Management and coordination
IMMSI S.p.A.
Share capital € 206,083,420.75 fully paid up
Registered office: Viale R. Piaggio 25, Pontedera (Pisa)
Pisa Register of Companies and Tax Code 04773200011
Pisa Economic and Administrative Index no. 134077

Interim Report on Operations as of 31 March 2014

CONTENTS

Introduction

This unaudited Interim Report on Operations as of 31 March 2014 has been prepared in compliance with Italian Legislative Decree no. 58/1998 as amended, as well as with Consob Regulation on Issuers.

These Interim Financial Statements have been prepared in compliance with International Financial Reporting Standards (« IFRS ») issued by the International Accounting Standards Board (« IASB ») and approved by the European Union and in accordance with IAS 34 – Interim Financial Reporting.

Key operating and financial data

In millions of euros	First Quarter 2014	First Quarter 2013	Financial Statements 2013
Data on financial position			
Net sales revenues	276.8	303.4	1,212.5
Gross industrial margin	83.2	88.0	357.5
Operating income	11.7	9.8	62.6
Profit before tax	1.8	1.8	30.3
Net profit	1.1	1.1	(6.5)
.Minority interest	0.0	0.0	0.0
.Group	1.1	1.1	(6.5)
Data on financial performance			
Net capital employed (NCE)	934.4	931.6	867.7
Net debt	(541.0)	(487.7)	(475.6)
Shareholders’ equity	393.4	443.8	392.1
Balance sheet figures and financial ratios			
Gross margin on net revenues	30.1%	29.0%	29.5%
Net profit as a percentage of net revenues	0.4%	0.3%	-0.5%
ROS (Operating income/net revenues)	4.2%	3.2%	5.2%
ROE (Net profit/shareholders' equity)	0.3%	0.2%	-1.7%
ROI (Operating income/NEC)	1.3%	1.1%	7.2%
EBITDA	32.5	30.1	146.8
EBITDA on Net Revenues	11.7%	9.9%	12.1%
Other information			
Sales volumes (unit/000)	123.9	138.4	555.6
Investments in property, plant and equipment and intangible assets	16.3	22.3	87.6
Research and Development[1]	14.6	17.1	47.7
Employees at the end of the period (number)	7,634	8,487	7,688

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

Results by operating segments

		EMEA and AMERICAS	INDIA	ASIA PACIFIC 2W	TOTAL
	1st Quarter 2014	52.6	51.5	19.8	**123.9**
Sales volumes	1st Quarter 2013	52.3	61.9	24.2	**138.4**
(units/000)	Change	0.3	(10.3)	(4.4)	**(14.4)**
	Change %	0.5%	-16.7%	-18.2%	**-10.4%**
	1st Quarter 2014	169.4	70.1	37.3	**276.8**
Turnover	1st Quarter 2013	170.6	87.7	45.1	**303.4**
(million euros)	Change	(1.2)	(17.6)	(7.9)	**(26.7)**
	Change %	-0.7%	-20.1%	-17.4%	**-8.8%**
	As of 31.03.2014	4,066	2,651	917	**7,634**
Staff	As of 31.03.2013	4,322	3,216	949	**8,487**
(no.)	Change	(256.0)	(565.0)	(32.0)	**(853)**
	Change %	-5.9%	-17.6%	-3.4%	**-10.1%**
	1st Quarter 2014	14.1	1.3	1.0	**16.3**
Investments	1st Quarter 2013	15.1	4.3	2.9	**22.3**
(million euros)	Change	(1.0)	(3.1)	(1.9)	**(6.0)**
	Change %	-6.7%	-70.5%	-66.7%	**-26.8%**
	1st Quarter 2014	12.6	1.1	0.9	**14.6**
Research and Development[2]	1st Quarter 2013	12.6	2.8	1.6	**17.1**
(million euros)	Change	(0.0)	(1.7)	(0.7)	**(2.5)**
	Change %	-0.2%	-60.6%	-43.3%	**-14.3%**

[2] The item "Research and Development" includes investments recognised in the statement of financial position and costs recognised in income statement.

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
Executive in charge of financial reporting	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 Risks Management Committee
(6) Member of the Related Party Transactions Committee

Significant events in the first quarter of 2014

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 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 Revenue Agency that will involve a financial outflow, only as concerns regional production tax, of €5.1 million, while the overall impact on the 2013 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.

Financial position and performance of the Group
Consolidated income statement (reclassified)

	1st Quarter 2014		1st Quarter 2013		Change	
	In millions of euros	*Accounting for a %*	*In millions of euros*	*Accounting for a %*	*In millions of euros*	*%*
Net sales revenues	276.8	100.0%	303.4	100.0%	(26.7)	-8.8%
Cost to sell	193.6	69.9%	215.4	71.0%	(21.8)	-10.1%
Gross industrial margin	**83.2**	**30.1%**	**88.0**	**29.0%**	**(4.8)**	**-5.5%**
Operating expenses	71.5	25.8%	78.2	25.8%	(6.7)	-8.6%
EBITDA	**32.5**	**11.7%**	**30.1**	**9.9%**	**2.4**	**7.9%**
Amortisation	20.7	7.5%	20.3	6.7%	0.5	2.2%
Operating income	**11.7**	**4.2%**	**9.8**	**3.2%**	**1.9**	**19.6%**
Result of financial items	(9.9)	-3.6%	(8.0)	-2.6%	(1.9)	23.5%
Profit before tax	**1.8**	**0.6%**	**1.8**	**0.6%**	**0.0**	**1.8%**
Taxes	0.7	0.3%	0.7	0.2%	0.0	1.8%
Net profit	**1.1**	**0.4%**	**1.1**	**0.3%**	**0.0**	**1.8%**

Vehicles sold

In thousands of units	1st Quarter 2014	1st Quarter 2013	Change
EMEA and Americas	52.6	52.3	0.3
India	51.5	61.9	(10.3)
Asia Pacific 2W	19.8	24.2	(4.4)
TOTAL VEHICLES	**123.9**	**138.4**	**(14.4)**
Two-Wheeler Vehicles	76.5	87.6	(11.1)
Commercial Vehicles	47.5	50.8	(3.3)
TOTAL VEHICLES	**123.9**	**138.4**	**(14.4)**

Net revenues

In millions of euros	1st Quarter 2014	1st Quarter 2013	Change
EMEA and Americas	169.4	170.6	(1.2)
India	70.1	87.7	(17.6)
Asia Pacific 2W	37.3	45.1	(7.9)
TOTAL NET REVENUES	**276.8**	**303.4**	**(26.7)**
Two-Wheeler Vehicles	195.7	208.4	(12.7)
Commercial Vehicles	81.1	95.1	(14.0)
TOTAL NET REVENUES	**276.8**	**303.4**	**(26.7)**

During the first quarter of 2014, the Piaggio Group sold 123,900 vehicles worldwide, reporting a decrease of 10.4% in volume compared to the same period of the previous year when 138,400 units were sold. The Emea and Americas are showing slight signs of recovery and have recorded a small increase (+ 0.5%) after a long period of negative trends. Results for vehicles sold in India and Asia Pacific are instead negative (- 16.7% and - 18.2% respectively).
As regards the type of products sold, the main downturn occurred in the two-wheeler segment (- 12.7%).

The European two-wheeler market finally recorded a positive growth trend, after several years of a steady downturn. Vehicle registrations went up by 12.9% in Europe and by 9.7% in Italy. The result in the motorcycle segment was particularly good, with an increase of 21.1% in Europe and 12.2% in Italy. Growth in the scooter segment was more moderate, up by 6.3% in Europe and by 8.3% in Italy.
On the US two-wheeler market, performance on the scooter segment declined by 10.7%, while the motorcycle segment grew (+1.0%).
The Group's main reference markets in Asia reported contrasting trends. In India, the scooter segment grew by 33%, while in Vietnam the two-wheeler market fell by 9%.

The light commercial vehicles market in Europe also reported a buoyant trend. In particular, sales of four-wheeler light commercial vehicles went up by 9.5% in Europe and by 10.5% in Italy. In the same areas, sales of three-wheeler vehicles increased in Europe by 5.3%, while they fell by 21% in Italy.
In India, instead, the light commercial vehicles market declined considerably. In particular, the three-wheeler segment decreased by 15.6%, while the four-wheeler segment was affected by a 40.1% drop.

In terms of consolidated turnover, the Group ended the first three months of 2014 with lower net revenues compared to the same period of the previous year (-26.7 ML € and - 8.8%) and equal to € 276.8 million. This decrease, mainly in India and Asia Pacific, was exacerbated by the devaluation of the dollar and all Asian currencies, which had an impact of 14.4 ML € on the decrease in turnover. The trend in Emea and the Americas was basically steady, with a slight downturn (- 0.7%) compared to the first quarter of 2013. The decrease in turnover in Asia Pacific (- 17.4%) and India (- 20.1%) was more marked, also due to the above-mentioned exchange effect.
Analysis of sales by product type shows a more considerable downturn in the commercial vehicles segment (- 14.7%). As a result, the impact of two-wheeler vehicles on overall turnover went up from 68.7% in the first quarter of 2013 to 70.7% in the same period in 2014; whereas, the same parameter in the Commercial Vehicles segment decreased from 31.3% in the first quarter of 2013 to 29.3% in the same period of 2014.

The Group's **gross industrial margin**, defined as the difference between “net revenues” and “cost to sell” decreased by € 4.8 million in absolute terms compared to the first quarter of the previous year, while in relation to net turnover, it went up from 29.0% in the first quarter of 2013 to 30.1%.
For example, the "cost to sell" 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. Amortisation/depreciation included in the gross industrial margin was equal to € 8.6 million (€ 8.5 million in the first quarter of 2013).

Operating expenses incurred during the first quarter of 2014 totalled € 71.5 million, € 6.7 million less compared to the same period of the previous year (€ 78.2 million), and confirm the Group's constant focus on keeping costs down and maintaining high profitability levels.
For example, operating expenses include employee costs, costs for services, leases and rentals, as well as operating costs net of operating income not included in the gross industrial margin. Operating expenses also include amortisation/depreciation not included in the gross industrial margin, amounting to € 12.1 million (€ 11.8 million in the first quarter of 2013).

These trends in the income statement resulted in a consolidated **EBITDA**, defined as operating income gross of amortisation/depreciation, which was higher in absolute terms compared to the first quarter of 2013 (€ 32.5 million in the first three months of 2014 and € 30.1 million in the same period in 2013), and in relation to turnover (11.7% compared to 9.9% the previous year). In terms of Operating Income (**EBIT**), performance for the period was also up in absolute terms compared to the first three months of 2013, with a consolidated EBIT equal to € 11.7 million and 4.2% in relation to turnover (3.2% the previous year).

The result of financing activities worsened compared to the first three months of the previous year, with Net Charges amounting to € 9.9 million (€ 8.0 million in the first three months of 2013). This was mainly due to the lower capitalisation of borrowing costs in the first quarter of 2014 and higher average financial debt, only partially offset by a decrease in the cost of funding.

Consolidated net profit amounted to € 1.1 million, as in the first three months of 2013. Income taxes for the period are estimated at € 0.7 million, equivalent to 40% of profit before tax.

Consolidated statement of financial position

In millions of euros	As of 31 March 2014	As of 31 December 2013	Change
Statement of financial position			
Net working capital	33.7	(30.4)	64.1
Net tangible assets	307.3	310.1	(2.8)
Net intangible assets	655.7	654.5	1.2
Financial assets	9.6	9.9	(0.2)
Provisions	(72.0)	(76.4)	4.4
Net capital employed	**934.4**	**867.7**	**66.6**
Net Financial Debt	541.0	475.6	65.3
Shareholders' equity	393.4	392.1	1.3
Sources of funds	**934.4**	**867.7**	**66.6**
Minority interest capital	0.9	0.9	(0.0)

Net working capital as of 31 March 2014, equal to € 33.7 million, used cash for € 64.1 million in the first three months of 2014. This trend is mainly due to the seasonal effect of the two-wheeler market which, as is well-known, uses resources in the first part of the year and generates them in the second half. Specifically, net working capital is defined as the sum of trade receivables, inventories, trade payables and other non-trade assets and liabilities.

Plant property and equipment, comprising plant, property, machinery and industrial equipment, net of amortisation quota and assets held for sale, amounted to € 307.3 million as of 31 March 2014, down by € 2.8 million compared to 31 December 2013. This decrease is mainly due to the value of depreciation, which exceeded the volume of acquisitions in the period.

Intangible assets, comprising capitalised development costs, costs for patents and know-how, as well as goodwill arising from acquisitions/mergers taking place within the Group over the last few years, totalled € 655.7 million, with an increase of approximately € 1.2 million compared to 31 December 2013. This increase is due to the value of investments which exceeded amortisation.

Financial assets, defined as the sum of "investments" and "other non-current financial assets" totalled € 9.6 million, more or less in line with values as of 31 December 2013.

Provisions, comprising retirement funds and employee benefits, other long term provisions and the current portion of other long term provisions, totalled € 72.0 million, registering a decrease compared to 31 December 2013 (€ 76.4 million).

As fully described in the next section on the "Consolidated Statement of Cash Flows", **net financial debt** as of 31 March 2014 was equal to € 541.0 million, compared to € 475.6 million as of 31 December 2013. The decrease of approximately € 65.3 million in net debt is mainly due to the seasonal nature of the Two-Wheeler market which, as is well-known, uses resources in the first part of the year and generates them in the second half. This negative deviation was down by € 31 million compared to the same period of the previous year, due to a lower use of working capital.

Shareholders' equity as of 31 March 2014 amounted to € 393.4 million, up by approximately € 1.3 million compared to 31 December 2013.

Consolidated Statement of Cash Flows

The consolidated statement of cash flows prepared in accordance with the models provided by international financial reporting standards (IFRS) is shown in the "Consolidated Financial Statements and Notes as of 31 March 2014"; the following is a comment relating to the summary statement shown.

	1st Quarter		
In millions of euros	**2014**	**2013**	**Change**
Change in consolidated net debt			
Opening consolidated net debt	**(475.6)**	**(391.8)**	**(83.8)**
Cash flow from operating activities	17.4	21.6	(4.2)
(Increase)/Reduction in Working Capital	(64.1)	(92.0)	27.9
(Increase)/Reduction in net investments	(18.9)	(28.4)	9.5
Change in shareholders' equity	0.2	2.9	(2.7)
Total change	**(65.3)**	**(95.9)**	**30.6**
Closing consolidated net debt	**(541.0)**	**(487.7)**	**(53.2)**

In the first three months of 2014 the Piaggio Group used **financial resources** amounting to € 65.3 million.

Cash flow from operating activities, defined as net profit, minus non-monetary costs and income, was equal to €17.4 million.
Working capital used cash for approximately € 64.1 million.

Investing activities involved a total of € 18.9 million of financial resources.
This figure includes investments for € 16.3 million and other mainly exchange-related changes, for € 2.6 million.

As a result of the above financial dynamics, which generated a use of € 65.3 million, the **net debt** of the Piaggio Group amounted to € - 541.0 million.

Results by type of product

Two-Wheeler Vehicles

	1st Quarter 2014		1st Quarter 2013		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	50.6	154.4	50.3	155.0	0.6%	-0.4%	0.3	(0.5)
of which EMEA	46.3	136.7	46.1	136.1	0.3%	0.4%	0.1	0.6
(of which Italy)	8.1	26.6	*8.8*	*29.5*	*-7.9%*	*-10.1%*	*(0.7)*	*(3.0)*
of which America	4.3	17.7	4.2	18.9	3.7%	-6.1%	0.2	(1.2)
India	6.1	4.0	13.1	8.3	-53.6%	-51.7%	(7.0)	(4.3)
Asia Pacific 2W	19.8	37.3	24.2	45.1	-18.2%	-17.4%	(4.4)	(7.9)
TOTAL	**76.5**	**195.7**	**87.6**	**208.4**	**-12.7%**	**-6.1%**	**(11.1)**	**(12.7)**
Scooters	68.3	130.0	79.9	139.1	-14.5%	-6.6%	(11.6)	(9.1)
Motorcycles	8.1	39.6	7.6	41.9	6.1%	-5.5%	0.5	(2.3)
Spare parts and Accessories		25.5		25.4		0.5%		0.1
Other		0.6		2.0		-68.4%		(1.4)
TOTAL	**76.5**	**195.7**	**87.6**	**208.4**	**-12.7%**	**-6.1%**	**(11.1)**	**(12.7)**

The Two-Wheeler market mainly comprises two product segments: scooters and motorcycles, in addition to the related spare parts and accessories business, the sale of engines to third parties, involvement in main two-wheeler sports championships and technical service.

Comments on main results and significant events of the sector

The European Two-Wheeler market finally recorded a positive growth trend, after several years of a steady downturn. Vehicle registrations went up by 12.9% in Europe and by 9.7% in Italy. The result in the motorcycle segment was particularly good, with an increase of 21.1% in Europe and 12.2% in Italy. Growth in the scooter segment was more moderate, up by 6.3% in Europe and by 8.3% in Italy.
On the US two-wheeler market, performance on the scooter segment declined by 10.7%, while the motorcycle segment grew (+1.0%).
The Group's main reference markets in Asia reported contrasting trends. In India, the scooter segment grew by 33%, while in Vietnam the two-wheeler market fell by 9%.

The Piaggio Group maintained its leadership position on the European two-wheeler market in the first three months of 2014, with a 15.1% market share, a 25.4% share in the scooter segment (+0.1% compared to 2013) and a 4.0% share in the motorcycle segment, down compared to 2013.
On the Italian market, the Piaggio Group retained its leadership position with a total share of 20.7%, (30.6% in the scooter segment), down compared to 2013 figures.
Healthy performance was reported in the USA, where, against a 10.7% decline on the scooter market, Piaggio Group scooter sales rose by 4.6% for a 23.7% share of the segment. Overall sales volumes (scooters and motorcycles) increased by 3.7% across the Americas area (USA+Canada+Latin America).
Results in Asia Pacific were not so good, where volumes (sell in) dropped by 18.2%, also following the general weakness of the reference market.
Sales in India also fell, where volumes (sell in) decreased by 53.6%.

Commercial Vehicles

	1st Quarter 2014		1st Quarter 2013		Change %		Change	
	Volumes Sell-in (units/000)	Turnover (million euros)	Volumes Sell-in (units/000)	Turnover (million euros)	Volumes	Turnover	Volumes	Turnover
EMEA and Americas	2.0	15.0	2.0	15.6	-1.5%	-4.2%	(0.0)	(0.7)
(of which Italy)	0.9	8.8	0.8	8.1	*10.5%*	*8.6%*	*0.1*	*0.7*
(of which America)	0.0	0.2	0.1	0.4	-67.5%	-54.0%	(0.1)	(0.2)
India	45.5	66.1	48.8	79.4	-6.7%	-16.8%	(3.3)	(13.3)
TOTAL	**47.5**	**81.1**	**50.8**	**95.1**	**-6.5%**	**-14.7%**	**(3.3)**	**(14.0)**
Ape	45.0	62.6	49.8	78.3	-9.5%	-20.0%	(4.7)	(15.7)
Porter	0.5	5.7	0.6	6.7	-11.4%	-14.4%	(0.1)	(1.0)
Quargo	0.2	1.2	0.2	1.0	23.8%	23.0%	0.0	0.2
Mini Truk	1.7	3.3	0.3	0.5	543.9%	497.1%	1.5	2.7
Spare parts and Accessories		8.3		8.5		-3.5%		-0.3
TOTAL	**47.5**	**81.1**	**50.8**	**95.1**	**-6.5%**	**-14.7%**	**(3.3)**	**(14.0)**

The Commercial Vehicles business 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

The light commercial vehicles market in Europe reported a buoyant trend. In particular, sales of four-wheeler light commercial vehicles went up by 9.5% in Europe and by 10.5% in Italy. In the same areas, sales of three-wheeler vehicles increased in Europe by 5.3%, while they fell by 21% in Italy.
In India, instead, the light commercial vehicles market declined considerably. In particular, the three-wheeler segment decreased by 15.6%, while the four-wheeler segment was affected by a 40.1% drop.

In this context, in the first quarter of 2014, the Piaggio Group sold commercial vehicles realising a turnover of approximately € 81.1 million, including approximately € 8.3 million relative to spare parts and accessories, down 14.7% over the same period of 2013. Units sold fell from 50,800 units in the first three months of 2013 to 47,500 units in the current period, with a downturn, lower than turnover, of 6.5%.

On the EMEA and Americas markets, the Piaggio Group sold 2,000 units in the first three months of 2014, generating a net total turnover of approximately € 15.0 million, including spare parts and accessories, down slightly on the same period in 2013.

On the Indian three-wheeler market, considerably down compared to the first quarter of 2013 (-15.6%), Piaggio Vehicles Private Limited, with 38,200 units sold against 44,800 units in the same period of 2013, retained its position as reference player, with a market share of 33.3%. In more detail, Piaggio Vehicles Private Limited maintained its role as market leader in the cargo segment, with a market share of 49.7% and as a leading player in the important passenger segment with a market share of 28.3%.

On the four-wheeler market (<2 Ton), Piaggio Vehicles Private Limited considerably increased sales (+502%) in the first three months of 2014, to obtain a 4.6% share (0.5% in March 2013).

Significant events after 31 March 2014

14 April 2014, the new Moto Guzzi V7 range was launched in the historic Moto Guzzi factory in Mandello del Lario. The range offers three models: Racer, Stone and Special.

14 April 2014, the Piaggio Concept Store Mantova S.r.l. company was established, owned 100% by Piaggio & C., S.p.A. Its corporate purpose is to market two-, three- and four-wheel vehicles and related spare parts and accessories, to provide repair and technical support services, and motorcycle services. The new company also sells clothing, food and beverages.

15 April 2014, the new Mechanical Factory was opened at the Piaggio industry park in Pontedera, to house high-precision machining operations on scooter and motorcycle components for the entire Group. The production facility covers a total surface area of approximately 7,500 m^2, of which 5,500 indoors, and performs high-precision machining on sumps, crankcases and other engine and chassis components, with a workforce of around 90 people. Most of these people were hired by the Piaggio Group in 2011, after its former supplier Tecnocontrol went bankrupt.

16 April 2014 Piaggio & C. S.p.A. successfully completed the placement of an unsecured, non-convertible, high-yield senior debenture loan, amounting to € 250 million with a 7-year duration, an annual interest rate of 4.625%, semi-annual fixed coupon and issue price equal to 100%. The debenture loan will make it possible to optimise debt, in particular extending average maturity (from 2.4 to over 4 years), reducing the average cost of funding and increasing the debt component raised on capital markets.

22 April 2014, the new Vespa GTS, also available in a GTS Super sports version with 125 and 300 cc engines, was launched in Tuscany. This is the largest and most powerful Vespa scooter ever produced, and features an ASR electronic traction control system (a world exclusive and technological first from the Piaggio Group) and an ABS braking system.

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, receivables and payables as of 31 March 2014 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 given in the notes of the Consolidated Financial Statements.
The procedure for transactions with related parties, pursuant to article 4 of Consob Regulation no. 17221 of 12 March 2010 as amended, approved by the 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 for the Company and subsidiaries concerning extraordinary financing operations, organisation, strategy and coordination, as well as services intended to optimise the financial structure of the Group.

In 2013, for a further three years, the Parent Company signed up for 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. 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), it may be used to reduce the total income of the Group.

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

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.

- o 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

- o sells components to:

- Piaggio Vehicles Private Limited
- Piaggio Vietnam

- o 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, for sale on respective markets, to:

  - Piaggio Indonesia
  - Piaggio Group Japan
  - Piaggio & C. S.p.A.

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

Piaggio Vespa provides

  - back office business and administration services as well as credit management services for 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;

  - 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:

- a racing team management service;
- a vehicle design service for Piaggio & C. S.p.a.

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.

Other information

Corporate

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

On 14 April 2014, a new company, Piaggio Concept Store Mantova, was established, which will manage the Group's first "flagship store" in the city of Mantua.

Mantua, 8 May 2014

For the Board of Directors

Chairman and Chief Executive Officer
Roberto Colaninno

Piaggio Group

Condensed Interim Financial Statements, Consolidated Financial Statements and Notes as of 31 March 2014

Consolidated Income Statement

		1st Quarter 2014		1st Quarter 2013	
In thousands of Euros	**Notes**	**Total**	**of which related parties**	**Total**	**of which related parties**
Net revenues	4	**276,786**	**17**	**303,449**	**18**
Cost for materials	5	160,088	5,979	175,318	5,063
Cost for services and leases and rentals	6	48,778	902	54,272	990
Employee costs	7	52,638		61,887	
Depreciation of property, plant and equipment	8	10,239		9,891	
Amortisation of intangible assets	8	10,495		10,387	
Other operating income	9	21,168	2,297	22,525	176
Other operating costs	10	3,987	8	4,415	4
Operating income		**11,729**		**9,804**	
Income/(loss) from investments	11				
Financial income	12	130		436	
Borrowing costs	12	9,969	51	8,308	51
Net exchange gains/(losses)	12	(94)		(168)	
Profit before tax		**1,796**		**1,764**	
Taxes for the period	13	719		706	
Profit from continuing operations		**1,077**		**1,058**	
Assets held for disposal:					
Profits or losses arising from assets held for disposal	14				
Net Profit (loss) for the period		**1,077**		**1,058**	
Attributable to:					
Shareholders of the Parent Company		**1,083**		**1,072**	
Non-controlling interests		**(6)**		**(14)**	
Earnings per share (figures in €)	15	**0.003**		0.003	
Diluted earnings per share (figures in €)	15	**0.003**		0.003	

Consolidated Statement of Comprehensive Income

In thousands of euros	*Notes*	1st Quarter 2014	1st Quarter 2013
Net Profit (Loss) for the period (A)		**1,077**	**1,058**
Items that will not be reclassified in the income statement			
Re-measurements of post employment benefit	29	(959)	(403)
Total		**(959)**	**(403)**
Items that may be reclassified in the income statement			
Profit (loss) deriving from the translation of financial statements of foreign companies denominated in foreign currency	29	1,153	2,336
Total profits (losses) on cash flow hedge instruments	29	(72)	1,687
Total		**1,081**	**4,023**
Other components of the Statement of Comprehensive Income (B)*		**122**	**3,620**
Total Profit (loss) for the period (A + B)		**1,199**	**4,678**

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

Attributable to:			
Shareholders of the Parent Company		**1,222**	**4,699**
Non-controlling interests		**(23)**	**(21)**

Consolidated Statement of Financial Position

In thousands of Euros	Notes	As of 31 March 2014 Total	As of 31 March 2014 of which related parties	As of 31 December 2013 Total	As of 31 December 2013 of which related parties
ASSETS					
Non-current assets					
Intangible assets	16	655,696		654,528	
Property, plant and equipment	17	299,978		302,767	
Investment property	18	7,346		7,346	
Investments	19	8,152		8,152	
Other financial assets	20	9,559		10,468	
Long-term tax receivables	21	2,958		2,974	
Deferred tax assets	22	36,192		33,660	
Trade receivables	23	127			
Other receivables	24	12,406	231	13,368	231
Total non-current assets		**1,032,414**		**1,033,263**	
Assets held for sale	28				
Current assets					
Trade receivables	23	119,740	873	75,722	864
Other receivables	24	29,944	11,130	26,514	7,162
Short-term tax receivables	21	29,360		23,615	
Inventories	25	230,668		207,808	
Other financial assets	26			838	
Cash and cash equivalents	27	71,048		66,504	
Total current assets		**480,760**		**401,001**	
TOTAL ASSETS		**1,513,174**		**1,434,264**	

In thousands of Euros	Notes	As of 31 March 2014 Total	As of 31 March 2014 of which related parties	As of 31 December 2013 Total	As of 31 December 2013 of which related parties
SHAREHOLDERS' EQUITY AND LIABILITIES					
Shareholders' equity					
Share capital and reserves attributable to the shareholders of the Parent Company	29	392,496		391,183	
Share capital and reserves attributable to non-controlling interests	29	909		932	
Total shareholders' equity		**393,405**		**392,115**	
Non-current liabilities					
Financial liabilities falling due after one year	30	440,328	2,900	434,865	2,900
Trade payables	31				
Other long-term provisions	32	10,952		11,083	
Deferred tax liabilities	33	5,887		5,722	
Retirement funds and employee benefits	34	50,800		49,830	
Tax payables	35	0		0	
Other long-term payables	36	3,880		4,148	
Total non-current liabilities		**511,847**		**505,648**	
Current liabilities					
Financial liabilities falling due within one year	30	179,784		116,872	
Trade payables	31	360,951	12,411	346,164	11,204
Tax payables	35	11,410		12,587	
Other short-term payables	36	45,521	8,093	45,416	6,474
Current portion of other long-term provisions	32	10,256		15,462	
Total current liabilities		**607,922**		**536,501**	
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1,513,174**		**1,434,264**	

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.

		1st Quarter 2014		1st Quarter 2013	
		Total	of which related parties	Total	of which related parties
In thousands of euros	*Notes*				
Operating activities					
Consolidated net profit		1,083		1,072	
Allocation of profit to non-controlling interests		(6)		(14)	
Taxes for the period	13	719		706	
Depreciation of property, plant and equipment	8	10,239		9,891	
Amortisation of intangible assets	8	10,495		10,387	
Provisions for risks and retirement funds and employee benefits		3,904		4,334	
Write-downs / (Reversals)		180		329	
Losses / (Gains) on the disposal of property, plants and equipment		19		6	
Losses / (Gains) on the disposal of intangible assets		0			
Financial income	12	(106)		(250)	
Borrowing costs	12	8,627		7,150	
Income from public grants		(320)		(1,758)	
Portion of earnings of affiliated companies		0			
Change in working capital:					
(Increase)/Decrease in trade receivables	23	(43,973)	(9)	(57,051)	(45)
(Increase)/Decrease in other receivables	24	(2,468)	(3,968)	7,398	29
(Increase)/Decrease in inventories	25	(22,860)		(36,293)	
Increase/(Decrease) in trade payables	31	14,787	1,207	1,159	(5,989)
Increase/(Decrease) in other payables		(163)	1,619	5,440	8
Increase/(Decrease) in provisions for risks	32	(7,275)		(2,514)	
Increase/(Decrease) in retirement funds and employee benefits	34	(930)		(1,670)	
Other changes		(11,490)		(14,292)	
Cash generated from operating activities		**(39,538)**		**(65,970)**	
Interest paid		(7,052)		(4,099)	
Taxes paid		(2,279)		(3,586)	
Cash flow from operating activities (A)		**(48,869)**		**(73,655)**	
Investing activities					
Investment in property, plant and equipment	17	(5,497)		(9,316)	
Sale price, or repayment value, of property, plant and equipment		247		22	
Investment in intangible assets	16	(10,820)		(12,993)	
Unconsolidated investments		0			
Sale price, or repayment value, of intangible assets		34		10	
Sale price of financial assets		838			
Collected interests		99		89	
Cash flow from investing activities (B)		**(15,099)**		**(22,188)**	
Financing activities					
Exercise of stock options	29	91			
Purchase of treasury shares	29	0		(703)	
Loans received	30	89,493		118,497	
Outflow for repayment of loans	30	(13,342)		(5,624)	
Financing received for leases	30	263			
Repayment of finance leases	30	(240)		(231)	
Cash flow from funding activities (C)		**76,265**		**111,939**	
Increase / (Decrease) in cash and cash equivalents (A+B+C)		12,297		16,096	
Opening balance		**52,816**		**84,140**	
Exchange differences		538			
Closing balance		**65,651**		**100,236**	

Changes in Consolidated Shareholders' Equity

Movements from 1 January 2014 / 31 March 2014

	Notes	Share capital	Share premium reserve	Legal reserve	Reserve for measurement of financial instruments	IAS transition reserve	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
In thousands of euro													
As of 1 January 2014		205,570	3,681	16,902	(1,565)	(5,859)	993	(27,063)	13,385	185,139	**391,183**	**932**	**392,115**
Profit for the period										1,083	**1,083**	**(6)**	**1,077**
Other components of the Statement of Comprehensive Income					(72)			1,170		(959)	**139**	**(17)**	**122**
Total profit (loss) for the period		**0**	**0**	**0**	**(72)**	**0**	**0**	**1,170**	**0**	**124**	**1,222**	**(23)**	**1,199**
Allocation of profits	29										**0**		**0**
Distribution of dividends	29										**0**		**0**
Exercise of stock options	29	28	63								**91**		**91**
Purchase of treasury shares	29										**0**		**0**
Sale of treasury shares	29										**0**		**0**
Other changes	29										**0**		**0**
As of 31 March 2014		**205,598**	**3,744**	**16,902**	**(1,637)**	**(5,859)**	**993**	**(25,893)**	**13,385**	**185,263**	**392,496**	**909**	**393,405**

Movements from 1 January 2013 / 31 March 2013

In thousands of euro	Notes	Share capital	Share premium reserve	Legal reserve	Reserve for measurement of financial instruments	IAS transition reserve	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
As of 1 January 2013		**199,504**	**3,493**	**14,593**	**(3,269)**	**(5,859)**	**993**	**(16,902)**	**13,385**	**232,690**	**438,628**	**1,245**	**439,873**
Profit for the period										1,072	**1,072**	**(14)**	**1,058**
Other components of the Statement of Comprehensive Income					1,687			2,343		(403)	**3,627**	**(7)**	**3,620**
Total profit (loss) for the period		**0**	**0**	**0**	**1,687**	**0**	**0**	**2,343**	**0**	**669**	**4,699**	**(21)**	**4,678**
Allocation of profits	29										**0**		**0**
Distribution of dividends	29										**0**		**0**
Annulment of treasury shares	29										**0**		**0**
Exercise of stock options	29										**0**		**0**
Purchase of treasury shares	29	(196)								(507)	**(703)**		**(703)**
Sale of treasury shares	29										**0**		**0**
Other changes	29										**0**		**0**
As of 31 March 2013		**199,308**	**3,493**	**14,593**	**(1,582)**	**(5,859)**	**993**	**(14,559)**	**13,385**	**232,852**	**442,624**	**1,224**	**443,848**

Notes to the Consolidated Financial Statements as of 31 March 2014

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 main operations of the company and its subsidiaries (the Group) are described in the Report on Operations.
The Condensed Interim Financial Statements are expressed in Euros (€) since that is the currency in which most of the Group's transactions take place. Foreign assets are booked in accordance with currently effective international accounting standards.

1. Scope of consolidation

The scope of consolidation has not changed compared to 31 December 2013 and the first quarter of 2013.

2. Compliance with INTERNATIONAL ACCOUNTING STANDARDS

These Condensed Interim Financial Statements have been drafted in compliance with the International Accounting Standards (IAS/IFRS) in force at that date, issued by the International Accounting Standards Board and approved by the European 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 called the Standing Interpretations Committee ("SIC"), were also taken into account.
During the drafting of these Condensed Interim Financial statements, prepared in compliance with IAS 34 - *Interim Financial Reporting*, the same accounting standards adopted in the drafting of the Consolidated Financial Statements as of 31 December 2013 were applied, with the exception of items in section 2.1, "Accounting standards, amendments and interpretations applied as from 1 January 2014".

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

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

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

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

2.1. Accounting standards, amendments and interpretations applied as from 1 January 2014

On 12 May 2011, the IASB issued the standard IFRS 10 - *Consolidated Financial Statements* which replaces SIC-12 *Consolidation - Special Purpose Entities* and parts of IAS 27 - *Consolidated and Separate Financial Statements* that have been renamed *Separate Financial Statements* and 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 replaces 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 the issue the standard *IAS 28 – Investments in Associates* was amended to include jointly controlled entities within its field 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.

2.2 Amendments and interpretations effective from 1 April 2014

On 29 May 2013, the IASB issued an amendment to IAS 36 – *Impairment of 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, for years commencing from or after 1 April 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 April 2014.

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 is also included in IFRS 9 - *Financial Instruments.* The amendments must be adopted retroactively, for years commencing from or after 1 April 2014.

2.3 Accounting standards, amendments and interpretations which are not yet applicable or adopted in advance by the Group

At the date of issue of these Interim Financial Statements, competent bodies of the European Union had not completed the approval process necessary for the application of these amendments and standards.

- 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 Taxes). 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

A specific paragraph in this document provides information on any significant events occurring after the end of the first three months of 2014 and on the operating outlook.

The following exchange rates were used to translate the financial statements of companies included in the scope of consolidation into euros:

Currency	**Spot exchange rate 31 March 2014**	**Average exchange rate 1st Quarter 2014**	**Spot exchange rate 31 December 2013**	**Average exchange rate 1st Quarter 2013**
US Dollar	1.3788	1.36963	1.3791	1.32036
Pounds Sterling	0.8282	0.82780	0.8337	0.85172
Indian Rupee	82.578	84.57944	85.366	71.52121
Singapore Dollars	1.7366	1.73788	1.7414	1.63454
Chinese Renminbi	8.5754	8.35762	8.3491	8.21930
Croatian Kuna	7.6475	7.64977	7.6265	7.58409
Japanese Yen	142.42	140.79778	144.72	121.91006
Vietnamese Dong	28,818.78	28,690.33143	28,801.07	27,823.60779
Canadian Dollars	1.5225	1.51068	1.4671	1.33172
Indonesian Rupiah	15,739.00	16,226.98	16,866.39	12,787.45348
Brazilian Real	3.1276	3.23995	3.2576	2.63469

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 by operating segments

		EMEA and Americas	India	Asia Pacific 2W	Total
Sales volumes (unit/000)	1st Quarter 2014	52.6	51.5	19.8	**123.9**
	1st Quarter 2013	52.3	61.9	24.2	**138.4**
	Change	0.3	(10.3)	(4.4)	**(14.4)**
	Change %	0.5%	-16.7%	-18.2%	**-10.4%**
Net turnover	1st Quarter 2014	169.4	70.1	37.3	**276.8**
(million euros)	1st Quarter 2013	170.6	87.7	45.1	**303.4**
	Change	(1.2)	(17.6)	(7.9)	**(26.7)**
	Change %	-0.7%	-20.1%	-17.4%	**-8.8%**
Gross margin	1st Quarter 2014	55.3	15.1	12.8	**83.2**
(million euros)	1st Quarter 2013	51.1	19.0	17.8	**88.0**
	Change	4.1	(3.9)	(5.0)	**(4.8)**
	Change %	8.0%	-20.6%	-28.2%	**-5.5%**
EBITDA	1st Quarter 2014				**32.5**
(million euros)	1st Quarter 2013				**30.1**
	Change				**2.4**
	Change %				**7.9%**
EBIT	1st Quarter 2014				**11.7**
(million euros)	1st Quarter 2013				**9.8**
	Change				**1.9**
	Change %				**19.6%**
Net profit	1st Quarter 2014				**1.1**
(million euros)	1st Quarter 2013				**1.1**
	Change				**0.0**
	Change %				**1.8%**

C) INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

4. Net revenues €/000 276,786

Revenues are shown net of premiums recognised to customers (dealers).
This item does not include transport costs, which are recharged to customers (€/000 5,329) and invoiced advertising cost recoveries (€/000 647), 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:

	1st Quarter 2014		1st Quarter 2013		Changes	
In thousands of Euros	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
EMEA and Americas	169,410	61.2	170,607	56.2	(1,197)	-0.7
India	70,091	25.3	87,695	28.9	(17,604)	-20.1
Asia Pacific 2W	37,285	13.5	45,147	14.9	(7,862)	-17.4
Total	**276,786**	**100.0**	**303,449**	**100.0**	**(26,663)**	**-8.8**

The decrease in revenues, mainly in India and Asia Pacific, was exacerbated by the devaluation of the dollar and all Asian currencies, which had an impact of 14.4 ML € on the decrease in turnover.

5. Costs for materials €/000 160,088

The percentage accounting for net revenues was stable at 57.8%.

This item includes €/000 5,979 for costs relative to purchases of scooters from the Chinese subsidiary Zongshen Piaggio Foshan, which are sold on European and Asian markets.

6. Costs for services, lease and rental costs €/000 48,778

The saving of €/000 5,494 was basically generated by a reduction in sales volumes.
Services include costs for the transport of vehicles and spare parts (€/000 7,812), third party work for production components (€/000 3,752), utilities (€/000 4,682), advertising and promotion costs (€/000 6,475), as well as costs for legal and tax advice and outsourced services (€/000 7,176). The item includes costs for temporary work of €/000 185.
Costs for leases and rentals include lease rentals for business properties of €/000 1,641, as well as lease payments for car hire, computers and photocopiers.

7. Employee costs €/000 52,638

Employee costs fell considerably compared to figures for the first quarter of 2013 (-14.9%). The saving was due to a reduction in the average workforce and lower costs related to mobility plans. Employee costs for 2013 included €/000 5,642 mainly relating to costs for mobility plans for the Martorelles site.

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

	Average number		
Level	*1st Quarter 2014*	*1st Quarter 2013*	*Change*
Senior management	94	96	(2)
Middle management	573	566	7
White collars	2,123	2,206	(83)
Intermediate/blue collars	4,909	5,604	(695)
Total	**7,699**	**8,472**	**(773)**

	Number as *of*		
Level	*31 March 2014*	*31 December 2013*	*Change*
Senior management	95	95	0
Middle management	571	572	(1)
White collars	2,119	2,132	(13)
Intermediate/blue collars	4,849	4,889	(40)
Total	**7,634**	**7,688**	**(54)**

	Number as of		
Employee/staff numbers	*31 March 2014*	*31 December 2013*	*Change*
EMEA and Americas	4,066	4,098	(32)
India	2,651	2,677	(26)
Asia Pacific 2W	917	913	4
Total	**7,634**	**7,688**	**(54)**

The reduction in the average workforce is mainly due to the decrease in employees of the Indian subsidiary and the closure of the production site in Spain, at the end of March 2013.

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.

8. Amortisation, depreciation and impairment costs €/000 20,734

Overall, this item was stable compared to the first quarter of 2013 (€/000 20,278).

Goodwill is not 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.

9. Other operating income **€/000 21,168**

Other operating income decreased by €/000 1,357 compared to figures for the same period of 2013.
The decrease in other operating income is mainly due to the reduction in research contributions recognised in profit and loss.

10. Other operating costs **€/000 3,987**

Overall, other operating costs decreased by €/000 428.

11. Net income from investments **€/000 0**

Income from investments was not recorded in the first quarter of 2014 or 2013.

12. Net financial income (borrowing costs) **€/000 (9,933)**

The result of financing activities worsened compared to the first three months of the previous year, with Net Charges amounting to €/000 9,933 (€/000 8,040 in the first three months of 2013). The deviation is due to the lower capitalisation of borrowing costs in the first quarter of 2014 and higher average financial debt, only partially offset by a decrease in the cost of funding.

13. Taxes **€/000 719**

Income taxes for the period, calculated in accordance with IAS 34 are estimated as €/000 719, equivalent to 40% of profit before tax, and are equal to the best estimate of the average weighted rate expected for the entire period.

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

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

15. Earnings per share

Earnings per share are calculated as follows:

		1st Quarter 2014	1st Quarter 2013
Net profit	€/000	1,077	1,058
Earnings attributable to ordinary shares	€/000	1,077	1,058
Average number of ordinary shares in circulation		360,057,362	371,793,901
Earnings per ordinary share	€	0.003	0.003
Adjusted average number of ordinary shares		360,788,612	372,460,580
Diluted earnings per ordinary share	€	0.003	0.003

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 €/000 655,696

The table below shows the breakdown of intangible assets as of 31 March 2014 and 31 December 2013, as well as movements during the period.

In thousands of euro	*Development costs*	*Patent rights*	*Concessions, licences and trademarks*	*Goodwill*	*Other*	*Assets under development and advances*	*Total*
Historical cost	125,623	230,024	149,074	557,322	7,010	32,293	1,101,346
Provisions for write-down							0
Accumulated depreciation	(56,513)	(187,933)	(86,385)	(110,382)	(5,605)		(446,818)
Assets as of 31.12.2013	**69,110**	**42,091**	**62,689**	**446,940**	**1,405**	**32,293**	**654,528**
Investments	2,080	262			59	8,419	10,820
Transitions in the period	1,884	252			182	(2,318)	0
Amortisation	(5,786)	(3,229)	(1,206)		(274)		(10,495)
Disposals	(34)						(34)
Write-downs							0
Exchange differences	794	54			(2)	83	929
Other changes		(52)	0				(52)
Total changes	**(1,062)**	**(2,713)**	**(1,206)**	**0**	**(35)**	**6,184**	**1,168**
Historical cost	130,962	230,688	149,074	557,322	7,248	38,477	1,113,771
Provisions for write-down							0
Accumulated amortisation	(62,914)	(191,310)	(87,591)	(110,382)	(5,878)		(458,075)
Assets as of 31.03.2014	**68,048**	**39,378**	**61,483**	**446,940**	**1,370**	**38,477**	**655,696**

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

	Value as of 31 March 2014			**Value as of 31 December 2013**			**Change**		
In thousands of euros	**For the period**	**Under development and advances**	**Total**	**For the period**	**Under development and advances**	**Total**	**For the period**	**Under development and advances**	**Total**
R&D costs	68,048	33,178	101,226	69,110	26,940	96,050	(1,062)	6,238	5,176
Patent rights	39,378	5,184	44,562	42,091	5,172	47,263	(2,713)	12	(2,701)
Concessions, licences and trademarks	61,483		61,483	62,689		62,689	(1,206)	0	(1,206)
Goodwill	446,940		446,940	446,940		446,940	0	0	0
Other	1,370	115	1,485	1,405	181	1,586	(35)	(66)	(101)
Total	**617,219**	**38,477**	**655,696**	**622,235**	**32,293**	**654,528**	**(5,016)**	**6,184**	**1,168**

Increases mainly refer to the capitalisation of development costs for new products and new engines.

17. Property, plant and machinery **€/000 299,978**

The table below details the breakdown of property, plant and equipment as of 31 March 2014 and as of 31 December 2013, as well as changes for the period.

In thousands of euro	***Land***	***Buildings***	***Plant and equipment***	***Equipment***	***Other assets***	***Assets under development and advances***	***Total***
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)
Assets as of 31.12.2013	**28,040**	**102,029**	**110,474**	**28,883**	**5,701**	**27,640**	**302,767**
Investments		186	156	843	640	3,672	5,497
Transitions in the period		544	5,207	6,392	204	(12,347)	0
Amortisation		(1,209)	(4,873)	(3,705)	(452)		(10,239)
Disposals			(22)	(179)	(65)		(266)
Write-downs				(8)			(8)
Exchange differences		461	1,600	(1)	78	89	2,227
Other changes		2	317	(319)			0
Total changes	**0**	**(16)**	**2,385**	**3,023**	**405**	**(8,586)**	**(2,789)**
Historical cost	28,040	156,919	406,593	497,865	45,478	19,054	1,153,949
Provisions for write-down			(339)	(1,419)	(46)		(1,804)
Accumulated amortisation		(54,906)	(293,395)	(464,540)	(39,326)		(852,167)
Assets as of 31.03.2014	**28,040**	**102,013**	**112,859**	**31,906**	**6,106**	**19,054**	**299,978**

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

	Value as of 31 March 2014			**Value as of 31 December 2013**			**Change**		
In thousands of euros	**For the period**	**Under development and advances**	**Total**	**For the period**	**Under development and advances**	**Total**	**For the period**	**Under development and advances**	**Total**
Land	28,040		28,040	28,040		28,040	0	0	0
Buildings	102,013	2,013	104,026	102,029	2,328	104,357	(16)	(315)	(331)
Plant and equipment	112,859	7,114	119,973	110,474	10,688	121,162	2,385	(3,574)	(1,189)
Equipment	31,906	9,514	41,420	28,883	14,150	43,033	3,023	(4,636)	(1,613)
Other assets	6,106	413	6,519	5,701	474	6,175	405	(61)	344
Total	**280,924**	**19,054**	**299,978**	**275,127**	**27,640**	**302,767**	**5,797**	**(8,586)**	**(2,789)**

Property, plant and equipment mainly refer to Group production facilities in Pontedera (Pisa), Noale (Venice), Mandello del Lario (Lecco), Baramati (India) and Vinh Phuc (Vietnam).
The increases mainly relate to the construction of moulds for new vehicles launched during the period.

Warranties

As of 31 March 2014, the Group had no land and building encumbered by mortgage liens or privileges in favour of banks to secure loans obtained in previous years.

18. Investment property **€/000 7,346**

The item refers to the fair value measurement of the former Spanish site of Martorelles, which Management decided to rent to third parties. The fair value recognised at 31 December 2013 was confirmed by a specific valuation of an independent expert, who measured the "Fair value less cost of disposal" based on a market approach (as provided for by IFRS 13).

In thousands of euros	**As of 31 March 2014**	**As of 31 December 2013**	**Change**
Investment property	7,346	7,346	0
Total	**7,346**	**7,346**	**0**

19. Investments **€/000 8,152**

The Investments heading comprises:

In thousands of euros	**As of 31 March 2014**	**As of 31 December 2013**	**Change**
Interests in joint ventures	7,938	7,938	0
Investments in affiliated companies	214	214	0
Total	**8,152**	**8,152**	**0**

The value of interests in joint ventures refers to the valuation of the portion of shareholders' equity in the Zongshen Piaggio Foshan joint venture, held by the Group.

20. Other non-current financial assets **€/000 9,559**

In thousands of euros	**As of 31 March 2014**	**As of 31 December 2013**	**Change**
Fair value of hedging derivatives	9,396	10,305	(909)
Investments in other companies	163	163	0
Total	**9,559**	**10,468**	**(909)**

The item Fair Value of hedging derivatives refers to €/000 4,561 from the fair value of the Cross Currency Swap on a private debenture loan, and €/000 4,835 from the fair values of Cross Currency Swaps on medium-term loans of the Indian subsidiary.

21. Current and non-current tax receivables **€/000 32,318**

Receivables due from tax authorities consist of:

In thousands of euros	**As of 31 March 2014**	**As of 31 December 2013**	**Change**
VAT receivables	28,349	21,772	6,577
Income tax receivables on income	2,173	2,915	(742)
Other receivables due from the public authorities	1,796	1,902	(106)
Total tax receivables	**32,318**	**26,589**	**5,729**

Non-current tax receivables totalled €/000 2,958, compared to €/000 2,974 as of 31 December 2013, while current tax receivables totalled €/000 29,360 compared to €/000 23,615 as of 31 December 2013.

22. Deferred tax assets **€/000 36,192**

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, considering payment dates;
2. the business results 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.

23. Current and non-current trade receivables **€/000 119,867**

Their breakdown was as follows:

In thousands of euros	**As of 31 March 2014**	**As of 31 December 2013**	**Change**
Trade receivables	118,994	74,858	44,136
Receivables due from JV	843	848	(5)
Receivables due from parent companies	-	10	(10)
Receivables due from affiliated companies	30	6	24
Total	**119,867**	**75,722**	**44,145**

The increase of €/000 44,145 recorded in the quarter is related to the seasonal nature of sales.
As of 31 March 2014 non-current trade receivables amounted to €/000 127, while this figure was equal to zero as of 31 December 2013.
Receivables due from joint ventures comprise amounts due from Zongshen Piaggio Foshan.
Receivables due from affiliated companies include 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 25,599.
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 March 2014, trade receivables still due sold without recourse totalled €/000 93,304.

Of these amounts, Piaggio received payment prior to natural expiry, of €/000 82,117.

As of 31 March 2014, advance payments received from factoring companies and banks, for trade receivables sold with recourse totalled €/000 24,651 with a counter entry recorded in current liabilities.

24. Other current and non-current receivables **€/000 42,350**

They consist of:

In thousands of euros	**As of 31 March 2014**	**As of 31 December 2013**	**Change**
Other non-current receivables:			
Due from associated companies	231	231	0
Prepaid expenses	9,598	9,864	(266)
Advances to employees	67	67	0
Security deposits	605	621	(16)
Due from others	1,905	2,585	(680)
Total non-current portion	**12,406**	**13,368**	**(962)**

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

In thousands of euros	**As of 31 March 2014**	**As of 31 December 2013**	**Change**
Other current receivables:			
Receivables due from parent companies	6,746	6,759	(13)
Receivables due from JV	4,364	372	3,992
Receivables due from affiliated companies	20	31	(11)
Accrued income	744	701	43
Prepaid expenses	5,526	4,751	775
Advance payments to suppliers	791	599	192
Advances to employees	453	2,859	(2,406)
Fair value of hedging derivatives	-	3	(3)
Security deposits	235	215	20
Receivables due from others	11,065	10,224	841
Total current portion	**29,944**	**26,514**	**3,430**

Receivables due from the Parent Company regard the assignment of tax receivables that took place within the group consolidated tax procedure.

Receivables due from joint venture companies comprise amounts due from Zongshen Piaggio Foshan.

Receivables due from affiliated companies regard amounts due from Immsi Audit.

25. Inventories **€/000 230,668**

This item comprises:

In thousands of euros	**As of 31 March 2014**	**As of 31 December 2013**	**Change**
Raw materials and consumables	112,874	92,330	20,544
Provisions for write-down	(13,850)	(13,522)	(328)
Net value	*99,024*	*78,808*	20,216
Work in progress and semifinished products	17,734	19,483	(1,749)
Provisions for write-down	(852)	(852)	0
Net value	*16,882*	*18,631*	(1,749)
Finished products and goods	134,722	129,910	4,812
Provisions for write-down	(20,021)	(19,587)	(434)
Net value	*114,701*	*110,323*	4,378
Advances	61	46	15
Total	**230,668**	**207,808**	**22,860**

The increase is related to seasonal sales trends.

26. Other current financial assets **€/000 0**

In thousands of euros	**As of 31 March 2014**	**As of 31 December 2013**	**Change**
Securities		838	(838)
Total	**0**	**838**	**(838)**

The value as of 31 December 2013 referred to a short-term, guaranteed capital, variable yield investment of the Chinese subsidiary FPVT to effectively use temporary liquidity.

27. Cash and cash equivalents **€/000 71,048**

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

In thousands of euros	**As of 31 March 2014**	**As of 31 December 2013**	**Change**
Bank and postal deposits	70,918	57,300	13,618
Cash on hand	130	45	85
Securities		9,159	(9,159)
Total	**71,048**	**66,504**	**4,544**

The item Securities as of 31 December 2013 referred to a deposit agreement of the Indian subsidiary to effectively use temporary liquidity.

28. Assets held for sale **€/000 0**

As of 31 March 2014, there were no assets held for sale.

INFORMATION ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION - LIABILITIES

29. Share capital and reserves — €/000 393,405

Share capital — €/000 205,598

During the period, share capital changed, following the issue of 50,000 new shares subscribed by stock option plan beneficiaries.
The change in share capital during the first quarter of 2014 period was as follows:

In thousands of euro	
Subscribed and paid up capital	206,027
Treasury shares purchased as of 31 December 2013	(457)
Share capital as of 1 January 2014	205,570
Exercise of stock options	28
Share capital as of 31 March 2014	**205,598**

As of 31 March 2014, 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.

no. of shares	2014	2013
Situation as of 1 January		
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
Movements for the year		
Exercise of stock options	50,000	150,000
Cancellation of treasury shares		(11,049,021)
Purchase of treasury shares		512,169
Sale of treasury shares		(350,000)
Situation as of 31 March 2014 and 31 December 2013		
Shares issued	360,944,880	360,894,880
Treasury portfolio shares	839,669	839,669
Shares in circulation	360,105,211	360,055,211
	0.23%	0.23%

As of 31 March 2014, 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 2% 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 3,744

The share premium reserve as of 31 March 2014 had increased by €/000 63, following the exercise of 50,000 stock options.

Legal reserve €/000 16,902

The legal reserve as of 31 March 2014 was unchanged and equal to €/000 16,902.

Other reserves €/000 (19,011)

This item consists of:

In thousands of euros	**As of 31 March 2014**	**As of 31 December 2013**	**Change**
Translation reserve	(25,893)	(27,063)	1,170
Stock option reserve	13,385	13,385	0
Financial instruments' fair value reserve	(1,637)	(1,565)	(72)
IFRS transition reserve	(5,859)	(5,859)	0
Total other reserves	*(20,004)*	*(21,102)*	*1,098*
Consolidation reserve	993	993	0
Total	**(19,011)**	**(20,109)**	**1,098**

The financial instruments fair value provision is negative by €/000 1,637 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 liabilities.

Earnings reserve €/000 185,263

Non-controlling interests capital and reserves €/000 909

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

Other components of the Statement of Comprehensive Income €/000 122

The figure is broken down as follows:

	Reserve for measurement of financial instruments	***Group conversion 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 euro						
First Quarter 2014						
Items that will not be reclassified in the income statement						
Re-measurements of post employment benefit			(959)	(959)		(959)
Total	0	0	(959)	(959)	0	(959)
Items that may be reclassified in the income statement						
Total translation gains (losses)		1,170		1,170	(17)	1,153
Total profits (losses) on cash flow hedge instruments	(72)			(72)		(72)
Total	(72)	1,170	0	1,098	(17)	1,081
Other components of the Statement of Comprehensive Income	**(72)**	**1,170**	**(959)**	**139**	**(17)**	**122**
First Quarter 2013						
Items that will not be reclassified in the income statement						
Re-measurements of post employment benefit			(403)	(403)		(403)
Total	0	0	(403)	(403)	0	(403)
Items that may be reclassified in the income statement						
Total translation gains (losses)		2,343		2,343	(7)	2,336
Total profits (losses) on cash flow hedge instruments	1,687			1,687		1,687
Total	1,687	2,343	0	4,030	(7)	4,023
Other components of the Statement of Comprehensive Income	**1,687**	**2,343**	**(403)**	**3,627**	**(7)**	**3,620**

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

	As of 31 March 2014			**As of 31 March 2013**		
	Gross value	***Tax (expense/ benefit)***	***Net value***	***Gross value***	***Tax (expense/ benefit)***	***Net value***
In thousands of euro						
Re-measurements of post employment benefit	(1,324)	365	(959)	(556)	153	(403)
Total translation gains (losses)	1,153		1,153	2,336		2,336
Total profits (losses) on cash flow hedge instruments	14	(86)	(72)	1,924	(237)	1,687
Other components of the Statement of Comprehensive Income	**(157)**	**279**	**122**	**3,704**	**(84)**	**3,620**

30. Current and non-current financial liabilities **€/000 620,112**

During the first quarter of 2014, the Group's overall debt increased by €/000 68,375, going up from €/000 551,737 to €/000 620,112. Total financial debt of the Group, net of the fair value measurement of financial derivatives to hedge foreign exchange risk and interest rate risk and adjustment of relative hedged items, as of 31 March 2014, increased by €/000 69,041.

	Financial liabilities as of 31 March 2014			**Financial liabilities as of 31 December 2013**			**Change**		
	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total
In thousands of euro									
Gross financial debt	179,784	432,227	612,011	116,872	426,098	542,970	62,912	6,129	69,041
Fair Value of hedging derivatives		8,101	8,101		8,767	8,767		(666)	(666)
Total	**179,784**	**440,328**	**620,112**	**116,872**	**434,865**	**551,737**	**62,912**	**5,463**	**68,375**

The Group's net debt totalled €/000 540,963 as of 31 March 2014, compared to €/000 475,628 as of 31 December 2013, as indicated in the table on Net Debt included in the financial statements.

In thousands of euros	**As of 31 March 2014**	**As of 31 December 2013**	**Change**
Liquidity	**71,048**	**66,504**	**4,544**
Securities		838	(838)
Current financial receivables	**0**	**838**	**(838)**
Payables due to banks	(87,771)	(52,092)	(35,679)
Current portion of bank financing	(59,839)	(33,180)	(26,659)
Amounts due to factoring companies	(24,651)	(23,871)	(780)
Amounts due under leases	(5,597)	(5,809)	212
Current portion of payables due to other lenders	(1,926)	(1,920)	(6)
Current financial debt	**(179,784)**	**(116,872)**	**(62,912)**
Net current financial debt	**(108,736)**	**(49,530)**	**(59,206)**
Payables due to banks and lenders	(234,565)	(227,587)	(6,978)
Debenture loan	(195,353)	(195,318)	(35)
Amounts due under leases	(235)	0	(235)
Amounts due to other lenders	(2,074)	(3,193)	1,119
Non-current financial debt	**(432,227)**	**(426,098)**	**(6,129)**
NET FINANCIAL DEBT	**(540,963)**	**(475,628)**	**(65,335)**

***** 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 8,101 and relative accruals.

The attached tables summarise the breakdown of financial debt as of 31 March 2014 and as of 31 December 2013, as well as changes for the period.

In thousands of euro	*Book value As of 31.12.2013*	*Repayments*	*New issues*	*Reclassification to the current portion*	*Exchange delta*	*Other changes*	*Book value as of 31.03.2014*
Non-current portion:							
Bank financing	227,587		45,000	(38,211)		189	234,565
Bonds	195,318					35	195,353
Other medium-/long-term loans:							
of which leases	-		263	(28)			235
of which amounts due to other lenders	3,193			(1,119)			2,074
Total other loans	*3,193*	*0*	*263*	*(1,147)*	*0*	*0*	*2,309*
Total	**426,098**	**0**	**45,263**	**(39,358)**	**0**	**224**	**432,227**

In thousands of euro	*Book value As of 31.12.2013*	*Repayments*	*New issues*	*Reclassification from the non-current portion*	*Exchange delta*	*Other changes*	*Book value as of 31.03.2014*
Current portion:							
Current account overdrafts	13,688	(8,291)					5,397
Current account payables	38,404		43,713		257		82,374
Bonds	-						-
Payables due to factoring companies	23,871		780				24,651
Current portion of medium-/long-term loans:							
of which leases	5,809	(240)		28			5,597
of which due to banks	33,180	(12,229)		38,211	677		59,839
of which amounts due to other lenders	1,920	(1,113)		1,119			1,926
Total other loans	*40,909*	*(13,582)*	*0*	*39,358*	*677*	*0*	*67,362*
Total	**116,872**	**(21,873)**	**44,493**	**39,358**	**934**	**0**	**179,784**

Medium and long-term bank debt amounts to €/000 294,404 (of which €/000 234,565 non-current and €/000 59,839 current) and consists of the following loans:

- a €/000 42,857 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 has been taken out on this loan to hedge the interest rate risk;
- 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 €/000 128,664 (nominal value of €/000 130,000) 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. As a result, loans are classified as non-current liabilities, apart from the sum of €/000 25,000 classified as current liabilities following the planned reimbursement with funds taken from the issue of the new Debenture Loan in April 2014. Contract terms require covenants (described below);
- a €/000 20,000 medium-term revolving loan granted in December 2013 maturing in June 2015. The loan has an irrevocable duration of 18 months, and because of this commitment, inter-annual use may be extended up to final maturity;
- a €/000 9,099 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 have been taken out on this loan to hedge the exchange risk and interest rate risk;
- a €/000 11,906 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 have been taken out on this loan to hedge the exchange risk and interest rate risk;
- a €/000 14,355 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 have been taken out on this loan to hedge the exchange risk and interest rate risk;
- €/000 3,427 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.

All the above financial liabilities are unsecured.

The item Bonds for €/000 195,353 (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- rating with a negative outlook and a Ba3 rating with a stable outlook respectively;

- €/000 51,516 (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 March 2014 the fair value measurement of the debenture loan was equal to €/000 56,134 (the fair value is determined based on IFRS relative to fair value hedging). A Cross Currency Swap has been taken out on this loan to hedge the exchange risk and interest rate risk.

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 9,832 of which €/000 2,309 due after the year and €/000 7,523 as the current portion, are detailed as follows:

- a property lease for €/000 5,569 granted by Unicredit Leasing (including the entire current portion);
- a finance lease for €/000 263 granted by VFS Servizi Finanziari for the use of vehicles (non-current portion equal to €/000 235);
- subsidised loans for a total of €/000 4,000 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 2,074).

Financial advances received from factoring companies and banks, on the sale of trade receivables with recourse, totalled €/000 24,651.

Covenants

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

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

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

<u>Financial instruments</u>

Exchange Risk

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

This policy analyses:

- the 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: 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 March 2014, 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 euro (forward exchange rate)	Average maturity
			In thousands	*In thousands*	
Piaggio & C.	Purchase	CAD	1,000	652	30/04/2014
Piaggio & C.	Purchase	CNY	63,000	7,484	08/04/2014
Piaggio & C.	Purchase	GBP	1,000	1,211	28/04/2014
Piaggio & C.	Purchase	JPY	235,000	1,666	12/04/2014
Piaggio & C.	Purchase	USD	23,650	17,190	26/04/2014
Piaggio & C.	Sale	CAD	3,300	2,178	20/05/2014
Piaggio & C.	Sale	CNY	18,000	2,129	08/04/2014
Piaggio & C.	Sale	GBP	150	180	27/06/2014
Piaggio & C.	Sale	INR	150,000	1,781	28/04/2014
Piaggio & C.	Sale	SEK	4,900	550	24/06/2014
Piaggio & C.	Sale	USD	47,450	34,616	04/05/2014
Piaggio Vietnam	Purchase	€	7,700	7,700	15/04/2014
Piaggio Vietnam	Purchase	USD	2,000	1,479	15/04/2014
Piaggio Indonesia	Purchase	€	3,100	3,100	28/04/2014
Piaggio Vespa BV	Sale	USD	4,000	2,912	29/04/2014

As of 31 March 2014, the parent Company had undertaken the following transactions to hedge the business exchange risk:

Company	Operation	Currency	Amount in local currency	Value in euro (forward exchange rate)	Average maturity
			In thousands	*In thousands*	
Piaggio & C.	Purchase	CNY	138,250	16,568	20/07/2014
Piaggio & C.	Sale	GBP	11,680	13,968	01/08/2014

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 March 2014 the total fair value of hedging instruments for the economic exchange risk recognised on a hedge accounting basis was negative by €/000 532.

Interest rate risk
This risk arises from fluctuating interest rates and the impact this may have on future cash flows arising from variable rate financial assets and liabilities. The Group regularly measures and controls its exposure to the risk of interest rate changes, as established by its management policies, in order to reduce fluctuating borrowing costs, and limit the risk of a potential increase in interest rates. This objective is achieved through an adequate mix of fixed and variable rate exposure, and the use of derivatives, mainly interest rate swaps and cross currency swaps.
As of 31 March 2014, the following hedging derivatives were in use:

Financial flow hedging derivatives

- 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 42,857) 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 March 2014, the fair value of the instrument was negative by €/000 1,524.

Fair value hedging derivatives

- *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 March 2014 the fair value of the instrument was equal to €/000 4,561. The net economic effect arising from the measurement of the instrument and underlying private debenture loan was negative by €/000 53;

- 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 March 2014 the fair value of the instruments was equal to €/000 3,447;
- 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 March 2014 the fair value of the instruments was equal to €/000 1,388;
- 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 March 2014 the fair value of the instruments was negative by €/000 186.

As of 31 March 2014, 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 March 2014, the fair value of the instrument was negative by €/000 48.

	FAIR VALUE
In thousands of euro	
Piaggio & C. S.p.A.	
Interest Rate Swap	(1,524)
Cross Currency Swap	4,561
Piaggio Vehicles Private Limited	
Cross Currency Swap	4,835
Cross Currency Swap	(48)
Piaggio Vietnam	
Cross Currency Swap	(186)

31. Trade payables (current) €/000 360,951

As of 31 March 2014 and as of 31 December 2013 no tax payables were recorded under non-current liabilities.

Current trade payables as of 31 March 2014 are broken down as follows:

In thousands of euros	**As of 31 March 2014**	**As of 31 December 2013**	**Change**
Current portion:			
Amounts due to suppliers	348,540	334,960	13,580
Amounts due to JV	11,825	10,492	1,333
Amounts due to affiliated companies			0
Amounts due to parent companies	586	712	(126)
Total	**360,951**	**346,164**	**14,787**

Payables to joint venture companies refer to the supply of vehicles from the Chinese subsidiary Zongshen Piaggio Foshan.

32. Current and non-current portions of provisions €/000 21,208

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

In thousands of euros	Balance as of 31 December 2013	Allocations	Applications	Reclassifications	Delta exchange rate	***Balance as of 31 March 2014***
Provision for product warranties	12,478	1,969	(1,882)		16	12,581
Provision for quality-related events	0					0
Provisions for risk on investments	239					239
Provision for contractual risks	3,916					3,916
Provisions for risk on guarantee	58					58
Provision for tax risks	5,130		(5,130)			0
Other provisions for risks	4,724	35	(263)		(82)	4,414
Total	**26,545**	**2,004**	**(7,275)**	**0**	**(66)**	**21,208**

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

In thousands of euros	**As of 31 March 2014**	**As of 31 December 2013**	**Change**
Non-current portion:			
Provision for product warranties	3,913	3,826	87
Provision for quality-related events			0
Provisions for risk on investments	239	239	0
Provision for contractual risks	3,916	3,916	0
Provisions for risk on guarantee			0
Provision for tax risks			0
Other provisions for risks and charges	2,884	3,102	(218)
Total non-current portion	**10,952**	**11,083**	**(131)**

In thousands of euros	**As of 31 March 2014**	**As of 31 December 2013**	**Change**
Current portion:			
Provision for product warranties	8,668	8,652	16
Provision for quality-related events			
Provisions for risk on investments			
Provision for contractual risks			
Provisions for risk on guarantee	58	58	0
Provision for tax risks		5,130	(5,130)
Other provisions for risks and charges	1,530	1,622	(92)
Total current portion	**10,256**	**15,462**	**(5,206)**

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 1,969 and was used for €/000 1,882 in relation to charges incurred during the period.

Risk provisions for investments cover the portion of negative shareholders' equity of the subsidiaries Piaggio China Co. Ltd and AWS do Brasil, as well as charges 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 provision for risks for taxes, established in 2013, relative to the allocation of estimated costs following the assessment made by the Italian Revenue Agency for the years 2009, 2010 and 2011, which ended with the issue of an Audit Report mainly concerning transfer pricing, was wholly used as it was reclassified under tax payables following the start of settlement proceedings, which were completed with the signing of settlement agreements in March 2014.

"Other provisions" include provisions for legal risks for €/000 2,752.

33. Deferred tax liabilities — €/000 5,887

Deferred tax liabilities totalled €/000 5,887 compared to €/000 5,722 as of 31 December 2013.

34. Retirement funds and employee benefits — €/000 50,800

In thousands of euros	**As of 31 March 2014**	**As of 31 December 2013**	**Change**
Retirement funds	1,102	1,082	20
Post-employment benefits provision	49,698	48,748	950
Total	**50,800**	**49,830**	**970**

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.

35. Current and non-current tax payables **€/000 11,410**

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

Non-income tax payables comprise 4 quarterly instalments still to be paid to the Inland Revenue (from June 2014 to March 2015) and relative to expenses arising from the assessment made by the Italian Revenue Agency for the years 2009, 2010 and 2011, which ended with the issue of an Audit Report mainly concerning transfer pricing, and with the subsequent signing of settlement agreements.

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

Their breakdown was as follows:

In thousands of euros	**As of 31 March 2014**	**As of 31 December 2013**	**Change**
Current portion:			
Due for income taxes	1,176	2,870	(1,694)
Due for non-income tax	4,125	30	4,095
Tax payables for:			
- VAT	1,957	2,283	(326)
- Withheld taxes made	2,710	6,140	(3,430)
- Other	1,442	1,264	178
Total	6,109	9,687	(3,578)
Total	**11,410**	**12,587**	**(1,177)**

As of 31 March 2014 and as of 31 December 2013 no tax payables were recorded under non-current liabilities.

36. Current and non-current other payables **€/000 49,401**

The breakdown between the current and non-current portion of other payables is as follows:

In thousands of euros	**As of 31 March 2014**	**As of 31 December 2013**	**Change**
Non-current portion:			
Payables to employees		1	(1)
Guarantee deposits	1,796	1,722	74
Accrued expenses			0
Deferred income	1,122	1,123	(1)
Fair Value of hedging derivatives	762	1,102	(340)
Other payables	200	200	0
Total	**3,880**	**4,148**	**(268)**

In thousands of euros	**As of 31 March 2014**	**As of 31 December 2013**	**Change**
Current portion:			
Payables to employees	19,345	15,807	3,538
Guarantee deposits			0
Accrued expenses	7,063	5,956	1,107
Deferred income	1,132	523	609
Amounts due to social security institutions	5,299	8,388	(3,089)
Fair value of hedging derivatives	1,294	972	322
Sundry payables due to affiliated companies	1,614	58	1,556
Sundry payables due to parent companies	38	26	12
Sundry payables due to other related parties	6,441	6,390	51
Other payables	3,295	7,296	(4,001)
Total	**45,521**	**45,416**	**105**

Amounts due to employees include the amount for holidays accrued but not taken of €/000 10,444 and other payments to be made for €/000 8,901.
The item Fair Value of hedging derivatives refers to the fair value (€/000 762 non-current portion and €/000 762 current portion) of a hedging Interest Rate Swap recognised on a cash flow hedge basis as provided for by IAS 39 and the fair value of hedging derivatives to hedge the exchange risk on forecast transactions recognised on a cash flow hedge basis (€/000 532 current portion).

37. 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 period 50,000 option rights were exercised, while 390,000 option rights expired.

Rights	No. of options	Average exercise price (euro)	Market price (euro)
Rights existing as of 31.12.2013	3,370,000	1.71	
° of which exercisable as of 31.12.2013	3,370,000		
New rights assigned in the first quarter of 2014			
Rights exercised in the first quarter of 2014	(50,000)	1.826	
Rights expired in the first quarter of 2014	(390,000)		
Rights existing as of 31.03.2014	2,930,000	1.78	
° of which exercisable as of 31.03.2014	2,930,000		

As of 31 March 2014, 2,930,000 option rights had been assigned for a corresponding number of shares.

Options are divided as follows, by assignment plan:

	Number of rights as of 31 March 2014	Period when rights may be exercised	Exercise price (€)
Assignment 11 May 2009	200,000	11 May 2012 - 11 May 2014	1.2237
Assignment 18 December 2009	2,730,000	18 Dec 2012 - 18 Dec 2014	1.826
Total	2,930,000		

At the date of publication of this document, 200,000 option rights relative to the assignment of 11 May 2009, as well as 1,481,000 option rights relative to the assignment of 18 May 2009 were exercised. Options at the date of approval of these interim financial statements therefore amounted to 1,249,000.
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.

37. Transactions with related parties

The main business and financial relations of Group companies with related parties have already been described in the specific paragraph in the Report on Operations to which reference is made here. To supplement this information, the following table provides an indication by company of outstanding items as of 31 March 2014, as well as their contribution to the respective headings.

In thousands of euros	Fondazione Piaggio	Zongshen Piaggio Foshan	IMMSI Audit	Is Molas	Studio D'Urso	Omniaholding	IMMSI	**Total**	**% of accounting item**
Income statement									
revenues from sales		17						**17**	**0.01%**
costs for materials		5,979					-	**5,979**	**3.73%**
costs for services, lease and rentals	-	-	213	-	25	16	648	**902**	**1.85%**
other operating income	-	2,274	11				12	**2,297**	**10.85%**
other operating costs		-					8	**8**	**0.20%**
borrowing costs		-				51		**51**	**0.51%**
Assets									
other non-current receivables	231							**231**	**1.86%**
current trade receivables	-	843	30				-	**873**	**0.73%**
other current receivables	-	4,364	20			-	6,746	**11,130**	**37.17%**
Liabilities									
financial liabilities falling due after one year						2,900		**2,900**	**0.66%**
current trade payables	-	11,825	-	-	-	20	566	**12,411**	**3.44%**
other current payables	26	1,614	12		-	-	6,441	**8,093**	**17.78%**

38. Subsequent events

To date, no events have occurred after 31 March 2014 that make additional notes or adjustments to these Financial Statements necessary.

In this regard, reference is made to the Report on Operations for significant events after 31 March 2014.

39. Authorisation for publication

This document was published on 14 May 2014 and authorised by the Chairman and Chief Executive Officer.

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

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Mantua, 8 May 2014

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

Management and coordination
IMMSI S.p.A.
Share capital € 206,083,420.75 fully paid up
Registered office: Viale R. Piaggio 25, Pontedera (Pisa)
Pisa Register of Companies and Tax Code 04773200011
Pisa Economic and Administrative Index no. 134077

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

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