



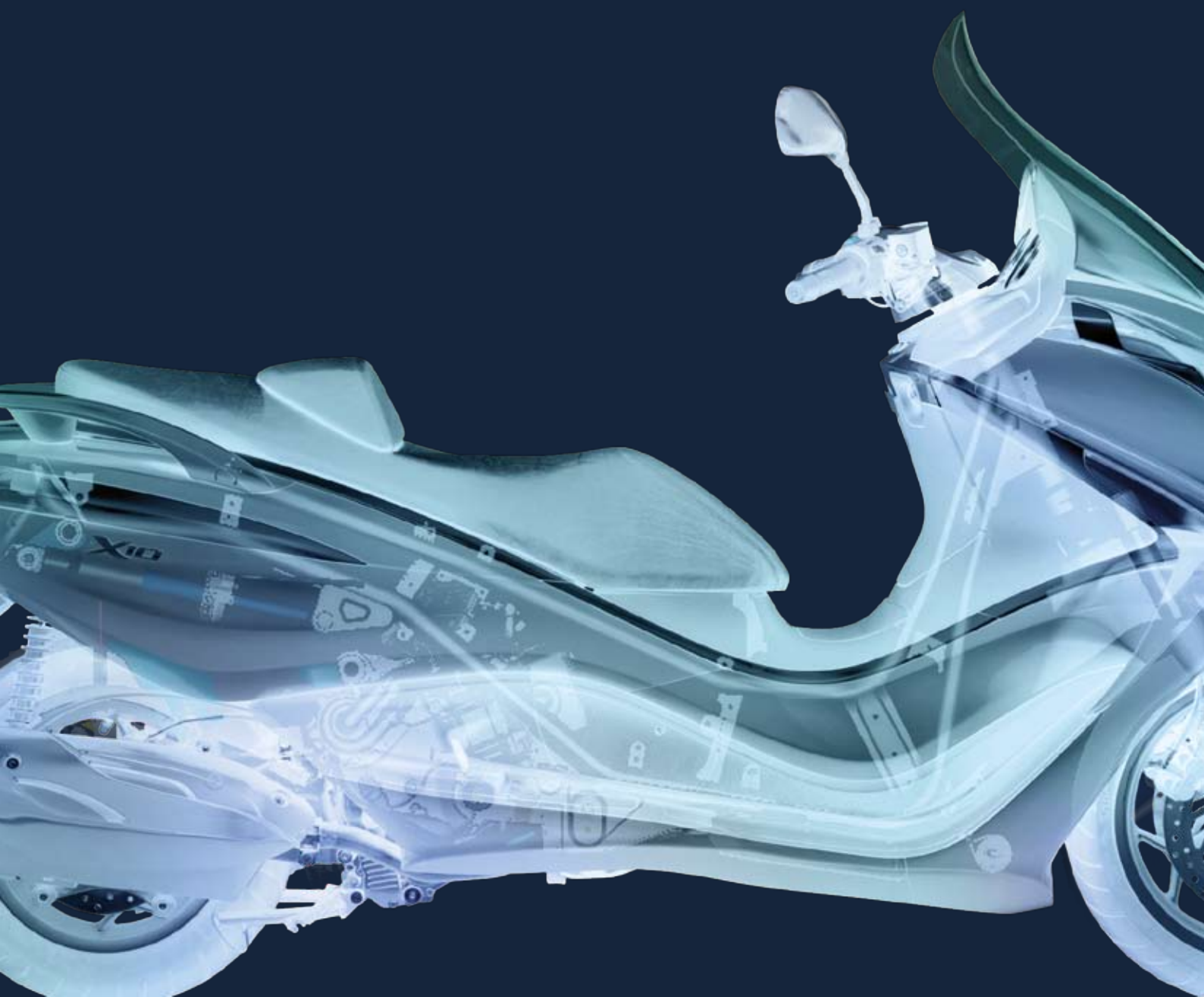
Half-year Financial Report
as of 30 June 2013

Disclaimer

This Interim Financial Report as of 30 June 2013 has been translated into English solely for the convenience of the international reader. In the event of conflict or inconsistency between the terms used in the Italian version of the report and the English version, the Italian version shall prevail, as the Italian version constitutes the sole official document.

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Introduction

This Interim Financial Report as of 30 June 2013 was drafted in compliance with Italian Legislative Decree no. 58/1998 and subsequent amendments, as well as the Consob Regulation on Issuers.

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

Key operating and financial data

	2013	1st half 2012 ¹	Statutory 2012 ¹
In millions of Euro			
Data on financial position			
Net sales revenues	671.5	764.1	1,406.2
Gross industrial margin	207.3	236.3	417.9
Operating income	57.6	71.7	96.6
Profit before tax	41.6	56.3	67.9
Net profit	25.0	33.8	42.1
- Non-controlling interests		0.1	0.1
- Group	24.9	33.7	42.0
Data on financial performance			
Net capital employed (NCE)	887.3	828.4	831.7
Consolidated net debt	(458.2)	(384.0)	(391.8)
Shareholders' equity	429.2	444.4	439.9
Balance sheet figures and financial ratios			
Gross margin on net revenues	30.9%	30.9%	29.7%
Net profit as a percentage of net revenues	3.7%	4.4%	3.0%
ROS (Operating income/net revenues)	8.6%	9.4%	6.9%
ROE (Net profit/shareholders' equity)	5.8%	7.6%	9.6%
ROI (Operating income/NCE)	6.5%	8.7%	11.6%
EBITDA	100.6	114.4	176.2
EBITDA on Net Revenues	15.0%	15.0%	12.5%
Other information			
Sales volumes (unit/000)	298.5	315.4	615.5
Investments in property, plant and equipment and intangible assets	68.6	78.4	147.8
Research and Development ¹	31.8	37.7	59.6
Employees at the end of the period (number)	8,150	8,349	8,129

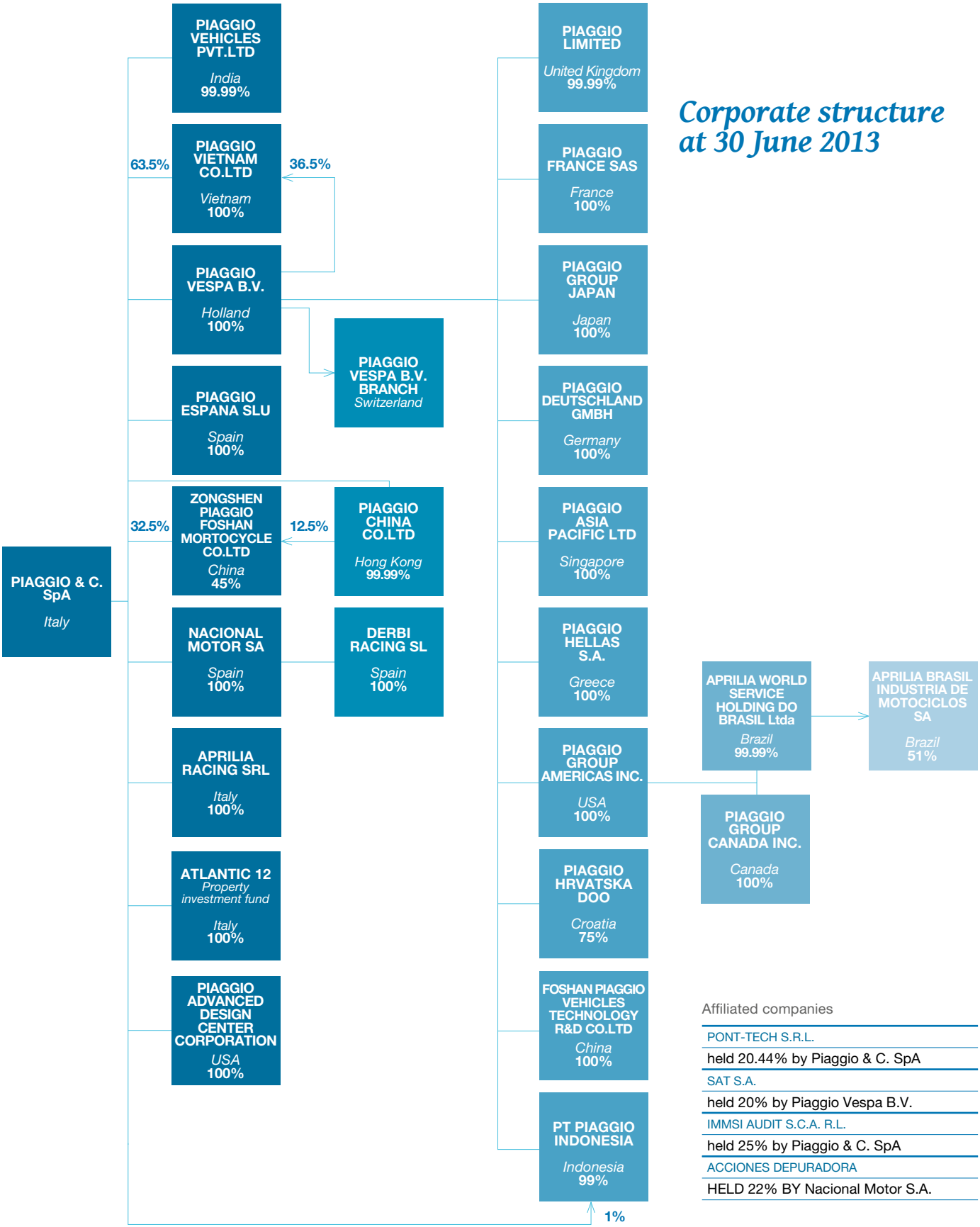
¹The item Research and Development includes investments recognised in the statement of financial position and costs recognised in profit and loss.

Results by operating segment

		EMEA and Americas	India	Asia Pacific 2W	Total
Sales volumes (units/000)	1st half of 2013	132.5	117.4	48.5	298.5
	1st half of 2012	167.1	97.5	50.8	315.4
	Change	(34.5)	19.9	(2.3)	(16.9)
	Change %	-20.7%	20.4%	-4.6%	-5.4%
Turnover (million Euro)	1st half of 2013	414.0	165.9	91.7	671.5
	1st half of 2012	503.5	165.0	95.6	764.1
	Change	(89.5)	0.8	(3.9)	(92.5)
	Change %	-17.8%	0.5%	-4.0%	-12.1%
Average number of staff (no.)	1st half of 2013	4,272	3,113	949	8,334
	1st half of 2012	4,669	2,645	939	8,253
	Change	(397)	468	10	81
	Change %	-8.5%	17.7%	1.1%	1.0%
Investments (million Euro)	1st half of 2013	30.7	6.1	6.6	43.4
	1st half of 2012	43.7	21.9	12.9	78.4
	Change	(13.0)	(15.8)	(6.2)	(35.1)
	Change %	-29.8%	-72.3%	-48.3%	-44.7%
Research and Development ² (million Euro)	1st half of 2013	23.5	4.8	3.4	31.8
	1st half of 2012	23.8	8.9	5.0	37.7
	Change	(0.3)	(4.1)	(1.5)	(5.9)
	Change %	-1.4%	-46.0%	-30.4%	-15.7%

2_ The item Research and Development includes investments recognised in the statement of financial position and costs recognised in profit and loss.

Corporate structure at 30 June 2013



During the first half of 2013, the company structure of the Group did not change.

Company Boards

Board of Directors	
Chairman and Chief Executive Officer	Roberto Colaninno (1)
Deputy Chairman	Matteo Colaninno
Directors	Michele Colaninno (3)
	Franco Debenedetti (3), (4)
	Daniele Discepolo (2), (4), (5), (6)
	Mauro Gambaro
	Livio Corghi
	Luca Paravicini Crespi (3), (5), (6)
	Riccardo Varaldo (4), (5), (6)
	Vito Varvaro
	Andrea Paroli
Board of Statutory Auditors	
Chairman	Giovanni Barbara
Statutory Auditors	Attilio Francesco Arietti
	Alessandro Lai
Alternate Auditors	Mauro Girelli
	Elena Fornara
Supervisory Body	
	Antonino Parisi
	Giovanni Barbara
	Ulisse Spada
Chief Financial Officer	Gabriele Galli
Executive in charge of financial reporting	Alessandra Simonotto
Independent Auditors	PricewaterhouseCoopers S.p.A.

(1) Director in charge of internal audit and risk management

(2) Lead Independent Director

(3) Member of the Appointment Proposal Committee

(4) Member of the Remuneration Committee

(5) Member of the Internal Control and Risk Management Committee

(6) Member of the Related Party Transactions Committee

Significant events during first half of 2013

In **February 2013**, Piaggio &C. decided to move the production of Derbi brand vehicles to Italy, in order to streamline its own production activities, and to gradually close the production facility in Martorelles, Spain and transfer the production carried out there to Italian sites.

Consequently, on 15 February 2013 Nacional Motor appealed against the “E.R.E.” procedure (Expediente de Regulacion de Empleo - Employment Regulations Plan). In particular, the employment plan involved leaving incentives for nearly all employees, based on agreements made with trade unions and signed in 2009, 2011 and 2012. In particular, the purpose of agreements made in July 2012 was to define the procedures and remuneration for employees if production activities stopped. This procedure involved restructuring costs for the Group amounting to approximately €6 million. These costs, based on IAS 37 requirements, refer to 2013 and have already had an effect on first half results.

In March 2013, the Spanish company Nacional Motor stopped all activities, implementing the E.R.E., shared with Government representatives and Trade Union Organisations. Employment contracts are being terminated; The redundancy plan will end on 31 December 2013.

As of 30 June 2013, the production of Derbi vehicles was transferred to Italian sites.

The carrying amount of plant, property and equipment of Nacional Motor recognised in the consolidated interim accounts are confirmed by a valuation of an independent expert.

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

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

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

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

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

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



Background

The market

The Piaggio Group is comprised of and operates by geographic segments - EMEA and the Americas, India and Asia Pacific - to develop, manufacture and distribute two-wheeler and commercial vehicles.

As market dynamics of recent years, affected by the same macroeconomic scenario, have had different effects, trends for the two-wheeler and commercial vehicles markets are discussed separately below.

Two-wheeler

Sales on the world two-wheeler market in the first half of 2013 fell further to a figure just above 23 million vehicles, registering a drop of 2.3% compared to the same period in 2012.

Growth in India stopped, and a slight fall was recorded (-0.7%), with 6.9 million vehicles sold in the year, to make the country the leading market worldwide.

The People's Republic of China also recorded a decrease in sales in the first half of 2013, by 8.9%, closing with 5.7 million vehicles sold.

After a year of decline, growth picked up in the Asean 5 area, by approximately 2.5% (just over 7 million vehicles sold). The most important country in this area, Indonesia, also recovered after the decline last year, with growth up by 3.7% to reach nearly 3.9 million units sold and still accounted for 55% of sales in South East Asia; Vietnam was still the second market in the area, with volumes just over 1.4 million units (+1.3%); Sales of vehicles in Thailand increased in the first half of 2013, with a growth rate of 1.7% and over 1.1 million units sold. In Malaysia, the market was stable compared to the first half of 2012 (+0.1%) closing with nearly 280,000 items sold.

As for other Asian area countries, the Taiwanese market continued to grow in the first six months of 2013. With total volumes of nearly 302 thousand items, the country recorded the best performance on main world markets (+8.8%).

The North American market recorded a decrease of 3.6% and 288 thousand vehicles sold in the first half of 2013.

Latin America slowed down in the first half of 2013 (-5.4%), due to the decrease of the Brazilian market (the area's reference country), with volumes at just over 810 thousand units (down by 9.3% compared to the first half of 2012).

Europe, which is the reference area for Piaggio Group operations, continued to struggle in the first half of 2013, with sales on the two-wheeler market down 15% compared to 2012 (-16% considering the sales to Poste Italiane - the Italian Postal Company - in 2012); on a segment level, sales of scooters fell by 20% (by 22% taking into account Poste Italiane sales in 2012), while sales of motorcycles went down by 8%. In the scooter segment, the downturn affected both the over 50cc market (-17, -20% with Poste Italiane considered), and the 50cc market (-24%). In the motorcycle segment, sales of over 50cc models were down 7%, while the negative trend for 50cc models was more marked, with a 21% decline.

The scooter market

Europe

The European scooter market in the first half of 2013 accounted for 349,000 registered vehicles, with a decrease in sales of 20% compared to 2012; if vehicles registered for the 2012 Poste Italiane job order are also taken into account, the trend would be -22%.

Registered vehicles amount to 189,000 over 50cc vehicles, and 159,000 50cc vehicles. The former segment fell by 17% compared to 2012 (by 20% if Italian Postal Company sales are included), and the latter by 24%. Italy is still the most important market among leading nations, with 73,000 units registered, followed by France with 71,000 units and Germany with 41,000 units. Spain ranks fourth with 36,000 units, while the United Kingdom registered 15,000. In the first six months of 2013, the Italian market recorded a downturn compared to the previous year (-31%, and if Italian Postal Company sales of June 2012 are included, this figure would be -36%), when registered vehicles amounted to 105,000 units (115,000 with Italian Postal Company sales). The 50cc segment decreased by 39%, with 15,000 units registered, while the over 50cc segment sold 58,000 units equal to a decrease of 28% compared to 2012 (-36% including Italian Postal Company sales).

The French market with 71,000 vehicles decreased by 20% compared to the 89,000 vehicles sold in the previous half year: this trend was attributable to both the over 50cc scooter (-23%) and the 50cc scooter (-18%) segments.

The German market also registered a decrease (-18%) with approximately 41,000 vehicles sold in the first half of 2013 compared to 50,000 in 2012. This negative trend was equally attributable to the 50cc scooter, down 19%, and the over 50cc scooter (-16%) segments.

Spain, with approximately 36,000 vehicles registered, reported a 10% decrease compared to the first half of 2012: in particular, the 50cc scooter segment declined considerably (-26%), while the decrease in the over 50cc segment, which has a far greater weight, was far more limited (-6%).

After a positive performance in 2012, sales in the United Kingdom fell by 14% in the first half of 2013, reaching 15,000 units. This result is due mainly to the 50cc scooter segment (-22%) with a downturn that was far more evident than the over 50cc scooter segment (-9%).

North America

The scooter market in the first half of 2013 did not continue the positive trend reported at the end of 2012 and instead slowed down considerably (-18%); a total of 18,000 units were sold: this negative performance mainly refers to the over 50cc segment, where sales fell by 26%; the downturn was less marked in the 50cc scooter segment (-9%).

The scooter market in the United States (which accounts for 91% of the reference area), declined by 21%, with 15,000 vehicles sold; growth on the Canadian market was significant, going up by 19%, with 2,500 vehicles registered in the first half of 2013.

South America

Brazil is still the area of greatest importance, also including the scooter market, with 237,500 units sold in the first six months of 2013, and a growth of approximately 0.5% compared to the first half of 2012.

Sales of scooters are broken down as follows: 212,000 Cub scooters (scooters with gears) (up 2.9% compared to the first half of 2012) and 25,000 automatic scooters (-16.5% compared to the same period of the previous year).

India

The automatic scooter market increased by 8.8% in the first half of 2013, closing with over 1.5 million units sold.

The over 90cc range is the main product segment, with more than 1.4 million units sold in the first half of 2013 (+11.2% compared to the first half of 2012) and accounting for 92.7% of the total automatic scooter market.

The 50cc scooter segment is not operative in India.

Asia

The main scooter market in the Asean 5 area is Indonesia, with over 3.3 million items sold, reporting a decrease compared to the first half of 2012 of 1.9%. This decline is due to the Cub segment, which decreased by 28% with 860 thousand units sold, while the automatic scooter segment increased by more than 13% (selling nearly 2.5 million units).

Vietnam is the second most important market, recording a decrease of 1.1%, to sell over 1.4 million items, comprising 867 thousand Cub and 544 thousand automatic scooters.

Thailand ranks after Vietnam, reporting an increase of 5.6% compared to 2012, to sell nearly 540 thousand scooters.

In Malaysia, sales accounted for 307 thousand units, up 3% over 2012 (262,000 Cub and 45,000 automatic scooters).

Vietnam

The Vietnamese market mainly concerns scooters, as sales in the motorcycle segment are not particularly significant. The two main product segments are Cub scooters (867 thousand units in the first half of 2013, +0.5% over 2012) and automatic scooters (scooters+autocubs, 544 thousand units, up 2% over 2012).

The 50cc scooter segment is not operative on this market.

In the Cub segment, 51cc to 115cc models were the best performers, with approximately 738 thousand units sold (down 2.6 percentage points compared to 2012) accounting for 85% of the entire segment.

The over 115cc segment sold 129 thousand units, up 23.6% compared to the first half of 2012.

In the automatic vehicle segment, the 115cc-125cc range sold 94 thousand units in the first half of 2013, increasing sales by 10.8% compared to 2012. Sales increased by 7.8% in the 51cc-115cc segment (371 thousand units sold in the first six months of 2013), while in the over 125 segment sales went down from 105 thousand units to approximately 79 thousand (-24.4% compared to the same period of the previous year).

[The motorcycle market](#)

Europe

Sales on the European motorcycle market fell by 8% in the first half of 2013, from 298,000 units in 2012 to 275,000 units in 2013. Sales fell considerably in all engine subsegments, above all in the smaller engine ranges: the over 750cc maxi-engine segment, which is the most important, reported a decrease of 6%, with 138,000 vehicles sold. The same trend was reported in the 126-750cc segment (-7%) with 87,000 units sold, while downturns in the 51-125cc segment (-10% and 34,000 units sold) and 50cc segment (-21% and 15,000 units) were more marked.

After several years, Germany regained its position as Europe's main market, selling 68,000 units, followed by France (58,000), while Italy came third with sales of 35,000 units, followed by the United Kingdom (34,000 vehicles) and Spain (15,000 units) ranking fourth and fifth respectively.

Germany is the only market to record a positive trend in the first half of the year (+4%), while considerable decreases were reported in France, Italy (both down 15%), and above all Spain (-21%); in the United Kingdom performance was down slightly (-1%).

In Italy, with volumes falling from 42,000 units in the first half of 2012 to 35,000 in 2013, all subsegments were considerably affected: sales in the 51cc-125cc motorcycle segment fell by 20% to approximately 2,000 units, and by 15% in the 126-750cc segment from 15,000 units in 2012 to 13,000 units in 2013. The over 750cc motorcycle segment also decreased, with volumes down from 22,000 in 2012 to 19,000 in 2013 (-14%). The 50cc motorcycle segment reported the worst market trend, with sales at just under 1,500 units, down 27% compared to 2012.

North America

After a positive performance in 2012, the North American motorcycle market (USA and Canada) recorded a negative trend in the first half of 2013 (-3%), selling 270,000 units against 277,000 of the previous year. In the United States (accounting for 90% of the area), the motorcycle segment recorded a 4% decrease, selling 238,000 units against 247,000 units in 2012. An opposite trend occurred on the Canadian market, which closed the half year up 6%, with sales of 32,000 units.

South America

Brazil is the South American reference market for motorcycles.

Sales of motorcycles in Brazil in the first six months of 2013 decreased by 18.8%, falling to 540 thousand units.

Commercial Vehicles³

Europe

In the first half of 2013, the European market for light commercial vehicles (vehicles with a maximum mass of up to 3.5 tons) where the Piaggio Group operates, accounted for 679,969 units sold, down 6.6% compared to the same period in 2012 (estimate of ACEA data January-May 2013). This downturn was due both to the trend of the Van segment and to Piaggio's reference segment - Chassis Cabs. In detail, the downswing affected all main European reference markets: Germany (-9.6%), France (-9.2%), Spain (-9.0%) and Italy (-22.5%).

3_ ACEA data for Europe, SIAM data for India; data for both markets were estimated on the basis of January - May data

India

Sales on the Indian three-wheeler market, where Piaggio Vehicles Private Limited, a subsidiary of Piaggio & C. S.p.A. operates, went up from 241,400 units in the first half of 2012 to 244,800 in the same period of 2013, registering a 1.4% increase.

Within this market, the passenger transport vehicles segment continued its growth trend, selling 197,700 units, up 2.9%, while the cargo segment reported a downturn of 4.3%, with sales falling from 49,200 units in the first half of 2012 to 47,100 units in the same period in 2013. The traditional three-wheeler market is flanked by the four-wheeler light commercial vehicles (LCV) market (cargo vehicles for goods transport) where Piaggio Vehicles Private Limited operates with the Porter 600 and 1000. The LCV cargo market, with vehicles with a maximum mass below 2 tons and where the Porter 600 and Porter 1000 compete, accounted for 108,300 units sold in the first half of 2013, falling by 15.6% compared to the same period of 2012.

The regulatory framework

European Union

In January, the European Commission published a proposal for the “Clean Power Directive” whose purpose is to establish alternative fuel infrastructures in the European community and harmonize technical specifications for such infrastructures throughout Europe. The directive would require each Country to have a minimum number of infrastructures for electrical, hydrogen and gas-run vehicle recharging, and define all common technical characteristics for interfaces between recharging points and vehicles. The aim is to boost the market and contribute with this initiative to increasing the number of environmentally friendly vehicles in use.

In March, Regulation 168/2013 on the approval and market surveillance of two- or three-wheeler vehicles and quadricycles was published in the Official Journal of the European Union. The requirements of the regulation will come into force, for newly approved vehicles, in January 2016 (in January 2017 for vehicles already approved). The European Commission, Council, Industry and other stakeholders are involved in discussions concerning the four Delegated Acts that will complete the legal framework for new type approvals. These Delegated Acts will concern environmental performance, functional safety and vehicle construction requirements, as well as administrative requirements concerning the type-approval procedure.

The EU Commission is still finalising the specific directive that will introduce Euro 3 emission limits, as from July 2014, for newly approved scooters (newly registered vehicles will not have to be upgraded to this stage), and the obligation for an automatic headlamp on (AHO) or daytime running lights (DRL) for all L category vehicles.

In May, the European Parliament Transport Committee rejected the proposal of the European Commission to introduce a common minimum standard for a regular roadworthiness test for two-wheeler vehicles. The “roadworthiness package” contains requirements at an EU level on the frequency of testing (on safety, pollution, etc.) in order for vehicles to still be able to circulate. The package still has to be voted by the European Parliament in plenary session, but at present Transport Committee members have expressed a preference for each Member State to regulate requirements concerning roadworthiness tests. At present, only some countries have adopted national laws on the roadworthiness of scooters, mopeds and motorcycles, including Italy.

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

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

Italy

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

In January, decrees implementing regulations of the Ministry of Transport were published, on procedures for AM, A1, A2 and A licence tests.

New aspects concern test manoeuvres, which have been updated to EU requirements for higher category licences as concerns previous manoeuvres:

- › the slalom has been integrated with a cone turn manoeuvre;
- › a speed of 30 km/h has been set for the braking test;
- › the figure of eight has been replaced by a new obstacle avoidance manoeuvre;

Transit through a narrow pathway remains, from existing manoeuvres, but with some changes.

On 12 February 2013, the Decree implementing regulations on incentives to purchase total low emission vehicles, as of article 17-bis of law decree no. 83 of 22 June 2012 amended by law no. 134 of 7 August 2012 was published in the Official Gazette, no. 36. Incentives are for the purchase of environmentally-friendly two-, three- and four-wheeler electric, hybrid, LPG, natural gas, biogas, biofuel and hydrogen vehicles that produce CO₂ exhaust emissions below 120 g/km (mainly for use by third parties, companies and small businesses); the incentives started on 14 March 2013.

A subsidy equal to 20% of the price has been allocated for 2013, with a maximum limit that differs depending on the category of vehicle purchased.

At present, funds are still available for all vehicle categories if purchased by businesses.

Commercial vehicles, as well as two-wheelers and cars with a decreased polluting effect are covered by the incentive scheme promoted by the Ministry for Economic Development, which was launched in March based on law no. 134 of 7 August 2012.

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

The session of 11 June presented a solution on road safety to the Italian Parliament's IX Transport Committee, in which the Government will commit to:

- › developing road network infrastructures that are safer, with impact attenuators (e.g. guard rails), prioritising roads with high two-wheeler accident figures;
- › requesting and promoting the use of active and passive safety devices in vehicles;
- › promoting the increase of smart technologies on all roads (Intelligent Transport Systems - ITS);
- › improving education and training of road users, also through driving/riding simulators;
- › increasing controls, so as to discourage wrong behaviour on the roads, i.e. using mobile phones while driving, and to apply stricter penalties;
- › improving road lighting conditions, using the latest knowledge and state-of-the-art technologies;
- › taking initiatives to guarantee the ongoing and efficient maintenance of road networks, to reduce the number of injuries, and improve the safety of motorcyclists.

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

France

In 2012, market surveillance authorities conducted a campaign testing the protective clothing of motorcyclists available on the market, and established a need for a national protocol for this product category that defines minimum safety levels in order for clothing to be defined as “protective”. This protocol is strict as it is based on a standard for professional motorcyclists’ clothing. As it is the only protocol of its kind in Europe, it clashes with the principle of a free market in Europe, and the free circulation of goods within the EU.

ACEM, the European Association of Motorcycle Manufacturers (of which Piaggio is a member), initiated talks with the European Commission in early 2013, requesting that all EU Member States, including France, do not unilaterally adopt the national requirements and wait instead for the European standard on this issue, currently under development, to be published. ACEM also requested a suitable time frame before the European standard becomes mandatory, so as to enable manufacturers of this kind of clothing to adapt to the new requirements.

In 2012, the Interministerial Committee for Road Safety (CISR) established that all drivers of vehicles, including motorcycles (excluding mopeds), must have a breathalyser on board. This obligation was then suspended by the Ministry of the Interior and deferred to spring 2013, in order for the CISR to investigate the suitability of this measure.

A new decree, published in France’s Official Gazette (Journal Officiel de la République Française) on 1 March 2013 established that the regulation will remain in effect, however it cancelled the fine for not having the breathalyser.

Russia

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

USA

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

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

Vietnam

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

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

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

On 25 February, the Government approved a Plan for road traffic development in Vietnam from 2013 to 2020, including guidelines in view of 2030. The Plan’s objectives include:

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

Indonesia

The Indonesian Ministry for the Environment established that newly approved motorcycles must comply with Euro 3 emission standards in force in the EU, as from 1 August 2013. After two years, i.e. in August 2015, the regulation will become mandatory for newly registered motorcycles.

South Korea

In June, the Korean government presented a proposal for a new regulation on air quality inside road vehicles to the UN working party, GRPE (Working Party on Pollution and Energy). The purpose of the regulation would be to establish a standard to protect drivers and passengers from hazardous substances emitted by materials inside vehicles and to standardise the method to measure these emissions. Many vehicle manufacturers already adopt their own measures to check for possible hazardous substances produced by materials used for vehicle interiors. Korea and China already have national guidelines. The aim of proposing a Regulation to the UN is to provide a single global standard that can guarantee drivers and passengers the best driving environment, and at the same time, allow for a more efficient management of this construction aspect by the automotive industry, by unifying different existing standards.

Financial position and performance of the Group

Consolidated income statement (reclassified)

	1st half of 2013		1st half of 2012			Change %
	In millions of Euro	Accounting for a %	In millions of Euro	Accounting for a %	In millions of Euro	
Net sales revenues	671.5	100.0%	764.1	100.0%	(92.5)	-12.1%
Cost of sale	464.2	69.1%	527.8	69.1%	(63.6)	-12.0%
Gross industrial margin	207.3	30.9%	236.3	30.9%	(28.9)	-12.2%
Operating expenses	149.8	22.3%	164.6	21.5%	(14.8)	-9.0%
EBITDA	100.6	15.0%	114.4	15.0%	(13.8)	-12.1%
Amortisation /Depreciation	43.0	6.4%	42.7	5.6%	0.3	0.7%
Operating income	57.6	8.6%	71.7	9.4%	(14.1)	-19.7%
Result of financial items	(16.0)	-2.4%	(15.3)	-2.0%	(0.6)	4.1%
Profit before tax	41.6	6.2%	56.3	7.4%	(14.7)	-26.2%
Taxes	16.6	2.5%	22.5	2.9%	(5.9)	-26.2%
Net profit	25.0	3.7%	33.8	4.4%	(8.8)	-26.1%

Vehicles

	1st half of 2013	1st half of 2012	Change
<i>In thousands of units</i>			
EMEA and Americas	132.5	167.1	(34.5)
India	117.4	97.5	19.9
Asia Pacific 2W	48.5	50.8	(2.3)
Total vehicles	298.5	315.4	(16.9)
Two-wheeler	202.0	216.7	(14.8)
Commercial Vehicles	96.5	98.7	(2.2)
Total vehicles	298.5	315.4	(16.9)

Net revenues

	1st half of 2013	1st half of 2012	Change
<i>In millions of Euro</i>			
EMEA and Americas	414.0	503.5	(89.5)
India	165.9	165.0	0.8
Asia Pacific 2W	91.7	95.6	(3.9)
Total net revenues	671.5	764.1	(92.5)
Two-wheeler	489.8	561.9	(72.1)
Commercial Vehicles	181.7	202.2	(20.4)
Total net revenues	671.5	764.1	(92.5)

In the first half of 2013, the Piaggio Group sold 298,500 vehicles worldwide, with a reduction in volumes totalling around 5.4% compared to the same period of the previous year, when 315,400 vehicles were sold. The number of vehicles sold in India went up considerably (+ 20.4%) as the Vespa production site was fully operative, with sales starting in the second quarter of 2012. Sales fell instead in Asia Pacific (- 4.6%) and in EMEA and the Americas (- 20.7%). As regards the type of products sold, the main downturn occurred in the two-wheeler segment (- 6.8%).

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

registered a downturn equal to approximately 16% (- 22% for scooters and - 8% for motorcycles). In the EMEA area, the Piaggio Group retained its market leadership position, with a 17% share. The Group achieved excellent sales results on the American market (+ 12.9%) and in India, where sales of the Vespa totalled 25,400 units.

Sales of commercial vehicles fell slightly (-2.2%). The decline in EMEA and the Americas was more considerable following the concurrent downturn on all reference markets: Germany (-9.6%), France (-9.2%), Spain (-9.0%) and Italy (-22.5%).

In terms of consolidated turnover, the Group ended the first half of 2013 with net revenues down by 12.1% compared to same period in 2012, and equal to €671.5 million.

Turnover in India went up slightly (+ 0.5%), while revenues fell in Asia Pacific (- 4.0%), and in EMEA and the Americas (- 17.8%).

As regards product type, sales of commercial vehicles fell by 10.1% and two-wheelers by 12.8%. As a result, the impact of two-wheeler vehicles on overall turnover went down from 73.5% in the first half of 2012 to the current figure of 72.9%; vice versa, the impact of commercial vehicles went up from 26.5% to 27.1%.

The Group's **gross industrial margin**, defined as the difference between "net revenues" and "cost to sell" decreased in absolute terms by €28.9 million compared to the first half of 2012, while in relation to net turnover, it remained steady at 30.9%, as in the first half of 2012.

For example, the "cost to sell" includes costs for materials (direct and consumables), accessory purchase costs (transport of incoming material, customs, warehousing), employee costs for direct and indirect manpower and related expenses, work carried out by third parties, energy costs, depreciation of property, plant, machinery and industrial equipment, maintenance and cleaning costs net of sundry cost recovery recharged to suppliers. Amortisation/depreciation included in the gross industrial margin was equal to € 17.2 million (€ 16.4 million in the first half of 2012).

Operating expenses incurred during the first half of 2013 totalled € 149.8 million, € 14.8 million less compared to the same period of the previous year (€ 164.6 million), and confirmed the Group's constant focus on keeping costs down and maintaining high profitability levels. This saving benefited from the decrease in the item amortisation of intangible assets, due to the change in the useful life of the Aprilia and Moto Guzzi brands as from December 2012.

For example, operating expenses include employee costs, costs for services, leases and rentals, as well as operating costs net of operating income not included in the gross industrial margin. Operating expenses also include amortisation/depreciation not included in the gross industrial margin, amounting to € 25.8 million (€ 26.3 million in the first half of 2012).

These trends in the income statement resulted in a consolidated **EBITDA** – defined as operating income gross of amortisation/depreciation – which was lower than the previous period, and equal to € 100.6 million (€ 114.4 million in the first half of 2012). In relation to turnover, EBITDA was equal to 15.0%, as in the first half of 2012. In terms of Operating Income (**EBIT**), performance was negative compared to the first half of 2012, with a consolidated EBIT equal to € 57.6 million, down € 14.1 million; in relation to turnover, EBIT fell slightly from 9.4% in the previous half year to 8.6%.

The result of financing activities worsened compared to the first half of the previous year, with Net Charges amounting to € 16.0 million (€ 15.3 million in the first half of 2012). This increase was affected by higher debt, the negative impact of currency management and lower revaluation of the investment in the Chinese joint venture, and was offset by the capitalisation of € 2.4 million in application of IAS 23 and by the reduction in the cost of funding.

Consolidated net profit stood at € 25.0 million (3.7% of turnover), down on the figure for the same period of the previous year of € 33.8 million (4.4% of turnover). Income taxes for the period are estimated at € 16.6 million, equivalent to 40% of profit before tax.

Consolidated statement of financial position

Statement of financial position	As of 30 June 2013	As of 31 December 2012	Change
In millions of Euro			
Net working capital	(20.7)	(81.1)	60.4
Net tangible assets	317.1	321.0	(3.9)
Net intangible assets	657.0	661.0	(3.9)
Financial assets	7.8	6.7	1.2
Provisions	(73.9)	(75.9)	2.0
Net capital employed	887.3	831.7	55.6
Net Financial Debt	458.2	391.8	66.3
Shareholders' equity	429.2	439.9	(10.7)
Sources of funds	887.3	831.7	55.6
Minority interest capital	0.9	1.2	(0.3)

Net working capital as of 30 June 2013 was negative for € 20.7 million, using cash flows of approximately € 60.4 million during the period. In particular, net working capital is defined as the sum of trade receivables, inventories, trade payables and other non-trade assets and liabilities. During 2013, in a particularly challenging market context, the Piaggio Group was able to maintain a balance in net working capital, thanks above all to a careful management in the collection of trade receivables, and to a major focus on inventory management and optimisation and the implementation of new sales and supply chain financing agreements, for trade payables.

Property, plant and equipment, comprising plant, property, machinery and industrial equipment, net of accumulated depreciation and assets held for sale, amounted to € 317.1 million as of 30 June 2013, with a decrease of approximately € 3.9 million compared to 31 December 2012. Depreciation was equal to approximately € 19.9 million and offset investments for the period (€ 18.3 million). The value adjustment of the balance sheet item to the exchange rate in effect at the end of the reporting period generated a decrease in the carrying amount of approximately € 5.4 million. Reclassifications of intangible assets to property, plant, and equipment generated an increase of approximately € 3.2 million.

Intangible assets, comprising capitalised development costs, costs for patents and know-how, as well as goodwill arising from acquisitions/mergers taking place within the Group over the last few years, totalled € 657.0 million, with a decrease of approximately € 3.9 million compared to 31 December 2012. The decrease is mainly due to the value adjustment of the balance sheet item to the exchange rate in effect at the end of the reporting period, which generated a decrease in the carrying amount of approximately € 3.2 million. Investments for the period (€ 25.0 million) were offset by amortisation (€ 23.1 million) and the above mentioned reclassification.

Financial assets, defined as the sum of “investments” and “other non-current financial assets” totalled € 7.8 million. The increase essentially refers to the equity valuation of the Zongshen Piaggio Foshan joint venture (€ 1.0 million).

Provisions, comprising retirement funds and employee benefits, other long term provisions and the current portion of other long term provisions, totalled € 73.9 million, registering a decrease compared to 31 December 2012 (€ 75.9 million).

As fully described in the next section on the “Consolidated Statement of Cash Flows”, **net financial debt** as of 30 June 2013 was equal to € 458.2 million, compared to € 391.8 million as of 31 December 2012. The increase in debt of € 66.3 million is due to the investments programme, distribution of dividends and increase in working capital.

Shareholders' equity as of 30 June 2013 amounted to € 429.2 million, down € 10.7 million compared to 31 December 2012.

Consolidated Statement of Cash Flows

The Consolidated Statement of Cash Flows, prepared in accordance with the schedules envisaged by international financial reporting standards, is presented in the “Consolidated Financial Statements and Notes as of 30 June 2013”; the following is a comment relating to the summary statement shown.

Change in consolidated net debt	1st half of 2013	1st half of 2012	Change
<i>In millions of Euro</i>			
Opening consolidated net debt	(391.8)	(335.9)	(55.9)
Cash flow from operating activities	66.0	77.5	(11.5)
(Increase)/Decrease in working capital	(60.4)	(14.0)	(46.4)
(Increase)/Decrease in net investments	(36.3)	(76.0)	39.6
Change in shareholders' equity	(35.7)	(35.7)	(0.0)
Total Changes	(66.3)	(48.1)	(18.2)
Closing consolidated net debt	(458.2)	(384.0)	(74.2)

During the first half of 2013 the Piaggio Group used **financial resources** amounting to € 66.3 million.

Cash flow from operating activities, defined as net profit, minus non-monetary costs and income, was equal to € 66.0 million.

Working capital involved a cash flow of € 60.4 million; in detail:

- › the collection of trade receivables used financial flows for a total of € 63.3 million;
- › stock management absorbed financial flows for a total of approximately € 35.9 million;
- › supplier payment trends generated financial flows of approximately € 32.1 million;
- › the movement of other non-trade assets and liabilities had a positive impact on financial flows by approximately € 6.7 million.

Investing activities involved a total of € 36.3 million of financial resources. The investments refer to approximately € 22.8 million for capitalised research and development expenditure, and approximately € 20.6 million for plant, property and equipment and intangible assets. The exceptionally high values of the corresponding period of the previous year were affected by the development of the spare parts warehouse at Pontedera and by completion of the Vespa plant.

The impact of the distribution of dividends in May 2013 on cash flow was equal to approximately € 33.1 million, while the impact of the purchase of treasury shares was equal to € 1.0 million.

As a result of the above financial dynamics, which involved a cash flow of € 66.3 million, the **net debt** of the Piaggio Group amounted to - € 458.2 million.

Alternative non-GAAP performance measures

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

In particular the following alternative performance measures have been used:

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



Pacific
W 1000
W 1000
W 1000
W 1000

WUTTERFLY
ZONE

MOTO GAZEL
California

Results by type of product

The Piaggio Group is comprised of and operates by geographic segments - EMEA and the Americas, India and Asia Pacific - to develop, manufacture and distribute two-wheeler and commercial vehicles.

For a greater understanding of results achieved, sales and turnover data are analysed separately by product type.

Two-wheeler

	1st half of 2013		1st half of 2012		Change %		Change	
	Volumes Sell in (units/000)	Turnover (million Euros)	Volumes Sell in (units/000)	Turnover (million Euros)	Volumes	Turnover	Volumes	Turnover
EMEA and Americas	128.0	382.1	161.0	462.6	-20.4%	-17.4%	(32.9)	(80.5)
- of which EMEA	118.0	337.0	152.1	417.6	-22.4%	-19.3%	(34.1)	(80.6)
(of which Italy)	23.4	75.3	38.1	116.6	-38.6%	-35.4%	(14.7)	(41.3)
- of which America	10.1	45.1	8.9	45.0	12.9%	0.3%	1.1	0.1
India	25.4	16.0	4.9	3.7	415.4%	329.9%	20.5	12.3
Asia Pacific 2W	48.5	91.7	50.8	95.6	-4.6%	-4.0%	(2.3)	(3.9)
Total	202.0	489.8	216.7	561.9	-6.8%	-12.8%	(14.8)	(72.1)
Scooters	184.8	333.8	196.7	389.8	-6.0%	-14.4%	(11.9)	(56.0)
Motorcycles	17.2	89.9	20.1	90.4	-14.5%	-0.6%	(2.9)	(0.5)
Spare parts and Accessories		59.9		68.9		-13.0%		(8.9)
Other		6.2		12.8		-51.8%		(6.6)
Total	202.0	489.8	216.7	561.9	-6.8%	-12.8%	(14.8)	(72.1)

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

Comments on main results and significant events of the sector

The Piaggio Group maintained its leadership position on the European two-wheeler market in the first half of 2013, with a 17% market share (19.4% in 2012). In the scooter segment, the Group consolidated this position, with a 26.6% market share.

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

The Group also consolidated its position as the main manufacturer on the North American scooter market, with a share above 24% (25% in 2012). In this context, the Piaggio Group is steadfastly committed to consolidating its presence in the motorcycle segment, with its Moto Guzzi and Aprilia brands.

Brands and products

The Piaggio Group operates on the two-wheeler market with a portfolio of 7 brands that have enabled it to establish and consolidate a leadership position in Europe: Piaggio, Vespa, Gilera, Aprilia, Scarabeo, Moto Guzzi and Derbi.

The brands offer a complementary product assortment, so that the Group can supply the market with a fully comprehensive range to target the needs of different customer groups.

In the first six months of 2013, the Piaggio Group was absolute market leader, thanks to the introduction of vehicles with a style and content placing them at the top of their segments.

Piaggio With a wide range of models covering all main scooter segments, Piaggio is one of Europe's and the world's leading brands. The huge success of the brand has been built up around a thoroughly Italian design and technical innovation which mean ease of use and an outstanding functionality for customers, plus consumption and emission levels which are among the best on the market.

In March 2013, the Piaggio Beverly 125 was restyled and comfort was improved.

In the summer, the brand will make over the Liberty, with a new lower consumption engine, upgraded body, improved ergonomics and even better load capacity. With other 800,000 units sold worldwide, the Piaggio Liberty is a leader in the high-wheeled urban mobility segment.

Vespa Synonymous with style and elegance, the Vespa has been taking Italian design around the world in its 67 years of history, with its inimitable spirit.

The Vespa range, with its models boasting a unique design and typical steel body, was expanded in 2013 with the 946 model, directly inspired by the MP6 prototype which embodies the very spirit of the Vespa and has formed the basis for the inception of the world's most famous scooter. The Vespa 946 features exclusive materials, such as aluminium; it is manufactured in one of the most advanced production processes and has an unrivalled product content.

The Vespa 946 represents the height of technology achieved by the Piaggio Group: like all Vespa models, the load-bearing body is in steel with aluminium elements. For the first time ever on a scooter, full LED headlights are used - with the highest technological standard for lighting, until now a feature of luxury cars. The full LCD instrument panel is both minimalist and hi-tech.

The Vespa 946's applied engine technology is a nod to the future: with an ultra-modern 3V 125cc engine, for low consumption and very low CO₂ emission levels, plus excellent noise levels.

The Vespa 946 is taking the Vespa brand into the future with a focus on safety: equipped with generous-sized 12" wheels, for a superbly smooth ride and a braking system to guarantee the utmost safety. Dual disc system. Two-channel ABS and ASR sliding control. The highest standard on the scooter market available today.

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

Aprilia Aprilia includes a 50cc to 300cc scooter range, and a 50cc to 1200cc motorcycle range. The brand is known for its sporting style worldwide, winning many important competitions, the excellent performance of its products, and a cutting-edge innovation and design.

The RSV4 M.Y. 2013 has introduced improvements in four areas: the engine, ergonomics, electronics and brakes. The V4 from Noale has an extra 4 hp (now 184 at 12,500 revs) and 2 Nm of torque (117 Nm at 10,000 revs) thanks to new mapping, a revised exhaust system and a considerable reduction in internal friction. The most important change is a new racing ABS, to increase rider safety. This system can be disengaged and mapped on 3 levels for rear wheel lifting parameter management.

Scarabeo The Scarabeo brand offers a wide range of scooters from 50cc to 500cc, and is the Group's premium brand, along with the Vespa. The Scarabeo brand was launched by Aprilia in 1993, and is the first brand to have introduced high-wheeled scooters in Europe.

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

Moto Guzzi The Moto Guzzi brand came into being in 1921, and is one of the most well-known motorcycle brands in Europe, with a strong brand loyalty among customers. In 1970 Moto Guzzi gained worldwide popularity when it became the motorcycle of choice of the police in Los Angeles, California. Moto Guzzis, which have always been unique with their distinctive 90° V twin cylinder engines, are perfect for touring and combine a stylish traditional design with the latest technologies in the world of motorcycles. In January, Moto Guzzi launched the new California 1400 Custom which, like its companion model the Touring, has cruise control and MGCT traction control with 3 settings - Touring, Fast and Rain - fitted as standard.

The distribution network

EMEA

In the EMEA area (Europe, the Middle East, Africa) the Piaggio Group operates directly in main European countries and through importers on other markets: in June 2013, the Group's sales network accounted for just under 1,700 dealers.

Nearly 3,500 agreements to market the Group's brands are managed by the dealer network, of which 36% are sole agency agreements, where the partner only sells the Group's brand(s), and no products of other competitors.

At present, the Piaggio Group is active in 86 countries in the EMEA area and in the first six months of 2013 it further consolidated its sales network, appointing 76 new business partners, and expanding sales operations to some African countries, previously not covered.

In 2013, actions for the Group's distribution structure took into account market changes in the area and continued the process for a better quality/quantity balance of the sales network, with a particular focus on Group dealers managing motorcycle brands. In the first six months of the year, the process continued to implement new standards recently introduced in order to increase the quality levels of Group dealers and guarantee a high standard of service to end customers.

Distribution-related choices are based on two strategies:

1. Consolidating local coverage, through a quality-based selection of the network, with the objective of increasing the weight and retention of exclusive Group dealers.
2. Empowering the distribution network, by improving the economic and financial performance of dealers, raising quality standards for end customers and developing services and tools to support the network.

Americas

In the Americas, the Piaggio Group is directly present in the United States and Canada, while in Latin America it operates through a network of importers. In June 2013, the Group had over 330 partners in the Americas, of which 260 in the United States, 45 in Canada and a network of 27 importers in Central and South America.

In 2013, measures continued to strengthen the sales network in order to further support the Group's objectives for growth. In the USA, main actions for distribution in the first six months of 2013 concerned the implementation of a plan to consolidate the sales network in order to boost the motorcycle segment and consolidate results in the scooter segment. To support the sales penetration of the Group's brands in the USA, 16 new dealers were appointed in 2013.

In Canada, where distribution logics are based on a US market model following the reorganisation of the sales network in recent years, 6 new dealers were appointed in the first half of 2013.

In Latin America, the Piaggio Group continued to improve and expand its distribution network. Sales agreements with 7 new importers were signed in different states, in the first few months of 2013, and sales operations began in Suriname.

Asia Pacific

In the Asia Pacific Area, the Piaggio Group has a direct commercial presence in Vietnam, Indonesia, and - for the Aprilia brand only - in Japan. On other markets in this area, it operates through importers.

In line with the Group's strategic objectives, which plan to expand operations in the region, the distribution network is being built up.

In Vietnam, the Group increased its importers from 4 in 2008 (when a different business model was adopted) to more than 40 dealers, and 80 sales outlets. The Group has aimed and is aiming to develop its network in quantitative terms, by stepping up its presence in smaller areas of the country, and in qualitative terms, with a particular focus on corporate identity.

In Japan, the Group directly manages the Aprilia network and operates through importers and dealers for other brands. In total, the distribution network in the country has 200 sales outlets.

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

India

In India, Piaggio Vehicles Private Limited had 81 dealers as of 30 June 2013, with plans to increase its sales outlets. At present, the network covers main areas throughout the country.

Comments on main results and significant events of the sector

During the first half of 2013, the Piaggio Group sold a total of 202,000 units in the two-wheeler segment worldwide, accounting for a net turnover equal to approximately €489.8 million (- 12.8%), including spare parts and accessories (€ 59.9 million, - 13.0%). As explained in the previous paragraphs, the Piaggio Group's performance in 2013 was highly penalised by the drop in demand on the European market. This downturn concerned both the scooter and motorcycle segments.

Results in the Asian area were down slightly compared to the first half of 2012, with sales and turnover falling by 4.6% and 4.0% respectively.

Excellent results were achieved in India, where sales of the Vespa amounted to 25,400 units. As regards India, data for the first half of 2012 were not entirely comparable as the Vespa was first sold in India in May 2012.

Investments

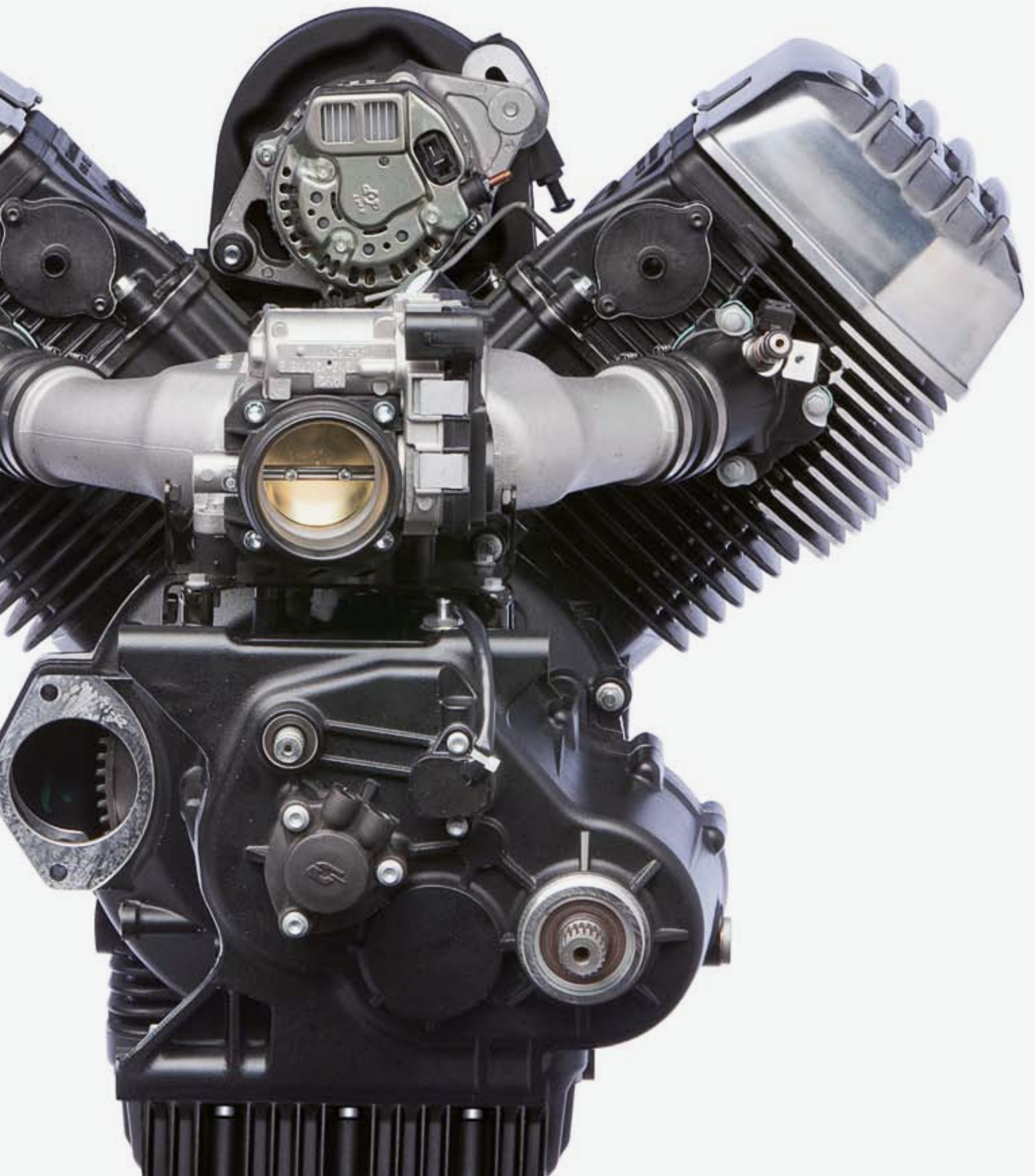
Investments mainly targeted the following areas:

- › Development of new products and face lifts of existing products.
- › Improvements in and modernisation of current production capacity.

As regards investments for Piaggio Group products in particular, significant resources were dedicated to some brands and/or products which are key to the Group's development. Main investments for European and Asian production sites (Vietnam and India), addressed the following areas:

- › new Vespa 946 and New Vespa LX models;
- › new Aprilia Caponord;
- › the new injection system.

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



Commercial Vehicles

	1st half of 2013		1st half of 2012		Change %		Change	
	Volumes Sell in (units/000)	Turnover (million Euros)	Volumes Sell in (units/000)	Turnover (million Euros)	Volumes	Turnover	Volumes	Turnover
EMEA and Americas	4.5	31.9	6.1	40.9	-26.5%	-22.0%	(1.6)	(9.0)
- (of which Italy)	1.7	16.5	2.8	23.5	-39.8%	-29.8%	(1.1)	(7.0)
- (of which the Americas)	0.4	0.9	0.8	1.9	-49.2%	-50.3%	(0.4)	(0.9)
India	92.1	149.9	92.6	161.3	-0.6%	-7.1%	(0.6)	(11.4)
Total	96.5	181.7	98.7	202.2	-2.2%	-10.1%	(2.2)	(20.4)
Ape	93.4	145.9	93.7	157.2	-0.3%	-7.2%	(0.3)	(11.3)
Porter	1.2	13.4	1.7	17.3	-26.7%	-22.1%	(0.5)	(3.8)
Quargo	0.3	2.0	0.9	4.4	-62.3%	-54.2%	(0.6)	(2.4)
Mini Truk	1.6	3.3	2.4	4.6	-34.9%	-29.2%	(0.8)	(1.3)
Spare parts and Accessories	0.0	17.1		18.7		-8.5%		(1.6)
Total	96.5	181.7	98.7	202.2	-2.2%	-10.1%	(2.2)	(20.4)

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

Market positioning

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

The Group distributes its products mainly in Italy (which accounted for 47% of the Group's volumes in Europe in the first half of 2013), as well as in Germany (26%), France (5%) and Spain (3%). The Group acts as operator on these markets in a niche segment (urban mobility), thanks to its range of low environmental impact products.

The Group is also present in India, in the passenger vehicle and cargo subsegments of the three-wheeler market, where it currently holds a leadership position, with a market share of 53.5 %.

The traditional three-wheeler market in India is flanked by the four-wheeler light commercial vehicles (LCV) market (cargo vehicles for goods transport) where Piaggio Vehicles Private Limited operated with the Apé Truk and Apé Mini, that were replaced in the first half of 2013 with the new Porter 600 and Porter 1000.

Brands and products

The Ape is the Group's best-selling brand in the commercial vehicles sector. The Ape is highly regarded because of its outstanding versatility, and is the ideal solution for door-to-door deliveries and short-range mobility requirements.

The Piaggio Group range also includes the compact, robust Porter and Quargo models.

European range vehicles are currently manufactured at production sites in Pontedera, while the range of vehicles intended for the Indian market is manufactured entirely at the production site in Baramati.

Europe

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

The product range, comprising the Ape 50, Ape TM, Ape Calessino, Quargo, Porter and Porter Maxxi, combines low running costs, an excellent specific load capacity and extremely easy handling, for access to areas that normal vehicles cannot reach because of their standard size, particularly in historic town and city centres.

The "star in the range" is the Porter, the light commercial vehicle with engine configurations for the most commonly used fuel options: diesel (D120), petrol (MultiTech) and eco-friendly (EcoSolution): bifuel petrol + GPL (EcoPower), bifuel petrol + methane (GreenPower), zero emission electric (ElectricPower).

The chassis version of the Porter is the ideal starter vehicle for adding increasingly specialised fittings to cater for customer needs. Specialisation is the key to Piaggio's success to reach new niche market segments.

The fully comprehensive engine range means all customer needs can be met, whether from the private domain or public fleet sector, and new trends targeting alternative fuels can be harnessed (pump price tensions, incentive campaigns).

Products include the Quargo, a heavy four-wheeler, which leverages important component and production process synergies with the Porter, extending the range to include intracity models designed for users who are traditionally served by the Ape 50 and TM, but need to switch to an equivalent four-wheeler vehicle.

India

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

In the first half of 2013, the Group consolidated sales of recently introduced models, such as the Apé City Passenger with petrol, diesel, gas and natural gas engine. The new Ape City 200, ideal for customers who want a compact vehicle, was introduced during the first half of the year. The vehicle has a new engine developed by Piaggio, for an even better performance that outstrips the competition.

The LTV range was entirely restyled with the introduction of the Porter 600 and Porter 1000, which have replaced the Ape Mini Truk and Ape Truk Plus. The Porter 1000 features the Piaggio BNA engine, type-approved to BS IV⁴, for a lower consumption than competitors in its reference segment (1 ton).

4_ BS IV : Indian type-approval standard; at the moment BS IV is the most evolved standard.

The distribution network

Europe

The Piaggio Group has more than 500 dealers in Europe. Development of the sales network in Europe has led to 18 dealers opening, to manage the entire product line and this has improved coverage on main European markets and offset the abandon of some operators of Piaggio sales network. Network development concerned Italy, Spain, France, Germany, Benelux and Greece in particular.

Developing and improving on the sales network quality standards has been a major focus, with particular attention paid to the efficiency of the service network, standards of corporate identity, the training of salesmen and technicians and approach to customer care.

On the Italian market, Piaggio Veicoli Commerciali has 115 dealers, 80% of which are exclusive dealers of Piaggio vehicles. The rest of the network comprises multibrand dealers (mainly cars and commercial vehicles). The 115 dealers are the result of a process to streamline the network which got underway in 2013 and has optimised sales efficiency, maximising local coverage and guaranteeing dealer proximity for end customers.

The 115 dealers manage a sub-network of more than 650 sales outlets and dedicated repair centres, with the aim of providing a top level professional service which is close to end users.

In 2013, the process to identify business opportunities on high potential markets such as Latin America and Africa continued.

South America continues to be a strategically important area, where the Group is consolidating initiatives launched in 2010, 2011 and 2012 and approaching new business opportunities, stemming from the diverse

mobility needs of emerging markets, through its Indian range, and of more developed markets, through its European range.

After the opening of a new dealer in Djibouti, actions were taken in Africa to analyse potential and carry out scouting, which will take place this year.

India

In India, Piaggio Vehicles Private Limited has 300 dealers, as well as 400 authorised after-sales centres.

Comments on main results and significant events of the sector⁵

In the first half of 2013, the Commercial Vehicles business generated a turnover of approximately €181.7 million, including approximately €17.1 million related to spare parts and accessories, registering a 10.1% decrease over the previous year. 96,500 units were sold during the first half of 2013, down 2.2% compared to the same period of 2012.

⁵ SIAM data estimated on the basis of January - May data

On the EMEA and Americas market, the Piaggio Group sold 4,500 units in the first half of 2013, generating a net total turnover of approximately € 31.9 million, including spare parts and accessories for € 7.9 million. The 26.5% decrease in units sold is mainly due to the negative trend of the reference market and difficult macro-economic situation affecting main European markets.

On the Indian three-wheeler market, up 1.4% over the previous half year, Piaggio Vehicles Private Limited holds a 34.1% share. Sales of Piaggio three-wheeler vehicles went up from 83,187 units in the first half of 2012 to 83,534 units in the same period of 2013, registering an increase of 0.4%. Detailed analysis of the market shows that Piaggio Vehicles Private Limited consolidated its role as market leader in the cargo segment: thanks to the Piaggio Apé 501, above all, and numerous possibilities for customisation, Piaggio Vehicles Private Limited holds a 53.5% market share (51.4% in the same period in 2012). Its market share, although decreasing slightly, remained steady in the Passenger segment, at 29.5% (30.1% in the same period of 2012). On the four-wheeler market, Piaggio Vehicles Private Limited sold 1,679 units, holding a marginal share of 1.5%.

Investments

In addition, investments to develop and industrialise new products for the Indian market continued.

Operating outlook

Despite the slowdown in growth at a global level and of western economies in particular, the Group is committed to the strategies outlined in its industrial plan presented in December 2011.

Thus it is committed to generating strong growth for productivity (harnessing its increased international presence, to increase the competitiveness of product costs in key processes such as purchasing, manufacturing and design), to its strategy of industrial and business development in Asia and to consolidating its leadership position on western markets.

As regards business and industrial operations:

- › the growth strategy for the Asia Pacific area will be continued, expanding the range of two-wheeler vehicles and pursuing development on various markets in the area, also through an industrial presence which was further consolidated in 2012, with the start-up of the engine manufacturing plant in Vietnam;
- › sales on the Indian scooter market, which is characterised by high growth rates and where the Group started operations in spring 2012, introducing its premium brand Vespa, will gradually increase, also supported by expansion of the sales network and consolidation of product ranges;
- › the Group's leadership position on the European two-wheeler market will be confirmed, through further consolidation of the product range and increased sales and margins in the motorcycle segment, with the Moto Guzzi and Aprilia ranges;
- › sales of commercial vehicles in India will go up, also because of the new Apé City being launched on the three-wheeler market in India, and new models being launched in the four-wheeler segment; in emerging countries, a further development in exports to African, Asian and Latin American markets will be targeted;
- › current positions on the European commercial vehicles market will be maintained.

As for technology, the Piaggio Group will continue its focus on developing ranges of two-wheeler and commercial vehicles, and standard and hybrid engines that offer considerable fuel savings and lower pollutant emissions.

In view of continuing difficulties in the macroeconomic context, the company will present a new 2014-2018 Strategic Plan before the end of the year, ahead of the end of the previous 2011-2014 Plan.

Transactions with related parties

Net sales, costs, payables and receivables as of 30 June 2013 involving parent, 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 information on transactions with related parties, including information required by Consob in its communication of 28 July 2006, is given in the notes of the Consolidated Financial Statements.

The procedure for transactions with related parties, pursuant to article 4 of Consob Regulation no. 17221 of 12 March 2010 as amended, approved by the Council on 30 September 2010, is published on the institutional site of the Issuer www.piaggiogroup.com, under *Governance*.

Relations with Parent Companies

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

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

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

In addition, Omniaholding S.p.A. has undersigned Piaggio & C. bonds for a value of € 2.9 million on the financial market, and collected related interest.

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

Transactions with subsidiaries

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

Piaggio & C. S.p.A.

- › sells vehicles, spare parts and accessories to sell on respective markets, to:
 - Piaggio Hrtvaska
 - Piaggio Hellas
 - Piaggio Group Americas
 - Piaggio Vietnam
- › sells components to:
 - Piaggio Vehicles Private Limited
 - Piaggio Vietnam
- › grants licences for rights to use the brand and technological know how to:
 - Piaggio Vehicles Private Limited
 - Piaggio Vietnam
- › provides support services for scooter and engine industrialisation to:
 - Piaggio Vehicles Private Limited
 - Piaggio Vietnam
- › provides support services for staff functions of other Group companies
- › issues guarantees for the Group's subsidiaries, for medium-term loans.

Piaggio Vietnam sells vehicles, spare parts and accessories, which it has manufactured in some cases, for sale on respective markets, to:

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

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

Piaggio Vespa provides

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

Piaggio Hrtvaska, Piaggio Hellas, Piaggio Group Americas and Piaggio Vietnam

- › distribute vehicles, spare parts and accessories purchased by Piaggio & C. on their respective markets.

Piaggio Indonesia and Piaggio Group Japan

- › provide a vehicle, spare part and accessory distribution service to Piaggio Vietnam for their respective markets.

Piaggio France, Piaggio Deutschland, Piaggio Limited, Piaggio Espana and Piaggio Vespa

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

Piaggio Asia Pacific

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

Foshan Piaggio Vehicles Technologies R&D provides to:

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

Aprilia Racing provides:

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

Atlantic 12:

- › rents a property to Piaggio & C. S.p.a.

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

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

Piaggio and its production sites

The Piaggio Group has a strong international presence.

At its Italian site in Pontedera (in the area near Pisa), the Group has three facilities, one for the manufacture of commercial vehicles, one for the manufacture of scooters and engines for two-wheeler vehicles, and one for the supply of aluminium and steel components for vehicles and engines. In addition to the latter, which comprise the most important industrial complex of the two-wheeler segment in Europe, two other sites operate in Italy for European production (Scorzè and Mandello del Lario). In February 2013, Piaggio &C. decided to move the production of Derbi brand vehicles to Italy, and gradually close down the production facility in Martorelles.

The Group also has its own production sites in Vietnam (at Vinh Phuc), with a site for the manufacture of two-wheeler vehicles and a site for the production of 3V engines, and in India (at Baramati, in the state of Maharashtra) with a site for the manufacture of commercial vehicles and engines, in addition to a production site for Vespas for the Indian market.

The main operations taking place during the first half of 2013 at these sites, to develop and make production capacity even more efficient, are outlined below.

Pontedera Sites

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

Two-Wheeler and Engine production sites

As part of mechanical processing, the mass production of the 1400 Moto Guzzi and 1200 Caponord integral drive shafts began and in-company production of drive shafts for Aprilia Racing started. The Rosler vibrofinish plant for buffing integral drive shafts and the Makino work centre for processing the LEm engine crankcase were installed, tested and started up for production. Activities began to acquire a new robot unit for the processing of unassembled drive shafts.

Improvement activities based on Quick Kaizen, 5S and PPS methodologies are underway.

The 1200 Caponord went into production, while activities are ongoing to upgrade the assembly line and test benches for the new Batteryless system for the LEm 3V engine, which is scheduled to go into production in July.

Pressing at suppliers got underway to produce sheet metal components for the body of the new Vespa Primavera, for production start-up at sites in Italy and Vietnam.

In the welding area, the new welding line for the Vespa 946 body was installed and production started, and a new automated welding line for the Vespa New LX body is being installed. Production should start before the end of July to produce the first bodies for the assembly of pre-mass production vehicles.

The painting process for the Vespa 946 was industrialised, with the introduction in particular of new equipment (for painting the body in a horizontal position).

During the first half of the year, activities prior to the development of the new painting system began, which will involve long-term investments and is scheduled for completion in 2015.

As regards vehicle assembly, the new Vespa 946 went into production, with the development of the vehicle assembly line, comprising AGV devices (an innovative system for the assembly of radio-controlled trucks with the cable below the floor). The construction of the new Vespa 946 assembly line led to the movement of some vehicles to other assembly lines at the Pontedera site, while assembly of the SRV850 vehicle was transferred to the production site at Scorzè.

The second assembly line for the front suspension for the Vespa GTS and Lx went into production.

Lastly, activities are currently underway to update the assembly and testing line for the new Vespa Primavera to go into production.

Commercial Vehicles Plants

In June, the Ape City Europa (the new Calessino) went into production.

Final testing on the Porter BTC was consolidated, with the introduction of a Drive Aid control system on test benches.

A system to control and fill brake oil for Ape vehicles was installed, replacing obsolete equipment.

Polo Meccanica Site

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

Work Times and Methods Analysis

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

Property management

Building 62, built to house the canteen for the former Foundry departments, was renovated and turned into company offices for around 100 staff. A total of 2,000 m², comprising a ground and first floor, were renovated, and the outside area was cleaned up and redeveloped.

The area, previously used as the paper and furnishing store, now houses the company's International Front Office and Back Office for all customers of the Parent Company Piaggio & C. S.p.A., as well as Credit Management and End Product Logistics.

The new Worldwide Spare Parts Centre, serving all Piaggio Group brands, was completed in April 2013 on company property in Pontedera, in the area of the former airport.

The new site is a large and ultra-modern logistics base to receive, pack, store and dispatch after-sales spare parts: the warehouse covers a total surface area of 37,000 m² and has an independent porter's lodge, 10 loading bays and new outside areas with transit perimeter, for a further 32,000 m².

The building has an innovative technological transfer system for storing and picking materials (automated miniloader system), with a storage capacity of 100,000 different codes, served by 8 automated shelf handling systems, and a final transport system for preparing kits to dispatch.

The high number of spare parts at the new warehouse meant that other logistics warehouses, rented in Italy and abroad, could be dismantled.

At present, rentals of the Spare Parts warehouses in Bientina, Arena Po and Vetry (France) have stopped.

Scorzè Plant

All the panic push bars on the fire doors and fire exit doors were replaced and extinguishing systems were upgraded, as part of activities for safety management and fire prevention control at the site.

During the first half of the year, assembly of the SRV 850 line transferred from Pontedera was completed, with the transfer of all Derbi models (GPR 50, Senda 50, DRD125) from the Martorelles sites, and vehicle

roll-over prevention devices installed on line 3, where the SRV 850 model will be worked.

Production of the Aprilia Caponord 1200 got underway.

Noale Plant

Main actions in the first half of 2013 refer to maintenance for fire prevention and control.

Mandello Del Lario Plant

In conjunction with competent public authorities (the Local Authorities - Arpal (the Regional Agency for environmental protection in Liguria - the Provincial authorities), the company is continuing the project to classify industrial land inside the plant, in order to remove and clean up the subsurface after previous industrial production.

At the same time, an application was made to the Regional and Provincial public authorities (the Regional Agency for State Property and the Province of Lecco), to eliminate state ownership of the former irrigation ditch which runs through the site, mostly underground and is prior to future expansion of the site, with examination of the application now ongoing.

As regards vehicle assembly, the system serving the "MILK RUN" lines based on logics of the Piaggio Manufacturing System project is now permanently operating, and industrialisation of all versions of the Moto Guzzi California range has been completed.

Baramati Plant

At the Baramati engine plant, installation and start-up of the second rapid test bench for the Ape Pax 200cc engine for the Ape Passenger, petrol, LPG and CNG versions, were completed in February, along with installation and start-up of the cylinder sanding line for HE and Ape Pax 200cc engines, and the production line for HE and Ape Pax 200cc engine cylinder heads, including processing and assembly lines.

Vinh Phuc Plant

In May, installation of an additional 4 machines to process LEm 3V engine coupled crankcases was completed, increasing installed production capacity from 120,000 coupled crankcases/year at the end of 2012 (7 processing machines installed and 1 washing unit), to 200,000 coupled crankcases/year (11 machines installed and 1 washing unit).

Activities are ongoing to upgrade the assembly line and test benches for the new Batteryless system for the LEm 3V engine, which is scheduled to go into production in July.

As regards production of the new Vespa Primavera, activities to expand the building and install plants and systems for the new welding line were completed at the Two-wheeler Site. The installation of welding equipment will be completed in July, and production start-up is scheduled for September.

To assist R&D functions, a test track inside the site has been constructed, along with dynamic stress testing paths for vehicles, with paving and cobbles.

As regards general plant improvements, the installation of an engine assembly cooling system and a

5th medium voltage transformer is nearing completion.

Piaggio Production System (PPS) inside PMS

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

Competitiveness

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

Work environment

Two separate programmes are being developed to improve the work environment.

The 5S programme will reorganise work stations for a better quality and productivity. The programme is being run for 40% of all production areas with an average “adequacy” rating compared to the best reference standards.

The programme, which is called QUICK KAIZEN and was launched in 2013, will actively involve all operating personnel in defining production issues and related solutions for improvement. At the 9 pilot sites, more than two hundred production issues against the three hundred identified have been solved.

Company culture

The dissemination of the most appropriate methodological standards and best tools recognised at a World Class Manufacturing level has made it possible to achieve a high level of staff motivation. At Piaggio, this has been consolidated with the introduction of regular in-company TV slots that focus on how employees apply these methodologies/tools. Consequently, the effect of traditional training on these specific issues can be disseminated even more effectively.

The environment and main relations with control authorities

Besides legal compliance (dispatch of the annual MUD report on waste and annual certification of CO₂ emissions - Emission Trading), the Pontedera site complied with requirements in the Integrated Environmental Authorisation (AIA) for the site, sending the Solvent Management report, report on inspections conducted in 2012 and results of the 1st groundwater analysis campaign. The following documents were sent:

- › 2012 MUD report (Sites at Pontedera, Gello waste site, PM01, Noale, Scorzè, Quinto di Treviso, Mandello del Lario) [17 April 2013];
- › 2012 Solvent Management Plan (to the Province of Pisa) [28 February 2013];
- › summary report of the results of the monitoring and annual control plan (to the Province of Pisa, the regional agency for environmental protection (ARPAT), the local health authorities (ASL 5) and the Municipality of Pontedera) [02 April 2013];
- › the results of the first groundwater analysis campaign (to the Province of Pisa and ARPAT) [30 April 2013].

Environmental, Quality and Occupational Safety certification

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

In the first half of the year, all internal activities, such as audits and procedure review, were carried out in order to maintain the Quality, Safety and Environment Management Systems.

	Production sites					
	Pontedera	Noale and Scorzè	Mandello del Lario	Martorelles	Baramati Engines Plant	Vinh Phuc
<i>Certification</i>						
UNI EN ISO 9001:2008 Quality management systems	since 1995	since 2006	since 2010	since 2010	since 2010	since 2009
UNI EN ISO 1400:2004 Environmental management system	since 2008	since 2008	since 2010	-	-	since 2011
BS OHSAS 18001:2007 Occupational Health and Safety Management System	since 2007	since 2007	since 2010	-	-	-
ISO TS 16946:2009 Quality and suppliers system	-	-	-	-	since 2012	-

Piaggio is one of a handful of Italian manufacturers awarded all three types of certification for Quality, Health and Safety and the Environment.



Piaggio and research and development

Anticipating customer requirements, creating products that are innovative in terms of their technology, style and functionality, pursuing research for a better quality of life are all fields of excellence in which the Piaggio Group excels, as well as a means for measuring its leadership position on the market. The Piaggio Group develops these areas through research and development at 6 centres in Italy, India, Vietnam and China.

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

- › **environmental credibility**; products that can reduce pollutant gas and CO₂ emissions in town and out-of-town use; this is achieved by further developing traditional engine technologies (increasingly sophisticated internal combustion engines), as well as making more use of renewable, sustainable energy sources;
- › **reliability and safety**; vehicles that enable a growing number of users to get about town easily, helping to reduce traffic congestion and guaranteeing high standards of active, passive and preventive safety;
- › **recyclability**, i.e. products that minimise environmental impact at the end of their useful life cycle;
- › **cost-effectiveness**, vehicles with lower running and maintenance costs.

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

	1st half of 2013			1st half of 2012		
	Capitalised	Expenses	Total	Capitalised	Expenses	Total
In millions of Euro						
Two-wheeler	19.0	7.1	26.1	22.5	8.0	30.5
Commercial Vehicles	3.8	1.9	5.7	5.6	1.5	7.2
Total	22.8	9.0	31.8	28.1	9.6	37.7
EMEA and Americas	16.2	7.3	23.5	15.3	8.6	23.8
India	3.7	1.1	4.8	8.3	0.6	8.9
Asia Pacific 2W	2.9	0.5	3.4	4.6	0.4	5.0
Total	22.8	9.0	31.8	28.1	9.6	37.7

In the first half of 2013, the Piaggio Group continued its policy of retaining technological leadership in the sector, allocating total resources of € 31.8 million to research and development, of which € 22.8 million capitalised under intangible assets as development costs.



Piaggio and human resources

Staff

As of 30 June 2013, the Group's employees numbered 8,150 against 8,349 in the same period in 2012, of which 3,840 operating at Italian sites against 4,414 as of 30 June 2012, with a decrease of 199 units in the Group and of 574 in Italy.

The total number of stable employees of the Group was equal to 6,175 as of 30 June 2013, of which 3,838 work at Italian facilities. The increase amounts to 168 in the Group and 53 in Italy compared to 30 June 2012.

Developments in Far East countries were significant, with Piaggio Vietnam Co. Ltd. employees amounting to 855 as of 30 June 2013 against 844 as of 30 June 2012, while Piaggio Vehicles Private Ltd. grew considerably, thanks to the start-up of the 2W segment, with an increase of 489 employees compared to 30 June 2012 (up from 2,548 to 3,037).

Employees by geographical segment at the end of the period

	As of 30 June 2013	As of 31 December 2012	As of 30 June 2012
EMEA and Americas	4,179	4,318	4,875
<i>of which Italy</i>	<i>3,840</i>	<i>3,873</i>	<i>4,414</i>
India	3,037	2,814	2,548
Asia Pacific	934	997	926
Total	8,150	8,129	8,349

Average number of Company employees by professional category

	1st half of 2013	1st half of 2012	Change
Senior Management	96	95	1
Middle Management	573	572	1
White collars	2,185	2,180	5
Blue collars	5,480	5,406	74
Total	8,334	8,253	81

Organisational development

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

In this context, the following main organisational changes took place in the first half of 2013:

- › the new Director of the **Product Development and Strategies Department** was appointed, and area organisation was subsequently changed, with the establishment of the **Technical Engine Centre** for the development of engines for the Group's two-, three- and four-wheeler vehicles, in order to harness synergies to a greater extent and promote specialist know how for a global development;
- › the **Style Centre** organisational unit was given a new organisation, in order to monitor the Group's style area, through a single central function for the design development of all vehicles, accessories and clothing, developing specialist expertise in design, graphics, model development and accessories/clothing. The company **Piaggio Advanced Design Center Corporation** of Pasadena, operates as part of the Style Centre, and is involved, with the most advanced international universities and research centres, in studying style trends and cutting-edge technological solutions to propose innovative ideas for all the Group's product lines;
- › the **Credit Management and Back Office** unit, which is part of **Finance General Management**, was given a new organisation, in order to establish a central structure for the management of administrative

activities concerning sales and dealer credit for Italy, domestic Europe and importers, and promote a greater operating efficiency and improved standard of service. As a result, the above administrative activities were transferred to the new Credit Management and Back Office unit, and Piaggio Vespa B.V. – Swiss Branch was closed down.

The Vendor Assessment organisational unit was joined with the Credit Management and Back Office function, and maintains responsibility for managing the Group supplier list and master record, including supplier qualification and rating, as well as the supplier portal and related help desk for external contacts;

- › a new organisational unit **Product and Sports Press Coverage** was established within the **External Relations and Institutional Affairs** department, in order to manage relations with the media concerning the Group's products and racing activities;
- › production activities at the Nacional Motor site in Martorelles were stopped and transferred to the Scorzè site;
- › the company PT Piaggio Indonesia was reorganised, changing company management with a view to development of the Indonesian market.

Developing Human Capital

Developing core competencies required by business developments and the market is a priority and this is why the professional development of the Group's employees is based on this strategy.

Reviews

In the first half of 2013, the Piaggio evaluation process, Evaluation Management System, involving all Group white collar staff and middle and senior management, was completed for Asia and India.

Piaggio Way

The Piaggio Way talent programme, lasting a maximum of four years, trains resources with managerial potential from Europe, the United States, Asia and India.

Participants, classified as Young Talent and Managerial Talent, are given the chance to take part in fast-track development programmes (job rotation, strategic and international projects, events with the involvement of top management, coaching and bespoke training).

During 2013, activities continued to develop and train employees in year one and two of the talent programme, and employees were selected for the third year.

Training

Training addresses all roles, levels of responsibility, professional groups and individuals who are motivated to improving their own professional value in keeping with the Company's development and its evolving corporate culture. In the first six months of 2013, training continued, with 55,284 hours provided in the Group for all employees in all segments/areas.

Hours of training
by training area

Thematic area	1st half of 2013	1st half of 2012
Managerial training	11,351	15,085
Technical – professional training	12,565	15,143
Language training	3,389	4,067
Safety and environmental training	27,979	8,767
Total	55,284	43,062

Total training hours
by professional category

Professional category	1st half of 2013	1st half of 2012
Senior Management	1,196	625
Middle Management	5,651	8,699
White collars	25,760	24,167
Blue collars	19,511	2,416
Project workers	3,166	7,155
Total	55,284	43,062

The priority objective of Piaggio is to continually update individual and organisational skills and bring them in line with a changing business and Company strategies and to fully disseminate behaviour focused on competitive excellence, in keeping with Piaggio's managerial and professional competency models.

In 2013, in particular, Piaggio managerial training courses were continued, including training based on requests originating from the EMS evaluation system. The content of training for the second stage of the new Product Lifecycle Management system, involving Company R&D areas, was developed in particular.

Piaggio also values the sharing of its know-how by organising training events managed by internal trainers, with a view to encouraging the exchange of the advanced methods and knowledge developed within company, so as to promote continual improvement.

Health and Safety

In the first half of 2013, the Company produced an in-depth training plan for safety, in line with directives of the State/Regions Agreement no. 221 of 21 December 2011 and subsequent indications in Agreement no. 153 of 25 July 2012.

The training project involved all company positions (blue collars, white collars and managers), also as regards their specific duties and with particular reference to the role of the occupational safety supervisor and of persons with authorisation concerning occupational safety.

The duration and contents differed depending on the participants and any previous training already provided by the Company in classroom lessons and by e-learning.

The training project was for all operating sites in Italy for approximately 20,800 hours.

Work continued in the period to bring the Polo Meccanica site in line with Piaggio company standards relative to its safety and environmental management system, in view of plans to extend OHSAS 18001/07 and ISO 14001 certification to this production unit.

In January 2013, important renovation works in the two-wheeler painting unit were completed, with water spray eliminated by reducing over spray and increasing the efficiency of ventilation systems, tested by air and environmental quality measurements.

At the Mandello operating site, a computerised system was introduced for medical fitness for health surveillance of employees by the Company-appointed Doctor. Safety training involved 33 temporary employees working at the site.

Total Piaggio injury statistics (for all operating sites) improved compared to the first half of 2012, with a frequency index of 2.6 (first 5 months of 2013) compared to a frequency index of 2.9 (first 5 months of

2012); this improvement occurred at the individual sites of Pontedera, Scorzè and Mandello del Lario. In April, the Safety manager of the Piaggio Vietnam Site held a one-week introductory training course at the central Occupational Safety and Medicine unit at Pontedera. Essential information was provided for implementing measures necessary to integrate the occupational safety management system at the Vietnam site with the Piaggio Group's more general, integrated safety and environmental system. Approximately 400 hours of safety training were provided at the Piaggio Vietnam site, which is preparing to obtain OHSAS 18001 certification. In April the Piaggio Vietnam Medical Centre entered into an agreement with the Welfare Department, under which costs incurred for activities at the medical centre will be reimbursed by this department. Information continued to be shared with the Safety manager of the Baramati (India) sites of Piaggio Vehicles Ltd., concerning local accident statistics, which were very low (frequency index of 0.2). At these sites, the focus on safety was at the forefront, with over 6,500 hours of training provided.

Industrial relations

In the first half of 2013, the economic and financial scenario was still highly critical at a national and European level, with a continuing downturn in two-wheeler and commercial vehicle markets. In Italy, in particular, consumer spending stagnated and sales of all two-wheeler products (scooters and motorcycles) decreased. Against this background, issues concerning falling volumes and staff activities at production sites in Italy and Europe were discussed with trade unions from the early months of the year onwards.

In February, a trade union agreement was signed for the Pontedera site, to start a one-year solidarity contract covering all activities and employees (blue collars, white collars and middle managers), with the exception of two-wheeler (engines and vehicles) production operators.

In April, 2012 bonus-related data were finalised, and considering the results achieved, no bonus settlement was awarded in addition to the advance already paid during the year. Strong contrasts among trade unions led to different positions and only one organisation officially submitted a delegation to renew the supplemented contract that had expired on 31 December 2011, but which is still current considering it is on an extended validity basis.

Procedures are underway to renew the trade union representatives and workers' safety representatives, who will be nominated in the first ten days of July.

A new trade union agreement was entered into, in January 2013, for the Noale and Scorzè sites. Based on the agreement, the parties are continuing the plan, already started in the 2011/2012 period, to guarantee the economic and financial sustainability of the Company's investment plan, with major cost reductions and a recovery of the technical structure's efficiency and productivity.

At the Noale site, activities continued to streamline staff and staff activities, with a new mobility procedure affecting 38 people. The solidarity contract at the Noale site will continue throughout 2013, so that volumes may be adjusted to demand.

The production strategy of the Scorzè site was confirmed, with the transfer (as from March 2013) of all production activities of the Martorelles site (Spain) which has been closed down.

Considering the ongoing downturn in the two-wheeler market and resulting production programmes, the solidarity contract which has been extended for a further 12 months, will be combined with a mobility procedure for 98 people, in order to restructure production staff to take account of the lower demand for vehicles.

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

During the first half of 2013, the number of hours lost through strikes fell considerably in Italy (by over 80%) and is mainly attributable to trade unions supporting the delegation to renew the level 2 supplemented contract.



In March 2013, the Spanish company Nacional Motor stopped all activities, implementing the E.R.E. (Expediente de Regulación de Empleo - Employment regulations plan), shared with Government representatives and Trade Union Organisations. Employment contracts are being terminated; the redundancy plan will end on 31 December 2013.

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

The Indian company Piaggio Vehicles Private Ltd. was affected by the general slowdown of the Indian economy. In the first half of the year it revised wage agreements, as was the case with other companies in the automotive industry. For this reason, there were some episodes of industrial unrest, but the situation is now coming to an end. The organisational work model of Piaggio Vehicles Private Ltd. is optimal, employing both permanent and temporary workers to ensure steady productivity levels.



Corporate Governance

Profile

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

The Chairman and Chief Executive Officer of the Company is Roberto Colaninno and the Deputy Chairman is Matteo Colaninno. The Chief Financial Officer, Gabriele Galli.

The Company has adopted the Corporate Governance Code of Borsa Italiana S.p.A. and observes principles of corporate governance contained in the code.

The Company is subject to the management and coordination of IMMSI S.p.A. pursuant to article 2497 et seq. of the Italian Civil Code.

Board of Directors

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

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

Committees

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

Internal control and risk management committee

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

In this context, the Board of Directors is assisted by a Director appointed to oversee operation of the internal control and risk management system and an Internal Control and risk management Committee.

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

Board of Statutory Auditors

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

Corporate Governance Report

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



Stock option plan

With regard to the 2007-2009 incentive plan approved by the General Meeting of Shareholders on 7 May 2007 and subsequently amended, for executives of the Company or of its Italian and/or foreign subsidiaries, in compliance with article 2359 of the Italian Civil Code, as well as for directors having powers in the aforesaid subsidiaries ("2007-2009 plan") during the period 19,200 option rights were exercised.

As of 30 June 2013, 3,920,800 option rights had been assigned for a corresponding number of shares.

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.

Rights	No. of options	Average exercise price (Euro)	Market price (Euro)
Rights existing as of 31/12/2012	3,940,000		
- of which exercisable as of 31/12/2012	3,940,000		
New rights assigned in the first half of 2013	-		
Rights exercised in the first half of 2013	(19,200)		
Rights expired in the first half of 2013	-		
Rights existing as of 30/06/2013	3,920,800		
- of which exercisable as of 30/06/2013	3,920,800		



Economic glossary

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

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

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

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

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

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

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

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

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

Net capital employed: determined as the algebraic sum of “Net long-term assets” and “Net working capital”, of other provisions previously considered.

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





CONDENSED INTERIM FINANCIAL STATEMENTS, CONSOLIDATED FINANCIAL STATEMENTS AND NOTES AS OF 30 JUNE 2013

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Consolidated Income Statement

	1st half of 2013		1st half of 2012	
	Total	of which related parties	Total	of which related parties
Notes In thousands of Euros				
4 Net revenues	671,549	32	764,076	
5 Cost for materials	386,266	13,991	443,299	19,626
6 Cost for services and leases and rentals	107,393	2,020	131,312	2,014
7 Employee costs	116,202		119,493	
8 Depreciation of property, plant and equipment	19,945		18,444	
8 Amortisation of intangible assets	23,084		24,292	
9 Other operating income	49,385	438	54,864	91
10 Other operating costs	10,479	7	10,424	
Operating income	57,565		71,676	
11 Income/(loss) from investments	1,146		2,556	
12 Financial income	1,082		1,153	
12 Borrowing costs	17,513	102	19,382	186
12 Net exchange gains/(losses)	(680)		329	
Profit before tax	41,600		56,332	
13 Taxes for the period	16,640		22,540	
Profit from continuing operations	24,960		33,792	
Assets held for disposal:				
14 Profits or losses arising from assets held for disposal	0		0	
Net Profit (Loss) for the period	24,960		33,792	
Attributable to:				
Shareholders of the Parent Company	24,918		33,734	
Non-controlling interests	42		58	
15 Earnings per share (figures in €)	0.069		0.093	
15 Diluted earnings per share (figures in €)	0.069		0.093	

Consolidated Statement of Comprehensive Income

	1st half of 2013	1st half of 2012
Note <i>In migliaia di euro</i>		
Net Profit (Loss) for the period (A)	24,960	33,792
Items that will not be reclassified in the income statement		
29 Remeasurements of post employment benefit obligations	491	(2,101)
Total	491	(2,101)
Items that may be reclassified in the income statement		
29 Profit (loss) deriving from the translation of financial statements of foreign companies denominated in foreign currency	(3,944)	(970)
29 Total profits (losses) on cash flow hedge instruments	1,798	(703)
Total	(2,146)	(1,673)
Other components of the Statement of Comprehensive Income (B) ¹	(1,655)	(3,774)
Total Profit (loss) for the period (A + B)	23,305	30,018
Attributable to:		
Shareholders of the Parent Company	23,270	29,957
Non-controlling interests	35	61

1_Other Profits (and losses) take account of relative tax effects

Consolidated Statement of Financial Position

	As of 30 June 2013		As of 31 December 2012		
	Total	of which related parties	Total	of which related parties	
Notes In thousands of Euros					
Assets					
Non-current assets					
16	Intangible assets	657,028		660,968	
17	Property, plant and equipment	317,076		321,015	
18	Investment property				
19	Investments	7,049		6,049	
20	Other financial assets	12,064		13,047	
21	Long-term tax receivables	5,648		1,195	
22	Deferred tax assets	36,829		36,714	
23	Trade receivables	28		28	
24	Other receivables	13,578	231	13,781	372
	Total non-current assets	1,049,300		1,052,797	
28 Assets held for sale					
Current assets					
23	Trade receivables	126,365	884	63,079	946
24	Other receivables	27,214	6,887	37,301	6,610
21	Short-term tax receivables	22,192		18,592	
25	Inventories	256,992		221,086	
26	Other financial assets			1,260	
27	Cash and cash equivalents	101,881		86,110	
	Total current assets	534,644		427,428	
	Total assets	1,583,944		1,480,225	
Shareholders' equity and liabilities					
Shareholders' equity					
29	Share capital and reserves attributable to the shareholders of the Parent Company	428,221		438,628	
29	Share capital and reserves attributable to non-controlling interests	943		1,245	
	Total shareholders' equity	429,164		439,873	
Non-current liabilities					
30	Financial liabilities falling due after one year	424,379	2,900	376,574	2,900
31	Trade payables	268		259	
32	Other long-term provisions	12,202		12,352	
33	Deferred tax liabilities	8,639		6,639	
34	Retirement funds and employee benefits	49,752		50,470	
35	Tax payables	232		555	
36	Other long-term payables	4,755		6,423	
	Total non-current liabilities	500,227		453,272	
Current liabilities					
30	Financial liabilities falling due within one year	146,948		115,042	
31	Trade payables	424,957	15,853	392,893	17,382
35	Tax payables	20,078		15,757	
36	Other short-term payables	50,651	451	50,345	187
32	Current portion of other long-term provisions	11,919		13,043	
	Total current liabilities	654,553		587,080	
	Total shareholders' equity and liabilities	1,583,944		1,480,225	

Consolidated Statement of Cash Flows

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

	1st half of 2013		1st half of 2012	
	Total	of which related parties	Total	of which related parties
Notes In thousands of Euros				
Operating activities				
Consolidated net profit	24,918		33,734	
Allocation of profit to non-controlling interests	42		58	
13 Taxes for the period	16,640		22,540	
8 Depreciation of property, plant and equipment	19,945		18,444	
8 Amortisation of intangible assets	23,084		24,292	
Non-monetary costs for stock options	0		385	
Provisions for risks and retirement funds and employee benefits	9,132		11,235	
Write-downs / (Reversals)	1,352		638	
Losses / (Gains) on the disposal of property, plants and equipment	17		6	
12 Financial income	(814)		(849)	
Dividend income	(146)		(6)	
12 Borrowing costs	15,543		17,257	
Income from public grants	(3,340)		(1,209)	
Portion of earnings of associated companies	(1,000)		(2,550)	
Change in working capital:	0			
23 (Increase)/Decrease in trade receivables	(63,286)	62	(75,396)	967
24 (Increase)/Decrease in other receivables	10,290	(136)	(3,247)	(33)
25 (Increase)/Decrease in inventories	(35,906)		(49,244)	
31 Increase/(Decrease) in trade payables	32,073	(1,529)	104,304	2,384
Increase/(Decrease) in other payables	(1,362)	264	1,231	10
32 Increase/(Decrease) in provisions for risks	(6,489)		(6,713)	
34 Increase/(Decrease) in retirement funds and employee benefits	(4,617)		(3,647)	
Other changes	17,843		(4,829)	
Cash generated from operating activities	53,919		86,434	
Interest paid	(13,277)		(11,618)	
Taxes paid	(33,363)		(9,154)	
Cash flow from operating activities (A)	7,279		65,662	
Investment activities				
17 Investment in property, plant and equipment	(18,333)		(37,193)	
Sale price, or repayment value, of property, plant and equipment	72		124	
16 Investment in intangible assets	(25,026)		(31,453)	
Acquisition of Tecnocontrol	0		(11,323)	
Sale price, or repayment value, of intangible assets	11		914	
Purchase of financial assets	0		(4,211)	
Sale price of financial assets	1,260		0	
Collected interests	517		312	
Cash flow from investing activities (B)	(41,499)		(82,830)	
Financing activities				
29 Exercise of stock options	35			
29 Purchase of treasury shares	(962)		(2,385)	
29 Outflow for dividends paid	(33,087)		(29,877)	
30 Loans received	100,495		97,670	
30 Outflow for repayment of loans	(16,583)		(94,110)	
30 Repayment of finance leases	(463)		(442)	
Cash flow from funding activities (C)	49,435		(29,144)	
Increase / (Decrease) in cash and cash equivalents (A+B+C)	15,215		(46,312)	
Opening balance	84,140		151,802	
Exchange differences				
Closing balance	99,355		105,490	

The following table shows details of cash and cash equivalents as of 30 June 2013 and as of 30 June 2012.

	As of 30 June 2013	As of 30 June 2012	Change
Notes In thousands of Euros			
27 Cash and cash equivalents	101,881	107,340	(5,459)
30 Current account overdrafts	(2,526)	(1,850)	(676)
Closing balance	99,355	105,490	(6,135)

This table reconciles the movement in the flow of the net debt with cash and cash equivalent movements as shown in the statement of cash flows.

In thousands of Euros	
Increase/decrease in cash and cash equivalents from the consolidated statement of cash flows	15,215
Outflow for repayment of loans	16,583
Repayment of finance leases	463
Loans received	(100,495)
Amortised cost on medium-/long-term financing	931
Purchase of financial assets	
Sale of financial assets	(1,260)
Exchange differences	2,222
Change in consolidated net debt	(66,341)

Consolidated Net Debt (Net Financial Debt)

	As of 30 June 2013	As of 31 December 2012	Change
Note In thousands of Euros			
27 Liquidity	101,881	86,110	15,771
26 Securities		1,260	(1,260)
Current financial receivables	0	1,260	(1,260)
30 Payables due to banks	(85,031)	(61,943)	(23,088)
30 Current portion of bank financing	(29,154)	(31,363)	2,209
30 Amounts due to factoring companies	(30,179)	(19,179)	(11,000)
30 Amounts due under leases	(957)	(936)	(21)
30 Current portion of payables due to other lenders	(1,627)	(1,621)	(6)
Current financial debt	(146,948)	(115,042)	(31,906)
Net current financial debt	(45,067)	(27,672)	(17,395)
30 Payables due to banks and financing institutions	(209,812)	(160,277)	(49,535)
30 Debenture loan	(194,413)	(193,550)	(863)
30 Amounts due under leases	(5,325)	(5,809)	484
30 Amounts due to other lenders	(3,564)	(4,532)	968
Non-current financial debt	(413,114)	(364,168)	(48,946)
Net financial debt²	(458,181)	(391,840)	(66,341)

2_ 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 11,265 and relative accruals (see note 30 of the Notes).



Changes in Consolidated Shareholders' Equity

Movements from 1 January 2013 / 30 June 2013

	Share capital	Share premium reserve	Legal reserve	Reserve for measurement of financial instruments	IAS transition reserve
Notes In thousands of Euros					
As of 1 January 2013	199,504	3,493	14,593	(3,269)	(5,859)
Profit for the period					
Other components of the Statement of Comprehensive Income				1,798	
Total profit (loss) for the period	0	0	0	1,798	0
29 Charges for the period for stock option plans					
29 Allocation of profits			2,309		
29 Distribution of dividends					
29 Annulment of treasury shares	6,066				
29 Exercise of stock options	11	24			
29 Purchase of treasury shares	(274)				
29 Other movements					
As of 30 June 2013	205,307	3,517	16,902	(1,471)	(5,859)

Movements from 1 January 2012 / 30 June 2012

	Share capital	Share premium reserve	Legal reserve	Reserve for measurement of financial instruments	IAS transition reserve
Notes In thousands of Euros					
As of 1 January 2012	202,209	3,493	12,241	(1,510)	(5,859)
Profit for the period					
Other components of the Statement of Comprehensive Income				(703)	
Total profit (loss) for the period	0	0	0	(703)	0
29 Charges for the period for stock option plans					
29 Allocation of profits			2,352		
29 Distribution of dividends					
29 Purchase of treasury shares	(698)				
As of 30 June 2012	201,511	3,493	14,593	(2,213)	(5,859)

Group consolidation reserve	Group conversion reserve	Stock option reserve	Earnings reserve	Consolidated Group shareholders' equity	Share capital and reserves attributable to non-controlling interests	Total shareholders' equity
993	(16,902)	13,385	232,690	438,628	1,245	439,873
			24,918	24,918	42	24,960
	(3,937)		491	(1,648)	(7)	(1,655)
0	(3,937)	0	25,409	23,270	35	23,305
				0		0
			(2,309)	0		0
			(33,087)	(33,087)		(33,087)
			(6,066)	0		0
				35		35
			(688)	(962)		(962)
			337	337	(337)	0
993	(20,839)	13,385	216,286	428,221	943	429,164

Group consolidation reserve	Group conversion reserve	Stock option reserve	Earnings reserve	Consolidated Group shareholders' equity	Share capital and reserves attributable to non-controlling interests	Total shareholders' equity
993	(13,087)	12,700	233,856	445,036	1,182	446,218
			33,734	33,734	58	33,792
	(973)		(2,101)	(3,777)	3	(3,774)
0	(973)	0	31,633	29,957	61	30,018
		385		385		385
			(2,352)	0		0
			(29,877)	(29,877)		(29,877)
			(1,687)	(2,385)		(2,385)
993	(14,060)	13,085	231,573	443,116	1,243	444,359

Notes to the Condensed Interim Consolidated Financial Statements as of 30 June 2013

A) General aspects

Piaggio & C. S.p.A. (the Company) is a joint-stock company established in Italy at the Register of Companies of Pisa. The addresses of the registered office and places where the Group conducts its main business operations are listed in the introduction to the financial statements. The main operations of the company and its subsidiaries (the Group) are described in the Report on Operations.

These Financial Statements are expressed in euros (€) since this is the currency in which most of the Group's transactions take place. Foreign operations are included in the consolidated financial statements according to the standards indicated in the notes below.

Scope of consolidation

As of 30 June 2013, the structure of the Piaggio Group was as indicated in the Report on Operations and is the structure referred to herein.

The scope of consolidation has not changed compared to the Consolidated Financial Statements as of 31 December 2012.

1. Compliance with international accounting standards

These Condensed Consolidated Interim Financial Statements have been prepared in compliance with the International Accounting Standards (IAS/IFRS) in force at that date, issued by the International Accounting Standards Board and approved by the European Commission, as well as in compliance with the provisions established in Article 9 of Legislative Decree no. 38/2005 (CONSOB Resolution no. 15519 dated 27 July 2006 containing the "Provisions for the presentation of financial statements", CONSOB Resolution no. 15520 dated 27 July 2006 containing the "Changes and additions to the Regulation on Issuers adopted by Resolution no. 11971/99", CONSOB communication no. 6064293 dated 28 July 2006 containing the "Corporate reporting required in accordance with Article 114, paragraph 5 of Leg. 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.

During the drafting of these Condensed Consolidated Interim Financial statements, prepared in compliance with IAS 34 - Interim Financial Reporting, the same accounting standards adopted in the drafting of the Consolidated Financial Statements as of 31 December 2012 were applied, with the exception of paragraph "New accounting standards, amendments and interpretations applied as from 1 January 2013".

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

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

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

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

These Condensed Consolidated Interim Financial Statements have been subject to a limited review by PricewaterhouseCoopers S.p.A..

Other information

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

The exchange rates used to translate the financial statements of companies included in the scope of consolidation into euros are shown in the table below.

Currency	Spot exchange rate 30 June 2013	Average exchange rate 1st half of 2013	Spot exchange rate 31 December 2012	Average exchange rate 1st half of 2012
US Dollar	1.3080	1.31346	1.3194	1.29678
Pounds Sterling	0.8572	0.85116	0.8161	0.82249
Indian Rupee	77.721	72.30697	72.560	67.61014
Singapore Dollars	1.6545	1.63315	1.6111	1.6391
Chinese Renminbi	8.0280	8.12938	8.2207	8.19181
Croatian Kuna	7.4495	7.56973	7.5575	7.54208
Japanese Yen	129.39	125.46589	113.61	103.3669
Vietnamese Dong	27,845.08	27,734.49370	27,776.32	27,293.80388
Canadian Dollars	1.3714	1.33454	1.3137	1.30409
Indonesian Rupiah	12,980.40	12,788.88530	12,714.00	11,919.67082
Brazilian Real	2.89	2.6688	2.7036	2.415096

2. Form and content of the financial statements

Form of the consolidated financial statements

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

Consolidated Income Statement

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

Consolidated Statement of Comprehensive Income

The Consolidated Statement of Comprehensive Income is presented in accordance with the provisions of IAS 1 revised. It reports the Net Profit attributable to shareholders of the parent company and to non-controlling interests.

Consolidated Statement of Financial Position

The Consolidated Statement of Financial Position is presented in opposite sections with separate indication of assets, liabilities and shareholders' equity.

In turn, assets and liabilities are reported in the Consolidated Financial Statements on the basis of their classification as current and non-current.

Consolidated Statement of Cash Flows

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

Consolidated net debt

The statement of consolidated net debt has been prepared 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”.

Statement of Changes in Consolidated Shareholders’ Equity

The Statement of Changes in Consolidated Shareholders’ Equity is presented as provided for in IAS 1 revised.

This includes the statement of comprehensive income, separately indicating amounts attributable to owners of the parent and non-controlling interests, amounts of transactions with owners and any effects of retrospective application or retrospective determination pursuant to IAS 8. Reconciliation between the opening and closing balance of each item for the period is presented.

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

On 16 June 2011 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 subsequently. The amendment is applicable to financial years beginning on 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 measured 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. For more details on impacts, see attachment F.

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

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

The following amendments and interpretations, applicable as from 1 January 2013, regulate specific cases which are not present within the Group at the date of these Condensed Consolidated Interim 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). Consequently 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 financial position. 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.

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

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

- › On 12 May 2011 the IASB issued 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 as 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 as 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 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 as 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.

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

- › On 12 November 2009, the IASB published IFRS 9 – Financial Instruments which was later 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 recorded in the income statement.



B) Segment reporting

3. Reporting by operating segments

Reporting by operating segments presented below reflects the internal reporting utilised by management for making strategic decisions. Since 24 January 2012, the Piaggio Group's organisation has been based on the geographic areas EMEA and Americas, India and Asia Pacific 2W.

As previously illustrated in comments on the Piaggio Group financial position and performance, **consolidated EBITDA** was defined as the "Operating Income" gross of amortisation of intangible assets and depreciation of plant, property and equipment, as reported within the consolidated income statement.



Income statement by geographic segment

		EMEA and Americas	India	Asia Pacific 2W	Total
Sales volumes (unit/000)	1st half of 2013	132.5	117.4	48.5	298.5
	1st half of 2012	167.1	97.5	50.8	315.4
	Change	(34.5)	19.9	(2.3)	(16.9)
	Change %	-20.7%	20.4%	-4.6%	-5.4%
Net turnover (millions of Euro)	1st half of 2013	414.0	165.9	91.7	671.5
	1st half of 2012	503.5	165.0	95.6	764.1
	Change	(89.5)	0.8	(3.9)	(92.5)
	Change %	-17.8%	0.5%	-4.0%	-12.1%
Gross margin (millions of Euro)	1st half of 2013	135.9	35.8	35.6	207.3
	1st half of 2012	163.2	37.3	35.7	236.3
	Change	(27.3)	(1.5)	(0.1)	(28.9)
	Change %	-16.7%	-4.1%	-0.4%	-12.2%
EBITDA (millions of Euro)	1st half of 2013				100.6
	1st half of 2012				114.4
	Change				(13.8)
	Change %				-12.1%
EBIT (millions of Euro)	1st half of 2013				57.6
	1st half of 2012				71.7
	Change				(14.1)
	Change %				-19.7%

C) Information on the consolidated income statement

4. Net revenues

€/000 671,549

Revenues are shown net of premiums recognised to customers (dealers).

This item does not include transport costs, which are recharged to customers (€/000 12,956) and invoiced advertising cost recoveries (€/000 2,878), which are posted under other operating income.

The revenues for disposals of Group core business assets essentially refer to the marketing of vehicles and spare parts on European and non-European markets.

Revenues by geographic segment

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

	1st half of 2013		1st half of 2012		Changes	
	Amount	%	Amount	%	Amount	%
In thousands of Euros						
EMEA and Americas	413,967	61.6	503,477	65.9	(89,510)	-17.8
India	165,851	24.7	165,013	21.6	838	0.5
Asia Pacific 2W	91,731	13.7	95,586	12.5	(3,855)	-4.0
Total	671,549	100.0	764,076	100.0	(92,527)	-12.1

In the first half of 2013, net sales revenues were down overall compared to figures for the same period of the previous year. Only India reported a growth trend, thanks to the Vespa.

5. Costs for materials

€/000 386,266

The percentage accounting for net revenues decreased, from 58.0% in the first half of 2012 to 57.5% in the current period following the lower impact of purchases of scooters from the Chinese subsidiary Zongshen Piaggio Foshan, which are sold on European and Asian markets and whose value during the half year amounted to €/000 13,991 (€/000 19,626 in the first half of 2012). The following table details the content of this item:

	1st half of 2013	1st half of 2012	Change
In thousands of Euros			
Raw, ancillary materials, consumables and goods	423,049	490,608	(67,559)
Change in inventories of raw, ancillary materials, consumables and goods	(28,817)	(16,872)	(11,945)
Change in work in progress of semifinished and finished products	(7,966)	(30,437)	22,471
Total costs for purchases	386,266	443,299	(57,033)

6. Cost for services, lease and rentals

€/000 107,393

Below is a breakdown of this item:

	1st half of 2013	1st half of 2012	Change
<i>In thousands of Euros</i>			
Employee costs	8,068	10,831	(2,763)
External maintenance and cleaning services	3,874	3,694	180
Energy, telephone and telex	10,927	10,797	130
Postal expenses	254	313	(59)
Commissions payables	446	465	(19)
Advertising and promotion	12,466	16,152	(3,686)
Technical, legal and tax consultancy and services	12,890	12,824	66
Company boards operating costs	1,247	1,201	46
Insurance	1,804	1,876	(72)
Outsourced manufacturing	8,551	10,804	(2,253)
Transport costs and spare parts	17,136	20,934	(3,798)
Sundry commercial expenses	5,214	8,086	(2,872)
Expenses for public relations	1,496	2,043	(547)
Product warranty costs	4,370	8,281	(3,911)
Quality-related events	1,312		1,312
Bank costs and factoring charges	2,696	2,942	(246)
Costs for leases and rentals	7,797	9,385	(1,588)
Other	4,825	8,741	(3,916)
Insurance from related parties	25	25	0
Services from related parties	1,115	1,035	80
Costs for leases and rentals of related parties	880	883	(3)
Total costs for services	107,393	131,312	(23,919)

The decrease was mainly due to the reduction in the volume of activities.

The saving of €/000 1,588 in costs for leases and rentals is due to the concentration of spare parts at the new warehouse, which made it possible to close other logistics warehouses rented in Italy and France. Costs for leases and rentals include lease rentals for business properties of €/000 3,594, as well as lease payments for car hire, computers and photocopiers.

The item "Other" includes costs for temporary work of €/000 695.

7. Employee costs

€/000 116,202

Employee costs include €/000 6,625 mainly relating to costs for mobility plans for the Pontedera, Noale and Martorelles production sites.

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.

	1st half of 2013	1st half of 2012	Change
<i>In thousands of Euros</i>			
Salaries and wages	89,620	91,730	(2,110)
Social security contributions	22,511	22,905	(394)
Post-employment benefits	3,776	4,187	(411)
Other costs	295	671	(376)
Total	116,202	119,493	(3,291)

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

Level	Average number	1st half of 2013	1st half of 2012	Change
Senior Management		96	95	1
Middle Management		573	572	1
White collars		2,185	2,180	5
Manual labour		5,480	5,406	74
Total		8,334	8,253	81

Average employee numbers were affected by seasonal workers in the summer (on fixed-term and temporary employment contracts).

In fact the Group uses fixed-term employment contracts to handle typical peaks in demand in the summer months.

Level	Number as of	30 June 2013	31 December 2012	Change
Senior Management		97	96	1
Middle Management		584	573	11
White collars		2,142	2,214	(72)
Manual labour		5,327	5,246	81
Total		8,150	8,129	21

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

Level	As of 31/12/2012	Incoming	Leavers	Relocations	As of 30/06/2013
Senior Management	96	7	(8)	2	97
Middle Management	573	32	(42)	21	584
White collars	2,214	106	(161)	(17)	2,142
Blue collars	5,246	1,737	(1,650)	(6)	5,327
Total	8,129	1,882	(1,861)	0	8,150
- of which fixed-term contracts	2,031	1,753	(1,586)	(223)	1,975

The increase in employee numbers is mainly attributable to the new two-wheeler plant in India, which offset the reductions in other geographic segments.

Employee/staff numbers	Number as of	30 June 2013	31 December 2012	Change
EMEA and Americas		4,179	4,318	(139)
India		3,037	2,814	223
Asia Pacific 2W		934	997	(63)
Total		8,150	8,129	21

8. Amortisation, depreciation and impairment costs

€/000 43,029

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

Property, plant and equipment	1st half of 2013	1st half of 2012	Change
In thousands of Euros			
Buildings	2,410	2,222	188
Plant and equipment	9,157	7,427	1,730
Industrial and commercial equipment	7,462	7,879	(417)
Other assets	916	916	0
Total depreciation of tangible fixed assets	19,945	18,444	1,501

Intangible assets	1st half of 2013	1st half of 2012	Change
<i>In thousands of Euros</i>			
Development costs	12,311	11,152	1,159
Industrial patent rights and intellectual property rights	7,822	8,241	(419)
Concessions, licences, trademarks and similar rights	2,412	4,519	(2,107)
Other	539	380	159
Total amortisation of intangible fixed assets	23,084	24,292	(1,208)

The increase in depreciation of property, plant and equipment is due to the new Vespa production site in India and the engine production site in Vietnam, which went into operation in 2012.

The decrease in the amortisation of intangible assets, was due to the change in the useful life of the Aprilia and Moto Guzzi brands, as from 31 December 2012, which was offset by the transition in the period of development costs for some important new vehicles.

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.

As of 30 June 2013, the Group verified that EBIT indicated in the approved budget and in the impairment testing plan as of 31 December 2012 was reached for all CGUs, and the rates used are still valid. Therefore no impairment of goodwill occurred.

9. Other operating income

€/000 49,385

This item consists of:

	1st half of 2013	1st half of 2012	Change
<i>In thousands of Euros</i>			
Operating grants	3,340	1,209	2,131
Increases in fixed assets from internal work	17,654	21,511	(3,857)
Sundry sales and income:			
- Rent receipts	151	69	82
- Capital gains on assets and investments	15	9	6
- Sale of miscellaneous materials	672	468	204
- Recovery of transport costs	12,956	15,094	(2,138)
- Recovery of advertising costs	2,878	2,455	423
- Recovery of sundry costs	2,012	2,773	(761)
- Compensation	1,532	1,647	(115)
- Compensation for quality-related events		58	(58)
- Contingent assets	763	15	748
- Licence rights and know-how	911	1,118	(207)
- Sponsorship	1,632	1,980	(348)
- Other income	4,869	6,458	(1,589)
Total other operating income	49,385	54,864	(5,479)

The decrease in other operating income is mainly due to a reduction in assets.

Operating grants mainly refer to government and EU grants for research projects. The grants are recognised in profit or loss, with reference to the amortisation of capitalised costs for which the grants were received. This item also includes contributions for exports (€/000 565) received from the Indian subsidiary.

Contingent assets refer to the use of excess provisions for risks.

10. Other operating costs

€/000 10,479

This item consists of:

	1st half of 2013	1st half of 2012	Change
<i>In thousands of Euros</i>			
Provision for future risks	505	241	264
Total provisions for risks	505	241	264
Provisions for product warranties	4,728	6,458	(1,730)
Total other provisions	4,728	6,458	(1,730)
Duties and taxes not on income	1,930	2,002	(72)
Various subscriptions	520	513	7
Capital losses from disposal of assets	32	6	26
Miscellaneous expenses	1,412	566	846
Total sundry operating costs	3,894	3,087	807
Impairment of current receivables	1,352	638	714
Total impairment	1,352	638	714
Total	10,479	10,424	55

Overall, this item is in line with the trend of the first half of 2012.

11. Income/(loss) from investments

€/000 1,146

Net income from investments refer to €/000 1,000 related to the equity valuation of the investment in the Zongshen Piaggio Foshan joint venture and to €/000 146 for dividends from non-controlling interests.

12. Net financial income (borrowing costs)

€/000 (17,111)

The balance of financial income (borrowing costs) for the first half of 2013 was negative by €/000 17,111, registering a decrease compared to the figure of €/000 17,900 for the same period of the previous year. This decrease was due to the capitalisation of € 2.4 million in application of IAS 23 and to the reduction in the cost of funding, which offset the negative effects arising from the increase in debt and currency management.

13. Taxes

€/000 16,640

Taxes for the first half of 2013 were estimated assuming a profit before tax accounting for 40%, equal to the best estimate of the average weighted rate expected for the entire year.

14. Profit/(losses) from assets held for disposal or sale

€/000 0

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

15. Earnings per share

Earnings per share are calculated as follows:

		1st half of 2013	1st half of 2012
Net profit	€/000	24,960	33,792
Earnings attributable to ordinary shares	€/000	24,960	33,792
Average number of ordinary shares in circulation		359,777,816	364,463,106
Earnings per ordinary share	€	0.069	0.093
Adjusted average number of ordinary shares		360,398,207	365,142,135
Diluted earnings per ordinary share	€	0.069	0.093

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



D) Information on the consolidated statement of financial position - Assets

16. Intangible assets

€/000 657,028

The table below shows the breakdown of intangible assets as of 30 June 2013 and 30 June 2012, as well as changes during the period.

	Development costs	Patent rights	Concessions, licences and trademarks	Goodwill	Other	Assets under development and advances	Total
<i>In thousands of Euros</i>							
Assets as of 01/01/2013	50,060	42,460	67,512	446,940	1,272	52,724	660,968
Investments	10,092	156			181	14,597	25,026
Transitions in the period	35,243	376			26	(35,645)	0
Amortisation	(12,311)	(7,822)	(2,412)		(539)		(23,084)
Disposals	0	(11)	0		0	0	(11)
Write-downs							0
Exchange differences	(2,340)	(192)			(15)	(102)	(2,649)
Other changes	(3,170)	(1,184)			680	452	(3,222)
Assets as of 30/06/2013	77,574	33,783	65,100	446,940	1,605	32,026	657,028
Assets as of 01/01/2012	45,397	39,509	72,335	446,940	1,436	43,803	649,420
Investments	11,911	1,074			169	18,299	31,453
Transitions in the period	11,001	1,813			0	(12,814)	0
Amortisation	(11,152)	(8,241)	(4,519)		(380)		(24,292)
Disposals	(890)	(24)	0		0	0	(914)
Write-downs							0
Exchange differences	(266)	(58)			68	(334)	(590)
Other changes	(2,923)	68			0	80	(2,775)
Assets as of 30/06/2012	53,078	34,141	67,816	446,940	1,293	49,034	652,302

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

	Value as of 30 June 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
<i>In thousands of Euros</i>									
R&D costs	77,574	26,546	104,120	50,060	49,158	99,218	27,514	(22,612)	4,902
Patent rights	33,783	5,035	38,818	42,460	3,095	45,555	(8,677)	1,940	(6,737)
Concessions, licences and trademarks	65,100		65,100	67,512		67,512	(2,412)	0	(2,412)
Goodwill	446,940		446,940	446,940		446,940	0	0	0
Other	1,605	445	2,050	1,272	471	1,743	333	(26)	307
Total	625,002	32,026	657,028	608,244	52,724	660,968	16,758	(20,698)	(3,940)

Increases mainly refer to the capitalisation of development costs for new products and new engines, as well as the purchase of software.

Development costs include costs for products and engines in projects for which there is an expectation, for the period of the useful life of the asset, to see net sales at such a level in order to allow the recovery of the costs incurred. This item also includes assets under development for €/000 26,546 that represent costs for which the conditions for capitalisation exist, but in relation to products that will go into production in future years.

As regards development costs, new projects capitalised during the first half of 2013 mainly refer to the new Vespa 946 and Aprilia Caponord models.

Borrowing costs related to loans for long-term development products 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.

During the first half of 2013, development costs of approximately € 9.0 million were charged directly to the consolidated income statement.

The item *Industrial patents and intellectual property rights* comprises software for €/000 12,833 and patents and know-how. It includes assets under development for €/000 5,035.

Patents and know-how mainly refer to the Vespa, GP 800, MP3, RSV4, MP3 hybrid, the 1200 cc engine and NT3 prototype.

Industrial patent and intellectual property rights costs are amortised over three years.

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

	As of 30 June 2013	As of 31 December 2012	Change
<i>In thousands of Euros</i>			
Guzzi trademark	21,937	22,750	(813)
Aprilia trademark	43,105	44,702	(1,597)
Minor brands	58	60	(2)
Total Trademarks	65,100	67,512	(2,412)

As of 31 December 2012, the residual useful life of the Moto Guzzi and Aprilia brands was revised, in compliance with IAS 38, section 104 (as of 31/12/2011, the residual useful life for both brands was 8 years). In particular, the revision of the residual useful life is based on the assumption related to the potential and future economic benefits arising from the considerable investments made in recent years by the Piaggio Group to renew the range of Moto Guzzi and Aprilia products that change the expectations and potential of future economic benefits related to the industrial and commercial use of both brands. As provided for by IAS/IFRS, the residual useful life of the Moto Guzzi and Aprilia brands was therefore extended to 2026, changing the annual amortisation quota calculated on the residual net book value. This change was applied on an annual and prospective basis starting from 2012, as provided for by IAS 8.

The accounting effects are as follows:

		Aprilia trademark	Moto Guzzi trademark
Expected useful life			
	<i>Previous valuation</i>	Up to 2019	Up to 2019
	<i>New valuation</i>	Up to 2026	Up to 2026
Annual amortisation			
€/000	<i>Previous valuation</i>	5,987	3,047
	<i>New valuation</i>	3,193	1,625
Annual charge of deferred taxes			
€/000	<i>Previous valuation</i>	(794)	(955)
	<i>New valuation</i>	(423)	(509)
Annual net impact on the Income Statement			
€/000	<i>Previous valuation</i>	5,193	2,092
	<i>New valuation</i>	2,770	1,116
	<i>Difference</i>	2,423	976

Goodwill derives from the greater value paid compared to the corresponding portion of the subsidiaries shareholders' equity at the time of purchase, less the related accumulated amortisation until 31 December 2003. During first-time adoption of the IFRS, the Group opted not to retroactively apply IFRS 3 - Business Combinations to acquisitions of companies that took place before 1st January 2004. As a result, the goodwill generated on acquisitions prior to the date of transition to IFRSs was maintained at the previous value, determined according to Italian accounting standards, subject to assessment and recognition of any impairment losses. Following the reorganisation by geographic segments, starting from 24 January 2012 goodwill is broken down as follows:

	EMEA and Americas	India	Asia Pacific 2W	Total
<i>In thousands of Euros</i>				
30 06 2013	305,311	109,695	31,934	446,940
31 12 2012	305,311	109,695	31,934	446,940

Goodwill cannot be amortised, but is tested for impairment annually or frequently, if specific events take place or changed circumstances indicate that the asset may have been affected by impairment, to identify impairment as provided for by IAS 36 - Impairment of Assets.

The possibility of reinstating booked values is verified by comparing the net book value of individual cash generating units with the recoverable value (value in use). This recoverable value is represented by the present value of future cash flows which, it is estimated, will be derived from the continual use of goods referring to cash generating units and by the final value attributable to these goods.

The recoverability of goodwill is verified at least once per year (as of 31 December), even in the absence of indicators of impairment losses.

As of 30 June 2013, the Group verified that EBIT indicated in the approved budget and in the impairment testing plan as of 31 December 2012 was reached for all CGUs, and the rates used are still valid. Therefore no impairment of goodwill occurred.

The item *Other intangible assets* totalled €/000 2,050 and mainly consist of charges sustained by Piaggio Vietnam.



17. Property, plant and equipment

€/000 317,076

The table below shows the breakdown of tangible assets as of 30 June 2013 and 30 June 2012, as well as movements during the period.

	Land	Buildings	Plant and equipment	Equipment	Other assets	Assets under development and advances	Total
<i>In thousands of euros</i>							
Assets as of 01/01/2013	31,586	97,399	95,352	29,874	6,549	60,255	321,015
Investments		165	1,217	2,820	349	13,782	18,333
Transitions in the period		13,230	21,183	4,205	535	(39,153)	0
Depreciation		(2,410)	(9,157)	(7,462)	(916)		(19,945)
Disposals		0	0	(13)	(76)	0	(89)
Write-downs				0			0
Exchange differences		(1,111)	(3,493)	(6)	(170)	(601)	(5,381)
Other changes		0	3,163	(151)	131	0	3,143
Assets as of 30/06/2013	31,586	107,273	108,265	29,267	6,402	34,283	317,076
Assets as of 01/01/2012	31,586	84,810	69,589	31,140	6,230	51,516	274,871
Investments		158	1,466	3,997	370	31,202	37,193
Transitions in the period		7,988	21,562	2,102	813	(32,465)	0
Depreciation		(2,222)	(7,427)	(7,879)	(916)		(18,444)
Disposals		0	(10)	(40)	(46)	(34)	(130)
Write-downs				0			0
Exchange differences		(196)	(779)	(3)	(13)	567	(424)
Other changes		1,363	6,436	1,023	151	0	8,973
Assets as of 30/06/2012	31,586	91,901	90,837	30,340	6,589	50,786	302,039

The breakdown of property, plant and equipment for the period and Under development is as follows:

	Value as of 30 June 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
<i>In thousands of Euros</i>									
Land	31,586		31,586	31,586		31,586	0	0	0
Buildings	107,273	2,282	109,555	97,399	14,806	112,205	9,874	(12,524)	(2,650)
Plant and equipment	108,265	17,715	125,980	95,352	31,460	126,812	12,913	(13,745)	(832)
Equipment	29,267	13,640	42,907	29,874	13,189	43,063	(607)	451	(156)
Other assets	6,402	646	7,048	6,549	800	7,349	(147)	(154)	(301)
Total	282,793	34,283	317,076	260,760	60,255	321,015	22,033	(25,972)	(3,939)

Property, plant, and equipment mainly refer to Group production facilities in Pontedera (Pisa), Noale (Venice), Mandello del Lario (Lecco), Baramati (India) and Vinh Phuc (Vietnam), as well as to the Spanish site at Martorelles, which is no longer operating. The net book value of the latter site was confirmed by a specific appraisal conducted by an independent expert who, pursuant to IAS 36, made an evaluation of the "Fair Value less cost of disposal" based on a market approach (as provided for in IFRS 13). This analysis did not indicate any impairment.

The increases mainly relate to the construction of moulds for new vehicles launched during the period and to the logistic and industrial reorganisation of external local units. Borrowing costs relative to loans for the construction of assets that are long-term prior to being ready for use are capitalised as a part of the cost of the actual assets.

As of 30 June 2013, the net values of assets held under leases were as follows:

	As of 30 June 2013
<i>In thousands of Euros</i>	
Mandello del Lario site (land and building)	13,133
Total	13,133

Future lease rental commitments are detailed in note 30.

18. Investment Property

€/000 0

As of 30 June 2013 no investment property was held.

19. Investments

€/000 7,049

The Investments heading comprises:

	As of 30 June 2013	As of 31 December 2012	Change
<i>In thousands of Euros</i>			
Interests in joint ventures	6,838	5,838	1,000
Investments in affiliated companies	211	211	
Total	7,049	6,049	1,000

The value of investments in joints ventures refers to the valuation of the portion of shareholders' equity in the Zongshen Piaggio Foshan joint venture held by the Group, adjusted to take account of the measurement criteria adopted by the Group, as well as the recoverable value determined during impairment testing carried out by the Parent Company.

20. Other non-current financial assets

€/000 12,064

	As of 30 June 2013	As of 31 December 2012	Change
<i>In thousands of Euros</i>			
Financial receivables due from third parties		30	(30)
Fair value of hedging derivatives	11,901	12,854	(953)
Investments in other companies	163	163	0
Total	12,064	13,047	(983)

The item "Fair value of hedging derivatives" refers for €/000 7,224 to the fair value of the cross currency swap related to a private debenture loan, for €/000 4,600 to the fair value of the cross currency swap related to a medium-term loan of the Indian subsidiary and for €/000 77 to the fair value of the cross currency swap related to a medium-term loan of the Vietnamese subsidiary. For further details, see attachment F – Information on financial instruments.

21. Current and non-current tax receivables

€/000 27,840

Receivables due from tax authorities consist of:

	As of 30 June 2013	As of 31 December 2012	Change
<i>In thousands of Euros</i>			
VAT receivables	24,963	16,412	8,551
Income tax receivables	1,225	1,636	(411)
Other receivables due from the public authorities	1,652	1,739	(87)
Total tax receivables	27,840	19,787	8,053

Non-current tax receivables totalled €/000 5,648, compared to €/000 1,195 as of 31 December 2012, while current tax receivables totalled €/000 22,192 compared to €/000 18,592 as of 31 December 2012. The increase is due to higher VAT receivables of the Parent Company and Indian subsidiary. The item "other receivables due from the public administration" mainly includes the advance payment of regional production tax.

22. Deferred tax assets

€/000 36,829

These totalled €/000 36,829 compared to €/000 36,714 as of 31 December 2012.

As part of measurements to define deferred tax assets, the Group mainly considered the following:

1. tax regulations of countries where it operates, the impact of regulations in terms of temporary differences and any tax benefits arising from the use of previous tax losses;
2. the taxable income expected for each company, in the mid term, and the economic and tax effects arising from implementation of the organisational structure.

In view of these considerations, and with a prudential approach, it was decided to not wholly recognise the tax benefits arising from losses that can be carried over and from temporary differences.



23. Trade receivables (current and non current)

€/000 126,393

As of 30 June 2013 current trade receivables amounted to €/000 126,365 compared to €/000 63,079 as of 31 December 2012.

At the same date, non-current trade receivables amounted to €/000 28.

Their breakdown was as follows:

	As of 30 June 2013	As of 31 December 2012	Change
<i>In thousands of Euros</i>			
Trade receivables	125,509	62,161	63,348
Receivables due from Group companies valued at equity	751	946	(195)
Receivables due from affiliated companies	133	-	133
Total	126,393	63,107	63,286

Receivables due from Group companies valued at equity comprise amounts due from Zongshen Piaggio Foshan Motorcycles.

The item "Trade receivables" comprises receivables referring to normal sale transactions, recorded net of the provision for bad debts of €/000 26,946.

The Group sells a large part of its trade receivables with and without recourse. Piaggio has signed contracts with some of the most important Italian and foreign factoring companies as a move to optimise the monitoring and the management of its trade receivables, besides offering its customers an instrument for funding their own inventories, for factoring classified as without the substantial transfer of risks and benefits. On the contrary, for factoring without recourse, contracts have been formalised for the substantial transfer of risks and benefits. As of 30 June 2013, trade receivables still due sold without recourse totalled €/000 125,408. Of these amounts, Piaggio received payment prior to natural expiry, of €/000 106,484.

As of 30 June 2013, advance payments received from factoring companies and banks, for trade receivables sold with recourse totalled €/000 30,179 with a counter entry recorded in current liabilities.

24. Other current and non-current receivables

€/000 40,792

Other receivables included in non-current assets totalled €/000 13,578 against €/000 13,781 as of 31 December 2012, whereas other receivables included in current assets totalled €/000 27,214 compared to €/000 37,301 as of 31 December 2012. They consist of:

Other non-current receivables	As of 30 June 2013	As of 31 December 2012	Change
<i>In thousands of Euros</i>			
Receivables due from Group companies		138	(138)
Receivables due from affiliated companies	231	234	(3)
Prepaid expenses	10,267	10,643	(376)
Advances to employees	86	84	2
Security deposits	679	443	236
Receivables due from others	2,315	2,239	76
Total non-current portion	13,578	13,781	(203)

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

Other current receivables	As of 30 June 2013	As of 31 December 2012	Change
<i>In thousands of Euros</i>			
Receivables due from the Parent Company	6,544	6,359	185
Receivables due from Group companies valued at equity	303	194	109
Receivables due from affiliated companies	40	57	(17)
Accrued income	961	631	330
Prepaid expenses	4,968	8,162	(3,194)
Advance payments to suppliers	472	5,503	(5,031)
Advances to employees	542	2,136	(1,594)
Fair Value of hedging derivatives	326		326
Security deposits	214	263	(49)
Receivables due from others	12,844	13,996	(1,152)
Total current portion	27,214	37,301	(10,087)

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

Receivables due from Group companies valued at equity comprise amounts due from Zongshen Piaggio Foshan.

Receivables due from affiliated companies are amounts due from the Fondazione Piaggio and Immsi Audit.

The item fair value of hedging derivatives mainly refers to hedging derivatives related to the exchange risk on forecast transactions recognised on a cash flow hedge basis.

25. Inventories

€/000 256,992

This item comprises:

	As of 30 June 2013	As of 31 December 2012	Change
<i>In thousands of Euros</i>			
Raw materials and consumables	119,883	97,750	22,133
Provisions for write-down	(13,013)	(13,352)	339
<i>Net value</i>	<i>106,870</i>	<i>84,398</i>	<i>22,472</i>
Work in progress and semifinished products	16,159	20,678	(4,519)
Provisions for write-down	(852)	(852)	0
<i>Net value</i>	<i>15,307</i>	<i>19,826</i>	<i>(4,519)</i>
Finished products and goods	154,472	143,049	11,423
Provisions for write-down	(19,870)	(26,264)	6,394
<i>Net value</i>	<i>134,602</i>	<i>116,785</i>	<i>17,817</i>
Advances	213	77	136
Total	256,992	221,086	35,906

The increase is related to the production peak during summer months.

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

26. Other current financial assets

€/000 0

This item comprises:

	As of 30 June 2013	As of 31 December 2012	Change
In thousands of Euros			
Time deposits		1,260	(1,260)
Total		1,260	(1,260)

The value as of 31 December 2012 referred to the sum collected from the sale of a licence in France, which according to local legislation, had been frozen in a bank deposit, until expiry of the three-year period granted by law for any claimants.

27. Cash and cash equivalents

€/000 101,881

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

	As of 30 June 2013	As of 31 December 2012	Change
In thousands of Euros			
Bank and postal deposits	101,568	71,424	30,144
Cash on hand	52	59	(7)
Securities	261	14,627	(14,366)
Total	101,881	86,110	15,771

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

28. Assets held for sale

€/000 0

As of 30 June 2013, there were no assets held for sale.

Information on the consolidated statement of financial position - Liabilities

29. Share capital and reserves €/000 429,164

Share capital €/000 205,307

The change in share capital during the six-month period was as follows:

<small>In thousands of Euros</small>	
Subscribed and paid up capital	205,941
Treasury shares purchased as of 31 December 2012	(6,437)
Share capital as of 1 January 2013	199,504
Exercise of stock options	11
Cancellation of treasury shares	6,066
Purchase of treasury shares	(274)
Share capital as of 30 June 2013	205,307

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 six-month period, 19,200 new ordinary shares were issued, offered to and subscribed by stock option plan beneficiaries.

Therefore, as of 30 June 2013, the nominal share capital of Piaggio & C., fully subscribed and paid up, was equal to € 205,952,233.02 divided into 360,764,080 ordinary shares.

During the six-month period, 491,156 ordinary shares were purchased. As of 30 June 2013, the Parent Company held 1,168,656 treasury shares, equal to 0.324% of the share capital.

In accordance with international accounting standards, the acquisitions were recognised as a decrease of shareholders' equity.

As of 30 June 2013, according to the shareholder ledger, notifications received pursuant to article 120 of Italian Legislative Decree no. 58/1998 and other information available, the following shareholders hold voting rights, either directly or indirectly, exceeding 2% of the share capital:

Declarer	Direct shareholder	% of ordinary share capital	% of shares with voting rights
Omniaholding S.p.A.	IMMSI S.p.A.	54.6697	54.6697
	Omniaholding S.p.A.	0.03	0.03
	Total	54.6997	54.6997
Diego della Valle	Diego della Valle & C. S.a.p.a.	5.4491	5.4491
	Total	5.4491	5.4491

Share premium reserve €/000 3,517

The share premium reserve as of 30 June 2013 had increased by €/000 24, following the subscription of 19,200 stock options.

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 (13,791)

This item consists of:

	As of 30 June 2013	As of 31 December 2012	Change
<i>In thousands of Euros</i>			
Translation reserve	(20,839)	(16,902)	(3,937)
Stock option reserve	13,385	13,385	0
Financial instruments' fair value reserve	(1,471)	(3,269)	1,798
IFRS transition reserve	(5,859)	(5,859)	0
Total other reserves	(14,784)	(12,645)	(2,139)
Consolidation reserve	993	993	0
Total	(13,791)	(11,652)	(2,139)

The financial instruments fair value provision is negative and refers to the effects of cash flow hedge accounting in foreign currencies, interest and specific business transactions. These transactions are described in full in the note on financial instruments.

The consolidation reserve was generated after the acquisition - in the month of January 2003 - of the shareholding in Daihatsu Motor Co. Ltd in P&D S.p.A., equal to 49% of the share capital, by Piaggio & C. S.p.A.

Distributed dividends

€/000 33,087

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

Earnings reserve

€/000 216,286

Share capital and reserves attributable to non-controlling interests

€/000 943

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

Other components of the Statement of Comprehensive Income

€/000 (1,655)

The figure is broken down as follows:

	1st half of 2013	1st half of 2012	Change
<i>In thousands of euros</i>			
Items that will not be reclassified in the income statement			
Remeasurements of post employment benefit obligations	491	(2,101)	2,592
Total	491	(2,101)	2,592
Items that may be reclassified in the income statement			
Total translation gains (losses)	(3,944)	(970)	(2,974)
Total profits (losses) on cash flow hedge instruments	1,798	(703)	2,501
Total	(2,146)	(1,673)	(473)
Other components of the Statement of Comprehensive Income	(1,655)	(3,774)	2,119

30. Current and non-current financial liabilities

€/000 571,327

In the first half of 2013, the Group's overall debt increased by €/000 79,711, from €/000 491,616 to €/000 571,327. Net of the fair value measurement of financial derivatives to hedge the exchange risk and interest rate risk, and the adjustment of relative hedged items, as of 30 June 2013 total financial debt of the Group increased by €/000 80,852.

	Financial liabilities as of 30 June 2013			Financial liabilities as of 31 December 2012			Change		
	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total
<i>In thousands of Euros</i>									
Gross financial debt	146,948	413,114	560,062	115,042	364,168	479,210	31,906	48,946	80,852
Fair Value of hedging derivatives		11,265	11,265		12,406	12,406		(1,141)	(1,141)
Total	146,948	424,379	571,327	115,042	376,574	491,616	31,906	47,805	79,711

The Group's net debt amounted to €/000 458,181 as of 30 June 2013 compared to €/000 391,840 as of 31 December 2012, as can be seen in the table on Net Debt included in the financial statements. The increase in debt of €/000 66,341 is due to the investments programme, distribution of dividends and increase in working capital. Financial liabilities included in non-current liabilities totalled €/000 413,114 against €/000 364,168 as of 31 December 2012, whereas other financial liabilities included in current liabilities totalled €/000 146,948 compared to €/000 115,042 as of 31 December 2012.

The attached tables summarise the breakdown of financial debt as of 30 June 2013 and as of 31 December 2012, as well as changes for the period.

Non-current portion	Accounting balance as of 31/12/2012	Repayments	New issues	Reclassification to the current portion	Exchange delta	Other changes	Accounting balance as of 30/06/2013
<i>In thousands of Euros</i>							
Bank financing	160,277		66,452	(15,007)		(1,910)	209,812
Bonds	193,550					863	194,413
Other medium-/long-term loans:							
- of which leases	5,809			(484)			5,325
- of which amounts due to other lenders	4,532			(968)			3,564
Total other loans	10,341	0	0	(1,452)	0	0	8,889
Total	364,168	0	66,452	(16,459)	0	(1,047)	413,114

Current portion	Accounting balance as of 31/12/2012	Repay-ments	New issues	Reclassification to the current portion	Exchange delta	Other changes	Accounting balance as of 30/06/2013
<i>In thousands of Euros</i>							
Current account overdrafts	1,970		562		(6)		2,526
Current account payables	59,973		23,043		(511)		82,505
Bonds	-						
Payables due to factoring companies	19,179		11,000				30,179
Current portion of medium-/long-term loans:							
- of which leases	936	(463)		484			957
- of which due to banks	31,363	(15,621)		15,007	(1,711)	116	29,154
- of which amounts due to other lenders	1,621	(962)		968			1,627
Total other loans	33,920	(17,046)	0	16,459	(1,711)	116	31,738
Total	115,042	(17,046)	34,605	16,459	(2,228)	116	146,948

The breakdown of the debt is as follows:

	Accounting balance as of 30/06/2013	Accounting balance as of 31/12/2012	Nominal value as of 30/06/2013	Nominal value as of 31/12/2012
<i>In thousands of Euros</i>				
Bank financing	323,997	253,583	325,907	253,699
Debenture loan	194,413	193,550	201,799	201,799
Other medium-/long-term loans:				
- of which leasing	6,282	6,745	6,282	6,745
- of which amounts due to other lenders	35,370	25,332	35,370	25,332
Total other loans	41,652	32,077	41,652	32,077
Total	560,062	479,210	569,358	487,575

The table below shows the debt servicing schedule as of 30 June 2013:

	Nominal value as of 30/06/2013	Amounts falling due within 12 months	Amounts falling due after 12 months	Amounts falling due in				
				2nd half of 2014	2015	2016	2017	Beyond
<i>In thousands of Euros</i>								
Bank financing	325,907	114,185	211,722	20,283	107,414	31,266	20,256	32,503
- including opening of credit lines and bank overdrafts	85,031	85,031	0					
- of which medium/long-term bank loans	240,876	29,154	211,722	20,283	107,414	31,266	20,256	32,503
Debenture loan	201,799	0	201,799			150,000	9,669	42,130
Other medium-/long-term loans:								
- of which leases	6,282	957	5,325	5,325				
- of which amounts due to other lenders	35,370	31,806	3,564	663	1,639	312	314	636
Total other loans	41,652	32,763	8,889	5,988	1,639	312	314	636
Total	569,358	146,948	422,410	26,271	109,053	181,578	30,239	75,269

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

	Accounting balance as of 31.12.2012	Accounting balance as of 30.06.2013	Notional value as of 30.06.2013	Applicable interest rate
<i>In thousands of Euros</i>				
Euro	429,052	494,662	503,958	4.28%
Indian Rupee	25,291	25,644	25,644	10.30%
Indonesian Rupiah	2,989	2,234	2,234	8.00%
US Dollar	3,032	1,529	1,529	2.10%
Vietnamese Dong	14,894	32,554	32,554	11.71%
Japanese Yen	3,952	3,439	3,439	1.90%
<i>Total currencies other than euro</i>	<i>50,158</i>	<i>65,400</i>	<i>65,400</i>	<i>10.29%</i>
Total	479,210	560,062	569,358	4.97%

Medium and long-term bank debt amounts to €/000 238,966 (of which €/000 209,812 non-current and €/000 29,154 current) and consists of the following loans:

- › a €/000 64,286 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 provide for covenants (described in more detail in attachment F). An interest rate swap was taken out on the loan to hedge the interest rate risk (described in more detail in attachment F);
- › 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 provide for covenants (described in more detail in attachment F);
- › a medium-term revolving syndicated loan of €/000 63,090 (nominal value of €/000 65,000) 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 provide for covenants (described in more detail in attachment F);
- › a €/000 23,537 medium-term loan for USD/000 36,850 granted by International Finance Corporation (a World Bank member) to the subsidiary Piaggio Vehicles Private Limited with interest accruing at a variable rate. The loan will fall due on 15 July 2019 and has an amortisation quota of six-monthly instalments from January 2014. Contract terms provide for a guarantee from the Parent Company and compliance with some covenants (described in more detail in attachment F). Cross currency swaps were taken out on the loan to hedge the exchange risk and interest rate risk (for more details, see attachment F);
- › a €/000 14,857 medium-term loan for USD/000 19,680 granted by International Finance Corporation to the subsidiary Piaggio Vietnam with interest accruing at a variable rate. The loan will fall due on 15 July 2018 and has an amortisation quota of six-monthly instalments from July 2014. Contract terms provide for a guarantee from the Parent Company and compliance with some covenants (described in more detail in attachment F). Cross currency swaps were taken out on the loan to hedge the exchange risk and interest rate risk (for more details, see attachment F);
- › a €/000 3,125 five-year unsecured loan from GE Capital Interbanca stipulated in September 2008;

- › €/000 4,465 of loans from various banks pursuant to Italian Law no. 346/88 on subsidised applied research;
- › a €/000 4,556 loan from Banca Intesa granted pursuant to Italian Law no. 297/99 on subsidised applied research;
- › a €/000 1,050 eight-year subsidised loan from ICCREA in December 2008 granted under Italian Law 100/90.

All the above financial liabilities are unsecured.

The item Bonds for €/000 194,413 (nominal value of €/000 201,799) refers to:

- › €/000 142,938 (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 51,475 (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 30 June 2013, the fair value measurement of the debenture loan was equal to €/000 59,265 (the fair value is determined in accordance with IFRS related to the fair value hedge). Cross currency swaps were taken out on this loan to hedge the exchange risk and interest rate risk (for more details, see attachment F).

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 and loss.

Medium-/long-term payables due to other lenders equal to €/000 11,473 of which €/000 8,889 due after the year and €/000 2,584 as the current portion, detailed as follows:

- › a property lease for €/000 6,282 granted by Unicredit Leasing (non-current portion equal to €/000 5,325);
- › subsidised loans for a total of €/000 5,191 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 3,564).

Financial advances received from factoring companies and banks, on the sale of trade receivables with recourse, total €/000 30,179.

31. Current and non-current trade payables

€/000 425,225

As of 30 June 2013 trade payables included under non-current liabilities totalled €/000 268 compared to €/000 259 as of 31 December 2012. "Tax payables" included in current liabilities totalled €/000 424,957, against €/000 392,893 as of 31 December 2012.

	As of 30 June 2013	As of 31 December 2012	Change
<i>In thousands of Euros</i>			
Amounts due to suppliers	409,372	375,770	33,602
Trade payables due to companies valued at equity	15,028	16,613	(1,585)
Amounts due to parent companies	771	769	2
Trade payables due to other related parties	54	-	54
Total	425,225	393,152	32,073

The growth is basically due to new business or supply chain financing agreements for trade payables. Payables to companies valued at equity refer to the supply of vehicles from the Chinese subsidiary Zongshen Piaggio Foshan.



32. Current and non-current portions of provisions

€/000 24,121

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

	Balance as of 31 December 2012	Allocations	Applications	Reclassifi- cations	Delta exchange rate	Balance as of 30 June 2013
<i>In thousands of Euros</i>						
Provision for product warranties	14,836	4,728	(4,750)		(32)	14,782
Provision for quality-related events	789		(789)			0
Provisions for risk on investments	247					247
Provisions for contractual risks	3,935		(19)			3,916
Provisions for guarantee risks	58					58
Provision for tax risks	17					17
Other provision for risks	5,513	505	(1,023)	92	14	5,101
Total	25,395	5,233	(6,581)	92	(18)	24,121

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

Non-current portion	As of 30 June 2013	As of 31 December 2012	Change
<i>In thousands of Euros</i>			
Provision for product warranties	4,635	4,501	134
Provision for quality-related events		0	
Provisions for risk on investments	247	247	0
Provision for contractual risks	3,916	3,935	(19)
Other provisions for risks and charges	3,404	3,669	(265)
Total non-current portion	12,202	12,352	(150)

Current portion	As of 30 June 2013	As of 31 December 2012	Change
<i>In thousands of Euros</i>			
Provision for product warranties	10,147	10,335	(188)
Provision for quality-related events		789	(789)
Provisions for risk on guarantees	58	58	0
Provision for tax risks	17	17	0
Other provisions for risks and charges	1,697	1,844	(147)
Total current portion	11,919	13,043	(1,124)

The product warranty provision relates to allocations for technical assistance on products covered by customer service which are estimated to be provided over the contractually envisaged warranty period. This period varies according to the type of goods sold and the sales market, and is also determined by customer take-up to commit to a scheduled maintenance plan.

The provision increased during the period by €/000 4,728 and was used for €/000 4,750 in relation to charges incurred during the period.

The provision for quality-related incidents, which covers possible costs that could arise from faulty components from suppliers, was used during the period, following the positive outcome of an ongoing dispute.

The provision for risks on investments was established for costs that may arise from any foreign companies which currently have a negative shareholders' equity.

The provision of contractual risks refers mainly to charges which may arise from the ongoing negotiation of a supply contract.

The provision for tax risks concerns council tax for the Scorzè site.

"Other provisions" include provisions for legal risks for €/000 3,195.

33. Deferred tax liabilities

€/000 8,639

Deferred tax liabilities totalled €/000 8,639 compared to €/000 6,639 as of 31 December 2012. The change is mainly related to the recognition of deferred taxes on reserves of the Indian subsidiary which will be taxed when transferred to the Parent Company.

34. Retirement funds and employee benefits

€/000 49,752

	As of 30 June 2013	As of 31 December 2012	Change
<i>In thousands of Euros</i>			
Retirement funds	1,113	1,101	12
Post-employment benefits provision	48,639	49,369	(730)
Total	49,752	50,470	(718)

Retirement funds comprise provisions for employees allocated by foreign companies and additional customer indemnity provisions, which represent the compensation due to agents in the case of the agency contract being terminated for reasons beyond their control. Uses refer to the payment of benefits already accrued in previous years, while allocations refer to benefits accrued in the period.

The item "Post-employment benefits provision", comprising severance pay of employees of Italian companies, includes post-employment benefits indicated in defined benefit plans.

As regards the discount rate, the iBoxx Corporates A rating with a 10+ duration as of 30 June 2013 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 would have been higher by € 1,434 thousand.

35. Current and non-current tax payables

€/000 20,310

"Tax payables" included in current liabilities totalled €/000 20,078, against €/000 15,757 as of 31 December 2012. Non-current tax payables totalled €/000 232 compared to €/000 555 as of 31 December 2012.

Their breakdown was as follows:

	As of 30 June 2013	As of 31 December 2012	Change
<i>In thousands of Euros</i>			
Due for income taxes	8,894	4,285	4,609
Due for non-income tax	39	65	(26)
Tax payables for:			
- VAT	5,930	3,076	2,854
- withheld tax at source	3,295	5,079	(1,784)
- other	2,152	3,807	(1,655)
Total	11,377	11,962	(585)
Total	20,310	16,312	3,998

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

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

36. Other current and non-current payables

€/000 55,406

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

Non-current portion	As of 30 June 2013	As of 31 December 2012	Change
In thousands of Euros			
Payables to employees	1	19	(18)
Guarantee deposits	1,822	2,003	(181)
Deferred income	1,071	1,160	(89)
Fair Value of hedging derivatives	1,661	2,841	(1,180)
Other payables	200	400	(200)
Total non-current portion	4,755	6,423	(1,668)

Current portion	As of 30 June 2013	As of 31 December 2012	Change
In thousands of Euros			
Payables to employees	25,751	19,133	6,618
Guarantee deposits		179	(179)
Accrued expenses	6,443	8,450	(2,007)
Deferred income	1,980	1,206	774
Amounts due to social security institutions	5,623	8,827	(3,204)
Fair Value of hedging derivatives	818	1,521	(703)
Sundry payables due to affiliated companies	32	33	(1)
Sundry payables due to parent companies	419	60	359
Payables due to other related parties		94	(94)
Other payables	9,585	10,842	(1,257)
Total	50,651	50,345	306

Other payables included in non-current liabilities totalled €/000 4,755 against €/000 6,423 as of 31 December 2012, whereas other payables included in current liabilities totalled €/000 50,651 compared to €/000 50,345 as of 31 December 2012.

Amounts due to employees include the amount for holidays accrued but not taken of €/000 14,036 and other payments to be made for €/000 11,715.

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

Payables to parent companies consist of payables to Immsi.

The item Fair Value of hedging derivatives refers to the fair value (€/000 1,661 non-current portion and €/000 818 current portion) of an Interest Rate Swap for hedging, recognised on a cash flow hedge basis as provided for by IAS 39 (see attachment F).

The item Accrued liabilities includes €/000 3,205 for interest on hedging derivatives and relative hedged items measured at fair value.

E) Transactions with related parties

The main business and financial relations of Group companies with related parties have already been described in the specific paragraph in the Report on Operations to which reference is made here. To supplement this information, the following table provides information by company of outstanding items as of 30 June 2013, as well as their contribution to the respective financial statement item.

	Fondazione Piaggio	Zongshen Piaggio Foshan	IMMSI Audit	Is Molas	Studio D'Urso	Omniaholding	IMMSI	Total	% of accounting item
<i>In thousands of Euros</i>									
Income statement									
revenue from sales		32						32	0.00%
costs for materials		13,991					-	13,991	3.62%
costs for services and leases and rentals		3	410	49	50	33	1,475	2,020	1.88%
other operating income	-	304	109				25	438	0.89%
other operating costs		1					6	7	0.07%
borrowing costs		-				102		102	0.58%
Assets									
other non-current receivables	231							231	1.70%
current trade receivables	1	751	132				-	884	0.70%
other current receivables	34	303	6			-	6,544	6,887	25.31%
Liabilities									
financial liabilities falling due after one year						2,900		2,900	0.68%
current trade payables	-	15,028	-	54	-	20	751	15,853	3.73%
other current payables	32	-	-				419	451	0.89%



F) 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.

As of 30 June 2013 and as of 31 December 2012, the financial instruments in force were allocated as follows within the Piaggio Consolidated Group Financial Statements:

	As of 30 June 2013	As of 31 December 2012	Change
<i>Notes</i> In thousands of Euros			
Assets			
Non-current assets			
20 Other financial assets	12,064	13,047	(983)
of which financial receivables		30	(30)
of which from the measurement of derivatives	11,901	12,854	(953)
of which investments in other companies	163	163	0
Current assets			
26 Other financial assets		1,260	(1,260)
Liabilities			
Non-current liabilities			
30 Financial liabilities falling due after one year	424,379	376,574	47,805
of which bonds	194,413	193,550	863
of which bank financing	209,812	160,277	49,535
of which leases	5,325	5,809	(484)
of which other lenders	3,564	4,532	(968)
of which the fair value of hedging derivatives	11,265	12,406	(1,141)
Current liabilities			
30 Financial liabilities falling due within one year	146,948	115,042	31,906
of which bank financing	114,185	93,306	20,879
of which leases	957	936	21
of which other lenders	31,806	20,800	11,006

Current and non-current liabilities

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

Fair value measurement

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

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

The valuation techniques referred to levels 2 and 3 must take into account adjustment factors that measure the risk of insolvency of both parties. To this end, the standard introduces the concepts of

Credit Value Adjustment (CVA) and Debit Value Adjustment (DVA): CVA makes it possible to include the counterparty credit risk in the fair value measurement; DVA reflects the risk of insolvency of the 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:

3_ the value deducts DVA related to the issuer, i.e. it includes the risk of insolvency of Piaggio.

	Nominal value	Carrying amount	Fair Value ³
<i>In thousands of euros</i>			
High yield debenture loan	150,000	142,938	155,812
Private debenture loan	51,799	51,475	57,128
EIB (R&D loan 2009-2012)	64,286	64,286	64,169
EIB (R&D loan 2013-2015)	60,000	60,000	55,014
Revolving syndicated loan	65,000	63,090	64,960

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 30 June 2013, by hierarchical level of fair value measurement.

	Level 1	Level 2	Level 3
<i>In thousands of euros</i>			
Financial assets			
Hedging financial derivatives		11,824	77
Investments in other companies			163
Other assets		326	
Total		12,150	240
Financial liabilities			
Hedging financial derivatives			
Financial liabilities at fair value recognised through profit or loss		(101,458)	
Other liabilities		(2,479)	
Total		(103,937)	

Hierarchical level 3 refers to the measurement of the existing cross currency swap with the Vietnamese subsidiary. This classification reflects the illiquidity of the local market, which does not allow for a valuation based on conventional criteria. If valuation techniques typical of liquid markets had been adopted, which is not the case for the Vietnamese financial market, derivatives would have had a negative fair value totalling €/000 3,000, rather than €/000 77 (included under financial hedging instruments - level 3) and accrued expenses on financial derivatives equal to €/000 1,016.

The following tables show Level 2 and Level 3 changes during the first half of 2013:

	Level 2
<i>In thousands of euros</i>	
Balance as of 31 December 2012	(95,622)
Gain (loss) recognised in the income statement	
Increases/(Decreases)	3,835
Level 3 reclassification	
Balance as of 30 June 2013	(91,787)

	Level 3
<i>In thousands of euros</i>	
Balance as of 31 December 2012	(33)
Gain (loss) recognised in the income statement	273
Increases/(Decreases)	
Other changes	
Level 2 reclassification	
Balance as of 30 June 2013	240

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 is centralised and treasury operations take place in accordance with formal policies and guidelines which are applicable to all Group companies.

Liquidity risk and debt covenants

The liquidity risk arises from the possibility that available financial resources are not sufficient to cover, in due times and procedures, future payments arising from financial and/or commercial obligations. To deal with these risks, cash flows and the Group's credit line needs are monitored or managed centrally under the control of the Group's Treasury in order to guarantee an effective and efficient management of the financial resources as well as optimise the debt's maturity standpoint.

In addition, the Parent Company finances the temporary cash requirements of Group companies by providing direct short-term loans regulated in market conditions or guarantees.

As of 30 June 2013 the most important credit lines irrevocable until maturity (including revolving credit facilities) granted to the Parent Company were as follows:

- › a debenture loan of €/000 150,000 maturing in December 2016;
- › a debenture loan of €/000 75,000 maturing in July 2021;
- › a revolving credit facility of €/000 200,000 maturing in December 2015;
- › a loan of €/000 75,000 maturing in February 2016;
- › a loan of €/000 60,000 maturing in December 2019;
- › a loan of €/000 6,250 maturing in September 2013.

Other Group companies also have the following irrevocable loans:

- › a loan of €/000 36,850 maturing in July 2019;
- › a loan of €/000 19,680 maturing in July 2018.

As of 30 June 2013, the Group had a liquidity of €/000 101,881, undrawn irrevocable credit lines of €/000 155,000 and revocable credit lines of €/000 145,594, as detailed below:

	As of 30 June 2013	As of 31 December 2012
<i>In thousands of euros</i>		
Variable rate with maturity within one year - irrevocable until maturity	20,000	59,000
Variable rate with maturity beyond one year - irrevocable until maturity	135,000	200,000
Variable rate with maturity within one year - cash revocable	111,594	140,198
Variable rate with maturity within one year - with revocation for self-liquidating typologies	34,000	34,000
Total undrawn credit lines	300,594	433,198

The main loan agreements, fully described in Note 30 on Financial Liabilities, require, in line with market practices for borrowers with a similar credit standing, compliance with:

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

The measurement of financial covenants and other contract commitments is monitored by the Group on an ongoing basis. According to results as of 30 June 2013, all covenants had been fully met.

The 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.

Exchange Risk

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

This policy analyses:

- › The exchange risk: the policy wholly covers this risk which arises from differences between the recognition exchange rate of receivables or payables in foreign currency in the financial statements and the recognition exchange rate of actual collection or payment. To cover this type of exchange risk, the exposure is naturally offset in the first place (netting between sales and purchases in the same currency) and if necessary, by signing currency future derivatives, as well as advances of receivables denominated in currency.

As of 30 June 2013, Piaggio & C. S.p.A. have undertaken the following forward purchase contracts (recognised based on the settlement date):

- › for a value of CAD/000 1,780 corresponding to €/000 1,328 (valued at the forward exchange rate), with average maturity on 31 July 2013;
- › for a value of CNY/000 73,500 corresponding to €/000 9,176 (valued at the forward exchange rate), with average maturity on 3 July 2013;
- › for a value of GBP/000 350 corresponding to €/000 412 (valued at the forward exchange rate), with

- average maturity on 26 July 2013;
- › for a value of JPY/000 225,000 corresponding to €/000 1,740 (valued at the forward exchange rate), with average maturity on 6 July 2013;
- › for a value of USD/000 10,820 corresponding to €/000 8,318 (valued at the forward exchange rate), with average maturity on 3 July 2013.

and forward sales contracts:

- › for a value of CAD/000 2,420 corresponding to €/000 1,800 (valued at the forward exchange rate), with average maturity on 31 July 2013;
- › for a value of CNY/000 15,500 corresponding to €/000 1,900 (valued at the forward exchange rate), with average maturity on 3 July 2013;
- › for a value of GBP/000 550 corresponding to €/000 645 (valued at the forward exchange rate), with average maturity on 15 September 2013;
- › for a value of JPY/000 115,000 corresponding to €/000 891 (valued at the forward exchange rate), with average maturity on 10 August 2013;
- › for a value of SEK/000 5,300 corresponding to €/000 616 (valued at the forward exchange rate), with average maturity on 5 August 2013;
- › and for a value of USD/000 6,570 corresponding to €/000 5,020 (valued at the forward exchange rate), with average maturity on 30 July 2013.

Details of other operations ongoing at other Group companies are given below:

- › for Piaggio Vehicles Private Limited sales for USD/000 1,814 with average maturity on 25 August 2013 and purchases for €/000 6,000 with average maturity on 15 October 2013;
- › for PT Piaggio Indonesia purchases for €/000 1,000, with average maturity on 5 July 2013;
- › for Piaggio Vietnam purchases for €/000 3,000 with average maturity on 17 July 2013 and sales for €/000 3,000 with average maturity on 17 July 2013.

› The settlement exchange risk: arises from the conversion into euro of the financial statements of subsidiaries prepared in currencies other than the euro during consolidation. The policy adopted by the Group does not require this type of exposure to be covered.

› The 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.

As of 30 June 2013, the Group have undertaken the following hedging transactions on the exchange risk:

- › forward purchase contracts for a value of CNY/000 106,000 corresponding to €/000 12,763 (valued at the forward exchange rate), with average maturity on 13 September 2013.

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 30 June 2013 the total fair value of instruments to hedge the exchange risk accounted for on a hedge accounting basis was equal to €/000 326. During the period, profits under other components of the Statement of Comprehensive Income were recognised amounting to €/000 464 and profits from other components of the Statement of Comprehensive Income amounting to €/000 247 were reclassified to profits/losses for the period.

The net balance of cash flows during the first half of 2013 in main currencies is shown below:

	Cash flow for the 1st half of 2013
<i>In millions of Euro</i>	
Pound Sterling	10.0
Indian Rupee	(14.8)
Croatian Kuna	1.3
US Dollar	0.2
Canadian Dollar	5.9
Swiss Franc	(1.1)
Vietnamese Dong	0.6
Chinese Yuan ⁴	(17.0)
Japanese Yen	(5.1)
Total cash flow in foreign currency	(20.0)

4_cash flow partially in euro

In view of the above, an assumed appreciation/depreciation of 3% of the euro would have generated potential profits for €/000 583 and potential losses for €/000 619 respectively.

Interest rate risk

This risk arises from fluctuating interest rates and the impact this may have on future cash flows arising from financial assets and liabilities. The Group regularly measures and controls its exposure to interest rates changes and manages such risks also resorting to derivative instruments, mainly Interest Rate Swaps and Cross Currency Swaps, as established by its own management policies. As of 30 June 2013, the following hedging derivatives were taken out:

- › *Interest Rate Swap* to hedge the variable rate loan for a nominal amount of €/000 117,857 (as of 30 June 2013 for €/000 64,286) 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 30 June 2013, the fair value of the instrument was negative by €/000 2,479; 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 related tax effect, equal to €/000 481 and €/000 -494 respectively;
- › a *Cross Currency Swap* to hedge the private debenture loan issued by the Parent Company for a nominal amount of \$/000 75,000. The purpose of the instrument is to hedge both the exchange risk and interest rate risk, turning the loan from US dollars to euro, and from a fixed rate to a variable rate; the instrument is accounted for on a fair value hedge basis, with effects arising from the measurement recognised as profit and loss. As of 30 June 2013, the fair value of the instrument was €/000 7,224. The net economic effect arising from the measurement of the instrument and underlying private debenture loan was equal to €/000 -405; 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 €/000 157 and €/000 -187 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 related tax effect, of a negligible amount;
- › a *Cross Currency Swap* to hedge a loan related to the Indian subsidiary for \$/000 36,850 granted by International Finance Corporation. The purpose of the instrument is to hedge the exchange risk and interest rate risk, turning the loan from US dollars to Indian Rupees, and approximately a third of said loan from a variable rate to a fixed rate; As of 30 June 2013, the fair value of the instrument was €/000 4,560. Sensitivity analysis of the instrument and its underlying, assuming a 1% increase and

decrease in the shift of the variable rates curve, showed a potential impact on the Income Statement, net of the relative tax effect, of €/000 68 and €/000 -70 respectively, assuming constant exchange rates; Assuming a 1% reversal and write-down of the exchange rate of the Indian Rupee, sensitivity analysis of the instrument and its underlying identified a potential impact on the Income Statement, net of the relative tax effect, of €/000 -15 and €/000 16 respectively;

- › a *Cross Currency Swap* to hedge a loan related to the Vietnamese subsidiary for \$/000 19,680 granted by International Finance Corporation. The purpose of the instrument is to hedge the exchange risk and partially hedge the interest rate risk, turning the loan from US dollars at a variable rate into Vietnamese Dong at a fixed rate, except for a minor portion (24%) at a variable rate. As of 30 June 2013, the fair value of the instrument was equal to €/000 77. The sensitivity analysis of the instrument and its underlying, assuming a 1% increase and decrease in the shift of the variable rates curve, showed a potential impact on the Income Statement, net of the relative tax effect of €/000 162 and €/000 -166 respectively, assuming constant exchange rates. Assuming a 1% reversal and write-down of the exchange rate of the Vietnamese Dong, sensitivity analysis of the instrument and its underlying identified a potential impact on the Income Statement, net of the relative tax effect, of a negligible amount.

	Fair Value ⁵
<i>In thousands of Euros</i>	
<i>Piaggio & C. S.p.A.</i>	
Interest Rate Swap	(2,479)
Cross Currency Swap	7,224
<i>Piaggio Vehicles Private Limited</i>	
Cross Currency Swap	4,560
<i>Piaggio Vietnam</i>	
Cross Currency Swap	77

⁵ the figures deduct CVA/DVA related to the counterparty or issuer.

As of 30 June 2013, variable rate debt, net of financial assets and considering hedging derivatives, was equal to €/000 126,233. Consequently a 1% increase or decrease in the Euribor above this net exposure would have generated higher or lower interest of €/000 1,262.

Credit risk

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

	As of 30 June 2013	As of 31 December 2012
<i>In thousands of Euros</i>		
Liquid assets	101,568	71,424
Securities	261	14,627
Financial receivables		1,260
Trade receivables	126,393	63,107
Total	228,222	150,418

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



G) Disputes

Piaggio opposed the proceedings undertaken by the consumer association Altroconsumo, in accordance with article 140 of the Code of Consumers, opposing, also with the filing of a specific technical report written by an independent expert, the alleged existence of a design defect and hazardous nature of the Gilera Runner first series, which was manufactured and sold by Piaggio from 1997 to 2005. The trial judge rejected the claim, ordering Altroconsumo to pay Piaggio's legal fees. Following the appeal made by Altroconsumo, a technical appraisal was ordered to ascertain the existence of the design defect claimed by Altroconsumo. Following the results of the appraisal and hearing held on 18 December 2012, the Board informed the parties on 29 January 2013 that Altroconsumo's appeal had been upheld, ruling Piaggio to (i) inform owners of the hazardous nature of the product, (ii) publish the ruling of the Board in some newspapers and specialised magazines (iii) recall the product. The effects of the ruling were subsequently suspended by the Court of Pontedera with a ruling ("inaudita altera parte") of 28 March 2013, concerning the appeal made by Piaggio, in accordance with article 700 of the Italian Code of Civil Proceedings. Following the cross examination with Altroconsumo, the suspension ruling was confirmed by the Court of Pontedera on 3 June 2013. Altroconsumo appealed against the suspension ruling before the Board at the Court of Pisa. A hearing to discuss the claim has been set for 9 October 2013. Piaggio has also taken action before the Court of Pontedera for a final dismissal of the ruling of the Court of Pisa of 29 January 2013. The first hearing, called for 12 July 2013, was not held because of a lawyer's strike and will take place on 30 July 2013.

Canadian Scooter Corp. (CSC), sole distributor of Piaggio for Canada, summoned Piaggio & C. S.p.A., Piaggio Group Americas Inc. and Nacional Motor S.A to appear before the Court of Toronto (Canada) in August 2009 to obtain compensation for damages sustained due to the alleged infringement of regulations established by Canadian law on franchising (the Arthur Wishart Act). Proceedings have been stopped while a settlement of the dispute is being defined.

By means of the deed of 3 June 2010, the Company took action to establish an arbitration board through the Arbitration Chamber of Milan, for a ruling against some companies of the Case New Holland Group (Italy, Holland and the US), to recover damages under contractual and non-contractual liability relating to the execution of a supply and development contract of a new family of utility vehicles (NUV). In the award notified to the parties on 3 August 2012, the Board rejected the claims made by the Company. The Company has appealed against this award to the Appeal Court of Milan, which has established the first hearing for 4 June 2013. The case has been adjourned to 12 January 2016 for specification of the pleadings.

Da Lio S.p.A., by means of a writ received on 15 April 2009, summoned the Company before the Court of Pisa to claim compensation for the alleged damages sustained for various reasons as a result of the termination of supply relationships. The Company appeared in court requesting the rejection of all opposing requests. Da Lio requested a joinder with the opposition concerning the injunction obtained by Piaggio to return the moulds retained by the supplier at the end of the supply agreement. Judgements were considered and a ruling issued pursuant to article 186ter of the Italian Code of Civil Proceedings, on 7 June 2011, ordering Piaggio to pay the sum of EUR 109,586.60, in addition to interest, relative to sums which were not disputed. During 2012, testimonial evidence was presented. The case will be ruled on by the Judge as concerns further petitions (accounting expert) requested by Da Lio.

In June 2011 Elma srl, a Piaggio dealer since 1995, started two separate proceedings against the Company, claiming the payment of approximately €2 million for alleged breach of the sole agency ensured by Piaggio for the Rome area and an additional €5 million as damages for alleged breach and abuse of economic dependence by the Company. Piaggio opposed the proceedings undertaken by Elma, fully disputing its claims and requesting a ruling for Elma to settle outstanding sums owing of approximately €966,000.

During the case, Piaggio requested the payment of bank guarantees that ensured against the risk of default by the dealer issued in its favour by three banks. Elma attempted to stop payment of the

guarantees with preventive proceedings at the Court of Pisa (Pontedera section): the proceedings ended in favour of Piaggio that collected the amounts of the guarantees (over €400,000). Trial proceedings have begun and the hearing for the admission of evidence was held on 24 April 2013, with the Judge still to issue a judgement.

As regards the matter, Elma has also brought a case against a former senior manager of the Company with the Court of Rome, claiming compensation for damages: Piaggio appeared in the proceedings, requesting, among others, that the case be moved to the Court of Pisa. The next hearing will be held on 27 January 2014 for the admission of items of evidence.

In a writ received on 29 May 2007, Gammamoto S.r.l. in liquidation, a former Aprilia licensee in Rome, brought a case against the Company before the Court of Rome for contractual and non-contractual liability. The Company fully opposed the injunction disputing the validity of Gammamoto's claims and objecting to the lack of jurisdiction of the Judge in charge. The Judge, accepting the petition formulated by the Company, declared its lack of jurisdiction with regards to the dispute. Gammamoto has continued proceedings through the Court of Venice. The Judge admitted testimonial evidence and evidence for examination requested by the parties, establishing the hearing for the preliminary investigation on 12 November 2012. After defining the conclusions of the hearing of 26 June 2013, the terms for final statements and relative replies were granted, and the case will be ruled on.

Leasys-Savarent S.p.A., summoned to appear before the Court of Monza by Europe Assistance in relation to the rental supply of Piaggio vehicles to the Italian Postal System, summoned the Company as a guarantee, also filing for damages against Piaggio for alleged breach of the supply agreement. The Court of Monza declared its lack of jurisdiction concerning the applications filed against Piaggio, and Leasys-Savarent therefore summoned Piaggio to appear before the Court of Pisa. The trial was suspended while awaiting the resolution of the dispute pending before the Court of Monza, which turned down the application of Leasys-Savarent. Leasys-Savarent continued proceedings through the Court of Pisa, applying only for damages against Piaggio. On the hearing of 5 October 2011, the parties requested the admission of preliminary briefs and the Judge deferred its decision. After making its decision, the Judge admitted some of the testimonial evidence requested and rejected the request for a Court-appointed expert. The next hearing, to complete testimonial evidence, will be held on 22 October 2013.

In August 2012, the Nigerian company Autobahn Techniques Ltd brought a case against Piaggio & C. S.p.a. and PVPL before the High Court of Lagos (Nigeria) claiming compensation for alleged damage, estimated as over 5 billion Naira (approximately €20 million), arising from the alleged breach by the Company of the exclusive distribution agreement signed between the parties in 2001. Piaggio appeared before the court, preliminarily claiming the lack of jurisdiction of the Nigerian Court to rule on the dispute due to the existence of an arbitration clause in the agreement. After several hearings, the next hearing, established for the final discussion and decision concerning the preliminary exceptions of Piaggio, will be held on 30 September 2013.

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

The main tax disputes of other Group companies concern Piaggio Vehicles PVT Ltd e Piaggio France S.A..

With reference to the Indian subsidiary, some disputes concerning different tax years from 1998 to 2011 are ongoing related to direct and indirect tax assessments and for a part of which, considering positive opinions expressed by consultants appointed as counsel, provisions have not been made in the financial statements. The Indian company has already partly paid the amounts contested, as required by local laws, that will be paid back when proceedings are successfully concluded in its favour.

As regards the French company, a favourable ruling was issued in December 2012 by the Commission Nationale des Impôts directes et des taxes sur le chiffre d'affaires, the decision-making body ruling prior

to legal proceedings in disputes with the French tax authorities concerning a general audit of the 2006 and 2007 periods. The French tax authorities however upheld its claims against the company, requesting payment of the amounts claimed. The company therefore filed an appeal against the claims of the local authorities and is waiting for a relative outcome. The Company has not considered allocating provisions necessary, in view of the positive opinions expressed by consultants appointed as counsel, as well as the opinion of the above Commission.

A tax assessment of Piaggio & C. is being conducted for the 2010 tax year.



H) Subsequent events

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

15 July 2013 The fourth generation Piaggio Liberty made its début, with the new Piaggio 3V engine, available in 125 and 150cc versions. This 4-stroke, electronic injection engine, which is one of the most sophisticated of its kind worldwide, is air cooled and has a single overhead 3 valve cam (2 intake valves and 1 outlet valve); it was designed at the Piaggio Group's research and development centre. The 3 valve technology allows for even better torque and power values compared to previous generation engines and a drastic decrease in fuel consumption: the Liberty 3V 125 can travel at 59 km/l at a speed of 50 km/h, while the Liberty 3V 150 can reach 57 km/l in the same conditions. The seat is entirely new and riders of any height can rest both feet on the ground. The load capacity of the seat compartment has been increased by 23%, from 8.8 to 10.8 litres.

I) Companies in which the Group has equity investments

37. Piaggio Group companies

In accordance with Consob resolution no. 11971 dated 14 May 1999, and subsequent amendments (article 126 of the Regulation), the list of the Group's companies and major investments is provided below. The list presents the companies divided by type of control and method of consolidation.

The following are also shown for each company: the company name, the registered office, the country of origin and the share capital in the original currency, in addition to the percentage held by Piaggio & C. S.p.A. or by other subsidiaries.

In a separate column there is an indication of the percentage of voting rights at the ordinary general meeting should it be different from the equity investment percentage in the share capital.

List of companies included in the scope of consolidation on a line-by-line basis as of 30 June 2013.

Company name	Registered office	Country	Share capital	Currency	% Group ownership	Held by	%	% votes
Parent company:								
PIAGGIO & C. S.P.A.	Pontedera (Pisa)	Italy	205,952,233.02	Euro				
Subsidiaries								
Aprilia Brasil Industria de Motociclos S.A.	Manaus	Brazil	2,020,000.00	Reais	51%	Aprilia World Service Holding do Brasil Ltda	51%	
Aprilia Racing s.r.l.	Pontedera (Pisa)	Italy	250,000.00	Euro	100%	Piaggio & C. S.p.A.	100%	
Aprilia World Service Holding do Brasil Ltda.	São Paulo	Brazil	2,028,780.00	Reais	99.99995%	Piaggio Group Americas Inc	99.99995%	
Atlantic 12 - Property investment fund	Milan	Italy	11,491,958.00	Euro	100%	Piaggio & C. S.p.A.	100%	
Derbi Racing S.L.	Barcelona	Spain	3,006.00	Euro	100%	Nacional Motor S.A.	100%	
Foshan Piaggio Vehicles Technology Research and Development Co Ltd	Foshan City	China	10,500,000.00	Rmb	100%	Piaggio Vespa B.V.	100%	
Nacional Motor S.A.	Barcelona	Spain	1,588,422.00	Euro	100%	Piaggio & C. S.p.A.	100%	
Piaggio Advanced Design Center Corp.	California	USA	100,000.00	USD	100%	Piaggio & C. S.p.A.	100%	
Piaggio Asia Pacific PTE Ltd.	Singapore	Singapore	100,000.00	Sin\$	100%	Piaggio Vespa B.V.	100%	
Piaggio China Co. LTD	Hong Kong	China	12,500,000 auth. capital (12,100,000 subscribed and paid up)	USD	99.99999%	Piaggio & C. S.p.A.	99.99999%	
Piaggio Deutschland GmbH	Kerpen	Germany	250,000.00	Euro	100%	Piaggio Vespa B.V.	100%	
Piaggio Espana S.L.U.	Alcobendas	Spain	426,642.00	Euro	100%	Piaggio & C. S.p.A.	100%	
Piaggio France S.A.S.	Clichy Cedex	France	1,209,900.00	Euro	100%	Piaggio Vespa B.V.	100%	
Piaggio Group Americas Inc	New York	USA	2,000.00	USD	100%	Piaggio Vespa B.V.	100%	
Piaggio Group Canada Inc.	Toronto	Canada	10,000.00	CAD	100%	Piaggio Group Americas Inc	100%	
Piaggio Group Japan	Tokyo	Japan	99,000,000.00	Yen	100%	Piaggio Vespa B.V.	100%	
Piaggio Hellas S.A.	Athens	Greece	2,704,040.00	Euro	100%	Piaggio Vespa B.V.	100%	
Piaggio Hrvatska D.o.o.	Split	Croatia	400,000.00	Kuna	75%	Piaggio Vespa B.V.	75%	
Piaggio Limited	Bromley Kent	United Kingdom	250,000.00	GBP	100%	Piaggio Vespa B.V. Piaggio & C. S.p.A.	99.9996% 0.0004%	
Piaggio Vehicles Private Limited	Maharashtra	India	340,000,000.00	Rupees	100%	Piaggio & C. S.p.A. Piaggio Vespa B.V.	99.999997% 0.000003%	
Piaggio Vespa B.V.	Breda	Holland	91,000.00	Euro	100%	Piaggio & C. S.p.A.	100%	
Piaggio Vietnam Co Ltd	Hanoi	Vietnam	64,751,000,000.00	Dong	100%	Piaggio & C. S.p.A. Piaggio Vespa B.V.	63.5% 36.5%	
PT Piaggio Indonesia	Jakarta	Indonesia	4,458,500,000.00	Rupiah	100%	Piaggio & C. S.p.A. Piaggio Vespa B.V.	1% 99%	

“List of companies included in the scope of consolidation with the equity method as of 30 June 2013

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

List of investments in affiliated companies as of 30 June 2013

Company name	Registered office	Country	Share capital	Currency	% Group ownership	Held by	%	% votes
Depuradora D'Aigues de Martorelles Soc. Coop. Catalana Limitada	Barcelona	Spain	60,101.21	euro	22%	Nacional Motor S.A.	22%	
Immsi Audit S.c.a.r.l.	Mantua	Italy	40,000.00	euro	25%	Piaggio & C. S.p.A.	25%	
Pont - Tech, Pontedera & Tecnologia S.c.r.l.	Pontedera (Pisa)	Italy	884,160.00	euro	20.44%	Piaggio & C. S.p.A.	20.44%	
S.A.T. Societé d'Automobiles et Triporteurs S.A.	Tunis	Tunisia	210,000.00	TND	20%	Piaggio Vespa B.V.	20%	

This document was published on 2 August 2013 and authorised by the Chairman and Chief Executive Officer.

Mantua, 26 July 2013

For the Board of Directors

/f/ Roberto Colaninno

Chairman and Chief Executive Officer
Roberto Colaninno





Certification of the Condensed Consolidated Interim Financial Statements pursuant to article 154 bis of Italian Legislative Decree 58/98

Certification of the Condensed Consolidated Interim Financial Statements pursuant to article 154 bis of Italian Legislative Decree 58/98

1. The undersigned Roberto Colaninno (Chairman and Chief Executive Officer) and Alessandra Simonotto (Executive in charge of financial reporting) of Piaggio & C. S.p.A. certify, also in consideration of article 154-bis, sections 3 and 4, of Legislative Decree no. 58 of 24 February 1998:

- › the appropriateness with regard to the company's characteristics and
- › the actual application of administrative and accounting procedures for the formation of the Condensed Consolidated Interim Financial Statements during the first half of 2013.

2. With regard to the above, no relevant aspects are to be reported.

3. Moreover, it is stated that

3.1 the Condensed Consolidated Interim Financial Statements:

- a. have been prepared in compliance with the international accounting standards recognised by the European Community pursuant to regulation (EC) no. 1606/2002 of the European Parliament and Council of 19 July 2002;
- b. correspond to accounting records;
- c. give a true and fair view of the consolidated statement of financial position and results of operations of the Issuer and of all companies included in the scope of consolidation;

3.2 the Interim Directors' Report contains references to important events occurring in the first six months of the financial year and to their incidence on the Condensed Consolidated Interim Financial Statements, together with a description of the main risks and uncertainties for the remaining six months of the financial year, as well as information on significant transactions with related parties.

Date: 26 July 2013

/s/ Roberto Colaninno

/s/ Alessandra Simonotto

Roberto Colaninno
Chairman and Chief Executive Officer

Alessandra Simonotto
Executive in charge of financial reporting

Report of the Independent Auditors on the limited auditing of the Condensed Consolidated Interim Financial Statements



AUDITORS' REPORT ON THE REVIEW OF CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2013

To the Shareholders of
Piaggio & C. SpA

- 1 We have reviewed the consolidated condensed interim financial statements of Piaggio & C. SpA and its subsidiaries ("Piaggio Group") as of 30 June 2013, which comprise the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the statement of changes in consolidated shareholders' equity, the consolidated statement of cash flows and related notes. The directors of Piaggio & C. SpA are responsible for the preparation of the consolidated condensed interim financial statements in accordance with the international accounting standard IAS 34, applicable to interim financial reporting, as adopted by the European Union. Our responsibility is to issue this report based on our review.
- 2 We conducted our review in accordance with the criteria for a review recommended by Consob, the national stock exchange commission, with resolution no. 10867 of 31 July 1997. The review consisted principally of inquiries of company personnel about the information reported in the consolidated condensed interim financial statements and about the consistency of the accounting principles utilised therein as well as the application of analytical review procedures on the data contained in the above mentioned consolidated financial statements. The limited review excluded certain auditing procedures such as compliance testing and verification and validation tests of the assets and liabilities and was therefore substantially less in scope than an audit performed in accordance with generally accepted auditing standards. Accordingly, unlike the audit on the annual consolidated financial statements, we do not express a professional audit opinion on the consolidated condensed interim financial statements.

Regarding the comparative data of the consolidated financial statements of the prior period and of consolidated condensed interim financial statements of the prior interim period, which are presented for comparative purposes, reference is made to our reports dated 8 March, 2013 and dated 1 August, 2012 respectively.

PricewaterhouseCoopers SpA

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- 3 Based on our review, nothing has come to our attention that causes us to believe that the consolidated condensed interim financial statements of the Piaggio Group as of 30 June 2013 have not been prepared, in all material respects, in accordance with the international accounting standard IAS 34, applicable to interim financial reporting, as adopted by the European Union.

Florence, 31 July 2013

PricewaterhouseCoopers SpA

Signed by

Corrado Testori
(Partner)

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

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Management and coordination

IMMSI S.p.A.

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