PIAGGIO & C. s.p.a.

PRESS RELEASE

PIAGGIO GROUP: 2013 DRAFT FINANCIAL STATEMENTS

Consolidated net sales 1,212.5 million euro (1,406.2 million euro in 2012) with negative exchange-rate effect of 53 million euro

Ebitda 146.8 million euro (176.2 million euro in 2012)
Ebitda margin 12.1% (12.5% in 2012)

Industrial gross margin 357.5 million euro (417.9 million euro in 2012)
Net sales margin 29.5% (29.7% in 2012)

Adjusted net profit (*) 18.1 million euro (42.1 million euro in 2012)

(*) The Piaggio Group has accepted the settlement proposed by the Italian tax authorities on transfer pricing relating mainly to the intragroup services provided to subsidiaries in countries with ordinary tax systems.
No fine has been imposed on Piaggio, confirming the correctness and transparency of the Group's operations.
The irregularities identified by the tax authorities, with regard to 2009, 2010 and 2011, will generate a financial outlay for IRAP tax only of 5.1 million euro. The total amount for irregularities with regard to IRES tax has been set against prior-year losses, and involves no financial outlay.
The consequential expense of 24.6 million euro has correctly been charged in full to 2013 income.

Including the non-recurring expense arising as a result of the settlement, the Group 2013 income statement reflects a net loss of 6.5 million euro

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Despite the difficulties on the markets and in the two-wheeler and commercial vehicle segments in which the Piaggio Group operates, the results for 2013 reflect solid performance in terms of product success, market strength – with leadership positions in a number of geographical areas – and profitability

European leadership in two-wheelers, new sales records for Vespa and Moto Guzzi

Further consolidation of leadership position in India in three-wheel light transport vehicles

Milan, 20 March 2014 – At a meeting today in Milan chaired by Roberto Colaninno, the Board of Directors of Piaggio & C. S.p.A. examined and approved the 2013 draft financial statements.

Despite the macroeconomic scenario that characterised the entire year, and the areas of difficulty this generated for the markets and the two-wheeler and commercial vehicle segments in which the Piaggio Group operates, the results for 2013 confirm the Group's solid performance in terms of **product success, market strength** – with **leadership positions** in a number of geographical areas – and **profitability**.

To permit correct evaluation of the Group's business performance, and a like-for-like comparison with the 2012 results, some of the figures for financial year 2013 presented below have been **adjusted** to exclude the cost arising from a **tax audit conducted by the Italian tax authorities** on transfer pricing for the years 2009-2011, which had an overall impact on 2013 income of 24.6 million euro.

The irregularities are illustrated in greater detail in another section of this press release; the fact that **no fine has been imposed on Piaggio** confirms the absolute transparency and correctness of the Group's operations.

Business performance in 2013: decline in European two-wheeler sector, material exchange-rate effect (-53 million euro) on net sales

In 2013, for the sixth consecutive year, the two-wheeler sector in the Group's **domestic European market** recorded a reduction in sales volumes, which dropped by 12% overall compared with 2012 (-17% in scooters and -4% in motorcycles), with volumes in **Italy** and **Spain 70% down on those of 2007**. Sales volumes also declined in a number of areas in the Asia-Pacific region, with **Vietnam** and **Thailand** showing double-digit decreases in two-wheeler sales. In **India**, the **light transport** sector closed 2013 with a volume downturn arising in part from the sharply accelerated slowdown in the second half of the year, which closed with a 5.9% reduction in three-wheel vehicles and a 25% fall in four-wheel light commercial vehicles. In **Europe**, too, there was a small overall downturn in **light commercial vehicles**, with difficulties continuing on key Piaggio markets, including Italy (-12.5%), France (-4.3%) and Germany (-3.1%).

Piaggio Group 2013 **consolidated net sales** amounted to 1,212.5 million euro, against 1,406.2 million euro in 2012. The generalised appreciation of the euro was a significant factor. The **exchange-rate effect –** relating largely to the Indian rupee and, to a lesser extent, the Vietnamese dong and the US dollar – had a **negative impact of approximately 53 million euro** on Group consolidated turnover.

European leadership in two-wheelers, record sales for Vespa and Moto Guzzi

In 2013, the Piaggio Group shipped a total of **555,600 vehicles** worldwide (two-wheelers and commercial vehicles).

The decrease in volumes from 615,500 shipments in 2012 was the result of a variety of situations, including the above-mentioned sharp fall in two-wheeler sales in Europe, the moderate reduction in scooter volumes in Asia Pacific and the improvement in sales in India (+3.8%). The figure for India reflects the fact that the Vespa production facility was operational throughout the year (38,900 vehicles sold in India from January to December 2013), after marketing of the Vespa began in India in the second quarter of 2012.

In the economic situation described above, the Piaggio Group maintained its **European leadership in the two-wheeler sector** in line with 2012, with an overall market share of **17.6% and a 26.1% share in scooters**.

The Group reported excellent results on the **American two-wheeler market**, where shipments **improved by 10.4%** despite the weakness of the market. On Western markets as a whole, the Group benefited from the positive effect of its premium pricing policy, obtaining significant growth in its gross margin to confirm its flexible cost management. In the Asia Pacific region, scooter sales made progress in Thailand, the Philippines and Indonesia in the third and fourth quarters of the year.

The **global performance of the Vespa brand** was particularly significant: in 2013, the Group shipped more than **188,600 Vespa scooters worldwide, for growth of 14%** compared with 165,400 shipments in 2012, a result that confirms the extraordinary constant progress of Vespa, by far the best-selling and most widely distributed Western two-wheeler brand in the world. By comparison, Vespa worldwide sales in 2004 were 58,000.

Significant **growth was also achieved by the Moto Guzzi brand**, which, for the third consecutive year, bucked the downward trend on the Western motorcycle market, with growth of 2.4% from January to December 2013 and sales of approximately 6,800 bikes, compared with approximately 6,600 in 2012.

Growing leadership in India in three-wheel light commercial vehicles

On the Indian three-wheeler market, Piaggio Vehicles Private Ltd. (PVPL) confirmed its place as the leading player with 188,900 vehicles sold in 2013 and an **improved overall market share of 34.6%** (34.3% in 2012). PVPL enjoyed growing benefits from the availability in its range of the new Apé City Pax model launched at the end of last year, and raised its share of the Passenger segment to 30.4% (30.2% in 2012). In goods transport, the PVPL market share in India rose from 52.2% in 2012 to 52.6%. **Strong growth was reported in 2013 (+20.9% from 2012**) in three-wheeler **exports** from the Indian manufacturing facility.

Maintenance of profit margins

The Group's **industrial gross margin** for 2013 was 357.5 million euro, down from 417.9 million euro in 2012, but in line with the previous year in terms of net sales margin, which was 29.5% compared with 29.7% in 2012.

Constant control of costs and productivity enabled the Piaggio Group to maintain **positive profit margins** in 2013, with percentage returns on revenues substantially identical to those of 2012; this was achieved without slowing progress in its global growth strategies based on premium brand and pricing policies, a product mix featuring products of greater value, consolidation of leadership positions on Western markets, and growth on the main emerging markets.

Operating expense in 2013 amounted to 294.9 million euro, down by approximately 26.4 million euro from 2012 (321.3 million euro), confirming the Group's strong constant focus on cutting costs and maintaining high profitability and productivity.

2013 consolidated **Ebitda** was 146.8 million euro, from 176.2 million euro in 2012; the Ebitda margin was 12.1%, compared with 12.5% in 2012, a figure close to the value reported the previous year thanks to the significant cost efficiencies achieved during the period.

2013 **Ebit** was 62.6 million euro, against 96.6 million euro in 2012. The Ebit margin decreased to 5.2% from 6.9% in 2012.

The Piaggio Group closed 2013 with an **adjusted net profit** of 18.1 million euro, compared with 42.1 million euro in 2012.

As noted above, the adjustment relates to non-recurring expense recognised as a result of the tax audit by the Italian tax authorities for financial years 2009-2011 with regard to transfer pricing.

Tax for the year was 36.8 million euro, compared with 25.8 million euro in 2012. The large increase with respect to the previous year arose from the above-mentioned recognition of **non-recurring expense for 24.6 million euro.**

Including this non-recurring effect, the Group posted a net loss for 2013 of 6.5 million euro.

Net debt at 31 December 2013 was 475.6 million euro. Compared with the figure of 391.8 million euro at 31 December 2012, the increase arose largely as a result of capital expenditure, dividend payments and lower working capital. The Group maintained a robust debt profile, with average maturity in the order of 2.4 years and strong liquidity backup.

Shareholders' equity at 31 December 2013 was 392.1 million euro, down by approximately 47.8 million euro from 31 December 2012.

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Tax audit by the Italian tax authorities

The Piaggio Group has accepted the settlement proposed by the Italian tax authorities for the years 2009, 2010 and 2011 on transfer pricing relating mainly to intragroup services provided to subsidiaries in countries with ordinary tax systems.

No fine has been imposed on Piaggio, confirming the correctness and transparency of the Group's operations.

The irregularities will generate a financial outlay for IRAP tax only of 5.1 million euro. The amount arising from irregularities with regard to IRES tax has been set against prior-year losses, and involves no financial outlay.

The consequential expense, of 24.6 million euro, has correctly been charged in full to 2013 income.

In the countries to which the irregularities identified by the tax authorities refer, income earned has been regularly taxed. Consequently, Piaggio will examine steps to avoid a situation that, to all intents and purposes, appears to be one of dual taxation.

The company emphasises that it has always acted fully within the law and also in strict compliance with OECD guidelines, with absolutely no form of fiscal manipulation. Piaggio also stresses that the Italian tax authorities acknowledge the correctness of the documentation presented by the company (so-called *Master file* and national documentation pursuant to D.L. no. 78/2010), since they have not imposed any fines.

In order to avoid court proceedings over questions that are open to a variety of opinions, with outcomes that are difficult to foresee, Piaggio & C. S.p.A. deems it appropriate to concur with the settlement proposed by the tax authorities.

Furthermore, as the company remains firmly convinced that its operations were conducted in a proper manner, it intends to adopt appropriate tools in order to prevent the possibility of future conflicts with the Italian financial authorities regarding transfer pricing.

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Significant events after the end of the year

Besides the tax audit illustrated above, in February 2014 the Foshan Piaggio Vehicles Technology R&D Co. Ltd. company obtained from the local authorities all the permits required to begin sales of two-wheel vehicles in the People's Republic of China.

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2014-2017 Business Plan

Today, the Piaggio Group will present its 2014-2017 Business Plan to analysts and investors. The Piaggio Group Analyst and Investor Meeting will be held in Milan (Diamond Tower, Varesine Business Centre) beginning at 2:30 p.m.
The 2014-2017 Business Plan presentation will be available on the company website at http://www.piaggiogroup.com/it/investor.

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Piaggio & C. S.p.A.

In 2013, the parent company posted revenues of 714.5 million euro and an adjusted net profit of 22.9 million euro.

Including the non-recurring expense recognised as a result of the tax audit by the Italian tax authorities illustrated above, the parent company 2013 income statement reflects a net loss of 1.6 million euro.

At the shareholders' meeting, the Board of Directors will propose that no dividend be paid (0.092 euro for financial year 2012).

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Authorisation for the purchase and sale of own shares

At today's meeting, the Board of Directors agreed to present to the shareholders' meeting a proposal for the renewal of the authorisation for the purchase and sale of own shares, which is due to expire on 14 October 2014. The proposal aims to provide the company with a useful strategic investment opportunity for the purposes allowed under law, including the purposes contemplated in the market practices allowed by the Consob pursuant to art. 180, paragraph 1, lett c) of the Consolidated Finance Act with resolution no. 16839 of 19 March 2009 and Regulation CE no. 22/2003 of 22 December 2003, and also for purchases of own shares for subsequent cancellation.

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The manager in charge of preparing the company accounts and documents, Alessandra Simonotto, certifies, pursuant to paragraph 2, art. 154 bis of Legislative Decree no. 58/1998 (Consolidated Law on Financial Intermediation), that the accounting disclosures in this statement correspond to the accounting documents, ledgers and entries.

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PIAGGIO & C. s.p.a.

Consolidated Income Statement

In thousands of euro	Note	2013 Total	2013 of which related parties	2012 Total	2012 of which related parties
Net sales	4	**1,212,535**	**343**	**1,406,152**	**591**
Cost of materials	5	714,453	23,143	835,352	32,802
Cost of services and use of third-party assets	6	205,893	3,920	249,934	3,910
Employee expenses	7	211,656		223,419	
Depreciation property, plant and equipment	8	38,834		37,001	
Amortisation intangible assets	8	45,311		42,620	
Other operating income	9	91,338	601	101,298	475
Other operating expense	10	25,099	15	22,540	5
EBIT		**62,627**		**96,584**	
Share of result of associates	11	2,264		3,530	
Finance income	12	2,621		2,016	
Finance expense	12	36,870	308	33,609	503
Net exchange-rate gains/(losses)	12	(376)		(660)	
Profit before tax		**30,266**		**67,861**	
Income tax expense	13	36,794	6,177	25,787	
of which non-recurring expense	46	*24,594*			
Profit (loss) from continuing operations		**(6,528)**		**42,074**	
Discontinued operations:					
Profit or loss from discontinued operations	14				
Profit (loss) for the year		**(6,528)**		**42,074**	
Attributable to:					
Equity holders of the parent		**(6,547)**		**42,008**	
Minority interests		**19**		**66**	
Earnings per share (in €)	15	**(0.018)**		**0.116**	
Diluted earnings per share (in €)	15	**(0.018)**		**0.116**	

Consolidated Statement of Financial Position

		At 31 December 2013		At 31 December 2012	
		Total	*of which related parties*	Total	*of which related parties*
In thousands of euro	*Note*				
ASSETS					
Non-current assets					
Intangible assets	16	654,528		660,968	
Property, plant and equipment	17	302,767		321,015	
Investment property	18	7,346			
Equity investments	19	8,152		6,049	
Other financial assets	20	10,468		13,047	
Non-current tax receivables	21	2,974		1,195	
Deferred tax assets	22	33,660		36,714	
Trade receivables	23			28	
Other receivables	24	13,368	231	13,781	372
Total non-current assets		**1,033,263**		**1,052,797**	
Assets held for sale	28				
Current assets					
Trade receivables	23	75,722	864	63,079	946
Other receivables	24	26,514	7,162	37,301	6,610
Current tax receivables	21	23,615		18,592	
Inventories	25	207,808		221,086	
Other financial assets	26	838		1,260	
Cash and cash equivalents	27	66,504		86,110	
Total current assets		**401,001**		**427,428**	
TOTAL ASSETS		**1,434,264**		**1,480,225**	

In thousands of euro	Note	At 31 December 2013 Total	At 31 December 2013 of which related parties	At 31 December 2012 Total	At 31 December 2012 of which related parties
SHAREHOLDERS' EQUITY AND LIABILITIES					
Shareholders' equity					
Share capital and reserves attributable to equity holders of parent	31	391,183		438,628	
Share capital and reserves attributable to minority interests	31	932		1,245	
Total shareholders' equity		**392,115**		**439,873**	
Non-current liabilities					
Borrowings due after one year	32	434,865	2,900	376,574	2,900
Trade payables	33			259	
Other non-current provisions	34	11,083		12,352	
Deferred tax liabilities	35	5,722		6,639	
Pension funds and employee benefits	36	49,830		50,470	
Non-current tax payables	37	0		555	
Other non-current payables	38	4,148		6,423	
Total non-current liabilities		**505,648**		**453,272**	
Current liabilities					
Borrowings due within one year	32	116,872		115,042	
Trade payables	33	346,164	11,204	392,893	17,382
Tax liabilities	37	12,587		15,757	
Other current liabilities	38	45,416	6,474	50,345	187
Current portion of other non-current provisions	34	15,462		13,043	
Total current liabilities		**536,501**		**587,080**	
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1,434,264**		**1,480,225**	

INCOME STATEMENT

		2013		2012	
		Total	*of which related parties*	**Total**	*of which related parties*
In thousands of euro	*Note*				
Net sales	3	**714,488**	**107,256**	**841,756**	**96,001**
Cost of materials	4	401,976	48,858	485,637	57,964
Cost of services and use of third-party assets	5	179,613	39,859	218,872	44,756
Employee expenses	6	156,889		170,661	
Depreciation property, plant and equipment	7	26,424		26,661	
Amortisation intangible assets	7	36,845		35,884	
Other operating income	8	103,599	33,231	110,737	34,500
Other operating expense	9	24,017	2,687	19,514	666
EBIT		**(7,677)**		**(4,736)**	
Result of equity investments	10	53,405		81,181	
Finance income	11	797	356	1,176	331
Finance expense	11	29,100	145	29,136	445
Net exchange-rate gains/(losses)	11	20		(279)	
Profit before tax		**17,445**		**48,206**	
Income tax expense	12	19,094	5,849	2,016	
Of which non-recurring	*43*	*24,594*			
Profit (loss) from continuing operations		**(1,649)**		**46,190**	
Discontinued operations:					
Profit or loss from discontinued operations	13				
Profit (loss) for the year		**(1,649)**		**46,190**	

Statement of Financial Position

		At 31 December 2013		At 31 December 2012	
		Total	*of which related parties*	**Total**	*of which related parties*
In thousands of euro	*Note*				
ASSETS					
Non-current assets					
Intangible assets	14	555,279		548,662	
Property, plant and equipment	15	201,602		204,633	
Investment property	16				
Equity investments	17	61,383		51,337	
Other financial assets	18	4,396		10,101	
Non-current tax receivables	19	975		1,190	
Deferred tax assets	20	21,446		23,475	
Other receivables	22	3,828	231	3,551	234
Total non-current assets		**848,909**		**842,949**	
Assets held for sale	26				
Current assets					
Trade receivables	21	73,520	29,675	57,342	18,660
Other receivables	22	78,398	65,937	87,068	70,710
Current tax receivables	19	9,224		3,533	
Inventories	23	157,632		170,464	
Other financial assets	24	12,952	12,952	12,738	12,738
Cash and cash equivalents	25	3,618		9,765	
Total current assets		**335,344**		**340,910**	
TOTAL ASSETS		**1,184,253**		**1,183,859**	

In thousands of euro	Note	At 31 December 2013 Total	At 31 December 2013 of which related parties	At 31 December 2012 Total	At 31 December 2012 of which related parties
SHAREHOLDERS' EQUITY AND LIABILITIES					
Shareholders' equity					
Share capital	29	205,570		199,504	
Share premium	29	3,681		3,493	
Legal reserve	29	16,902		14,593	
Other reserves	29	23,255		21,551	
Retained earnings	29	69,147		64,372	
Profit (loss) for the year	29	(1,649)		46,190	
Total shareholders' equity		**316,906**		**349,703**	
Non-current liabilities					
Borrowings due after one year	30	398,079	2,900	333,838	2,900
Other non-current provisions	32	9,091		9,906	
Pension funds and employee benefits	33	48,066		48,633	
Non-current tax payables	34	0		464	
Other non-current payables	35	2,415		4,113	
Total non-current liabilities		**457,651**		**396,954**	
Current liabilities					
Borrowings due within one year	30	102,301	11,693	105,487	220
Trade payables	31	240,285	24,858	266,849	30,550
Tax liabilities	34	7,117		8,312	
Other current liabilities	35	47,600	9,671	45,008	9,052
Current portion of other non-current provisions	32	12,393		11,546	
Total current liabilities		**409,696**		**437,202**	
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1,184,253**		**1,183,859**	