PIAGGIO GROUP

Financial Statements 2014

Disclaimer

This Annual Financial Report 2014 has been translated into English solely for the convenience of the international reader. In the event of conflict or inconsistency between the terms used in the Italian version of the report and the English version, the Italian version shall prevail, as the Italian version constitutes the sole official document.

Ordinary And Extraordinary General Shareholders' Meeting Call

Eligible persons are called to an Ordinary and Extraordinary General Meeting of Shareholders to be held in the Boardroom of Intesa SanPaolo, in Milan, Piazza Belgioioso 1, on 13 April 2015, at 11:00 AM in first call and, if necessary, in second call, on 14 April 2015 at 9:00, at the same place, to deliberate on the following:

Agenda

The Ordinary General Meeting of Shareholders:

1. Financial Statements of Piaggio & C. S.p.A. as of 31 December 2014; Directors' Report on Operations for 2014 and proposal to allocate profit for the period; Report of the Board of Statutory Auditors; Report of the Independent Auditors; Related and consequent resolutions; Presentation of the Consolidated Financial Statements as of 31 December 2014 of the Piaggio Group and relative reports.
2. Report on remuneration, pursuant to article 123-ter of Italian Legislative Decree no. 58/1998. Related and consequent resolutions.
3. Appointment of the Board of Directors, subject to the determination of the number of members and term of office; determination of fees. Related and consequent resolutions.
4. Appointment of the Board of Statutory Auditors and its Chairman; determination of fees. Related and consequent resolutions.
5. Authorisation to purchase and use treasury shares, pursuant to articles 2357 and 2357-ter of the Italian Civil Code, as well as article 132 of Legislative Decree no. 58/1998 and relative provisions for enactment, subject to withdrawal of the authorisation granted by the Ordinary General Meeting of Shareholders of 28 April 2014, for the portion not executed. Related and consequent resolutions.

The Extraordinary General Meeting of Shareholders:

1. Proposed cancellation of 2.466.500 treasury shares in portfolio. Subsequent changes to article 5.1 of the Articles of Association. Related and consequent resolutions.

Mantua, 27 February 2015

For the Board of Directors

/f/ Roberto Colaninno

Chairman and Chief Executive Officer
Roberto Colaninno

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MANAGEMENT REPORT


MOTO GUZZI
MOTO GUZZI

Mission

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

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

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

Key operating and financial data

In millions of euros	2014	2013	2012
Data on earnings			
Net sales revenues	1,213.3	1,212.5	1,406.2
Gross industrial margin	364.7	357.5	417.9
Operating income	69.7	62.6	96.6
Profit before tax	26.5	30.3	67.9
Adjusted profit before tax[1]	30.1	30.3	67.9
Adjusted net profit[2]	18.6	18.1	42.1
Net profit	16.1	(6.5)	42.1
Non-controlling interests	*0.0*	*0.0*	*0.1*
Owners of the parent	*16.1*	*(6.5)*	*42.0*
Data on financial performance			
Net capital employed (NCE)	905.9	867.7	831.7
Net debt	(492.8)	(475.6)	(391.8)
Shareholders' equity	413.1	392.1	439.9
Balance sheet figures and financial ratios			
Gross margin as a percentage of net revenues (%)	30.1%	29.5%	29.7%
Adjusted net profit[2] as a percentage of net revenues (%)	1.5%	1.5%	3.0%
Net profit as a percentage of net revenues (%)	1.3%	-0.5%	3.0%
ROS (Operating income/net revenues)	5.7%	5.2%	6.9%
ROE (Net profit/shareholders' equity)	3.9%	-1.7%	9.6%
ROI (Operating income/NCE)	7.7%	7.2%	11.6%
EBITDA	159.3	146.8	176.2
EBITDA/net revenues (%)	13.1%	12.1%	12.5%
Other information			
Sales volumes (unit/000)	546.5	555.6	615.5
Investments in property, plant and equipment and intangible assets	94.9	87.6	147.8
Research and Development[3]	46.3	47.7	59.6
Employees at the end of the period (number)	7,510	7,688	8,129

1_ To make results of the previous 3 financial years comparable, the Group determined profit before tax as "adjusted" which excludes the effect of non-recurrent operations.

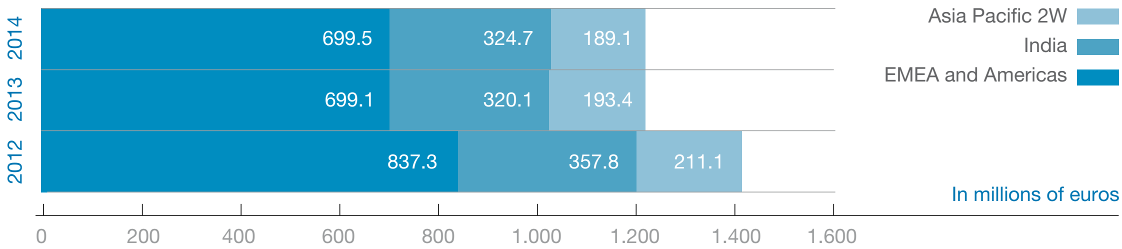
2_ To make results of the previous 3 financial years comparable, the Group determined a net profit defined as "adjusted" which excludes the effect of non-recurrent operations.

3_ The item Research and Development includes investments for the year recognised in the Statement of Financial Position and costs recognised in profit or loss.

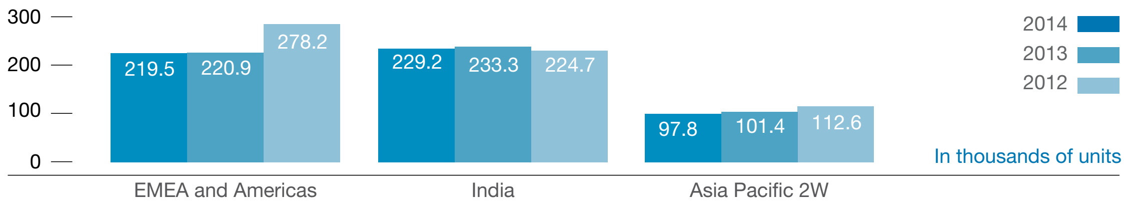
Results by operating segments

		EMEA and Americas	India	Asia Pacific 2W	Total
Sales volumes (units/000)	2014	219.5	229.2	97.8	**546.5**
	2013	220.9	233.3	101.4	**555.6**
	Change	(1.4)	(4.2)	(3.6)	**(9.1)**
	Change %	-0.6%	-1.8%	-3.5%	**-1.6%**
Turnover (million euros)	2014	699.5	324.7	189.1	**1,213.3**
	2013	699.1	320.1	193.4	**1,212.5**
	Change	0.4	4.6	(4.3)	**0.7**
	Change %	0.1%	1.4%	-2.2%	**0.1%**
Staff (no.)	As of 31.12.2014	4,008	2,622	880	**7,510**
	As of 31.12.2013	4,098	2,677	913	**7,688**
	Change	(90)	(55)	(33)	**(178)**
	Change %	-2.2%	-2.1%	-3.6%	**-2.3%**
Investments (million euros)	2014	79.3	9.7	5.9	**94.9**
	2013	62.1	9.9	15.5	**87.6**
	Change	17.2	(0.2)	(9.7)	**7.3**
	Change %	27.6%	-2.2%	-62.2%	**8.3%**
Research and Development[4] (million euros)	2014	39.6	3.1	3.5	**46.3**
	2013	35.9	5.6	6.3	**47.7**
	Change	3.8	(2.4)	(2.7)	**(1.4)**
	Change %	10.5%	-43.4%	-43.9%	**-2.9%**

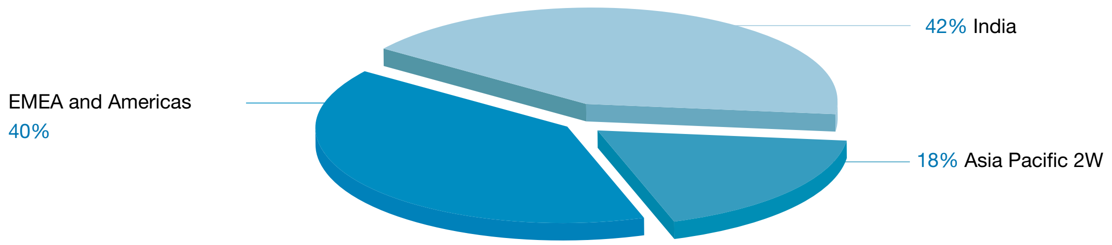
4_ The item Research and Development includes investments for the year recognised in the Statement of Financial Position and costs recognised in profit or loss.



Revenues by geographic segment



Sales volumes by geographic area



Sales volumes by geographic segment - 2014

The Piaggio Group

The Piaggio Group is Europe's largest manufacturer of two-wheeler motor vehicles and an international leader in its field. The Group is also a major player worldwide in the commercial vehicles market.

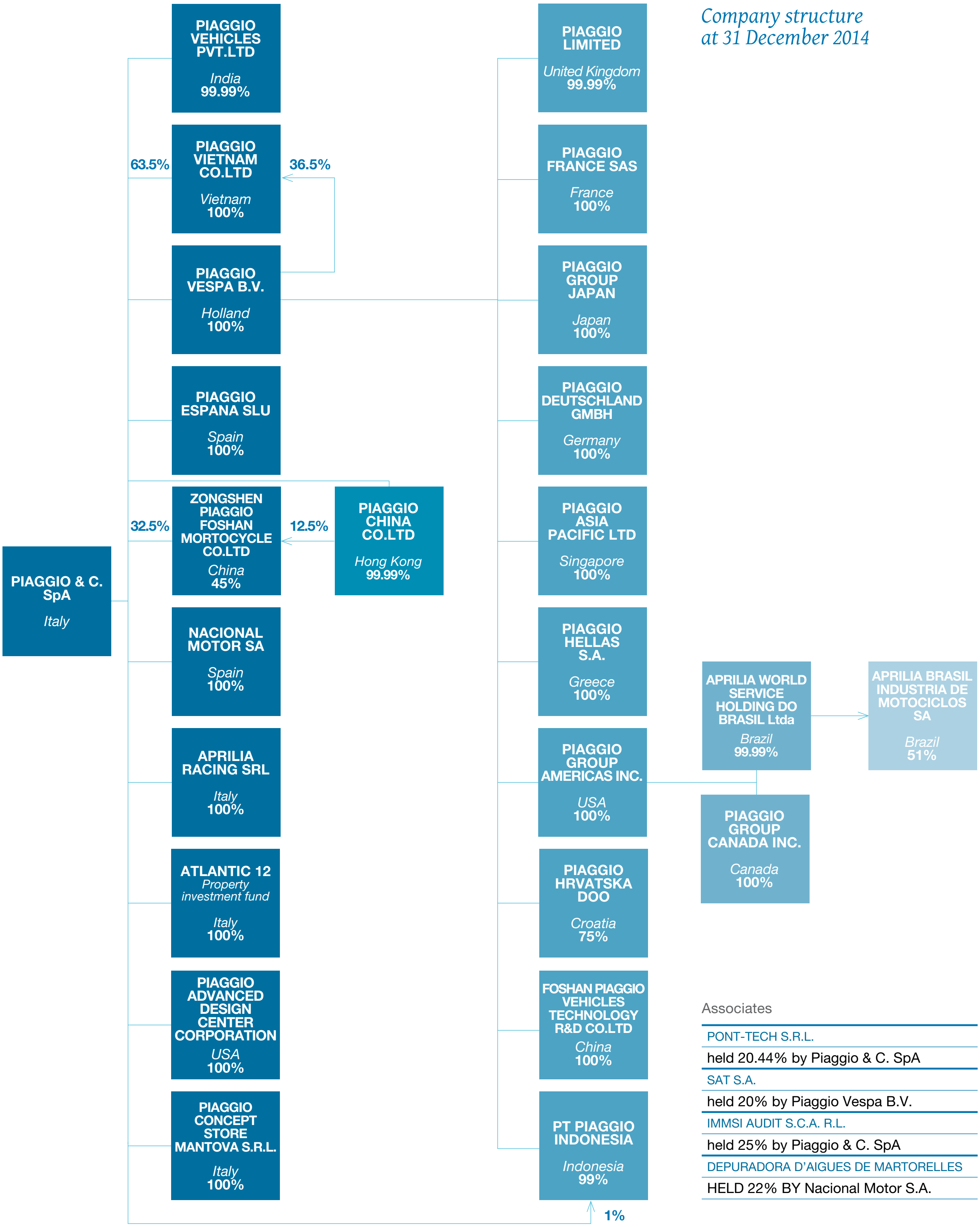
The Piaggio Group product range includes scooters, mopeds and motorcycles from 50cc to 1,400cc marketed under the Piaggio, Vespa, Gilera, Aprilia, Moto Guzzi, Derbi and Scarabeo brands. The Group also operates in the three- and four-wheeler light transport sector with its Ape, Porter and Quargo ranges of commercial vehicles.

The Group, with headquarters in Pontedera (Pisa, Italy), operates at an international level through production sites located in Pontedera, which manufactures two-wheeler vehicles under the Piaggio, Vespa and Gilera brands, vehicles for light transport for the European market and engines for scooters and motorcycles; in Noale and Scorzè (Venice), which produces Aprilia, Scarabeo and Derbi brand two-wheeler vehicles; in Mandello del Lario (Lecco), which manufactures Moto Guzzi vehicles and engines; in Baramati (in the Indian state of Maharashtra), which manufactures three- and four-wheeler light transport vehicles, the Vespa for the Indian market and engines; in Vinh Phuc (Vietnam), which manufactures scooters and engines for the local market and Asean area. The Piaggio Group is also a 45% stakeholder in a joint-venture operation in China (in Foshan, in the Guangdong province) which is therefore consolidated with the equity method in the Group's results.

Motorsports play a vital role for the Group's motorcycle production operations. The Group's brand portfolio includes names that have earned pride of place in the history of international motorcycle racing, which between them have notched up 104 world championships - 54 for Aprilia, 21 for Derbi, 15 for Moto Guzzi and 14 for Gilera - plus over 500 race wins in World Motorcycle Grand Prix and Superbike World Championships.


aprilia
aprilia

Company structure at 31 December 2014



Associates

PONT-TECH S.R.L.
held 20.44% by Piaggio & C. SpA
SAT S.A.
held 20% by Piaggio Vespa B.V.
IMMSI AUDIT S.C.A. R.L.
held 25% by Piaggio & C. SpA
DEPURADORA D'AIGUES DE MARTORELLES
HELD 22% BY Nacional Motor S.A.

During 2014, the Group corporate structure changed, following the establishment on 14 April 2014 of a new company - Piaggio Concept Store Mantova S.r.l. - wholly owned by Piaggio & C S.p.A., that manages the Group’s flagship stores, and the completion on 16 December 2014 of the the liquidation process and closure of the company Derbi Racing.

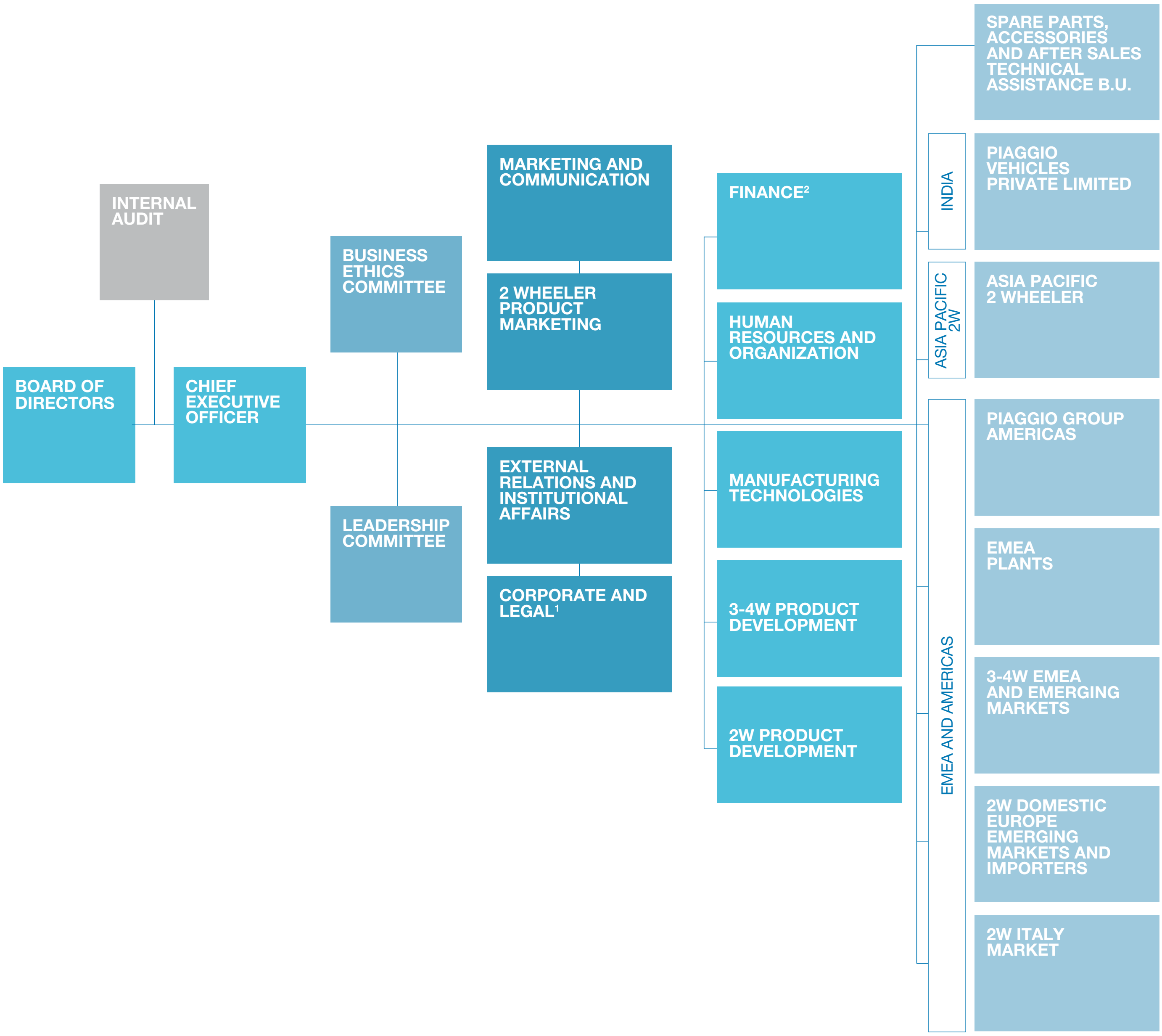
On 4 August 2014, the Spanish branch of Piaggio & C. S.p.A. - *Piaggio & C. S.p.A. - Sucursal en España* was closed down.

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

Corporate structure



1_ The Compliance Officer works within this structure and functionally reports to the Board of Directors of Piaggio & C. S.p.A.
2_ The Risk Officer works within this structure and functionally reports to the Board of Directors of Piaggio & C. S.p.A.

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

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

business and industrial profitability, turnover, market share and customer satisfaction for the Group's commercial vehicles and Vespa scooters in India, by managing production and sales on reference markets.
› *Spare Parts, Accessories and Technical Assistance Business Unit:* this function is responsible for managing after-sales activities and for defining the range of spare parts, establishing prices in conjunction with the sales department and ensuring distribution of the Group's spare parts and accessories.

Strategy and areas of development

Business strategy

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

EMEA and Americas

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

India

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

Asia Pacific 2W

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

Key Assets

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

Sustainability strategy

The Group's Corporate Social Responsibility (CSR) strategic objectives - which are mostly supplemented by and related to the development of the 2014-2017 strategic plan - are based on the following areas:

› **Transparency:** timely, correct, in-depth information to Stakeholders.

› **Creating economic value:** creating value while respecting business ethics.

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

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

› **Developing human resources:** developing, training and promoting human resources so that everyone's expectations and aspirations are met.

› **Meeting customer requirements:** engaging with customers in order to establish relations based on transparency and trust - developing Company Advocacy in partnership with the dealer network – selling products that are environmentally friendly, reliable, safe and cost-effective.

› **Responsible management of the supply chain:** engaging and cooperating with suppliers through shared development projects - respecting human rights.

› **Supporting local communities:** engaging and supporting local communities through social, cultural and educational initiatives.

These areas form the basis for the sustainability objectives to be pursued in the next three years.
The results achieved in 2014, the sustainability policy adopted by the Group and initiatives taken are presented in the Piaggio Group's Corporate Social Responsibility Report, which is issued at the same time as this Report and is available on its institutional website **www.piaggiogroup.com** under Social Responsibility.

Piaggio and financial markets

Investor Relations

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

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

In 2014, dialogue with the financial community was stepped up, with the Group meeting more than 190 investors on main European and North American financial markets during road shows and conferences.
Initiatives also included direct meetings and conference calls, managed daily by the IR function, and institutional communication events concerning quarterly results.
The Group also held an Analyst and Investor Meeting in Milan on 20 March 2014, with top management explaining the guidelines of the 2014-2017 strategic plan to the financial community.

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

The Piaggio Group website has been in the top 10 for the past four years of the prestigious "KWD Webranking Italy Top 100" classification, an annual survey of the best corporate websites of the top 100 Italian companies in terms of capitalisation.

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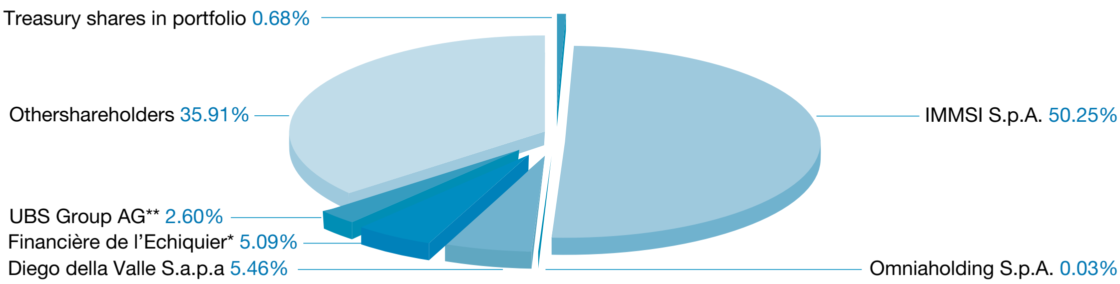
Email: investorRelations@piaggio.com
Tel: +39 0587 272286
Fax: +39 0587 276093

Shareholding structure

At 31 December 2014 the share capital consisted of 363,674,880 ordinary shares. At the same date, the shareholding structure, according to the shareholder ledger supplemented with notices received pursuant to article 120 of Legislative Decree no. 58/1998 and other available information, was as follows:

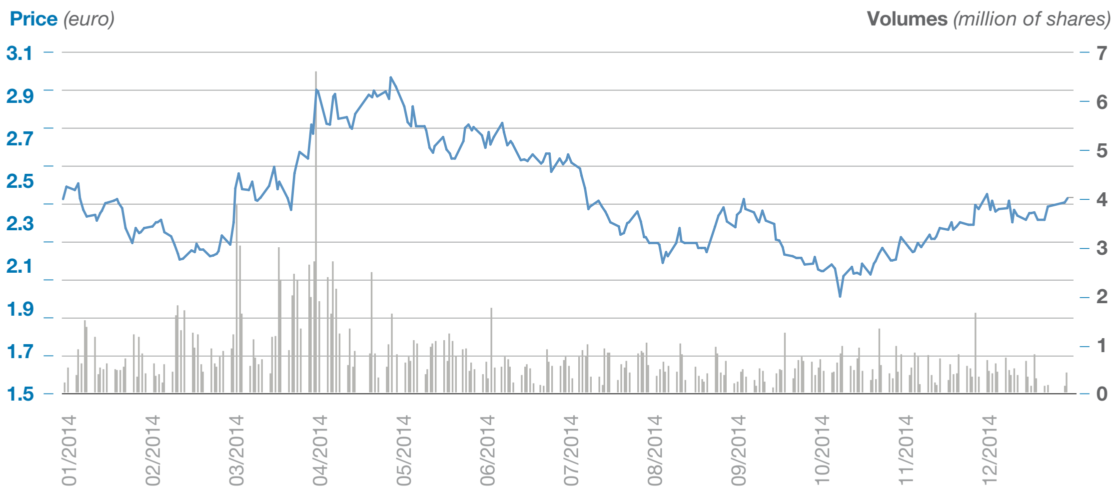


** In a capacity as manager, among others, of the FCP Aggressor fund which holds 2.2823% of the share capital.*
*** Direct shareholders: UBS AG with 2.60% and UBS Global Asset Management with 0.003% of the share capital*

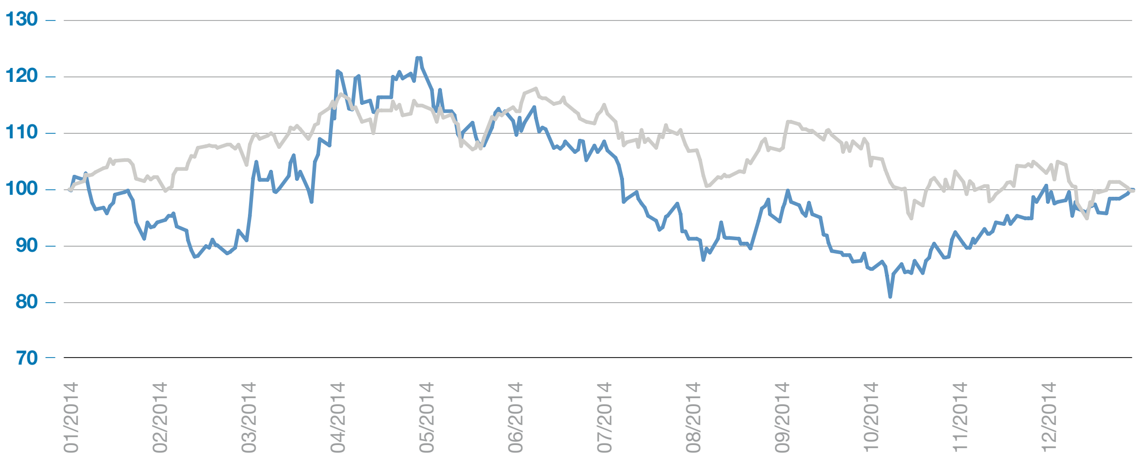
Share performance

Piaggio & C. SpA has been listed on the Milan Stock Exchange since 11 July 2006. The Piaggio share ended 2014 with a price that was basically the same as at the end of 2013, and a performance in line with that of the main reference index, as shown in the graphs below.

Price and daily volumes



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



Main share indicators

	2014	2013
Official share price on the last day of trading (euro)	2.40	2.41
Number of shares (no.)	363,674,880	360,894,880
Earnings per share (euro)		
Basic earnings	0.044	(0.018)
Diluted earnings	0.044	(0.018)
Shareholders' equity by share (euro)	1.14	1.09
Market capitalisation (millions of euros)[5]	873	869

5_ Obtained by multiplying the official share price of the last day of trading by the number of shares.

Dividends

In 2014, no dividend for 2013 was distributed. The dividend per share paid to shareholders for the years 2011 and 2012 as remuneration of share capital is shown in the following table:

Statement of Piaggio & C. SpA dividends for -2011 -2012

Reference Financial Statements	2012	2011
Detachment date	20-May-13	14-May-12
Payment date	23-May-13	17-May-12
Dividend per share (euro)	0.092	0.082

Group rating

	Current	31/12/2013
Standard & Poor's		
Corporate	B+	BB-
Outlook	Stable	Stable
Moody's		
Corporate	Ba3	Ba3
Outlook	Negative	Stable


FORWARD
Embedded
GPS and GSM system
state of art Li-ion
battery technology
Electronically controlled
continuously variable
transmission
SCHWALBE
KOJAK

Events during the period

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

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

24 March 2014 The new 50 and 125cc versions of the Vespa Sprint were unveiled to the international press in Rome.

7 April 2014 Piaggio & C. S.p.A. launched a direct exchange offer to holders of the bond issued on 1 December 2009, called “Piaggio & C. S.p.a. € 150 million 7% Senior Notes due 2016”, aimed at replacing securities in circulation with securities from the issue of new debenture loan in Euros, maturing in 2021 (**Exchange Offer**) at an exchange price of 104.50% (**Exchange Price**).

14 April 2014 The new Moto Guzzi V7 range, with three different versions, the Racer, Stone and Special, was launched at the company’s historic Mandello del Lario production site.

14 April 2014 The Company Piaggio Concept Store Mantova S.r.l., wholly owned by Piaggio & C. S.p.A., was established.

15 April 2014 The new Mechanical Plant at Pontedera was inaugurated; the plant is located within the Piaggio site and is dedicated to precision mechanics for scooters and motorcycles of the entire Group. The production plant covers a total floor area of approximately 7,500 square metres, of which 5,500 square metres are covered, and is used for the high precision machining of cases, crankcases and other engine and chassis components, with a workforce of approximately 90 employees. Most of the employees were recruited in 2011 by the Piaggio Group, following the insolvency of the former supplier Tecnocontrol.

16 April 2014 Piaggio & C. S.p.A. successfully completed the placing on the high-yield market of an unsecured, non-convertible senior debenture loan of € 250 million (the Debenture Loan); the loan is for 7 years, with an annual interest rate of 4.625%, fixed, half-yearly coupon and issue price equal to 100%.

22 April 2014 The new Vespa GTS, also available in the GTS Super sports version with 125 and 300cc engines, made its début in Tuscany. The biggest and most powerful Vespa now features ASR electronic traction control (a world exclusive and technological record for the Piaggio Group) and the ABS braking system.

9 June 2014 Following the exercise of the call option relative to the debenture loan issued on 1 December 2009, called “Piaggio & C. S.p.a. € 150 million 7% Senior Notes due 2016”, Piaggio & C. S.p.A. reimbursed at the price of 103.50% the remaining portion of the aforesaid loan (equal to approximately € 42 million), after the finalisation of the exchange offer launched on 7 April.

16 June 2014 At the same time as the opening of Motoplex, the Piaggio Group’s first concept store in Mantova, the Vespa World Days event was held, bringing together more than 10,000 Vespas and thousands of fans from 32 different countries.

16 July 2014 Piaggio & C. S.p.A. signed a five-year, € 220 million credit facility with a pool of banks. The amount may be increased up to € 250 million, with the initial amount of € 220 million undersigned by the Bank of America Merrill Lynch, Banca Nazionale del Lavoro, HSBC, Intesa Sanpaolo, Mediobanca and Unicredit in a capacity as mandated lead arranger and bookrunner.
The main aim of this operation is to refinance the € 200 million revolving loan maturing in December 2015 and provide financial support necessary for the international growth mapped in the 2014-2017 strategic plan.

4 August 2014 Moody’s changed its outlook for Piaggio from stable to negative, confirming the Ba3 rating.

12 September 2014 Aprilia officially announced its participation in the MotoGp class of the World Championships. The Aprilia brand will return to premium world class racing in the 2015 season, one year ahead of the plans already presented.

2 October 2014 Standard and Poor's lowered Piaggio's rating from BB- to B+, giving it a stable outlook.

2 November 2014 Sylvain Guintoli on an Aprilia RSV4 became the 2014 World Superbike Champion and for the third year running, Aprilia won the Superbike World Championship Manufacturer's title.

Background

The macroeconomic framework

In 2014, the world economy grew by approximately 3%, with dynamics differing by geographic segment, against a background of reduced inflation in western countries and commodity prices affected by the drastic fall in the price of oil in the last quarter.
In East Asia, the two leading economies confirmed considerable growth factors, albeit with different dynamics. In China, this growth slowed down to 7.4% in a scenario with inflation and employment rates under control, while in India growth improved (at around 6%) with a concurrent decrease in inflation and the budget deficit.
Japan instead did not manage to record a significant growth, despite the considerable state deficit and expansive monetary policy adopted.
In the United States, growth went beyond forecasts (3.6%), allowing for a gradual reduction in the federal deficit and containment of the expansive monetary policy. Consequently, the dollar was bolstered, improving the trade balances of EU nations.
In the eurozone, growth was up slightly in overall terms, with a worryingly low inflation rate that led the ECB to launch major monetary intervention programmes.
As regards Italy, although trends point to a minimum growth in 2015, GDP fell for the third year running. Drastic rehabilitation measures are still having a major impact on spending and employment, confirming the need for further structural reforms that will improve the competitiveness and for EU policies that are not simply about the rigid control of state commitments but support investments too.

The market

Two-wheeler

In 2014, the world two-wheeler market (scooters and motorcycles) recorded a decrease of around 3% compared to the previous year, with 49 million vehicles sold.

India, the most important two-wheeler market, continued to grow in 2014, ending the year with 16 million vehicles sold, equal to an increase of 11.5% compared to 2013.

China instead recorded decreasing volumes in 2014, down by 8.3% compared to the previous year and ending the period with just under 11 million units sold.

The Asian area, termed Asean 5, reported a slight decrease in 2014 (-2.2% compared to 2013) ending the year with 13.5 million units sold. Indonesia, the main market in this area, continued its growth trend in 2014, with total volumes of over 7.8 million units and an increase of 0.9% compared to the previous year. Sales were down in Vietnam (2.7 million units sold; -2.6% compared to 2013), in Thailand (1.7 million units sold; -13.1% compared to 2013) and in Malaysia (470 thousand units sold; -14% compared to 2013); the last country in the Asean 5 area, the Philippines, recorded a positive growth trend, with 786 thousand units sold in 2014 (4.5% compared to 2013).

Volumes of other Asian area countries (Singapore, Hong Kong, South Korea, Japan, Taiwan, New Zealand and Australia) increased, in overall terms, compared to the previous year, with nearly 1.29 million units sold (+ 1.2%). In this area, Taiwan continued to grow in 2014, closing the period with 674 thousand units sold (+4.4% compared to 2013).

The North American market, up 4.1% compared to 2013 (539,000 vehicles sold) confirmed its growth trend.

South America closed 2014 with over 4 million vehicles sold. Brazil, the first market in the area, recorded a downturn of 9.9%, with just over 1.4 million vehicles sold in 2014.

Europe, which is the reference area for Piaggio Group operations, finally reversed its negative trend in 2014, with a 2.9% increase in sales on the two-wheeler market compared to 2013 (+8.5% for the motorcycle segment, and -0.9% for the scooter segment). In the scooter segment, the decrease refers to the 50cc market (-7%), while the over 50cc market reported an increase (+4.6%). In the motorcycles segment, over 50cc models reported a growth of 9%, while 50cc models reported a more modest increase of 1.2%.

The scooter market

Europe

The European scooter market in 2014 accounted for 661,000 registered vehicles, equal to a decrease in sales of 0.9% compared to 2013.
In 2014, vehicle registrations were higher in the over 50cc segment, with 370,000 units against 291,000 units in the 50cc scooter segment. The over 50cc scooter segment increased by 4.6% compared to 2013, while the 50cc segment fell by 7%.
France was the most important market with 142,500 thousand units sold, followed by Italy with 126,000 thousand units and Spain with 88,000 thousand units. Holland has become the fourth country, in terms of sales volumes (63,000 units) ahead of Germany, which is now in fifth place with 62,500 units sold. Lastly, the United Kingdom registered 32,000 vehicles. In 2014, the Italian market continued to be affected by a downturn compared to the previous year (-2.6%). The 50cc segment went down by 16.2%, with 24,000 units sold. In the over 50cc segment, 101,500 units were sold, registering an increase of 1.4% compared to 2013.
The French market with 142,500 vehicles decreased by 5% compared to the 150,000 vehicles sold the previous year: this performance is due to the 50cc scooter segment (-9.2%) while the over 50cc segment grew (+1.9%).
The German market reported the biggest decrease among leading countries in the eurozone (-9.3%) with approximately 62,500 vehicles sold in 2014 compared to 69,000 in 2013. On this market, the downturn was due to the 50cc scooter segment (-16.9%) while the over 50cc scooter segment reported an increase (1.7%).
Spain performed the best among leading markets, with a growth of +14% compared to 2013. In this case as well, the result was due to a considerable increase in the over 50cc segment (+17.2%), while the 50cc scooter segment went down by 1.3%.
The same trend also occurred in the United Kingdom, where the market grew by 4.1% thanks to a good performance from the over 50cc segment (+6.9%) which was only partially offset by a fall in the 50cc scooter segment (- 1.7%).

North America

In 2014 the market still reported a downturn (-3.8%), with approximately 37,000 units sold: this negative trend is mainly due to the over 50cc scooter segment, where sales fell by 6.4% against a drop of 1.3% for 50cc scooters.
The scooter market in the United States (which accounts for 90% of the reference area), declined by 3.1%, with 33,700 vehicles sold; a downturn was also registered on the Canadian market, with 3,600 vehicles registered in 2014, accounting for a decrease of 9.4%.

Asia

The main scooter market in the Asean 5 area is Indonesia, with just under 6.56 million items sold, reporting an increase of approximately 2% compared to 2013. The Cub segment (vehicles with gears) recorded a downturn, confirming the negative trend of the previous year and closing with 1.5 million units and a decrease of -15%. The automatic vehicles segment (over 5 million units) instead reported a 3% increase over the previous year.
The second main market is Vietnam, which reported a 3% decrease and 2.7 million units sold, of which 1.56 million Cub scooters (-5% compared to 2013) and 1.14 million automatic scooters (+1% compared

to 2013), followed by Thailand, with a decrease of 16% compared to 2013 and nearly 1.6 million units sold: 760 thousand Cub vehicles (-26% compared to 2013) and 830 thousand automatic vehicles (-6% compared to 2013).

Vietnam

The Vietnamese market mainly concerns scooters, as sales in the motorcycle segment are not particularly significant. The 50cc scooter segment is not operative on this market.
In the Cub segment, 51cc to 115cc models were the best performers, with more than 1.28 million units sold, accounting for 83% of the entire segment.
In the automatic scooter segment, 115-151cc models are the biggest category, accounting for 73% of the total market in 2014.

India

The automatic scooter market increased by 28.9% in 2014, ending the year with over 4.3 million units sold.
The over 90cc range is the main product segment, with more than 4.13 million units sold in 2014 (+31.4% compared to the previous year) and accounting for 95% of the total automatic scooter market. The 50cc scooter segment is not operative in India.

The motorcycle market

Europe

With 490,000 units registered, the motorcycle market ended 2014 with an 8.5% decrease: all cylinder sub-segments reported growth trends; the 50cc segment also performed well in 2014 (+1.2%) closing with 30,500 units. More significant growth trends were recorded for other sub-segments: 51-125cc motorcycles closed with sales of 71,500 units (+ 7.4%) and 126-750cc motorcycles reported sales of just over 149,000 units (+4.8%).
Lastly, the 750cc segment recorded the most significant growth rate (+12.3%), with 239,000 vehicles sold.
Germany is now the main European market with 112,000 units sold, taking over from France (108,000); the United Kingdom with 70,000 vehicles stayed in third place, ahead of Italy which ended the year with 57,000 units sold; Spain ranked fifth with 37,000 vehicles sold.
In 2014, all main countries in the eurozone reported positive trends compared to the previous year: Germany reported a growth of 10.3%, and France 4.6%; the highest growth was recorded by Spain with a figure of +24.8%; the United Kingdom performed well, with a growth of +13.5%; after years of decline, Italy finally reported growth in the motorcycle segment, with an increase of +2.8%.

North America

The recovery of the motorcycle market in North America (USA and Canada) which began in 2012 and 2013 continued: 2014 closed with an increase of 4.6%, and 502,000 units sold compared to 480,000 of the previous year. In the United States (accounting for 89% of the area), the motorcycle segment recorded a 4.8% increase, selling 450,000 units against 429,000 units in 2013. The trend on the Canadian market was also positive, up by 3.9% and with 52,500 units sold.

Asia

India is the most important motorcycle market in Asia, selling nearly 11 million units in 2014, accounting for a 6.2% increase.
The motorcycle market in the Asean 5 area is far less important than the scooter sector. Sales of motorcycles in Vietnam were not significant. in other countries, the highest sales were reported in Indonesia, with nearly 1.3 million units sold and an 18% increase over the previous year; Thailand also reported a growth trend, with more than 152,000 units sold and an increase of 10.7% compared to 2013.

Commercial Vehicles

Europe

In 2014, the European market for light commercial vehicles (vehicles with a maximum mass of up to 3.5 tons) where the Piaggio Group operates, accounted for 1.5 million units sold, up 11.3% compared to 2013 (source ACEA data). In detail, the trends of main European reference markets are as follows: Germany (+ 7.3%), France (+1.5%), Italy (+16.4%) and Spain (+33.2%).

India

Sales on the Indian three-wheeler market, where Piaggio Vehicles Private Limited, a subsidiary of Piaggio & C. S.p.A. operates, went up from 501,000 units in 2013 to 531,150 in 2014, registering a 6% increase. On this market, the passenger vehicle segment performed well, up by 5.9% and selling 431,000 units. The cargo segment also reported a growth trend, up by 6.6%, from 94,000 units in 2013 to 100,000 units in 2014. The traditional three-wheeler market is flanked by the four-wheeler light commercial vehicles (LCV) market (cargo vehicles for goods transport) where Piaggio Vehicles Private Limited operates with the Porter 600 and 1000. The LCV cargo market, with vehicles with a maximum mass below 2 tons and where the Porter 600 and Porter 1000 compete, accounted for 138,400 units sold in 2014, down by 28.2% compared to 2013.

The regulatory framework

European Union

In April, the Directive 2014/45/EU was published, with EU requirements on the frequency of **roadworthiness** tests for vehicles (on safety, pollution), so that they may still circulate.

- The obligation will only concern motorcycles, three-wheelers and four-wheelers with an engine over 125cc; so nearly all mopeds (50cc) and motorcycles up to 125cc are excluded;
- the obligation for these vehicles will only come into force from 2022 onwards;
- Member States may defer the obligation to carry out periodic controls if they have adopted alternative road safety measures (not further specified).

At present, only some countries have decided on and adopted national laws on periodic roadworthiness tests for mopeds and motorcycles, and Italy ranks among these, as from 2001.

On 22 August, Commission Implementing Regulation EU no. 901/2014 regarding the **administrative requirements** for the approval and market surveillance of two- or three-wheel vehicles and quadricycles was published in the Official Journal of the European Union. With the publication of this regulation, Manufacturers may request, as from 11 September 2014 (on an optional basis) type approval according to the new requirements for vehicles that, in addition to new administrative requirements, also comply with the environmental, construction and functional safety requirements contained in the regulations 134/2014, 44/2014 and 3/2014 published in the first half of 2014. The new type approval system will be mandatory from 1 January 2016 for motorcycles, tricycles and quadricycles and from 1 January 2017 for two- and three-wheeler mopeds and light quadricycles. These requirements will apply to vehicles already in production with the above dates deferred by one year.

In September 2014, the European Commission started an **environmental impact study**, required by the Regulation 168/2013, the purpose of which is to evaluate air quality and the pollutant part attributable to category L vehicles (mopeds, motorcycles, tricycles and quadricycles). Based on this study, the Commission will present a report on the following aspects to the European Parliament and Council before the end of 2016:

a. the application dates of Euro 5 pollution limits;
b. emission limit values for Euro 5;
c. limit values for OBD (on board diagnostics);
d. obligations or otherwise for new types of vehicle of some specific categories, in addition to step I OBD, and also step II OBD;
e. the mileage used to test the duration of anti-pollution systems and relative deterioration factors.

Based on this report, the European Commission will confirm the requirements already published in the Regulation 168/2013/EC or will present appropriate legal proposals that should come into force as from 2020.

On 29 September 2014, the European Parliament and Council adopted the so-called "Clean Power Directive", on the deployment of **alternative fuels** infrastructure and the harmonisation of technical specifications throughout the Union for recharging points of electric vehicles. The directive, as agreed following inter-institutional negotiations:

- establishes that each Member State will set out its own national policy for development of the alternative fuels market and relative infrastructure;
- establishes that common technical specifications shall be adopted for charging and refuelling stations;
- paves the way for the generation of appropriate information, intended for consumers, about alternative fuels, also through clear, consistent methods comparing fuel quality.

As from January 2016, manufacturers of scooters, mopeds, motorcycles, three-wheelers and four-wheelers - in order to obtain type approval - will have to certify that the same **repair and maintenance information (RMI)** given to its authorised repair operators is also made available to independent operators. During the year, a CEN (European Committee for Standardisation) Working Group for the preparation of a standard relative to procedures to issue this information met on several occasions. The Working Group was established as instructed by the European Commission. The Group includes representatives of European manufacturers of L category vehicles (including Piaggio) and representatives of repair operators, spare parts operators, manufacturers of diagnostic systems and other independent operators.

On 27 May, the Official Journal of the European Union published regulation 540/2014 on the **sound level of motor vehicles** and of replacement silencing systems. This regulation establishes, among others, new sound emission limits for vehicles for the transport of persons and vehicles designed and constructed for the transport of goods (such as the Piaggio Porter). The new regulation will become mandatory as from 1 July 2016 for new type approvals.

On 1 November 2014, Commission Regulation 1171/2014 was published, amending the framework directive 2007/46/EC for **the approval of motor vehicles** and their trailers, and of systems, components and separate technical units intended for such vehicles. The new requirements introduced by the regulation include some changes to the formats of the information document, revision of the format of the type approval certificate and some changes to the formats of the Certificate of Conformity accompanying the vehicle, as well as substantial changes to procedures to adopt during type approval in several stages. The Regulation 1171/2014/EC will come into force on 1 January 2016.
The European Commission has also established general principles for a complete revision of the framework directive 2007/46/EC and presented them to Member States in October. The main topics of interest for the industry concern market surveillance, improving the implementation of type approval procedures, the compulsory type approval of after-market products, a single European end-of-series procedure and repair and maintenance information to be made available by the Manufacturer to independent operators. The Commission's final proposal should be published in the first few weeks of 2015.

In the second half of 2013, the European Commission had presented a bill for the mandatory installation of the **eCall** (emergency call) system on board of newly approved vehicles and light transport commercial vehicles. The system is able to automatically dial the single European emergency number 112, in the event of a road accident, and report the vehicle's position to the emergency services. In December 2014, the Committee of Permanent Representatives in the European Union (Coreper) approved an agreement with the European Parliament regarding type approval requirements for the assembly of eCall devices on new vehicles. As from 31 March 2018, manufacturers of vehicles shall equip all new models with on-board technology that will communicate with an interoperative eCall service based on the single 112 emergency number. Infrastructure for the eCall system shall be set up by 1 October 2017; the system may be used by all consumers free of charge.

Italy
An **Advisory Council** was established on 24 October 2013 within the Ministry for Economic Development, with the involvement of the Ministry for Universities and Research and the Ministry for Transport, and met on several occasions in the first half of 2014 to establish, in conjunction with some of the automotive industry's main Stakeholders (including ANCMA and ANFIA), concrete measures to relaunch the sector. Specific working groups were established for the following issues:
- competitiveness and industrial policy measures: a working group with a focus on exports and streamlining customs' formalities, Research & Development and reducing energy costs;
- market support: a working group to identify solutions to support the market and restructure industry taxation.

In the second half of 2014, the work of the Council stopped.

With the end of the moratorium in October 2013, granted by the **Municipality of Rome**, the prohibition on all Euro 1 (2 and 4 stroke) mopeds and motorcycles transiting within the Restricted Traffic Area (ZTL area) of Rome called "Anello Ferroviario", came into force on 1 April 2014.

In May, **ANCMA** (the National Association of Manufacturers of Motorcycles and Accessories), of which the Piaggio Group is a member, requested clarification from the Ministry of Transport as to the possibility for **electric motorcycles** to transit on motorways. At present, article 175 of the Highway Code sets a minimum engine capacity of 150cc for motorcycles with combustion engines, with no reference to electric engines. In subsequent months, when reviewing the bill to reform the Highway Code, an amendment was presented on this matter which would authorise electric motorcycles of a maximum ≥ 5 kW to transit on motorways and ring roads. The amendment was then withdrawn in October and changed to an agenda upheld by the Government.

As part of activities to reform Italy's **Highway Code**, an amendment was presented last October to allow ≥120cc motorcycles, if driven by adults, to transit on **motorways and ring roads**. This amendment was approved by the Italian Parliament's Chamber of Deputies and the Senate resumed its examination of the amendment shortly before the Christmas break.

On 4 June 2014, funding of 2,200,000 euros **as incentives for the purchase of vehicles up to 6.5 tons**, used to transport goods, with a low environmental impact, i.e. Euro 5 petrol/diesel, Euro 6, LPG and CNG vehicles, was approved with resolution n. 160 by the City Council of Rome. The new Protocol of Understanding was therefore signed between industry associations (ANFIA, UNRAE and Federauto) and the Department of Mobility and Transport of the Municipality of Rome, to extend the requirements and access conditions relative to the incentives in the previous Protocol of Understanding, stipulated in September 2012, from July onwards.

In the summer, numerous amendments to the **Consolidated Act** reforming the Highway Code were discussed and voted on in the Chamber of Deputies.
All amendments relative to road safety recommended by the industry were accepted in a first reading. In particular, the following were evaluated:
› the inclusion of moped and motorcycle users in the definition of weaker road users;
› the possibility of mopeds and motorcycles to access urban public transport lanes;
› a restriction on fixed obstacles and the use of guard rails that are more adequate for the safety of two-wheeler vehicles;
› the Ministry of Transport tasked with issuing guidelines for organisations owning and operating roads on the design of safe road infrastructures for two-wheeler vehicles.

During the Cabinet meeting of 15 October a bill was approved on provisions for preparing the State annual and long-term budget (**2015 Stability Law**). The measure was then sent to Parliament to be examined along with the State Draft Budget for the 2015 financial year and the long-term budget for the 2015-2017 period.
Measures addressed include:
› the restriction of incentives to purchase vehicles with overall low emissions, that had initially been planned for 2015, to 2014 only;
› the elimination of exemption from paying vehicle tax for motor vehicles of more than twenty years of particular historical and collecting interest, while the exemption remains in place for vehicles and motor vehicles of more than thirty years that, if still transiting on public roads, are subject to an annual lump-sum road tax;
› a tax receivable for companies that invest in research and development, extending the scope to all businesses (and not only SMEs), with a higher ceiling, a minimum expense for lower investments, and extension to the end of 2019, a new configuration of the amount paid and the elimination of benefits for using highly qualified resources as provided for by the 2012 Development Decree and 2013 Stability Law;
› refinancing of the "Sabatini" law: the regulation increases the maximum limit of funds from the Cassa Depositi e Prestiti issued to banks to finance small and medium businesses that want to invest in the purchase of machinery, plants, equipment for production and business capital goods, also through leasing, from 2.5 to 5 billion euros.

USA
In August, the NHTSA (National Highway Traffic Safety Administration) published a notice of a proposed regulation for a new Federal Motor Vehicle Safety Standard FMVSS No. 150 that would require light

vehicles (light cars and trucks) to have **V2V (Vehicle-to-Vehicle) Communications** and establish the minimum efficiency requirements for these V2V devices. Although the notice of the proposed regulation and technical report are focussed on the potential application of the V2V technology to vehicles, the NHTSA states in its technical report that it is strongly committed to research into V2V communication for heavy vehicles and motorcycles as well.

The Pedestrian Safety Enhancement Act of 2010 delegated the NHTSA to adopt a regulatory process to establish a regulation that would require electric and hybrid vehicles to have an **acoustic warning system** enabling pedestrians and particularly non-sighted pedestrians to perceive the presence of vehicles that operate below their cross over speed (the speed at which the noise of the tyres, wind resistance or other factors mean that vehicles can be detected even without an alarm system). Motorcycles are also considered. The MIC (Motorcycle Industry Council) presented some technical observations requiring the exclusion of two-wheeler vehicles from these requirements. The NHTSA expects it will be able to publish the Final Rule before April 2015.

<u>Canada</u>
In May 2014, the Province of British Columbia approved a new regulation whereby **scooters with an engine up to 50cc** and a weight (excluding liquids and the battery) exceeding 95 kg (211lbs) are considered as motorcycles and consequently requirements on driving licences and insurance for this category of vehicles shall be complied with.

<u>India</u>
In the first few months of 2014, new proposals for anti-pollution requirements (**Bharat Stage IV**) concerning two-wheeler motor vehicles type approved as from 1 April 2016 and two-wheeler vehicles registered as from 1 April 2017 were presented by the Indian Ministry of Transport. These proposed requirements, with more stringent limits for pollutant emissions, a specific limit for evaporative emissions and control of crankcase gas emissions, were examined in May and June by the Expert Committee on Auto Fuel Vision & Policy 2025 and the final notification for Bharat Stage IV was then published by the Ministry for Transport in July. In the same month, the Expert Committee on Auto Fuel Vision & Policy 2025 published a report that should contribute to defining a roadmap towards the next step, Bharat V.

<u>Taiwan</u>
Taiwan's **anti-pollution** requirements are often based on those of the EU and also as regards future regulations, the Taiwanese government has presented a bill based on Euro 4 standards, but with further national specifications, whereby all two-wheeler motor vehicles produced in or imported to Taiwan shall comply with new specific standards on fuel consumption, with limits varying depending on the vehicle engine size. Compared to the original time frame, the obligation to adopt these requirements has been postponed by a year, to 1 January 2017 for newly approved vehicles and to 1 January 2018 for newly registered vehicles.

<u>Thailand</u>
The Thai government is evaluating times for the implementation of Euro 4 on **emissions**. In all likelihood, all requirements, apart from those concerning crankcase emissions and onboard diagnostics, could become obligatory from 2018, while the government has recognised the need to obtain additional information to further evaluate issues which have so far been excluded.

<u>Malaysia</u>
The Malay department for the environment notified its intention of making **Euro 3** anti-pollution requirements obligatory, starting from 2015, without however establishing a specific date.

<u>People's Republic of China</u>
The entry into force of the "**China 4**" anti-pollution regulation, still being discussed, will presumably be postponed by a year from the original date of 1 January 2016 to 1 January 2017.

Besides the main requirements already known, that will concern the mandatory introduction of the injection system, onboard diagnostics system (OBD) and a new cycle for measuring vehicle emissions during type approval, requirements on Repair and Maintenance Information will also be introduced for onboard diagnostics systems. Based on these new requirements, Manufacturers will have to give independent repair operators information necessary to repair and maintain vehicles, against payment of reasonable and commensurate tariffs.

Financial position and performance of the Group

Consolidated Income Statement

Consolidated Income Statement (reclassified)

	2014		2013		Change	
	In millions of euros	Accounting for a %	In millions of euros	Accounting for a %	In millions of euros	%
Net sales revenues	1,213.3	100.0%	1,212.5	100.0%	0.7	0.1%
Cost to sell[6]	848.6	69.9%	855.0	70.5%	(6.5)	-0.8%
Gross industrial margin[6]	**364.7**	**30.1%**	**357.5**	**29.5%**	**7.2**	**2.0%**
Operating expenses	295.0	24.3%	294.9	24.3%	0.2	0.1%
EBITDA[6]	**159.3**	**13.1%**	**146.8**	**12.1%**	**12.5**	**8.5%**
Amortisation/depreciation	89.6	7.4%	84.1	6.9%	5.5	6.5%
Operating income	**69.7**	**5.7%**	**62.6**	**5.2%**	**7.0**	**11.2%**
Result of financial items	(43.1)	-3.6%	(32.4)	-2.7%	(10.8)	33.3%
of which non-recurrent	*(3.6)*	**-0.3%**			*(3.6)*	
Profit before tax	**26.5**	**2.2%**	**30.3**	**2.5%**	**(3.8)**	**-12.4%**
Adjusted profit before tax	**30.1**	**2.5%**	**30.3**	**2.5%**	**(0.2)**	**-0.7%**
Taxes	10.5	0.9%	36.8	3.0%	(26.3)	-71.6%
Net profit	**16.1**	**1.3%**	**(6.5)**	**-0.5%**	**22.6**	
Impact of non-recurrent costs	*(2.6)*		*(24.6)*		*22.0*	
Adjusted net profit	**18.6**	**1.5%**	**18.1**	**1.5%**	**0.6**	**3.2%**

6_For a definition of the parameter, see the "Economic Glossary".

Vehicles sold

	2014	2013	Change
In In thousands of units			
EMEA and Americas	219.5	220.9	(1.4)
India	229.2	233.3	(4.2)
Asia Pacific 2W	97.8	101.4	(3.6)
Total vehicles	**546.5**	**555.6**	**(9.1)**
Two-wheeler	334.2	351.6	(17.4)
Commercial Vehicles	212.3	203.9	8.3
Total vehicles	**546.5**	**555.6**	**(9.1)**

Net revenues

	2014	2013	Change
in millions of euros			
EMEA and Americas	699.5	699.1	0.4
India	324.7	320.1	4.6
Asia Pacific 2W	189.1	193.4	(4.3)
Total net revenues	**1,213.3**	**1,212.5**	**0.7**
Two-wheeler	841.0	852.6	(11.6)
Commercial Vehicles	372.3	359.9	12.4
Total net revenues	**1,213.3**	**1,212.5**	**0.7**

In 2014, the Piaggio Group sold 546,500 vehicles worldwide, with a reduction in volumes of approximately 1.6% compared to the previous year, when 555,600 vehicles were sold. The number of vehicles sold in EMEA and the Americas (-0.6%), India (-1.8%) and Asia Pacific 2W (-3.5%) decreased. Sales of commercial vehicles increased (+4.1%) while sales of two-wheeler vehicles went down (-5.0%).

Two-wheeler vehicle sales were affected by the particular market context. In Europe, which is the reference area for Piaggio Group operations, the two-wheeler market finally reversed its negative trend

with a 2.9% increase in sales in 2014 compared to 2013 (+8.5% for the motorcycle segment, and -0.9% for the scooter segment). The Asean 5 area (Asia) recorded a slight downturn in sales in 2014 (-2.2% compared to 2013) and in particular sales fell by 2.6% in Vietnam compared to 2013.
In Europe, the Piaggio Group retained its market leadership, with a 16.1% share. The Group achieved excellent sales results on the American market (+4.0%). The number of Vespas sold in India totalled 27,000.

Sales of commercial vehicles rose in EMEA and the Americas (+5.9%) and in India (+4.0%) boosted by the positive performance of respective reference markets.

In terms of consolidated turnover, the Group ended 2014 with net revenues slightly up compared to 2013 (+0.1%). As for the type of products, turnover from commercial vehicles increased (+3.4%), while it went down for two-wheeler vehicles (-1.4%). As a result, the percentage of two-wheeler vehicles accounting for overall turnover dropped from 70.3% in 2013 to the current figure of 69.3%; vice versa, the percentage of commercial vehicles rose from 29.7% in 2013 to 30.7% in 2014.

The Group's **gross industrial margin** increased compared to the previous year, in absolute terms (€ +7.2 million), and in relation to net turnover (30.1% against 29.5% in 2013).
Amortisation/depreciation included in the gross industrial margin was equal to € 34.5 million (€ 33.7 million in 2013).

Operating expenses in 2014 were in line with the previous year, and amounted to € 295.0 million (€ 294.9 million in 2013).
Operating expenses also include amortisation/depreciation not included in the gross industrial margin, amounting to € 55.1 million (€ 50.5 million in 2013).

This performance resulted in a consolidated **EBITDA** which was higher than the previous year, and equal to € 159.3 million (€ 146.8 million in 2013). In relation to turnover, EBITDA was equal to 13.1% (12.1% in 2013). In terms of Operating Income (**EBIT**), performance was better compared to 2013, with a consolidated EBIT equal to € 69.7 million, up by € 7.0 million compared to 2013; in relation to turnover, EBIT was equal to 5.7%, (5.2% in 2013).

The result of financing activities declined compared to the previous year by € 10.8 million, with Net Charges amounting to € 43.1 million (€ 32.4 million in 2013). Greater expenses are due to non-recurrent costs relating to the early repayment of a debenture loan maturing in 2016[7] and to the refinancing of a revolving credit line, amounting to € 3.6 million, and also to a poorer performance of investments measured at equity amounting to € 2.5 million, a lower capitalisation of interest amounting to € 2.0 million (due to lower qualifying assets) and the increase in average debt.

7_For more details, see sections 32 and 46 of the Notes.

Adjusted net profit, calculated excluding the effect arising from the above-mentioned non-recurrent costs and their related tax impact, amounted to € 18.6 million (1.5% of turnover), up on the adjusted figure for the previous year of € 18.1 million (1.5% of turnover). The adjustment to net profit for 2013 referred to the non-recurrent cost recognised, following the inspection by the Inland Revenue Office for the 2009, 2010 and 2011 periods, which terminated with the issue of Reports of Verification mainly concerning transfer pricing.

Taxes for the period were equal to € 10.5 million, while they amounted to € 36.8 million in 2013. The figure for 2013 was affected by the above recognition of a non-recurrent cost amounting to € 24.6 million.

Consolidated Statement of Financial Position[8]

Statement of financial	As of 31 December 2014	As of 31 December 2013	Change
In millions of euros			
Net working capital	(16.1)	(30.4)	14.3
Property, plant and equipment	319.5	310.1	9.4
Intangible assets	668.4	654.5	13.8
Financial assets	10.0	9.9	0.2
Provisions	(76.0)	(76.4)	0.4
Net capital employed	**905.9**	**867.7**	**38.1**
Net financial debt	492.8	475.6	17.2
Shareholders' equity	413.1	392.1	21.0
Sources of funds	**905.9**	**867.7**	**38.1**
Non-controlling interests	0.9	0.9	(0.0)

8_ For a definition of individual items, see the "Economic Glossary".

Net working capital as of 31 December 2014 was equal to € -16.1 million, using a cash flow of approximately € 14.3 million during 2014.

Property, plant and equipment, which include investment property, amounted to € 319.5 million as of 31 December 2014, registering an increase of approximately € 9.4 million compared to 31 December 2013. This increase is mainly due to the appreciation of Asian currencies against the Euro. The value adjustment of the balance sheet item to the exchange rate in effect at the end of the reporting period generated an increase in the carrying amount of approximately € 11.7 million. The fair value adjustment of investment property also generated an increase, of € 4.6 million. Depreciation exceeded investments for the year by approximately €4.8 million.

Intangible assets totalled € 668.4 million, up by approximately € 13.8 million compared to 31 December 2013. This increase is mainly due to investments for the period (€58.3 million) that exceeded amortisation for the period by approximately €10.3 million. The appreciation in Asian currencies against the Euro generated an increase in the carrying amount of approximately €3.5 million.

Financial assets totalled €10.0 million, and were basically in line with figures for the previous year.

Provisions totalled € 76.0 million, decreasing 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 December 2014 was equal to € 492.8 million, compared to € 475.6 million as of 31 December 2013. The increase of €17.2 million mainly refers to the investment programme and negative contribution of working capital principally concerning the delayed reimbursement of VAT and customs' duties in the last part of the year.

Shareholders' equity as of 31 December 2014 amounted to €413.1 million, up by approximately €21.0 million compared to 31 December 2013.

Consolidated Statement of Cash Flows

The Consolidated Statement of Cash Flows, prepared in accordance with international accounting standards, is presented in the "Consolidated Financial Statements and Notes as of 31 December 2014"; the following is a comment relating to the summary statement shown.

Change in consolidated net debt	2014	2013	Change
In millions of euros			
Opening consolidated net debt	**(475.6)**	**(391.8)**	**(83.8)**
Cash flow from operating activities	105.3	78.1	27.2
(Increase)/Reduction in Working Capital	(14.3)	(50.7)	36.4
(Increase)/Reduction in net investments	(113.0)	(70.0)	(43.1)
Change in shareholders' equity	4.9	(41.2)	46.1
Total change	**(17.2)**	**(83.8)**	**66.6**
Closing consolidated net debt	**(492.8)**	**(475.6)**	**(17.2)**

During 2014 the Piaggio Group used financial **resources amounting** to €17.2 million.

Cash flow from operating activities, defined as net profit, minus non-monetary costs and income, was equal to €105.3 million.

Working capital involved a cash flow of €14.3 million; in detail:
- the collection of trade receivables generated financial flows for a total of €1.5 million;
- stock management absorbed financial flows for a total of approximately €24.6 million;
- supplier payment trends generated financial flows of approximately € 40.1 million;
- the movement of other non-trade assets and liabilities had a negative impact on financial flows by approximately €31.3 million.

9_ Net of customer advances.

Investing activities involved a total of €113.0 million of financial resources. The investments refer to approximately € 45.3 million for capitalised development expenditure, and approximately € 49.6 million for plant, property, plant and equipment and intangible assets.

As a result of the above financial dynamics, which involved a cash flow of €17.2 million, the **net debt** of the Piaggio Group amounted to € -492.8 million.

Alternative non-GAAP performance measures

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

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

Moreover, for a comparison of 2014 and 2013 results with previous years, Profit Before Tax and Net Profit for 2014 and Net Profit for 2013 were recalculated, excluding the effect of non-recurring events (which are discussed in full in section 46 "Significant non-recurring events and operations" of the Notes). Further profitability measures are defined as Adjusted Profit Before Tax and Adjusted Net Profit.


SUOMY

Results by type of product

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

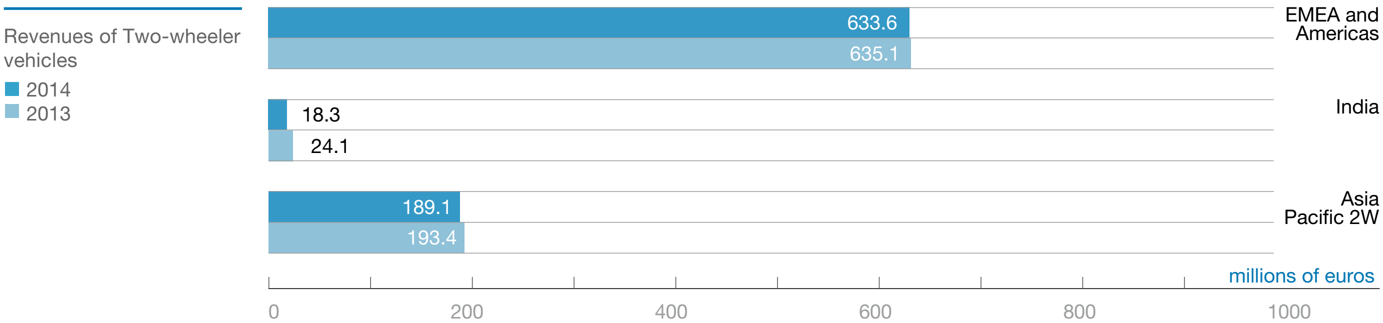
- Emea and the Americas have production sites and deal with the distribution and sale of two-wheeler and commercial vehicles;
- India has production sites and deals with the distribution and sale of two-wheeler and commercial vehicles;
- Asia Pacific 2W has production sites and deals with the distribution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

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

Two-wheeler

	2014		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	209.4	633.6	211.3	635.1	-0.9%	-0.2%	(1.9)	(1.6)
of which EMEA	*193.2*	*572.8*	*195.8*	*567.4*	*-1.3%*	*1.0%*	*(2.6)*	*5.4*
(of which Italy)	37.0	120.6	38.9	124.6	-4.9%	-3.3%	(1.9)	(4.1)
of which America	16.1	60.8	15.5	67.7	4.0%	-10.3%	0.6	(7.0)
India	27.0	18.3	38.9	24.1	-30.6%	-24.0%	(11.9)	(5.8)
Asia Pacific 2W	97.8	189.1	101.4	193.4	-3.5%	-2.2%	(3.6)	(4.3)
Total	**334.2**	**841.0**	**351.6**	**852.6**	**-5.0%**	**-1.4%**	**(17.4)**	**(11.6)**
Scooters	305.1	604.6	325.9	596.3	-6.4%	1.4%	(20.8)	8.3
Motorcycles	29.1	120.3	25.7	131.9	13.2%	-8.8%	3.4	(11.5)
Spare parts and Accessories		114.4		116.1		-1.5%		(1.7)
Other		1.7		8.3		-80.1%		(6.7)
Total	**334.2**	**841.0**	**351.6**	**852.6**	**-5.0%**	**-1.4%**	**(17.4)**	**(11.6)**

Revenues of Two-wheeler vehicles



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

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

Main results

During 2014, the Piaggio Group sold a total of 334,200 two-wheeler vehicles worldwide, accounting for a net turnover equal to approximately €841.0 million (- 1.4%), including spare parts and accessories (€114.4 million, - 1.5%).

In Europe, the performance of the Piaggio Group was affected by a falling demand in the scooter segment (-0.9%).

In Asia Pacific, the decline in sales is due to a weak demand and a particularly aggressive sales policy adopted by the main competitor, that launched some new models in 2014.

Market positioning

The Piaggio Group maintained its leadership position on the European market in 2014, closing with a 16.1% market share thanks to a strong presence in the scooter segment (24.8% share in 2014).

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

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

Brands and products

The Piaggio Group operates on the two-wheeler market with a portfolio of 7 brands that have enabled it to establish and consolidate a leadership position in Europe: Piaggio, Vespa, Gilera, Aprilia, Scarabeo, Moto Guzzi and Derbi.
The brands offer a complementary product assortment, so that the Group can supply the market with a fully comprehensive range to target the needs of different customer groups.

Engines for Piaggio, Vespa, Gilera, Derbi, Scarabeo and Moto Guzzi brands are designed and manufactured by the company. For Aprilia, the Group manufacture engines for the scooter segment, the 450cc and 550cc engines for off road models, the V-twin 750cc and the V-four 1,000cc.

In 2014, the Piaggio Group was an absolute market leader, thanks to the introduction of vehicles with a style and content placing them at the top of their segments.

Piaggio With a wide range of models covering all main scooter segments, Piaggio is one of Europe's and the world's leading brands. The huge success of Piaggio has been built up around the ease of use, design and outstanding functionality of its products.
In May 2014, the new Piaggio MP3 500 was presented to the international press in Paris; this version features a new style and a technological first worldwide - an ABS anti-locking system integrated with ASR traction control. The dashboard is new, with more details and enhanced styling, the ergonomics are streamlined and load capacity is even better. The powertrain has also been re-engineered and now features the ride by wire system and the possibility to select "standard" or "eco" maps for even greater fuel savings.
In September, Piaggio completed the MP3 range, adding to the prestigious 500 LT version with a more metropolitan model featuring a 300 hp engine. The new MP3 300, at the top end of the market thanks to its safety features including ABS and ASR fitted as standard, now boasts a new, elegant and modern style echoing the 500 LT version and combines easy handling, an excellent load capacity, outstanding performance and fuel savings.

Vespa Vespa is the leading brand of the Piaggio Group. Distributed worldwide, it is synonymous with style and sophistication and is a true ambassador of the best in Italian design.
In 2014, the Vespa range continued its evolution and restyling launched in 2013 with the Vespa 946 and Vespa Primavera.
The Vespa Primavera has been joined by the sports version **Sprint**, featuring an eye-catching design with new headlight, various instruments and 12-inch aluminium alloy wheel rims.
The new GTS 2014 range The new Vespa GTS and Vespa GTS Super have been restyled, with even more features such as front indicators with LED lights and a new digital analogue instrument panel. The helmet compartment has been entirely redesigned to make the most of available space, and now has room for two Vespa demi-jet helmets and lots more.
All models in the new Vespa GTS and Vespa GTS Super range have a USB port as standard, inside the rear shield box. The new Vespa GTS and Vespa GTS Super range is compatible with the innovative Vespa Multimedia Platform (VMP), which introduces a new approach to two-wheeler communication. For the first time ever, the Vespa GTS and Vespa GTS Super incorporate important technological features in the name of safety and comfort: ABS and ASR, and the new ESS front suspension system, successfully introduced on the Vespa Primavera and Vespa Sprint.

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

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

Aprilia Aprilia includes a 50cc to 850cc scooter range, and a 50cc to 1200cc motorcycle range. The brand is known for its sporting style worldwide, winning many important competitions, the excellent performance of its products, and a cutting-edge innovation and design.

Scarabeo The Scarabeo brand features a wide range of scooters from 50cc to 500cc, and is the Group's premium brand, along with the Vespa. The Scarabeo brand was launched by Aprilia in 1993, and is the first brand to have introduced high-wheeled scooters in Europe.
In 2014, the Scarabeo 50 2 stroke, 50 4 stroke and 100 range was entirely renewed and restyled. A

USB socket is now fitted as standard on the 100 4 stroke and can also be fitted on the 50 2 stroke and 50 4 stroke.

Moto Guzzi The Moto Guzzi brand came into being in 1921, and is one of the most well-known motorcycle brands in Europe, with a strong brand loyalty among customers. In 1970 Moto Guzzi gained worldwide popularity when it became the motorcycle of choice of the police in Los Angeles, California. Moto Guzzis, which have always been unique with their distinctive 90° V twin cylinder engines, are perfect for touring and combine a stylish traditional design with the latest technologies in the world of motorcycles.
During 2014, the new Moto Guzzi V7 range made its début, with new technical and style features. The range now boasts new six-speed gears, a new clutch and ABS as standard.

The distribution network

EMEA
In the EMEA area (Europe, the Middle East, Africa) the Piaggio Group operates directly in main European countries and through importers on other markets. In December 2014, the Group’s sales network comprised more than 1,540 dealers. Nearly 3,400 agreements to market the Group’s brands are managed by the network, of which 37% are sole agency agreements, where the partner only sells the Group’s brand(s), and no products of other competitors. The percentage of sole agents was confirmed in 2014.
At present, the Piaggio Group is active in 88 countries in the EMEA area and in 2014 it further consolidated its sales activities.
In 2014, measures concerning the Group’s distribution structure took into account market changes in the area, and focussed on achieving a greater qualitative/quantitative balance. Contractual sales and after-sales standards in agency agreements regulating network relationships were also revised. These standards are geared towards improving the end customer’s experience during all stages of the “customer journey”.

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

Americas
In the Americas, the Piaggio Group is directly present in the United States and Canada, while in Latin America it operates through a network of importers. At the end of 2014, the Group had 307 partners, of which 243 in the United States, 40 in Canada and a network of 24 importers in Central and South America.

In 2014, the process to streamline and consolidate the distribution network continued, through the replacement and appointment of new partners to support the growth of Piaggio’s brands with a special focus on the motorcycle segment and on consolidating the Group’s presence in the scooter segment.
In Latin America, the Piaggio Group continued to consolidate its own distribution network, with the signing of new business agreements and the introduction of new products in the motorcycle segment.

Asia Pacific
In the Asia Pacific Area, the Piaggio Group has a direct commercial presence in Vietnam, Indonesia, China and Japan, while in all other markets of this area it operates through importers.
The distribution network is being built up in line with the Group’s strategic objectives, which plan to expand operations in the region.

In Vietnam, the headquarters of the entire Asia Pacific area, the Group's distribution network of 4 importers in 2008 increased to 56 dealers at the end of 2014, with 93 sales outlets throughout the country. The main objectives have focussed and still focus on increasing the number of network dealers, but above all on expanding the size of sales outlets and their service areas. Considerable work is ongoing to improve the quality and layouts of outlets.

In Indonesia, the Group manages 10 dealers with 34 sales outlets, with an important objective to develop the network in terms of numbers and quality.

In Japan, the Group directly manages a network of 55 dealers and 60 sales outlets for the Piaggio, Vespa, Aprilia and Moto Guzzi brands, with strong prospects for growth and a special focus on the restyling of sales outlets.

In 2014, Piaggio made its début in China, with the introduction of the Vespa and Moto Guzzi brands, that it controls directly. The first official store was opened in July 2014 at Beijing and is part of a network that currently comprises 6 outlets.

In the PAP Asian Area, managed by the Singapore team, the number of sales outlets went up from 212 in 2012 to 257 at the end of 2014, with a network of 15 importers operating in Cambodia, Malaysia, Taiwan, Thailand, South Korea, Hong Kong, Singapore, the Philippines, Australia and New Zealand.

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

India

In India, Piaggio Vehicles Private Limited had 72 dealers as of 31 December 2014, with plans to further increase its sales outlets in 2015. At present, the network covers main areas throughout the country.

Investments

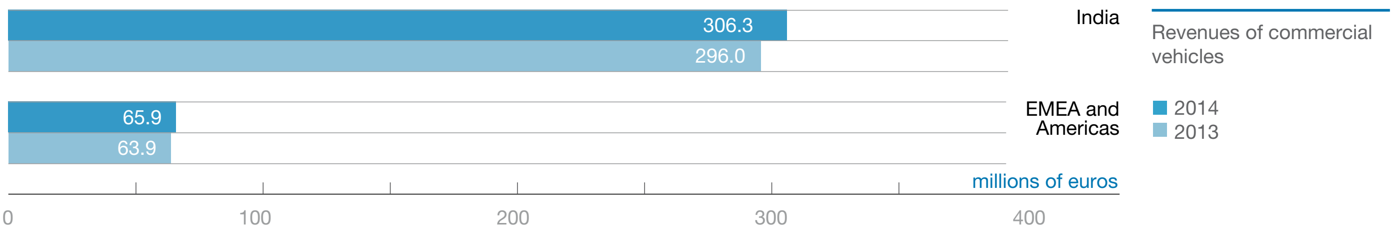
Investments mainly targeted the following areas:
› developing new products and face lifts for existing products;
› improving and modernising current production capacity.

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

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

Commercial Vehicles

	2014		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	10.1	65.9	9.5	63.9	5.9%	3.1%	0.6	2.0
of which EMEA	*9.1*	*63.8*	*8.2*	*60.9*	*10.8%*	*4.8%*	*0.9*	*2.9*
(of which Italy)	*3.6*	*36.4*	*3.4*	*33.0*	*8.2%*	*10.2%*	*0.3*	*3.4*
of which America	*1.0*	*2.1*	*1.3*	*3.0*	*-24.5%*	*-29.5%*	*(0.3)*	*(0.9)*
India	202.1	306.3	194.4	296.0	4.0%	3.5%	7.7	10.4
Total	**212.3**	**372.3**	**203.9**	**359.9**	**4.1%**	**3.4%**	**8.3**	**12.4**
Ape	202.9	294.6	195.5	285.6	3.8%	3.1%	7.4	9.0
Porter	2.4	26.2	2.5	26.6	-2.8%	-1.5%	(0.1)	(0.4)
Quargo	0.6	4.4	0.6	3.7	-3.4%	19.9%	(0.0)	0.7
Mini Truk	6.3	12.6	5.3	10.4	19.7%	20.8%	1.0	2.2
Spare parts and Accessories	0.0	34.4	0.0	33.6		2.6%		0.9
Total	**212.3**	**372.3**	**203.9**	**359.9**	**4.1%**	**3.4%**	**8.3**	**12.4**



Revenues of commercial vehicles

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

Main results

In 2014, the Commercial Vehicles business generated a turnover of approximately €372.3 million, including approximately €34.4 million relative to spare parts and accessories, registering a 3.4% increase over the previous year. During the year, 212,300 units were sold, up 4.1% compared to 2013.

On the Emea and Americas market, the Piaggio Group sold 10,100 units, generating a total net turnover of approximately €65.9 million, including spare parts and accessories for €15.6 million. The 5.9% increase in sales is mainly due to the good performance of the reference market.

On the Indian three-wheeler market, up 6% over the previous year, Piaggio Vehicles Private Limited holds a 32.5% share (34.6% in 2013). Sales of three-wheeler vehicles went down from 173,320 units in 2013 to 172,615 units in 2014, registering a decrease of 0.4%. Detailed analysis of the market shows that Piaggio Vehicles Private Limited maintained its market leader position in the goods transport segment (cargo segment) with a market share of 52.2% (52.6% in 2013). Its market share, although decreasing, remained steady in the Passenger segment, standing at 27.9% (30.4% in 2013). On the four-wheeler market, sales of Piaggio Vehicles Private Limited in 2014 went up by 16.3% compared to 2013, with 6,388 units sold, while the market share went up to 4.6% (2.9% in 2013).

Market positioning

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

The Group distributes its products mainly in Italy (which accounted for 45% of the Group's volumes in Europe in 2014), as well as in Germany (22%), France (3%) and Spain (2%). The Group acts as operator on these markets in a niche segment (urban mobility), thanks to its range of low environmental impact products.

The Group is also present in India, in the passenger vehicle and cargo sub-segments of the three-wheeler market, where it is market leader.

The traditional three-wheeler market in India is flanked by the four-wheeler light commercial vehicles (LCV) market (cargo vehicles for goods transport) where Piaggio Vehicles Private Limited operates with the Porter 600 and 1000.

Brands and products

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

Europe
The Piaggio Group's commercial vehicles are intended for the intracity transport niche market, which typically means an average daily mileage of 40 km.

In 2014, the new Ape Classic 400 was launched. The new vehicle features the style of the more traditional Ape and all the qualities that have made this range famous the world over. The Ape Classic has a deck with three pull-down sides for easier goods loading/unloading and features a diesel engine complying with European standards on environmental protection.

India
The Piaggio Group started operating on the Indian market in 1999, through Piaggio Vehicles Private Limited, manufacturing two versions of the Apé, the Apé 501 and the Apé 601. With these models, the Group has achieved a considerable level of brand awareness in the last few years and has developed a dealer network throughout India, gaining an excellent reputation for its customer service, quality and style, and immediately obtaining a large share of the market.

In 2014, sales of recently introduced models, such as the Apé City Passenger with petrol, diesel, gas and natural gas engine, were consolidated. In the first half of 2013, the new Ape City 200 was launched on the market, designed to meet customer needs in the "small body" segment. The vehicle has a new engine developed by Piaggio, for an even better performance that outstrips the competition.

The distribution network

Europe and Overseas
In Europe, the Piaggio Group has a sales network of approximately 400 dealers. Ongoing work has made it possible for 16 new dealers to open, to manage the entire product range, offsetting the small number of operators leaving the Piaggio sales network. Network development concerned in particular Italy, Portugal, Spain and Benelux.

As regards the Italian market, the Piaggio Veicoli Commerciali sales network comprises 116 operating dealers, 80% of which are exclusive dealers of Piaggio vehicles. The rest of the network comprises multibrand dealers, mainly cars and commercial vehicles. In turn, dealers manage a second-level network, comprising some 500 sales outlets and authorised repair centres, to provide a professional service in line with the expectations of the end customer.

In 2014, the process to identify business opportunities on high potential markets such as Latin America and Africa continued, serving the markets of more than 20 nations, while a further 4 markets in South America and 5 in Africa are expected to be added in 2015.

In some of these countries, the Group now boasts a comprehensive network of sales outlets.

India
In India, Piaggio Vehicles Private Limited has 290 dealers, as well as 425 authorised after-sales centres.

Investments

In 2014, investments concerned the development of the Porter with a Euro 6 engine and consolidation of the Indian three- and four-wheeler range.

Risks and uncertainties

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

Risks relative to the operating segment

Risks related to the macroeconomic scenario and the sector

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

Risks related to a high level of market competition

Over the last few years, the competitiveness of markets in which the Group operates has increased considerably, above all in terms of prices and also due to a declining demand worldwide.
Piaggio has tried to tackle this risk, which could have a negative impact on the financial position and performance of the Group, by manufacturing high quality products that are innovative, cost-effective, reliable and safe, and by consolidating its presence in Asia.

Risks related to higher energy, raw material and component costs

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

Risks related to seasonal fluctuations in operations

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

The risk relative to the regulatory reference framework

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

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

Risks relative to the Piaggio Group

Risks related to changed customer preferences

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

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

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

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

In carrying out its operations, the Group sources raw materials, semifinished products and components from a number of suppliers. Group operations are conditioned by the ability of its suppliers to guarantee the quality standards and specifications requested for products, as well as relative delivery times.
The unavailability of supplied products or any supplier deficiencies concerning quality standards, specifications requested and/or delivery times, in the future, could increase supply prices, cause interruptions to and have a negative impact on the Group's operations.

Risks related to the operation of industrial sites

The Group operates through industrial sites located in Italy, India and Vietnam. These sites are subject to operating risks, including for example, plant breakdowns, failure to update to applicable regulations, withdrawal of permits and licences, lack of manpower, natural disasters, sabotage, terrorist attacks or major interruptions to supplies of raw materials or components. Any interruption to production activities could have a negative impact on the operations and financial position and performance of the Group.

The operating risks related to industrial sites in Italy and other countries are managed through specific insurance cover assigned to sites based on their relative importance.

Country risk

The Piaggio Group operates in an international arena and is therefore exposed to risks connected with a

high level of internationalisation, such as exposure to local economic conditions and policies, compliance with different tax systems, customs barriers or more in general the introduction of laws or regulations which are more stringent than the current regulatory framework. All these factors may have a negative impact on the financial position and performance of the Group.
In particular, the growing presence of the Group in India and Vietnam has increased its exposure to political instability or negative economic developments in these countries.

Risks related to product liability and risks connected with vehicle defects

The Piaggio Group is exposed to the risk of product liability actions in countries where it operates. Although no claims for compensation which are not covered by insurance have so far been made against the Group, these claims could be made in the future, with particular reference to the United States. Any future payment of compensation exceeding insurance cover for product liability could have negative affects on the operations and financial position and performance of the Group.

The vehicles manufactured by the Piaggio Group, including components supplied by third parties, could have unexpected defects that require repairs under warranty, as well as costly recall campaigns. To prevent these risks, the Piaggio Group adopts an efficient quality control system for supplied components and finished products.

Risks related to litigation and tax litigation

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

Risks related to industrial relations

In Europe, the Piaggio Group operates in an industrial context with a strong trade union presence, and is potentially exposed to the risk of strikes and interruptions to production activities.
In the recent past, the Group was affected by major interruptions to production because of strikes.
To avoid the risk of interruptions to production activities, as far as possible, the Group bases its relations with trade union organisations on dialogue.

Risks related to the publication of the financial disclosure

The Group is exposed to the risk of possible inadequacies in its procedures that are intended to ensure compliance with Italian and relevant foreign regulations applicable to financial disclosure. To deal with this risk, its financial statements are audited by Independent Auditors. The control activities required by Law 262/2005 are also carried out at the most important foreign subsidiaries Piaggio Vehicles Pvt. Ltd, Piaggio Vietnam Co Ltd, Piaggio Hellas S.A. and Piaggio Group America Inc.

IT and data and information management risks

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

Financial risks

Risks connected to financial debt

At the end of the reporting period, the Group's main sources of financing were as follows:
- debenture loans for a total nominal amount of €302 million;
- bank loans for a total nominal amount of €282 million. The type, rates and maturities of these loans are discussed in the notes to the Consolidated Financial Statements.

The Group has also stipulated other minor loan agreements and revocable credit lines. Total nominal debt therefore amounts to €607 million.

For a further description, reference is made to section 44 of the Notes to the Consolidated Financial Statements. The above debt situation could have a negative impact on Group operations in the future, limiting its ability to obtain additional financing or to obtain financing in unfavourable conditions.

Liquidity risk (access to the credit market)

This risk is connected with any difficulty the Group could have in obtaining financing on an appropriate timescale for its operations.

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

Exchange risks

The Piaggio Group undertakes operations in currencies other than the euro and this exposes it to the risk of fluctuating exchange rates of different currencies.
Exposure to the business risk consists of envisaged payables and receivables in foreign currency, taken from the budget for sales and purchases reclassified by currency and accrued on a monthly basis.
The Group's policy is to hedge at least 66% of the exposure of each reference month.
Exposure to the settlement risk consists of receivables and payables in foreign currency acquired in the accounting system at any moment. The hedge must at all times be equal to 100% of the import, export or net settlement exposure for each currency.

In 2014, the exchange risk was managed in line with the current policy, which aims to neutralise the possible negative effects of exchange rate changes on company cash-flow, by hedging the business risk, which concerns changes in company profitability in relation to the annual business budget on the basis of a key change (the so-called "budget change") and of the settlement risk, which concerns the differences between the exchange rate recorded in the financial statements for receivables or payables in foreign currency and that recorded in the related receipt or payment.

Interest rate risks

The Group has assets and liabilities which are sensitive to changes in interest rates and are necessary to manage liquidity and financial requirements. These assets and liabilities are subject to an interest rate risk and are hedged by derivatives or by specific fixed-rate loan agreements.

For a further description, reference is made to section 44 of the Notes to the Consolidated Financial Statements.

Credit risk

The Piaggio Group is exposed to the risk of late payments of receivables. To balance this risk, the Parent Company has stipulated agreements with primary factoring companies in Italy and other countries for the sale of trade receivables without recourse.

For a further description, reference is made to section 44 of the Notes to the Consolidated Financial Statements.

Sustainability

The Group's conduct is guided by the principles and values set forth by the Group's Code of Ethics, which all Group personnel is required to observe as well as all those who interact with the Company throughout the world. The Group's objectives include creating value for all shareholders, while complying with business ethics and adopting a number of social values.

In particular, its industrial strategy is based on technological innovation which targets environmentally friendly mobility.

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

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

In particular, the environmental strategy for the Group's production sites aims for a more rational use of natural resources and minimal harmful emissions and waste from production.

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

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

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

In its CSR 2014 Report, the Group undertook and published a structured analysis of the "materiality" of sustainability issues for the Company and its Stakeholders, making it possible to produce more streamlined information that targets key issues for the Group's Stakeholders to a greater extent.

Research and Development

Anticipating customer requirements, creating products that are innovative in terms of their technology, style and functionality, pursuing research for a better quality of life are all fields of excellence in which the Piaggio Group excels, as well as a means for measuring its leadership position on the market.
The Piaggio Group develops these areas through research and development at 7 centres in Italy, India, Vietnam, the United States and China.

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

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

In 2014, the Piaggio Group continued its policy of retaining technological leadership in the sector, allocating total resources of € 46.3 million to research and development, of which € 31.8 million capitalised under intangible assets as development costs.

			2014			2013
	Capitalised	Expenses	Total	Capitalised	Expenses	Total
In millions of euros						
Two-wheeler	27.2	12.5	**39.7**	26.2	14.1	**40.3**
Commercial Vehicles	4.6	2.0	**6.6**	4.6	2.7	**7.4**
Total	**31.8**	**14.5**	**46.3**	**30.8**	**16.9**	**47.7**
EMEA and Americas	26.9	12.7	**39.6**	21.3	14.6	**35.9**
India	2.5	0.7	**3.1**	4.3	1.3	**5.6**
Asia Pacific 2W	2.4	1.1	**3.5**	5.2	1.0	**6.3**
Total	**31.8**	**14.5**	**46.3**	**30.8**	**16.9**	**47.7**

In 2014 research results which became actual applications for vehicles in production are summarised below[10]:

- *Lower consumption and emissions, improved engines*

  Results in this field are have been obtained in particular from three fundamental areas of research:
  - an optimisation of engine thermal/fluid dynamics, with particular reference to the combustion process;
  - a reduction in organic losses (friction, pumping);
  - an improvement in the performance of the CVT drive system.

  A great deal of energy has also gone into studying engine acoustics and timbre by developing numerical/experimental methodologies to design suction and exhaust systems and engine components with low level, pleasant-sounding acoustic emissions.

- *Improved vehicles, reduced absorption*

  This objective is methodically pursued using aerodynamic simulation (CFD) and validating results based on comparative analysis with experimental data obtained in the wind tunnel at Perugia University.

10_ Many activities are part of the MUSS Project Research Programme, which aims to develop innovative solutions for environmental compatibility and for more sustainable urban transport.

› *Increased performance*

Although activities concern all projects, the product which is most emblematic of the Group's technical capabilities in the field of performance-related research is the 2015 version of the RSV4, which was unveiled in November 2014 and was the winner of the 2014 Superbike World Championships, with an engine that has been entirely re-engineered for an extra 16 horsepower and a 1.6 kg reduction in weight. The most important new features of the 2015 version of the 65° V4 include a new air box, with CFD (Computational Fluid Dynamics) inside, plus new top injectors, new variable length air blowers, with separate operation per main bearings, making it the ideal solution to use with the new aPRC system. The valves are now in titanium and the entire distribution, along with the drive shaft and rods, is lighter. The top semi-crankcase has been made lighter and reinforced, while the ventilation system has been optimised to reduce power loss due to pressure inside the cases. The oil suction lift has been improved and the level decreased, to reduce friction. The drive and exhaust system are new, with new electronic valve operation and two lambda probes (one per main bearings). The calculation capacity of the engine control system has also been improved for even more accurate engine management in the maximum reachable rotation area.

› *Enhanced safety and comfort*

Activities were strongly focussed in this area in 2014, including:

- wireless traction control for vehicles without the ride by wire system, combined with ABS, for optimal grip during acceleration and braking; the system was expanded to cover all Vespa > 50 cc., MP3, Beverly and X10 models;
- the study and trial of an advanced semi-active electronic suspension system ADD (Aprilia Dynamic Damping) and its application to the mass produced Aprilia Caponord 1200, of which a further version was developed in 2014;
- extension of the ride by wire system to most of the Group's vehicles, including the 500cc version of the 2014 MP3; use of the by wire traction control system, combined with ABS, for optimal grip during acceleration and braking, and engine multimapping management to adapt power to grip or driving conditions;
- cruise control (based on ride by wire); available on Aprilia and Moto Guzzi motorcycles;
- the APRC system (Aprilia Performance Ride Control based on the ride by wire system) on the RSV4 includes:
  - ATC (Aprilia Traction Control, which is adjustable while riding, without shuttling the throttle, on 8 levels thanks to a practical joystick on the left semi-handlebar, with state-of-the-art operating logics);
  - aWC: Aprilia Wheelie Control, with three adjustable levels, which was reconfigured for maximum performance at level 1, which is the least intrusive level;
  - aLC: Aprilia Launch Control, a system, for track use only, that can be set at three levels;
  - aQS: Aprilia Quick Shift, a system for extremely fast gear changes without shutting the throttle and using the clutch;
- ABS race system (only for the RSV4), designed and developed by Aprilia in conjunction with Bosch to guarantee not only outstanding safety on the road, but also the best performance on the track;
- electrically adjustable suspension, on the Piaggio X10 and Aprilia Caponord, of which the ADD package is a part (electronic suspension);
- full-LED scooter headlight (Vespa 946);
- dissemination and expansion of the Piaggio Multimedia Platform info-mobility system, based on a smartphone/vehicle connection using Bluetooth® (Piaggio MP3 and X10, Vespa GTS 2014, Vespa 946, Aprilia Caponord, Aprilia RSV4), iOS and Android.

Respect for the environment

In keeping with the principles set forth in its Code of Ethics, the Piaggio Group operates at a global level with "*choices of investment and of industrial and commercial initiatives [.....] based on the respect of the environment and of public health." (article 7).*

In particular "*In compliance with the applicable regulations, the Company has respect for environmental issues in determining its choices, also adopting – where operationally and economically compatible and possible – eco-compatible technologies and methods of production, with the purpose of reducing the environmental impact of its own activities.*" (article 8).

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

The Piaggio Group, which has expanded some production sites, is continuing its environmental policy to cut down on the use of natural resources and minimise harmful emissions and production-related waste. With these objectives in mind, initiatives focus on the following areas:

› maintaining environmental certification awarded to the Group's production sites;
› reducing energy consumption;
› reducing emissions of CO_2 and other pollutants;
› conserving water resources;
› waste handling and recovery.

In this framework, the Group decided at the end of 2014 to start the construction of a new painting plant at the two-wheeler production site in Pontedera. The new plant, which will become fully operational in 2016, will guarantee a considerably better environmental performance, with a reduction in emissions, and in energy and water consumption.

In the context of management systems, ISO 14001 environmental certification enables Piaggio to adopt a structured and co-ordinated approach to management at the Group's sites, so it may define environmental objectives and identify risks and opportunities for improvement, ensure compliance with all environmental laws and regulations, reduce energy costs, manage waste and raw materials, and put in place a process for the continuous improvement of its environmental performance.

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

During 2014, no damage was caused to the environment for which the Company was declared as being definitively liable, nor were sanctions or penalties applied for crimes to the environment or for environmental damage.

Piaggio's focus on the environmental impact of its operations is also reflected by its CSR Report, which it has published since 2008, defining its commitments and describing its performance to Stakeholders. See the CSR 2014 - "Environmental Sustainability" for an analysis of the Group's environmental performance.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Production units

The Piaggio Group has a strong international presence.
At its Italian site located in Pontedera (in the province of Pisa), the Group has four plants, one for the manufacture of commercial vehicles, one for the manufacture scooters and engines for two-wheelers, one for the supply of aluminium and steel components for vehicles and engines and one - inaugurated last April, for mechanical processing and the assembly of scooter cases, crankcases, and scooter and motorcycle cylinder heads.
In addition to the latter, which comprise the most important industrial complex of the two-wheeler segment in Europe, two other sites operate in Italy for European production (Scorzè and Mandello del Lario).
The Group also has its own production sites in Vietnam (at Vinh Phuc), with a site for the manufacture of two-wheeler vehicles and a site for the production of 3V engines, and in India (at Baramati, in the state of Maharashtra) with a site for the manufacture of commercial vehicles and engines, in addition to a production site for Vespas for the Indian market.

The main operations taking place during 2014 concerning these sites, which aimed to develop and make production capacity even more efficient, are outlined below.

Pontedera Sites

Two-Wheeler and Engine production sites
As regards Mechanical Processing, an automated island for milling traditional crankshafts was installed and tested.
The new QUASAR (125cc, 250cc and 300cc) and MASTER camshafts and cylinder heads were industrialised, for a new distribution with roller rockers.
Programmes were completed to control the profiles of new cast iron cams sourced from external suppliers, and the resumed production of connecting rods for 1000cc RSV4 engines was completed.

Activities were successfully completed on schedule for the industrialised production of camshafts for the Aprilia 1200cc Dorsoduro engine with a new phasing system, the new 1000 RSV4 MY2015 drive shaft, the drive shafts of the 1000 APRILIA RACING engine for the SBK Championships, the left and right handlebar components of the RSV4 MY2015 and the steering column of the Moto Guzzi California. Prototypes of the new 900 Moto Guzzi drive shaft were also developed.
The production flows of lines processing 350/500 master drive shafts and 300 drive shafts were modified.
The layout was defined and the relocation of the production line for chrome-plated 4 valve rockers and the Moto Guzzi 4 valve rocker from the former Tecnocontrol site to workshop 2 was completed.
New layouts for unpacking and washing/assembling all outsourced gears were defined and adopted.

Fittings for the assembly/driving of the new cam shaft for the 1000 RSV4 MY2015 engine were completed.

As regards the Assembly and Engine Testing area, activities to modernise the assembly and testing line for industrialisation of the RSV4 MY2015 and Tuono 1100cc engines were completed.

As regards the Painting area, a project to modernise the two-wheeler painting plant was launched, with a contract awarded to an international leader in the sector and a first stage implemented, with a new control and polishing area at height and a multi-station cab for sanding rejects at ground level. For this purpose, the first two of the six bays in the building were raised to accommodate the new painting plant. The control/polishing cabs at height were installed on a previously constructed load-bearing metal mezzanine floor, designed to be aligned at height with the rest of the plant that will be installed during 2015.

In the Assembly area, the Vespa 946 MY2014 went into production.
The complete relayout for the Vespa and MP3 front suspension assembly lines was completed, with new panelling, resin flooring and cooling system.
The ABS version of the Vespa Primavera and GTS was industrialised and went into production. In particular, end of line test benches were adapted to implement and test the ABS system.
Industrialisation of the MP3 MY 2014 was completed, with the vehicle going into production.

Commercial Vehicles Plants
As regards the Welding area, the Porter Euro 6 version was industrialised.
Some work stations were relocated so that the warehouse inside the CKD department could be expanded.
Welding fume stacks were modernised, to comply with regulations in force.

In the Vehicle Assembly area, the Porter Multitech EURO6 engine is being industrialised, while the Ape Classic Europe - soon to go onto the market - and the Ape Calessino Highline have been industrialised.

In the Painting area, the relayout project for the windshield glass gluing station was started.

Polo Meccanica Site
At Pontedera, operations to move the Polo Meccanica workshops inside building 36 at the Piaggio site were completed, to create the new Meccanica SM01 plant.
The relocation, which began in mid-December 2013 was completed in April 2014; on 15 April 2014, the new Meccanica Plant was inaugurated, for the mechanical processing of scooter cases, engine crankcases and scooter and engine cylinder heads (including assembly).
During the production shutdown in August 2014, the existing suction system for oil mist from machinery was completed, which also collects washing vapours from 11 washing machines.
The project was developed and re-engineered to improve quality and product costs. In particular, the layout was redesigned, from a Job-Shop to a Flow-Shop production system, with evident benefits for material flows, an increase in added value activities, and a more streamlined use of spaces.
To optimise the manufacturing process, the building - which had previously been used to store end products, was entirely renovated and an additional 16 items of equipment were purchased.
At the new site: the processing of three chassis versions for the RSV4 and Tuono Aprilia motorcycles was industrialised, along with the Moto Guzzi V7 gear box, the new cylinder head of the 200 hp RSV4 MY 2015 engine and the processing and assembly line for the cylinder head of the LEm 125/150hp engine. The processing of cases for the E-Bike vehicle electric motor is being industrialised and production will start up in 2015.

Work Times and Methods Analysis
During 2014, the analysis programme of work duties based on OCRA and NIOSH methods continued at all Italian sites. The method evaluates and minimises the risk of occupational disease caused by repetitive movements and strain on the spine and will update the OCRA and NIOHSH analysis database of new products and products already in use.

General Systems
In 2014, targeted research into avoiding and reducing energy waste got off the ground, along with activities to identify, develop and implement plant re-engineering measures in order to increase efficiency.
Thanks to operating changes and adjustments, such as lowering the heating system temperature, optimising delays in plant start-ups and not using plants proven to have no added value, an estimated annual saving of 400,000 KWh was achieved.

As regards plant modifications carried out during the August shutdown, with inverters installed and the cooling circuit pump units replaced, an overall reduction in consumption of 500,000 kwh/year was measured.

A structured project to service air compression systems was outsourced, to guarantee a reduction in consumption of 1,400,000 kwh/year. In general, the strategy adopted, starting from a proactive approach involving plant engineering, will be extended to cover the control and rational management of energy, as part of an initiative that will lead to ISO 50001 certification of the Pontedera site in 2015. Process start up and the times for awarding certification were made official during the annual confirmation of certification already held.

Property management

The property management unit operates as a service within the Piaggio group.
Its main activities during 2014 concerned:

› the total clearance of the property of the former Polo Meccanica site, covering a total floor area of approximately 4,000 m^2, along with the restructuring of building no. 36 and relocation of the Polo Officine Meccaniche (Mechanical Workshops Complex) at the Pontedera industrial site, in order to return the buildings to the owners ahead of contract deadlines; the buildings were handed over on 1 March 2014;
› assistance and service for the opening of the first concept store in Mantova in June 2014. The service concerned managing the building site, preparing the lease agreement, preparing property surveys, and assisting with applications for all necessary authorisations to open the Piaggio Group’s new multi-brand store;
› assistance and service for the opening of a second concept store in Milan in December 2014. The service concerned managing the building site, preparing the subleasing agreement, preparing property surveys, and assisting with applications for all necessary authorisations to open the Piaggio Group’s new multi-brand store;
› management of the property at Mandello del Lario (Lecco), the site of the Moto Guzzi plant, with particular reference to preparing and providing assistance for a property lease residual value document signed by UniCredit Leasing S.p.A on 30 December 2014, whereby Piaggio became the sole owner of the industrial site;
› management of the property at Martorelles in Spain (the former production site of the DERBI brand). During the first half of the year, all activities and services related to the functioning of the industrial site where the building was located for production purposes were stopped. The property is not used at present, and has been protected by new boundary fencing, a new alarm and TV camera system to prevent theft or unauthorised entry. A considerable amount of the assets has been sold to a Spanish industrial group. The sale contract was signed in July 2014 and activities are underway to disassemble the equipment and move it off the site. At the same time, the Group is seeking potential purchasers of the assets inside the building, which it will no longer use.

Following the change in use of the Nacional Motor site, from an industrial unit to an industrial and commercial unit, the Property Management Service has prepared a plan for the site’s transformation. The feasibility project has been presented to and accepted by the Local Authorities at Martorelles.

Following the site redevelopment project, an agency management contract was given to a Spanish property company, to seek investors interested in the property.

Property management also concerned authorisation and administration activities and bureaucratic formalities relative to warehouses rented by the company at Quinto di Treviso (Treviso), Lugnano (Pisa) and Pisa.

Scorzè Plant

For greater security, the burglar alarm system was improved. Life lines in building 11 and parapets in building 12 were installed.
The rooves of buildings 15 and 16 and gutters were replaced.
To ensure greater food safety, the cold store in the warehouse in the canteen building 12 was modernised and one of the two dishwashers was replaced, for energy saving purposes.
As regards vehicle assembly, equipment to assemble the SR Max 125/300 transferred from Pontedera was completed, all Derbi equipment was dispatched to the Joint Venture in China and the SKD Shiver pre-production series for the Malaysian market was completed, with the first lot of vehicles assembled at the end of December.

Production of the Scarabeo 50 and 100 (all versions) got underway.
All versions of the Caponord R19, Tuono 1100 and RSV1000 were manufactured as advance and preproduction series.
Industrialisation for the assembly and testing of E-Bike vehicles and engines got underway.

Noale Plant

To ensure greater autonomy during electricity provider blackouts, some uninterruptible power supply units for the buildings were replaced.
The old compressors in various buildings were replaced and re-installed in one building.
To ensure a better microclimate, works were carried out to improve hot/cold air circulation throughout the technical department of building 6.
Air conditioning was modernised in the metrology laboratory in building 4.
The roofing of the "Aprilia Racing" building 8 is being repaired, to prevent seepage into the offices and workshops.
The CCTV surveillance system is being completed.

Mandello del Lario Plant

The Company, in agreement with local authorities and organisations (the Municipality - Arpal [the Regional Agency for Environmental Protection]- the Province), is continuing the project to characterise industrial land at the site.
At the same time, an application was made to the Regional and Provincial public authorities (the Regional Agency for State Property and the Province of Lecco), to eliminate state ownership of the former irrigation ditch which runs through the site, mostly underground - prior to future expansion of the site, with examination of the application now ongoing.

The project to renovate and reorganise the entire Moto Guzzi Plant at Mandello del Lario has been constantly updated. An Engineering and Architectural Practice (Politecnica Srl) has been appointed to oversee the final design of all changes concerning the project (the Arrocco project) as well as the new Moto Guzzi Museum.
The final design of the new industrial building, the renovation of existing buildings and the new services and canteen block were completed in July 2014; the projects with all changes made were forwarded in September 2014 to public authorities (Local Authorities of Mandello del Lario and Local Health Authorities) for the issue of permits; the procedure to issue the permits is now underway.

As regards vehicle assembly, all versions of the Moto Guzzi V7 have been introduced, and the Moto Guzzi V7 ABS is being manufactured with the new six-speed gear and new drive.
Various versions of the California 2015 (Eldorado, Audace, Touring) have gone into pre-production.

Baramati Plant

At the Engines Site, the line for the processing and assembly of HE/Pax engine cylinder heads is now in production, while the modernisation of the mechanical processing, assembly and testing lines for the HE i.e engine for the Vespa 150cc is being industrialised.

At the two-wheeler vehicle site, production of the Vespa S got underway in January, and the modernisation of the assembly and testing line for the i.e. Vespa is being industrialised.
As regards the Three-wheeler/Four-wheeler Vehicles Plant, the complete set of moulds and gauges for Porter vehicle skin panels was transferred from Italy to India. The production of skin panels by Indian suppliers got underway in the second half of 2014.

Moreover, the project to modernise the three-wheeler vehicle painting plant was successfully completed, switching from a Wet-On-Wet (WOW) process to cathodic dip painting, and a new system with automatic conveyor for export vehicle packing also went into production.

Vinh Phuc Plant

As part of activities at the Two-Wheeler Plant and specifically in the Vespa Primavera body welding area, skin panels are now supplied locally, and no longer from European suppliers. has involved a considerable set-up of specific line equipment.
The two new vehicles are being industrialised.
The industrialisation of welding for the Vespa GT body, with re-layout of the LX line, has got underway. The start up of the GT body welding line is scheduled for September 2015.
As part of activities concerning the Engines Site, the water cooled LEm engine with Stop & Start system for a new scooter model is being industrialised, with the modernisation of the current mechanical processing and engine assembly and testing lines. Changes to the engine assembly line for the air LEm version were also started, and equipment for the assembly and testing of the injection system on the 50 4 stroke engine for a second new scooter model was developed.

PMS (Piaggio Manufacturing System)

The PMS programme enabled the company to reduce the costs of redevelopment managed by sites by 9.5% during the 2012-2014 period.
As the potential of World Class Manufacturing had been fully exploited, it was considered appropriate to raise the organisation’s level of competence even further.
During 2014, and in preparation for the 2015-2017 period, the three-year Lean Six Sigma (LSS) programme was therefore launched, with an integrated strategy for a greater effectiveness of the continual improvement model. The advantages of the Lean and Six Sigma approaches are combined to form a single and more powerful strategy to drive processes in terms of flexibility and the speed of lean thinking, plus the statistical control capacity of Six Sigma.
The introduction of the LSS methodology was a coherent step forward, and in this context, the “Green Belt” training programme for 22 employees was launched. 5 of the employees have already completed the programme and have received relative certification for their projects.
In detail, 6 LSS improvement pilot projects have been launched, along with a visual management programme for factories, while a higher standard for Workplace Organization activities has been defined.

Environmental, Quality and Occupational Safety certification

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

	Production sites						
	Pontedera	**Noale and Scorzè**	**Mandello del Lario**	**Baramati-Engine Plant**	**Baramati-Two-Wheeler Site**	**Baramati-Commercial Vehicles Site**	**Vinh Phuc**
Certification							
UNI EN ISO 9001:2008 Quality management systems	since 1995	since 2006	since 2010	since 2010	since 2013	-	since 2009
UNI EN ISO 14001:2004 - Environmental Management System	since 2008	since 2008	since 2010	-	since 2013	-	since 2011
BS OHSAS 18001:2007 - Occupational Health and Safety Management System	since 2007	since 2007	since 2010	-	since 2013	-	since 2013
ISO TS 6946:2009 - Supplier Quality System	-	-	-	since 2012	-	since 2013	-

In November 2014, audits were successfully conducted by the certification company Det Norske Veritas (DNV)[11] in order to confirm **Quality** (ISO 9001), **Environment** (ISO 14001) and **Occupational Health and Safety** (BS OHSAS 18001) certification for the Pontedera, Noale-Scorzè and Mandello del Lario sites. The following were of particular relevance for certification activities:

- the transfer of the 01 Mechanical Plant inside the production site at Pontedera, which required the new building to fully meet Piaggio company standards as regards the occupational health and safety and environmental management system;
- extension of certification to the warehouse at Quinto di Treviso.

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

The procedure to obtain **Occupational Health and Safety** (BS OHSAS 18001) certification for the Indian commercial vehicles site is underway and will be completed in 2015.

11_ DNV = Det Norske Veritas is one of the world's leading certification bodies, with the parent company based in Norway; since 1864 it has been operating to "safeguard life, property and the environment". It is active in 100 nations, and has 300 offices and 7,000 employees.

Staff

In 2014, the Group continued its streamlining and organisational cutbacks in the EMEA area, while maintaining the headcount in the Asian area and India. As of 31 December 2014, Group employees totalled 7,510, down by 178 (- 2.3%) compared to 31 December 2013.

Company employees by geographic segment as of 31 December

employee/staff numbers	2014	2013	2012
EMEA and Americas	4,008	4,098	4,318
of which Italy	*3,734*	*3,805*	*3,873*
India	2,622	2,677	2,814
Asia Pacific 2W	880	913	997
Total	**7,510**	**7,688**	**8,129**

Average number of Company employees by professional category

employee/staff numbers	2014	2013	2012
Senior Management	96	96	95
Middle Management	569	573	574
White collars	2,122	2,161	2,202
Blue collars	5,030	5,343	5,477
Total	**7,816**	**8,173**	**8,348**

Company employees by educational qualifications as of 31 December 2014

12_ The data also includes 8 employees who did not earn a degree.

employee/staff numbers	Graduate	High School	Middle School	Primary School	Total
EMEA and Americas	678	1,723	1,487	120	4,008
of which Italy	*525*	*1,629*	*1,467*	*113[12]*	*3,734*
India	669	1,946	7	0	2,622
Asia Pacific 2W	317	562	0	1	880
Total	**1,664**	**4,231**	**1,494**	**121**	**7,510**

Company employee turnover in Italy as of 31 December 2014

An entry turnover rate of 0.86% and leaving turnover rate of 2.60% was recorded in Italy in 2014.

Company employee turnover in Italy as of 31 December 2014

	Staff as of 31 Dicembre 2014	Men	Women	< 31	31 - 40	41 - 50	> 50	Total	% Turnover
Employee/staff numbers		Incoming							
Senior Management	65	6	1	0	1	5	1	7	10.77%
Middle Management	216	7	3	0	4	6	0	10	4.63%
White collars	936	6	5	3	6	1	1	11	1.18%
Blue collars[13]	2,517	4	0	2	2	0	0	4	0.16%
Total	**3,734**	**23**	**9**	**5**	**13**	**12**	**2**	**32**	**0.86%**
		Leavers							
Senior Management	65	6	1	0	0	0	7	7	10.77%
Middle Management	216	13	1	0	4	3	7	14	6.48%
White collars	936	22	6	3	7	8	10	28	2.99%
Blue collars[13]	2,517	31	17	0	2	16	30	48	1.91%
Total	**3,734**	**72**	**25**	**3**	**13**	**27**	**54**	**97**	**2.60%**

13_Figures for the blue collars category do not include fixed-term contracts

Personnel management policies

The central importance of human resources and the development of core competencies for the growth of our business represent the underlying foundations of our relationship with our employees, shaping company policy for the placement, development, training and rewarding of staff.

Recruitment and internal mobility

The personnel recruitment process supports company strategy, ensuring a prompt response to organisational needs of the business and markets as they arise. It supplements risk mapping and succession planning of strategic resources guaranteeing continuity in the quality of resources.

Reviews

Importance is placed on using transparent criteria and methods used for reviewing employees. Such reviews focus on:
› performance,
› managerial and professional competencies,
› potential,
in relation to the employee's role, company needs and possible development paths.

Career development

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

Training

The training process analyses training needs and defines training procedures and actions to guarantee that each resource is adequately aligned with the managerial and technical professional skills model. It ensures that critical and special skills are updated and maintained.

Rewards

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

Diversity and equal opportunity

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

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

Competitive organisation
Organisational innovation is pursued as a means of sharpening the Company's competitive advantage and supporting the creation of a multinational, lean, customer-oriented organisation that generates value and works in an integrated way, based on a "network" logic, with all partners (e.g.: supplier, dealers) that contribute to the Company's value chain.

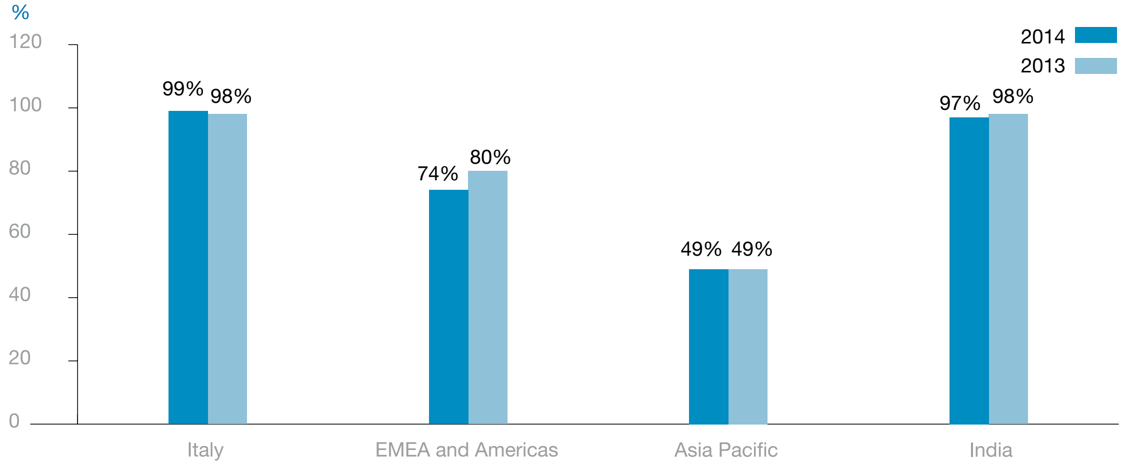
In its relations with staff and regardless of the work they carry out, Piaggio respects the principles set forth by the Group's Code of Ethics in all circumstances, as well as the laws in force in the geographic areas where it operates.
Piaggio does not resort to child labour according to the age limits in force in the various countries or to forced labour and adheres to main international laws, such as the UN Convention on the Rights of the Child (UNCRC) and the 1998 *Human Rights Act*.

Diversity and equal opportunity

Piaggio operates globally with a diversity of employees, in terms of age and gender, in Europe, the Americas and Asia. For Piaggio, managing diversity means acknowledging and respecting difference as part of the shared substratum of company culture.
The Group's concrete commitment to embracing diversity is reflected by its adoption of a Code of Ethics, conformity to international laws on equal opportunities and use of policies that protect forms of diversity already found within the Company.
The Company seeks to spread its culture and values throughout the world with a view to creating the conditions for promoting an international spirit and a truly multinational organisation in which all employees can benefit from equal opportunities.
For these reasons, human resources management – and in particular:
- strategies and policies concerning employees,
- the recruitment and placement process,
- development, career and training tools,
- reward policies,
- talent management programmes,

is conducted applying the same principles of merit, fairness and transparency in all the countries in which the Group operates, with the accent placed on aspects of relevance for the local culture.
Piaggio has not adopted specific procedures for the recruitment and placement of local residents where operations are located, focusing instead on the characteristics and experience of candidates and the requirements of the role to be filled. It does, however, ensure the development of staff from local communities, as shown in the following table[14].

14_ Figures include senior managers, first- and second-level executives reporting to top management at Piaggio & C SpA, and the first- and second-level executives of subsidiaries. The term local refers to the national level and local senior managers means senior managers with nationality the same as the country where they work.



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

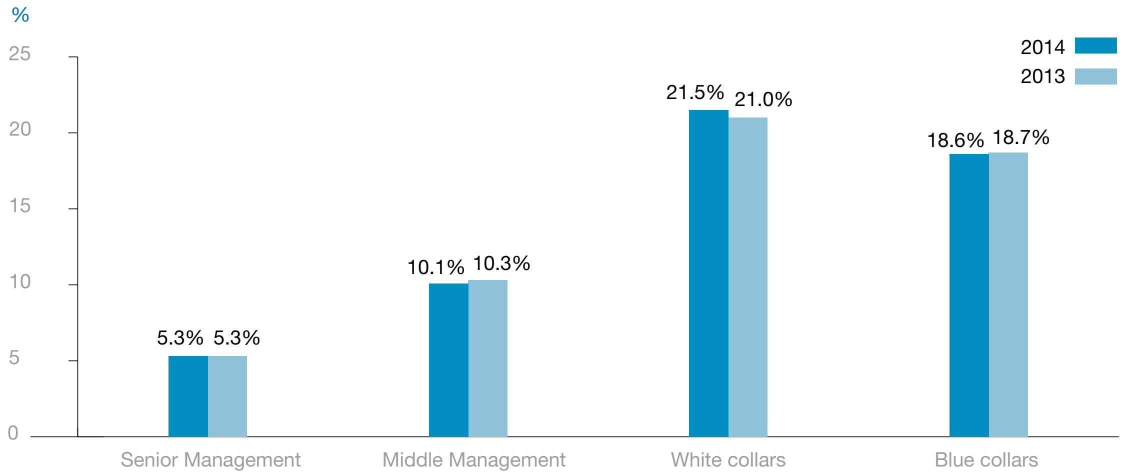
In order to promote and sustain intercultural exchange and diversity management, the Group encourages the international mobility of its people, enabling the reciprocal secondment of employees between Group companies.

Female employment

Female employees at Piaggio play a fundamental role at all levels of the organisational structure and account for 21.5% of white collars.

Company employees by gender and geographic segment as of 31 December

	2014		2013	
employee/staff numbers	**Men**	**Women**	**Men**	**Women**
EMEA and Americas	2,827	1,181	2,899	1,199
of which Italy	*2,622*	*1,112*	*2,679*	*1,126*
India	2,564	58	2,610	67
Asia Pacific 2W	723	157	752	161
Total	**6,114**	**1,396**	**6,261**	**1,427**



Number of women employees as of 31 December

Company employees by contract type, gender and geographic segment as of 31 December 2014

15_ For Italy, this data also includes some internship contracts that are considered open-ended contracts.

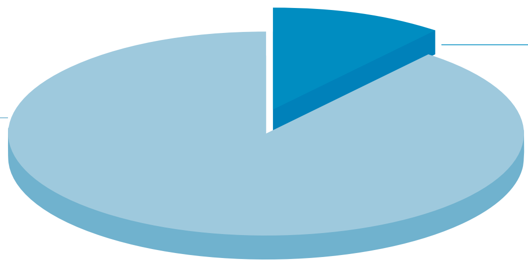
	Fixed-term contract			Open-ended contract [15]		
employee/staff numbers	**Men**	**Women**	**Total**	**Men**	**Women**	**Total**
EMEA and Americas	1	3	4	2,826	1,178	4,004
of which Italy	*0*	*0*	*0*	*2,622*	*1,112*	*3,734*
India	1,113	26	1,139	1,451	32	1,483
Asia Pacific 2W	19	0	19	704	157	861
Total	**1,133**	**29**	**1,162**	**4,981**	**1,367**	**6,348**

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

Company employees by profession, gender and geographic segment as of 31 December 2014

	Full time			Part time		
employee/staff numbers	**Men**	**Women**	**Total**	**Men**	**Women**	**Total**
EMEA and Americas	2,726	862	3,588	101	319	420
of which Italy	*2,521*	*797*	*3,318*	*101*	*315*	*416*
India	2,564	58	2,622	0	0	0
Asia Pacific 2W	723	156	879	0	1	1
Total	**6,013**	**1,076**	**7,089**	**101**	**320**	**421**

Part-time employment in Italy as of 31 December 2014



Piaggio's aim over the next few years is to consolidate its number of female employees and make their working conditions easier. To this end, alternatives to full time work have been in use for several years in Italy and are becoming increasingly popular with employees. In 2014, 416 employees were working an alternative to full-time hours in Italy: In particular, 4.0% of the workforce was employed with a horizontal part-time contract, and 7.1% on a job-share contract. The promotion of part-time and job share contracts in Piaggio Group has undoubtedly helped working mothers who want to spend more time bringing up their children or on family commitments.

Young employees

Most company employees are in the age bracket of up to 30 years and this is a fundamental starting condition for more expert staff, capable of taking the initiative and handing down the skills they have learnt, to disseminate their knowledge and expertise to younger staff.

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

employee/staff numbers		fino a 30	31-40	41-50	> 50	Total
2013	Senior Management	0	8	35	52	95
	Middle Management	3	178	265	126	572
	White collars	400	892	540	300	2,132
	Blue collars	2,019	852	1,143	875	4,889
	Total	**2,422**	**1,930**	**1,983**	**1,353**	**7,688**
2014	Senior Management	0	3	36	56	95
	Middle Management	1	148	283	135	567
	White collars	381	847	558	316	2,102
	Blue collars	1,795	791	1,237	923	4,746
	Total	**2,177**	**1,789**	**2,114**	**1,430**	**7,510**

Company employees up to 30 years of age by geographic segment as of 31 December 2014

People with disabilities

Piaggio not only guarantees people with disabilities the chance to work, but also recognises the value of their diversity and importance of dialogue in any activity, from the simplest to the most complex. In agreement with trade union organisations and laws in force, which require companies to employ a certain number of people with disabilities, the Company has also forged alliances with social cooperatives, convinced that work can contribute to personal development.

The insertion and integration of disabled people into the workforce is also made possible in practice by the accessibility of company facilities and the existence of a relative company procedure.

Employees in Italy classified as protected categories (pursuant to Law 68/1999) as of 31 December

employee/staff numbers	2014	2013	2012
Middle Management	1	1	1
White collars	10	10	9
Blue collars with supervisory duties/blue collars	137	130	134
Total	**148**	**141**	**144**
Percentage out of total employees	**4.0%**	**3.7%**	**3.7%**

In 2014, 148 people with disabilities and from legally protected categories were employed at sites in Italy. The breakdown in the table above shows that people with disabilities account for 4% of the total work force.

Parental/maternity leave

Our companies apply the laws passed by pertinent national legislation.
Specifically, in Italy as of 2013 two leaves have been established for the father which can be used within the 5th month after the birth of a child:

- mandatory leave (1 day), in addition to the mother's leave. This is due regardless of the mother's right to mandatory leave;
- optional leave (2 days) as an alternative to the mother's maternity leave. Use of such leave is subject to the mother's decision not to use the same number of days for her maternity leave.

Vietnam provides a maternity (before and after the birth) leave for a total of 6 months. In the case of multiple births, the mother is entitled to an additional 1 month leave per child. Maternity leave prior to the birth cannot be over 2 months.

The employee receives the same wages and contributions during maternity leave as when she is on the job.

The mother may ask to return to work before the total duration of her maternity leave. To do so she must have used at least 4 months of maternity leave, obtain approval from her employer and submit a medical statement saying that an early return to work will not be harmful for her health.

Once the 6 months of maternity leave have elapsed, the mother can ask for an extension of leave without pay, as long as her employer is in agreement.

The mother has the right to a 1 hour reduction in work hours during the first 12 months of the baby's life. The Group does not discriminate in any way against women who take maternity leave. On the contrary, to try to help balance family and work life, 151 employees have been granted horizontal part-time contract in Italy.

As proof of the above, the following information has been provided for the companies where the phenomenon is more numerically significant.

	Parental/maternity leave								
			Italy			**Vietnam**			**EMEA/Usa**
	U	D	Total	U	D	Total	U	D	Total
Employees on maternity leave during 2014	38	31	69	0	21	21	3	5	8
Employees returning in 2014 after maternity leave	38	25	63	0	23	23	3	3	6
Employees returning to work and on the payroll 12 months after returning from maternity leave	36	29	65	0	11	11	0	1	1
"Return to work" rate	**94.74**	**93.55**	**94.20**		**52.38**	**52.38**	**0.00**	**20.00**	**12.50**

Organisational Development: Actions in 2014

In 2014, the Piaggio Group, despite a macroeconomic context still struggling at a sector and market level, maintained its position thanks to a global industrial and commercial presence, developing new products, monitoring different markets, keeping costs down and monitoring productivity.

The main organisational changes taking place in the period are detailed below:

› the Marketing and Communication Department has a new organisation, with units mainly dedicated to the management and coordination at a global level of marketing strategies and Group brand communication, the surveying and analysis of customer experience, the marketing and development of accessories, the definition of marketing and digital communication strategies and the CRM global platform, as well as events' management and the development of communities worldwide. In order to strengthen the image and heritage of the Group, the Marketing and Communication Department has also been tasked with managing the Group's Museums and Historical Brand Archives, ensuring the coordinated management of communication and image activities;

› two new Departments - Two-Wheeler Product Development and Three-Wheeler/Four-Wheeler Product Development - were established reporting directly to the CEO of Piaggio & C., in order to achieve a greater focus on the design and development of two-, three- and four-wheeler products. The organisation of each Department has been defined in detail, with the aim of reducing developing times and costs, ensuring a greater focus on design and experimentation through dedicated competence centres and the promotion of integrated style and design activities for various systems and components, guaranteeing the continual improvement of product quality standards, consolidating the style identity of Group brands and managing intellectual property relative to patents and models;

› a new Group company, "Piaggio Concept Store Mantova S.r.l." has been established, to operate the first concept store, called Motoplex, inaugurated at Mantova. At the end of 2014, the second Motoplex was opened in Italy: the Motoplex Milano City Lounge;

› completion of the process to integrate the Meccanica Sites, for the working of aluminium components for engines and arising from the acquisition of the Company Tecnocontrol, as part of EMEA Plant Management, which was finalised with the actual relocation of equipment, machinery and resources to the Pontedera site;

› activities of the Legal and Corporate Department have been re-organised, with the "Corporate" organisational unit established to oversee company obligations and assist with extraordinary company operations, and the "Legal & Compliance" unit established to provide legal assistance for Group activities, prevent and manage litigation and supervise and manage legal compliance activities. The department also manages intellectual property relative to brands;

› reorganisation of the EMEA and Americas area, making the Piaggio Group Americas company report directly to the Chief Executive Officer of Piaggio & C. in order to consolidate the strategic position and presence of the Group in the Americas, as well as of the Departments dedicated to 2 and 3/4-wheel product sales.

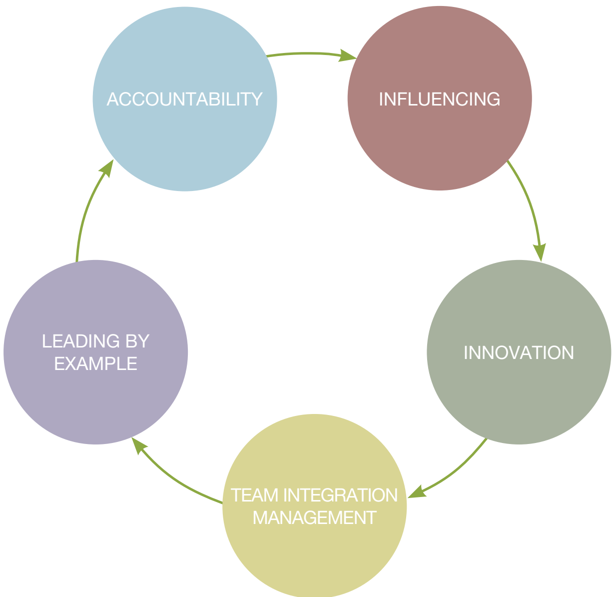
Developing human capital

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

The Group's managerial competencies model

In line with the Group's strategic plan and its core values, Piaggio has identified a managerial competencies model that represents the skills set to be implemented day by day to ensure personal success and the success of the Company.
This model is the reference at Group level for the development of company culture and growth of employees. In 2014, the model was fine-tuned and managerial skills were extensively disseminated to office and managerial staff at Group level.

The Group's managerial competencies model



The Group's professional competencies model

The store of professional competencies and know-how in the Group is the true foundation and only real guarantee assuring the continuity and quality of our results. For this reason, the Piaggio Group has developed a professional competencies model which is updated and expanded in accordance with the strategic plan, and in line with changes in technology and the market.
The model identifies thirteen professional groups and their specific competencies. Development tools and training are aimed at helping employees acquire the level of competence required by their role.
In 2014, the specific roles of the Group's operating units were added to the professional system and used as the basis for the evaluation and systematic development of professional competencies of the entire office and managerial staff of the Group.
The identification of technical/professional competencies was also updated at Group level, and development and training plans were configured to overcome gaps identified in 2014.

Reviews

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

Evaluation outcomes are discussed by reviewers with the people they evaluate, and may form the basis of a development and training plan.
Employees are evaluated by comparing their competencies against the Company mode for their specific role, as evidenced by concrete and observable action in their everyday work. The evaluation process is managed in an integrated way, and provides the information necessary for Management Review and Gap Analysis of professional competencies, which are conducted uniformly across the Group.

Performance reviews are conducted using specific tools in relation to the employee's role and responsibilities in the Company. Specifically:
- for top and middle managers, performance reviews are based on quantitative and qualitative objectives for the year, defined as part of a reward system;
- for white collars, performance reviews are of a qualitative nature, based on overall results achieved during the previous year.

In both cases, performance reviews affect development paths and career opportunities, as well as rewards (see "reward policies" section).

During 2014, the Evaluation Management System was consolidated at Group level. This standard evaluation system is for all office and managerial staff, assisted by computer tools (SAP HR and Success Factors) for the real-time management of all evaluations, for human capital development purposes.

Percentage of employees who received performance and career development reviews in 2014[16].

Geographic segment	Italy	EMEA&Americas (not including Italy)	Asia Pacific 2W	India
Senior Management (Executives and Senior Managers)	100%	100%	100%	100%
Manager	98%	89%	100%	100%
White Collars	100%	95%	100%	100%
Blue Collars	n.a.	n.a.	100%	n.a.

16_ The definition of this indicator considered all employees who had worked at least six months during the year and had not left the Company before six months from the evaluation.

During recruitment, two evaluations are carried out for candidates applying for a specific position: one concerns the managerial competencies of the Piaggio Model, carried out by HR, and the other, the professional competencies of the Piaggio System, carried out by the line manager.
This evaluation method and the authorisation flow for recruitment are fully integrated in SAP in the SAP Recruiting module.

Development paths

Development tools are provided with the objective of building and continuously improving the managerial and professional competencies identified in the respective models, while at the same time bringing out people's potential and identifying and rewarding outstanding performance. The set of tools provided by Piaggio includes:

- development plans, which identify the action to be taken for the growth of the employee;
- job rotation and participation in strategic or international projects;
- management and professional training (see "training" section);
- Piaggio Way - the talent management programme (see "talent management" section).

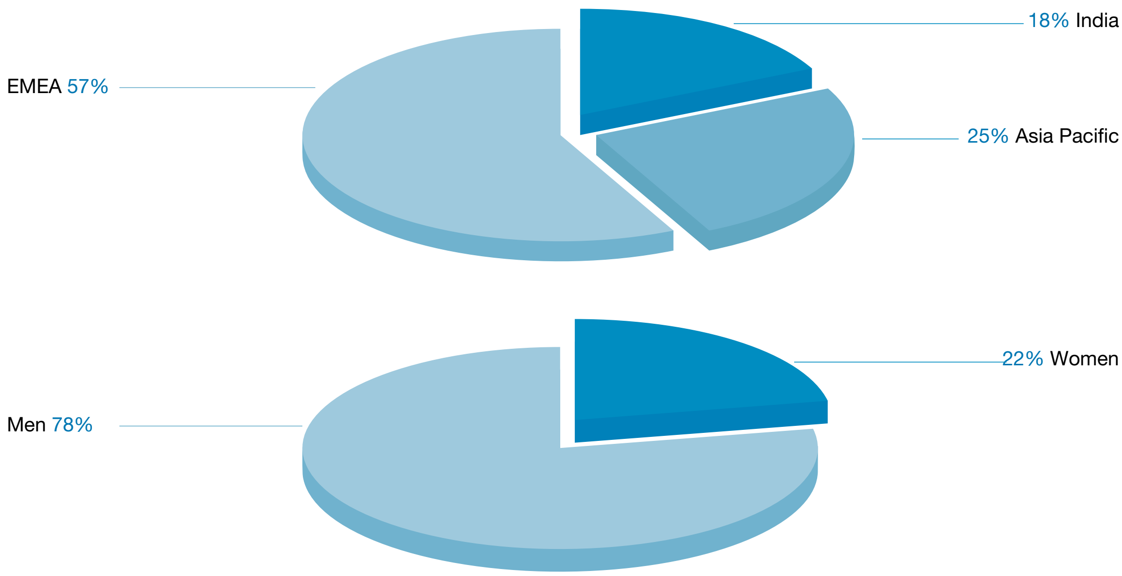
During 2014, development actions to consolidate the Company's international mindset were consolidated.

Career paths

For our highest value human assets, management and professional career paths are designed in order to cover key roles and ensure that strategic and technological know-how is kept and developed in the Group at the international level. In 2014, tools for monitoring and managing plans for taking over key positions within the Group were consolidated.

Talent Management: the Piaggio Way programme

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



Geographic distribution of talent and breakdown by gender as of 31 December 2014

During 2014, the programme was improved in countries where the Group operates, with strong participation from Asian talents.
Lasting a maximum of four years, the programme is distinguished by its:
- high selection bar to be included and to remain in the programme;
- overriding focus on managerial competencies and performance;
- fast-lane approach to developing management skills and internationalisation.

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

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

Training

The total hours of training provided in the Group went up compared to previous years.

The training mix compared to 2013 is different, with a strong increase in the number of hours of technical/professional training, which is nearly two-fold the number of hours allocated to language training.

Figures for language training have been considerably affected by activities in Italy, which alone account for 79% of total language training hours within the scope of the group. The number of health and safety training hours has decreased; in 2013, this figure was positively impacted by an extensive campaign conducted in Italy.

In India, technical/professional training comprised extensive campaigns on quality management, project management and lean management.

Hours of training by training area

Thematic area	2014*				2013*			
	Emea Americas	India	Asia Pacific	Total	Emea Americas	India	Asia Pacific	Total
Managerial training	5,542	18,440	2,472	26,454	6,237	22,713	2,814	31,764
Technical – professional training	16,204	37,496	964	54,664	14,456	12,165	1,042	27,663
Language training	8,707	136	1,993	10,836	5,022	-	926	5,948
Safety and environmental training	3,763	5,870	6,147	15,780	21,944	9,047	5,211	36,202
Total	**34,216**	**61,942**	**11,576**	**107,734**	**47,659**	**43,925**	**9,993**	**101,577**

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

Total training hours by professional category

Professional category	2014*	2013*
Senior Management	666	2,058
Middle Management	10,909	12,307
White collars	56,107	43,225
Blue collars	30,195	43,411
Project workers	9,857	576
Total	**107,734**	**101,577**
Total per-capita	**14.3**	**13.2**

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

Figures for professional training went up considerably for white collars, mainly due to the higher number of hours of technical/professional training.

Training hours by gender 2014

Thematic area			2014			2013
	Men	Women	Total	Men	Women	Total
Managerial training	24,113	2,341	26,454	29,169	2,595	31,764
Technical – professional training	50,555	4,109	54,664	24,684	2,979	27,663
Language training	7,818	3,018	10,836	4,215	1,733	5,948
Safety and environmental training	14,994	786	15,780	29,316	6,886	36,202
Total	**97,481**	**10,253**	**107,734**	**87,384**	**14,193**	**101,577**

Data on training hours by gender shows a decrease in safety and environmental training for female employees, mainly due to the considerable impact on this training area of a specific campaign in 2013, which was not repeated in 2014 (as it was not required by Italian laws).

The number of hours of technical/professional and language training for female employees instead went up considerably compared to 2013.

Reward policies

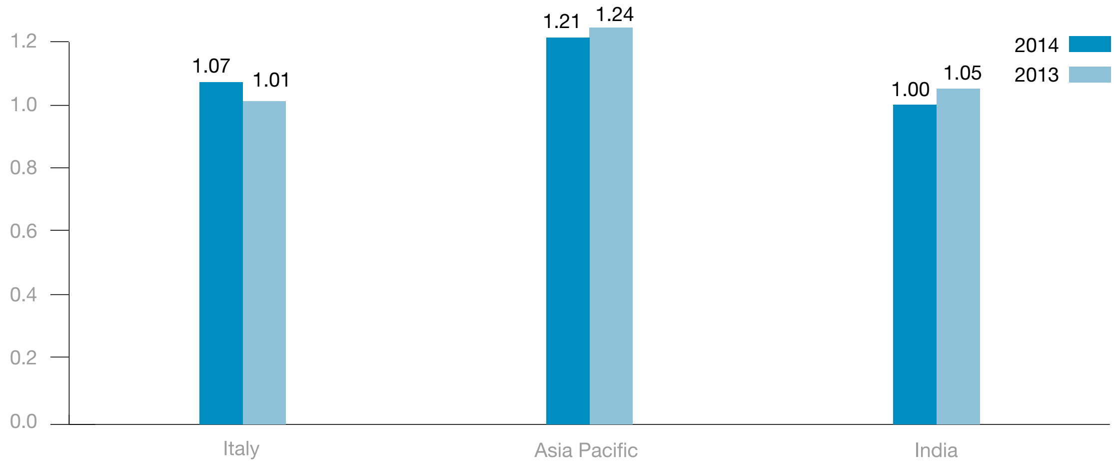
Reward policies aim to reward people and their work on the basis of competitive, fair and merit-based criteria that are transparent and used in review processes (see “Developing Human Capital” section).
The Group reward system is differentiated for the various professional groups in the Company, and consists of a fixed salary component and variable objective- and benefits-based incentive systems. More specifically, rewards are contemplated for:
› executives;
› managers;
› professionals;
› new graduate recruits;
› participants in talent programmes.

Salary packages

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

Ratio of standard minimum wages for new recruits/local minimum wage (17)

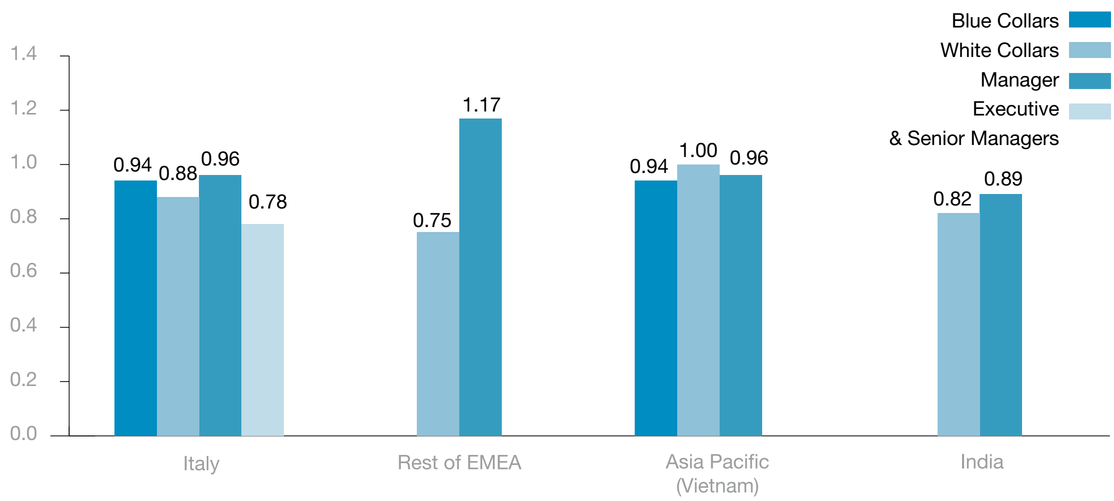
17_ All the Group's operating sites were considered. As regards sites in India, the category of blue collars on a fixed-term contract was considered, as, numerically, they are more representative when they have been newly recruited.



Piaggio adopts a system of recruitment, development and salary packages for personnel which recognises and rewards merit and performance. Any type of discrimination is explicitly forbidden by the Code of Ethics.
An analysis performed on a single country basis where Piaggio works did not reveal any significant differences between the basic salary and remuneration of men compared to women with the same category, experience and assigned duties.

Ratio of average basic salaries for women/ average basic salaries for men of the same professional category (18)

18_Categories not reported in individual geographic segments do not have any female employees.



Objective-based incentive systems

Achieving excellent results for company-established objectives is rewarded by variable incentive systems focused on quality and quantity objectives in line with the business, as well as the internal efficiency of each area of responsibility. Specifically, Piaggio adopts the following systems:
- MBO for executives;
- Performance Management for managers and participants in the talent programme;
- Sales incentive system for the sales force in which the size of the reward is based on the achievement of a set of quantitative and qualitative objectives.

The full process of setting objectives and reviewing results is conducted with employees, using objective criteria.

Benefits

Piaggio offers a benefits package in line with the best local market practices, which is structured on an organisational basis. Benefits include, by way of example:
- company car;
- private health insurance;
- company medical centre at various sites;
- agreements with local groups and facilities of interest for employees.

Benefits are offered to full-time, part-time and temporary employees without distinction.

Personnel dialogue and involvement

Piaggio Group's Internal Communication Policy is aimed at informing employees on business performance and prospects and bringing them closer to top management strategies.
The system is based on the conviction that sharing strategic objectives with every employee is a key factor to success.
Piaggio uses communication and information tools which respect and empower the social and cultural realities within the Group.

Piaggio Group's internal communication tools
(A global vision)

Company communication and information channels:

- “PiaggioNet” intranet (Italy): the portal offers information (on-line daily newspaper with company news and current events, sent to employees of Italian and foreign offices) and services for personnel (for example: managing working hours and transfers, organisational instructions and user manuals, online pay slips, a staff market, vehicle and merchandise prices, institutional and product press releases, photo gallery of product ranges and events, a daily press review, etc.). In 2014, the PiaggioNet portal was implemented with the new Piaggio Welfare section, which has all available information and useful documents on six themes – Health, Healthcare Schemes, Family, Company Catering, Special Agreements and Discounts and Pension Schemes - which all promote the “well-being” of employees, with a positive impact for families too. The new area provides a complete and systematic overview for quicker and even more effective browsing and is periodically updated, with new contents added.
  In 2014, the Group’s intranet portal published 343 news items on its home page, and had 156,848 hits (total number of readers of both portals: PiaggioNet and InfoPoint).
- Piaggio “InfoPoint” (Italy): web points in the Piaggio Group’s production sites in Italy, which may be accessed by blue collars using their Company badge, to log on and the intranet and use its services (reading news, checking labelling, a staff market, vehicle and merchandise prices, institutional and product press releases, sending messages to Company contacts via Web Mail, etc.). The news published on the PiaggioNet home page are also published on the InfoPoint home page: thus company news is distributed to the entire organisation and made available to all employees (managers, white collars and blue collars).
- PiaggioNet International (international sites): the contents of the sections and news are published in English, specifically selected and intended for employees of the Group’s European and US sites, as well as its Asian sites. In 2014, 134 news items were published on the international portal home page, which registered 1,955 hits.
- Web Mail service (Italy): a Company messaging system to promote bottom-up communication among employees and Top Management. All Piaggio employees may send messages to Function Managers and receive replies in their personal web inbox.
- PiaggioFlash (Italy): a periodic newsletter distributed at all the Piaggio Group’s Italian sites (as a hard copy and soft copy via e-mail and published on the intranet, where it remains archived); it provides information on promotions and offers (in-house on vehicles and merchandise, and agreements with external companies) available for employees. In 2014, 6 press releases were published.
- “Company Notices” with information, service information and regulations on company life (in Italy), published on the intranet by the Personnel and Organisation Department (in 2014, 36 press releases were issued, registering a total of 20,847 hits); these notices are also affixed on company bulletin boards.
- V-Speak (India): an internal forum for employees.
- PVPL E-Care (India): this is an online platform where external consultants deal with various personal problems of employees and their families and guarantee confidentiality.

Industrial relations

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

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

Italy

In 2014, with particular reference to Italy, dialogue and engagement with trade union organisations and workers' representatives continued with the aim of seeking shared solutions to respond to the market crisis and manage consequences for workers. Collective bargaining has made it possible to identify shared management tools that can be used to tackle the crisis in the industry, while safeguarding company competencies, thus avoiding a loss of resources and instead promoting their re-employment.

In particular, despite some signs of recovery in the first few months of the year, 2014 saw a considerable decline in the two-wheeler market compared to the previous year. In 2014, the Italian market in overall terms (motorcycles and scooters with number plates, plus 50cc vehicles), registered 182.8 thousand vehicles, down 1.0% compared to 2013. This decrease follows on from five years of a continual downturn on this market.

This further decline has had a negative impact on production volumes and on staff activities at various production sites. For this reason, issues concerning economic and financial market crises and the consequent impact on production volumes and related problems, were discussed with local trade union representatives at all production sites in Italy, within the framework of a system of industrial relations that focusses on cooperation and involvement.

As regards the **Pontedera site**, a trade union agreement was signed in January 2014 to continue the Solidarity Contract for another year (February 2014 – February 2015), for employees working on the production of Commercial Vehicles and for employees (blue collars, white collars and middle managers) of technical, administrative and staff activities. A solidarity contract, running from December 2013 to July 2014 had already been adopted for other employees, i.e. two-wheeler production employees (both engines and vehicles).

With signs of a recovery in sales of motorcycles and scooters, on various European markets and partly in Italy, a trade union agreement was signed in April 2014 to stop the solidarity contract for the Engine and Two-wheeler Vehicle departments, and for the commercial vehicles departments, and to employ 100 workers for 3 months on temporary contracts.

As from July 2014, a considerable market downturn reversing the trend of the first half, negatively affected the positive signs of growth in the year. It was therefore necessary to resume the Solidarity Contract, as from September 2014, for the Commercial Vehicles production department, and on the other, to reach a new trade union agreement as from November 2014, to resume the Solidarity Contract for one year (November 2014 – November 2015), for production employees working in the Mechanical and Engine Assembly production areas and in the Two-wheeler Production area.

At the **Noale and Scorzè sites**, a new trade union agreement was signed in January 2014, in which the parties outlined a need to rebalance costs and downsize staff in relation to a market that has declined in overall terms, and to restore the efficiency and productivity of the technical structure; at the same time, the Company committed to continuing its innovation and production development plans, motorcycling races and business development.

At the Noale site, activities continued to streamline staff and staff activities, with a new mobility procedure affecting 25 people. The solidarity contract at the Noale site was extended throughout 2014, so that service volumes could be adjusted to demand.

The production mission of the Scorzè site was confirmed, with an agreement signed in January 2014, supported by the production of Derbi vehicles, relocated from the Spanish site at Martorelles, which has closed down. Considering the continual changes in orders and resulting production programmes, the workforce has been downsized, with a mobility programme for 100 persons. At the same time,

social measures of Solidarity Contracts ended during 2014, so the temporary unemployment fund was used to deal with lower work volumes.
Lastly, in December 2014, at the Scorzè site, a new trade union agreement was defined in which the parties confirmed the content of the previous agreement of January 2014, and therefore the Solidarity Contract will start from 1 February 2015 and total staff numbers will continue to be downsized, in a new mobility procedure for 80 people.

As regards **the production site at Mandello del Lario**, production peaks were managed by involving employees from other production units and temporary employment contracts.

Membership of trade union organisations at Italian sites (2012 – 2014) is shown in the table below:

	2014			**2013**			**2012**		
	Pontedera	**Noale and Scorzé**	**Mandello del Lario**	**Pontedera**	**Noale and Scorzé**	**Mandello del Lario**	**Pontedera**	**Noale and Scorzé**	**Mandello del Lario**
FIOM	373	145	42	363	153	44	354	157	42
UILM	330	1	2	318	1	2	310	1	2
FIM	354	128	24	352	135	24	354	131	26
UGL	19	0	0	66	0	0	139	0	0
CGIL/CISL/UIL	2	0	0	2	0	0	2	0	0
Total number of employees who are members of a trade union	**1,078**	**274**	**68**	**1,101**	**289**	**70**	**1,159**	**289**	**70**
	36.8%	**48.3%**	**65.4%**	**37.1%**	**48.1%**	**68.0%**	**38.6%**	**45.7%**	**66.0%**

As regards **industrial action**, the trend of strikes in 2014 mainly concerned the Pontedera site and, although the figures are fairly low, the number of hours lost over strikes, compared to the previous year, increased.
The table below summarises hours lost due to strikes in 2014 at company sites, with a focus on micro conflicts:

		2014	**2013**
N° HOURS LOST DUE TO STRIKES	General/category	2,094	1,622
	Company	15,992	8,643
	Total	**18,086**	**10,265**
% HOURS LOST compared to HOURS WORKED	General/category	0.10%	0.08%
	Company	0.78%	0.42%
	of which Pontedera compared to hours worked at Pontedera	**0.90%**	**0.52%**
	Total	**0.88%**	**0.50%**
NO. OF DAYS LOST DUE TO STRIKES	General/category	262	203
	Company	1,999	1,080
	Total	**2,261**	**1,283**

A structured company welfare system has been established in Italy, with services that aim to increase the well-being of employees and their families, in economic and social terms.

In particular a trade union agreement was signed for the Pontedera, Rome and Milan sites, for a supplementary health scheme running from 1 January 2011, that takes into account legal and tax developments and is based on the following points:

- the Company pays a contribution of € 120 for each employee that voluntarily joins the scheme;
- each employee that joins the scheme pays an annual contribution of € 40;

- employees may choose to extend the insurance cover to their families by paying an additional contribution.

The features of the insurance scheme, how it works, how employees can join and the type of benefits offered were established by a work group consisting of trade union representatives and company representatives.

A similar scheme is in place at the Mandello del Lario site. This scheme is based on company and employee contributions, and provides benefits such as financial help for purchasing medicines, for specialists' fees, dental treatment, etc.

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

At Pontedera, **a childcare agreement** (based on a trade union agreement) is also in place, made between the Company and the local authorities in the area (the Unione Comuni della Valdera that counts some 13 municipalities and 32 nurseries), with a monthly contribution of € 160 or € 120, depending on whether attendance is under 4 hours or daily, for the nursery fees paid by employees whose children up to three years attend one of the nurseries covered by the agreement.

The scheme also includes **health benefits/services** for employees:
- at Pontedera, the Company medical centre for employees has 5 specialists (an optician, an orthopaedic specialist, a lung specialist, a dermatologist and an ENT specialist) for consultations during working hours;
- at Noale/Scorzè and Mandello del Lario, all employees are entitled to paid time off for specialist consultations outside the Company and for clinical analyses.

All sites also offer employees vaccinations free of charge.

Lastly, over the Christmas period, **Italian sites hold an event involving all employees** with children from 0 to 10 years, who are given a gift.

Vietnam

Since it was established, Piaggio Vietnam has based its relations with trade union organisations on cooperation and engagement, in line with the Piaggio Group's policies and with the ultimate aim of improving the Company climate and employees' sense of belonging to the Company. In this framework, trade union representatives at a company level (selected by a Company Trade Union Committee) are tasked with protecting employees, helping them to understand aspects concerning labour regulations and company policies, and providing economic support for some company initiatives benefiting employees.

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

- the "**Nutrition Day**" for employees' children: in June, paediatric doctors met with employees to provide advice on the nutrition and health of their children. The half-day event was attended by approximately 200 children, mainly the sons and daughters of blue collar workers. In particular, the children, who were entertained with games, entertainers and small gifts, were examined by 20 national nutrition doctors;
- the "**Piaggio Vietnam Summer Vacation**" lasting 3 days in August, when employees with their families were given a contribution to spend 3 days' holiday at a location selected by the Company

and trade union representatives;
- to mark International Women's Day (March), the "**Excellent Female Trade Union Member"** event was organised, to award 10 female employees that had particularly excelled for results achieved in the past year and for their commitment to and compliance with company policies and procedures.

As from 1 January 2014, the Vietnamese government increased the minimum wage in the province of Vinh Phuc, where Piaggio Vietnam is based, from 2.1 million Dongs to 2.4 million Dongs. Piaggio Vietnam reviewed the salary policies in order to stay competitive on the job market. In 2014, the Vietnamese government revised maternity regulations (extending compulsory maternity leave from 4 to 6 months) and the compulsory holiday period during the Chinese New Year (from 4 to 5 days). For 2015, the Vietnamese government is considering a new increase in minimum wages.

In 2014, no strikes were reported.

India

The Indian subsidiary has always based trade union relations on cooperation and ongoing dialogue. Trade unions and the Company acknowledge that it is in the reciprocal interest of workers and the Company to guarantee and pursue an even greater level of productivity and higher product quality standards so as to guarantee an optimal performance of factory operating processes, while retaining a competitive edge in the automotive industry.

In India, trade unions have a two-tier structure, at a company and local/area level; this structure is also replicated at the Indian subsidiary where the trade union system comprises a company trade union committee with Piaggio workers' representatives, and a central trade union committee, which is the highest hierarchical level, with members selected by the trade union. At present, the Company trade union committee (appointed in December 2014 and remaining in office for one year) has 10 members.

A collective company agreement is in place at the Indian subsidiary, signed in July 2013 and with a 4-year validity.
In 2014, main activities concerning industrial relations focussed on:
- maintaining and achieving productivity levels of Workers as established in the July 2013 agreement. The agreement establishes labour levels based on productivity indicators linked to various production levels;
- implementing a flexible, temporary labour model. The use of temporary Workers is related to production volumes based on pre-established ratios;
- maintaining and improving positive and cooperative relations with workers and trade unions;
- guaranteeing full compliance with labour laws, also in view of new government legislation (for example the Provident Fund Act, Minimum Wages Act, Apprentice Act, etc.);
- involving workers to improve the Company climate and motivate them. In line with this approach, Piaggio carried out numerous activities involving its employees, including family picnics, sports competitions and awards for children who have done particularly well at school.

Occupational health and safety[19]

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

- continual developments for a safer working environment: all aspects concerning the safety of the work environment and equipment and tools needed to carry out daily activities are considered, starting from defining new activities or revising existing ones;
- safer behaviour: all workers are trained, informed and familiarised, to carry out their work safely and undertake their occupational health and safety obligations; the Company achieves safety objectives through assigned duties and competencies.

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

Interaction between various sites was stepped up in 2014 with workshops on health and safety, in order to gradually integrate the sharing of best practices, operating plans, alignment of reporting and safety indicators (KPIs) among sites.

The Health and Safety Management System implemented at Piaggio includes a large body of documents that, starting from the Safety Manual which outlines the policies issued by Management, are implemented in the Management Procedures (covering the entire company organisation), in the Operating Procedures (which regard only some company structures) and in Work Instructions that illustrate how every single operation is to be carried out correctly.

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

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

Italy

In keeping with the above and to guarantee the highest standards of occupational health and safety monitoring and undertaking of responsibilities, the Piaggio Group has established an organisational structure in Italy, which also conforms to relevant laws in force, with six Employers appointed for Company areas and a group of senior managers and designated persons that oversee various organisational units and sites, supported by Prevention and Protection Service Managers and Company Doctors. Moreover, Workers' Safety Representatives are present in all Company areas.

A safety management IT system has been developed over the last few years at Italian sites, making the

19_ In the paragraphs above the injury statistics of the production establishments are given.

contents of Company activities (technical matters and personnel health surveillance required by laws in force) clear and available, in line with assigned operational roles and responsibilities.

One example is the "reporting a risk condition" application available on the Company intranet. Company managers report any risk conditions in this application, starting a system which allocates problems, evaluates remedial actions proposed and monitors their effectiveness, in order to guarantee the complete and thorough management of occupational safety improvement actions. This tool guarantees the management of near misses, which are fundamental for preventing the onset of hazardous situations, that may lead to serious accidents.

As regards training:

› as in previous years, personnel training and awareness on work place accidents and health and safety continued, with approximately 3,700 hours of training provided, involving blue collars and white collars.
› The Piaggio Group also started a training plan (in addition to basic training to complete training already provided for all company employees in 2013), on the use of some work equipment, in line with directives of the State-Regions agreement, which requires specific training for operators. In this context, training for forklift and mobile platform operators was provided.
› A specific training session was given to employees who, during 2014, were involved in "conduct-related" incidents, i.e. incidents due to unsafe conduct at work. The aim was to improve workers' awareness of the importance of safe conduct in the work place and the impact this has on the risk of accidents. The course is based on an active training approach, targeting interaction and involvement, with the aim of optimising the learning process and transferring the content to a professional scenario, with practical exercises and case studies.

Numerous initiatives took place in 2014 to guarantee work place health and safety at Italian sites:

› from June 2014 to October 2014, when production peaks, two additional doctors worked at the Pontedera medical centre, guaranteeing the practically continual presence of a doctor during work hours, even though this is not required by laws in force. Occupational medicine at Pontedera involved over 2,500 preventive, routine and non-routine check ups, as well as specific, clinical chemical and biological tests;
› a semi-automatic defibrillator was installed at the Mandello del Lario production site and 6 employees, selected on a voluntary basis, were trained in basic life support - defibrillation (BLS-D) by the Italian Red Cross;
› during the year, specific surveys were also conducted to:
  - check that no hazards related to the use of products/chemical substances in the production cycle existed;
  - check risk levels related to factors such as vibrations, explosive atmospheres, internal and external noise and the micro climate in summer;
› the Company also continued its activities scheduled in conjunction with the local health authorities on "work place ergonomics" in order to estimate the risk of developing pathologies of the upper limbs;
› in terms of "objective risks from the manual handling of loads", Piaggio continued its extensive activity in 2014 to diagnose jobs/workplaces, closely based on measures defined for problems related to repetitive movements, with the aim of completing this activity during 2015 for all three Italian production sites. Such action bears witness to the progress made in the improvement programme, with the aim of preventing the occurrence of repetitive stress disorders in the upper limbs and pathologies related to manual lifting of loads.

In November 2014, audits conducted by the Certification Body were successfully completed, awarding OHSAS 18001:2007 (Occupational Health & Safety) certification up until December 2016 to the Pontedera, Noale-Scorzè and Mandello del Lario plants. The following were of particular relevance for

certification activities:
› the transfer of the 01 Mechanical Plant inside the production site at Pontedera, which required the new building to fully meet Piaggio company standards as regards the occupational health and safety and environmental management system;
› extension of certification to the warehouse at Quinto di Treviso.

To achieve this result, extensive inspections of workplaces were conducted by an audit team, that performed approximately 50 audits in 2014.

The audits were successful, and certification was maintained, demonstrating the compliance of the organisation and management model with the new regulations introduced by article 30 of the Consolidated Act on Occupational Health and Safety (Italian Legislative Decree 81/2008).

As regards accident statistics, the frequency index average for Italian sites in 2014, calculated for the three plants, is lower than the previous year, confirming the downwards trend of recent years. The table summarising data by production site is shown below.

Accident Frequency Index - Italy

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

Besides guaranteeing work place health and safety, **emergency management** is also a top priority. To this end, every site in Italy has a plan, as required by laws in force, that comprises the analysis of main risks, the operating procedures to be adopted during different types of emergency, the roles and actions that duly appointed and trained staff must implement and communication protocols. Naturally, the efficiency of this organisational system is tested during many drills that extensively involve Piaggio's sites. In addition, there is a broad range of equipment for fire detection and extinguishing that include smoke detectors, automatic extinguishing systems, sirens, fire extinguishers, hydrants and a fire hydrant water network. The fire exits, escape routes and all the aforementioned systems are clearly signalled.

Following earthquakes involving the upper part of Tuscany, a corporate "Crisis Committee" was established in 2013 for the purposes of managing earthquake emergencies. In March 2014, the project which started in 2013 between Piaggio and the local authorities of Pontedera on procedures for the joint management of an emergency caused by seismic events was finalised. Various aspects were agreed on with the Head of the Local Civil Protection organisation including the radio frequencies to use for emergency calls. This activity was also extended to the Moto Guzzi plant at Mandello del Lario and in June 2014, after a joint meeting between Piaggio and the civil protection organisation of Mandello, procedures were defined for the general evacuation of the site, external assembly points and emergency numbers.

The Company Medical Centres of Italian production sites provide a continual service manned by doctors and paramedics; Pontedera has five specialists providing consultancy services regarding occupational medicine and more personal matters.

As regards healthcare services, the following are guaranteed:

› first aid and medical emergency assistance, liaising with competent public services, as necessary;
› routine healthcare (for example taking blood pressure readings, carrying out tests, etc.);
› Company health prevention campaigns, including anti-tetanus and flu vaccinations;
› additional tests for the routine health surveillance of workers.

Specialist medical check-ups at the Pontedera medical centre concern dermatological, ophthalmological,

pneumological, orthopaedic and ENT referrals.
As regards occupational medicine in general, the Medical Centre works with company functions to determine and evaluate risks and put in place measures to safeguard the health of workers, and also performs the following activities:

- ensure preventive and periodic health check-ups;
- rate eligibility for specific tasks;
- prepare and update patient notes and risk notes for workers undergoing health surveillance;
- give workers information on tests and test results;
- take part in periodic meetings on safeguarding health and safety, reporting anonymous collective results and their meaning;
- inspect work places and help set up the first aid service and health surveillance training and information activities.

Vietnam

At Piaggio Vietnam, the health and safety of employees and everyone working within the Company system are considered as being of the utmost importance, confirming the key principle that promoting and maintaining health and safety in the work place is one of the primary responsibilities of managers. To this end, managers at all levels are required to develop, implement and monitor the Health and Safety Management System defined by the Occupational health and safety unit of Piaggio Vietnam, in conjunction with its partners.

The entire organisational structure of Piaggio Vietnam is therefore an active part of the health and safety management system, in particular:
- the main priority of **the Company**, in terms of it being an organised system, in compliance with local laws, international health and safety standards and Piaggio Group policies. In this framework, it guarantees that objectives to improve occupational health and safety are pursued through an Occupational health and safety unit;
- **managers of each department** guarantee that the occupational health and safety programme is effectively developed and implemented in their areas of responsibility, helping their co-workers perform activities in their remit;
- **all managers and supervisors** are tasked with establishing and maintaining a safe working environment, that poses no risks to health; in this context, each supervisor adopts concrete measures to guarantee that:
  - employees in their area of responsibility are trained in health and safety issues;
  - employees are consulted about matters concerning health and safety;
- **all employees** cooperate in developing programmes that guarantee their own and colleagues' health and safety. In this regard, all workers are trained, informed and made aware of safety aspects, in order to adopt a safe conduct in the work place;
- **suppliers and external companies** required to perform works at the site shall, as indicated in their contract, conform to occupational health and safety policies, comply with Piaggio Vietnam procedures and programmes and observe health and safety information given to them during the preparation of the contract. Failure to observe these indications is considered as a breach of contract and sufficient grounds to terminate the contract.

In order to effectively implement general health and safety regulations, a programme of activities is defined each year, based on operating plans, that are updated on an ongoing basis. The programme concerns all health and safety aspects, including:
- occupational health and safety training for workers;
- information for suppliers and contractors about risks in the Company;
- the development of work procedures and instructions;
- checking emergency procedures based on simulations;

- the supply of work equipment, services and structures conforming to legal requirements and international standards;
- regular inspections/auditing of work places and consequent evaluations of areas for improvement;
- reporting, registering and analysing accidents, injuries and illnesses.

In operative terms, the Health and Safety Management System, as established by Group policies, includes an Occupational Safety Manual which outlines the policies issued by top management; these are implemented in operating procedures that cover the entire organisation.

In particular, 15 operating procedures have been defined concerning general safety aspects (management of electrical systems, fire prevention, personal protective equipment) and specific aspects (driving forklifts, information for suppliers and contractors, etc.). Work instructions have also been written explaining how each single operation should be carried out safely.

In December 2013, the Health and Safety Management System was certified to OHSAS 18001-2007 by an accredited external certification body: this certification was confirmed in November 2014.

In 2014, improvement actions planned to further develop safety awareness in the work place continued at Piaggio Vietnam. For this purpose, a Safety Committee was established involving all members of functions and chaired by the production manager. The Committee members are responsible for managing any safety-related problem within their areas of responsibility and corrective actions to take. They also conduct periodic audits of the entire site and report to the Committee on all relevant aspects regarding safety, so that corrective actions may be promptly taken.

In line with the Health and Safety Management System, extensive training on conduct and specialist training were provided during 2014, amounting to some 6,150 hours in total, which is a considerable increase compared to the same period of the previous year. The purpose of training workers about conduct is to promote a greater safety awareness and ensure that all employees can address safety issues as players. As part of specialist training, initiatives include a training session for the team of R&D department road testers, chaired by a member of the National Committee for Traffic Safety, with each tester given guidelines on how to drive and ride vehicles safely and how to behave in an accident.

Along with personnel training, actions also focused on consolidating a culture of safety, including:

- “**The best safety coordinator of Piaggio Vietnam**” where the coordinator making the biggest contribution to safety activities, identifying the most hazards, making the most suggestions to improve safety and the most inspections etc., is selected;
- **Safety interviews or toolbox meetings**, with specific topics prepared by the safety department in conjunction with the area supervisor and safety coordinator, that are then notified by the line manager to co-workers, to increase their involvement and responsibility concerning safety issues;
- **Periodic safety audits** to guarantee that safety conditions are maintained and indicate possible improvement actions. Moreover, audit results are used to compare various company areas and identify the safest place, which is also considered in recognition & reward policies.

Contractors / external suppliers that operate at Vietnamese sites are required to attend a specific training session on safety, after which permits to access the work place are issued. The list of companies granted access is managed by the Industrial Safety department and updated every 3 months. Specific training addresses the following:

- Piaggio Vietnam’s safety policy and regulations in force at the factory;
- the Company emergency plan and fire prevention;
- safety measures indicated in work instructions provided by the contractor.

Employees of companies operating at the site are also tested every three months on the training session attended. If test results are unsuccessful, the employees are requested to attend the training course again.

As established by laws in force, an emergency plan has been defined which includes analysis of main risks (fire, chemical product spills, food poisoning and injuries), operating procedures to adopt during various types of emergency, roles and actions that suitably trained and duly appointed personnel shall adopt and communication protocols. An extensive range of fire detection and extinguishing equipment, including smoke detectors, sirens, extinguishers and hydrants, is in place at the factory. Fire exits, escape routes and all of the above systems are clearly indicated. The efficiency of this system is periodically tested with drills involving Piaggio personnel. In October 2014, an emergency drill was held inside the site, involving external organisations including the Fire Brigade, Traffic Police and the Hospital. Piaggio Vietnam took part in the local competition on fire prevention for companies, and won second prize. With this result, Piaggio Vietnam has been highly regarded by the local authorities of the province and selected as a Best Practice in Safety and Fire Prevention Company.

As confirmation of work carried out in the last few years, the number of accidents occurring in 2014 was extremely low and down on the previous year, with a frequency index of 0.1 in 2014 against 0.2 registered in 2013.

Accident Frequency Index - Vietnam

	2014	2013	2012	2011
Vietnam	0.1	0.2	0.2	0.1

Medical Centre activities continued in 2014; the presence of a doctor and professional nurses means that medical assistance can be provided at the site in the case of minor illnesses, to carry out medical tests and administer medicines that are reimbursed by the Vietnamese state, thanks to an agreement with the local welfare department. The Medical Centre also organised a “Nutrition Day” in June dedicated to the health of employees’ children, which is reported in the section on Industrial Relations.

In 2014, all employees had annual health checks in December, as of regulations. Employees who work in conditions of discomfort, such as painting and welding, have 2 occupational disease check ups, in June and December.

India

In India, the health and safety of employees is fundamental for Piaggio. In this regard, the entire company is focussed on reducing the risk of accidents and health hazards, and at increasing employees’ awareness of occupational safety issues, guaranteeing compliance with local regulations, international standards and, in general Piaggio Group policies, establishing improvement objectives for occupational health and safety on an ongoing basis.

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

In particular, as part of this organisation, additional roles and responsibilities are defined, involving the entire Company:

› **functional area managers** have primary responsibility for health and safety within their division and

for managing safety policies and relative organisational procedures, supported by Safety Managers. Responsibilities include, among others, the following aspects:
- establishing measures to prevent accidents in the division, in conjunction with the Safety Manager;
- guaranteeing that operating safety programmes are duly adopted, defining the roles and responsibilities of supervisors and blue collar workers;
- providing and implementing health and safety procedures and work instructions applicable to their divisions in line with management system requirements;
- guaranteeing that work accidents are investigated and adopt consequent actions necessary to effectively and immediately eliminate the causes;

› **managers and supervisors** have primary responsibility for guaranteeing that the Company occupational health and safety policy and objectives are implemented and pursued. All managers and supervisors are responsible for the health and safety of their co-workers. This responsibility also covers the safety of equipment and assets within their areas of responsibility.
Managers shall ensure, among others, that all employees use personal protective equipment (PPE) appropriately, and that a preventive maintenance programme is established for all machinery, equipment and installations. Supervisors also have responsibility for ensuring that processing and operations are carried out in compliance with applicable safety procedures, regulations and operating instructions in force. They shall also check that preventive maintenance is carried out on equipment, as regards safety, and that equipment and plants are maintained in safe operating conditions, immediately reporting all possible faults.

The Health and Safety Management System is part of the organisational structure, in line with Group policies. At the Indian Subsidiary, the system includes an Occupational Safety Manual which outlines the policies issued by top management; these are then implemented in operating procedures that cover the entire organisation. In particular, 10 operating procedures have been defined concerning general and specific safety aspects and various work instructions, that explain how each single operation shall be carried out, so that safety standards are complied with.

In line with the Group's approach, a great deal has been invested in training over the last few years as a main driver to increase each employee's accountability in relation to safety and, consequently, to promote their proactive approach and involvement in safety issues.

In 2014, training on conduct and specialist training was provided, for a total of around 6,000 hours involving employees, suppliers and contractors operating at the site. Specialist training for employees included a training session for the team of R&D department road testers. Special attention was paid to the risk of attack by snakes and resulting first aid, as this is an issue of particular concern in rural areas of India where tests are often carried out. As part of road safety, the Indian subsidiary also took part in the national safety initiative "Road safety week" in 2014, organising safe driving sessions for vehicle and fork lift operators, and addressing road safety issues too. As regards training for suppliers and contractors, a "safety for vendors" training day was held in March 2014, to explain the basic principles behind Piaggio's safety policy and operating procedures to comply with.

Along with training, various initiatives were held to increase awareness of safety issues; events to celebrate "safety week" held from 4 to 11 March 2014 were particularly important. During this week, various initiatives took place to make all employees more aware of safety as a value, including: the "safety slogan competition" (with winners of various competitions winning for the best safety slogan, the best safety poster, the best online safety quiz), and the "school safety awareness programme", where employees gave talks about safety in schools. In general, the importance of taking an active approach to safety issues was discussed during the "safety week". The Company also launched a "TAKE...two" awareness campaign, with its main message being to get people to think before acting based on the principle "T:think;A:ask; K: know; E: execute".
At Indian sites, an emergency plan is in place based on current laws and practices and is tested during

annual drills involving personnel and simulating various scenarios. In particular, during 2014, extensive training on fire prevention was accompanied by simulations and analysis of emergency situations relative to:

› LPG leaks from a gas pipe flange;
› an electrical short circuit at a welding station;
› fire breaking out at a work station.

During the drills, episodes of staff feeling unwell were also simulated, to test the efficiency of first aid systems.

OHSAS-18001:2007 (Occupational Health & Safety Management System) certification was confirmed during 2014 for the 2W Vespa Plant while the certification process will be completed in the first few months of 2015 for the Commercial Vehicles site.

In line with activities carried out in the last few years, the number of accidents in 2014 was particularly low and on a par with 2013 values.

Accident Frequency Index - India

	2014	2013	2012	2011
India	0.3	0.2	0.4	1.0

A Medical Centre, manned by a specialist doctor and professional nursing staff, meant that 2,500 check ups were conducted in 2014, as well as 1,000 pre-employment check ups; 1,000 anti-tetanus vaccinations were given and around 800 checks ups required by health protocols were also conducted.

Events occurring after the end of the period

No events to be reported occurred after the end of the period.

Operating outlook

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

- confirming its leadership position on the European two-wheeler market, optimally levering the expected recovery by:
  - further consolidating the product range and targeting a growth in sales and margins in the motorcycle segment, with the restyled Moto Guzzi and Aprilia ranges;
  - entry on the electrical bicycle market, levering technological and design leadership;
  - current positions on the European commercial vehicles market will be maintained;
- continuing the growth strategy in the Asia Pacific area, exploring new opportunities in medium and large sized motorcycle segments, and replicating the premium strategy for Vietnam, throughout the region. During 2015, direct sales activities of the Group will be consolidated in China, with the aim of penetrating the premium two-wheeler market;
- consolidating sales on the Indian scooter market, focussing on an increase in Vespa products and the introduction of new models in the premium scooter and motorcycle segments;
- increasing sales of commercial vehicles in India and in emerging countries, targeting a further development of exports to African and Latin American markets.

In technological terms, the Piaggio Group will continue 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 2015 - to increasing productivity with a strong focus on efficient costs and investments, while complying with its business ethics.

Transactions with related parties

Revenues, costs, payables and receivables as of 31 December 2014 involving parent companies, subsidiaries and associates refer to the sale of goods or services which are a part of normal operations of the Group.
Transactions are carried out at normal market values, depending on the characteristics of the goods and services provided.
The information on transactions with related parties, including information required by Consob in its communication no. DEM/6664293 of 28 July 2006, is given in the notes to the Consolidated Financial Statements and notes to the separate Financial Statements of the Parent Company.
The procedure for transactions with related parties, pursuant to article 4 of Consob Regulation no. 17221 of 12 March 2010 as amended, approved by the Board on 30 September 2010, is published on the institutional site of the Issuer www.piaggiogroup.com, under *Governance*.

Relations with Parent Companies

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

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

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

Piaggio & C. S.p.A. has undertaken a rental agreement for offices owned by Omniaholding S.p.A.. This agreement, signed in normal market conditions, was previously approved by the Related Parties Transactions Committee, as provided for by the procedure for transactions with related parties adopted by the Company.
Piaggio Concept Store Mantova Srl has a lease contract for its sales premises and workshop with Omniaholding S.p.A.. This agreement was signed in normal market conditions.
Omniaholding S.p.A. has undersigned Piaggio & C. bonds for a value of € 2.9 million on the financial market, and collected related interest.

Transactions with Piaggio Group companies

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

Piaggio & C. S.p.A.

- sells vehicles, spare parts and accessories to sell on respective markets, to:
  - Piaggio Hrtvaska
  - Piaggio Hellas
  - Piaggio Group Americas
  - Piaggio Vehicles Private Limited
  - Piaggio Vietnam
  - Piaggio Concept Store Mantova
- sells components to:
  - Piaggio Vehicles Private Limited
  - Piaggio Vietnam
- grants licences for rights to use the brand and technological know how to:
  - Piaggio Vehicles Private Limited
  - Piaggio Vietnam
- provides support services for scooter and engine industrialisation to:
  - Piaggio Vehicles Private Limited
  - Piaggio Vietnam
- provides support services for staff functions 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.
- Foshan Piaggio Vehicles Tecnologies R&D

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

Piaggio 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 España and Piaggio Vespa

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

Piaggio Asia Pacific

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

Piaggio Group Canada

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

Foshan Piaggio Vehicles Tecnologies R&D provides to:

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

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

Piaggio Advanced Design Center:

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

Aprilia Racing:
- provides a racing team management service;
- provides a vehicle design service to Piaggio & C. S.p.A.

Atlantic 12
- rents a property to Piaggio & C. S.p.a.

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

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

Piaggio & C. S.p.A.

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

Zongshen Piaggio Foshan Motorcycle Co. Ltd

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

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

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

Corporate Governance

Profile

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

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

The Company has adopted the Corporate Governance Code of Borsa Italiana S.p.A. and observes principles of corporate governance contained in the code.
The Company is subject to the management and coordination of IMMSI S.p.A. pursuant to article 2497 et seq. of the Italian Civil Code.

Board of Directors

The Board of Directors of the Company in office at the date of this Report comprises 11 members appointed by the Ordinary General Meeting of Shareholders of 13 April 2012, based on the single slate of candidates submitted by the majority shareholder IMMSI S.p.A.. The Board of Directors will remain in office until the date of the Shareholders' Meeting called for approval of the financial statements for the financial year ending 31 December 2014.

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

Committees

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

Internal control and risk management system

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

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

Board of Statutory Auditors

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

Corporate Governance Report

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

Other information

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

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

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

As regards regulatory requirements on conditions for listing companies controlling companies established and governed according to laws of non-EU Member States on the stock exchange and material importance for the purposes of consolidated financial statements, the following is reported:
- as of 31 December 2014, the regulatory requirements of article 36 of the Regulation on Markets apply to the subsidiaries: Piaggio Vehicles Private Limited, Piaggio Vietnam Co Ltd and Piaggio Group Americas Inc;
- adequate procedures for ensuring full compliance with the above regulation have been adopted.

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

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

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

	Net profit as 31.12.2014	Shareholders' equity as of 31.12.2014	Net profit as 31.12.2013	Shareholders' equity as of 31.12.2013
In thousands of Euros				
Piaggio & C. S.P.A.	**14,810**	**328,978**	**(1,649)**	**316,906**
Net profit and shareholders' equity of subsidiaries	59,164	187,768	53,465	172,978
Elimination of the carrying amount of investments		(89,597)		(83,780)
Elimination of dividends from subsidiaries	(56,985)		(64,089)	
Sale/disposal of intangible assets/ property, plant and equipment to subsidiaries	(328)	(16,247)	823	(18,791)
Elimination of the effects of other intergroup transactions and other records	(597)	2,167	4,922	4,801
Piaggio Group	**16,064**	**413,069**	**(6,528)**	**392,115**

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

Dear Shareholders,

The Board of Directors of your Company has convened the ordinary Shareholders' Meeting for your approval of the draft financial statements of Piaggio & C. S.p.A. at 31 December 2014.

The financial statements at 31 December 2014 closed with a profit of Euro 14,809,963.48; we propose to allocate this profit as follows:
- Euro 740,498.17 as legal reserve;
- Euro 14,069,465.31 as dividends.

Furthermore, we are submitting, for your approval, the proposal to distribute a dividend of Euro 0.072 for every qualifying share and therefore (taking into account the 2,466,500 treasury shares in the Company's portfolio) a total of Euro 26,007,003.36, of which:
- Euro 14,069,465.31, from the profit of the period (excluding the amount to be allocated as legal reserves);
- additional Euro 11,937,538.05, from the "Retained Earnings" reserve (which will be subsequently reduced from Euro 59,726,345.60 to Euro 47,788,807.55).

We are submitting, for your approval, to establish 20th April 2015 as the coupon no. 8 detachment date, 21st April 2015 as dividend record date and 22nd April 2015 as the date from which the dividend is payable.

Mantua, 27 February 2015

For the Board of Directors

/f/ Roberto Colaninno

Chairman and Chief Executive Officer
Roberto Colaninno

Economic glossary

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

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

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

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

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

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

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

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

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

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

In some cases, data could be affected by rounding off defects due to the fact that figures are represented in millions of euros; changes and percentages are calculated from figures in thousands of euros and not from rounded off figures in millions of euros.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PIAGGIO GROUP
CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2014

Consolidated Income Statement

Notes	In thousands of Euros	2014 Total	of which related parties	2013 Total	of which related parties
4	**Net revenues**	**1,213,272**	**166**	**1,212,535**	**343**
5	Cost for materials	707,515	20,674	714,453	23,143
6	Cost for services and leases and rentals	212,638	3,715	205,893	3,920
7	Employee costs	211,513		211,656	
8	Depreciation and impairment costs of property, plant and equipment	41,710		38,834	
8	Amortisation and impairment costs of intangible assets	47,934		45,311	
9	Other operating income	97,123	2,491	91,338	601
10	Other operating costs	19,424	19	25,099	15
	Operating income	**69,661**		**62,627**	
11	Income/(loss) from investments	(184)		2,264	
12	Financial income	1,606		2,621	
12	Borrowing costs	43,504	388	36,870	308
46	*of which non-recurrent*	*3,552*			
12	Net exchange gains/(losses)	(1,065)		(376)	
	Profit before tax	**26,514**		**30,266**	
13	Taxes for the period	10,450	(125)	36,794	6,177
46	*of which non-recurrent*	*(977)*		*24,594*	
	Profit from continuing operations	**16,064**		**(6,528)**	
	Assets held for sale:				
14	Profits or losses arising from assets held for sale				
	Net Profit (Loss) for the period	**16,064**		**(6,528)**	
	Attributable to:				
	Owners of the Parent	**16,065**		**(6,547)**	
	Non-controlling interests	**(1)**		**19**	
15	**Earnings per share (figures in €)**	**0.044**		**(0.018)**	
15	**Diluted earnings per share (figures in €)**	**0.044**		**(0.018)**	

Consolidated Statement of Comprehensive Income

Notes	In thousands of Euros	2014	2013
	Net Profit (Loss) for the period (A)	**16,064**	**(6,528)**
	Items that will not be reclassified to profit or loss		
31	Remeasurements of defined benefit plans	(5,594)	522
	Total	**(5,594)**	**522**
	Items that may be reclassified to profit or loss		
31	Profit (loss) deriving from the translation of financial statements of foreign companies denominated in foreign currency	8,215	(10,172)
31	Total gains (losses) on cash flow hedges	735	1,704
	Total	**8,950**	**(8,468)**
	Other Comprehensive Income (Expense) (B)*	**3,356**	**(7,946)**
	Total Comprehensive Income (Expense) for the period (A + B)	**19,420**	**(14,474)**
	Attributable to:		
	Owners of the Parent	**19,430**	**(14,482)**
	Non-controlling interests	**(10)**	**8**

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

Consolidated Statement of Financial Position

Notes	In thousands of Euros	As of 31 December 2014 Total	of which related parties	As of 31 December 2013 Total	of which related parties
	Assets				
	Non-current assets				
16	Intangible assets	668,354		654,528	
17	Property, plant and equipment	307,561		302,767	
18	Investment property	11,961		7,346	
19	Investments	8,818		8,152	
20	Other financial assets	19,112		10,468	
21	Long-term tax receivables	3,230		2,974	
22	Deferred tax assets	46,434		33,660	
23	Trade receivables				
24	Other receivables	13,647	197	13,368	231
	Total non-current assets	**1,079,117**		**1,033,263**	
28	**Assets held for sale**				
	Current assets				
23	Trade receivables	74,220	856	75,722	864
24	Other receivables	36,749	9,440	26,514	7,162
21	Short-term tax receivables	35,918		23,615	
25	Inventories	232,398		207,808	
26	Other financial assets			838	
27	Cash and cash equivalents	98,206		66,504	
	Total current assets	**477,491**		**401,001**	
	Total assets	**1,556,608**		**1,434,264**	
	Shareholders' equity and liabilities				
	Shareholders' equity				
31	Share capital and reserves attributable to the owners of the Parent	412,147		391,183	
31	Share capital and reserves attributable to non-controlling interests	922		932	
	Total shareholders' equity	**413,069**		**392,115**	
	Non-current liabilities				
32	Financial liabilities falling due after one year	506,463	2,900	434,865	2,900
33	Trade payables				
34	Other long-term provisions	10,394		11,083	
35	Deferred tax liabilities	5,123		5,722	
36	Retirement funds and employee benefits	55,741		49,830	
37	Tax payables	0		0	
38	Other long-term payables	3,645		4,148	
	Total non-current liabilities	**581,366**		**505,648**	
	Current liabilities				
32	Financial liabilities falling due within one year	102,474		116,872	
33	Trade payables	386,288	15,580	346,164	11,204
37	Tax payables	14,445		12,587	
38	Other short-term payables	49,148	8,397	45,416	6,474
34	Current portion of other long-term provisions	9,818		15,462	
	Total current liabilities	**562,173**		**536,501**	
	Total shareholders' equity and liabilities	**1,556,608**		**1,434,264**	

Consolidated Statement of Cash Flows

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

Notes	In thousands of Euros	2014 Total	of which related parties	2013 Total	of which related parties
	Operating activities				
	Consolidated net profit	16,065		(6,547)	
	Allocation of profit to non-controlling interests	(1)		19	
13	Taxes for the period	10,450		36,794	
8	Depreciation of property, plant and equipment	41,419		38,409	
8	Amortisation of intangible assets	47,934		44,706	
	Provisions for risks and retirement funds and employee benefits	17,453		17,875	
	Write-downs / (Reversals)	(1,969)		4,829	
	Losses / (Gains) on the disposal of property, plants and equipment	32		(164)	
12	Financial income	(905)		(1,473)	
	Dividend income	(5)		(154)	
12	Borrowing costs	41,044		32,339	
	Income from public grants	(2,823)		(4,751)	
	Portion of earnings of associates	113		(2,110)	
	Change in working capital:				
23	(Increase)/Decrease in trade receivables	3,383	8	(11,296)	82
24	(Increase)/Decrease in other receivables	(10,040)	(2,244)	13,680	(411)
25	(Increase)/Decrease in inventories	(24,590)		13,278	
33	Increase/(Decrease) in trade payables	40,124	4,376	(46,988)	(6,178)
	Increase/(Decrease) in other payables	3,229	1,923	(7,204)	6,287
34	Increase/(Decrease) in provisions for risks	(15,495)		(12,934)	
36	Increase/(Decrease) in retirement funds and employee benefits	(2,851)		(9,352)	
	Other changes	(38,193)		(15,509)	
	Cash generated from operating activities	**124,374**		**83,447**	
	Interest paid	(36,180)		(30,727)	
	Taxes paid	(21,832)		(16,600)	
	Cash flow from operating activities (A)	**66,362**		**36,120**	
	Investing activities				
17	Investment in property, plant and equipment	(36,628)		(38,845)	
	Sale price, or repayment value, of property, plant and equipment	833		1,287	
16	Investment in intangible assets	(58,265)		(48,758)	
	Sale price, or repayment value, of intangible assets	59		219	
	Purchase of financial assets	0		(838)	
	Sale price of financial assets	915		1,260	
	Interest collected	528		994	
	Cash flow from investing activities (B)	**(92,558)**		**(84,681)**	
	Financing activities				
29	Exercising of stock options with capital increase	5,076		274	
29	Exercising of stock options with sale of treasury shares	245		532	
29	Purchase of treasury shares	(3,787)		(1,003)	
31	Outflow for dividends paid	0		(33,087)	
32	Loans received	207,973		111,609	
32	Outflow for repayment of loans	(134,683)		(52,977)	
32	Financing received for leases	267		0	
32	Repayment of finance leases	(5,835)		(936)	
	Cash flow from financing activities (C)	**69,256**		**24,412**	
	Increase / (Decrease) in cash and cash equivalents (A+B+C)	43,060		(24,149)	
	Opening balance	**52,816**		**84,140**	
	Exchange differences	(5,751)		(7,175)	
	Closing balance	**90,125**		**52,816**	

Changes in Consolidated Shareholders' Equity

Movements from 1 January 2014 / 31 December 2014

Notes	In thousands of Euros	Share capital	Share premium reserve	Legal reserve	Reserve for measurement of financial instruments	IAS transition reserve
	As of 1 January 2014	**205,570**	**3,681**	**16,902**	**(1,565)**	**(5,859)**
	Net Profit (Loss) for the period					
	Other Comprehensive Income (Expense)				735	
	Total comprehensive income (expense) for the period	**0**	**0**	**0**	**735**	**0**
31	Allocation of profits					
31	Distribution of dividends					
	Exercise of stock options:					
31	- issue of new shares	1,587	3,489			
31	- sale of treasury shares	114				
31	Purchase of treasury shares	(1,043)				
31	Other changes		1			
	As of 31 December 2014	**206,228**	**7,171**	**16,902**	**(830)**	**(5,859)**

Movements from 1 January 2013 / 31 December 2013

Notes	In thousands of Euros	Share capital	Share premium reserve	Legal reserve	Reserve for measurement of financial instruments	IAS transition reserve
	As of 1 January 2013	**199,504**	**3,493**	**14,593**	**(3,269)**	**(5,859)**
	Net Profit (Loss) for the period					
	Other Comprehensive Income (Expense)				1,704	
	Total comprehensive income (expense) for the period	**0**	**0**	**0**	**1,704**	**0**
31	Allocation of profits			2,309		
31	Distribution of dividends					
31	Annulment of treasury shares	6,066				
	Exercise of stock options:					
31	- issue of new shares	86	188			
31	- sale of treasury shares	200				
31	Purchase of treasury shares	(286)				
31	Other changes					
	As of 31 December 2013	**205,570**	**3,681**	**16,902**	**(1,565)**	**(5,859)**

Group consolidation reserve	Group conversion reserve	Stock option reserve	Earnings reserve	Consolidated Group shareholders' equity	Share capital and reserves attributable to non-controlling interests	Total shareholders' equity
993	(27,063)	13,385	185,139	391,183	932	392,115
			16,065	16,065	(1)	16,064
	8,224		(5,594)	3,365	(9)	3,356
0	8,224	0	10,471	19,430	(10)	19,420
				0		0
				0		0
				5,076		5,076
			131	245		245
			(2,744)	(3,787)		(3,787)
		(1)		0		0
993	(18,839)	13,384	192,997	412,147	922	413,069

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

Notes to the Consolidated Financial Statements

A) General aspects

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

Scope of consolidation

As of 31 December 2014, the structure of the Piaggio Group was as indicated in the Report on Operations and is the structure referred to herein.
The scope of consolidation changed compared to the Consolidated Financial Statements as of 31 December 2013, following the establishment on 14 April 2014 of a new company - Piaggio Concept Store Mantova S.r.l. - wholly owned by Piaggio & C S.p.A., that manages the Group's flagship stores, and the completion on 16 December 2014 of the liquidation process and closure of the company Derbi Racing.
On 4 August 2014, the Spanish branch of Piaggio & C. S.p.A. - *Piaggio & C. S.p.A. - Sucursal en España* was closed down.

Compliance with international accounting standards

The Consolidated Financial Statements of the Piaggio Group as of 31 December 2014 have been drafted in compliance with the International Accounting Standards (IAS/IFRS) in force at that date, issued by the International Accounting Standards Board and approved by the European Commission, as well as in compliance with the provisions established in Article 9 of Legislative Decree no. 38/2005 (Consob Resolution no. 15519 dated 27 July 2006 containing the "Provisions for the presentation of financial statements", Consob Resolution no. 15520 dated 27 July 2006 containing the "Changes and additions to the Regulation on Issuers adopted by Resolution no. 11971/99", Consob communication no. 6064293 dated 28 July 2006 containing the "Corporate reporting required in accordance with Article 114, paragraph 5 of Legislative Decree no. 58/98"). The interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously the Standing Interpretations Committee ("SIC"), were also taken into account.
Moreover, international accounting standards have been uniformly adopted for all Group companies.
The financial statements of subsidiaries, used for consolidation and for the joint venture consolidated using the equity method, have been appropriately modified and reclassified, where necessary, to bring them in line with the international accounting standards and uniform classification criteria used by the Group.

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

Other information

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

1. Form and content of the financial statements

Form of the consolidated financial statements

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

Consolidated Income Statement

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

Consolidated Statement of Comprehensive Income

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

Consolidated Statement of Financial Position

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

Consolidated Statement of Cash Flows

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

Statement of Changes in Consolidated Shareholders' Equity

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

Contents of the Consolidated Financial Statements

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

As of 31 December 2014 subsidiaries and associates of Piaggio & C. S.p.A. were as follows:

	Subsidiaries			Associates			Total
	Italy	Abroad	Total	Italy	Abroad	Total	
Companies:							
- consolidated on a line-by-line basis	3	20	23				23
- consolidated with the equity method				2	3	5	5
Total companies	**3**	**20**	**23**	**2**	**3**	**5**	**28**

2. Consolidation principles and evaluation criteria

2.1 Principles of consolidation

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

Subsidiaries

Subsidiaries are companies in which the Group exercises control. This control exists when the Group is exposed, or is entitled to receive variable returns from its involvement in the company and has the capacity to influence such returns through its power over the controlled company. The acquisition of subsidiaries is recognised according to the acquisition method. The cost of acquisition is determined by the sum of present values at the date control of the given assets was obtained, liabilities borne or undertaken and financial instruments issued by the Group in exchange for control of the acquired company.
In the case of acquisitions of companies, acquired and identifiable assets, liabilities and potential liabilities are recognised at the present value at the date of acquisition. The positive difference between the acquisition cost and the share of the Group at the present value of said assets and liabilities is classified as goodwill and recognised in the financial statements as an intangible asset. Any negative difference ("negative goodwill") is recognised instead in profit and loss at the date of acquisition.
The financial statements of subsidiaries are included in the Consolidated Financial Statements starting from the date when control is acquired until control ceases.
The portions of shareholders' equity and income attributable to non-controlling interests are separately indicated in the Consolidated Statement of Financial Position and Consolidated Income Statement respectively.

Associates

Associates are companies in which the Group has considerable influence but not control of financial and operational policies. The Consolidated Financial Statements include the portion relative to the Group of income of associates, accounted for using the equity method, starting from the date when it commences to have considerable influence and ending when said influence ceases. In the event any portion attributable to the Group of losses of the associates exceeds the book value of investment in the financial statements, the value of the investment is reset to zero and the portion of further losses is not recorded, except in cases where and to the extent in which the Group is required to be held liable for said losses.

Joint arrangements

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

With the equity method, interests in joint ventures are initially recognised at cost and subsequently adjusted to indicate the portion of post-acquisition profits or losses attributable to the Group and movements in the Statement of Comprehensive Income.
In the event any portion attributable to the Group of losses of the joint venture exceeds the book value of the investment in the financial statements, the value of the investment is reset to zero and the portion of further losses is not recorded, except in cases where and to the extent in which the Group is required to be held liable for said losses.
As regards transactions between a Group company and a joint venture, unrealised profits and losses are eliminated to an extent equal to the percentage of the investment of the Group in the jointly controlled company, with the exception of unrealised losses that constitute evidence of an impairment of the transferred asset.

Transactions eliminated during the consolidation process

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

Transactions in foreign currency

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

Consolidation of foreign companies

The separate financial statements of each company belonging to the Group are prepared in the currency of the primary economic environment in which they operate (the functional currency). For the purposes of the Consolidated Financial Statements, the financial statements of each foreign entity are in euro, which is the functional currency of the Group and the presentation currency of the Consolidated Financial Statements.
All assets and liabilities of foreign companies in a currency other than the euro which come under the scope of consolidation are translated, using exchange rates in effect at the reporting date (currency exchange rates method). Income and costs are translated at the average exchange rate of the period. Translation differences arising from the application of this method, as well as translation differences arising from a comparison of initial shareholders' equity translated at current exchange rates and the same equity translated at historical rates, are recognised in the Statement of Comprehensive Income and allocated to a specific reserve in shareholders' equity until disposal of the investment. Average exchange rates for translating the cash flows of foreign subsidiaries are used in preparing the Consolidated Statement of Cash Flows.
The exchange rates used to translate the financial statements of companies included in the scope of consolidation into euros are shown in the table below.

Currency	Spot exchange rate 31 dicembre 2014	Average exchange rate 2014	Spot exchange rate 31 dicembre 2013	Average exchange rate 2013
US Dollar	1.2141	1.3285	1.3791	1.32812
Pounds Sterling	0.7789	0.80612	0.8337	0.849255
Indian Rupee	76.719	81.0406	85.366	77.93
Singapore Dollars	1.6058	1.68232	1.7414	1.66188
Chinese Renminbi	7.5358	8.18575	8.3491	8.16463
Croatian Kuna	7.6580	7.63442	7.6265	7.57862
Japanese Yen	145.23	140.306	144.72	129.663
Vietnamese Dong	25,834.65	27,967.22	28,801.07	27,660.17
Canadian Dollars	1.4063	1.46614	1.4671	1.36837
Indonesian Rupiah	15,103.40	15,720.31055	16,866.39	13,907.5573
Brazilian Real	3.2207	3.12113	3.2576	2.86866

2.2 Accounting policies

The most significant accounting policies adopted to prepare the Consolidated Financial Statements as of 31 December 2014 are outlined below.

Intangible assets

As provided for in IAS 38, an intangible asset which is purchased or self-created, is recognised as an asset only if it is identifiable, controllable and future economic benefits are expected and its cost may be measured reliably.

Intangible assets with a definite useful life are measured at acquisition cost or production cost net of amortisation and accumulated impairment losses. Borrowing costs related to the acquisition, construction or production of certain activities that require a significant period of time before they are ready for use or sale (qualifying assets), are capitalised along with the asset.

Amortisation is referred to the expected useful life and commences when the asset is available for use.

Goodwill

In the case of acquisitions of companies, acquired and identifiable assets, liabilities and potential liabilities are recognised at the present value at the date of acquisition. The positive difference between the acquisition cost and the share of the Group at the present value of said assets and liabilities is classified as goodwill and recognised in the financial statements as an intangible asset. Any negative difference ("negative goodwill") is recognised instead in profit and loss at the date of acquisition.

Goodwill is not amortised but tested annually for impairment, or more frequently if specific events or changed circumstances indicate that an asset may be impaired, as provided for in IAS 36 - *Impairment of Assets*.

After initial recognition, goodwill is recognised at cost net of any accumulated impairment losses.

At the disposal of part of or of an entire company previously acquired from whose acquisition goodwill arose, the corresponding residual value of goodwill is considered when measuring the capital gain or loss of the disposal.

Development costs

Development costs of projects for the manufacture of vehicles and engines are recognised as assets only if all of the following conditions are met: the costs can be reliably measured and the technical feasibility of the product, the volumes and expected prices indicate that costs incurred during development will generate future economic benefits. Capitalised development costs include only costs incurred that may be directly attributed to the development process.

Capitalised development costs are amortised on a systematic criterion basis, starting from the beginning of production through the estimated life of the product.

All other development costs are recognised in profit or loss when they are incurred.

Other intangible assets

As provided for in IAS 38 – *Intangible Assets*, other intangible assets which are purchased or self-created are recognised as assets if it is probable that use of the asset will generate future economic benefits and the cost of the asset can be reliably measured.

These assets are recognised at acquisition or production cost and are amortised on a straight line basis over their estimated useful life, if they have a definite useful life.

Other intangible assets recognised following the acquisition of a company are accounted for separately from goodwill, if their present value may be reliably measured.

The amortisation period for an intangible asset with a useful life is revised at least at the end of each reporting period. If the expected useful life of the activity differs from estimates previously made, the amortisation period is changed accordingly.

The amortisation periods of Intangible Assets are shown below:

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

Property, plant and equipment

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

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

Assets held through finance lease agreements, on the basis of which all risks and benefits related to ownership are basically transferred to the Group, are recognised as Group assets at their fair value, or if lower, at the present value of minimum payments due for the lease. The corresponding liability vis-à-vis the lessor is recognised in the financial statements as a financial payable. The assets are depreciated applying the criterion and rates used for assets owned by the company.
Leases in which the lessor basically retains all risks and benefits related to ownership are classified as operating leases. The costs referred to operating leases are recognised on a line-by-line basis in profit and loss over the term of the lease agreement.
The Group has its own production plants even in countries where ownership rights are not allowed. In 2007, on the basis of clarification from IFRIC, the Group reclassified as receivables the rentals paid in advance to obtain the availability of land where its production sites are situated.
Profits and losses arising from the sale or disposal of assets are measured as the difference between the sale revenue and net book value of the asset and are recognised in profit or loss for the period.

Impairment

At the end of the reporting period, the Group reviews the book value of its tangible and intangible assets to determine whether there is any indication that these assets may be impaired (impairment test). If there is an indication that an asset may be impaired, the asset's recoverable amount is estimated to determine the amount of the write-down. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the asset's cash generating unit.
The recoverable amount is the higher of an asset's fair value less costs to sell (if available) and its

value in use. In measuring the value in use, estimated future cash flows are discounted at their fair value, using a rate which reflects current market changes in the fair value of money and specific risks of the asset.
If the recoverable amount of an asset (or of a cash generating unit) is estimated to be lower than the relative carrying amount, the carrying amount of the asset is reduced to the lower recoverable value. An impairment loss is immediately recognised in profit or loss, unless the asset concerns land or property other than investment property recognised at revalued values. In said case, the loss is recorded in the relative reversal reserve.
When the conditions that gave rise to an impairment loss no longer exist, the carrying amount of the asset (or of a cash generating unit), except for goodwill, is increased to the new value arising from an estimate of its recoverable amount, up to the net carrying amount applicable to the asset if no impairment loss had been recognised. The reversal of the impairment loss is immediately recognised in profit or loss.
An intangible asset with an indefinite useful life is tested annually for impairment, or more frequently if there is an indication that an asset may be impaired.

Investment property

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

Transactions with subsidiaries and related parties

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

Non-current assets held for sale

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

Financial assets

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

Inventories

Inventories are recognised as the lower of the purchase or production cost, determined by assigning to products the costs directly incurred in addition to the portion of indirect costs reasonably attributable to the performance of production activities in normal production capacity conditions and the market value at the end of the reporting period.

The purchase or production cost is determined based on the weighted average cost method.
As regards raw materials and work in progress, the market value is represented by the estimated net realisable value of corresponding finished products minus completion costs. as regards finished products, the market value is represented by the estimated net realisable value (price lists minus the costs to sell and distribution costs).
The lower evaluation based on market trends is eliminated in subsequent years, if the trends no longer exist.
Obsolete, slow moving and/or excess inventories are impaired in relation to their possible use or future realisation, in a provision for the write-down of inventories.

Receivables

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

Factoring

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

Cash and cash equivalents

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

Treasury shares

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

Financial liabilities

Financial liabilities are recognised based on amounts cashed net of relative transaction costs. After initial recognition, loans are evaluated at amortised cost and calculated using the effective interest rate. Financial liabilities hedged by derivatives are measured at present value, according to procedures established for hedge accounting applicable to the fair value hedge and cash flow hedge.
On initial recognition, a liability may also be designated at fair value recognised in profit or loss when this eliminates or considerably reduces a lack of uniformity in the measurement or recognition (sometimes defined as "asymmetric accounting") that would otherwise arise from the measurement of an asset or liability or recognition of relative profit and loss on different bases. This fair value designation is exclusively applied to some financial liabilities in currency subject to exchange risk hedging.

Derivatives and measurement of hedging operations

Group assets are primarily exposed to financial risks from changes in exchange and interest rates, and commodity prices. The Group also uses derivatives to manage these risks, according to procedures in line with the Group's risk management policies.

Derivatives are initially measured at fair value represented by the initial amount.
Financial derivatives are only used for hedging purposes, against exchange rate and interest rate fluctuations. In line with IAS 39, financial derivatives may qualify for hedge accounting, only when the hedging instrument is formally designated and documented, is expected to be highly effective and this effectiveness can be reliably measured and is highly effective throughout the reporting periods for which it is designated.
When financial instruments may be measured by hedge accounting, the following accounting treatment is adopted:

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

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

Long-term provisions

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

Retirement funds and employee benefits

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

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

Termination benefit

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

Stock Option Plan

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

Tax assets and liabilities

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

Payables

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

Reverse factoring

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

Recognition of revenues

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

Grants

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

Financial income

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

Borrowing Costs

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

Dividends

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

Income tax

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

Earnings per share

Basic earnings per share are calculated dividing the profit or loss attributable to shareholders of the

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

Use of estimates

The preparation of the financial statements and notes in compliance with IFRS requires management to make estimates and assumptions which have an impact on the values of assets and liabilities and on disclosure regarding contingent assets and liabilities at the end of the reporting period. Actual results could differ from estimates. Estimates are used to measure intangible assets tested for impairment (see § Impairment losses) and to identify provisions for bad debts, for obsolete inventories, amortisation and depreciation, impairment of assets, employee benefits, taxes, restructuring provisions and other allocations and funds. Estimates and assumptions are periodically revised and the effects of any change are immediately recognised in profit or loss.

In the current world economic and financial crisis, assumptions made as to future trends are marked by a considerably degree of uncertainty. Therefore the possibility in the next reporting period of results that differ from estimates cannot be ruled out, and these could require even significant adjustments which at present cannot be predicted or estimated.

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

Recoverable value of non-current assets

Non-current assets include Property, Plant and Equipment, Goodwill, Other Intangible Assets, Investment Property, Investments and Other Financial Assets. The Group periodically revises the carrying amount of non-current assets held and used and of assets held for sale, when facts and circumstances make this necessary. This analysis is carried out at least annually for Goodwill, and whenever facts and circumstances make it necessary. Analysis of the recoverability of the carrying amount of Goodwill is generally based on estimates of expected cash flows from the use or sale of the asset and adequate discount rates to calculate the fair value. For investment property, the Group appoints an independent expert at the end of each reporting period (six-monthly or annually) to measure the "Fair value less cost of disposal" based on a market approach. When the carrying amount of a non-current asset is impaired, the Group recognises a write-down equal to the excess between the carrying amount of the asset and its recoverable value through use or sale, determined with reference to cash flows of the most recent company plans.

Recoverability of deferred tax assets

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

Pension schemes and other post-employment benefits

Provisions for employee benefits and net borrowing costs are measured using an actuarial method that requires the use of estimates and assumptions to determine the net value of the obligation. The actuarial method considers financial parameters such as the discount rate and growth rates of salaries and considers the likelihood of potential future events occurring on the basis of demographic parameters such as relative mortality rates and employee resignations or retirements. The assumptions used for the measurement are explained in section 36 "Retirement funds and employee benefits".

Provisions for write-down

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

Provision for obsolete inventories

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

Provision for product warranties

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

Potential liabilities

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

Amortisation/Depreciation

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

Income tax

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

New 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 renamed Separate Financial Statements* and regulates 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. The Group reviewed the control relationships of its investee companies as of 1 January 2014, without noting any effect caused by the adoption of the new standard.

On 12 May 2011, the IASB issued the standard IFRS 12 – *Disclosure of 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. The adoption of the new standard has not resulted in any significant effects for the Group.

At the same time as IFRS 10 and IFRS 12 were issued, the pre-existing IAS 27 *Consolidated and separate financial statements*, renamed Separate financial statements was amended as regards its name and contents, deleting all requirements relative to consolidated financial statements (other provisions are still valid). Following this amendment, the standard only defines the measurement and recognition criteria, as well as reporting to include in separate financial statements as regards subsidiaries, joint ventures and associates.

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 (joint ventures) in consolidated financial statements. The standard is applicable in a retrospective manner from 1 January 2014. The Group reviewed the control relationships of its investee companies as of 1 January 2014, without noting any effect caused by the adoption of the new standard.

At the same time as IFRS 11 and IFRS 12 were issued, the name and content of the pre-existing IAS 28 were amended. In particular, the new standard, which also includes provisions of SIC 13, outlines the application of the equity method which is used to measure joint ventures and associates in consolidated financial statements. The adoption of the new standard has not resulted in any significant effects for the Group.

On 29 May 2013, the IASB issued an amendment to IAS 36 – *Recoverable Amount Disclosures for Non-Financial Assets*, to clarify 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 standard is applicable in a retrospective manner from 1 January 2014. The adoption of the new standard has not resulted in any significant effects for the Group.

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 standard is applicable in a retrospective manner from 1 January 2014. The adoption of the new standard has not resulted in any significant effects for the Group.

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 standard is applicable in a retrospective manner from 1 January 2014. The adoption of the new standard has not resulted in any significant effects for the Group.

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 for years commencing from or after 1 January 2014. The adoption of the new standard has not resulted in any significant effects for the Group.

Accounting standards amendments and interpretations not yet applicable

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

› On 21 November 2013, the IASB published some minor amendments to IAS 19 – Employee benefits entitled "Defined Benefit Plans: Employee Contributions". These amendments concern the simplification of the accounting treatment of employees or, in specific cases, third-party contributions, to defined benefit plans. The amendments are applicable in a retrospective manner for years commencing from or after 1 July 2014. Early adoption is possible.

› On 12 December 2013, the IASB issued some amendments to IFRS (Annual Improvements to IFRSs - 2010-2012 Cycle and Annual Improvements to IFRSs - 2011-2013 Cycle). The most significant issues addressed in these amendments concern: the definition of accrual conditions in IFRS 2 – *Share-Based Payment*, disclosure on estimates and opinions used in grouping operating segments in IFRS 8 – *Operating Segments*, the identification and disclosure of related-party transactions arising when a services company provides a management service of key Directors that prepare financial statements in IAS 24 – Related Party Disclosures, the exclusion from the scope of application of IFRS 3 – *Business Combinations*, of all types of joint arrangements (as defined in IFRS 11 – *Joint Arrangements*), and some clarifications about exceptions to the scope of IFRS 13 – *Fair Value Measurement.*

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

› In May 2014, the IASB and FASB jointly published IFRS 15 "*Revenue from Contracts with Customers*". The purpose of this standard is to improve reporting on revenues and their comparability between different financial statements. The new standard is applicable in a retrospective manner for years commencing from or after 1 January 2017. Early adoption is possible.

› On 12 May 2014, the IASB issued amendments to IAS 16 and IAS 38 "*Clarification of Acceptable Methods of Depreciation and Amortisation*", that consider the adoption of depreciation and amortisation methods based on revenues as unacceptable. As regards intangible assets, this indication is considered as a relative assumption, that may only be overcome in one of the following circumstances: (i) the right to use an intangible asset is related to achieving a pre-established limit of revenues to produce; or (ii) when it may be demonstrated that the realisation of revenues and use of the economic benefits of the asset are strongly related. Amendments are applicable for years commencing from or after 1 January 2016.

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

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

B) Segment reporting

3.Operating segment reporting

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

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

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

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

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

Income Statement/Net capital employed by operating segment

		EMEA and Americas	India	Asia Pacific 2W	Total
Sales volumes (unit/000)	2014	219.5	229.2	97.8	**546.5**
	2013	220.9	233.3	101.4	**555.6**
	Change	(1.4)	(4.2)	(3.6)	**(9.1)**
	Change %	-0.6%	-1.8%	-3.5%	**-1.6%**
Net turnover (millions of euros)	2014	699.5	324.7	189.1	**1,213.3**
	2013	699.1	320.1	193.4	**1,212.5**
	Change	0.4	4.6	(4.3)	**0.7**
	Change %	0.1%	1.4%	-2.2%	**0.1%**
Gross margin (millions of euros)	2014	224.8	72.1	67.8	**364.7**
	2013	216.8	71.8	68.9	**357.5**
	Change	8.0	0.3	(1.1)	**7.2**
	Change %	3.7%	0.4%	-1.6%	**2.0%**
EBITDA (millions of euros)	2014				**159.3**
	2013				**146.8**
	Change				**12.5**
	Change %				**8.5%**
EBIT (millions of euros)	2014				**69.7**
	2013				**62.6**
	Change				**7.0**
	Change %				**11.2%**
Net profit (millions of euros)	2014				**16.1**
	2013				**(6.5)**
	Change				**22.6**
	Change %				
Capital employed (millions of euros)	2014	581.5	156.5	168.0	**905.9**
	2013	559.1	144.8	163.8	**867.7**
	Change	22.3	11.7	4.2	**38.1**
	Change %	4.0%	8.1%	2.5%	**4.4%**
Of which receivable (millions of euros)	2014	957.2	268.0	212.6	**1,437.8**
	2013	907.7	245.2	203.8	**1,356.8**
	Change	49.5	22.8	8.7	**81.0**
	Change %	5.5%	9.3%	4.3%	**6.0%**
Of which payable (millions of euros)	2014	375.8	111.6	44.6	**532.0**
	2013	348.6	100.4	40.0	**489.1**
	Change	27.2	11.1	4.6	**42.9**
	Change %	7.8%	11.1%	11.5%	**8.8%**

C) Information on the Consolidated Income Statement

4. Net revenues — €/000 1,213,272

Revenues are shown net of premiums recognised to customers (dealers).
This item does not include transport costs, which are recharged to customers (€/000 22,244) and invoiced advertising cost recoveries (€/000 3,799), which are posted under other operating income.
The revenues for disposals of Group core business assets essentially refer to the marketing of vehicles and spare parts on European and non-European markets.

Revenues by geographical segment

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

	2014		2013		Change	
	Amount	%	Amount	%	Amount	%
In thousands of Euros						
EMEA and Americas	699,511	57.6	699,062	57.7	448	0.1
India	324,679	26.8	320,092	26.4	4,587	1.4
Asia Pacific 2W	189,082	15.6	193,381	15.9	(4,298)	-2.2
Total	**1,213,272**	**100.0**	**1,212,535**	**100.0**	**737**	**0.1**

In 2014, the trend of net sales revenues was in line with figures for the previous year (+0.1%). For more detailed analysis of deviations in individual geographic segments, see comments in the Report on Operations.

5. Costs for materials — €/000 707,515

These totalled €/000 707,515 compared to €/000 714,453 in 2013.
The percentage of costs accounting for net sales went down, from 58.9% in 2013 to 58.3% in the current period. The item includes €/000 20,674 (€/000 23,143 in 2013) for purchases of scooters from the Chinese subsidiary Zongshen Piaggio Foshan, that are sold on European and Asian markets.

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

	2014	2013	Change
In thousands of Euros			
Raw, ancillary materials, consumables and goods	726,117	705,693	20,424
Change in inventories of raw, ancillary materials, consumables and goods	(12,227)	1,144	(13,371)
Change in work in progress of semifinished and finished products	(6,375)	7,616	(13,991)
Total costs for purchases	**707,515**	**714,453**	**(6,938)**

6. Costs for services and leases and rental costs *€/000 212,638*

Below is a breakdown of this item:

	2014	2013	Change
In thousands of Euros			
Employee costs	16,188	14,776	1,412
External maintenance and cleaning costs	8,243	7,585	658
Energy and telephone costs	17,493	19,106	(1,613)
Postal expenses	972	1,029	(57)
Commissions payable	1,237	2,343	(1,106)
Advertising and promotion	23,330	22,364	966
Technical, legal and tax consultancy and services	15,494	12,550	2,944
Company boards operating costs	2,261	2,197	64
Insurance	4,064	3,832	232
Insurance from related parties	49	51	(2)
Outsourced manufacturing	12,657	13,171	(514)
Outsourced services	13,280	12,960	320
Transport costs (vehicles and spare parts)	32,958	32,642	316
Internal shuttle services	661	742	(81)
Sundry commercial expenses	10,647	9,232	1,415
Expenses for public relations	3,740	3,742	(2)
Product warranty costs	8,652	10,485	(1,833)
Quality-related events	4,214	1,660	2,554
Bank costs and factoring charges	5,197	4,902	295
Misc services provided in the business year	8,713	7,425	1,288
Other services	5,196	4,343	853
Services from related parties	2,221	2,134	87
Lease and rental costs	13,726	14,887	(1,161)
Costs for leases and rentals of related parties	1,445	1,735	(290)
Total costs for services, leases and rental costs	**212,638**	**205,893**	**6,745**

For greater clarity and an adequate comparison of information under the item "Costs for services, leases and rentals" in the Consolidated Financial Statements as of 31 December 2013, some changes have been made to this item, adding further details and consequently reclassifying information presented for comparative purposes. The Group does not consider these changes, when compared to 2013 figures, as significant.

The increase recorded was partly due to higher consultancy fees and partly to costs incurred in the year for quality incidents.
Costs for leases and rentals include lease rentals for business properties of €/000 6,231, as well as lease payments for car hire, computers and photocopiers.
The item "Other" includes costs for temporary work of €/000 1,867.

7. Employee costs *€/000 211,513*

Employee costs include €/000 5,107 relating to costs for mobility plans mainly for the Pontedera and Noale production sites.

	2014	2013	Change
In thousands of Euros			
Salaries and wages	154,587	150,484	4,103
Social security contributions	42,722	40,800	1,922
Termination benefits	8,374	8,271	103
Other costs	5,830	12,101	(6,271)
Total	**211,513**	**211,656**	**(143)**

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

Level	Average number	2014	2013	Change
Senior Management		96	96	(0)
Middle Management		569	573	(4)
White collars		2,122	2,161	(40)
Blue collars with supervisory duties/blue collars		5,030	5,343	(313)
Total		**7,816**	**8,173**	**(357)**

Level	Number as of	31.12.2014	31.12.2013	Change
Senior Management		95	95	0
Middle Management		567	572	(5)
White collars		2,102	2,132	(30)
Blue collars with supervisory duties/blue collars		4,746	4,889	(143)
Total		**7,510**	**7,688**	**(178)**

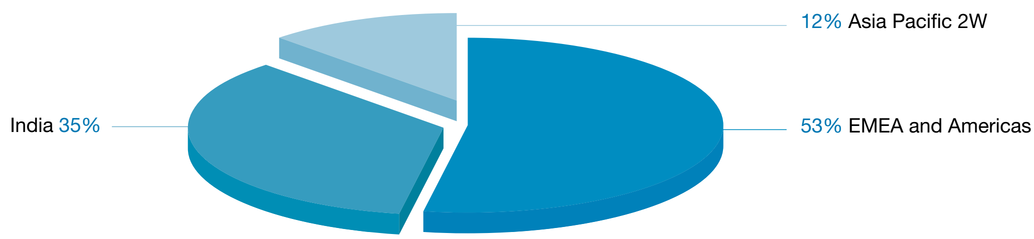
Average employee numbers were affected by seasonal workers in the summer (on fixed-term employment contracts).
In fact the Group uses fixed-term employment contracts to handle typical peaks in demand in the summer months.

In 2014, the Group reduced employee numbers, due mainly to restructuring, streamlining and organisational cutbacks in the EMEA area. As of 31 December 2014, Group employees totalled 7,510, down by 178 (- 2.3%) compared to 31 December 2013.

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

Level	As of 31.12.13	Incoming	Leavers	Relocations	As of 31.12.14
Senior Management	95	8	(8)		95
Middle Management	572	45	(59)	9	567
White collars	2,132	188	(214)	(4)	2,102
Blue collars	4,889	3,018	(3,156)	(5)	4,746
Total (*)	**7,688**	**3,259**	**(3,437)**	**0**	**7,510**
(*) of which fixed-term contracts	1,471	2,986	(3,009)	(286)	1,162

Distribution of the workforce by geographic segment as of 31 December 2014



8. Amortisation/depreciation and impairment costs *€/000 89,644*

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

Property, plant and equipment	2014	2013	Change
In thousands of Euros			
Buildings	4,974	4,778	196
Plant and machinery	19,411	17,701	1,710
Industrial and commercial equipment	14,929	14,054	875
Other assets	2,105	1,876	229
Total depreciation of property, plant and equipment	**41,419**	**38,409**	**3,010**
Write-down of property, plant and equipment	291	425	(134)
Total depreciation of property, plant and equipment and impairment costs	**41,710**	**38,834**	**2,876**

Intangible assets	2014	2013	Change
In thousands of Euros			
Development costs	26,754	23,669	3,085
Industrial Patent and Intellectual Property Rights	15,500	15,056	444
Concessions, licences, trademarks and similar rights	4,823	4,823	0
Other	857	1,158	(301)
Total amortisation of intangible fixed assets	**47,934**	**44,706**	**3,228**
Write-down of intangible assets		605	(605)
Total amortisation of intangible assets and impairment costs	**47,934**	**45,311**	**2,623**

As set out in more detail in the paragraph on intangible assets, as from 1 January 2004, goodwill is no longer amortised, but tested annually for impairment.
The impairment test carried out as of 31 December 2014 confirmed the full recoverability of the amounts recorded in the financial statements.

9. Other operating income *€/000 97,123*

This item consists of:

	2014	2013	Change
In thousands of Euros			
Operating grants	2,823	4,751	(1,928)
Increases in fixed assets from internal work	39,103	32,225	6,878
Other revenues and incomes:			
- Rent receipts	650	531	119
- Capital gains on assets and investments	899	548	351
- Sale of miscellaneous materials	1,378	1,032	346
- Recovery of transport costs	22,244	22,670	(426)
- Recovery of advertising costs	3,799	4,554	(755)
- Recovery of sundry costs	3,832	5,599	(1,767)
- Compensation	1,099	2,080	(981)
- Compensation for quality-related events	2,583	1,581	1,002
- Licence rights and know-how	3,072	2,104	968
- Sponsorship	2,845	3,082	(237)
- Profit from changes in the fair value of investment property	4,615	-	4,615
- Other income	8,181	10,581	(2,400)
Total other operating income	**97,123**	**91,338**	**5,785**

The increase is mainly due to:

- "Profit from changes in the fair value of investment property" concerning the Martorelles site, whose value has been increased following the change in use of the entire site, approved by the local authorities. In future the site may also be used for commercial purposes. For more details on how fair value is determined, reference is made to note 44;
- capital gains and licence rights and know how, that mainly refer to the sale to the joint venture ZPFM of know how and some moulds of Derbi motorbikes, that may be sold on the Chinese market. The sale price was determined, also based on an appraisal of an independent expert.

The item contributions includes €/000 1,970 for state and EU contributions for research projects. The grants are recognised in profit or loss, with reference to the amortisation and depreciation of capitalised costs for which the grants were received. This item also includes contributions for exports (€/000 853) received from the Indian subsidiary.

10. Other operating costs *€/000 19,424*

This item consists of:

	2014	2013	Change
In thousands of Euros			
Provision for future risks	190	623	(433)
Provisions for product warranties	8,501	8,540	(39)
Duties and taxes not on income	3,933	3,564	369
Various subscriptions	1,060	962	98
Capital losses from disposal of assets	76	384	(308)
Miscellaneous expenses	3,028	5,219	(2,191)
Losses on receivables	281	2,008	(1,727)
Total sundry operating costs	**8,378**	**12,137**	**(3,759)**
Write-down of current receivables	2,355	3,799	(1,444)
Total	**19,424**	**25,099**	**(5,675)**

The decrease is partly due to the reduction in the item Miscellaneous expenses and partly to the lower write-down of current receivables.

11. Income/(loss) from investments *€/000 (184)*

Net charges from investments comprise the following:

- €/000 (111) relative to the portion of income attributable to the Group from the Zongshen Piaggio Foshan joint venture, valued at equity;
- €/000 (76) relative to the portion of income attributable to the Group from the minority investment in Consorzio Pisa Ricerche;
- €/000 (2) relative to the portion of income attributable to the Group from the minority investment in Depuradora D'aigues de Martorelles;
- €/000 5 dividends received from the minority interest in Ecofor Service Pontedera.

12. Net financial income (borrowing costs) *€/000 (42,963)*

Below is the breakdown of borrowing costs and financial income:

	2014	2013	Change
In thousands of Euros			
Income:			
- Interest receivable from clients	59	81	(22)
- Bank and post office interest payable	434	910	(476)
- Interest payable on financial receivables	299	409	(110)
- Income from fair value measurements	701	1,148	(447)
- Other	113	73	40
Total financial income	**1,606**	**2,621**	**(1,015)**

	2014	2013	Change
In thousands of Euros			
Borrowing costs payable to associates	232	105	127
Borrowing costs paid to others:			
- Interest payable on bank accounts	5,258	5,311	(53)
- Interest payable on debenture loans	18,548	14,381	4,167
- Interest payable on bank loans	13,827	14,101	(274)
- Interest payable to other lenders	2,373	2,098	275
- Interest to suppliers	523	527	(4)
- Cash discounts to clients	445	360	85
- Bank charges on loans	1,707	1,831	(124)
- Expense from fair value measurements	680	-	680
- Borrowing costs from discounting back severance and termination benefits	1,422	1,608	(186)
- Interest payable on lease agreements	141	114	27
- Other	142	205	(63)
Total borrowing costs Vs others	**45,066**	**40,536**	**4,530**
Total borrowing costs	**45,298**	**40,641**	**4,657**
Costs capitalised on property, plant and equipment	315	1,622	(1,307)
Costs capitalised on intangible assets	1,479	2,149	(670)
Total Capitalised Costs	**1,794**	**3,771**	**(1,977)**
Total net borrowing costs	**43,504**	**36,870**	**6,634**
Exchange gains	12,350	10,474	1,876
Exchange losses	13,415	10,850	2,565
Total net exchange gains/(losses)	**(1,065)**	**(376)**	**(689)**
Net financial income (borrowing costs)	**(42,963)**	**(34,625)**	**(8,338)**

The balance of financial income (borrowing costs) in 2014 was negative by €/000 42,963, up on the figure of €/000 34,625 for the previous year. This increase is due to non-recurrent costs of €/000 3,552 relating to the issue of the new debenture loan and refinancing of a revolving credit line (more details are provided in note 32), the lower capitalisation of borrowing costs in accordance with IAS 23 for €/000 1,977 (due to lower qualifying assets) and the increase in interest due to higher average debt.
The average rate used during 2014 for the capitalisation of borrowing costs (because of general loans), was equal to 6.20% (8.67% in 2013).

13. Taxation *€/000 10,450*

The item "Income taxes" is detailed below:

	2014	2013	Change
In thousands of Euros			
Current taxes	21,968	22,450	(482)
Taxes relative to previous years	518	833	(315)
Deferred tax (assets) liabilities	(11,059)	(11,083)	24
Non-recurrent costs	(977)	24,594	(25,571)
Total taxes	**10,450**	**36,794**	**(26,344)**

Taxes for 2014 were equal to €/000 10,450, and account for 39.4% of profit before tax. The item current taxes includes income from the Consolidated Tax Mechanism of €/000 125.
In 2013, taxes amounted to €/000 36,794 and included €/000 24,594 for the non-recurrent cost relative to the tax assessment of the Parent Company in the first few months of 2014.

Reconciliation in relation to the theoretical rate is shown below:

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

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

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

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

15. Earnings per share

Earnings per share are calculated as follows:

		2014	2013
Net profit	€/000	16,064	(6,528)
Earnings attributable to ordinary shares	€/000	16,064	(6,528)
Average number of ordinary shares in circulation		361,396,654	359,877,159
Earnings per ordinary share	€	0.044	(0.018)
Adjusted average number of ordinary shares		361,692,731	360,502,825
Diluted earnings per ordinary share	€	0.044	(0.018)

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

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

16. Intangible assets *€/000 668,354*

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

	Development costs	Patent rights	Concessions, licences and trademarks	Goodwill	Other	Assets under development and advances	Total
In thousands of Euros							
As of 1 January 2013							
Historical cost	104,710	217,857	148,283	557,322	5,643	52,724	1,086,539
Provisions for write-down	-	-	-	-	-	-	-
Accumulated amortisation	(54,650)	(175,397)	(80,771)	(110,382)	(4,371)		(425,571)
Net carrying amount	**50,060**	**42,460**	**67,512**	**446,940**	**1,272**	**52,724**	**660,968**
2013							
Investments	10,901	15,425	-	-	387	22,045	48,758
Put into operation in the period	39,387	21	-	-	285	(39,693)	-
Amortisation	(23,669)	(15,056)	(4,823)	-	(1,158)	-	(44,706)
Disposals	(172)	(46)	-	-	(1)	-	(219)
Write-downs	-	-	-	-	-	(605)	(605)
Exchange differences	(3,523)	(429)	-	-	(66)	(2,178)	(6,196)
Other changes	(3,874)	(284)	-	-	686	-	(3,472)
Total movements for the year	**19,050**	**(369)**	**(4,823)**	**0**	**133**	**(20,431)**	**(6,440)**
As of 1 January 2014							
Historical cost	125,623	230,024	149,074	557,322	7,010	32,293	1,101,346
Provisions for write-down	-	-	-	-	-	-	-
Accumulated amortisation	(56,513)	(187,933)	(86,385)	(110,382)	(5,605)		(446,818)
Net carrying amount	**69,110**	**42,091**	**62,689**	**446,940**	**1,405**	**32,293**	**654,528**
2014							
Investments	13,239	25,316	-	-	142	19,568	58,265
Put into operation in the period	14,190	5,238	-	-	256	(19,684)	-
Amortisation	(26,754)	(15,500)	(4,823)	-	(857)	-	(47,934)
Disposals	(55)	(4)	-	-	-	-	(59)
Write-downs	-	-	-	-	-	-	-
Exchange differences	2,879	174	-	-	116	366	3,535
Other changes	(7,345)	7,407	-	-	(43)	-	19
Total movements for the year	**(3,846)**	**22,631**	**(4,823)**	**0**	**(386)**	**250**	**13,826**
As of 31 December 2014							
Historical cost	134,222	270,415	149,074	557,322	7,167	32,543	1,150,743
Provisions for write-down	-	-	-	-	-	-	-
Accumulated amortisation	(68,958)	(205,693)	(91,208)	(110,382)	(6,148)		(482,389)
Net carrying amount	**65,264**	**64,722**	**57,866**	**446,940**	**1,019**	**32,543**	**668,354**

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

	Value as of 31 December 2014			Value as of 31 December 2013			Change		
	Put into operation in the period	Under development and advances	Total	Put into operation in the period	Under development and advances	Total	Put into operation in the period	Under development and advances	Total
In thousands of Euros									
Development costs	65,264	31,631	96,895	69,110	26,940	96,050	(3,846)	4,691	845
Patent rights	64,722	887	65,609	42,091	5,172	47,263	22,631	(4,285)	18,346
Concessions, licences and trademarks	57,866	-	57,866	62,689	-	62,689	(4,823)	-	(4,823)
Goodwill	446,940	-	446,940	446,940	-	446,940	-	-	-
Other	1,019	25	1,044	1,405	181	1,586	(386)	(156)	(542)
Total	**635,811**	**32,543**	**668,354**	**622,235**	**32,293**	**654,528**	**13,576**	**250**	**13,826**

Intangible assets went up overall by €/000 13,826 mainly referring to investments in the year which were only partially balanced by amortisation for the period.
Increases mainly refer to the capitalisation of development costs for new products and new engines, as well as the purchase of software.
During 2014, borrowing costs for €/000 1,479 were capitalised.

Development costs €/000 96,895

Development costs include costs for products and engines referable to projects for which, as regards the period of the useful life of the asset, revenues are expected that allow for at least the costs incurred to be recovered. This item also includes assets under development for €/000 31,631 that represent costs for which the conditions for capitalisation exist, but in relation to products that will go into production in future years.
Development expenditure for new projects capitalised in 2014 refers to the study of new vehicles and new engines (two-/three-/four-wheeler) which will feature as the top products in the 2014-2016 range.
Borrowing costs attributable to the development of products which require a considerable period of time to be realised are capitalised as a part of the cost of the actual assets. Development costs included under this item are amortised on a straight line basis over a period of 3 to 5 years, in consideration of their remaining useful life.
During 2014, development expenditure amounting to €/000 14,500 was directly recognised in profit and loss.

Industrial Patent and Intellectual Property Rights €/000 65,609

This item comprises software for €/000 15,711 and patents and know-how. It includes assets under development for €/000 887.
Patents and know-how mainly refer to the Vespa, GP 800, MP3, RSV4, MP3 hybrid and 1,200 cc engine. Increases for the period mainly refer to new calculation, design and production techniques and methodologies developed by the Group, referring to main new products in the 2014-2016 range.
Industrial patent and intellectual property rights costs are amortised over three years.

Trademarks, concessions and licences €/000 57,866

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

	As of 31 December 2014	As of 31 December 2013	Change
In thousands of Euros			
Guzzi trademark	19,500	21,125	(1,625)
Aprilia trademark	38,316	41,509	(3,193)
Minor trademarks	50	55	(5)
Total Trademark	**57,866**	**62,689**	**(4,823)**

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

Goodwill €/000 446,940

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

	EMEA and Americas	India	Asia Pacific 2W	Total
In thousands of Euros				
31 December 2014	305,311	109,695	31,934	446,940
31 December 2013	305,311	109,695	31,934	446,940

The organisational structure of the Group is based on 3 Geographic Segments (CGUs), involved in the production and sale of vehicles, relative spare parts and assistance in areas under their responsibility: EMEA and the Americas, India and Asia Pacific 2W. Each Geographical Segment has production sites and a sales network dedicated to customers in the relative segment. Central structures and development activities currently dealt with by EMEA and the Americas, are handled by individual CGUs.

As specified in the section on accounting standards, from 1 January 2004 goodwill is no longer amortised, but is tested annually or more frequently for impairment if specific events or changed circumstances indicate the possibility of it having been impaired, in accordance with the provisions of IAS 36 *Impairment of Assets* (impairment test).
The possibility of reinstating booked values is verified by comparing the net book value of individual *cash generating units* with the recoverable value (value in use). This recoverable value is represented by the present value of future cash flows which, it is estimated, will be derived from the continual use of goods referring to *cash generating units* and by the final value attributable to these goods.
The recoverability of goodwill is verified at least once a year (as of 31 December), even in the absence of indicators of impairment losses.
The main assumptions used by the Group to determine future financial flows, relative to a four-year period, and the consequent recoverable value (value in use) refer to:

a. an assumption of expected financial flows relative to a four-year period inferable from budget data for 2015 supplemented by forecast data for the 2016-2018 period, in line with the 2014-2017 Plan already approved and notified to the financial community. The data, processed as above, were approved by the Board of Directors of the Parent Company on 9 February 2015, along with impairment testing;
b. the WACC discount rate;
c. in addition to the period, a growth rate (g rate) has been estimated.

In particular, for discount cash flows, the Group has adopted a discount rate (WACC) which differs based on different cash generating units. This reflects market valuations of the fair value of money and takes account of specific risks of activities and the geographic segment in which the cash generating unit operates.

In the future cash flows discounting model, a final value is entered at the end of the cash flow projection period, to reflect the residual value each cash-generating unit should produce. The final value represents the current value, at the last year of the projection, of all subsequent cash flows calculated as perpetual income, and was determined using a growth rate (g rate) which differed by CGU, to reflect the different growth potentials of each CGU.

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

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

Growth rates used in the Plan are supported by sector analyses and studies; the difference between the growth rates in the Plan period used in 2014 compared to the figures considered in 2013 is due to the change in the macroeconomic scenario and the reference market.
The reduction in the WACC compared to the previous year is mainly due to the reduction in borrowing costs. This rate was determined based on the previous year.
Analyses did not identify any impairment losses. Therefore no write-down was recognised in consolidated data as of 31 December 2014.
In addition, and on the basis of information in the document produced jointly by the Bank of Italy, Consob and Isvap (the insurance watchdog) no. 2 of 6 February 2009, the Group conducted a sensitivity analysis of test results in relation to changes in basic assumptions (use of the growth rate in producing the final value and discount rate) which affect the value in use of cash generating units. In the case of a positive or negative change of 0.5% of the WACC and G used, analyses would not identify impairment losses.
In all cases, the value in use of the Group was higher than the net carrying amount tested.

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

Other intangible assets €/000 1,044

This item mainly refers to costs incurred by Piaggio Vietnam.

17. Property, plant and equipment *€/000 307,561*

The table below shows the breakdown of property, plant and equipment as of 31 December 2014 and 31 December 2013, as well as movements during the period.

In thousands of Euros	Land	Buildings	Plant and machinery	Equipment	Other assets	Assets under construction and advances	Total
As of 1 January 2013							
Historical cost	31,586	148,663	375,802	483,825	44,456	60,255	1,144,587
Provisions for write-down	-	-	-	(1,427)	-	-	(1,427)
Accumulated depreciation	-	(51,264)	(280,450)	(452,524)	(37,907)	-	(822,145)
Net carrying amount	**31,586**	**97,399**	**95,352**	**29,874**	**6,549**	**60,255**	**321,015**
2013							
Investments	-	1,184	4,080	7,603	777	25,201	38,845
Put into operation in the period	-	14,177	35,707	5,720	776	(56,380)	-
Depreciation	-	(4,778)	(17,701)	(14,054)	(1,876)	-	(38,409)
Disposals	(24)	(78)	(781)	(81)	(159)	-	(1,123)
Write-downs	-		(362)	(17)	(46)	-	(425)
Exchange differences	-	(2,822)	(8,467)	(12)	(428)	(1,436)	(13,165)
Transfer to Investment Property	(3,522)	(3,053)	(771)	-	-	-	(7,346)
Other changes	-	-	3,417	(150)	108	-	3,375
Total movements for the year	**(3,546)**	**4,630**	**15,122**	**(991)**	**(848)**	**(32,615)**	**(18,248)**
As of 1 January 2014							
Historical cost	28,040	153,593	398,588	492,649	44,842	27,640	1,145,352
Provisions for write-down	-	-	(362)	(1,409)	(46)	-	(1,817)
Accumulated depreciation	-	(51,564)	(287,752)	(462,357)	(39,095)	-	(840,768)
Net carrying amount	**28,040**	**102,029**	**110,474**	**28,883**	**5,701**	**27,640**	**302,767**
2014							
Investments	-	2,625	4,592	8,182	1,966	19,263	36,628
Put into operation in the period	-	1,070	11,250	9,283	623	(22,226)	-
Depreciation		(4,974)	(19,411)	(14,929)	(2,105)	-	(41,419)
Disposals	-	(11)	(185)	(191)	(116)	(362)	(865)
Write-downs	-	-	(167)	(106)	(18)	-	(291)
Exchange differences	-	1,724	7,994	4	295	784	10,801
Other changes	43	(41)	267	(356)	27	-	(60)
Total movements for the year	**43**	**393**	**4,340**	**1,887**	**672**	**(2,541)**	**4,794**
As of 31 December 2014							
Historical cost	28,083	161,628	425,865	507,011	45,918	25,099	1,193,604
Provisions for write-down	-	-	(483)	(1,515)	(64)	-	(2,062)
Accumulated depreciation	-	(59,206)	(310,568)	(474,726)	(39,481)	-	(883,981)
Net carrying amount	**28,083**	**102,422**	**114,814**	**30,770**	**6,373**	**25,099**	**307,561**

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

	Value as of 31 December 2014			Value as of 31 December 2013			Change		
	Put into operation in the period	**Under construction and advances**	**Total**	**Put into operation in the period**	**Under construction and advances**	**Total**	**Put into operation in the period**	**Under construction and advances**	**Total**
In thousands of Euros									
Land	28,083	-	28,083	28,040	-	28,040	43	-	43
Buildings	102,422	3,652	106,074	102,029	2,328	104,357	393	1,324	1,717
Plant and machinery	114,814	13,692	128,506	110,474	10,688	121,162	4,340	3,004	7,344
Equipment	30,770	7,584	38,354	28,883	14,150	43,033	1,887	(6,566)	(4,679)
Other assets	6,373	171	6,544	5,701	474	6,175	672	(303)	369
Total	**282,462**	**25,099**	**307,561**	**275,127**	**27,640**	**302,767**	**7,335**	**(2,541)**	**4,794**

Property, plant and equipment mainly refer to Group production facilities in Pontedera (Pisa), Noale (Venice), Mandello del Lario (Lecco), Baramati (India) and Vinh Phuc (Vietnam).

The increases mainly refer to moulds for new vehicles launched during the period, as well as the new painting plant for two-wheeler products at Pontedera.

Borrowing costs attributable to the construction of products which require a considerable period of time to be ready for use are capitalised as a part of the cost of the actual assets.
During 2014, borrowing costs for €/000 315 were capitalised.

Land €/000 28,083

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

Buildings €/000 106,074

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

	As of 31 December 2014	As of 31 December 2013	Change
In thousands of Euros			
Industrial buildings	101,462	101,193	269
Ancillary buildings	455	437	18
Light constructions	505	399	106
Assets under construction	3,652	2,328	1,324
Total	**106,074**	**104,357**	**1,717**

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

Plant and machinery €/000 128,506

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

	As of 31 December 2014	As of 31 December 2013	Change
In thousands of Euros			
General plants	87,822	83,983	3,839
Automatic machinery	8,765	10,209	(1,444)
Furnaces and sundry equipment	509	588	(79)
Other	17,718	15,694	2,024
Assets under construction	13,692	10,688	3,004
Total	**128,506**	**121,162**	**7,344**

Plant and machinery refer to Group production facilities in Pontedera (Pisa), Noale (Venice), Mandello del Lario (Lecco), Baramati (India) and Vinh Phuc (Vietnam).
The "Other" item mainly includes non-automatic machinery and robotic centres.
Assets under construction amount to €/000 13,692.

Equipment €/000 38,354

	As of 31 December 2014	As of 31 December 2013	Change
In thousands of Euros			
Industrial equipment	30,706	28,828	1,878
Commercial equipment	64	55	9
Assets under construction	7,584	14,150	(6,566)
Total	**38,354**	**43,033**	**(4,679)**

The item *Equipment* mainly refers to production equipment in Pontedera (Pisa), Noale (Venice), Mandello del Lario (Lecco), Baramati (India) and Vinh Phuc (Vietnam) already being depreciated and assets under construction for €/000 7,584.
Main investments in equipment concerned moulds for new vehicles launched during the year or scheduled to be launched in the first half of next year, moulds for new engines and specific equipment for assembly lines.

Other assets €/000 6,544

The item *Other* assets comprises:

	As of 31 December 2014	As of 31 December 2013	Change
In thousands of Euros			
EDP systems	714	622	92
Office furniture and equipment	3,288	3,259	29
Vehicles	1,784	1,416	368
Other	587	404	183
Assets under construction	171	474	(303)
Total	**6,544**	**6,175**	**369**

As of 31 December 2014, the net value of assets held through lease agreements was equal to €/000 223, referring to vehicles used by the Aprilia Racing Team.
Future lease rental commitments are detailed in note 32.

Revaluations of assets

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

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

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

Warranties

As of 31 December 2014 the Group had no buildings with mortgages.

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

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

In thousands of Euros	
Opening balance as of 1 January 2014	7,346
Fair value adjustment	4,615
Closing balance as of 31 December 2014	**11,961**

The net book value as of 31 December 2014 was determined by a specific appraisal conducted by an independent expert who measured the "Fair Value less cost of disposal" based on a market approach (as provided for in IFRS 13). This analysis identified the total value of the investment as €/000 11,961. The Group uses the "fair value model" as provided for in IAS 40, thus the measurement

updated during 2014 resulted in profit adjusted to fair value, equal to €/000 4,615 being recognised under other revenues in the income statement for the period.
In this regard, the greater value of the investment compared to 31 December 2013 is due to the regulatory change (with the approval of the local authorities of Martorelles on 18 February 2014), whereby the area where the land and building are located may be used for commercial purposes (in addition to industrial purposes). The Group has prepared a project to convert the area, for the development of a retail centre. This change, along with comparable transactions and the project, was considered for the purposes of measuring the fair value of the site as of 31 December 2014, with the valuation referring however to the current status of the property. Following the site redevelopment project, an agency management contract was given to a Spanish property company, to seek investors interested in the property.

19. Investments *€/000 8,818*

The Investments item is composed as follows:

	As of 31 December 2014	As of 31 December 2013	Change
In thousands of Euros			
Interests in joint ventures	8,610	7,938	672
Investments in associates	208	214	(6)
Total	**8,818**	**8,152**	**666**

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

Investments in Joint Ventures €/000 8,610

Joint venture	Carrying amount as of 31 December 2014
In thousands of Euros	
Accounted for using the equity method:	
Zongshen Piaggio Foshan Motorcycles Co. Ltd – China	8,610
Total joint ventures	**8,610**

The investment in Zongshen Piaggio Foshan Motorcycles Co. Ltd was classified under the item *"joint ventures"* in relation to agreements made in the contract signed on 15 April 2004 between Piaggio & C. S.p.A. and its historical partner Foshan Motorcycle Plant, and the Chinese company Zongshen Industrial Group Company Limited.

The equity investment of Piaggio & C. S.p.A. in Zongshen Piaggio Foshan Motorcycles is equal to 45% of which 12.5% is held through the direct subsidiary Piaggio China Company Ltd.. The carrying amount of the equity investment is equal to €/000 8,610 and reflects shareholders' equity pro-quota adjusted to take into account the measurement criteria adopted by the Group.

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

Zongshen Piaggio Foshan Motorcycle Co.	Financial Statements as of 31 December 2014	
In thousands of Euros		45%*
Working capital	11,083	4,987
Total assets	12,098	5,444
Net capital employed	**23,182**	**10,432**
Provisions	131	59
Consolidated debt	4,073	1,833
Shareholders' equity	18,978	8,540
Total sources of financing	**23,182**	**10,432**

* *Group ownership*

Investments in Associates €/000 208

This item comprises:

Associates	Carrying amount as of 31 December 2013	Adjustment	Carrying amount as of 31 December 2014
In thousands of Euros			
Immsi Audit S.c.a.r.l.	10		10
S.A.T. S.A. – Tunisia	0		0
Depuradora D'Aigues de Martorelles S.C.C.L.	48	(6)	42
Pontech Soc. Cons. a.r.l. – Pontedera	156		156
Total associates	**214**	**(6)**	**208**

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

20. Other non-current financial assets *€/000 19,112*

	As of 31 December 2014	As of 31 December 2013	Change
In thousands of euros			
Fair value of derivatives	19,026	10,305	8,721
Investments in other companies	86	163	(77)
Total	**19,112**	**10,468**	**8,644**

The item *Fair value of derivatives* refers to €/000 13,230 from the fair value of the Cross Currency Swap related to a private debenture loan, to €/000 5,712 from the fair value of the Cross Currency Swap related to a medium-term loan of the Indian subsidiary and to €/000 84 from the Cross Currency Swap relative to a medium-term loan of the Vietnamese subsidiary. For further details, see section 44 "Information on financial instruments" of the Notes.

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

Other companies	As of 31 December 2014	As of 31 December 2013	Change
In thousands of Euros			
Consorzio Pisa Ricerche		76	(76)
A.N.C.M.A. – Rome	2	2	0
GEOFOR S.p.A. – Pontedera	47	47	0
ECOFOR SERVICE S.p.A. – Pontedera	2	2	0
Mitsuba Italia SpA		0	0
Consorzio Fiat Media Center – Turin	3	3	0
S.C.P.S.T.V.	21	21	0
IVM	11	12	(1)
Total other companies	**86**	**163**	**(77)**

21. Current and non-current tax receivables *€/000 39,148*

Receivables due from tax authorities consist of:

	As of 31 December 2014	As of 31 December 2013	Change
In thousands of Euros			
VAT receivables	34,982	21,772	13,210
Income tax receivables	2,743	2,915	(172)
Other tax receivables	1,423	1,902	(479)
Total tax receivables	**39,148**	**26,589**	**12,559**

Non-current tax receivables totalled €/000 3,230, compared to €/000 2,974 as of 31 December 2013, while current tax receivables totalled €/000 35,918 compared to €/000 23,615 as of 31 December 2013. The increase is mainly due to higher VAT receivables of the Indian subsidiary.

22. Deferred tax assets *€/000 46,434*

Deferred tax assets and liabilities are recognised at their net value when they may be offset in the same tax jurisdiction.
The item totalled €/000 46,434, up on the figure of €/000 33,660 as of 31 December 2013. The increase is mainly due to the recognition of deferred assets from temporary deductible changes.

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

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

	Amount of temporary differences	Tax rate	Tax effect
In thousands of Euros			
Provisions for risks	5,473	27.5% - 31.4%	1,714
	316	26.00%	82
Provision for product warranties	8,718	31.40%	2,738
	1,830	38.26%	700
	198	36.10%	71
	83	25.00%	21
Provisions for write-down	12,202	27.50%	3,356
	1,873	26.00%	487
	6	36.10%	2
	2	28.00%	1
Provisions for obsolete stock	30,190	31.40%	9,480
	3,704	38.26%	1,417
	416	36.10%	150
	462	26.00%	120
	927	7.50%	70
	84	20.00%	17
	12	25.00%	3
Other changes	56,727	27.50/31.40%	17,345
	6,325	33.99%	2,150
	4,377	38.26%	1,675
	2,766	16.00%	443
	255	100.00%	255
	2,171	7.50%	163
	448	27.50%	123
	297	33.33%	99
	345	26.00%	90
	182	36.10%	66
	324	18.00%	58
	217	25.00%	54
	70	32.19%	23
	62	20.00%	12
	35	25.00/30.00%	10
	4	17.00%	1
Offsetting of Deferred Tax Liabilities	(61,976)	27.50/38.26%	(19,257)
Total for provisions and other changes			**23,737**
Deferred tax assets already recognised			**22,332**
Deferred tax assets not booked			**1,405**
Piaggio & C. S.p.A.	85,507	27.50%	23,514
Piaggio Group Americas Inc.	29,659	38.26%	11,347
Piaggio Group Japan Corporation	2,929	36.10%	1,057
PT Piaggio Indonesia	2,352	25.00%	588
Piaggio Concept Store Mantova	850	27.50%	234
Total out of tax losses	**121,296**		**36,740**
Deferred tax assets already recognised			**24,102**
Deferred tax assets not booked			**12,638**

23. Current and non-current trade receivables *€/000 74,220*

As of 31 December 2014 current trade receivables amounted to €/000 74,220 compared to €/000 75,722 as of 31 December 2013. No non-current trade payables were recorded for the periods.

Their breakdown was as follows:

In thousands of Euros	As of 31 December 2014	As of 31 December 2013	Change
Trade receivables due from customers	73,364	74,858	(1,494)
Trade receivables due from JV	836	848	(12)
Trade receivables due from parent companies	9	10	(1)
Trade receivables due from associates	11	6	5
Total	**74,220**	**75,722**	**(1,502)**

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

The item Trade receivables comprises receivables referring to normal sale transactions, recorded net of bad debt of €/000 26,715.

Movements of provisions were as follows:

In thousands of Euros	
Opening balance as of 1 January 2014	**25,430**
Increases for allocations	1,881
Decreases for use	(596)
Closing balance as of 31 December 2014	**26,715**

The Group sells, on a rotating basis, a large part of its trade receivables with and without recourse. Piaggio has signed contracts with some of the most important Italian and foreign factoring companies as a move to optimise the monitoring and the management of its trade receivables, besides offering its customers an instrument for funding their own inventories, for factoring classified as without the substantial transfer of risks and benefits. On the contrary, for factoring without recourse, contracts have been formalised for the substantial transfer of risks and benefits. As of 31 December 2014 trade receivables still due, sold without recourse totalled €/000 69,693.
Of these amounts, Piaggio received payment prior to natural expiry, of €/000 69,632.

As of 31 December 2014, advance payments received from factoring companies and banks, for trade receivables sold with recourse totalled €/000 20,744 with a counter entry recorded in current liabilities.

24. Other current and non-current receivables *€/000 50,396*

Other non-current receivables totalled €/000 13,647 against €/000 13,368 as of 31 December 2013, whereas other current receivables totalled €/000 36,749 compared to €/000 26,514 as of 31 December 2013.

They consist of:

Other non-current receivables	As of 31 December 2014	As of 31 December 2013	Variazione
In thousands of euros			
Sundry receivables due from associates	197	231	(34)
Prepaid expenses	10,102	9,864	238
Advances to employees	61	67	(6)
Security deposits	596	621	(25)
Receivables due from others	2,691	2,585	106
Total non-current portion	**13,647**	**13,368**	**279**

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

Other current receivables:	As of 31 December 2014	As of 31 December 2013	Change
In thousands of Euros			
Sundry receivables due from the Parent Company	6,882	6,759	123
Sundry receivables due from JV	2,541	372	2,169
Sundry receivables due from associates	17	31	(14)
Accrued income	528	701	(173)
Prepaid expenses	3,834	4,751	(917)
Advance payments to suppliers	1,836	599	1,237
Advances to employees	2,030	2,859	(829)
Fair value of derivatives	696	3	693
Security deposits	293	215	78
Receivables due from others	18,092	10,224	7,868
Total current portion	**36,749**	**26,514**	**10,235**

Receivables due from the Parent Company refer to the recognition of accounting effects relating to the transfer of taxable bases pursuant to the Group Consolidated Tax Mechanism.
Receivables due from Group companies valued at equity comprise amounts due from Zongshen Piaggio Foshan.
Receivables due from associates regard amounts due from Immsi Audit.
The item Fair Value of derivatives comprises the fair value of hedging transactions on the exchange risk on forecast transactions recognised on a cash flow hedge basis (€/000 696 current portion).

25. Inventories *€/000 232,398*

This item comprises:

	As of 31 December 2014	As of 31 December 2013	Change
In thousands of Euros			
Raw materials and consumables	107,219	92,330	14,889
Provision for write-down	(14,228)	(13,522)	(706)
Net value	*92,991*	*78,808*	*14,183*
Work in progress and semifinished products	19,040	19,483	(443)
Provision for write-down	(852)	(852)	0
Net value	*18,188*	*18,631*	*(443)*
Finished products and goods	142,573	129,910	12,663
Provision for write-down	(21,479)	(19,587)	(1,892)
Net value	*121,094*	*110,323*	*10,771*
Advances	125	46	79
Total	**232,398**	**207,808**	**24,590**

As of 31 December 2014, inventories had increased by €/000 24,590, in line with the trend expected for production volumes and sales in 2015.

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

This item comprises:

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

As of 31 December 2014, no values relative to current financial assets were recognised. The value as of 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 98,206*

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

	As of 31 December 2014	As of 31 December 2013	Change
In thousands of Euros			
Bank and postal deposits	92,211	57,300	34,911
Cheques	7	-	7
Cash on hand	54	45	9
Securities	5,934	9,159	(3,225)
Total	**98,206**	**66,504**	**31,702**

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

28. Assets held for sale *€/000 0*

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

29. Breakdown of assets by geographic segment

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

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

As of 31 December 2014, there were no receivables due after 5 years.

Information on the Consolidated Statement of Financial Position - Liabilities

31. Share capital and reserves — *€/000 413,069*

Share capital — €/000 206,228

The change in share capital during 2014 was as follows:

In thousands of Euros	
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
Purchase of treasury shares	(1,043)
Exercise of stock options:	
- Issue of new shares	1,587
- Sale of treasury shares	114
Share Capital as of 31 December 2014	**206,228**

During 2014, 2,780,000 new ordinary shares were issued, offered to and subscribed by stock option plan beneficiaries.
Therefore, as of 31 December 2014, the nominal share capital of Piaggio & C., fully subscribed and paid up, was equal to € 207,613,944.37 divided into 363,674,880 ordinary shares.

Shares in circulation and treasury shares	**2014**	**2013**
no. of shares		
Situation as of 1 January		
Shares issued	360,894,880	371,793,901
Treasury shares in portfolio	839,669	11,726,521
Shares in circulation	360,055,211	360,067,380
Movements for the period		
Exercise of stock options	2,780,000	150,000
Cancellation of treasury shares		(11,049,021)
Purchase of treasury shares	1,826,831	512,169
Sale of treasury shares to exercise stock options	(200,000)	(350,000)
Situation as of 31 December		
Shares issued	363,674,880	360,894,880
Treasury shares in portfolio	2,466,500	839,669
Shares in circulation	361,208,380	360,055,211

Moreover, during the period, 1,826,831 ordinary shares were purchased and 200,000 treasury shares were sold to stock option plan beneficiaries. As of 31 December 2014, the Parent Company held 2,466,500 treasury shares, equal to 0.68% of the share capital.
In accordance with international accounting standards, the acquisitions were recognised as a decrease in shareholders' equity.

Share premium reserve €/000 7,171

The share premium reserve as of 31 December 2014 had increased by €/000 3,490, following the subscription of 2,780,000 new shares by stock option plan beneficiaries.

Legal reserve €/000 16,902

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

Other reserves €/000 (11,151)

This item consists of:

	As of 31 December 2014	As of 31 December 2013	Change
In thousands of Euros			
Translation reserve	(18,839)	(27,063)	8,224
Stock option reserve	13,384	13,385	(1)
Financial instruments' fair value reserve	(830)	(1,565)	735
IFRS transition reserve	(5,859)	(5,859)	0
Total other reserves	(12,144)	(21,102)	8,958
Consolidation reserve	*993*	*993*	*0*
Total	**(11,151)**	**(20,109)**	**8,958**

The financial instruments fair value reserve is negative and refers to the effects of cash flow hedge accounting in foreign currencies, interest and specific business transactions. These transactions are described in full in the note on financial instruments.

Dividends paid and proposed €/000 0

During 2014, dividends were not distributed. During the month of May 2013, dividends totalling €/000 33,087 were paid.

	Total amount		Total amount	
	2014	2013	2014	2013
In millions of euros				
Resolved and paid during the year	-	33,087	-	0.092

Earnings reserve €/000 192,997

Capital and reserves of non-controlling interest €/000 922

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

Other Comprehensive Income (Expense) €/000 3,356

The figure is broken down as follows:

In thousands of Euros	Reserve for measurement of financial instruments	Group conversion reserve	Earnings reserve	Group total	Share capital and reserves attributable to non-controlling interests	Total other comprehensive income (expense)
As of 31 December 2014						
Items that will not be reclassified to profit or loss						
Remeasurements of defined benefit plans	-	-	(5,594)	(5,594)	-	(5,594)
Total	**-**	**-**	**(5,594)**	**(5,594)**	**-**	**(5,594)**
Items that may be reclassified to profit or loss						
Total translation gains (losses)	-	8,224	-	8,224	(9)	8,215
Total profits (losses) on cash flow hedges	735	-	-	735	-	735
Total	**735**	**8,224**	**-**	**8,959**	**(9)**	**8,950**
Other Comprehensive Income (Expense)	**735**	**8,224**	**(5,594)**	**3,365**	**(9)**	**3,356**
As of 31 December 2013						
Items that will not be reclassified to profit or loss						
Remeasurements of defined benefit plans	-	-	522	522	-	522
Total	**-**	**-**	**522**	**522**	**-**	**522**
Items that may be reclassified to profit or loss						
Total translation gains (losses)	-	(10,161)	-	(10,161)	(11)	(10,172)
Total profits (losses) on cash flow hedges	1,704	-	-	1,704	-	1,704
Total	**1,704**	**(10,161)**	**-**	**(8,457)**	**(11)**	**(8,468)**
Other Comprehensive Income (Expense)	**1,704**	**(10,161)**	**522**	**(7,935)**	**(11)**	**(7,946)**

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

	As of 31 December 2014			**As of 31 December 2013**		
In thousands of Euros	*Gross value*	*Tax (expense) / benefit*	*Net value*	*Gross value*	*Tax (expense) / benefit*	*Net value*
Remeasurements of defined benefit plans	(7,598)	2,004	(5,594)	708	(186)	522
Total translation gains (losses)	8,215	-	8,215	(10,172)	-	(10,172)
Total profits (losses) on cash flow hedges	1,050	(315)	735	2,292	(588)	1,704
Other Comprehensive Income (Expense)	**1,667**	**1,689**	**3,356**	**(7,172)**	**(774)**	**(7,946)**

32. Current and non-current financial liabilities *€/000 608,937*

During 2014, the Group's total debt increased by €/000 57,200. Net of the fair value measurement of financial derivatives to hedge the exchange risk and interest rate risk and the adjustment of relative hedged items, as of 31 December 2014 total financial debt of the Group increased by €/000 48,045.

	Financial liabilities as of 31 December 2014			Financial liabilities as of 31 December 2013			Change		
	Current	*Non-current*	*Total*	*Current*	*Non-current*	*Total*	*Current*	*Non-current*	*Total*
In thousands of Euros									
Gross financial debt	102,474	488,541	591,015	116,872	426,098	542,970	(14,398)	62,443	48,045
Fair value adjustment	-	17,922	17,922	-	8,767	8,767	-	9,155	9,155
Total	**102,474**	**506,463**	**608,937**	**116,872**	**434,865**	**551,737**	**(14,398)**	**71,598**	**57,200**

This increase is attributable to a greater use of available medium-term credit lines.

Net financial debt of the Group amounted to €/000 492,809 as of 31 December 2014 compared to €/000 475,628 as of 31 December 2013.

	As of 31 December 2014	As of 31 December 2013	Change
In thousands of Euros			
Liquidity	**98,206**	**66,504**	**31,702**
Securities	-	838	(838)
Current financial receivables	**-**	**838**	**(838)**
Payables due to banks	(38,262)	(52,092)	13,830
Current portion of bank borrowings	(42,313)	(33,180)	(9,133)
Amounts due to factoring companies	(20,744)	(23,871)	3,127
Amounts due under leases	(30)	(5,809)	5,779
Current portion of payables due to other lenders	(1,125)	(1,920)	795
Current financial debt	**(102,474)**	**(116,872)**	**14,398**
Net current financial debt	**(4,268)**	**(49,530)**	**45,262**
Payables due to banks and lenders	(198,699)	(227,587)	28,888
Debenture loan	(288,369)	(195,318)	(93,051)
Amounts due under leases	(211)	-	(211)
Amounts due to other lenders	(1,262)	(3,193)	1,931
Non-current financial debt	**(488,541)**	**(426,098)**	**(62,443)**
Net financial debt*	**(492,809)**	**(475,628)**	**(17,181)**

(*) 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, financial derivatives used as hedging and not used as such, the fair value adjustment of relative hedged items equal to €/000 17,922 and relative accruals.

Non-current financial liabilities totalled €/000 488,541 against €/000 426,098 as of 31 December 2013, whereas current financial liabilities totalled €/000 102,474 compared to €/000 116,872 as of 31 December 2013.

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

In thousands of Euros	Accounting balance as of 31/12/2013	Repayments	New issues	Reclassification to the current portion	Exchange delta	Other changes	Accounting balance as of 31/12/2014
Non-current portion:							
Bank borrowings	227,587	(55,000)	66,000	(39,090)		(798)	198,699
Bonds	195,318	(41,973)	141,973			(6,949)	288,369
Other medium-/long-term loans:							
of which leases			*267*	*(56)*			*211*
of which amounts due to other lenders	*3,193*			*(1,931)*			*1,262*
Total other loans	3,193	0	267	(1,987)	0	0	1,473
Total	**426,098**	**(96,973)**	**208,240**	**(41,077)**	**0**	**(7,747)**	**488,541**

In thousands of Euros	Accounting balance as of 31/12/2013	Repayments	New issues	Reclassification to the current portion	Exchange delta	Other changes	Accounting balance as of 31/12/2014
Current portion:							
Current account overdrafts	13,688	(4,865)			(742)		8,081
Current account payables	38,404	(5,530)			(2,693)		30,181
Bonds							-
Payables due to factoring companies	23,871	(3,127)					20,744
Current portion of medium-/long-term loans:							
of which leases	*5,809*	*(5,835)*		*56*			*30*
of which due to banks	*33,180*	*(26,327)*		*39,090*	*(3,630)*		*42,313*
of which amounts due to other lenders	*1,920*	*(2,726)*		*1,931*			*1,125*
Total other loans	40,909	(34,888)	0	41,077	(3,630)	0	43,468
Total	**116,872**	**(48,410)**	**0**	**41,077**	**(7,065)**	**0**	**102,474**

The breakdown of the debt is as follows:

In thousands of Euros	Accounting balance as of 31/12/2014	Accounting balance as of 31/12/2013	Nominal value as of 31/12/2014	Nominal value as of 31/12/2013
Bank borrowings	279,274	312,859	281,601	314,384
Bonds	288,369	195,318	301,799	201,799
Other medium-/long-term loans:				
of which leases	*241*	*5,809*	*241*	*5,809*
of which amounts due to other lenders	*23,131*	*28,984*	*23,131*	*28,984*
Total other loans	23,368	34,793	23,372	34,793
Total	**591,015**	**542,970**	**606,772**	**550,976**

The table below shows the debt servicing schedule as of 31 December 2014:

	Nominal value as of 31/12/2014	Amounts falling due within 12 months	Amounts falling due after 12 months	Amounts falling due in				
				2016	2017	2018	2019	Beyond
In thousands of Euros								
Bank borrowings	281,601	80,576	201,025	31,591	42,581	90,861	35,847	145
including opening of credit lines and bank overdrafts	*38,262*	*38,262*						
of which medium/long-term bank loans	*243,339*	*42,314*	*201,025*	*31,591*	*42,581*	*90,861*	*35,847*	*145*
Bonds	301,799	0	301,799		9,669	9,669	10,359	272,102
Other medium-/long-term loans:								
of which leases	*241*	*30*	*211*	*31*	*33*	*35*	*37*	*75*
of which amounts due to other lenders	*23,131*	*21,864*	*1,267*	*314*	*315*	*318*	*320*	
Total other loans	23,372	21,894	1,478	345	348	353	357	75
Total	**606,772**	**102,470**	**504,302**	**31,936**	**52,598**	**100,883**	**46,563**	**272,322**

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

	Accounting balance as of 31/12/2013	Accounting balance as of 31/12/2014	Nominal value as of 31/12/2014	Applicable interest rate
In thousands of Euros				
Euro	493,245	519,023	534,780	4.85%
Indian Rupee	21,445	21,385	21,385	10.96%
Indonesian Rupiah	2,906	3,112	3,112	10.85%
US Dollar	6,137	11,148	11,148	1.58%
Vietnamese Dong	16,197	31,596	31,596	10.90%
Japanese Yen	3,040	4,751	4,751	2.83%
Total currencies other than the euro	*49,725*	*71,992*	*71,992*	
Total	**542,970**	**591,015**	**606,772**	**5.34%**

Medium and long-term bank debt amounts to €/000 241,012 (of which €/000 198,699 non-current and €/000 42,313 current) and consists of the following loans:

- a €/000 32,143 medium-term loan from the European Investment Bank to finance Research & Development investments planned for the 2009-2012 period. The loan will fall due in February 2016 and has an initial amortisation quota of 14 six-monthly instalments to be repaid at a variable rate equal to the six-month Euribor plus a spread of 1.323%. Contract terms require covenants (described below). An Interest Rate Swap has been taken out on this loan to hedge the interest rate risk;
- a €/000 54,545 medium-term loan from the European Investment Bank to finance Research & Development investments planned for the 2013-2015 period. The loan will fall due in December 2019 and has an amortisation quota of 11 six-monthly instalments at a fixed rate of 2.723%. Contract terms require covenants (described below);
- a €/000 113,677 (nominal value of €/000 116,000) syndicate loan undersigned in July 2014 following the refinancing with a limited pool of banks of a revolving credit line of a nominal value of €/000 200,000 maturing in December 2015. This overall loan of €/000 220,000 comprises a €/000 154,000 four-year tranche as a revolving credit line of which a nominal value of €/000 50,000 had been used at 31 December 2014 and a tranche as a five-year loan with amortisation of €/000 66,000 which has been wholly disbursed. Contract terms require covenants (described below);
- an €/000 8,570 medium-term loan for USD/000 14,763 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 as from January 2014. Contract terms include a guarantee of the Parent Company and some covenants (described below). Cross Currency Swaps have been taken out on this loan to hedge the exchange risk and interest rate risk;

- a €/000 12,815 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 14,220 medium-term loan for USD/000 17,476 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 2,613 of loans from various banks pursuant to Italian Law no. 346/88 on subsidised applied research;
- a €/000 1,829 loan from Banca Intesa granted pursuant to Italian Law no. 297/99 on subsidised applied research;
- a €/000 600 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 €/000 288,369 (nominal value of €/000 301,799) refers to:

- €/000 51,523 (nominal value of €/000 51,799) related to a private debenture loan (US Private Placement) issued on 25 July 2011 for $/000 75,000 wholly subscribed by an American institutional investor, payable in 5 annual portions from July 2017, with a semi-annual coupon with fixed annual nominal rate of 6.50%. As of 31 December 2014 the fair value measurement of the debenture loan was equal to €/000 64,075 (the fair value is determined based on IFRS relative to fair value hedging). A Cross Currency Swap has been taken out on this debenture loan to hedge the exchange risk and interest rate risk.
- €/000 236,846 (nominal value of €/000 250,000) refers to the liability management operation completed by the Parent Company during the second quarter of 2014. In particular, this operation was for the refinancing of a debenture loan issued by the Company on 1 December 2009 for a total of €/000 150,000 maturing on 1 December 2016. Favourable market conditions resulted in improved economic conditions, enabling optimised borrowing costs, a longer average life and greater use of capital.

In particular, the liability management operation concerned the following stages:

1. the launch on 7 April 2014, of an exchange offer for bonds relative to the existing debenture loan with new issue bonds. 72% of bondholders took up the offer, for a total value of €/000 108,027;
2. the issue on 24 April 2014 of a High Yield debenture loan (with the same characteristics as the bond issued in 2009), for a total of €/000 250,000, maturing on 30 April 2021 and six-monthly coupon with nominal annual rate fixed at 4.625% (as mentioned, the issue for €/000 108,027 was on an exchange basis, while the remaining portion concerned inflows of new liquidity for the Group). Standard & Poor's and Moody's assigned a BB- rating with a negative outlook and a Ba3 rating with a stable outlook respectively;
3. given the positive outcome of the operation, in May 2014, the Group exercised the call option of the debenture loan issued in 2009 in order to repay €/000 41,973 in advance to bond holders that had not taken part in the exchange. The operation resulted in the premium for the repurchase of securities in circulation, amounting to €/000 1,469, being recognised under non-recurrent borrowing costs in the income statement. The income statement was also affected by

the adjustment of the amortised cost (equal to €/000 1,478) due to the settlement of financial liabilities, as provided for by IAS 39 AG 62.

The Company may pay back the amount of the High Yield debenture loan issued on 24 April 2014, early, in full or in part, under the conditions indicated in the indenture. The value of prepayment options was not deducted from the original contract, as these are considered as being closely related to the host instrument, as provided for by IAS 39 AG30 g).

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 2,628 of which €/000 1,473 due after the year and €/000 1,155 as the current portion, are detailed as follows:
› a financial lease for €/000 241 granted by VFS Servizi Finanziari for the use of vehicles;
› subsidised loans for a total of €/000 2,387 provided by the Italian Ministry of Economic Development and Italian Ministry of Education, University and Research using regulations to encourage exports and investments in research and development (non-current portion of €/000 1,262).

Financial advances received from factoring companies and banks, on the sale of trade receivables with recourse, totalled €/000 20,744.

Covenants

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

The measurement of financial covenants and other contract commitments is monitored by the Group on an ongoing basis. According to results as of 31 December 2014, all covenants had been fully met.

The high-yield debenture loan issued by the company in April 2014 requires compliance with typical covenants of international high-yield market practices. In particular, the company must observe the EBITDA/Net borrowing costs index, based on the threshold established in the Prospectus, to increase financial debt defined during issue. In addition, the Prospectus includes some obligations for the issuer, which limit, *inter alia*, the capacity to:
1. pay dividends or distribute capital;
2. make certain payments;
3. grant collaterals for loans;
4. merge with or establish certain companies;
5. sell or transfer own assets.

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

33. Current and non-current trade payables *€/000 386,288*

As of 31 December 2014 and as of 31 December 2013 no trade payables were recorded under non-current liabilities. Those included in current liabilities totalled €/000 386,288, against €/000 346,164 as of 31 December 2013.

	As of 31 December 2014	As of 31 December 2013	Change
In thousands of Euros			
Amounts due to suppliers	370,708	334,960	35,748
Trade payables to JV	14,874	10,492	4,382
Trade payables due to other related parties	80	-	80
Amounts due to parent companies	626	712	(86)
Total	386,288	346,164	40,124
Of which reverse factoring	*168,431*	*123,108*	*45,324*
Total	**386,288**	**346,164**	**40,124**

To facilitate credit conditions for its suppliers, the Group has used factoring agreements since 2012, mainly supply chain financing and reverse factoring agreements, as described in more detail in "*Accounting policies and measurement criteria applied by the Group*", to which reference is made. These operations did not change the primary obligation, nor substantially changed payment terms, so their nature is the same and they are still classified as trade liabilities.
As of 31 December 2014, the value of trade payables covered by reverse factoring or supply chain financing agreements was equal to €/000 168,431 (€/000 123,108 as of 31 December 2013).

34. Reserves (current and non-current portion) *€/000 20,212*

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

	Balance as of 31 December 2013	Allocations	Applications	Adjustments	Reclassifications	Delta exchange rate	Balance as of 31 December 2014
In thousands of Euros							
Provision for product warranties	12,478	8,501	(9,472)	-	-	275	11,782
Provision for contractual risks	3,916	6	-	(17)	-	-	3,905
Risk provision for legal disputes	2,970	-	(464)	(254)	-	94	2,346
Provisions for risk on guarantees given	58	-	-	-	-	-	58
Provision for tax risks	5,130	186	(5,130)	-	-	-	186
Other provisions for risks	1,754	217	(293)	-	(81)	102	1,699
Total	**26,545**	**8,910**	**(15,362)**	**(271)**	**(81)**	**471**	**20,212**

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

Non-current portion	As of 31 December 2014	As of 31 December 2013	Change
In thousands of Euros			
Provision for product warranties	3,850	3,826	24
Provision for contractual risks	3,905	3,916	(11)
Risk provision for legal disputes	1,516	2,166	(650)
Other provisions for risks and charges	1,123	1,175	(52)
Total non-current portion	**10,394**	**11,083**	**(689)**

Current portion	As of 31 December 2014	As of 31 December 2013	Change
In thousands of Euros			
Provision for product warranties	7,932	8,652	(720)
Risk provision for legal disputes	830	804	26
Provisions for risk on guarantees given	58	58	0
Provision for tax risks	186	5,130	(4,944)
Other provisions for risks and charges	812	818	(6)
Total current portion	**9,818**	**15,462**	**(5,644)**

The product warranty provision relates to allocations for technical assistance on products covered by customer service which are estimated to be provided over the contractually envisaged warranty period. This period varies according to the type of goods sold and the sales market, and is also determined by customer take-up to commit to a scheduled maintenance plan.
The provision increased during the period by €/000 8,501 and €/000 9,472 was used in relation to costs incurred during the period.
The provision of contractual risks refers mainly to charges which may arise from the ongoing negotiation of a supply contract.
The provision for tax risks, established in 2013 for the allocation of estimated costs following the inspection by the Italian Revenue Agency for the 2009, 2010 and 2011 tax years, which terminated with the issue of a Formal Notices of Assessment (PVC) mainly concerning transfer pricing, was reclassified under tax payables, following the beginning of the inspection with acceptance which ended with the signing of acceptance documents in March 2014.
The provision for litigation concerns labour litigation and other legal proceedings.

35. Deferred tax liabilities — *€/000 5,123*

Deferred tax liabilities amount to €/000 5,123 compared to €/000 5,722 as of 31 December 2013.

36. Retirement funds and employee benefits — *€/000 55,741*

	As of 31 December 2014	As of 31 December 2013	Change
In thousands of Euros			
Retirement funds	858	1,082	(224)
Termination benefits provision	54,883	48,748	6,135
Total	**55,741**	**49,830**	**5,911**

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

Their breakdown was as follows:

In thousands of Euros	
Opening balance as of 1 January 2014	**48,748**
Cost for the period	8,365
Actuarial losses recognised as Shareholders' Equity	7,271
Interest cost	1,422
Use and transfers of retirement funds	(10,932)
Other changes	9
Closing balance as of 31 December 2014	**54,883**

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

Technical annual discount rate	1.49%
Annual rate of inflation	0.6% for 2015
	1.2% for 2016
	1.5% for 2017 and 2018
	2.0% from 2019 onwards
Annual rate of increase in termination benefits	1.950% for 2015
	2.400% for 2016
	2.625% for 2017 and 2018
	3.000% from 2019 onwards

As regards the discount rate, the Group decided to change its policy, in view of ongoing low interest rates, and used the iBoxx Corporates AA rating with a 10+ duration instead of the iBoxx Corporates A rating with a 10+ duration used last year to evaluate this parameter.
The Group, considering this change as not significant, recognised the effect of the change in the accounting estimate in a forward-looking manner. In fact, as reported to in the notes to the Consolidated Financial Statements as of 31 December 2013, by using the iBoxx Corporates AA rating with a 10+ duration, the carrying amount of the provision and actuarial losses as of 31 December 2013 would have been higher by € 948 thousand.

If instead an iBoxx Corporates A rating with a 10+ duration had been used, the value of actuarial losses and the provision as of 31 December 2014 would have been lower by € 1,952 thousand.
The table below shows the effects, in absolute terms, as of 31 December 2014, which would have occurred following changes in reasonably possible actuarial assumptions:

In thousands of Euros	**Provision for post-employment benefits**
Turnover rate +2%	54,155
Turnover rate -2%	55,756
Inflation rate + 0.25%	55,706
Inflation rate - 0.25%	54,025
Discount rate + 0.50%	52,246
Discount rate - 0.50%	57,688

The average financial duration of the bond ranges from 11 to 31 years.

Estimated future amounts are equal to:

Year	Future amounts
In thousands of Euros	
1	2,998
2	2,909
3	3,147
4	5,066
5	1,408

The subsidiaries operating in Germany and Indonesia have provisions for employees identified as defined benefit plans. As of 31 December 2014, these provisions amounted to €/000 140 and €/000 14 respectively.

37. Current and non-current tax payables *€/000 14,445*

"Tax payables" included in current liabilities amounted to €/000 14,445, against €/000 12,587 as of 31 December 2013. As of 31 December 2014 and as of 31 December 2013 no trade payables were recorded under non-current liabilities.
Their breakdown was as follows:

	As of 31 December 2014	As of 31 December 2013	Change
In thousands of Euros			
Due for income taxes	8,343	2,870	5,473
Due for non-income tax	40	30	10
Tax payables for:			
- VAT	970	2,283	(1,313)
- Tax withheld at source	4,656	6,140	(1,484)
- other	436	1,264	(828)
Total	6,062	9,687	(3,625)
Total	**14,445**	**12,587**	**1,858**

The item includes tax payables recorded in the financial statements of individual consolidated companies, set aside in relation to tax charges for the individual companies on the basis of applicable national laws.
Payables for tax withholdings made refer mainly to withholdings on employees' earnings, on employment termination payments and on self-employed earnings.

38. Other payables (current and non-current) *€/000 52,793*

Non-current portion	As of 31 December 2014	As of 31 December 2013	Change
In thousands of Euros			
Payables to employees	-	1	(1)
Guarantee deposits	1,973	1,722	251
Accrued liabilities			
Deferred income	1,241	1,123	118
Fair value of derivatives	231	1,102	(871)
Other payables	200	200	0
Total non-current portion	**3,645**	**4,148**	**(503)**

Current portion	As of 31 December 2014	As of 31 December 2013	Change
In thousands of Euros			
Payables to employees	16,686	15,807	879
Guarantee deposits	2		2
Accrued expenses	6,818	5,956	862
Deferred income	430	523	(93)
Amounts due to social security institutions	8,726	8,388	338
Fair value of derivatives	502	972	(470)
Miscellaneous payables to JV	1,758	58	1,700
Sundry payables due to associates	39	26	13
Sundry payables due to parent companies	6,600	6,390	210
Other payables	7,587	7,296	291
Total	**49,148**	**45,416**	**3,732**

Other payables included in non-current liabilities totalled €/000 3,645 against €/000 4,148 as of 31 December 2013, whereas other payables included in current liabilities totalled €/000 49,148 compared to €/000 45,416 as of 31 December 2013.

Amounts due to employees include the amount for holidays accrued but not taken of €/000 8,427 and other payments to be made for €/000 8,259.

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

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

The item Fair value of hedging derivatives refers to the fair value (€/000 231 non-current portion and €/000 462 current portion) of an interest rate swap for hedging, recognised on a cash flow hedge basis as provided for in IAS 39 (see section 44) and the fair value of derivatives to hedge the foreign exchange risk on forecast transactions recognised on a cash flow hedge basis (€/000 40 current portion).
The item Accrued liabilities includes €/000 3,878 for interest on hedging derivatives and relative hedged items measured at fair value.

39. Share-based incentive plans

Since 2010, Piaggio has no longer approved any incentive plans based on the allocation of financial instruments.
The stock option plan approved by the Ordinary Shareholders' Meeting of the Company on 7 May 2007 - amended by the Ordinary Shareholders' Meeting of 16 April 2010 ("**2007-2009 Plan**") – for senior management of the Company and Italian and/or international subsidiaries pursuant to article 2359 of the Italian Civil Code, as well as directors with powers in said companies "**Beneficiaries**") assigns the beneficiaries free options, as applicable, to purchase treasury shares, or to subscribe to new issue shares arising from share capital increases, against divisible payment, with the exception of option rights pursuant to article 2441 paragraph 8 of the Italian Civil Code and article 134 of the Consolidated Law on Finance, resolved by the Extraordinary Shareholders' Meeting on 16 April 2010, with a ratio of 1:1.

During 2014, 2,980,000 option rights were exercised, while 390,000 option rights expired, as shown below:

Rights	No. of options	Average exercise price (euro)	Market price (euro)
Rights existing as of 31/12/2013	3,370,000	1.72	
- of which exercisable as of 31/12/2013	*3,370,000*		
Rights exercised in 2014	(2,980,000)	1.79	2.75
Rights expired in 2014	(390,000)	1.2218	
Rights existing as of 31/12/2014	0		
- of which exercisable as of 31/12/2014	*0*		

As of 31 December 2014, no exercisable option rights were still available and therefore the 2007 – 2009 Plan has ended.

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 required by Consob, the table below shows the options assigned to board members, general directors and Senior Management with strategic responsibilities:

		Options held at the start of the period			Options held at the end of the period		
	Position	No. of options	Average exercise price	Average maturity	No. of options	Average exercise price	Average maturity
Assignment 18 December 2009	General Manager Finance	250,000	1.826	18/12/2014			

40. Breakdown of liabilities by geographic segment

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

41. Payables due after 5 years

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

42. Information on related parties

Revenues, costs, payables and receivables as of 31 December 2014 involving parent companies, subsidiaries and associates refer to the sale of goods or services which are a part of normal operations of the Group.
Transactions are carried out at normal market values, depending on the characteristics of the goods and services provided.
The information on transactions with related parties, including information required by Consob in its communication no. DEM/6664293 of 28 July 2006, is given in the notes to the Consolidated Financial Statements and notes to the separate Financial Statements of the Parent Company.
The procedure for transactions with related parties, pursuant to article 4 of Consob Regulation no.

17221 of 12 March 2010 as amended, approved by the Board on 30 September 2010, is published on the institutional site of the Issuer www.piaggiogroup.com, under *Governance*.

Relations with Parent Companies

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

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

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

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

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

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

Piaggio & C. S.p.A. has undertaken a rental agreement for offices owned by Omniaholding S.p.A.. This agreement, signed in normal market conditions, was previously approved by the Related Parties Transactions Committee, as provided for by the procedure for transactions with related parties adopted by the Company.
Piaggio Concept Store Mantova Srl has a lease contract for its sales premises and workshop with Omniaholding S.p.A.. This agreement was signed in normal market conditions.
Omniaholding S.p.A. has undersigned Piaggio & C. bonds for a value of € 2.9 million on the financial market, and collected related interest.

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

Transactions with Piaggio Group companies

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

Piaggio & C. S.p.A.

- sells vehicles, spare parts and accessories to sell on respective markets, to:
  - Piaggio Hrtvaska
  - Piaggio Hellas
  - Piaggio Group Americas
  - Piaggio Vehicles Private Limited
  - Piaggio Vietnam
  - Piaggio Concept Store Mantova
- sells components to:
  - Piaggio Vehicles Private Limited
  - Piaggio Vietnam
- grants licences for rights to use the brand and technological know how to:
  - Piaggio Vehicles Private Limited
  - Piaggio Vietnam
- provides support services for scooter and engine industrialisation to:
  - Piaggio Vehicles Private Limited
  - Piaggio Vietnam
- provides support services for staff functions 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.
  - Foshan Piaggio Vehicles Tecnologies R&D.

Piaggio Vehicles Private Limited

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

Piaggio 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 España and Piaggio Vespa

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

Piaggio Asia Pacific

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

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

Foshan Piaggio Vehicles Tecnologies R&D provides to:
› Piaggio & C. S.p.A.:
  · with a component and vehicle design/development service;
  · scouting of local suppliers;
› Piaggio Vietnam:
  · scouting of local suppliers;
  · a distribution service for vehicles, spare parts and accessories on its own market.

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

Aprilia Racing:
› provides a racing team management service;
› provides a vehicle design service to Piaggio & C. S.p.A.

Atlantic 12
› rents a property to Piaggio & C. S.p.A.

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

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

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

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

The table below summarises relations described above and financial relations with parent companies, subsidiaries and associates as of 31 December 2014 and relations during the year, as well as their overall impact on financial statement items.

	Fondazione Piaggio	Zongshen Piaggio Foshan	IMMSI Audit	Depuradora	Studio D'Urso	Omniaholding	IMMSI	**Total**	**% incidence on accounting item**
In thousands of euros									
Income statement									
revenues from sales		166						**166**	**0.01%**
costs for materials		20,674						**20,674**	**2.92%**
costs for services		14	880		80		1,247	**2,221**	**1.15%**
insurance							49	**49**	**1.17%**
leases and rentals						148	1,297	**1,445**	**9.52%**
other operating income		2,385	56				50	**2,491**	**2.56%**
other operating costs							19	**19**	**0.10%**
write-down/impairment of investments		(111)		(2)				**(113)**	**61.41%**
borrowing costs		232				156		**388**	**0.89%**
taxes							(125)	**(125)**	**1.20%**
Assets									
other non-current receivables	197							**197**	**1.44%**
current trade receivables		836	11				9	**856**	**1.15%**
other current receivables		2,541	17				6,882	**9,440**	**25.69%**
Liabilities									
financial liabilities falling due after one year						2,900		**2,900**	**0.57%**
current trade payables		14,874			80	20	606	**15,580**	**4.03%**
other current payables	39	1,758					6,600	**8,397**	**17.09%**

43. Contract commitments and guarantees

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

	In 1 year	**Between 2 and 5 years**	**After 5 years**	**Total**
In thousands of Euros				
Operating leases	5,710	9,953	113	**15,776**

The main guarantees issued by banks on behalf of Piaggio & C. S.p.A in favour of third parties are listed below:

Type	**Amount €/000**
Guarantee of BCC-Fornacette to Livorno Customs Authorities for handling Piaggio goods at Livorno Port	200
Guarantee of BCC-Fornacette issued to Pisa Customs Authorities for handling Piaggio goods at the Pisana docks and at Livorno Port	200
Guarantee of BCC-Fornacette issued for the Group to Poste Italiane – Rome to guarantee contract obligations for the supply of vehicles	1,321
Guarantee of Banco di Brescia issued to the local authorities of Scorzè, to guarantee payment of urbanisation and construction charges relative to the Scorzè site	166
Guarantee of Banca Intesa San Paolo issued to the Ministry of the Interior of Algeria, to guarantee contract obligations for the supply of vehicles	140
Guarantee of Banca Intesa San Paolo issued to the Ministry of the Defense of Algeria, to guarantee contract obligations for the supply of vehicles	158
Guarantee of Monte dei Paschi di Siena issued to Chen ShinRubber for € 650,000 for an ongoing supply agreement	650
Guarantee of the Banca Nazionale del Lavoro issued to China Shipping Containers Lines for USD 122,000 for a supply agreement	100

44. Information about financial instruments

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

Financial assets as of 31 December 2014

	Loans and receivables	Investments held to maturity	Financial derivatives	Financial instruments at fair value available for sale	Total
In thousands of Euros					
Non-current assets					
Financial receivables					0
Trade receivables					0
Fair value of derivatives			19,026		19,026
Investments in other companies				86	86
Total non-current assets	**0**	**0**	**19,026**	**86**	**19,112**
Current assets					
Trade receivables	74,220				74,220
Fair value of derivatives			696		696
Other financial assets					0
Bank and postal deposits	92,211				92,211
Securities	5,941				5,941
Total current assets	**172,372**	**0**	**696**	**0**	**173,068**
Total	**172,372**	**0**	**19,722**	**86**	**192,180**

Financial assets as of 31 December 2013

	Loans and receivables	Investments held to maturity	Financial derivatives	Financial instruments at fair value available for sale	Total
In thousands of Euros					
Non-current assets					
Financial receivables					0
Fair value of derivatives			10,305		10,305
Investments in other companies				163	163
Total non-current assets	**0**	**0**	**10,305**	**163**	**10,468**
Current assets					
Trade receivables	75,722				75,722
Fair value of derivatives			3		3
Other financial assets	838				838
Bank and postal deposits	57,300				57,300
Securities	9,159				9,159
Total current assets	**143,019**	**0**	**3**	**0**	**143,022**
Total	**143,019**	**0**	**10,308**	**163**	**153,490**

Financial liabilities as of 31 December 2014

	Payables at fair value	Financial derivatives	Other financial liabilities at amortised cost	Total
In thousands of Euros				
Non-current liabilities				
Bank borrowings	33,848		164,851	198,699
Bonds			288,369	288,369
Other loans			1,262	1,262
Leases			211	211
Fair value of derivatives		18,153		18,153
Total non-current liabilities	**33,848**	**18,153**	**454,693**	**506,694**
Current liabilities				
Bank borrowings	6,805		73,770	80,575
Other loans			21,869	21,869
Leases			30	30
Fair value of derivatives		502		502
Total current liabilities	**6,805**	**502**	**95,669**	**102,976**
Total	**40,653**	**18,655**	**550,362**	**609,670**

Financial liabilities as of 31 December 2013

	Payables at fair value	Financial derivatives	Other financial liabilities at amortised cost	Total
In thousands of Euros				
Non-current liabilities				
Bank borrowings	36,511		191,076	227,587
Bonds			195,318	195,318
Other loans			3,193	3,193
Leases				0
Fair value of derivatives		9,869		9,869
Total non-current liabilities	**36,511**	**9,869**	**389,587**	**435,967**
Current liabilities				
Bank borrowings	3,819		81,453	85,272
Other loans			25,791	25,791
Leases			5,809	5,809
Fair value of derivatives		972		972
Total current liabilities	**3,819**	**972**	**113,053**	**117,844**
Total	**40,330**	**10,841**	**502,640**	**553,811**

Current and non-current financial liabilities

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

Fair Value Measurement

IFRS 13 – *Fair Value Measurement* defines fair value on the basis of the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In the absence of an active market or market that does not operate regularly, fair value is measured by valuation techniques. The standard defines a fair value hierarchy:

- level 1 – quoted prices in active markets for assets or liabilities measured;
- level 2 – inputs other than quoted prices included within Level 1 that are observable directly (prices) or indirectly (derived from prices) on the market;
- level 3 – inputs not based on observable market data.

The valuation techniques referred to levels 2 and 3 must take into account adjustment factors that measure the risk of insolvency of both parties. To this end, the standard introduces the concepts of Credit Value Adjustment (CVA) and Debit Value Adjustment (DVA): CVA makes it possible to include the counterparty credit risk in the fair value measurement; DVA reflects the risk of insolvency of the Group.

IFRS 7 also requires the fair value of debts recognised on a amortised cost basis to be measured, for disclosure purposes only.
The table below indicates these values as of 31 December 2014:

	Nominal value	Carrying amount	Fair Value *
In thousands of Euros			
High yield debenture loan	250,000	236,846	257,348
Private debenture loan	51,799	51,523	67,413
EIB (R&D loan 2009-2012)	32,143	32,143	31,978
EIB (R&D loan 2013-2015)	54,545	54,545	52,582
Revolving syndicated loan	50,000	48,461	46,408
Syndicated loan maturing in July 2019	66,000	65,216	64,151

**the value deducts DVA related to the issuer, i.e. it includes the risk of insolvency of Piaggio.*

For liabilities due within 18 months, the carrying amount is basically considered the same as the fair value.

Fair value hierarchy

The table below shows the assets and liabilities measured and recognised at fair value as of 31 December 2014, by hierarchical level of fair value measurement.

	Level 1	Level 2	Level 3
In thousands of Euros			
Assets measured at fair value			
Investment property			11,961
Financial derivatives:			
- of which financial assets		*18,942*	*84*
- of which other receivables		*696*	
Investments in other companies			86
Total assets		**19,638**	**12,131**
Liabilities measured at fair value			
Financial derivatives:			
- of which financial liabilities		*(599)*	
- of which other payables		*(733)*	
Financial liabilities at fair value recognised through profit or loss		*(104,728)*	
Total liabilities		**(106,060)**	
General total		**(86,422)**	**12,131**

Investment property relative to the Martorelles site was measured as hierarchical level 3. This value was confirmed by a specific valuation of an independent expert, who measured the “Fair value less cost of disposal” based on a market approach (as provided for by IFRS 13). The valuation took account of comparable transactions on the local market, and the project to convert the area (from an industrial to a commercial site, as approved by the local authorities on 18 February 2014), referring however the value of the investment to its current status. Consequently, a 10% increase or decrease of all variables used in the valuation would have generated a greater or lower investment value of approximately €/000 3,700, with an equivalent greater or lower impact on the income statement for the period.
The valuation of the Cross Currency Swap relative to the Vietnamese subsidiary was also assigned the same hierarchy level. This classification reflects the illiquidity of the local market, which does now allow for a valuation based on conventional criteria. If valuation techniques typical of liquid markets had been adopted, which is not the case for the Vietnamese financial market, derivatives would have had a negative fair value totalling €/000 2,097, rather than a positive fair value of €/000 84 (included under Financial hedging instruments - level 3) and accrued expenses on financial derivatives equal to €/000 949.

The following tables show Level 2 and Level 3 changes during 2014:

	Level 2
In thousands of Euros	
Balance as of 31 December 2013	(87,850)
Gain (loss) recognised in profit or loss	835
Increases/(Decreases)	593
Balance as of 31 December 2014	**(86,422)**

	Level 3
In thousands of Euros	
Balance as of 31 December 2013	7,234
Gain (loss) recognised in profit or loss	4,898
Increases/(Decreases)	(1)
Balance as of 31 December 2014	**12,131**

Net profit of €/000 5,078 includes profit from the fair value adjustment of investment property for €/000 4,615, gains from hedging derivatives of €/000 359 and the write-down of the investment in Consorzio Pisa Ricerche for €/000 -76.

Financial risks

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

Liquidity risk and capital management

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

As of 31 December 2014 the most important sources of financing irrevocable until maturity granted to the Parent Company were as follows:

- a debenture loan of €/000 250,000 maturing in April 2021;
- a debenture loan of $/000 75,000 maturing in July 2021;
- a credit line of €/000 220,000 comprising a Revolving Credit Facility of €/000 154,000 maturing in July 2018 and a loan of €/000 66,000 maturing in July 2019;
- a Revolving Credit Facility of €/000 20,000 maturing in June 2015;
- a loan of €/000 32,143 maturing in February 2016;
- a loan of €/000 54,545 maturing in December 2019.

Other Group companies also have the following irrevocable loans:
- a loan of €/000 8,570 maturing in July 2019;
- a loan of €/000 12,815 maturing in July 2018;
- a loan of €/000 14,220 maturing in July 2018.

As of 31 December 2014, the Group had a liquidity of €/000 98,206, €/000 124,000 of undrawn irrevocable credit lines and €/000 118,037 of revocable credit lines, as detailed below:

	As of 31.12.2014	As of 31.12.2013
In thousands of Euros		
Variable rate with maturity within one year - irrevocable until maturity	20,000	
Variable rate with maturity beyond one year - irrevocable until maturity	104,000	115,000
Variable rate with maturity within one year - cash revocable	99,037	101,350
Variable rate with maturity within one year - with revocation for self-liquidating typologies	19,000	31,000
Total undrawn credit lines	**242,037**	**247,350**

The table below shows the timing of future payments in relation to trade payables:

	Within 30 days	Between 31 and 60 days	Between 61 and 90 days	Over 90 days	Total
In thousands of Euros					
Trade payables	249,699	94,692	29,809	12,089	**386,288**

Management considers that currently available funds, as well as funds that will be generated from operations and loans, will enable the Group to meets its requirements relative to investments, the management of working capital and repayment of loans on expiry and will ensure an adequate level of operating and strategic flexibility.

Exchange Risk

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

This policy analyses:
› **the transaction risk:** the policy wholly covers this risk which arises from differences between the recognition exchange rate of receivables or payables in foreign currency in the financial statements and the recognition exchange rate of actual collection or payment. To cover this type of exchange risk, the exposure is naturally offset in the first place (netting between sales and purchases in the same currency) and if necessary, by signing currency future derivatives, as well as advances of receivables denominated in currency;
› **the translation risk:** arises from the conversion into euro of the financial statements of subsidiaries prepared in currencies other than the euro during consolidation. The policy adopted by the Group does not require this type of exposure to be covered;
› **the economic risk:** arises from changes in company profitability in relation to annual figures planned in the economic budget on the basis of a reference change (the “budget change”) and is covered by derivatives. The items of these hedging operations are therefore represented by foreign costs and revenues forecast by the sales and purchases budget. The total of forecast costs and revenues is processed monthly and relative hedging is positioned exactly on the average weighted date of the economic event, recalculated based on historical criteria. The economic occurrence of future receivables and payables will occur during the budget year.

Cash flow hedging

As of 31 December 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 currency	Value in local currency (forward exchange rate)	Average maturity
In thousands					
Piaggio & C.	Purchase	CNY	49,300	6,483	14/01/2015
Piaggio & C.	Purchase	JPY	250,000	1,707	07/01/2015
Piaggio & C.	Purchase	GBP	250	319	29/01/2015
Piaggio & C.	Purchase	USD	5,100	4,152	06/01/2015
Piaggio & C.	Sale	CNY	26,500	3,486	07/01/2015
Piaggio & C.	Sale	GBP	150	191	29/01/2015
Piaggio & C.	Sale	INR	453,000	5,855	12/01/2015
Piaggio & C.	Sale	JPY	30,000	220	30/01/2015
Piaggio & C.	Sale	SEK	1,200	130	30/01/2015
Piaggio & C.	Sale	USD	5,800	4,728	15/02/2015
Piaggio & C.	Sale	SGD	175	108	30/01/2015
Piaggio Indonesia	Purchase	€	2,350	30,605,500	10/02/2015
Piaggio Vehicles Private Limited	Sale	USD	1,475	94,222	29/01/2015
Piaggio Vespa BV	Sale	SGD	865	532	26/05/2015

As of 31 December 2014, the Group had undertaken the following transactions to hedge the business exchange risk:

Company	Operation	Currency	Amount in currency	Value in local currency (forward exchange rate)	Average maturity
In thousands					
Piaggio & C.	Purchase	CNY	244,000	30,987	14/06/2015
Piaggio & C.	Sale	GBP	8,470	10,728	03/07/2015

To hedge the economic exchange risk alone, cash flow hedging is adopted with the effective portion of profits and losses recognised in a specific shareholders' equity reserve. Fair value is determined based on market quotations provided by main traders.
As of 31 December 2014 the total fair value of hedging instruments for the economic exchange risk recognised on a hedge accounting basis was positive by €/000 656. During 2014, gains under other components of the Statement of Comprehensive Income were recognised amounting to €/000 656 and profits from other components of the Statement of Comprehensive Income were reclassified under profit/loss for the period amounting to €/000 234.

The net balance of cash flows during 2014 is shown below, divided by main currency:

Cash Flow	2014
in millions of euros	
Canadian Dollar	7.0
Pound Sterling	22.1
Japanese Yen	(4.6)
US Dollar	10.7
Indian Rupee	12.4
Croatian Kuna	3.3
Chinese Yuan*	(47.9)
Vietnamese Dong	20.5
Indonesian Rupiah	13.9
Total cash flow in foreign currency	**37.4**

** cash flow partially in euro*

In view of the above, an assumed appreciation/deprecation of 3% of the Euro would have generated potential losses for €/000 687 and potential gains for €/000 729 respectively.

Interest rate risk

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

As of 31 December 2014, the following hedging derivatives were in use:

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

› an Interest Rate Swap to cover a variable rate loan for a nominal amount of €/000 117,857 (as of 31 December 2014 for €/000 32,143) granted by the European Investment Bank. The structure has fixed step-up rates, in order to stabilise financial flows associated with the loan; in accounting terms, the instrument is recognised on a cash flow hedge basis, with profits/losses arising from the fair value measurement allocated to a specific reserve in shareholders' equity; as of 31 December 2014, the fair value of the instrument was negative by €/000 693; sensitivity analysis of the instrument, assuming a 1% increase and decrease in the shift of the variable rates curve, shows a potential impact on Shareholders' Equity, net of the relative tax effect, equal to €/000 98 and €/000 -100 respectively.

<u>Fair value hedging derivatives (fair value hedging and fair value options)</u>

› a Cross Currency Swap to hedge the private debenture loan issued by the Parent Company for a nominal amount of $/000 75,000. The purpose of the instrument is to hedge both the exchange risk and interest rate risk, turning the loan from US dollars to euro, and from a fixed rate to a variable rate; the instrument is accounted for on a fair value hedge basis, with effects arising from the measurement recognised in profit or loss. As of 31 December 2014 the fair value of the instrument was equal to €/000 13,230. The net economic effect arising from the measurement of the instrument and underlying private debenture loan was equal to €/000 677; sensitivity analysis of the instrument and its underlying, assuming a 1% increase and decrease in the shift of the variable rates curve, showed a potential impact on the Income Statement, net of the related tax effect, of €/000 63 and €/000 -60 respectively, assuming constant exchange rates; whereas assuming a 1% reversal and write-down of exchange rates, sensitivity analysis identified a potential impact on the Income Statement, net of the relative tax effect, of €/000 -46 and €/000 47 respectively;

- a Cross Currency Swap to hedge loans relative to the Indian subsidiary for $/000 14,763 (as of 31 December €/000 8,570) granted by International Finance Corporation. The purpose of the instruments is to hedge the exchange risk and interest rate risk, turning the loan from US dollars to Indian Rupees, and half of said loan from a variable rate to a fixed rate; As of 31 December 2014, the fair value of the instrument was equal to €/000 3,677. The sensitivity analysis of the instrument and its underlying, assuming a 1% increase and decrease in the shift of the variable rates curve, showed a potential impact on the Income Statement, net of the relative tax effect of €/000 39 and €/000 -40 respectively, assuming constant exchange rates. Assuming a 1% reversal and write-down of the exchange rate of the Indian Rupee, sensitivity analysis of the instrument and its underlying identified a potential impact on the Income Statement, net of the relative tax effect, of €/000 -3 and €/000 3 respectively;
- a Cross Currency Swap to hedge loans relative to the Indian subsidiary for $/000 17,850 (as of 31 December €/000 12,815) granted by International Finance Corporation. The purpose of the instruments is to hedge the exchange risk, turning the loan from US dollars to Indian Rupees, and to hedge the interest rate risk on the US dollar. As of 31 December 2014, the fair value of the instrument was equal to €/000 2,035. The sensitivity analysis of the instrument and its underlying, assuming a 1% increase and decrease in the shift of the variable rates curve, showed a potential impact on the Income Statement, net of the relative tax effect of €/000 5 and €/000 -4 respectively, assuming constant exchange rates. Assuming a 1% reversal and write-down of the exchange rate of the Indian Rupee, sensitivity analysis of the instrument and its underlying identified a potential impact on the Income Statement, net of the relative tax effect, of €/000 -8 and €/000 8 respectively;
- a Cross Currency Swap to hedge loans relative to the Indian subsidiary for $/000 17,476 (as of 31 December €/000 14,220) granted by International Finance Corporation. The purpose of the instruments is to hedge the exchange risk and partially hedge the interest rate risk, turning the loan from US dollars at a variable rate into Vietnamese Dong at a fixed rate, except for a minor portion (24%) at a variable rate. As of 31 December 2014 the fair value of the instruments was negative by €/000 84. Sensitivity analysis of the instrument and its underlying, assuming a 1% increase and decrease in the shift of the variable rates curve, showed a potential impact on the Income Statement, net of the relative tax effect, of €/000 97 and €/000 -100 respectively, assuming constant exchange rates. Assuming a 1% reversal and write-down of the exchange rate of the Vietnamese Dong, sensitivity analysis of the instrument and its underlying identified a potential impact on the Income Statement, net of the relative tax effect, of €/000 -4 and €/000 5 respectively.

As of 31 December 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 December 2014 the fair value of the instrument was equal to €/000 -599. Sensitivity analysis of the instrument and its underlying, assuming a 1% increase and decrease in the shift of the variable rates curve, showed a potential impact on the Income Statement, net of the relative tax effect, of €/000 43 and €/000 -44 respectively, assuming constant exchange rates. Assuming a 1% reversal and write-down of the exchange rate of the Indian Rupee, sensitivity analysis of the instrument and its underlying identified a potential impact on the Income Statement, net of the relative tax effect, of €/000 -30 and €/000 30 respectively.

	Fair Value
In thousands of Euros	
Piaggio & C. S.p.A.	
Interest Rate Swap	(693)
Cross Currency Swap	13,230
Piaggio Vehicles Private Limited	
Cross Currency Swap	3,677
Cross Currency Swap	2,035
Cross Currency Swap	(599)
Piaggio Vietnam	
Cross Currency Swap	84

Credit risk

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

	As of 31 December 2014	As of 31 December 2013
In thousands of Euros		
Liquid assets	92,211	57,300
Securities	5,941	9,159
Financial receivables		838
Trade receivables	74,220	75,722
Total	**172,372**	**143,019**

The Group monitors or manages credit centrally by using established policies and guidelines. The portfolio of trade receivables shows no signs of concentrated credit risk in light of the broad distribution of our licensee or distributor network. In addition, most trade receivables are short-term. In order to optimise credit management, the Company has established revolving programmes with some primary factoring companies for selling its trade receivables without recourse in Europe and the United States.

45. Rulings

Piaggio opposed the proceedings undertaken by the consumer association Altroconsumo, in accordance with article 140 of the Code of Consumers, opposing, also with the filing of a specific technical report written by an independent expert, the alleged existence of a design defect and hazardous nature of the Gilera Runner first series, which was manufactured and sold by Piaggio from 1997 to 2005. In the case put forward by Altroconsumo, the erroneous design would make the vehicle in question more hazardous in the event of an accident with frontal impact, referring as an example to two accidents occurred in 1999 and 2009 to Mr Gastaldi and Mr Stella respectively, following which the Gilera Runner burst into flames. The trial judge rejected the claim, ordering Altroconsumo to pay Piaggio’s legal fees. Following the appeal made by Altroconsumo, the Board ordered a technical appraisal to ascertain the existence of the design defect claimed by Altroconsumo. Following the results of the appraisal and hearing held on 18 December 2012, the Board informed the parties on 29 January 2013 that Altroconsumo’s appeal had been upheld, ruling Piaggio to (i) inform owners of the hazardous nature of the product, (ii) publish the ruling of the Board in some newspapers and specialised magazines (iii) recall the product. The effects of the ruling were subsequently suspended by the Court of Pontedera with a ruling (“inaudita altera parte”) of 28 March 2013, concerning the appeal made by Piaggio, in accordance with article 700 of the Italian Code of Civil Proceedings. Following the cross examination with Altroconsumo, the suspension ruling was confirmed by the Court of Pontedera on 3 June 2013. Altroconsumo appealed against the suspension ruling before the Board at the Court of Pisa. The Board therefore ordered a new technical appraisal, having established contradictions between i) the appraisal of the Court-appointed expert Professor

Cantore in proceedings brought by Altroconsumo and ii) the appraisal of the Court-appointed expert Professor Cantore in proceedings brought by Mr Stella in a separate ruling for the compensation of damages. Activities of the expert were completed and the technical appraisal report was filed in December 2014. The results of the technical appraisal were discussed in the hearing of 19 January 2015 at the end of which no ruling was issued.
Piaggio has also taken action before the Court of Pontedera (now the Court of Pisa) for a final dismissal of the ruling of the Court of Pisa of 29 January 2013. The hearing, originally set for 6 November 2014, pending the filing of the technical appraisal ordered during the appeal stage, was deferred to 21 January 2015. At this hearing, in view of the reservations of the Board in the precautionary procedure concerning Piaggio's request for a new technical appraisal, the Judge further deferred the case to 7 May 2015.

Canadian Scooter Corp. (CSC), the sole distributor of Piaggio for Canada, summoned Piaggio & C. S.p.A., Piaggio Group Americas Inc. and Nacional Motor S.A to appear before the Court of Toronto (Canada) in August 2009 to obtain compensation for damages sustained due to the alleged infringement of regulations established by Canadian law on franchising (the Arthur Wishart Act). Proceedings have been suspended while a settlement of the dispute is being defined.

In 2010, Piaggio took action to establish an arbitration board through the Arbitration Chamber of Milan, for a ruling against some companies of the Case New Holland Group (Italy, Holland and the US), to recover damages under contractual and non-contractual liability relating to the execution of a supply and development contract of a new family of utility vehicles (NUV). In the award notified to the parties on 3 August 2012, the Board rejected the claims made by the Company. The Company has appealed against this award to the Appeal Court of Milan, which has established the first hearing for 4 June 2013. The case has been adjourned to 12 January 2016 for specification of the pleadings.

Da Lio S.p.A., by means of a writ received on 15 April 2009, summoned the Parent Company before the Court of Pisa to claim compensation for the alleged damages sustained for various reasons as a result of the termination of supply relationships. The Company appeared in court requesting the rejection of all opposing requests. Da Lio requested a joinder with the opposition concerning the injunction obtained by Piaggio to return the moulds retained by the supplier at the end of the supply agreement. Judgements were considered and a ruling issued pursuant to article 186-ter of the Italian Code of Civil Proceedings, on 7 June 2011, ordering Piaggio to pay the sum of € 109,586.60, in addition to interest relative to sums which were not disputed. During 2012, testimonial evidence was presented. After reaching a decision at the end of testimonial evidence, the Judge admitted a technical/accounting court-appointed expert requested by Da Lio to quantify the amount of interest claimed by Da Lio and value of stock. The technical appraisal was completed at the end of 2014. At the hearing held on 12 February, the Judge arranged for a mediation hearing for 23 April 2015.

In June 2011 Elma srl, a Piaggio dealer since 1995, started two separate proceedings against the Parent Company, claiming the payment of approximately € 2 million for alleged breach of the sole agency ensured by Piaggio for the Rome area and an additional € 5 million as damages for alleged breach and abuse of economic dependence by the Company. Piaggio opposed the proceedings undertaken by Elma, fully disputing its claims and requesting a ruling for Elma to settle outstanding sums owing of approximately € 966,000.
During the case, Piaggio requested the payment of bank guarantees that ensured against the risk of default by the dealer issued in its favour by three banks. Elma attempted to stop payment of the guarantees with preventive proceedings at the Court of Pisa (Pontedera section): the proceedings ended in favour of Piaggio that collected the amounts of the guarantees (over € 400,000). Trial proceedings took place and a hearing was held on 24 April 2013 to examine evidence. After reaching a decision at the aforesaid hearing, the Judge rejected requests for preliminary examination of Elma and set the hearing for 17 December 2015 for the specification of the pleadings.
With regards to the above mentioned events, Elma has also brought a case against a former senior manager of the Company with the Court of Rome, claiming compensation for damages: Piaggio appeared in the proceedings, requesting, among others, that the case be moved to the Court of Pisa. At the hearing of 27

January 2014, the Judge ruled on the preliminary exceptions and did not admit preliminary briefs. The hearing for the specification of the pleadings has been set for 21 December 2015.

In a writ received on 29 May 2007, Gammamoto S.r.l. in liquidation, an Aprilia licensee in Rome, brought a case against the Parent Company before the Court of Rome for contractual and non-contractual liability. The Company fully opposed the injunction disputing the validity of Gammamoto's claims and objecting to the lack of jurisdiction of the Judge in charge. The Judge, accepting the petition formulated by the Company, declared its lack of jurisdiction with regards to the dispute. Gammamoto has continued proceedings through the Court of Venice. The Judge admitted testimonial evidence and evidence for examination requested by the parties, establishing the hearing for the preliminary investigation on 12 November 2012. After defining the specification of the pleadings of the hearing of 26 June 2013, the terms for final statements and relative replies were granted, and the case was ruled on. The Court of Venice issued a ruling in favour of Piaggio, filed on 17 February 2014. Gammamoto appealed and at the first hearing on 23 October 2014 the Court decide to rule without proceeding with the preliminary investigation requested by the other party, and in particular without ordering a technical appraisal. The hearing for the specification of the pleadings has been set for 1 April 2019.

Leasys–Savarent S.p.A., summoned to appear before the Court of Monza by Europe Assistance in relation to the rental supply of Piaggio vehicles to the Italian Postal System, summoned the Company as a guarantee, also filing for damages against Piaggio for alleged breach of the supply agreement. The Court of Monza declared its lack of jurisdiction concerning the applications filed against Piaggio, and Leasys-Savarent therefore summoned Piaggio to appear before the Court of Pisa. The trial was suspended while awaiting the resolution of the dispute pending before the Court of Monza, which turned down the application of Leasys-Savarent. Leasys-Savarent continued proceedings through the Court of Pisa, applying only for damages against Piaggio. On the hearing of 5 October 2011, the parties requested the admission of preliminary briefs and the Judge deferred its decision. After reaching a decision, the Judge admitted some of the testimonial evidence and rejected the request for a court-appointed expert. After questioning the witnesses, the case was adjourned to the hearing of 10 July 2014 for the specification of pleadings. During this hearing, the Judge did not issue a decision, giving the parties deadlines for filing final briefs and replies.
The parties reached a settlement agreement in which Piaggio, as compensation, paid a sum of € 200,000.

In August 2012, the Nigerian company Autobahn Techniques Ltd brought a case against Piaggio & C. S.p.a. and Piaggio Vehicles PVT Ltd before the High Court of Lagos (Nigeria) claiming compensation for alleged damage, estimated as over 5 billion Naira (approximately € 20 million), arising from the alleged breach by the Company of the exclusive distribution agreement signed between the parties in 2001. Piaggio appeared before the court, preliminarily claiming, inter alia, the lack of jurisdiction of the Nigerian Court to rule on the dispute due to the existence of an arbitration clause in the agreement. After various provisional hearings, the Judge admitted one of the preliminary exceptions made by Piaggio, based on the absence of notification of the writ of summons of the judgement and rejected the appeal. The decision was appealed against by Autobahn. On 4 October 2013 the Judge declared that the action taken by Autobahn could not proceed. The case has closed, as the terms for re-opening proceedings have expired.

The Company TAIZHOU ZHONGNENG summoned Piaggio before the Court of Turin, requesting the annulment of the Italian part of the 3D mark registered in Italy protecting the form of the Vespa, as well as a ruling dismissing the offence of the counterfeiting of the 3D mark in relation to scooter models seized by the Guardia di Finanza [Italian tax police] at the 2013 EICMA trade show, based on the petition filed by Piaggio, in addition to compensation for damages. At the first hearing for the parties to appear, set for 4 February 2015 and adjourned to 5 February 2015, the Judge lifted reservations, arranging for a technical appraisal to establish the validity of the Vespa 3D mark and the infringement or otherwise of Znen scooter models, setting the next hearing for the court-appointed expert to be sworn in on 18 March 2015.

In a writ of 27 October 2014 Piaggio summoned the companies PEUGEOT MOTOCYCLES ITALIA s.p.a., MOTORKIT s.a.s. di Turcato Bruno e C., GI.PI. MOTOR di Bastianello Attilio and GMR MOTOR s.r.l. before the Court of Milan to obtain the recall of Peugeot “Metropolis” motorcycles from the market, and to establish the infringement of some European patents and designs owned by Piaggio, as well as a ruling for the compensation of damages for unfair competition, and the publication of the ruling in some newspapers.
The first hearing for the parties to appear in court has been set for 4 March 2015.

In a writ of 4 November 2014 Piaggio summoned the companies YAMAHA MOTOR ITALIA s.p.a., TERZIMOTOR di Terzani Giancarlo e Alberto s.n.c., NEGRIMOTORS s.r.l. and TWINSBIKE s.r.l. before the Court of Milan to obtain the recall of Yamaha “Tricity” motorcycles from the market, and to establish the infringement of some European patents and designs owned by Piaggio, as well as a ruling for the compensation of damages for unfair competition, and the publication of the ruling in some newspapers.
The first hearing for the parties to appear in court has been set for 24 March 2015.

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

As regards tax claim rulings involving the Parent Company Piaggio & C S.p.A. (hereinafter “the Company”), two appeals are ongoing against two tax assessments notified to the Company and relative to the 2002 and 2003 tax years respectively. These assessments originate from an access conducted by the Italian Revenue Agency in 2007 at the Company’s offices, following information filed in the Report of Verification issued in 2002 following a general audit.
The Company has obtained a favourable ruling concerning these assessments, in both the first and second instance, and with reference to both tax periods, against which the Italian Revenue Agency has lodged an appeal with the Supreme Court of Cassation. The Company has filed relative counter claims and is waiting for dates of hearings to be set.
The Company has also received a draft assessment order from the Indian tax authorities after an assessment of the income generated by Piaggio & C. S.p.A. in India during the Indian 2009-2010 tax period, concerning figures of approximately € 1 million. On 16 April 2014, the Company filed an appeal with the Dispute Resolution Panel (the pre-litigation body which taxpayers may refer to in order to obtain an opinion which is binding for the tax authorities), which ruled against the Company in January 2015. The Company, after receiving the final assessment order, will file an appeal with the *Income Tax Appellate Tribunal*.
For both cases, as well as the claims relative to income generated in India, the Company has not considered it necessary to allocate provisions, in view of the positive opinions expressed by consultants appointed as counsel.

The main tax disputes of other Group companies concern Piaggio Vehicles PVT Ltd and Piaggio France S.A..

With reference to the Indian subsidiary, some disputes concerning different tax years from 1998 to 2013 are ongoing related to direct and indirect tax assessments and for a part of which, considering positive opinions expressed by consultants appointed as counsel, provisions have not been made in the financial statements. The Indian company has already partly paid the amounts contested, as required by local laws, that will be paid back when proceedings are successfully concluded in its favour.

As regards the French company, a favourable ruling was issued in December 2012 by the *Commission Nationale des Impots directes et des taxes sur le chiffre d’affaires*, the decision-making body addressed in the pre-litigation stage with regards to the disputes with the French tax authorities concerning a general audit of the 2006 and 2007 periods. The French tax authorities however upheld its claims against the company, requesting payment of the amounts claimed. The Company therefore filed an appeal against the claims of the Local Authorities, which however rejected the considerations made by the companies. It therefore filed an appeal with the *Tribunal Administratif* and is waiting for the date of the hearing to be set. The Company has not considered it necessary to allocate provisions, in view of the positive opinions expressed by consultants appointed as counsel, as well as the opinion of the above *Commission*.

The tax verification undertaken by the Italian Revenue Agency relative to the company Piaggio Vespa BV, following the findings reported by the Agency relative to Piaggio Vespa BV during the report of verification notified to Piaggio & C. S.p.A. in October 2013, was settled.

46. Significant non-recurring events and operations

During 2014, the Parent Company exercised the call option of the debenture loan issued by the Company on 1 December 2009 for a total amount of €/000 150,000 and maturing on 1 December 2016. On 9 June, the remaining portion of this loan (equal to approximately € 42 million) was paid back at the price of 103.50%, after the finalisation of the exchange offer launched on 7 April.

The operation led in 2014 to the premium paid to bond holders that did not take up the exchange offer and of costs not yet depreciated of the reimbursed loan being recognised under borrowing costs in the income statement.

In 2014, the Parent Company refinanced a revolving credit line with a limited pool of banks of a nominal value of €/000 200,000 maturing in December 2015. This operation resulted in the recognition of costs not yet amortised in the income statement in 2014.

These operations come under significant non-recurrent transactions, as defined by CONSOB Communication DEM/6064293 of 28 July 2006.

In 2012 and 2013, with reference to the 2009, 2010 and 2011 tax periods, tax verifications of Piaggio & C S.p.A. were conducted by the Italian Revenue Agency, which terminated with the issue in late 2013 of a Report of Verification (PVC) concerning transfer pricing.

After explaining the correct nature of its operations to the Italian Revenue Agency, the Company decided to benefit from the system of paying lower fines pursuant to Legislative Decree no. 218/1997, to settle its position and avoid tax litigation and therefore considerably lowered the initial requests of the inspectors.

The operation, recognised in 2013 as taxes in the income statement, comes under significant non-recurrent transactions, as defined by CONSOB Communication DEM/6064293 of 28 July 2006.

47. Transactions arising from atypical and/or unusual operations

During 2014 and 2013, the Group did not record any significant atypical and/or unusual operations, as defined by CONSOB Communication DEM/6037577 of 28 April 2006 and DEM/6064293 of 28 July 2006.

48. Events occurring after the end of the period

No events to be reported occurred after the end of the period.

49. Authorisation for publication

This document was published on 20 March 2015 and authorised by the Chairman and Chief Executive Officer.

Mantua, 27 February 2015

For the Board of Directors

/f/ Roberto Colaninno

Chairman and Chief Executive Officer
Roberto Colaninno

Attachments

Piaggio Group companies

Companies and material investments of the Group are listed below. The list presents the companies divided by type of control and method of consolidation.
The following are also shown for each company: the company name, the registered office, the country of origin and the share capital in the original currency, in addition to the percentage held by Piaggio & C. S.p.A. or by other subsidiaries.
In a separate column there is an indication of the percentage of voting rights at the ordinary general meeting should it be different from the investment percentage in the share capital.

List of companies included in the scope of consolidation on a line-by-line basis as of 31 December 2014.

Company name	Registered office	Country	Share capital	Currency	% Group ownership	Held by	% votes
Parent company:							
Piaggio & C. S.P.A.	Pontedera (Pisa)	Italy	207,613,944.37	euro			
Subsidiaries:							
Aprilia Brasil Industria de Motociclos S.A.	Manaus	Brazil	2,020,000.00	reais	51%	Aprilia World Service Holding do Brasil Ltda	51%
Aprilia Racing S.r.l.	Pontedera (Pisa)	Italy	250,000.00	euro	100%	Piaggio & C. S.p.A.	100%
Aprilia World Service Holding do Brasil Ltda.	São Paulo	Brazil	2,028,780.00	reais	99.99995%	Piaggio Group Americas Inc	99.99995%
Atlantic 12 – Fondo Comune di Investimento Immobiliare	Rome	Italy	10,993,353.46	euro	100%	Piaggio & C. S.p.A.	100%
Foshan Piaggio Vehicles Tecnology Research and Development Co Ltd	Foshan City	China	10,500,000.00	rmb	100%	Piaggio Vespa B.V.	100%
Nacional Motor S.A.	Barcelona	Spain	1,588,422.00	euro	100%	Piaggio & C. S.p.A.	100%
Piaggio Advanced Design Center Corp.	California	USA	100,000.00	USD	100%	Piaggio & C. S.p.A.	100%
Piaggio Asia Pacific PTE Ltd.	Singapore	Singapore	100,000.00	sin$	100%	Piaggio Vespa B.V.	100%
Piaggio China Co. LTD	Hong Kong	China	12,500,000 auth. capital (12,100,000 subscribed and paid up)	USD	99.99999%	Piaggio & C. S.p.A.	99.99999%
Piaggio Concept Store Mantova S.r.l.	Mantua	Italy	100,000.00	euro	100%	Piaggio & C. S.p.A.	100%
Piaggio Deutschland Gmbh	Kerpen	Germany	250,000.00	euro	100%	Piaggio Vespa B.V.	100%
Piaggio España S.L.U.	Alcobendas	Spain	426,642.00	euro	100%	Piaggio & C. S.p.A.	100%
Piaggio France S.A.S.	Clichy Cedex	France	250,000.00	euro	100%	Piaggio Vespa B.V.	100%
Piaggio Group Americas Inc	New York	USA	2,000.00	USD	100%	Piaggio Vespa B.V.	100%
Piaggio Group Canada Inc	Toronto	Canada	10,000.00	CAD	100%	Piaggio Group Americas Inc	100%
Piaggio Group Japan	Tokyo	Japan	99,000,000.00	yen	100%	Piaggio Vespa B.V	100%
Piaggio Hellas S.A.	Athens	Greece	2,204,040.00	euro	100%	Piaggio Vespa B.V.	100%
Piaggio Hrvatska D.o.o.	Split	Croatia	400,000.00	kuna	75%	Piaggio Vespa B.V.	75%
Piaggio Limited	Bromley Kent	United Kingdom	250,000.00	gbp	100%	Piaggio Vespa B.V.	99.9996%
						Piaggio & C. S.p.A.	0.0004%
Piaggio Vehicles Private Limited	Maharashtra	India	349,370,000.00	rupees	100%	Piaggio & C. S.p.A.	99.9999971%
						Piaggio Vespa B.V.	0.0000029%
Piaggio Vespa B.V.	Breda	Holland	91,000.00	euro	100%	Piaggio & C. S.p.A.	100%
Piaggio Vietnam Co Ltd	Hanoi	Vietnam	64,751,000,000.00	Dong	100%	Piaggio & C. S.p.A.	63.5%
						Piaggio Vespa B.V.	36.5%
PT Piaggio Indonesia	Jakarta	Indonesia	4,458,500,000.00	Rupiah	100%	Piaggio & C. S.p.A.	1%
						Piaggio Vespa B.V.	99%

List of companies included in the scope of consolidation with the equity method as of 31 December 2014.

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

List of investments in associates as of 31 December 2014.

Company name	Registered office	Country	Share capital	Currency	% Group ownership	Held by	%	% votes
Depuradora D'Aigues de Martorelles Soc. Coop. Catalana Limitada	Barcelona	Spain	60,101.21	euro	22%	Nacional Motor S.A.	22%	
Immsi Audit S.c.a.r.l.	Mantua	Italy	40,000.00	euro	25%	Piaggio & C. S.P.A.	25%	
Pont - Tech, Pontedera & Tecnologia S.c.r.l.	Pontedera (Pisa)	Italy	884,160.00	euro	20.44%	Piaggio & C. S.P.A.	20.44%	
S.A.T. Societé d'Automobiles et Triporteurs S.A.	Tunis	Tunisia	210,000.00	TND	20%	Piaggio Vespa B.V.	20%	

Information pursuant to article 149 duodecies of the Consob Regulation on Issuers

The following statement was prepared pursuant to article 149 *duodecies* of the Consob Regulation on Issuers and indicates the fees for 2014 for auditing services and other services provided by the same independent auditors and entities belonging to the auditing firm's network.

Service	Subject providing the service	Recipient	Fees for 2014
In euro			
Auditing services	PWC	Parent Company Piaggio & C	357,810
	PWC	Subsidiaries	9,000
	PWC network	Subsidiaries	365,933
Auditing services CSR	PWC	Parent Company Piaggio & C	40,000
Certification services	PWC	Parent Company Piaggio & C	336,000
	PWC	Subsidiaries	6,000
	PWC network	Subsidiaries	69,387
Total			**1,184,130**

N.B. Sums of subsidiaries operating in currencies other than the euro and agreed on in a local currency have been converted to the average exchange rate of 2014.

MY BIKE, MY PRIDE.
EWAN MCGREGOR
MOTO GUZZI


Arai
aprilia
91
HASLAM
DAINESE
eni
aprilia
RSV4
#be a racer
PIRELLI
BOGGI

Certification of the Consolidated Financial Statements pursuant to article 154-bis of Italian Legislative Decree no. 58/98

1. The undersigned Roberto Colaninno (Chairman and Chief Executive Officer) and Alessandra Simonotto (Appointed Executive) of Piaggio & C. S.p.A. hereby certify, also in consideration of article 154-bis, sections 3 and 4, of Legislative Decree no. 58 of 24 February 1998:
- the appropriateness with regard to the company's characteristics and
- the actual application of administrative and accounting procedures for the formation of the Consolidated Financial Statements as of 31 December 2014.

2. With regard to the above, no relevant aspects are to be reported.

3. Moreover

3.1 the Consolidated Financial Statements:

a. have been prepared in compliance with the international accounting standards endorsed by the European Community pursuant to regulation (EC) no. 1606/2002 of the European Parliament and Council of 19 July 2002;
b. correspond to accounting records;
c. give a true and fair view of the Consolidated Statement of Financial Position and results of operations of the Issuer and of all companies included in the scope of consolidation;

3.2 The Report on Operations includes reliable analysis of the trend of operations and operating results, as well as the situation of the Issuer and companies included in the scope of consolidation, as well as a description of main risks and uncertainties to which they are exposed.

Date: 27 February 2015

/s/ Roberto Colaninno

Roberto Colaninno
Chairman and Chief Executive Officer

/s/ Alessandra Simonotto

Alessandra Simonotto
Executive in charge

Report of the Independent Auditors on the Consolidated Financial Statements

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE N° 39 OF 27 JANUARY 2010

To the shareholders of
Piaggio & C. SpA

1 We have audited the consolidated financial statements of Piaggio & C. SpA and its subsidiaries ("Piaggio Group") as of 31 December 2014 which comprise the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the statement of changes in consolidated shareholders' equity, the consolidated statement of cash flows and related notes. The directors of Piaggio & C. SpA are responsible for the preparation of these financial statements in compliance with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n° 38/2005. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

For the opinion on the consolidated financial statements of the prior period, which are presented for comparative purposes, reference is made to our report dated 2 April 2014.

3 In our opinion, the consolidated financial statements of the Piaggio Group as of 31 December 2014 comply with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n° 38/2005; accordingly, they have been prepared clearly and give a true and fair view of the financial position, result of operations and cash flows of the Piaggio Group for the year then ended.

PricewaterhouseCoopers SpA

Sede legale e amministrativa: **Milano** 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 0805640211 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 01029041 - **Napoli** 80121 Piazza dei Martiri 58 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43100 Viale Tanara 20/A Tel. 0521275911 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Via Grazioli 73 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Verona** 37135 Via Francia 21/C Tel.0458263001

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4 The directors of Piaggio & C. SpA are responsible for the preparation of a report on operations and a report on corporate governance and corporate ownership published in section "Governance" of the website of Piaggio & C. SpA in compliance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the information referred to in paragraph 1, letters c), d), f), l), m), and paragraph 2, letter b), of article 123-bis of Legislative Decree n° 58/98 presented in the report on corporate governance and corporate ownership, with the financial statements, as required by law. For this purpose, we have performed the procedures required under Italian Auditing Standard n° 001 issued by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili) and recommended by Consob. In our opinion, the report on operations and the information referred to in paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b), of article 123-bis of Legislative Decree n° 58/98 presented in the report on corporate governance and corporate ownership are consistent with the consolidated financial statements of Piaggio & C. SpA as of 31 December 2014.

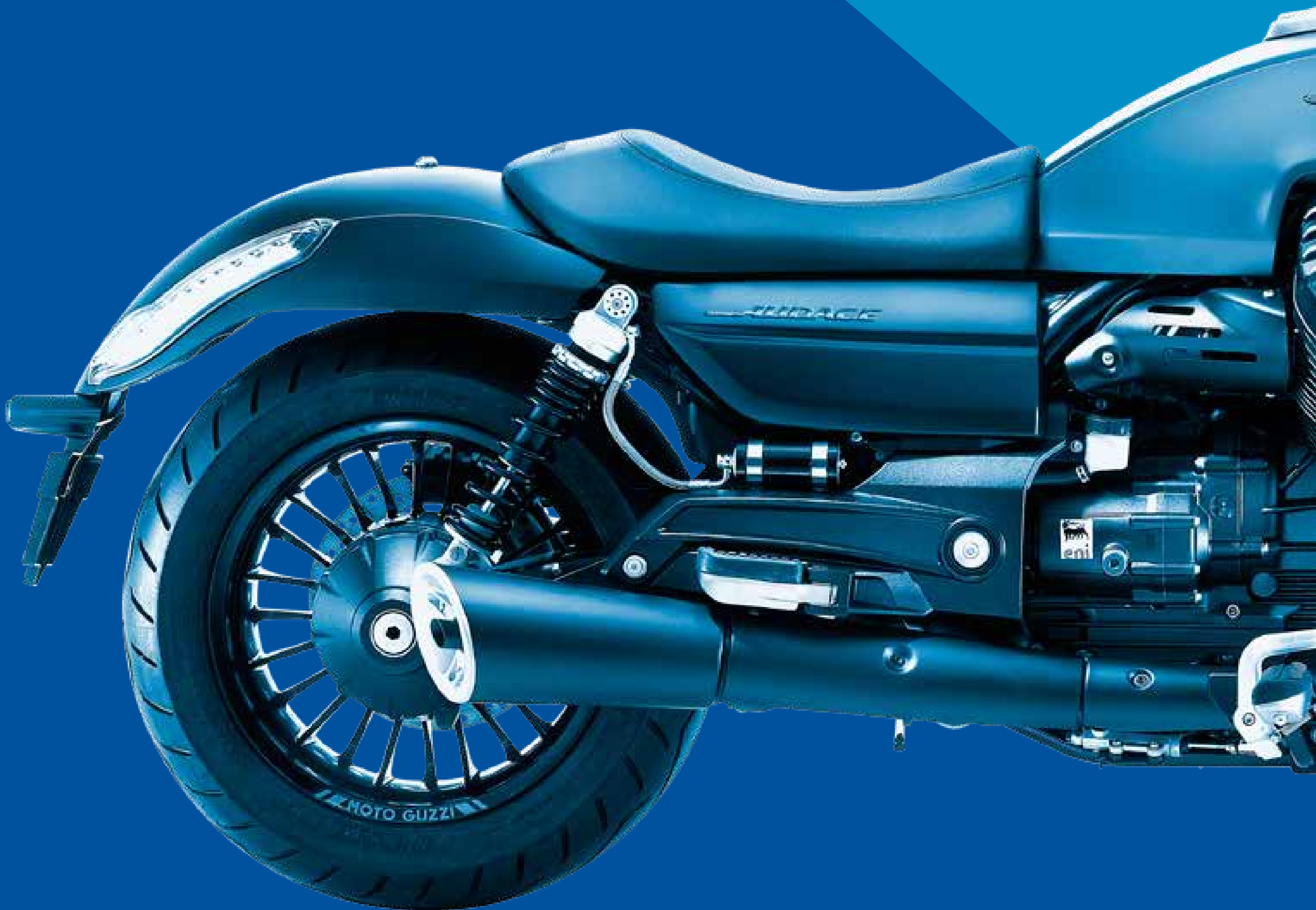
Florence, 18 March 2015

PricewaterhouseCoopers SpA

Signed by

Corrado Testori
(Partner)

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


MOTO GUZZI

PIAGGIO & C. SPA
SEPARATE FINANCIAL STATEMENTS OF THE PARENT COMPANY AS OF 31 DECEMBER 2014

Income Statement

Notes	In thousands of Euros	2014 Total	of which related parties	2013 Total	of which related parties
3	Net revenues	716,426	105,169	714,488	107,256
4	Cost for materials	406,334	45,444	412,994	48,858
5	Cost for services and leases and rentals	173,929	39,004	168,595	39,859
6	Employee costs	162,662	4	156,889	
7	Depreciation and impairment costs of property, plant and equipment	28,210		26,424	
7	Amortisation and impairment costs of intangible assets	38,775		36,845	
8	Other operating income	113,729	36,073	103,599	33,231
9	Other operating costs	15,534	909	24,017	2,687
	Operating income	**4,711**		**(7,677)**	
10	Income/(loss) from investments	42,194		53,405	
11	Financial income	1,158	319	797	356
11	Borrowing costs	32,642	411	29,100	348
42	*of which non-recurrent*	*3,552*			
11	Net exchange gains/(losses)	(498)		20	
	Profit before tax	**14,923**		**17,445**	
12	Taxes for the period	113	(64)	19,094	5,849
42	*of which non-recurrent*	*(977)*		*24,594*	
	Profit from continuing operations	**14,810**		**(1,649)**	
	Assets held for sale:				
13	Profits or losses arising from assets held for sale				
	Net profit	**14,810**		**(1,649)**	

For a greater comparison of information in the Financial Statements as of 31 December 2013, some data relative to the previous year have been changed. In particular, in relation to data published in 2013, incoming transport costs amounting to €/000 11,018 were reclassified from costs for services to costs for materials. The Company does not consider this change to 2013 data as significant.

Statement of Comprehensive Income

Notes	In thousands of Euros	2014	2013
	Net Profit (Loss) for the period (A)	**14,810**	**(1,649)**
	Items that will not be reclassified to profit or loss		
28	Remeasurements of defined benefit plans	(5,159)	432
	Total	(5,159)	432
	Items that may be reclassified to profit or loss		
28	Total gains (losses) on cash flow hedges	735	1,704
	Total	735	1,704
	Other Comprehensive Income (Expense) (B)*	**(4,424)**	**2,136**
	Total Comprehensive Income (Expense) for the period (A + B)	**10,386**	**487**

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

Statement of Financial Position

Notes	In thousands of Euros	As of 31 December 2014 Total	of which related parties	As of 31 December 2013 Total	of which related parties
	Assets				
	Non-current assets				
14	Intangible assets	572,402		555,279	
15	Property, plant and equipment	197,006		201,602	
16	Investment property				
17	Investments	63,480		61,383	
18	Other financial assets	13,316		4,396	
19	Long-term tax receivables	893		975	
20	Deferred tax assets	29,653		21,446	
22	Other receivables	3,430	197	3,828	231
	Total non-current assets	**880,180**		**848,909**	
26	**Assets held for sale**				
	Current assets				
21	Trade receivables	74,669	35,867	73,520	29,675
22	Other receivables	82,536	64,364	78,398	65,937
19	Short-term tax receivables	3,266		9,433	
23	Inventories	170,645		157,632	
24	Other financial assets	13,669	13,669	12,952	12,952
25	Cash and cash equivalents	29,196		3,618	
	Total current assets	**373,981**		**335,553**	
	Assets held for sale	**1,254,161**		**1,184,462**	
	Shareholders' equity and liabilities				
	Shareholders' equity				
28	Share capital	206,228		205,570	
28	Share premium reserve	7,171		3,681	
28	Legal reserve	16,902		16,902	
28	Other reserves	24,141		23,255	
28	Retained earnings (losses carried forward)	59,726		69,147	
28	Profit (loss) for the period	14,810		(1,649)	
	Total shareholders' equity	**328,978**		**316,906**	
	Non-current liabilities				
29	Financial liabilities falling due after one year	472,439	2,900	398,079	2,900
31	Other long-term provisions	8,089		9,091	
32	Retirement funds and employee benefits	54,051		48,066	
33	Tax payables	0		0	
34	Other long-term payables	1,666		2,415	
	Total non-current liabilities	**536,245**		**457,651**	
	Current liabilities				
29	Financial liabilities falling due within one year	62,380	3,856	102,301	3,275
30	Trade payables	266,143	29,578	240,285	24,858
33	Tax payables	7,131		7,326	
34	Other short-term payables	46,961	16,974	47,600	18,090
31	Current portion of other long-term provisions	6,323		12,393	
	Total current liabilities	**388,938**		**409,905**	
	Total shareholders' equity and liabilities	**1,254,161**		**1,184,462**	

For a greater comparison of information in the Financial Statements as of 31 December 2013, some data relative to the previous year have been changed. In particular, compared to data published in 2013, the item "Short-term tax receivables" and the item "Tax payables" recognised under current liabilities were increased by €/000 209. The Company does not consider this change to 2013 data as significant.

Statement of Cash Flows

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

Notes	In thousands of euros	2014	2013
	Operating activities		
	Profit (Loss) for the period	14,810	(1,649)
12	Taxes for the period	113	19,094
7	Depreciation of property, plant and equipment	28,211	26,424
7	Amortisation of intangible assets	38,776	36,240
	Non-monetary costs for stock options		0
	Provisions for risks and retirement funds and employee benefits	16,076	21,778
	Write-downs / (Reversals)	4,164	9,913
	Losses / (Gains) on the disposal of property, plants and equipment	(4,346)	(516)
11	Financial income	(1,158)	(6,817)
	Dividend income	(44,380)	(57,533)
11	Borrowing costs	33,140	35,100
	Change in working capital:		
21	(Increase)/Decrease in trade receivables	3,409	(6,336)
22	(Increase)/Decrease in other receivables	(9,974)	(5,102)
23	(Increase)/Decrease in inventories	(13,013)	12,832
30	Increase/(Decrease) in trade payables	21,218	(20,872)
	Increase/(Decrease) in other payables	3,252	(5,262)
31	Increase/(Decrease) in the current portion of provisions for risks	(12,548)	(11,258)
31	Increase/(Decrease) in the non-current portion of provisions for risks	(1,002)	(815)
32	Increase/(Decrease) in retirement funds and employee benefits	(3,612)	(10,240)
	Other changes	(2,758)	(15,769)
	Cash generated from operating activities	**70,378**	**19,212**
	Interest paid	(34,070)	(30,327)
	Taxes paid	(10,217)	(6,751)
	Cash flow from operating activities (A)	**26,091**	**(17,866)**
	Investing activities		
15	Investment in property, plant and equipment	(24,651)	(23,517)
	Sale price, or repayment value, of property, plant and equipment	5,383	640
14	Investment in intangible assets	(55,958)	(43,662)
	Sale price, or repayment value, of intangible assets	58	200
	Investment in non-current financial assets	(4,507)	(15,702)
	Loans provided	(717)	(214)
	Repayment of loans provided		0
	Sale price of financial assets		0
	Interest collected	302	5,974
	Dividends from investments	44,084	57,119
	Cash flow from investing activities (B)	**(36,006)**	**(19,162)**
	Financing activities		
28	Purchase of treasury shares	(3,787)	(1,002)
28	Collection for the exercise of stock options	5,321	806
28	Outflow for dividends paid	0	(33,087)
29	Loans received	208,554	119,594
29	Outflow for repayment of loans	(159,592)	(63,329)
29	Repayment of finance leases	(5,809)	(936)
	Cash flow from financing activities (C)	**44,687**	**22,046**
	Increase / (Decrease) in cash and cash equivalents (A+B+C)	34,772	(14,982)
	Opening balance	**(7,448)**	**7,597**
	Exchange differences	92	(63)
	Closing balance	**27,416**	**(7,448)**

Changes in Shareholders' Equity

Movements from 1 January 2014/31 December 2014

Notes	In thousands of Euros	Notes	Share capital	Share premium reserve
	As of 1 January 2014	**205,570**	**3,681**	**16,902**
	Profit for the period			
	Other Comprehensive Income (Expense)			
	Total comprehensive income (expense) for the period	**0**	**0**	**0**
	Exercise of stock options:			
28	- issue of new shares	1,587	3,489	
28	- sale of treasury shares	114		
28	Purchase of treasury shares	(1,043)		
	Net capital gain from contribution			
	Other changes		1	
	As of 31 December 2014	**206,228**	**7,171**	**16,902**

Movements from 1 January 2013/31 December 2013

Notes	In thousands of Euros	Notes	Share capital	Share premium reserve
	As of 1 January 2013	**199,504**	**3,493**	**14,593**
	Loss for the period			
	Other Comprehensive Income (Expense)			
	Total comprehensive income (expense) for the period	**0**	**0**	**0**
28	Distribution of profit for 2012 as resolved by the ordinary meeting of shareholders			
	- to shareholders			
	- to shareholders' equity			2,309
28	Annulment of treasury shares	6,066		
	Exercise of stock options:			
28	- issue of new shares	86	188	
28	- sale of treasury shares	200		
28	Purchase of treasury shares	(286)		
	As of 31 December 2013	**205,570**	**3,681**	**16,902**

Net capital gain from contribution	Reserve for measurement of financial instruments	IAS transition reserve	Stock option reserve	Earnings reserve	Total shareholders' equity
0	**(1,565)**	**11,435**	**13,385**	**67,498**	**316,906**
				14,810	**14,810**
	735			(5,159)	**(4,424)**
0	**735**	**0**	**0**	**9,651**	**10,386**
					5,076
				131	**245**
				(2,744)	**(3,787)**
152					**152**
			(1)		**0**
152	**(830)**	**11,435**	**13,384**	**74,536**	**328,978**

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

Notes to the Financial Statements

A) General aspects

Piaggio & C. S.p.A. (the Company) is a joint-stock company established in Italy at the Register of Companies of Pisa. The addresses of the registered office and places where main business operations are conducted are listed in the introduction to the financial statements.
These Financial Statements are expressed in Euros (€) since this is the currency in which most of the Company's transactions take place.
For a greater clarity and understanding of the information included in the Financial Statements as of 31 December 2013, some changes were made to the income statement, Statement of Financial Position and notes as regards information presented for comparative purposes. In particular, transport costs and costs for outsourced services relative to goods purchased and managed as stock, previously recognised as services (€/000 11,018) were reclassified as purchase costs, additional information was added concerning costs for services, and the item "Short-term receivables" and the item "Tax payables" recognised under current liabilities were increased by €/000 209.
The Company does not consider these changes to 2013 figures, as significant.

Compliance with international accounting standards

The Financial Statements as of 31 December 2014 have been drafted in compliance with the International Accounting Standards (IAS/IFRS) in force at that date, issued by the International Accounting Standards Board and approved by the European Commission, as well as in compliance with the provisions established in Article 9 of Italian Legislative Decree no. 38/2005 (Consob Resolution no. 15519 dated 27 July 2006 containing 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 "Corporate reporting required in accordance with Article 114, paragraph 5 of Italian Legislative Decree no. 58/98"). The interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously the Standing Interpretations Committee ("SIC"), were also taken into account.
The Financial Statements have been prepared on a historical cost basis, amended as required for the measurement of some financial instruments, and on a going-concern basis. In fact, despite a difficult economic and financial context, the Company evaluated that there are no significant uncertainties (as defined in paragraph 25 of IAS 1) about its operations as a going concern, also in view of actions already identified to meet changed levels of demand, and the Company's industrial and financial flexibility.

These Financial Statements are audited by PricewaterhouseCoopers S.p.A..

1. Form and content of the financial statements

Form of the financial statements

The Company has chosen to highlight all changes generated by transactions with non-shareholders in two statements reporting trends of the period, the "Income Statement" and "Statement of Comprehensive Income". The Financial Statements therefore comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Shareholders' Equity and these notes.

Income Statement

The Income Statement is presented with items classified by nature. The overall Operating Income is shown, which includes all income and cost items, irrespective of their repetition or fact of falling outside normal operations, except for the items of financial operations included under Operating Income and profit before tax. In addition, income and cost items arising from assets held for disposal or sale, including any capital gains or losses net of the tax element, are recognised in a specific item of the Financial Statements which precede financial performance.

Statement of Comprehensive Income

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

Statement of Financial Position

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

Statement of Cash Flows

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

Statement of Changes in Shareholders' Equity

The Statement of Changes in Shareholders' Equity is presented as provided for in IAS 1 revised.
The Statement includes overall profit (loss) for the period. Reconciliation is presented between the opening and closing balance of each item for the period.

2. Accounting policies adopted by the Company

The most significant accounting policies adopted to prepare the Financial Statements as of 31 December 2014 are outlined below.

Intangible assets

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

Goodwill

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

Development costs

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

Other intangible assets

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

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

Property, plant and equipment

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

Land	Land is not depreciated
Buildings	33 years
Plant and machinery	From 5 to 10 years
Equipment	From 5 to 10 years

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

Investments

Investments in subsidiaries and associates are recognised at cost adjusted for impairment losses.
Investments in subsidiaries and associates are tested annually for impairment, or more frequently if necessary. If evidence of impairment exists, the loss is recognised in profit or loss as a write-down. In the event any portion attributable to the Company of losses of the subsidiary exceeds the book value of the investment and the Company is liable, the value of the investment is reset to zero and the portion of further losses is recorded as a provision in liabilities. If the impairment loss is subsequently reversed or reduced, the value is reversed within cost limits in the income statement.

Impairment

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

Investment property

The Company has no investment property. As permitted by IAS 40, non instrumental property and buildings held for rental and/or asset appreciation purposes are measured at fair value. Investment properties are eliminated from the financial statements when they are disposed of or when they may not be used over time and future economic benefits from their sales are not expected.

Transactions with subsidiaries and related parties

Relations with subsidiaries and related parties are indicated in the specific section of the Notes, to which reference is made.

Non-current assets held for sale

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

Financial assets

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

Inventories

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

Receivables

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

Factoring

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

Cash and cash equivalents

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

Treasury shares

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

Financial liabilities

Financial liabilities are recognised based on amounts cashed net of relative transaction costs. After initial recognition, loans are measured at amortised cost and calculated using the effective interest rate. Financial liabilities hedged by derivatives are evaluated at fair value, according to procedures established for hedge accounting applicable to the fair value hedge and cash flow hedge.
On initial recognition, a liability may also be designated at fair value recognised in profit or loss when this eliminates or considerably reduces a lack of uniformity in the measurement or recognition (sometimes defined as "asymmetric accounting") that would otherwise arise from the measurement of an asset or liability or recognition of relative profit and loss on different bases. This fair value designation is exclusively applied to some financial liabilities in currency subject to exchange risk hedging.

Derivatives and measurement of hedging operations

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

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

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

Long-term provisions

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

Retirement funds and employee benefits

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

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

Termination benefit

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

Stock option plan

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

Tax assets and liabilities

Deferred taxes are determined based on the temporary taxable differences between the value of the asset and liability and their tax value. Deferred tax assets are measured only to the extent to which it is likely that adequate future taxable sums exist against which the deferred taxes can be used. The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent to which it is no longer likely that sufficient taxable income exists allowing for all or a portion of said assets to be recovered.
Deferred taxes are determined based on tax rates expected for the period in which the tax assets are realised, considering the rates in effect or which are known to come into effect. Deferred taxes are directly recognised in profit or loss, except for items directly recognised in the Statement

of Comprehensive Income, in which case relative deferred taxes are also recognised in the same Statement of Comprehensive Income.
Deferred tax assets and liabilities are recognised at their net value when applied by the tax authorities and when they may be lawfully offset in the same tax jurisdiction.

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

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

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

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

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

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

Dividends
Dividends recognised in profit or loss are recognised on accrual basis, and therefore at the time when,

following the resolution to distribute dividends by the subsidiary, the relative right to payment arises.

Income tax

Taxes represent the sum of current and deferred tax assets and liabilities.
Taxes allocated on the basis of estimated taxable income determined in compliance with national laws in force at the year end are recorded, taking account of applicable exemptions and tax credits due. Income tax is recognised in profit or loss, with the exception of items directly charged or credited to shareholders' equity, in which case the tax effect is directly recognised in shareholders' equity.
Taxes are recorded under "Tax payables" net of advances and withheld taxes.
As from the 2007 reporting period, the Company has been party to the National Consolidated Tax Mechanism pursuant to articles 117 - 129 of the Consolidated Income Tax Act (T.U.I.R) of which IMMSI S.p.A. is the consolidating company, and to whom other IMMSI Group companies report to. This arrangement was renewed with effects starting from 2013 and will be operative up until 2015.
Based on the procedure, the consolidating company determines one taxable base for the group of companies that are party to the National Consolidated Tax Mechanism, and may therefore offset taxable income against tax losses in one tax return. Each company which is party to the National Consolidated Tax Mechanism transfers taxable income (taxable income or loss) to the consolidating company. The latter recognises a receivable from the consolidated company which is equal to the corporate tax to be paid. Whereas, in the case of companies reporting tax losses, the consolidating company recognises a payable related to corporate tax on the portion of loss actually offset at a Group level.

Use of estimates

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

<u>Recoverable value of non-current assets</u>

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

Recoverability of deferred tax assets

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

Pension schemes and other post-employment benefits

Provisions for employee benefits and net borrowing costs are measured using an actuarial method that requires the use of estimates and assumptions to determine the net value of the obligation. The actuarial method considers financial parameters such as the discount rate and growth rates of salaries and considers the likelihood of potential future events occurring on the basis of demographic parameters such as relative mortality rates and employee resignations or retirements.
The assumptions used for the measurement are explained in section 32 "Retirement funds and employee benefits".

Provisions for write-down

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

Provision for obsolete inventories

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

Provision for product warranties

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

Potential liabilities

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

Amortisation/Depreciation

The cost of assets is amortised/depreciated on a straight line basis over their estimated useful life. The economic useful life of Company assets is determined by Directors at the time of purchase; the calculation is based on historical experience acquired in years of operations and on knowledge of technological innovations that may make the asset obsolete and no longer economical.
The Company periodically evaluates technological and segment changes, in order to update the

remaining useful life. This periodic updating could change the amortisation/depreciation period and therefore amortisation/depreciation charges of future years.

Income tax

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

New accounting standards, amendments and interpretations applied as from 1 January 2014

On 12 May 2011, the IASB issued the standard IFRS 12 – *Disclosure of 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. The adoption of the new standard has not resulted in any significant effects for the Company.

At the same time as IFRS 10 and IFRS 12 were issued, the pre-existing IAS 27 *Consolidated and Separate Financial Statements*, renamed Separate Financial Statements was amended as regards its name and contents, deleting all requirements relative to consolidated financial statements (other provisions are still valid). Following this amendment, the standard only defines the measurement and recognition criteria, as well as reporting to include in separate financial statements as regards subsidiaries, joint ventures and associates. The changes did not have any significant effects for the Company.

On 29 May 2013, the IASB issued an amendment to IAS 36 – *Recoverable Amount Disclosures for Non-Financial Assets*, to clarify 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 standard is applicable in a retrospective manner from 1 January 2014. The adoption of the new standard has not resulted in any significant effects for the Company.

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 standard is applicable in a retrospective manner from 1 January 2014. The adoption of the new standard has not resulted in any significant effects for the Company.

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 standard is applicable in a retrospective manner from 1 January 2014. The adoption of the new standard has not resulted in any significant effects for the Company.

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 for years commencing from or after 1 January 2014. The adoption of the new standard has not resulted in any significant effects for the Company.

New accounting standards, amendments and interpretations applied as from 1 January 2014

The following amendments and interpretations, applicable as of 1 January 2014, regulate specific cases which are not present within the Company at the date of these Financial Statements:

- 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* 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 – I*nterests in Joint Ventures* and SIC-13 – J*ointly 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 (joint ventures) in consolidated financial statements. The standard is applicable in a retrospective manner from 1 January 2014. At the same time as IFRS 11 and IFRS 12 were issued, the name and content of the pre-existing IAS 28 were amended. In particular, the new standard, which also includes provisions of SIC 13, outlines the application of the equity method which is used to measure joint ventures and associates in consolidated financial statements.

Accounting standards, amendments and interpretations not yet applicable

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

- On 21 November 2013, the IASB published some minor amendments to IAS 19 – Employee benefits entitled "Defined Benefit Plans: Employee Contributions". These amendments concern the simplification of the accounting treatment of employees or, in specific cases, third-party contributions, to defined benefit plans. The amendments are applicable in a retrospective manner for years commencing from or after 1 July 2014. Early adoption is possible.

- On 12 December 2013, the IASB issued some amendments to IFRS (Annual Improvements to IFRSs - 2010-2012 Cycle and Annual Improvements to IFRSs - 2011-2013 Cycle). The most significant issues addressed in these amendments concern: the definition of accrual conditions in IFRS 2 – Share-Based Payment, disclosure on estimates and opinions used in grouping operating segments in IFRS 8 – Operating Segments, the identification and disclosure of related-party transactions arising when a services company provides a management service of key Directors that prepare financial statements in IAS 24 – Related party disclosures, the exclusion from the scope of application of IFRS 3 – Business Combinations, of all types of joint arrangements (as defined in IFRS 11 – Joint Arrangements), and some clarifications about exceptions to the scope of IFRS 13 – Fair Value Measurement.

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

- In May 2014, the IASB and FASB jointly published IFRS 15 "Revenue from Contracts with Customers". The purpose of this standard is to improve reporting on revenues and their comparability between different financial statements. The new standard is applicable in a retrospective manner for years commencing from or after 1 January 2017. Early adoption is possible.

- On 12 May 2014, the IASB issued amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortisation", that consider the adoption of depreciation and amortisation methods based on revenues as unacceptable. As regards intangible assets, this indication is considered as a relative assumption, that may only be overcome in one of the following circumstances: (i) the right to use an intangible asset is related to achieving a pre-established limit of revenues to produce; or (ii) when it may be demonstrated that the realisation of revenues and use of the economic benefits of the asset are strongly related. Amendments are applicable for years commencing from or after 1 January 2016.

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

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

Other information

Departures pursuant to article 2423, section 4 of the Italian Civil Code

No exceptional circumstances occurred requiring departures from legal provisions concerning Financial Statements pursuant to article 2423, section 4 of the Italian Civil Code.

Information on company management and coordination activities

Pursuant to article 2497-bis, section 4 of the Italian Civil Code, main data of the last financial statements of the parent company IMMSI S.p.A, with registered office in Mantua (MN), Piazza Vilfredo Pareto 3 – tax code 07918540019, for the year ended 31 December 2013, are summarised below. The above essential data were taken from the Financial Statements for the year ended 31 December 2013. To fully understand the financial position of IMMSI S.p.A as of 31 December 2013, as well as the financial performance of the company in the year ending at this date, reference is made to the financial statements, and the report of the independent auditors, available in the forms and according to procedures established by law.

IMMSI S.p.A. - Income statement	2013	2012
In thousands of euros		
Financial income	35,467	21,605
Of which related parties and intergroup	*24,828*	*21,508*
Borrowing costs	(23,364)	(51,823)
Of which related parties and intergroup	*(1,192)*	*(8,591)*
Income/(loss) from investments	-	-
Operating income	4,754	4,775
Of which related parties and intergroup	*2,041*	*2,035*
Costs for materials	(40)	(38)
Costs for services, leases and rentals	(3,276)	(3,590)
Of which related parties and intergroup	*(551)*	*(606)*
Employee costs	(1,344)	(1,295)
Depreciation of plant, property and equipment	(128)	(148)
Amortisation of goodwill		
Amortisation of intangible assets with a definite useful life	0	(4)
Other operating income	169	141
Of which related parties and intergroup	*86*	*80*
Other operating costs	(702)	(631)
Profit before tax	**11,536**	**(31,008)**
Taxes	3,307	1,148
Of which related parties and intergroup	*3,475*	*816*
Earnings after tax from operating activities	**14,843**	**(29,860)**
Profit or loss arising from assets held for disposal or sale	0	0
Net profit for the period	**14,843**	**(29,860)**

IMMSI S.p.A. - Statement of comprehensive income	2013	2012
In thousands of euros		
Net profit for the period	**14,843**	**(29,860)**
Profits (losses) from the fair value measurement of assets available for sale (AFS)	4,666	755
Effective portion of profit (losses) from instruments to hedge financial flows	570	(752)
Adjustment of the Investment Property reserve		
Actuarial gains (losses) relative to defined benefit plans	12	(16)
Total profit (loss) for the period	**20,091**	**(29,874)**

IMMSI S.p.A. - Statement of Financial Position	As of 31 December 2013	As of 31 December 2012
In thousands of euros		
Non-current assets		
Intangible assets	-	-
Plant, property and equipment	240	364
Of which related parties and intergroup	*21*	*37*
Investment property	73,780	73,562
Investments	322,359	342,902
Other financial assets	60,700	43,712
Of which related parties and intergroup	*3,000*	
Tax receivables	1,409	2,021
Deferred tax assets	227	102
Trade receivables and other receivables	240	5
Of which related parties and intergroup	233	
Total non-current assets	**458,955**	**462,668**
Assets held for disposal	-	-
Current assets		
Trade receivables and other receivables	34,888	23,201
Of which related parties and intergroup	*33,737*	*22,882*
Tax receivables	782	646
Other financial assets	164,795	129,466
Of which related parties and intergroup	*138,886*	*119,132*
Cash and cash equivalents	2,513	3,383
Total current assets	**202,978**	**156,696**
Total assets	**661,933**	**619,364**
Shareholders' equity		
Share capital	178,464	177,076
Reserves and retained earnings	231,952	257,952
Income for the period	14,843	(29,860)
Total shareholders' equity	**425,259**	**405,168**
Non-current liabilities		
Financial liabilities	118,955	27,736
Trade payables and other payables	926	1,496
Retirement fund and similar obligations	344	323
Other long-term provisions	-	-
Deferred tax liabilities	20,504	20,042
Total non-current liabilities	**140,729**	**49,597**
Liabilities related to assets held for disposal	-	-
Current liabilities		
Financial liabilities	93,443	162,138
Trade payables	1,137	1,468
Of which related parties and intergroup	*260*	*350*
Current taxes	494	328
Other payables	871	665
Of which related parties and intergroup	*2*	*2*
Current portion of other long-term provisions	-	-
Total current liabilities	**95,945**	**164,599**
Total shareholders' equity and liabilities	**661,933**	**619,364**

B) information on the income statement

3. Net revenues €/000 716,426

Revenues for disposals of company core business assets essentially refer to the marketing of vehicles and spare parts on European and non-European markets. They are recognised net of premiums given to customers and include sales to Group companies amounting to €/000 105,169.

Revenues by geographical segment

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

	2014		2013		Change	
	Amount	%	Amount	%	Amount	%
In thousands of Euros						
EMEA and Americas	680,930	95.0	676,288	94.7	4,642	0.7
Asia Pacific	35,121	4.9	37,438	5.2	(2,317)	(6.2)
India	375	0.1	762	0.1	(387)	(50.8)
Total	**716,426**	**100.0**	**714,488**	**100.0**	**1,938**	**0.3**

Revenues by type of product

The breakdown of revenues by type of product is shown in the following table:

	2014		2013		Change	
	Amount	%	Amount	%	Amount	%
In thousands of Euros						
Two-wheeler	650,620	90.8	650,666	91.1	(46)	(0.0)
Commercial Vehicles	65,807	9.2	63,822	8.9	1,985	3.1
Total	**716,426**	**100.0**	**714,488**	**100.0**	**1,938**	**0.3**

In 2014, net sales revenues increased by €/000 1,938.

4. Costs for materials *€/000 406,334*

This item totalled €/000 406,334 compared to €/000 412,994 as of 31 December 2013 and includes costs for purchases from Group companies amounting to €/000 45,444.
The decrease in costs for materials compared to the previous year amounts to 1.6%.
The percentage of costs for materials accounting for net sales went down, from 57.8% in 2013 to 56.7% in 2014.
The cost for materials includes transport costs and costs for outsourced services relative to goods purchased that were recognised as services in 2013 (€/000 11,018). In 2014, these costs amounted to €/000 12,993.

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

	2014	2013	Change
In thousands of Euros			
Raw, ancillary materials, consumables and goods	419,293	400,159	19,134
Change in inventories of raw, ancillary materials, consumables and goods	(10,322)	6,168	(16,490)
Change in work in progress of semifinished and finished products	(2,637)	6,667	(9,304)
Total costs for purchases	**406,334**	**412,994**	**(6,660)**

5. Costs for services and leases and rental costs *€/000 173,929*

This item totalled €/000 173,929 compared to €/000 168,595 as of 31 December 2013 and includes costs from Group companies amounting to €/000 39,004.
Below is a breakdown of this item:

	2014	2013	Change
In thousands of Euros			
Employee costs	7,431	6,851	580
External maintenance and cleaning costs	4,614	4,122	492
Energy and telephone costs	11,286	12,468	(1,182)
Postal expenses	529	553	(24)
Commissions payable	20,842	21,166	(324)
Advertising and promotion	11,684	9,507	2,177
Technical, legal and tax consultancy and services	9,530	7,182	2,348
Company boards operating costs	2,184	2,184	0
Insurance	2,955	2,945	10
Outsourced manufacturing	12,188	12,989	(801)
Outsourced services	7,626	7,987	(361)
Transport costs (vehicles and spare parts)	25,583	26,700	(1,117)
Internal shuttle services	661	742	(81)
Sundry commercial expenses	6,175	5,687	488
Expenses for public relations	2,654	2,238	416
Product warranty costs	7,065	8,329	(1,264)
Costs for quality-related events	4,517	2,323	2,194
Bank costs and factoring charges	3,965	3,840	125
Misc services provided in the business year	6,386	5,177	1,209
Other services	16,223	14,209	2,014
Lease and rental costs	9,831	11,396	(1,565)
Total costs for services	**173,929**	**168,595**	**5,334**

Costs for quality-related events were partially offset by compensation received, recognised under "Other operating income" and amounting to €/000 2,582.
Lease and rental costs refer to €/000 3,434 for rental payments for buildings and €/000 6,397 for car, software and photocopier hire payments.
Third party work, of €/000 12,188 refers to the processing of production components by outsourced suppliers.
Expenses for the operation of company boards refer to the activities of the Board of Directors and Board Directors with particular responsibilities, as well as the Board of Statutory Auditors, Supervisory Body, Internal Control Committee and Remuneration Committee. These expenses include fees and the reimbursement of costs for €/000 440, €/000 1,310, €/000 302, €/000 62, €/000 40 and €/000 30 respectively.
Business services include services for the disposal of waste and water treatment amounting to €/000 1,929.
Other services include €/000 11,155 for sports services and the promotion of Group brands, provided by the subsidiary Aprilia Racing, €/000 1,658 for technical services provided by the subsidiaries Aprilia Racing, Foshan Piaggio Vehicles Technology Research and Development Co. and Piaggio Advanced Design Co. and €/000 1,000 for management services provided by the parent company IMMSI S.p.A.

6. Employee costs *€/000 162,662*

Employee costs are broken down as follows:

	2014	2013	Change
In thousands of Euros			
Salaries and wages	112,689	109,035	3,654
Social security contributions	36,938	34,955	1,983
Termination benefits	8,190	8,084	106
Other costs	4,845	4,815	30
Total	**162,662**	**156,889**	**5,773**

The workforce as of 31 December 2014 totalled 3,699 members of staff.

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

Average number

Level	2014	2013	Change
Senior Management	79	78	0
Middle Management	227	231	(4)
White collars	926	951	(25)
Blue collars with supervisory duties/blue collars	2,513	2,562	(48)
Total	**3,745**	**3,822**	**(77)**

Number as of

Level	31.12.2014	31.12.2013	Change
Senior Management	78	78	0
Middle Management	227	228	(1)
White collars	907	938	(31)
Blue collars with supervisory duties/blue collars	2,487	2,536	(49)
Total	**3,699**	**3,780**	**(81)**

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

Level	As of 31/12/13	Incoming	Leavers	Relocations	As of 31/12/14
Senior Management	78	7	(7)		78
Middle Management	228	10	(17)	6	227
White collars	938	5	(34)	(2)	907
Blue collars	2,536	3	(48)	(4)	2,487
Total*	**3,780**	**25**	**(106)**	**0**	**3,699**
(*) of which fixed-term contracts	*1*	*1*	*(1)*		*1*

7. Amortisation/depreciation and impairment costs *€/000 66,985*

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

Property, plant and equipment	2014	2013	Change
In thousands of Euros			
Buildings	3,984	3,723	261
Plant and machinery	8,864	8,256	608
Industrial and commercial equipment	14,881	13,944	937
Other assets	481	501	(20)
Total depreciation of property, plant and equipment	**28,210**	**26,424**	**1,786**
Write-down of property, plant and equipment	-	-	-
Total depreciation of property, plant and equipment and impairment costs	**28,210**	**26,424**	**1,786**

Intangible assets	2014	2013	Change
In thousands of Euros			
Development costs	18,225	16,533	1,692
Industrial Patent and Intellectual Property Rights	14,804	13,961	843
Concessions, licences, trademarks and similar rights	5,746	5,746	0
Total amortisation of intangible fixed assets	**38,775**	**36,240**	**2,535**
Write-down of intangible assets		605	(605)
Total depreciation of intangible assets and impairment costs	**38,775**	**36,845**	**1,930**

As set out in more detail in the paragraph on intangible assets, as from 1 January 2005, goodwill is no longer amortised, but tested annually for impairment.
The impairment test carried out as of 31 December 2014 confirmed the full recoverability of the amounts recorded in the financial statements.

Amortisation of the item "Concessions, licences, trademarks and similar rights" refers to amortisation of the Aprilia brand for €/000 2,916, of the Guzzi brand for €/000 1,625, of the Derbi brand for €/000 1,200 and of other brands from the merged company Aprilia for €/000 5.
The item "Industrial Patent and Intellectual Property Rights" includes amortisation relative to software equal to €/000 4,625.

8. Other operating income *€/000 113,729*

This item consists of:

	2014	2013	Change
In thousands of Euros			
Operating grants	1,952	3,580	(1,628)
Increases in fixed assets from internal work	36,680	28,630	8,050
Other revenues and incomes:			
- Expenses recovered in invoices	18,399	18,853	(454)
- Rent receipts	268	266	2
- Contingent assets from measurement	259	164	95
- Capital gains on the disposal of assets	4,397	533	3,864
- Recovery of transport costs	559	640	(81)
- Recovery of business costs	1,985	1,819	166
- Recovery of registration costs	26	112	(86)
- Recovery of stamp duty	648	645	3
- Recovery of labour costs	5,624	5,636	(12)
- Recovery of duty on exported products	79	90	(11)
- Recovery of supplier costs	778	769	9
- Recovery of warranty costs	77	95	(18)
- Recovery of taxes from customers	528	527	1
- Recovery of sundry costs	4,247	5,437	(1,190)
- Provision of services to group companies	7,248	8,689	(1,441)
- Licence rights and know-how	19,355	15,871	3,484
- Commission receivable	1,778	1,366	412
- Sale of miscellaneous materials	65	77	(12)
- Compensation from damage to third parties	1,041	1,440	(399)
- Compensation from third parties for quality-related events	2,582	1,581	1,001
- Sponsorship	1,000	1,250	(250)
- Other income	4,154	5,529	(1,375)
Total other operating income	**113,729**	**103,599**	**10,130**

The increase amounted to €/000 10,130.

Operating grants refer to:
- €/000 124 for benefits established by Law 296/2006 (2007 Budget), subsequently amended by law 244/2007 (2008 Budget), which provided benefits for companies undertaking pre-competitive Research and Development programmes, starting from 1 January 2007 and reaching completion by 31 December 2009. The benefit consists of a tax income to be used against payable taxes. The costs to which the benefit refers were incurred in 2007/2008/2009. This funding refers to funding recognised in profit or loss in relation to the amortisation of capitalised costs subsequently recognised in the year.
- €/000 1,388 refers to other public grants concerning research projects.
- €/000 334 for funding for professional training provided by trade associations.
- €/000 106 for the portion relative to the year, of sums received from a customer for product development.

During the period, internal costs for development projects of €/000 35,981 were capitalised, in addition to internal costs for the development of software for €/000 526 and internal costs for the construction of property, plant and equipment, amounting to €/000 173.
Expenses recovered in invoices refer to costs for preparation, advertising, insurance, transport and packaging charged to clients directly in product sales invoices.
The item "Recovery of sundry costs" refers to €/000 1,406 and €/000 467 charged to the subsidiaries Piaggio Vietnam and Piaggio Vehicles respectively, as well as €/000 181 charged to the associated company Zongshen Piaggio Foshan for the supply of components, equipment and various materials

for the construction and production of vehicles. This item also includes charges made to other group companies amounting to €/000 391 and to third parties for €/000 1,802 for the recovery of sundry costs.
Licence rights were obtained from the subsidiaries Piaggio Vehicles (€/000 8,405) and Piaggio Vietnam (€/000 7,433), from the associated company Zongshen Piaggio Foshan (€/000 142) as well as from third parties (€/000 1,200). Income (€/000 2,175) was also generated from the associated company Zongshen Piaggio Foshan for the sale of know-how.
Income from the recovery of labour costs mainly refers to amounts charged to Group companies (€/000 5,595) for the use of personnel.
The recovery of costs from suppliers refers to amounts charged for the reprocessing of materials and final inspections, and for failure to supply assembly lines with material.
The recovery of tax duties mainly refers to dealers being charged stamp duty on vehicle conformity certificates.
Other income includes contingent assets for the year amounting to €/000 1,645.

9. Other operating costs *€/000 15,534*

This item consists of:

	2014	2013	Change
In thousands of Euros			
Provisions for product warranties	6,479	6,596	(117)
Total other provisions	**6,479**	**6,596**	**(117)**
Stamp duty	813	782	31
Duties and taxes not on income	952	873	79
Local tax, formerly council tax	1,396	1,384	12
Various subscriptions	880	840	40
Social charges	241	421	(180)
Capital losses from disposal of assets	51	17	34
Miscellaneous expenses	2,776	7,436	(4,660)
Losses on receivables	270	2,015	(1,745)
Total sundry operating costs	**7,379**	**13,768**	**(6,389)**
Write-down of current receivables	1,676	3,653	(1,977)
Total other operating costs	**15,534**	**24,017**	**(8,483)**

In total, other operating costs, which include costs from Group companies of €/000 909, decreased by €/000 8,483.
Stamp duty of €/000 813 mainly refers to the tax due on vehicle conformity certificates. This cost is charged to Dealers and the recovered amount is entered under “Other operating income”.
Sundry costs include contingent liabilities amounting to €/000 1,434.

10. Income/(loss) from investments *€/000 42,194*

This item consists of:

In thousands of Euros	2014	2013	Change
Dividends from subsidiaries	44,375	57,379	(13,004)
Value reinstatements on investments in subsidiaries	-	1,446	(1,446)
Value reinstatements on investments in associates	-	654	(654)
Dividends from the investments of non-controlling interests	5	154	(149)
Write-down of investments in subsidiaries	(2,110)	(6,228)	4,118
Write-down of minority interests	(76)	-	(76)
Total	**42,194**	**53,405**	**(11,211)**

Dividends of €/000 11,997 were distributed by the subsidiary Piaggio Vehicles Ltd, of €/000 13,500 by Piaggio Vespa B.V., of €/000 16,678 by Piaggio Vietnam, of €/000 1,200 by Piaggio España and of €/000 1,000 by Aprilia Racing.
The write-down of investments in subsidiaries reflects the lower value determined in compliance with impairment testing results of €/000 1,300 relative to the investment in Nacional Motor and of €/000 810 relative to the investment in the Piaggio Concept Store Mantova.
The write-down of minority interests refers to Consorzio Pisa Ricerche.

11. Net financial income (borrowing costs) *€/000 (31,484)*

Below is the breakdown of borrowing costs and financial income:

In thousands of Euros	2014	2013	Change
Financial income			
- From subsidiaries	319	356	(37)
Financial income from third parties:			
- Interest receivable from clients	23	34	(11)
- Bank and post office interest payable	68	238	(170)
- Income from fair value measurements	677	115	562
- Other	71	54	17
Total financial income from third parties:	839	441	398
Total financial income	**1,158**	**797**	**361**

The amount of €/000 319 recognised as financial income from subsidiaries refers to interest from financing activities relative to the subsidiaries Piaggio Vehicles Private Limited (€/000 206), Nacional Motor (€/000 89) and Piaggio Concept Store Mantova (€/000 24).

In thousands of euros	2014	2013	Change
Borrowing Costs			
- Payable to subsidiaries	23	41	(18)
- Payable to associates	232	105	127
Total borrowing costs payable to the Group	255	146	109
Borrowing costs payable to third parties:			
- Interest payable on a debenture loan	18,548	14,380	4,168
- Interest payable on bank accounts	968	1,381	(413)
- Interest payable on bank loans	8,094	8,594	(500)
- Interest to suppliers	523	527	(4)
- Interest payable on import/export advance loan	15	-	15
- Interest payable to other lenders	765	747	18
- Interest payable on subdiscount factor operations	1,198	964	234
- Cash discounts to clients	445	360	85
- Bank charges on loans	1,703	1,827	(124)
- Interest payable on lease agreements	128	114	14
- Borrowing costs from discounting back severance and termination benefits	1,398	1,581	(183)
- Other	5	30	(25)
Total borrowing costs payable to third parties	33.790	30.505	3.285
Total borrowing costs	**34,045**	**30,651**	**3,394**
Costs capitalised on property, plant and equipment	65	466	(401)
Costs capitalised on intangible assets	1,338	1,085	253
Total Capitalised Costs	**1,403**	**1,551**	**(148)**
Total borrowing costs	**32,642**	**29,100**	**3,542**

During 2014, borrowing costs for €/000 1,403 were capitalised. The average rate used for the capitalisation of borrowing costs (because of general loans), was equal to 5.15%.
Interest payable to other lenders mainly refers to interest payable to factoring companies and banks for the sale of trade receivables.

In thousands of Euros	2014	2013	Change
- Exchange gains	7,328	5,430	1,898
- Exchange losses	(7,104)	(5,568)	(1,536)
Total exchange gains (losses)	224	(138)	362
- Exchange gains	903	590	313
- Exchange losses	(1,625)	(432)	(1,193)
Total valuation exchange gains (losses)	(722)	158	(880)
Net exchange gains/(losses)	**(498)**	**20**	**(518)**

12. Taxation *€/000 113*

The item "Income taxes" is detailed below:

	2014	2013	Change
In thousands of Euros			
Current taxes	6,526	7,501	(975)
Deferred tax (assets) liabilities	(5,635)	(13,992)	8,357
Taxes of previous years	199	991	(792)
Non-recurrent costs (income)	(977)	24,594	(25,571)
Total taxes	**113**	**19,094**	**(18,981)**

In 2014, taxes were equal to €/000 113 and accounted for 0.8% of profit before tax.
Current taxes consist of:

- €/000 3,161 from foreign income tax, mainly relative to royalties from the Indian subsidiary Piaggio Vehicles Ltd. and from the subsidiary Piaggio Vietnam, whose taxes amounted to €/000 2,260 and €/000 854 respectively;
- €/000 3,429 from regional production tax on income for the year;
- €/000 (64) from net costs arising from transfers within the framework of the Consolidated Tax Mechanism.

Deferred tax represents the effects on income generated by the deferred tax assets and liabilities.
With regard to deferred tax liabilities, during the year new provisions were made for €/000 1,421, and provisions from previous years were released for €/000 1,595.
With regard to deferred tax assets, on the other hand, new provisions amounted to €/000 10,627, while the release of amounts allocated in previous years came to €/000 4,189.
Income taxes for 2013 amounted to €/000 19,094 and included the non-recurrent cost of €/000 24,594 relative to the assessment of tax litigation being defined at the reporting date.

Reconciliation in relation to the theoretical rate is shown below:

	2014	2013
In thousands of Euros		
Profit before tax	14,923	17,445
Theoretical rate	27.50%	27.50%
Theoretical tax	4,104	4,797
Tax effect arising from permanent changes	(10,100)	(9,498)
Tax effect arising from temporary changes	1,538	(2,132)
Reversal of deferred corporate tax liabilities allocated in previous years for temporary changes	(1,481)	(1,753)
Reversal of deferred corporate tax assets allocated in previous years for temporary changes	3,653	5,880
Reversal of deferred tax assets allocated in previous years for tax losses	341	351
Tax effect arising from taxes on income produced abroad	3,160	2,866
Separate corporate income tax on CFCs	0	262
Taxes relative to previous years	147	861
Expenses (income) from the Consolidated Tax Mechanism	(64)	1,653
Tax affect arising from deferred corporate tax liabilities for temporary changes	1,394	962
Tax affect arising from deferred corporate tax assets for temporary changes	(4,926)	(8,352)
Tax effect arising from the adjustment of deferred corporate income tax assets allocated for the 2010 tax loss	0	(33)
Non-recurrent costs (income)	(977)	19,464
Tax affect arising from deferred corporate tax assets on interest payable		
deducted within the framework of the Consolidated Tax Mechanism	(121)	(4,060)
Deferred tax assets transferred to the Consolidated Tax Mechanism	0	171
Regional production tax (IRAP)		
Regional production tax on net revenues for the year	3,429	2,720
Regional production tax referred to previous years	52	130
Reversal of deferred regional production tax liabilities allocated in previous years for temporary changes	(114)	(127)
Reversal of deferred regional production tax assets allocated in previous years for temporary changes	195	734
Non-recurrent costs	0	5,130
Tax effect arising from deferred regional production tax liabilities for temporary changes	27	27
Tax effect arising from deferred regional production tax assets for temporary changes	(144)	(959)
Income taxes recognised in the financial statements	**113**	**19,094**

Theoretical tax rates were determined applying the corporate tax rate in effect in Italy (27.5%) to profit before tax. The impact arising from the regional production tax rate was determined separately, as this tax is not calculated on the basis of profit before tax.
As regards corporate income tax, the company expects it will contribute to the National Consolidated Tax Mechanism, in which IMMSI acts as Consolidating Party, with a negative taxable amount of €/000 16,654.

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

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

C) information on the Statement of Financial Position - Assets

14. Intangible Assets €/000 572,402

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

	Development costs	Patent rights	Concessions, licences and trademarks	Goodwill	Other	Assets under development and advances	Total
In thousands of Euros							
As of 1 January 2013							
Historical cost	80,363	207,133	227,105	463,926	-	27,392	1,005,919
Provisions for write-down	-	-	-	-	-	-	-
Accumulated amortisation	(44,717)	(168,089)	(149,076)	(95,375)	-	-	(457,257)
Net carrying amount	**35,646**	**39,044**	**78,029**	**368,551**	**-**	**27,392**	**548,662**
2013							
Investments	10,952	15,348	-	-	-	17,362	43,662
Put into operation in the period	15,527	338	-	-	-	(15,865)	-
Amortisation	(16,533)	(13,961)	(5,746)	-	-	-	(36,240)
Write-downs	-	-	-	-	-	(605)	(605)
Disposals	(172)	(28)	-	-	-	-	(200)
Other changes	(1)	-	1	-	-	-	-
Total movements for the year	**9,773**	**1,697**	**(5,745)**	**-**	**-**	**892**	**6,617**
As of 31 December 2013							
Historical cost	87,430	222,756	227,105	463,926	-	28,284	1,029,501
Provisions for write-down	-	-	-	-	-	-	-
Accumulated amortisation	(42,011)	(182,015)	(154,821)	(95,375)	-	-	(474,222)
Net carrying amount	**45,419**	**40,741**	**72,284**	**368,551**	**-**	**28,284**	**555,279**
2014							
Investments	13,242	25,128	-	-	-	17,587	55,957
Put into operation in the period	3,677	12,167	-	-	-	(15,844)	-
Amortisation	(18,225)	(14,804)	(5,746)	-	-	-	(38,775)
Write-downs	-	-	-	-	-	-	0
Disposals	(56)	(3)	-	-	-	-	(59)
Other changes	-	-	-	-	-	-	-
Total movements for the year	**(1,362)**	**22,488**	**(5,746)**	**-**	**-**	**1,743**	**17,123**
As of 31 December 2014							
Historical cost	86,973	260,045	227,105	463,926	-	30,027	1,068,076
Provisions for write-down	-	-	-	-	-	-	-
Accumulated amortisation	(42,916)	(196,816)	(160,567)	(95,375)	-	-	(495,674)
Net carrying amount	**44,057**	**63,229**	**66,538**	**368,551**	**-**	**30,027**	**572,402**

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

	Value as of 31 December 2014			Value as of 31 December 2013			Change		
	Put into operation in the period	Under development and advances	Total	Put into operation in the period	Under development and advances	Total	Put into operation in the period	Under development and advances	Total
In thousands of Euros									
Development costs	44,057	29,306	73,363	45,419	23,490	68,909	(1,362)	5,816	4,454
Patent rights	63,229	721	63,950	40,741	4,794	45,535	22,488	(4,073)	18,415
Concessions, licences and trademarks	66,538	-	66,538	72,284	-	72,284	(5,746)	-	(5,746)
Goodwill	368,551	-	368,551	368,551	-	368,551	-	-	-
Total	**542,375**	**30,027**	**572,402**	**526,995**	**28,284**	**555,279**	**15,380**	**1,743**	**17,123**

Intangible assets increased overall by €/000 17,123 following investments net of disposals and amortisation for the period.

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

During 2014 borrowing costs for €/000 1,338 were capitalised, applying an average interest rate of 5.15%.

Development costs €/000 73,363

Development costs include costs for products and engines in projects for which there is an expectation, for the period of the useful life of the asset, to see net sales at such a level in order to allow the recovery of the costs incurred.

Development expenditure for new projects capitalised in 2014 refers to the study of new vehicles and new engines (two-/three-/four-wheeler) which will feature as the top products in the 2014-2016 range.
Borrowing costs attributable to the development of products which require a considerable period of time to be realised are capitalised as a part of the cost of the actual assets. Development costs included under this item are amortised on a straight line basis over a period of 3 to 5 years, in consideration of their remaining useful life.

During 2014, development costs of approximately €14.3 million were recognised directly in profit and loss.

Pursuant to article 2426, section 5 of the Italian Civil Code, the value of research and development costs still to be amortised equal to €/000 73,363 is unavailable in shareholders' equity.

Industrial Patent and Intellectual Property Rights €/000 63,950

This item comprises patents for €/000 1,030, know-how for €/000 48,754 and software for €/000 14,166.
As regards software, the increase for the year amounted to €/000 5,506 and mainly refers to the purchase of various licences, as well as the implementation of commercial, production, personnel and administration projects.
Investments in know how amount to €/000 19,597 and mainly refer to new calculation, design and production techniques and methodologies developed by the Company, principally for new products in the 2014-2016 range.
As regards patent rights, costs for €/000 684 were capitalised.
Costs for industrial patent and intellectual property rights are amortised on a straight line basis over three years, except for costs for founding products and costs for the purchase of SAP licences which are amortised over 5 years.

Trademarks, concessions and licences €/000 66,538

The item *Trademarks, concessions and licences*, equal to €/000 66,538 consists of:

	As of 31 December 2014	As of 31 December 2013	Change
In thousands of Euros			
Derbi trademark	12,000	13,200	(1,200)
Guzzi trademark	19,500	21,125	(1,625)
Aprilia trademark	34,988	37,904	(2,916)
Minor trademarks	50	55	(5)
Total Trademark	**66,538**	**72,284**	**(5,746)**

The Derbi brand is amortised over 15 years, maturing in 2024. Amortisation during the year amounted to €/000 1,200.
The Guzzi and Aprilia trademarks are amortised over a period of 15 years, expiring in 2026.
The value of other brands acquired with the Aprilia merger decreased during the year by €/000 5 following amortisation calculated on the basis of the estimated useful life

Goodwill €/000 368,551

As specified in information on accounting standards, as from 1 January 2005 goodwill is no longer amortised, but is tested for impairment annually, or more frequently if specific events or changed circumstances indicate the possibility of impairment, in accordance with IAS 36 Impairment of Assets (impairment test).

In compliance with IAS 36 the methodology adopted is based on the unlevered version of discounted cash flows.

The main assumptions used by the Company to determine future financial flows, relative to a four-year period, and the consequent recoverable value (value in use) refer to:

a. an assumption of expected financial flows relative to a four-year period inferable from budget data for 2015 supplemented by forecast data for the 2016-2018 period, in line with the 2014-2017 Plan already approved and notified to the financial community. The data, processed as above, were approved by the Board of Directors of the Company on 9 February 2015, along with impairment testing;

b. the WACC discount rate.

In particular, to discount cash flows, the Group adopted a discount rate (WACC) which reflects market valuations of the fair value of money and takes account of specific risks of activities and the geographic segment in which the cash generating unit operates (6.13% for 2014).

In the future cash flows discounting model, a final value is entered at the end of the cash flow projection period, to reflect the residual value Piaggio should produce. The final value represents the current value, at the last year of the projection, of all subsequent cash flows calculated as perpetual income, and was determined using a growth rate (g rate) equal to 1%.

The impairment test carried out as of 31 December 2014 confirmed that there was no need to make any changes to the figures in the financial statements. The estimates prepared by the Company, which forecast a positive trend for the next 3 years, confirm the adequacy of amounts.

In addition, and on the basis of information in the document produced jointly by the Bank of Italy, CONSOB and Isvap (the insurance watchdog) no. 2 of 6 February 2009, the Company conducted sensitivity analysis of test results in relation to changes in basic assumptions (use of the growth rate in producing the final value and discount rate). In the case of a positive or negative change of 0.5% of the WACC and G used, analyses would not identify impairment losses.

Given that the recoverable value was estimated, the Company cannot guarantee the absence of goodwill impairment in future financial periods.

Given the current market crisis, the various factors utilised in the estimates could require revision; the Company will constantly monitor these factors as well as the existence of impairment losses.

15.Property, plant and equipment *€/000 197,006*

The table below shows the breakdown of property, plant and equipment as of 31 December 2014 and 31 December 2013, as well as movements during the period.

	Land	Buildings	Plant and machinery	Equipment	Other assets	Assets under construction and advances	Total
In thousands of Euros							
As of 1 January 2013							
Historical cost	28,035	113,084	266,352	453,667	26,037	38,481	925,656
Revaluations	-	4,816	2,368	6,253	199	-	13,636
Provisions for write-down	-	-	-	(1,337)	-	-	(1,337)
Accumulated depreciation	-	(46,593)	(233,512)	(429,078)	(24,139)	-	(733,322)
Net carrying amount	**28,035**	**71,307**	**35,208**	**29,505**	**2,097**	**38,481**	**204,633**
2013							
Investments	-	1,179	4,071	7,507	333	10,428	23,518
Put into operation in the period	-	13,110	8,389	5,720	116	(27,335)	-
Depreciation	-	(3,723)	(8,256)	(13,944)	(501)	-	(26,424)
Write-downs	-	-	-	-	-	-	-
Disposals	(25)	(2)	(18)	(78)	(2)	-	(125)
Other changes	-	-	-	-	-	-	-
Total movements for the year	**(25)**	**10,564**	**4,186**	**(795)**	**(54)**	**(16,907)**	**(3,031)**
As of 31 December 2013							
Historical cost	28,010	127,371	278,575	463,129	26,390	21,574	945,049
Revaluations	-	4,816	2,368	6,253	199	-	13,636
Provisions for write-down	-	-	-	(1,324)	-	-	(1,324)
Accumulated depreciation	-	(50,316)	(241,549)	(439,348)	(24,546)	-	(755,759)
Net carrying amount	**28,010**	**81,871**	**39,394**	**28,710**	**2,043**	**21,574**	**201,602**
2014							
Investments	-	2,625	4,146	8,055	439	9,386	24,651
Put into operation in the period	-	576	4,356	8,964	4	(13,900)	-
Depreciation	-	(3,984)	(8,864)	(14,881)	(481)	-	(28,210)
Write-downs	-	-	-	-	-	-	-
Disposals	-	(10)	(460)	(202)	(4)	(361)	(1,037)
Other changes	-	2	(1)	-	(1)	-	-
Total movements for the year	**0**	**(791)**	**(823)**	**1,936**	**(43)**	**(4,875)**	**(4,596)**
As of 31 December 2014							
Historical cost	28,010	130,563	285,689	477,612	25,167	16,699	963,740
Revaluations	-	4,816	2,368	6,253	199	-	13,636
Provisions for write-down	-	-	-	(1,324)	-	-	(1,324)
Accumulated depreciation	-	(54,300)	(249,486)	(451,894)	(23,366)	-	(779,046)
Net carrying amount	**28,010**	**81,079**	**38,571**	**30,647**	**2,000**	**16,699**	**197,006**

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

	Value as of 31 December 2014			Value as of 31 December 2013			Change		
	Put into operation in the period	Under construction and advances	Total	Put into operation in the period	Under construction and advances	Total	Put into operation in the period	Under construction and advances	Total
In thousands of Euros									
Land	28,010	-	28,010	28,010	-	28,010	-	-	-
Buildings	81,079	2,977	84,056	81,871	1,938	83,809	(792)	1,039	247
Plant and machinery	38,571	6,112	44,683	39,394	5,122	44,516	(823)	990	167
Equipment	30,647	7,584	38,231	28,710	14,511	43,221	1,937	(6,927)	(4,990)
Other assets	2,000	26	2,026	2,043	3	2,046	(43)	23	(20)
Total	**180,307**	**16,699**	**197,006**	**180,028**	**21,574**	**201,602**	**279**	**(4,875)**	**(4,596)**

Property, plant and equipment decreased overall by €/000 4,596. Investments for the period amount to €/000 24,651 and mainly refer to moulds for new vehicles and engines that will be launched in the subsequent year, to drive shaft processing lines, engine test benches, the experimental workshop as well as the new painting plant for two-wheeler products at Pontedera.
Borrowing costs attributable to the construction of products which require a considerable period of time to be ready for use are capitalised as a part of the cost of the actual assets.
During 2014 borrowing costs for €/000 65 were capitalised, applying an average interest rate of 5.15%.

Land — €/000 28,010

The value of land has not changed compared to the previous year.

Buildings — €/000 84,056

Buildings increased overall by €/000 247. The positive imbalance is due to new investments made during the year amounting to €/000 4,241, the decrease from amortisation for the period of €/000 3,984 and the disposal of residual costs of €/000 10.

The capitalisation of €/000 4,241 relative to production buildings mainly refers to works to expand the building for the new two-wheeler painting plant at Pontedera, the new mechanical site at Pontedera and various works at the sites at Pontedera, Mandello del Lario, Noale and Scorzè.

During the period, capitalisation amounting to €/000 3,201 was put into operations, of which €/000 576 relative to investments made in previous years.

Plant and machinery — €/000 44,683

The item increased overall by €/000 167. The positive imbalance is due to new investments made during the year amounting to €/000 9,174, the reclassification of projects from other categories amounting to €/000 317, the decrease from amortisation for the period of €/000 8,864 and the disposal of residual costs of €/000 460.

Capitalisation mainly concerned investments for the new two-wheeler painting plant at Pontedera, the new mechanical site at Pontedera and work on production lines for new vehicles and engines.

During the period, capitalisation amounting to €/000 8,502 was put into operations, of which €/000 4.356 relative to investments made in previous years.

Equipment €/000 38,231

The item decreased overall by €/000 4,990. The negative imbalance is due to amortisation for the period of €/000 14,881, the disposal of residual costs of €/000 563, and the reclassification to other project categories of €/000 318 partially offset by new investments for €/000 10,772.
Capitalisation of €/000 10,772 refers to equipment and namely moulds for new vehicles launched during the year or scheduled to be launched in the first half of next year, moulds for new engines and specific equipment for assembly lines.

Other assets €/000 2,026

As of 31 December 2014 the item Other assets, including assets under construction, comprised the following:

	As of 31 December 2014	As of 31 December 2013	Change
In thousands of Euros			
EDP systems	567	512	55
Office furniture and equipment	750	872	(122)
Vehicles	105	68	37
Cars	604	594	10
Total	**2,026**	**2,046**	**(20)**

The item decreased overall by €/000 20. The negative imbalance is due to the decrease from amortisation for the period of €/000 481, as well as the disposal of residual costs for €/000 4 partially offset by new investments made during the year for €/000 465.
During the period, capitalisation amounting to €/000 443 was put into operations, of which €/000 4 relative to investments made in previous years.

Revalutions of assets

The Company still has assets for which revaluations have been made in compliance with specific regulations or during merger transactions.
The table below gives detailed figures for financial statement items, with reference to the law provision or to the merger transaction.

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

Warranties

As of 31 December 2014 the Company did not own land and buildings encumbered by mortgage liens or privileges in favour of banks to secure loans obtained in previous years.

16. Investment Property *€/000 0*

As of 31 December 2014 no investment property was held.

17. Investments *€/000 63,480*

The Investments heading comprises:

	As of 31 December 2014	As of 31 December 2013	Change
In thousands of Euros			
Investments in subsidiaries	57,553	55,456	2,097
Investments in associates	5,927	5,927	0
Total	**63,480**	**61,383**	**2,097**

Movements for the period are shown below:

	Carrying amount as of 31/12/2013	Increases	Reclassifications	Write-downs	Carrying amount as of 31/12/2014
In thousands of Euros					
Subsidiaries					
Piaggio Vespa B.V.	11,927				11,927
Piaggio Vehicles Pvt Ltd	23,725				23,725
Nacional Motor S.A.	0	3,200	(378)	(1,300)	1,522
Piaggio Vietnam Co Ltd	1,762				1,762
Piaggio China Ltd	2,040	6			2,046
Aprilia Racing s.r.l.	1,440				1,440
Piaggio Espana SL	2,721				2,721
PT Piaggio Indonesia	13	17			30
Piaggio Advanced Design Center	76	82			158
Piaggio Concept Store Mantova S.r.l.	0	1,280		(810)	470
Atlantic 12 FCIIC	11,752				11,752
Total subsidiaries	**55,456**	**4,585**	**(378)**	**(2,110)**	**57,553**
Associates					
Zongshen Piaggio Foshan Motorcycle Co. Ltd	5,736				5,736
Pontech Soc. Cons. a.r.l.	181				181
Immsi Audit S.c.a.r.l.	10				10
Mitsuba Italia SpA	0				0
Fondazione Piaggio Onlus	0				0
Total associates	**5,927**	**0**	**0**	**0**	**5,927**
Total investments	**61,383**	**4,585**	**(378)**	**(2,110)**	**63,480**

Investments in subsidiaries €/000 57,553

The increase in the investment in Nacional Motor of €/000 3,200 refers for €/000 1,900 to the payment made to cover the loss for 2013 and €/000 1,300 to the waiver of the portion of the loan to the subsidiary, decided on 05/09/2014, to cover the loss for the year. The write-down of the investment in Nacional Motor of €/000 1,300 was made, based on the outcome of impairment testing.

The increase of the investment in Piaggio China of €/000 6 refers to a subsidy paid during the year to the subsidiary.
The increase of the investment in Piaggio Indonesia of €/000 17 refers to a subsidy paid during the year to the subsidiary, to cover losses.
The increase of the investment in Piaggio Advanced Design Center of €/000 82 refers to the payment of a share capital increase resolved by the company.
The increase of the investment in Piaggio Concept Store Mantova of €/000 1,280 refers to €/000 80 for the payment of share capital following the establishment of the Company, to €/000 200 for the value of the business unit sold concerning the retail outlet in Milan, via Broletto, and to €/000 1,000 for the waiver of the portion of the loan to the subsidiary, to cover losses. The write-down in the investment of €/000 810 was made based on the outcome of impairment testing.

Investments in Associates €/000 5,927

No changes occurred during the year.

18. Other non-current financial assets *€/000 13,316*

	As of 31 December 2014	As of 31 December 2013	Change
In thousands of Euros			
Fair value of derivatives	13,230	4,233	8,997
Investments in other companies	86	163	(77)
Total	**13,316**	**4,396**	**8,920**

The item “Fair value of derivatives” refers to the fair value of the Cross Currency Swap on the private debenture loan, of which details are given in section 40 of the Notes.

The table below shows the composition of investments in other companies:

Other companies	As of 31 December 2014	As of 31 December 2013	Change
In thousands of Euros			
Consorzio Pisa Ricerche	-	76	(76)
A.N.C.M.A. – Rome	2	2	-
GEOFOR S.p.A. – Pontedera	47	47	-
ECOFOR SERVICE S.p.A. – Pontedera	2	2	-
Mitsuba Italy S.p.A.	0	0	-
Consorzio Fiat Media Center – Turin	3	3	-
S.C.P.S.T.V.	21	21	-
IVM	11	12	(1)
Total other companies	**86**	**163**	**(77)**

The investment in Consorzio Pisa Ricerche was reset to zero.

19. Current and non-current tax receivables *€/000 4,159*

Tax receivables are broken down as follows:

	As of 31 December 2014	As of 31 December 2013	Change
In thousands of Euros			
VAT receivables	3,363	8,340	(4,977)
Income tax receivables	450	1,019	(569)
Other tax receivables	346	1,049	(703)
Total	**4,159**	**10,408**	**(6,249)**

In the current year, tax receivables were better classified to take into account their nature and consequently 2013 data were also made comparable.
Non-current tax receivables total €/000 893 compared to €/000 975 as of 31 December 2013. The net negative change amounted to €/000 82.
Current tax receivables total €/000 3,266 compared to €/000 9,433 as of 31 December 2013. The net negative change amounted to €/000 6,167.

20. Deferred tax assets *€/000 29,653*

In compliance with IAS 12, the item indicates the net balance of deferred tax assets and liabilities. This net balance is broken down in the table below.

	As of 31 December 2014	As of 31 December 2013	Change
In thousands of Euros			
Deferred tax assets	48,882	41,581	7,301
Deferred tax liabilities	(19,229)	(20,135)	906
Total	**29,653**	**21,446**	**8,207**

Deferred tax assets total €/000 48,882 compared to €/000 41,581 as of 31 December 2013, recording a positive change of €/000 7,301.
The balance of deferred tax assets as of 31 December 2014 refers to:
- €/000 25,368 for allocations made for temporary differences;
- €/000 23,514 for allocations made for tax losses generated under the National Consolidated Tax Mechanism of which IMMSI S.p.A. is the consolidating company.

The positive change of €/000 7,301 is attributable to:
- €/000 4,236 from the recognition in profit and loss of deferred tax assets recognised in previous years;
- €/000 315 from the recognition in shareholders' equity of deferred tax assets recognised in previous years;
- €/000 10,627 from the recognition in profit and loss of new deferred tax assets;
- €/000 1,225 from the recognition in shareholders' equity of new deferred tax assets.

Additional deferred tax assets amounting to €/000 7,301 were recognised in light of forecast results of Piaggio & C. S.p.A., and the foreseeable use of relative tax benefits in future years.
Details of items affected by the allocation of deferred tax assets as well as the amount of deferred tax assets already recognised and not recognised are shown in the table below.

	Amount	Tax effect 27.5%	Tax effect 3.9%
In thousands of Euros			
Nacional Motor goodwill	16,795	4,619	655
Provisions for risks	5,473	1,505	209
Provision for product warranties	8,718	2,398	340
Provisions for write-down	11,782	3,240	
Provisions for obsolete stock	25,065	6,893	977
Interest payable	9,179	2,524	
Other changes	1,933	532	60
Total for provisions and other changes	**78,945**	**21,711**	**2,241**
Actuarial losses on termination benefits	**4,454**	**1,225**	
Other IAS effects	**4**	**1**	
2007 tax loss including Moto Guzzi transferred to IMMSI	10,987	3,021	
2011 tax loss transferred to IMMSI	390	107	
2012 tax loss transferred to IMMSI	27,498	7,562	
2013 tax loss transferred to IMMSI	29,978	8,244	
2014 tax loss to transfer to IMMSI	16,654	4,580	
Total out of tax losses	**85,507**	**23,514**	**0**
Losses from the fair value measurement of financial instruments	**693**	**190**	**0**
Deferred tax assets already recognised		**48,882**	
Deferred tax assets not recognised for provisions and other changes	**0**	**0**	

Overall, deferred tax assets can be summarised as follows:

	Values as of 31 December 2013	Portion to the income statement	Portion recognised in shareholders' equity	Portion to the income statement	Portion allocated to shareholders' equity	Portion transformed into a tax receivable	Values as of 31 December 2014
In thousands of euros							
Deferred tax assets for:							
Temporary changes	22,258	(3,848)	(315)	6,047	1,225	-	25,367
Previous tax losses	-	-	-	-	-	-	-
Losses generated within the framework of tax consolidation	19,323	(388)	-	4,580	-	-	23,515
Total	**41,581**	**(4,236)**	**(315)**	**10,627**	**1,225**	**-**	**48,882**

Deferred tax assets total €/000 19,229 compared to €/000 20,135 as of 31 December 2013, recording a negative change of €/000 906.

As of 31 December 2014, provisions for deferred taxes referred to:

- €/000 4,112 for the surplus value recognised by the merged company Aprilia in 2005 for buildings already held through leases, and purchased back by Aprilia Leasing S.p.A.
- €/000 1,437 for temporary changes in taxable income that will be annulled next year;
- €/000 2,463 for depreciation charges minus tax-recognised goodwill values;
- €/000 545 for tax-deducted costs, off the accounts, in relation to the application of IAS/IFRS;
- €/000 4,559 for allocation of the merger loss to the Aprilia brand, arising from its merger in 2005;
- €/000 6,113 for allocation of the merger loss to the Guzzi brand, arising from its merger in 2008;

Provisions for deferred taxes were reduced in the period by €/000 2,327 following issue of the relative portion, of which €/000 732 directly recognised as shareholders' equity, increased overall by €/000 1,421 due to new allocations.

21. Current trade receivables *€/000 74,669*

Current trade receivables amounted to €/000 74,669 compared to €/000 73,520 as of 31 December 2013, registering an increase of €/000 1,149.
No non-current trade receivables were recorded for either period.

	As of 31 December 2014	As of 31 December 2013	Change
In thousands of Euros			
Trade receivables	38,801	43,843	(5,042)
Trade receivables due from subsidiaries	35,022	28,936	6,086
Trade receivables due from associates	836	731	105
Trade receivables due from parent companies	10	10	0
Total	**74,669**	**73,520**	**1,149**

Trade receivables are recorded net of a provision for bad debts equal to €/000 17,602.
Trade receivables comprise receivables referred to normal sales operations and include receivables in foreign currency for a total value, at the exchange rate in effect as of 31 December 2014, taking account of exchange risk hedging, of €/000 13,792. The following table shows in details foreign currencies included:

Foreign currencies	Amount in currency/000
In thousands	
Renminbi (Yuan)	4,345
Pound Sterling United Kingdom	(149)
Japanese Yen	128,478
Swedish krone	1.151
Singapore dollar	228
US Dollar	14,929

The item "Trade receivables" includes invoices to issue amounting to €/000 566 relative to normal business transactions and credit notes to issue amounting to €/000 10,996 mainly referring to premiums to pay to the sales network in Italy and abroad, for having reached targets.
Trade receivables are usually sold to factoring companies and mainly on a without recourse and advance payment collection basis.
The Company sells a large part of its trade receivables with and without recourse. Piaggio has signed contracts with some of the most important Italian and foreign factoring companies as a move to optimise the monitoring and the management of its trade receivables, besides offering its customers an instrument for funding their own inventories, for factoring classified as without the substantial transfer of risks and benefits. On the contrary, for factoring without recourse, contracts have been formalised for the substantial transfer of risks and benefits. As of 31 December 2014 trade receivables still due, sold without recourse totalled €/000 46,751. Of these amounts, Piaggio received payment prior to natural expiry, of €/000 46,690.
As of 31 December 2014, advance payments received from factoring companies and banks, for trade receivables sold with recourse totalled €/000 20,744 with a counter entry recorded in current liabilities.

Movements of the provisions for write-down relative to trade receivables were as follows:

In thousands of Euros	
Opening balance as of 1 January 2014	**16,432**
Decreases for use recognised in profit or loss	(90)
Reclassifications from the provision for bad debts relative to long-term receivables	13
Reclassifications to the provision for litigation	(386)
Increases for allocations	1,633
Closing balance as of 31 December 2014	**17,602**

During the period, the provision for bad trade debts was used to cover losses amounting to €/000 90.
Allocations to the provision were made against risks arising from the valuation of relative receivables as of 31 December 2014.
Trade receivables due from subsidiaries and associates refer to the supply of products undertaken in normal market conditions.

22. Other current and non-current receivables *€/000 85,966*

Other non-current receivables amounted to €/000 3,430 compared to €/000 3,828 as of 31 December 2013, registering a decrease of €/000 398.
Their breakdown was as follows:

Other non-current receivables	As of 31 December 2014	As of 31 December 2013	Change
In thousands of Euros			
- due from social security institutions	895	1,392	(497)
- due from associates	197	232	(35)
- due from others	2,338	2,204	134
Total	**3,430**	**3,828**	**(398)**

Receivables due from social security institutions refer to sums receivable from and payable by the Italian National Social Security Institute (INPS) for termination benefit accrued by employees on solidarity contracts.
The item “Other” includes Guarantee deposits amounting to €/000 319 and Prepaid expenses amounting to €/000 1,608.

Current trade receivables amounted to €/000 82,536 compared to €/000 78,398 as of 31 December 2013, registering an increase of €/000 4,138.
Their breakdown is as follows:

Other current receivables	As of 31 December 2014	As of 31 December 2013	Change
In thousands of Euros			
Other receivables due from third parties	18,173	12,461	5,712
Other receivables due from subsidiaries	54,985	58,815	(3,830)
Other receivables due from associates	2,557	404	2,153
Other receivables due from parent companies	6,821	6,718	103
Total	**82,536**	**78,398**	**4,138**

The item other receivables due from third parties comprises the following:

	As of 31 December 2014	As of 31 December 2013	Change
In thousands of Euros			
Receivables due from employees	1,863	2,733	(870)
Due from social security institutions	3,625	1,706	1,919
Sundry receivables from third parties:			
Amounts due to suppliers	634	929	(295)
Supplier advances	799	-	799
Invoices and credit to issue	2,431	1,579	852
Sundry receivables due from Italian and foreign third parties	2,453	1,201	1,252
Receivables for the sale of property	2	1	1
Due from research subsidies to receive	3,096	1,367	1,729
Fair value of derivatives	696	3	693
Other receivables	2,574	2,942	(368)
Total	**18,173**	**12,461**	**5,712**

Receivables due from employees refer to advances paid for secondments, sick leave, contract advances, cash provisions, etc.
Sundry receivables of €/000 2,453 mainly refer to receivables due from Italian and foreign parties, originating from transactions not related to typical activities. The item is recognised net of provisions for write-downs of €/000 4,393.
Movements of the provision for bad debts relative to sundry receivables were as follows:

In thousands of Euros	
Opening balance as of 1 January 2014	**4,408**
Decreases for use	(58)
Increases for allocations	43
Closing balance as of 31 December 2014	**4,393**

During the period, €/000 58 of the provision for bad debts relative to sundry receivables was used to cover losses. During the measurement of relative receivables as of 31 December 2014, a further allocation to the provision of €/000 43 was necessary.

23. Inventories *€/000 170,645*

As of 31 December 2014, this item totalled €/000 170,645, compared to €/000 157,632 at the end of 2013, and consisted of:

	As of 31 December 2014	As of 31 December 2013	Change
In thousands of Euros			
Raw, ancillary materials and consumables	75,322	64,697	10,625
Provision for write-down	(7,998)	(8,274)	276
Net value	**67,324**	**56,423**	**10,901**
Work in progress and semifinished products	17,843	18,149	(306)
Provision for write-down	(852)	(852)	0
Net value	**16,991**	**17,297**	**(306)**
Finished products and goods	102,445	98,649	3,796
Provision for write-down	(16,214)	(14,739)	(1,475)
Net value	**86,231**	**83,910**	**2,321**
Advances	99	2	97
Total	**170,645**	**157,632**	**13,013**

As of 31 December 2014, inventories had increased by €/000 13,013, in line with the trend expected for production volumes and sales in 2015.
Changes in the obsolescence fund are summarised in the table below:

	As of 31/12/2013	Use	Allocation	As of 31/12/2014
In thousands of Euros				
Raw materials	8,274	(903)	627	7,998
Work in progress and semifinished products	852			852
Finished products and goods	14,739	(1,388)	2,863	16,214
Total	**23,865**	**(2,291)**	**3,490**	**25,064**

24. Other current financial assets *€/000 13,669*

This item comprises:

	As of 31 December 2014	As of 31 December 2013	Change
In thousands of Euros			
Financial receivables due from subsidiaries	13,669	12,952	717
Total	**13,669**	**12,952**	**717**

The item Financial receivables due from subsidiaries refers to loans to Nacional Motor for €/000 6,599, to Piaggio Vehicles Private Limited for €/000 5,000 and to Piaggio Concept Store Mantova for €/000 2,070.

25. Cash and cash equivalents *€/000 29,196*

This item mainly includes short-term or on demand bank deposits.
Cash and cash equivalents totalled €/000 29,196 against €/000 3,618 as of 31 December 2013, as detailed below:

	As of 31 December 2014	As of 31 December 2013	Change
In thousands of Euros			
Bank and postal deposits	29,167	3,592	25,575
Cash on hand	29	26	3
Total	**29,196**	**3,618**	**25,578**

26. Assets held for sale *€/000 0*

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

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

As of 31 December 2014, there were no receivables due after 5 years.

Information on the Statement of Financial Position - Liabilities

28. Share capital and reserves — €/000 328,978

Share capital — €/000 206,228

The change in share capital during 2014 was as follows:

In thousands of Euros	
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
Purchase of treasury shares	(1,043)
Exercise of stock options:	
- Sale of treasury shares	1,587
- Sale of treasury shares	114
Share Capital as of 31 December 2014	**206,228**

During 2014, 2,780,000 new ordinary shares were issued, offered to and subscribed by stock option plan beneficiaries.
Therefore, as of 31 December 2014, the nominal share capital of Piaggio & C., fully subscribed and paid up, was equal to € 207,613,944.37 divided into 363,674,880 ordinary shares.

Shares in circulation and treasury shares	2014	2013
no. of shares		
Situation as of 1 January		
Shares issued	360,894,880	371,793,901
Treasury shares in portfolio	839,669	11,726,521
Shares in circulation	360,055,211	360,067,380
Movements for the period		
Exercise of stock options	2,780,000	150,000
Cancellation of treasury shares		(11,049,021)
Purchase of treasury shares	1,826,831	512,169
Sale of treasury shares to exercise stock options	(200,000)	(350,000)
Situation as of 31 December		
Shares issued	363,674,880	360,894,880
Treasury shares in portfolio	2,466,500	839,669
Shares in circulation	361,208,380	360,055,211

Moreover, during the period, 1,826,831 ordinary shares were purchased and 200,000 treasury shares were sold to stock option plan beneficiaries. As of 31 December 2014, the Company held 2,466,500 treasury shares, equal to 0.68% of the share capital.
In accordance with international accounting standards, the acquisitions were recognised as a decrease in shareholders' equity.

Share premium reserve — €/000 7,171

The share premium reserve as of 31 December 2014 had increased by €/000 3,490, following the subscription of 2,780,000 new shares by stock option plan beneficiaries.

Legal reserve €/000 16,902

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

Other reserves €/000 24,141

This item consists of:

	As of 31 December 2014	As of 31 December 2013	Change
In thousands of Euros			
Net capital gain from contribution	152	0	152
Stock option reserve	13,384	13,385	(1)
Financial instruments' fair value reserve	(830)	(1,565)	735
IFRS transition reserve	11,435	11,435	0
Total other reserves	**24,141**	**23,255**	**886**

The financial instruments fair value provision is negative and refers to the effects of cash flow hedge accounting in foreign currencies and interest. These transactions are described in full in the note on financial instruments.
As of 31 December 2013 this valuation was negative, amounting to €/000 1,565.

Dividends paid and proposed €/000 0

During 2014, dividends were not distributed. During the month of May 2013, dividends totalling €/000 33,087 were paid.

	Total amount		Dividend per share	
	2014	2013	2014	2013
In thousands of Euros				
Resolved and paid during the year	-	33,087	-	0.092

Earnings reserve €/000 74,536

Other Comprehensive Income (Expense) €/000 (4,424)

The value of other components of the Statement of Comprehensive Income is broken down as follows:

	Reserve for measurement of financial instruments	Earnings reserve	Total other comprehensive income (expense)
In thousands of Euros			
As of 31 December 2014			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit plans		(5,159)	(5,159)
Total	0	(5,159)	(5,159)
Items that may be reclassified to profit or loss			
Total profits (losses) on cash flow hedges	735		735
Total	735	0	735
Other Comprehensive Income (Expense)	**735**	**(5,159)**	**(4,424)**
As of 31 December 2013			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit plans		432	432
Total	0	432	432
Items that may be reclassified to profit or loss			
Total profits (losses) on cash flow hedges	1,704		1,704
Total	1,704	0	1,704
Other Comprehensive Income (Expense)	**1,704**	**432**	**2,136**

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

	As of 31 December 2014			**As of 31 December 2013**		
	Gross value	*Tax (expense) / benefit*	*Net value*	*Gross value*	*Tax (expense) / benefit*	*Net value*
In thousands of Euros						
Remeasurements of defined benefit plans	(7,116)	1,957	(5,159)	596	(164)	432
Total profits (losses) on cash flow hedges	1,050	(315)	735	2,292	(588)	1,704
Other Comprehensive Income (Expense)	**(6,066)**	**1,642**	**(4,424)**	**2,888**	**(752)**	**2,136**

Individual items of Shareholders' equity are analytically presented in the table below, based on origin, availability and use in the three previous years.

Type/description	Amount	Possible use	Portion available	2014 uses to cover losses
In thousands of Euros				
Nominal value of capital	207,614			
Nominal value of acquired treasury shares	(1,386)			
Capital reserves:				
Share premium	7,171	A,B,C(*)	7,171	
Profit reserves:				
Legal reserve	16,902	B	---	
Net capital gain from contribution	152	A,B		
IAS transition reserve	11,435	A,B,C	11,435	
Stock option reserve	13,384	A,B,C	13,384	
Financial instruments' fair value reserve	(830)			
Total Reserves	*48,214*		*31,990*	
Retained earnings (losses)	71,782			1,649
Greater cost of purchased own shares	(4,401)			
Reserve for actuarial gains (losses) relative to defined benefit plan	(7,655)			
Total retained earnings (losses)	*59,726*	*A,B,C*		*1,649*
Profits (losses) for the period	14,810			
Total shareholders' equity	**328,978**			

Key:
A: to increase capital
B: to cover losses
C: to allocate to shareholders

(*) wholly available to increase capital and cover losses. For other uses prior adjustment (also by transfer from the share premium reserve) of the legal reserve to 20% of the Share Capital is necessary. As of 31 December 2014 this adjustment would be equal to €/000 24,621.

Pursuant to article 2426 section 5 of the Italian Civil Code, shareholders' equity is not available for the value of development costs still to be amortised as of 31 December 2014 that amount to €/000 73,363.

29. Current and non-current financial liabilities *€/000 534,819*

In 2014, overall debt increased by €/000 34,439, from €/000 500,380 to €/000 534,819. Total financial debt in 2014, net of the fair value measurement of financial derivatives to hedge foreign exchange risk and interest rate risk of €/000 12,275, increased by €/000 26,119.

	Financial liabilities as of 31 December 2014			Financial liabilities as of 31 December 2013			Change		
	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total
In thousands of Euros									
Gross financial debt	62,380	460,164	522,544	102,301	394,124	496,425	(39,921)	66,040	26,119
Fair value adjustment		12,275	12,275		3,955	3,955	0	8,320	8,320
Total	**62,380**	**472,439**	**534,819**	**102,301**	**398,079**	**500,380**	**(39,921)**	**74,360**	**34,439**

This increase is due to a lower capitalisation of interest for works in progress and to lower reversals on investments.
Total net financial debt went down from €/000 479,856 as of 31 December 2013 to €/000 479,679 as of 31 December 2014, with an decrease of €/000 177.

In thousands of Euros	As of 31 December 2014	As of 31 December 2013	Change
Liquidity	**29,196**	**3,618**	**25,578**
Short-term financial receivables due from third parties	-	-	-
Government securities available for sale	-	-	-
Short-term financial receivables due from subsidiaries	13,669	12,952	717
Short-term financial receivables due from associates			0
Current financial receivables	**13,669**	**12,952**	**717**
Current account overdrafts	(1,780)	(11,066)	9,286
Current account payables	-	(27,000)	27,000
Bonds	-	-	-
Current portion of bank borrowings	(34,875)	(29,361)	(5,514)
Amounts due to factoring companies	(20,744)	(23,871)	3,127
Amounts due under leases	-	(5,809)	5,809
Current portion of payables due to other lenders	(1,125)	(1,920)	795
Borrowings from subsidiaries	(3,856)	(3,275)	(581)
Current financial debt	**(62,380)**	**(102,302)**	**39,922**
Net current financial debt	**(19,515)**	**(85,732)**	**66,217**
Payables due to banks and lenders	(170,533)	(195,614)	25,081
Debenture loan	(288,369)	(195,318)	(93,051)
Amounts due under leases	-	-	-
Borrowings from subsidiaries	-	-	-
Amounts due to other lenders	(1,262)	(3,192)	1,930
Non-current financial debt	**(460,164)**	**(394,124)**	**(66,040)**
Net financial debt*	**(479,679)**	**(479,856)**	**177**

** Pursuant to Consob Communication of 28 July 2006 and in compliance with the recommendation of the CESR of 10 February 2005 "Recommendation for the consistent implementation of the European Commission's Regulation on Prospectuses". The indicator does not include financial assets and liabilities arising from the fair value measurement of financial derivatives for hedging, the fair value adjustment of relative hedged items equal to €/000 12,275 and relative accruals.*

The tables below show the composition of financial debt as of 31 December 2014 and 31 December 2013, as well as movements for the year.

In thousands of Euros	Accounting balance as of 31/12/2013	Repayments	New issues	Reclassification to the current portion	Other changes	Accounting balance as of 31/12/2014
Non-current portion						
Bank borrowings	195,614	(55,000)	66,000	(35,282)	(799)	170,533
Bonds	195,318	(41,973)	141,973	-	(6,949)	288,369
Other medium-/long-term loans:						
- of which leases	-	-	-	-	-	-
- of which amounts due to other lenders	*3,192*	-	-	*(1,930)*	-	*1,262*
Total other loans	3,192	-	-	(1,930)	-	1,262
Total	**394,124**	**(96,973)**	**207,973**	**(37,212)**	**(7,748)**	**460,164**

	Accounting balance ss of 31/12/2013	Repayments	New issues	Reclassification from the non-current portion	Other changes	Accounting balance as of 31/12/2014
In thousands of Euros						
Current portion:						
Current account overdrafts	11,066	(9,286)	-	-	-	1,780
Current account payables	27,000	(27,000)	-	-	-	-
Bonds						-
Payables due to subsidiaries	3,275	-	581	-	-	3,856
Payables due to factoring companies	23,870	(3,126)	-	-	-	20,744
Current portion of medium-/long-term loans:						
- of which leases	*5,809*	*(5,809)*	-	-	-	-
- of which due to banks	*29,361*	*(29,768)*	-	*35,282*	-	*34,875*
- of which amounts due to other lenders	*1,920*	*(2,725)*	-	*1,930*	-	*1,125*
Total other loans	37,090	(38,302)	-	37,212	-	36,000
Total	**102,301**	**(77,714)**	**581**	**37,212**	**-**	**62,380**

The breakdown of the debt is as follows:

	Accounting balance as of 31.12.2014	Accounting balance as of 31.12.2013	Nominal value as of 31.12.2014	Nominal value as of 31.12.2013
In thousands of Euros				
Bank borrowings	207,188	263,041	209,511	264,565
Bonds	288,369	195,318	301,799	201,799
Borrowings from subsidiaries	3,856	3,275	3,856	3,275
Other medium-/long-term loans:				
- of which amounts due to other lenders	*23,131*	*28,982*	*23,131*	*28,982*
- of which amounts due under leases	*0*	*5,809*	*0*	*5,809*
Total other loans	23,131	34,791	23,131	34,791
Total	**522,544**	**496,425**	**538,297**	**504,430**

The table below shows the debt servicing schedule as of 31 December 2014:

	Nominal value as of 31.12.2014	Amounts falling due within 12 months	Amounts falling due after 12 months	Amounts falling due in				
				2016	2017	2018	2019	Beyond
In thousands of Euros								
Bank borrowings	209,511	36,655	172,856	22,743	33,733	83,237	33,002	141
Bonds	301,799	0	301,799	0	9,669	9,669	10,359	272,102
Amounts due to subsidiaries	3,856	3,856	0	0	0	0	0	0
Other medium-/long-term loans:								
- of which amounts due to other lenders	*23,131*	*21,869*	*1,262*	*312*	*314*	*317*	*319*	*0*
Total other loans	23,131	21,869	1,262	312	314	317	319	0
Total	**538,297**	**62,380**	**475,917**	**23,055**	**43,716**	**93,223**	**43,680**	**272,243**

The financial debt consisted of loans and debenture loans contracted primarily in euro; the only financial liability in currency consisted of the private debenture loan (US Private Placement), also covered by a Cross Currency Swap as described in detail below.

Medium and long-term bank debt amounts to €/000 205,408 (of which €/000 170,533 non-current and €/000 34,875 current) and consists of the following loans:

- a €/000 32,143 medium-term loan from the European Investment Bank to finance Research &

Development investments planned for the 2009-2012 period. The loan will fall due in February 2016 and has an initial amortisation quota of 14 six-monthly instalments to be repaid at a variable rate equal to the six-month Euribor plus a spread of 1.323%. Contract terms require covenants (described below). An Interest Rate Swap has been taken out on this loan to hedge the interest rate risk;

- a €/000 54,545 medium-term loan from the European Investment Bank to finance Research & Development investments planned for the 2013-2015 period. The loan will fall due in December 2019 and has an amortisation quota of 11 six-monthly instalments at a fixed rate of 2.723%. Contract terms require covenants (described below).
- a €/000 113,677 (nominal value of €/000 116,000) syndicate loan undersigned in July 2014 following the refinancing with a limited pool of banks of a revolving credit line of a nominal value of €/000 200,000 maturing in December 2015. This overall loan of €/000 220,000 comprises a €/000 154,000 four-year tranche as a revolving credit line of which a nominal value of €/000 50,000 had been used at 31 December 2014 and a tranche as a five-year loan with amortisation of €/000 66,000 which has been wholly disbursed. Contract terms require covenants (described below).
- €/000 2,613 of loans from various banks pursuant to Italian Law no. 346/88 on subsidised applied research;
- a €/000 1,829 loan from Banca Intesa granted pursuant to Italian Law no. 297/99 on subsidised applied research;
- a €/000 600 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 €/000 288,369 (nominal value of €/000 301,799) refers to:

- €/000 51,523 (nominal value of €/000 51,799) related to a private debenture loan (US Private Placement) issued on 25 July 2011 for $/000 75,000 wholly subscribed by an American institutional investor, payable in 5 annual portions from July 2017, with a semi-annual coupon with fixed annual nominal rate of 6.50%. As of 31 December 2014 the fair value measurement of the debenture loan was equal to €/000 64,075 (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.
- €/000 236,846 (nominal value of €/000 250,000) refers to the liability management operation completed by the Company during the second quarter of 2014. In particular, this operation was for the refinancing of a debenture loan issued by the Company on 1 December 2009 for a total of €/000 150,000 maturing on 1 December 2016. Favourable market conditions resulted in improved economic conditions, enabling optimised borrowing costs, a longer average life and greater use of capital.

In particular, the liability management operation concerned the following stages:

1. the launch on 7 April 2014, of an exchange offer for bonds relative to the existing debenture loan with new issue bonds. 72% of bondholders took up the offer, for a total value of €/000 108,027;
2. the issue on 24 April 2014 of a High Yield debenture loan (with the same characteristics as the bond issued in 2009), for a total of €/000 250,000, maturing on 30 April 2021 and six-monthly coupon with nominal annual rate fixed at 4.625% (as mentioned, the issue for €/000 108,027 was on an exchange basis, while the remaining portion concerned inflows of new liquidity for the Group). Standard & Poor's and Moody's assigned a BB- rating with a negative outlook and a Ba3 rating with a stable outlook respectively;
3. given the positive outcome of the operation, in May 2014, the Group exercised the call option of the debenture loan issued in 2009 in order to repay €/000 41,973 in advance to bond holders that had not taken part in the exchange. The operation resulted in the premium for the repurchase of securities in circulation, amounting to €/000 1,469, being recognised under non-recurrent borrowing costs in the income statement. The income statement was also affected by the adjustment of the amortised cost (equal to €/000 1,478) due to the settlement of financial liabilities, as provided for by IAS 39 AG 62.

The Company may pay back the amount of the High Yield debenture loan issued on 24 April 2014, early, in full or in part, under the conditions indicated in the indenture. The value of prepayment options was not deducted from the original contract, as these are considered as being closely related to the host instrument, as provided for by IAS 39 AG30 g).

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 2,387 of which €/000 1,262 due after the year and €/000 1,125 as the current portion, refer to subsidised loans provided by the Italian Ministry of Economic Development and Italian Ministry of Education, University and Research using regulations to encourage exports and investments in research and development.

Financial advances received from factoring companies and banks, on the sale of trade receivables with recourse, totalled €/000 20,744.

Covenants

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

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

The measurement of financial covenants and other contract commitments is monitored by the Company on an ongoing basis. According to results as of 31 December 2014, all covenants had been fully met.
The high-yield debenture loan issued by the company in April 2014 requires compliance with typical covenants of international high-yield market practices. In particular, the company must observe the EBITDA/ Net borrowing costs index, based on the threshold established in the Prospectus, to increase financial debt defined during issue. In addition, the Prospectus includes some obligations for the issuer, which limit, inter alia, the capacity to:

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

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

30. Trade payables (current) *€/000 266,143*

Trade payables are wholly included under current liabilities and total €/000 266,143, compared to €/000 240,285 as of 31 December 2013.

Current liabilities	As of 31 December 2014	As of 31 December 2013	Change
In thousands of Euros			
Amounts due to suppliers	236,565	215,427	21,138
Amounts due to subsidiaries	14,708	14,020	688
Amounts due to associates	14,164	10,127	4,037
Amounts due to parent companies	626	711	(85)
Trade payables due to other related parties	80		80
Total	266,143	240,285	25,858
- of which reverse factoring	*114,576*	*89,065*	*25,511*
- of which supply chain financing	*10,340*	*976*	*9,364*
Total	**266,143**	**240,285**	**25,858**

The item comprises trade payables of €/000 251,664 for the purchase of goods, materials and services for business operations and €/000 14,479 for the purchase of assets.
The item includes payables in foreign currency for a total value, at the exchange rate in effect at 31 December 2014, taking account of hedging on exchange risk, of €/000 32,618. The following table shows in details foreign currencies included:

Foreign currencies	Amount in currency/000
In thousands	
Swiss Franc	14
Renminbi (Yuan)	44,762
Pound Sterling United Kingdom	871
Hong Kong Dollar	21
Indian Rupee	1,474
Japanese Yen	480,345
Polish Zloty	2
Swedish Krone	526
US Dollar	27,037

As regards the amount of €/000 71, the payment of amounts due under this item is guaranteed by bank guarantees.
To facilitate credit conditions for its suppliers, the Company has used factoring agreements since 2012, mainly supply chain financing and reverse factoring agreements, as described in more detail in "accounting policies adopted by the Company", to which reference is made. These operations did not change the primary obligation, nor substantially changed payment terms, so their nature is the same and they are still classified as trade liabilities.
As of 31 December 2014, the value of trade payables covered by reverse factoring or supply chain financing agreements was equal to €/000 124,916 (€/000 90,041 as of 31 December 2013).

31. Reserves (current and non-current portion) *€/000 14,412*

	Balance as of 31 December 2013	Allocations	Applications	Adjustment	Reclassification	Balance as of 31 December 2014
In thousands of Euros						
Provisions for risks and charges						
Provisions for risk on investments	378	-	-	-	(378)	-
Provisions for contractual risks	3,916	-	-	(17)	-	3,899
Risk provision for legal disputes	2,167	-	(408)	(243)	-	1,516
Provision for guarantee risks	58	-	-	-	-	58
Provisions for tax risks	5,130	186	(5,130)	-	-	186
Provision for product warranties	9,835	6,479	(7,595)	-	-	8,719
Other funds	-	34	-	-	-	34
Total provisions for risks and charges	**21,484**	**6,699**	**(13,133)**	**(260)**	**(378)**	**14,412**

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

Current portion	As of 31 December 2014	As of 31 December 2013	Change
In thousands of Euros			
Provisions for risk on investments	-	378	(378)
Provisions for tax risks	186	5,130	(4,944)
Provision for product warranties	6,103	6,885	(782)
Other funds	34	-	34
Total current portion	**6,323**	**12,393**	**(6,070)**

Non-current portion	As of 31 December 2014	As of 31 December 2013	Change
In thousands of Euros			
Provisions for contractual risks	3,899	3,916	(17)
Risk provision for legal disputes	1,516	2,167	(651)
Provision for guarantee risks	58	58	0
Provision for product warranties	2,616	2,950	(334)
Total non-current portion	**8,089**	**9,091**	**(1,002)**

The decrease in the provision for investment risks as of 31 December 2014 refers to the subsidiary Nacional Motor. The provision was reclassified during the year on the cost of the investment.
The provision for contract risks refers mainly to charges which could arise from the renegotiation of a supply contract. The adjustment of €/000 17 refers instead to the valuation of correlated risks carried out at the end of the period.
The provision for litigation concerns €/000 66 for labour litigation and the difference of €/000 1,450 refers to other legal proceedings. €/000 408 was used, of which €/000 208 to settle employment claims and €/000 200 to settle other claims. Adjustments of €/000 243 wholly reflect the valuation of labour litigation.
The risk provision for guarantees provided refers to charges expected for guarantees issued on the transfer of company investments.
The provision for tax risks, established in 2013 for the allocation of estimated costs following the inspection by the Italian Revenue Agency for the 2009, 2010 and 2011 tax years, which terminated with the issue of a Formal Notices of Assessment (PVC) mainly concerning transfer pricing, was reclassified under tax payables, following the beginning of the inspection with acceptance which ended with the signing of acceptance documents in March 2014. During the year, a new provision of €/000 186 was made, following the verification started by the German Tax Authorities concerning the VAT registration number directly opened in Germany.
The provision for product warranties of €/000 8,719 refers to potential liabilities related to the sale of products. The provision refers to allocations for technical assistance on products covered by customer service which are estimated to be provided over the contractually envisaged warranty

period. This period varies according to the type of goods sold to the sales market and to customer take-up to commit to a scheduled maintenance plan.
The provision increased during the year by €/000 6,479 for new allocations and €/000 7,595 was used for expenses sustained referring to sales in previous years.

32. Retirement funds and employee benefits *€/000 54,051*

	As of 31 December 2014	As of 31 December 2013	Change
In thousands of Euros			
Provision for retirement	125	116	9
Termination benefits provision	53,926	47,950	5,976
Total	**54,051**	**48,066**	**5,985**

The provision for retirement mainly consists of supplementary client funds, representing the amounts payable to agents if agency agreements are terminated for reasons not attributable to them. During the year, the provision was increased by €/000 9 for benefits accrued during the period.

Movements for termination benefits are as follows:

Termination benefits provision	
In thousands of Euros	
Opening balance as of 1 January 2014	**47,950**
Cost for the period	8,190
Actuarial losses recognised as Shareholders' Equity	7,116
Interest cost	1,398
Use and transfers of retirement funds	(10,740)
Other changes	12
Closing balance as of 31 December 2014	**53,926**

Economic/technical assumptions

The economic/technical assumptions used to discount the value are described in the table below:

Technical annual discount rate	1.49%
Annual rate of inflation	0.6% for 2015
	1.2% for 2016
	1.5% for 2017 and 2018
	2.0% from 2019 onwards
Annual rate of increase in termination benefits	1.950% for 2015
	2.400% for 2016
	2.625% for 2017 and 2018
	3.000% from 2019 onwards

As regards the discount rate, the Company decided to change its policy, in view of ongoing low interest rates, and used the iBoxx Corporates AA rating with a 10+ duration instead of the iBoxx Corporates A rating with a 10+ duration used last year to evaluate this parameter.
The Company, considering this change as not significant, recognised the effect of the change in the accounting estimate in a forward-looking manner. In fact, as reported in the notes to the Financial Statements as of 31 December 2013, by using the iBoxx Corporates AA rating with a 10+ duration, the carrying amount of the provision and actuarial losses as of 31 December 2013 would have been higher by €/000 930.

If the iBoxx Corporates A rating with a 10+ duration had been used, the value of actuarial losses and the provision as of 31 December 2014 would have been lower by €/000 1,912.

The table below shows the effects, in absolute terms, as of 31 December 2014, which would have occurred following changes in reasonably possible actuarial assumptions:

	Provision for post-employment benefits
In thousands of Euros	
Turnover rate +2%	53,214
Turnover rate -2%	54,778
Inflation rate + 0.25%	54,732
Inflation rate - 0.25%	53,085
Discount rate + 0.50%	51,343
Discount rate - 0.50%	56,673

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

Year	Future amounts
In thousands of Euros	
1	2,955
2	2,868
3	3,106
4	5,025
5	1,368

33. Current and non-current tax payables *€/000 7,131*

Tax payables totalled €/000 7,131 compared to €/000 7,326 as of 31 December 2013.

	As of 31 December 2014	As of 31 December 2013	Change
In thousands of Euros			
Non-current portion	-	-	-
Current portion			
Due for income taxes	2,800	1,493	1,307
Other tax payables for:			
- VAT	-	1,009	(1,009)
- Tax withheld at source	4,048	4,134	(86)
- Taxes withheld in a capacity as withholding agent	-	464	(464)
- Duty and tax records to pay	261	226	35
- Stamp duty paid electronically	22	-	22
Total other tax payables	*4,331*	*5,833*	*(1,502)*
Total current portion	*7,131*	*7,326*	*(195)*
Total	**7,131**	**7,326**	**(195)**

Current tax payables of €/000 2,800 refer to €/000 1,172 for taxes to pay abroad for income generated abroad, mainly for royalties, technical consultancy services and other services to the subsidiaries Piaggio Vehicles and Piaggio Vietnam and to €/000 1,628 for regional production tax payables.
Payables for regional production tax are entered offset against relative receivables. Regional production tax due for the year amounted to €/000 4,455. As regards corporate income tax, the company expects to contribute to the National Consolidated Tax Mechanism, with a negative taxable amount of €/000 16,654.
The decrease in VAT payables refers to transactions carried out in European countries where direct identification, with reference to this tax, was recognised. These transactions, following the change to the "business model"

during the year, concern the Italian VAT registration number and EU sales.
Payables for withheld taxes paid refer to the income of employee and outsourced work and commission.

34. Other payables (current and non-current) €/000 48,627

Non-current portion	As of 31 December 2014	As of 31 December 2013	Change
In thousands of Euros			
Deferred income	1,235	1,113	122
Payables from the fair value measurement of financial instruments	231	1,102	(871)
Other payables	200	200	0
Total	**1,666**	**2,415**	**(749)**

Current portion	As of 31 December 2014	As of 31 December 2013	Change
In thousands of Euros			
Amounts due to subsidiaries	10,880	11,984	(1,104)
Amounts due to associates	119	84	35
Amounts due to parent companies	5,975	6,022	(47)
Payables to employees	10,470	10,818	(348)
Amounts due to social security institutions	7,742	7,286	456
Amounts due to company boards	307	101	206
Amounts due for temporary funding	126	126	0
Amounts due for financial statement assessments	265	232	33
Amounts due to customers	2,110	2,955	(845)
Payables from the fair value measurement of financial instruments	502	972	(470)
Accrued expenses	3,969	3,300	669
Deferred income	425	256	169
Other payables	4,071	3,464	607
Total	**46,961**	**47,600**	**(639)**

Other payables included in non-current liabilities totalled €/000 1,666 against €/000 2,415 as of 31 December 2013, whereas other payables included in current liabilities totalled €/000 46,961 compared to €/000 47,600 as of 31 December 2013.

As regards the non-current portion:
› Deferred income comprises €/000 1,151 from grants to recognise in profit or loss in relation to amortisation/depreciation, and €/000 84 for income cashed but relative to other years arising from licence agreements.
› Payables from the fair value measurement of financial instruments refer to transactions accounted for on a cash flow hedge basis.
› Other payables refer to €/000 200 for the guarantee deposit paid in 1997 by T.N.T. Automotive Logistics S.p.A. to guarantee the payment of termination benefits accrued by employees of the sold company branch concerned with the receipt, packing, storage and distribution of spare parts and accessories.

As regards the current portion:
› Payables to parent companies refer to IMMSI S.p.A. and chiefly to the Consolidated Tax Mechanism.
› Amounts due to employees include the amount for holidays accrued but not taken of €/000 8,023 and other payments to be made for €/000 2,447.
› Contributions of €/000 126 refer to contributions relative to subsidies for research activities not yet acquired.

- Amounts due to clients mainly refer to premiums paid for clients achieving sales targets that will be paid at the end of the reporting period and to credit notes for returns.
- Deferred income comprises research subsidies (€/000 418) to recognise in profit or loss in relation to amortisation, royalties (€/000 1) and interest receivable on deferred payments of customers (€/000 6) to recognise in profit or loss in the following year.
- Accrued expenses refer to €/000 780 for interest on loans, €/000 3,066 for interest on debenture loans, €/000 8 for interest on sundry payables and €/000 115 for sundry costs and expenses.

35. Share-based incentive plans

Since 2010, Piaggio has no longer approved any incentive plans based on the allocation of financial instruments.
The stock option plan approved by the Ordinary Shareholders' Meeting of the Company on 7 May 2007 - amended by the Ordinary Shareholders' Meeting of 16 April 2010 ("2007-2009 Plan") – for senior management of the Company and Italian and/or international subsidiaries pursuant to article 2359 of the Italian Civil Code, as well as directors with powers in said companies "Beneficiaries") assigns the beneficiaries free options, as applicable, to purchase treasury shares, or to subscribe to new issue shares arising from share capital increases, against divisible payment, with the exception of option rights pursuant to article 2441 paragraph 8 of the Italian Civil Code and article 134 of the Consolidated Law on Finance, resolved by the Extraordinary Shareholders' Meeting on 16 April 2010, with a ratio of 1:1.

During 2014, 2,980,000 option rights were exercised, while 390,000 option rights expired, as shown below:

Diritti	No. of options	Average exercise price (euro)	Market price (euro)
Rights existing as of 31/12/2013	3,370,000	1.72	
- of which exercisable as of 31/12/2013	*3,370,000*		
New rights assigned in 2014			
Rights exercised in 2014	(2,980,000)	1.79	2.75
Rights expired in 2014	(390,000)	1.2218	
Rights existing as of 31/12/2014	0		
- of which exercisable as of 31/12/2014	*0*		

As of 31 December 2014, no exercisable option rights were still available and therefore the 2007 – 2009 Plan has ended.

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 required by Consob, the table below shows the options assigned to board members, general directors and Senior Management with strategic responsibilities:

	Position	Options held at the start of the period			Options held at the end of the period		
		No. of options	**Average exercise price**	**Average maturity**	**No. of options**	**Average exercise price**	**Average maturity**
Assignment 18 December 2009	General Manager Finance	250,000	1.826	18/12/2014	-	-	-

36. Fees for Directors, Statutory Auditors and Key Managers

For a complete description and analysis of fees of Directors, Statutory Auditors and Key Managers, reference is made to the remuneration report available from the registered office, and on the Company's website in the section "*Governance*".

In thousands of Euros	2014
Directors	1,820
Statutory auditors	316
Key Managers	522
Total fees	**2,658**

37. Payables due after 5 years

The Company has loans due after 5 years, which are referred to in detail in Note 29 Financial Liabilities.

38.Information on related parties

Revenues, costs, payables and receivables as of 31 December 2014 involving parent companies, subsidiaries and associates refer to the sale of goods or services which are a part of normal operations of the Group.
Transactions are carried out at normal market values, depending on the characteristics of the goods and services provided.
The information on transactions with related parties, including information required by Consob in its communication no. DEM/6664293 of 28 July 2006, is given in the notes to the Consolidated Financial Statements and notes to the separate Financial Statements of the Parent Company.
The procedure for transactions with related parties, pursuant to article 4 of Consob Regulation no. 17221 of 12 March 2010 as amended, approved by the Board on 30 September 2010, is published on the institutional site of the Issuer www.piaggiogroup.com, under *Governance*.

Relations with Parent Companies

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

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

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

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

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

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

Piaggio & C. S.p.A. has undertaken a rental agreement for offices owned by Omniaholding S.p.A.. This agreement, signed in normal market conditions, was previously approved by the Related 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.

Transactions with subsidiaries

The main intercompany relations with subsidiaries refer to the following transactions:

Piaggio & C. S.p.A.

- sells vehicles, spare parts and accessories to sell on respective markets, to:
  - Piaggio Hrtvaska
  - Piaggio Hellas
  - Piaggio Group Americas
  - Piaggio Vehicles Private Limited
  - Piaggio Vietnam
  - Piaggio Concept Store Mantova
- sells components to:
  - Piaggio Vehicles Private Limited
  - Piaggio Vietnam
- grants licences for rights to use the brand and technological know how to:
  - Piaggio Vehicles Private Limited
  - Piaggio Vietnam

- provides support services for scooter and engine industrialisation to:
  - Piaggio Vehicles Private Limited
  - Piaggio Vietnam
- provides support services for staff functions of other Group companies;
- issues guarantees for the Group's subsidiaries, for medium-term loans;
- purchases vehicles, spare parts and accessories for sale on respective markets by:
  - Piaggio Vietnam
- purchases vehicles, spare parts and accessories for sale on respective markets and components and engines for use in manufacturing by:
  - Piaggio Vehicles Private Limited
- receives a vehicle, spare parts and accessories distribution service on respective markets from:
  - Piaggio Hrtvaska
  - Piaggio Hellas
  - Piaggio Group Americas
  - Piaggio Vietnam
- receives a sales promotion service and after-sales services on respective markets from:
  - Piaggio France
  - Piaggio Deutschland
  - Piaggio Limited
  - Piaggio España
  - Piaggio Vespa
- receives a components and vehicles design/development service and a local supplier scouting service from:
- Foshan Piaggio Vehicles Tecnologies R&D
- receives a vehicle and components research/design/development service from:
  - Piaggio Advanced Design Center
- receives a racing team management service and vehicle design service from:
  - Aprilia Racing
- rents a property from:
  - Atlantic 12.

Relations between Piaggio & C. S.p.A. and JV Zongshen Piaggio Foshan Motorcycle Co. Ltd

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

Piaggio & C. S.p.A.

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

Zongshen Piaggio Foshan Motorcycle Co. Ltd

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

The table below summarises relations described above and financial relations with parent companies, subsidiaries and associates as of 31 December 2014 and relations during the year, as well as their overall impact on financial statement items.

	Revenues from sales	Costs for materials	Costs for services, leases and rentals	Employee costs	Other operating income	Other operating costs	Financial income	Borrowing costs	Taxes	Other receivables due after one year	Trade receivables	Other receivables due within one year	Financial receivables	Financial payables due after one year	Financial payables due within one year	Trade payables	Other payables due within one year
In thousands of Euros																	
Piaggio France	-	-	6,571	-	290	26	-	-	-	-	-	85	-	-	-	1,275	1,974
Piaggio Deutschland	-	-	4,474	-	156	-	-	-	-	-	-	90	-	-	-	1,165	281
Piaggio Limited	-	-	2,708	-	135	-	-	-	-	-	3	283	-	-	-	534	-
Piaggio Hrvatska	2,636	-	7	-	49	-	-	5	-	-	-	14	-	-	-	-	-
Piaggio Hellas	18,061	-	133	-	243	3	-	-	-	-	1,034	95	-	-	-	20	-
Piaggio Group Americas Inc.	48,211	-	245	4	837	-	-	10	-	-	9,964	258	-	-	-	31	-
Piaggio Asia Pacific Ltd	-	-	-	-	8	-	-	-	-	-	-	73	-	-	-	-	-
Piaggio Vehicles Pvt. Ltd	375	7,291	153	-	11,688	15	206	-	-	-	1,069	9,862	5,000	-	-	1,944	8
Nacional Motor S	-	331	114	-	33	-	89	-	-	-	17	50	6,599	-	-	380	-
Atlantic 12	-	-	648	-	56	3	-	-	-	-	80	-	-	-	-	522	-
Piaggio España	-	-	4,162	-	137	10	-	-	-	-	1,373	1,316	-	-	-	785	2,501
Piaggio Vespa	-	-	2,997	-	146	528	-	-	-	-	5	13,622	-	-	-	311	1,848
ZPFM	153	20,053	5	-	4,064	-	-	232	-	-	826	2,540	-	-	-	14,164	80
Studio d'Urso	-	-	80	-	-	-	-	-	-	-	-	-	-	-	-	80	-
Fondazione Piaggio	-	-	-	-	-	-	-	-	-	197	-	-	-	-	-	-	39
IMMSI S.p.A.	-	-	2,593	-	50	19	-	-	(64)	-	9	6,821	-	-	-	606	5,966
IMMSI Audit	-	-	880	-	56	-	-	-	-	-	11	17	-	-	-	-	-
Piaggio Group Japan	-	-	-	-	219	-	-	-	-	-	-	68	-	-	-	-	-
Piaggio Vietnam	35,049	17,756	264	-	15,030	6	-	-	-	-	20,854	26,001	-	-	-	6,156	3,858
Aprilia Racing Srl	59	10	11,247	-	1,431	300	-	8	-	-	78	1,688	-	-	3,856	753	-
PT Piaggio Indonesia	-	-	-	-	1,166	-	-	-	-	-	23	1,282	-	-	-	2	419
FPVT	-	-	1,260	-	139	-	-	-	-	-	520	139	-	-	-	413	-
PADC	-	-	394	-	-	-	-	-	-	-	-	-	-	-	-	106	-
PCSM	626	3	6	-	140	-	24	-	-	-	-	58	2,071	-	-	311	-
Omniaholding	-	-	64	-	-	-	-	156	-	-	-	-	-	2,900	-	20	-
Total	105,169	45,444	39,004	4	36,073	909	319	411	(64)	197	35,867	64,364	13,669	2,900	3,856	29,578	16,974
% incidence on accounting item	14.68%	11.18%	22.43%	0.00%	31.72%	5.85%	27.55%	1.26%	-56.64%	5.74%	48.03%	77.98%	100.00%	0.61%	6.18%	11.11%	36.14%

39. Contract commitments and guarantees

Contract commitments of the Company are summarised based on their expiry.

	In 1 year	Between 2 and 5 years	After 5 years	Total
In thousands of Euros				
Operating leases	2,727	3,238	-	**5,965**

The main guarantees issued by banks on behalf of Piaggio & C. S.p.A in favour of subsidiaries and third parties are listed below:

Type	Amount €/000
A guarantee of Piaggio & C. for the loan granted by I.F.C. to the subsidiary Piaggio Vehicles Private Limited	
of which drawn	12,160
A guarantee of Piaggio & C. for the loan granted by I.F.C. to the subsidiary Piaggio Vehicles Private Limited	
of which drawn	14,702
A guarantee of Piaggio & C. for USD 11,000,000 relative to the working capital loan of USD 9,800,000 granted by the Bank of America to the subsidiary Piaggio Vehicles Private Limited	
of which drawn	0
of which undrawn	9,060
A guarantee of Piaggio & C. for INR 550,000,000 relative to the working capital loan of INR 500,000,000 granted by Hongkong and Shanghai Banking Corporation to the subsidiary Piaggio Vehicles Private Limited	
of which drawn	0
of which undrawn	7,169
A guarantee of Piaggio & C. for INR 1,500,000,000 relative to the working capital loan of INR 1,500,000,000 granted by Credit Agricole CIB to the subsidiary Piaggio Vehicles Private Limited	
of which drawn	0
of which undrawn	19,552
A guarantee of Piaggio & C. for USD 22,000,000 relative to the loan for the Supply Chain Finance programme of USD 20,000,000 granted by Bank of America to the subsidiary Piaggio Vehicles Private Limited	
of which drawn	12,487
of which undrawn	5,634
A guarantee of Piaggio & C. for the loan granted by I.F.C. to the subsidiary Piaggio Vietnam	
of which drawn	14,394
A guarantee of Piaggio & C. for USD 22,000,000 relative to the working capital loan of USD 20,000,000 granted by ANZ to the subsidiary Piaggio Vietnam	
of which drawn	9,553
of which undrawn	8,567
A guarantee of Piaggio & C. for USD 11,000,000 relative to the working capital loan of USD 10,000,000 granted by Hongkong and Shanghai Banking Corporation to the subsidiary Piaggio Vietnam	
of which drawn	0
of which undrawn	9,060
A guarantee of Piaggio & C. for USD 5,500,000 relative to the working capital loan of USD 44,000,000,000 granted by ANZ to the subsidiary Piaggio Indonesia	
of which drawn	0
of which undrawn	4,530
A guarantee of Piaggio & C. for USD 6,000,000 relative to the working capital loan of USD 5,000,000 granted by ANZ to the subsidiary Piaggio Indonesia	
of which drawn	3,112
of which undrawn	1,830
A guarantee of Piaggio & C. for USD 10,000,000 relative to the credit line of the same amount granted by CHASE to the subsidiary Piaggio Group Americas	
of which drawn	6,206
of which undrawn	2,031

Type	Amount €/000
Warrant to grant credit of Piaggio & C. to guarantee the credit line from Banca Intesa San Paolo to the subsidiary Piaggio Group Americas for USD 7,000,000	
of which drawn	4,942
of which undrawn	824
Warrant to grant credit of Piaggio & C. to guarantee the credit line from Banca Intesa San Paolo to the subsidiary Piaggio Group Japan for USD 7,000,000	
of which drawn	4,751
of which undrawn	1,015
A guarantee of Piaggio & C. on the surety granted by BNP Paribas to the subsidiary Piaggio France for € 2,792,280	
of which drawn	2,792
of which undrawn	0
A guarantee of Piaggio & C. on the surety granted by BNP Paribas to the subsidiary Piaggio France for € 475,464	
of which drawn	475
of which undrawn	0
A guarantee of Piaggio & C. on a line for derivatives, agreed on with Citibank, for the subsidiary Piaggio Vehicles Private Limited for USD 9,000,000	
of which drawn	243
of which undrawn	7,170
A guarantee of Piaggio & C. on a line for derivatives, agreed on with Hongkong and Shanghai Banking Corporation, for the subsidiary Piaggio Vehicles Private Limited for USD 7,150,000	
of which drawn	294
of which undrawn	5,595
A guarantee of Piaggio & C. on a line for derivatives granted by Bank of America to the subsidiary Piaggio Vehicles Private Limited for USD 3,000,000	
of which drawn	945
of which undrawn	1,526
A guarantee of Piaggio & C. for a guarantee on derivatives agreed on by I.F.C. for the subsidiary Piaggio Vietnam	
of which drawn	1,160
A guarantee of Piaggio & C. on a line for derivatives granted by ANZ to the subsidiary Piaggio Indonesia for USD 1,100,000	
of which drawn	104
of which undrawn	802
A guarantee of BCC-Fornacette to Livorno Customs Authorities for handling Piaggio goods at Livorno Port	200
A guarantee of BCC-Fornacette issued to Pisa Customs Authorities for handling Piaggio goods at the Pisana docks and at Livorno Port	200
A guarantee of BCC-Fornacette issued for the Group to Poste Italiane – Rome to guarantee contract obligations for the supply of vehicles	1,321
A guarantee of Banco di Brescia issued to the local authorities of Scorzè, to guarantee payment of urbanisation and construction charges relative to the Scorzè site	166
A guarantee of Banca Intesa San Paolo issued to the Ministry of the Interior of Algeria, to guarantee contract obligations for the supply of vehicles	140
A guarantee of Banca Intesa San Paolo issued to the Ministry of the Interior of Algeria, to guarantee contract obligations for the supply of vehicles	158
A guarantee of Monte dei Paschi di Siena issued to Chen ShinRubber for € 650,000 for an ongoing supply agreement	650
A guarantee of Banca Nazionale del Lavoro issued to China Shipping Containers Lines for USD 122 relative to an ownership statement	100

40. Information about financial instruments

This attachment provides information about financial instruments, their risks, as well as the sensitivity analysis in accordance with the requirements of IFRS 7, effective as of 1 January 2007.
As of 31 December 2014 and 31 December 2013 existing financial instruments were allocated as follows within the Financial Statements of Piaggio & C. S.p.A.:

Financial assets as of 31 December 2014

	Loans and receivables	Investments held to maturity	Financial derivatives	Financial instruments at fair value available for sale	Total
In thousands of Euros					
Non-current assets					
Financial receivables					0
Fair value of derivatives			13,230		13,230
Investments in other companies				86	86
Total non-current assets	**0**	**0**	**13,230**	**86**	**13,316**
Current assets					
Trade receivables	74,669				74,669
Fair value of derivatives			696		696
Other financial assets	13,669				13,669
Bank and postal deposits	29,196				29,196
Securities					0
Total current assets	**117,534**	**0**	**696**	**0**	**118,230**
Total	**117,534**	**0**	**13,926**	**86**	**131,546**

Financial liabilities as of 31 December 2014

	Loans and receivables	Investments held to maturity	Financial derivatives	Financial instruments at fair value available for sale	Total
In thousands of Euros					
Non-current assets					
Financial receivables					0
Fair value of derivatives			4,233		4,233
Investments in other companies				163	163
Total non-current assets	**0**	**0**	**4,233**	**163**	**4,396**
Current assets					
Trade receivables	73,520				73,520
Fair value of derivatives			3		3
Other financial assets	12,952				12,952
Bank and postal deposits	3,618				3,618
Securities					0
Total current assets	**90,090**	**0**	**3**	**0**	**90,093**
Total	**90,090**	**0**	**4,236**	**163**	**94,489**

Financial liabilities as of 31 December 2014

In thousands of Euros	Payables at fair value	Financial derivatives	Other financial liabilities at amortised cost	Total
Non-current liabilities				
Bank borrowings			170,533	170,533
Bonds			288,369	288,369
Other loans			1,262	1,262
Leases				0
Hedging derivatives		12,506		12,506
Total non-current liabilities		**12,506**	**460,164**	**472,670**
Current liabilities				
Bank borrowings			36,655	36,655
Other loans			25,726	25,726
Leases				0
Hedging derivatives		502		502
Total current liabilities		**502**	**62,381**	**62,883**
Total		**13,008**	**522,545**	**535,553**

Financial liabilities as of 31 December 2013

In thousands of Euros	Payables at fair value	Financial derivatives	Other financial liabilities at amortised cost	Total
Non-current liabilities				
Bank borrowings			195,614	195,614
Bonds			195,318	195,318
Other loans			3,192	3,192
Leases				0
Hedging derivatives		5,057		5,057
Total non-current liabilities		**5,057**	**394,124**	**399,181**
Current liabilities				
Bank borrowings			67,427	67,427
Other loans			29,065	29,065
Leases			5,809	5,809
Hedging derivatives		972		972
Total current liabilities		**972**	**102,301**	**103,273**
Total		**6,029**	**496,425**	**502,454**

Current and non-current financial liabilities

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

Fair Value Measurement

IFRS 13 – *Fair Value Measurement* applies as from 1 January 2013. The Standard defines fair value on the basis of the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In the absence of an active market or market that does not operate regularly, fair value is measured by valuation techniques. The standard defines a fair value hierarchy:

- level 1 – quoted prices in active markets for assets or liabilities measured;
- level 2 – inputs other than quoted prices included within Level 1 that are observable directly (prices) or indirectly (derived from prices) on the market;
- level 3 – inputs not based on observable market data.

The valuation techniques referred to levels 2 and 3 must take into account adjustment factors that measure the risk of insolvency of both parties. To this end, the standard introduces the concepts of Credit Value Adjustment (CVA) and Debit Value Adjustment (DVA): CVA makes it possible to include the counterparty credit risk in the fair value measurement; DVA reflects the risk of insolvency of the Company.

IFRS 7 also requires the fair value of debts recognised on a amortised cost basis to be measured, for disclosure purposes only.
The table below indicates these values as of 31 December 2014:

	Nominal value	Carrying amount	Fair Value *
In thousands of Euros			
High yield debenture loan	250,000	236,846	257,348
Private debenture loan	51,799	51,523	67,413
EIB (R&D loan 2009-2012)	32,143	32,143	31,978
EIB (R&D loan 2013-2015)	54,545	54,545	52,582
Revolving syndicated loan	50,000	48,461	46,408
Syndicated loan maturing in July 2019	66,000	65,216	64,151

** the value deducts DVA related to the issuer, i.e. it includes the risk of insolvency of Piaggio.*

For liabilities due within 18 months, the carrying amount is basically considered the same as the fair value.

Fair value hierarchy

The table below shows the assets and liabilities measured and recognised at fair value as of 31 December 2014, by hierarchical level of fair value measurement.

	Level 1	Level 2	Level 3
In thousands of Euros			
Assets measured at fair value			
Hedging financial derivatives			
- of which financial assets		*13,230*	
- of which other receivables		*696*	
Investments in other companies			86
Total		**13,926**	**86**
Liabilities measured at fair value			
Hedging financial derivatives			
- of which other payables		*(733)*	
Financial liabilities at fair value recognised through profit or loss		(64,074)	
Total		**(64,807)**	

The following tables show Level 2 and Level 3 changes during 2014:

	Level 2
In thousands of Euros	
Net balance of liabilities as of 31 December 2013	(53,592)
Gain (loss) recognised in profit or loss	911
Increases/(Decreases)	1,800
Net balance of liabilities as of 31 December 2014	**(50,881)**

	Level 3
In thousands of Euros	
Balance of assets as of 31 December 2013	163
Gain (loss) recognised in profit or loss Increases/(Decreases)	(77)
Balance of assets as of 31 December 2014	**86**

Financial risks

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

Liquidity risk and capital management

The liquidity risk arises from the possibility that available financial resources are not sufficient to cover, in due times and procedures, future payments arising from financial and/or commercial obligations. To deal with this risk, cash flows and the Company's credit line needs are monitored or managed centrally under the control of the Treasury in order to guarantee an effective and efficient management of the financial resources as well as optimise the debt's maturity standpoint.

In addition, the Company finances the temporary cash requirements of subsidiaries by providing direct short-term loans regulated in market conditions or guarantees. A cash pooling zero balance system is used between the Company and European companies to reset the receivable and payable balances of subsidiaries on a daily basis, for a more effective and efficient management of liquidity in the Eurozone.
As of 31 December 2014 the most important sources of financing irrevocable until maturity granted to the Company were as follows:

- a debenture loan of €/000 250,000 maturing in April 2021;
- a debenture loan of $/000 75,000 maturing in July 2021;
- a credit line of €/000 220,000 comprising a Revolving Credit Facility of €/000 154,000 maturing in July 2018 and a loan of €/000 66,000 maturing in July 2019;
- a Revolving Credit Facility of €/000 20,000 maturing in June 2015;
- a loan of €/000 32,143 maturing in February 2016;
- a loan of €/000 54,545 maturing in December 2019.

As of 31 December 2014, the Company had a liquidity of €/000 29,196, €/000 124,000 of undrawn credit lines irrevocable to maturity and €/000 58,835 of revocable credit lines, as detailed below:

	As of 31.12.2014	As of 31.12.2013
In thousands of Euros		
Variable rate with maturity within one year - irrevocable until maturity	20,000	-
Variable rate with maturity beyond one year - irrevocable until maturity	104,000	115,000
Variable rate with maturity within one year - cash revocable	58,835	57,070
Variable rate with maturity within one year - with revocation for self-liquidating typologies	19,000	31,000
Total	**201,835**	**203,070**

The table below shows the timing of future payments in relation to trade payables:

	Trade payables as of 31 December 2014	Within 30 days	Between 31 and 60 days	Between 61 and 90 days	Over 90 days
In thousands of Euros					
Amounts due to suppliers	236,565	153,003	59,711	17,492	6,360
Amounts due to subsidiaries	14,708	12,176	2,501	31	-
Amounts due to associates	14,164	9,403	1,445	1,756	1,560
Amounts due to parent companies	626	626	-	-	-
Trade payables due to other related parties	80				80
Total	**266,143**	**175,208**	**63,656**	**19,279**	**8,000**

Management considers that currently available funds, as well as funds that will be generated from operations and loans, will enable the Company to meets its requirements relative to investments, the management of working capital and repayment of loans on expiry and will ensure an adequate level of operating and strategic flexibility.

Exchange Risk

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

This policy analyses:

› **the transaction 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 December 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:

Operation	Currency	Amount in local currency	Value in euro (forward exchange rate)	Average maturity
In thousands				
Purchase	CNY	49,300	6,483	14/01/2015
Purchase	JPY	250,000	1,707	07/01/2015
Purchase	GBP	250	319	29/01/2015
Purchase	USD	5,100	4,152	06/01/2015
Sale	CNY	26,500	3,486	07/01/2015
Sale	GBP	150	191	29/01/2015
Sale	INR	453,000	5,855	12/01/2015
Sale	JPY	30,000	220	30/01/2015
Sale	SEK	1,200	130	30/01/2015
Sale	USD	5,800	4,728	15/02/2015
Sale	SGD	175	108	30/01/2015

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

Operation	Currency	Amount in local currency	Value in euro (forward exchange rate)	Average maturity
In thousands				
Purchase	CNY	244,000	30,987	14/06/2015
Sale	GBP	8,470	10,728	03/07/2015

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

As of 31 December 2014, the total fair value of hedging instruments for exchange risk recognised on an hedge accounting basis was positive by €/000 656. During 2014, gains were recognised in other components of the Statement of Comprehensive Income amounting to €/000 656 and profit from other components of the Statement of Comprehensive Income was reclassified to profit/loss for the year for €/000 234.
The net balance of cash flows during 2014 is shown below, divided by main currency:

Cash Flow	2014
Importi in millions of euros	
Pound Sterling	22.1
US Dollar	(8.6)
Canadian Dollar	5.6
Chinese Yuan*	(72.7)
Japanese Yen	(8.7)
Total cash flow in foreign currency	**(62.3)**

** cash flow partially in euro*

In view of the above, an assumed appreciation/depreciation of 3% of the Euro would have generated potential losses for €/000 1,925 and potential profits for €/000 1,813 respectively.

Interest rate risk

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

Hedging of financial flows (cash flow hedging)
- an *Interest Rate Swap* to cover a variable rate loan for a nominal amount of €/000 117,857 (as of 31 December 2014 for €/000 32,143) granted by the European Investment Bank. The structure has fixed step-up rates, in order to stabilise financial flows associated with the loan; in accounting terms, the instrument is recognised on a cash flow hedge basis, with profits/losses arising from the fair value measurement allocated to a specific reserve in shareholders' equity; as of 31 December 2014, the fair value of the instrument was negative by €/000 693; sensitivity analysis of the instrument, assuming a 1% increase and decrease in the shift of the variable rates curve, shows a potential impact on Shareholders' Equity, net of the relative tax effect, equal to €/000 98 and €/000 -100 respectively;

Derivatives for fair value hedging
- a *Cross Currency Swap* to hedge the private debenture loan issued by the Company for a nominal amount of $/000 75,000. The purpose of the instrument is to hedge both the exchange risk and interest rate risk, turning the loan from US dollars to euro, and from a fixed rate to a variable rate; the instrument is accounted for on a fair value hedge basis, with effects arising from the measurement recognised in profit or loss. As of 31 December 2014 the fair value of the instrument was equal to €/000 13,230. The net economic effect arising from the measurement of the instrument and underlying private debenture loan was equal to €/000 677; sensitivity analysis of the instrument and its underlying, assuming a 1% increase and decrease in the shift of the variable rates curve,

showed a potential impact on the Income Statement, net of the related tax effect, of €/000 63 and €/000 -60 respectively, assuming constant exchange rates; whereas assuming a 1% reversal and write-down of exchange rates, sensitivity analysis identified a potential impact on the Income Statement, net of the relative tax effect, of €/000 -46 and €/000 47 respectively.

	Fair Value
In thousands of Euros	
Interest Rate Swap	(693)
Cross Currency Swap	13,230

As of 31 December 2014, variable rate debt, net of financial assets and considering hedging derivatives, was equal to €/000 170,631. Consequently, a 1% increase or decrease in the Euribor above this net value would have generated greater or lower interest of €/000 1,706 per year.

Credit risk

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

	As of 31 December 2014	As of 31 December 2013
In thousands of Euros		
Liquid assets	29,196	3,618
Financial receivables	13,669	12,952
Trade receivables	74,669	73,520
Total	**117,534**	**90,090**

The Company monitors or manages credit centrally by using established policies and guidelines. The portfolio of trade receivables shows no signs of concentrated credit risk in light of the broad distribution of our licensee or distributor network. In addition, most trade receivables are short-term. In order to optimise credit management, the Company has established revolving programmes with some primary factoring companies for selling its trade receivables without recourse.

41. Rulings

For detailed information about litigation, reference is made to the relative section of the Notes to the Consolidated Financial Statements.

42. Significant non-recurring events and operations

During 2014, the Company exercised the call option of the debenture loan issued by the Company on 1 December 2009 for a total amount of €/000 150,000 and maturing on 1 December 2016. On 9 June, the remaining portion of this loan (equal to approximately € 42 million) was paid back at the price of 103.50%, after the finalisation of the exchange offer launched on 7 April.
The operation led in 2014 to the premium paid to bond holders that did not take up the exchange offer and of costs not yet depreciated of the reimbursed loan being recognised under borrowing costs in the income statement.

In 2014, the Company refinanced a revolving credit line with a limited pool of banks of a nominal value of €/000 200,000 maturing in December 2015. This operation resulted in the recognition of costs not yet amortised in the income statement in 2014.
These operations come under significant non-recurrent transactions, as defined by CONSOB

Communication DEM/6064293 of 28 July 2006.

In 2012 and 2013, with reference to the 2009, 2010 and 2011 tax periods, tax verifications of Piaggio & C S.p.A. were conducted by the Italian Revenue Agency, which terminated with the issue in late 2013 of a Report of verification (PVC) concerning transfer pricing.
After explaining the correct nature of its operations to the Italian Revenue Agency, the Company decided to benefit from the system of paying lower fines pursuant to Legislative Decree no. 218/1997, to settle its position and avoid tax litigation and therefore considerably lowered the initial requests of the inspectors. The operation, recognised in 2013 as taxes in the income statement, comes under significant non-recurrent transactions, as defined by CONSOB Communication DEM/6064293 of 28 July 2006.

43. Transactions arising from atypical and/or unusual operations

During 2014 and 2013, the Company did not record any significant atypical and/or unusual operations, as defined by Consob Communication DEM/6037577 of 28 April 2006 and DEM/6064293 of 28 July 2006.

44. Events occurring after the end of the period

No events to be reported occurred after the end of the period.

45. Authorisation for publication

This document was published on 20 March 2015 and authorised by the Chairman and Chief Executive Officer.

Mantua, 27 February 2015

For the Board of Directors

/f/ Roberto Colaninno

Chairman and Chief Executive Officer
Roberto Colaninno


Vespa
Sprint

Attachments

Piaggio Group companies

Reference is made to attachments to the Consolidated Financial Statements.

Information pursuant to article 149 duodecies of the Consob Regulation on Issuers

The following statement was prepared pursuant to article 149 duodecies of the Consob Regulation on Issuers and indicates the fees for 2014 for auditing services and other services provided by the same auditing firm and entities belonging to the auditing firm's network.

Service	**Subject providing the service**	**Fees for 2014**
In euro		
Auditing services	PWC	357,810
Auditing services CSR	PWC	40,000
Certification services	PWC	336,000
Total		**733,810**


MOTO GUZZI

Certification of the Financial Statements pursuant to article 154-bis of Legislative Decree 58/98

1. The undersigned Roberto Colaninno (Chairman and Chief Executive Officer) and Alessandra Simonotto (Appointed Executive) of Piaggio & C. S.p.A. hereby certify, also in consideration of article 154-bis, sections 3 and 4, of Legislative Decree no. 58 of 24 February 1998:
   - the appropriateness with regard to the company's characteristics and
   - the actual application of administrative and accounting procedures for the formation of the Financial Statements as of 31 December 2014.

2. With regard to the above, no relevant aspects are to be reported.

3. Moreover

3.1 the financial statements:

a. have been prepared in compliance with the international accounting standards endorsed by the European Community pursuant to regulation (EC) no. 1606/2002 of the European Parliament and Council of 19 July 2002;
b. correspond to accounting records;
c. give a true and fair view of the Statement of Financial Position and results of operations of the Issuer;

3.2 The Report on Operations includes reliable analysis of the trend of operations and operating results, as well as the situation of the Issuer and a description of main risks and uncertainties to which they are exposed.

Date: 27 February 2015

/s/ Roberto Colaninno

Roberto Colaninno
Chairman and Chief Executive Officer

/s/ Alessandra Simonotto

Alessandra Simonotto
Executive in charge

Report of the Independent Auditors on the Financial Statements of the Parent Company

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE N° 39 OF 27 JANUARY 2010

To the shareholders of
Piaggio & C. SpA

1 We have audited the separate financial statements of Piaggio & C. SpA as of 31 December 2014 which comprise the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity, the statement of cash flows and related notes. The directors of Piaggio & C. SpA are responsible for the preparation of these financial statements in compliance with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n° 38/2005. Our responsibility is to express an opinion on these separate financial statements based on our audit.

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

The separate financial statements present, for comparative purposes, the data of the prior year. As described in the explanatory notes the Directors have restated some comparative information of the prior year compared to that previously presented which were audited by us and on which we issued our report dated 2 April 2014. We have examined the restatement methods of the comparative information and the related disclosures in the explanatory notes for the purpose of our audit of the separate financial statements ended 31 December 2014.

3 In our opinion, the separate financial statements of Piaggio & C. SpA as of 31 December 2014 comply with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n° 38/2005; accordingly, they have been prepared clearly and give a true and fair view of the financial position, result of operations and cash flows of Piaggio & C. SpA for the year then ended.

4 The directors of Piaggio & C. SpA are responsible for the preparation of a report on operations and a report on corporate governance and corporate ownership published in section "Governance" of the website of Piaggio & C. SpA in compliance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the information referred to in paragraph 1, letters c), d), f), l), m), and paragraph 2, letter b), of article 123-bis of Legislative Decree n° 58/98 presented in the report on corporate governance and corporate ownership, with the financial statements, as required by law. For this purpose, we have performed the procedures required under Italian Auditing Standard n° 001 issued by the Italian Accounting Profession (*Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili*) and recommended by Consob. In our opinion, the report on operations and the information referred to in paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b), of article 123-bis of Legislative Decree n° 58/98 presented in the report on corporate governance and corporate ownership are consistent with the separate financial statements of Piaggio & C. SpA as of 31 December 2014.

Florence, 18 March 2015

PricewaterhouseCoopers SpA

Signed by

Corrado Testori
(Partner)

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

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Report of the Board of Statutory Auditors to the General Shareholders' Meeting

Piaggio & C. S.p.a.

Registered and administrative office: viale Rinaldo Piaggio, Pontedera (PI)

Tax code 04773200011

VAT no. 01551260506

REPORT BY THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING

AS PER ARTICLE 153 OF LEGISLATIVE DECREE NO. 58/98 (THE "T.U.F.") AND ARTICLE 2429

OF THE ITALIAN CIVIL CODE

To the Shareholders,

Over the course of the financial year ended 31 December 2014 the Board of Statutory Auditors of Piaggio & C. S.p.A. (the "Company") carried out its statutory duties, also taking into account the CONSOB indications on company checks and the activities of the Board of Statutory Auditors, and the *Principi di comportamento del Collegio Sindacale di società quotate nei mercati regolamentati* [Principles of Conduct for the Board of Statutory Auditors of Companies listed on Regulated Markets] recommended by the *Consiglio Nazionale dei Dottori Commercialisti e dei Ragionieri* [National Council of Professional Accountants].

During the financial year ended 31 December 2014, the Board of Statutory Auditors therefore checked (i) that the law and the memorandum of association were observed, (ii) that the principles of sound management were respected, (iii) that those aspects of the Company's organisational structure that fall within its remit, as well as the internal audit system and the administrative and accounting system, were adequate, and that this last could be relied upon to give a true picture of operational items, (iv) how the rules on corporate governance specified in the *Codice di Autodisciplina del Comitato per la Corporate Governance delle società quotate* [Code of Practice for the Self-Regulation of the Committee of Corporate Governance of Listed Companies], adopted by the Company, were actually implemented, and (v) that the instructions issued to subsidiaries as per article 114(2) of the T.U.F. were adequate.

Moreover, the Board of Statutory Auditors, in its capacity as the Internal Control and Audit Committee pursuant to article 19 of Legislative Decree no. 39 of 27 January 2010, also checked (i) the financial

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reporting process, (ii) the efficacy of the internal control, internal audit, and risk management systems, (iii) the legal audit of the annual accounts and consolidated annual accounts, and (iv) the independence of the external audit firm, with particular regard to the provision of non-audit services to the audited entity.

In particular, the Board reports as follows:

1. The Board verified that the operations having the greatest impact on the Company's profits, cash flow and assets – which it learnt about by attending meetings of the Board of Directors and shareholders, and by talking to top management – were in compliance with the law and memorandum of association.

The Board also looked carefully at the significant one-off transactions (as defined in CONSOB Circular no. DEM/6064293 of 28 July 2006) implemented by the Company in 2014. These included, in particular, the Company's exercise of a call option in connection with the debenture stock of €150,000,000, issued by the Company on 1 December 2009 and maturing on 1 December 2016. On 9 June the Company repaid the remaining part of that loan at 103.50% (approximately €42 million) after the exchange offer of 7 April.

2. The Board did not discover, during the financial year 2014, any atypical and/or unusual inter-company, third-party or related-party transactions.

The ordinary inter-company and related-party transactions, described in the Directors' Report and in the notes to the financial statements, to which we refer you as appropriate, appear to be fair and in the interests of the Company.

3. With regard to the transactions indicated in point 2 above, the Board considers the information provided in the Directors' Report and in the notes to the financial statements to be adequate.

4. The reports on the financial statements and consolidated financial statements by the audit firm PricewaterhouseCoopers S.p.A. (the "Audit Firm"), issued today pursuant to articles 14 and 16 of Legislative Decree no. 39 of 27 January 2010, are unqualified and/or do not include any emphasis of matter paragraphs; and they certify that the financial statements and consolidated financial statements have been drawn up clearly and in compliance with the rules governing their preparation and give a

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true and fair view of the assets and liabilities, financial position, profitability and cash flow of the Company and Group in the financial year ending 31 December 2014. These reports also certify that the Directors' Report, which includes the information indicated in paragraph 1 c), d), f), l), m) and paragraph 2 b) of article 123-*bis* of the T.U.F., and the ownership structure of the Company are consistent with the financial statements and consolidated financial statements.

The Board of Statutory Auditors, in its capacity as the Internal Control and Audit Committee pursuant to article 19 of Legislative Decree no. 39 of 27 January 2010, also examined the report by the Audit Firm on the fundamental points that emerged during its audit of the financial statements and consolidated financial statements as at 31 December 2014. This report states that, in terms of the financial reporting process, there are no shortcomings in the internal control system important enough to be brought to the attention of the Internal Control and Audit Committee.

The Board of Statutory Auditors also examined the attestation that the Audit Firm issued today, pursuant to article 17 of Legislative Decree no. 39 of 27 January 2010, in which (i) it declared that it was independent and that there were no grounds for incompatibility pursuant to articles 10 and 17 of Legislative Decree no. 39/2010 and its implementing measures, (ii) it declared the non-audit services provided to the Company, also by its own network.

5. During the financial year 2014 the Board received no complaints as per article 2408 of the Italian Civil Code, and has not done so to date.

6. The Board is not aware of any other incidents which it should report here.

7-8. During the financial year 2014, the Company paid the Audit Firm fees of €357,810 for its audit services, while the Company's subsidiaries paid, for audit services, fees of €9,000 to the Audit Firm and €365,933 to the PricewaterhouseCoopers Network

During the same year:

- the Audit Firm received fees of €376,000 from the Company, for assignments additional to its audit work (mainly the audit of the Corporate Social Responsibility Report and certification services);

- the Company's subsidiaries paid fees of €6,000 to the Audit Firm, for other services provided in addition to audit work (certification services) and fees of €69,387 to the PricewaterhouseCoopers Network.

In light of the above, and the Audit Firm's attestation of independence and denial of any grounds of incompatibility, the Board of Statutory Auditors believes that no critical aspects have emerged with regard to the independence of the Audit Firm.

9. During the financial year 2014, the Board of Statutory Auditors issued statutory opinions and delivered statements upon request.

The Board of Statutory Auditors, in compliance with the Code of Practice, also verified:

a) that the criteria and procedures adopted by the Board of Directors when vetting the independence of its members had been correctly applied, in accordance with the criteria established by law and the Code of Practice;

b) that its own members – already vetted before their appointment – still met the independence requirements in accordance with the criteria established by law and the Code of Practice.

With regard to the independence of the statutory auditors, the Board of Directors, notwithstanding the opinion of the Board of Statutory Auditors on its own composition, had resolved, in the interests of the Company, to disapply criterion 3.C.1(e) of the Code of Practice (also referred to in criterion 8.C.1.) in relation to all the members of the Board of Statutory Auditors, looking at the substance rather than the form and considering the fact that the members of the Board are highly qualified and experienced and have over time proved invaluable for the Company. In view of this, the Board of Directors, during its meeting of 27 February 2014, confirmed that all the auditors satisfied the independence requirements laid down by article 148(3) of the T.U.F. and article 3 of the Code of Practice.

The individual members of the Board of Statutory Auditors also declared that they have not exceeded the limits on assignments set out in article 148-*bis*(1) of the T.U.F. The members of the Board of Statutory Auditors have agreed that, in the event of operations in which they could have a personal interest or an interest on behalf of third parties, these must be reported to the Board of Directors and the other members of the Board of Statutory Auditors.

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10. Over the course of 2014, the Company's Board of Directors met seven times, the Internal Control and Risk Committee seven times and the Remuneration Committee just once. No meetings of the Appointments Committee were held. In the same year the Board of Statutory Auditors met eight times; it also attended all the meetings of the Board of Directors and shareholders held during the year.

The Board of Statutory Auditors also attended meetings of the Internal Control and Risk Committee.

11. The Board of Statutory Auditors, to the extent of its remit, gathered information and checked that the principles of sound management were observed and that the Company's administrative structure was adequate for the purposes of complying with these principles.

In particular, as regards the decision-making processes of the Board of Directors, the Board checked that the management decisions taken by the directors complied with the law and articles of association, and that their resolutions were not contrary to the interests of the Company.

The Board of Statutory Auditors therefore believes that the principles of sound management have been observed.

12. The Board of Statutory Auditors checked the Company's organisational structure and believes, in light of these checks and to the extent of its own responsibility, that the structure as a whole is adequate.

13. The Board of Statutory Auditors checked the Company's system of internal control by liaising and coordinating with the Internal Control and Risk Committee, with the Internal Audit Manager, with the Managing Director in his capacity as the director in charge of the internal audit and risk management system, and with the Supervisory Body.

In its capacity as the Internal Control and Audit Committee pursuant to article 19 of Legislative Decree no. 39 of 27 January 2010, the Board also acknowledged the Audit Firm's attestation that there were no shortcomings in the internal audit system, and liaised and continually exchanged information with the Audit Firm and the Control and Risk Committee. Moreover, the Board of Statutory Auditors monitored the Company's transactions with related parties, verifying the functioning and correct application of the Procedure for Transactions with Related Parties, approved by the Board of Directors following the issue of CONSOB Regulation no. 17221 of 12 March 2010.

Lastly, the Board of Statutory Auditors attended the meetings of the Supervisory Board during the financial year. Once again, it should be pointed out that the flow of information between the Board of Statutory Auditors and the Supervisory Board was also guaranteed by the fact that the Chairman of the Board of Statutory Auditors is a statutory member of the Supervisory Board.

In light of these checks, and the evaluations of the adequacy, efficiency, and effective functioning of the internal audit system, expressed by the Control and Risk Committee and the Board of Directors, the Board of Statutory Auditors believes, to the extent of its own responsibility, that the system as a whole is adequate.

14. The Board of Statutory Auditors checked – by collecting information from the *Dirigente Preposto* [manager in charge of preparing the Company's financial reports] and the relevant department managers, examining company documentation, and analysing the results of the Audit Firm's work – the Company's administrative and accounting system and how reliable it is in giving a true picture of operational items.

In particular, the Board reports that the *Dirigente Preposto* completed, with the support of Internal Audit, an evaluation of the adequacy and actual implementation of the administrative and accounting procedures indicated in article 154-*bis* of the T.U.F., for the Company and its strategically important subsidiaries; this allowed the Company to attest that its accounts give a true and fair view of its assets and liabilities, profitability and financial position of itself and those of its consolidated companies.

In light of these checks and the Board of Directors' evaluation of the adequacy of the Company's organisational, administrative and accounting arrangements, the Board of Statutory Auditors believes, to the extent of its own responsibility, that the system is essentially adequate and reliable for the purposes of correctly representing the operational items.

15. The Board checked that the instructions issued by the Company to its subsidiaries as per article 114(2) of the T.U.F. were adequate, and that there was a proper flow of information between them, and it believes that the Company is able to fulfil the communication obligations laid down by law.

16. During the financial year, the Board of Statutory Auditors met managers from the Audit Firm in order to exchange relevant data and information with them in accordance with article 150(3) of the T.U.F.

At these meetings the Audit Firm did not report any facts or anomalies important enough to be indicated in this report.

During the financial year, the Board of Statutory Auditors met with the supervisory body of the subsidiary Aprilia Racing S.r.l. in order to exchange information pursuant to article 151(2) of the T.U.F.

The fact that the auditor Alessandro Lai is also the Chairman of the Board of Statutory Auditors of the parent company IMMSI S.p.A. also facilitated the exchange of information with the parent company's Board of Statutory Auditors.

17. The Company abided by the Code of Practice for the Self-Regulation of Listed Companies, approved by the Committee for Corporate Governance and promoted by Borsa Italiana S.p.A.

The system of corporate governance adopted by the Company is detailed in the Report on Corporate Governance and Ownership Structures for 2014, approved by the Board of Directors on 27 February 2015.

18. In the course of its supervisory activities and checks during the year, the Board of Statutory Auditors did not come across any reprehensible conduct, omissions or irregularities significant enough to be mentioned in this report.

19. The Board of Statutory Auditors remarks that, as far as it is aware, there has been no deviation from the law in preparing the consolidated financial statements and separate financial statements.

The Board, also in view of the results of the work carried out by the Audit Firm, has found no reason – as far as its own remit goes – not to approve the financial statements as at 31 December 2014 as drafted and approved by the Board of Directors at its meeting of 27 February 2015, and agrees with the Board of Directors that the year's profit of €14,809,963.48, and a portion of the "Retained earnings" reserve, should be allocated as proposed in the directors' report.

18 March 2015

For the Board of Statutory Auditors

The Chairman

Mr. Giovanni Barbara

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