Financial Statements 2013

General Shareholders' Meeting

The Board of Directors unanimously

resolved

to appoint the Chairman and Chief Executive Officer to convene the Ordinary General Meeting of Shareholders, on first call, on 28 April 2014 at 14:30 hours at the Meeting Room of Intesa Sanpaolo S.p.a., in Milan, Piazza Belgioioso no. 1, and, where necessary, on second call, on 29 April 2014, at 11:00 hours, at the same place, with the following

Agenda

1. Financial Statements of Piaggio & C. S.p.A. as of 31 December 2013; Directors' Report on Operations for 2013 and proposal to cover the loss 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 2013 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 15 April 2013, for the portion not executed. Related and consequent resolutions.

approval of relative reports for the Meeting of Shareholders, authorising the Chairman and Chief Executive Officer to make any amendments necessary to comply with legal obligations.

Milan, 20 March 2014

For the Board of Directors

/f/ Roberto Colaninno

Chairman and Chief Executive Officer
Roberto Colaninno

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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

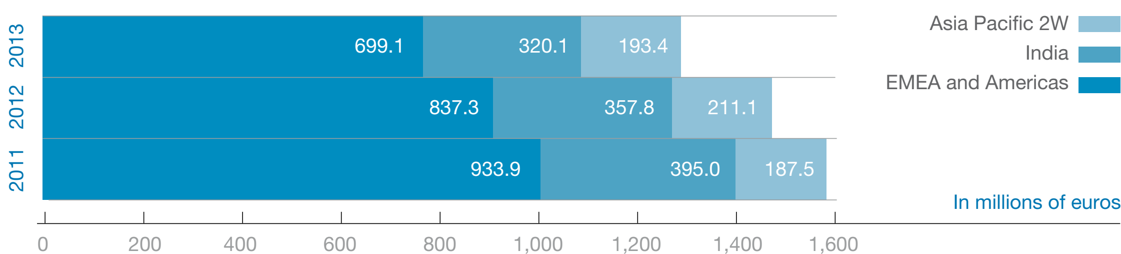
	2013	2012	2011[1]
In millions of euros			
Data on financial position			
Net sales revenues	1,212.5	1,406.2	1,516.5
Gross industrial margin	357.5	417.9	454.3
Operating income	62.6	96.6	104.8
Profit before tax	30.3	67.9	78.6
Adjusted net profit[2]	18.1	42.1	46.3
Net profit	*(6.5)*	*42.1*	*46.3*
Non-controlling interests	*0.0*	*0.1*	*0.0*
Group	(6.5)	42.0	46.3
Data on financial performance			
Net capital employed (NCE)	867.7	831.7	782.1
Net debt	(475.6)	(391.8)	(335.9)
Shareholders' equity	392.1	439.9	446.2
Balance sheet figures and financial ratios			
Gross margin as a percentage of net revenues (%)	29.5%	29.7%	30.0%
Adjusted net profit[2] as a percentage of net revenues (%)	1.5%	3.0%	3.1%
Net profit as a percentage of net revenues (%)	-0.5%	3.0%	3.1%
ROS (Operating income/net revenues)	5.2%	6.9%	6.9%
ROE (Net profit/shareholders' equity)	-1.7%	9.6%	10.4%
ROI (Operating income/NCE)	7.2%	11.6%	13.4%
EBITDA	146.8	176.2	199.8
EBITDA/net revenues (%)	12.1%	12.5%	13.2%
Other information			
Sales volumes (unit/000)	555.6	615.5	653.3
Investments in property, plant and equipment and intangible assets	87.6	147.8	126.1
Research and Development[3]	47.7	59.6	68.5
Employees at the end of the period (number)	7,688	8,129	7,619

1_Values have been restated following the adoption of IAS 19 revised which, among others, changes the principle for recognising actuarial gains and losses relative to post-employment benefits. .
2_To make the 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.
3_The item Research and Development includes investments for the year recognised in the statement of financial position and costs recognised in profit or loss.

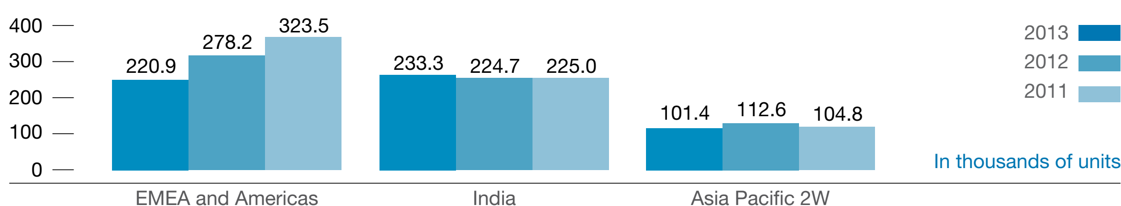
Results by operating segments

		EMEA and Americas	India	Asia Pacific 2W	Total
Sales volumes (units/000)	2013	220.9	233.3	101.4	**555.6**
	2012	278.2	224.7	112.6	**615.5**
	Change	(57.4)	8.6	(11.2)	**(59.9)**
	Change %	-20.6%	3.8%	-10.0%	**-9.7%**
Turnover (million euros)	2013	699.1	320.1	193.4	**1,212.5**
	2012	837.3	357.8	211.1	**1,406.2**
	Change	(138.2)	(37.7)	(17.7)	**(193.6)**
	Change %	-16.5%	-10.5%	-8.4%	**-13.8%**
Staff (no.)	As of 31/12/2013	4,098	2,677	913	**7,688**
	As of 31/12/2012	4,318	2,814	997	**8,129**
	Change	(220)	(137)	(84)	**(441)**
	Change %	-5.1%	-4.9%	-8.4%	**-5.4%**
Investments (million euros)	2013	62.1	9.9	15.5	**87.6**
	2012	84.5	36.5	26.7	**147.8**
	Change	(22.3)	(26.6)	(11.2)	**-60.1**
	Change %	-26.4%	-72.8%	-41.9%	**-40.7%**
Research and Development[4] (million euros)	2013	35.9	5.6	6.3	**47.7**
	2012	39.1	13.5	7.0	**59.6**
	Change	(3.2)	(7.9)	(0.7)	**(11.9)**
	Change %	-8.3%	-58.8%	-10.0%	**-19.9%**

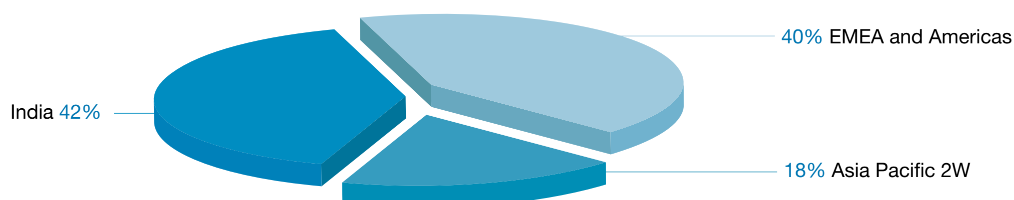
4_The item Research and Development includes investments for the year recognised in the statement of financial position and costs recognised in profit or loss.



Revenues by geographic segment



Sales volumes by geographic area



Sales volumes by geographic segment - 2013

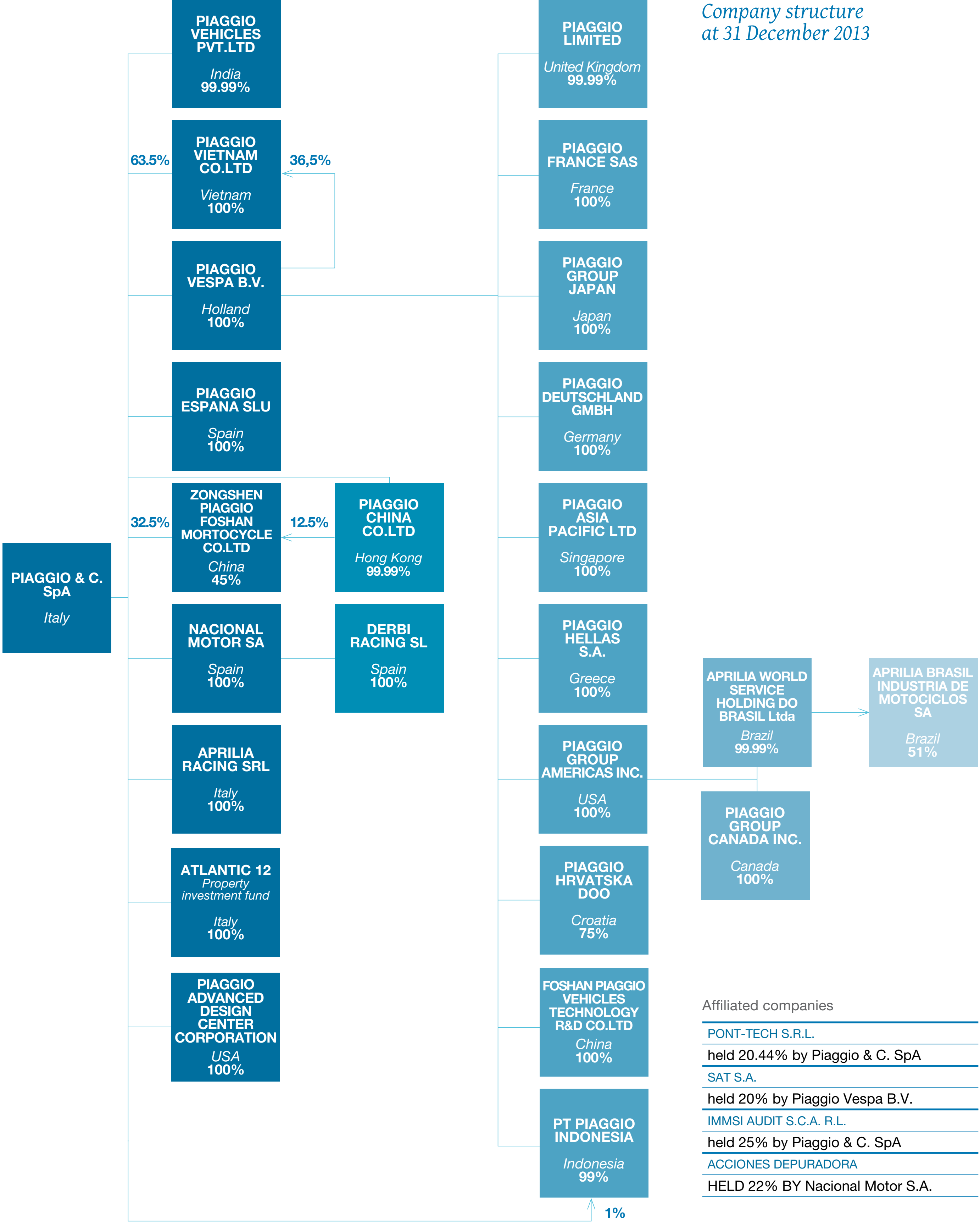
The Piaggio Group

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.

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 and Scorzè (Venice), which produces Aprilia, Scarabeo and Derbi brand two-wheeler vehicles; 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, the Vespa for the Indian market and engines; 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.

Motorsports play a vital role for the Group's motorcycle production operations. The Group's brand portfolio includes names that have earned pride of place in the history of international motorcycle racing, which between them have notched up 102 world championships - 52 for Aprilia, 21 for Derbi, 15 for Moto Guzzi and 14 for Gilera - plus over 500 race wins in World Motorcycle Grand Prix and Superbike World Championships.


Company structure
at 31 December 2013
PIAGGIO & C. SpA
Italy
PIAGGIO VEHICLES PVT.LTD
India
99.99%
63.5%
PIAGGIO VIETNAM CO.LTD
Vietnam
100%
36,5%
PIAGGIO VESPA B.V.
Holland
100%
PIAGGIO ESPANA SLU
Spain
100%
32.5%
ZONGSHEN PIAGGIO FOSHAN MORTOCYCLE CO.LTD
China
45%
12.5%
PIAGGIO CHINA CO.LTD
Hong Kong
99.99%
NACIONAL MOTOR SA
Spain
100%
DERBI RACING SL
Spain
100%
APRILIA RACING SRL
Italy
100%
ATLANTIC 12
Property investment fund
Italy
100%
PIAGGIO ADVANCED DESIGN CENTER CORPORATION
USA
100%
PIAGGIO LIMITED
United Kingdom
99.99%
PIAGGIO FRANCE SAS
France
100%
PIAGGIO GROUP JAPAN
Japan
100%
PIAGGIO DEUTSCHLAND GMBH
Germany
100%
PIAGGIO ASIA PACIFIC LTD
Singapore
100%
PIAGGIO HELLAS S.A.
Greece
100%
PIAGGIO GROUP AMERICAS INC.
USA
100%
PIAGGIO HRVATSKA DOO
Croatia
75%
FOSHAN PIAGGIO VEHICLES TECHNOLOGY R&D CO.LTD
China
100%
PT PIAGGIO INDONESIA
Indonesia
99%
1%
APRILIA WORLD SERVICE HOLDING DO BRASIL Ltda
Brazil
99.99%
APRILIA BRASIL INDUSTRIA DE MOTOCICLOS SA
Brazil
51%
PIAGGIO GROUP CANADA INC.
Canada
100%
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.

During the period, the company structure of the Group did not change.

As from March 2013, the Spanish company Nacional Motor permanently stopped all activities: the production of Derbi vehicles was transferred to Italian sites and nearly all employment contracts were terminated.
In the first few months of 2013, activities of the Swiss Branch Piaggio Vespa BV were stopped and transferred to Pontedera.

MOTO GUZZI

Company Boards

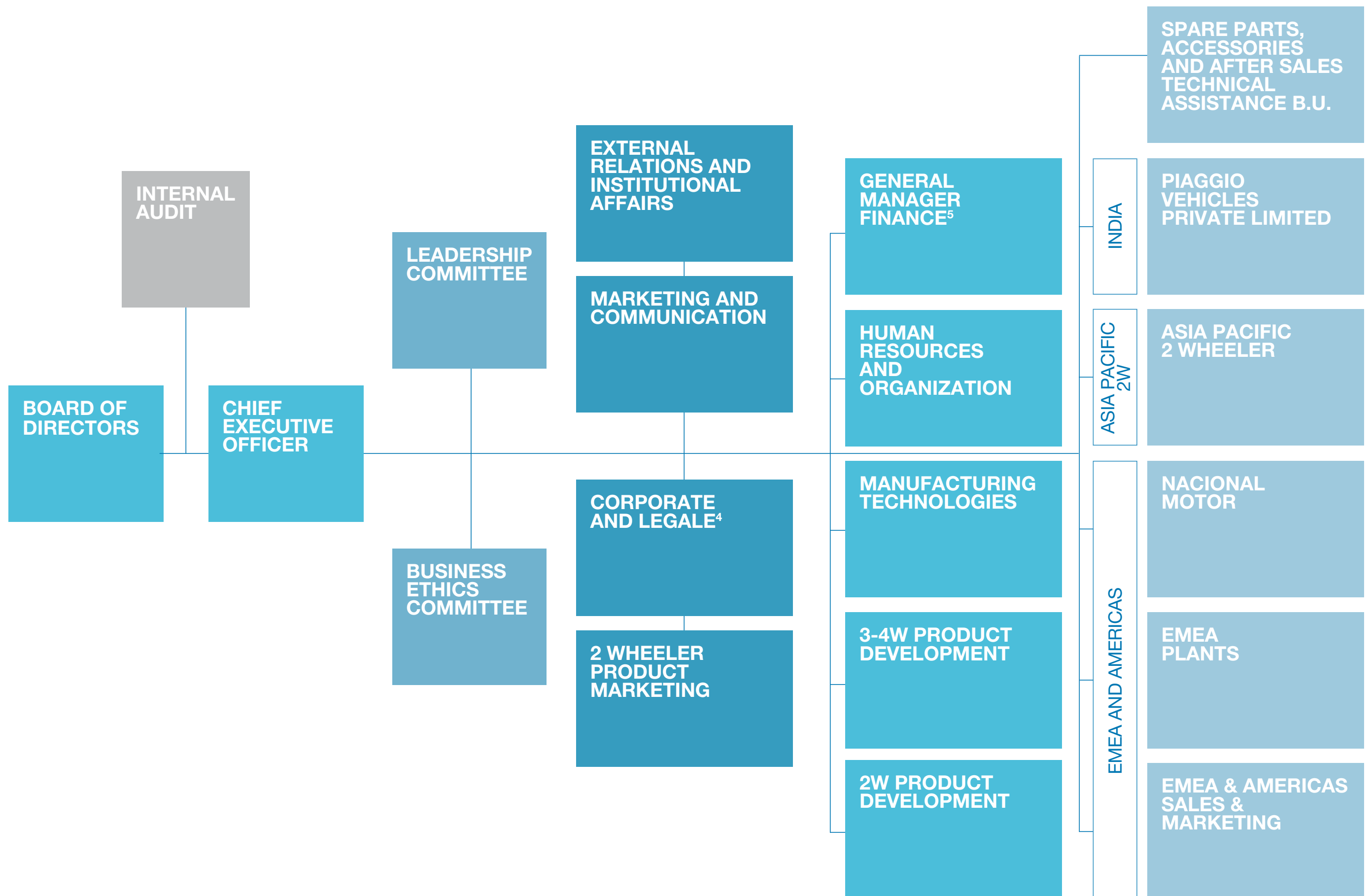
Board of Directors	
Chairman and Chief Executive Officer	Roberto Colaninno (1)
Deputy Chairman	Matteo Colaninno
Directors	Michele Colaninno (3)
	Franco Debenedetti (3), (4)
	Daniele Discepolo (2), (4), (5), (6)
	Mauro Gambaro
	Livio Corghi
	Luca Paravicini Crespi (3), (5),(6)
	Riccardo Varaldo (4), (5), (6)
	Vito Varvaro
	Andrea Paroli

Board of Statutory Auditors	
Chairman	Giovanni Barbara
Statutory Auditors	Attilio Francesco Arietti
	Alessandro Lai
Alternate Auditors	Mauro Girelli
	Elena Fornara

Supervisory Body	
	Antonino Parisi
	Giovanni Barbara
	Ulisse Spada
General Manager Finance	Gabriele Galli
Financial Reporting Officer	Alessandra Simonotto
Independent Auditors	PricewaterhouseCoopers S.p.A.

(1) Director in charge of internal audit
(2) Lead Independent Director
(3) Member of the Appointment Proposal Committee
(4) Member of the Remuneration Committee
(5) Member of the Internal Control and Risk Management Committee
(6) Member of the Related-Party Transactions Committee

Organisational structure



4_ The Compliance Officer works within this structure and functionally reports to the Board of Directors of Piaggio & C. S.p.A.
5_ 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 Relations and Institutional Affairs:* 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 national and international institutions and 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.
- *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 industrial property at a worldwide level, and guaranteeing 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 concerning innovation, style, engineering, reliability and quality relative to scooters, motorcycles and two-wheeler engines.
- *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.
- *General Manager 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.
- *Emea and Americas Sales and Marketing:* this function is responsible for achieving sales targets established for scooters, motorcycles, commercial vehicles, spare parts and accessories, for defining price policies for single markets and identifying appropriate actions to develop the sales network, through the coordination of sales companies in Europe and America, 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 company 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 company 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.
- *Spare Parts, Accessories and After Sales 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;
- increases the operating efficiency of all company processes, with a focus on industrial productivity.

EMEA and Americas

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

India

Two-wheeler – consolidate 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 - increase volumes and profitability, with consolidation of the leadership position on the three-wheeler market thanks to the Apè city Pax, the introduction of new four-wheeler products, the sub 0.5T and sub 1T and a focus on the export of three-wheeler vehicles in Africa and Latin America.

Asia Pacific 2W

Strong growth: 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 markets;
- competency in research and development, focused 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 Piaggio Group's sustainability strategy is based on areas of sustainability which are important for the Group: economic sustainability, product sustainability, environmental sustainability and social sustainability.
The Group's Corporate Social Responsibility (CSR) strategic objectives - which are mostly supplemented by and related to the development of the 2014-2017 strategic plan - are based on four areas:

- Transparency and economic value:
  - creating value while respecting business ethics;
  - timely, correct, in-depth information to stakeholders.

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

› Environmental sustainability:
- reducing energy consumption;
- reducing emissions of CO_2 and other pollutants;
- conserving natural resources;
- waste handling and recovering;
- logistics.

› Development of human resources and relations with stakeholders:
- developing, training and promoting human resources so that everyone's expectations and aspirations are met;
- listening to and assisting customers, to establish relations based on transparency and trust;
- developing Company Advocacy in co-partnership with the dealer network;
- working together with suppliers, through jointly developed projects;
- engaging and supporting local communities through social, cultural and educational initiatives.

These areas form the basis for the sustainability objectives to be pursued in the 2014-2017 period.
The results achieved in 2013, 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

Financial disclosure

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

In particular its 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 2013, communication with the financial community was consolidated, with the Group meeting more than 130 investors on main European financial markets during road shows and conferences.
Initiatives also included direct meetings and conference calls, managed daily by the IR function, and institutional communication events concerning quarterly results.

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).

Investor Relations Department - Contacts
Raffaele Lupotto – Senior Vice President, Head of Investor Relations
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Tel: +39 0587 272286
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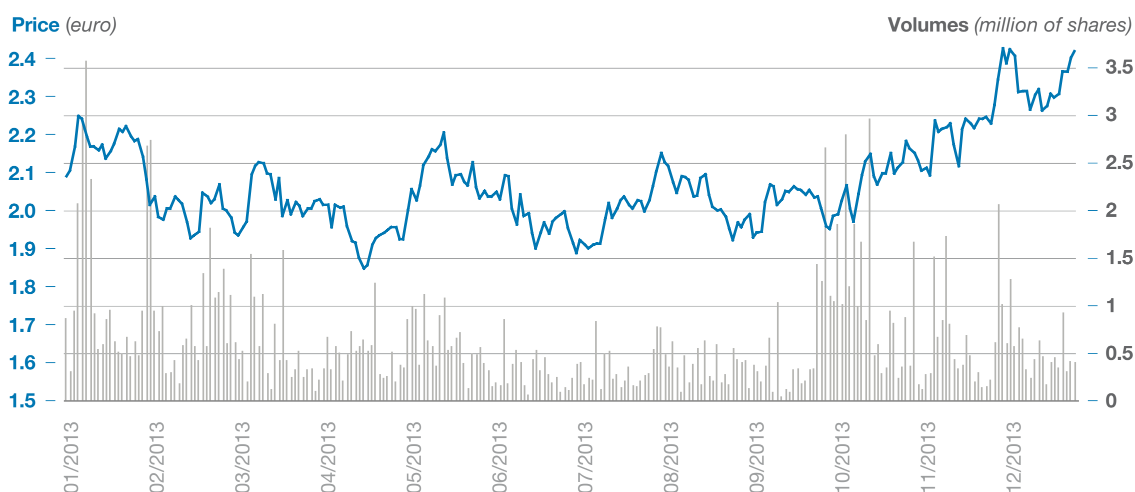
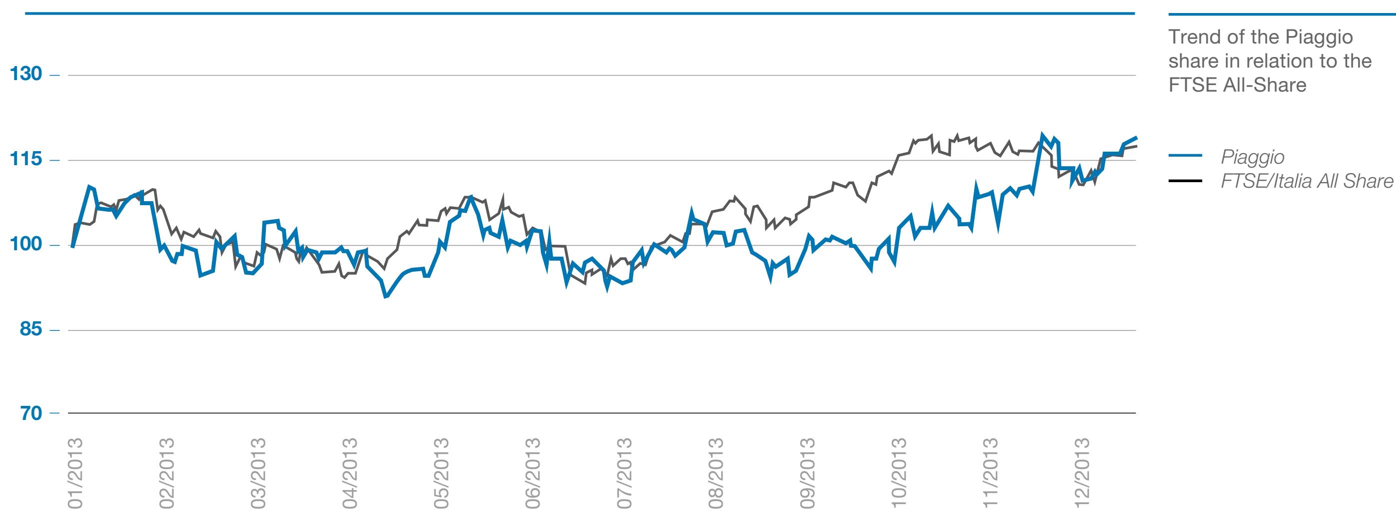
Piaggio shares

Price and daily volumes





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

In 2013 Piaggio shares gained 19%, outperforming the main reference index, as shown in previous graphs.

Main share indicators

	2013	2012
Official share price on the last day of trading (euro)	2.41	2.03
Number of shares (no.)	360,894,880	371,793,901
Earnings per share (euro)		
- Basic earnings	(0.018)	0.113
- Diluted earnings	(0.018)	0.113
Shareholders' equity by share (euro)	1.09	1.18
Market capitalisation (millions of euros)[6]	869	755

6_*Obtained by multiplying the official share price of the last day of trading by the number of shares.

Group rating

	Current	31/12/2012
Standard & Poor’s		
- Corporate	BB-	BB
- Outlook	Stable	Negative
Moody’s		
- Corporate	Ba3	Ba2
- Outlook	Stable	Stable

Events during the period

In **February 2013**, Piaggio & C. decided to move the production of Derbi brand vehicles to Italy, in order to streamline its own production activities, and to gradually close the production facility in Martorelles, Spain and transfer the production carried out there to Italian sites.
Consequently, on 15 February 2013 Nacional Motor appealed against the "E.R.E." procedure (Expediente de Regulacion de Empleo - Employment Regulations Plan) which became operative in March. The implementation of this plan involved leaving incentives for nearly all employees, based on agreements made with trade unions and signed in 2009, 2011 and 2012. In particular, the purpose of agreements made in July 2012 was to define the procedures and remuneration for employees if production activities stopped. The plan, shared with Government representatives and Trade Union Organisations, involved restructuring costs for the Group amounting to approximately €6 million. Based on IAS 37, these costs were recognised in 2013.
As from March 2013, the Spanish company Nacional Motor has consequently, permanently stopped all activities: the production of Derbi vehicles has been transferred to Italian sites, and nearly all employee contracts have been terminated.

9 April 2013 The Aprilia Caponord 1200, the road enduro bike boasting an exclusive, patented technological content, such as ADD, the semi-active suspension system that can automatically regulate calibration to road surface and driving style, was presented to the international press.

24 April 2013 The National Hospital for Pediatrics of Hanoi and the Pediatric Hospital Bambino Gesù of Rome launched a partnership project to treat over 2,000 Vietnamese children from 0 to 18 years of age; the project was set up with the help of Piaggio Vietnam and is the first in a number of "**Vespa for Children**" social initiatives, recently announced by the Piaggio Group.

15 May 2013 The new Vespa 946, the most exclusive and technologically advanced scooter ever designed, can now be booked on the new Vespa.com site.

14 June 2013 Moody's lowered Piaggio's rating from Ba2 to Ba3, giving it a stable outlook.

20 June 2013 The Piaggio Group unveiled the new Vespa VX in Bombay, which is produced in India at the Baramati plant, and announced an important programme to expand the Vespa range on the Indian market. Developed specifically for the Indian market, the Vespa VX has evolved from the Vespa LX and flanks the Vespa model currently sold in India; it features even greater comfort, new design elements and a new braking system with front disc brake. The new VX has a 3 valve, 4-stroke 125cc engine purposely developed by the Piaggio Group for the Indian two-wheeler market: the engine is particularly quiet and eco-friendly, with a considerable reduction in gaseous and sound emissions, and one of the world's lowest fuel consumptions - 60 km on one litre of petrol. The Piaggio Group's scooter range on the Indian market further expanded in 2013, with the new Vespa S going into production at Baramati. Piaggio Vehicles Private Ltd. (PVPL), the Indian subsidiary wholly owned by the Piaggio Group, also launched the Vespa 946, the stunning scooter that made its début in early June on all European markets.

27 June 2013 A Paris Court acknowledged Piaggio's copyright to the exterior forms of the Vespa, ordering the company responsible for making imitations to destroy all vehicles on display at the "Salon de Moto et du Scooter" in Paris, and to pay legal fees.

3 July 2013 The Group presented the new Ape Calessino 200, with new stylish shades and finishes, fitted with a new Piaggio 200cc, 4 stroke, single cylinder petrol engine, capable of 7.5 KW, with four gears (plus reverse), making the Ape Calessino possible to drive in Italy at 16 years with an A1 licence and at 18 years with a normal B licence.

5 July 2013 The fourth generation Piaggio Liberty made its début, with the new Piaggio 3V engine, available in 125 and 150cc versions. This 4-stroke, electronic injection engine, which is one of the most sophisticated of its kind worldwide, is air cooled and has a single overhead 3 valve cam (2 intake valves and 1 outlet valve); it was designed at the Piaggio Group's research and development centre. The 3 valve

technology allows for even better torque and power values compared to previous generation engines and a drastic decrease in fuel consumption: the Liberty 3V 125 can travel at 59 km/l at a speed of 50 km/h, while the Liberty 3V 150 can reach 57 km/l in the same conditions. The seat is entirely new and riders of any height can rest both feet on the ground. The load capacity of the seat compartment has been increased by 23%, from 8.8 to 10.8 litres.

9 July 2013 In a survey conducted by CNN, the American television network and point of reference for information on a planetary level, for the 2013 World Industrial Design Day, the Vespa was included among the twelve best designs worldwide in the last 100 years.

19 July 2013 Piaggio received AEO-F (Authorised Economic Operator - Full) certification from the Customs' Authorities. Accreditation as an AEO means that Piaggio meets all administrative, financial and customs' requirements, as well as safety standards for the handling of goods to and from abroad, in line with EU regulations regarding relations between private entities and regulators of international trade.

20 October 2013 Aprilia won the Manufacturer's title in the 2013 World Superbike Championships, clocking up 5 victories in these championships over the last four years (2 rider's titles and 3 manufacturer's titles), and a total of 52 world titles in just over twenty years of operations.

5 November 2013 The ultra-new Vespa Primavera, produced at the Piaggio Group's Pontedera site and at the Vinh Phuc site in Vietnam was unveiled at EICMA, the Milan Motor Show. Featuring a radically new design, entirely new 100% steel body, new dimensions, and an agile yet even more stable and comfortable ride, the Vespa Primavera has been redesigned, with ultra-modern, environmentally friendly, 2- and 4-stroke 50cc, and 3 valve- 4-stroke 125cc and 150cc engines, embodying some of the style and technical solutions that feature on the Vespa 946, the most exclusive and technologically advanced model ever conceived in the history of the Vespa.

3 December 2013 The Piaggio Group won the "Transatlantic Award" of the American Chamber of Commerce in Italy, for its investment in establishing the company Advanced Design Center at Pasadena in California, a world centre of the Group for the development of new solutions for research projects into innovative materials and zero-emission propulsion systems that use alternative energies.

Background

The macroeconomic framework

In 2013, 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 that were basically stable.
In East Asia, the objective of establishing a social/geographic balance and of regulating monetary aggregates led to a slowdown in major growth rates, while in the US, the consolidation in growth was partially limited by programmes to reduce the federal deficit, despite a huge monetary expansion.
Japan stands alone, consolidating growth thanks to a considerable public deficit, an inflationary monetary policy and the depreciation of the yen.
The Eurozone confirmed a slight overall downturn, despite a positive performance in the last quarter, reflecting a slow process of some peripheral countries overcoming the crisis.
As regards Italy, GDP fell for the second year running: drastic recovery measures had a considerable impact on consumer trends and employment, confirming the need for structural reforms.

The market

Two-wheeler

In 2013, the world two-wheeler market (scooters and motorcycles) recorded a slight increase (+0.3%) compared to 2012, ending the year with 48.5 million vehicles sold.

India, the most important two-wheeler market, continued to grow in 2013, ending the year with 14.4 million vehicles sold, equal to an increase of 3.9% over 2012.

This performance was the opposite of the People's Republic of China, which continued to register declining volumes in 2013, with a decrease of 6.4% over 2012 and ending the year with just under 13 million units sold.

The Asian area, termed Asean 5, reported a slight increase in 2013 (+0.9% compared to 2012) ending the year with 13.8 million units sold. Indonesia, the main market in this area, picked up in 2013, with total volumes of over 7.7 million units and a growth of 8.5% over the previous year. Vietnam instead was affected by a slowdown, with sales volumes equal to 2.78 million units (-10% compared to 2012). After a growth phase, Thailand reversed the trend with a 9.9% fall compared to 2012 (1.9 million units). Malaysia continued to grow in 2013 (+5.2%) ending the year with 636 thousand units sold; the last country in the Asean 5 area, the Philippines, also recorded a positive growth trend, with 753 thousand units sold in 2013 (+7.1% compared to 2012).

Volumes of other Asian area countries (Singapore, Hong Kong, South Korea, Japan, Taiwan, New Zealand and Australia) increased, in overall terms, compared to the previous year, with nearly 1.27 million units sold (+2.6%). In this area, Taiwan picked up after a year of decline, ending the period with 645 thousand units sold (+6.4% compared to 2012).

The North American market, up 2% compared to 2012 (519,000 vehicles sold) confirmed its growth trend.

South America registered a decline, mainly because of Brazil, the leading market in this area which reported a downturn of 2.4%, with just under 1.6 million vehicles sold in 2013.

Europe, which is the reference area for Piaggio Group operations, continued to struggle in 2013, with sales on the two-wheeler market down 12% compared to 2012 (-4% for the motorcycle segment, and -17% for the scooter segment). In the scooter segment, the decrease refers to both

the over 50cc market (-13%), and 50cc market (-20%). In the motorcycle segment, sales of over 50cc models were down (-3%), while the negative trend for 50cc models was more marked, with a -17% decline.

The scooter market

Europe

The European scooter market in 2013 accounted for 667,000 registered vehicles, with a decrease in sales of 17% over 2012[7].
In 2013, vehicle registrations were higher in the over 50cc segment, with 354,000 units against 312,000 units in the 50cc scooter segment. The over 50cc scooter segment decreased compared to 2012[7] by 13%, while the 50cc scooter segment fell by 20%.
In 2013, vehicle registrations were higher in the over 50cc segment, with 354,000 units against 312,000 units in the 50cc scooter segment. The over 50 scooter segment decreased by 13% compared to 2012 (excluding sales to the Italian post office), while the 50 scooter segment dropped by 20%.
France was the most important market with 150,000 thousand units sold, followed by Italy with 129,000 thousand units and Spain with 77,000 thousand units. The latter country ranked higher than Germany, which is now the fourth European market with 69,000 units sold, while the United Kingdom registered 31,000 vehicles. In 2013, the Italian market continued to be affected by a downturn compared to the previous year (-27%), when vehicle registrations totalled 177,000 (excluding sales to the Italian Post Office). The 50cc segment declined by 36%, with 29,000 units sold. In the over 50cc segment, 100,000 units were sold, registering a decrease of 24% compared to 2012.
The French market with 150,000 vehicles decreased by 18% compared to the 182,000 vehicles sold the previous year: this downturn was evenly distributed between the over 50cc (-17%) and 50cc (-18%) scooter segments.
The German market registered a considerable decrease (-17%) with approximately 69,000 vehicles sold in 2013 compared to 83,000 in 2012. The downturn affected both the 50cc scooter segment (-19%) and over 50cc scooter segment (-13%).
Of the most important markets, Spain, registered the least negative trend, with a decrease of -6%. This result is from a new and considerable downturn in the 50cc scooter segment (-19%), while the over 50cc segment, which has long been the most significant, recorded a modest decline (-2%).
After encouraging signs in 2012, the United Kingdom market fell by 11%, with 30,600 units sold. As in Spain, this result is due to a slight fall in the over 50 scooter segment (-5%) and a greater change in the 50cc scooter segment (-21%).

7_ *The figure does not include the 15,000 vehicles delivered to the Italian Post Office.*

Americas

North America After two positive years, 2013 marked a downturn (-13%), with approximately 39,000 units sold: this negative trend is mainly due to the over 50cc scooter segment, where sales fell by 19% against a drop of 7% for 50cc scooters.
The scooter market in the United States (which accounts for 90% of the reference area), declined by 15%, with 35,000 vehicles sold; this trend was reversed on the Canadian market, which instead grew by 13%, with nearly 4,000 vehicles registered in 2013.

Asia

The main scooter market in the Asean 5 area is Indonesia, with just under 6.7 million items sold, reporting an increase of 4.2% over 2012. The Cub segment (vehicles with gears), confirmed the negative trend of the previous year, with an 18% decrease and 1.76 million units sold, while the automatic scooter segment increased by 15.5% (over 4.9 million units).
The second main market is Vietnam, which reported a 10% decrease with 2.78 million units sold, of which 1.65 million Cub and 1.13 automatic scooters.
This is followed by the scooter market in Thailand, which declined by 6% compared to 2012, ending the period with 920 thousand automatic vehicles sold.

India
The automatic scooter market increased by 15.8% in 2013, ending the year with over 3.3 million units sold.
The over 90cc range is the main product segment, with more than 3.15 million units sold in 2013 (+16.8% compared to the previous year) and accounting for 94% of the total automatic scooter market. The 50cc scooter segment is not operative in India.

The motorcycle market

Europe
With 452,000 thousand units registered, the motorcycle market ended 2013 with a 4% decrease: all subsegments performed negatively in 2013, with the 50cc segment most affected, dropping to approximately 30,000 units (-17%). The downturn was less marked in the 51-125 motorcycle segment (-3%, 67,000 units) and large engine motorcycle segment (over 750cc) which nearly equalled 2012 sales (-1%), with 213,000 units registered in 2013.
Lastly, the 126-750cc segment recorded the most significant loss (-7%), with 142,000 vehicles sold.
France is still the main European market with 103,000 units, followed by Germany (102,000) and the United Kingdom with 62,000 vehicles which was ahead of Italy, down to 56,000 vehicles and Spain, which ranked fifth with 30,000 vehicles.
For the third year running, Germany reported a positive trend in 2013 (+6%), in addition to the United Kingdom, which ended the year with sales up 3%. Italy and Spain faired considerably worse (both down -12% compared to 2012), while France recorded a 9% decrease.

Americas
North America The recovery of the motorcycle market in North America (the USA and Canada) which began in 2012 continued in 2013, recording an increase of 3%, and 480,000 units sold compared to 465,000 of the previous year. In the United States (accounting for 89% of the area), the motorcycle segment recorded a 3% increase, selling 429,000 units against 418,000 units in 2012. The trend on the Canadian market was better, up 7% with 50,500 units sold.

Asia
India is the most important motorcycle market in Asia, selling more than 10 million units in 2013 (nearly 10.3 million), accounting for a 1.4% increase.
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 reported in Indonesia, with nearly 1.1 million units sold and a 44% increase over the previous year; performance in Thailand was also significant, with more than 140,000 units sold and an 84% increase compared to 2012, mainly due to sales of mini bikes.

Commercial Vehicles

Europe
In 2013, 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 1.37 million units sold, down 0.2% compared to 2012 (source ACEA data, January - December 2013). This downturn was due both to the trend of the Van segment and to Piaggio's reference segment - Chassis Cabs. In detail, the decrease affected all main European reference markets: Germany (-3.1%), France (-4.3%), and Italy (-12.5%); vehicle registrations in Spain increased instead (+ 11.1%).

India
Sales on the Indian three-wheeler market, where Piaggio Vehicles Private Limited, a subsidiary of Piaggio & C. S.p.A. operates, went up from 532,267 units in 2012 to 500,834 in 2013, registering a

5.9% decrease.
Within this market, the passenger transport vehicles sector continued to fall, to 406,793 units, down by 6.2%, while the Cargo sector reported a downturn of 4.8%, from 98,816 in 2012 to 94,041 units in 2013. The traditional three-wheeler market is flanked by the four-wheeler light commercial vehicles (LCV) market (cargo vehicles for goods transport) where Piaggio Vehicles Private Limited operates with the Porter 600 and 1000. The LCV cargo market, with vehicles with a maximum mass below 2 tons and where the Porter 600 and Porter 1000 compete, accounted for 190,676 units sold in 2013, falling by 25.0% compared to 2012.

The regulatory framework

In January, the European Commission published a proposal for the “Clean Power Directive” whose purpose is to establish alternative fuel infrastructures in the European community and harmonize technical specifications for such infrastructures throughout Europe. The directive would require each country to have a minimum number of infrastructures for electrical, hydrogen and gas-run vehicle recharging, and define all common technical characteristics for interfaces between recharging/refuelling points and vehicles. The aim is to boost the market and contribute with this initiative to increasing the number of environmentally friendly vehicles in use. In the second half of 2013, ACEM (the European Association of Motorcycle Manufacturers), on specific request of Piaggio, announced its support for the electrical recharging connector, currently used in Italy, to become the single interface between vehicles and charging stations for all EU countries.

In March, Regulation 168/2013 on the type-approval and market surveillance of two- or three-wheeler vehicles and quadricycles was published in the Official Journal of the European Union. The requirements of the regulation will come into force, for newly approved vehicles, in January 2016 (in January 2017 for vehicles already approved).

Discussions continued between the Commission, EU Council, industry and other stakeholders concerning the other three Delegated Acts that will complete the regulatory framework for future type-approvals and will concern environmental performance, vehicle construction requirements, as well as administrative requirements relating to the type-approval procedure, while at the beginning of November, the first of the Delegated Acts resulting from Regulation 168/2013 (relative to the functional safety requirements of vehicles) was approved.

At the end of November, the EU Commission published the specific directive that will introduce Euro 3 emission limits, as from July 2014, for newly type-approved scooters and mopeds (until the end of 2017, newly registered scooters and mopeds will not have to comply with these limits), and the obligation for an automatic headlamp on (AHO) or daytime running lights (DRL) for all L category vehicles. This directive is numbered 60/2013/EU.

In May, the European Parliament Transport Committee rejected the proposal of the European Commission to introduce a common minimum standard for a regular road worthiness test for two-wheeler vehicles. The European Parliament instead voted in favour of the “road worthiness package”, in plenary session last July; the package includes requirements at an EU level on the frequency of testing (on safety, pollution, etc.) in order for vehicles to still be able to transit. At the end of December, a Commission, Parliament and EU Council compromise text was drawn up, based on which the requirements initially proposed by the Commission were simplified. In fact:

- the obligation will only concern motorcycles, three-wheelers and four-wheelers with an engine above 125cc (so nearly all mopeds, scooters and motorcycles up to 125cc are excluded);
- the obligation for these vehicles will only come into force from 2022 onwards;
- Member States may defer the obligation to carry out periodic controls if they have adopted alternative road safety measures (not further specified).

At present, only some countries have decided on and adopted national laws on the road worthiness of scooters, mopeds and motorcycles, and Italy ranks among these, as from 2001.

In June, the European Commission presented a bill for the mandatory installation of the eCall (emergency call) system on board newly approved vehicles and light transport commercial vehicles as from 1 October 2015. The system is able to automatically dial the single European emergency number 112, in the event of a road accident, and report the vehicle’s position to the emergency services. In order to establish and develop this system, the Commission has proposed two regulatory measures:

- a regulation on type approval specifications necessary to make vehicles suitable for the system;
- a decision to introduce an interoperable emergency call system to make public infrastructures suitable for interacting with the eCall system.

Italy

In Italy, as in all EU Member States, the new European licence came into force on 19 January 2013. An AM category licence has been introduced for riding a moped at 14 years' old; no changes have been made to the A1 licence (125cc up to 11kW). Compared to previous regulations, holders of a new A2 licence (known as a "limited" A licence up until last year), can now ride a two-wheeler with a maximum power of 35 kW (rather than 25 kW for the "limited" A licence). The maximum category A licence may be awarded to people who have held an A2 licence for at least two years, only from 24 years of age (no longer 21 years of age). Three-wheelers may be driven in Italy with a car licence (B licence), on condition that the three-wheeler has a power above 15 kW, and the driver is at least 21 years' old. Persons who obtained their driving licence before 18 January 2013, must observe regulations in force at the time their licence was awarded.

In January, decrees implementing regulations of the Ministry of Transport were published, on procedures for AM, A1, A2 and A licence tests.
New aspects concern test manoeuvres, which have been updated to EU requirements for higher category licences. As concerns previous manoeuvres:
› the slalom test has been integrated with a cone turn manoeuvre;
› a speed of 30 km/h has been set for the braking test;
› the figure of eight has been replaced by a new obstacle avoidance manoeuvre.
Transit through a narrow pathway remains, from existing manoeuvres, but with some changes.
On 12 February 2013, the Decree implementing regulations on incentives to purchase total low emission vehicles, as of article 17-bis of law decree no. 83 of 22 June 2012 amended by law no. 134 of 7 August 2012, was published in the Gazzetta Ufficiale, no. 36. Incentives are for the purchase of environmentally-friendly two-, three- and four-wheeler vehicles (electric, hybrid, LPG, natural gas, biogas, biofuel and hydrogen vehicles, mainly for use by third parties, companies and small businesses) that produce CO_2 exhaust emissions not above 120 g/km. The incentives started on 14 March 2013.
A subsidy equal to 20% of the price was allocated for 2013, with a maximum limit that differs depending on the category of vehicle purchased.
At the end of 2013, only a small part of government funds made available had been used, and for this reason the Ministry for Economic Development is assessing changes to make to the law, for 2014, so that the incentives may be used more easily by a larger number of the population.
Commercial vehicles, two-wheelers and low-polluting cars are included in the incentive campaign promoted by the Ministry for Economic Development.

This law (no. 134 of 7 August 2012, article 17-septies of Section IV-bis - Provisions to promote the development of mobility through total low emission vehicles), also appointed the Ministry of Infrastructures and Transport to produce and propose a National Plan for Electric Vehicle Recharging Infrastructures (PNIRE). In this context, the Ministry of Infrastructures and Transport began an online consultation in April, open to the public and other parties concerned, to collect proposals on the best way to promote the use of electric vehicles. The key issue of the consultation - which ANFIA also took part in (of which Piaggio is a member) - was the need to develop a network of infrastructures that can guarantee minimum uniform levels of accessibility to the electrical vehicle recharging service. In June, a report on the results of the Public Consultation was published on the Internet site of the Ministry of Infrastructures and Transport.

The session of 11 June presented a solution on road safety to the Italian Parliament's IX Transport Committee, in which the Government will commit to:
› developing road network infrastructures that are safer, with impact attenuators (e.g. guard rails), prioritising roads with high two-wheeler accident figures;
› requesting and promoting the use of active and passive safety devices in vehicles;
› promoting the increase of smart technologies on all roads (Intelligent Transport Systems - ITS);
› improving education and training of road users, also through driving/riding simulators;
› increasing controls, so as to discourage and sanction wrong behaviour on the roads, i.e. using mobile

phones while driving, and to apply strict penalties;
- improving road lighting conditions, using the latest knowledge and state-of-the-art technologies;
- taking initiatives to guarantee the ongoing and efficient maintenance of road networks, to reduce the number of injuries, and improve the safety of motorcyclists.
- Piaggio and ANCMA (the National Association of Motorcycle Manufacturers) will actively continue to monitor the progress of the proposal.

Parliament's IX Committee resumed its examination of the proposed Consolidated Act (T.U.) on the highway code reform, after proceedings stopped at the end of 2012, due to the sudden interruption of the previous legislature. The proposed T.U. will deregulate a part of the highway code to speed up procedures to change technical requirements which are more likely to be frequently updated in order to comply with EU or international laws coming into force. ANCMA has also submitted a package of amendments concerning two-wheeler mobility and user safety.

At the end of October, the Municipality of Rome accepted the request from Confindustria, the Confederation of Italian Industry, ANCMA and F.M.I, the Italian Motorcycling Federation, to continue to allow four-stroke mopeds, scooters and motorcycles that meet Euro 1 standards, to transit within the ZTL Anello Ferroviario area.
So, owners of motorcycles mopeds and scooters still have several months before having to switch to vehicles that meet Euro 2 standards, with the new deadline set for 31 March 2014. The Rome authorities, in conjunction with the Region of Lazio, have also set aside funds to encourage owners to change their Euro 1 vehicles.

On 24 October 2013, the Ministry for Economic Development, with main industry representatives, including ANFIA and ANCMA) established Consulta Automotive, a government body in which different industry players, comprising specific work teams, are consulted on key issues for the industry's future: R&D and innovation, fair trade, sustainable mobility, market support and industrial re-qualification. The aim is to relaunch the automotive sector, which is fundamental for Italian industry, particularly affected by the economic crisis of the last few years.

France
In 2012, the French authorities had published a protocol establishing specifications for motorcyclist clothing, to ensure protection. This protocol is based on a CEN standard for professional motorcyclists' clothing and is therefore very strict. As it is the only protocol of its kind in Europe, it clashes with the principle of a free market in Europe, and the free circulation of goods within the EU.
To overcome this situation, ACEM initiated talks in early 2013 with the European Commission, requesting all EU members states, including France, to refrain from unilaterally implementing national provisions and instead wait for the European standard, currently being developed, to be published.
In the second half of the year, discussions on this matter continued between the French Government, EU Commission and trade associations (ACEM and the French Association CSIAM). However, France does not seem prepared to change its national provisions, at least not until the European standard has been updated. In the meantime, the French Ministry for Employment will produce a document explaining obligations for labelling clothing, that will clarify, at least partially, the complex situation that has arisen in the country.
In 2012, the Interministerial Committee for Road Safety (CISR) established that all drivers of vehicles, including motorcycles (excluding mopeds), must have a breathalyser on board. This obligation was then suspended by the Ministry of the Interior and deferred to spring 2013, in order for the CISR to investigate the suitability of this measure.
A new decree, published in France's Official Gazette (Journal Officiel de la République Française) on 1 March 2013 established that the regulation will remain in force, however it cancelled the fine for not having the breathalyser.

Russia

In the last few years, the Russian government has assessed the possibility of introducing an emergency call system in Russia, for use in the case of accidents. The service is called ERA GLONASS (Emergency Road Assistance based on a Global Navigation Satellite System) and, in view of talks held in the first half of 2013 with OICA (the International Organisation for Car Manufacturers), it appears that Russia will make the system operative (and mandatory for cars) as from January 2015. In the second half of 2013, the system was tested and considered ready to go into use as scheduled.

USA

The NHTSA (National Highway Traffic Safety Administration) published a Notice of Proposed Rulemaking (NPRM) to establish a new federal standard for vehicle safety, standard N.141 “Minimum requirements for the noise levels of hybrid and electric vehicles”. These requirements could also affect motorcycles, but the NHTSA has pointed out that many specific factors of two-wheelers must be considered when discussing the standard:

› current sound emission levels could already be sufficient in order for a pedestrian to realise an electric motorcycle is approaching and thus avoid a collision;
› the likelihood that an accident occurs with a hybrid or electric motorcycle compared to a motorcycle with a conventional engine;
› the different methodology to adopt to measure sound emissions of these motorcycles compared to the methodology adopted for electric or hybrid cars.

NHTSA has announced that the Final Rule will be published in March 2015.

India

In 2013, the Ministry of Transport did not announce any new changes to the Central Motor Vehicle Rules in force.

Vietnam

In 2012, the Vietnamese government proposed extending the two-wheeler vehicle registration tax already adopted in Hanoi to the province of Ho Chi Minh. The tax would vary, depending on the vehicle value, from a maximum of 4 million Dong (equal to approximately €150) to a minimum of 2 million Dong (approximately €75). This proposal has not yet become law.

As from January 2014, a road maintenance tax will become mandatory in the province of Ho Chi Minh. There will be two tax brackets:

› an annual tax of 60,000 VND (equal to approximately €2) for two-wheelers below 100cc;
› an annual tax of 150,000 VND (equal to approximately €6) for two-wheelers above 100cc.

In Hanoi, a road maintenance tax was introduced in July 2013. The annual amount for vehicles with an engine below 100cc is equal to 100,000 VND (approximately €3.5); for vehicles with an engine above 100cc, the tax is 150,000 VND (approximately €6).

Although approved by the Government at the start of the year as a proposal, the Plan to develop road traffic in Vietnam from 2013 to 2020 has not produced any tangible effects. The main objectives of the Plan include:

› the control and reduction of accidents;
› a reduction of environmental pollution;
› the development of urban infrastructures;
› regulation of the growing number of motorcycles, through administrative, economic and technical measures.

Indonesia

As from 1 August 2013, newly approved motorcycles must comply with Euro 3 emission standards currently in force in the EU. As from the beginning of 2015, the provision will become mandatory for newly registered motorcycles.

South Korea
In the second half of 2013, the UN continued to discuss the Korean Government's proposal to produce a global Regulation, based on existing Korean standards, for air quality in the driver and passenger compartment of road vehicles. Many vehicle manufacturers already adopt their own measures to check for possible hazardous substances produced by materials used for vehicle interiors. The aim of proposing a Regulation to the UN is to provide a single global standard that can guarantee drivers and passengers the best driving environment, and at the same time, allow for a more efficient management of this construction aspect by the automotive industry, by unifying different existing standards.

Japan
In September 2013, the test cycle used to control pollutant emissions was changed. From the choice between the Japanese Hesei 19 mode and the WMTC (World Motorcycle Test Cycle), it is now mandatory to use the latter procedure.

VOGUE

Financial position and performance of the Group

Consolidated Income Statement

Consolidated income statement (reclassified)

	2013		2012		Change	
	In millions of euros	Accounting for a %	In millions of euros	Accounting for a %	In millions of euros	%
Net sales revenues	1,212.5	100.0%	1,406.2	100.0%	(193.6)	-13.8%
Cost to sell[8]	855.0	70.5%	988.3	70.3%	(133.2)	-13.5%
Gross industrial margin[8]	**357.5**	**29.5%**	**417.9**	**29.7%**	**(60.4)**	**-14.5%**
Operating expenses	294.9	24.3%	321.3	22.9%	(26.4)	-8.2%
EBITDA[8]	**146.8**	**12.1%**	**176.2**	**12.5%**	**(29.4)**	**-16.7%**
Amortisation	84.1	6.9%	79.6	5.7%	4.5	5.7%
Operating income	**62.6**	**5.2%**	**96.6**	**6.9%**	**(33.9)**	**-35.1%**
Result of financial items	-32.4	-2.7%	-28.7	-2.0%	(3.7)	12.7%
Profit before tax	**30.3**	**2.5%**	**67.9**	**4.8%**	**(37.6)**	**-55.4%**
Taxes	36.8	3.0%	25.8	1.8%	11.0	42.6%
of which non-recurrent costs	*24.6*				*24.6*	
Net profit	**-6.5**	**-0.5%**	**42.1**	**3.0%**	**(48.6)**	**-115.5%**
Adjusted net profit	**18.1**	**1.5%**	**42.1**	**3.0%**	**(24.0)**	**-57.0%**

8_For a definition of the parameter, see the "Economic Glossary".

Vehicles sold

	2013	2012	Change
In thousands of units			
EMEA and Americas	220.9	278.2	(57.4)
India	233.3	224.7	8.6
Asia Pacific 2W	101.4	112.6	(11.2)
Total vehicles	**555.6**	**615.5**	**(59.9)**
Two-wheeler	351.6	406.1	(54.5)
Commercial Vehicles	203.9	209.4	(5.5)
Total vehicles	**555.6**	**615.5**	**(59.9)**

Net revenues

	2013	2012	Change
in millions of euros			
EMEA and Americas	699.1	837.3	(138.2)
India	320.1	357.8	(37.7)
Asia Pacific 2W	193.4	211.1	(17.7)
Total net revenues	**1,212.5**	**1,406.2**	**(193.6)**
Two-wheeler	852.6	993.3	(140.6)
Commercial Vehicles	359.9	412.9	(53.0)
Total net revenues	**1,212.5**	**1,406.2**	**(193.6)**

The Piaggio Group sold 555,600 vehicles worldwide in 2013, with a reduction in volumes totalling around 9.7% compared to the previous year, when 615,500 vehicles were sold. The number of vehicles sold in India increased (+ 3.8%), also due to sales of the Vespa, while sales in EMEA and the Americas decreased (- 20.6%) as well as in Asia Pacific 2W (-10.0%). As regards the type of products sold, the main downturn occurred in the two-wheeler segment (- 13.4%).

Sales of two-wheeler vehicles were affected by a particularly negative market context and competitive scenario, at least as regards European markets. In particular, the two-wheeler market in Europe

registered a downturn equal to approximately 12% (- 17% for scooters and - 4% for motorcycles). In Europe, the Piaggio Group retained its market leadership position, with a 17.6% share. The Group achieved excellent sales results on the American market (+ 10.4%). The number of Vespas sold in India totalled 38,900.

Sales of commercial vehicles were negatively affected by the concurrent downturn on all reference markets (Italy - 12.5%, Germany -3.1%, France - 4.3% and the Indian three-wheeler market - 5.9%).

In terms of consolidated turnover, the Group ended 2013 with net revenues down by 13.8% compared to 2012, and equal to €1,212.5 million. As for the type of products sold, the downturn mainly concerned two-wheeler vehicles (- 14.2%). As a result, the percentage of two-wheeler vehicles accounting for overall turnover dropped from 70.6% in 2012 to the current figure of 70.3%; vice versa, the percentage of commercial vehicles rose from 29.4% in 2012 to 29.7% in 2013.
All geographic segments recorded a downturn: Asia Pacific 2W - 8.4%, India - 10.5% and EMEA and the Americas - 16.5%. This negative performance was exacerbated by the devaluation of Asian currencies, which had an impact of approximately €53 million on the decrease in turnover.

The Group's **gross industrial margin** decreased in absolute terms compared to the previous year by € 60.4 million, while in relation to net turnover, it was equal to 29.5% (29.7% in 2012). The decrease as a percentage, due mainly to the different mix of products sold on markets in EMEA and the Americas, and in India and Asia Pacific 2W, was within 0.2 percentage points, thanks to important actions to curb product costs.
Amortisation/depreciation included in the gross industrial margin was equal to €33.7 million (€32.9 million in 2012).

Operating expenses incurred during 2013 totalled €294.9 million, approximately €26.4 million less compared to the previous year (€321.3 million), and confirm the Group's constant focus on keeping costs down and maintaining high profitability levels.
Operating expenses also include amortisation/depreciation not included in the gross industrial margin, amounting to €50.5 million (€46.7 million in 2012).

This performance resulted in a consolidated **EBITDA** which was lower than the previous period, and equal to € 146.8 million (€ 176.2 million in 2012). In relation to turnover, EBITDA was equal to 12.1% (12.5% in 2012). In terms of Operating Income (**EBIT**), performance was negative compared to 2012, with a consolidated EBIT equal to € 62.6 million, down € 33.9 million from 2012; in relation to turnover, EBIT was equal to 5.2%, (6.9% in 2012).

The result of financing activities declined compared to the previous year by € 3.7 million, with Net Charges amounting to € 32.4 million (€ 28.7 million in 2012). This increase was due to a lower capitalisation of interest amounting to €3.1 million and a lower result arising from investments of €1.3 million, partially offset by the improvement of €0.8 million registered by the balance of financial income and borrowing expenses and currency management.

Adjusted net profit stood at €18.1 million (1.5% of turnover), down on the figure for the previous year of €42.1 million (3.0% of turnover). The adjustment is relative to the non-recurrent cost recognised, following the inspection by the Italian Tax Authority for the 2009, 2010 and 2011 periods, which terminated with the issue of Formal Notices of Assessment (PVC) mainly concerning transfer pricing. After explaining the correct nature of its operations to the Italian Tax Authority, the Company decided to benefit from the system of paying lower fines, to avoid tax litigation and therefore defined the Formal Notices of Assessment, considerably lowering the initial requests of the inspectors.

Taxes for the period were equal to €36.8 million, while they amounted to €25.8 million in 2012. The considerable increase compared to 2012 is due to the above mentioned recognition of a non-recurrent cost for € 24.6 million.

Consolidated Statement of Financial Position[9]

Statement of financial position	As of 31 December 2013	As of 31 December 2012	Change
In millions of euros			
Net working capital	(30.4)	(81.1)	50.7
Net tangible assets	310.1	321.0	(10.9)
Net intangible assets	654.5	661.0	(6.4)
Financial assets	9.9	6.7	3.2
Provisions	(76.4)	(75.9)	(0.5)
Net capital employed	**867.7**	**831.7**	**36.0**
Net financial debt	475.6	391.8	83.8
Shareholders' equity	392.1	439.9	(47.8)
Sources of funds	**867.7**	**831.7**	**36.0**
Minority interest capital	0.9	1.2	(0.3)

9_ For a definition of individual items, see the "Economic Glossary".

Net working capital as of 31 December 2013 was equal to – €30.4 million, using a cash flow of approximately €50.7 million during 2013.

Property, plant and equipment amounted to €310.1 million as of 31 December, with a decrease equal to approximately €10.9 million compared to 31 December 2012. This reduction is basically due to the devaluation of Asian currencies. The value adjustment of the balance sheet item to the exchange rate in effect at the end of the reporting period generated a decrease in the carrying amount of approximately €13.2 million. Investments for the period were all but offset by depreciation. Reclassifications of intangible assets to property, plant and equipment generated an increase of approximately €3.4 million.

Intangible assets totalled €654.5 million, down by approximately € 6.4 million compared to 31 December 2012. This downturn is mainly due to the devaluation of Asian currencies, which generated a reduction in the carrying amount of approximately €6.2 million. Investments for the period (€48.8 million) exceeded amortisation for the period by approximately €4.1 million.
The above reclassifications of intangible assets to property, plant and equipment generated a decrease of approximately €3.4 million.

Financial assets totalled €9.9 million. The increase mainly refers to the equity valuation of the Zongshen Piaggio Foshan joint venture (€2.1 million).

Provisions totalled €76.4 million, increasing compared to 31 December 2012 (€75.9 million).

As fully described in the next section on the "Consolidated Statement of Cash Flows", **net financial debt** as of 31 December 2013 was equal to €475.6 million, compared to € 391.8 million as of 31 December 2012. The increase of approximately €83.8 million is due to the investments programme, the distribution of dividends and a lower contribution from working capital.

Shareholders' equity as of 31 December 2013 amounted to €392.1 million, down €47.8 million compared to 31 December 2012.

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 2013"; the following is a comment relating to the summary statement shown.

Change in consolidated net debt	2013	2012	Change
In millions of euros			
Opening consolidated net debt	**(391.8)**	**(335.9)**	**(55.9)**
Cash flow from operating activities	78.1	125.5	(47.4)
(Increase)/Reduction in working capital	(50.7)	8.4	(59.1)
(Increase)/reduction in net investments	(70.0)	(141.4)	71.4
Change in shareholders' equity	(41.2)	(48.4)	7.2
Total change	**(83.8)**	**(55.9)**	**(27.9)**
Closing consolidated net debt	**(475.6)**	**(391.8)**	**(83.8)**

During 2013 the Piaggio Group used **financial resources** amounting to €83.8 million.

Cash flow from operating activities, defined as net profit, minus non-monetary costs and income, was equal to €78.1 million.

Working capital involved a cash flow of €50.7 million; in detail:
- the collection of trade receivables[10] used financial flows for a total of €15.1 million;
- stock management generated financial flows for a total of approximately €13.3 million;
- supplier payment trends used financial flows of approximately €44.5 million;
- the movement of other non-trade assets and liabilities had a negative impact on financial flows by approximately €4.4 million.

10_ Net of customer advances.

Investing activities involved a total of €70.0 million of financial resources. The investments refer to approximately € 30.8 million for capitalised development expenditure, and approximately €56.8 million for plant, property, plant and equipment and intangible assets. The exceptionally high values of the previous year were affected by the development of the spare parts warehouse at Pontedera and the completion of the Vespa plant in India and Engines plant in Vietnam.

The impact of the distribution of dividends in 2013 on cash flow was equal to €33.1 million.

As a result of the above financial dynamics, which involved a cash flow of €83.8 million, the **net debt** of the Piaggio Group amounted to €-475.6 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 more accurately the trend of the Group's operations 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;
- **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 2013 results with previous years, Net Profit and Earnings Per Share for 2013 were recalculated, excluding the effect of non-recurring events (which are presented in full in section 46 "Significant non-recurring events and operations" of the Notes). Further profitability measures are defined as Adjusted Net Profit and Adjusted Earnings Per Share.

Results by type of product

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

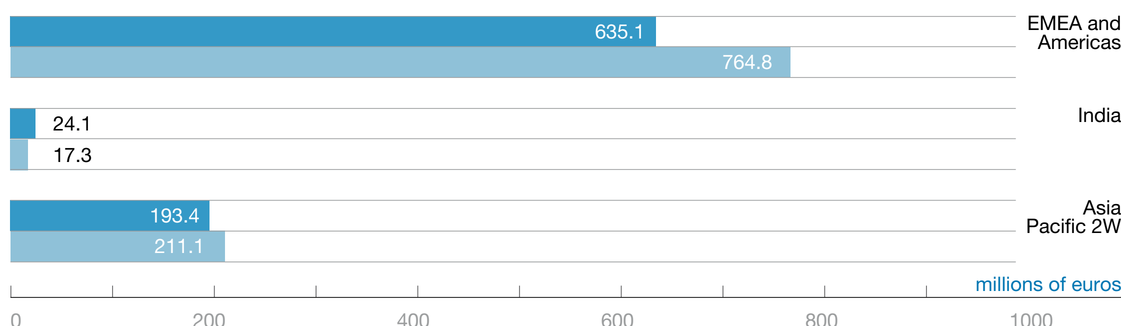
› Emea and the Americas have production sites and deal with the distribution and sale of two-wheeler and commercial vehicles;
› India has production sites and deals with the distribution and sale of two-wheeler and commercial vehicles;
› Asia Pacific 2W has production sites and deals with the distribution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

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

Two wheeler

	2013		2012		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	211.3	635.1	267.9	764.8	-21.1%	-17.0%	(56.5)	(129.7)
of which EMEA	*195.8*	*567.4*	*253.8*	*690.7*	*-22.9%*	*-17.8%*	*(58.0)*	*(123.3)*
(of which Italy)	38.9	124.6	68.2	193.3	-43.0%	-35.5%	(29.3)	(68.7)
of which America	15.5	67.7	14.1	74.1	10.4%	-8.7%	1.5	(6.4)
India	38.9	24.1	25.7	17.3	51.8%	39.3%	13.3	6.8
Asia Pacific 2W	101.4	193.4	112.6	211.1	-10.0%	-8.4%	(11.2)	(17.7)
Total	**351.6**	**852.6**	**406.1**	**993.3**	**-13.4%**	**-14.2%**	**(54.5)**	**(140.6)**
Scooters	325.9	596.3	374.7	704.1	-13.0%	-15.3%	(48.8)	(107.8)
Motorcycles	25.7	131.9	31.4	137.1	-18.1%	-3.8%	(5.7)	(5.3)
Spare parts and Accessories		116.1		128.7		-9.8%		(12.6)
Other		8.3		23.4		-64.3%		(15.0)
Total	**351.6**	**852.6**	**406.1**	**993.3**	**-13.4%**	**-14.2%**	**(54.5)**	**(140.6)**

Graph: 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 leading two-wheeler sports championships and the provision of technical services.

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.

Comments on main results and significant events of the sector

During 2013, the Piaggio Group sold a total of 351,600 units in the two-wheeler segment worldwide, accounting for a net turnover equal to approximately €852.6 million (- 14.2%), including spare parts and accessories (€116.1 million, - 9.8%).

As explained in previous paragraphs, the Piaggio Group's performance in 2013 was highly penalised by the drop in demand on the European market (-12%). This downturn concerned both the scooter (-17%) and motorcycle segments (-4%).

Results in the Asian area were down compared to 2012, with sales and turnover falling by 10.0% and 8.4% respectively. The downturn in sales in the Asia Pacific area was affected by a weakening in demand and by dealers reducing stock while waiting for the upcoming launch of new key products.

The number of Vespas sold in India reached 38,900. As regards India, data for 2012 were not entirely comparable as the Vespa first went on sale in India in May 2012.

Market positioning

The Piaggio Group maintained its leadership position on the European two-wheeler market in 2013, with a 17.6% market share thanks to consolidation in the scooter segment (26.1% share in 2013).

With production at its own site in Vinh Phuc, the Group also consolidated its position in the premium end of the market in Vietnam, with successful sales of its Vespa and Liberty models, and laid the foundations for future growth in other Asian countries, by forging business relations with local importers.

Piaggio retained its strong position on the North American scooter market, where it has consolidated its leadership with a market share of just under 22%, and where the Group is committed to increasing its profile in the motorcycle segment, through the Aprilia and Moto Guzzi brands.

Brands and products

IThe Piaggio Group operates on the two-wheeler market with a portfolio of 7 brands - Piaggio, Vespa, Gilera, Aprilia, Scarabeo, Moto Guzzi and Derbi - that have enabled it to establish and consolidate a leadership position in Europe.
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 Piaggio, Vespa, Gilera, Derbi, Scarabeo and Moto Guzzi brands are designed and manufactured by the company. For Aprilia, the Group manufactures engines for the scooter segment, the V-twin 750cc and V-quad 1000cc and 1200cc.

In 2013, 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.
In spring 2013, Piaggio restyled its high wheel scooters, the Liberty and the Beverly, the most popular models of its range.

The Piaggio Liberty now features a new, three-valve engine for considerably lower fuel consumption and running costs; plus changes made to the frame provide even greater safety, comfort, an even better performance and more space.

The 125cc version of the Piaggio Beverly, one of the few high wheel scooters with an excellent seat compartment capacity, has been restyled.

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

2013 was an extremely important year for the Vespa brand, in terms of sales, with a new all-time record achieved, and in terms of the range being expanded and restyled, with the launch of new models.

Despite the negative trend of recent years, the Vespa ended 2013 with 188,600 units sold, up 14% compared to 2012 (165,450 units).
In 2013, the Vespa 946 and Vespa Primavera paved the way for the range's restyling and expansion. The Vespa 946, launched worldwide, is setting new standards in terms of design, the use of exclusive materials and on-board technology and has taken the Vespa brand into a dimension that is far beyond that of any other scooter brand.
The Vespa Primavera, a cutting-edge vehicle honed from the latest construction technology was unveiled at the EICMA 2013 show. The restyled model has a totally new steel body and LEDs for some parts of the lights, giving it a technological edge, plus an instrument panel with LCD screen.
The 11'' wheels and front disc brakes make the vehicle even safer without compromising handling, and with its compact weight the Vespa Primavera is perfect for easily getting about big cities in style, from Rome to New York and Ha-Noi.
The Vespa Primavera is also available in the GTS version.
The Vespa has also consolidated its presence on strategic markets of South East Asia.

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.

The Aprilia Caponord 1200, the new Aprilia road enduro bike, unveiled at the EICMA 2012 show and put on the market in early 2013, features ADD - a state-of-the-art semiactive suspension system that can automatically adjust calibration to the type of route conditions, road surface and driving style. The multi-map Ride by Wire accelerator, three-level adjustable traction control and two-channel ABS (both opt-out) embody a suite of electronic controls unique worldwide, as they have been developed by Aprilia from its experience in racing. The 90° V twin cylinder engineer is capable of delivering a maximum power of 128 horsepower at 8,500 rpm and above all a maximum torque of 11.8 kgm at 6,500 rpm.
Important new technical features were also added to the Aprilia V4 range in 2013.
Both the RSV4 and Tuono V4 now feature Bosch's cutting-edge multi-map system, which represents the state-of-the-art in anti-locking systems for two-wheelers. With its extremely compact size and weight (1.5 kg overall, between the control unit and brake pipes), the system lets the rider select 3 different riding levels: from level 1, for an outstanding track performance, to level 3, for the utmost safety on wet roads. The system also has an anti-tilting mechanism which is disabled for level 1, enabled for level 2, with an exclusive gradual intervention mode, and is always enabled for level 3. New Brembo single block front radial brake clamps for an outstanding braking performance and handling, complete the system.
Not only the ABS has been upgraded. Upgrades on both the RSV4 and Tuono V4 engines involved internal friction, casing ventilation and a new exhaust silencer, which was designed internally. These improvements have provided an additional 4 horsepower (184 horsepower for the RSV4 and 170 horsepower for the Tuono V4). APRC electronic controls have been developed further, to allow the rider to get the most from the vehicle's performance, without compromising on safety. The petrol tank has also been redesigned and now has a larger capacity (18.5 litres compared to the previous 17 litres) and a new shape, for easier rider movements when bending and braking.
The Tuono V4 also has a new rider's seat and suspension, to increase comfort when riding on roads.

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 In the first few months of 2013, the new Moto Guzzi California Custom joined the California 1400 range, along with the Touring, from which it differs in terms of style.
During 2013, the Moto Guzzi Norge GT8V and V7 Special were also restyled.

The distribution network

EMEA

In the EMEA area (Europe, the Middle East, Africa) the Piaggio Group operates directly in main European countries and through importers on other markets. In December 2013, the Group's sales network comprised more than 1,630 dealers. More than 3,450 agreements to market the Group's brands are managed by the network, of which 37% only sell the Group's brand(s), and no products of other competitors. The percentage of sole agents went up in 2013 (+1%).
At present, the Piaggio Group is active in 86 countries in the EMEA area and in 2013 it further consolidated its sales activities.
In 2013, 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 in 2013. These standards are driven by improving end customer experience during product purchasing and customer and after-sales service.

Guidelines on the distribution structure cover 5 main points:

1. continual improvement of the end customer service and monitoring of the European and American markets;
2. consolidation of retail channel activities through a gradual increase in the importance of the primary network;
3. loyalty programmes for end customers, featuring dedicated services;
4. an improvement in the service level for dealers, based on appropriate support tools;
5. evaluation of alternative distribution channels.

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 2013, the Group had over 333 partners in the Americas, of which 261 in the United States, 45 in Canada and a network of 27 importers in Central and South America.

In 2013, measures continued to strengthen the sales network in order to further support the Group's objectives for growth. Distribution-related actions in the United States aimed to consolidate the sales network by identifying new partners that can fully support the commercial penetration of the Group's brands. The process to expand the sales network aims for a greater impact of the motorcycle segment - a market which is particularly attractive in terms of volumes and growth trends - and to consolidate results in the scooter segment. In Canada, distribution logics are based on the logics used for the American market.

In Latin America, the Piaggio Group continued the commercial optimisation of its distribution network, with new commercial agreements signed with local importers, in Costa Rica, Guatemala, Venezuela, Suriname, Colombia and Bolivia, among others.

Pacific Asia

In the Asia Pacific Area, the Piaggio Group has a direct commercial presence in Vietnam, Indonesia, and - for the Aprilia brand only - in Japan. On other markets in this area, it operates through importers. In line with the Group's strategic objectives, which plan to expand operations in the region, the distribution network is being built up.

In Vietnam, the Group increased its importers from 4 in 2008 (when a different business model was adopted) to more than 50 dealers in 2013, with approximately 90 sales outlets. The Group has aimed and is aiming to develop its network in quantitative terms, by stepping up its presence in smaller areas of the country, and in qualitative terms, with a particular focus on corporate identity.

In Indonesia the Group manages nearly 30 sales outlets with prospects for the network's growth in 2014, while in Japan, it directly manages the Aprilia network and operates through importers and dealers for other brands.

In total, the distribution network in the Asian area (PAP) increased from 212 outlets in 2012 to 242 in 2013.

The Group is also present in Malaysia, Taiwan, Thailand, Korea, Hong Kong, Singapore, the Philippines, China, Australia and New Zealand through importers.

India

In India, Piaggio Vehicles Private Limited had 83 dealers as of 31 December 2013, with plans to further increase its sales outlets in 2014. At present, the network covers main areas throughout the country.

Investments

Investments mainly targeted the following areas:
- development of new products and restyling of existing products;
- improvements in and modernisation of current production capacity;
- implementation of new IT tools.

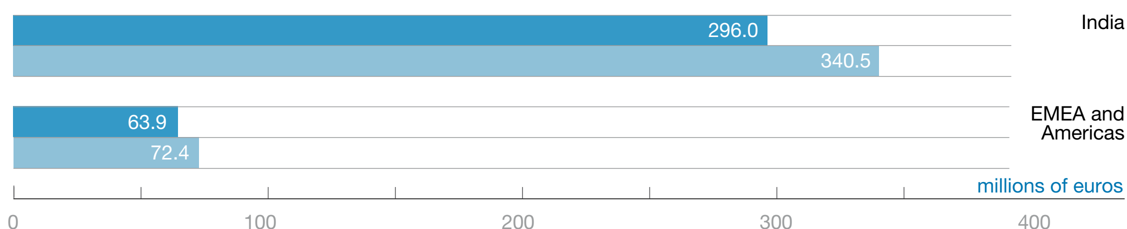
As regards investments for Piaggio Group products in particular, significant resources were dedicated to some brands and/or products which are key to the Group's development. In particular, main investments in the three geographic segments targeted:
- new Vespa 946 and Vespa Primavera models;
- the new Piaggio MP3;
- the new Scarabeo Small.

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

Commercial Vehicles

	2013		2012		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	9.5	63.9	10.4	72.4	-7.9%	-11.7%	(0.8)	(8.5)
of which EMEA	*8.2*	*60.9*	*9.3*	*69.7*	*-11.7%*	*-12.6%*	*(1.1)*	*(8.8)*
(of which Italy)	*3.4*	*33.0*	*4.7*	*41.9*	*-28.3%*	*-21.2%*	*(1.3)*	*(8.9)*
of which America	*1.3*	*3.0*	*1.1*	*2.7*	*25.6%*	*11.5%*	*0.3*	*0.3*
India	194.4	296.0	199.0	340.5	-2.3%	-13.1%	(4.6)	(44.5)
Total	**203.9**	**359.9**	**209.4**	**412.9**	**-2.6%**	**-12.8%**	**(5.5)**	**(53.0)**
Ape	195.5	285.6	201.4	330.8	-2.9%	-13.7%	(5.9)	(45.2)
Porter	2.5	26.6	3.0	31.4	-16.2%	-15.2%	(0.5)	(4.8)
Quargo	0.6	3.7	1.6	7.4	-60.7%	-50.1%	(1.0)	(3.7)
Mini Truk	5.3	10.4	3.4	6.5	54.7%	61.0%	1.9	4.0
Spare parts and Accessories		33.6		36.8		-8.8%		(3.2)
Total	**203.9**	**359.9**	**209.4**	**412.9**	**-2.6%**	**-12.8%**	**(5.5)**	**(53.0)**

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.

Comments on main results and significant events of the sector

In 2013, the Commercial Vehicles business generated a turnover of approximately € 359.9 million, including approximately €33.6 million relative to spare parts and accessories, registering a 12.8% decrease over the previous year. During the year, 203,900 units were sold, down 2.6% compared to 2012.

On the Emea and Americas market, the Piaggio Group sold 9,500 units, generating a net total turnover of approximately €63.9 million, including spare parts and accessories for €15.5 million. The 7.9% decrease in sales is basically due to the negative trend of the reference market following the difficult macroeconomic situation affecting main European markets. Sales (+25.6%) and turnover (+11.5%) performed well in Central and Southern America.

On the Indian three-wheeler market, which decreased by 5.9% compared to the previous year, sales of the Indian subsidiary went down from 182,381 units in 2012 to 173,320 units in 2013, with a fall of 5.0%. On the four-wheeler domestic market, sales of Piaggio Vehicles Private Limited went up instead to 5,492 units, with an increase of + 36.7% compared to 2012.

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 acts as operator on European 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.
In 2013, Piaggio Vehicles Private Limited reached a 34.6% share (34.3% in 2012). Detailed analysis of the market shows that Piaggio Vehicles Private Limited consolidated its role as market leader in the cargo segment. Thanks to the Piaggio Apé 501, above all, and numerous possibilities for customisation, Piaggio Vehicles Private Limited holds a 52.6% market share (52.2% in 2012). Its market share remained steady and increased slightly in the Passenger segment, standing at 30.4% (30.2% in 2012).

Besides the traditional three-wheeler market in India, Piaggio Vehicles Private Limited operates with the Porter 600 and 1000, also on the four-wheeler light commercial vehicles (LCV) market (cargo vehicles for goods transport). On the four-wheeler market, the Group, despite a positive performance, has a marginal share of 2.9% (1.6% in 2012).

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 vehicles intended for the Indian market are manufactured entirely at the production site in Baramati.

Europe

The Piaggio Group's commercial vehicles are intended for the intracity transport niche market, which typically means an average daily mileage of 40 km.
In July 2013, the new Ape Calessino 200 went onto the market, with a new Piaggio 200cc 4-stroke single cylinder petrol engine, making it possible to drive in Italy at 16 years with an A1 licence and at 18 years with a normal B licence.
The product range, comprising the Ape 50, Ape TM, Ape Calessino 200, Quargo, Porter and Porter Maxxi, combines low running costs, an excellent specific load capacity and extremely easy handling, for access to areas that normal vehicles cannot reach because of their standard size, particularly in historic towns and city centres.
The Porter features engines with the most common fuel options: diesel (D120), petrol (MultiTech) and eco-friendly (EcoSolution): bifuel petrol + GPL (EcoPower), bifuel petrol + methane (GreenPower), plus zero emission electric (ElectricPower).
The chassis version of the Porter is instead the ideal starter vehicle for adding increasingly specialised fittings to cater for a variety of customer needs. Specialisation is the key to Piaggio's success to reach new niche market segments.
The fully comprehensive engine range means all customer needs can be met, whether from the private domain or public fleet sector, and new trends targeting alternative fuels can be harnessed (pump price tensions, incentive campaigns).
Products include the Quargo, a heavy four-wheeler, which levers important component and production process synergies with the Porter, extending the range to include intracity models designed for users who are traditionally served by the Ape 50 and TM, but need to switch to an equivalent four-wheeler vehicle.

India

The Piaggio Group started operating on the Indian market in 1999, through Piaggio Vehicles Private Limited, manufacturing two versions of the Apé, the Apé 501 and the Apé 601. With these models, the Group has achieved a considerable level of brand awareness in the last few years and has developed a dealer network throughout India, gaining an excellent reputation for its customer service, quality and style, and immediately obtaining a large share of the market.
In 2013, sales of recently introduced models, such as the Apé City Passenger with petrol, diesel, gas and natural gas engine, were consolidated. The new Ape City 200, ideal for customers who want a compact vehicle, was introduced during the first half of 2013. The vehicle has a new engine developed by Piaggio, for an even better performance that outstrips the competition.
In 2013 the LTV range was entirely restyled with the introduction of the Porter 600 and Porter 1000, which have replaced the Ape Mini Truk and Ape Truk Plus. The Porter 1000 features the Piaggio BNA engine, type-approved to BS IV[11], for a lower consumption than competitors in its reference segment (1 ton).

11_BS IV: Indian type-approval standard, at the moment BS IV is the most evolved standard.

The distribution network

Europe

In Europe, the Piaggio Group has a sales network of 416 dealers. Network development activities focussed in particular on Italy, Spain, France, Germany and Benelux, with the opening of 23 new dealers to sell the entire product range, with the aim of covering main European markets and making up for some dealers who opted out of the Piaggio sales network. In addition, dealers appointed in 2012 were consolidated, in particular with the development of the distribution network in Sweden, and a new distribution agreement was established in Romania, becoming operative at the end of 2013.
Developing and improving the sales network quality standards has been a major focus, with particular attention paid to the efficiency of the service network, standards of corporate identity, the training of salesmen and technicians and approach to customer care.
On the Italian market, Piaggio Veicoli Commerciali has 120 dealers, 80% of which are exclusive

dealers of Piaggio vehicles. The rest of the network comprises multibrand dealers (mainly cars and commercial vehicles). The 120 dealers are the result of a process to streamline the network which got underway in 2013 and has optimised sales efficiency, maximising local coverage and achieved higher customer satisfaction levels.
The 120 dealers manage a level-2 network of more than 500 sales outlets and dedicated repair centres, with the aim of providing a top level professional service that meets the expectations of end users.
In 2013, the process to identify business opportunities on high potential markets such as Latin America and Africa continued. South America continues to be a strategically important area, where the Group is consolidating initiatives launched in 2011 and 2012 and approaching new business opportunities, stemming from the diverse mobility needs of emerging markets, through its Indian range, and of more developed markets, through its European range. In Africa, after the opening of new dealers in South Africa, Mozambique, Somalia and Angola, actions were taken to analyse potential and carry out scouting in 2014.

India
In India, Piaggio Vehicles Private Limited has a primary network of 328 dealers, in addition to a secondary network with 474 authorised centres.
The distribution network covers the entire country and is the largest nationwide for the 3-wheeler segment.
Main actions to establish the network during the year were closely related to the introduction of new vehicles/engines (Diesel, methane, LPG, petrol 4W) which allowed for a greater penetration in major cities such as Mumbai, Delhi and Gujarat.

Investments

In 2013, development activities continued in India with the Apè City, and a version with 400cc diesel engine, LPG engine and special version for Latin American markets, where the main difference is use at high altitudes and on steep slopes. This version will also be used in other countries, where this requirement is an important commercial driver.

The new Porter 600 and 1000 vehicles were accurately monitored during the first stage of marketing, with action taken to optimise the product for market requests.

The Calessino 200 version of the Indian Apè City was developed for the EMEA market. The vehicle has a 200cc petrol engine and is mainly intended for tourist markets.

The EURO V Plus version of the Porter and Porter Maxxi was developed with a diesel and petrol engine, and work has started on the EURO VI version, that will be ready to go on sale in 2015.

Events occurring after the end of the period

24 February 2014 - The company Foshan Piaggio Vehicles Technology R&D Co. LTD obtained all necessary authorisations from the local authorities to start the sale of two-wheeler products in China.

14 March 2014 - Following the completion of the tax assessment which began in 2012 – discussed in more detail in the section "Disputes" - and solely to prevent tax litigation with reference to assessment aspects, that concern contrasting positions with outcomes that are hard to predict, Piaggio & C. S.p.A. considered it appropriate to agree to the settlement proposal made by the Italian Tax Authority that will involve a financial outflow, only as concerns regional production tax, of €5.1 million, while the overall impact on the income statement is equal to €24.6 million, including the use for the purposes of corporate income tax of previous losses to offset the total sum of the proposals.

19 March 2014 - Approval of the 2014-2017 Industrial Plan.

Pacific
MOTO GUZZI
California

Risks and uncertainties

The Piaggio Group has established policies and procedures to manage risks in areas which are most exposed.

Risks relative to the operating segment

Risks related to the macroeconomic scenario and the sector

As already discussed in the section on Background, in 2013, the world economy was affected by a slowdown, with dynamics anchored to geographic segments.
To attenuate the negative effects of the world macroeconomic situation, the Piaggio Group continued to pursue its strategic vision, expanding its presence on Asian area markets, where growth rates have remained high, and consolidating the competitive positioning of its products, through research and a considerable focus on the development of low consumption, environmentally friendly engines.

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.
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.

Risks related to higher energy, raw material and component costs

Production costs are exposed to the risk of fluctuating energy, raw material and component costs. 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.

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 2W, 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.

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 that anticipate 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.
In this framework, government measures in the form of incentives or tax reductions to boost demand must be taken into account. These measures, which are not easy to predict, may affect the financial position and performance of the Group to a considerable extent.

Risks relative to the Piaggio Group

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.

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.

Risks related to dependence on suppliers and to a global sourcing policy

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.
The unavailability of supplied products or any supplier deficiencies concerning quality standards, specifications requested and/or delivery times, in the future, could increase supply prices, cause interruptions to and have a negative impact on the Group's operations.

Risks related to the operation of industrial sites

The Group operates through industrial sites located in Italy, India and Vietnam. These sites are subject to operating risks, including for example, plant breakdowns, failure to update to applicable regulations, withdrawal of permits and licences, lack of manpower, natural disasters, sabotage, terrorist attacks or major interruptions to supplies of raw materials 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.

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. 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.

Risks related to product liability and risks connected with vehicle defects

The Piaggio Group is exposed to the risk of product liability actions in countries where it operates. Although no claims for compensation which are not covered by insurance have so far been made against the Group, these claims could be made in the future, with particular reference to the United States. Any future payment of compensation exceeding insurance cover for product liability could have negative effects on the operations and financial position and performance of the Group.
The vehicles manufactured by the Piaggio Group, including components supplied by third parties, could have unexpected defects that require repairs under warranty, as well as costly recall campaigns. To prevent these risks, the Piaggio Group adopts an efficient quality control system for supplied components and finished products.

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 cases is given in the relative paragraph of the Notes to the Consolidated Financial Statements.

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 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. To deal with this risk, its 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 America Inc.

IT and data and information management risks

The Group is exposed to the risk of company data and information being accessed/used without authorisation, which could have a negative impact on profitability. The Group has established operating policies and technical security measures designed to afford adequate protection for company data and information.

Financial risks

Risks connected to financial debt

At the end of the reporting period, the Group's main sources of financing were as follows:
- debenture loans for a total nominal amount of €202 million;
- bank loans for a total nominal amount of €313 million. The type, rates and maturities of these loans are presented in the notes to the Consolidated Financial Statements.

The Group also had minor loans and revocable credit lines for a total debt of €551 million.
For a further description, reference is made to section 44 of the Notes to the Consolidated Financial Statements. The above debt situation could have a negative impact on Group operations in the future, limiting its ability to obtain additional financing or to obtain financing in unfavourable conditions.

Liquidity risk (access to the credit market)

This risk is connected with any difficulty the Group could have in obtaining financing on an appropriate timescale for its operations.
The cash flows, financing requirements and liquidity of Group companies are monitored or managed centrally by the Group's Finance Management, with the aim of guaranteeing an effective and efficient management of financial resources.
To provide further hedging for the liquidity risk, the Group's Central Treasury Department has committed credit lines. For a further description, reference is made to section 44 of the Notes to the Consolidated Financial Statements.

Exchange risks

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 2013, 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.

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 44 of the Notes to the Consolidated Financial Statements.

Credit risk

The Piaggio Group is exposed to the risk of late payments of receivables. 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 44 of the Notes to the Consolidated Financial Statements.

Operating outlook

As outlined in the new 2014-2017 Industrial Plan, approved on 19 March 2014, and as regards business and industrial operations:

› the Group's leadership position on the European two-wheeler market has been confirmed, levering the expected recovery by further consolidating the product range and targeting growth in sales and margins in the motorcycle segment, with the Moto Guzzi and Aprilia ranges; current positions on the European commercial vehicles market will be maintained;
› the growth strategy in the Asia Pacific area will continue, exploring new opportunities in medium and large sized motorcycle segments, and replicating the premium strategy for Vietnam, throughout the region. During 2014, direct sales activities of the Group will start up in China, with the aim of penetrating the premium two-wheeler market;
› sales on the Indian scooter market will be consolidated, and will focus on an increase in Vespa products and the introduction of new models in the premium scooter and motorcycle segments;
› an increase in sales of commercial vehicles in India will be targeted, also through the consolidation of new segments of the Indian three-wheeler market with the Apè City Pax and the introduction of new models in the four-wheeler segment - and further development in exports to African and Latin American markets will be targeted in emerging countries.

In technological terms, the Piaggio Group is continuing to develop 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.

More in general, the Group is committed - as in the past and for operations in 2014 - 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 2013 involving parent companies, subsidiaries and affiliated companies refer to the sale of goods or services which are a part of normal operations of the Group.
Transactions are carried out at normal market values, depending on the characteristics of the goods and services provided.
The information on transactions with related parties, including information required by Consob in its communication of 28 July 2006, is provided 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 Council 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 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 industrial 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 to 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 for 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 Convention, 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 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-Party

Transactions Committee, as provided for by the procedure for transactions with related parties adopted by the Company.
In addition, 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 subsidiaries

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 be sold on respective markets, to:
  - Piaggio Hrtvaska
  - Piaggio Hellas
  - Piaggio Group Americas
  - Piaggio Vehicles Private Limited
  - Piaggio Vietnam
- 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 of 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, to be sold on respective markets, to:
  - Piaggio Indonesia
  - Piaggio Group Japan
  - Piaggio & C. S.p.A.

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

Piaggio Vespa
- provides back office business and administration services as well as credit management services to Piaggio & C. S.p.A.

Piaggio Hrtvaska, 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.

Foshan Piaggio Vehicles Technologies R&D

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

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.

Relations between subsidiaries 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

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.

Piaggio and its production sites

The Piaggio Group has a strong international presence.
At its Italian site in Pontedera (in the area near Pisa), the Group has three facilities, one for the manufacture of commercial vehicles, one for the manufacture of scooters and engines for two-wheeler vehicles, and one for the supply of aluminium and steel components for vehicles and engines. In addition to the latter, which comprise the most important industrial complex of the two-wheeler segment in Europe, two other sites operate in Italy for European production (Scorzè and Mandello del Lario). In February 2013, Piaggio & C. decided to move the production of Derbi brand vehicles to Italy, and close down the Spanish production site at Martorelles.
Management intends starting negotiations for the hire to third parties of the buildings and sale of machinery.
The Group also has its own production sites in Vietnam (at Vinh Phuc), with a site for the manufacture of two-wheeler vehicles and a site for the production of 3V engines and in India (at Baramati, in the state of Maharashtra) with a site for the manufacture of commercial vehicles and engines, in addition to a production site for Vespas for the Indian market.

The main operations taking place during 2013 concerning these sites, which aimed to develop and make production capacity even more efficient, are outlined below.

Pontedera Sites

Specific software to map and control work sites contracted out to external companies, for an even better visibility/control of activities, went into operation.

Two-Wheeler and Engine production sites

As regards Mechanical Processing, the mass production of 1400 Moto Guzzi and Aprilia 1200 Caponord integral crankshafts was consolidated, and mass production of 750cc Moto Guzzi Model Year 2014 engines began, while the Aprilia 1000cc Model Year 2014 engine was industrialised. Crankshafts for Aprilia Racing motorcycles also went into production.
Production of the Rosler vibro-finishing plant for the surface treatment of high performance integral crankshafts was consolidated, and the automated unit for ignition key track milling for conventional crankshafts was installed and tested. Supplies of hub gear units scooters manufactured in Asia were consolidated.
The new QUASAR and MASTER camshafts and engine heads were industrialised, for a new distribution with roller rockers.
Programmes were developed to control the profiles of new cast iron cams sourced from externals suppliers, and production of chrome plated rockers and connecting rods for 1000cc RSV4 engines was restarted.
Production of camshafts for the Aprilia 1200cc Dorsoduro engine was industrialised, with an opposed plane phasing system rather than conical broaching.
Machinery for mechanical processing was made safe.
Areas for the storage of obsolete work machinery and equipment (to be disposed of) were redeveloped.
6 suction devices were installed on the grinders in Workshop 2, for environmental re-Leveltion purposes.
Processing of the LEm engine casing at the new MAKINO work centre, at Workshop 10 was consolidated, and the casing washing robot was replaced.
Certification began for gear unit, casing and camshaft control machines.
“MAGMA” simulation software for shell moulding processes was installed and tested.
For the Vespa 946 project, moulding for the handlebars and “long” seat support was consolidated, and industrialisation of the “short” seat support was completed. The bottom and top crankcases of the Moto Guzzi 750cc MY2014 engine were industrialised and are now being qualified.
Industrialisation of 1300cc Moto Guzzi and 1000cc RSV4 engine crankcases got underway.

As regards Engine Assembly and Testing, the 1200 Caponord engine went into production and activities were completed for industrialisation of the assembly line and test benches for the new LEm 3V engine Batteryless system.

As regards Two-Wheeler Pressing and Welding, pressing at foreign suppliers got underway to produce sheet metal components for the body of the new Vespa Primavera, manufactured at production sites in Italy and Vietnam.
As regards welding, plants were installed and mass production got underway on the Vespa 946 body (manual line) and Vespa Primavera body (high productivity line with fully automated welding).

As regards Two-Wheeler painting, the process for the Vespa 946 was industrialised, with the introduction of an innovative new rocker for painting the body in a horizontal position.
Activities prior to the development of the new plant began.

As regards vehicle assembly, the new Vespa 946 went into production, with the development of the vehicle assembly line, comprising AGV devices (an innovative system for the assembly of radio-controlled trucks with the cable below the floor). The construction of the new Vespa 946 assembly line led to the movement of some vehicles to other assembly lines at the Pontedera site, while assembly of the SRV850 vehicle was transferred to the production site at Scorzè.
The second assembly line for the front suspension of the Vespa GTS and Lx went into production.
Activities to update the assembly and testing line for the new Vespa Primavera to go into production were completed.
Line 2 for assembly and testing of the MP3 MY 2014 is being upgraded and industrialised, while lines 2, 5 and 6 are being upgraded for the ABS system to be implemented.
The complete re-layout of the steering assembly area is being completed.

Commercial Vehicles Plants

In June, the Ape City Europa (the new Calessino) went into production.
Final testing on the Porter BTC was consolidated, with the introduction of a Drive Aid control system on test benches.
A system to control and fill brake oil for Ape vehicles was installed, replacing obsolete equipment.
The industrialisation project for the Porter Multitech EURO6 is in the preliminary stage.

Polo Meccanica Site

At the new Polo Meccanica site, which was acquired in 2012 following the insolvency of Tecnocontrol, some Vespa 946 components and the lighter crankcases of the 1000cc engine for Aprilia Racing went into production. Non-routine maintenance included, in particular, redevelopment of the cylinder head assembly lines.

As part of the project to redevelop areas of the Polo Meccanica site at Pontedera, the workshops inside building 36 at the Piaggio site were moved.

The project to redevelop and transfer the Polo Meccanica site inside the Piaggio Plant, has been implemented with the aim of upgrading the production format in order to achieve further improvements in product quality and costs. In particular, the layout has been redesigned, from a Job-Shop to a Flow-Shop production system, with evident benefits for material flows, an increase in added value activities, Work In Process reductions and a more streamlined use of spaces. As part of the project, an additional 16 machines have been acquired.

Transfer activities are underway. Production start-up of Polo Meccanica activities at the Piaggio site is scheduled for the first quarter of 2014.

Work Times and Methods Analysis

During 2013, the analysis programme of work duties based on OCRA and NIOSH methods continued at all Italian sites. The method evaluates and minimises the risk of occupational disease caused by repetitive movements and strain on the spine.

Property management

Building 62, built to house the canteen for the former Foundry departments, was renovated and turned into company offices for around 100 staff. A total of 2,000 m^2, comprising a ground and first floor, were renovated, and the outside area was cleaned up and redeveloped.
The area, previously used as the paper and furnishing store, now houses the company's International Front Office and Back Office for all customers of the Parent Company Piaggio & C. S.p.A., as well as Credit Management and End Product Logistics.

The new Worldwide Spare Parts Centre, serving all Piaggio Group brands, was completed in April 2013 on company property in Pontedera, in the area of the former airport.
The new site is a large and ultra-modern logistics base to receive, pack, store and dispatch after-sales spare parts: the warehouse covers a total surface area of 37,000 m^2 and has an independent porter's lodge, 10 loading bays and new outside areas with transit perimeter, for a further 32,000 m^2.
The building has an innovative technological transfer system for storing and picking materials (automated miniload system), with a storage capacity of 100,000 different codes, served by 8 automated shelf handling systems, and a final transport system for preparing kits to dispatch.
The high number of spare parts at the new warehouse meant that other logistics warehouses, rented in Italy and abroad, could be dismantled.
At present, rentals of the Spare Parts warehouses in Bientina, Arena Po and Vatry (France) have stopped.

Scorzè Plant

Investments were made to improve security and fire prevention management at Scorzè site buildings.
All emergency lights, for the escape routes, at the Scorzè site, were modernised.
As regards vehicle assembly, the SRV 850 line transferred from Pontedera was completed, with the transfer of all Derbi models (GPR 50, Senda 50, DRD125) from the Martorelles sites, and vehicle roll-over prevention devices were installed on line 3, where the SRV 850 model will be worked.
Production of the Aprilia Caponord 1200 got underway.

Noale Plant

Investments were also made to improve security and fire prevention management at the Noale site.
The two UPSs serving the EDP machine room were replaced, to guarantee an improved autonomy during power outages.

Mandello Del Lario Plant

In conjunction with competent public authorities (the Local Authorities - Arpal (the Regional Agency for environmental protection - the Provincial authorities), the company is continuing the project to classify industrial land inside the plant, in order to remove and clean up the subsurface after previous industrial production.
At the same time, an application was made to the Regional and Provincial public authorities (the Regional Agency for State Property and the Province of Lecco), to eliminate state ownership of the former irrigation ditch which runs through the site, mostly underground - prior to future expansion of the site, with examination of the application now ongoing.
As regards vehicle assembly, the system serving the "MILK RUN" lines based on logics of the Piaggio Manufacturing System project is now permanently operating, and industrialisation of all versions of the Moto Guzzi California range has been completed.
A new photographic system was installed on the vehicle packaging line, to check dispatched vehicles in the case of complaints.
Extraordinary maintenance was carried out at the engines warehouse.

Baramati Plant

At the Baramati engine plant, installation and start-up of the second rapid test bench for the Ape Pax 200cc engine for the Ape Passenger, petrol, LPG and CNG versions, were completed in February, along with installation and start-up of the cylinder sanding line for HE and Ape Pax 200cc engines, and the production line for HE and Ape Pax 200cc engine cylinder heads, including processing and assembly lines. In June, type approval at Pontedera of the Ape Pax and HE cylinder heads and cylinders manufactured at the Baramati engine plant was obtained.
Activities also began to industrialise the new "batteryless" HE injection engine, with a long "casing", which will involve modernising the current lines for aluminium processing, assembly and testing of the carburettor HE engine with the "short" casing currently in production.

At the Two-Wheeler site, activities to modernise lines to produce the Vespa S were completed. Production start-up is scheduled for January 2014 with plastic components supplied by Pontedera. Production start-up for the Indian supplier of plastic components is currently underway, after the transfer of plastic moulds from Italy to India in December.

Vinh Phuc Plant

In May, installation of an additional 4 machines to process LEm 3V engine coupled casings was completed, increasing installed production capacity from 120,000 coupled casings/year at the end of 2012 (7 processing machines installed and 1 washing unit), to 200,000 coupled casings/year (11 machines installed and 1 washing unit).
In July, the new "Batteryless" injection system for the LEm 3V engine went into production, after production line modernisation.

As regards production of the New Vespa Primavera, mass production of the new welding line for the body of the Vespa Primavera, with body components from a European supplier, was installed and started up at the Two-Wheeler Vehicle site. Production start-up for a Vietnamese supplier of body components is currently underway.
The Vespa GTS with LEm engine and CKD components from Pontedera went into production.

To assist R&D functions, construction of the test track inside the site was completed, along with

dynamic stress testing paths for vehicles, with paving and cobbles.

As regards general plant improvements, the installation of an engine assembly cooling system and a 5th medium voltage transformer was completed.

Piaggio Production System (PPS) inside PMS

Work to expand the PPS continual improvement programme at EMEA sites was ongoing.
Progress in the three main areas of the programme is reported below.

Competitiveness
The trend of processing costs managed by the sites showed a further reduction, after 2012 targets were reached. These costs are in line with the 2013 budget target, established taking into account the PPS reduction objectives of the three-year plan.

Work environment
Two separate programmes are being developed to improve the work environment.
The 5S programme will reorganise work stations for a better quality and productivity. The programme is being run for 50% of all production areas with an average “adequacy” rating compared to the best reference standards.
The programme, which is called QUICK KAIZEN and was launched in 2013, will actively involve all operating personnel in defining production issues and related solutions for improvement. The programme is active at all sites and has introduced around 30 improvement solutions each week.

Company culture
The dissemination of the most appropriate methodological standards and best tools recognised at a World Class Manufacturing level has made it possible to achieve a high level of staff motivation. This has been attained at Piaggio with the introduction of periodic in-company TV slots that monitor the application of these methodologies/tools by employees. Consequently, traditional training on these specific issues can be disseminated even more effectively.

The environment and main relations with control authorities

Besides legal compliance (dispatch of the annual MUD report on waste and annual certification of CO_2 emissions - Emission Trading), the Pontedera site complied with requirements in the Integrated Environmental Authorisation (AIA) for the site, sending the Solvent Management report, report on inspections conducted in 2012 and results of the 1st groundwater analysis campaign.

Environmental, Quality and Occupational Safety certification

The Piaggio Group has in place excellent environmental, quality and occupational management systems at all its production sites.

	Production sites						
	Pontedera	Noale and Scorzè	Mandello del Lario	Baramati- Engine Plant	Baramati-Two-Wheeler Site	Baramati-Commercial Vehicles Site	Vinh Phuc
Certifications							
UNI EN ISO 9001:2008 Quality management systems	since 1995	since 2006	since 2010	since 2010	since 2013	-	since 2009
UNI EN ISO 14001:2004 Environmental management system	since 2008	since 2008	since 2010	-	since 2013	-	since 2011
BS OHSAS 18001:2007 Occupational Health and Safety Management S stem	since 2007	since 2007	since 2010	-	since 2013	-	since 2013
ISO TS 16946:2009 Quality and suppliers system	-	-	-	since 2012	-	since 2013	-

12_DNV = Det Norske Veritas is one of the world's leading certification bodies, with the parent company based in Norway; since 1864 it has been operating to "safeguard life, property and the environment". It is active in 100 nations, and has 300 offices and 7,000 employees.

During 2013, the Indian site, which manufactures the Vespa, was awarded certification for **Quality** (ISO 9001), the **Environment** (ISO 14001) and **Health and Safety** (BS OHSAS 18001) from the Certification Body Det Norske Veritas (DNV[12]). At the same time, the Indian site for commercial vehicles was awarded certification for its **Supplier Quality Systems** (ISO TS 16946), while the Vietnamese site obtained certification for **Health and Safety** (BS OHSAS 18001).

As regards Italian sites, in 2013, from 29 October to 13 November, audits were conducted by the certification body Det Norske Veritas (DNV) for renewal of the three certificates held by the Company for **Quality** (ISO 9001), the **Environment** (ISO 14001) and **Health and Safety** (BS OHSAS 18001).

These certificates rank Piaggio as one of just a few Italian manufacturers with all three certifications. The audits, which included eight DNV auditors, demonstrated the Company's commitment to its Quality, Health and Safety and Environmental policies desired by Top Management and are proof of reliability of Management Systems which are applied with the contribution of all functions and the individuals who work in them.

Piaggio and 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 research and development at 6 centres in Italy, India, Vietnam 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**; i.e. products that minimise environmental impact at the end of their useful life cycle;
› **cost-effectiveness**; vehicles with lower running and maintenance costs.

In this framework, Piaggio successfully submitted its MUSS (Safe and Sustainable Urban Mobility) project for the tender ("Industry 2015") called by the Ministry for Economic Development.
The project, which was completed in autumn 2013 with excellent results, targeted the development of innovative solutions for environmentally-friendly urban transport which is more sustainable.
Many of the results achieved had a positive impact on production from as early on as 2011; and are recorded in previous sustainability reports. As regards activities performed in 2013, and the project's main macro areas, the following results were achieved:

› the greatest contribution to reducing consumption and emissions was attained by the optimisation of engine thermal fluid dynamics, with particular reference to the combustion process, as well as by a reduction in organic leaks and an improvement in the performance of the CVT transmission system. The experience in optimising new "Three Valve" 125/150 engines, in particular for the Vietnamese versions, was put to good use to improve performance in European models too;
› technical solutions for hybrid plug-in and electric engines were studied and developed, to improve the performance and reliability of electronic control and energy accumulation systems, and to achieve greater vehicle usability with Smart Autonomy Management (GIA, Piaggio Patent). The development of new 1.5 kWh modular (lithium) batteries continued, targeting potential use up to 10 elements also in non-conventional fields for Piaggio. Considerable focus was also paid to the regulatory framework at a national and international level (Two-wheeler);
› numerical/experimental methodologies were developed in the field of engine acoustics and timbre, with the aim of designing intake and exhaust systems and engine components with acoustic emissions that are increasingly lower and "more pleasant";
› the development of aerodynamic simulation methodologies (CFD) continued in 2013, with a detailed breakdown of engine components and the virtual rider model. The virtual simulation methodology was validated by comparative analysis of experimental data obtained in the wind tunnel at Perugia University;
› in the "Life Cycle Management" sector, Piaggio partnered Florence University in analysing the recyclability characteristics of the MP3 125 Hybrid according to ISO 22628:2002, which required disassembly of the vehicle and registration of all components. The recyclability rate was 88%, which is considerably higher than the 85% limit of current laws (currently in force in the automotive segment for N1 and M1 categories only), demonstrating the high environmental compatibility of the Piaggio vehicle as regards end-of-life treatment;
› in the field of active safety systems, studies and experiments led to ADD (Aprilia Dynamic Damping) semi-active electronic suspensions being used in the mass production of the Aprilia (Caponord 1200, presented in spring 2013).

The ride-by-wire technology, which has been extended to most of the Group's vehicles, has made it possible to implement functions such as cruise control, multi-map systems and traction control systems, as in the APRC system (Aprilia Performance Ride Control) that includes ATC (Aprilia Traction Control), the Anti Wheelie System, Quick Shift (electronic gear) and Launch Control (starting control). Ride By Wire will be used on the Master 500 engine for scooters and will be assembled on the 2014 version of the MP3. This version will include Traction Control and multi-map management to adapt performance to special road surface or riding conditions.

An electrically adjustable suspension was developed for the Piaggio X10 and Aprilia Caponord, of which the ADD package is a part (electronic suspension).

The first full-LED scooter light made its appearance on the Vespa 946;

› in the field of human-machine interface and on-board information systems, the Piaggio Multimedia Platform info/mobility system, based on a Bluetooth® smartphone/vehicle connection, was made available to the public as an accessory for the Piaggio MP3, Vespa 946 and Aprilia Caponord, as well as the Piaggio X10. The application software was released for both iOS operating systems and Android platforms. The system implements an innovative virtual pressure sensor function, available for vehicles with ABS, that allows the rider to check tyre pressure.

(http://www.multimediaplatform.piaggio.com/eng/index.htm).

Piaggio's research and development is strongly focussed on two main themes: developing engines that are even more environmentally friendly and with an even better performance, and vehicles with an improved functionality and safety.

			2013			2012
	Capitalised	Expenses	Total	Capitalised	Expenses	Total
In millions of euros						
Two-wheeler	26.2	14.1	**40.3**	30.0	16.2	**46.2**
Commercial Vehicles	4.6	2.7	**7.4**	10.5	2.9	**13.3**
Total	**30.8**	**16.9**	**47.7**	**40.5**	**19.1**	**59.6**
EMEA and Americas	21.3	14.6	**35.9**	21.9	17.2	**39.1**
India	4.3	1.3	**5.6**	12.4	1.1	**13.5**
Asia Pacific 2W	5.2	1.0	**6.3**	6.2	0.8	**7.0**
Total	**30.8**	**16.9**	**47.7**	**40.5**	**19.1**	**59.6**

In 2013, the Piaggio Group continued its policy of retaining technological leadership in the sector, allocating total resources of € 47.7 million to research and development, of which € 30.8 million capitalised under intangible assets as development costs.

Research into engines

The design and manufacture of engines is an activity with a high technological content requiring extremely specialised resources.

The Piaggio Group's engine research and development teams are unique in Europe, capable of developing a range from 50 cc. to 1,400 cc., 2 or 4 stroke engines, with one or more cylinders, fuelled by petrol, diesel or natural gas, with carburettor, indirect or direct injection, and with continual drive, gears or sequential transmission, suitable for mopeds, scooters, motorcycles and light transport vehicles.
Engine research mainly focuses on high-performance, environmentally friendly products.

The new 350 4-stroke 4 valve water cooling engines for the GT - High Wheel premium and “125 and 150 three valve” segments, unveiled in 2011, are concrete proof of this commitment. In particular, the Three Valves models embody several technical solutions aimed at capping emissions and reducing internal friction. Emissions have been reduced by adopting a unique fluid dynamics design of the suction ducts and combustion chamber, creating a “tumble” motion of the inflowing air/fuel mix that makes it possible to improve thermodynamic performance. An in-depth study was carried out to decrease internal friction (lubrication, use of roller rocking levers, roller bearings etc.) which produced outstanding results in terms of reduction and consumption.

During 2013, the 3V engine was fine tuned to cut consumption by a further 5% to 40 km/h, which is the standard comparative value. In reality, the improvement is even more evident at faster speeds, reaching 60 km/l at 50 km/h.

Optimisation concerned both thermodynamics and CVT transmission efficiency.

In recent years the most cutting-edge effort to reduce environmental impact has been the development of the 125 and 300 Hybrid engine, which began in 2009. This innovation uses a parallel hybrid powerplant, combining an ultra-modern internal combustion engine with electronic injection and an electric motor. The integrated management of two powerplants improves overall vehicle performance and drastically reduces pollutant emissions. In 2013, the development of new modular 1.5 kWh batteries was completed; these will be the forerunners of future families of modular batteries that will incorporate numerous functional improvements to increase their versatility.

Innovation and safety

The Group’s research and development into vehicles mainly focuses on new solutions to improve customers’ quality of life.

The Group’s product range, including vehicles, is extensive, from scooters to light transport vehicles, small engine motorcycles, super sports bikes, racing bikes, touring bikes, custom bikes, small scooters and GT models.

In European cities, two-wheeler vehicles are a practical solution to individual mobility needs and can help reduce traffic congestion, while guaranteeing good levels of safety and comfort, plus considerably lower consumption and emission levels.

The Group is therefore committed at all times to improving safety systems (braking systems, suspension systems and electronic dynamics management) and to identifying new architectural solutions through new product formulas, and aerodynamic and ergonomic analysis.

Piaggio continued to focus on improving the active safety of its products in 2013, extending ABS and ASR to other Group vehicles.

The ABS/ASR version of the new Piaggio X10 350 and 500, marketed in 2012, features a combined, three channel ABS, which is a first-time application for the Group’s scooters, plus ASR electronic traction control. This function has also been developed for and extended to the Aprilia SRV 850 maxi scooter with twin cylinder engine. In 2013, the ABS/ASR system was also applied on the Vespa 946, while the ultra-new Vespa Primavera (125 and 150 cc), presented in November 2013, has single-channel ABS.

Mass production also began in 2013 on the Aprilia Tuono and Aprilia RSV4 with a Bosch two-channel ABS and three different calibrations, plus the Race option in which the ABS is disabled. As stated

previously, the ride-by-wire technology, which has been extended to most of the Group's vehicles, has made it possible to implement functions such as cruise control, multi-map systems and traction control systems, as on the APRC system (Aprilia Performance Ride Control) that includes ATC (Aprilia Traction Control), the Anti Wheelie System, Quick Shift (electronic gear) and Launch Control (starting control).
Ride By Wire will be used on the Master 500 engine for scooters and will be assembled on the 2014 version of the MP3. This version will include Traction Control and multi-map management to adapt performance to special road surface or riding conditions.

In the field of active safety systems, studies and experiments led to ADD (Aprilia Dynamic Damping) semi-active electronic suspension being used in the mass production of the Aprilia (Caponord 1200, presented in spring 2013).

An electrically adjustable suspension was developed for the Piaggio X10 and Aprilia Caponord, of which the ADD package is a part (electronic suspension). The system lets the rider easily adjust the rigidity of the suspension system to load/road conditions and riding style, from the handlebar controls, for even better active safety.

Lastly, the first full-LED scooter light made its appearance on the Vespa 946.

As part of its research work on preventive safety and dynamics, Piaggio's most ambitious objective is the study and development of new product concepts, such as three- and four-wheeler tilting vehicles that guarantee an unprecedented stability even on wet or uneven road surfaces, and shorter stopping distances compared to conventional scooters. The benchmark in this sector is the tilting three-wheeler Piaggio MP3, which went on sale in 2006.

These new concepts, in addition to other safety devices, can achieve active and passive safety levels on a par with car manufacturing standards, whilst retaining all the benefits of two-wheeler vehicles in terms of size, emissions and consumption.

Piaggio has always played a major role in European projects to improve the safety and comfort of motorcyclists.

During 2013, for the VERITAS project, Piaggio worked on the development of a predictive model for the ergonomic analysis of two-wheeler vehicles, based on anthropometric measurements and scooter and motorcycle posture surveys, also on a sample of older users. The results were used to develop a software programme for ergonomic controls during new vehicle configuration, as well as more accessible solutions for older users. As regards man-vehicle interfaces, facilitated access functions (for users with slight physical disabilities) were designed and tested for the Piaggio Multimedia Platform application.

Piaggio and 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 the minimum environmental impact.
The Piaggio Group, which has expanded some production sites, is continuing 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.

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 holds certification for the Environment (ISO 14001) for the three Italian sites, for the Vinh Phuc Vietnamese plant and for the Indian plant for the production of Vespas which it obtained in September 2013.

During 2013, no damage was caused to the environment for which the Company was declared as being definitively liable, nor were sanctions or penalties applied for offences concerning the environment or for environmental 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.

Main environmental performance indicators

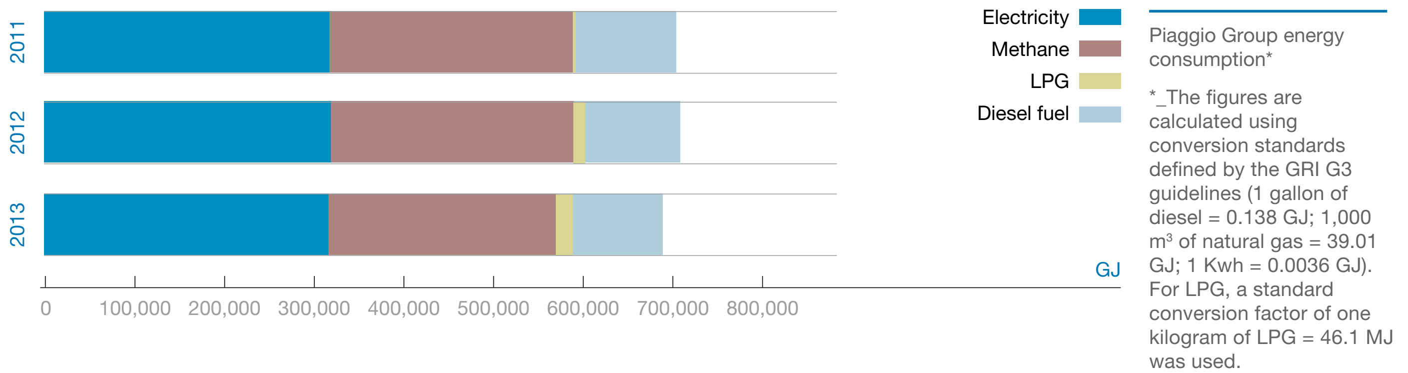
Piaggio is committed to improving the management of environmental processes, targeting lower energy consumption, less pollutant emissions and a lower production of waste and use of water, however the Piaggio Group's environmental performance in the 2011-2013 period was considerably affected by production volumes in different local areas.

Consumption and emissions were generally down. The slowdown in production activities of Italian sites in 2013, and the closure of the Spanish site, were only partially offset by the production increase at the Baramati and Vinh Phuc sites.

Water consumption was down at all sites. This is due not only to a decrease in production activities, but also to ongoing actions by Piaggio to further reduce consumption, such as the changes made to

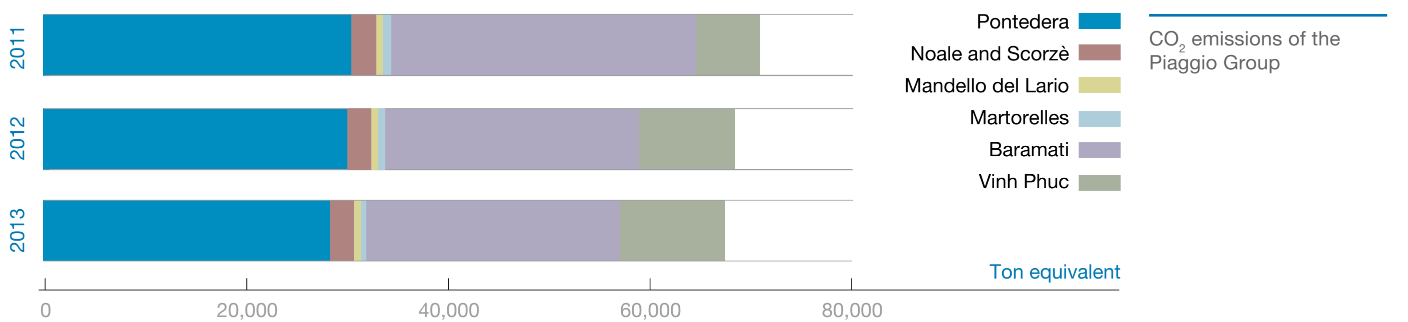
the painting lines at Pontedera and Vinh Phuc.

Consumption has gone up, due to the first-time inclusion of waste from aluminium items produced outside the Pontedera site, as well as the occasional scrapping of obsolete materials.

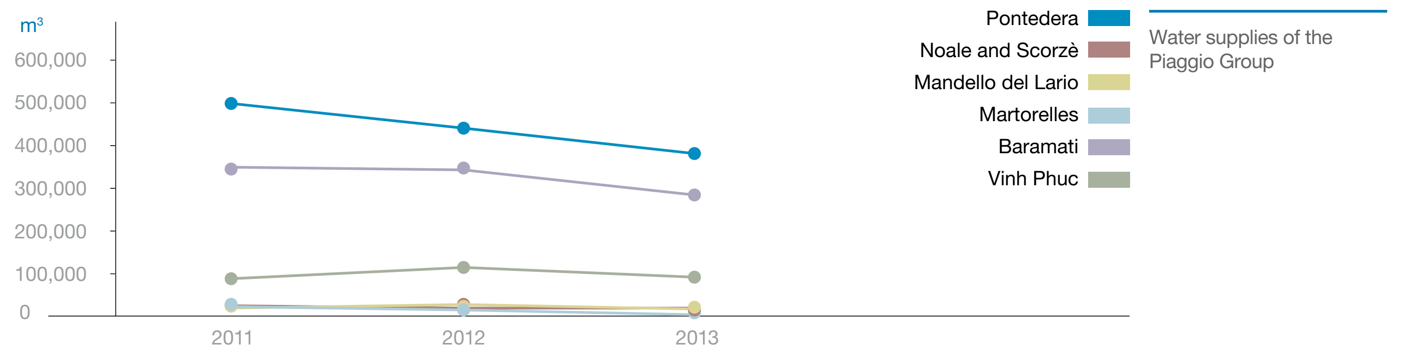


Piaggio Group energy consumption*

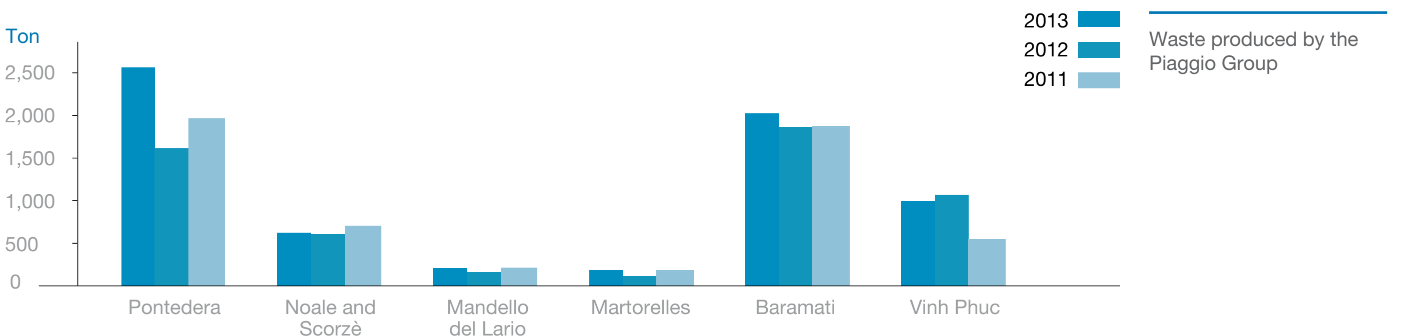
*_The figures are calculated using conversion standards defined by the GRI G3 guidelines (1 gallon of diesel = 0.138 GJ; 1,000 m³ of natural gas = 39.01 GJ; 1 Kwh = 0.0036 GJ). For LPG, a standard conversion factor of one kilogram of LPG = 46.1 MJ was used.



CO_2 emissions of the Piaggio Group



Water supplies of the Piaggio Group



Waste produced by the Piaggio Group

Piaggio and human resources

Staff

In 2013, the Group reduced employee numbers, due mainly to restructuring, streamlining and organisational cutbacks in the EMEA area. As of 31 December 2013, group employees totalled 7,688, down by 441 units (-5.4%) compared to 31 December 2012, of which half in the EMEA area.

Company employees by geographic segment as of 31 December

Employee/staff numbers	2013	2012	2011
EMEA and Americas	4,098	4,318	4,356
of which Italy	*3,805*	*3,873*	*3,871*
India	2,677	2,814	2,331
Asia Pacific 2W	913	997	932
Total	**7,688**	**8,129**	**7,619**

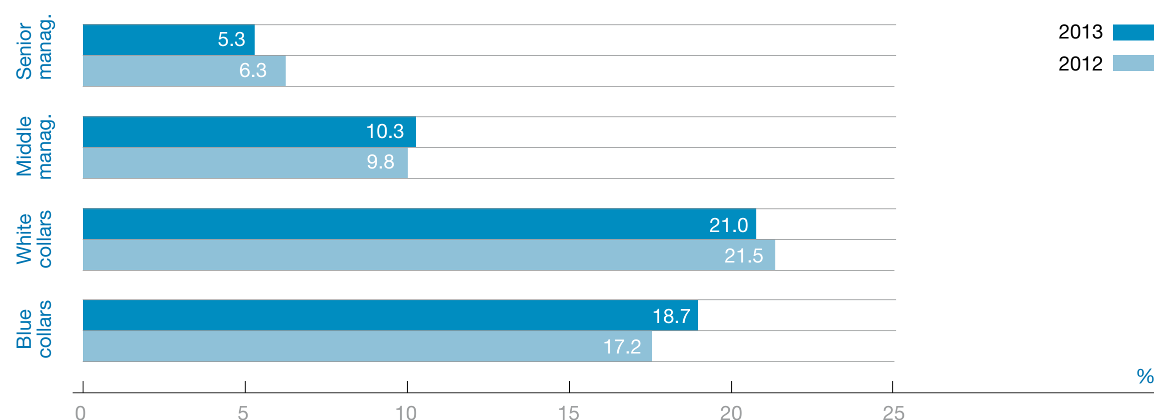
Average number of Company employees by professional category

Employee/staff numbers	2013	2012	2011
Senior management	96	95	100
Middle Management	573	574	504
White collars	2,161	2,202	2,100
Blue collars	5,343	5,477	5,033
Total	**8,173**	**8,348**	**7,737**

Company employees by gender and geographic segment as of 31 December

	2013		2012	
Employee/staff numbers	**Men**	**Women**	**Men**	**Women**
EMEA and Americas	2,899	1,199	3,068	1,250
of which Italy	*2,679*	*1,126*	*2,731*	*1,142*
India	2,610	67	2,787	27
Asia Pacific 2W	752	161	835	162
Total	**6,261**	**1,427**	**6,690**	**1,439**

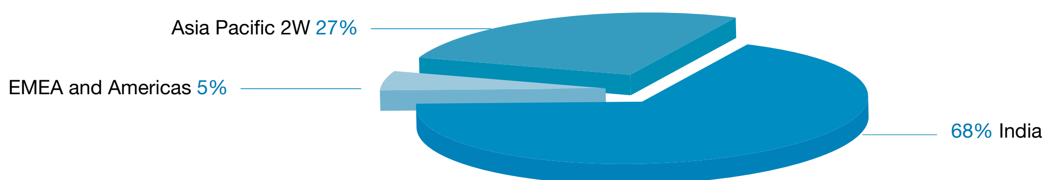
Number of women employees as of 31 December



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

Employee/staff numbers		up to 30	31-40	41-50	> 50	Total
2013	Senior Management	0	8	35	52	95
	Middle Management	3	178	265	126	572
	White collars	400	892	540	300	2,132
	Blue collars	2,019	852	1,143	875	4,889
	Total	**2,422**	**1,930**	**1,983**	**1,353**	**7,688**
2012	Senior Management	0	7	39	50	96
	Middle Management	1	201	254	117	573
	White collars	478	925	536	275	2,214
	Blue collars	2,123	1,213	1,059	851	5,246
	Total	**2,602**	**2,346**	**1,888**	**1,293**	**8,129**

Company employees up to 30 years of age by geographic segment as of 31 December 2013



Company employees by educational qualifications as of 31 December 2013

Employee/staff numbers	Graduate	High School	Middle School	Primary School	Total
EMEA and Americas	684	1,746	1,539	129	4,098
of which Italy	*536*	*1,642*	*1,506*	*121*	*3,805*
India	661	2,009	7	0	2,677
Asia Pacific 2W	319	593	0	1	913
Total	**1,664**	**4,348**	**1,546**	**130**	**7,688**

Company employees by contract type, gender and geographic segment as of 31 December 2013

	Fixed-term contract			Open-ended contract		
Employee/staff numbers	**Men**	**Women**	**Total**	**Men**	**Women**	**Total**
EMEA and Americas	0	2	2	2,899	1,197	4,096
of which Italy	*0*	*0*	*0*	*2,679*	*1,126*	*3,805*
India	1,166	34	1,200	1,444	33	1,477
Asia Pacific 2W	225	44	269	527	117	644
Total	**1,391**	**80**	**1,471**	**4,870**	**1,347**	**6,217**

Company employees by contract type, gender and geographic segment as of 31 December 2013

	Full time			Part time		
Employee/staff numbers	**Men**	**Women**	**Total**	**Men**	**Women**	**Total**
EMEA and Americas	2,792	875	3,667	107	324	431
of which Italy	*2,572*	*808*	*3,380*	*107*	*318*	*425*
India	2,610	67	2,677	0	0	0
Asia Pacific 2W	745	168	913	0	0	0
Total	**6,147**	**1,110**	**7,257**	**107**	**324**	**431**

Organisational Development: actions in 2013

During 2013, the Piaggio Group continued its process to internationalise production and sales activities and consolidate its leadership position on the European market.

In particular, the main organisational changes in 2013 were as follows:

› the new Director of the **Product Development and Strategies Department** was appointed, and the area's organisation was subsequently changed, with the establishment of the **Technical Engine Centre** for the development of engines for the Group's two-, three- and four-wheeler vehicles, in order to harness synergies to a greater extent and promote specialist know how for a global development;

› the **Style Centre** organisational unit was reorganised, in order to monitor the Group's style area, through a single central function for the design development of all vehicles, accessories and clothing. The company **Piaggio Advanced Design Center Corporation** of Pasadena, operates as part of the Style Centre, and is involved, with the most advanced international universities and research centres, in studying style trends and cutting-edge technological solutions to propose innovative ideas for all the Group's product lines;

› the **Credit Management and Back Office** unit, which is part of **Finance General Management**, was reorganised, in order to establish a central structure for the management of administrative activities concerning sales and dealer credit for Italy, domestic Europe and importers, and promote a greater operating efficiency and improved standard of service. As a result, the above administrative activities were transferred to the new Credit Management and Back Office unit, and Piaggio Vespa B.V. – Swiss Branch was closed down.
The Vendor Assessment organisational unit was joined with the Credit Management and Back Office function, and maintains responsibility for managing the Group supplier list and master record, including supplier qualifications and rating, as well as the supplier portal and related help desk for external contacts;

› the organisation of the **Public Relations and Institutional Affairs Department** was revised in order to guarantee a global presence in relations with information bodies at a Group level, ensuring particular focus on relations with information bodies as concerns Group products and racing activity;

› production activities at the **Nacional Motor** site in Martorelles were stopped and transferred to the Scorzè site;

› the company **PT Piaggio Indonesia** was reorganised, changing company management with a view to development of the Indonesian market;

› Resourcing and Training and Organisation, Development and Compensation & Benefit activities were reassigned within the **Human Resources and Organisation Department**;

› the new **Marketing and Communications Department** was established with responsibility for managing and coordinating at a global level sales communication, monitoring brand image and awareness of the Group's brands, defining digital marketing strategies and monitoring customer experience data concerning customer/Piaggio Group interaction;

› on 17 March 2014, in order to ensure a greater focus on the design and development of two-, three- and four-wheeler products, two new Departments were established, both reporting to the Chief Executive Officer of Piaggio & C. S.p.A., - Two-Wheeler Product Development and Three- and Four-Wheeler Product Development.

Xpd

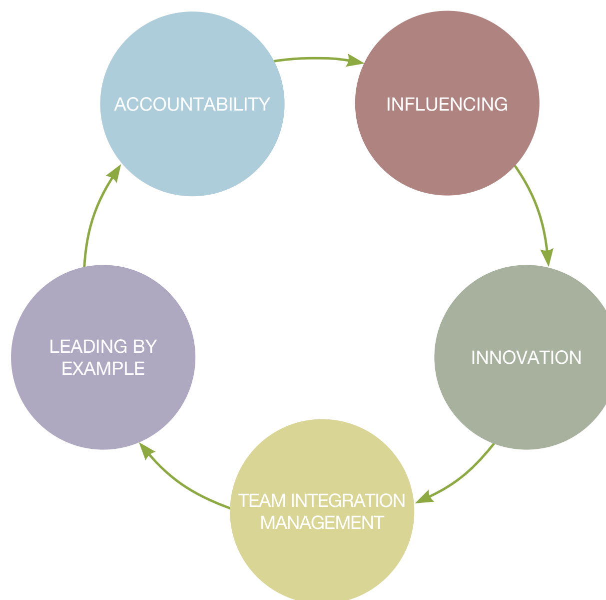
Developing human capital

The development of the core competencies required by a changing business and market is a priority for the Piaggio Group. This is why the development of people and careers are rooted in building, maintaining and developing these competencies.
To this end, the Piaggio Group has developed specific models and policies over the years for the development of human capital.

The Group's managerial competencies model

On the basis of the Group's strategic plan and in line with its core values, Piaggio has identified a managerial competencies model that represents the set of skills to be implemented day by day to ensure personal success and the success of the company.
This model is the reference at Group level for the development of company culture and growth of employees. In 2013, the model was fine-tuned and managerial skills were extensively disseminated to office and managerial staff at Group level.

The Group's managerial competencies model



The Group's professional competencies model

The wealth of professional competencies and know-how in the Group is the true foundation and only real guarantee assuring the continuity and quality of results. For this reason, the Piaggio Group has developed a professional competencies model which is updated and expanded in accordance with the strategic plan, and in line with changes in technology and the market.
The model identifies thirteen professional groups and their specific competencies. Development tools and training are aimed at helping people acquire the level of competence required by their role.
In 2013, the specific roles of the Group's operating units were added to the professional system and used as the basis for the evaluation and systematic development of professional competencies of the entire office and managerial staff of the Group.
The identification of technical/professional competencies was also updated at Group level, and development and training plans were configured to improve gaps identified in 2013.

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 evaluation process is managed in an integrated way, and provides the information necessary for Management Review and Gap Analysis of professional competencies, which are conducted uniformly across the Group.

During 2013, the Evaluation Management System was consolidated at Group level. This standard evaluation system applies to all office and managerial staff, assisted by computer tools (SAP HR and Success Factors) for the real-time management of all evaluations, for human capital development purposes.

During recruitment, two evaluations are carried out for candidates applying for a specific position: one concerns the managerial competencies of the Piaggio Model, carried out by HR, and the other, the professional competencies of the Piaggio System, 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.

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 talent management programme (see "talent management" section).

During 2013, development actions to consolidate the Company's international focus were stepped up, in particular with job allocations and rotation in the Group's Asian companies.

Career paths

For 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 international level. In 2013, tools for monitoring and managing plans for taking over key positions within the Group were consolidated.

Reward policies

The Piaggio Group adopts specific reward policies, designed to remunerate staff and their contributions based on criteria of competitiveness, fairness and meritocracy. The Group's reward system is differentiated for the various professional groups in the company, and consists of a salary component, an objective-based incentive system and benefits.

Piaggio Way

In the last few years, Piaggio has run a specific talent management programme to ensure the development of its resources with the most value. The programme is for Group employees who have shown a high potential, strong passion for their work and courage in pursuing new directions.
The Piaggio Way programme was extended to all Group units at worldwide level, with the considerable involvement of Asian employees.
The programme, which lasts for a maximum of four years, targets talented employees who can follow fast-track development programmes (job rotation, strategic and international projects, events involving top management, coaching, ad-hoc training).

Training

In 2013, the number of hours' training for managerial staff, and for health and safety aspects, went up considerably.
During the year, 101,577 hours of training were provided, with training in Italy accounting for 47%, exceeded by the combined hours of India with 42% and Asia Pacific with 9%.
The trend of training by type and area of action was reversed.
The number of managerial training hours was higher than technical/professional training, in view of a need to align resources to core managerial skills.
The number of hours' training by professional category relative to workers was also very significant, with health and safety training making a considerable contribution.
The growth in volume and importance of the content of training provided in India and Asia Pacific is the driver for the Learning Management System - an integrated and computerised system which standardises the training needs analysis process, assessment of training action impact and Management's handling of the training vision.

Hours of training by training area

Thematic area	2013*	2012*
Managerial training	31,764	26,824
Technical – professional training	27,663	34,806
Language training	5,948	9,629
Safety and environmental training	36,202	22,647
Total	**101,577**	**93,906**

** _Data does not include on-the-job training*

The current training process guarantees access to training for all companies levels, and the continual development of skills and capacities necessary to achieve the economic objectives of the company and personal goals of each member of the organisation.

The training strategy is based on training actions that mainly target managerial skills considered as core by the Piaggio managerial model.
In addition, technical/specialist training is also provided, to develop employee skills so they meet the expectations of the business and of the organisation for the role they perform.

Total training hours by professional category

Professional category	2013*	2012*
Senior Management	2,058	1,618
Middle Management	12,307	16,137
White collars	43,225	48,771
Blue collars	43,411	19,890
Project workers	576	7,490
Total	**101,577**	**93,906**
Total per-capita	**13.2**	**11.5**

** Data does not include on-the-job training*

The training process identifies specific gaps through the detailed analysis of skills taken from the Evaluation Management System and by involving Managers from each area in needs' analysis.

Training actions aim to fill gaps identified and provide tools for the professional growth of office and managerial staff.

A specific system to evaluate skills gained after each action monitors individual expertise and alignment with the levels expected for each individual position.

Aggregate data on the evaluation of technical/specialist and managerial skills show that each company function is basically in line with expected levels.

Health and safety

During 2013, personnel training and awareness for occupational health and safety issues continued; training began in 2012 with approximately 17,500 hours provided, based on directives as of the State-Regions Agreement no. 211 of December 2011, supplemented by Agreement no. 153 of July 2012.
In 2013, a further 22,000 hours of training were provided in the classroom and with e-learning, based on procedures established in the state-regions agreement for this type of training.
Training targeted workers, with approximately 10,800 hours, and office staff with 11,200 hours. In addition to basic training for all employees, as provided for in the agreement, specific courses were organised for senior management and officers with special duties.

Special attention was also paid to issues concerning outsourced work, in terms of contract safety and operating interference during activities, involving specifically dedicated personnel for monitoring and the issue of specific inspection reports.
In 2013, following implementation of the "Workplace ergonomics" project, based on the most well-established study methodologies (O.C.R.A., N.I.O.S.H., SNOOK and CIRIELLO), the company continued to identify risks from the manual handling of loads. In particular, 955 work stations were examined during 2013, equal to 68% of the total: activities are scheduled for completion in 2014.
During the year, surveys were carried out to verify the absence of hazards in the event of situations occurring related to the use of products/substances in the production cycle, as well as periodic controls on risk levels relative to particular factors such as electromagnetic fields, vibration, explosive atmospheres and the micro-climate in summer.
Major changes were made and new developments took place during 2013 to create work stations with less risk of accidents at the Pontedera site, for the two-wheeler painting and two-wheeler assembly units (automated welding stations) and for vehicle assembly (line with AGV). At the same time, work areas improved with the development of the 5S programme, to reorganise and streamline work stations for a better quality, productivity, ergonomics and safety.
In October and November 2013, audits were successfully conducted by the Certification Company to maintain Piaggio's certification of its health and safety management system for all operating sites in Italy up until December 2016 (with annual maintenance audits).

The Polo Meccanica area was brought in line with Piaggio company standards for its Health and Safety Management Systems, in view of extending OHSAS 18001/07 certification as soon as this unit is transferred within the Pontedera site, scheduled for completion in the first quarter of 2014.

As regards Piaggio Vietnam, occupational safety training was provided in 2013, with 7,800 hours (for employees and outsourced workers). Training covered various matters including the operation of machinery for handling goods (fork lift trucks), emergency management and personal protective equipment used by staff.
The number of injuries was very low (4) with a frequency index of 0.17, down slightly compared to the previous year.
The company's medical centre provides medical assistance for employees, and an agreement has been in force since May with the Social Insurance Department for the reimbursement of medicinal products used.
In December, DNV issued the certificate of conformity to OHSAS 18001:2007.

PVPL India was awarded the certificate of conformity to OHSAS 18001:2007 by DNV for the two-wheeler division. The commercial vehicles site has implemented occupational health and safety procedures and an emergency and evacuation plan. During the year, more than 9,000 hours of training on safety were held, and some events took place to raise all employees' awareness of safety (safety week and involvement in the world environment day). The number of injuries occurred in 2013 was low (7).

Industrial relations

In 2013, the economic and financial scenario was still highly critical at a national and European level, with a continuing downturn on motor vehicle and commercial vehicle markets. In Italy, in particular, consumer spending stagnated and sales of all two-wheeler products and commercial vehicles decreased. Against this background, issues concerning falling volumes and staff activities at production sites in Italy and Europe were discussed with trade unions from the early months of the year onwards.
In February, a trade union agreement was signed for the Pontedera site, to start a one-year solidarity contract (Decree no. 75138 of 12 August 2013) covering all activities and employees (blue collars, white collars and middle managers), with the exception of two-wheeler (engines and vehicles) production operators. Subsequently, with the considerable slowdown in production activities and use of the Temporary Redundancy Fund in the last three months of the year, a new agreement was signed with the trade unions to apply the solidarity contract to the latter segment as well, from December 2013 onwards. The agreement extends the solidarity contract already underway for the production of commercial vehicles and for staff/technical and administrative activities, for a further 12 months.
In April, 2012 bonus-related data were finalised, and considering the results achieved, no bonus settlement was awarded in addition to the advance already paid during the year. The different trade union organisations adopted different positions during the year; only one organisation officially submitted a delegation to renew the supplemented contract that had expired on 31 December 2011, but which is still current considering it is on an extended validity basis. Trade union negotiations never commenced.
In April, elections were held to elect new trade union representatives and workers' representatives.
A new trade union agreement was entered into, in January 2013, for the Noale and Scorzè sites. Based on the agreement, the parties are continuing the plan, already started in the 2011/2012 period, to guarantee the economic and financial sustainability of the Company's investment plan, with major cost reductions and a recovery of the technical structure's efficiency and productivity.
At the Noale site, activities continued to streamline staff and staff activities, with a new mobility procedure affecting 38 people. The solidarity contract at the Noale site was extended throughout 2013, so that volumes could be adjusted to demand.

The production strategy of the Scorzè site was confirmed, with the transfer (as from March 2013) of all production activities of the Martorelles site (Spain) which has been closed down.
Considering the ongoing downturn in the two-wheeler market and resulting production programmes, the solidarity contract which has been extended for a further 12 months, will be combined with a mobility procedure for 98 people, in order to restructure production staff to take account of the lower demand for vehicles.
All measures were adopted, downsizing staff by 32 units in 2013 and gearing performance to different volumes of activities. The Italian Ministry for Employment and Social Policies authorised the use of solidarity contracts at these sites (Decree no. 76009 of 04 October 2013 for Noale; Decree no. 76002 of 04 October 2013 for Scorzè).

As regards the Mandello del Lario production site, sales volumes increased in 2013, supported by the launch of the New California. As agreed on with trade unions, fixed-term contracts and flexible working hours were used for the production ramp-up.

In 2013, in Italy, the trend for hours lost through industrial action improved considerably compared to 2012, in terms of the number of hours lost (from 38,911 to 10,265), and as a percentage of hours worked at the sites (from 1.68% to 0.50%).

In March 2013, the Spanish company Nacional Motor stopped all activities, fully implementing the E.R.E. (Expediente de Regulación de Empleo - Employment regulations plan), shared with Government representatives and Trade Union Organisations. The personnel redundancy plan is now in the final stages (and will end by April 2014), while all production activities were transferred to the Scorzè site (Venice) in March 2013.

In 2013, activities of the Swiss Branch of Piaggio BV were transferred to the Pontedera site, with all employment contracts being terminated on the basis of a welfare plan agreed on with trade union organisations.

As regards Piaggio Vietnam, there are no significant trade union events or activities to report. In May 2013, the new Labour Code came into force, introducing some regulations for expectant mothers and maternity leave, temporary work and some changes to working hours and dismissal procedures. In January 2013, a law came into force changing the contributions payable by the company to trade unions, from 1% to 2% of the basic salary of each employee.

The Indian company Piaggio Vehicles Private Ltd. was affected by the general slowdown of the Indian economy. In July, an agreement was signed to renew the company's collective labour agreement for permanent employees, which is valid for 4 years. The agreement includes a salary increase spread over 4 years based on an increase in productivity and flexibility geared to market demand. The improvement in productivity and efficiency has made it possible to reduce the number of temporary staff used.

Customer and dealer service

Customer Opinion Surveys and Customer Service comprise the customer engagement tools for building enduring customer relationships based on trust.

Customer Experience

Piaggio has created and consolidated over time a customer engagement platform to understand the changing expectations of customers and gauge how effectively it meets those expectations by measuring brand reputation and customer loyalty.
The main items studied and monitored, also based on benchmarking with leading competitors are:
- the motivations for choosing a brand and the fundamental features of products and services;
- the adaptation of sales and assistance structures to satisfy specific needs;
- the effectiveness of the sales network and services;
- brand awareness and loyalty.

A customer care service operates on main markets where the Group's products are sold.
In 2013, a new partnership was forged to measure customer experience, making it possible to change the methodological research structure to new international industry standards. In particular, in main European countries (Italy-France-Spain-Germany and the UK), telephone surveys, used this year to measure customer experience of new products (the California 1400, Caponord and Vespa 946), were combined with web research on all brands and main consolidated products, in order to measure the competitive position of the entire range. The performance level of the service network was also measured using the web. As regards Asian markets, telephone surveys on products and service experience were carried out along with "welcome calls" made by Piaggio Vietnam personnel a few days after purchases, targeting 100% of customers, to evaluate the efficiency of the sales network in transferring brand values to end customers. Customer experience was also measured on the US market on an experimental basis, for the motorcycle segment, using a customised web search and was entirely managed by Piaggio personnel. In total, approximately 20,500 customers took part in the engagement platforms.

Besides confirming perceived reliability and quality of products as key elements for customer loyalty, the comments were also used to provide product innovation and development teams with information in addition to data on faults/failure of products under warranty and technical tests and trials. In particular, any suggestions on the product's "concept" (technical characteristics) have made it possible to develop new engines that are more capable of meeting the demands of increasingly "demanding" customers especially in terms of fuel consumption: a growing need in Western countries and a must for success on Asian markets.

Customer service

Customer service, together with the dealer network, represents the most important channel for customer relations.
The Group's Contact Centre Project operates in a multichannel environment, by contact and customer targets, and has a virtual on-line space on the SAP CRM platform for all main European markets - Italy, France, Spain, Germany, Benelux and Great Britain, as well as for the USA, Indonesia and Vietnam. In 2013, the SAP CRM platform replaced Sale Force.com on the Indonesian and Vietnamese markets. In India, another management tool specifically developed for this market, was implemented.
In 2013, more than 66,000 contacts in Europe and over 4,000 in the USA, Vietnam and Indonesia were handled; problems with products and/or services accounted for 22% of calls for assistance.
The Group's service levels in its main markets match standards of excellence in the sector, with 85% of calls managed within thirty seconds, and average resolution times of just over forty-eight hours.

The platforms are all characterised by standardised management of customer reports that helps set international Group-wide response standards, while allowing real-time management of all the markets and functions involved in customer management.

Dealer Portal

The Dealer Portal is a gateway to applications, information and technical documents and sales literature designed to help dealers manage their markets according to common standards and criteria in real time. Access is personalised on the basis of the role assigned to the partner by their agency agreement. Specifically, the Dealer Portal enables dealers to:
› obtain information on promotional and sales methods for the range of products;
› learn and train their own staff on product maintenance and customer management techniques;
› access the management application for technical and sales documentation.

Other activities took place, such as dealer conventions, workshops on specific issues, pilot tests on dealer panels for new projects and sales and technical training. The aim was to ensure that Group and dealer activities and actions target customer management in order to establish customer loyalty and consolidate the Group's reputation on the market.
The Group also promotes responsible sales techniques, based on information that is transparent, complete and conforming, given to customers throughout the sales process.

Dealer Business Service

The Dealer Business Service provides daily assistance to dealers, to ensure optimal management of the after-sales service: – from ordering the vehicle to information on delivery, product warranty management and assistance in general. The service represents an important channel for managing relations with the network, and is based on a series of specialist platforms dedicated to logistics, product and accessory sales and service. The support service is delivered through a Help desk available to all major European markets: Italy, France, Spain, Germany, Great Britain, Benelux, USA, Vietnam and Indonesia.

Besides enabling service levels to be standardised for all partners, in accordance with contractual arrangements, the platforms enable the right action to be taken and training, documentation and available information to be delivered in the most effective way.

Corporate Social Responsibility

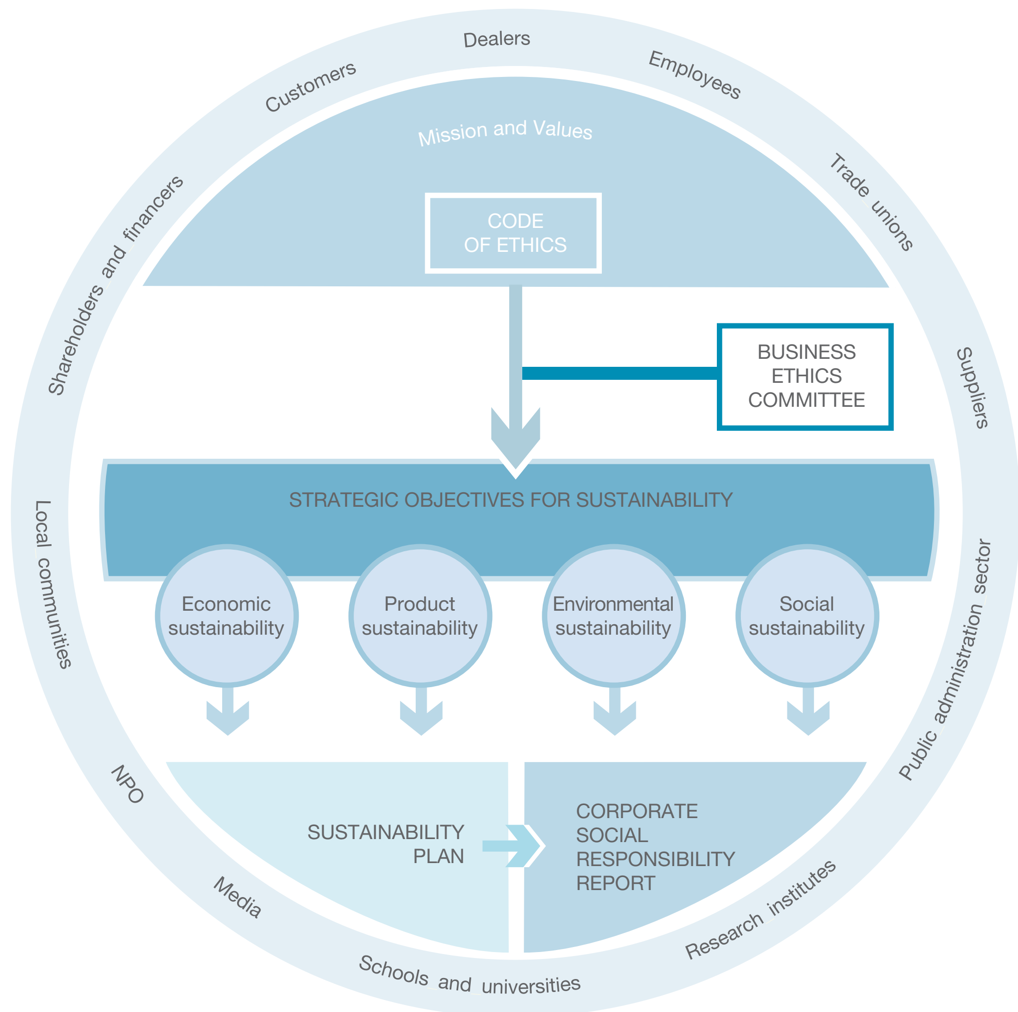
Piaggio's concept of sustainability is outlined in its "CSR Model', which is developed at a Group level. This Model is based on the mission and values that have set the company apart since its inception and which are the cornerstone of its Code of Ethics.

The Piaggio Group has always been committed to safety, quality, environmental issues and the wellbeing of its employees and partners. In other words, it is committed to being socially accountable for its operations.

Since the 1990's, Piaggio has made its mark in bringing together production and social responsibility, through the intense work of the Fondazione Piaggio (Foundation). With its Museum and Historical Archive, the Foundation is one of the first examples in Italy of placing value in a Company's historical heritage and promoting culture in the community.

Piaggio's constant focus on sustainability and its increasing commitment in recent years have convinced the Group of the need to adopt a structured Corporate Social Responsibility model that defines and organises all aspects of Piaggio's Corporate Social Responsibility.

Piaggio's Corporate Social Responsibility Model



Piaggio's mission and values, which form the basis for the Group's Code of Ethics, established in 2004, are considered as strategic objectives for sustainability, divided into areas of sustainability that are important for the Group: economic sustainability, product sustainability, environmental sustainability and social sustainability. Based on these areas and in line with its strategic objectives, the Group has produced a sustainability plan with short and medium-/long-term objectives.

The entire process described in this document is coordinated by the Business Ethics Committee, set up in 2008. The Committee is tasked with developing regulations and rules of organisational conduct in line with best international practices for corporate social responsibility.

As part of its responsibilities and duties, the Business Ethics Committee analyses all operations concerning relations between the Piaggio Group and external players, with the aim of guaranteeing to all stakeholders that the information cycle is managed transparently. Starting from the assumption that transparency best describes the purpose of corporate social responsibility today, the Committee acts as a "guarantor" for investors, consumers and opinion leaders, to make sure Company conduct is based on conformity to laws at all times, on fairness and on the truthfulness of disclosures to the public.

In developing a social responsibility strategy that can fully meet the needs of all stakeholders, the Business Ethics Committee has identified stakeholder categories addressed by the Group's operations: customers, employees, shareholders and investors, dealers, suppliers, trade unions, local communities, schools, universities and research institutes, the public administration sector, the media, organisations and trade associations.

Careful monitoring of all its stakeholders' expectations is a great opportunity for the Group to further improve operations. It is in this context that Piaggio is focusing its efforts: understanding possible areas of improvement in order to provide products that always meet the expectations of its customers, communicating its philosophy and business model clearly and effectively at all times.

The Piaggio Group pursues its sustainability objectives based on specific development guidelines:

› **Transparency and economic value.** In line with these development guidelines, the Group's objectives include creating value for all shareholders, while complying with business ethics and adopting a number of social values.

› **Product innovation and sustainable mobility.** The Group's 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 wellbeing.

› **Environmental sustainability**. Safeguarding the environment while carrying out all company operations is essential for mankind, technology and nature to coexist peacefully. The Group therefore makes sustainable products, which must be manufactured using production facilities with the minimum environmental impact. Production systems are made sustainable through optimising process efficiency and converting facilities that are no longer competitive. In particular, 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.

› **Developing human resources and the context.** 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. To achieve this, 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. The Group is committed to engaging and supporting local communities through social, cultural and educational initiatives. The relations the Group forges with other reference stakeholders is fundamental: trade unions, local communities, schools, universities and research institutes, the public administration sector, the media, organisations and trade associations.

Piaggio's constant focus on sustainability and its increasing commitment in recent years have convinced the Group of the need to communicate its sustainability strategy and results achieved with even greater transparency. This is achieved through the Corporate Social Responsibility Report (CSR Report), considered the most appropriate means for achieving the Group's objective.

The CSR Report, available since 2008 and published on the institutional site www.piaggiogroup.com under Social Responsibility, is an annual document which reports on the Group's strategy, policy and its economic, environmental, social and product performance, sustained by principles of the utmost transparency and continual improvement.

In defining and preparing the CSR Report, the Piaggio Group has followed national and international best practices on Corporate Responsibility and the Sustainability Reporting Guidelines produced by Global Reporting Initiative (GRI) in their G3.1 edition dated 2011. The GRI Reporting Framework is a universally accepted model of reporting sustainability. It includes practices which are common to different types of organisations and has a content which is both general and sector-specific, with the purpose of reporting the sustainability performance of an organisation.

Since the first edition in 2008, the CSR Report has been audited by an external organisation, to guarantee to all stakeholders that the information it contains is reliable.

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 stated 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 11 members appointed by the Ordinary General Meeting of Shareholders of 13 April 2012, based on the one candidate list submitted by the majority shareholder IMMSI S.p.A.. The Board of Directors will remain in office until the date of the Shareholders' Meeting called for approval of the financial statements for the year ending 31 December 2014.

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-Party Transactions Committee have been established within the Board.

Internal control and risk management system

The internal control and risk management system requires the Board to define the guidelines of the internal control and risk management system, considered as a combination of processes aimed at monitoring the efficiency of corporate operations, the reliability of financial information, compliance with laws and regulations, as well as with the articles of association and internal procedures, and the safekeeping of corporate 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 the position.

Board of Statutory Auditors

The Board of Statutory Auditors in office at the date of this Report was elected by unanimous vote of the Shareholders' Meeting held on 13 April 2012. The statutory auditors were elected from a single slate of candidates filed by the majority shareholder IMMSI S.p.A., in accordance with the provisions of Article 24.2 of the Articles of Association, and will remain in office until approval of the annual financial statements for the year ending 31 December 2014.

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 implement these measures.

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

	Net profit as of 31.12.2013	Shareholders' equity as of 31.12.2013	Net profit as of 31.12.2012	Shareholders' equity as of 31.12.2012
In thousands of Euros				
Piaggio & C. S.p.A.	**(1,649)**	**316,906**	**46,190**	**349,703**
Net profit and shareholders' equity of subsidiaries	53,465	172,978	77,066	182,758
Elimination of the carrying amount of investments		(83,780)		(73,148)
Elimination of dividends from subsidiaries	(64,089)		(91,890)	
Sale/disposal of intangible assets/ property, plant and equipment to subsidiaries	823	(18,791)	2,924	(19,614)
Elimination of the effects of other intergroup transactions and other records	4,922	4,801	7,784	174
Piaggio Group	**(6,528)**	**392,115**	**42,074**	**439,873**

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

Dear Shareholders

The Board of Directors of your company convened the Ordinary Meeting of Shareholders to propose the approval of the draft Financial Statements of Piaggio & C. S.p.A. as of 31 December 2013.

The Financial Statements as of 31 December 2013 record a loss for the period equal to €1,649,156.16.

We therefore propose to cover the loss assigning it to the "Retained earnings(losses)" reserve, under Earnings Reserves, of which the total amount is €67,498,283.56.

Milan, 20 March 2014

For the Board of Directors

/f/ Roberto Colaninno

Chairman and Chief Executive Officer
Roberto Colaninno

Economic glossary

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

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

Consolidated Ebitda: defined as “Operating income” before the amortisation and impairment costs of intangible assets and depreciation and impairment costs of plant, property and equipment as resulting from the consolidated income statement.

Net capital employed: determined as the algebraic sum of “Net long-term assets” and “Net working capital”, of other provisions not previously considered.

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

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Consolidated Income Statement

Notes	In thousands of euros	2013 Total	2013 of which related parties	2012 Total	2012 of which related parties
4	Net revenues	1,212,535	343	1,406,152	591
5	Cost for materials	714,453	23,143	835,352	32,802
6	Cost for services and leases and rentals	205,893	3,920	249,934	3,910
7	Employee costs	211,656		223,419	
8	Depreciation and impairment costs of property, plant and equipment	38,834		37,001	
8	Amortisation and impairment costs of intangible assets	45,311		42,620	
9	Other operating income	91,338	601	101,298	475
10	Other operating costs	25,099	15	22,540	5
	Operating income	**62,627**		**96,584**	
11	Income/(loss) from investments	2,264		3,530	
12	Financial income	2,621		2,016	
12	Borrowing Costs	36,870	308	33,609	503
12	Net exchange gains/(losses)	(376)		(660)	
	Profit before tax	**30,266**		**67,861**	
13	Taxes for the period	36,794	6,177	25,787	
46	*of which non-recurrent costs*	*24,594*			
	Profit from continuing operations	**(6,528)**		**42,074**	
	Assets held for disposal:				
14	Profits or losses arising from assets held for disposal				
	Net Profit (loss) for the period	**(6,528)**		**42,074**	
	Attributable to:				
	Shareholders of the Parent Company	**(6,547)**		**42,008**	
	Non-controlling interests	**19**		**66**	
15	**Earnings per share (figures in €)**	**(0.018)**		**0.116**	
15	**Diluted earnings per share (figures in €)**	**(0.018)**		**0.116**	

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Consolidated Statement of Comprehensive Income

Notes	In thousands of euros	2013	2012
	Net Profit (Loss) for the period (A)	**(6,528)**	**42,074**
	Items that will not be reclassified in the income statement		
31	Remeasurements of post-employment benefits	522	(4,498)
	Total	**522**	**(4,498)**
	Items that may be reclassified in the income statement		
31	Profit (loss) deriving from the translation of financial statements of foreign companies denominated in foreign currency	(10,172)	(3,818)
31	Total profits (losses) on cash flow hedge instruments	1,704	(1,759)
	Total	**(8,468)**	**(5,577)**
	Other components of the Statement of Comprehensive Income (B)*	**(7,946)**	**(10,075)**
	Total Profit (loss) for the period (A + B)	**(14,474)**	**31,999**
	Attributable to:		
	Shareholders of the Parent Company	**(14,482)**	**31,936**
	Non-controlling interests	**8**	**63**

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

Consolidated Statement of Financial Position

Notes	In thousands of euros	As of 31 December 2013 Total	of which related parties	As of 31 December 2012 Total	of which related parties
	Assets				
	Non-current assets				
16	Intangible assets	654,528		660,968	
17	Property, plant and equipment	302,767		321,015	
18	Investment property	7,346			
19	Investments	8,152		6,049	
20	Other financial assets	10,468		13,047	
21	Long-term tax receivables	2,974		1,195	
22	Deferred tax assets	33,660		36,714	
23	Trade receivables			28	
24	Other receivables	13,368	231	13,781	372
	Total non-current assets	**1,033,263**		**1,052,797**	
28	**Assets held for sale**				
	Current assets				
23	Trade receivables	75,722	864	63,079	946
24	Other receivables	26,514	7,162	37,301	6,610
21	Short-term tax receivables	23,615		18,592	
25	Inventories	207,808		221,086	
26	Other financial assets	838		1,260	
27	Cash and cash equivalents	66,504		86,110	
	Total current assets	**401,001**		**427,428**	
	Total assets	**1,434,264**		**1,480,225**	
	Shareholders' equity and liabilities				
	Shareholders' equity				
31	Share capital and reserves attributable to the shareholders of the Parent Company	391,183		438,628	
31	Share capital and reserves attributable to non-controlling interests	932		1,245	
	Total shareholders' equity	**392,115**		**439,873**	
	Non-current liabilities				
32	Financial liabilities falling due after one year	434,865	2,900	376,574	2,900
33	Trade payables			259	
34	Other long-term provisions	11,083		12,352	
35	Deferred tax liabilities	5,722		6,639	
36	Retirement funds and employee benefits	49,830		50,470	
37	Tax payables	0		555	
38	Other long-term payables	4,148		6,423	
	Total non-current liabilities	**505,648**		**453,272**	
	Current liabilities				
32	Financial liabilities falling due within one year	116,872		115,042	
33	Trade payables	346,164	11,204	392,893	17,382
37	Tax payables	12,587		15,757	
38	Other short-term payables	45,416	6,474	50,345	187
34	Current portion of other long-term provisions	15,462		13,043	
	Total current liabilities	**536,501**		**587,080**	
	Total shareholders' equity and liabilities	**1,434,264**		**1,480,225**	

Consolidated Statement of Cash Flow

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	2013 Total	of which related parties	2012 Total	of which related parties
	Operating activities				
	Consolidated net profit	(6,547)		42,008	
	Allocation of profit to non-controlling interests	19		66	
13	Taxes for the period	36,794		25,787	
8	Depreciation of property, plant and equipment	38,409		37,001	
8	Amortisation of intangible assets	44,706		42,620	
	Non-monetary costs for stock options			685	
	Allocations for provisions for risks and retirement funds	17,875		23,004	
	Write-downs / (Reinstatement)	4,829		1,493	
	Losses / (Gains) on the disposal of property, plants and equipment	(164)		(418)	
	Losses / (Gains) on the disposal of intangible assets			0	
12	Financial income	(1,473)		(1,522)	
	Dividend income	(154)		(15)	
12	Borrowing Costs	32,339		28,904	
	Income from public grants	(4,751)		(2,316)	
	Portion of earnings of affiliated companies	(2,110)		(3,515)	
	Change in working capital:				
23	(Increase)/Decrease in trade receivables	(11,296)	82	2,453	1,507
24	(Increase)/Decrease in other receivables	13,680	(411)	(7,889)	(121)
25	(Increase)/Decrease in inventories	13,278		15,902	
32	Increase/(Decrease) in trade payables	(46,988)	(6,178)	17,654	(1,521)
	Increase/(Decrease) in other payables	(7,204)	6,287	(13,898)	112
34	Increase/(Decrease) in provisions for risks	(12,934)		(14,370)	
36	Increase/(Decrease) in retirement funds and employee benefits	(9,352)		(4,814)	
	Other changes	(15,509)		6,336	
	Cash generated from operating activities	**83,447**		**195,156**	
	Interest paid	(30,727)		(28,848)	
	Taxes paid	(16,600)		(32,066)	
	Cash flow from operating activities (A)	**36,120**		**134,242**	
	Investing activities				
17	Investment in property, plant and equipment	(38,845)		(78,392)	
	Sale price, or repayment value, of property, plant and equipment	1,287		955	
16	Investment in intangible assets	(48,758)		(59,574)	
	Acquisition of Tecnocontrol			(11,323)	
	Sale price, or repayment value, of intangible assets	219		40	
	Purchase of financial assets	(838)		(1,263)	
	Sale price of financial assets	1,260		5	
	Collected interests	994		981	
	Cash flow from investing activities (B)	**(84,681)**		**(148,571)**	
	Financing activities				
31	Exercise of stock options	274			
31	Purchase of treasury shares	(471)		(9,152)	
31	Outflow for dividends paid	(33,087)		(29,877)	
32	Loans received	111,609		114,835	
32	Outflow for repayment of loans	(52,977)		(128,245)	
32	Financing received for leases			0	
32	Repayment of finance leases	(936)		(894)	
	Cash flow from funding activities (C)	**24,412**		**(53,333)**	
	Increase / (Decrease) in cash and cash equivalents (A+B+C)	(24,149)		(67,662)	
	Opening balance	**84,140**		**151,802**	
	Exchange differences	(7,175)			
	Closing balance	**52,816**		**84,140**	

Changes in Consolidated Shareholders' Equity

Movements from 1 January 2013 / 31 December 2013

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 2013	**199,504**	**3,493**	**14,593**	**(3,269)**	**(5,859)**
	Profit (loss) for the period					
	Other components of the Statement of Comprehensive Income				1,704	
	Total profit (loss) for the period	**0**	**0**	**0**	**1,704**	**0**
31	Charges for the period for stock option plans					
31	Allocation of profits			2,309		
31	Distribution of dividends					
31	Annulment of treasury shares	6,066				
31	Exercise of stock options	86	188			
31	Purchase of treasury shares	(286)				
31	Sale of treasury shares to exercise stock options	200				
31	Other changes					
	As of 31 December 2013	**205,570**	**3,681**	**16,902**	**(1,565)**	**(5,859)**

Movements from 1 January 2012 / 31 December 2012

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 2012	**202,209**	**3,493**	**12,241**	**(1,510)**	**(5,859)**
	Profit (loss)for the period					
	Other components of the Statement of Comprehensive Income				(1,759)	
	Total profit (loss) for the period	**0**	**0**	**0**	**(1,759)**	**0**
31	Charges for the period for stock option plans					
31	Allocation of profits			2,352		
31	Distribution of dividends					
31	Annulment of treasury shares					
31	Exercise of stock options					
31	Purchase of treasury shares	(2,705)				
31	Other changes					
	As of 31 December 2012	**199,504**	**3,493**	**14,593**	**(3,269)**	**(5,859)**

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	Group consolidation reserve	Group conversion reserve	Stock option reserve	Earnings reserve	Consolidated Group shareholders' equity	Share capital and reserves attributable to non-controlling interests	Total shareholders' equity
	993	**(16,902)**	**13,385**	**232,690**	**438,628**	**1,245**	**439,873**
				(6,547)	(6,547)	19	**(6,528)**
		(10,161)		522	(7,935)	(11)	**(7,946)**
	0	**(10,161)**	**0**	**(6,025)**	**(14,482)**	**8**	**(14,474)**
					0		**0**
				(2,309)	0		**0**
				(33,087)	(33,087)		**(33,087)**
				(6,066)	0		**0**
					274		**274**
				(717)	(1,003)		**(1,003)**
				332	532		**532**
				321	321	(321)	**0**
	993	**(27,063)**	**13,385**	**185,139**	**391,183**	**932**	**392,115**

	Group consolidation reserve	Group conversion reserve	Stock option reserve	Earnings reserve	Consolidated Group shareholders' equity	Share capital and reserves attributable to non-controlling interests	Total shareholders' equity
	993	**(13,087)**	**12,700**	**233,856**	**445,036**	**1,182**	**446,218**
				42,008	42,008	66	**42,074**
		(3,815)		(4,498)	(10,072)	(3)	**(10,075)**
	0	**(3,815)**	**0**	**37,510**	**31,936**	**63**	**31,999**
			685		685		**685**
				(2,352)	0		**0**
				(29,877)	(29,877)		**(29,877)**
					0		**0**
					0		**0**
				(6,447)	(9,152)		**(9,152)**
					0		**0**
	993	**(16,902)**	**13,385**	**232,690**	**438,628**	**1,245**	**439,873**

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 2013, the structure of the Piaggio Group was as indicated in the Report on Operations and is the structure referred to herein.
The scope of consolidation has not changed compared to the Consolidated Financial Statements as of 31 December 2012.

Compliance with international accounting standards

The Consolidated Group Financial Statements of the Piaggio Group as of 31 December 2013 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 endorsed 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, have been appropriately modified and reclassified, where necessary, to bring them in line with the international accounting standards and uniform classification criteria used by the Group.

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 disposal or sale, including any capital gains or losses net of the tax element, are recorded in a specific item preceding profit attributable to the parent company and to non-controlling interests.

Consolidated Statement of Comprehensive Income

The Consolidated Statement of Comprehensive Income is presented as provided for by IAS 1 revised. Items presented in "Other comprehensive income(losses)" 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 Consolidated 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 reference 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.
This includes the statement of comprehensive income, separately indicating amounts attributable to shareholders of the parent as well as the quota pertaining to non-controlling interests, amounts of transactions with shareholders and any effects of retrospective application or retrospective 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 2013 subsidiaries and affiliated companies of Piaggio & C. S.p.A. were as follows:

	Subsidiaries			Affiliated companies			Total
	Italy	Abroad	Total	Italy	Abroad	Total	
Companies:							
- consolidated on a line-by-line basis	2	21	23				23
- consolidated with the equity method				2	3	5	5
Total companies	**2**	**21**	**23**	**2**	**3**	**5**	**28**

2. Principles of consolidation and accounting policies

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/affiliated companies, 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 has a major influence. This influence exists when the Group has direct or indirect power to determine the financial and operational policies of a company in order to gain benefits from its operations. 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.

Affiliated companies

Affiliated companies are companies in which the Group has considerable influence but not joint control of financial and operational policies. The Consolidated Financial Statements include the portion relative to the Group of income of affiliated companies, accounted for using the equity method, starting from the date when it commences to have considerable influence and ending when said influence ceases. In the event any portion attributable to the Group of losses of the affiliated company exceeds the book value of 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.

Jointly controlled companies

Jointly controlled companies are companies in which the Group has joint control of operations, as defined by contractual agreements. These joint venture agreements require the establishment of a separate entity in which each participating organisation has a share known as a joint control shares. The Group records joint control investments using the equity method.

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As regards transactions between a Group company and a jointly controlled company, 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 affiliated companies 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 end of the reporting period.

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 end of the reporting period (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.

During the first-time adoption of IFRSs, cumulative translation differences arising from the consolidation of foreign companies outside the euro zone were not reset to zero, as allowed by IFRS 1 and have therefore been maintained.

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 2013	Average exchange rate 2013	Spot exchange rate 31 December 2012	Average exchange rate 2012
US Dollar	1.3791	1.32812	1.3194	1.28479
Pounds Sterling	0.8337	0.849255	0.8161	0.810871
Indian Rupee	85.366	77.93	72.560	68.5973
Singapore Dollars	1.7414	1.66188	1.6111	1.60546
Chinese Renminbi	8.3491	8.16463	8.2207	8.10523
Croatian Kuna	7.6265	7.57862	7.5575	7.52167
Japanese Yen	144.72	129.663	113.61	102.492
Vietnamese Dong	28,801.07	27,660.17	27,776.32	27,027.53629
Canadian Dollars	1.4671	1.36837	1.3137	1.28421
Indonesian Rupiah	16,866.39	13,907.5573	12,714.00	12,045.7
Brasilan Real	3.2576	2.86866	2.7036	2.50844

2.2 Accounting policies

The most significant accounting policies adopted to prepare the Consolidated Financial Statements as of 31 December 2013 are outlined below.

Intangible assets

As provided for in IAS 38, an intangible asset which is purchased or self-created, 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 of 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.

During first-time adoption of IFRSs, the Group opted not to retroactively apply IFRS 3 - Business Combinations to acquisitions of companies that took place before 1 January 2004. As a result, the goodwill generated on acquisitions prior to the date of transition to IFRSs was maintained at the previous value, determined according to Italian accounting standards, subject to assessment and recognition of any impairment losses.
After 1 January 2004, and following acquisitions made during 2004, additional goodwill was generated, the amount of which was remeasured in the light of the different values of shareholders' equity of the acquired companies in relation to provisions in IFRS 3.

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 self-created 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 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 activity 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 fair value method was not used. 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 activities 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	10-15 years
Machinery	10-20 years
Equipment and other	3-10 years

Assets held through finance lease agreements, on the basis of which all risks and benefits related to ownership are basically transferred to the Group, are recognised as Group assets at their fair value, or if lower, at the present value of minimum payments due for the lease. The corresponding liability vis-à-vis the lessor is recognised in the financial statements as a financial payable. The assets are depreciated applying the criterion and rates used for assets owned by the company.
Leases in which the lessor basically retains all risks and benefits related to ownership are classified as operating leases. The costs referred to operating leases are recognised on a line-by-line basis in the income statement over the term 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.
Profits and losses arising from the sale or disposal of assets are measured as the difference between the sale revenue and net book value of the asset and are recognised in profit or loss for the period.

Impairment

At the end of the reporting period, the Group reviews the book value 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 net 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 reversal 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 Group had no investment property in previous financial statements. As from 2013, this item comprises the recognition in this category of the Spanish site previously used for the manufacture and storage of vehicles which, following the transfer of production activities to Italy, is now available for rent or sale, as decided by the Board of Directors of Nacional Motor in July. During the first-time adoption of this standard, also with the support of the Parent Company Immsi SpA, a more appropriate criterion to represent fair value was identified (IAS 40). The adoption of IAS 40 had not effects.
Real estate investments 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.

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 with recourse, as 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.

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 fair value, according to procedures established for hedge accounting and applicable to the present value of the hedging instruments: profits and losses arising from subsequent measurements at present value, due to changes in interest rates, are recognised in profit or loss and offset by the effective portion of the loss and

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

Derivatives and measurement of hedging operations

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.
Derivative financial instruments are only used with the intent of hedging, to protect from fluctuating exchange rate and interest rates, and from changes in the market price of commodities. 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 the income statement, 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 specifics risks of the liability.

Retirement funds and employee benefits

With adoption of the IFRS, the termination benefit accrued up to 31 December 2006 is considered an obligation with defined benefits to be recognised according to IAS 19 - Employee Benefits. As a result, severance pay must be recalculated by actuarial evaluations at the end of each period

applying the Projected Unit Credit Method.
Since the 2012 Half-year Financial Report, the Group has adopted IAS 19 revised, in advance (published in the Gazzetta Ufficiale of 6 June 2012).
The amendment to IAS 19 – Employee benefits requires disclosure of the provision deficit or surplus in the statement of financial position, and separate recognition of cost items linked to employment and net borrowing costs in profit and loss, and recognition of actuarial gains and losses resulting from the remeasurement in each period of assets and liabilities in "Other comprehensive income". In addition, the performance of assets included in net borrowing costs must be calculated based on the discount rate of liabilities and no longer on the expected return of assets.

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 is 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 shareholders' equity, in the case that relative deferred taxes are also recognised in shareholders' equity.
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
According to IFRS, sales of goods are recognised when the goods are dispatched and the company has transferred the significant risks and benefits connected with ownership of the goods to the purchaser.
Revenues are recognised net of returns, discounts, rebates and premiums, as well as taxes directly connected with the sale of the goods and provision of services. Financial revenues are recognised on an accrual basis.

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 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 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 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. 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 considerably degree of uncertainty. Therefore the possibility in the next reporting period of results that differ from estimates cannot be ruled out, and these could require even significant adjustments which at present cannot be predicted or estimated.

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

Recoverable value of non-current assets

Non-current assets include Property, Plant and Equipment, Goodwill, Other Intangible Assets, 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. 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 financial 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 36 “Retirement funds and employee benefits”.

Provisions for write-downs

The provisions for write-downs reflect 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 on the basis of 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 on the basis of 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 expects a probable financial outflow 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/depreciation

The cost of assets is amortised 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 in accordance with Management valuations of 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.

Transactions with subsidiaries and related parties

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

New accounting standards, amendments and interpretations applied as from 1 January 2013

On 16 June 2011, the IASB issued an amendment to IAS 1 – Presentation of financial statements to require entities to group all items presented in "Other comprehensive income" based on whether they are potentially reclassifiable to profit or loss. The amendment is applicable to financial years commencing from or after 1 July 2012.

On 12 May 2011, the IASB issued the standard IFRS 13 – Fair Value Measurement which explains how fair value is to be determined for financial statements and applied to all the standards which require it or allow fair value measurement or the disclosure of information based on fair value. The standard shall be applicable as of 1 January 2013.

It should be noted that the Group adopted IAS 19 revised in advance, as from 30 June 2012.

Amendments and interpretations applied as from 1 January 2013 and not relevant to the Group

The following amendments and interpretations, applicable as from 1 January 2013, regulate specific cases and case histories which are not present within the Group as of the date of these Financial Statements:

- On 20 December 2010, the IASB issued a minor amendment to IAS 12 – Income Taxes which requires entities to measure deferred tax assets and liabilities arising from an asset based on the manner in which the carrying amount of the asset will be recovered (through continual use or sale). Following this amendment, SIC-21 Income taxes – Recovery of Revalued Non-Depreciable Assets – will no longer be applicable. The amendment is applicable in a retrospective manner from 1 January 2013.

- On 16 December 2011, the IASB issued some amendments to IFRS 7 – Financial Instruments: disclosures. The amendment requires information concerning the effects or potential effects of agreements offsetting financial assets and liabilities on the balance sheet situation. Amendments are applicable for years commencing from or after 1 January 2013 and for interim periods subsequent to this date. Disclosure shall be provided in a retrospective manner.

Approved accounting standards, amendments and interpretations which are already applicable but not adopted in advance by the Group

The competent bodies of the European Union approved the following accounting standards and amendments:

- On 12 May 2011, the IASB issued the standard IFRS 10 - Consolidated Financial Statements which will replace SIC-12 Consolidation - Special Purpose Entities and parts of IAS 27 - Consolidated and Separate Financial Statements that will be renamed Separate Financial Statements and will regulate the accounting treatment of investments in separate financial statements. The new standard departs from existing standards by identifying the concept of control, according to a new definition, as the

determinant factor for the purposes of consolidation of a company in the consolidated financial statements of the parent company. It also provides a guide for determining the existence of control where this is difficult to establish (effective control, potential votes, specific-purpose company, etc.). The standard is applicable in a retrospective manner from 1 January 2014. The application of this new principle would have no effect for the Group.

› On 12 May 2011, the IASB issued the standard IFRS 11 – Joint arrangements which will replace IAS 31 – Interests in Joint Ventures and SIC-13 – Jointly Controlled Entities - Non-Monetary Contributions by Venturers. The new standard provides methods for identifying joint arrangements based on the rights and obligations under such arrangements rather than their actual legal form and establishes the equity method as the only accounting treatment for jointly controlled entities in consolidated financial statements. The standard is applicable in a retrospective manner from 1 January 2014. After its issue IAS 28 – Investments in Associates was amended to include jointly controlled entities within its scope of application, as of the date the standard became effective. The application of this new principle would have no effect for the Group.

› On 12 May 2011, the IASB issued the standard IFRS 12 – Disclosure on interests in other entities which is a new and complete standard on disclosures to provide on all types of investments including in subsidiaries, joint arrangements, associates, special purpose entities and unconsolidated structured entities. The standard is applicable in a retrospective manner from 1 January 2014.

› On 16 December 2011, the IASB issued some amendments to IAS 32 – Financial Instruments: presentation, to clarify the use of some criteria for offsetting financial assets and liabilities contained in IAS 32. The amendments are applicable in a retrospective manner for years commencing from or after 1 January 2014.

› On 29 May 2013, the IASB issued an amendment to IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets, which regulates disclosure on the recoverable amount of assets subject to impairment, if the amount is based on the fair value net of costs to sell. The amendments must be adopted retroactively, commencing from 1 January 2014. Application in advance is permitted for periods in which the entity has already adopted IFRS 13.

› On 27 June 2013, the IASB issued some minor amendments to IAS 39 – Financial Instruments: recognition and measurement - Novation of Derivatives and Continuation of Hedge Accounting The amendments allow for the continuation of hedge accounting if a financial derivative, designated as a hedging instrument, is novated following the adoption of the law or regulations in order to replace the original counterparty to guarantee the successful outcome of the obligation undertaken and if certain conditions are met. This amendment will also be included in IFRS 9 - Financial instruments. The amendments must be adopted retroactively, commencing from 1 January 2014.

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 12 November 2009, the IASB published IFRS 9 – Financial Instruments. This standard was amended on 28 October 2010. The standard, which is applicable from 1 January 2015, in a retrospective manner, represents the first part of a process to entirely phase out and replace IAS 39 with new criteria for classifying and recognising financial assets and liabilities and for eliminating financial assets (derecognition) from the financial statements. In particular the new standard adopts a single approach for financial assets, based on financial instrument management and the characteristics of contractual cash flows of financial assets, to determine measurement criteria, replacing the rules of IAS 39. For financial liabilities instead, the main change concerns the accounting treatment of fair value changes of a financial liability designated as a financial liability

Consolidated Income Statement
Consolidated Statement of Comprehensive Income
Consolidated Statement of Financial Position
Consolidated Statement of Cash Flow
Changes in Shareholders' Equity
Notes
Certification
Report of the Independent Auditors

measured at fair value through profit or loss, in the case where changes are due to a change in the creditworthiness of the liability. According to this new standard, the changes will be recognised as "Other comprehensive income" and will no longer be recognised in profit or loss.

- On 20 May 2013, the IASB issued IFRIC 21 - Levies, an interpretation of IAS 37 - Provisions, Contingent Liabilities and Contingent Assets. IFRIC 21 provides clarifications on when an entity must recognise a liability for the payment of levies imposed by governments, other than levies regulated by other standards (e.g. IAS 12 – Income tax). IAS 37 establishes criteria for the recognition of a liability, including the existence of the current obligation of the entity as the result of a past event (known as the binding fact). The interpretation clarifies that the binding fact, which gives rise to a liability for the payment of the tax, is described in the reference standard from which the payment arises. IFRIC 21 is effective from years commencing from 1 January 2014.

B) Segment reporting

3. Operating segment reporting

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

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

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

Income statement/ Net capital employed by operating segment

		EMEA and Americas	India	Asia Pacific 2W	Total
Sales volumes (unit/000)	2013	220.9	233.3	101.4	**555.6**
	2012	278.2	224.7	112.6	**615.5**
	Change	(57.4)	8.6	(11.2)	**(59.9)**
	Change %	-20.6%	3.8%	-10.0%	**-9.7%**
Net turnover (millions of euros)	2013	699.1	320.1	193.4	**1,212.5**
	2012	837.3	357.8	211.1	**1,406.2**
	Change	(138.2)	(37.7)	(17.7)	**(193.6)**
	Change %	-16.5%	-10.5%	-8.4%	**-13.8%**
Gross margin (millions of euros)	2013	216.8	71.8	68.9	**357.5**
	2012	254.0	82.2	81.6	**417.9**
	Change	(37.2)	(10.5)	(12.7)	**(60.4)**
	Change %	-14.6%	-12.7%	-15.6%	**-14.5%**
EBITDA (millions of euros)	2013				**146.8**
	2012				**176.2**
	Change				**(29.4)**
	Change %				**-16.7%**
EBIT (millions of euros)	2013				**62.6**
	2012				**96.6**
	Change				**(33.9)**
	Change %				**-35.2%**
Net profit (millions of euros)	2013				**(6.5)**
	2012				**42.1**
	Change				**(48.6)**
	Change %				**-115.5%**
Capital employed (millions of euros)	2013	559.1	144.8	163.8	**867.7**
	2012	541.9	151.8	138.1	**831.7**
	Change	17.3	(7.0)	25.7	**36.0**
	Change %	3.2%	-4.6%	18.6%	**4.3%**
Of which assets (millions of euros)	2013	907.7	245.2	203.8	**1,356.8**
	2012	932.6	263.7	186.6	**1,382.9**
	Change	(24.8)	(18.5)	17.2	**(26.1)**
	Change %	-2.7%	-7.0%	9.2%	**-1.9%**
Of which liabilities (millions of euros)	2013	348.6	100.4	40.0	**489.1**
	2012	390.8	111.9	48.5	**551.2**
	Change	(42.2)	(11.5)	(8.5)	**(62.1)**
	Change %	-10.8%	-10.3%	-17.5%	**-11.3%**

C) Information on the Consolidated Income Statement

4. Net revenues *€/000 1,212,535*

Revenues are shown net of premiums recognised to customers (dealers).
This item does not include transport costs, which are recharged to customers (€/000 22,670) and invoiced advertising cost recoveries (€/000 4,554), which are posted under other operating income.
The revenues for disposals of Group core business assets essentially refer to the marketing of vehicles and spare parts on European and non-European markets.

Revenues by geographic segment

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

	2013		2012		Changes	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
In thousands of euros						
EMEA and Americas	699,062	57.65	837,255	59.54	(138,193)	-16.51
India	320,092	26.40	357,795	25.44	(37,703)	-10.54
Asia Pacific 2W	193,381	15.95	211,102	15.01	(17,721)	-8.39
Total	**1,212,535**	**100.00**	**1,406,152**	**100.00**	**(193,617)**	**-13.77**

In 2013, net sales revenues decreased generally compared to figures for the previous year (-13.8%). This downturn, which concerned all geographic segments, was exacerbated by the devaluation of Asian currencies, which had an impact of approximately € 53 million on the decrease in turnover.

5. Costs for materials *€/000 714,453*

These totalled €/000 714,453 compared to €/000 835,352 in 2012.
The percentage accounting for net revenues decreased, from 59.4% in 2012 to 58.9% in the current period following the lower impact of purchases of scooters from the Chinese affiliated company Zongshen Piaggio Foshan, which are sold on European and Asian markets and whose value during 2013 amounted to €/000 23,143 (€/000 32,802 in 2012).

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

	2013	2012	Change
In thousands of euros			
Raw, ancillary materials, consumables and goods	705,693	818,503	(112,810)
Change in inventories of raw, ancillary materials, consumables and goods	1,144	6,886	(5,742)
Change in work in progress of semifinished and finished products	7,616	9,963	(2,347)
Total costs for purchases	**714,453**	**835,352**	**(120,899)**

6. Costs for services, leases and rentals — €/000 205,893

Below is a breakdown of this item:

In thousands of euros	2013	2012	Change
Employee costs	14,776	19,998	(5,222)
External maintenance and cleaning costs	7,585	8,101	(516)
Energy, telephone and telex costs	19,106	21,568	(2,462)
Postal expenses	1,029	528	501
Commissions payable	2,343	588	1,755
Advertising and promotion	23,849	27,709	(3,860)
Technical, legal and tax consultancy and services	25,727	30,294	(4,567)
Company boards operating costs	2,197	2,171	26
Insurance	3,832	3,854	(22)
Outsourced manufacturing	13,171	15,446	(2,275)
Transport costs (vehicles and spare parts)	32,642	40,050	(7,408)
Sundry commercial expenses	7,748	16,052	(8,304)
Expenses for public relations	2,765	2,381	384
Product warranty costs	10,485	12,145	(1,660)
Quality-related events	1,660	6,143	(4,483)
Bank costs and factoring charges	4,902	5,662	(760)
Lease and rental costs	14,887	18,179	(3,292)
Other	13,269	15,155	(1,886)
Insurance from Group companies	51	51	0
Services from Group companies	2,134	2,107	27
Lease and rental costs of Group companies	1,735	1,752	(17)
Total costs for services	**205,893**	**249,934**	**(44,041)**

The decrease was basically due to the reduction in the volume of activities.
The saving of €/000 3,292 in costs for leases and rentals is due to the concentration of spare parts at the new warehouse, which made it possible to close other logistics warehouses rented in Italy and France. Costs for leases and rentals include lease rentals for business properties of €/000 7,893, as well as lease payments for car hire, computers and photocopiers.
The item "Other" includes costs for temporary work of €/000 707.

7. Employee costs — €/000 211,656

Employee costs include €/000 11,439 mainly relating to costs for mobility plans for the Pontedera, Noale and Martorelles production sites.
The decrease recorded in the year is due to the reduction in average staff numbers and to the greater impact on the work force in India.

In thousands of euros	2013	2012	Change
Salaries and wages	150,484	163,377	(12,893)
Social security contributions	40,800	43,097	(2,297)
Termination benefits	8,271	8,681	(410)
Other costs	12,101	8,264	3,837
Total	**211,656**	**223,419**	**(11,763)**

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

Level	Average number	2013	2012	Change
Senior management		96	95	1
Middle management		573	574	(1)
White collars		2,161	2,202	(41)
Blue collars		5,343	5,477	(134)
Total		**8,173**	**8,348**	**(175)**

Level	Number as of	31.12.2013	31.12.2012	Change
Senior management		95	96	(1)
Middle management		572	573	(1)
White collars		2,132	2,214	(82)
Blue collars		4,889	5,246	(357)
Total		**7,688**	**8,129**	**(441)**

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

Level	As of 31.12.2012	Incoming	Outgoing	Relocations	As of 31.12.13
Senior management	96	8	(11)	2	95
Middle management	573	35	(59)	23	572
White collars	2,214	200	(263)	(19)	2,132
Blue collars	5,246	3,062	(3,413)	(6)	4,889
Total (*)	**8,129**	**3,305**	**(3,746)**	**0**	**7,688**
(*) of which fixed-term contracts	2,031	3,089	(3,467)	(182)	1,471

The reduction in staff is mainly due to the Spanish site being closed down and a general downturn in demand which decreased fixed-term contracts.
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.

Distribution of the workforce by geographic segment as of 31 December 2013

8. Amortisation, depreciation and impairment costs *€/000 84,145*

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

Tangible assets	2013	2012	Change
In thousands of euros			
Buildings	4,778	4,497	281
Plant and equipment	17,701	15,742	1,959
Industrial and commercial equipment	14,054	14,849	(795)
Other assets	1,876	1,913	(37)
Total depreciation of tangible fixed assets	**38,409**	**37,001**	**1,408**
Write-down of property, plant and equipment	425		425
Total depreciation of property, plant and equipment and impairment costs	**38,834**	**37,001**	**1,833**

Intangible assets	2013	2012	Change
In thousands of euros			
Development costs	23,669	21,373	2,296
Industrial Patent and Intellectual Property Rights	15,056	15,626	(570)
Concessions, licences, trademarks and similar rights	4,823	4,823	0
Other	1,158	798	360
Total amortisation of intangible fixed assets	**44,706**	**42,620**	**2,086**
Write-down of intangible assets	605		605
Total amortisation of intangible assets and impairment costs	**45,311**	**42,620**	**2,691**

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 2013 confirmed the full recoverability of the amounts recorded in the financial statements.
The impairment of property, plant and equipment mainly refers to plants and equipment of the Spanish site at Martorelles that can no longer be used and so their allocated use has been changed.
The write-down of intangible assets mainly refers to development projects that Management, with the approval of the new industrial plan, decided to abandon.

9. Other operating income *€/000 91,338*

This item consists of:

	2013	2012	Change
In thousands of euros			
Operating grants	4,751	2,316	2,435
Increases in fixed assets from internal work	32,225	39,084	(6,859)
Other revenue and income:			
- Rent receipts	531	348	183
- Capital gains on assets and investments	548	425	123
- Sale of miscellaneous materials	1,032	891	141
- Recovery of transport costs	22,670	24,958	(2,288)
- Recovery of advertising costs	4,554	5,091	(537)
- Recovery of sundry costs	5,599	5,590	9
- Compensation	2,080	1,014	1,066
- Compensation for quality-related events	1,581	2,833	(1,252)
- Licence rights and know-how	2,104	2,295	(191)
- Sponsorship	3,082	3,793	(711)
- Other income	10,581	12,660	(2,079)
Total other operating income	**91,338**	**101,298**	**(9,960)**

The decrease in other operating income is mainly due to a reduction in assets.
This item includes €/000 3,584 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 1,167) received from the Indian subsidiary.

10. Other operating costs — *€/000 25,099*

This item consists of:

In thousands of euros	2013	2012	Change
Provision for future risks	623	1,944	(1,321)
Provisions for product warranties	8,540	12,379	(3,839)
Duties and taxes not on income	3,564	4,347	(783)
Various subscriptions	962	945	17
Capital losses from disposal of assets	384	7	377
Miscellaneous expenses	5,219	1,227	3,992
Losses on receivables	2,008	198	1,810
Total sundry operating costs	**12,137**	**6,724**	**5,413**
Write-down of current receivables	3,799	1,493	2,306
Total	**25,099**	**22,540**	**2,559**

The increase is mainly connected to the increase in miscellaneous costs, that mostly include contingent liabilities.

11. Income/(loss) from investments — *€/000 2,264*

Net income from investments refers to €/000 2,100 for the equity valuation of the investment in the Zongshen Piaggio Foshan joint venture, €/000 154 for dividends from non-controlling interests and €/000 10 for the equity valuation of affiliated companies.

12. Net financial expense and similar — *€/000 (34,625)*

Below is the breakdown of borrowing costs and income:

In thousands of euros	2013	2012	Change
Income:			
- Interest receivable from clients	81	142	(61)
- Bank and post office interest payable	910	824	86
- Interest payable on financial receivables	409	509	(100)
- Income from fair value measurements	1.148	494	654
- Other	73	47	26
Total financial income	**2,621**	**2,016**	**605**

In thousands of euros	2013	2012*	Change
Borrowing costs payable to affiliated companies	105	300	(195)
Borrowing costs paid to others:			
- Interest payable on bank accounts	5,311	3,395	1,916
- Interest payable on debenture loans	14,381	14,672	(291)
- Interest payable on bank loans	14,101	14,388	(287)
- Interest payable to other lenders	2,098	2,654	(556)
- Interest to suppliers	527	93	434
- Cash discounts to clients	360	553	(193)
- Bank charges on loans	1,831	2,151	(320)
- Borrowing costs from discounting back termination benefits	1,608	2,001	(393)
- Interest payable on lease agreements	114	180	(66)
- Other	205	142	63
Total borrowing costs Vs others	**40,536**	**40,229**	**307**
Total borrowing costs	**40,641**	**40,529**	**112**
Costs capitalised on Property, Plant and Equipment	1,622	3,538	(1,916)
Costs capitalised on Intangible Assets	2,149	3,382	(1,233)
Total Capitalised Costs	**3,771**	**6,920**	**(3,149)**
Total borrowing costs	**36,870**	**33,609**	**3,261**

*The figures published in 2012 were restated for a better correspondence of the cost item with the debt item originating it.

In thousands of euros	2013	2012	Change
Exchange gains	10,474	11,016	(542)
Exchange losses	10,850	11,676	(826)
Total net exchange gains/(losses)	**(376)**	**(660)**	**284**
Net financial income (borrowing costs)	**(34,625)**	**(32,253)**	**(2,372)**

The balance of net financial expense and similar in 2013 was negative by €/000 34,625, registering an increase compared to the sum of €/000 32,253 of the previous year. This increase is mainly due to a lower capitalisation of interest for work in progress amounting to €3.1 million partially offset by the improvement of €0.8 million in the balance of Financial Income and Borrowing Expenses and currency management.
The average rate used during 2013 for the capitalisation of borrowing costs (because of general loans), was equal to 8.67%.

13. Taxes — *€/000 36,794*

The item "Income taxes" is detailed below:

In thousands of euros	2013	2012*	Change
Current taxes	22,450	30,923	(8,473)
Taxes relative to previous years	833	465	368
Deferred tax liabilities	(11,083)	(5,601)	(5,482)
Non-recurrent costs	24,594		24,594
Total taxes	**36,794**	**25,787**	**11,007**

* The 2012 figures have been reallocated based on the presentation treatment adopted from the 2013 financial statements.

Taxes for 2013 amounted to €/000 36,794. The value includes €/000 24,594 for the non-recurrent cost relative to the tax assessment of the Parent Company in the first few months of 2014. This amount, discussed in note 48, consists of €/ML 5.1 relating to findings for regional production tax purposes, which will entail a financial outlay divided in 5 quarterly instalments (4 instalments of €/ML 1 in 2014 and the last one in March 2015). The remaining €/ML 19.5 that will not entail any financial outlay, relate to the findings for income tax purposes and originate from the offsetting of:

a. tax losses for previous years on which the deferred tax had been recognised (impact on the income statement of €/ML 15.5);
b. tax losses related to the Consolidated Tax Convention, that the Parent Company participates in and that gave rise to the recognition of an expense from consolidation for a remainder of €/ML 4.

The item current taxes includes expenses Consolidated Tax Convention of €/000 1,989.
In 2012, taxes were equal to €/000 25,787 and accounted for 38.0% of profit before tax.

Reconciliation in relation to the theoretical rate is shown below:

	2013
In thousands of euros	
Profit before tax	30,266
Theoretical rate	27.50%
Theoretical income taxes	8,323
Effect arising from changes in Profit before tax and deferred tax liabilities	(8,600)
Tax effect arising from taxes on income produced abroad	4,146
Expenses (income) from the Consolidated Tax Mechanism	1,818
Indian tax on the distribution of dividends	4,087
Regional production tax (IRAP) and other local taxes	2,906
Taxes relative to previous years	24,594
Other differences	(480)
Income taxes recognised in the financial statements	**36,794**

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. Profit/(losses) 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:

		2013	2012
Net profit	€/000	(6,528)	42,074
Earnings attributable to ordinary shares	€/000	(6,528)	42,074
Average number of ordinary shares in circulation		359,877,159	363,015,833
Earnings per ordinary share	€	(0.018)	0.116
Adjusted average number of ordinary shares		360,502,825	363,570,251
Diluted earnings per ordinary share	€	(0.018)	0.116

The potential effects deriving from stock option plans were considered when calculating diluted earnings per share.

D) Information on the Consolidated Statement of Financial Position - Assets

16. Intangible assets *€/000 654,528*

The table below shows the breakdown of intangible assets as of 31 December 2013 and 31 December 2012, 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 2012							
Historical cost	102,694	200,320	148,296	557,322	4,908	43,803	1,057,343
Provisions for write-down							0
Accumulated amortisation	(57,297)	(160,811)	(75,961)	(110,382)	(3,472)		(407,923)
Net carrying amount	**45,397**	**39,509**	**72,335**	**446,940**	**1,436**	**43,803**	**649,420**
2012							
Investments	14,641	15,786			591	28,556	59,574
Transitions in the period	15,075	2,914			41	(18,030)	
Amortisation	(21,373)	(15,626)	(4,823)		(798)		(42,620)
Disposals	(6)	(27)	0		0	(7)	(40)
Write-downs							0
Exchange differences	(790)	(226)			(10)	(1,598)	(2,624)
Other movements	(2,884)	130			12	0	(2,742)
Total movements for the year	**4,663**	**2,951**	**(4,823)**	**0**	**(164)**	**8,921**	**11,548**
As of 31 December 2012							
Historical cost	104,710	217,857	148,283	557,322	5,643	52,724	1,086,539
Provisions for write-down							0
Accumulated amortisation	(54,650)	(175,397)	(80,771)	(110,382)	(4,371)		(425,571)
Net carrying amount	**50,060**	**42,460**	**67,512**	**446,940**	**1,272**	**52,724**	**660,968**
2013							
Investments	10,901	15,425	0	0	387	22,045	48,758
Transitions in the period	39,387	21	0	0	285	(39,693)	0
Amortisation	(23,669)	(15,056)	(4,823)		(1,158)	0	(44,706)
Disposals	(172)	(46)	0		(1)	0	(219)
Write-down						(605)	(605)
Exchange differences	(3,523)	(429)	0		(66)	(2,178)	(6,196)
Other changes	(3,874)	(284)			686	0	(3,472)
Total movements for the year	**19,050**	**(369)**	**(4,823)**	**0**	**133**	**(20,431)**	**(6,440)**
As of 31 December 2013							
Historical cost	125,623	230,024	149,074	557,322	7,010	32,293	1,101,346
Provisions for write-down							0
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**

The breakdown of intangible assets for the period and under construction is as follows:

	Value as of 31 December 2013			Value as of 31 December 2012			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	69,110	26,940	96,050	50,060	49,158	99,218	19,050	(22,218)	(3,168)
Patent rights	42,091	5,172	47,263	42,460	3,095	45,555	(369)	2,077	1,708
Concessions, licences and trademarks	62,689		62,689	67,512		67,512	(4,823)	0	(4,823)
Goodwill	446,940		446,940	446,940		446,940	0	0	0
Other	1,405	181	1,586	1,272	471	1,743	133	(290)	(157)
Total	**622,235**	**32,293**	**654,528**	**608,244**	**52,724**	**660,968**	**13,991**	**(20,431)**	**(6,440)**

Intangible assets decreased overall by €/000 6,440 mainly due to the translation of figures of Asian companies into Euros. Investments for the year were offset by 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 2013, borrowing costs for €/000 2,149 were capitalised.

Development costs €/000 96,050

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. This item also includes assets under construction for €/000 26,940 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 2013 mainly refers to new engines for Aprilia and Moto Guzzi motorcycles, the new naked Guzzi motorcycle, new 3V low emission engines for new scooters, the Vespa 946 and the Vespa Primavera, as well as the new version of the MP3 and new Scarabeo, P121 and P122 scooters.
At the end of 2013, some development projects which Management decided to abandon, following the approval of the new industrial plan, were impaired by €/000 605.
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 5 years (founding products) or 3 years, in consideration of their remaining useful life. At the end of 2013, based on the new industrial plan, the Group redefined the useful life of some projects already amortised, changing the useful life from 3 to 5 years. In particular, the item refers to projects in the last year of amortisation of which the Group will continue to benefit financially also in the next two years, that have technical characteristics which do not make them obsolete and for which new investments are not planned. The accounting effects of this change are as follows:

	New valuation	Previous valuation	Change
In thousands of euros			
Annual amortisation	23,669	27,704	(4,035)

During 2013, development expenditure amounting to €/000 16,900 was directly recognised in profit or loss.

Industrial Patent and Intellectual Property Rights €/000 47,263

This item comprises software for €/000 14,903 and patents and know-how. It includes assets under construction for €/000 5,172.
Patents and know-how mainly refer to the Vespa, GP 800, MP3, RSV4, MP3 hybrid and 1200 cc engine. Increases for the period refer mainly to the purchase of various licences, upgrades and implementation of the new PLM area R&D (Product Lifecycle Management) system, as well as the implementation of

projects relative to the business area, production, personnel and administration.
Industrial patent and intellectual property rights costs are amortised over three years.

Trademarks, concessions and licences €/000 62,689

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

	As of 31 December 2013	As of 31 December 2012	Change
In thousands of euros			
Guzzi trademark	21,125	22,750	(1,625)
Aprilia trademark	41,509	44,702	(3,193)
Minor trademarks	55	60	(5)
Total Trademark	**62,689**	**67,512**	**(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 2013	305,311	109,695	31,934	446,940
31 12 2012	305,311	109,695	31,934	446,940

The organisational structure of the Group is based on 3 Geographic Segments (CGUs), involved in the production and sale of vehicles, relative spare parts and assistance in areas under their responsibility: EMEA and the Americas, India and Asia Pacific 2W. Each Geographic Segment has production sites and a sales network dedicated to customers in the relative segment. Central structures and development activities currently dealt with by EMEA and the Americas, are handled by individual CGUs.
As specified in the section on accounting standards, from 1 January 2004 goodwill is no longer amortised, but is tested annually or more frequently for impairment if specific events or changed circumstances indicate the possibility of it having been impaired, in accordance with the provisions of IAS 36 Impairment of Assets (impairment test).
The possibility of reinstating booked values is verified by comparing the net book value 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 final 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. use of the 2014-2017 Industrial Plan (approved by the Board of Directors on 19 March 2014);
b. b. the WACC discount rate;
c. c. in addition to the period, an estimated growth rate (g rate).

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 final value is entered at the end of the cash flow projection period, to reflect the residual value each cash-generating unit should produce. The final 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.

2013	EMEA and Americas	Asia Pacific 2W	India
WACC	7.0%	10.17%	10.85%
G	1.5%	2.0%	2.0%
Growth rate during the Plan period	8.9%	11.1%	10.3%

2012	EMEA and Americas	Asia Pacific 2W	India
WACC	8.25%	11.61%	11.33%
G	1.5%	2.0%	2.0%
Growth rate during the Plan period	2.1%	6.7%	9.0%

Growth rates used in the Plan are supported by sector analyses and studies; the difference between the growth rates in the Plan period used in 2013 compared to the figures considered in 2012 is due to the change in the macroeconomic scenario and the market, as well as the result of the strategic guidelines contained in the new 2014-2017 Plan approved by the Board of Directors.
The reduction in the WACC in relation to the previous period is mainly attributable to the decrease in the interest rate for risk-free activities. This rate was determined based on the present year and Bloomberg and Domodoran sources.
Analyses did not identify any impairment losses. Therefore no write-down was recognised in consolidated data as of 31 December 2013.
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 final 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 crisis, the various factors utilised in the estimates could require revision; the Piaggio Group will constantly monitor these factors as well as the existence of impairment losses.

Other intangible assets €/000 1,586

These totalled €/000 1,586 and mainly consist of costs sustained by Piaggio Vietnam.

17. Property, plant and equipment *€/000 302,767*

The table below shows the breakdown of plant, property and equipment as of 31 December 2013 and 31 December 2012, as well as movements during the period.

In thousands of euros	Land	Buildings	Plant and equipment	Equipment	Other assets	Assets under development and advances	Total
As of 1 January 2012							
Historical cost	31,586	131,760	335,935	471,529	43,343	51,516	1,065,669
Provisions for write-down				(1,339)			(1,339)
Accumulated depreciation		(46,950)	(266,346)	(439,050)	(37,113)		(789,459)
Net carrying amount	**31,586**	**84,810**	**69,589**	**31,140**	**6,230**	**51,516**	**274,871**
2012							
Investments		1,847	5,006	9,612	1,011	60,916	78,392
Transitions in the period		13,908	32,930	3,039	1,426	(51,303)	0
Depreciation		(4,497)	(15,742)	(14,849)	(1,913)		(37,001)
Disposals		0	(399)	(64)	(43)	(32)	(538)
Write-downs				0			0
Exchange differences		(1,106)	(2,709)	(13)	(147)	(842)	(4,817)
Acquisition of Tecnocontrol		2,113	6,456	1,142	68		9,779
Other movements		324	221	(133)	(83)	0	329
Total movements for the year	**0**	**12,589**	**25,763**	**(1,266)**	**319**	**8,739**	**46,144**
As of 31 December 2012							
Historical cost	31,586	148,663	375,802	483,825	44,456	60,255	1,144,587
Provisions for write-down				(1,427)			(1,427)
Accumulated depreciation		(51,264)	(280,450)	(452,524)	(37,907)		(822,145)
Net carrying amount	**31,586**	**97,399**	**95,352**	**29,874**	**6,549**	**60,255**	**321,015**
2013							
Investments		1,184	4,080	7,603	777	25,201	38,845
Transitions in the period		14,177	35,707	5,720	776	(56,380)	0
Depreciation		(4,778)	(17,701)	(14,054)	(1,876)		(38,409)
Disposals	(24)	(78)	(781)	(81)	(159)	0	(1,123)
Write-down			(362)	(17)	(46)		(425)
Exchange differences		(2,822)	(8,467)	(12)	(428)	(1,436)	(13,165)
Transfer to Real Estate Investment	(3,522)	(3,053)	(771)				(7,346)
Other changes			3,417	(150)	108	0	3,375
Total movements for the year	**(3,546)**	**4,630**	**15,122**	**(991)**	**(848)**	**(32,615)**	**(18,248)**
As of 31 December 2013							
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**

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

	Value as of 31 December 2013			Value as of 31 December 2012			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									
Land	28,040		28,040	31,586		31,586	(3,546)	0	(3,546)
Buildings	102,029	2,328	104,357	97,399	14,806	112,205	4,630	(12,478)	(7,848)
Plant and equipment	110,474	10,688	121,162	95,352	31,460	126,812	15,122	(20,772)	(5,650)
Equipment	28,883	14,150	43,033	29,874	13,189	43,063	(991)	961	(30)
Other assets	5,701	474	6,175	6,549	800	7,349	(848)	(326)	(1,174)
Total	**275,127**	**27,640**	**302,767**	**260,760**	**60,255**	**321,015**	**14,367**	**(32,615)**	**(18,248)**

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).

During the year, land, property and general equipment of the Spanish site at Martorelles were transferred to non-instrumental investment property, as defined by IAS 40. The reason for this change in use is due to the decision taken by Management to permanently stop production at the Spanish site and to start negotiations to rent the property and sell equipment to third parties. Production stopped as from March 2013.

The increases mainly relate to the construction of moulds for new vehicles launched during the period. Borrowing costs attributable to the construction of assets which require a considerable period of time to be ready for use are capitalised as a part of the cost of the actual assets.
During 2013, borrowing costs for €/000 1,622 were capitalised.

Land €/000 28,040

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.
The decrease of €/000 3,546 refers to the reclassification of the Spanish site under investment property, as well as €/000 24 for the expropriation of land in the Noale area.

Buildings €/000 104,357

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

	As of 31 December 2013	As of 31 December 2012	Change
In thousands of euros			
Industrial buildings	101,193	96,517	4,676
Ancillary buildings	437	477	(40)
Light constructions	399	405	(6)
Assets under construction	2,328	14,806	(12,478)
Total	**104,357**	**112,205**	**(7,848)**

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.

The decrease of €/000 7,848 refers to €/000 3,053 relative to the reclassification of the Spanish site under investment property and to €/000 2,870 for the devaluation of the Indian Rupee and Vietnamese Dong.

As of 31 December 2013, the net values of assets held under leases were as follows:

In thousands of euros	As of 31 December 2013
Mandello del Lario site (land and building)	13,027
Total	**13,027**

Future lease rental commitments are detailed in note 32.
Buildings are depreciated on a straight-line basis using rates considered suitable to represent their useful life.

Plant and equipment €/000 121,162

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

In thousands of euros	As of 31 December 2013	As of 31 December 2012	Change
General plants	83,983	69,407	14,576
Automatic machinery	10,209	6,913	3,296
Furnaces and sundry equipment	588	733	(145)
Other	15,694	18,299	(2,605)
Assets under construction	10,688	31,460	(20,772)
Total	**121,162**	**126,812**	**(5,650)**

Plant and equipment refer to Group production facilities in Pontedera (Pisa), Noale (Venice), Mandello del Lario (Lecco), Baramati (India) and Vinh Phuc (Vietnam).
The item "*Other*" mainly includes non-automatic machinery and robotic centres.
The decrease of €/000 5,650 is mainly due to the exchange effect following the devaluation of the Indian Rupee and Vietnamese Dong.
During 2013, €/000 771 relative to general plant equipment of the Spanish site was reclassified under investment property.
Assets under construction amount to €/000 10,688.

Equipment €/000 43,033

In thousands of euros	As of 31 December 2013	As of 31 December 2012	Change
Industrial equipment	28,828	29,623	(795)
Commercial equipment	55	251	(196)
Assets under construction	14,150	13,189	961
Total	**43,033**	**43,063**	**(30)**

The item *Equipment*, equal to €/000 43,033, mainly refers to production equipment in Pontedera (Pisa), Noale (Venice) and Mandello del Lario (Lecco) already being depreciated and assets under construction for €/000 14,150.

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 assets €/000 6,175

As of 31 December 2013 the item *Other assets* comprised the following:

In thousands of euros	As of 31 December 2013	As of 31 December 2012	Change
EDP systems	622	829	(207)
Office furniture and equipment	3,259	3,734	(475)
Vehicles	1,416	1,446	(30)
Other	404	540	(136)
Assets under construction	474	800	(326)
Total	**6,175**	**7,349**	**(1,174)**

Reversals of assets

The Parent Company still has assets subject to impairment reversals in compliance with specific regulations or during merger transactions.

The table below gives detailed figures for financial statement items, with reference to the law provision or to the merger transaction.

In thousands of euros	Reversals Law 575/65 and 72/83	Reversals for merger 1986	Econ. Reversals 1988	Reversals Law 413/91	Revers. in departure of article 2425	Reversals for merger 1990	Reversals for merger 1996	Reversals Law 242/2000	Total Revers.
Property, plant and equipment									
Industrial buildings	480	-	584	415	120	1,668	1,549	-	4,816
Plant and equipment	133	263	-	-	-	42	-	1,930	2,368
Industrial and commercial equipment	-	331	-	-	-	2,484	-	3,438	6,253
Office furniture and equipment	-	58	-	-	-	101	-	-	159
Electronic office equipment	-	-	-	-	-	27	-	-	27
Transport equipment	-	-	-	-	-	13	-	-	13
Total tangible assets	613	652	584	415	120	4,335	1,549	5,368	13,636
Intangible assets									
Aprilia trademark	-	-	-	-	-	21,691	-	25,823	47,514
Guzzi trademark	103	-	-	-	258	-	-	-	361
Total intangible assets	103	-	-	-	258	21,691	-	25,823	47,875
General total	**716**	**652**	**584**	**415**	**378**	**26,026**	**1,549**	**31,191**	**61,511**

Warranties

As of 31 December 2013 the Group had no buildings with mortgages.

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18. Investment property *€/000 7,346*

As already indicated above, Management decided to transfer Plant, property and equipment of the Spanish site at Martorelles to non-instrumental investment property, as defined by IAS 40. The fair value recognised as of 31 December 2013 was confirmed by a specific valuation of an independent expert, who made an evaluation of the "Fair Value less cost of disposal" based on a market approach (as provided for in IFRS 13). The fair value measurement did not generate differences compared to the previous cost measurement.

19. Investments *€/000 8,152*

Investments comprise:

	As of 31 December 2013	As of 31 December 2012	Change
In thousands of euros			
Investments in joint ventures	7,938	5,838	2,100
Investments in affiliated companies	214	211	3
Total	**8,152**	**6,049**	**2,103**

The increase in the item interests in joint ventures refers to the equity valuation of the investment in the Zongshen Piaggio Foshan Motorcycles Co. Ltd. joint venture.
The value of investments in affiliated companies was adjusted during the year to the corresponding value of shareholders' equity.

Investments in Joint Ventures €/000 7,938

Joint venture	**Carrying amount as of 31 December 2013**
In thousands of euros	
Accounted for using the equity method:	
Zongshen Piaggio Foshan Motorcycles Co. Ltd – China	7,938
Total joint ventures	**7,938**

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.
The investment of Piaggio & C. S.p.A. in Zongshen Piaggio Foshan Motorcycles is equal to 45% of which 12.5% is held through the direct subsidiary Piaggio China Company Ltd. The carrying amount of the investment is equal to €/000 7,938 and reflects shareholders' equity pro-quota adjusted to take into account the measurement criteria adopted by the Group, as well as the recoverable value determined during impairment testing by the Parent Company.

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

Zongshen Piaggio Foshan Motorcycle Co.	**Financial Statements as of 31 December 2013**
In thousands of euros	45%*
Working capital	5,419
Total assets	4,465
Net capital employed	**9,884**
Provisions	41
Consolidated debt	1,775
Shareholders' equity	8,068
Total sources of financing	**9,884**

** Group ownership*

Investments in affiliated companies €/000 214

This item comprises:

Affiliated companies	Carrying amount as of 31 December 2012	Adjustments	Carrying amount as of 31 December 2013
In thousands of euros			
Immsi Audit S.c.a.r.l.	10		10
S.A.T. S.A. – Tunisia	0		0
Depuradora D'Aigues de Martorelles S.C.C.L.	55	(7)	48
Pontech Soc. Cons. a.r.l. – Pontedera	146	10	156
Total affiliated companies	**211**	**3**	**214**

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

20. Other non-current financial assets *€/000 10,468*

	As of 31 December 2013	As of 31 December 2012	Change
In thousands of euros			
Financial receivables due from third parties		30	(30)
Fair value of hedging derivatives	10,305	12,854	(2,549)
Investments in other companies	163	163	0
Total	**10,468**	**13,047**	**(2,579)**

The item "Fair value of hedging derivatives" refers to €/000 4,233 relative to the fair value of the cross currency swap for a private debenture loan, €/000 5,972 relative to the fair value of the cross currency swap for a medium-term loan of the Indian subsidiary and €/000 100 relative to the cross currency swap for an intercompany loan granted by the Parent Company to the Indian subsidiary. For further details, see section 44 "Information on financial instruments" of the Notes.

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

Other companies	As of 31 December 2013	As of 31 December 2012	Change
In thousands of euros			
Consorzio Pisa Ricerche	76	76	-
A.N.C.M.A. – Rome	2	2	-
GEOFOR S.p.A. – Pontedera	47	47	-
ECOFOR SERVICE S.p.A. – Pontedera	2	2	-
Mitsuba Italia SpA	0	0	-
Consorzio Fiat Media Center – Turin	3	3	-
S.C.P.S.T.V.	21	21	-
IVM	12	12	-
Total other companies	**163**	**163**	**-**

21. Current and non-current tax receivables *€/000 26,589*

Receivables due from tax authorities consist of:

	As of 31 December 2013	As of 31 December 2012	Change
In thousands of euros			
VAT receivables	21,772	16,412	5,360
Income tax receivables	2,915	1,636	1,279
Other receivables due from the public authorities	1,902	1,739	163
Total tax receivables	**26,589**	**19,787**	**6,802**

Non-current tax receivables totalled €/000 2,974, compared to €/000 1,195 as of 31 December 2012, while current tax receivables totalled €/000 23,615 compared to €/000 18,592 as of 31 December 2012. The increase is mainly due to higher VAT receivables of the Parent Company.

22. Deferred tax assets *€/000 33,660*

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 33,660, down on the figure of €/000 36,714 as of 31 December 2012. During 2013, deferred tax assets decreased mainly due to the use of tax losses to offset taxable income in relation to the non-recurrent cost referred to in section 45 on Disputes.

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. the taxable income expected for each company, in the mid-term, and the economic and tax effects arising from implementation of the organisational structure.

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.

	Amount of temporary differences	Tax rate	Tax effect
In thousands of euros			
Provisions for risks	6,140	27.5% - 31.4%;	1,906
	4,521	31.40%	1,420
	1,709	39.65%	677
	334	26.00%	87
Provision for product warranties	9,836	31.40%	3,089
	152	38.40%	58
	121	25.00%	30
Provisions for write-down	9,840	27.50%	2,706
	327	39.65%	129
	420	27.50%	115
	388	26.00%	101
	8	38.40%	3
	2	30.00%	1
Provisions for obsolete stock	23,866	31.40%	7,494
	2,398	39.65%	951
	312	38.40%	120
	856	7.50%	64
	79	20.00%	16
Other changes	5,272	39.65%	2,090
	5,589	33.99%	1,900
	3,989	30.00%	1,197
	3,655	7.5%/20%/21%	712
	312	33.33%	104
	307	26.00%	80
	225	33.25%	75
	261	27.50%	72
	161	38.40%	62
	125	25.00%	31
	95	25.00%	24
	63	20.00%	13
	31	30.00%	9
	44	17.00%	8
	5	20.00%	1
	(20,190)	27.5/31.4%	(6,118)
Total for provisions and other changes	**61,253**		**19,225**
Deferred tax assets already recognised			**13,930**
Deferred tax assets not booked			**5,295**
Piaggio & C. S.p.A.	70,266	27.50%	19,323
Piaggio Group Americas Inc.	26,604	39.65%	10,548
Nacional Motor S.A.U.	25,976	30.00%	7,793
Derbi Racing S.L.	8,529	30.00%	2,559
Piaggio Group Japan Corporation	2,360	36.10%	852
PT Piaggio Indonesia	1,628	25.00%	407
Total out of tax losses	**135,363**		**41,482**
Deferred tax assets already recognised			**19,730**
Deferred tax assets not booked			**21,752**

23. Trade receivables (current and non current) *€/000 75,722*

As of 31 December 2013 current trade receivables amounted to €/000 75,722 compared to €/000 63,079 as of 31 December 2012.
As of 31 December 2013 no trade receivables were recognised under non-current assets. As of 31 December 2012 this item amounted to €/000 28.

Their breakdown was as follows:

In thousands of euros	As of 31 December 2013	As of 31 December 2012	Change
Trade receivables due from customers	74,858	62,161	12,697
Trade receivables due from JV	848	946	(98)
Trade receivables due from parent companies	10	-	10
Trade receivables due from affiliated companies	6	-	6
Total	**75,722**	**63,107**	**12,615**

Receivables due from Group companies valued at equity comprise amounts due from Zongshen Piaggio Foshan Motorcycles.
Receivables due from affiliated companies regard amounts due from Immsi Audit.

The item "Trade receivables" comprises receivables referring to normal sales transactions, recorded net of the provision for bad debts of €/000 25,430.

Movements of provisions were as follows:

In thousands of euros	
Opening balance as of 1 January 2013	**26,177**
Increases for allocations	1,319
Decreases for use	(2,066)
Other changes	
Closing balance as of 31 December 2013	**25,430**

The Group 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 2013 trade receivables still due, sold without recourse totalled €/000 62,873.
Of these amounts, Piaggio received payment prior to natural expiry, of €/000 60,869.

As of 31 December 2013, advance payments received from factoring companies and banks, for trade receivables sold with recourse totalled €/000 23,871 with a counter entry recorded in current liabilities.

24. Other current and non-current receivables *€/000 39,882*

Other non-current receivables totalled €/000 13,368 against €/000 13,781 as of 31 December 2012, whereas other current receivables totalled €/000 26,514 compared to €/000 37,301 as of 31 December 2012.

They consist of:

Other non-current receivables	As of 31 December 2013	As of 31 December 2012	Change
In thousands of euros			
Sundry receivables due from Group companies		138	(138)
Sundry receivables due from affiliated companies	231	234	(3)
Prepaid expenses	9,864	10,643	(779)
Advances to employees	67	84	(17)
Security deposits	621	443	178
Receivables due from others	2,585	2,239	346
Total non-current portion	**13,368**	**13,781**	**(413)**

Receivables due from affiliated companies regard amounts due from the Fondazione Piaggio (Foundation).

Other current receivables	As of 31 December 2013	As of 31 December 2012	Change
In thousands of euros			
Sundry receivables due from the Parent Company	6,759	6,359	400
Sundry receivables due from JV	372	194	178
Sundry receivables due from affiliated companies	31	57	(26)
Accrued income	701	631	70
Prepaid expenses	4,751	8,162	(3,411)
Advance payments to suppliers	599	5,503	(4,904)
Advances to employees	2,859	2,136	723
Fair Value of hedging derivatives	3		3
Security deposits	215	263	(48)
Receivables due from others	10,224	13,996	(3,772)
Total current portion	**26,514**	**37,301**	**(10,787)**

Receivables due from the Parent Company regard the assignment of tax receivables that took place within the group consolidated tax procedure.
Receivables due from Group companies valued at equity comprise amounts due from Zongshen Piaggio Foshan.
Receivables due from affiliated companies are amounts due from the Fondazione Piaggio and 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 3 current portion).

25. Inventories *€/000 207,808*

This item comprises:

	As of 31 December 2013	As of 31 December 2012	Change
In thousands of euros			
Raw materials and consumables	92,330	97,750	(5,420)
Provisions for write-down	(13,522)	(13,352)	(170)
Net value	*78,808*	*84,398*	*(5,590)*
Work in progress and semifinished products	19,483	20,678	(1,195)
Provisions for write-down	(852)	(852)	0
Net value	*18,631*	*19,826*	*(1,195)*
Finished products and goods	129,910	143,049	(13,139)
Provisions for write-down	(19,587)	(26,264)	6,677
Net value	*110,323*	*116,785*	*(6,462)*
Advances	46	77	(31)
Total	**207,808**	**221,086**	**(13,278)**

The reduction in the provision for the write-down of end products is mainly due to the scrapping of some obsolete spare parts.

26. Other current financial assets *€/000 838*

This item comprises:

	As of 31 December 2013	As of 31 December 2012	Change
In thousands of euros			
Securities	838		838
Time deposits		1,260	(1,260)
Total	**838**	**1,260**	**(422)**

The value as of 31 December 2013 refers to a short-term, guaranteed capital, variable yield investment of the Chinese subsidiary FPVT to effectively use temporary liquidity. The value for 2012 referred to the sum collected from the sale of a licence in France, which according to local legislation, had been frozen in a bank deposit, until expiry of the three-year period granted by law for any claimants.

27. Cash and cash equivalents *€/000 66,504*

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

	As of 31 December 2013	As of 31 December 2012	Change
In thousands of euros			
Bank and postal deposits	57,300	71,424	(14,124)
Cash on hand	45	59	(14)
Securities	9,159	14,627	(5,468)
Total	**66,504**	**86,110**	**(19,606)**

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

28. Assets held for sale *€/000 0*

As of 31 December 2013, there were no assets held for sale.

29. Breakdown of assets by geographic segment

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

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

As of 31 December 2013, there were no receivables due after 5 years.

Information on the Consolidated Statement of Financial Position - Liabilities

31. Share capital and reserves — *€/000 392,115*

Share capital — €/000 205,570

The change in share capital during 2013 was as follows:

In thousands of euros	
Subscribed and paid up capital	205,941
Treasury shares purchased as of 31 December 2012	(6,437)
Share capital as of 1 January 2013	199,504
Exercise of stock options	86
Cancellation of treasury shares	6,066
Purchase of treasury shares	(286)
Sale of treasury shares	200
Share Capital as of 31 December 2013	**205,570**

On 15 April 2013 the General Shareholders' Meeting of Piaggio & C, resolved to annul 11,049,021 treasury shares of the Company, subject to elimination of the nominal value of ordinary shares in circulation and without a reduction in the amount of share capital.
During the year, 150,000 new ordinary shares were issued, offered to and subscribed by stock option plan beneficiaries.
Therefore, as of 31 December 2013, the nominal share capital of Piaggio & C., fully subscribed and paid up, was equal to €206,026,903.84 divided into 360,894,880 ordinary shares.

Shares in circulation and treasury shares	**2013**	**2012**
no. of shares		
Situation as of 1 January		
Shares issued	371,793,901	371,793,901
Treasury portfolio shares	11,726,521	6,844,080
Shares in circulation	360,067,380	364,949,821
Movements for the year		
Exercise of stock options	150,000	
Cancellation of treasury shares	(11,049,021)	
Purchase of treasury shares	512,169	4,882,441
Sale of treasury shares to exercise stock options	(350,000)	
Situation as of 31 December		
Shares issued	360,894,880	371,793,901
Treasury portfolio shares	839,669	11,726,521
Shares in circulation	360,055,211	360,067,380

During the year, 512,169 ordinary shares were purchased and 350,000 treasury shares were sold to stock option plan beneficiaries. As of 31 December 2013, the Parent Company held 839,669 treasury shares, equal to 0.23% of the share capital.
In accordance with international accounting standards, the acquisitions were recognised as a decrease in shareholders' equity.

As of 31 December 2013, according to the shareholder ledger and notices received pursuant to article 120 of Legislative Decree no. 58/1998 and other information available, the following shareholders held voting rights, either directly or indirectly, exceeding 5% of the share capital:

Declarer	Direct shareholder	% of ordinary share capital	% of shares with voting rights
Omniaholding S.p.A.	IMMSI S.p.A.	50.632	50.632
	Omniaholding S.p.A.	0.028	0.028
	Total	**50.660**	**50.660**
Diego della Valle	Diego della Valle & C. S.a.p.a.	5.4491	5.4491
	Total	**5.4491**	**5.4491**
Financiere de l'Echiquier	Financiere de l'Echiquier	5.1308	5.1308
	Total	**5.1308**	**5.1308**

Share premium reserve €/000 3,681

The share premium reserve as of 31 December 2013 increased by €/000 188, following the subscription of 150,000 new shares.

Legal reserve €/000 16,902

The legal reserve increased by €/000 2,309 as a result of the allocation of earnings for the last period.

Other reserves €/000 (20,109)

This item consists of:

	As of 31 December 2013	As of 31 December 2012	Change
In thousands of euros			
Translation reserve	(27,063)	(16,902)	(10,161)
Stock option reserve	13,385	13,385	0
Financial instruments' fair value reserve	(1,565)	(3,269)	1,704
IFRS transition reserve	(5,859)	(5,859)	0
Total other reserves	(21,102)	(12,645)	(8,457)
Consolidation reserve	*993*	*993*	*0*
Total	**(20,109)**	**(11,652)**	**(8,457)**

The financial instruments fair value provision 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 33,087

In May 2013, dividends totalling €/000 33,087 were paid. In May 2012, dividends totalling €/000 29,877 were paid.

	Total amount		Dividend per share	
	2013	2012	2013	2012
In millions of euros				
Resolved and paid during the year	33,087	29,877	0.092	0.082

Earnings reserve €/000 185,139

Capital and reserves of non-controlling interest €/000 932

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

Other components of the Statement of Comprehensive Income €/000 (7,946)

The figure is broken down as follows:

	Reserve for measurement of financial instruments	Group translation reserve	Profit reserve	Group total	Share capital and reserves attributable to non-controlling interests	Total other components of the Statement of Comprehensive Income
In thousands of euros						
As of 31 December 2013						
Items that will not be reclassified in the income statement						
Remeasurements of post-employment benefits			522	522		522
Total	**0**	**0**	**522**	**522**	**0**	**522**
Items that may be reclassified in the income statement						
Total translation gains (losses)		(10,161)		(10,161)	(11)	(10,172)
Total profits (losses) on cash flow hedge instruments	1,704			1,704		1,704
Total	1,704	(10,161)	0	(8,457)	(11)	(8,468)
Other components of the Statement of Comprehensive Income	**1,704**	**(10,161)**	**522**	**(7,935)**	**(11)**	**(7,946)**
As of 31 December 2012						
Items that will not be reclassified in the income statement						
Remeasurements of post-employment benefits			(4,498)	(4,498)		(4,498)
Total	**0**	**0**	**(4,498)**	**(4,498)**	**0**	**(4,498)**
Items that may be reclassified in the income statement						
Total translation gains (losses)		(3,815)		(3,815)	(3)	(3,818)
Total profits (losses) on cash flow hedge instruments	(1,759)			(1,759)		(1,759)
Total	**(1,759)**	**(3,815)**	**0**	**(5,574)**	**(3)**	**(5,577)**
Other components of the Statement of Comprehensive Income	**(1,759)**	**(3,815)**	**(4,498)**	**(10,072)**	**(3)**	**(10,075)**

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

	As of 31 December 2013			As of 31 December 2012		
	Gross value	*Tax (expense)/ benefit*	*Net value*	*Gross value*	*Tax (expense)/ benefit*	*Net value*
In thousands of euros						
Remeasurements of post-employment benefits	708	(186)	522	(5,759)	1,261	(4,498)
Total translation gains (losses)	(10,172)		(10,172)	(3,818)		(3,818)
Total profits (losses) on cash flow hedge instruments	2,292	(588)	1,704	(2,065)	306	(1,759)
Other components of the Statement of Comprehensive Income	**(7,172)**	**(774)**	**(7,946)**	**(11,642)**	**1,567**	**(10,075)**

32. Current and non-current financial liabilities *€/000 551,737*

In 2013, the Group's overall debt increased by €/000 60,121, from €/000 491,616 to €/000 551,737. Net of the fair value measurement of financial derivatives to hedge the exchange risk and interest rate risk, and the adjustment of relative hedged items, as of 31 December 2013 total financial debt of the Group increased by €/000 63,760.

	Financial liabilities as of 31 December 2013			Financial liabilities as of 31 December 2012			Change		
	Current	*Non-current*	*Total*	*Current*	*Non-current*	*Total*	*Current*	*Non-current*	*Total*
In thousands of euros									
Gross financial debt	116,872	426.098	542.970	115.042	364.168	479.210	1.830	61.930	63.760
Fair Value of hedging derivatives		8,767	8,767		12,406	12,406		(3,639)	(3,639)
Total	**116,872**	**434,865**	**551,737**	**115,042**	**376,574**	**491,616**	**1,830**	**58,291**	**60,121**

This increase is attributable to a greater use of available medium-term credit lines.
Net financial debt of the Group amounted to €/000 475,628 as of 31 December 2013 compared to €/000 391,840 as of 31 December 2012.

	As of 31 December 2013	As of 31 December 2012	Change
In thousands of euros			
Liquidity	**66,504**	**86,110**	**(19,606)**
Securities	838	1,260	(422)
Current financial receivables	**838**	**1,260**	**(422)**
Payables due to banks	(52,092)	(61,943)	9,851
Current portion of bank financing	(33,180)	(31,363)	(1,817)
Amounts due to factoring companies	(23,871)	(19,179)	(4,692)
Amounts due under leases	(5,809)	(936)	(4,873)
Current portion of payables due to other lenders	(1,920)	(1,621)	(299)
Current financial debt	**(116,872)**	**(115,042)**	**(1,830)**
Net current financial debt	**(49,530)**	**(27,672)**	**(21,858)**
Payables due to banks and lenders	(227,587)	(160,277)	(67,310)
Debenture loan	(195,318)	(193,550)	(1,768)
Amounts due under leases	0	(5,809)	5,809
Amounts due to other lenders	(3,193)	(4,532)	1,339
Non-current financial debt	**(426,098)**	**(364,168)**	**(61,930)**
Net financial debt*	**(475,628)**	**(391,840)**	**(83,788)**

** 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, the fair value adjustment of relative hedged items equal to €/000 8,767 and relative accruals.*

Financial liabilities included in non-current liabilities totalled €/000 426,098 against €/000 364,168 as of 31 December 2012, whereas financial liabilities included in current liabilities totalled €/000 116,872 compared to €/000 115,042 as of 31 December 2012.
The attached tables summarise the breakdown of financial debt as of 31 December 2013 and 31 December 2012, as well as changes for the period.

	Accounting balance as of 31.12.2012	Repayments	New issues	Reclassification to the current portion	Exchange delta	Other changes	Book value As of 31.12.2013
In thousands of euros							
Non-current portion:							
Bank financing	160,277		106,328	(37,492)		(1,526)	227,587
Bonds	193,550					1,768	195,318
Other medium-/long-term loans:							
- of which leases	*5,809*			*(5,809)*			*-*
- of which amounts due to other lenders	*4,532*		*581*	*(1,920)*			*3,193*
Total other loans	*10,341*	*0*	*581*	*(7,729)*	*0*	*0*	*3,193*
Total	**364,168**	**0**	**106,909**	**(45,221)**	**0**	**242**	**426,098**

	Accounting balance as of 31.12.2012	Repayments	New issues	Reclassification from the non current portion	Exchange delta	Other changes	Book value As of 31.12.2013
In thousands of euros							
Current portion:							
Current account overdrafts	1,970		11,721		(3)		13,688
Current account payables	59,973	(19,869)			(1,700)		38,404
Bonds	0						-
Payables due to factoring companies	19,179	(8)	4,700				23,871
Current portion of medium-/long-term loans:							
- of which leases	*936*	*(936)*		*5,809*			*5,809*
- of which due to banks	*31,363*	*(31,479)*		*37,492*	*(4,312)*	*116*	*33,180*
- of which amounts due to other lenders	*1,621*	*(1,621)*		*1,920*			*1,920*
Total other loans	*33,920*	*(34,036)*	*0*	*45,221*	*(4,312)*	*116*	*40,909*
Total	**115,042**	**(53,913)**	**16,421**	**45,221**	**(6,015)**	**116**	**116,872**

The breakdown of the debt is as follows:

	Accounting balance as of 31.12.2013	Accounting balance as of 31.12.2012	Nominal value as of 31.12.2013	Nominal value as of 31.12.2012
In thousands of euros				
Bank financing	312,859	253,583	314,384	253,699
Bonds	195,318	193,550	201,799	201,799
Other medium-/long-term loans:				
- of which leases	*5,809*	*6,745*	*5,809*	*6,745*
- of which amounts due to other lenders	*28,984*	*25,332*	*28,984*	*25,332*
Total other loans	*34,793*	*32,077*	*34,793*	*32,077*
Total	**542,970**	**479,210**	**550,976**	**487,575**

The table below shows the debt servicing schedule as of 31 December 2013:

	Nominal value as of 31.12.2013	Amounts falling due within 12 months	Amounts falling due after 12 months	Amounts falling due in 2015	2016	2017	2018	Beyond
In thousands of euros								
Bank financing	314,384	85,272	229,112	146,961	30,689	19,679	18,083	13,700
- including opening of credit lines and bank overdrafts	157,092	52,092	105,000	105,000				
- of which medium/long-term bank loans	157,292	33,180	124,112	41,961	30,689	19,679	18,083	13,700
Bonds	201,799	0	201,799		150,000	9,669	9,669	32,461
Other medium-/long-term loans:								
- of which leases	5,809	5,809	0					
- of which amounts due to other lenders	28,984	25,791	3,193	1,930	312	314	317	320
Total other loans	34,793	31,600	3,193	1,930	312	314	317	320
Total	**550,976**	**116,872**	**434,104**	**148,891**	**181,001**	**29,662**	**28,069**	**46,481**

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

	Accounting balance as of 31.12.2012	Accounting balance as of 31.12.2013	Notional value as of 31.12.2013	Applicable interest rate
In thousands of euros				
Euro	429,052	493,245	501,251	4.54%
Indian Rupee	25,291	21,445	21,445	10.14%
Indonesian Rupiah	2,989	2,906	2,906	9.54%
US Dollar	3,032	6,137	6,137	1.78%
Vietnamese Dong	14,894	16,197	16,197	15.97%
Japanese Yen	3,952	3,040	3,040	1.80%
Total currencies other than euro	50,158	49,725	49,725	10.46%
Total	**479,210**	**542,970**	**550,976**	**5.07%**

Medium and long-term bank debt amounts to €/000 260,767 (of which €/000 227,587 non-current and €/000 33,180 current) and consists of the following loans:

- a €/000 53,571 medium-term loan from the European Investment Bank to finance Research & Development investments planned for the period 2009-2012. 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 was taken out on the loan to hedge the interest rate risk (for more details, see section 44);
- a €/000 60,000 medium-term loan from the European Investment Bank to finance Research & Development investments planned for the period 2013-2015. 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 medium-term revolving syndicated loan of €/000 103,475 (nominal value of €/000 105,000) granted in December 2011 and finalised in January 2012, as suspension conditions had been met. The loan, of a total value of €/000 200,000, has an irrevocable duration of 4 years and because of this commitment undertaken by the lenders, inter-annual use may be extended up to final maturity. Consequently, the loan is classified under non-current liabilities. Contract terms require covenants (described below);
- a €/000 9,912 medium-term loan for USD/000 19,000 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 quota of six-monthly instalments from January 2014. Contract terms include a guarantee of the Parent Company and some covenants (described below). Cross currency swaps were taken out on the loan to hedge the exchange risk and interest rate risk (for more details, see note 44);

- a €/000 11,517 medium-term loan for USD/000 17,850 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 quota of six-monthly instalments from July 2015. Contract terms include a guarantee of the Parent Company and some covenants (described below). Cross currency swaps were taken out on the loan to hedge the exchange risk and interest rate risk (for more details, see note 44);
- a €/000 14,364 medium-term loan for USD/000 19,680 granted by International Finance Corporation to the subsidiary Piaggio Vietnam with interest accruing at a variable rate. The loan will fall due on 15 July 2018 and has an amortisation quota of six-monthly instalments from July 2014. Contract terms include a guarantee of the Parent Company and some covenants (described below). Cross currency swaps were taken out on the loan to hedge the exchange risk and interest rate risk (for more details, see note 44);
- €/000 3,832 of loans from various banks pursuant to Italian Law no. 346/88 on subsidised applied research;
- a €/000 3,196 loan from Banca Intesa granted pursuant to Italian Law no. 297/99 on subsidised applied research;
- a €/000 900 eight-year subsidised loan from ICCREA in December 2008 granted under Italian Law 100/90.

In December 2013, a bilateral revolving loan of €/000 20,000 was undersigned, maturing in June 2015. As of 31 December 2013 the loan was undrawn. Contract terms do not include covenants.
All the above financial liabilities are unsecured.

The item Bonds for €/000 195,318 (nominal value of €/000 201,799) refers to:

- €/000 143,837 (nominal value of €/000 150,000) related to a high-yield debenture loan issued on 4 December 2009 for a nominal amount of €/000 150,000, falling due on 1 December 2016 and with a semi-annual coupon with fixed annual nominal rate of 7%. Standard & Poor's and Moody's assigned a BB- and Ba3 rating respectively with a stable outlook;
- €/000 51,481 (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 2013 the fair value measurement of the debenture loan was equal to €/000 55,754 (the fair value is determined based on IFRS relative to fair value hedging). Cross currency swaps were taken out on this loan to hedge the exchange risk and interest rate risk (for more details, see note 44).

The items Medium-/long-term bank debt and Bonds include loans which, in accounting terms, have been recognised on an amortised cost basis (revolving loan, high-yield debenture loan and private debenture loan). According to this criterion, the nominal amount of the liability is decreased by the amount of relative costs of issue and/or stipulation, in addition to any costs relating to refinancing of previous liabilities. The amortisation of these costs is determined on an effective interest rate basis, and namely the rate which discounts the future flows of interest payable and reimbursements of capital at the net carrying amount of the financial liability. Some liabilities were recognised at fair value, with relative effects recognised in profit or loss.

Medium-/long-term payables due to other lenders equal to €/000 10,922 of which €/000 3,193 due after the year and €/000 7,729 as the current portion, are detailed as follows:

› a property lease for €/000 5,809 granted by Unicredit Leasing (including the entire current portion);
› subsidised loans for a total of €/000 5,113 provided by the Italian Ministry of Economic Development and Italian Ministry of Education, University and Research using regulations to encourage exports and investment in research and development (non-current portion of €/000 3,193).

Financial advances received from factoring companies and banks, on the sale of trade receivables with recourse, totalled €/000 23,871.

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

The measurement of financial covenants and other contract commitments is monitored by the Group on an ongoing basis. According to results as of 31 December 2013, all covenants had been met.

The high-yield debenture loan issued by the company in December 2009 requires compliance with typical covenants of international high-yield market practices. In particular, the company must observe the EBITDA/Net financial 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.

33. Current and non-current trade payables *€/000 346,164*

As of 31 December 2013 no trade payables were recognised under non-current liabilities. As of 31 December 2012, this item amounted to €/000 259. "Trade payables" included in current liabilities totalled €/000 346,164, against €/000 392,893 as of 31 December 2012.

In thousands of euros	As of 31 December 2013	As of 31 December 2012	Change
Amounts due to suppliers	334,960	375,770	(40,810)
Trade payables due to companies valued at equity	10,492	16,613	(6,121)
Amounts due to parent companies	712	769	(57)
Total	346,164	393,152	(46,988)
of which reverse factoring	*123,108*	*49,786*	*73,322*
Total	**346,164**	**393,152**	**(46,988)**

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 2013, the value of trade payables covered by reverse factoring or supply chain financing agreements was equal to €/000 123,108 (€/000 49,786 as of 31 December 2012).

34. Current and non-current portion of provisions *€/000 26,545*

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

In thousands of euros	Balance as of 31 December 2012	Allocations	Applications	Reclassifications	Delta exchange rate	Balance as of 31 December 2013
Provision for product warranties	14,836	8,540	(9,806)	(905)	(187)	12,478
Provision for quality-related events	789		(1,694)	905		0
Risk provisions on investments	247		(8)			239
Provisions for contractual risks	3,935		(19)			3,916
Provisions for guarantee risks	58					58
Provision for tax risks	17	5,130	(17)			5,130
Other provisions for risks	5,513	671	(1,476)	86	(70)	4,724
Total	**25,395**	**14,341**	**(13,020)**	**86**	**(257)**	**26,545**

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

Non-current portion In thousands of euros	As of 31 December 2013	As of 31 December 2012	Change
Provision for product warranties	3,826	4,501	(675)
Provision for quality-related events			
Risk provisions on investments	239	247	(8)
Provision for contractual risks	3,916	3,935	(19)
Other provisions for risks and charges	3,102	3,669	(567)
Total non-current portion	**11,083**	**12,352**	**(1,269)**

Current portion In thousands of euros	As of 31 December 2013	As of 31 December 2012	Change
Provision for product warranties	8,652	10,335	(1,683)
Provision for quality-related events		789	(789)
Provisions for risk on guarantee	58	58	0
Provision for tax risks	5,130	17	5,113
Other provisions for risks and charges	1,622	1,844	(222)
Total current portion	**15,462**	**13,043**	**2,419**

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 8,540 and €/000 9,806 was used in relation to costs incurred during the period.
The fund for quality-related events was used entirely for costs borne during the year relating to faulty components from suppliers.
Risk provisions for investments were set up to cover the portion of negative shareholders' equity of the subsidiaries Piaggio China Co. Ltd and AWS do Brasil and the affiliated company Acciones Depuradora, as well as costs that may arise from said.
The provision of contractual risks refers mainly to charges which may arise from the ongoing negotiation of a supply contract.
The risk provision for taxes refers to the allocation of estimated charges, following the inspection by the Italian Tax Authority for the 2009, 2010 and 2011 periods, which terminated with the issue of Formal Notices of Assessment (PVC) mainly concerning transfer pricing.
"Other provisions" include provisions for legal risks for €/000 2,970. Allocations made during the year amounted to €/000 84.

35. Deferred tax liabilities — *€/000 5,722*

Deferred tax liabilities totalled €/000 5,722 compared to €/000 6,639 as of 31 December 2012. The change is mainly related to the non-recognition of deferred tax assets on reserves of the Indian subsidiary which are considered as not to be transferred as dividends to the Parent Company.

36. Retirement funds and employee benefits — *€/000 49,830*

	As of 31 December 2013	As of 31 December 2012	Change
In thousands of euros			
Retirement funds	1,082	1,101	(19)
Termination benefits	48,748	49,369	(621)
Total	**49,830**	**50,470**	**(640)**

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", 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 2013	**49,369**
Cost for the period	8,271
Actuarial losses recognised as Shareholders' Equity	(585)
Interest cost	1,608
Use and transfers of retirement funds	(9,915)
Other changes	
Closing balance as of 31 December 2013	**48,748**

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	3.39%
Annual rate of inflation	2.00%
Annual rate of increase in termination benefits	3.00%

As regards the discount rate, the iBoxx Corporates A rating with a 10+ duration as of 31 December was used as the valuation reference. 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 would have been higher by € 948 thousand.

The table below shows the effects, in absolute terms, as of 31 December 2013, which would have occurred following changes in reasonably possible actuarial assumptions:

	Provision for termination benefits
In thousands of euros	
Turnover rate +2%	48,670
Turnover rate -2%	47,690
Inflation rate + 0.25%	49,444
Inflation rate - 0.25%	48,012
Discount rate + 0.50%	46,674
Discount rate - 0.50%	50,919

The average financial duration of the bond ranges from 10 to 12 years.
Estimated future amounts are equal to:

Year	**Future amounts**
In thousands of euros	
1	3,555
2	3,410
3	3,190
4	3,438
5	2,934

The subsidiary operating in Indonesia has provisions for employees identified as defined benefit plans. As of 31 December 2013, these provisions amounted to €/000 18.

37. Current and non-current tax payables — *€/000 12,587*

"Tax payables" included in current liabilities totalled €/000 12,587, against €/000 15,757 as of 31 December 2012. As of 31 December 2013 no tax payables were recognised under non-current liabilities. As of 31 December 2012, this item amounted to €/000 555.

Their breakdown was as follows:

	As of 31 December 2013	As of 31 December 2012	Change
In thousands of euros			
Due for income taxes	2,870	4,285	(1,415)
Due for non-income tax	30	65	(35)
Tax payables for:			
- VAT	2,283	3,076	(793)
- Tax withheld at source	6,140	5,079	1,061
- other	1,264	3,807	(2,543)
Total	9,687	11,962	(2,275)
Total	**12,587**	**16,312**	**(3,725)**

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.
Tax payables on non-income tax refer to taxes on the dividend distributed by the Indian subsidiary. Payables for withheld taxes made refer mainly to withheld taxes on employees' earnings, on employment termination payments and on self-employed earnings.

38. Other payables (current and non-current) €/000 49,564

Non-current portion:	As of 31 December 2013	As of 31 December 2012	Change
In thousands of euros			
Payables to employees	1	19	(18)
Guarantee deposits	1,722	2,003	(281)
Accrued expenses			0
Deferred income	1,123	1,160	(37)
Fair Value of hedging derivatives	1,102	2,841	(1,739)
Other payables	200	400	(200)
Total non-current portion	**4,148**	**6,423**	**(2,275)**

Current portion:	As of 31 December 2013	As of 31 December 2012	Change
In thousands of euros			
Payables to employees	15,807	19,133	(3,326)
Guarantee deposits		179	(179)
Accrued expenses	5,956	8,450	(2,494)
Deferred income	523	1,206	(683)
Amounts due to social security institutions	8,388	8,827	(439)
Fair Value of hedging derivatives	972	1,521	(549)
Sundry payables due to companies valued at equity	58		58
Sundry payables due to affiliated companies	26	127	(101)
Sundry payables due to parent companies	6,390	60	6,330
Other payables	7,296	10,842	(3,546)
Total	**45,416**	**50,345**	**(4,929)**

Other payables included in non-current liabilities totalled €/000 4,148 against €/000 6,423 as of 31 December 2012, whereas other payables included in current liabilities totalled €/000 45,416 compared to €/000 50,345 as of 31 December 2012.

Amounts due to employees include the amount for holidays accrued but not taken of €/000 8,369 and other payments to be made for €/000 7,439.

Payables due to affiliated companies refer to various amounts due to the Fondazione Piaggio and Immsi Audit.

Payables to parent companies consist of payables to Immsi related to losses within the framework of the Consolidated Tax Convention and for the amount of €/000 3,990 are related to the non- recurrent cost discussed in note 46.

The item Fair value of hedging derivatives refers to the fair value (€/000 1,102 non-current portion and €/000 735 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 on forecast transactions recognised on a cash flow hedge basis (€/000 237 current portion).
The item Accrued expenses includes €/000 4,069 for interest on hedging derivatives and relative hedged items measured at fair value.

39. Share-based incentive plans

Since 2010, Piaggio has no longer approved any incentive plans based on the allocation of financial instruments.
Stock option plans adopted assign rights free of charge to purchase Piaggio shares on a 1:1 ratio.
With regard to the 2007-2009 incentive plan approved by the General Meeting of Shareholders on 7 May

2007 for executives of the Company or of its Italian and/or foreign subsidiaries, in compliance with article 2359 of the Italian Civil Code, as well as for directors having powers in the aforesaid subsidiaries ("2007-2009 plan") during the year 500,000 option rights were exercised, while 70,000 option rights were waived.

Rights	No. of options	Average exercise price (euro)	Market price (euro)
Rights existing as of 31.12.2012	3,940,000	1.71	
- of which exercisable as of 31.12.2012	3,940,000		
New rights assigned in 2013			
Rights exercised in 2013	(500,000)	1.61	2.04
Rights waived in 2013	(70,000)		
Rights existing as of 31.12.2013	3,370,000	1.72	
° of which exercisable as of 31.12.2013	3,370,000		

As of 31 December 2013, 3,370,000 option rights had been assigned for a corresponding number of shares.
Options are divided as follows, by assignment plan:

Rights	Number of rights as of 31 December 2013	Period when rights may be exercised	Exercise price (€)
Assignment 15 January 2009	390,000	15 Jan 2012 - 15 Jan 2014	1.2218
Assignment 11 May 2009	200,000	11 May 2012 - 11 May 2014	1.2237
Assignment 18 December 2009	2,780,000	18 Dec 2012 - 18 Dec 2014	1.826
Total	**3,370,000**		

At the date of publication of this document, 390,000 option rights relative to the assignment of 15 January 2009 had expired. Options therefore amount to 2,980,000.
Detailed information on the 2007-2009 Plan is available in the documents published by the Issuer in accordance with article 84-bis of Consob Regulation on Issuers. These documents are available on the Issuer's institutional website www.piaggiogroup.com under Governance.

As previously mentioned in the section on consolidation principles, the cost of payments, corresponding to the present value of options which the company determined applying the Black-Scholes valuation model, that uses the average historical volatility of the share of the Company and average interest rate of loans with a maturity equal to the duration of the agreement, is recognised under employee costs on a straight line basis in the period between the date of assignment and date of accrual, with a counter entry directly recognised in shareholders' equity.
As required by Consob, the table below shows the options assigned to board members, general directors and Senior Management with strategic responsibilities:

		Options held at the start of the period			Options held at the end of the period		
	Position	No. of options	Average exercise price	Average maturity	No. of options	Average exercise price	Average maturity
Assignment 18 December 2009	General Manager Finance	250,000	1.826	18.12.2014	250,000	1.826	18.12.2014

40. Breakdown of liabilities by geographic segment

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

41. Payables due after 5 years

The Group has loans due after 5 years, which are referred to in detail in Note 32 Financial Liabilities. With the exception of the above payables, no other long-term payables due after five years exist.

42. Information on related parties

Revenues, costs, payables and receivables as of 31 December 2013 involving parent companies, subsidiaries and affiliated companies relate to the sale of goods or services which are a part of normal operations of the Group.
Transactions are carried out at normal market values, depending on the characteristics of the goods and services provided.
The procedure for transactions with related parties, pursuant to article 4 of Consob Regulation no. 17221 of 12 March 2010 as amended, approved by the Council 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 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 industrial 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.

› Lastly, IMMSI has provided consultancy services and assistance to 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 Convention, 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-Party Transactions Committee, as provided for by the procedure for transactions with related parties adopted by the Company.
In addition, 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 subsidiaries

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 Hrtvaska
  - Piaggio Hellas
  - Piaggio Group Americas
  - Piaggio Vehicles Private Limited
  - Piaggio Vietnam
- 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 of 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, to the following companies to sell on their respective markets:
  - Piaggio Indonesia
  - Piaggio Group Japan
  - Piaggio & C. S.p.A.

Piaggio Vehicles Private Limited

- sells vehicles, spare parts and accessories to Piaggio & C. S.p.A, to sell on their respective markets, as well as components and engines to use in its manufacturing.

Piaggio Vespa

- provides back office business and administration services as well as credit management services to Piaggio & C. S.p.A..

Piaggio Hrtvaska, 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.

Foshan Piaggio Vehicles Technologies R&D
› provides Piaggio & C. S.p.A.:
  · with a component and vehicle design/development service;
  · scouting of local suppliers;
› provides Piaggio Vietnam:
  · scouting of local suppliers;

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..

Relations between subsidiaries 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..

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

The table below summarises relations described above and financial relations with parent companies, subsidiaries and affiliated companies as of 31 December 2013 and relations during the year, as well as their overall impact on financial statement items.

In thousands of euros	Fondazione Piaggio	Zongshen Piaggio Foshan	IMMSI Audit	Is Molas	Studio D'Urso	Omnia-holding	IMMSI	**Total**	**% of accounting item**
Income statement									
revenues from sales		343						**343**	**0.03%**
costs for materials		23,143					-	**23,143**	**3.24%**
costs for services and lease and rental costs	-	3	780	49	73	65	2,950	**3,920**	**1.90%**
other operating income	-	427	124				50	**601**	**0.66%**
other operating costs		1					14	**15**	**0.06%**
borrowing costs		105				203		**308**	**0.84%**
taxes							6,177	**6,177**	**16.79%**
Assets									
other non-current receivables	231							**231**	**1.73%**
current trade receivables	-	848	6				10	**864**	**1.14%**
other current receivables	-	372	31			-	6,759	**7,162**	**27.01%**
Liabilities									
financial liabilities falling due after one year						2,900		**2,900**	**0.67%**
current trade payables	-	10,492	-	-	-	20	692	**11,204**	**3.24%**
other current payables	26	58	-		-	-	6,390	**6,474**	**14.25%**

43. Contract commitments and guarantees

Contract commitments of the Piaggio Group are summarised based on their expiry.

In thousands of euros	**In 1 year**	**Between 2 and 5 years**	**After 5 years**	**Total**
Operating leases	4,712	7,876	380	**12,968**

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**
Guarantee of BCC-Fornacette to Livorno Customs Authorities for handling Piaggio goods at Livorno Port	200
Guarantee of BCC-Fornacette issued for the Group to Poste Italiane – Rome, to guarantee contract obligations for the supply of vehicles	1,321
Guarantee of Banco di Brescia issued to the local authorities of Scorzè, to guarantee payment of urbanisation and construction charges relative to the Scorzè site	166
Guarantee of Banca Intesa San Paolo issued to the Ministry of the Interior of Algeria, to guarantee contract obligations for the supply of vehicles	140
Guarantee of Banca Intesa San Paolo issued to the Ministry of the Defense of Algeria, to guarantee contract obligations for the supply of vehicles	158
Guarantee of Monte dei Paschi di Siena issued to Chen ShinRubber for € 300,000, to guarantee contract obligations for the supply of vehicles	300

44. Information on financial instruments

This section provides information about financial instruments, their risks, as well as the sensitivity analysis in accordance with the requirements of IFRS 7, effective as of 1 January 2007.
The carrying amount of financial assets and liabilities broken down in IAS 39 categories is indicated below.

Financial assets as of 31 December 2013

	Loans and receivables	Investments held to maturity	Hedging derivatives	Financial instruments at fair value available for sale	Total
In thousands of euros					
Non-current assets					
Financial receivables					0
Fair value of hedging derivatives			10,305		10,305
Investments in other companies				163	163
Total non-current assets	**0**	**0**	**10,305**	**163**	**10,468**
Current assets					
Trade receivables	75,722				75,722
Other financial assets	838				838
Bank and postal deposits	57,300				57,300
Securities	9,159				9,159
Total current assets	**143,019**	**0**	**0**	**0**	**143,019**
Total	**143,019**	**0**	**10,305**	**163**	**153,487**

Financial assets as of 31 December 2012

	Loans and receivables	Investments held to maturity	Hedging derivatives	Financial instruments at fair value available for sale	Total
In thousands of euros					
Non-current assets					
Financial receivables	30				30
Fair value of hedging derivatives			12,854		12,854
Investments in other companies				163	163
Trade receivables	28				28
Total non-current assets	**58**	**0**	**12,854**	**163**	**13,075**
Current assets					
Trade receivables	63,079				63,079
Other financial assets	1,260				1,260
Bank and postal deposits	71,424				71,424
Securities	14,627				14,627
Total current assets	**150,390**	**0**	**0**	**0**	**150,390**
Total	**150,448**	**0**	**12,854**	**163**	**163,465**

Financial liabilities as of 31 December 2013

	Payables at fair value	Hedging derivatives	Other financial liabilities at amortised cost	Total
In thousands of euros				
Non-current liabilities				
Bank financing	124,112		103,475	227,587
Bonds			195,318	195,318
Other loans	3,193			3,193
Leases				0
Hedging derivatives		8,767		8,767
Total non-current liabilities	**127,305**	**8,767**	**298,793**	**434,865**
Current liabilities				
Bank financing	85,272			85,272
Other loans	25,791			25,791
Leases	5,809			5,809
Hedging derivatives				0
Total current liabilities	**116,872**	**0**	**0**	**116,872**
Total	**244,177**	**8,767**	**298,793**	**551,737**

Financial liabilities as of 31 December 2012

	Payables at fair value	Hedging derivatives	Other financial liabilities at amortised cost	Total
In thousands of euros				
Non-current liabilities				
Bank financing	160,277			160,277
Bonds			193,550	193,550
Other loans	4,532			4,532
Leases	5,809			5,809
Hedging derivatives		12,406		12,406
Total non-current liabilities	**170,618**	**12,406**	**193,550**	**376,574**
Current liabilities				
Bank financing	92,422		884	93,306
Other loans	20,800			20,800
Leases	936			936
Hedging derivatives				0
Total current liabilities	**114,158**	**0**	**884**	**115,042**
Total	**284,776**	**12,406**	**194,434**	**491,616**

Current and non-current financial liabilities

Current and non-current financial liabilities are covered in detail in the section on financial liabilities of the notes, divided by type and detailed by expiry date.

Fair Value Measurement

IFRS 13 – Fair value measurement applies as from 1 January 2013. The Standard 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.

IFRS 7 also requires the fair value of debts recognised on an amortised cost basis to be measured, for disclosure purposes only.
The table below indicates these values as of 31 December 2013:

	Nominal value	Carrying amount	Fair Value *
In thousands of euros			
High yield debenture loan	150,000	143,837	160,605
Private debenture loan	51,799	51,481	55,754
EIB (R&D loan 2009-2012)	53,571	53,571	52,822
EIB (R&D loan 2013-2015)	60,000	60,000	55,985
Revolving syndicated loan	105,000	103,475	99,878

** 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 2013, by hierarchical level of fair value measurement.

	Level 1	Level 2	Level 3
In thousands of euros			
Assets measured at Fair Value			
Investment property			7,346
Hedging financial derivatives		10,305	
Investments in other companies			163
Other assets		3	
Total		**10,308**	**7,509**
Liabilities measured at Fair Value			
Hedging financial derivatives			(275)
Financial liabilities at fair value recognised through profit or loss		(96,084)	
Other liabilities		(2,074)	
Total		**(98,158)**	**(275)**

The value of the former Spanish site of Martorelles, transferred during 2013, from property, plant and equipment to non-instrumental property investment, was confirmed by a specific appraisal conducted by an independent expert who made an evaluation of the “Fair Value less cost of disposal” based on a market approach (as provided for in IFRS 13). The measurement took account of comparable transactions carried out on the local market, along with the effect of negotiations underway for the rental of property.
The fair value confirmed the value of the cost at which the property was registered during initial qualification of the investment as investment property. No effects on the income statement in the year were recorded.
The measurement of the cross currency relative to the Vietnamese subsidiary was classified as hierarchical level 3. This classification reflects the illiquidity of the local market which does not allow for measurement using 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 2,479, rather than €/000 (275) (included under financial hedging instruments - level 3) and accrued expenses on financial derivatives equal to €/000 965.
The following tables show Level 2 and Level 3 changes during 2013:

	Level 2
In thousands of euros	
Balance as of 31 December 2012	(95,622)
Gain (loss) recognised in profit or loss	5,765
Increases/(Decreases)	2,007
Balance as of 31 December 2013	**(87,850)**

	Level 3
In thousands of euros	
Balance as of 31 December 2012	(33)
Gain (loss) recognised in profit or loss	(79)
Increases/(Decreases)	7,346
Balance as of 31 December 2013	**7,234**

The increase of €/000 7,346 is relative to the above mentioned non-instrumental investment property.

Financial risks

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

Liquidity risk and capitals management

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

As of 31 December 2013 the most important sources of financing irrevocable until maturity granted to the Parent Company were as follows:
- a debenture loan of €/000 150,000 maturing in December 2016;
- a debenture loan of $/000 75,000 maturing in July 2021;
- a revolving credit facility of €/000 200,000 maturing in December 2015;
- a revolving credit facility of €/000 20,000 maturing in June 2015;
- a loan of €/000 53,571 maturing in February 2016;
- a loan of €/000 60,000 maturing in December 2019.

Other Group companies also have the following irrevocable loans:
- a loan of €/000 36,850 maturing in July 2019;
- a loan of €/000 19,680 maturing in July 2018.

As of 31 December 2013, the Group had a liquidity of €/000 66,504, €/000 115,000 of undrawn irrevocable credit lines and €/000 132,350 of revocable credit lines, as detailed below:

	As of 31.12.2013	As of 31.12.2012
In thousands of euros		
Variable rate with maturity within one year - irrevocable until maturity		59,000
Variable rate with maturity beyond one year - irrevocable until maturity	115,000	200,000
Variable rate with maturity within one year - cash revocable	101,350	140,198
Variable rate with maturity within one year - with revocation for self-liquidating typologies	31,000	34,000
Total undrawn credit lines	**247,350**	**433,198**

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	205,611	80,713	27,161	32,679	346,164

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 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 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 settlement 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 exchange risk due to the business 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 2013, the Group has 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 local currency	Value in euro (forward exchange rate)	Average maturity
In thousands					
Piaggio & C.	Purchase	CNY	20,400	2,455	08/01/2014
Piaggio & C.	Purchase	JPY	88,000	647	08/01/2014
Piaggio & C.	Purchase	USD	10,700	7,826	08/01/2014
Piaggio & C.	Sale	CAD	320	227	31/01/2014
Piaggio & C.	Sale	GBP	850	1,016	21/02/2014
Piaggio & C.	Sale	INR	424,000	4,972	24/01/2014
Piaggio & C.	Sale	JPY	75,000	531	28/02/2014
Piaggio & C.	Sale	SEK	1,900	213	28/02/2014
Piaggio & C.	Sale	USD	2,550	1,867	17/02/2014
Piaggio Indonesia	Purchase	€	3,920	-	16/01/2014
Piaggio Vehicles Private Limited	Sale	USD	1,838	1,355	14/01/2014
Piaggio Vietnam	Purchase	€	3,700	-	07/01/2014

As of 31 December 2013, the Group had undertaken the following transactions to hedge the business exchange risk:

Company	Operation	Currency	Amount in local currency	Value in € (forward exchange rate)	Average maturity
In thousands					
Piaggio & C.	Purchase	CNY	212,250	25,470	27/05/2014
Piaggio & C.	Sale	GBP	10,780	12,858	01/07/2014

To hedge the 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 2013 the total fair value of hedging instruments for the economic exchange risk recognised on a hedge accounting basis was negative by €/000 234. During 2013, losses under other components of the Statement of Comprehensive Income were recognised amounting to €/000 234 and profit from other components of the Statement of Comprehensive Income was reclassified under profit/loss for the year amounting to €/000 384.

The net balance of cash flows during 2013 is shown below, divided by main currency:

Cash Flow	2013
in millions of euros	
Pound Sterling	18.9
Indian Rupee	31.0
Croatian Kuna	2.8
US Dollar	10.5
Canadian Dollar	7.1
Swiss Franc	(1.2)
Indonesian Rupiah	13.4
Vietnamese Dong	20.8
Chinese Yuan*	(28.3)
Japanese Yen	(8.6)
Total cash flow in foreign currency	**66.4**

** Cash flow partially in euro.*

In view of the above, an assumed appreciation/deprecation of 3% of the Euro would have generated potential losses for €/000 1,937 and potential profits for €/000 2,057 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 2013, the following hedging derivatives were in use:

<u>Hedging of financial flows (cash flow hedging)</u>

- an *interest rate swap* to cover a variable rate loan for a nominal amount of €/000 117,857 (as of 31 December 2013 for €/000 53,571) 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 2013, the fair value of the instrument was negative by €/000 1,837; 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, equal to €/000 322 and €/000 -331 respectively.

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 2013 the fair value of the instrument was equal to €/000 4,233. The net economic effect arising from the measurement of the instrument and underlying private debenture loan was equal to €/000 115; 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 €/000 108 and €/000 -93 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 -15 and €/000 21 respectively;
- a *cross currency swap* to hedge loans relative to the Indian subsidiary for $/000 19,000 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 2013 the fair value of the instruments was equal to €/000 4,190. 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 50 and €/000 -52 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 -5 and €/000 5 respectively;
- a *cross currency swap* to hedge loans relative to the Indian subsidiary for $/000 17,850 granted by International Finance Corporation. The purpose of the instruments is to hedge the 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 2013 the fair value of the instruments was equal to €/000 1,782. 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 -6 and €/000 6 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 -9 and €/000 9 respectively;
- a *cross currency swap* to hedge a loan relative to the Vietnamese subsidiary for $/000 19,680 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 2013 the fair value of the instruments was negative by €/000 275. 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 €/000 137 and €/000 -140 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 -5 and €/000 5 respectively.

As of 31 December 2013, 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 2013 the fair value of the instrument was equal to €/000 100. 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 60 and €/000 -62 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 -32 and €/000 33 respectively.

	Fair Value
In thousands of euros	
Piaggio & C. SpA	
Interest Rate Swap	(1,837)
Cross Currency Swap	4,233
Piaggio Vehicles Private Limited	
Cross Currency Swap	5,972
Cross Currency Swap	100
Piaggio Vietnam	
Cross Currency Swap	(275)

As of 31 December 2013, variable rate debt, net of financial assets, and considering hedging derivatives, was equal to €/000 162,521. Consequently a 1% increase or decrease in the Euribor above this net exposure would have generated higher or lower interest of €/000 1,625 per year.

Credit risk

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

	As of 31 December 2013	As of 31 December 2012
In thousands of euros		
Liquid assets	57,300	71,424
Securities	9,159	14,627
Financial receivables	838	1,260
Trade receivables	75,722	63,107
Total	**143,019**	**150,418**

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 the 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.

45. Disputes

Piaggio opposed the proceedings undertaken by the consumer association Altroconsumo, in accordance with article 140 of the Code of Consumers, 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, a technical appraisal was ordered 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 technical appraisal, having established contradictions between i) the appraisal of the Court-appointed expert Professor Cantore in proceedings brought by Altroconsumo and ii) the appraisal of the Court-appointed expert Professor Cantore in proceedings brought by Mr Stella in a separate ruling for the compensation of damages. The deadline for completing the appraisal and filing the report has been set for October 2014.
Piaggio has also taken action before the Court of Pontedera for a final dismissal of the ruling of the Court of Pisa of 29 January 2013. The case has been adjourned to 6 November 2014 pending the filing of the appraisal relative to the appeal stage.

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.

By means of the deed of 3 June, 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 case has been adjourned to 12 January 2016 for specification of the pleadings.

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 the decision taken based on testimonial evidence, the Judge admitted a technical/accounting appraisal requested by Da Lio, to take place in May 2014.

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 payment of bank guarantees that ensured against the risk of default by the dealer issued in its favour by three banks. Elma attempted to stop payment 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 will be 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 with 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 preliminary briefs.

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.

Leasys–Savarent S.p.A., summoned to appear before the Court of Monza by Europe Assistance in relation to the rental supply of Piaggio vehicles to the Italian Postal System, summoned the Company as a guarantee, also filing for damages against Piaggio for alleged breach of the supply agreement. The Court of Monza declared its lack of jurisdiction concerning the applications filed against Piaggio, and Leasys-Savarent therefore summoned Piaggio to appear before the Court of Pisa. The trial was suspended while awaiting the resolution of the dispute pending before the Court of Monza, which turned down the application of Leasys-Savarent. Leasys-Savarent continued proceedings through the Court of Pisa, applying only for damages against Piaggio. On the hearing of 5 October 2011, the parties requested the admission of preliminary briefs and the Judge deferred its decision. After making its decision, the Judge admitted some of the testimonial evidence requested and rejected the request for a Court-appointed expert. After questioning the witnesses, the case was adjourned to the hearing of 10 July 2014 for the specification of closing arguments.

In August 2012, the Nigerian company Autobahn Techniques Ltd brought a case against Piaggio & C. S.p.a. and PVPL before the High Court of Lagos (Nigeria) claiming compensation for alleged damage, estimated at over 5 billion Naira (approximately €20 million), arising from the alleged breach by the Company of the exclusive distribution agreement signed between the parties in 2001. Piaggio appeared before the court, preliminarily claiming, inter alia, the lack of jurisdiction of the Nigerian Court to rule on the dispute due to the existence of an arbitration clause in the agreement. After various provisional hearings, the Judge admitted one of the preliminary exceptions made by Piaggio, based on the absence of notification of the writ of summons of the judgement. Autobahn appealed against the ruling and is waiting for the appeal date to be set.

The amounts allocated by the Company for the potential risks deriving from the current dispute appear to be consistent with the predictable outcome of the disputes.

As regards tax claim rulings involving the Parent Company Piaggio & C S.p.A. (hereinafter "the Company"), two appeals are ongoing against two tax assessments notified to the Company and relative to the 2002 and 2003 tax years respectively. These assessments originate from an audit conducted by the Italian Tax Authority in 2007 at the Company's offices, following information filed in the Formal Notice of Assessment 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.
As regards the dispute relative to the 2002 tax period, the Italian Tax Authority in April 2013 appealed to the Supreme Court of Cassation and the Company filed against this appeal; as regards this period, the date of the hearing still has to be set.
As regards the dispute relative to the 2003 tax period, the Italian Tax Authority appealed to the Supreme Court of Cassation in January 2014 and the Company is about to file against this appeal.
For both cases, the Company has not considered it necessary to allocate provisions, 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 e Piaggio France S.A..

With reference to the Indian subsidiary, some disputes concerning different tax years from 1998 to 2011 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. The company therefore filed an appeal against the claims of the Local Authorities, which however rejected the considerations made by the companies. It therefore filed an appeal with the Tribunal Administratif and is waiting for the date of the hearing to be set. 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.

The tax assessment by the Italian Tax Authority concerning Piaggio & C. S.p.A. and the 2010 tax period ended in October 2013 with the issue of the Formal Notice of Assessment, containing findings relative to 2009, 2010 and 2011 on transfer pricing.
The findings mainly concern the provision of intergroup services for subsidiaries located in countries with ordinary tax systems, where realised income has been regularly taxed.
The Company, despite stating that it has always acted in compliance with laws and in strict compliance with OECD guidelines and without any tax exploitation whatsoever, to prevent tax litigation with reference to assessment aspects, that concern contrasting positions with outcomes that are hard to predict, considered it appropriate to agree to the settlement proposal made by the Italian Tax Authority.
To confirm the accuracy and transparency of its operations, the Company has also stated that the Italian Tax Authority has not applied any sanctions as concerns transfer pricing, acknowledging the suitability of documents presented (the Master file) and national documents pursuant to Law Decree no. 78/2010).
The above procedure will involve a financial outlay, for production tax only, of €5.1 million, while the overall impact on the income statement for 2013 is equal to €24.6 million, due to the above outlay as well as the use, for the purposes of corporate income tax, of previous tax losses to offset the total sum of the proposals.

46. Significant non-recurring events and operations

In 2012 and 2013, with reference to the 2009, 2010 and 2011 tax periods, tax inspections of Piaggio & C S.p.A. were conducted by the Italian Tax Authority, which terminated with the issue in late 2013 of a

Formal Notice of Assessment concerning transfer pricing.
After explaining the correct nature of its operations to the Italian Tax Authority the Company decided to benefit from the system of paying lower fines pursuant to Legislative Decree no. 218/1997, to settle its position and avoid tax litigation and therefore considerably lowered the initial requests of the inspectors. The operation, recognised in 2013 as taxes in the income statement, comes under significant non-recurrent transactions, as defined by Consob Communication DEM/6064293 of 28 July 2006.
For 2012, no significant non-recurrent transactions were recorded.

47. Transactions arising from atypical and/or unusual operations

During 2013 and 2012, the Group did not record any significant atypical and/or unusual operations, as defined by Consob Communication DEM/6037577 of 28 April 2006 and DEM/6064293 of 28 July 2006.

48. Events occurring after the end of the period

24 February 2014 - The company Foshan Piaggio Vehicles Technology R&D Co. LTD obtained all necessary authorisations from the local authorities to start the sale of two-wheeler products in China.

14 March 2014 - Following the completion of the tax assessment which began in 2012 – discussed in more detail in the section "Disputes" - and solely to prevent tax litigation with reference to assessment aspects, that concern contrasting positions with outcomes that are hard to predict, Piaggio & C. S.p.A. considered it appropriate to agree to the settlement proposal made by the Italian Tax Authority that will involve a financial outflow, only as concerns regional production tax, of €5.1 million, while the overall impact on the income statement is equal to €24.6 million, including the use for the purposes of corporate income tax of previous losses to offset the total sum of the proposals.

19 March 2014 - Approval of the 2014-2017 Industrial Plan.

49. Authorisation for publication

This document was published on 7 April 2014 and authorised by the Chairman and Chief Executive Officer.

Milan, 20 March 2014

For the Board of Directors

/f/ Roberto Colaninno

Chairman and Chief Executive Officer
Roberto Colaninno

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PIAGGIO

Attachments

Piaggio Group companies

In accordance with Consob resolution no. 11971 dated 14 May 1999, and subsequent amendments (article 126 of the Regulation), the list of the Group's companies and major investments is provided 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.
In a separate column there is an indication of the percentage of voting rights at the ordinary general meeting should it be different from the investment percentage in the share capital.

List of companies included in the scope of consolidation on a line-by-line basis as of 31 December 2013

Company name	Registered office	Country	Share capital	Currency	% Group ownership	Held by	%	% votes
Parent company								
Piaggio & C. S.p.A.	Pontedera (Pisa)	Italy	206,026,903.84	euro				
Subsidiaries								
Aprilia Brasil Industria de Motociclos S.A.	Manaus	Brazil	2,020,000.00	reais	51%	Aprilia World Service Holding do Brasil Ltda	51%	
Aprilia Racing s.r.l.	Pontedera (Pisa)	Italy	250,000.00	euro	100%	Piaggio & C. S.P.A.	100%	
Aprilia World Service Holding do Brasil Ltda.	São Paulo	Brazil	2,028,780.00	reais	99.99995%	Piaggio Group Americas Inc	99.99995%	
Atlantic 12- Property investment fund	Milan	Italy	11,607,234.00	euro	100%	Piaggio & C. S.p.A.	100%	
Derbi Racing S.L.	Barcelona	Spain	3,006.00	euro	100%	Nacional Motor S.A.	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	1,588,422.00	euro	100%	Piaggio & C. S.P.A.	100%	
Piaggio Advanced Design Center Corp.	California	USA	100,000.00	USD	100%	Piaggio & C. S.P.A.	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	99.99999%	Piaggio & C. S.P.A.	99.99999%	
Piaggio Deutschland GmbH	Kerpen	Germany	250,000.00	euro	100%	Piaggio Vespa B.V.	100%	
Piaggio Espana S.L.U.	Alcobendas	Spain	426,642.00	euro	100%	Piaggio & C. S.P.A.	100%	
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.	Atene	Greece	2,704,040.00	euro	100%	Piaggio Vespa B.V.	100%	
Piaggio Hrvatska D.o.o.	Split	Croatia	400,000.00	kuna	75%	Piaggio Vespa B.V.	75%	
Piaggio Limited	Bromley Kent	United Kingdom	250,000.00	gbp	100%	Piaggio Vespa B.V.	99.9996%	
						Piaggio & C. S.P.A.	0.0004%	
Piaggio Vehicles Private Limited	Maharashtra	India	349,370,000.00	rupie	100%	Piaggio & C. S.p.A.	99.9999971%	
						Piaggio Vespa B.V.	0.0000029%	
Piaggio Vespa B.V.	Breda	Holland	91,000.00	euro	100%	Piaggio & C. S.p.A.	100%	
Piaggio Vietnam Co Ltd	Hanoi	Vietnam	64,751,000,000.00	Dong	100%	Piaggio & C. S.p.A.	63.5%	
						Piaggio Vespa B.V.	36.5%	
PT Piaggio Indonesia	Jakarta	Indonesia	4,458,500,000.00	Rupiah	100%	Piaggio & C. S.p.A.	1%	
						Piaggio Vespa B.V.	99%	

List of companies included in the scope of consolidation with the equity method as of 31 December 2013

Company name	Registered office	Country	Share capital	Currency	% Group ownership	Held by	%	% votes
Zongshen Piaggio Foshan Motorcycle Co. LTD.	Foshan City	China	29,800,000.00	USD	45%	Piaggio & C. S.p.A.	32.5%	
						Piaggio China Co. LTD	12.5%	

List of investments in affiliated companies as of 31 December 2013

Company name	Registered office	Country	Share capital	Currency	% Group ownership	Held by	%	% votes
Depuradora D'Aigues de Martorelles Soc. Coop. Catalana Limitada	Barcelona	Spain	60,101.21	euro	22%	Nacional Motor S.A.	22%	
Immsi Audit S.c.a.r.l.	Mantua	Italy	40,000.00	euro	25%	Piaggio & C. S.p.A.	25%	
Pont - Tech, Pontedera & Tecnologia S.c.r.l.	Pontedera (Pisa)	Italy	884,160.00	euro	20.44%	Piaggio & C. S.p.A.	20.44%	
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 2013 for auditing services and other services provided by the same auditing firm and entities belonging to the auditing firm's network.

Service	Subject providing the service	Recipient	Fees for 2013
In euro			
Auditing services	PWC	Parent Company Piaggio & C	356,206
	PWC	Subsidiaries	8,900
	PWC network	Subsidiaries	391,680
Auditing services CSR	PWC	Parent Company Piaggio & C	21,000
Certification services	PWC	Parent Company Piaggio & C	33,000
	PWC	Subsidiaries	6,000
	PWC network	Subsidiaries	42,416
Total			**859,202**

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 2013.

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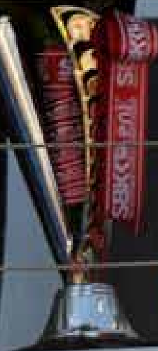
DZ
71276



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
   - actual application of administrative and accounting procedures for the formation of the Consolidated Financial Statements as of 31 December 2013.

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: 20 March 2014

/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

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE No. 39 OF 27 JANUARY 2010

To the shareholders of
Piaggio & C. SpA

1 We have audited the consolidated financial statements of Piaggio & C. SpA and its subsidiaries ("Piaggio Group") as of 31 December 2013 which comprise the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the statement of changes in consolidated shareholders' equity, the consolidated statement of cash flows and related notes. The directors of Piaggio & C. SpA are responsible for the preparation of these financial statements in compliance with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree no. 38/2005. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards and criteria recommended by Consob, the Italian Commission for listed Companies and the Stock Exchange. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the consolidated financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the consolidated financial statements of the prior period, which are presented for comparative purposes, reference is made to our report dated 8 March 2013.

3 In our opinion, the consolidated financial statements of the Piaggio Group as of 31 December 2013 comply with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree no. 38/2005; accordingly, they have been prepared clearly and give a true and fair view of the financial position, result of operations and cash flows of the Piaggio Group for the year then ended.

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.812.000,00 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** 70124 Via Don Luigi Guanella 17 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 Dante 7 Tel. 01029041 - **Napoli** 80121 Piazza dei Martiri 58 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43100 Viale Tanara 20/A Tel. 0521275911 - **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

4 The directors of Piaggio & C. SpA are responsible for the preparation of a report on operations and a report on corporate governance and corporate ownership published in section "Governance" of the website of Piaggio & C. SpA in compliance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the information referred to in paragraph 1, letters c), d), f), l), m), and paragraph 2, letter b), of article 123-bis of Legislative Decree no. 58/98 presented in the report on corporate governance and corporate ownership, with the financial statements, as required by law. For this purpose, we have performed the procedures required under Italian Auditing Standard no. 001 issued by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili) and recommended by Consob. In our opinion, the report on operations and the information referred to in paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b), of article 123-bis of Legislative Decree no. 58/98 presented in the report on corporate governance and corporate ownership are consistent with the consolidated financial statements of Piaggio & C. SpA as of 31 December 2013.

Florence, 2 April 2014

PricewaterhouseCoopers SpA

Signed by

Corrado Testori
(Partner)

This report has been translated into the English language from the original, which was issued in Italian, solely for the convenience of international readers.

PIAGGIO & C. SPA
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Income Statement

Notes	In thousands of euros	2013 Total	of which related parties	2012 Total	of which related parties
3	Net revenues	714,488	107,256	841,756	96,001
4	Cost for materials	401,976	48,858	485,637	57,964
5	Cost for services and leases and rentals	179,613	39,859	218,872	44,756
6	Employee costs	156,889		170,661	
7	Depreciation and impairment costs of property, plant and equipment	26,424		26,661	
7	Amortisation and impairment costs of intangible assets	36,845		35,884	
8	Other operating income	103,599	33,231	110,737	34,500
9	Other operating costs	24,017	2,687	19,514	666
	Operating income	**(7,677)**		**(4,736)**	
10	Income/(loss) from investments	53,405		81,181	
11	Financial income	797	356	1,176	331
11	Borrowing costs	29,100	145	29,136	445
11	Net exchange gains/(losses)	20		(279)	
	Profit before tax	**17,445**		**48,206**	
12	Taxes for the period	19,094	5,849	2,016	
43	*of which non-recurrent*	24,594			
	Profit from continuing operations	**(1,649)**		**46,190**	
	Assets held for disposal:				
13	Profits or losses arising from assets held for disposal				
	Net profit	**(1,649)**		**46,190**	

Statement of Comprehensive Income

Notes	In thousands of euros	2013	2012
	Net Profit (Loss) for the period (A)	**(1,649)**	**46,190**
	Items that will not be reclassified in the income statement		
31	Re-measurements of post-employment benefits	432	(4,382)
	Total	432	(4,382)
	Items that may be reclassified in the income statement		
31	Total profits (losses) on cash flow hedge instruments	1,704	(1,759)
	Total	1,704	(1,759)
	Other components of the Statement of Comprehensive Income (B)*	**2,136**	**(6,141)**
	Total Profit (loss) for the period (A + B)	**487**	**40,049**

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

Statement of Financial Position

Notes	In thousands of euros	As of 31 December 2013 Total	of which related parties	As of 31 December 2012 Total	of which related parties
	Assets				
	Non-current assets				
14	Intangible assets	555,279		548,662	
15	Property, plant and equipment	201,602		204,633	
16	Investment property				
17	Investments	61,383		51,337	
18	Other financial assets	4,396		10,101	
19	Long-term tax receivables	975		1,190	
20	Deferred tax assets	21,446		23,475	
22	Other receivables	3,828	231	3,551	234
	Total non-current assets	**848,909**		**842,949**	
26	**Assets held for sale**				
	Current assets				
21	Trade receivables	73,520	29,675	57,342	18,660
22	Other receivables	78,398	65,937	87,068	70,710
19	Short-term tax receivables	9,224		3,533	
23	Inventories	157,632		170,464	
24	Other financial assets	12,952	12,952	12,738	12,738
25	Cash and cash equivalents	3,618		9,765	
	Total current assets	**335,344**		**340,910**	
	Total assets	**1,184,253**		**1,183,859**	
	Shareholders' equity and liabilities				
	Shareholders' equity				
28	Share capital	205,570		199,504	
28	Share premium reserve	3,681		3,493	
28	Legal reserve	16,902		14,593	
28	Other reserves	23,255		21,551	
28	Retained earnings (losses carried forward)	69,147		64,372	
28	Profit (loss) for the period	(1,649)		46,190	
	Total shareholders' equity	**316,906**		**349,703**	
	Non-current liabilities				
29	Financial liabilities falling due after one year	398,079	2,900	333,838	2,900
31	Other long-term provisions	9,091		9,906	
32	Retirement funds and employee benefits	48,066		48,633	
33	Tax payables	0		464	
34	Other long-term payables	2,415		4,113	
	Total non-current liabilities	**457,651**		**396,954**	
	Current liabilities				
29	Financial liabilities falling due within one year	102,301	11,693	105,487	220
30	Trade payables	240,285	24,858	266,849	30,550
33	Tax payables	7,117		8,312	
34	Other short-term payables	47,600	9,671	45,008	9,052
31	Current portion of other long-term provisions	12,393		11,546	
	Total current liabilities	**409,696**		**437,202**	
	Total shareholders' equity and liabilities	**1,184,253**		**1,183,859**	

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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	2013	2012
	Operating activities		
	Profit (Loss) for the period	(1,649)	46,190
12	Taxes for the period	19,094	2,016
7	Depreciation of property, plant and equipment	26,424	26,661
7	Amortisation of intangible assets	36,240	35,884
	Non-monetary costs for stock options	0	685
	Provisions for risks and retirement funds and employee benefits	21,778	23,587
	Write-downs / (Reversals)	9,913	242
	Losses / (Gains) on the disposal of property, plants and equipment	(516)	(561)
11	Financial income	(6,817)	(8,248)
	Dividend income	(57,533)	(75,616)
11	Borrowing Costs	35,100	36,487
	Change in working capital:		
21	(Increase)/Decrease in trade receivables	(6,336)	3,162
22	(Increase)/Decrease in other receivables	(5,102)	4,325
23	(Increase)/Decrease in inventories	12,832	12,891
30	Increase/(Decrease) in trade payables	(20,872)	(14,358)
	Increase/(Decrease) in other payables	(5,262)	(6,619)
31	Increase/(Decrease) in the current portion of provisions for risks	(11,258)	(10,396)
31	Increase/(Decrease) in the non-current portion of provisions for risks	(815)	(6,778)
32	Increase/(Decrease) in retirement funds and employee benefits	(10,240)	(6,674)
	Other changes	(15,769)	(4,549)
	Cash generated from operating activities	**19,212**	**58,331**
	Interest paid	(30,327)	(32,995)
	Taxes paid	(6,751)	(8,844)
	Cash flow from operating activities (A)	**(17,866)**	**16,492**
	Investing activities		
15	Investment in property, plant and equipment	(23,517)	(48,908)
	Sale price, or repayment value, of property, plant and equipment	640	659
14	Investment in intangible assets	(43,662)	(46,882)
	Sale price, or repayment value, of intangible assets	200	1,209
	Investment in non-current financial assets	(15,702)	(79)
	Loans provided	(214)	0
	Repayment of loans provided	0	4,208
	Sale price of financial assets	0	365
	Collected interests	5,974	6,279
	Dividends from investments	57,119	78,249
	Cash flow from investing activities (B)	**(19,162)**	**(4,900)**
	Financing activities		
28	Purchase of treasury shares	(1,002)	(9,152)
28	Collection for the exercise of stock options	806	0
28	Outflow for dividends paid	(33,087)	(29,878)
29	Loans received	119,594	337,684
29	Outflow for repayment of loans	(63,329)	(352,486)
29	Repayment of finance leases	(936)	(894)
	Cash flow from funding activities (C)	**22,046**	**(54,726)**
	Increase / (Decrease) in cash and cash equivalents (A+B+C)	(14,982)	(43,134)
	Opening balance	**7,597**	**50,731**
	Exchange differences	(63)	
	Closing balance	**(7,448)**	**7,597**

Changes in Shareholders' Equity

Movements from 1 January 2013/31 December 2013

Notes	In thousands of euros	Share capital	Share premium reserve	Legal reserve
	As of 1 January 2013	**199,504**	**3,493**	**14,593**
	Loss for the period			
	Other components of the Statement of Comprehensive Income			
	Total profit (loss) for the period	**0**	**0**	**0**
28	Distribution of profit for 2012 as resolved by the ordinary meeting of shareholders			
	- To shareholders			
	- To shareholders' equity			2,309
28	Annulment of treasury shares	6,066		
28	Exercise of stock options	86	188	
28	Purchase of treasury shares	(286)		
28	Sale of treasury shares	200		
	As of 31 December 2013	**205,570**	**3,681**	**16,902**

Movements from 1 January 2012/31 December 2012

Notes	In thousands of euros	Share capital	Share premium reserve	Legal reserve
	As of 1 January 2012	**202,209**	**3,493**	**12,241**
	Profit for the period			
	Other components of the Statement of Comprehensive Income			
	Total profit (loss) for the period	**0**	**0**	**0**
28	Charges for the period for stock option plans			
28	Distribution of profit for 2012 as resolved by the ordinary meeting of shareholders			
	- To shareholders			
	- To shareholders' equity			2,352
28	Purchase of treasury shares	(2,705)		
28	Reclassification of reserves			
	As of 31 December 2012	**199,504**	**3,493**	**14,593**

Reserve for measurement of financial instruments	IAS transition reserve	Stock option reserve	Reserve for the fair value adjustment of financial assets available for sale	Earnings reserve	Total shareholders' equity
(3,269)	**11,435**	**13,385**	**0**	**110,562**	**349,703**
				(1,649)	**(1,649)**
1,704				432	**2,136**
1,704	**0**	**0**	**0**	**(1,217)**	**487**
					0
				(33,087)	**(33,087)**
				(2,309)	**0**
				(6,066)	**0**
					274
				(717)	**(1,003)**
				332	**532**
(1,565)	**11,435**	**13,385**	**0**	**67,498**	**316,906**

Reserve for measurement of financial instruments	IAS transition reserve	Stock option reserve	Reserve for the fair value adjustment of financial assets available for sale	Earnings reserve	Total shareholders' equity
(1,510)	**11,435**	**12,700**	**10,287**	**97,144**	**347,999**
				46,190	**46,190**
(1,759)				(4,382)	**(6,141)**
(1,759)	**0**	**0**	**0**	**41,808**	**40,049**
		685			**685**
					0
				(29,878)	**(29,878)**
				(2,352)	**0**
				(6,447)	**(9,152)**
			(10,287)	10,287	**0**
(3,269)	**11,435**	**13,385**	**0**	**110,562**	**349,703**

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 2013 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 endorsed 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 July 27 July 2006 containing the "Provisions for the presentation of financial statements", Consob Resolution no. 15520 dated July 27 July 2006 containing the "Changes and additions to the Regulation of Issuers adopted by Resolution no. 11971/99", Consob communication no. 6064293 dated 28 July 2006 July containing the "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 therefore comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the 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 disposal or sale, 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 as provided for by IAS 1 revised. Items presented in "Other comprehensive income(losses)" 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 Statement of Cash Flows include the Statement of Financial Position balances for this item at the reference 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 is presented between the opening and closing balance of each item for the period.

2. Accounting policies adopted by the Company

The most significant accounting policies adopted to prepare the Financial Statements as of 31 December 2013 are outlined below.

Intangible assets

As provided for in IAS 38, an intangible asset which is purchased or self-created 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 or loss at the date of acquisition.
Goodwill is not amortised but tested annually for impairment, or more frequently if specific events or changed circumstances indicate that an asset may be impaired, as provided for in IAS 36 - Impairment of Assets. After initial recognition, goodwill is recognised at cost net of any accumulated impairment losses.
At the disposal of part of or an entire company previously acquired from whose acquisition goodwill arose, the corresponding residual value of goodwill is considered when measuring the capital gain or loss of the disposal.
During first-time adoption of IFRSs, the Company opted not to retroactively apply IFRS 3 - Business Combinations to acquisitions of companies that took place before 1 January 2005. As a result, the goodwill generated on acquisitions prior to the date of transition to IFRSs was maintained at the previous value, determined according to Italian accounting standards, subject to assessment and recognition of any impairment losses.
After 1 January 2006, following acquisitions during 2004, further goodwill was generated due to the effect of the valuation of financial instruments issued during the acquisition.

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 self-created 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 activity 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 activities 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.

Land is not depreciated.
Assets held through finance lease agreements, on the basis of which all risks and benefits related to ownership are basically transferred to the Company, are recognised as Company assets at their present value, or if lower, at the current value of minimum payments due for the lease. The corresponding liability vis-à-vis the lessor is recognised in the financial statements as a financial payable. The assets are depreciated applying the criterion and rates used for assets owned by the Company.
Leases in which the lessor basically retains all risks and benefits related to ownership are classified as operating leases. The costs referred to operating leases are recognised on a line-by-line basis in profit and loss over the term of the lease agreement.

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

Investments

Investments in subsidiaries and affiliated companies are recognised at cost adjusted for impairment losses.
Investments in subsidiaries and affiliated companies 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 reversal 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), 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. With the support of the Parent Company Immsi SpA, fair value (IAS 40) was identified as the most suitable criterion to represent the item.
Real estate investment is eliminated from the financial statements when it is disposed of or when it may not be used over time and future economic benefits from its sale are not expected.

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-down. 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 with recourse, as 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.

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, calculated using the effective interest rate. Financial liabilities hedged by derivatives are measured at fair value, according to procedures established for hedge accounting and applicable at the present value hedge: profits and losses arising from subsequent measurements at present value, due to changes in interest rates, are recognised in profit or loss and offset by the effective portion of the loss and profit arising from subsequent measurements at present value of the hedging instrument. On initial recognition, a liability may be designated at fair value recognised in profit or loss when this eliminates or considerably reduces a lack of uniformity in the measurement or recognition (sometimes defined as "asymmetric accounting") that would otherwise arise from the measurement of an asset or liability or recognition of relative profit and loss on different bases. This fair value designation is exclusively applied to some financial liabilities in currency subject to exchange risk hedging.

Derivatives and measurement of hedging transactions

Company assets are primarily exposed to financial risks from changes in exchange and interest rates. The Company uses derivatives to hedge risks arising from changes in foreign currency and interest rates in particular irrevocable commitments and planned future transactions. The use of these instruments is regulated by written procedures on the use of derivatives, in line with the Company's risk management policies.

Derivatives are initially measured at fair value represented by the initial amount.

Derivative financial instruments are only used with the intent of hedging, to protect from fluctuating exchange rate and interest rates, and from changes in the market price of commodities. 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 transaction is still expected to occur and the hedge relationship ceases, the amounts accumulated in equity will be retained in equity until the hedged item affects profit or loss. 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 specifics risks of the liability.

Retirement funds and employee benefits

With adoption of the IFRS, the termination benefit accrued up to 31 December 2006 is considered an obligation with defined benefits to be recognised according to IAS 19 - Employee Benefits. As a result, severance pay must be recalculated by actuarial evaluations at the end of each period applying the Projected Unit Credit Method.
Since the 2012 Half-year Financial Report, the Company has adopted IAS 19 revised, in advance (published in the Gazzetta Ufficiale of 6 June 2012).
The amendment to IAS 19 – Employee benefits requires disclosure of the provision deficit or surplus in the statement of financial position, and separate recognition of cost items linked to employment and net borrowing costs in profit and loss, and recognition of actuarial gains and losses resulting from the remeasurement in each period of assets and liabilities in “Other comprehensive income”. In addition, the performance of assets included in net borrowing costs must be calculated based on the discount rate of liabilities and no longer on the expected return of assets.
The interest component on the charge related to employee plans is recognised under borrowing costs.

Stock Option Plan

As provided for by 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 shareholders’ equity, in the case that relative deferred taxes are also recognised in shareholders’ equity.
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

According to IFRS, sales of goods are recognised when the goods are dispatched and the company has transferred the significant risks and benefits connected with ownership of the goods to the purchaser.
Revenues are recognised net of returns, discounts, rebates and premiums, as well as taxes directly connected with the sale of the goods and provision of services. Financial revenues are recognised on an accrual basis.

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 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 accrual basis and include interest payable on borrowings calculated using the effective interest rate method, exchange differences payable and losses on derivatives. 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 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. 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 Mechanism, and may therefore offset taxable income against tax losses in one tax return. Each company which is party to the National Consolidated Tax Mechanism 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 considerably 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.

Recoverable value of non-current assets

Non-current assets include Property, Plant and Equipment, Goodwill, Other Intangible Assets, Investments and Other Financial Assets. The Company periodically revises the carrying amount of non-current assets held and used and of assets held for sale, when facts and circumstances make this necessary. This analysis is carried out at least annually for Goodwill, and whenever facts and circumstances make it necessary. Analysis of the recoverability of the carrying amount of Goodwill is generally based on estimates of expected cash flows from the use or sale of the asset and adequate discount rates to calculate the fair value. When the carrying amount of a non-current asset is impaired, the Company recognises a write-down equal to the excess between the carrying amount of the asset and its recoverable value through use or sale, determined with reference to cash flows of the most recent company plans.

Recoverability of deferred tax assets

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

Pension schemes and other post-employment benefits

Provisions for employee benefits and net financial borrowing costs are measured using an actuarial method that requires the use of estimates and assumptions to determine the net value of the obligation. The actuarial method considers financial parameters such as the discount rate and growth

rates of salaries and considers the likelihood of potential future events occurring on the basis of demographic parameters such as relative mortality rates and employee resignations or retirements. The assumptions used for the measurement are explained in section 33 "Retirement funds and employee benefits".

Provisions for write-down

The provision for write-down 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/depreciation

The cost of assets is amortised 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.

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.

New accounting standards, amendments and interpretations applied as from 1 January 2013

On 16 June 2011, the IASB issued an amendment to IAS 1 – Presentation of financial statements to require entities to group all items presented in “Other comprehensive income” based on whether they are potentially reclassifiable to profit or loss. The amendment is applicable to financial years commencing from or after 1 July 2012.

On 12 May 2011, the IASB issued the standard IFRS 13 – Fair Value Measurement which explains how fair value is to be determined for financial statements and applied to all the standards which require it or allow fair value measurement or the disclosure of information based on fair value. The standard shall be applicable as of 1 January 2013.

It should be noted that the Company adopted IAS 19 revised in advance, as from 30 June 2012.

Amendments and interpretations effective as from 1 January 2013 and not relevant for the Company

The following amendments and interpretations, applicable as of 1 January 2013, regulate specific cases which are not present within the Company at the date of these Financial Statements:

› On 20 December 2010, the IASB issued a minor amendment to IAS 12 – Income Taxes which requires entities to measure deferred tax assets and liabilities arising from an asset based on the manner in which the carrying amount of the asset will be recovered (through continual use or sale). Following this amendment, SIC-21 Income taxes – Recovery of Revalued Non-Depreciable Assets – will no longer be applicable. The amendment is applicable in a retrospective manner from 1 January 2013.

› On 16 December 2011, the IASB issued some amendments to IFRS 7 – Financial Instruments: disclosures. The amendment requires information concerning the effects or potential effects of agreements offsetting financial assets and liabilities on the balance sheet situation. Amendments are applicable for years commencing from or after 1 January 2013 and for interim periods subsequent to this date. Disclosure shall be provided in a retrospective manner.

Approved accounting standards, amendments and interpretations which are already applicable but not adopted in advance by the Company

The competent bodies of the European Union approved the following accounting standards and amendments:

› On 12 May 2011 the IASB issued standard IFRS 10 - Consolidated Financial Statements which will replace SIC-12 Consolidation - Special Purpose Entities and parts of IAS 27 - Consolidated and Separate Financial Statements that will be renamed Separate Financial Statements and will regulate the accounting treatment of investments in separate financial statements. The new standard deviates from existing standards by identifying the concept of control, according to a new definition, as the determinant factor for the purposes of consolidation of a company in the consolidated financial statements of the parent company. It also provides a guide for determining the existence of control where this is difficult to establish (effective control, potential votes, specific-purpose company, etc.). The standard is applicable in a retrospective manner from 1 January 2014.

› On 12 May 2011 the IASB issued the standard IFRS 11 – Joint arrangements which will replace IAS 31 – Interests in Joint Ventures and SIC-13 – Jointly Controlled Entities - Non-Monetary Contributions by Venturers. The new standard provides methods for identifying joint arrangements based on the rights and obligations under such arrangements rather than their actual legal form and establishes the equity method as the only accounting treatment for jointly controlled entities in consolidated financial statements. The standard is applicable in a retrospective manner from 1

January 2014. After its issue IAS 28 – Investments in Associates was amended to include jointly controlled entities within its scope of application, as of the date the standard became effective

- On 12 May 2011, the IASB issued the standard IFRS 12 – Disclosure on interests in other entities which is a new and complete standard on disclosures to provide on all types of investments including in subsidiaries, joint arrangements, associates, special purpose entities and unconsolidated structured entities. The standard is applicable in a retrospective manner from 1 January 2014.

- On 16 December 2011, the IASB issued some amendments to IAS 32 – Financial Instruments: presentation, to clarify the use of some criteria for offsetting financial assets and liabilities contained in IAS 32. The amendments are applicable in a retrospective manner for years commencing from or after 1 January 2014.

- On 29 May 2013, the IASB issued an amendment to IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets, which regulates disclosure on the recoverable amount of assets subject to impairment, if the amount is based on the fair value net of costs to sell. The amendments must be adopted retroactively, commencing from 1 January 2014. Application in advance is permitted for periods in which the entity has already adopted IFRS 13.

- On 27 June 2013, the IASB issued some minor amendments to IAS 39 – Financial Instruments: recognition and measurement - Novation of Derivatives and Continuation of Hedge Accounting The amendments allow for the continuation of hedge accounting if a financial derivative, designated as a hedging instrument, is novated following the adoption of the law or regulations in order to replace the original counterparty to guarantee the successful outcome of the obligation undertaken and if certain conditions are met. This amendment will also be included in IFRS 9 - Financial instruments The amendments must be adopted retroactively, commencing from 1 January 2014.

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 12 November 2009, the IASB published IFRS 9 – Financial Instruments. This standard was amended on 28 October 2010. The standard, which is applicable from 1 January 2015, in a retrospective manner, represents the first part of a process to entirely phase out and replace IAS 39 with new criteria for classifying and recognising financial assets and liabilities and for eliminating financial assets (derecognition) from the financial statements. In particular the new standard adopts a single approach for financial assets, based on financial instrument management and the characteristics of contractual cash flows of financial assets, to determine measurement criteria, replacing the rules of IAS 39. For financial liabilities instead, the main change concerns the accounting treatment of fair value changes of a financial liability designated as a financial liability measured at fair value through profit or loss, in the case where changes are due to a change in the creditworthiness of the liability. According to this new standard, the changes will be recognised as "Other comprehensive income" and will no longer be recognised in profit or loss.

- On 20 May 2013, the IASB issued IFRIC 21 - Levies, an interpretation of IAS 37 - Provisions, Contingent Liabilities and Contingent Assets. IFRIC 21 provides clarifications on when an entity must recognise a liability for the payment of levies imposed by governments, other than levies regulated by other standards (e.g. IAS 12 – Income tax). IAS 37 establishes criteria for the recognition of a liability, including the existence of the current obligation of the entity as the result of a past event (known as the binding fact). The interpretation clarifies that the binding fact, which gives rise to a liability for the payment of the tax, is described in the reference standard from which the payment arises. IFRIC 21 is effective from years commencing from 1 January 2014.

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.

Information on company management and coordination activities

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 2012, are summarised below. The above essential data were taken from the Financial Statements for the year ended 31 December 2012. To fully understand the financial position of IMMSI S.P.A as of 31 December 2012, as well as the financial performance of the company in the year ending at this date, reference is made to the letter accompanying the financial statements, and the report of the independent auditors, available in the form and in accordance with procedures established by law.

Income statement	2012	2011
In thousands of euros		
Financial income	21,605	18,661
Of which related parties and intergroup	*21,508*	*17,844*
Borrowing Costs	(51,823)	(8,966)
Of which related parties and intergroup	*(8,591)*	*(2,574)*
Income/(loss) from investments		
Operating income	4,775	4,787
Of which related parties and intergroup	*2,035*	*2,027*
Costs for materials	(38)	(42)
Costs for services and lease and rental costs	(3,590)	(3,230)
Of which related parties and intergroup	*(606)*	*(591)*
Employee costs	(1,295)	(1,292)
Depreciation of plant, property and equipment	(148)	(156)
Amortisation of goodwill		
Amortisation of intangible assets with a definite useful life	(4)	(4)
Other operating income	141	148
Of which related parties and intergroup	*80*	*100*
Other operating costs	(631)	(354)
Profit before tax	**(31,008)**	**9,552**
Taxes	1,148	1,454
Earnings after tax from operating activities	**(29,860)**	**11,006**
Profit or loss arising from assets held for disposal or sale	0	0
Net profit for the period	**(29,860)**	**11,006**

Statement of comprehensive income	2012	2011
In thousands of euros		
Net profit for the period	**(29,860)**	**11,006**
Profits (losses) from the fair value measurement of assets available for sale (AFS)	755	(8,378)
Effective portion of profit (losses) from instruments to hedge financial flows	(752)	(932)
Adjustment of the Investment Property reserve		(462)
Actuarial gains (losses) relative to defined benefit plans	(16)	13
Total profit (loss) for the period	**(29,874)**	**1,247**

Income Statement
Statement of Comprehensive Income
Statement of financial position
Statement of Cash Flows
Changes in Shareholders' Equity
Notes
Certification
Report of the Independent Auditors
Statutory Auditors' Report

Statement of Financial Position	As of 31 December 2012	As of 31 December 2011
In thousands of euros		
Non-current assets		
Intangible assets		*4*
Plant, property and equipment	364	509
Of which related parties and intergroup	*37*	*54*
Investment property	73,562	73,496
Investments	342,902	351,401
Other financial assets	43,712	116,047
Of which related parties and intergroup		*36,047*
Tax receivables	2,021	2,365
Deferred tax assets	102	62
Trade receivables and other receivables	5	3,541
Of which related parties and intergroup		*3,536*
Total non-current assets	**462,668**	**547,426**
Assets held for disposal	-	-
Current assets		
Trade receivables and other receivables	23,201	11,939
Of which related parties and intergroup	*22,882*	*11,731*
Tax receivables	646	1,218
Other financial assets	129,466	72,362
Of which related parties and intergroup	*119,132*	*66,395*
Cash and cash equivalents	3,383	726
Total current assets	**156,696**	**86,245**
Total assets	**619,364**	**633,671**
Shareholders' equity		
Share capital	177,076	177,076
Reserves and retained earnings	257,952	257,176
Income for the period	(29,860)	11,006
Total shareholders' equity	**405,168**	**445,258**
Non-current liabilities		
Financial liabilities	27,736	62,504
Trade payables and other payables	1,496	744
Retirement fund and similar obligations	323	264
Other long-term provisions		
Deferred tax liabilities	20,042	20,404
Total non-current liabilities	**49,597**	**83,916**
Liabilities related to assets held for disposal	-	-
Current liabilities		
Financial liabilities	162,138	96,681
Trade payables	1,468	1,387
Of which related parties and intergroup	*350*	*278*
Current taxes	328	319
Other payables	665	6,110
Of which related parties and intergroup	*2*	*5,712*
Current portion of other long-term provisions	-	-
Total current liabilities	**164,599**	**104,497**
Total shareholders' equity and liabilities	**619,364**	**633,671**

B) Information on the income statement

3. Net revenues €/000 714,488

Revenues for disposals of company core business assets essentially refer to the marketing of vehicles and spare parts on European and non-European markets. Revenues are recognised net of premiums given to customers.

Revenues by geographic segment

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

	2013		2012		Change	
	Amount	%	Amount	%	Amount	%
In thousands of euros						
EMEA and Americas	676,288	94.65	802,863	95.38	(126,575)	(15.77)
Asia Pacific	37,439	5.24	38,478	4.57	(1,040)	(2.70)
India	762	0.11	414	0.05	348	84.03
Total	**714,488**	**100.00**	**841,756**	**100.00**	**(127,268)**	**(15.12)**

Revenues by type of product

The breakdown of revenues by type of product is shown in the following table:

	2013		2012		Change	
	Amount	%	Amount	%	Amount	%
In thousands of euros						
Two-wheeler	650,666	91.07	769,573	91.42	(118,907)	(15.45)
Commercial Vehicles	63,823	8.93	72,183	8.58	(8,360)	(11.58)
Total	**714,488**	**100.00**	**841,756**	**100.00**	**(127,268)**	**(15.12)**

In 2013 net sales revenues decreased by €/000 127,268 attributable to the general decline in demand for Two-Wheeler vehicles on the Italian and European market, due to the economic crisis affecting the entire western world.

4. Costs for materials *€/000 401,976*

These totalled €/000 401,976 compared to €/000 485,637 as of 31 December 2012.
The decrease in costs for materials compared to the previous year (17.2%) is mainly related to the fall in production and sales volumes. The percentage of costs for materials accounting for net sales went down, from 57.7% in 2012 to 56.3% in 2013.

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

	2013	2012	Change
In thousands of euros			
Raw, ancillary materials, consumables and goods	389,118	472,701	(83,583)
Purchase of used vehicles and vehicles for testing	23	46	(23)
Change in inventories of raw, ancillary materials, consumables and goods	6,168	7,762	(1,594)
Change in work in progress of semifinished and finished products	6,667	5,128	1,539
Total costs for purchases	**401,976**	**485,637**	**(83,661)**

The change in inventories of raw, ancillary materials, consumables and goods, amounting to a negative figure of €/000 6,168, is attributable to the following:

Merchandise
Negative change of €/000 4,919.
Use of the provision for obsolete stock, net of the allocation of €/000 586, amounted to €/000 6,325.

Raw materials
Negative change of €/000 985.
The allocation to the provision for obsolete raw materials amounted to €/000 123.

Consumables
Negative change of €/000 264.
The change in work in progress, semi-finished and finished products, for a total negative amount of €/000 6,667 was determined as follows:
- Finished products: negative change of €/000 5,309.
- Semifinished products: negative change of €/000 1,249.
- Work in progress negative change of €/000 109.

Allocation to the provision for obsolete finished products, net of a use of €/000 676, amounted to €/000 138.

5. Costs for services, lease and rentals *€/000 179,613*

These totalled €/000 179,613 compared to €/000 218,872 as of 31 December 2012.
Below is a breakdown of this item:

	2013	2012	Change
In thousands of euros			
Employee costs	6,851	9,640	(2,789)
External maintenance and cleaning costs	4,122	4,661	(539)
Energy, telephone and telex costs	12,468	13,254	(786)
Commissions payable	21,166	18,641	2,525
Advertising and promotion	9,507	12,433	(2,926)
Technical, legal and tax consultancy and services	7,182	8,523	(1,341)
Company boards operating costs	2,184	2,184	0
Insurance	2,945	2,991	(46)
Outsourced manufacturing	12,989	15,334	(2,345)
Transport costs (vehicles and spare parts)	35,861	44,150	(8,289)
Sundry commercial expenses	5,687	11,274	(5,587)
Product warranty costs	8,329	9,100	(771)
Costs for quality-related events	2,323	7,607	(5,284)
Bank costs and factoring charges	3,840	4,749	(909)
Misc services provided in the business year	29,271	35,992	(6,721)
Other services	3,492	4,446	(954)
Lease and rental costs	11,396	13,894	(2,498)
Total	**179,613**	**218,872**	**(39,259)**

The decrease of €/000 39,259 is mainly attributable to the decrease in costs relative to transport, third party work, advertising and promotion, employee costs, consultancy services, commercial expenses, commission due, costs for miscellaneous business services and lease and rental costs. Costs for quality-related events were partially offset by compensation received, recognised under "Other operating income" and amounting to €/000 1,581.
Lease and rental costs refer to €/000 5,272 for rental payments for buildings and €/000 6,124 for car, software and photocopier hire payments.
Third party work, of €/000 12,989 refers to processing on production components carried out by outsourced suppliers.
Transport costs total €/000 35,861 and refer to €/000 26,700 for the sale of products, €/000 7,866 for transport costs for purchases, €/000 742 for transport costs for shuttle and other transit services, and to €/000 553 for postal expenses and express courier services.
The item "Other services" includes services for public relations amounting to €/000 2,238, technical services for expertise amounting to €/000 35 as well as costs of employees seconded to other companies and costs of temporary work for a total of €/000 976.
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 €/000 440, €/000 1,310, €/000 302, €/000 62, €/000 40 and €/000 30 respectively.
Business services include outsourcing services for €/000 9,111, warehouse management services for €/000 385, relocation and restoration services for €/000 1,411, waste disposal and water treatment services for €/000 1,822, administration and back office services provided by group companies for €/000 11,955 and management services provided by the parent company IMMSI S.p.A. for €/000 1,000.

6. Employee costs *€/000 156,889*

Employee costs are broken down as follows:

	2013	2012	Change
In thousands of euros			
Salaries and wages	109,035	118,755	(9,720)
Social security contributions	34,955	37,541	(2,586)
Termination benefits	8,084	8,476	(392)
Other costs	4,815	5,889	(1,074)
Total	**156,889**	**170,661**	**(13,772)**

The reduction during the year is due, among other things, to a considerable part of variable costs related to incentive systems for personnel at all levels, not being included, due to personnel failing to reach their objectives.
The workforce as of 31 December 2013 totalled 3,780 members of staff.

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

Average number

Level	2013	2012	Change
Senior management	78	80	(2)
Middle management	231	232	(1)
White collars	951	985	(34)
Blue collars	2,562	2,742	(180)
Total	**3,822**	**4,039**	**(217)**

Number as of

Level	31 December 2013	31 December 2012	Change
Senior management	78	81	(3)
Middle management	228	232	(4)
White collars	938	969	(31)
Blue collars	2,536	2,568	(32)
Total	**3,780**	**3,850**	**(70)**

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

Level	As of 31.12.12	Incoming	Outgoing	Relocations	As of 31.12.13
Senior management	81	6	(10)	1	78
Middle management	232	3	(15)	8	228
White collars	969	10	(37)	(4)	938
Blue collars	2,568	31	(58)	(5)	2,536
Total	**3,850**	**50**	**(120)**	**0**	**3,780**

7. Amortisation, depreciation and impairment costs *€/000 63,269*

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

Property, plant and equipment	2013	2012	Change
In thousands of euros			
Buildings	3,723	3,458	265
Plant and equipment	8,256	7,990	266
Industrial and commercial equipment	13,944	14,654	(710)
Other assets	501	559	(58)
Total depreciation of tangible fixed assets	**26,424**	**26,661**	**(237)**
Impairment of property, plant and equipment	-	-	-
Total depreciation of property, plant and equipment and impairment costs	**26,424**	**26,661**	**(237)**

Intangible assets	2013	2012	Change
In thousands of euros			
Development costs	16,533	15,643	890
Industrial Patent and Intellectual Property Rights	13,961	14,495	(534)
Concessions, licences, trademarks and similar rights	5,746	5,746	0
Total amortisation of intangible fixed assets	**36,240**	**35,884**	**356**
Impairment of intangible assets	605	-	605
Total depreciation of intangible assets and impairment costs	**36,845**	**35,884**	**961**

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 2013 confirmed the full recoverability of the amounts recorded in the financial statements.
The write-down of intangible assets concerns development projects in progress, abandoned under the new industrial plan.

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 3,738.

8. Other operating income — *€/000 103,599*

This item consists of:

In thousands of euros	2013	2012	Change
Operating grants	3,580	2,316	1,264
Increases in fixed assets from internal work	28,630	30,520	(1,890)
Other revenue and income:			
- Expenses recovered in invoices	18,853	22,746	(3,893)
- Rent receipts	266	260	6
- Contingent assets from measurement	164	58	106
- Capital gains on the disposal of assets	533	561	(28)
- Recovery of transport costs	640	46	594
- Recovery of business costs	1,819	1,402	417
- Recovery of registration costs	112	1,326	(1,214)
- Recovery of advertising costs	0	38	(38)
- Recovery of stamp duty	645	1,060	(415)
- Recovery of labour costs	5,636	6,140	(504)
- Recovery of duty on exported products	90	62	28
- Recovery of supplier costs	769	1,036	(267)
- Recovery of warranty costs	95	63	32
- Recovery of taxes from customers	527	551	(24)
- Recovery of professional training costs	0	7	(7)
- Recovery of sundry costs	5,437	3,008	2,429
- Provision of services to group companies	8,689	12,908	(4,219)
- Licence rights and know-how	15,871	15,247	624
- Commission receivable	1,366	1,413	(47)
- Sale of miscellaneous materials	77	769	(692)
- Compensation from damage to third parties	1,440	1,001	439
- Compensation from third parties for quality-related events	1,581	2,833	(1,252)
- Sponsorship	1,250	1,050	200
- Clearance of payables	2,355	66	2,289
- Other income	3,174	4,250	(1,076)
Total other operating income	**103,599**	**110,737**	**(7,138)**

The decrease totals €/000 7,138.

Operating grants refer to:

- €/000 389 for benefits established by Law 296/2006 (2007 Budget), subsequently amended by law 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 2,565 for other public subsidies concerning research projects of which €/000 36 of an EU origin.
- €/000 465 for funding for professional training provided by trade associations.
- €/000 161 for the portion relative to the year, of sums received from a customer for product development.

During the period, internal costs for product development projects of €/000 28,128 were capitalised, in addition to internal costs for the development of software for €/000 489 and internal costs for the construction of property, plant and equipment, amounting to €/000 13.

Expenses recovered in invoices refer to costs for preparation, advertising, insurance, transport and packaging charged to clients directly in product sales invoices.

The item “Recovery of sundry costs” includes €/000 999 and €/000 1,384 charged to the subsidiaries Piaggio Vietnam and Piaggio Vehicles respectively, as well as €/000 246 charged to the affiliated company Zongshen Piaggio Foshan for the supply of components, equipment and various materials for the construction and production of vehicles. This item includes costs to third parties for €/000

2,438 for the recovery of sundry costs.
Licence rights of €/000 15,871 were obtained mainly from the subsidiaries Piaggio Vehicles (€/000 7,358) and Piaggio Vietnam (€/000 7,126), from the affiliated company Piaggio Foshan (€/000 179) as well as from the third party companies JINCHENG GROUP (€/000 56), THE BEANSTALK (€/000 185), FORME SRL (€/000 686).
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 stamp duty mainly refers to amounts charged to dealers for stamp duty on vehicle conformity certificates, as from 1 January 2005.
Other income includes contingent assets for the year amounting to €/000 2,012.

9. Other operating costs *€/000 24,017*

This item consists of:

	2013	2012	Change
In thousands of euros			
Provision for litigation	-	368	(368)
Total provisions for risks	**0**	**368**	**(368)**
Provisions for product warranties	6,596	10,108	(3,512)
Provision for quality-related events	-	750	(750)
Total other provisions	**6,596**	**10,858**	**(4,262)**
Stamp duty	782	1,315	(533)
Duties and taxes not on income	873	1,279	(406)
Local tax, formerly council tax	1,384	1,168	216
Various subscriptions	840	896	(56)
Social charges	421	217	204
Capital losses from disposal of assets	17	0	17
Miscellaneous expenses	7,436	2,031	5,405
Losses on receivables	2,015	168	1,847
Total sundry operating costs	**13,768**	**7,074**	**6,694**
Impairment of current receivables	3,653	1,214	2,439
Total impairment	**3,653**	**1,214**	**2,439**
Total other operating costs	**24,017**	**19,514**	**4,503**

Overall, other operating costs increased by €/000 4,503.
Stamp duty of €/000 782 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".
Sundry costs include contingent liabilities amounting to €/000 4,482.

10. Income/(loss) from investments *€/000 53,405*

This item consists of:

In thousands of euros	2013	2012	Change
Dividends from subsidiaries	57,379	75,602	(18,223)
Value reinstatements on investments in subsidiaries	1,446	6,573	(5,127)
Value reinstatements on investments in affiliated companies	654	3,550	(2,896)
Dividends from the investments of non-controlling interests	154	15	139
Write-down of investments in subsidiaries	(6,228)	(4,559)	(1,669)
Total	**53,405**	**81,181**	**(27,776)**

Dividends of €/000 22,973 were distributed by the subsidiary Piaggio Vehicles Ltd, of €/000 16,000 by Piaggio Vespa B.V., of €/000 17,406 by Piaggio Vietnam and of €/000 1,000 by Aprilia Racing.
Value reinstatements of € 2,100 concern the subsidiary Piaggio China for €/000 1,446 and the affiliated company Zongshen Piaggio Foshan for €/000 654.
These value reinstatements, confirmed by impairment testing, are related to the positive economic performance of the affiliated company Zongshen Piaggio Foshan, whose share capital is held 12.5% through the subsidiary Piaggio China and 32.5% directly. The value of investments recorded as assets now amounts to €/000 2,040 for the subsidiary Piaggio China and €/000 5,736 for Zongshen Piaggio Foshan.
For further details, see the section “Interests in joint ventures” in the Consolidated Financial Statements.
The write-down of investments in subsidiaries reflects the lower value of €/000 6,228 determined for the investment in Nacional Motor, in compliance with the impairment testing result.

11. Net financial expense and similar *€/000 (28,283)*

Below is the breakdown of borrowing costs and income:

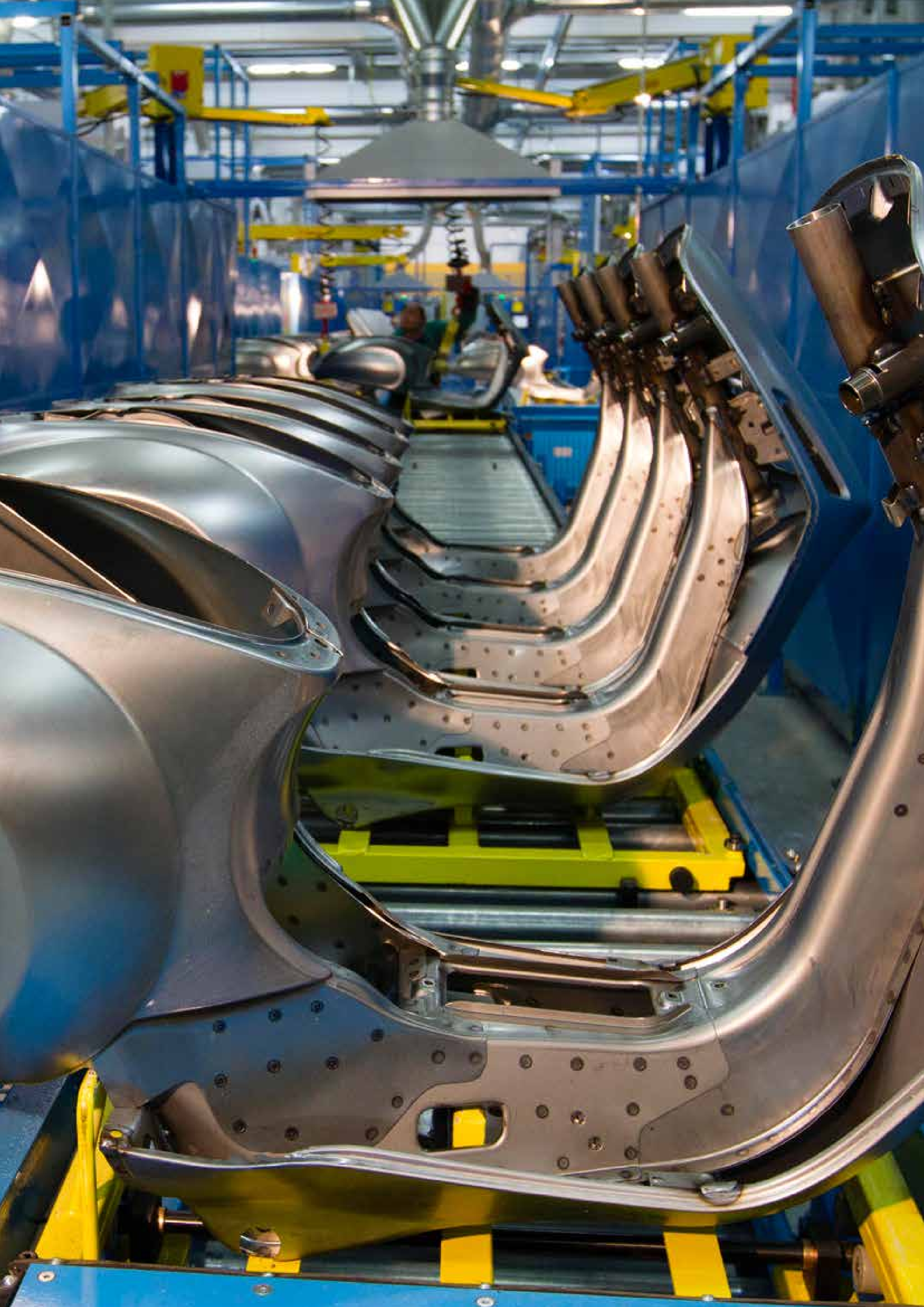
In thousands of euros	2013	2012	Change
Financial income			
- From subsidiaries	356	331	25
Financial income from third parties:			0
- Interest receivable from clients	34	69	(35)
- Bank and post office interest payable	238	458	(220)
- Income from fair value measurements	115	301	(186)
- Other	54	17	37
Total financial income from third parties:	441	845	(404)
Total financial income	**797**	**1,176**	**(379)**

The amount of €/000 356 recognised as financial income from subsidiaries refers to:
- a total of €/000 355 as interest from financing activities to the subsidiaries Piaggio Vehicles Private Limited (€/000 241), Nacional Motor (€/000 112), and Aprilia Racing (€/000 2);
- €/000 1 from cash pooling by Piaggio & C. for European subsidiaries.

	2013	2012	Change
In thousands of euros			
Borrowing Costs			
- Payable to subsidiaries	4	9	(5)
Total borrowing costs payable to the Group	4	9	(5)
Borrowing costs payable to third parties:			
- Interest payable on a debenture loan	14,380	14,672	(292)
- Interest payable on bank accounts	1,381	822	559
- Interest payable on bank loans	8,594	8,625	(31)
- Interest to suppliers	527	82	445
- Interest payable to other lenders	852	1,285	(433)
- Interest payable on subdiscount factor operations	964	1,393	(429)
- Cash discounts to clients	397	557	(160)
- Bank charges on loans	1,827	1,809	18
- Interest payable on lease agreements	114	180	(66)
- Borrowing costs from discounting back termination benefits	1,581	1,969	(388)
- Other	30	19	11
Total borrowing costs payable to third parties	30,647	31,413	(766)
Total borrowing costs	**30,651**	**31,422**	**(771)**
Costs capitalised on Property, Plant and Equipment	466	1,056	(590)
Costs capitalised on Intangible Assets	1,085	1,230	(145)
Total Capitalised Costs	**1,551**	**2,286**	**(735)**
Total borrowing costs	**29,100**	**29,136**	**(36)**

During 2013, borrowing costs for €/000 1,551 were capitalised. The average rate used for the capitalisation of borrowing costs (due to general loans), was equal to 5.62%.
Interest payable on debenture loans refers to borrowing costs for the year concerning the debenture loan issued by the Company on 4 December 2009, falling due on 1 December 2016 and the debenture loan issued on 25 July 2011 falling due on 31 July 2021.
Interest payable to other lenders mainly refers to interest payable to factoring companies and banks for the sale of trade receivables. The item also includes interest payable to the financial administration authorities (€/000 23) relating to the acknowledgement of notices of assessment.

	2013	2012	Change
In thousands of euros			
- Exchange gains	5,430	6,279	(849)
- Exchange losses	(5,568)	(5,594)	26
Total exchange gains (losses)	(138)	685	(823)
- Exchange gains	590	793	(203)
- Exchange losses	(432)	(1,757)	1,325
Total valuation exchange gains (losses)	158	(964)	1,122
Net exchange gains/(losses)	**20**	**(279)**	**299**



12. Taxes *€/000 19,094*

The item "Income taxes" is detailed below:

In thousands of euros	2013	2012*	Change
Current taxes	7,501	5,764	1,737
Deferred tax liabilities	(13,992)	(4,104)	(9,888)
Taxes of previous years	991	356	635
Non-recurrent costs	24,594		24,594
Total taxes	**19,094**	**2,016**	**17,078**

* The 2012 figures have been reallocated based on the presentation treatment adopted from the 2013 financial statements.

Income taxes for 2013 amount to €/000 19,094 and include the non-recurrent cost of €/000 24,594 relative to the assessment of tax litigation being defined at the end of the reporting period. This amount, discussed in note 44, consists of €/ML 5.1 for concerns findings for regional production tax purposes, which will entail a financial outlay divided in 5 quarterly instalments (4 instalments of €/ML 1 in 2014 and the last one in March 2015). The remaining €/ML 19.5 that will not entail any financial outlay, relate to the findings for income tax purposes and originate from the offsetting of:
- tax losses for previous years against which the deferred tax had been recognised (impact on the income statement of €/ML15.5);
- tax losses related to the Consolidated Tax Convention, that the Parent Company participates in and that gave rise to the recognition of an expense from consolidation of €/ML 4.

In 2012, taxes were equal to €/000 2,016 and accounted for 4.2% of profit before tax.

Current taxes consist of:
- €/000 2,866 from foreign income tax, mainly relative to royalties from the Indian subsidiary Piaggio Vehicles Ltd. and from the subsidiary Piaggio Vietnam, whose taxes amounted to €/000 2,023 and €/000 785 respectively.
- For €/000 262 from corporate income tax payable separately on CFCs.
- €/000 2,720 from regional production tax on income for the year.
- For €/000 1,653 from net costs arising from transfers within the framework of the Consolidated Tax Mechanism.

Deferred tax represents the effects on income generated by the deferred tax assets and liabilities.
With regard to the deferred tax liabilities, during the year new provisions were made for €/000 989, and provisions from previous years were released for €/000 1,880.
With regard to deferred tax assets, on the other hand, new provisions amounted to €/000 20,066, while the release of amounts allocated in previous years came to €/000 6,965.

Reconciliation in relation to the theoretical rate is shown below:

In thousands of euros	2013	2012
Revenue taxes on income		
Profit before tax	17,445	48,206
Theoretical rate	27.50%	27.50%
Theoretical tax	4,797	13,257
Tax effect arising from permanent changes	(9,498)	(21,298)
Tax effect arising from temporary changes	(2,132)	2,236
Reversal of deferred corporate tax liabilities allocated in previous years for temporary changes	(1,753)	(1,505)
Reversal of deferred corporate tax assets allocated in previous years for temporary changes	5,880	4,329
Reversal of deferred tax assets allocated in previous years for tax losses	351	1,084
Tax effect arising from taxes on income produced abroad	2,866	2,557
Separate corporate income tax on CFCs	262	
Taxes relative to previous years	861	171
Expenses (income) from the Consolidated Tax Mechanism	1,653	(22)
Tax affect arising from deferred corporate tax liabilities for temporary changes	962	840
Tax affect arising from deferred corporate tax assets for temporary changes	(8,352)	(1,296)
Tax effect arising from the adjustment of deferred corporate income tax assets allocated for the 2010 tax loss	(33)	
Non-recurrent costs	19,464	
Tax effect arising from deferred corporate tax assets due to recalculation of the 2010 and 2011 tax loss after a higher deduction of regional tax from corporate income tax		(2,183)
Tax affect arising from deferred corporate tax assets on interest payable deducted within the framework of the Consolidated Tax Mechanism	(4,060)	
Deferred tax assets transferred to the Consolidated Tax Mechanism	171	0
REGIONAL PRODUCTION TAX (IRAP)		
Regional production tax on net revenues for the year	2,720	3,230
Regional production tax referred to previous years	130	185
Reversal of deferred regional production tax liabilities allocated in previous years for temporary changes	(127)	(135)
Reversal of deferred regional production tax assets allocated in previous years for temporary changes	734	539
Non-recurrent costs	5,130	
Tax affect arising from deferred regional production tax liabilities for temporary changes	27	27
Tax affect arising from deferred regional production tax assets for temporary changes	(959)	0
Income taxes recognised in the financial statements	**19,094**	**2,016**

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 Mechanism, in which IMMSI acts as Consolidating Party, with a negative taxable amount of €/000 31,655.

13. Profits/(losses) 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.

C) Information on the statement of financial position - Assets

14. Intangible assets *€/000 555,279*

The table below shows the breakdown of intangible assets as of 31 December 2013 and 31 December 2012, as well as movements during the year.

In thousands of euros	Development costs	Patent rights	Concessions, licences and trademarks	Goodwill	Other	Assets under development and advances	Total
As of 1 January 2012							
Historical cost	79,907	190,624	227,105	463,926	-	22,044	983,606
Provisions for write-down	-	-	-	-	-	-	-
Accumulated amortisation	(52,410)	(153,618)	(143,330)	(95,375)	-	-	(444,733)
Net carrying amount	**27,497**	**37,006**	**83,775**	**368,551**	**-**	**22,044**	**538,873**
2012							
Investments	15,113	15,628	-	-	-	16,142	46,883
Transitions in the period	9,872	922	-	-	-	(10,794)	-
Amortisation	(15,643)	(14,496)	(5,746)	-	-	-	(35,885)
Write-downs	-	-	-	-	-	-	-
Disposals	(1,194)	(15)	-	-	-	-	(1,209)
Other movements	1	(1)	-	-	-	-	-
Total movements for the year	**8,149**	**2,038**	**(5,746)**	**-**	**-**	**5,348**	**9,789**
As of 31 December 2012							
Historical cost	80,363	207,133	227,105	463,926	-	27,392	1,005,919
Provisions for write-down	-	-	-	-	-	-	-
Accumulated amortisation	(44,717)	(168,089)	(149,076)	(95,375)	-	-	(457,257)
Net carrying amount	**35,646**	**39,044**	**78,029**	**368,551**	**-**	**27,392**	**548,662**
2013							
Investments	10,952	15,348	-	-	-	17,362	43,662
Transitions in the period	15,527	338	-	-	-	(15,865)	-
Amortisation	(16,533)	(13,961)	(5,746)	-	-	-	(36,240)
Write-downs	-	-	-	-	-	(605)	(605)
Disposals	(172)	(28)	-	-	-	-	(200)
Other changes	(1)	-	1	-	-	-	-
Total movements for the year	**9,773**	**1,697**	**(5,745)**	**-**	**-**	**892**	**6,617**
As of 31 December 2013							
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**

The breakdown of intangible assets for the period and under construction is as follows:

	Value As of 31 December 2013			Value As of 31 December 2012			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	45,419	23,490	68,909	35,646	24,094	59,740	9,773	(604)	9,169
Patent rights	40,741	4,794	45,535	39,044	3,298	42,342	1,697	1,496	3,193
Concessions, licences and trademarks	72,284	-	72,284	78,029	-	78,029	(5,745)	-	(5,745)
Goodwill	368,551	-	368,551	368,551	-	368,551	-	-	-
Total	**526,995**	**28,284**	**555,279**	**521,270**	**27,392**	**548,662**	**5,725**	**892**	**6,617**

Intangible assets increased overall by €/000 6,617 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 2013 borrowing costs for €/000 1,085 were capitalised, applying an average interest rate of 5.62%.

Development costs €/000 68,909

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.
During 2013, and based on an overall analysis of capitalised development costs, to verify correct classification, the Company reclassified costs incurred in the year, relative to the projects listed in the table below, from “Development costs” to “Industrial Patent and Intellectual Property Rights”:

Ape PAX
Aprilia Caponord
3v LEM engine
Tuono engine
New California Guzzi
New Vespa LX
Vespa 946
1200 engine for the Aprilia CapoNord

These products and their development have made it necessary to adopt highly innovative technical solutions, develop new calculation methods and regulations, define ad hoc design and testing techniques, acquire technologically advanced measurement and test equipment, and have enabled Piaggio to diversify its technical expertise and the quality and functional standards of some of its vehicles compared to the competition. In this framework, the 2013 Financial Statements reflect the total costs incurred in the product development process to a better extent, because although complying with the capitalisation criteria of IAS 38, they did not lead the Company obtaining specific patents or the acquisition of particular technical expertise not yet available to third parties.

Development expenditure for new projects capitalised in 2013 mainly refers to new engines for Aprilia and Moto Guzzi motorcycles, the new naked Guzzi motorcycle, new 3V low emission engines for new scooters, the Vespa 946 and the Vespa Primavera, as well as the new version of the MP3 and new Scarabeo, P121 and P122 scooters.
The impairment of €/000 605 concerns development projects in progress, abandoned under the new industrial plan.
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.

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Development costs included under this item are amortised on a straight line basis over 5 years (founding products) or 3 years, in consideration of their remaining useful life. At the end of 2013, based on the new industrial plan, the Group redefined the useful life of some projects already amortised, changing the useful life from 3 to 5 years. In particular, the item refers to projects in the last year of amortisation of which the Group will continue to benefit financially also in the next two years, that have technical characteristics which do not make them obsolete and for which new investments are not planned. The accounting effects of this change are as follows:

	New valuation	Previous valuation	Change
In thousands of euros			
Annual amortisation	16,533	20,568	(4,035)

During 2013, development costs of approximately €15.4 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 68,909 is unavailable in shareholders' equity.

Industrial Patent and Intellectual Property Rights — €/000 45,535

This item comprises patents for €/000 548, know-how for €/000 31,699 and software for €/000 13,288.
As regards software, the increase in the period amounted to €/000 5,519 and was mainly attributable to the purchase of various licences, upgrades and the introduction of the new PLM system (Product Lifecycle Management) for the R&D area, as well as the implementation of projects for sales, production, personnel and administration.
Investments in know-how totalled €/000 11,132.
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 72,284

The item Trademarks, concessions and licences, equal to €/000 72,284 consists of:

	As of 31 December 2013	As of 31 December 2012	Change
In thousands of euros			
Derbi trademark	13,200	14,400	(1,200)
Guzzi trademark	21,125	22,750	(1,625)
Aprilia trademark	37,904	40,819	(2,915)
Minor trademarks	55	60	(5)
Total Trademark	**72,284**	**78,029**	**(5,745)**

The Derbi brand is amortised over 15 years, maturing in 2024. Amortisation during the year amounted to €/000 1,200.
As regards the Guzzi and Aprilia brands, in compliance with IAS 38 paragraph 104, the useful life of both brands, originally estimated as until 2019, was revised during 2012. Based on this revision, the remaining useful life of the Guzzi and Aprilia brands was extended to 2026.
The changes of €/000 1,625 and €/000 2,915, indicated in the above table, refer to the amortisation of the Guzzi and Aprilia brands during the year, which reflects the new useful life of the two brands valued in 2012.
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. use of the 2014-2017 Industrial Plan (approved by the Board of Directors on 19 March 2014);

b. b. the WACC discount rate.

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 (7.0% for 2013).

In the future cash flows discounting model, a final value is entered at the end of the cash flow projection period, to reflect the residual value Piaggio should produce. The final 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 1.5%.

The impairment test carried out as of 31 December 2013 confirmed that there was no need to make any changes to the figures in the financial statements. The estimates prepared by the Company, which forecast a positive trend for the next 3 years, confirm the adequacy of amounts.
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 final 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 *€/000 201,602*

The table below shows the breakdown of plant, property and equipment as of 31 December 2013 and 31 December 2012, as well as movements during the period.

	Land	Buildings	Plant and equipment	Equipment	Other assets	Assets under development and advances	Total
In thousands of euros							
As of 1 January 2012							
Historical cost	28,035	108,453	252,706	440,789	25,794	22,065	877,842
Reversals	-	4,816	2,368	6,253	199	-	13,636
Provisions for write-down	-	-	-	(1,339)	-	-	(1,339)
Accumulated depreciation	-	(43,135)	(225,553)	(415,232)	(23,735)	-	(707,655)
Net carrying amount	**28,035**	**70,134**	**29,521**	**30,471**	**2,258**	**22,065**	**182,484**
2012							
Investments	-	1,771	4,938	9,572	178	22,669	39,128
Transitions in the period	-	746	2,284	3,035	161	(6,226)	-
Depreciation	-	(3,458)	(7,990)	(14,654)	(559)	0	(26,661)
Write-downs	-	-	-	-	-	-	0
Disposals	-	1	-	(61)	(9)	(27)	(96)
Acquisition of Tecnocontrol	-	2,113	6,456	1,142	68	-	9,779
Other movements	-	-	(1)	-	-	-	(1)
Total movements for the year	**-**	**1,173**	**5,687**	**(966)**	**(161)**	**16,416**	**22,149**
As of 31 December 2012							
Historical cost	28,035	113,084	266,352	453,667	26,037	38,481	925,656
Reversals	-	4,816	2,368	6,253	199	-	13,636
Provisions for write-down	-	-	-	(1,337)	-	-	(1,337)
Accumulated depreciation	-	(46,593)	(233,512)	(429,078)	(24,139)	-	(733,322)
Net carrying amount	**28,035**	**71,307**	**35,208**	**29,505**	**2,097**	**38,481**	**204,633**
2013							
Investments	-	1,179	4,071	7,507	333	10,428	23,518
Transitions in the period	-	13,110	8,389	5,720	116	(27,335)	-
Depreciation	-	(3,723)	(8,256)	(13,944)	(501)	-	(26,424)
Write-downs	-	-	-	-	-	-	-
Disposals	(25)	(2)	(18)	(78)	(2)	-	(125)
Other changes		-			-	-	-
Total movements for the year	**(25)**	**10,564**	**4,186**	**(795)**	**(54)**	**(16,907)**	**(3,031)**
As of 31 December 2013							
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**

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

	Value as of 31 December 2013			Value as of 31 December 2012			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									
Land	28,010	-	28,010	28,035	-	28,035	(25)	-	(25)
Buildings	81,871	1,938	83,809	71,307	14,340	85,647	10,564	(12,402)	(1,838)
Plant and equipment	39,394	5,122	44,516	35,208	10,475	45,683	4,186	(5,353)	(1,167)
Equipment	28,710	14,511	43,221	29,505	13,550	43,055	(795)	961	166
Other assets	2,043	3	2,046	2,097	116	2,213	(54)	(113)	(167)
Total	**180,028**	**21,574**	**201,602**	**166,152**	**38,481**	**204,633**	**13,876**	**(16,907)**	**(3,031)**

Property, plant and equipment decreased overall by €/000 3,031. Investments for the period amount to €/000 23,518 and mainly refer to moulds for new vehicles and engines that will be launched in the subsequent year, to drive shaft processing lines, engine test benches and the experimental workshop. 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 2013 borrowing costs for €/000 466 were capitalised, applying an average interest rate of 5.62%.

Land €/000 28,010

The decrease of €/000 25 refers to a portion of land (345 m^2) at the Noale site, expropriated by the Public Authorities. Following the compensation received, a capital gain of €/000 42 was recorded.

Buildings €/000 83,809

Buildings decreased overall by €/000 1,838. The negative imbalance is due to the decrease caused by amortisation for the period of €/000 3,723 and the disposal of residual costs for €/000 2 partially offset by new investments made during the year for €/000 1,887.
Capitalisation of €/000 1,887 relative to production buildings, refers to:

In thousands of euros	
Various works at the Pontedera plant	1,788
Various works at the Noale and Scorzè plants	99

During the period, capitalisation amounting to €/000 14,289 was recognised, of which €/000 13,110 relative to investments made in previous years.

Plant and equipment €/000 44,516

The item decreased overall by €/000 1,167. The negative imbalance is due to the decrease caused by amortisation for the period of €/000 8,256 and the disposal of residual costs for €/000 18 partially offset by new investments made during the year for €/000 7,107.

Capitalisation of €/000 7,107, relative to plant and machinery, refers to the following acquisitions:

In thousands of euros	
Upgrading of equipment at the two- and three-wheeler workshops	1,073
Investments for engine assembly lines	203
Purchase of machinery for mechanical processing	543
Investments for the vehicle painting and assembly area	570
Investments for new engines and new vehicles	3,080
Investments for the former Foundry building, for offices	280
Investments for the former PM01 Warehouse building	575
Investments for the New Spare Parts Building	783

During the period, capitalisation amounting to €/000 12,460 was recognised, of which €/000 8,389 relative to investments made in previous years.

Equipment €/000 43,221

The item increased overall by €/000 166. The positive imbalance is due to new investments made in the year for €/000 14,188, nearly entirely offset by amortisation for the period of €/000 13,944 and the disposal of residual costs for €/000 78.
Capitalisation of €/000 14,188, referred to equipment, concerns the following purchases:

In thousands of euros	
The purchase of moulds and equipment for the Moto Guzzi California	76
The purchase of moulds and equipment for the MP3 RST	504
The purchase of moulds and equipment for the Aprilia Scarabeo scooter	705
The purchase of moulds and equipment for the Piaggio Scooter	235
The purchase of moulds and equipment for the Vespa 946	3,046
The purchase of moulds and equipment for the Vespa Primavera	2,257
The purchase of moulds and equipment for the Vespa Primavera "S" version	333
The purchase of moulds for the Aprilia motorcycle	133
The purchase of moulds for Aprilia-Guzzi engines	31
The purchase of moulds for Piaggio and Aprilia Scooter engines	389
Equipment for upgrading plants	53
Equipment for setting up machinery in the PM01 Area	127
Equipment for Pontedera plant assembly lines	127
Equipment for the Moto Guzzi plant assembly lines	225
Equipment for Pontedera plant welding lines	2,491
Equipment for steel processing lines	205
Equipment to improve vehicle quality	716
Equipment for the New Spare Parts Centre	234
Equipment for the painting department	101
The renewal of moulds due to wear and for safety reasons	2,200

During the period, capitalisation amounting to €/000 13,227 was recognised, of which €/000 5,720 relative to investments made in previous years.

Other assets €/000 2,046

As of 31 December 2013 the item Other assets, including assets under construction, comprised the following:

In thousands of euros	As of 31 December 2013	As of 31 December 2012	Change
EDP systems	512	632	(120)
Office furniture and equipment	872	926	(54)
Vehicles	68	89	(21)
Cars	594	566	28
Total	**2,046**	**2,213**	**(167)**

The item decreased overall by €/000 167. The negative imbalance is due to the decrease arising from amortisation for the period of €/000 501, as well as the disposal of residual costs for €/000 2 partially offset by new investments made during the year for €/000 336.
During the period, capitalisation amounting to €/000 449 was recognised, of which €/000 116 relative to investments made in previous years.

Reversals of assets

The Company still has assets for which reversals have been made in compliance with specific regulations or during merger transactions.
The table below provides detailed figures for financial statement items, with reference to the legal provision or to the merger transaction.

In thousands of euros	Reversals Law 575/65 and 72/83	Reversals for merger 1986	Econ. Reversals 1988	Reversals Law 413/91	Revers. in departure of article 2425	Reversals for merger 1990	Reversals for merger 1996	Reversals Law 242/2000	Total Revers.
Property, plant and equipment									
Industrial buildings	480	-	584	415	120	1,668	1,549	-	4,816
Plant and equipment	133	263	-	-	-	42	-	1,930	2,368
Industrial and commercial equipment	-	331	-	-	-	2,484	-	3,438	6,253
Office furniture and equipment	-	58	-	-	-	101	-	-	159
Electronic office equipment	-	-	-	-	-	27	-	-	27
Transport equipment	-	-	-	-	-	13	-	-	13
Total tangible assets	613	652	584	415	120	4,335	1,549	5,368	13,636
Intangible assets									
Aprilia trademark	-	-	-	-	-	21,691	-	25,823	47,514
Guzzi trademark	103	-	-	-	258	-	-	-	361
Total intangible assets	103	-	-	-	258	21,691	-	25,823	47,875
General total	**716**	**652**	**584**	**415**	**378**	**26,026**	**1,549**	**31,191**	**61,511**

Warranties

As of 31 December 2013 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. Investimenti immobiliari *€/000 0*

As of 31 December 2013 no investment property was held.

17. Investments *€/000 61,383*

Investments comprise:

	As of 31 December 2013	As of 31 December 2012	Change
In thousands of euros			
Investments in subsidiaries	55,456	46,064	9,392
Investments in affiliated companies	5,927	5,273	654
Total	**61,383**	**51,337**	**10,046**

Movements for the period are shown below:

	Carrying amount as of 31/12/2012	Increases	Value reinstatement	Write-downs	Carrying amount as of 31/12/2013
In thousands of euros					
Subsidiaries					
Piaggio Vespa B.V.	11,927				11,927
Piaggio Vehicles Pvt Ltd	15,793	7,932			23,725
Nacional Motor	0	7,754		(7,754)	0
Piaggio Vietnam Co Ltd	1,762				1,762
Piaggio China Ltd	589	5	1,446		2,040
Aprilia Racing S.r.l.	1,440				1,440
Piaggio Espana SL	2,721				2,721
Piaggio Indonesia	4	9			13
Piaggio Advanced Design Center	76				76
Atlantic 12 FCIIC	11,752				11,752
Total subsidiaries	**46,064**	**15,700**	**1,446**	**(7,754)**	**55,456**
Affiliated companies					
Zongshen Piaggio Foshan	5,082		654		5,736
Pontech Soc. Cons. a.r.l.	181				181
Immsi Audit S.c.a.r.l.	10				10
Mitsuba Italia SpA	0				0
Fondazione Piaggio onlus	0				0
Total affiliated companies	**5,273**	**0**	**654**	**0**	**5,927**
Total investments	**51,337**	**15,700**	**2,100**	**(7,754)**	**61,383**

Investments in subsidiaries €/000 55,456

The increase in the investment in Piaggio Vehicles Private Limited of €/000 7,932 arises from the subscription and payment of the share capital and share premium increase decided by the subsidiary on 3 August 2013. The increase in the investment in National Motor of €/000 7,754 refers for €/000 2,954 relative to the payment made to cover the loss for 2012 and €/000 4,800 to the waiver of the portion of the loan to the subsidiary, decided on 31 May 2013, to cover the loss for the year.

The write-down of the investment in Nacional Motor of €/000 7,754 was made, based on the outcome of impairment testing. The impairment test also identified the need to recognise a further decrease of €/000 378, which was allocated as a liability in a specific provision for risks.

The increase of the investment in Piaggio China of €/000 1,451 refers to the subsidy paid during the year, of €/000 5, to the subsidiary, and to the value reinstatement, of €/000 1,446, confirmed by impairment testing, made after the positive economic performance indicated by the Chinese affiliated company Zongshen

Piaggio Foshan Motorcycle in relation to which Piaggio China holds an investment equal to 12.5% of the share capital.
The increase of the investment in Piaggio Indonesia of €/000 9 refers to a subsidy paid during the year to the subsidiary.

Investments in affiliated companies €/000 5,927

The increase of €/000 654 refers to the recovery of the portion of the value of the investment in the Chinese company Zongshen Piaggio Foshan Motorcycle, written down in previous years, following its positive economic trend.

The value reinstatement of the investment in Zongshen Piaggio Foshan Motorcycle, confirmed by impairment testing, was determined based on the estimated recoverable value, represented by the value in use. This was calculated discounting expected cash flows processed on the basis of approved plans; the discount rate used includes a specific risk consistent with the geographic segment where the company operates.

18. Other non-current financial assets €/000 4,396

	As of 31 December 2013	As of 31 December 2012	Change
In thousands of euros			
Fair value of hedging derivatives	4,233	9,938	(5,705)
Investments in other companies	163	163	0
Total	**4,396**	**10,101**	**(5,705)**

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 40 of the Notes.

The table below shows the composition of investments in other companies:

Other companies	As of 31 December 2013	As of 31 December 2012	Change
In thousands of euros			
Consorzio Pisa Ricerche	76	76	-
A.N.C.M.A. – Rome	2	2	-
GEOFOR S.p.A. – Pontedera	47	47	-
ECOFOR SERVICE S.p.A. – Pontedera	2	2	-
Mitsuba Italia S.p.A.	0	0	-
Consorzio Fiat Media Center – Turin	3	3	-
S.C.P.S.T.V.	21	21	-
IVM	12	12	-
Total other companies	**163**	**163**	**-**

19. Current and non-current tax receivables *€/000 10,199*

Tax receivables are broken down as follows:

	As of 31 December 2013	As of 31 December 2012	Change
In thousands of euros			
VAT receivables	7,270	1,930	5,340
Tax receivables for taxes to be reimbursed	1,382	1,512	(130)
Other tax receivables	1,547	1,281	266
Total	**10,199**	**4,723**	**5,476**

Non-current tax receivables total €/000 975 compared to €/000 1,190 as of 31 December 2012. During the year, reimbursements of €/000 395 were recognised, partially offset by new increases amounting to €/000 180. The net change amounted to €/000 215.
Current tax receivables due from Tax authorities total €/000 9,224 compared to €/000 3,533 as of 31 December 2012. The increase of €/000 5,691 is basically attributable to the positive change in VAT receivables of €/000 5,340.

20. Deferred tax assets *€/000 21,446*

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 2013	As of 31 December 2012	Change
In thousands of euros			
Deferred tax assets	41,581	44,337	(2,756)
Deferred tax liabilities	(20,135)	(20,862)	727
Total	**21,446**	**23,475**	**(2,029)**

Deferred tax assets total €/000 41,581 compared to €/000 44,337 as of 31 December 2012, recording a negative change of €/000 2,756.
The balance of deferred tax assets as of 31 December 2013 refers to:
- €/000 22,258 for allocations made for temporary differences;
- €/000 19,323 for allocations made for tax losses generated under the National Consolidated Tax Mechanism of which IMMSI S.p.A. is the consolidating company.

The negative change of €/000 2,756 is attributable to:
- €/000 6,614 from the recognition in profit and loss of deferred tax assets recognised in previous years on temporary differences;
- €/000 589 from the recognition in Shareholders' equity of deferred tax assets recognised in previous years on temporary differences;
- €/000 15,825 from the recognition in profit and loss of deferred tax assets recognised in previous years on tax losses of which €/000 15,474 in relation to expected use concerning the definition of tax litigation;
- €/000 9,311 from the recognition of new deferred tax assets on temporary changes;
- €/000 10,961 from the recognition of new deferred tax assets determined on tax losses, of which €/000 8,534 relative to the overall tax loss expected to be offset within the framework of the Consolidated Tax Mechanism for the year 2013.

Additional deferred tax assets amounting to €/000 20,272 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%	Tax effect 3.9%
In thousands of euros			
Nacional Motor goodwill	18,087	4,974	705
Provisions for risks	6,140	1,689	217
Provision for product warranties	9,835	2,705	384
Provisions for write-down	9,840	2,706	
Provisions for obsolete stock	23,866	6,563	931
Interest payable to deduct within the framework of the Consolidated Tax Convention	764	210	
Other changes	2,229	613	54
Total for provisions and other changes	**70,761**	**19,460**	**2,291**
IAS effects	**7**	**2**	
2007 tax loss including Moto Guzzi transferred to IMMSI	10,987	3,021	
2011 tax loss transferred to IMMSI	457	126	
2012 tax loss transferred to IMMSI	27,788	7,642	
2013 tax loss to transfer to IMMSI	31,034	8,534	
Total out of tax losses	**70,266**	**19,323**	**0**
Losses from the fair value measurement of financial instruments	**1,837**	**505**	**0**
Deferred tax assets already recognised		**41.581**	
Deferred tax assets not recognised for provisions and other changes		**0**	

Overall, deferred tax assets can be summarised as follows:

	Values as of 31 December 2012	Portion to the income statement	Portion recognised in shareholders' equity	Portion to the income statement	Portion allocated to shareholders' equity	Portion transformed into a tax receivable	Values as of 31 December 2013
In thousands of euros							
Deferred tax assets for:							
Temporary changes	20,150	(6,614)	(589)	9,311	-	-	22,258
Previous tax losses	2,113	(2,113)	-	-	-	-	-
Losses generated within the framework of tax consolidation	22,074	(13,712)	-	10,961	-	-	19,323
Total	**44,337**	**(22,439)**	**(589)**	**20,272**	**-**	**-**	**41,581**

Deferred tax liabilities total €/000 20,135 compared to €/000 20,862 as of 31 December 2012, recording a positive change of €/000 727.
As of 31 December 2013, provisions for deferred taxes referred to:
- €/000 4,141 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.;
- €/000 505 for dividends resolved on by subsidiaries, still to be collected;
- €/000 268 for research subsidies to be received;
- €/000 2,247 for depreciation charges minus tax-recognised goodwill values;
- €/000 1,413 for tax-deducted costs, off the accounts, in relation to the application of IAS/IFRS;
- €/000 4,939 for allocation of the merger loss to the Aprilia brand, arising from its merger in 2005;
- €/000 6,622 for allocation of the merger loss to the Guzzi brand, arising from its merger in 2008.

Provisions for deferred taxes were reduced in the period by €/000 1,880 following recognition of the relative portion and increased by of €/000 1,153 for new provisions, of which €/000 989 in profit or loss, and €/000 164 in Shareholders' Equity.

21. Trade receivables *€/000 73,520*

Current trade receivables amount to €/000 73,520 compared to €/000 57,342 as of 31 December 2012, registering a decrease of €/000 16,178.
No non-current trade receivables were recorded for either period.

	As of 31 December 2013	As of 31 December 2012	Change
In thousands of euros			
Trade receivables	43,843	38,682	5,161
Trade receivables due from subsidiaries	28,936	17,734	11,202
Trade receivables due from affiliated companies	731	926	(195)
Trade receivables due from parent companies	10	-	10
Total	**73,520**	**57,342**	**16,178**

Trade receivables are recorded net of a provision for bad debts equal to €/000 16,432.
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 2013, taking account of exchange risk hedging, of €/000 7,591.

Foreign currencies	Amount in currency
In thousands	
Canadian Dollar	313
Renminbi (Yuan)	167
Pound Sterling United Kingdom	705
Japanese Yen	227,632
Swedish krona	1,635
Singapore dollar	98
US Dollar	6,390

The item "Trade receivables" includes invoices to issue amounting to €/000 342 relative to normal sales transactions and credit notes to issue amounting to €/000 10,362 mainly concerning premiums for the sales network in Italy and other countries reaching sales targets, as well as cash orders expired and being accredited, amounting to €/000 419.
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 2013, trade receivables still due that were sold without recourse totalled €/000 44,825, of which Piaggio received payment prior to the natural maturity of the receivables for €/000 42,821.
As of 31 December 2013, advance payments received from factoring companies and banks, for trade receivables sold with recourse totalled €/000 23,871 with a counter entry recorded in current liabilities.

Movements in the provisions for write-down relative to trade receivables were as follows:

In thousands of euros	
Opening balance as of 1 January 2013	**16,354**
Decreases for use recognised in profit or loss	(1,095)
Decreases for direct item use	(49)
Reclassifications from the provision for bad debts relative to long-term receivables	49
Increases for allocations	1,175
Closing balance as of 31 December 2013	**16,432**

During the period, the provision for bad trade debts was used to cover losses amounting to €/000 1,144. Allocations to the provision were made against risks arising from the valuation of relative receivables as of 31 December 2013.
Trade receivables due from subsidiaries and affiliated companies refer to the supply of products undertaken in normal market conditions.

22. Other current and non-current receivables *€/000 82,226*

Other non-current receivables amounted to €/000 3,828 compared to €/000 3,551 as of 31 December 2012, registering a decrease of €/000 277.
Their breakdown was as follows:

Other non-current receivables	As of 31 December 2013	As of 31 December 2012	Change
In thousands of euros			
- due from social security institutions	1,392	748	644
- due from affiliated companies	232	234	(2)
- due from others	2,204	2,569	(365)
Total	**3,828**	**3,551**	**277**

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 €/000 298 and Prepaid expenses amounting to €/000 1,878.

Current trade receivables amounted to €/000 78,398 compared to €/000 87,068 as of 31 December 2012, registering a decrease of €/000 8,670.
Their breakdown is as follows:

Other current receivables	As of 31 December 2013	As of 31 December 2012	Change
In thousands of euros			
Other receivables due from third parties	12,461	16,358	(3,897)
Other receivables due from subsidiaries	58,815	64,099	(5,284)
Other receivables due from affiliated companies	404	251	153
Other receivables due from parent companies	6,718	6,360	358
Total	**78,398**	**87,068**	**(8,670)**

The item other receivables due from third parties comprises the following:

	As of 31 December 2013	As of 31 December 2012	Change
In thousands of euros			
Receivables due from employees	2,733	1,887	846
Due from social security institutions	1,706	502	1,204
Sundry receivables from third parties:			
Amounts due to suppliers	929	1,509	(580)
Invoices and credit to issue	1,579	1,104	475
Sundry receivables due from Italian and foreign third parties	1,201	3,517	(2,316)
Receivables for the sale of property	1	-	1
Due from research subsidies to receive	1,367	488	879
Other receivables	2,945	7,351	(4,406)
Total	**12,461**	**16,358**	**(3,897)**

Receivables due from employees refer to advances paid for secondments, sick leave, contract advances, cash provisions, etc.
Sundry receivables of €/000 1,201 mainly refer to receivables 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 4,408.
Movements of the provision for bad debts relative to sundry receivables were as follows:

In thousands of euros	
Opening balance as of 1 January 2013	**1,930**
Increases for allocations	2,478
Closing balance as of 31 December 2013	**4,408**

During the period, the provision for bad debts was not used to cover losses.
During the measurement of relative receivables as of 31 December 2013, a further allocation to the provision of €/000 2,478 was necessary.

23. Inventories *€/000 157,632*

As of 31 December 2013, this item totalled €/000 157,632, compared to €/000 170,464 at the end of 2012, and consisted of:

	As of 31 December 2013	As of 31 December 2012	Change
In thousands of euros			
Raw, ancillary materials and consumables	64,697	65,823	(1,126)
Provisions for write-down	(8,274)	(8,151)	(123)
Net value	**56,423**	**57,672**	**(1,249)**
Work in progress and semifinished products	18,149	19,507	(1,358)
Provisions for write-down	(852)	(852)	0
Net value	**17,297**	**18,655**	**(1,358)**
Finished products and goods	98,649	115,063	(16,414)
Provisions for write-down	(14,739)	(20,926)	6,187
Net value	**83,910**	**94,137**	**(10,227)**
Advances	2		2
Total	**157,632**	**170,464**	**(12,832)**

Changes in the obsolescence fund are summarised in the table below:

	As of 31/12/2012	Use	Allocation	As of 31/12/2013
In thousands of euros				
Raw materials	8,151	-	123	8,274
Work in progress and semifinished products	852	-	-	852
Finished products and goods	20,926	(7,587)	1,400	14,739
Total	**29,929**	**(7,587)**	**1,523**	**23,865**

24. Other current financial assets *€/000 12,952*

This item comprises:

	As of 31 December 2013	As of 31 December 2012	Change
In thousands of euros			
Financial receivables due from subsidiaries	12,952	12,738	214
Total	**12,952**	**12,738**	**214**

The item Financial receivables due from subsidiaries refers to a loan for Nacional Motor amounting to €/000 7,952 and a loan for Piaggio Vehicles Private Limited amounting to €/000 5,000.

25. Cash and cash equivalents *€/000 3,618*

This item mainly includes short-term or on demand bank deposits.
Cash and cash equivalents totalled €/000 3,618 against €/000 9,765 as of 31 December 2012, as detailed below:

	As of 31 December 2013	As of 31 December 2012	Change
In thousands of euros			
Bank and postal deposits	3,592	9,746	(6,154)
Cash on hand	26	19	7
Total	**3,618**	**9,765**	**(6,147)**

26. Assets held for sale *€/000 0*

As of 31 December 2013, there were no assets held for sale.

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

As of 31 December 2013, there were no receivables due after 5 years.

Information on the statement of financial position - liabilities

28. Share capital and reserves — *€/000 316,906*

Share capital — €/000 205,570

The change in share capital during 2013 was as follows:

In thousands of euros	
Subscribed and paid up capital	205,941
Treasury shares purchased as of 31.12.2012	(6,437)
Share capital as of 1 January 2013	199,504
Exercise of stock options	86
Cancellation of treasury shares	6,066
Sale of treasury shares to exercise stock options	200
Purchase of treasury shares	(286)
Share Capital as of 31 December 2013	**205,570**

On 15 April 2013 the General Shareholders' Meeting of Piaggio & C, resolved to annul 11,049,021 treasury shares of the Company, subject to elimination of the nominal value of ordinary shares in circulation and without a reduction in the amount of share capital.
During the year, 150,000 new ordinary shares were issued, offered to and subscribed by stock option plan beneficiaries.
Therefore, as of 31 December 2013, the nominal share capital of Piaggio & C., fully subscribed and paid up, was equal to € 206,026,903.84 divided into 360,894,880 ordinary shares.

Shares in circulation and treasury shares	2013	2012
no. of shares		
Situation as of 1 January		
Shares issued	371,793,901	371,793,901
Treasury portfolio shares	11,726,521	6,844,080
Shares in circulation	360,067,380	364,949,821
Movements for the year		
Exercise of stock options	150,000	
Cancellation of treasury shares	(11,049,021)	
Purchase of treasury shares	512,169	4,882,441
Sale of treasury shares	(350,000)	
Situation as of 31 December		
Shares issued	360,894,880	371,793,901
Treasury portfolio shares	839,669	11,726,521
Shares in circulation	360,055,211	360,067,380

During the year, 512,169 ordinary shares were purchased and 350,000 treasury shares were sold to stock option plan beneficiaries. As of 31 December 2013, the Company held 839,669 treasury shares, equal to 0.23% of the share capital.
In accordance with international accounting standards, the acquisitions were recognised as a decrease in shareholders' equity.

Share premium reserve — €/000 3,681

The share premium reserve as of 31 December 2013 increased by €/000 188, following the subscription of 150,000 new ordinary shares.

Legal reserve €/000 16,902

The legal reserve increased by €/000 2,309 as a result of the allocation of earnings for the last period.

Other reserves €/000 23,255

This item consists of:

	As of 31 December 2013	As of 31 December 2012	Change
In thousands of euros			
Stock option reserve	13,385	13,385	0
Financial instruments' fair value reserve	(1,565)	(3,269)	1,704
IFRS transition reserve	11,435	11,435	0
Total other reserves	**23,255**	**21,551**	**1,704**

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 2012 this valuation was negative, amounting to €/000 3,269.

Dividends paid and proposed €/000 33,087

In May 2013, dividends totalling €/000 33,087 were paid. In May 2012, dividends totalling €/000 29,878 were paid.

	Total amount		Dividend per share	
	2013	2012	2013	2012
In thousands of euros				
Resolved and paid during the year	33,087	29,878	0.092	0.082

Earnings reserve €/000 67,498

Other components of the Statement of Comprehensive Income €/000 2,136

The value of other components of the Statement of Comprehensive Income is broken down as follows:

In thousands of euros	Reserve for measurement of financial instruments	Profit reserve	Total other components of the Statement of Comprehensive Income
As of 31 December 2013			
Items that will not be reclassified in the income statement			
Re-measurements of post-employment benefits		432	432
Total	0	432	432
Items that may be reclassified in the income statement			
Total profits (losses) on cash flow hedge instruments	1,704		1,704
Total	1,704	0	1,704
Other components of the Statement of Comprehensive Income	**1,704**	**432**	**2,136**
As of 31 December 2012			
Items that will not be reclassified in the income statement			
Re-measurements of post-employment benefits		(4,382)	(4,382)
Total	0	(4,382)	(4,382)
Items that may be reclassified in the income statement			
Total profits (losses) on cash flow hedge instruments	(1,759)		(1,759)
Total	(1,759)	0	(1,759)
Other components of the Statement of Comprehensive Income	**(1,759)**	**(4,382)**	**(6,141)**

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

	As of 31 December 2013			**As of 31 December 2012**		
In thousands of euros	*Gross value*	*Tax (expense)/ benefit*	*Net value*	*Gross value*	*Tax (expense)/ benefit*	*Net value*
Re-measurements of post-employment benefits	596	(164)	432	(5,597)	1,215	(4,382)
Total profits (losses) on cash flow hedge instruments	2,292	(588)	1,704	(2,065)	306	(1,759)
Other components of the Statement of Comprehensive Income	**2,888**	**(752)**	**2,136**	**(7,662)**	**1,521**	**(6,141)**

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	2007 uses to cover losses
In thousands of euros				
Nominal value of capital	206,027			
Nominal value of acquired treasury shares	(457)			
Capital reserves:				
Share premium	3,681	A,B,C(*)	3,681	32,961
Profit reserves:				
Legal reserve	16,902	B	-	
IAS transition reserve	11,435	A,B,C	11,435	1,746
Stock option reserve	13,385	A,B,C	13,385	
Financial instruments' fair value reserve	(1,565)			
Total Reserves	*43,838*		*28,501*	*34,707*
Retained earnings (losses)	73,431			
Greater cost of purchased treasury shares	(1,788)			
Reserve for actuarial gains (losses) relative to defined benefit plan	(2,496)			
Retained earnings (losses)	*69,147*	*A,B,C*		
Profits (losses) for the period	(1,649)			
Total shareholders' equity	**316,906**			

Key:
A: to increase capital
B: to cover losses
C: to allocate to shareholders
(*) wholly available to increase capital and cover losses. For other uses prior adjustment (also by transfer from the share premium reserve) of the legal reserve to 20% of the Share Capital is necessary.
As of 31 December 2013 this adjustment would be equal to €/000 24,303.

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 2013 that amount to €/000 68,909.

29. Current and non-current financial liabilities *€/000 500,380*

In 2013, overall debt increased by €/000 61,055, from €/000 439,325 to €/000 500,380. Total financial debt in 2013, net of the fair value measurement of financial derivatives to hedge foreign exchange risk and interest rate risk of €/000 3,955, increased by €/000 66,875.

	Financial liabilities as of 31 December 2013			Financial liabilities as of 31 December 2012			Change		
	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total
In thousands of euros									
Gross financial debt	102,301	394,124	496,425	105,487	324,063	429,550	(3,186)	70,061	66,875
Fair Value of hedging derivatives		3,955	3,955		9,775	9,775	0	(5,820)	(5,820)
Total	**102,301**	**398,079**	**500,380**	**105,487**	**333,838**	**439,325**	**(3,186)**	**64,241**	**61,055**

This increase is due to the repayment with available resources of financial payables due, partially offset by new loans granted.
Total net financial debt went up from €/000 407,046 as of 31 December 2012 to €/000 479,856 as of 31 December 2013, with an increase of €/000 72,810.

	As of 31 December 2013	As of 31 December 2012	Change
In thousands of euros			
Liquidity	**3,618**	**9,765**	**(6,147)**
Short-term financial receivables due from subsidiaries	12,952	12,738	214
Current financial receivables	**12,952**	**12,738**	**214**
Current account overdrafts	(11,066)	(2,168)	(8,898)
Current account payables	(27,000)	(50,000)	23,000
Current portion of bank financing	(29,361)	(31,363)	2,002
Amounts due to factoring companies	(23,871)	(19,179)	(4,692)
Amounts due under leases	(5,809)	(936)	(4,873)
Current portion of payables due to other lenders	(1,920)	(1,621)	(299)
Borrowings from subsidiaries	(3,275)	(220)	(3,055)
Current financial debt	**(102,302)**	**(105,487)**	**3,185**
Net current financial debt	**(85,732)**	**(82,984)**	**(2,748)**
Payables due to banks and financing institutions	(195,614)	(120,171)	(75,443)
Debenture loan	(195,318)	(193,550)	(1,768)
Amounts due under leases	0	(5,809)	5,809
Amounts due to other lenders	(3,192)	(4,532)	1,340
Non-current financial debt	**(394,124)**	**(324,062)**	**(70,062)**
Net financial debt*	**(479,856)**	**(407,046)**	**(72,810)**

** 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, the fair value adjustment of relative hedged items equal to €/000 3,955 and relative accruals.*

The tables below show the composition of financial debt as of 31 December 2013 and 31 December 2012, as well as movements for the year.

	Accounting balance as of 31.12.2012	Repayments	New issues	Reclassifications to current portion	Other changes	Book value as of 31.12.2013
In thousands of euros						
Non-current portion:						
Medium/long-term bank loans	120,172		104,039	(29,361)	764	195,614
Bonds	193,550				1,768	195,318
Other medium-/long-term loans						
- of which amounts due other M.I.C.A. lenders	4,532		580	(1,920)		3,192
- of which amounts due under leases	5,809			(5,809)		0
Total other loans due over 12 months	10,341	0	580	(7,729)	0	3,192
Total	**324,063**	**0**	**104,619**	**(37,090)**	**2,532**	**394,124**

	Accounting balance as of 31.12.2012	Repayments	New issues	Reclassification from the non current portion	Other changes	Book value as of 31.12.2013
In thousands of euros						
Current portion:						
Current account overdrafts	2,168	(811)	9,709			11,066
Current account payables	50,000	(30,000)	7,000			27,000
Payables due to factoring companies	19,179	(9)	4,700			23,870
Payables due to subsidiaries	220	(220)	3,275			3,275
Current portion of medium-/long-term loans:						
- of which leases	936	(936)		5,809		5,809
- of which due to banks	31,363	(31,479)		29,361	116	29,361
- of which amounts due other M.I.C.A. lenders	1,621	(1,621)		1,920		1,920
Total loans due within the year	*33,920*	*(34,036)*	0	*37,090*	*116*	*37,090*
Total	**105,487**	**(65,076)**	**24,684**	**37,090**	**116**	**102,301**

The breakdown of the debt is as follows:

	Book value as of 31.12.2013	Book value as of 31.12.2012	Nominal value as of 31.12.2013	Nominal value as of 31.12.2012
In thousands of euros				
Bank financing	263,041	203,703	264,565	203,819
Bonds	195,318	193,550	201,799	201,799
Due to subsidiaries	3,275	220	3,275	220
Other medium -/long term loans:				
of which amounts due to other lenders	28,982	25,332	28,982	25,332
of which leases	5,809	6,745	5,809	6,745
Total other loans	34,791	32,077	34,791	32,077
Total	**496,425**	**429,550**	**504,430**	**437,915**

The table below shows the debt servicing schedule as of 31 December 2013:

	Nominal value as of 31.12.2013	Amounts falling due within 12 months	Amounts falling due after 12 months	Amounts falling due in				
				2015	2016	2017	2018	Beyond
In thousands of euros								
Bank financing	264,565	67,427	197,138	35,282	127,743	11,733	11,237	11,143
Bonds	201,799	0	201,799	0	150,000	9,669	9,669	32,461
of which amounts due to subsidiaries	3,275	3,275	0	0	0	0	0	0
Other medium-/long-term loans:								
of which leases	5,809	5,809	0		0	0	0	0
of which amounts due to other lenders	28,982	25,790	3,192	1,930	312	314	316	319
Total other loans	*34,791*	*31,599*	*3,192*	*1,930*	*312*	*314*	*316*	*319*
Total	**504,430**	**99,026**	**402,129**	**37,212**	**278,055**	**21,716**	**21,223**	**43,923**

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 €/000 224,975 (of which €/000 195,614 non-current and €/000 29,361 current) and consists of the following loans:

- a €/000 53,572 medium-term loan from the European Investment Bank to finance Research & Development investments planned for the period 2009-2012. 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 was taken out on the loan to hedge the interest rate risk (for more details, see section 40);
- a €/000 60,000 medium-term loan from the European Investment Bank to finance Research & Development investments planned for the period 2013-2015. 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 medium-term revolving syndicated loan of €/000 103,475 (nominal value of €/000 105,000) granted in December 2011 and finalised in January 2012, as suspension conditions had been met. The loan, of a total value of €/000 200,000, has an irrevocable duration of 4 years and because of this commitment undertaken by the lenders, inter-annual use may be extended up to final maturity. Consequently, the loan is classified under non-current liabilities. Contract terms require covenants (described below);
- a €/000 3,832 loan from Banca Intesa granted pursuant to Italian Law no. 346/88 on subsidised applied research;

- a €/000 3,196 loan from Banca Intesa and other banks granted pursuant to Italian Law no. 297/99 on subsidised applied research;
- a €/000 900 eight-year subsidised loan from ICCREA in December 2008 granted under Italian Law 100/90.

In December 2013, a bilateral revolving loan of €/000 20,000 was undersigned, maturing in June 2015. As of 31 December 2013 the loan was undrawn. Contract terms do not include covenants.
All the above financial liabilities are unsecured.

The item Bonds for €/000 195,318 (nominal value of €/000 201,799) refers to:
- €/000 143,837 (nominal value of €/000 150,000) related to a high-yield debenture loan issued on 4 December 2009 for a nominal amount of €/000 150,000, falling due on 1 December 2016 and with a semi-annual coupon with fixed annual nominal rate of 7%. Standard & Poor's and Moody's assigned a BB- and Ba3 rating respectively with a stable outlook;
- €/000 51,481 (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 2013 the fair value measurement of the debenture loan was equal to €/000 55,754 (the fair value is determined based on IFRS relative to fair value hedging). Cross currency swaps were taken out on this loan to hedge the exchange risk and interest rate risk (for more details, see note 40).

The items Medium-/long-term bank debt and Bonds include loans which, in accounting terms, have been recognised on an amortised cost basis (revolving loan, high-yield debenture loan and private debenture loan). According to this criterion, the nominal amount of the liability is decreased by the amount of relative costs of issue and/or stipulation, in addition to any costs relating to refinancing of previous liabilities. The amortisation of these costs is determined on an effective interest rate basis, and namely the rate which discounts the future flows of interest payable and reimbursements of capital at the net carrying amount of the financial liability. Some liabilities were recognised at fair value, with relative effects recognised in profit or loss.

Medium-/long-term payables due to other lenders equal to €/000 10,921 of which €/000 3,192 due after the year and €/000 7,729 as the current portion, are detailed as follows:
- a property lease for €/000 5,809 granted by Unicredit Leasing (including the entire current portion);
- subsidised loans for a total of €/000 5,112 provided by the Italian Ministry of Economic Development and Italian Ministry of Education, University and Research using regulations to encourage exports and investment in research and development (non-current portion of €/000 3,192).

Financial advances received from factoring companies and banks, on the sale of trade receivables with recourse, totalled €/000 23,870.

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

The measurement of financial covenants and other contract commitments is monitored by the Group on an ongoing basis. According to results as of 31 December 2013, all covenants had been met.

The high-yield debenture loan issued by the company in December 2009 requires compliance with typical covenants of international high-yield market practices. In particular, the company must observe the EBITDA/Net financial 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.

30. Trade payables (current) €/000 240,285

Trade payables are wholly included under current liabilities and total €/000 240,285, compared to €/000 266,849 as of 31 December 2012.

Current liabilities	As of 31 December 2013	As of 31 December 2012	Change
In thousands of euros			
Amounts due to suppliers	215,427	236,299	(20,872)
Amounts due to subsidiaries	14,020	13,626	394
Amounts due to affiliated companies	10,127	16,154	(6,027)
Amounts due to parent companies	711	770	(59)
Total	240,285	266,849	(26,564)
of which reverse factoring	*90,041*	*19,664*	*70,377*
Total	**240,285**	**266,849**	**(26,564)**

The item comprises trade payables of €/000 224,915 for the purchase of goods, materials and services for business operations and €/000 15,370 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 2013, taking account of hedging on exchange risk, of €/000 27,925.

Foreign currencies	Amount in currency
In thousands	
Australian Dollar	4
Swiss Franc	17
Renminbi (Yuan)	36,690
Pound Sterling United Kingdom	1,082
Hong Kong Dollar	11
Indian Rupee	594
Japanese Yen	357,942
Norwegian krone	146
Swedish krone	678
US Dollar	26,946

As regards the amount of €/000 45, 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 2013, the value of trade payables covered by reverse factoring or supply chain financing agreements was equal to €/000 90,041 (€/000 19,664 as of 31 December 2012).

31. Current and non-current portion of provisions — *€/000 21,484*

In thousands of euros	Balance as of 31 December 2012	Allocations	Applications	Adjustment	Reclassification	Balance as of 31 December 2013
Provisions for risks						
Risk provisions on investments	1,905	378	(1,905)			378
Provisions for contractual risks	3,935			(19)		3,916
Risk provision for legal disputes	2,470		(158)	(145)		2,167
Provision for guarantee risks	58					58
Provisions for tax risks	17	5,130	(17)			5,130
Total provisions for risks	*8,385*	*5,508*	*(2,080)*	*(164)*	*0*	*11,649*
Provisions for expenses						
Provision for product warranties	12,278	6,596	(8,134)		(905)	9,835
Provision for quality-related events	789		(1,694)		905	0
Total provisions for expenses	*13,067*	*6,596*	*(9,828)*	*0*	*0*	*9,835*
Total provisions for risks and charges	**21,452**	**12,104**	**(11,908)**	**(164)**	**0**	**21,484**

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

Current portion In thousands of euros	As of 31 December 2013	As of 31 December 2012	Change
Risk provisions on investments	378	1,905	(1,527)
Provisions for tax risks	5,130	18	5,112
Provision for product warranties	6,885	8,834	(1,949)
Provision for quality-related events	-	789	(789)
Total current portion	**12,393**	**11,546**	**847**

Non-current portion In thousands of euros	As of 31 December 2013	As of 31 December 2012	Change
Provisions for contractual risks	3,916	3,935	(19)
Risk provision for legal disputes	2,167	2,470	(303)
Provision for guarantee risks	58	58	0
Provision for product warranties	2,950	3,443	(493)
Total non-current portion	**9,091**	**9,906**	**(815)**

The provision for risks on investments as of 31 December 2013 refers to the subsidiary Nacional Motor and was allocated in the year following results of impairment testing and the commitment of Piaggio & C to support the company.
The provision for contract risks refers exclusively to charges which could arise from the renegotiation of a supply contract. The adjustment of €/000 19 refers instead to the valuation of correlated risks carried out at the end of the period.
The provision for litigation concerns €/000 517 for labour litigation and the difference of €/000 1,650 refers to other legal proceedings. €/000 158 was used, of which €/000 8 to settle employment claims

and €/000 150 to settle other claims. Adjustments of €/000 145 wholly reflect the valuation of labour litigation.
The risk provision for guarantees provided refers to charges expected for guarantees issued on the transfer of company investments.
€/000 18 of the provision for tax risks was used, following a notice for repayment concerning council tax, and was increased by €/000 5,130 in relation to costs for defining tax litigation.
The provision for product warranties of €/000 9,835 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 6,596 for new allocations and was used for €/000 8,134 for expenses sustained referring to sales in previous years. €/000 905 of the provision for warranties was reclassified to the provision for quality-related events.
The provision for quality-related event was wholly used for costs incurred in the period amounting to €/000 1,694.

32. Retirement funds and employee benefits *€/000 48,066*

	As of 31 December 2013	As of 31 December 2012	Change
In thousands of euros			
Provision for retirement	116	107	9
Termination benefits	47,950	48,526	(576)
Total	**48,066**	**48,633**	**(567)**

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 are as follows:

In thousands of euros	
Opening balance as of 1 January 2013	**48,526**
Cost for the period	8,084
Actuarial losses recognised as Shareholders' Equity	(596)
Interest cost	1,581
Use and transfers of retirement funds	(9,663)
Other changes	18
Closing balance as of 31 December 2013	**47,950**

Economic/technical assumptions

Technical valuations are based on the assumptions outlined below:

Technical annual discount rate	3.39%
Annual rate of inflation	2.00%
Annual rate of increase in termination benefits	3.00%

As regards the discount rate, the iBoxx Corporates A rating with a 10+ duration as of 31 December 2013, and as of 31 December 2012, was used as the valuation reference.
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 would have been higher by €/000 930.

The table below shows the effects, in absolute terms, as of 31 December 2013, which would have occurred following changes in reasonably possible actuarial assumptions:

Provision for termination benefits	
In thousands of euros	
Turnover rate +2%	47,871
Turnover rate -2%	46,912
Inflation rate + 0.25%	48,632
Inflation rate - 0.25%	47,228
Discount rate + 0.50%	45,915
Discount rate - 0.50%	50,079

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

Year	Future amounts
In thousands of euros	
1	3,499
2	3,356
3	3,138
4	3,388
5	2,885

33. Current and non-current tax payables *€/000 7,117*

Tax payables totalled €/000 7,117 compared to €/000 8,776 as of 31 December 2012.

	As of 31 December 2013	As of 31 December 2012	Change
In thousands of euros			
Non-current portion:			
- Taxes withheld in a capacity as withholding agent	-	464	(464)
Current portion:			
Due for income taxes	1,493	1,059	434
Other tax payables for:			
- VAT	800	1,263	(463)
- Tax withheld at source	4,134	3,960	174
- Taxes withheld in a capacity as withholding agent	464	1,905	(1,441)
- Duty and tax records to pay	226	125	101
Total other tax payables	*5,624*	*7,253*	*(1,629)*
Total current portion	*7,117*	*8,312*	*(1,195)*
Total	**7,117**	**8,776**	**(1,659)**

Current tax payables of €/000 1,493 refer 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.
Tax payables relative to income generated in Italy are offset against relative tax receivables. Regional production tax due for the year amounted to €/000 2,720. Separate corporate income tax on CFCs amounted to €/000 262. As regards corporate income tax, the company expects to contribute to the National Consolidated Tax Convention, with a negative taxable amount of €/000 31,655.

VAT to pay refers to the amount due at the end of the year for VAT due in European states where direct identification was obtained with reference to this tax.
Payables for withheld taxes paid refer to the income of employee and outsourced work and commission.
The total amount payable of €/000 464, relative to taxes withheld in a capacity as withholding agent, refers to taxes withheld at source concerning the loan with the subsidiary Piaggio Finance, which stopped in 2009.

34. Other payables (current and non-current) *€/000 50,015*

Non-current portion	As of 31 December 2013	As of 31 December 2012	Change
In thousands of euros			
Deferred income	1,113	872	241
Payables from the fair value measurement of financial instruments	1.102	2.841	(1.739)
Other payables	200	400	(200)
Total	**2,415**	**4,113**	**(1,698)**

Current portion	As of 31 December 2013	As of 31 December 2012	Change
In thousands of euros			
Amounts due to subsidiaries	11,984	8,864	3,120
Amounts due to affiliated companies	84	32	52
Amounts due to parent companies	6,022	60	5,962
Payables to employees	10,818	12,925	(2,107)
Amounts due to social security institutions	7,286	7,851	(565)
Amounts due to company boards	101	120	(19)
Amounts due for temporary funding	126	69	57
Amounts due for financial statement assessments	232	320	(88)
Amounts due to customers	2,955	3,065	(110)
Payables from the fair value measurement of financial instruments	972	1,522	(550)
Accrued expenses	3,300	3,377	(77)
Deferred income	256	905	(649)
Other payables	3,464	5,898	(2,434)
Total	**47,600**	**45,008**	**2,592**

Other payables included in non-current liabilities totalled €/000 2,415 against €/000 4,113 as of 31 December 2012, whereas other payables included in current liabilities totalled €/000 47,600 compared to €/000 45,008 as of 31 December 2012.

As regards the non-current portion:
› Deferred income comprises €/000 1,028 from grants to recognise in profit or loss in relation to amortisation/depreciation, €/000 85 for income cashed but relative to other years arising from licence agreements.
› Payables from the fair value measurement of financial instruments refer to transactions accounted for on a cash flow hedge basis.
› 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 include the amount of €/000 3,990 relative to the expected use of losses within the framework of the Consolidated Tax Convention for the purpose of defining litigation with the Italian Tax Authority.

- Amounts due to employees include the amount for holidays accrued but not taken of €/000 7,804 and other payments to be made for €/000 3,014.
- Contributions of €/000 126 refer to contributions relative to subsidies for research activities not yet acquired.
- Amounts due to clients mainly refer to premiums paid for clients 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 (€/000 250) to recognise in profit or loss in relation to amortisation, as well as interest receivable on deferred payments of customers (€/000 6) of which income will be recognised in profit or loss in the following year.
- Accrued expenses refer to €/000 1,223 for interest on loans, €/000 1,875 for interest on debenture loans, €/000 23 for interest on sundry payables and €/000 179 for sundry costs and expenses.

35. Share-based incentive plans

Since 2010, Piaggio has no longer approved any incentive plans based on the allocation of financial instruments.
Stock option plans adopted assign rights free of charge to purchase Piaggio shares on a 1:1 ratio.
With regard to the 2007-2009 incentive plan approved by the General Meeting of Shareholders on 7 May 2007 for executives of the Company or of its Italian and/or foreign subsidiaries, in compliance with article 2359 of the Italian Civil Code, as well as for directors having powers in the aforesaid subsidiaries ("2007-2009 plan") during the year 500,000 option rights were exercised, while 70,000 option rights were waived.

Rights	No. of options	Average exercise price (euro)	Market price (euro)
Rights existing as of 31.12.2012	3,940,000	1.71	
- of which exercisable as of 31.12.2012	3,940,000		
New rights assigned in 2013			
Rights exercised in 2013	(500,000)	1.61	2.04
Rights waived in 2013	(70,000)		
Rights existing as of 31.12.2013	3,370,000	1.72	
- of which exercisable as of 31.12.2013	3,370,000		

As of 31 December 2013, 3,370,000 option rights had been assigned for a corresponding number of shares. Options are divided as follows, by assignment plan:

Rights	Number of rights as of 31 December 2013	Period when rights may be exercised	Exercise price (€)
Assignment 15 January 2009	390,000	15 Jan 2012 - 15 Jan 2014	1.2218
Assignment 11 May 2009	200,000	11 May 2012 - 11 May 2014	1.2237
Assignment 18 December 2009	2,780,000	18 Dec 2012 - 18 Dec 2014	1.826
Total	**3,370,000**		

At the date of publication of this document, 390,000 option rights relative to the assignment of 15 January 2009 had expired. Options therefore amount to 2,980,000.
Detailed information on the 2007-2009 Plan is available in the documents published by the Issuer in accordance with article 84-bis of Consob Regulation on Issuers. These documents are available on the Issuer's institutional website www.piaggiogroup.com under Governance.

As previously mentioned in the section on consolidation principles, the cost of payments, corresponding to the present value of options which the company determined applying the Black-

Scholes valuation model, that uses the average historical volatility of the share of the Company and average interest rate of loans with a maturity equal to the duration of the agreement, is recognised under employee costs on a straight line basis in the period between the date of assignment and date of accrual, with a counter entry directly recognised in shareholders' equity.
As required by Consob, the table below shows the options assigned to board members, general directors and Senior Management with strategic responsibilities:

		Options held at the start of the period			Options held at the end of the period		
	Position	**No. of options**	**Average exercise price**	**Average maturity**	**No. of options**	**Average exercise price**	**Average maturity**
Assignment 18 December 2009	General Manager Finance	250,000	1.826	18.12.2014	250,000	1.826	18.12.2014

36. 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*".

In thousands of euros	**2013**
Administrators	1,820
Statutory auditors	316
Key Managers	516
Total fees	**2,652**

37. Payables due after 5 years

The company has loans due after 5 years, which are referred to in detail in Note 29 Financial Liabilities.

38. Information on related parties

Revenues, costs, payables and receivables as of 31 December 2013 involving parent companies, subsidiaries and affiliated companies relate to the sale of goods or services which are a part of normal operations of the Group.
Transactions are carried out at normal market values, depending on the characteristics of the goods and services provided.
The procedure for transactions with related parties, pursuant to article 4 of Consob Regulation no. 17221 of 12 March 2010 as amended, approved by the Council 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 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 industrial 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.

› Lastly, 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 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, the company may, pursuant to Article 96 of Presidential Decree no. 917/86, allocate the excess of interest payable which is not deductible to it, 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-Party Transactions Committee, as provided for by the procedure for transactions with related parties adopted by the Company.
In addition, 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 subsidiaries

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 Hrtvaska
  - Piaggio Hellas
  - Piaggio Group Americas
  - Piaggio Vehicles Private Limited
  - Piaggio Vietnam
- 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 of other Group companies
- issues guarantees for the Group's subsidiaries, for medium-term loans.
- purchases vehicles, spare parts and accessories for sale on respective markets by:
  - Piaggio Vietnam
- purchases vehicles, spare parts and accessories for sale on respective markets and components and engines for use in manufacturing by:
  - Piaggio Vehicles Private Limited
- receives back office business and administration services as well as credit management services from:
  - Piaggio Vespa
- receives a vehicle, spare parts and accessories distribution service on respective markets from:
  - Piaggio Hrtvaska
  - Piaggio Hellas
  - Piaggio Group Americas
  - 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 a property from:
  - Atlantic 12.

Relations between Piaggio & C. S.p.A. and JV Zongshen Piaggio Foshan Motorcycle Co. Ltd

Main intercompany relations between Piaggio & C 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 sale on respective markets.

The table below summarises relations described above and financial relations with parent companies, subsidiaries and affiliated companies as of 31 December 2013 and relations during the year, as well as their overall impact on financial statement items.

In thousands of euros	Revenues from sales	Costs for materials	Costs for services, lease and rentals	Other operating income	Other operating costs	Financial income	Borrowing Costs	Taxes	Other receivables due after one year	Trade receivables	Other recevables 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
Piaggio France SAS	0	9	6,684	301	0	0	0	0	0	29	165	0	0	1,242	1,156	0
Piaggio Deutschland GMBH	0	0	4,465	154	0	0	0	0	0	37	99	0	0	465	914	0
Piaggio Limited	0	0	2,662	124	0	0	0	0	0	3	134	0	0	0	524	0
Piaggio Hrvatska DOO	2,675	0	11	46	4	0	11	0	0	1	9	0	0	0	0	0
Piaggio Hellas S.A.	16,500	0	91	220	0	0	2	0	0	1,789	78	0	0	0	36	0
Piaggio Group Americas Inc.	49,579	0	457	748	0	0	24	0	0	4,400	287	0	0	0	15	0
Piaggio Asia Pacific Ltd	0	0	0	38	0	0	0	0	0	0	61	0	0	0	0	0
Piaggio Vehicles Pvt. Ltd	762	5,383	140	12,842	0	240	0	0	0	1,930	14,733	5,000	0	0	2,028	0
Nacional Motor S.A.	326	4,114	494	153	2,101	112	0	0	0	28	104	7,951	0	0	188	0
Atlantic 12	0	0	889	62	0	0	0	0	0	124	0	0	0	0	540	0
Piaggio España SLU	0	0	4,248	89	0	0	0	0	0	0	51	0	0	402	1,174	0
Piaggio Vespa B.V.	0	0	4,357	200	526	0	0	0	0	3	16,097	0	0	6,309	275	2
Zongshen Piaggio Foshan Motorcycle Co. Ltd	26	21,683	3	427	1	0	105	0	0	730	372	0	0	0	10,167	58
Studio d'Urso	0	0	73	0	0	0	0	0	0	0	0	0	0	0	0	0
Is Molas Resort	0	0	49	0	0	0	0	0	0	0	0	0	0	0	0	0
Fondazione Piaggio	0	0	0	0	0	0	0	0	231	0	0	0	0	0	0	26
IMMSI S.p.A.	0	0	2,950	50	14	0	0	5,849	0	10	6,718	0	0	0	692	6,022
Immsi Audit	0	0	780	124	0	0	0	0	0	6	32	0	0	0	0	0
Piaggio Group Japan	0	0	0	197	41	0	0	0	0	0	85	0	0	0	0	0
Piaggio Vietnam Co. Ltd	37,307	17,660	331	15,230	0	0	0	0	0	20,318	24,244	0	0	0	6,654	3,313
Aprilia Racing Srl	81	8	8,999	1,045	0	2	3	0	0	182	1,295	0	0	3,275	263	0
PT Piaggio Indonesia	0	0	0	1,090	0	0	0	0	0	65	1,304	0	0	0	2	251
Foshan Piaggio Vehicles Technology R&D Co. Ltd	0	0	1,759	92	0	0	0	0	0	19	70	0	0	0	163	0
Piaggio Advanced Design Center Corporation	0	0	349	0	0	0	0	0	0	0	0	0	0	0	46	0
Omniaholding	0	0	65	0	0	0	0	0	0	0	0	0	2,900	0	20	0
Derbi Racing SL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0
Total	107,256	48,858	39,859	33,231	2,687	356	145	5,849	231	29,675	65,937	12,952	2,900	11,693	24,858	9,671
Accounting for a % su voce bilancio	**15.0%**	**12.2%**	**22.2%**	**32.1%**	**11.2%**	**44.6%**	**0.5%**	**30.6%**	**6.0%**	**40.4%**	**84.1%**	**100.0%**	**0.7%**	**11.4%**	**10.3%**	**20.3%**

39. 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	3,151	6,496	380	**10,027**

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
Warrant to grant credit of Piaggio & C. for USD 19,000,000 to guarantee the credit line of an equal amount granted by I.F.C. to the subsidiary Piaggio Vehicles Private Limited	
of which drawn	13,777
of which undrawn	0
Warrant to grant credit of Piaggio & C. for USD 17,850,000 to guarantee the credit line of an equal amount granted by I.F.C. to the subsidiary Piaggio Vehicles Private Limited	
of which drawn	12,943
of which undrawn	0
Warrant to grant credit of Piaggio & C. for USD 6,000,000 to guarantee the credit line of USD 5,000,000 granted by the Bank of America to the subsidiary Piaggio Vehicles Private Limited	
of which drawn	0
of which undrawn	4,351
Warrant to grant credit of Piaggio & C. for INR 550,000,000 to guarantee the credit line of INR 500,000,000 granted by the Hongkong and Shanghai Banking Corporation to the subsidiary Piaggio Vehicles Private Limited	
of which drawn	0
of which undrawn	6,443
Warrant to grant credit of Piaggio & C. for USD 22,000,000 to guarantee the credit line of USD 20,000.00 granted by the Bank of America to the subsidiary Piaggio Vehicles Private Limited	
of which drawn	3,296
of which undrawn	12,657
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	275
of which undrawn	6,250
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	259
of which undrawn	4,926
A guarantee of Piaggio & C. on a line for derivatives, agreed on with the Bank of America, for the subsidiary Piaggio Vehicles Private Limited for USD 3,000.000	
of which drawn	100
of which undrawn	2,075
Warrant to grant credit of Piaggio & C. for USD 19,680,000 to guarantee the credit line of an equal amount granted by I.F.C. to the subsidiary Piaggio Vietnam	
of which drawn	14,270
of which undrawn	0
Warrant to grant credit of Piaggio & C. for USD 22,000,000 to guarantee the credit line of USD 20,000,000 granted by ANZ to the subsidiary Piaggio Vietnam	
of which drawn	1,833
of which undrawn	14,120
A guarantee of Piaggio & C. for a guarantee on derivatives agreed on by I.F.C. for the subsidiary Piaggio Vietnam	
of which drawn	1,542
of which undrawn	0
Warrant to grant credit of Piaggio & C. for USD 11,000,000 to guarantee the credit line of USD 10,000,000 granted by Hongkong and Shanghai Banking Corporation to the subsidiary Piaggio Vietnam	
of which drawn	0
of which undrawn	7,976

Type	Amount €/000
Warrant to grant credit of Piaggio & C. for USD 10,000,000 to guarantee the credit line of the same amount from CHASE to the subsidiary Piaggio Group Americas	
of which drawn	2,511
of which undrawn	4,740
Warrant to grant credit of Piaggio & C. to guarantee the credit line from Banca Intesa San Paolo to the subsidiary Piaggio Group Americas for USD 7,000,000	
of which drawn	3,626
of which undrawn	1,450
Warrant to grant credit of Piaggio & C. to guarantee the credit line from Banca Intesa San Paolo to the subsidiary Piaggio Group Japan for USD 7,000,000	
of which drawn	3,040
of which undrawn	2,036
Warrant to grant credit of Piaggio & C. for USD 5,500,000 to guarantee the credit line of IDR 44,000,000,000 from ANZ to the subsidiary Piaggio Indonesia	
of which drawn	1,364
of which undrawn	2,624
Warrant to grant credit of Piaggio & C. for USD 3,600,000 to guarantee the credit line of IDR 3,000,000 from Bank of America to the subsidiary Piaggio Indonesia	
of which drawn	1,542
of which undrawn	1,068
A guarantee of Piaggio & C. on a line for derivatives, from ANZ to the subsidiary Piaggio Indonesia for USD 1,100,000	
of which drawn	3
of which undrawn	795
Guarantee of Bnl Direction Generale Des Finance in favour of Piaggio France for tax litigation with the French Ministry of Finance	2,792
Guarantee of Bnl Direction Generale Des Finance in favour of Piaggio France for tax litigation with the French Ministry of Finance	475
Guarantee of BCC-Fornacette to Livorno Customs Authorities for handling Piaggio goods at Livorno Port	200
Guarantee of BCC-Fornacette issued for the Group to Poste Italiane – Rome to guarantee contract obligations for the supply of vehicles	1,321
Guarantee of Banco di Brescia issued to the local authorities of Scorzè, to guarantee payment of urbanisation and construction charges relative to the Scorzè site	166
Guarantee of Banca Intesa San Paolo issued to the Ministry of the Interior of Algeria, to guarantee contract obligations for the supply of vehicles	140
Guarantee of Banca Intesa San Paolo issued to the Ministry of the Defense of Algeria, to guarantee contract obligations for the supply of vehicles	158
Guarantee of Monte dei Paschi di Siena issued to Chen ShinRubber for Euro 300,000, to guarantee contract obligations for the supply of vehicles	300

40. Information about financial instruments

This attachment provides information about financial instruments, their risks, as well as the sensitivity analysis in accordance with the requirements of IFRS 7, effective as of 1 January 2007.

As of 31 December 2013 and 31 December 2012 existing financial instruments were allocated as follows within the Financial Statements of Piaggio & C. S.p.A.:

Financial assets as of 31 December 2013

	Loans and receivables	Investments held to maturity	Hedging derivatives	Financial instruments at fair value available for sale	Total
In thousands of euros					
Non-current assets					
Financial receivables					0
Fair value of hedging derivatives			4,233		4,233
Investments in other companies				163	163
Total non-current assets	**0**	**0**	**4,233**	**163**	**4,396**
Current assets					
Trade receivables	73,503				73,503
Fair value of hedging derivatives			3		3
Other financial assets	12,952				12,952
Bank and postal deposits	3,618				3,618
Securities					0
Total current assets	**90,073**	**0**	**3**	**0**	**90,076**
Total	**90,073**	**0**	**4,236**	**163**	**94,472**

Financial assets as of 31 December 2012

	Loans and receivables	Investments held to maturity	Hedging derivatives	Financial instruments at fair value available for sale	Total
In thousands of euros					
Non-current assets					
Financial receivables					0
Fair value of hedging derivatives			9,938		9,938
Investments in other companies				163	163
Total non-current assets	**0**	**0**	**9,938**	**163**	**10,101**
Current assets					
Trade receivables	57,342				57,342
Fair value of hedging derivatives					0
Other financial assets	12,738				12,738
Bank and postal deposits	9,765				9,765
Securities					0
Total current assets	**79,845**	**0**	**0**	**0**	**79,845**
Total	**79,845**	**0**	**9,938**	**163**	**89,946**

Financial liabilities as of 31 December 2013

	Payables at fair value	Hedging derivatives	Other financial liabilities at amortised cost	Total
In thousands of euros				
Non-current liabilities				
Bank financing	92,138		103,475	195,614
Bonds			195,318	195,318
Other loans	3,192			3,192
Leases				0
Hedging derivatives		5,057		5,057
Total non-current liabilities	**95,330**	**5,057**	**298,793**	**399,181**
Current liabilities				
Bank financing	67,427			67,427
Other loans	29,065			29,065
Leases	5,809			5,809
Hedging derivatives		972		972
Total current liabilities	**102,301**	**972**	**0**	**103,273**
Total	**197,631**	**6,029**	**298,793**	**502,454**

Financial liabilities as of 31 December 2012

	Payables at fair value	Hedging derivatives	Other financial liabilities at amortised cost	Total
In thousands of euros				
Non-current liabilities				
Bank financing	120,172			120,172
Bonds			193,550	193,550
Other loans	4,532			4,532
Leases	5,809			5,809
Hedging derivatives		12,616		12,616
Total non-current liabilities	**130,513**	**12,616**	**193,550**	**336,679**
Current liabilities				
Bank financing	82,647		884	83,531
Other loans	21,020			21,020
Leases	936			936
Hedging derivatives		1,522		1,522
Total current liabilities	**104,603**	**1,522**	**884**	**107,009**
Total	**235,116**	**14,138**	**194,434**	**443,688**

Current and non-current financial liabilities

Current and non-current financial liabilities are covered in detail in the section on financial liabilities of the notes, divided by type and detailed by expiry date.

Fair Value Measurement

IFRS 13 – Fair value measurement applies as from 1 January 2013. The Standard 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.

IFRS 7 also requires the fair value of debts recognised on a amortised cost basis to be measured, for disclosure purposes only.
The table below indicates these values as of 31 December 2013:

Current portion	Nominal value	Carrying amount	Fair Value *
In thousands of euros			
High yield debenture loan	150,000	143,837	160,605
Private debenture loan	51,799	51,481	55,754
EIB (R&D loan 2009-2012)	53,572	53,572	52,822
EIB (R&D loan 2013-2015)	60,000	60,000	55,985
Revolving syndicated loan	105,000	103,475	99,878

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

For payables 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 2013, by hierarchical level of fair value measurement.

	Level 1	Level 2	Level 3
In thousands of euros			
ASSETS MEASURED AT FAIR VALUE			
Hedging financial derivatives		4,236	
Investments in other companies			
Other assets			163
Total		**4,236**	**163**
LIABILITIES MEASURED AT FAIR VALUE			
Hedging financial derivatives			
Financial liabilities at fair value recognised through profit or loss.		(55,754)	
Other liabilities		(2,074)	
Total		**(57,828)**	

The following tables show Level 2 and Level 3 changes during 2013:

	Level 2
In thousands of euros	
Net balance of liabilities as of 31 December 2012	(55,998)
Gain (loss) recognised in profit or loss	499
Increases/(Decreases)	1,907
Level 3 reclassification	
Net balance of liabilities as of 31 December 2013	**(53,592)**

	Level 3
In thousands of euros	
Balance of assets as of 31 December 2012	163
Gain (loss) recognised in profit or loss	
Increases/(Decreases)	
Other changes	
Level 2 reclassification	
Balance of assets as of 31 December 2013	**163**

Financial risks

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

Liquidity risk and capitals management

The liquidity risk arises from the possibility that available financial resources are not sufficient to cover, in due times and procedures, future payments arising from financial and/or commercial obligations. To deal with 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 the 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 2013 the most important sources of financing irrevocable until maturity granted to the Company were as follows:

› a debenture loan of €/000 150,000 maturing in December 2016;
› a debenture loan of €/000 75,000 maturing in July 2021;
› a revolving credit facility of €/000 200,000 maturing in December 2015;
› a revolving credit facility of €/000 20,000 maturing in June 2015;
› a loan of €/000 53,572 maturing in February 2016;
› a loan of €/000 60,000 maturing in December 2019.

As of 31 December 2013, the Company had a liquidity of €/000 3,618, €/000 115,000 of undrawn credit lines irrevocable to maturity and €/000 88,070 of revocable credit lines, as detailed below:

	As of 31.12.2013	As of 31.12.2012
In thousands of euros		
Variable rate with maturity within one year - irrevocable until maturity		59,000
Variable rate with maturity beyond one year - irrevocable until maturity	115,000	200,000
Variable rate with maturity within one year - cash revocable	57,070	117,473
Variable rate with maturity within one year - with revocation for self-liquidating typologies	31,000	34,000
Total undrawn credit lines	**203,070**	**410,473**

The table below shows the timing of future outlays in relation to trade payables:

	Trade payables as of 31 December 2013	Within 30 days	Between 31 and 60 days	Between 61 and 90 days	Over 90 days
In thousands of euros					
Amounts due to suppliers	215,427	131,846	56,253	19,114	8,214
Amounts due to subsidiaries	14,020	11,017	3,003	-	-
Amounts due to affiliated companies	10,127	8,272	1,855	-	-
Amounts due to parent companies	711	711	-	-	-
Total	**240,285**	**151,846**	**61,111**	**19,114**	**8,214**

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 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 exchange risk due to the business 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 2013, 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 local currency	Value in € (forward exchange rate)	Average maturity
In thousands					
Piaggio & C.	Purchase	CNY	20,400	2,455	08/01/2014
Piaggio & C.	Purchase	JPY	88,000	647	08/01/2014
Piaggio & C.	Purchase	USD	10,700	7,826	08/01/2014
Piaggio & C.	Sale	CAD	320	227	31/01/2014
Piaggio & C.	Sale	GBP	850	1,016	21/02/2014
Piaggio & C.	Sale	INR	424,000	4,972	24/01/2014
Piaggio & C.	Sale	JPY	75,000	531	28/02/2014
Piaggio & C.	Sale	SEK	1,900	213	28/02/2014
Piaggio & C.	Sale	USD	2,550	1,867	17/02/2014

As of 31 December 2013, the Company had undertaken the following transactions to hedge the business exchange risk:

Company	Operation	Currency	Amount in local currency	Value in € (forward exchange rate)	Average maturity
In thousands					
Piaggio & C.	Purchase	CNY	212,250	25,470	27/05/2014
Piaggio & C.	Sale	GBP	10,780	12,858	01/07/2014

To hedge the 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 2013 the total fair value of hedging instruments for the economic exchange risk recognised on a hedge accounting basis was negative by €/000 234. During 2013, losses under other components of the Statement of Comprehensive Income were recognised amounting to €/000 234 and profit from other components of the Statement of Comprehensive Income was reclassified under profit/loss for the year amounting to €/000 385.

The net balance of cash flows during 2013 is shown below, divided by main currency:

Cash Flow	2013
millions of euros	
Pound Sterling	18.6
US Dollar	32.5
Canadian Dollar	5.6
Chinese Yuan*	(23.2)
Japanese Yen	(6.7)
Total cash flow in foreign currency	**26.8**

** Cash flow partially in euro.*

In view of the above, an assumed appreciation/deprecation of 3% of the euro would have generated potential profits for €/000 676 and potential losses for €/000 718 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 2013, the following hedging derivatives were in use:

Hedging of financial flows (cash flow hedging)

- an interest rate swap to cover a variable rate loan for a nominal amount of €/000 117,857 (as of 31 December 2013 for €/000 53,571) 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 2013, the fair value of the instrument was negative by €/000 1,837; 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, equal to €/000 322 and €/000 -331 respectively.

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 2013 the fair value of the instrument was equal to €/000 4,233. The net economic effect arising from the measurement of the instrument and underlying private debenture loan was equal to €/000 115; 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 €/000 108 and €/000 -93 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 -15 and €/000 21 respectively.

	Fair Value
Piaggio & C. SpA	
Interest Rate Swap	(1,837)
Cross Currency Swap	4,233

As of 31 December 2013, variable rate debt, net of financial assets, and considering hedging derivatives, was equal to €/000 192,603. Consequently a 1% increase or decrease in the Euribor above this net exposure would have generated higher or lower interest of €/000 1,926 per year.

Credit risk

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

	As of 31 December 2013	As of 31 December 2012
In thousands of euros		
Liquid assets	3,618	9,765
Securities	-	-
Financial receivables	12,952	12,738
Trade receivables	73,503	57,342
Total	**90,073**	**79,845**

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 the 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.

41. Disputes

For detailed information about litigation, reference is made to the relative section of the Notes to the Consolidated Financial Statements.

42. Significant non-recurring events and operations

In 2012 and 2013, with reference to the 2009, 2010 and 2011 tax periods, tax inspections of Piaggio & C S.p.A. were conducted by the Italian Tax Authority, which terminated with the issue in late 2013 of Formal Notices of Assessment concerning transfer pricing.
After explaining the correct nature of its operations to the Italian Tax Authority, the Company decided to benefit from the system of paying lower fines, to avoid tax litigation and therefore defined the Formal Notices of Assessment, considerably lowering the initial requests of the inspectors.
The operation, recognised in 2013 as taxes in the income statement, comes under significant non-recurrent transactions, as defined by Consob Communication DEM/6064293 of 28 July 2006.
For 2012, no significant non-recurrent transactions were recorded.

43. Transactions arising from atypical and/or unusual operations

During 2013 and 2012, the Company did not record any significant atypical and/or unusual operations, as defined by Consob Communication DEM/6037577 of 28 April 2006 and DEM/6064293 of 28 July 2006.

44. Events occurring after the end of the period

14 March 2014 - Following the completion of the tax assessment which began in 2012 – discussed in more detail in the section “Disputes” of the Notes to the Consolidated Financial Statements - and solely to prevent tax litigation with reference to assessment aspects, that concern contrasting positions with outcomes that are hard to predict, Piaggio & C. S.p.A. considered it appropriate to agree to the settlement proposal made by the Italian Tax Authority that will involve a financial outflow, only as concerns regional production tax, of €5.1 million, while the overall impact on the income statement is equal to €24.6 million, including the use for the purposes of corporate income tax of previous losses to offset the total sum of the proposals.
19 March 2014 - Approval of the 2014-2017 Industrial Plan.

45. Authorisation for publication

This document was published on 7 April 2014 and authorised by the Chairman and Chief Executive Officer.

Milan, 20 March 2014

For the Board of Directors

/f/ 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 2013 for auditing services and other services provided by the same auditing firm and entities belonging to the auditing firm's network.

Type of service	Subject providing the service	Fees for 2013
In euro		
Auditing services	PWC	356,206
Auditing services CSR	PWC	21,000
Certification services	PWC	33,000
Total		**410,206**

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 2013.

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: 20 March 2013

/s/ Roberto Colaninno	/s/ Alessandra Simonotto
Roberto Colaninno	Alessandra Simonotto
Chairman and Chief Executive Officer	**Executive in charge**

Report of the Independent Auditors on the Financial Statements of the Parent Company

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE No. 39 OF 27 JANUARY 2010

To the shareholders of
Piaggio & C. SpA

1 We have audited the separate financial statements of Piaggio & C. SpA as of 31 December 2013 which comprise the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity, the statement of cash flows and related notes. The directors of Piaggio & C. SpA are responsible for the preparation of these financial statements in compliance with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree no. 38/2005. Our responsibility is to express an opinion on these separate financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards and criteria recommended by Consob, the Italian Commission for listed Companies and the Stock Exchange. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the separate financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the separate financial statements of the prior period, which are presented for comparative purposes, reference is made to our report dated 8 March 2013.

3 In our opinion, the separate financial statements of Piaggio & C. SpA as of 31 December 2013 comply with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree no. 38/2005; accordingly, they have been prepared clearly and give a true and fair view of the financial position, result of operations and cash flows of Piaggio & C. SpA for the year then ended.

PricewaterhouseCoopers SpA

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4 The directors of Piaggio & C. SpA are responsible for the preparation of a report on operations and a report on corporate governance and corporate ownership published in section "Governance" of the website of Piaggio & C. SpA in compliance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the information referred to in paragraph 1, letters c), d), f), l), m), and paragraph 2, letter b), of article 123-bis of Legislative Decree no. 58/98 presented in the report on corporate governance and corporate ownership, with the financial statements, as required by law. For this purpose, we have performed the procedures required under Italian Auditing Standard no. 001 issued by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili) and recommended by Consob. In our opinion, the report on operations and the information referred to in paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b), of article 123-bis of Legislative Decree no. 58/98 presented in the report on corporate governance and corporate ownership are consistent with the separate financial statements of Piaggio & C. SpA as of 31 December 2013.

Florence, 2 April 2014

PricewaterhouseCoopers SpA

Signed by

Corrado Testori
(Partner)

This report has been translated into the English language from the original, which was issued in Italian, 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 no. 01551260506

REPORT BY THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING

AS PER ARTICLE 153 OF LEGISLATIVE DECREE NO. 58/98 (THE "T.U.F.") AND ARTICLE 2429

OF THE ITALIAN CIVIL CODE

To the Shareholders,

Over the course of the financial year ended 31 December 2013 the Board of Statutory Auditors of Piaggio & C. S.p.A. (the "**Company**") carried out its statutory duties, also taking into account the CONSOB circulars 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 2013, 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 system, 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 of 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.

2. The Board did not discover, during the financial year 2013, 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 interests 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. (the "Audit Firm"), issued on 2 April 2014 pursuant to articles 14 and 16 of 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 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 2013. 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 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

and consolidated financial statements as at 31 December 2013. 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, pursuant to article 17 of Legislative Decree no. 39 of 27 January 2010, on 2 April 2014, 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 shareholders' meeting of 15 April 2013, shareholder Mr Fabris submitted the following complaint to the Board of Statutory Auditors, pursuant to article 2408 of the Italian Civil Code (as recorded in the minutes of the meeting):

"*With regard to the individual responsible for collecting proxies, I received the following reply: "The Company has appointed as its representative Mr Meneghini of Milan, with whom the company has a regular arrangement that also includes services relating to the collection of proxies, for which Mr Meneghini receives no fee." I believe that it is serious that this fact was kept from those who were intending to grant proxies or who granted proxies to Mr Meneghini, since the form indicates that:*

"Mr Pier Francesco Meneghini, in his capacity as Appointed Representative, declares that neither he nor any of his substitutes have any conflicts of interest within the meaning of article 135-decies of Legislative Decree no. 58/1998 in relation to any of the shareholders' resolutions".

I therefore ask the Board of Statutory Auditors (unfortunately I must submit this as an official complaint, since nobody will give me an answer if I just ask) whether, pursuant to article 2408 of the Italian Civil Code, this could be considered as reprehensible.

With reference to this complaint, the Board noted that Mr Fabris received the following reply during the same shareholders' meeting of 15 April 2013: "*Mr Pier Francesco Meneghini does not have any conflicts of interest within the meaning of article 135-decies or article 135-undecies of Legislative Decree no. 58/1998 (which relates more to the matter at hand, i.e. to the representative appointed by the Company) in relation to any of the proposed resolutions on the agenda*".

The Board also checked that Mr Meneghini had no conflicts of interest pursuant to article 135 *decies* and article 135 *undecies* of Legislative Decree no. 58/199, as confirmed by a declaration from Mr Meneghini himself, which was filed in the company's records.

In view of the foregoing, in reply to Mr Fabris's complaint, the Board believes that there is nothing reprehensible about the above.

During the financial year 2013 the Board received no other 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 incidents which it should report here.

7-8. During the financial year 2013, the Company paid the Audit Firm fees of €356,206 for its audit services, while the Company's subsidiaries paid, for audit services, fees of €8,900 to the Audit Firm, and €391,680 to the PricewaterhouseCoopers Network

During the same year:

- the Audit Firm received fees of €21,000 from the Company, for assignments additional to its audit work (mainly the audit of the Corporate Social Responsibility Report), while the PricewaterhouseCoopers Network received fees of €33,000 from the Company for assignments additional to its audit work (certification services);
- the Company's subsidiaries paid fees of €42,416 to the Network, for other services provided in addition to audit work (certification services).

In light of the above, and the Audit Firm's attestation of independence and denial of 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 2013, the Board of Statutory Auditors issued statutory opinions and delivered statements upon request (statement of costs incurred for overheads and company staff as part of the financed "MUSS" (Sustainable and Safe Urban and Suburban Mobility) project.

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, notwithstanding 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 all the statutory auditors of the Board of Statutory Auditors and the alternate auditor Mauro Girelli, looking at the substance rather than the form and considering the fact that the members of the Board are highly qualified and experienced and have over time proved invaluable for the Issuer. In view of this, the Board of Directors, during the meeting of 20 March 2014, confirmed that all the statutory auditors satisfied the independence requirements laid down by article 148(3) of the T.U.F. and article 3 of the Code of Practice.

The individual members of the Board of Statutory Auditors also declared that they have not exceeded the limits on assignments set out in article 148-*bis*(1) of the 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 an interest on behalf of third parties, these must be reported to the Board of Directors and the other members of the Board of Statutory Auditors.

10. Over the course of 2013, the Company's Board of Directors met four times, the Internal Control and Audit Committee six times and the Remuneration Committee just once. No meetings of the Appointments Committee were held. In the same year the Board of Statutory Auditors met eight times; it also attended all the meetings of the Board of Directors and shareholders held during the year.

The Board of Statutory Auditors, represented by its Chairman or one of the Statutory Auditors, also attended meetings of the Internal Control and Audit 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 articles of association, and that their resolutions were not contrary to the interests 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 organisational 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 Audit Committee, with the Internal Audit manager, with the Managing Director in his capacity as the director appointed to oversee that the internal audit and risk management system is functioning, 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 Procedure for Transactions with Related Parties, approved by the Board of Directors following the issue of CONSOB Regulation no. 17221 of 12 March 2010.

Lastly, the Board of Statutory Auditors attended the meetings of the Supervisory Board during the financial year. Once again, it should be pointed out that the flow of information between the Board of Statutory Auditors and the Supervisory Board was also guaranteed by the fact that the Chairman of the Board of Statutory Auditors is a statutory member of the Supervisory Board.

In light of these checks, and the evaluations of the 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 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 the *Dirigente Preposto* completed, with the support of Internal Audit, an evaluation of the adequacy and actual implementation of the administrative and accounting procedures indicated in article 154-*bis* of the T.U.F., for the Company and its strategically important subsidiaries; this allowed the Company to attest that its accounts give a true and fair view of the assets and liabilities, profitability and financial position of itself and the consolidated companies.

In light of these checks and the Board of Directors' evaluation of the adequacy of the Company's organisational, 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 correctly representing the operational items.

15. The Board checked that the instructions issued by the Company to its subsidiaries as per article 114(2) of the 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 laid down 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 the T.U.F.

At these meetings the Audit Firm did not report any facts or anomalies important enough to be indicated in this report.

During the financial year, the Board of Statutory Auditors met with the supervisory body of the subsidiary Aprilia Racing S.r.l. in order to exchange information pursuant to article 151(2) of the T.U.F.

The fact that the auditor Alessandro Lai is also the Chairman of the Board of Statutory Auditors of the parent company IMMSI S.p.A. also facilitated the exchange of information with the parent company's Board of Statutory Auditors.

17. The Company abided by the Code of Practice for the Self-Regulation of Listed Companies, approved by the Committee for Corporate Governance and promoted by Borsa Italiana S.p.A.

The system of corporate governance adopted by the Company is detailed in the Report on Corporate Governance and Ownership Structures for 2013, approved by the Board of Directors on 20 March 2014.

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, omissions or irregularities significant enough to be mentioned in this report.

19. The Board of Statutory Auditors 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 body responsible for accounting control, has found no reason – as far as its own remit goes – not to approve the financial statements as at 31 December 2013 as drafted and approved by the Board of Directors at its meeting of 20 March 2014, and agrees with the Board of Directors about the proposed coverage of the year's loss of €1,649,156.15 by allocating it to the revenue reserve "Profits (losses) carried forward".

3 April 2014

The Board of Statutory Auditors

Mr. Giovanni Barbara

[*Signature of Giovanni Barbara*]

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

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of international readers.

PIAGGIO & C. s.p.a.

Management and Coordination
IMMSI S.p.A.
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Pisa Economic and Administrative Index no. 134077