroup	*968*	*3,475*
Earnings after tax from operating activities	**(65,628)**	**14,843**
Profit or loss arising from assets held for disposal or sale	-	-
Net profit for the period	**(65,628)**	**14,843**

IMMSI S.p.A. - Income statement	2015	2014
In thousands of euros		
Net profit for the period	**(65,628)**	**14,843**
Items that may be reclassified to profit or loss:		
Profits (losses) from the fair value measurement of assets available for sale (AFS)	(124)	4,666
Effective portion of profit (losses) from instruments to hedge financial flows	(21)	570
Items that may be reclassified to profit or loss:		
Actuarial gains (losses) relative to defined benefit plans	(44)	12
Total profit (loss) for the period	**(65,817)**	**20,091**

IMMSI S.p.A. - Statement of Financial Position	As of 31 December 2014	As of 31 December 2013
In thousands of euros		
Non-current assets		
Intangible assets	-	-
Plant, property and equipment	247	240
Of which related parties and intergroup	*16*	*21*
Investment property	73,887	73,780
Investments in subsidiaries and associates	322,359	322,359
Other financial assets	11,449	60,700
Of which related parties and intergroup	*1,100*	*3,000*
Tax receivables	411	1,409
Deferred tax assets	-	227
Trade receivables and other receivables	22	240
Of which related parties and intergroup	*15*	*233*
Total non-current assets	**408,375**	**458,955**
Assets held for disposal	-	-
Current assets		
Trade receivables and other receivables	44,988	34,888
Of which related parties and intergroup	*44,246*	*33,737*
Tax receivables	1,443	782
Other financial assets	164,734	164,795
Of which related parties and intergroup	*149,857*	*138,886*
Cash and cash equivalents	2,651	2,513
Total current assets	**213,816**	**202,978**
Total assets	**622,191**	**661,933**
Shareholders' equity		
Share capital	178,464	178,464
Reserves and retained earnings	246,607	231,952
Net profit for the period	(65,628)	14,843
Total shareholders' equity	**359,443**	**425,259**
Non-current liabilities		
Financial liabilities	70,025	118,955
Trade payables and other payables	947	926
Retirement fund and similar obligations	344	344
Other long-term provisions	-	-
Deferred tax liabilities	19,624	20,504
Total non-current liabilities	**90,940**	**140,729**
Liabilities related to assets held for disposal	-	-
Current liabilities		
Financial liabilities	169,405	93,443
Trade payables	1,152	1,137
Of which related parties and intergroup	*291*	*260*
Current taxes	404	494
Other payables	847	871
Of which related parties and intergroup	*2*	*2*
Current portion of other long-term provisions	-	-
Total current liabilities	**171,808**	**95,945**
Total shareholders' equity and liabilities	**622,191**	**661,933**

Certification of the Financial Statements pursuant to article 154/bis of Legislative Decree 58/98

1. The undersigned Roberto Colaninno (Chairman and Chief Executive Officer) and Alessandra Simonotto (Appointed Executive) of Piaggio & C. S.p.A. hereby certify, also in consideration of article 154-bis, sections 3 and 4, of Legislative Decree no. 58 of 24 February 1998:
   › the appropriateness with regard to the company's characteristics and
   › the actual application of administrative and accounting procedures for the formation of the Financial Statements as of 31 December 2015.

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

3. Moreover
   3.1 the financial statements:

   a. have been prepared in compliance with the international accounting standards endorsed by the European Community pursuant to regulation (EC) no. 1606/2002 of the European Parliament and Council of 19 July 2002;

   b. correspond to accounting records;

   c. give a true and fair view of the statement of financial position and results of operations of the Issuer;

   3.2 The Report on Operations includes reliable analysis of the trend of operations and operating results, as well as the situation of the Issuer and a description of main risks and uncertainties to which they are exposed.

Date: 11 March 2016

/s/ Roberto Colaninno

Roberto Colaninno
Chairman and Chief Executive Officer

/s/ Alessandra Simonotto

Alessandra Simonotto
Executive in charge

Report of the Independent Auditors on the Financial Statements of the Parent Company

INDEPENDENT AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE N° 39 OF 27 JANUARY 2010

To the shareholders of
Piaggio & C. SpA

Report on the financial statements

We have audited the accompanying financial statements of Piaggio & C. SpA, which comprise the statement of financial position as of 31 December 2015, the income statement, statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of Piaggio & C. SpA are responsible for the preparation of financial statements that give a true and fair view in compliance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n° 38/2005.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) drawn up pursuant to article 11, paragraph 3, of Legislative Decree n° 39 of 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The audit procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 0805640211 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25123 Via Borgo Pietro Wulrer 23 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 01029041 - **Napoli** 80121 Via dei Mille 16 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Via Grazioli 73 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Verona** 37135 Via Francia 21/C Tel.0458263001

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Piaggio & C. SpA as of 31 December 2015 and of the result of its operations and cash flows for the year then ended in compliance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n° 38/2005.

Report on compliance with other laws and regulations

Opinion on the consistency with the financial statements of the report on operations and of certain information set out in the report on corporate governance and ownership structure

We have performed the procedures required under auditing standard (SA Italia) n° 720B in order to express an opinion, as required by law, on the consistency of the report on operations and of the information set out in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree n° 58/98, which are the responsibility of the directors of Piaggio & C. SpA, with the financial statements of Piaggio & C. SpA as of 31 December 2015. In our opinion, the report on operations and the information in the report on corporate governance and ownership structure mentioned above are consistent with the financial statements of Piaggio & C. SpA as of 31 December 2015.

Florence, 21 March 2016

PricewaterhouseCoopers SpA

Signed by

Corrado Testori
(Partner)

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

Report of the Board of Statutory Auditors to the General Shareholders' Meeting

Piaggio & C. S.p.a.

Registered and administrative office: viale Rinaldo Piaggio, Pontedera (PI)

Tax code 04773200011

VAT number 01551260506

REPORT FROM THE BOARD OF STATUTORY AUDITORS TO THE GENERAL SHAREHOLDERS' MEETING IN ACCORDANCE WITH ARTICLE 153 OF LEGISLATIVE DECREE 58/98 ("T.U.F.") AND ARTICLE 2429 OF THE ITALIAN CIVIL CODE

To the Shareholders,

During the financial year ended 31 December 2015, the Board of Statutory Auditors of Piaggio & C. S.p.A. (the "Company") carried out the checks required of it by law, also taking into account the CONSOB indications on company checks and the activities of the Board of Statutory Auditors, and the *Principi di comportamento del Collegio Sindacale di società quotate nei mercati regolamentati* [Principles of Conduct for the Board of Statutory Auditors of Companies listed on Regulated Markets] recommended by the *Consiglio Nazionale dei Dottori Commercialisti e dei Ragionieri* [National Council of Professional Accountants].

During the financial year ended 31 December 2015, the Board of Statutory Auditors therefore checked (i) that the law and the memorandum of association were observed, (ii) that the principles of sound management were respected, (iii) that those aspects of the Company's organisational structure that fall within its remit, as well as the internal audit system and the administrative and accounting systems, were adequate, and that this last could be relied upon to give a true picture of operational items, (iv) how the rules on corporate governance specified in the *Codice di Autodisciplina del Comitato per la Corporate Governance delle società quotate* [Code of Practice for the Self-Regulation of the Committee of Corporate Governance for Listed Companies], adopted by the Company, were actually implemented, and (v) that the instructions issued to subsidiaries as per article 114(2) of the T.U.F. were adequate.

Moreover, the Board of Statutory Auditors, in its capacity as the Internal Control and Audit Committee pursuant to article 19 of Legislative Decree no. 39 of 27 January 2010, also checked (i) the financial reporting process, (ii) the efficacy of the internal control, internal audit and risk management systems, (iii) the legal audit of the annual accounts and consolidated annual accounts, and (iv) the independence of the external audit firm, with particular regard to the provision of non-audit services to the audited entity.

In particular, the Board reports as follows:

1. The Board verified that the operations having the greatest impact on the Company's profits, cash flow and assets – which it learnt about by attending meetings of the Board of Directors and shareholders, and by talking to top management – were in compliance with the law and memorandum of association.

The Board of Statutory Auditors also looked carefully at the significant one-off transactions (as defined in CONSOB Circular no. DEM/6064293 of 28 July 2006) implemented by the Company in 2015, taking acknowledge that no significant one-off transaction was carried out in 2015.

2. The Board did not discover, during the financial year 2015, any atypical and/or unusual inter-company, third-party or related-party transactions.

The ordinary inter-company and related-party transactions, described in the Directors' Report and in the notes to the financial statements, to which we refer you as appropriate, appear to be fair and in the interest of the Company.

3. With regard to the transactions indicated in point 2 above, the Board considers the information provided in the Directors' Report and in the notes to the financial statements to be adequate.

4. The reports on the financial statements and consolidated financial statements by the audit firm PricewaterhouseCoopers S.p.A. (also referred to as the "Audit Firm" below), issued today pursuant to articles 14 and 16 to Legislative Decree no. 39 of 27 January 2010, are unqualified and/or do not include any emphasis of matter paragraphs; and they certify that the financial statements and consolidated financial statements have been drawn up clearly and in compliance with the rules

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governing their preparation and give a true and fair view of the assets and liabilities, financial position, profitability and cash flow of the Company and Group in the financial year ending 31 December 2015. These reports also certify that the Directors' Report, which includes the information indicated in paragraph 1 c), d), f), l), m) and paragraph 2 b) of article 123-bis of the T.U.F., and the ownership structure of the Company are consistent with the financial statements and consolidated financial statements.

The Board of Statutory Auditors, in its capacity as the Internal Control and Audit Committee pursuant to article 19 of Legislative Decree no. 39 of 27 January 2010, also examined the report by the Audit Firm on the fundamental points that emerged during its audit of the financial statements as 31 December 2015. This report states that, in terms of the financial reporting process, there are no shortcomings in the internal control system important enough to be brought to the attention of the Internal Control and Audit Committee.

The Board of Statutory Auditors also examined the attestation that the Audit Firm issued today, pursuant to article 17 of Legislative Decree no. 39 of 27 January 2010, in which (i) it declared that it was independent and that there were no grounds for incompatibility pursuant to articles 10 and 17 of Legislative Decree no. 39/2010 and its implementing measures, (ii) it declared the non-audit services provided to the Company, also by its own network.

5. During the financial year 2015, the Board received no complaints as per article 2408 of the Italian Civil Code, and has not done so to date.

6. The Board is not aware of any other circumstance which it should report here.

7-8. During the financial year 2015, the Company paid fees of € 323,870 to PricewaterhouseCoopers S.p.A. for its audit services, while the subsidiaries of Piaggio & C. S.p.A. paid fees of € 113,447 to PricewaterhouseCoopers S.p.A. for its audit services and fees of € 344,718 to its network.

During the same year:

- PricewaterhouseCoopers S.p.A. received fees of € 150,000 from the Company for assignments in addition to its audit work (mainly the audit of a Corporate Social Responsibility Report and certification services);

- The subsidiaries of Piaggio & C. S.p.A. paid fees of € 13,000 to PricewaterhouseCoopers S.p.A. for other services provided in addition to its audit work (certification services) and fees of € 70,971 to its network.

In light of the above, and the Audit Firm's attestation of independence and denial and any grounds of incompatibility, the Board of Statutory Auditors believes that no critical aspects have emerged with regard to the independence of the Audit Firm.

9. During the financial year 2015, the Board of Statutory Auditors issued statutory opinions and delivered statements upon request.

The Board of Statutory Auditors in compliance with the Code of Practice, also verified:

a) That the criteria and procedures adopted by the Board of Directors when vetting the independence of its members had been correctly applied in accordance with the criteria established by law and the Code of Practice;

b) That its own members – already vetted before their appointment – still met the independence requirements in accordance with the criteria established by law and the Code of Practice.

With regard to the independence of the Statutory Auditors, the Board of Directors, without prejudice to the opinion of the Board of Statutory Auditors on its own composition, had resolved, in the interests of the Company, to disapply criterion 3.C.1(e) of the Code of Practice (also referred to in criterion 8.C.1.) in relation to statutory auditor Giovanni Barbara, looking at the substance rather than the form and considering the fact that Giovanni Barbara is highly qualified and experienced and has, over time, proved invaluable for the Company. In view of this, the Board of Directors, during its meeting of 13 April 2015, confirmed that all the auditors satisfied the independence requirements laid down by article 148(3) of T.U.F. of article 3 of the Code of Practice.

The individual members of the Board also declared that they had not exceeded the limits of assignment set out in article 148-bis (1) of T.U.F. The members of the Board of Statutory Auditors have agreed that, in the event of operations in which they could have a personal interest or and interest on behalf of third parties, these must be reported to the Board of Directors and the other members of the Board if Statutory Auditors.

10. Over the course of 2015, the Company's Board of Directors met seven times, the Internal Control and Risk Committee met eleven times, and the Remuneration Committee met twice. Two meetings of the Appointment Committee were also held. During the same financial year, the Board of Statutory Auditors held nine meetings and also attended all the meetings of the Board of Directors and Shareholders held during the year.

The Board of Statutory Auditors also attended meetings of the Internal Control and Risk Committee.

11. The Board of Statutory Auditors, to the extent of its remit, gathered information and checked that the principles of sound management were observed and that the Company's administrative structure was adequate for the purposes of complying with these principles.

In particular, as regards the decision-making processes of the Board of Directors, the Board checked that the management decisions taken by the Directors complied with the law and article of association, and that their resolutions were not contrary to the interest of the Company.

The Board of Statutory Auditors therefore believes that the principles of sound management have been observed.

12. The Board of Statutory Auditors checked the Company's organizational structure and believes in light of these checks and to the extent of its own responsibility, that the structure as a whole is adequate.

13. The Board of Statutory Auditors checked the Company's system of internal control by liaising and coordinating with the Internal Control and Risk Committee, with the Internal Audit Manager, with the Managing Director in his capacity as the Director in charge of the Internal Audit and Risk Management System and with the Supervisory Body.

In its capacity as the Internal Control and Audit Committee pursuant to article 19 of Legislative Decree no. 39 of 27 January 2010, the Board also acknowledged the Audit Firm's attestation that there were no shortcomings in the internal audit system, and liaised and continually exchanged information with the Audit Firm and the Control and Risk Committee. Moreover, the Board of Statutory Auditors monitored the Company's transactions with related parties, verifying the functioning and correct application of the procedures for transactions with related parties, approved by the Board of Directors following the issue of CONSOB regulations no. 17221 of 12 March 2010.

Lastly, the Board of Statutory Auditors attended the meeting of the Organismo di Vigilanza during the financial year. Once again, it should be pointed out that the flow of information between the Board of Statutory Auditors and the Organismo di Vigilanza was also guaranteed by the fact that the statutory auditor of the Board of Statutory Auditors, Giovanni Barbara, is a statutory member of the Organismo di Vigilanza.

In light of these checks, and the evaluation of adequacy, efficiency and effective functioning of the internal audit system, expressed by the Control and Risk Committee and the Board of Directors, the Board of Statutory Auditors believes to the extent of its own responsibility, that the system as a whole is adequate.

14. The Board of Statutory Auditors checked – by collecting information from the *Dirigente Preposto* [Manager in charge of preparing the Company's Financial Reports] and the relevant department managers, examining Company's documentation and analysing the results of the Audit Firm's work – the Company's administrative and accounting system and how reliable it is in giving a true picture of operational items.

In particular the Board reports that, with the support of the Internal Audit Manager, the *Dirigente Preposto* completed an evaluation of the adequacy and actual implementation of the administrative and accounting procedures indicated in article 154-*bis* of T.U.F. for the Company and its strategically import subsidiaries; this activity allowed the Company to attest that its accounts give a true and fair representation of its assets and liabilities, profitability and financial position of itself and those of its consolidated companies.

In light of these checks and the Board of Directors' evaluation of the adequacy of the Company's organizational, administrative and accounting arrangements, the Board of Statutory Auditors believes to the extent of its own responsibility, that the system is essentially adequate and reliable for the purposes of correct representing the operational items.

15. The Board checked that the instructions issued by the Company to its subsidiaries as per article 114 (2) of T.U.F. were adequate and that there was a proper flow of information between them, and it believes that the Company is able to fulfil the communication obligations required by law.

16. During the financial year, the Board of Statutory Auditors met managers from the Audit Firm in order to exchange relevant data and information with them in accordance with article 150 (3) of T.U.F.

At these meetings, the Audit Firm did not report any fact or anomalies important enough to be indicated in this report.

17. The Company abided by the Code of Practice of the Self-Regulation of Listed Companies approved by the Committee for Corporate Governance and promoted by Borsa Italiana S.p.A..

The system of governance adopted by the Company is detailed in the Report of Corporate Governance and Ownership Structures for 2015, approved by the Board of Directors on 11 March 2016.

18. In the course of its supervisory activities and checks during the year, the Board of Statutory Auditors did not come across any reprehensible conduct, omission or irregularities significant enough to be mentioned in this report.

19. The Board remarks that, as far as it is aware, there has been no deviation from the law in preparing the consolidated financial statements and separate financial statements.

The Board, also in view of the results of the work carried out by the Audit Firm responsible for carrying out statutory audits, has found no reason – as far as its own remit goes – not to approve the Financial Statement as at 31 December 2015 as drafted and approved by the Board of Directors at its meeting of 11 March 2016, and agrees with the Board of Directors that the year's profit of € 15,057,591.94 and a portion of the "Retained Earnings" reserve should be allocated as proposed in the Directors' report.

Milan, 21 March 2016

for the Board of Statutory Auditors

The Chairperson

Piera Vitali Piera Vitali

We would like to thank all colleagues for their valuable help in preparing this document.

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

PIAGGIO GROUP

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