# Notes to the Financial Statements

## A) General aspects

Piaggio & C. S.p.A. (the Company) is a joint-stock company established in Italy at the Register of Companies of Pisa. The addresses of the registered office and places where main business operations are conducted are listed in the introduction to the financial statements.
These Financial Statements are expressed in Euros (€) since this is the currency in which most of the Company's transactions take place.

### Compliance with international accounting standards

The Financial Statements as of 31 December 2013 have been drafted in compliance with the International Accounting Standards (IAS/IFRS) in force at that date, issued by the International Accounting Standards Board and endorsed by the European Commission, as well as in compliance with the provisions established in Article 9 of Italian Legislative Decree no. 38/2005 (Consob Resolution no. 15519 dated July 27 July 2006 containing the "Provisions for the presentation of financial statements", Consob Resolution no. 15520 dated July 27 July 2006 containing the "Changes and additions to the Regulation of Issuers adopted by Resolution no. 11971/99", Consob communication no. 6064293 dated 28 July 2006 July containing the "Corporate reporting required in accordance with Article 114, paragraph 5 of Italian Legislative Decree no. 58/98"). The interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously the Standing Interpretations Committee ("SIC"), were also taken into account.
The Financial Statements have been prepared on a historical cost basis, amended as required for the measurement of some financial instruments, and on a going-concern basis. In fact, despite the difficult economic and financial context, the Company has evaluated that there are no significant doubts about its continuing as a going concern (as defined in section 25 of IAS 1), also in relation to actions already identified to adapt to changing levels in demand, as well as the industrial and financial flexibility of the Company.

These Financial Statements are audited by PricewaterhouseCoopers S.p.A..

### 1. Form and content of the Financial Statements

#### Form of the Financial Statements

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

#### Income Statement

The Income Statement is presented with items classified by nature. The overall Operating Income is shown, which includes all income and cost items, irrespective of their repetition or fact of falling outside normal operations, except for the items of financial operations included under Operating Income and profit before tax. In addition, income and cost items arising from assets held for disposal or sale, including any capital gains or losses net of the tax element, are recognised in a specific item of the Financial Statements which precede financial performance.

#### Statement of Comprehensive Income

The Statement of Comprehensive Income is presented as provided for by IAS 1 revised. Items presented in "Other comprehensive income(losses)" are grouped based on whether they are potentially reclassifiable to profit or loss.

### Statement of Financial Position

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

### Statement of Cash Flows

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

### Statement of Changes in Shareholders' Equity

The Statement of Changes in Shareholders' Equity is presented as provided for in IAS 1 revised.
The Statement includes overall profit (loss) for the period. Reconciliation is presented between the opening and closing balance of each item for the period.

## *2. Accounting policies adopted by the Company*

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

### Intangible assets

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

### Goodwill

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

### Development costs

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

### Other intangible assets

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

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

### Property, plant and equipment

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

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

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

## Investments

Investments in subsidiaries and affiliated companies are recognised at cost adjusted for impairment losses.
Investments in subsidiaries and affiliated companies are tested annually for impairment, or more frequently if necessary.  If evidence of impairment exists, the loss is recognised in profit or loss as a write-down. In the event any portion attributable to the Company of losses of the subsidiary exceeds the book value of the investment and the Company is liable, the value of the investment is reset to zero and the portion of further losses is recorded as a provision in liabilities. If the impairment loss is subsequently reversed or reduced, the value is reversed within cost limits in the income statement.

## Impairment

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

## Investment property

The Company has no investment property. With the support of the Parent Company Immsi SpA, fair value (IAS 40) was identified as the most suitable criterion to represent the item.
Real estate investment is eliminated from the financial statements when it is disposed of or when it may not be used over time and future economic benefits from its sale are not expected.

## Non-current assets held for sale

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

## Financial assets

Financial assets are recognised and deleted from the financial statements based on the negotiation date and are initially measured at fair value, represented by the initial increased amount, with the

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

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

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

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

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

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

### Financial liabilities

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

### Derivatives and measurement of hedging transactions

Company assets are primarily exposed to financial risks from changes in exchange and interest rates. The Company uses derivatives to hedge risks arising from changes in foreign currency and interest rates in particular irrevocable commitments and planned future transactions. The use of these instruments is regulated by written procedures on the use of derivatives, in line with the Company's risk management policies.
Derivatives are initially measured at fair value represented by the initial amount.
Derivative financial instruments are only used with the intent of hedging, to protect from fluctuating exchange rate and interest rates, and from changes in the market price of commodities. In line with IAS 39, financial derivatives may qualify for hedge accounting, only when the hedging instrument is formally designated and documented, is expected to be highly effective and this effectiveness can be reliably measured and is highly effective throughout the reporting periods for which it is designated.
When financial instruments may be measured by hedge accounting, the following accounting treatment is adopted:

› **Fair value hedge:** if a financial derivative is designated as a hedge of the exposure to changes in present value of a recognised asset or liability, attributable to a particular risk and could affect profit or loss, the gain or loss from the subsequent change in present value of the hedging instrument is recognised in profit or loss. The gain or loss on the hedged item, attributable to the hedged risk, changes the carrying amount of the hedged item and is recognised in profit or loss.
› **Cash flow hedge:** if an instrument is designated as a hedge of the exposure to variability in cash flows of a recognised asset or liability or of a highly probable forecast transaction which could affect profit or loss, the effective portion of the gain or loss on the financial instrument is recognised in the statement of comprehensive income. Accumulated gain or loss is reversed from other shareholders' equity and recognised in profit or loss in the same period as the hedging transaction. The gain or loss associated with hedging or the part of hedging which is ineffective, is immediately recognised in profit or loss. If the transaction is still expected to occur and the hedge relationship ceases, the amounts accumulated in equity will be retained in equity until the hedged item affects profit or loss. If hedge accounting ceases for a cash flow hedge relationship, gains and losses deferred in other shareholders' equity are recognised immediately in profit or loss.

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

### Long-term provisions

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

## Retirement funds and employee benefits

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

## Stock Option Plan

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

## Tax assets and liabilities

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

## Payables

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

## Reverse factoring

To guarantee suppliers easier credit conditions, the Company has established factoring agreements, and typically supply chain financing or reverse factoring agreements. Based on the agreements, suppliers may, at their discretion, transfer receivables due from the Company to a lender and collect amounts before the due date.
In some cases, payment terms are extended further in agreements between the supplier and the company; these extensions may be interest or non-interest bearing.
The company has established a specific policy to assess the nature of reverse factoring operations.

Based on the content of agreements, which differs by area of origin, the Finance function, at a central level, analyses the clauses of agreements in qualitative terms, as well as legal aspects in order to assess regulatory references and the type of transaction assignment (as provided for by IAS 39 AG57 b). In some cases, as payment terms have been extended, quantitative analysis is carried out to verify the materiality of changes in contract terms, based on quantitative tests as required by IAS 39 AG 62.
In this context, relations, for which a primary obligation with the supplier is maintained and any deferment, if granted, does not significantly change payment terms, are still classified as trade liabilities.

### Recognition of revenues

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

### Grants

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

### Financial income

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

### Borrowing Costs

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

### Dividends

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

### Income tax

Taxes represent the sum of current and deferred tax assets and liabilities.
Taxes allocated on the basis of estimated taxable income determined in compliance with national laws in force at the year end are recorded, taking account of applicable exemptions and tax credits due. Income tax is recognised in profit or loss, with the exception of items directly charged or credited to shareholders' equity, in which case the tax effect is directly recognised in shareholders' equity.
Taxes are recorded under "Tax payables" net of advances and withheld taxes.
As from the 2007 reporting period, the Company has been party to the National Consolidated Tax Mechanism pursuant to articles 117 - 129 of the Consolidated Income Tax Act (T.U.I.R) of which IMMSI S.p.A. is the consolidating company, and to whom other IMMSI Group companies report to. This arrangement was renewed with effects starting from 2013 and will be operative up until 2015.

Based on the procedure, the consolidating company determines one taxable base for the group of companies that are party to the National Consolidated Tax Mechanism, and may therefore offset taxable income against tax losses in one tax return. Each company which is party to the National Consolidated Tax Mechanism transfers taxable income (taxable income or loss) to the consolidating company. The latter recognises a receivable from the consolidated company which is equal to the corporate tax to be paid. Whereas, in the case of companies reporting tax losses, the consolidating company recognises a payable related to corporate tax on the portion of loss actually offset at a group level.

### Use of estimates

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

#### Recoverable value of non-current assets

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

#### Recoverability of deferred tax assets

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

#### Pension schemes and other post-employment benefits

Provisions for employee benefits and net financial borrowing costs are measured using an actuarial method that requires the use of estimates and assumptions to determine the net value of the obligation. The actuarial method considers financial parameters such as the discount rate and growth rates of salaries and considers the likelihood of potential future events occurring on the basis of demographic parameters such as relative mortality rates and employee resignations or retirements. The assumptions used for the measurement are explained in section 33 “Retirement funds and employee benefits”.

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

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

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

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

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

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

### Transactions with subsidiaries and related parties
Relations with subsidiaries and related parties are indicated in the specific section of the Notes, to which reference is made.

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

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

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

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

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

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

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

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

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

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

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

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

January 2014. After its issue IAS 28 – Investments in Associates was amended to include jointly controlled entities within its scope of application, as of the date the standard became effective

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

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

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

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

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

- On 12 November 2009, the IASB published IFRS 9 – Financial Instruments. This standard was amended on 28 October 2010. The standard, which is applicable from 1 January 2015, in a retrospective manner, represents the first part of a process to entirely phase out and replace IAS 39 with new criteria for classifying and recognising financial assets and liabilities and for eliminating financial assets (derecognition) from the financial statements. In particular the new standard adopts a single approach for financial assets, based on financial instrument management and the characteristics of contractual cash flows of financial assets, to determine measurement criteria, replacing the rules of IAS 39. For financial liabilities instead, the main change concerns the accounting treatment of fair value changes of a financial liability designated as a financial liability measured at fair value through profit or loss, in the case where changes are due to a change in the creditworthiness of the liability. According to this new standard, the changes will be recognised as "Other comprehensive income" and will no longer be recognised in profit or loss.

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

# *Other information*

### *Departures pursuant to article 2423, section 4 of the Italian Civil Code*

No exceptional circumstances occurred requiring departures from legal provisions concerning Financial Statements pursuant to article 2423, section 4 of the Italian Civil Code.

### *Information on company management and coordination activities*

Pursuant to article 2497-bis, section 4 of the Italian Civil Code, main data of the last financial statements of the parent company IMMSI S.p.A, with registered office in Mantova (MN), Piazza Vilfredo Pareto 3 – tax code 07918540019, for the year ended 31 December 2012, are summarised below. The above essential data were taken from the Financial Statements for the year ended 31 December 2012. To fully understand the financial position of IMMSI S.P.A as of 31 December 2012, as well as the financial performance of the company in the year ending at this date, reference is made to the letter accompanying the financial statements, and the report of the independent auditors, available in the form and in accordance with procedures established by law.

| Income statement | 2012 | 2011 |
|---|---|---|
| In thousands of euros | | |
| Financial income | 21,605 | 18,661 |
| *Of which related parties and intergroup* | *21,508* | *17,844* |
| Borrowing Costs | (51,823) | (8,966) |
| *Of which related parties and intergroup* | *(8,591)* | *(2,574)* |
| Income/(loss) from investments | | |
| | | |
| Operating income | 4,775 | 4,787 |
| *Of which related parties and intergroup* | *2,035* | *2,027* |
| Costs for materials | (38) | (42) |
| Costs for services and lease and rental costs | (3,590) | (3,230) |
| *Of which related parties and intergroup* | *(606)* | *(591)* |
| Employee costs | (1,295) | (1,292) |
| Depreciation of plant, property and equipment | (148) | (156) |
| Amortisation of goodwill | | |
| Amortisation of intangible assets with a definite useful life | (4) | (4) |
| | | |
| Other operating income | 141 | 148 |
| *Of which related parties and intergroup* | *80* | *100* |
| Other operating costs | (631) | (354) |
| **Profit before tax** | **(31,008)** | **9,552** |
| | | |
| Taxes | 1,148 | 1,454 |
| | | |
| **Earnings after tax  from operating activities** | **(29,860)** | **11,006** |
| | | |
| Profit or loss arising from assets held for disposal or sale | 0 | 0 |
| | | |
| **Net profit for the period** | **(29,860)** | **11,006** |

| Statement of comprehensive income | 2012 | 2011 |
|---|---|---|
| In thousands of euros | | |
| **Net profit for the period** | **(29,860)** | **11,006** |
| Profits (losses) from the fair value measurement of assets available for sale (AFS) | 755 | (8,378) |
| Effective portion of profit (losses) from instruments to hedge financial flows | (752) | (932) |
| Adjustment of the Investment Property reserve | | (462) |
| Actuarial gains (losses) relative to defined benefit plans | (16) | 13 |
| **Total profit (loss) for the period** | **(29,874)** | **1,247** |

| Statement of Financial Position | As of 31 December 2012 | As of 31 December 2011 |
|---|---|---|
| In thousands of euros | | |
| **Non-current assets** | | |
| Intangible assets | | *4* |
| Plant, property and equipment | 364 | 509 |
| *Of which related parties and intergroup* | *37* | *54* |
| Investment property | 73,562 | 73,496 |
| Investments | 342,902 | 351,401 |
| Other financial assets | 43,712 | 116,047 |
| *Of which related parties and intergroup* | | *36,047* |
| Tax receivables | 2,021 | 2,365 |
| Deferred tax assets | 102 | 62 |
| Trade receivables and other receivables | 5 | 3,541 |
| *Of which related parties and intergroup* | | *3,536* |
| **Total non-current assets** | **462,668** | **547,426** |
| | | |
| **Assets held for disposal** | - | - |
| | | |
| **Current assets** | | |
| Trade receivables and other receivables | 23,201 | 11,939 |
| *Of which related parties and intergroup* | *22,882* | *11,731* |
| Tax receivables | 646 | 1,218 |
| Other financial assets | 129,466 | 72,362 |
| *Of which related parties and intergroup* | *119,132* | *66,395* |
| Cash and cash equivalents | 3,383 | 726 |
| **Total current assets** | **156,696** | **86,245** |
| | | |
| **Total assets** | **619,364** | **633,671** |
| | | |
| **Shareholders' equity** | | |
| Share capital | 177,076 | 177,076 |
| Reserves and retained earnings | 257,952 | 257,176 |
| Income for the period | (29,860) | 11,006 |
| **Total shareholders' equity** | **405,168** | **445,258** |
| **Non-current liabilities** | | |
| Financial liabilities | 27,736 | 62,504 |
| Trade payables and other payables | 1,496 | 744 |
| Retirement fund and similar obligations | 323 | 264 |
| Other long-term provisions | | |
| Deferred tax liabilities | 20,042 | 20,404 |
| **Total non-current liabilities** | **49,597** | **83,916** |
| **Liabilities related to assets held for disposal** | - | - |
| **Current liabilities** | | |
| Financial liabilities | 162,138 | 96,681 |
| Trade payables | 1,468 | 1,387 |
| *Of which related parties and intergroup* | *350* | *278* |
| Current taxes | 328 | 319 |
| Other payables | 665 | 6,110 |
| *Of which related parties and intergroup* | *2* | *5,712* |
| Current portion of other long-term provisions | - | - |
| **Total current liabilities** | **164,599** | **104,497** |
| | | |
| **Total shareholders' equity and liabilities** | **619,364** | **633,671** |

## *B) Information on the income statement*

### *3. Net revenues* — *€/000 714,488*

Revenues for disposals of company core business assets essentially refer to the marketing of vehicles and spare parts on European and non-European markets. Revenues are recognised net of premiums given to customers.

#### Revenues by geographic segment

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

| | 2013 | | 2012 | | Change | |
|---|---|---|---|---|---|---|
| | Amount | % | Amount | % | Amount | % |
| In thousands of euros | | | | | | |
| EMEA and Americas | 676,288 | 94.65 | 802,863 | 95.38 | (126,575) | (15.77) |
| Asia Pacific | 37,439 | 5.24 | 38,478 | 4.57 | (1,040) | (2.70) |
| India | 762 | 0.11 | 414 | 0.05 | 348 | 84.03 |
| | | | | | | |
| **Total** | **714,488** | **100.00** | **841,756** | **100.00** | **(127,268)** | **(15.12)** |

#### Revenues by type of product

The breakdown of revenues by type of product is shown in the following table:

| | 2013 | | 2012 | | Change | |
|---|---|---|---|---|---|---|
| | Amount | % | Amount | % | Amount | % |
| In thousands of euros | | | | | | |
| Two-wheeler | 650,666 | 91.07 | 769,573 | 91.42 | (118,907) | (15.45) |
| Commercial Vehicles | 63,823 | 8.93 | 72,183 | 8.58 | (8,360) | (11.58) |
| | | | | | | |
| **Total** | **714,488** | **100.00** | **841,756** | **100.00** | **(127,268)** | **(15.12)** |

In 2013 net sales revenues decreased by €/000 127,268 attributable to the general decline in demand for Two-Wheeler vehicles on the Italian and European market, due to the economic crisis affecting the entire western world.

### *4. Costs for materials* *€/000 401,976*

These totalled €/000 401,976 compared to €/000 485,637 as of 31 December 2012.
The decrease in costs for materials compared to the previous year (17.2%) is mainly related to the fall in production and sales volumes. The percentage of costs for materials accounting for net sales went down, from 57.7% in 2012 to 56.3% in 2013.

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

| | 2013 | 2012 | Change |
|---|---|---|---|
| In thousands of euros | | | |
| Raw, ancillary materials, consumables and goods | 389,118 | 472,701 | (83,583) |
| Purchase of used vehicles and vehicles for testing | 23 | 46 | (23) |
| Change in inventories of raw, ancillary materials, consumables and goods | 6,168 | 7,762 | (1,594) |
| Change in work in progress of semifinished and finished products | 6,667 | 5,128 | 1,539 |
| | | | |
| **Total costs for purchases** | **401,976** | **485,637** | **(83,661)** |

The change in inventories of raw, ancillary materials, consumables and goods, amounting to a negative figure of €/000 6,168, is attributable to the following:

#### Merchandise
Negative change of €/000 4,919.
Use of the provision for obsolete stock, net of the allocation of €/000 586, amounted to €/000 6,325.

#### Raw materials
Negative change of €/000 985.
The allocation to the provision for obsolete raw materials amounted to €/000 123.

#### Consumables
Negative change of €/000 264.
The change in work in progress, semi-finished and finished products, for a total negative amount of €/000 6,667 was determined as follows:
- Finished products: negative change of €/000 5,309.
- Semifinished products: negative change of €/000 1,249.
- Work in progress negative change of €/000 109.

Allocation to the provision for obsolete finished products, net of a use of €/000 676, amounted to €/000 138.

### *5. Costs for services, lease and rentals* — *€/000 179,613*

These totalled €/000 179,613 compared to €/000 218,872 as of 31 December 2012.
Below is a breakdown of this item:

| In thousands of euros | 2013 | 2012 | Change |
|---|---|---|---|
| Employee costs | 6,851 | 9,640 | (2,789) |
| External maintenance and cleaning costs | 4,122 | 4,661 | (539) |
| Energy, telephone and telex costs | 12,468 | 13,254 | (786) |
| Commissions payable | 21,166 | 18,641 | 2,525 |
| Advertising and promotion | 9,507 | 12,433 | (2,926) |
| Technical, legal and tax consultancy and services | 7,182 | 8,523 | (1,341) |
| Company boards operating costs | 2,184 | 2,184 | 0 |
| Insurance | 2,945 | 2,991 | (46) |
| Outsourced manufacturing | 12,989 | 15,334 | (2,345) |
| Transport costs (vehicles and spare parts) | 35,861 | 44,150 | (8,289) |
| Sundry commercial expenses | 5,687 | 11,274 | (5,587) |
| Product warranty costs | 8,329 | 9,100 | (771) |
| Costs for quality-related events | 2,323 | 7,607 | (5,284) |
| Bank costs and factoring charges | 3,840 | 4,749 | (909) |
| Misc services provided in the business year | 29,271 | 35,992 | (6,721) |
| Other services | 3,492 | 4,446 | (954) |
| Lease and rental costs | 11,396 | 13,894 | (2,498) |
| **Total** | **179,613** | **218,872** | **(39,259)** |

The decrease of €/000 39,259 is mainly attributable to the decrease in costs relative to transport, third party work, advertising and promotion, employee costs, consultancy services, commercial expenses, commission due, costs for miscellaneous business services and lease and rental costs. Costs for quality-related events were partially offset by compensation received, recognised under "Other operating income" and amounting to €/000 1,581.
Lease and rental costs refer to €/000 5,272 for rental payments for buildings and €/000 6,124 for car, software and photocopier hire payments.
Third party work, of €/000 12,989 refers to processing on production components carried out by outsourced suppliers.
Transport costs total €/000 35,861 and refer to €/000 26,700 for the sale of products, €/000 7,866 for transport costs for purchases, €/000 742 for transport costs for shuttle and other transit services, and to €/000 553 for postal expenses and express courier services.
The item "Other services" includes services for public relations amounting to €/000 2,238, technical services for expertise amounting to €/000 35 as well as costs of employees seconded to other companies and costs of temporary work for a total of €/000 976.
Expenses for the operation of company boards refer to the activities of the Board of Directors and Board Directors with particular responsibilities, as well as the Board of Statutory Auditors, Supervisory Body, Internal Control Committee and Remuneration Committee. These expenses include fees and the reimbursement of costs for €/000 440, €/000 1,310, €/000 302, €/000 62, €/000 40 and €/000 30 respectively.
Business services include outsourcing services for €/000 9,111, warehouse management services for €/000 385, relocation and restoration services for €/000 1,411, waste disposal and water treatment services for €/000 1,822, administration and back office services provided by group companies for €/000 11,955 and management services provided by the parent company IMMSI S.p.A. for €/000 1,000.

### *6. Employee costs* *€/000 156,889*

Employee costs are broken down as follows:

| | 2013 | 2012 | Change |
|---|---|---|---|
| In thousands of euros | | | |
| Salaries and wages | 109,035 | 118,755 | (9,720) |
| Social security contributions | 34,955 | 37,541 | (2,586) |
| Termination benefits | 8,084 | 8,476 | (392) |
| Other costs | 4,815 | 5,889 | (1,074) |
| **Total** | **156,889** | **170,661** | **(13,772)** |

The reduction during the year is due, among other things, to a considerable part of variable costs related to incentive systems for personnel at all levels, not being included, due to personnel failing to reach their objectives.
The workforce as of 31 December 2013 totalled 3,780 members of staff.

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

#### Average number

| Level | 2013 | 2012 | Change |
|---|---|---|---|
| Senior management | 78 | 80 | (2) |
| Middle management | 231 | 232 | (1) |
| White collars | 951 | 985 | (34) |
| Blue collars | 2,562 | 2,742 | (180) |
| **Total** | **3,822** | **4,039** | **(217)** |

#### Number as of

| Level | 31 December 2013 | 31 December 2012 | Change |
|---|---|---|---|
| Senior management | 78 | 81 | (3) |
| Middle management | 228 | 232 | (4) |
| White collars | 938 | 969 | (31) |
| Blue collars | 2,536 | 2,568 | (32) |
| **Total** | **3,780** | **3,850** | **(70)** |

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

| Level | As of 31.12.12 | Incoming | Outgoing | Relocations | As of 31.12.13 |
|---|---|---|---|---|---|
| Senior management | 81 | 6 | (10) | 1 | 78 |
| Middle management | 232 | 3 | (15) | 8 | 228 |
| White collars | 969 | 10 | (37) | (4) | 938 |
| Blue collars | 2,568 | 31 | (58) | (5) | 2,536 |
| **Total** | **3,850** | **50** | **(120)** | **0** | **3,780** |

### *7. Amortisation, depreciation and impairment costs* *€/000 63,269*

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

| Property, plant and equipment | 2013 | 2012 | Change |
|---|---|---|---|
| In thousands of euros | | | |
| Buildings | 3,723 | 3,458 | 265 |
| Plant and equipment | 8,256 | 7,990 | 266 |
| Industrial and commercial equipment | 13,944 | 14,654 | (710) |
| Other assets | 501 | 559 | (58) |
| **Total depreciation of tangible fixed assets** | **26,424** | **26,661** | **(237)** |
| Impairment of property, plant and equipment | - | - | - |
| **Total depreciation of property, plant and equipment and impairment costs** | **26,424** | **26,661** | **(237)** |

| Intangible assets | 2013 | 2012 | Change |
|---|---|---|---|
| In thousands of euros | | | |
| Development costs | 16,533 | 15,643 | 890 |
| Industrial Patent and Intellectual Property Rights | 13,961 | 14,495 | (534) |
| Concessions, licences, trademarks and similar rights | 5,746 | 5,746 | 0 |
| **Total amortisation of intangible fixed assets** | **36,240** | **35,884** | **356** |
| Impairment of intangible assets | 605 | - | 605 |
| **Total depreciation of intangible assets and impairment costs** | **36,845** | **35,884** | **961** |

As set out in more detail in the paragraph on intangible assets, as from 1 January 2004, goodwill is no longer amortised, but tested annually for impairment.
The impairment test carried out as of 31 December 2013 confirmed the full recoverability of the amounts recorded in the financial statements.
The write-down of intangible assets concerns development projects in progress, abandoned under the new industrial plan.

Amortisation of the item "Concessions, licences, trademarks and similar rights" refers to amortisation of the Aprilia brand for €/000 2,916, of the Guzzi brand for €/000 1,625, of the Derbi brand for €/000 1,200 and of other brands from the merged company Aprilia for €/000 5.
The item "Industrial Patent and Intellectual Property Rights" includes amortisation relative to software equal to €/000 3,738.

## *8. Other operating income* *€/000 103,599*

This item consists of:

| In thousands of euros | 2013 | 2012 | Change |
|---|---|---|---|
| Operating grants | 3,580 | 2,316 | 1,264 |
| Increases in fixed assets from internal work | 28,630 | 30,520 | (1,890) |
| Other revenue and income: | | | |
| - Expenses recovered in invoices | 18,853 | 22,746 | (3,893) |
| - Rent receipts | 266 | 260 | 6 |
| - Contingent assets from measurement | 164 | 58 | 106 |
| - Capital gains on the disposal of assets | 533 | 561 | (28) |
| - Recovery of transport costs | 640 | 46 | 594 |
| - Recovery of business costs | 1,819 | 1,402 | 417 |
| - Recovery of registration costs | 112 | 1,326 | (1,214) |
| - Recovery of advertising costs | 0 | 38 | (38) |
| - Recovery of stamp duty | 645 | 1,060 | (415) |
| - Recovery of labour costs | 5,636 | 6,140 | (504) |
| - Recovery of duty on exported products | 90 | 62 | 28 |
| - Recovery of supplier costs | 769 | 1,036 | (267) |
| - Recovery of warranty costs | 95 | 63 | 32 |
| - Recovery of taxes from customers | 527 | 551 | (24) |
| - Recovery of professional training costs | 0 | 7 | (7) |
| - Recovery of sundry costs | 5,437 | 3,008 | 2,429 |
| - Provision of services to group companies | 8,689 | 12,908 | (4,219) |
| - Licence rights and know-how | 15,871 | 15,247 | 624 |
| - Commission receivable | 1,366 | 1,413 | (47) |
| - Sale of miscellaneous materials | 77 | 769 | (692) |
| - Compensation from damage to third parties | 1,440 | 1,001 | 439 |
| - Compensation from third parties for quality-related events | 1,581 | 2,833 | (1,252) |
| - Sponsorship | 1,250 | 1,050 | 200 |
| - Clearance of payables | 2,355 | 66 | 2,289 |
| - Other income | 3,174 | 4,250 | (1,076) |
| **Total other operating income** | **103,599** | **110,737** | **(7,138)** |

The decrease totals €/000 7,138.

Operating grants refer to:
- €/000 389 for benefits established by Law 296/2006 (2007 Budget), subsequently amended by law 244/2007 (2008 Budget), which provided benefits for companies undertaking pre-competitive Research and Development programmes, starting from 1 January 2007 and reaching completion by 31 December 2009. The benefit consists of a tax income to be used against payable taxes. The costs to which the benefit refers were incurred in 2007/2008/2009. This funding refers to funding recognised in profit or loss in relation to the amortisation of capitalised costs subsequently recognised in the year.
- €/000 2,565 for other public subsidies concerning research projects of which €/000 36 of an EU origin.
- €/000 465 for funding for professional training provided by trade associations.
- €/000 161 for the portion relative to the year, of sums received from a customer for product development.

During the period, internal costs for product development projects of €/000 28,128 were capitalised, in addition to internal costs for the development of software for €/000 489 and internal costs for the construction of property, plant and equipment, amounting to €/000 13.
Expenses recovered in invoices refer to costs for preparation, advertising, insurance, transport and packaging charged to clients directly in product sales invoices.
The item “Recovery of sundry costs” includes €/000 999 and €/000 1,384 charged to the subsidiaries Piaggio Vietnam and Piaggio Vehicles respectively, as well as €/000 246 charged to the affiliated company Zongshen Piaggio Foshan for the supply of components, equipment and various materials for the construction and production of vehicles. This item includes costs to third parties for €/000

2,438 for the recovery of sundry costs.
Licence rights of €/000 15,871 were obtained mainly from the subsidiaries Piaggio Vehicles (€/000 7,358) and Piaggio Vietnam (€/000 7,126), from the affiliated company Piaggio Foshan (€/000 179) as well as from the third party companies JINCHENG GROUP (€/000 56), THE BEANSTALK (€/000 185), FORME SRL (€/000 686).
Income from the recovery of labour costs mainly refers to amounts charged to Group companies for the use of personnel.
The recovery of costs from suppliers refers to amounts charged for the reprocessing of materials and final inspections, and for failure to supply assembly lines with material.
The recovery of stamp duty mainly refers to amounts charged to dealers for stamp duty on vehicle conformity certificates, as from 1 January 2005.
Other income includes contingent assets for the year amounting to €/000 2,012.

## *9. Other operating costs* *€/000 24,017*

This item consists of:

| In thousands of euros | 2013 | 2012 | Change |
|---|---|---|---|
| Provision for litigation | - | 368 | (368) |
| **Total provisions for risks** | **0** | **368** | **(368)** |
| | | | |
| Provisions for product warranties | 6,596 | 10,108 | (3,512) |
| Provision for quality-related events | - | 750 | (750) |
| **Total other provisions** | **6,596** | **10,858** | **(4,262)** |
| | | | |
| Stamp duty | 782 | 1,315 | (533) |
| Duties and taxes not on income | 873 | 1,279 | (406) |
| Local tax, formerly council tax | 1,384 | 1,168 | 216 |
| Various subscriptions | 840 | 896 | (56) |
| Social charges | 421 | 217 | 204 |
| Capital losses from disposal of assets | 17 | 0 | 17 |
| Miscellaneous expenses | 7,436 | 2,031 | 5,405 |
| Losses on receivables | 2,015 | 168 | 1,847 |
| **Total sundry operating costs** | **13,768** | **7,074** | **6,694** |
| | | | |
| Impairment of current receivables | 3,653 | 1,214 | 2,439 |
| **Total impairment** | **3,653** | **1,214** | **2,439** |
| | | | |
| **Total other operating costs** | **24,017** | **19,514** | **4,503** |

Overall, other operating costs increased by €/000 4,503.
Stamp duty of €/000 782 mainly refers to the tax due on vehicle conformity certificates. This cost is charged to Dealers and the recovered amount is entered under "Other operating income".
Sundry costs include contingent liabilities amounting to €/000 4,482.

### 10. Income/(loss) from investments €/000 53,405

This item consists of:

| In thousands of euros | 2013 | 2012 | Change |
|---|---|---|---|
| Dividends from subsidiaries | 57,379 | 75,602 | (18,223) |
| Value reinstatements on investments in subsidiaries | 1,446 | 6,573 | (5,127) |
| Value reinstatements on investments in affiliated companies | 654 | 3,550 | (2,896) |
| Dividends from the investments of non-controlling interests | 154 | 15 | 139 |
| Write-down of investments in subsidiaries | (6,228) | (4,559) | (1,669) |
| **Total** | **53,405** | **81,181** | **(27,776)** |

Dividends of €/000 22,973 were distributed by the subsidiary Piaggio Vehicles Ltd, of €/000 16,000 by Piaggio Vespa B.V., of €/000 17,406 by Piaggio Vietnam and of €/000 1,000 by Aprilia Racing.
Value reinstatements of € 2,100 concern the subsidiary Piaggio China for €/000 1,446 and the affiliated company Zongshen Piaggio Foshan for €/000 654.
These value reinstatements, confirmed by impairment testing, are related to the positive economic performance of the affiliated company Zongshen Piaggio Foshan, whose share capital is held 12.5% through the subsidiary Piaggio China and 32.5% directly. The value of investments recorded as assets now amounts to €/000 2,040 for the subsidiary Piaggio China and €/000 5,736 for Zongshen Piaggio Foshan.
For further details, see the section "Interests in joint ventures" in the Consolidated Financial Statements.
The write-down of investments in subsidiaries reflects the lower value of €/000 6,228 determined for the investment in Nacional Motor, in compliance with the impairment testing result.

### 11. Net financial expense and similar €/000 (28,283)

Below is the breakdown of borrowing costs and income:

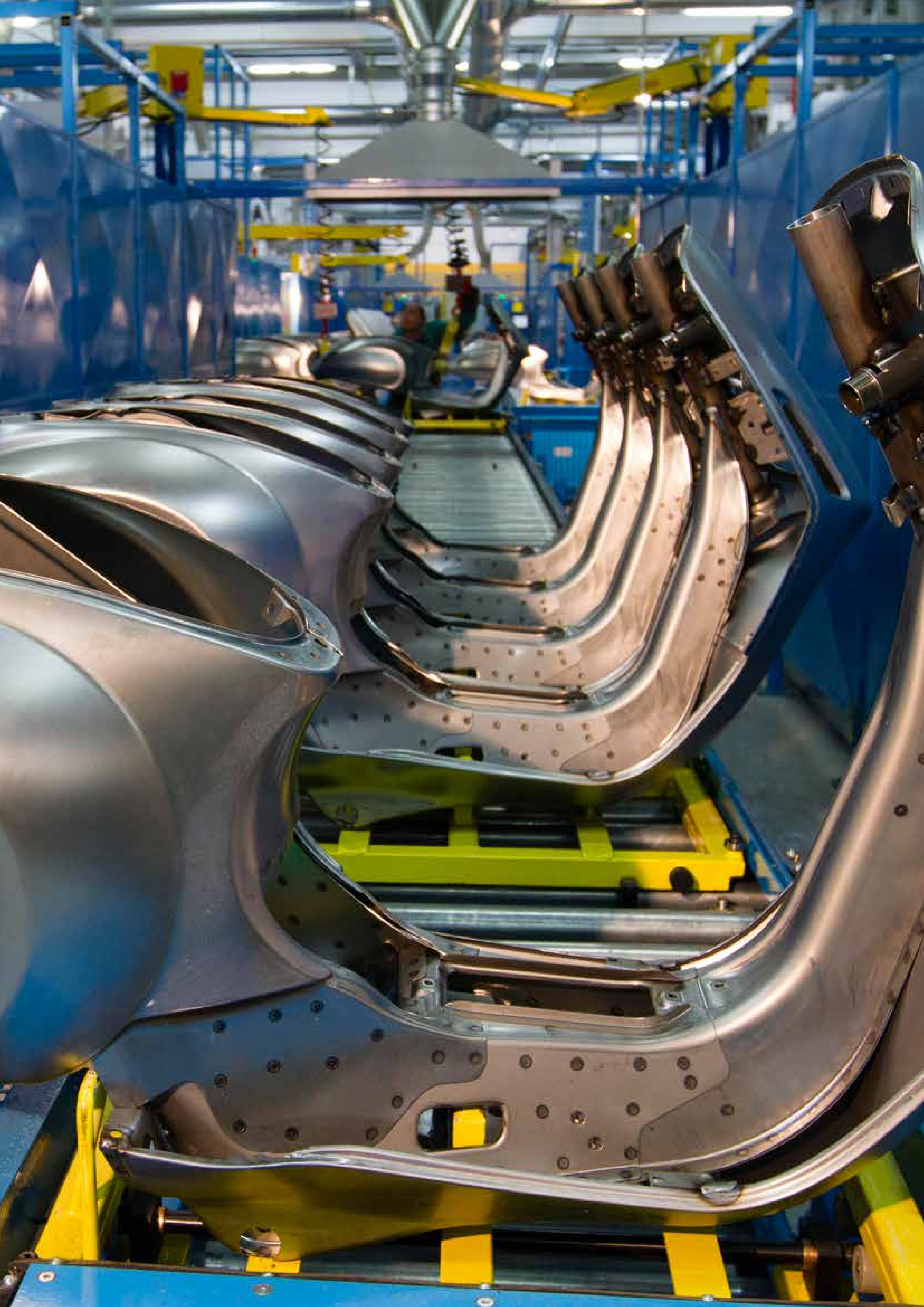
| In thousands of euros | 2013 | 2012 | Change |
|---|---|---|---|
| Financial income | | | |
| - From subsidiaries | 356 | 331 | 25 |
| Financial income from third parties: | | | 0 |
| - Interest receivable from clients | 34 | 69 | (35) |
| - Bank and post office interest payable | 238 | 458 | (220) |
| - Income from fair value measurements | 115 | 301 | (186) |
| - Other | 54 | 17 | 37 |
| Total financial income from third parties: | 441 | 845 | (404) |
| **Total financial income** | **797** | **1,176** | **(379)** |

The amount of €/000 356 recognised as financial income from subsidiaries refers to:
- a total of €/000 355 as interest from financing activities to the subsidiaries Piaggio Vehicles Private Limited (€/000 241), Nacional Motor (€/000 112), and Aprilia Racing (€/000 2);
- €/000 1 from cash pooling by Piaggio & C. for European subsidiaries.

| | 2013 | 2012 | Change |
|---|---|---|---|
| In thousands of euros | | | |
| Borrowing Costs | | | |
| - Payable to subsidiaries | 4 | 9 | (5) |
| Total borrowing costs payable to the Group | 4 | 9 | (5) |
| Borrowing costs payable to third parties: | | | |
| - Interest payable on a debenture loan | 14,380 | 14,672 | (292) |
| - Interest payable on bank accounts | 1,381 | 822 | 559 |
| - Interest payable on bank loans | 8,594 | 8,625 | (31) |
| - Interest to suppliers | 527 | 82 | 445 |
| - Interest payable to other lenders | 852 | 1,285 | (433) |
| - Interest payable on subdiscount factor operations | 964 | 1,393 | (429) |
| - Cash discounts to clients | 397 | 557 | (160) |
| - Bank charges on loans | 1,827 | 1,809 | 18 |
| - Interest payable on lease agreements | 114 | 180 | (66) |
| - Borrowing costs from discounting back termination benefits | 1,581 | 1,969 | (388) |
| - Other | 30 | 19 | 11 |
| Total borrowing costs payable to third parties | 30,647 | 31,413 | (766) |
| **Total borrowing costs** | **30,651** | **31,422** | **(771)** |
| | | | |
| Costs capitalised on Property, Plant and Equipment | 466 | 1,056 | (590) |
| Costs capitalised on Intangible Assets | 1,085 | 1,230 | (145) |
| **Total Capitalised Costs** | **1,551** | **2,286** | **(735)** |
| | | | |
| **Total borrowing costs** | **29,100** | **29,136** | **(36)** |

During 2013, borrowing costs for €/000 1,551 were capitalised. The average rate used for the capitalisation of borrowing costs (due to general loans), was equal to 5.62%.
Interest payable on debenture loans refers to borrowing costs for the year concerning the debenture loan issued by the Company on 4 December 2009, falling due on 1 December 2016 and the debenture loan issued on 25 July 2011 falling due on 31 July 2021.
Interest payable to other lenders mainly refers to interest payable to factoring companies and banks for the sale of trade receivables. The item also includes interest payable to the financial administration authorities (€/000 23) relating to the acknowledgement of notices of assessment.

| | 2013 | 2012 | Change |
|---|---|---|---|
| In thousands of euros | | | |
| - Exchange gains | 5,430 | 6,279 | (849) |
| - Exchange losses | (5,568) | (5,594) | 26 |
| Total exchange gains (losses) | (138) | 685 | (823) |
| | | | |
| - Exchange gains | 590 | 793 | (203) |
| - Exchange losses | (432) | (1,757) | 1,325 |
| Total valuation exchange gains (losses) | 158 | (964) | 1,122 |
| **Net exchange gains/(losses)** | **20** | **(279)** | **299** |



## *12. Taxes* *€/000 19,094*

The item "Income taxes" is detailed below:

| | 2013 | 2012* | Change |
|---|---|---|---|
| In thousands of euros | | | |
| Current taxes | 7,501 | 5,764 | 1,737 |
| Deferred tax liabilities | (13,992) | (4,104) | (9,888) |
| Taxes of previous years | 991 | 356 | 635 |
| Non-recurrent costs | 24,594 | | 24,594 |
| **Total taxes** | **19,094** | **2,016** | **17,078** |

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

Income taxes for 2013 amount to €/000 19,094 and include the non-recurrent cost of €/000 24,594 relative to the assessment of tax litigation being defined at the end of the reporting period. This amount, discussed in note 44, consists of €/ML 5.1 for concerns findings for regional production tax purposes, which will entail a financial outlay divided in 5 quarterly instalments (4 instalments of €/ML 1 in 2014 and the last one in March 2015). The remaining €/ML 19.5 that will not entail any financial outlay, relate to the findings for income tax purposes and originate from the offsetting of:
- tax losses for previous years against which the deferred tax had been recognised (impact on the income statement of €/ML15.5);
- tax losses related to the Consolidated Tax Convention, that the Parent Company participates in and that gave rise to the recognition of an expense from consolidation of €/ML 4.

In 2012, taxes were equal to €/000 2,016 and accounted for 4.2% of profit before tax.

Current taxes consist of:
- €/000 2,866 from foreign income tax, mainly relative to royalties from the Indian subsidiary Piaggio Vehicles Ltd. and from the subsidiary Piaggio Vietnam, whose taxes amounted to €/000 2,023 and €/000 785 respectively.
- For €/000 262 from corporate income tax payable separately on CFCs.
- €/000 2,720 from regional production tax on income for the year.
- For €/000 1,653 from net costs arising from transfers within the framework of the Consolidated Tax Mechanism.

Deferred tax represents the effects on income generated by the deferred tax assets and liabilities.
With regard to the deferred tax liabilities, during the year new provisions were made for €/000 989, and provisions from previous years were released for €/000 1,880.
With regard to deferred tax assets, on the other hand, new provisions amounted to €/000 20,066, while the release of amounts allocated in previous years came to €/000 6,965.

Reconciliation in relation to the theoretical rate is shown below:

| | 2013 | 2012 |
|---|---|---|
| In thousands of euros | | |
| **Revenue taxes on income** | | |
| Profit before tax | 17,445 | 48,206 |
| Theoretical rate | 27.50% | 27.50% |
| | | |
| Theoretical tax | 4,797 | 13,257 |
| | | |
| Tax effect arising from permanent changes | (9,498) | (21,298) |
| Tax effect arising from temporary changes | (2,132) | 2,236 |
| Reversal of deferred corporate tax liabilities allocated in previous years for temporary changes | (1,753) | (1,505) |
| Reversal of deferred corporate tax assets allocated in previous years for temporary changes | 5,880 | 4,329 |
| Reversal of deferred tax assets allocated in previous years for tax losses | 351 | 1,084 |
| Tax effect arising from taxes on income produced abroad | 2,866 | 2,557 |
| Separate corporate income tax on CFCs | 262 | |
| Taxes relative to previous years | 861 | 171 |
| Expenses (income) from the Consolidated Tax Mechanism | 1,653 | (22) |
| Tax affect arising from deferred corporate tax liabilities for temporary changes | 962 | 840 |
| Tax affect arising from deferred corporate tax assets for temporary changes | (8,352) | (1,296) |
| Tax effect arising from the adjustment of deferred corporate income tax assets allocated for the 2010 tax loss | (33) | |
| Non-recurrent costs | 19,464 | |
| Tax effect arising from deferred corporate tax assets due to recalculation of the 2010 and 2011 tax loss after a higher deduction of regional tax from corporate income tax | | (2,183) |
| Tax affect arising from deferred corporate tax assets on interest payable deducted within the framework of the Consolidated Tax Mechanism | (4,060) | |
| Deferred tax assets transferred to the Consolidated Tax Mechanism | 171 | 0 |
| | | |
| **REGIONAL PRODUCTION TAX (IRAP)** | | |
| Regional production tax on net revenues for the year | 2,720 | 3,230 |
| Regional production tax referred to previous years | 130 | 185 |
| Reversal of deferred regional production tax liabilities allocated in previous years for temporary changes | (127) | (135) |
| Reversal of deferred regional production tax assets allocated in previous years for temporary changes | 734 | 539 |
| Non-recurrent costs | 5,130 | |
| Tax affect arising from deferred regional production tax liabilities for temporary changes | 27 | 27 |
| Tax affect arising from deferred regional production tax assets for temporary changes | (959) | 0 |
| | | |
| **Income taxes recognised in the financial statements** | **19,094** | **2,016** |

Theoretical tax rates were determined applying the corporate tax rate in effect in Italy (27.5%) to profit before tax. The impact arising from the regional production tax rate was determined separately, as this tax is not calculated on the basis of profit before tax.
As regards corporate income tax, the company expects it will contribute to the National Consolidated Tax Mechanism, in which IMMSI acts as Consolidating Party, with a negative taxable amount of €/000 31,655.

### *13. Profits/(losses) from assets held for disposal or sale* — *€/000 0*

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

## *C) Information on the statement of financial position - Assets*

### *14. Intangible assets* *€/000 555,279*

The table below shows the breakdown of intangible assets as of 31 December 2013 and 31 December 2012, as well as movements during the year.

| | Development costs | Patent rights | Concessions, licences and trademarks | Goodwill | Other | Assets under development and advances | Total |
|---|---|---|---|---|---|---|---|
| In thousands of euros | | | | | | | |
| **As of 1 January 2012** | | | | | | | |
| Historical cost | 79,907 | 190,624 | 227,105 | 463,926 | - | 22,044 | 983,606 |
| Provisions for write-down | - | - | - | - | - | - | - |
| Accumulated amortisation | (52,410) | (153,618) | (143,330) | (95,375) | - | - | (444,733) |
| **Net carrying amount** | **27,497** | **37,006** | **83,775** | **368,551** | **-** | **22,044** | **538,873** |
| | | | | | | | |
| **2012** | | | | | | | |
| Investments | 15,113 | 15,628 | - | - | - | 16,142 | 46,883 |
| Transitions in the period | 9,872 | 922 | - | - | - | (10,794) | - |
| Amortisation | (15,643) | (14,496) | (5,746) | - | - | - | (35,885) |
| Write-downs | - | - | - | - | - | - | - |
| Disposals | (1,194) | (15) | - | - | - | - | (1,209) |
| Other movements | 1 | (1) | - | - | - | - | - |
| **Total movements for the year** | **8,149** | **2,038** | **(5,746)** | **-** | **-** | **5,348** | **9,789** |
| | | | | | | | |
| **As of 31 December 2012** | | | | | | | |
| Historical cost | 80,363 | 207,133 | 227,105 | 463,926 | - | 27,392 | 1,005,919 |
| Provisions for write-down | - | - | - | - | - | - | - |
| Accumulated amortisation | (44,717) | (168,089) | (149,076) | (95,375) | - | - | (457,257) |
| **Net carrying amount** | **35,646** | **39,044** | **78,029** | **368,551** | **-** | **27,392** | **548,662** |
| | | | | | | | |
| **2013** | | | | | | | |
| Investments | 10,952 | 15,348 | - | - | - | 17,362 | 43,662 |
| Transitions in the period | 15,527 | 338 | - | - | - | (15,865) | - |
| Amortisation | (16,533) | (13,961) | (5,746) | - | - | - | (36,240) |
| Write-downs | - | - | - | - | - | (605) | (605) |
| Disposals | (172) | (28) | - | - | - | - | (200) |
| Other changes | (1) | - | 1 | - | - | - | - |
| **Total movements for the year** | **9,773** | **1,697** | **(5,745)** | **-** | **-** | **892** | **6,617** |
| | | | | | | | |
| **As of 31 December 2013** | | | | | | | |
| Historical cost | 87,430 | 222,756 | 227,105 | 463,926 | - | 28,284 | 1,029,501 |
| Provisions for write-down | - | - | - | - | - | - | - |
| Accumulated amortisation | (42,011) | (182,015) | (154,821) | (95,375) | - | - | (474,222) |
| **Net carrying amount** | **45,419** | **40,741** | **72,284** | **368,551** | **-** | **28,284** | **555,279** |

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

| In thousands of euros | Value As of 31 December 2013 For the period | Under development and advances | Total | Value As of 31 December 2012 For the period | Under development and advances | Total | Change For the period | Under development and advances | Total |
|---|---|---|---|---|---|---|---|---|---|
| R&D costs | 45,419 | 23,490 | 68,909 | 35,646 | 24,094 | 59,740 | 9,773 | (604) | 9,169 |
| Patent rights | 40,741 | 4,794 | 45,535 | 39,044 | 3,298 | 42,342 | 1,697 | 1,496 | 3,193 |
| Concessions, licences and trademarks | 72,284 | - | 72,284 | 78,029 | - | 78,029 | (5,745) | - | (5,745) |
| Goodwill | 368,551 | - | 368,551 | 368,551 | - | 368,551 | - | - | - |
| **Total** | **526,995** | **28,284** | **555,279** | **521,270** | **27,392** | **548,662** | **5,725** | **892** | **6,617** |

Intangible assets increased overall by €/000 6,617 following investments net of disposals and amortisation for the period.

Increases mainly refer to the capitalisation of development costs for new products and new engines, as well as the purchase of software.
During 2013 borrowing costs for €/000 1,085 were capitalised, applying an average interest rate of 5.62%.

## Development costs €/000 68,909

*Development costs* include costs for products and engines in projects for which there is an expectation, for the period of the useful life of the asset, to see net sales at such a level in order to allow the recovery of the costs incurred.
During 2013, and based on an overall analysis of capitalised development costs, to verify correct classification, the Company reclassified costs incurred in the year, relative to the projects listed in the table below, from “Development costs” to “Industrial Patent and Intellectual Property Rights”:

| |
|---|
| Ape PAX |
| Aprilia Caponord |
| 3v LEM engine |
| Tuono engine |
| New California Guzzi |
| New Vespa LX |
| Vespa 946 |
| 1200 engine for the Aprilia CapoNord |

These products and their development have made it necessary to adopt highly innovative technical solutions, develop new calculation methods and regulations, define ad hoc design and testing techniques, acquire technologically advanced measurement and test equipment, and have enabled Piaggio to diversify its technical expertise and the quality and functional standards of some of its vehicles compared to the competition. In this framework, the 2013 Financial Statements reflect the total costs incurred in the product development process to a better extent, because although complying with the capitalisation criteria of IAS 38, they did not lead the Company obtaining specific patents or the acquisition of particular technical expertise not yet available to third parties.

Development expenditure for new projects capitalised in 2013 mainly refers to new engines for Aprilia and Moto Guzzi motorcycles, the new naked Guzzi motorcycle, new 3V low emission engines for new scooters, the Vespa 946 and the Vespa Primavera, as well as the new version of the MP3 and new Scarabeo, P121 and P122 scooters.
The impairment of €/000 605 concerns development projects in progress, abandoned under the new industrial plan.
Borrowing costs attributable to the development of products which require a considerable period of time to be realised are capitalised as a part of the cost of the actual assets.

Development costs included under this item are amortised on a straight line basis over 5 years (founding products) or 3 years, in consideration of their remaining useful life. At the end of 2013, based on the new industrial plan, the Group redefined the useful life of some projects already amortised, changing the useful life from 3 to 5 years. In particular, the item refers to projects in the last year of amortisation of which the Group will continue to benefit financially also in the next two years, that have technical characteristics which do not make them obsolete and for which new investments are not planned. The accounting effects of this change are as follows:

| | New valuation | Previous valuation | Change |
|---|---|---|---|
| In thousands of euros | | | |
| Annual amortisation | 16,533 | 20,568 | (4,035) |

During 2013, development costs of approximately €15.4 million were recognised directly in profit or loss. Pursuant to article 2426, section 5 of the Italian Civil Code, the value of research and development costs still to be amortised equal to €/000 68,909 is unavailable in shareholders' equity.

### Industrial Patent and Intellectual Property Rights — €/000 45,535

This item comprises patents for €/000 548, know-how for €/000 31,699 and software for €/000 13,288.
As regards software, the increase in the period amounted to €/000 5,519 and was mainly attributable to the purchase of various licences, upgrades and the introduction of the new PLM system (Product Lifecycle Management) for the R&D area, as well as the implementation of projects for sales, production, personnel and administration.
Investments in know-how totalled €/000 11,132.
Costs for industrial patent and intellectual property rights are amortised on a straight line basis over three years, except for costs for founding products and costs for the purchase of SAP licences which are amortised over 5 years.

### Trademarks, concessions and licences — €/000 72,284

The item Trademarks, concessions and licences, equal to €/000 72,284 consists of:

| | As of 31 December 2013 | As of 31 December 2012 | Change |
|---|---|---|---|
| In thousands of euros | | | |
| Derbi trademark | 13,200 | 14,400 | (1,200) |
| Guzzi trademark | 21,125 | 22,750 | (1,625) |
| Aprilia trademark | 37,904 | 40,819 | (2,915) |
| Minor trademarks | 55 | 60 | (5) |
| **Total Trademark** | **72,284** | **78,029** | **(5,745)** |

The Derbi brand is amortised over 15 years, maturing in 2024. Amortisation during the year amounted to €/000 1,200.
As regards the Guzzi and Aprilia brands, in compliance with IAS 38 paragraph 104, the useful life of both brands, originally estimated as until 2019, was revised during 2012. Based on this revision, the remaining useful life of the Guzzi and Aprilia brands was extended to 2026.
The changes of €/000 1,625 and €/000 2,915, indicated in the above table, refer to the amortisation of the Guzzi and Aprilia brands during the year, which reflects the new useful life of the two brands valued in 2012.
The value of other brands acquired with the Aprilia merger decreased during the year by €/000 5 following amortisation calculated on the basis of the estimated useful life.

### Goodwill €/000 368,551

As specified in information on accounting standards, as from 1 January 2005 goodwill is no longer amortised, but is tested for impairment annually, or more frequently if specific events or changed circumstances indicate the possibility of impairment, in accordance with IAS 36 Impairment of Assets (impairment test).

In compliance with IAS 36 the methodology adopted is based on the unlevered version of discounted cash flows.

The main assumptions used by the Company to determine future financial flows, relative to a four-year period, and the consequent recoverable value (value in use) refer to:

*a.* a. use of the 2014-2017 Industrial Plan (approved by the Board of Directors on 19 March 2014);

*b.* b. the WACC discount rate.

In particular, to discount cash flows, the Group adopted a discount rate (WACC) which reflects market valuations of the fair value of money and takes account of specific risks of activities and the geographic segment in which the cash generating unit operates (7.0% for 2013).

In the future cash flows discounting model, a final value is entered at the end of the cash flow projection period, to reflect the residual value Piaggio should produce. The final value represents the current value, at the last year of the projection, of all subsequent cash flows calculated as perpetual income, and was determined using a growth rate (g rate) equal to 1.5%.

The impairment test carried out as of 31 December 2013 confirmed that there was no need to make any changes to the figures in the financial statements. The estimates prepared by the Company, which forecast a positive trend for the next 3 years, confirm the adequacy of amounts.
In addition, and on the basis of information in the document produced jointly by the Bank of Italy, Consob and Isvap (the insurance watchdog) no. 2 of 6 February 2009, the Company conducted sensitivity analysis of test results in relation to changes in basic assumptions (use of the growth rate in producing the final value and discount rate). In the case of a positive or negative change of 0.5% of the WACC and G used, analyses would not identify impairment losses.

Given that the recoverable value was estimated, the Company cannot guarantee the absence of goodwill impairment in future financial periods.
Given the current market crisis, the various factors utilised in the estimates could require revision; the Company will constantly monitor these factors as well as the existence of impairment losses.

## *15. Property, plant and equipment* *€/000 201,602*

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

| In thousands of euros | Land | Buildings | Plant and equipment | Equipment | Other assets | Assets under development and advances | Total |
|---|---|---|---|---|---|---|---|
| **As of 1 January 2012** | | | | | | | |
| Historical cost | 28,035 | 108,453 | 252,706 | 440,789 | 25,794 | 22,065 | 877,842 |
| Reversals | - | 4,816 | 2,368 | 6,253 | 199 | - | 13,636 |
| Provisions for write-down | - | - | - | (1,339) | - | - | (1,339) |
| Accumulated depreciation | - | (43,135) | (225,553) | (415,232) | (23,735) | - | (707,655) |
| **Net carrying amount** | **28,035** | **70,134** | **29,521** | **30,471** | **2,258** | **22,065** | **182,484** |
| | | | | | | | |
| **2012** | | | | | | | |
| Investments | - | 1,771 | 4,938 | 9,572 | 178 | 22,669 | 39,128 |
| Transitions in the period | - | 746 | 2,284 | 3,035 | 161 | (6,226) | - |
| Depreciation | - | (3,458) | (7,990) | (14,654) | (559) | 0 | (26,661) |
| Write-downs | - | - | - | - | - | - | 0 |
| Disposals | - | 1 | - | (61) | (9) | (27) | (96) |
| Acquisition of Tecnocontrol | - | 2,113 | 6,456 | 1,142 | 68 | - | 9,779 |
| Other movements | - | - | (1) | - | - | - | (1) |
| **Total movements for the year** | **-** | **1,173** | **5,687** | **(966)** | **(161)** | **16,416** | **22,149** |
| | | | | | | | |
| **As of 31 December 2012** | | | | | | | |
| Historical cost | 28,035 | 113,084 | 266,352 | 453,667 | 26,037 | 38,481 | 925,656 |
| Reversals | - | 4,816 | 2,368 | 6,253 | 199 | - | 13,636 |
| Provisions for write-down | - | - | - | (1,337) | - | - | (1,337) |
| Accumulated depreciation | - | (46,593) | (233,512) | (429,078) | (24,139) | - | (733,322) |
| **Net carrying amount** | **28,035** | **71,307** | **35,208** | **29,505** | **2,097** | **38,481** | **204,633** |
| | | | | | | | |
| **2013** | | | | | | | |
| Investments | - | 1,179 | 4,071 | 7,507 | 333 | 10,428 | 23,518 |
| Transitions in the period | - | 13,110 | 8,389 | 5,720 | 116 | (27,335) | - |
| Depreciation | - | (3,723) | (8,256) | (13,944) | (501) | - | (26,424) |
| Write-downs | - | - | - | - | - | - | - |
| Disposals | (25) | (2) | (18) | (78) | (2) | - | (125) |
| Other changes | | - | | | - | - | - |
| **Total movements for the year** | **(25)** | **10,564** | **4,186** | **(795)** | **(54)** | **(16,907)** | **(3,031)** |
| | | | | | | | |
| **As of 31 December 2013** | | | | | | | |
| Historical cost | 28,010 | 127,371 | 278,575 | 463,129 | 26,390 | 21,574 | 945,049 |
| Reversals | - | 4,816 | 2,368 | 6,253 | 199 | - | 13,636 |
| Provisions for write-down | - | - | - | (1,324) | - | - | (1,324) |
| Accumulated depreciation | - | (50,316) | (241,549) | (439,348) | (24,546) | - | (755,759) |
| **Net carrying amount** | **28,010** | **81,871** | **39,394** | **28,710** | **2,043** | **21,574** | **201,602** |

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

| | Value as of 31 December 2013 | | | Value as of 31 December 2012 | | | Change | | |
|---|---|---|---|---|---|---|---|---|---|
| | For the period | Under development and advances | Total | For the period | Under development and advances | Total | For the period | Under development and advances | Total |
| In thousands of euros | | | | | | | | | |
| Land | 28,010 | - | 28,010 | 28,035 | - | 28,035 | (25) | - | (25) |
| Buildings | 81,871 | 1,938 | 83,809 | 71,307 | 14,340 | 85,647 | 10,564 | (12,402) | (1,838) |
| Plant and equipment | 39,394 | 5,122 | 44,516 | 35,208 | 10,475 | 45,683 | 4,186 | (5,353) | (1,167) |
| Equipment | 28,710 | 14,511 | 43,221 | 29,505 | 13,550 | 43,055 | (795) | 961 | 166 |
| Other assets | 2,043 | 3 | 2,046 | 2,097 | 116 | 2,213 | (54) | (113) | (167) |
| **Total** | **180,028** | **21,574** | **201,602** | **166,152** | **38,481** | **204,633** | **13,876** | **(16,907)** | **(3,031)** |

Property, plant and equipment decreased overall by €/000 3,031. Investments for the period amount to €/000 23,518 and mainly refer to moulds for new vehicles and engines that will be launched in the subsequent year, to drive shaft processing lines, engine test benches and the experimental workshop. Borrowing costs attributable to the construction of products which require a considerable period of time to be ready for use are capitalised as a part of the cost of the actual assets.
During 2013 borrowing costs for €/000 466 were capitalised, applying an average interest rate of 5.62%.

### Land €/000 28,010

The decrease of €/000 25 refers to a portion of land (345 m$^2$) at the Noale site, expropriated by the Public Authorities. Following the compensation received, a capital gain of €/000 42 was recorded.

### Buildings €/000 83,809

Buildings decreased overall by €/000 1,838. The negative imbalance is due to the decrease caused by amortisation for the period of €/000 3,723 and the disposal of residual costs for €/000 2 partially offset by new investments made during the year for €/000 1,887.
Capitalisation of €/000 1,887 relative to production buildings, refers to:

| | |
|---|---|
| In thousands of euros | |
| Various works at the Pontedera plant | 1,788 |
| Various works at the Noale and Scorzè plants | 99 |

During the period, capitalisation amounting to €/000 14,289 was recognised, of which €/000 13,110 relative to investments made in previous years.

### Plant and equipment €/000 44,516

The item decreased overall by €/000 1,167. The negative imbalance is due to the decrease caused by amortisation for the period of €/000 8,256 and the disposal of residual costs for €/000 18 partially offset by new investments made during the year for €/000 7,107.

Capitalisation of €/000 7,107, relative to plant and machinery, refers to the following acquisitions:

| In thousands of euros | |
|---|---|
| Upgrading of equipment at the two- and three-wheeler workshops | 1,073 |
| Investments for engine assembly lines | 203 |
| Purchase of machinery for mechanical processing | 543 |
| Investments for the vehicle painting and assembly area | 570 |
| Investments for new engines and new vehicles | 3,080 |
| Investments for the former Foundry building, for offices | 280 |
| Investments for the former PM01 Warehouse building | 575 |
| Investments for the New Spare Parts Building | 783 |

During the period, capitalisation amounting to €/000 12,460 was recognised, of which €/000 8,389 relative to investments made in previous years.

### Equipment €/000 43,221

The item increased overall by €/000 166. The positive imbalance is due to new investments made in the year for €/000 14,188, nearly entirely offset by amortisation for the period of €/000 13,944 and the disposal of residual costs for €/000 78.
Capitalisation of €/000 14,188, referred to equipment, concerns the following purchases:

| In thousands of euros | |
|---|---|
| The purchase of moulds and equipment for the Moto Guzzi California | 76 |
| The purchase of moulds and equipment for the MP3 RST | 504 |
| The purchase of moulds and equipment for the Aprilia Scarabeo scooter | 705 |
| The purchase of moulds and equipment for the Piaggio Scooter | 235 |
| The purchase of moulds and equipment for the Vespa 946 | 3,046 |
| The purchase of moulds and equipment for the Vespa Primavera | 2,257 |
| The purchase of moulds and equipment for the Vespa Primavera "S" version | 333 |
| The purchase of moulds for the Aprilia motorcycle | 133 |
| The purchase of moulds for Aprilia-Guzzi engines | 31 |
| The purchase of moulds for Piaggio and Aprilia Scooter engines | 389 |
| Equipment for upgrading plants | 53 |
| Equipment for setting up machinery in the PM01 Area | 127 |
| Equipment for Pontedera plant assembly lines | 127 |
| Equipment for the Moto Guzzi plant assembly lines | 225 |
| Equipment for Pontedera plant welding lines | 2,491 |
| Equipment for steel processing lines | 205 |
| Equipment to improve vehicle quality | 716 |
| Equipment for the New Spare Parts Centre | 234 |
| Equipment for the painting department | 101 |
| The renewal of moulds due to wear and for safety reasons | 2,200 |

During the period, capitalisation amounting to €/000 13,227 was recognised, of which €/000 5,720 relative to investments made in previous years.

### Other assets €/000 2,046

As of 31 December 2013 the item Other assets, including assets under construction, comprised the following:

| | As of 31 December 2013 | As of 31 December 2012 | Change |
|---|---|---|---|
| In thousands of euros | | | |
| EDP systems | 512 | 632 | (120) |
| Office furniture and equipment | 872 | 926 | (54) |
| Vehicles | 68 | 89 | (21) |
| Cars | 594 | 566 | 28 |
| **Total** | **2,046** | **2,213** | **(167)** |

The item decreased overall by €/000 167. The negative imbalance is due to the decrease arising from amortisation for the period of €/000 501, as well as the disposal of residual costs for €/000 2 partially offset by new investments made during the year for €/000 336.
During the period, capitalisation amounting to €/000 449 was recognised, of which €/000 116 relative to investments made in previous years.

### Reversals of assets

The Company still has assets for which reversals have been made in compliance with specific regulations or during merger transactions.
The table below provides detailed figures for financial statement items, with reference to the legal provision or to the merger transaction.

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

### Warranties

As of 31 December 2013 the Company did not own land and buildings encumbered by mortgage liens or privileges in favour of banks to secure loans obtained in previous years.

### *16. Investimenti immobiliari* *€/000 0*

As of 31 December 2013 no investment property was held.

### *17. Investments* *€/000 61,383*

Investments comprise:

| | As of 31 December 2013 | As of 31 December 2012 | Change |
|---|---|---|---|
| In thousands of euros | | | |
| Investments in subsidiaries | 55,456 | 46,064 | 9,392 |
| Investments in affiliated companies | 5,927 | 5,273 | 654 |
| **Total** | **61,383** | **51,337** | **10,046** |

Movements for the period are shown below:

| | Carrying amount as of 31/12/2012 | Increases | Value reinstatement | Write-downs | Carrying amount as of 31/12/2013 |
|---|---|---|---|---|---|
| In thousands of euros | | | | | |
| **Subsidiaries** | | | | | |
| Piaggio Vespa B.V. | 11,927 | | | | 11,927 |
| Piaggio Vehicles Pvt Ltd | 15,793 | 7,932 | | | 23,725 |
| Nacional Motor | 0 | 7,754 | | (7,754) | 0 |
| Piaggio Vietnam Co Ltd | 1,762 | | | | 1,762 |
| Piaggio China Ltd | 589 | 5 | 1,446 | | 2,040 |
| Aprilia Racing S.r.l. | 1,440 | | | | 1,440 |
| Piaggio Espana SL | 2,721 | | | | 2,721 |
| Piaggio Indonesia | 4 | 9 | | | 13 |
| Piaggio Advanced Design Center | 76 | | | | 76 |
| Atlantic 12 FCIIC | 11,752 | | | | 11,752 |
| **Total subsidiaries** | **46,064** | **15,700** | **1,446** | **(7,754)** | **55,456** |
| | | | | | |
| **Affiliated companies** | | | | | |
| Zongshen Piaggio Foshan | 5,082 | | 654 | | 5,736 |
| Pontech Soc. Cons. a.r.l. | 181 | | | | 181 |
| Immsi Audit S.c.a.r.l. | 10 | | | | 10 |
| Mitsuba Italia SpA | 0 | | | | 0 |
| Fondazione Piaggio onlus | 0 | | | | 0 |
| **Total affiliated companies** | **5,273** | **0** | **654** | **0** | **5,927** |
| | | | | | |
| **Total investments** | **51,337** | **15,700** | **2,100** | **(7,754)** | **61,383** |

#### Investments in subsidiaries €/000 55,456

The increase in the investment in Piaggio Vehicles Private Limited of €/000 7,932 arises from the subscription and payment of the share capital and share premium increase decided by the subsidiary on 3 August 2013. The increase in the investment in National Motor of €/000 7,754 refers for €/000 2,954 relative to the payment made to cover the loss for 2012 and €/000 4,800 to the waiver of the portion of the loan to the subsidiary, decided on 31 May 2013, to cover the loss for the year.

The write-down of the investment in Nacional Motor of €/000 7,754 was made, based on the outcome of impairment testing. The impairment test also identified the need to recognise a further decrease of €/000 378, which was allocated as a liability in a specific provision for risks.

The increase of the investment in Piaggio China of €/000 1,451 refers to the subsidy paid during the year, of €/000 5, to the subsidiary, and to the value reinstatement, of €/000 1,446, confirmed by impairment testing, made after the positive economic performance indicated by the Chinese affiliated company Zongshen

Piaggio Foshan Motorcycle in relation to which Piaggio China holds an investment equal to 12.5% of the share capital.
The increase of the investment in Piaggio Indonesia of €/000 9 refers to a subsidy paid during the year to the subsidiary.

### Investments in affiliated companies €/000 5,927

The increase of €/000 654 refers to the recovery of the portion of the value of the investment in the Chinese company Zongshen Piaggio Foshan Motorcycle, written down in previous years, following its positive economic trend.

The value reinstatement of the investment in Zongshen Piaggio Foshan Motorcycle, confirmed by impairment testing, was determined based on the estimated recoverable value, represented by the value in use. This was calculated discounting expected cash flows processed on the basis of approved plans; the discount rate used includes a specific risk consistent with the geographic segment where the company operates.

## *18. Other non-current financial assets €/000 4,396*

| | As of 31 December 2013 | As of 31 December 2012 | Change |
|---|---|---|---|
| In thousands of euros | | | |
| Fair value of hedging derivatives | 4,233 | 9,938 | (5,705) |
| Investments in other companies | 163 | 163 | 0 |
| **Total** | **4,396** | **10,101** | **(5,705)** |

The item “Fair value of hedging derivatives” refers to the fair value of the cross currency swap on the private debenture loan, of which details are given in section 40 of the Notes.

The table below shows the composition of investments in other companies:

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

### *19. Current and non-current tax receivables* *€/000 10,199*

Tax receivables are broken down as follows:

| | As of 31 December 2013 | As of 31 December 2012 | Change |
|---|---|---|---|
| In thousands of euros | | | |
| VAT receivables | 7,270 | 1,930 | 5,340 |
| Tax receivables for taxes to be reimbursed | 1,382 | 1,512 | (130) |
| Other tax receivables | 1,547 | 1,281 | 266 |
| **Total** | **10,199** | **4,723** | **5,476** |

Non-current tax receivables total €/000 975 compared to €/000 1,190 as of 31 December 2012. During the year, reimbursements of €/000 395 were recognised, partially offset by new increases amounting to €/000 180. The net change amounted to €/000 215.
Current tax receivables due from Tax authorities total €/000 9,224 compared to €/000 3,533 as of 31 December 2012. The increase of €/000 5,691 is basically attributable to the positive change in VAT receivables of €/000 5,340.

### *20. Deferred tax assets* *€/000 21,446*

In compliance with IAS 12, the item indicates the net balance of deferred tax assets and liabilities. This net balance is broken down in the table below.

| | As of 31 December 2013 | As of 31 December 2012 | Change |
|---|---|---|---|
| In thousands of euros | | | |
| Deferred tax assets | 41,581 | 44,337 | (2,756) |
| Deferred tax liabilities | (20,135) | (20,862) | 727 |
| **Total** | **21,446** | **23,475** | **(2,029)** |

Deferred tax assets total €/000 41,581 compared to €/000 44,337 as of 31 December 2012, recording a negative change of €/000 2,756.
The balance of deferred tax assets as of 31 December 2013 refers to:
› €/000 22,258 for allocations made for temporary differences;
› €/000 19,323 for allocations made for tax losses generated under the National Consolidated Tax Mechanism of which IMMSI S.p.A. is the consolidating company.
The negative change of €/000 2,756 is attributable to:
› €/000 6,614 from the recognition in profit and loss of deferred tax assets recognised in previous years on temporary differences;
› €/000 589 from the recognition in Shareholders' equity of deferred tax assets recognised in previous years on temporary differences;
› €/000 15,825 from the recognition in profit and loss of deferred tax assets recognised in previous years on tax losses of which €/000 15,474 in relation to expected use concerning the definition of tax litigation;
› €/000 9,311 from the recognition of new deferred tax assets on temporary changes;
› €/000 10,961 from the recognition of new deferred tax assets determined on tax losses, of which €/000 8,534 relative to the overall tax loss expected to be offset within the framework of the Consolidated Tax Mechanism for the year 2013.
Additional deferred tax assets amounting to €/000 20,272 were recognised in light of forecast results of Piaggio & C. S.p.A., and the foreseeable use of relative tax benefits in future years.
Details of items affected by the allocation of deferred tax assets as well as the amount of deferred tax assets already recognised and not recognised are shown in the table below.

| | Amount | Tax effect 27.5% | Tax effect 3.9% |
|---|---|---|---|
| In thousands of euros | | | |
| Nacional Motor goodwill | 18,087 | 4,974 | 705 |
| Provisions for risks | 6,140 | 1,689 | 217 |
| Provision for product warranties | 9,835 | 2,705 | 384 |
| Provisions for write-down | 9,840 | 2,706 | |
| Provisions for obsolete stock | 23,866 | 6,563 | 931 |
| Interest payable to deduct within the framework of the Consolidated Tax Convention | 764 | 210 | |
| Other changes | 2,229 | 613 | 54 |
| **Total for provisions and other changes** | **70,761** | **19,460** | **2,291** |
| | | | |
| **IAS effects** | **7** | **2** | |
| | | | |
| 2007 tax loss including Moto Guzzi transferred to IMMSI | 10,987 | 3,021 | |
| 2011 tax loss transferred to IMMSI | 457 | 126 | |
| 2012 tax loss transferred to IMMSI | 27,788 | 7,642 | |
| 2013 tax loss to transfer to IMMSI | 31,034 | 8,534 | |
| **Total out of tax losses** | **70,266** | **19,323** | **0** |
| | | | |
| **Losses from the fair value measurement of financial instruments** | **1,837** | **505** | **0** |
| **Deferred tax assets already recognised** | | **41.581** | |
| **Deferred tax assets not recognised for provisions and other changes** | | **0** | |

Overall, deferred tax assets can be summarised as follows:

| | Values as of 31 December 2012 | Portion to the income statement | Portion recognised in shareholders' equity | Portion to the income statement | Portion allocated to shareholders' equity | Portion transformed into a tax receivable | Values as of 31 December 2013 |
|---|---|---|---|---|---|---|---|
| In thousands of euros | | | | | | | |
| Deferred tax assets for: | | | | | | | |
| Temporary changes | 20,150 | (6,614) | (589) | 9,311 | - | - | 22,258 |
| Previous tax losses | 2,113 | (2,113) | - | - | - | - | - |
| Losses generated within the framework of tax consolidation | 22,074 | (13,712) | - | 10,961 | - | - | 19,323 |
| **Total** | **44,337** | **(22,439)** | **(589)** | **20,272** | **-** | **-** | **41,581** |

Deferred tax liabilities total €/000 20,135 compared to €/000 20,862 as of 31 December 2012, recording a positive change of €/000 727.
As of 31 December 2013, provisions for deferred taxes referred to:
- €/000 4,141 for the surplus value recognised by the merged company Aprilia in 2005 for buildings already held through leases, and purchased back by Aprilia Leasing S.p.A.;
- €/000 505 for dividends resolved on by subsidiaries, still to be collected;
- €/000 268 for research subsidies to be received;
- €/000 2,247 for depreciation charges minus tax-recognised goodwill values;
- €/000 1,413 for tax-deducted costs, off the accounts, in relation to the application of IAS/IFRS;
- €/000 4,939 for allocation of the merger loss to the Aprilia brand, arising from its merger in 2005;
- €/000 6,622 for allocation of the merger loss to the Guzzi brand, arising from its merger in 2008.

Provisions for deferred taxes were reduced in the period by €/000 1,880 following recognition of the relative portion and increased by of €/000 1,153 for new provisions, of which €/000 989 in profit or loss, and €/000 164 in Shareholders' Equity.

### *21. Trade receivables* *€/000 73,520*

Current trade receivables amount to €/000 73,520 compared to €/000 57,342 as of 31 December 2012, registering a decrease of €/000 16,178.
No non-current trade receivables were recorded for either period.

| | As of 31 December 2013 | As of 31 December 2012 | Change |
|---|---|---|---|
| In thousands of euros | | | |
| Trade receivables | 43,843 | 38,682 | 5,161 |
| Trade receivables due from subsidiaries | 28,936 | 17,734 | 11,202 |
| Trade receivables due from affiliated companies | 731 | 926 | (195) |
| Trade receivables due from parent companies | 10 | - | 10 |
| **Total** | **73,520** | **57,342** | **16,178** |

Trade receivables are recorded net of a provision for bad debts equal to €/000 16,432.
Trade receivables comprise receivables referred to normal sales operations and include receivables in foreign currency, for a total value, at the exchange rate in effect as of 31 December 2013, taking account of exchange risk hedging, of €/000 7,591.

| Foreign currencies | Amount in currency |
|---|---|
| In thousands | |
| Canadian Dollar | 313 |
| Renminbi (Yuan) | 167 |
| Pound Sterling United Kingdom | 705 |
| Japanese Yen | 227,632 |
| Swedish krona | 1,635 |
| Singapore dollar | 98 |
| US Dollar | 6,390 |

The item "Trade receivables" includes invoices to issue amounting to €/000 342 relative to normal sales transactions and credit notes to issue amounting to €/000 10,362 mainly concerning premiums for the sales network in Italy and other countries reaching sales targets, as well as cash orders expired and being accredited, amounting to €/000 419.
Trade receivables are usually sold to factoring companies and mainly on a without recourse and advance payment collection basis.
The Company sells a large part of its trade receivables with and without recourse. Piaggio has signed contracts with some of the most important Italian and foreign factoring companies as a move to optimise the monitoring and the management of its trade receivables, besides offering its customers an instrument for funding their own inventories, for factoring classified as without the substantial transfer of risks and benefits. On the contrary, for factoring without recourse, contracts have been formalised for the substantial transfer of risks and benefits. As of 31 December 2013, trade receivables still due that were sold without recourse totalled €/000 44,825, of which Piaggio received payment prior to the natural maturity of the receivables for €/000 42,821.
As of 31 December 2013, advance payments received from factoring companies and banks, for trade receivables sold with recourse totalled €/000 23,871 with a counter entry recorded in current liabilities.

Movements in the provisions for write-down relative to trade receivables were as follows:

| In thousands of euros | |
|---|---|
| **Opening balance as of 1 January 2013** | **16,354** |
| Decreases for use recognised in profit or loss | (1,095) |
| Decreases for direct item use | (49) |
| Reclassifications from the provision for bad debts relative to long-term receivables | 49 |
| Increases for allocations | 1,175 |
| **Closing balance as of 31 December 2013** | **16,432** |

During the period, the provision for bad trade debts was used to cover losses amounting to €/000 1,144. Allocations to the provision were made against risks arising from the valuation of relative receivables as of 31 December 2013.
Trade receivables due from subsidiaries and affiliated companies refer to the supply of products undertaken in normal market conditions.

### *22. Other current and non-current receivables* *€/000 82,226*

Other non-current receivables amounted to €/000 3,828 compared to €/000 3,551 as of 31 December 2012, registering a decrease of €/000 277.
Their breakdown was as follows:

| Other non-current receivables | As of 31 December 2013 | As of 31 December 2012 | Change |
|---|---|---|---|
| In thousands of euros | | | |
| - due from social security institutions | 1,392 | 748 | 644 |
| - due from affiliated companies | 232 | 234 | (2) |
| - due from others | 2,204 | 2,569 | (365) |
| **Total** | **3,828** | **3,551** | **277** |

Receivables due from social security institutions refer to sums receivable from and payable by the Italian National Social Security Institute (INPS) for termination benefit accrued by employees on solidarity contracts.
The item "Other" includes Guarantee deposits amounting to €/000 298 and Prepaid expenses amounting to €/000 1,878.

Current trade receivables amounted to €/000 78,398 compared to €/000 87,068 as of 31 December 2012, registering a decrease of €/000 8,670.
Their breakdown is as follows:

| Other current receivables | As of 31 December 2013 | As of 31 December 2012 | Change |
|---|---|---|---|
| In thousands of euros | | | |
| Other receivables due from third parties | 12,461 | 16,358 | (3,897) |
| Other receivables due from subsidiaries | 58,815 | 64,099 | (5,284) |
| Other receivables due from affiliated companies | 404 | 251 | 153 |
| Other receivables due from parent companies | 6,718 | 6,360 | 358 |
| **Total** | **78,398** | **87,068** | **(8,670)** |

The item other receivables due from third parties comprises the following:

| | As of 31 December 2013 | As of 31 December 2012 | Change |
|---|---|---|---|
| In thousands of euros | | | |
| Receivables due from employees | 2,733 | 1,887 | 846 |
| Due from social security institutions | 1,706 | 502 | 1,204 |
| Sundry receivables from third parties: | | | |
| Amounts due to suppliers | 929 | 1,509 | (580) |
| Invoices and credit to issue | 1,579 | 1,104 | 475 |
| Sundry receivables due from Italian and foreign third parties | 1,201 | 3,517 | (2,316) |
| Receivables for the sale of property | 1 | - | 1 |
| Due from research subsidies to receive | 1,367 | 488 | 879 |
| Other receivables | 2,945 | 7,351 | (4,406) |
| **Total** | **12,461** | **16,358** | **(3,897)** |

Receivables due from employees refer to advances paid for secondments, sick leave, contract advances, cash provisions, etc.
Sundry receivables of €/000 1,201 mainly refer to receivables from Italian and foreign parties, originating from transactions not related to typical activities. The item is recognised net of provisions for write-downs of €/000 4,408.
Movements of the provision for bad debts relative to sundry receivables were as follows:

| | |
|---|---|
| In thousands of euros | |
| **Opening balance as of 1 January 2013** | **1,930** |
| Increases for allocations | 2,478 |
| **Closing balance as of 31 December 2013** | **4,408** |

During the period, the provision for bad debts was not used to cover losses.
During the measurement of relative receivables as of 31 December 2013, a further allocation to the provision of €/000 2,478 was necessary.

## *23. Inventories* *€/000 157,632*

As of 31 December 2013, this item totalled €/000 157,632, compared to €/000 170,464 at the end of 2012, and consisted of:

| | As of 31 December 2013 | As of 31 December 2012 | Change |
|---|---|---|---|
| In thousands of euros | | | |
| Raw, ancillary materials and consumables | 64,697 | 65,823 | (1,126) |
| Provisions for write-down | (8,274) | (8,151) | (123) |
| **Net value** | **56,423** | **57,672** | **(1,249)** |
| Work in progress and semifinished products | 18,149 | 19,507 | (1,358) |
| Provisions for write-down | (852) | (852) | 0 |
| **Net value** | **17,297** | **18,655** | **(1,358)** |
| Finished products and goods | 98,649 | 115,063 | (16,414) |
| Provisions for write-down | (14,739) | (20,926) | 6,187 |
| **Net value** | **83,910** | **94,137** | **(10,227)** |
| Advances | 2 | | 2 |
| **Total** | **157,632** | **170,464** | **(12,832)** |

Changes in the obsolescence fund are summarised in the table below:

| | As of 31/12/2012 | Use | Allocation | As of 31/12/2013 |
|---|---|---|---|---|
| In thousands of euros | | | | |
| Raw materials | 8,151 | - | 123 | 8,274 |
| Work in progress and semifinished products | 852 | - | - | 852 |
| Finished products and goods | 20,926 | (7,587) | 1,400 | 14,739 |
| **Total** | **29,929** | **(7,587)** | **1,523** | **23,865** |

### *24. Other current financial assets* — *€/000 12,952*

This item comprises:

| | As of 31 December 2013 | As of 31 December 2012 | Change |
|---|---|---|---|
| In thousands of euros | | | |
| Financial receivables due from subsidiaries | 12,952 | 12,738 | 214 |
| **Total** | **12,952** | **12,738** | **214** |

The item Financial receivables due from subsidiaries refers to a loan for Nacional Motor amounting to €/000 7,952 and a loan for Piaggio Vehicles Private Limited amounting to €/000 5,000.

### *25. Cash and cash equivalents* — *€/000 3,618*

This item mainly includes short-term or on demand bank deposits.
Cash and cash equivalents totalled €/000 3,618 against €/000 9,765 as of 31 December 2012, as detailed below:

| | As of 31 December 2013 | As of 31 December 2012 | Change |
|---|---|---|---|
| In thousands of euros | | | |
| Bank and postal deposits | 3,592 | 9,746 | (6,154) |
| Cash on hand | 26 | 19 | 7 |
| **Total** | **3,618** | **9,765** | **(6,147)** |

### *26. Assets held for sale* — *€/000 0*

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

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

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

## *Information on the statement of financial position - liabilities*

### *28. Share capital and reserves* — *€/000 316,906*

### Share capital — €/000 205,570

The change in share capital during 2013 was as follows:

| In thousands of euros | |
|---|---|
| Subscribed and paid up capital | 205,941 |
| Treasury shares purchased as of 31.12.2012 | (6,437) |
| Share capital as of 1 January 2013 | 199,504 |
| Exercise of stock options | 86 |
| Cancellation of treasury shares | 6,066 |
| Sale of treasury shares to exercise stock options | 200 |
| Purchase of treasury shares | (286) |
| **Share Capital as of 31 December 2013** | **205,570** |

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

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

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

### Share premium reserve — €/000 3,681

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

## Legal reserve €/000 16,902

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

## Other reserves €/000 23,255

This item consists of:

| | As of 31 December 2013 | As of 31 December 2012 | Change |
|---|---|---|---|
| In thousands of euros | | | |
| Stock option reserve | 13,385 | 13,385 | 0 |
| Financial instruments' fair value reserve | (1,565) | (3,269) | 1,704 |
| IFRS transition reserve | 11,435 | 11,435 | 0 |
| **Total other reserves** | **23,255** | **21,551** | **1,704** |

The financial instruments fair value provision is negative and refers to the effects of cash flow hedge accounting in foreign currencies and interest.  These transactions are described in full in the note on financial instruments.
As of 31 December 2012 this valuation was negative, amounting to €/000 3,269.

## Dividends paid and proposed €/000 33,087

In May 2013, dividends totalling €/000 33,087 were paid. In May 2012, dividends totalling €/000 29,878 were paid.

| | Total amount | | Dividend per share | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| In thousands of euros | | | | |
| Resolved and paid during the year | 33,087 | 29,878 | 0.092 | 0.082 |

## Earnings reserve €/000 67,498

## Other components of the Statement of Comprehensive Income €/000 2,136

The value of other components of the Statement of Comprehensive Income is broken down as follows:

| | Reserve for measurement of financial instruments | Profit reserve | Total other components of the Statement of Comprehensive Income |
|---|---|---|---|
| In thousands of euros | | | |
| **As of 31 December 2013** | | | |
| **Items that will not be reclassified in the income statement** | | | |
| Re-measurements of post-employment benefits | | 432 | 432 |
| Total | 0 | 432 | 432 |
| **Items that may be reclassified in the income statement** | | | |
| Total profits (losses) on cash flow hedge instruments | 1,704 | | 1,704 |
| Total | 1,704 | 0 | 1,704 |
| **Other components of the Statement of Comprehensive Income** | **1,704** | **432** | **2,136** |
| | | | |
| **As of 31 December 2012** | | | |
| **Items that will not be reclassified in the income statement** | | | |
| Re-measurements of post-employment benefits | | (4,382) | (4,382) |
| Total | 0 | (4,382) | (4,382) |
| **Items that may be reclassified in the income statement** | | | |
| Total profits (losses) on cash flow hedge instruments | (1,759) | | (1,759) |
| Total | (1,759) | 0 | (1,759) |
| **Other components of the Statement of Comprehensive Income** | **(1,759)** | **(4,382)** | **(6,141)** |

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

| | **As of 31 December 2013** | | | **As of 31 December 2012** | | |
|---|---|---|---|---|---|---|
| | *Gross value* | *Tax (expense)/ benefit* | *Net value* | *Gross value* | *Tax (expense)/ benefit* | *Net value* |
| In thousands of euros | | | | | | |
| Re-measurements of post-employment benefits | 596 | (164) | 432 | (5,597) | 1,215 | (4,382) |
| Total profits (losses) on cash flow hedge instruments | 2,292 | (588) | 1,704 | (2,065) | 306 | (1,759) |
| **Other components of the Statement of Comprehensive Income** | **2,888** | **(752)** | **2,136** | **(7,662)** | **1,521** | **(6,141)** |

Individual items of Shareholders' equity are analytically presented in the table below, based on origin, availability and use in the three previous years.

| Type/description | Amount | Possible use | Portion available | 2007 uses to cover losses |
|---|---|---|---|---|
| In thousands of euros | | | | |
| Nominal value of capital | 206,027 | | | |
| Nominal value of acquired treasury shares | (457) | | | |
| Capital reserves: | | | | |
| Share premium | 3,681 | A,B,C(*) | 3,681 | 32,961 |
| Profit reserves: | | | | |
| Legal reserve | 16,902 | B | - | |
| IAS transition reserve | 11,435 | A,B,C | 11,435 | 1,746 |
| Stock option reserve | 13,385 | A,B,C | 13,385 | |
| Financial instruments' fair value reserve | (1,565) | | | |
| *Total Reserves* | *43,838* | | *28,501* | *34,707* |
| Retained earnings (losses) | 73,431 | | | |
| Greater cost of purchased treasury shares | (1,788) | | | |
| Reserve for actuarial gains (losses) relative to defined benefit plan | (2,496) | | | |
| *Retained earnings (losses)* | *69,147* | *A,B,C* | | |
| Profits (losses) for the period | (1,649) | | | |
| **Total shareholders' equity** | **316,906** | | | |

*Key:*
*A: to increase capital*
*B: to cover losses*
*C: to allocate to shareholders*
*(*) wholly available to increase capital and cover losses.*
*For other uses prior adjustment (also by transfer from the share premium reserve) of the legal reserve to 20% of the Share Capital is necessary.*
*As of 31 December 2013 this adjustment would be equal to €/000 24,303.*

*Pursuant to article 2426 section 5 of the Italian Civil Code, shareholders' equity is not available for the value of development costs still to be amortised as of 31 December 2013 that amount to €/000 68,909.*

## *29. Current and non-current financial liabilities* *€/000 500,380*

In 2013, overall debt increased by €/000 61,055, from €/000 439,325 to €/000 500,380. Total financial debt in 2013, net of the fair value measurement of financial derivatives to hedge foreign exchange risk and interest rate risk of €/000 3,955, increased by €/000 66,875.

| | Financial liabilities as of 31 December 2013 | | | Financial liabilities as of 31 December 2012 | | | Change | | |
|---|---|---|---|---|---|---|---|---|---|
| | Current | Non-current | Total | Current | Non-current | Total | Current | Non-current | Total |
| In thousands of euros | | | | | | | | | |
| Gross financial debt | 102,301 | 394,124 | 496,425 | 105,487 | 324,063 | 429,550 | (3,186) | 70,061 | 66,875 |
| *Fair Value of hedging derivatives* | | 3,955 | 3,955 | | 9,775 | 9,775 | 0 | (5,820) | (5,820) |
| **Total** | **102,301** | **398,079** | **500,380** | **105,487** | **333,838** | **439,325** | **(3,186)** | **64,241** | **61,055** |

This increase is due to the repayment with available resources of financial payables due, partially offset by new loans granted.
Total net financial debt went up from €/000 407,046 as of 31 December 2012 to €/000 479,856 as of 31 December 2013, with an increase of €/000 72,810.

| | As of 31 December 2013 | As of 31 December 2012 | Change |
|---|---|---|---|
| In thousands of euros | | | |
| **Liquidity** | **3,618** | **9,765** | **(6,147)** |
| | | | |
| Short-term financial receivables due from subsidiaries | 12,952 | 12,738 | 214 |
| **Current financial receivables** | **12,952** | **12,738** | **214** |
| | | | |
| Current account overdrafts | (11,066) | (2,168) | (8,898) |
| Current account payables | (27,000) | (50,000) | 23,000 |
| Current portion of bank financing | (29,361) | (31,363) | 2,002 |
| Amounts due to factoring companies | (23,871) | (19,179) | (4,692) |
| Amounts due under leases | (5,809) | (936) | (4,873) |
| Current portion of payables due to other lenders | (1,920) | (1,621) | (299) |
| Borrowings from subsidiaries | (3,275) | (220) | (3,055) |
| **Current financial debt** | **(102,302)** | **(105,487)** | **3,185** |
| | | | |
| **Net current financial debt** | **(85,732)** | **(82,984)** | **(2,748)** |
| | | | |
| Payables due to banks and financing institutions | (195,614) | (120,171) | (75,443) |
| Debenture loan | (195,318) | (193,550) | (1,768) |
| Amounts due under leases | 0 | (5,809) | 5,809 |
| Amounts due to other lenders | (3,192) | (4,532) | 1,340 |
| **Non-current financial debt** | **(394,124)** | **(324,062)** | **(70,062)** |
| | | | |
| **Net financial debt*** | **(479,856)** | **(407,046)** | **(72,810)** |

** Pursuant to Consob Communication of 28 July 2006 and in compliance with the recommendation of the CESR of 10 February 2005 "Recommendation for the consistent implementation of the European Commission's Regulation on Prospectuses". The indicator does not include financial assets and liabilities arising from the fair value measurement of financial derivatives used as hedging, the fair value adjustment of relative hedged items equal to €/000 3,955 and relative accruals.*

The tables below show the composition of financial debt as of 31 December 2013 and 31 December 2012, as well as movements for the year.

| | Accounting balance as of 31.12.2012 | Repayments | New issues | Reclassifications to current portion | Other changes | Book value as of 31.12.2013 |
|---|---|---|---|---|---|---|
| In thousands of euros | | | | | | |
| **Non-current portion:** | | | | | | |
| Medium/long-term bank loans | 120,172 | | 104,039 | (29,361) | 764 | 195,614 |
| Bonds | 193,550 | | | | 1,768 | 195,318 |
| Other medium-/long-term loans | | | | | | |
| - of which amounts due other M.I.C.A. lenders | 4,532 | | 580 | (1,920) | | 3,192 |
| - of which amounts due under leases | 5,809 | | | (5,809) | | 0 |
| Total other loans due over 12 months | 10,341 | 0 | 580 | (7,729) | 0 | 3,192 |
| **Total** | **324,063** | **0** | **104,619** | **(37,090)** | **2,532** | **394,124** |

| | Accounting balance as of 31.12.2012 | Repayments | New issues | Reclassification from the non current portion | Other changes | Book value as of 31.12.2013 |
|---|---|---|---|---|---|---|
| In thousands of euros | | | | | | |
| **Current portion:** | | | | | | |
| Current account overdrafts | 2,168 | (811) | 9,709 | | | 11,066 |
| Current account payables | 50,000 | (30,000) | 7,000 | | | 27,000 |
| Payables due to factoring companies | 19,179 | (9) | 4,700 | | | 23,870 |
| Payables due to subsidiaries | 220 | (220) | 3,275 | | | 3,275 |
| Current portion of medium-/long-term loans: | | | | | | |
| - of which leases | 936 | (936) | | 5,809 | | 5,809 |
| - of which due to banks | 31,363 | (31,479) | | 29,361 | 116 | 29,361 |
| - of which amounts due other M.I.C.A. lenders | 1,621 | (1,621) | | 1,920 | | 1,920 |
| *Total loans due within the year* | *33,920* | *(34,036)* | 0 | *37,090* | *116* | *37,090* |
| **Total** | **105,487** | **(65,076)** | **24,684** | **37,090** | **116** | **102,301** |

The breakdown of the debt is as follows:

| | Book value as of 31.12.2013 | Book value as of 31.12.2012 | Nominal value as of 31.12.2013 | Nominal value as of 31.12.2012 |
|---|---|---|---|---|
| In thousands of euros | | | | |
| Bank financing | 263,041 | 203,703 | 264,565 | 203,819 |
| Bonds | 195,318 | 193,550 | 201,799 | 201,799 |
| Due to subsidiaries | 3,275 | 220 | 3,275 | 220 |
| Other medium -/long term loans: | | | | |
| of which amounts due to other lenders | 28,982 | 25,332 | 28,982 | 25,332 |
| of which leases | 5,809 | 6,745 | 5,809 | 6,745 |
| *Total other loans* | 34,791 | 32,077 | 34,791 | 32,077 |
| **Total** | **496,425** | **429,550** | **504,430** | **437,915** |

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

| | Nominal value as of 31.12.2013 | Amounts falling due within 12 months | Amounts falling due after 12 months | Amounts falling due in | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | 2015 | 2016 | 2017 | 2018 | Beyond |
| In thousands of euros | | | | | | | | |
| Bank financing | 264,565 | 67,427 | 197,138 | 35,282 | 127,743 | 11,733 | 11,237 | 11,143 |
| Bonds | 201,799 | 0 | 201,799 | 0 | 150,000 | 9,669 | 9,669 | 32,461 |
| of which amounts due to subsidiaries | 3,275 | 3,275 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other medium-/long-term loans: | | | | | | | | |
| of which leases | 5,809 | 5,809 | 0 | | 0 | 0 | 0 | 0 |
| of which amounts due to other lenders | 28,982 | 25,790 | 3,192 | 1,930 | 312 | 314 | 316 | 319 |
| *Total other loans* | *34,791* | *31,599* | *3,192* | *1,930* | *312* | *314* | *316* | *319* |
| **Total** | **504,430** | **99,026** | **402,129** | **37,212** | **278,055** | **21,716** | **21,223** | **43,923** |

The financial debt consisted of loans and debenture loans contracted primarily in euro; the only financial liability in currency consisted of the private debenture loan (US Private Placement), also covered by a cross currency swap as described in detail below.

Medium and long-term bank debt amounts to €/000 224,975 (of which €/000 195,614 non-current and €/000 29,361 current) and consists of the following loans:

- a €/000 53,572 medium-term loan from the European Investment Bank to finance Research & Development investments planned for the period 2009-2012. The loan will fall due in February 2016 and has an initial amortisation quota of 14 six-monthly instalments to be repaid at a variable rate equal to the six-month Euribor plus a spread of 1.323%. Contract terms require covenants (described below). An interest rate swap was taken out on the loan to hedge the interest rate risk (for more details, see section 40);
- a €/000 60,000 medium-term loan from the European Investment Bank to finance Research & Development investments planned for the period 2013-2015. The loan will fall due in December 2019 and has an amortisation quota of 11 six-monthly instalments at a fixed rate of 2.723%. Contract terms require covenants (described below);
- a medium-term revolving syndicated loan of €/000 103,475 (nominal value of €/000 105,000) granted in December 2011 and finalised in January 2012, as suspension conditions had been met. The loan, of a total value of €/000 200,000, has an irrevocable duration of 4 years and because of this commitment undertaken by the lenders, inter-annual use may be extended up to final maturity. Consequently, the loan is classified under non-current liabilities. Contract terms require covenants (described below);
- a €/000 3,832 loan from Banca Intesa granted pursuant to Italian Law no. 346/88 on subsidised applied research;

› a €/000 3,196 loan from Banca Intesa and other banks granted pursuant to Italian Law no. 297/99 on subsidised applied research;
› a €/000 900 eight-year subsidised loan from ICCREA in December 2008 granted under Italian Law 100/90.

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

The item Bonds for €/000 195,318 (nominal value of €/000 201,799) refers to:
› €/000 143,837 (nominal value of €/000 150,000) related to a high-yield debenture loan issued on 4 December 2009 for a nominal amount of €/000 150,000, falling due on 1 December 2016 and with a semi-annual coupon with fixed annual nominal rate of 7%. Standard & Poor's and Moody's assigned a BB- and Ba3 rating respectively with a stable outlook;
› €/000 51,481 (nominal value of €/000 51,799) related to a private debenture loan (US Private Placement) issued on 25 July 2011 for $/000 75,000 wholly subscribed by an American institutional investor, payable in 5 annual portions from July 2017, with a semi-annual coupon with fixed annual nominal rate of 6.50%. As of 31 December 2013 the fair value measurement of the debenture loan was equal to €/000 55,754 (the fair value is determined based on IFRS relative to fair value hedging). Cross currency swaps were taken out on this loan to hedge the exchange risk and interest rate risk (for more details, see note 40).

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

Medium-/long-term payables due to other lenders equal to €/000 10,921 of which €/000 3,192 due after the year and €/000 7,729 as the current portion, are detailed as follows:
› a property lease for €/000 5,809 granted by Unicredit Leasing (including the entire current portion);
› subsidised loans for a total of €/000 5,112 provided by the Italian Ministry of Economic Development and Italian Ministry of Education, University and Research using regulations to encourage exports and investment in research and development (non-current portion of €/000 3,192).

Financial advances received from factoring companies and banks, on the sale of trade receivables with recourse, totalled €/000 23,870.

### Covenants

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

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

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

The high-yield debenture loan issued by the company in December 2009 requires compliance with typical covenants of international high-yield market practices. In particular, the company must observe the EBITDA/Net financial borrowing costs index, based on the threshold established in the prospectus, to increase financial debt defined during issue. In addition, the prospectus includes some obligations for the issuer, which limit, inter alia, the capacity to:

1. pay dividends or distribute capital;
2. make some payments;
3. grant collaterals for loans;
4. merge with or establish some companies;
5. sell or transfer own assets.

Failure to comply with the covenants and other contract commitments of the loan and debenture loan, if not remedied in agreed times, may give rise to an obligation for the early repayment of the outstanding amount of the loan.

## *30. Trade payables (current)* — *€/000 240,285*

Trade payables are wholly included under current liabilities and total €/000 240,285, compared to €/000 266,849 as of 31 December 2012.

| Current liabilities | As of 31 December 2013 | As of 31 December 2012 | Change |
|---|---|---|---|
| In thousands of euros | | | |
| Amounts due to suppliers | 215,427 | 236,299 | (20,872) |
| Amounts due to subsidiaries | 14,020 | 13,626 | 394 |
| Amounts due to affiliated companies | 10,127 | 16,154 | (6,027) |
| Amounts due to parent companies | 711 | 770 | (59) |
| | | | |
| Total | 240,285 | 266,849 | (26,564) |
| *of which reverse factoring* | *90,041* | *19,664* | *70,377* |
| | | | |
| **Total** | **240,285** | **266,849** | **(26,564)** |

The item comprises trade payables of €/000 224,915 for the purchase of goods, materials and services for business operations and €/000 15,370 for the purchase of assets.
The item includes payables in foreign currency, for a total value, at the exchange rate in effect at 31 December 2013, taking account of hedging on exchange risk, of €/000 27,925.

| Foreign currencies | Amount in currency |
|---|---|
| In thousands | |
| Australian Dollar | 4 |
| Swiss Franc | 17 |
| Renminbi (Yuan) | 36,690 |
| Pound Sterling United Kingdom | 1,082 |
| Hong Kong Dollar | 11 |
| Indian Rupee | 594 |
| Japanese Yen | 357,942 |
| Norwegian krone | 146 |
| Swedish krone | 678 |
| US Dollar | 26,946 |

As regards the amount of €/000 45, the payment of amounts due under this item is guaranteed by bank guarantees.

To facilitate credit conditions for its suppliers, the Company has used factoring agreements since 2012, mainly supply chain financing and reverse factoring agreements, as described in more detail in "accounting policies adopted by the Company", to which reference is made. These operations did not change the primary obligation, nor substantially changed payment terms, so their nature is the same and they are still classified as trade liabilities.
As of 31 December 2013, the value of trade payables covered by reverse factoring or supply chain financing agreements was equal to €/000 90,041 ( €/000 19,664 as of 31 December 2012).

### *31. Current and non-current portion of provisions* *€/000 21,484*

| | Balance as of 31 December 2012 | Allocations | Applications | Adjustment | Reclassification | Balance as of 31 December 2013 |
|---|---|---|---|---|---|---|
| In thousands of euros | | | | | | |
| **Provisions for risks** | | | | | | |
| Risk provisions on investments | 1,905 | 378 | (1,905) | | | 378 |
| Provisions for contractual risks | 3,935 | | | (19) | | 3,916 |
| Risk provision for legal disputes | 2,470 | | (158) | (145) | | 2,167 |
| Provision for guarantee risks | 58 | | | | | 58 |
| Provisions for tax risks | 17 | 5,130 | (17) | | | 5,130 |
| *Total provisions for risks* | *8,385* | *5,508* | *(2,080)* | *(164)* | *0* | *11,649* |
| **Provisions for expenses** | | | | | | |
| Provision for product warranties | 12,278 | 6,596 | (8,134) | | (905) | 9,835 |
| Provision for quality-related events | 789 | | (1,694) | | 905 | 0 |
| *Total provisions for expenses* | *13,067* | *6,596* | *(9,828)* | *0* | *0* | *9,835* |
| **Total provisions for risks and charges** | **21,452** | **12,104** | **(11,908)** | **(164)** | **0** | **21,484** |

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

| Current portion | As of 31 December 2013 | As of 31 December 2012 | Change |
|---|---|---|---|
| In thousands of euros | | | |
| Risk provisions on investments | 378 | 1,905 | (1,527) |
| Provisions for tax risks | 5,130 | 18 | 5,112 |
| Provision for product warranties | 6,885 | 8,834 | (1,949) |
| Provision for quality-related events | - | 789 | (789) |
| **Total current portion** | **12,393** | **11,546** | **847** |

| Non-current portion | As of 31 December 2013 | As of 31 December 2012 | Change |
|---|---|---|---|
| In thousands of euros | | | |
| Provisions for contractual risks | 3,916 | 3,935 | (19) |
| Risk provision for legal disputes | 2,167 | 2,470 | (303) |
| Provision for guarantee risks | 58 | 58 | 0 |
| Provision for product warranties | 2,950 | 3,443 | (493) |
| **Total non-current portion** | **9,091** | **9,906** | **(815)** |

The provision for risks on investments as of 31 December 2013 refers to the subsidiary Nacional Motor and was allocated in the year following results of impairment testing and the commitment of Piaggio & C to support the company.
The provision for contract risks refers exclusively to charges which could arise from the renegotiation of a supply contract. The adjustment of €/000 19 refers instead to the valuation of correlated risks carried out at the end of the period.
The provision for litigation concerns €/000 517 for labour litigation and the difference of €/000 1,650 refers to other legal proceedings. €/000 158 was used, of which €/000 8 to settle employment claims

and €/000 150 to settle other claims. Adjustments of €/000 145 wholly reflect the valuation of labour litigation.
The risk provision for guarantees provided refers to charges expected for guarantees issued on the transfer of company investments.
€/000 18 of the provision for tax risks was used, following a notice for repayment concerning council tax, and was increased by €/000 5,130 in relation to costs for defining tax litigation.
The provision for product warranties of €/000 9,835 refers to potential liabilities related to the sale of products. The provision refers to allocations for technical assistance on products covered by customer service which are estimated to be provided over the contractually envisaged warranty period. This period varies according to the type of goods sold to the sales market and to customer take-up to commit to a scheduled maintenance plan.
The provision increased during the year by €/000 6,596 for new allocations and was used for €/000 8,134 for expenses sustained referring to sales in previous years. €/000 905 of the provision for warranties was reclassified to the provision for quality-related events.
The provision for quality-related event was wholly used for costs incurred in the period amounting to €/000 1,694.

## *32. Retirement funds and employee benefits* *€/000 48,066*

| | As of 31 December 2013 | As of 31 December 2012 | Change |
|---|---|---|---|
| In thousands of euros | | | |
| Provision for retirement | 116 | 107 | 9 |
| Termination benefits | 47,950 | 48,526 | (576) |
| **Total** | **48,066** | **48,633** | **(567)** |

The provision for retirement mainly consists of supplementary client funds, representing the amounts payable to agents if agency agreements are terminated for reasons not attributable to them. During the year, the provision was increased by €/000 9 for benefits accrued during the period.

Movements for termination benefits are as follows:

| | |
|---|---|
| In thousands of euros | |
| **Opening balance as of 1 January 2013** | **48,526** |
| Cost for the period | 8,084 |
| Actuarial losses recognised as Shareholders' Equity | (596) |
| Interest cost | 1,581 |
| Use and transfers of retirement funds | (9,663) |
| Other changes | 18 |
| **Closing balance as of 31 December 2013** | **47,950** |

### Economic/technical assumptions

Technical valuations are based on the assumptions outlined below:

| | |
|---|---|
| Technical annual discount rate | 3.39% |
| Annual rate of inflation | 2.00% |
| Annual rate of increase in termination benefits | 3.00% |

As regards the discount rate, the iBoxx Corporates A rating with a 10+ duration as of 31 December 2013, and as of 31 December 2012, was used as the valuation reference.
If the iBoxx Corporates AA rating with a 10+ duration had been used, the value of actuarial losses and the provision as of 31 December would have been higher by €/000 930.

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

| Provision for termination benefits | |
|---|---|
| In thousands of euros | |
| Turnover rate +2% | 47,871 |
| Turnover rate -2% | 46,912 |
| Inflation rate + 0.25% | 48,632 |
| Inflation rate - 0.25% | 47,228 |
| Discount rate + 0.50% | 45,915 |
| Discount rate - 0.50% | 50,079 |

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

| Year | Future amounts |
|---|---|
| In thousands of euros | |
| 1 | 3,499 |
| 2 | 3,356 |
| 3 | 3,138 |
| 4 | 3,388 |
| 5 | 2,885 |

### *33. Current and non-current tax payables* *€/000 7,117*

Tax payables totalled €/000 7,117 compared to €/000 8,776 as of 31 December 2012.

| | As of 31 December 2013 | As of 31 December 2012 | Change |
|---|---|---|---|
| In thousands of euros | | | |
| **Non-current portion:** | | | |
| - Taxes withheld in a capacity as withholding agent | - | 464 | (464) |
| **Current portion:** | | | |
| Due for income taxes | 1,493 | 1,059 | 434 |
| Other tax payables for: | | | |
| - VAT | 800 | 1,263 | (463) |
| - Tax withheld at source | 4,134 | 3,960 | 174 |
| - Taxes withheld in a capacity as withholding agent | 464 | 1,905 | (1,441) |
| - Duty and tax records to pay | 226 | 125 | 101 |
| *Total other tax payables* | *5,624* | *7,253* | *(1,629)* |
| *Total current portion* | *7,117* | *8,312* | *(1,195)* |
| **Total** | **7,117** | **8,776** | **(1,659)** |

Current tax payables of €/000 1,493 refer to taxes to pay abroad for income generated abroad, mainly for royalties, technical consultancy services and other services to the subsidiaries Piaggio Vehicles and Piaggio Vietnam.
Tax payables relative to income generated in Italy are offset against relative tax receivables. Regional production tax due for the year amounted to €/000 2,720. Separate corporate income tax on CFCs amounted to €/000 262. As regards corporate income tax, the company expects to contribute to the National Consolidated Tax Convention, with a negative taxable amount of €/000 31,655.

VAT to pay refers to the amount due at the end of the year for VAT due in European states where direct identification was obtained with reference to this tax.
Payables for withheld taxes paid refer to the income of employee and outsourced work and commission.
The total amount payable of €/000 464, relative to taxes withheld in a capacity as withholding agent, refers to taxes withheld at source concerning the loan with the subsidiary Piaggio Finance, which stopped in 2009.

### *34. Other payables (current and non-current)* *€/000 50,015*

| Non-current portion | As of 31 December 2013 | As of 31 December 2012 | Change |
|---|---|---|---|
| In thousands of euros | | | |
| Deferred income | 1,113 | 872 | 241 |
| Payables from the fair value measurement of financial instruments | 1.102 | 2.841 | (1.739) |
| **Other payables** | 200 | 400 | (200) |
| **Total** | **2,415** | **4,113** | **(1,698)** |

| Current portion | As of 31 December 2013 | As of 31 December 2012 | Change |
|---|---|---|---|
| In thousands of euros | | | |
| Amounts due to subsidiaries | 11,984 | 8,864 | 3,120 |
| Amounts due to affiliated companies | 84 | 32 | 52 |
| Amounts due to parent companies | 6,022 | 60 | 5,962 |
| Payables to employees | 10,818 | 12,925 | (2,107) |
| Amounts due to social security institutions | 7,286 | 7,851 | (565) |
| Amounts due to company boards | 101 | 120 | (19) |
| Amounts due for temporary funding | 126 | 69 | 57 |
| Amounts due for financial statement assessments | 232 | 320 | (88) |
| Amounts due to customers | 2,955 | 3,065 | (110) |
| Payables from the fair value measurement of financial instruments | 972 | 1,522 | (550) |
| Accrued expenses | 3,300 | 3,377 | (77) |
| Deferred income | 256 | 905 | (649) |
| Other payables | 3,464 | 5,898 | (2,434) |
| **Total** | **47,600** | **45,008** | **2,592** |

Other payables included in non-current liabilities totalled €/000 2,415 against €/000 4,113 as of 31 December 2012, whereas other payables included in current liabilities totalled €/000 47,600 compared to €/000 45,008 as of 31 December 2012.

As regards the non-current portion:
› Deferred income comprises €/000 1,028 from grants to recognise in profit or loss in relation to amortisation/depreciation, €/000 85 for income cashed but relative to other years arising from licence agreements.
› Payables from the fair value measurement of financial instruments refer to transactions accounted for on a cash flow hedge basis.
› Other payables refer to €/000 200 for the guarantee deposit paid in 1997 by T.N.T. Automotive Logistics S.p.A. to guarantee the payment of termination benefits accrued by employees of the sold company branch concerned with the receipt, packing, storage and distribution of spare parts and accessories.

As regards the current portion:
› Payables to parent companies refer to IMMSI S.P.A and include the amount of €/000 3,990 relative to the expected use of losses within the framework of the Consolidated Tax Convention for the purpose of defining litigation with the Italian Tax Authority.

- Amounts due to employees include the amount for holidays accrued but not taken of €/000 7,804 and other payments to be made for €/000 3,014.
- Contributions of €/000 126 refer to contributions relative to subsidies for research activities not yet acquired.
- Amounts due to clients mainly refer to premiums paid for clients achieving sales targets that will be paid at the end of the reporting period and to credit notes for returns.
- Deferred income comprises research subsidies (€/000 250) to recognise in profit or loss in relation to amortisation, as well as interest receivable on deferred payments of customers (€/000 6) of which income will be recognised in profit or loss in the following year.
- Accrued expenses refer to €/000 1,223 for interest on loans, €/000 1,875 for interest on debenture loans, €/000 23 for interest on sundry payables and €/000 179 for sundry costs and expenses.

### *35. Share-based incentive plans*

Since 2010, Piaggio has no longer approved any incentive plans based on the allocation of financial instruments.
Stock option plans adopted assign rights free of charge to purchase Piaggio shares on a 1:1 ratio.
With regard to the 2007-2009 incentive plan approved by the General Meeting of Shareholders on 7 May 2007 for executives of the Company or of its Italian and/or foreign subsidiaries, in compliance with article 2359 of the Italian Civil Code, as well as for directors having powers in the aforesaid subsidiaries ("2007-2009 plan") during the year 500,000 option rights were exercised, while 70,000 option rights were waived.

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

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

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

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

As previously mentioned in the section on consolidation principles, the cost of payments, corresponding to the present value of options which the company determined applying the Black-

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

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

## *36. Fees for Directors, Statutory Auditors and Key Managers*

For a complete description and analysis of fees of Directors, Statutory Auditors and Key Managers, reference is made to the Remuneration Report available from the registered office, and on the Company's website in the section "*Governance*".

| | **2013** |
|---|---|
| In thousands of euros | |
| Administrators | 1,820 |
| Statutory auditors | 316 |
| Key Managers | 516 |
| **Total fees** | **2,652** |

## *37. Payables due after 5 years*

The company has loans due after 5 years, which are referred to in detail in Note 29 Financial Liabilities.

## *38. Information on related parties*

Revenues, costs, payables and receivables as of 31 December 2013 involving parent companies, subsidiaries and affiliated companies relate to the sale of goods or services which are a part of normal operations of the Group.
Transactions are carried out at normal market values, depending on the characteristics of the goods and services provided.
The procedure for transactions with related parties, pursuant to article 4 of Consob Regulation no. 17221 of 12 March 2010 as amended, approved by the Council on 30 September 2010, is published on the institutional site of the Issuer www.piaggiogroup.com, under *Governance*.

## *Relations with Parent Companies*

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

› As regards mandatory financial disclosure, and in particular the financial statements and reports on operations of the Group, IMMSI has produced a group manual containing the accounting standards adopted and options chosen for implementation, in order to give a consistent and fair view of the consolidated financial statements.

› IMMSI has defined procedures and times for preparing the budget and in general the industrial plan of Group companies, as well as final management analysis to support management control activities.

› IMMSI has also provided services for the development and management of Company assets, with a view to optimising resources within the Group, and provided property consultancy services and other administrative services.

› Lastly, IMMSI has provided consultancy services and assistance for the Company and subsidiaries concerning extraordinary financing operations, organisation, strategy and coordination, as well as services intended to optimise the financial structure of the Group.

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

Piaggio & C. S.p.A. has undertaken a rental agreement for offices owned by Omniaholding S.p.A.. This agreement, signed in normal market conditions, was previously approved by the Related-Party Transactions Committee, as provided for by the procedure for transactions with related parties adopted by the Company.
In addition, Omniaholding S.p.A. has undersigned Piaggio & C. bonds for a value of € 2.9 million on the financial market, and collected related interest.

## *Transactions with subsidiaries*

The main intercompany relations with subsidiaries refer to the following transactions:

Piaggio & C. S.p.A

- sells vehicles, spare parts and accessories to sell on respective markets, to:
  - Piaggio Hrtvaska
  - Piaggio Hellas
  - Piaggio Group Americas
  - Piaggio Vehicles Private Limited
  - Piaggio Vietnam
- sells components to:
  - Piaggio Vehicles Private Limited
  - Piaggio Vietnam
- grants licences for rights to use the brand and technological know-how to:
  - Piaggio Vehicles Private Limited
  - Piaggio Vietnam
- provides support services for scooter and engine industrialisation to:
  - Piaggio Vehicles Private Limited
  - Piaggio Vietnam
- provides support services for staff functions of other Group companies
- issues guarantees for the Group's subsidiaries, for medium-term loans.
- purchases vehicles, spare parts and accessories for sale on respective markets by:
  - Piaggio Vietnam
- purchases vehicles, spare parts and accessories for sale on respective markets and components and engines for use in manufacturing by:
  - Piaggio Vehicles Private Limited
- receives back office business and administration services as well as credit management services from:
  - Piaggio Vespa
- receives a vehicle, spare parts and accessories distribution service on respective markets from:
  - Piaggio Hrtvaska
  - Piaggio Hellas
  - Piaggio Group Americas
  - Piaggio Vietnam
- receives a sales promotion service and after-sales services on respective markets from:
  - Piaggio France
  - Piaggio Deutschland
  - Piaggio Limited
  - Piaggio Espana
  - Piaggio Vespa
- receives a components and vehicles design/development service and a local supplier scouting service from:
  - Foshan Piaggio Vehicles Technologies R&D:
- receives a vehicle and components research/design/development service from:
  - Piaggio Advanced Design Center
- receives a racing team management service and vehicle design service from:
  - Aprilia Racing
- rents a property from:
  - Atlantic 12.

### *Relations between Piaggio & C. S.p.A. and JV Zongshen Piaggio Foshan Motorcycle Co. Ltd*

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

Piaggio & C. S.P.A.

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

Zongshen Piaggio Foshan Motorcycle Co. Ltd

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

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

| In thousands of euros | Revenues from sales | Costs for materials | Costs for services, lease and rentals | Other operating income | Other operating costs | Financial income | Borrowing Costs | Taxes | Other receivables due after one year | Trade receivables | Other recevables due within one year | Financial receivables | Financial payables due after one year | Financial payables due within one year | Trade payables | Other payables due within one year |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Piaggio France SAS** | 0 | 9 | 6,684 | 301 | 0 | 0 | 0 | 0 | 0 | 29 | 165 | 0 | 0 | 1,242 | 1,156 | 0 |
| **Piaggio Deutschland GMBH** | 0 | 0 | 4,465 | 154 | 0 | 0 | 0 | 0 | 0 | 37 | 99 | 0 | 0 | 465 | 914 | 0 |
| **Piaggio Limited** | 0 | 0 | 2,662 | 124 | 0 | 0 | 0 | 0 | 0 | 3 | 134 | 0 | 0 | 0 | 524 | 0 |
| **Piaggio Hrvatska DOO** | 2,675 | 0 | 11 | 46 | 4 | 0 | 11 | 0 | 0 | 1 | 9 | 0 | 0 | 0 | 0 | 0 |
| **Piaggio Hellas S.A.** | 16,500 | 0 | 91 | 220 | 0 | 0 | 2 | 0 | 0 | 1,789 | 78 | 0 | 0 | 0 | 36 | 0 |
| **Piaggio Group Americas Inc.** | 49,579 | 0 | 457 | 748 | 0 | 0 | 24 | 0 | 0 | 4,400 | 287 | 0 | 0 | 0 | 15 | 0 |
| **Piaggio Asia Pacific Ltd** | 0 | 0 | 0 | 38 | 0 | 0 | 0 | 0 | 0 | 0 | 61 | 0 | 0 | 0 | 0 | 0 |
| **Piaggio Vehicles Pvt. Ltd** | 762 | 5,383 | 140 | 12,842 | 0 | 240 | 0 | 0 | 0 | 1,930 | 14,733 | 5,000 | 0 | 0 | 2,028 | 0 |
| **Nacional Motor S.A.** | 326 | 4,114 | 494 | 153 | 2,101 | 112 | 0 | 0 | 0 | 28 | 104 | 7,951 | 0 | 0 | 188 | 0 |
| **Atlantic 12** | 0 | 0 | 889 | 62 | 0 | 0 | 0 | 0 | 0 | 124 | 0 | 0 | 0 | 0 | 540 | 0 |
| **Piaggio España SLU** | 0 | 0 | 4,248 | 89 | 0 | 0 | 0 | 0 | 0 | 0 | 51 | 0 | 0 | 402 | 1,174 | 0 |
| **Piaggio Vespa B.V.** | 0 | 0 | 4,357 | 200 | 526 | 0 | 0 | 0 | 0 | 3 | 16,097 | 0 | 0 | 6,309 | 275 | 2 |
| **Zongshen Piaggio Foshan Motorcycle Co. Ltd** | 26 | 21,683 | 3 | 427 | 1 | 0 | 105 | 0 | 0 | 730 | 372 | 0 | 0 | 0 | 10,167 | 58 |
| **Studio d'Urso** | 0 | 0 | 73 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Is Molas Resort** | 0 | 0 | 49 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Fondazione Piaggio** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 231 | 0 | 0 | 0 | 0 | 0 | 0 | 26 |
| **IMMSI S.p.A.** | 0 | 0 | 2,950 | 50 | 14 | 0 | 0 | 5,849 | 0 | 10 | 6,718 | 0 | 0 | 0 | 692 | 6,022 |
| **Immsi Audit** | 0 | 0 | 780 | 124 | 0 | 0 | 0 | 0 | 0 | 6 | 32 | 0 | 0 | 0 | 0 | 0 |
| **Piaggio Group Japan** | 0 | 0 | 0 | 197 | 41 | 0 | 0 | 0 | 0 | 0 | 85 | 0 | 0 | 0 | 0 | 0 |
| **Piaggio Vietnam Co. Ltd** | 37,307 | 17,660 | 331 | 15,230 | 0 | 0 | 0 | 0 | 0 | 20,318 | 24,244 | 0 | 0 | 0 | 6,654 | 3,313 |
| **Aprilia Racing Srl** | 81 | 8 | 8,999 | 1,045 | 0 | 2 | 3 | 0 | 0 | 182 | 1,295 | 0 | 0 | 3,275 | 263 | 0 |
| **PT Piaggio Indonesia** | 0 | 0 | 0 | 1,090 | 0 | 0 | 0 | 0 | 0 | 65 | 1,304 | 0 | 0 | 0 | 2 | 251 |
| **Foshan Piaggio Vehicles Technology R&D Co. Ltd** | 0 | 0 | 1,759 | 92 | 0 | 0 | 0 | 0 | 0 | 19 | 70 | 0 | 0 | 0 | 163 | 0 |
| **Piaggio Advanced Design Center Corporation** | 0 | 0 | 349 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 46 | 0 |
| **Omniaholding** | 0 | 0 | 65 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2,900 | 0 | 20 | 0 |
| **Derbi Racing SL** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0 |
| **Total** | 107,256 | 48,858 | 39,859 | 33,231 | 2,687 | 356 | 145 | 5,849 | 231 | 29,675 | 65,937 | 12,952 | 2,900 | 11,693 | 24,858 | 9,671 |
| **Accounting for a % su voce bilancio** | **15.0%** | **12.2%** | **22.2%** | **32.1%** | **11.2%** | **44.6%** | **0.5%** | **30.6%** | **6.0%** | **40.4%** | **84.1%** | **100.0%** | **0.7%** | **11.4%** | **10.3%** | **20.3%** |

### *39. Contract commitments and guarantees*

Contract commitments of the Company are summarised based on their expiry.

| | In 1 year | Between 2 and 5 years | After 5 years | Total |
|---|---|---|---|---|
| In thousands of euros | | | | |
| Operating leases | 3,151 | 6,496 | 380 | **10,027** |

The main guarantees issued by banks on behalf of Piaggio & C. S.p.A in favour of subsidiaries and third parties are listed below:

| Type | Amount €/000 |
|---|---|
| Warrant to grant credit of Piaggio & C. for USD 19,000,000 to guarantee the credit line of an equal amount granted by I.F.C. to the subsidiary Piaggio Vehicles Private Limited | |
| of which drawn | 13,777 |
| of which undrawn | 0 |
| Warrant to grant credit of Piaggio & C. for USD 17,850,000 to guarantee the credit line of an equal amount granted by I.F.C. to the subsidiary Piaggio Vehicles Private Limited | |
| of which drawn | 12,943 |
| of which undrawn | 0 |
| Warrant to grant credit of Piaggio & C. for USD 6,000,000 to guarantee the credit line of USD 5,000,000 granted by the Bank of America to the subsidiary Piaggio Vehicles Private Limited | |
| of which drawn | 0 |
| of which undrawn | 4,351 |
| Warrant to grant credit of Piaggio & C. for INR 550,000,000 to guarantee the credit line of INR 500,000,000 granted by the Hongkong and Shanghai Banking Corporation to the subsidiary Piaggio Vehicles Private Limited | |
| of which drawn | 0 |
| of which undrawn | 6,443 |
| Warrant to grant credit of Piaggio & C. for USD 22,000,000 to guarantee the credit line of USD 20,000.00 granted by the Bank of America to the subsidiary Piaggio Vehicles Private Limited | |
| of which drawn | 3,296 |
| of which undrawn | 12,657 |
| A guarantee of Piaggio & C. on a line for derivatives, agreed on with Citibank, for the subsidiary Piaggio Vehicles Private Limited for USD 9,000,000 | |
| of which drawn | 275 |
| of which undrawn | 6,250 |
| A guarantee of Piaggio & C. on a line for derivatives, agreed on with Hongkong and Shanghai Banking Corporation, for the subsidiary Piaggio Vehicles Private Limited for USD 7,150,000 | |
| of which drawn | 259 |
| of which undrawn | 4,926 |
| A guarantee of Piaggio & C. on a line for derivatives, agreed on with the Bank of America, for the subsidiary Piaggio Vehicles Private Limited for USD 3,000.000 | |
| of which drawn | 100 |
| of which undrawn | 2,075 |
| Warrant to grant credit of Piaggio & C. for USD 19,680,000 to guarantee the credit line of an equal amount granted by I.F.C. to the subsidiary Piaggio Vietnam | |
| of which drawn | 14,270 |
| of which undrawn | 0 |
| Warrant to grant credit of Piaggio & C. for USD 22,000,000 to guarantee the credit line of USD 20,000,000 granted by ANZ to the subsidiary Piaggio Vietnam | |
| of which drawn | 1,833 |
| of which undrawn | 14,120 |
| A guarantee of Piaggio & C. for a guarantee on derivatives agreed on by I.F.C. for the subsidiary Piaggio Vietnam | |
| of which drawn | 1,542 |
| of which undrawn | 0 |
| Warrant to grant credit of Piaggio & C. for USD 11,000,000 to guarantee the credit line of USD 10,000,000 granted by Hongkong and Shanghai Banking Corporation to the subsidiary Piaggio Vietnam | |
| of which drawn | 0 |
| of which undrawn | 7,976 |

| Type | Amount €/000 |
|---|---|
| Warrant to grant credit of Piaggio & C. for USD 10,000,000 to guarantee the credit line of the same amount from CHASE to the subsidiary Piaggio Group Americas | |
| of which drawn | 2,511 |
| of which undrawn | 4,740 |
| Warrant to grant credit of Piaggio & C. to guarantee the credit line from Banca Intesa San Paolo to the subsidiary Piaggio Group Americas for USD 7,000,000 | |
| of which drawn | 3,626 |
| of which undrawn | 1,450 |
| Warrant to grant credit of Piaggio & C. to guarantee the credit line from Banca Intesa San Paolo to the subsidiary Piaggio Group Japan for USD 7,000,000 | |
| of which drawn | 3,040 |
| of which undrawn | 2,036 |
| Warrant to grant credit of Piaggio & C. for USD 5,500,000 to guarantee the credit line of IDR 44,000,000,000 from ANZ to the subsidiary Piaggio Indonesia | |
| of which drawn | 1,364 |
| of which undrawn | 2,624 |
| Warrant to grant credit of Piaggio & C. for USD 3,600,000 to guarantee the credit line of IDR 3,000,000 from Bank of America to the subsidiary Piaggio Indonesia | |
| of which drawn | 1,542 |
| of which undrawn | 1,068 |
| A guarantee of Piaggio & C. on a line for derivatives, from ANZ to the subsidiary Piaggio Indonesia for USD 1,100,000 | |
| of which drawn | 3 |
| of which undrawn | 795 |
| Guarantee of Bnl Direction Generale Des Finance in favour of Piaggio France for tax litigation with the French Ministry of Finance | 2,792 |
| Guarantee of Bnl Direction Generale Des Finance in favour of Piaggio France for tax litigation with the French Ministry of Finance | 475 |
| Guarantee of BCC-Fornacette to Livorno Customs Authorities for handling Piaggio goods at Livorno Port | 200 |
| Guarantee of BCC-Fornacette issued for the Group to Poste Italiane – Rome to guarantee contract obligations for the supply of vehicles | 1,321 |
| Guarantee of Banco di Brescia issued to the local authorities of Scorzè, to guarantee payment of urbanisation and construction charges relative to the Scorzè site | 166 |
| Guarantee of Banca Intesa San Paolo issued to the Ministry of the Interior of Algeria, to guarantee contract obligations for the supply of vehicles | 140 |
| Guarantee of Banca Intesa San Paolo issued to the Ministry of the Defense of Algeria, to guarantee contract obligations for the supply of vehicles | 158 |
| Guarantee of Monte dei Paschi di Siena issued to Chen ShinRubber for Euro 300,000, to guarantee contract obligations for the supply of vehicles | 300 |

### *40. Information about financial instruments*

This attachment provides information about financial instruments, their risks, as well as the sensitivity analysis in accordance with the requirements of IFRS 7, effective as of 1 January 2007.

As of 31 December 2013 and 31 December 2012 existing financial instruments were allocated as follows within the Financial Statements of Piaggio & C. S.p.A.:

Financial assets as of 31 December 2013

| | Loans and receivables | Investments held to maturity | Hedging derivatives | Financial instruments at fair value available for sale | Total |
|---|---|---|---|---|---|
| In thousands of euros | | | | | |
| Non-current assets | | | | | |
| Financial receivables | | | | | 0 |
| Fair value of hedging derivatives | | | 4,233 | | 4,233 |
| Investments in other companies | | | | 163 | 163 |
| | | | | | |
| **Total non-current assets** | **0** | **0** | **4,233** | **163** | **4,396** |
| | | | | | |
| Current assets | | | | | |
| Trade receivables | 73,503 | | | | 73,503 |
| Fair value of hedging derivatives | | | 3 | | 3 |
| Other financial assets | 12,952 | | | | 12,952 |
| Bank and postal deposits | 3,618 | | | | 3,618 |
| Securities | | | | | 0 |
| | | | | | |
| **Total current assets** | **90,073** | **0** | **3** | **0** | **90,076** |
| | | | | | |
| **Total** | **90,073** | **0** | **4,236** | **163** | **94,472** |

Financial assets as of 31 December 2012

| | Loans and receivables | Investments held to maturity | Hedging derivatives | Financial instruments at fair value available for sale | Total |
|---|---|---|---|---|---|
| In thousands of euros | | | | | |
| Non-current assets | | | | | |
| Financial receivables | | | | | 0 |
| Fair value of hedging derivatives | | | 9,938 | | 9,938 |
| Investments in other companies | | | | 163 | 163 |
| | | | | | |
| **Total non-current assets** | **0** | **0** | **9,938** | **163** | **10,101** |
| | | | | | |
| Current assets | | | | | |
| Trade receivables | 57,342 | | | | 57,342 |
| Fair value of hedging derivatives | | | | | 0 |
| Other financial assets | 12,738 | | | | 12,738 |
| Bank and postal deposits | 9,765 | | | | 9,765 |
| Securities | | | | | 0 |
| | | | | | |
| **Total current assets** | **79,845** | **0** | **0** | **0** | **79,845** |
| | | | | | |
| **Total** | **79,845** | **0** | **9,938** | **163** | **89,946** |

Financial liabilities as of 31 December 2013

| In thousands of euros | Payables at fair value | Hedging derivatives | Other financial liabilities at amortised cost | Total |
|---|---|---|---|---|
| Non-current liabilities | | | | |
| Bank financing | 92,138 | | 103,475 | 195,614 |
| Bonds | | | 195,318 | 195,318 |
| Other loans | 3,192 | | | 3,192 |
| Leases | | | | 0 |
| Hedging derivatives | | 5,057 | | 5,057 |
| | | | | |
| **Total non-current liabilities** | **95,330** | **5,057** | **298,793** | **399,181** |
| | | | | |
| Current liabilities | | | | |
| Bank financing | 67,427 | | | 67,427 |
| Other loans | 29,065 | | | 29,065 |
| Leases | 5,809 | | | 5,809 |
| Hedging derivatives | | 972 | | 972 |
| | | | | |
| **Total current liabilities** | **102,301** | **972** | **0** | **103,273** |
| | | | | |
| **Total** | **197,631** | **6,029** | **298,793** | **502,454** |

Financial liabilities as of 31 December 2012

| In thousands of euros | Payables at fair value | Hedging derivatives | Other financial liabilities at amortised cost | Total |
|---|---|---|---|---|
| Non-current liabilities | | | | |
| Bank financing | 120,172 | | | 120,172 |
| Bonds | | | 193,550 | 193,550 |
| Other loans | 4,532 | | | 4,532 |
| Leases | 5,809 | | | 5,809 |
| Hedging derivatives | | 12,616 | | 12,616 |
| | | | | |
| **Total non-current liabilities** | **130,513** | **12,616** | **193,550** | **336,679** |
| | | | | |
| Current liabilities | | | | |
| Bank financing | 82,647 | | 884 | 83,531 |
| Other loans | 21,020 | | | 21,020 |
| Leases | 936 | | | 936 |
| Hedging derivatives | | 1,522 | | 1,522 |
| | | | | |
| **Total current liabilities** | **104,603** | **1,522** | **884** | **107,009** |
| | | | | |
| **Total** | **235,116** | **14,138** | **194,434** | **443,688** |

### *Current and non-current financial liabilities*

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

### *Fair Value Measurement*

IFRS 13 – Fair value measurement applies as from 1 January 2013. The Standard defines fair value on the basis of the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In the absence of an active market or market that does not operate regularly, fair value is measured by valuation techniques. The standard defines a fair value hierarchy:

- level 1 – quoted prices in active markets for assets or liabilities measured;
- level 2 – inputs other than quoted prices included within Level 1 that are observable directly (prices) or indirectly (derived from prices) on the market;
- level 3 – inputs not based on observable market data.

The valuation techniques referred to levels 2 and 3 must take into account adjustment factors that measure the risk of insolvency of both parties. To this end, the standard introduces the concepts of Credit Value Adjustment (CVA) and Debit Value Adjustment (DVA): CVA makes it possible to include the counterparty credit risk in the fair value measurement; DVA reflects the risk of insolvency of the Group.

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

| Current portion | Nominal value | Carrying amount | Fair Value * |
|---|---|---|---|
| In thousands of euros | | | |
| High yield debenture loan | 150,000 | 143,837 | 160,605 |
| Private debenture loan | 51,799 | 51,481 | 55,754 |
| EIB (R&D loan 2009-2012) | 53,572 | 53,572 | 52,822 |
| EIB (R&D loan 2013-2015) | 60,000 | 60,000 | 55,985 |
| Revolving syndicated loan | 105,000 | 103,475 | 99,878 |

** The value deducts DVA related to the issuer, i.e. it includes the risk of insolvency of Piaggio.*

For payables due within 18 months, the carrying amount is basically considered the same as the fair value.

## *Fair value hierarchy*

The table below shows the assets and liabilities measured and recognised at fair value as of 31 December 2013, by hierarchical level of fair value measurement.

| | Level 1 | Level 2 | Level 3 |
|---|---|---|---|
| In thousands of euros | | | |
| **ASSETS MEASURED AT FAIR VALUE** | | | |
| Hedging financial derivatives | | 4,236 | |
| Investments in other companies | | | |
| Other assets | | | 163 |
| **Total** | | **4,236** | **163** |
| | | | |
| **LIABILITIES MEASURED AT FAIR VALUE** | | | |
| Hedging financial derivatives | | | |
| Financial liabilities at fair value recognised through profit or loss. | | (55,754) | |
| Other liabilities | | (2,074) | |
| **Total** | | **(57,828)** | |

The following tables show Level 2 and Level 3 changes during 2013:

| | Level 2 |
|---|---|
| In thousands of euros | |
| Net balance of liabilities as of 31 December 2012 | (55,998) |
| Gain (loss) recognised in profit or loss | 499 |
| Increases/(Decreases) | 1,907 |
| Level 3 reclassification | |
| **Net balance of liabilities as of 31 December 2013** | **(53,592)** |

| | Level 3 |
|---|---|
| In thousands of euros | |
| Balance of assets as of 31 December 2012 | 163 |
| Gain (loss) recognised in profit or loss | |
| Increases/(Decreases) | |
| Other changes | |
| Level 2 reclassification | |
| **Balance of assets as of 31 December 2013** | **163** |

## *Financial risks*

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

### *Liquidity risk and capitals management*

The liquidity risk arises from the possibility that available financial resources are not sufficient to cover, in due times and procedures, future payments arising from financial and/or commercial obligations. To deal with this risk, cash flows and the Company's credit line needs are monitored or managed centrally

under the control of the Treasury in order to guarantee an effective and efficient management of the financial resources as well as optimise the debt's maturity standpoint.
In addition, the Company finances the temporary cash requirements of subsidiaries by providing direct short-term loans regulated in market conditions or guarantees. A cash pooling zero balance system is used between the Company and European companies to reset the receivable and payable balances of subsidiaries on a daily basis, for a more effective and efficient management of liquidity in the Eurozone.
As of 31 December 2013 the most important sources of financing irrevocable until maturity granted to the Company were as follows:

- a debenture loan of €/000 150,000 maturing in December 2016;
- a debenture loan of €/000 75,000 maturing in July 2021;
- a revolving credit facility of €/000 200,000 maturing in December 2015;
- a revolving credit facility of €/000 20,000 maturing in June 2015;
- a loan of €/000 53,572 maturing in February 2016;
- a loan of €/000 60,000 maturing in December 2019.

As of 31 December 2013, the Company had a liquidity of €/000 3,618, €/000 115,000 of undrawn credit lines irrevocable to maturity and €/000 88,070 of revocable credit lines, as detailed below:

| | As of 31.12.2013 | As of 31.12.2012 |
|---|---|---|
| In thousands of euros | | |
| Variable rate with maturity within one year - irrevocable until maturity | | 59,000 |
| Variable rate with maturity beyond one year - irrevocable until maturity | 115,000 | 200,000 |
| Variable rate with maturity within one year - cash revocable | 57,070 | 117,473 |
| Variable rate with maturity within one year - with revocation for self-liquidating typologies | 31,000 | 34,000 |
| **Total undrawn credit lines** | **203,070** | **410,473** |

The table below shows the timing of future outlays in relation to trade payables:

| | Trade payables as of 31 December 2013 | Within 30 days | Between 31 and 60 days | Between 61 and 90 days | Over 90 days |
|---|---|---|---|---|---|
| In thousands of euros | | | | | |
| Amounts due to suppliers | 215,427 | 131,846 | 56,253 | 19,114 | 8,214 |
| Amounts due to subsidiaries | 14,020 | 11,017 | 3,003 | - | - |
| Amounts due to affiliated companies | 10,127 | 8,272 | 1,855 | - | - |
| Amounts due to parent companies | 711 | 711 | - | - | - |
| **Total** | **240,285** | **151,846** | **61,111** | **19,114** | **8,214** |

Management considers that currently available funds, as well as funds that will be generated from operations and loans, will enable the Company to meets its requirements relative to investments, the management of working capital and repayment of loans on expiry and will ensure an adequate level of operating and strategic flexibility.

## *Exchange Risk*

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

This *policy* analyses:

- **the exchange risk:** the policy wholly covers this risk which arises from differences between the recognition exchange rate of receivables or payables in foreign currency in the financial statements and the recognition exchange rate of actual collection or payment. To cover this type of exchange risk, the exposure is naturally offset in the first place (netting between sales and purchases in the same currency) and if necessary, by signing currency future derivatives, as well as advances of receivables denominated in currency;
- **the exchange risk due to the business risk:** arises from changes in company profitability in relation to annual figures planned in the economic budget on the basis of a reference change (the "budget change") and is covered by derivatives. The items of these hedging operations are therefore represented by foreign costs and revenues forecast by the sales and purchases budget. The total of forecast costs and revenues is processed monthly and relative hedging is positioned exactly on the average weighted date of the economic event, recalculated based on historical criteria. The economic occurrence of future receivables and payables will occur during the budget year.

### *Cash flow hedging*

As of 31 December 2013, the Group had undertaken the following futures operations (recognised based on the regulation date), relative to payables and receivables already recognised to hedge the transaction exchange risk:

| Company | Operation | Currency | Amount in local currency | Value in € (forward exchange rate) | Average maturity |
|---|---|---|---|---|---|
| In thousands | | | | | |
| Piaggio & C. | Purchase | CNY | 20,400 | 2,455 | 08/01/2014 |
| Piaggio & C. | Purchase | JPY | 88,000 | 647 | 08/01/2014 |
| Piaggio & C. | Purchase | USD | 10,700 | 7,826 | 08/01/2014 |
| Piaggio & C. | Sale | CAD | 320 | 227 | 31/01/2014 |
| Piaggio & C. | Sale | GBP | 850 | 1,016 | 21/02/2014 |
| Piaggio & C. | Sale | INR | 424,000 | 4,972 | 24/01/2014 |
| Piaggio & C. | Sale | JPY | 75,000 | 531 | 28/02/2014 |
| Piaggio & C. | Sale | SEK | 1,900 | 213 | 28/02/2014 |
| Piaggio & C. | Sale | USD | 2,550 | 1,867 | 17/02/2014 |

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

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

To hedge the exchange risk alone, cash flow hedging is adopted with the effective portion of profits and losses recognised in a specific shareholders' equity reserve. Fair value is determined based on market quotations provided by main traders.

As of 31 December 2013 the total fair value of hedging instruments for the economic exchange risk recognised on a hedge accounting basis was negative by €/000 234. During 2013, losses under other components of the Statement of Comprehensive Income were recognised amounting to €/000 234 and profit from other components of the Statement of Comprehensive Income was reclassified under profit/loss for the year amounting to €/000 385.

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

| Cash Flow | 2013 |
|---|---|
| millions of euros | |
| Pound Sterling | 18.6 |
| US Dollar | 32.5 |
| Canadian Dollar | 5.6 |
| Chinese Yuan* | (23.2) |
| Japanese Yen | (6.7) |
| **Total cash flow in foreign currency** | **26.8** |

** Cash flow partially in euro.*

In view of the above, an assumed appreciation/deprecation of 3% of the euro would have generated potential profits for €/000 676 and potential losses for €/000 718 respectively.

### *Interest rate risk*

This risk arises from fluctuating interest rates and the impact this may have on future cash flows arising from variable rate financial assets and liabilities. The Company regularly measures and controls its exposure to the risk of interest rate changes, as established by its management policies, in order to reduce fluctuating borrowing costs, and limit the risk of a potential increase in interest rates. This objective is achieved through an adequate mix of fixed and variable rate exposure, and the use of derivatives, mainly interest rate swaps and cross currency swaps.
As of 31 December 2013, the following hedging derivatives were in use:

Hedging of financial flows (cash flow hedging)

› an interest rate swap to cover a variable rate loan for a nominal amount of €/000 117,857 (as of 31 December 2013 for €/000 53,571) granted by the European Investment Bank. The structure has fixed step-up rates, in order to stabilise financial flows associated with the loan; in accounting terms, the instrument is recognised on a cash flow hedge basis, with profits/losses arising from the fair value measurement allocated to a specific reserve in shareholders' equity; as of 31 December 2013, the fair value of the instrument was negative by €/000 1,837; sensitivity analysis of the instrument, assuming a 1% increase and decrease in the shift of the variable rates curve, shows a potential impact on Shareholders' Equity, net of the relative tax effect, equal to €/000 322 and €/000 -331 respectively.

Derivatives for fair value hedging

› a cross currency swap to hedge the private debenture loan issued by the Company for a nominal amount of $/000 75,000. The purpose of the instrument is to hedge both the exchange risk and interest rate risk, turning the loan from US dollars to euro, and from a fixed rate to a variable rate; the instrument is accounted for on a fair value hedge basis, with effects arising from the measurement recognised in profit or loss. As of 31 December 2013 the fair value of the instrument was equal to €/000 4,233. The net economic effect arising from the measurement of the instrument and underlying private debenture loan was equal to €/000 115; sensitivity analysis of the instrument and its underlying, assuming a 1% increase and decrease in the shift of the variable rates curve, showed a potential impact on the Income Statement, net of the related tax effect, of €/000 108 and €/000 -93 respectively, assuming constant exchange rates; whereas assuming a 1% reversal and write-down of exchange rates, sensitivity analysis identified a potential impact on the income statement, net of the relative tax effect, of €/000 -15 and €/000 21 respectively.

| | Fair Value |
|---|---|
| *Piaggio & C. SpA* | |
| Interest Rate Swap | (1,837) |
| Cross Currency Swap | 4,233 |

As of 31 December 2013, variable rate debt, net of financial assets, and considering hedging derivatives, was equal to €/000 192,603. Consequently a 1% increase or decrease in the Euribor above this net exposure would have generated higher or lower interest of €/000 1,926 per year.

### *Credit risk*

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

| | As of 31 December 2013 | As of 31 December 2012 |
|---|---|---|
| In thousands of euros | | |
| Liquid assets | 3,618 | 9,765 |
| Securities | - | - |
| Financial receivables | 12,952 | 12,738 |
| Trade receivables | 73,503 | 57,342 |
| **Total** | **90,073** | **79,845** |

The Company monitors or manages credit centrally by using established policies and guidelines. The portfolio of trade receivables shows no signs of concentrated credit risk in light of the broad distribution of the licensee or distributor network. In addition, most trade receivables are short-term. In order to optimise credit management, the Company has established revolving programmes with some primary factoring companies for selling its trade receivables without recourse.

## *41. Disputes*

For detailed information about litigation, reference is made to the relative section of the Notes to the Consolidated Financial Statements.

## *42. Significant non-recurring events and operations*

In 2012 and 2013, with reference to the 2009, 2010 and 2011 tax periods, tax inspections of Piaggio & C S.p.A. were conducted by the Italian Tax Authority, which terminated with the issue in late 2013 of Formal Notices of Assessment concerning transfer pricing.
After explaining the correct nature of its operations to the Italian Tax Authority, the Company decided to benefit from the system of paying lower fines, to avoid tax litigation and therefore defined the Formal Notices of Assessment, considerably lowering the initial requests of the inspectors.
The operation, recognised in 2013 as taxes in the income statement, comes under significant non-recurrent transactions, as defined by Consob Communication DEM/6064293 of 28 July 2006.
For 2012, no significant non-recurrent transactions were recorded.

### *43. Transactions arising from atypical and/or unusual operations*

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

### *44. Events occurring after the end of the period*

**14 March 2014** - Following the completion of the tax assessment which began in 2012 – discussed in more detail in the section "Disputes" of the Notes to the Consolidated Financial Statements - and solely to prevent tax litigation with reference to assessment aspects, that concern contrasting positions with outcomes that are hard to predict, Piaggio & C. S.p.A. considered it appropriate to agree to the settlement proposal made by the Italian Tax Authority that will involve a financial outflow, only as concerns regional production tax, of €5.1 million, while the overall impact on the income statement is equal to €24.6 million, including the use for the purposes of corporate income tax of previous losses to offset the total sum of the proposals.
**19 March 2014** - Approval of the 2014-2017 Industrial Plan.

### *45. Authorisation for publication*

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

Milan, 20 March 2014

For the Board of Directors

/f/ Roberto Colaninno

**Chairman and Chief Executive Officer**
Roberto Colaninno