Interim Report on Operations
as of 30 September 2014

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Disclaimer

This Interim Financial Report as of 30 September 2014 has been translated into English solely for the convenience of the international reader. In the event of conflict or inconsistency between the terms used in the Italian version of the report and the English version, the Italian version shall prevail, as the Italian version constitutes the sole official document.

PIAGGIO & C. s.p.a.

Management and Coordination

IMMSI S.p.A.

Share capital €207,556,856.58, fully paid up

Registered office: Viale R. Piaggio 25, Pontedera (Pisa)

Pisa Register of Companies and Tax Code 04773200011

Pisa Economic and Administrative Index no. 134077

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REPORT ON OPERATIONS

Introduction

This unaudited Interim Report on Operations as of 30 September 2014 has been prepared in compliance with Italian Legislative Decree no. 58/1998 as amended, as well as with Consob Regulation on Issuers.

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

As provided for by Consob communication no. DEM/5073567 of 4 November 2005, the Company opted to indicate fewer details than the information required as of IAS 34 – *Interim Financial Reporting*.

Key operating and financial data

	First nine months		
	2014	2013	2013
In millions of euro			
Data on earnings			
Net sales revenues	930.8	955.0	1,212.5
Gross industrial margin	287.5	290.6	357.5
Operating income	69.6	71.4	62.6
Adjusted profit before tax[1]	39.4	46.3	62.6
Profit before tax	36.5	46.3	30.3
Adjusted net profit[1]	23.6	27.8	18.1
Net profit	21.9	27.8	(6.5)
. Non-controlling interests	0.0	0.1	0.0
. Owners of the parent	21.8	27.7	(6.5)
Data on financial performance			
Net capital employed (NCE)	858.5	881.8	867.7
Net debt	(437.9)	(454.6)	(475.6)
Shareholders' equity	420.6	427.2	392.1
Balance sheet figures and financial ratios			
Gross margin on net revenues	30.9%	30.4%	29.5%
Adjusted net profit as a percentage of net revenues	2.5%	2.9%	1.5%
Net profit as a percentage of net revenues	2.4%	2.9%	-0.5%
ROS (Operating income/net revenues)	7.5%	7.5%	5.2%
ROE (Net profit/shareholders' equity)	5.2%	6.5%	-1.7%
ROI (Operating income/NCE)	8.1%	8.1%	7.2%
EBITDA	135.4	133.7	146.8
EBITDA on Net Revenues	14.5%	14.0%	12.1%
Other information			
Sales volumes (unit/000)	417.2	429.9	555.6
Investments in property, plant and equipment and intangible assets	57.0	60.9	87.6
Research and Development[2]	49.4	45.1	47.7
Employees at the end of the period (number)	8,141	8,139	7,688

[1] For the first nine months of 2014, the Group determined "adjusted" profit before tax and net profit, which excludes the effect of non-recurrent transactions.
[2] The item Research and Development includes investments recognised in the statement of financial position and costs recognised in profit and loss.

Results by operating segments

		EMEA and AMERICAS	INDIA	ASIA PACIFIC 2W	**TOTAL**
	1-1 / 30-9-2014	182.5	170.5	64.1	**417.2**
Sales volumes	1-1 / 30-9-2013	184.0	176.4	69.6	**429.9**
(units/000)	Change	(1.4)	(5.8)	(5.4)	**(12.7)**
	Change %	-0.8%	-3.3%	-7.8%	**-3.0%**
	1-1 / 30-9-2014	573.7	237.0	120.1	**930.8**
Turnover	1-1 / 30-9-2013	579.3	243.4	132.4	**955.0**
(million Euro)	Change	(5.6)	(6.3)	(12.3)	**(24.2)**
	Change %	-1.0%	-2.6%	-9.3%	**-2.5%**
	1-1 / 30-9-2014	4,064	2,803	901	**7,768**
Average number of staff	1-1 / 30-9-2013	4,227	3,080	942	**8,249**
(no.)	Change	(163)	(277)	(41)	**(481)**
	Change %	-3.9%	-9.0%	-4.4%	**-5.8%**
	1-1 / 30-9-2014	48.2	5.4	3.4	**57.0**
Investments	1-1 / 30-9-2013	43.0	7.2	10.6	**60.9**
(million euros)	Change	5.1	(1.8)	(7.2)	**(3.8)**
	Change %	12.0%	-25.1%	-67.8%	**-6.3%**
Research and	1-1 / 30-9-2014	44.2	2.5	2.8	**49.4**
Development[3]	1-1 / 30-9-2013	34.2	5.9	5.0	**45.1**
(million euros)	Change	10.0	(3.5)	(2.1)	**4.3**
	Change %	29.1%	-58.6%	-43.3%	**9.6%**

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

Company Boards

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

(1) Director in charge of internal audit 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 in the first nine months of 2014

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

14 March 2014 Following the completion of the tax assessment which began in 2012, and solely to prevent tax litigation with reference to assessment aspects, that concern contrasting positions with outcomes that are hard to predict, Piaggio & C. S.p.A. considered it appropriate to agree to the settlement proposal made by the Inland Revenue Office that will involve a financial outflow, only as concerns regional production tax, of €5.1 million, while the overall impact on the 2013 income statement was equal to €24.6 million, including the use for the purposes of corporate income tax of previous losses to offset the total sum claimed.

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

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

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

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

14 April 2014 The company Piaggio Concept Store Mantova S.r.l. was established; the company is wholly owned by Piaggio & C. S.p.A., and its main business purpose is the sale of two-, three- and four-wheeler vehicles and relative spare parts and accessories, plus repair and maintenance and services, services for the motorcycling industry, and the sale of clothing and food and beverages.

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

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

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

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

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

25 June 2014 The Piaggio Museum at Pontedera was awarded a "2014 Certificate of Excellence" by "TripAdvisor", based on its high ranking (4.5 out of 5) awarded by visitors to the site that publishes user reviews of resorts, hotels, tourist destinations, package holidays and trips (www.tripadvisor.it).

16 July 2014 Piaggio & C. S.p.A. signed a five-year, € 220 million credit facility with a pool of banks. The amount may be increased up to € 250 million, with the initial amount of € 220 million undersigned by the Bank of America Merrill Lynch, Banca Nazionale del Lavoro, HSBC, Intesa Sanpaolo, Mediobanca and Unicredit in a capacity as mandated lead arranger and bookrunner.
The main aim of this operation is to refinance the € 200 million revolving loan maturing in December 2015 and provide financial support necessary for the international growth mapped in the 2014-2017 strategic plan.
The credit facility consists of a revolving portion amounting to € 175 million and a term loan amortising portion, amounting to € 75 million.
The financial conditions of this credit facility are better than the refinanced revolving loan: besides a reduction in the cost of borrowing, the new credit facility will make it possible to improve the Piaggio Group's financial debt quality profile, increasing its financial flexibility and above all average residual life.

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

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

Financial position and performance of the Group

Consolidated income statement

	First nine months of 2014		First nine months of 2013		Change	
	In millions of Euro	*Accounting for a %*	*In millions of Euro*	*Accounting for a %*	*In millions of Euro*	*%*
Consolidated income statement (reclassified)						
Net sales revenues	930.8	100.0%	955.0	100.0%	(24.2)	-2.5%
Cost to sell[4]	643.3	69.1%	664.4	69.6%	(21.1)	-3.2%
Gross industrial margin[4]	**287.5**	**30.9%**	**290.6**	**30.4%**	**(3.1)**	**-1.1%**
Operating expenses	217.9	23.4%	219.2	23.0%	(1.4)	-0.6%
EBITDA[4]	**135.4**	**14.5%**	**133.7**	**14.0%**	**1.6**	**1.2%**
Amortisation	65.7	7.1%	62.4	6.5%	3.4	5.4%
Operating income	**69.6**	**7.5%**	**71.4**	**7.5%**	**(1.7)**	**-2.4%**
Result of financial items	(33.2)	-3.6%	(25.1)	-2.6%	(8.1)	32.1%
of which non-recurrent	*(2.9)*	-0.3%			(2.9)	
Profit before tax	**36.5**	**3.9%**	**46.3**	**4.8%**	**(9.8)**	**-21.2%**
Adjusted profit before tax	**39.4**	**4.2%**	**46.3**	**4.8%**	**(6.9)**	**-14.8%**
Taxes	14.6	1.6%	18.5	1.9%	(3.9)	-21.2%
Net profit	**21.9**	**2.4%**	**27.8**	**2.9%**	**(5.9)**	**-21.2%**
Adjusted net profit	**23.6**	**2.5%**	**27.8**	**2.9%**	**(4.1)**	**-14.8%**

Vehicles sold

	First nine months of 2014	First nine months of 2013	Change
In thousands of units			
EMEA and Americas	182.5	184.0	(1.4)
India	170.5	176.4	(5.8)
Asia Pacific 2W	64.1	69.6	(5.4)
TOTAL VEHICLES	**417.2**	**429.9**	**(12.7)**
Two-wheeler	259.5	279.9	(20.4)
Commercial Vehicles	157.7	150.1	7.7
TOTAL VEHICLES	**417.2**	**429.9**	**(12.7)**

Net revenues

	First nine months of 2014	First nine months of 2013	Change
In millions of euro			
EMEA and Americas	573.7	579.3	(5.6)
India	237.0	243.4	(6.3)
Asia Pacific 2W	120.1	132.4	(12.3)
TOTAL NET REVENUES	**930.8**	**955.0**	**(24.2)**
Two-wheeler	658.4	685.1	(26.7)
Commercial Vehicles	272.5	269.9	2.5
TOTAL NET REVENUES	**930.8**	**955.0**	**(24.2)**

[4] For a definition of the parameter, see the Economic Glossary.

In the first nine months of 2014, the Piaggio Group sold 417,200 vehicles worldwide, registering a decrease of approximately 3.0% in volumes over the same period of the previous year, when 429,900 vehicles were sold. EMEA and the Americas basically held up (-0.8%), while sales in India and Asia Pacific fell (- 3.3% and - 7.8% respectively). As regards the type of products sold, the downturn mainly referred to two-wheeler vehicles (-7.3%), while commercial vehicles reported a growth trend (5.1%).

In terms of consolidated turnover, the Group ended the first nine months of 2014 with net revenues equal to €930.8 million, down by 2.5% compared to the same period in 2013 (+0.1% at constant exchange rates).
Revenues were down for EMEA and the Americas (- 1.0%), and for India (- 2.6%) and Asia Pacific (- 9.3%).
As regards the type of products, the fall in 3.9% for two-wheeler vehicles was only partly offset by the increase of 0.9% in commercial vehicles. As a result, the impact of two-wheeler vehicles on overall turnover went down from 71.7 to 70.7%.

The Group's **gross industrial margin** decreased in absolute terms compared to the first nine months of 2013 by €3.1 million, while in relation to net turnover, it went up to 30.9%, from 30.4% for the first nine months of the previous year.
Amortisation/depreciation included in the gross industrial margin was equal to €25.9 million (€24.8 million in the first nine months of 2013).

Operating expenses incurred during the first nine months of 2014 totalled €217.9 million, €1.4 million less compared to the same period of the previous year (€219.2 million), and confirm the Group's constant focus on keeping costs down and maintaining high profitability levels.
Operating expenses also include amortisation/depreciation not included in the gross industrial margin, amounting to €39.8 million (€37.6 million in the first nine months of 2013).

This performance resulted in a consolidated **EBITDA** which was better than the previous period, and equal to € 135.4 million (€ 133.7 million in the first nine months of 2013). In relation to turnover, EBITDA went up by 0.5% compared to the first nine months of 2013, to 14.5%. In terms of Operating Income (**EBIT**), performance was negative compared to the first nine months of 2013, with a consolidated EBIT equal to €69.6 million, down €1.7 million; in relation to turnover, EBIT was equal to 7.5%, as in the same period of the previous year.

The result of financing activities worsened compared to the first nine months of the previous year, with net financial borrowing costs amounting to € 33.2 million. This negative performance is due to non-recurrent costs relating to the early repayment of a debenture loan maturing in 2016[5], estimated as €2.9 million, a lower capitalisation of interest of €2.1 million and an increase in average debt.

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[5] For more details, see sections 30 and 39 of the Notes.

Adjusted net profit, calculated excluding the effect arising from the above-mentioned non-recurrent costs and their related tax impact, amounted to €23.6 million (2.5% of turnover), down on the figure for the same period of the previous year of €27.8 million (2.9% of turnover). The impact of taxes on profit before tax was estimated as equal to 40%.

Consolidated statement of financial position[6]

	As of 30 September 2014	As of 31 December 2013	Change
In millions of euro			
Statement of financial position			
Net working capital	(48.2)	(30.4)	(17.9)
Net property, plant and equipment	311.8	310.1	1.7
Net intangible assets	660.8	654.5	6.3
Financial assets	9.9	9.9	0.1
Provisions	(75.9)	(76.4)	0.5
Net capital employed	**858.5**	**867.7**	**(9.3)**
Net Financial Debt	437.9	475.6	(37.7)
Shareholders' equity	420.6	392.1	28.4
Sources of funds	**858.5**	**867.7**	**(9.3)**
Non-controlling interests	0.9	0.9	0.0

Net working capital, negative by €48.2 million as of 30 September 2014, generated cash flows of €17.9 million in the period.

Property, plant and equipment amounted to € 311.8 million as of 30 September 2014, registering an increase equal to approximately € 1.7 million compared to 31 December 2013. Depreciation and impairment costs were equal to approximately €31.2 million and more than offset investments for the period net of disposals (€18.9 million). The revaluation of property investments (measured at fair value) generated an increase of €4.8 million. The value adjustment of the balance sheet item to the exchange rate in effect at the end of the reporting period generated an increase in the carrying amount of approximately €9.2 million.

Intangible assets totalled € 660.8 million, up by approximately € 6.3 million compared to 31 December 2013. This increase is due to investments for the period (€37.9 million) that exceeded amortisation (€34.6 million). Moreover, the value adjustment of the balance sheet item to the exchange rate in effect at the end of the reporting period generated an increase in the carrying amount of approximately €3.0 million.

Financial assets totalled € 9.9 million.

Provisions totalled € 75.9 million, decreasing compared to 31 December 2013 (€ 76.4 million).

As fully described in the next section on the "Consolidated Statement of Cash Flows", **net financial debt** as of 30 September 2014 was equal to €437.9 million, compared to €475.6 million as of 31

[6] For a definition of individual items, see the Economic Glossary.

December 2013. The improvement of approximately €37.7 million in net debt is mainly due to the positive trend of operating cash flow, which allowed for the self-financing of investments.

Shareholders' equity as of 30 September 2014 amounted to €420.6 million, up €28.4 million compared to 31 December 2013.

Consolidated Statement of Cash Flows

The consolidated statement of cash flows, prepared in accordance with international financial reporting standards (IFRS), is presented in the "Consolidated Financial Statements and Notes as of 30 September 2014". the following is a comment relating to the summary statement shown.

	First nine months of 2014	**First nine months of 2013**	**Change**
In millions of euro			
Change in consolidated net debt			
Opening consolidated net debt	**(475.6)**	**(391.8)**	**(83.8)**
Cash flow from operating activities	87.1	87.2	(0.1)
(Increase)/Reduction in Working Capital	17.9	(65.4)	83.2
(Increase)/Reduction in net investments	(73.8)	(44.2)	(29.7)
Change in Shareholders' equity	6.6	(40.4)	47.0
Total change	**37.7**	**(62.8)**	**100.5**
Closing consolidated net debt	**(437.9)**	**(454.6)**	**16.7**

In the first nine months of 2014 the Piaggio Group generated **financial resources** amounting to €37.7 million.

Cash flow from operating activities, defined as net profit, minus non-monetary costs and income, was equal to €87.1 million.

Working capital generated a cash flow of €17.9 million; in detail:

- the collection of trade receivables used financial flows for a total of €16.8 million;
- stock management absorbed financial flows for a total of approximately €59.1 million;
- supplier payment trends generated financial flows of approximately € 100.3 million;
- the movement of other non-trade assets and liabilities had a negative impact on financial flows by approximately €6.5 million.

Investing activities involved a total of €73.8 million of financial resources. The investments refer to approximately € 34.8 million for capitalised research and development expenditure, and approximately € 22.2 million for plant, property and equipment and intangible assets.

The impact on cash flow relative to the increase in capital connected to the exercising of stock options was equal to €5.1 million, while the impact on the purchase of treasury shares was negative by €0.5 million.

As a result of the above financial dynamics, which generated a use of €37.7 million, the **net debt** of the Piaggio Group amounted to €- 437.9 million.

Alternative non-GAAP performance measures

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

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

Results by type of product

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

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

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

Two-wheeler

Two-wheeler	***First nine months of 2014***		***First nine months of 2013***		*Change %*		*Change*	
	Volumes Sell-in (units/000)	Turnover (million euros)	Volumes Sell-in (units/000)	Turnover (million euros)	Volumes	Turnover	Volumes	Turnover
EMEA and Americas	175.5	525.0	177.1	531.9	-0.9%	-1.3%	(1.5)	(6.8)
of which EMEA	162.4	476.0	163.7	474.0	-0.8%	0.4%	(1.3)	2.1
(of which Italy)	31.3	99.8	*32.5*	*105.5*	*-3.7%*	*-5.5%*	*(1.2)*	*(5.8)*
of which America	13.1	49.0	13.3	57.9	-1.4%	-15.4%	(0.2)	(8.9)
India	19.8	13.3	33.2	20.8	-40.4%	-36.4%	(13.4)	(7.6)
Asia Pacific 2W	64.1	120.1	69.6	132.4	-7.8%	-9.3%	(5.4)	(12.3)
TOTAL	**259.5**	**658.4**	**279.9**	**685.1**	**-7.3%**	**-3.9%**	**(20.4)**	**(26.7)**
Scooters	236.4	472.0	258.0	472.8	-8.3%	-0.2%	(21.5)	(0.8)
Motorcycles	23.0	96.0	21.9	112.2	5.4%	-14.4%	1.2	(16.1)
Spare parts and Accessories		88.8		92.8		-4.3%		(4.0)
Other		1.5		7.3		-79.8%		(5.9)
TOTAL	**259.5**	**658.4**	**279.9**	**685.1**	**-7.3%**	**-3.9%**	**(20.4)**	**(26.7)**

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.

Market positioning

The Piaggio Group maintained its leadership position on the European two-wheeler market in the first nine months of 2014, with a 16% market share, (17.5% in the first nine months of 2013). The change in market share is mainly due to the different weight of the Group's operations in the scooter segment compared to the motorcycle segment. In the scooter segment, the Group consolidated its leadership position, with a 25.1% market share.

The Group also consolidated its position as the main manufacturer on the North American scooter market, with a share of 20.9% (20.5%[7] in the first nine months of 2013). In this context, the Piaggio Group is steadfastly committed to consolidating its presence in the motorcycle segment, with its Moto Guzzi and Aprilia brands.

Comments on main results and significant events of the sector

During the first nine months of 2014, the Piaggio Group sold a total of 259,500 units in the two-wheeler segment worldwide, accounting for a net turnover equal to approximately €658,400 million (- 3.9%), including spare parts and accessories (€88.8 million, - 4.3%). Sales in EMEA and the Americas basically held up (- 0.9), while they dropped considerably in both Asia Pacific (- 7.8%) and India (- 40.4%).

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

[7] Figures for the 2013 market share were revised using a different market perimeter.

Commercial Vehicles

Commercial Vehicles	First nine months of 2014		First nine months of 2013		Change %		Change	
	Volumes Sell-in (units/000)	Turnover (million euros)	Volumes Sell-in (units/000)	Turnover (million euros)	Volumes	Turnover	Volumes	Turnover
EMEA and Americas	7.0	48.7	6.9	47.4	1.4%	2.7%	0.1	1.3
(of which Italy)	*2.7*	*26.6*	*2.5*	*24.1*	*8.6%*	*10.4%*	*0.2*	*2.5*
(of which Americas)	*0.6*	*1.3*	*1.0*	*2.3*	-45.0%	-41.8%	(0.5)	(1.0)
India	150.7	223.8	143.1	222.5	5.3%	0.6%	7.6	1.3
TOTAL	**157.7**	**272.5**	**150.1**	**269.9**	**5.1%**	**0.9%**	**7.7**	**2.5**
Ape	150.7	215.0	144.3	215.6	4.4%	-0.3%	6.4	(0.6)
Porter	1.8	19.5	1.8	19.6	-0.2%	-0.6%	(0.0)	(0.1)
Quargo	0.4	3.2	0.5	2.9	-12.0%	10.6%	(0.1)	0.3
Mini Truk	4.8	9.3	3.4	6.9	38.9%	35.0%	1.3	2.4
Spare parts and Accessories		25.4		24.9		2.1%		0.5
TOTAL	**157.7**	**272.5**	**150.1**	**269.9**	**5.1%**	**0.9%**	**7.7**	**2.5**

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

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).

In Europe, the Group distributes its products mainly in Italy (which accounted for[8] 47% of the Group's volumes in Europe), 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 sub-segments of the three-wheeler market.

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

[8] Figures for the first half of 2014.

Comments on main results and significant events of the sector

In the first nine months of 2014, the Commercial Vehicles category reported a 5.1% increase in sales compared to the same period of 2013. Growth was mainly concentrated in India, with 150,700 units sold and a 5.3% increase, while volumes went up by 1.4% in EMEA and the Americas.

In the first nine months of 2014, the Group realised a turnover of approximately €272.5 million, including approximately €25.4 million related to spare parts and accessories, registering a 2.1% increase over the same period of the previous year.

On the Indian three-wheeler market, which went up by 5.7% compared to the first nine months of 2013, Piaggio Vehicles Private Limited holds a 32.1% share. Sales of Piaggio three-wheeler vehicles went down from 128,700 units in the first nine months of 2013 to 127,650 units in the same period of 2014, registering a decrease of 0.8%. Detailed analysis of the market shows that Piaggio Vehicles Private Limited maintained its market leader position in the goods transport segment (cargo segment) with a market share of 52.1% (53.6% in the same period of 2013). Its market share, although decreasing slightly, remained steady in the Passenger segment, at 27.6% (29.9% in the same period of 2013). On the four-wheeler market, Piaggio Vehicles Private Limited sold 4,800 units, with a considerable increase in volumes compared to the same period of the previous year (3,600 vehicles) and a market share going up from 2.4% to 4.6%.

Operating outlook

As outlined in the new 2014-2017 Business Plan, approved on 19 March 2014, and as regards business and industrial operations:

• the Group's leadership position on the European two-wheeler market has been confirmed, levering the expected recovery by further consolidating the product range and targeting growth in sales and margins in the motorcycle segment, with the Moto Guzzi and Aprilia ranges; current positions on the European commercial vehicles market will be maintained;
• growth in the Asia Pacific area will continue, exploring new opportunities in medium and large sized motorcycle segments, and replicating the premium strategy for Vietnam, throughout the region. During 2014, direct sales activities of the Group started up in China, with the aim of penetrating the premium two-wheeler market;
• sales on the Indian scooter market will be consolidated, and will focus on an increase in Vespa products and the introduction of new models in the premium scooter and motorcycle segments;
• an increase in sales of commercial vehicles in India will be targeted - also through the consolidation of new segments of the Indian three-wheeler market with the Apè City Pax and the introduction of new models in the four-wheeler segment - and a further development in exports to African and Latin American markets will be targeted in emerging countries.

In technological terms, the Piaggio Group is continuing to develop technologies and platforms that underline the functional aspects and emotional appeal of vehicles with ongoing developments to engines, extended use of vehicle/user digital platforms and the trialling of new product and service configurations.

More in general, the Group is committed - as in the past and for operations in 2014 - to increasing productivity with a strong focus on efficient costs and investments, while complying with its business ethics.

Transactions with related parties

Net sales, costs, payables and receivables as of 30 September 2014 involving parent companies, subsidiaries and affiliated companies relate to the sale of goods or services which are a part of normal operations of the Group.
Transactions are carried out at normal market values, depending on the characteristics of the goods and services provided.
The 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 Board on 30 September 2010, is published on the institutional site of the Issuer www.piaggiogroup.com, under *Governance*.

Relations with Parent Companies

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

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

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

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

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

In 2013, for a further three years, the Parent Company signed up to the National Consolidated Tax Convention pursuant to articles 117 - 129 of the Consolidated Income Tax Act (T.U.I.R) of which IMMSI S.p.A. is the consolidating company, and to whom other IMMSI Group companies report to. The

consolidating company determines a single global income equal to the algebraic sum of taxable amounts (income or loss) realised by individual companies that opt for this type of group taxation.
The consolidating company recognises a receivable from the consolidated company which is equal to the corporate tax to be paid on the taxable income transferred by the latter. Whereas, in the case of companies reporting tax losses, the consolidating company recognises a payable related to corporate tax on the portion of loss actually used to determine global overall income. Under the National Consolidated Tax Convention, companies may, pursuant to Article 96 of Presidential Decree no. 917/86, allocate the excess of interest payable which is not deductible to one of the companies so that, up to the excess of Gross Operating Income produced in the same tax period by other subjects party to the consolidation (or, in the presence of specific legal requirements, from foreign companies), the amount may be used to reduce the total income of the Group.

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

Piaggio Concept Store Mantova Srl has a lease contract for its sales premises and workshop with Omniaholding S.p.A.. This agreement was signed in normal market conditions.

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

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

Transactions with Piaggio Group companies

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

<u>Piaggio & C. S.p.A.</u>

- sells vehicles, spare parts and accessories to sell on respective markets, to:

- Piaggio Hrtvaska
- Piaggio Hellas
- Piaggio Group Americas
- Piaggio Vehicles Private Limited
- Piaggio Vietnam
- Piaggio Concept Store Mantova

- sells components to:

- Piaggio Vehicles Private Limited

- Piaggio Vietnam

  - grants licences for rights to use the brand and technological know how to:

- Piaggio Vehicles Private Limited
- Piaggio Vietnam

  - provides support services for scooter and engine industrialisation to:

- Piaggio Vehicles Private Limited
- Piaggio Vietnam

  - provides support services for staff functions of other Group companies;

  - issues guarantees for the Group's subsidiaries, for medium-term loans.

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

- Piaggio Indonesia
- Piaggio Group Japan
- Piaggio & C. S.p.A.
- Foshan Piaggio Vehicles Tecnologies R&D

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

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

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

Piaggio Indonesia and Piaggio Group Japan

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

Piaggio France, Piaggio Deutschland, Piaggio Limited, Piaggio 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.

Piaggio Group Canada

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

Foshan Piaggio Vehicles Technologies R&D provides to:

- Piaggio & C. S.p.A.:

  - with a component and vehicle design/development service;
  - scouting of local suppliers;

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

Piaggio Advanced Design Center:

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

Aprilia Racing:

provides to Piaggio & C. S.p.A.:

- a racing team management service;
- a vehicle design service.

Atlantic 12

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

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

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

Piaggio & C. S.p.A.

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

Zongshen Piaggio Foshan Motorcycle Co. Ltd

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

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

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

Other information

During the first nine months of 2014, the Group corporate structure changed, following the establishment on 14 April 2014 of a new company - Piaggio Concept Store Mantova S.r.l. - wholly owned by Piaggio & C S.p.A., that will manage the Group's first flagship store in Mantova.
On 4 August 2014, the Spanish branch of Piaggio & C. S.p.A. *- Piaggio & C. S.p.A. - Sucursal en España* was closed down.

Economic glossary

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

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

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

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

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

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

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

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

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

Net capital employed: determined as the algebraic sum of "Net 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.

Piaggio Group

Condensed Interim Financial Statements as of 30 September 2014

Consolidated Income Statement

		First nine months of 2014		First nine months of 2013	
		Total	*of which related parties*	**Total**	*of which related parties*
In thousands of euros	*Notes*				
Net revenues	4	**930,821**	**69**	**955,006**	**214**
Cost for materials	5	531,743	17,710	553,912	16,871
Cost for services and leases and rentals	6	161,390	2,774	158,124	2,998
Employee costs	7	161,175		162,875	
Depreciation of property, plant and equipment	8	31,170		28,812	
Amortisation of intangible assets	8	34,567		33,569	
Other operating income	9	72,330	2,360	68,749	504
Other operating costs	10	13,490	15	15,100	11
Operating income		**69,616**		**71,363**	
Income/(loss) from investments	11	(71)		1,164	
Financial income	12	782		2,286	
Borrowing costs	12	33,413	326	27,093	209
of which non-recurrent		*2,947*			
Net exchange gains/(losses)	12	(456)		(1,458)	
Profit before tax		**36,458**		**46,262**	
Taxes for the period	13	14,583		18,505	
Profit from continuing operations		**21,875**		**27,757**	
Assets held for disposal:					
Profits or losses arising from assets held for disposal	14				
Net Profit (loss) for the period		**21,875**		**27,757**	
Attributable to:					
Owners of the Parent		**21,839**		**27,690**	
Non-controlling interests		**36**		**67**	
Earnings per share (figures in €)	15	**0.061**		**0.077**	
Diluted earnings per share (figures in €)	15	**0.060**		**0.077**	

Consolidated Statement of Comprehensive Income

In thousands of euros	*Notes*	First nine months of 2014	First nine months of 2013
Net Profit (Loss) for the period (A)		**21,875**	**27,757**
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit plans	29	(4,073)	198
Total		**(4,073)**	**198**
Items that may be reclassified to profit or loss			
Profit (loss) deriving from the translation of financial statements of foreign companies denominated in foreign currency	29	6,129	(9,055)
Total profits (losses) on cash flow hedges	29	(168)	1,713
Total		**5,961**	**(7,342)**
Other Comprehensive Income (Expense) (B)*		**1,888**	**(7,144)**
Total Comprehensive Income (Expense) for the period (A + B)		**23,763**	**20,613**

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

Attributable to:			
Owners of the Parent		**23,748**	**20,556**
Non-controlling interests		**15**	**57**

Consolidated Statement of Financial Position

		As of 30 September 2014		As of 31 December 2013	
		Total	*of which related parties*	Total	*of which related parties*
In thousands of euros	*Notes*				
ASSETS					
Non-current assets					
Intangible assets	16	660,793		654,528	
Property, plant and equipment	17	299,702		302,767	
Investment property	18	12,141		7,346	
Investments	19	8,807		8,152	
Other financial assets	20	15,629		10,468	
Long-term tax receivables	21	6,470		2,974	
Deferred tax assets	22	38,160		33,660	
Trade receivables	23	16			
Other receivables	24	12,719	197	13,368	231
Total non-current assets		**1.054.437**		**1,033,263**	
Assets held for sale	28				
Current assets					
Trade receivables	23	92,465	751	75,722	864
Other receivables	24	32,972	10,257	26,514	7,162
Short-term tax receivables	21	34,528		23,615	
Inventories	25	266,931		207,808	
Other financial assets	26			838	
Cash and cash equivalents	27	128,333		66,504	
Total current assets		**555,229**		**401,001**	
TOTAL ASSETS		**1.609.666**		**1,434,264**	

In thousands of euros	Notes	As of 30 September 2014 Total	As of 30 September 2014 of which related parties	As of 31 December 2013 Total	As of 31 December 2013 of which related parties
SHAREHOLDERS' EQUITY AND LIABILITIES					
Shareholders' equity					
Share capital and reserves attributable to the owners of the Parent	29	419,608		391,183	
Share capital and reserves attributable to non-controlling interests	29	947		932	
Total shareholders' equity		**420,555**		**392,115**	
Non-current liabilities					
Financial liabilities falling due after one year	30	464,125	2,900	434,865	2,900
Trade payables	31				
Other long-term provisions	32	10,791		11,083	
Deferred tax liabilities	33	6,842		5,722	
Retirement funds and employee benefits	34	54,670		49,830	
Tax payables	35	0		0	
Other long-term payables	36	3,549		4,148	
Total non-current liabilities		**539,977**		**505,648**	
Current liabilities					
Financial liabilities falling due within one year	30	116,612		116,872	
Trade payables	31	446,434	15,908	346,164	11,204
Tax payables	35	17,811		12,587	
Other short-term payables	36	57,869	8,338	45,416	6,474
Current portion of other long-term provisions	32	10,408		15,462	
Total current liabilities		**649,134**		**536,501**	
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1.609.666**		**1,434,264**	

Consolidated Statement of Cash Flows

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

		First nine months of 2014		First nine months of 2013	
		Total	of which related parties	Total	of which related parties
In thousands of euros	*Notes*				
Operating activities					
Consolidated net profit		21,839		27,690	
Allocation of profit to non-controlling interests		36		67	
Taxes for the period	13	14,583		18,505	
Depreciation of property, plant and equipment	8	30,879		28,812	
Amortisation of intangible assets	8	34,567		33,569	
Provisions for risks and retirement funds and employee benefits		13,448		13,271	
Write-downs / (Reversals)		(4,132)		1,308	
Losses / (Gains) on the disposal of property, plants and equipment		(1)		231	
Losses / (Gains) on the disposal of intangible assets		0		0	
Financial income	12	(668)		(1,125)	
Dividend income		(5)		(154)	
Borrowing costs	12	31,223		23,792	
Income from public grants		(1,964)		(3,802)	
Portion of earnings of affiliated companies		0		(1,010)	
Change in working capital:					
(Increase)/Decrease in trade receivables	23	(16,387)	113	(27,751)	(54)
(Increase)/Decrease in other receivables	24	(5,809)	(3,061)	10,348	(99)
(Increase)/Decrease in inventories	25	(59,123)		(13,522)	
Increase/(Decrease) in trade payables	31	100,270	4,704	(11,518)	(3,403)
Increase/(Decrease) in other payables		11,854	1,484	(10,795)	1,439
Increase/(Decrease) in provisions for risks	32	(13,017)		(9,376)	
Increase/(Decrease) in retirement funds and employee benefits	34	(1,288)		(6,674)	
Other changes		(33,405)		(9,674)	
Cash generated from operating activities		**122,900**		**62,192**	
Interest paid		(22,920)		(24,244)	
Taxes paid		(12,446)		(12,086)	
Cash flow from operating activities (A)		**87,534**		**25,862**	
Investing activities					
Investment in property, plant and equipment	17	(19,126)		(26,030)	
Sale price, or repayment value, of property, plant and equipment		315		240	
Investment in intangible assets	16	(37,886)		(34,826)	
Sale price, or repayment value, of intangible assets		44		53	
Impairment of investments		76		0	
Sale price of financial assets		838		1,260	
Interest collected		421		871	
Cash flow from investing activities (B)		**(55,318)**		**(58,432)**	
Financing activities					
Exercise of stock options	29	5,139		274	
Purchase of treasury shares	29	(462)		(469)	
Outflow for dividends paid	29	0		(33,087)	
Loans received	30	141,871		98,405	
Outflow for repayment of loans	30	(106,651)		(53,888)	
Financing received for leases	30	268		0	
Repayment of finance leases	30	(751)		(698)	
Cash flow from financing activities (C)		**39,414**		**10,537**	
Increase / (Decrease) in cash and cash equivalents (A+B+C)		71,630		(22,033)	
Opening balance		**52,816**		**84,140**	
Exchange differences		(3,165)			
Closing balance		**121,281**		**62,107**	

Changes in Consolidated Shareholders' Equity

Movements from 1 January 2014 / 30 September 2014

In thousands of Euros	Notes	Share capital	Share premium reserve	Legal reserve	Reserve for measurement of financial instruments	IAS transition reserve	Group consolidation reserve	Group conversion reserve	Stock option reserve	Earnings reserve	Consolidated Group shareholders' equity	Share capital and reserves attributable to non-controlling interests	TOTAL SHAREHOLDERS' EQUITY
As of 1 January 2014		205,570	3,681	16,902	(1,565)	(5,859)	993	(27,063)	13,385	185,139	**391,183**	**932**	**392,115**
Profit for the period										21,839	**21,839**	**36**	**21,875**
Other Comprehensive Income					(168)			6,150		(4,073)	**1,909**	**(21)**	**1,888**
Total comprehensive income (expense) for the period		**0**	**0**	**0**	**(168)**	**0**	**0**	**6,150**	**0**	**17,766**	**23,748**	**15**	**23,763**
Allocation of profits	29										**0**		**0**
Distribution of dividends	29										**0**		**0**
Exercise of stock options	29	1,644	3,364							131	**5,139**		**5,139**
Purchase of treasury shares	29	(124)								(338)	**(462)**		**(462)**
Other changes	29												
As of 30 September 2014		**207,090**	**7,045**	**16,902**	**(1,733)**	**(5,859)**	**993**	**(20,913)**	**13,385**	**202,698**	**419,608**	**947**	**420,555**

Movements from 1 January 2013 / 30 September 2013

	Notes	Share capital	Share premium reserve	Legal reserve	Reserve for measurement of financial instruments	IAS transition reserve	Group consolidation reserve	Group conversion reserve	Stock option reserve	Earnings reserve	Consolidated Group shareholders' equity	Share capital and reserves attributable to non-controlling interests	TOTAL SHAREHOLDERS' EQUITY
In thousands of Euros													
As of 1 January 2013		199,504	3,493	14,593	(3,269)	(5,859)	993	(16,902)	13,385	232,690	**438,628**	**1,245**	**439,873**
Profit for the period										27,690	**27,690**	**67**	**27,757**
Other Comprehensive Income					1,713			(9,045)		198	**(7,134)**	**(10)**	**(7,144)**
Total comprehensive income (expense) for the period		**0**	**0**	**0**	**1,713**	**0**	**0**	**(9,045)**	**0**	**27,888**	**20,556**	**57**	**20,613**
Allocation of profits	29			2,309						(2,309)	**0**		**0**
Distribution of dividends	29									(33,087)	**(33,087)**		**(33,087)**
Annulment of treasury shares	29	6,066								(6,066)	**0**		**0**
Exercise of stock options	29	86	188								**274**		**274**
Purchase of treasury shares	29	(286)								(716)	**(1,002)**		**(1,002)**
Sale of treasury shares	29	200								333	**533**		**533**
Other changes	29									344	**344**	**(344)**	**0**
As of 30 September 2013		**205,570**	**3,681**	**16,902**	**(1,556)**	**(5,859)**	**993**	**(25,947)**	**13,385**	**219,077**	**426,246**	**958**	**427,204**

Notes to the Condensed Consolidated Interim Financial Statements as of 30 September 2014

A) GENERAL ASPECTS

Piaggio & C. S.p.A. (the Company) is a joint-stock company established in Italy at the Register of Companies of Pisa. The 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

The scope of consolidation has changed compared to the Consolidated Financial Statements as of 31 December 2013 and the Condensed Interim Financial Statements as of 30 September 2013, following the establishment of a new company, Piaggio Concept Store Mantova Srl, on 14 April 2014, which will manage the Group's first flagship store in Mantova.

1. Compliance with international accounting standards

These Condensed Interim Financial Statements have been drafted in compliance with the International Accounting Standards (IAS/IFRS) in force at that date, issued by the International Accounting Standards Board and approved by the European Union, as well as in compliance with the provisions established in Article 9 of Legislative Decree no. 38/2005 (Consob Resolution no. 15519 dated 27 July 2006 containing the "Provisions for the presentation of financial statements", Consob Resolution no. 15520 dated 27 July 2006 containing the "Changes and additions to the Regulation on Issuers adopted by Resolution no. 11971/99", Consob communication no. 6064293 dated 28 July 2006 containing the "Corporate reporting required in accordance with Article 114, paragraph 5 of Legislative Decree no. 58/98"). The interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously the Standing Interpretations Committee ("SIC"), were also taken into account.
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 2013 were applied, with the exception of the paragraph "New accounting standards, amendments and interpretations applied as from 1 January 2014".
As provided for by Consob communication no. DEM/5073567 of 4 November 2005, the Company opted to indicate fewer details than the information required as of IAS 34 – *Interim Financial Reporting*.

The information provided in the Interim Report should be read together with the Consolidated Financial Statements as of 31 December 2013, prepared according to IFRS.

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. For a more detailed description of the most significant measurement methods of the Group, reference is made to the section "Use of estimates" of the Consolidated Financial Statements as of 31 December 2013.
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.

New accounting standards, amendments and interpretations applied as from 1 January 2014

On 12 May 2011, the IASB issued the standard IFRS 10 - *Consolidated Financial Statements* which replaces SIC-12 *Consolidation - Special Purpose Entities* and parts of IAS 27 - *Consolidated and Separate Financial Statements* renamed *Separate Financial Statements* and regulates the accounting treatment of investments in separate financial statements. The new standard deviates from existing standards by identifying the concept of control, according to a new definition, as the determinant factor for the purposes of consolidation of a company in the consolidated financial statements of the parent company. It also provides a guide for determining the existence of control where this is difficult to establish (effective control, potential votes, specific-purpose company, etc.). The standard is applicable in a retrospective manner from 1 January 2014. The Group reviewed the control relationships of its investee companies as of 1 January 2014, without noting any effect caused by the adoption of the new standard.

On 12 May 2011, the IASB issued the standard IFRS 11 – *Joint arrangements* which replaces IAS 31 – *Interests in Joint Ventures* and SIC-13 – *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. The new standard provides methods for identifying joint arrangements based on the rights and obligations under such arrangements rather than their actual legal form and establishes the equity method as the only accounting treatment for jointly controlled entities (joint ventures) in consolidated financial statements. The standard is applicable in a retrospective manner from 1 January 2014. After its initial issue, *IAS 28 – Investments in Associates and Joint Ventures* was amended to include jointly controlled entities within its field of application, as of the date the standard became effective. The Group reviewed the control relationships of its investee companies as of 1 January 2014, without noting any effect caused by the adoption of the new standard.

On 12 May 2011, the IASB issued the standard IFRS 12 – *Disclosure of interests in other entities* which is a new and complete standard on disclosures to provide on all types of investments including in subsidiaries, joint arrangements, associates, special purpose entities and unconsolidated structured entities. The standard is applicable in a retrospective manner from 1 January 2014. The adoption of the new standard has not resulted in any significant effects for the Group.

On 29 May 2013, the IASB issued an amendment to IAS 36 – *Recoverable Amount Disclosures for Non-Financial Assets*, to clarify disclosure on the recoverable amount of assets subject to impairment, if the amount is based on the fair value net of costs to sell. The standard is applicable in a retrospective manner from 1 January 2014. The adoption of the new standard has not resulted in any significant effects for the Group.

On 16 December 2011, the IASB issued some amendments to IAS 32 – *Financial Instruments: presentation*, to clarify the use of some criteria for offsetting financial assets and liabilities contained in IAS 32. The standard is applicable in a retrospective manner from 1 January 2014. The adoption of the new standard has not resulted in any significant effects for the Group.

On 27 June 2013, the IASB issued some minor amendments to IAS 39 – *Financial Instruments: recognition and measurement* - Novation of Derivatives and Continuation of Hedge Accounting. The amendments allow for the continuation of hedge accounting if a financial derivative, designated as a hedging instrument, is novated following the adoption of the law or regulations in order to replace the original counterparty to guarantee the successful outcome of the obligation undertaken and if certain conditions are met. This amendment is also included in IFRS 9 - *Financial instruments.* The standard is applicable in a retrospective manner from 1 January 2014. The adoption of the new standard has not resulted in any significant effects for the Group.

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

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.* This standard was amended on 28 October 2010. The standard, which is applicable from 1 January 2015, in a retrospective manner, represents the first part of a process to entirely phase out and replace IAS 39 with new criteria for classifying and recognising financial assets and liabilities and for eliminating financial assets (derecognition) from the financial statements. In particular for financial assets, the new standard uses a single approach based on procedures for financial instruments' management and on characteristics of contract cash flows of financial assets to determine valuation criteria replacing the different regulations of IAS 39. For financial liabilities, the main change concerns the accounting treatment of fair value changes of a financial liability designated as a financial liability recognised at fair value in the income statement, in the case where the changes are due to a change in the creditworthiness of the liability. According to this new standard, the changes will be recognised as "Other comprehensive income" and will no longer be recognised in profit or loss.

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

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

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

- On 6 May 2014, the IASB issued some amendments to IFRS 11 – Joint arrangements: Accounting for Acquisitions of Interests in Joint Operations, providing clarifications on the accounting by entities that jointly control an arrangement. The amendments are applicable in a retrospective manner for years commencing from or after 1 January 2016. Early adoption is possible.
- In May 2014, the IASB and FASB jointly published IFRS 15 "Revenue from contracts with customers". The purpose of this standard is to improve reporting on revenues and their comparability between different financial statements. The amendments are applicable in a retrospective manner for years commencing from or after 1 January 2017. Early adoption is possible.

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

2. 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 September 2014**	**Average exchange rate First nine months of 2014**	**Spot exchange rate 31 December 2013**	**Average exchange rate First nine months of 2013**
US Dollar	1.2583	1.35503	1.3791	1.31717
Pounds Sterling	0.7773	0.81186	0.8337	0.85218
Indian Rupee	77.856	82.26931	85.366	75.69265
Singapore Dollars	1.6063	1.70403	1.7414	1.64872
Chinese Renminbi	7.7262	8.35576	8.3491	8.12404
Croatian Kuna	7.6425	7.62421	7.6265	7.56225
Japanese Yen	138.11	139.49677	144.72	127.32638
Vietnamese Dong	26.738,03	28.467,6097	28,801.07	27,848.2302
Canadian Dollars	1.4058	1.48214	1.4671	1.34846
Indonesian Rupiah	15.313,51	15.858,1510	16,866.39	13,240.48601
Brazilian Real	3.0821	3.10283	3.2576	2.78978

B) SEGMENT REPORTING

3. Operating segment reporting

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

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

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

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

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

INCOME STATEMENT BY GEOGRAPHICAL SEGMENT

		EMEA and Americas	India	Asia Pacific 2W	**Total**
Sales volumes (unit/000)	1-1 / 30-9-2014	182.5	170.5	64.1	**417.2**
	1-1 / 30-9-2013	184.0	176.4	69.6	**429.9**
	Change	(1.4)	(5.8)	(5.4)	**(12.7)**
	Change %	-0.8%	-3.3%	-7.8%	**-3.0%**
Net turnover (millions of euros)	1-1 / 30-9-2014	573.7	237.0	120.1	**930.8**
	1-1 / 30-9-2013	579.3	243.4	132.4	**955.0**
	Change	(5.6)	(6.3)	(12.3)	**(24.2)**
	Change %	-1.0%	-2.6%	-9.3%	**-2.5%**
Gross margin (millions of euros)	1-1 / 30-9-2014	194.8	51.7	40.9	**287.5**
	1-1 / 30-9-2013	187.0	53.5	50.1	**290.6**
	Change	7.9	(1.8)	(9.2)	**(3.1)**
	Change %	4.2%	-3.4%	-18.3%	**-1.1%**
EBITDA (millions of euros)	1-1 / 30-9-2014				**135.4**
	1-1 / 30-9-2013				**133.7**
	Change				**1.6**
	Change %				**1.2%**
EBIT (millions of euros)	1-1 / 30-9-2014				**69.6**
	1-1 / 30-9-2013				**71.4**
	Change				**(1.7)**
	Change %				**-2.4%**

C) INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

4. Net sales — €/000 930,821

Revenues are shown net of premiums recognised to customers (dealers).
This item does not include transport costs, which are recharged to customers (€/000 18,209) and invoiced advertising cost recoveries (€/000 3,068), which are posted under other operating income.
The revenues for disposals of Group core business assets essentially refer to the marketing of vehicles and spare parts on European and non-European markets.

Revenues by geographical segment

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

	First nine months of 2014		First nine months of 2013		Changes	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
In thousands of Euros						
EMEA and Americas	573,721	61.6	579,287	60.7	(5,566)	-1.0
India	237,021	25.5	243,355	25.5	(6,334)	-2.6
Asia Pacific 2W	120,079	12.9	132,364	13.8	(12,285)	-9.3
Total	**930,821**	**100.0**	**955,006**	**100.0**	**(24,185)**	**-2.5**

In the first nine months of 2014, net sales revenues decreased overall by 2.5% compared to figures for the same period of the previous year. For an analysis of deviations, see comments in the Report on Operations.

5. Costs for materials — €/000 531,743

The percentage accounting for net revenues decreased compared to the first nine months of 2013 by 0.9%, to 57.1%.
The item includes €/000 17,710 (€/000 16,871 in the first nine months of 2013) for purchases of scooters from the Chinese subsidiary Zongshen Piaggio Foshan, that are sold on European and Asian markets.

6. Costs for services and leases and rentals — €/000 161,390

Costs for services and leases and rentals amount to €/000 161,390, up by €/000 3,266 compared to the first nine months of 2013.
Costs for leases and rentals include lease rentals for business properties of €/000 4,877, as well as lease payments for car hire, computers and photocopiers.
The item includes costs for temporary work of €/000 1,710.

7. Employee cost — €/000 161,175

The reduction in the period is due to the decrease in costs related to mobility plans for the Pontedera, Noale and Martorelles production sites recognised as other employee costs (€/000 4,023 in the first nine months of 2014 and €/000 8,626 in the same period of 2013).

	First nine months of 2014	First nine months of 2013	Change
In thousands of Euros			
Salaries and wages	117,707	116,736	971
Social security contributions	33,087	31,171	1,916
Termination benefits	5,865	5,818	47
Other costs	4,516	9,150	(4,634)
Total	**161,175**	**162,875**	**(1,700)**

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

	Average number		
	First nine months of 2014	**First nine months of 2013**	**Change**
Level			
Senior Management	96	96	0
Middle Management	570	573	(3)
White collars	2,124	2,172	(48)
Blue collars with supervisory duties/blue collars	4,978	5,408	(430)
Total	**7,768**	**8,249**	**(481)**

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.

	Number as of		
	30 September 2014	**31 December 2013**	**Change**
Level			
Senior Management	96	95	1
Middle Management	562	572	(10)
White collars	2,126	2,132	(6)
Blue collars with supervisory duties/blue collars	5,357	4,889	468
Total	**8,141**	**7,688**	**453**

The increase in employee numbers is attributable to consolidation at Indian plants, which more than offset the reductions in other geographical segments.

	Number as of		
	30 September 2014	**31 December 2013**	**Change**
Employee/staff numbers			
EMEA and Americas	4,052	4,098	(46)
India	3,197	2,677	520
Asia Pacific 2W	892	913	(21)
Total	**8,141**	**7,688**	**453**

8. Amortisation/depreciation and impairment costs **€/000 65,737**

Goodwill is no longer amortised but tested annually for impairment.

As of 30 June 2014, the Group had verified that EBIT indicated in the approved budget and in the impairment testing plan as of 31 December 2013 had been reached for all CGUs, and the rates used were still valid. Therefore no impairment of goodwill occurred.

9. Other operating income **€/000 72,330**

The item increased by €/000 3,581 compared to the first nine months of 2013. This includes, among others:

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

10. Other operating costs **€/000 13,490**

This item decreased by €/000 1,610.

11. Income/(loss) from investments **€/000 (71)**

During the first nine months of 2014, the Parent Company recorded an impairment for the minority investment in the Pisa Research Consortium (Consorzio Pisa Ricerche) of €/000 76 and received dividends for €/000 5 from the minority investment in Ecofor Service Pontedera.

12. Net financial income (borrowing costs) **€/000 (33,087)**

The balance of financial income (borrowing costs) for the first nine months of 2014 was negative by €/000 33,087, registering an increase compared to the sum of €/000 26,265 for the same period of the previous year. This increase is due to non-recurrent costs of €/000 2,947 relating to the issue of the new debenture loan (more details are given in note 30), the lower capitalisation of borrowing costs in accordance with IAS 23 for €/000 2,140 and the increase in interest due to higher average debt.

13. Taxation **€/000 14,583**

Taxes for the first nine months of 2014 were estimated assuming a tax rate on profit before tax accounting for 40.0%, equal to the best estimate of the average weighted rate expected for the entire year.

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

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

15. Earnings per share

Earnings per share are calculated as follows:

		First nine months 2014	First nine months 2013
Net income	€/000	21,875	27,757
Earnings attributable to ordinary shares	€/000	21,875	27,757
Average number of ordinary shares in circulation		361,568,959	359,817,808
Earnings per ordinary share	€	0.061	0.077
Adjusted average number of ordinary shares		361,963,728	360,403,483
Diluted earnings per ordinary share	€	0.060	0.077

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 €/000 660,793

The table below shows the breakdown of intangible assets as of 30 September 2014 and 30 September 2013, as well as movements during the period.

In thousands of euros	***Development costs***	***Patent rights***	***Concessions, licences and trademarks***	***Goodwill***	***Other***	***Assets under development and advances***	***Total***
Assets as of 01.01.2013	**50,060**	**42,460**	**67,512**	**446,940**	**1,272**	**52,724**	**660,968**
Investments	12,224	202			235	22,165	34,826
Put into operation in the period	34,047	370			7	(34,424)	0
Depreciation	(17,255)	(11,887)	(3,617)		(810)		(33,569)
Disposals	(35)	(18)					(53)
Write-downs							0
Exchange differences	(3,892)	(401)			(34)	(1,496)	(5,823)
Other changes	(3,029)	(1,182)			679	451	(3,081)
Assets as of 30.09.2013	**72,120**	**29,544**	**63,895**	**446,940**	**1,349**	**39,420**	**653,268**
Assets as of 01.01.2014	**69,110**	**42,091**	**62,689**	**446,940**	**1,405**	**32,293**	**654,528**
Investments	13,885	1,680			97	22,224	37,886
Put into operation in the period	9,987	5,063			234	(15,284)	0
Amortisation	(20,201)	(10,066)	(3,617)		(683)		(34,567)
Disposals	(44)						(44)
Write-downs							0
Exchange differences	2,463	159			82	236	2,940
Other changes	(429)	522			(43)		50
Assets as of 30.09.2014	**74,771**	**39,449**	**59,072**	**446,940**	**1,092**	**39,469**	**660,793**

The breakdown of intangible assets for the period put into service and under development is as follows:

	Value as of 30 September 2014			**Value as of 31 December 2013**			**Change**		
In thousands of euros	**Put into operation in the period**	**Under development and advances**	**Total**	**Put into operation in the period**	**Under development and advances**	**Total**	**Put into operation in the period**	**Under development and advances**	**Total**
R&D costs	74,771	38,080	112,851	69,110	26,940	96,050	5,661	11,140	16,801
Patent rights	39,449	1,367	40,816	42,091	5,172	47,263	(2,642)	(3,805)	(6,447)
Concessions, licences and trademarks	59,072		59,072	62,689		62,689	(3,617)	0	(3,617)
Goodwill	446,940		446,940	446,940		446,940	0	0	0
Other	1,092	22	1,114	1,405	181	1,586	(313)	(159)	(472)
Total	**621,324**	**39,469**	**660,793**	**622,235**	**32,293**	**654,528**	**(911)**	**7,176**	**6,265**

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

Borrowing costs related to loans for the development of long-term products are capitalised as a part of the cost of the actual assets.

As of 30 June 2014, the Group had compared final and estimated figures of the 2014-2017 business plan approved by the Board of Directors on 19 March 2014. This analysis had not identified any indicators requiring an update to the impairment test carried out for the financial statements as of 31 December 2013.

17. Property, plant and equipment — €/000 299,702

The table below shows the breakdown of property, plant and equipment as of 30 September 2014 and 30 September 2013, as well as movements during the period.

In thousands of euros	***Land***	***Buildings***	***Plant and machinery***	***Equipment***	***Other assets***	***Assets under construction and advances***	***Total***
Assets as of 01.01.2013	**31,586**	**97,399**	**95,352**	**29,874**	**6,549**	**60,255**	**321,015**
Investments		184	2,470	4,205	411	18,760	26,030
Put into operation in the period		13,397	24,299	4,954	633	(43,283)	0
Depreciation		(3,594)	(13,288)	(10,586)	(1,344)		(28,812)
Disposals			(365)	(17)	(90)		(472)
Write-down				(6)			(6)
Exchange differences		(2,520)	(7,370)	(8)	(393)	(1,626)	(11,917)
Transfer to investment property	(3,522)	(3,053)	(771)				(7,346)
Other changes			3,021	(151)	109		2,979
Assets as of 30.09.2013	**28,064**	**101,813**	**103,348**	**28,265**	**5,875**	**34,106**	**301,471**
Assets as of 01.01.2014	**28,040**	**102,029**	**110,474**	**28,883**	**5,701**	**27,640**	**302,767**
Investments		670	2,304	5,757	1,407	8,988	19,126
Put into operation in the period		974	8,699	8,942	315	(18,930)	0
Amortisation		(3,656)	(14,639)	(11,208)	(1,376)		(30,879)
Disposals			(81)	(156)	(76)	(2)	(315)
Write-downs			(167)	(106)	(18)		(291)
Exchange differences		2,071	6,248	3	248	671	9,241
Other changes		2	380	(356)	27		53
Assets as of 30.09.2014	**28,040**	**102,090**	**113,218**	**31,759**	**6,228**	**18,367**	**299,702**

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

	Value as of 30 September 2014			**Value as of 31 December 2013**			**Change**		
In thousands of euros	**Put into operation in the period**	**Under construction and advances**	**Total**	**Put into operation in the period**	**Under construction and advances**	**Total**	**Put into operation in the period**	**Under construction and advances**	**Total**
Land	28,040		28,040	28,040		28,040	0	0	0
Buildings	102,090	2,192	104,282	102,029	2,328	104,357	61	(136)	(75)
Plant and machinery	113,218	9,132	122,350	110,474	10,688	121,162	2,744	(1,556)	1,188
Equipment	31,759	6,359	38,118	28,883	14,150	43,033	2,876	(7,791)	(4,915)
Other assets	6,228	684	6,912	5,701	474	6,175	527	210	737
Total	**281,335**	**18,367**	**299,702**	**275,127**	**27,640**	**302,767**	**6,208**	**(9,273)**	**(3,065)**

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

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.

18. Investment Property **€/000 12,141**

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

In thousands of Euros	
Opening balance as of 1 January 2014	7,346
Fair value adjustment	4,795
Final balance as of 30 September 2014	**12,141**

The net book value as of 30 September 2014 was determined by a specific appraisal conducted by an independent expert who measured the "Fair Value less cost of disposal" based on a market approach (as provided for in IFRS 13). This appraisal identified the total value of investment as €/000 12,141. The Group uses the "fair value model" as provided for in IAS 40, thus the measurement updated during 2014 resulted in profit adjusted to the fair value, equal to €/000 4,795 being recognised under other revenues in the income statement for the period.
In this regard, the greater value of the investment compared to 31 December 2013 is due to the regulatory change (with the approval of the local authorities of Martorelles on 18 February 2014), whereby the area where the land and building are located may be used for commercial purposes (in addition to industrial purposes). The Group has prepared a project to convert the area, for the development of a retail centre. This change, along with comparable transactions and the project, was considered for the purposes of measuring the fair value of the site as of 30 September 2014, with the valuation referring however to the current status of the property.

19. Investments **€/000 8,807**

The Investments heading comprises:

	As of 30 September 2014	**As of 31 December 2013**	**Change**
In thousands of Euros			
Interests in joint ventures	8,593	7,938	655
Investments in affiliated companies	214	214	0
Total	**8,807**	**8,152**	**655**

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

20. Other non-current financial assets €/000 15,629

	As of 30 September 2014	As of 31 December 2013	Change
In thousands of Euros			
Fair Value of hedging derivatives	15,542	10,305	5,237
Investments in other companies	87	163	(76)
Total	**15,629**	**10,468**	**5,161**

The item "Fair value of hedging derivatives" refers to €/000 10,084 from the fair value of the cross currency swap related to a private debenture loan, to €/000 5,450 from the fair value of the cross currency swap related to a medium-term loan of the Indian subsidiary and to €/000 8 from the fair value of the cross currency swap relative to a medium-term loan of the Vietnamese subsidiary.

21. Current and non-current tax receivables €/000 40,998

Receivables due from tax authorities consist of:

	As of 30 September 2014	As of 31 December 2013	Change
In thousands of Euros			
VAT receivables	35,977	21,772	14,205
Income tax receivables	2,403	2,915	(512)
Other receivables due from the public authorities	2,618	1,902	716
Total tax receivables	**40,998**	**26,589**	**14,409**

Non-current tax receivables totalled €/000 6,470, compared to €/000 2,974 as of 31 December 2013, while current tax receivables totalled €/000 34,528 compared to €/000 23,615 as of 31 December 2013. The increase is due to higher VAT receivables of the Indian and Vietnamese subsidiaries.

22. Deferred tax assets €/000 38,160

These totalled €/000 38,160 compared to €/000 33,660 as of 31 December 2013.
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. Current and non-current trade receivables €/000 92,481

As of 30 September 2014 current trade receivables amounted to €/000 92,465 compared to €/000 75,722 as of 31 December 2013. At the same date, non-current trade receivables amounted to €/000 16. Their breakdown was as follows:

	As of 30 September 2014	As of 31 December 2013	Change
In thousands of Euros			
Trade receivables due from customers	91,730	74,858	16,872
Trade receivables due from JV	723	848	(125)
Trade receivables due from parent companies	-	10	(10)
Trade receivables due from affiliated companies	28	6	22
Total	**92,481**	**75,722**	**16,759**

Receivables due from joint ventures refer to amounts due from Zongshen Piaggio Foshan Motorcycles.
The item "Trade receivables" comprises receivables referring to normal sale transactions, recorded net of bad debt of €/000 25,920.
The Group sells, on a rotating basis, a large part of its trade receivables with and without recourse. Piaggio has signed contracts with some of the most important Italian and foreign factoring companies as a move to optimise the monitoring and the management of its trade receivables, besides offering its customers an instrument for funding their own inventories, for factoring classified as without the substantial transfer of risks and benefits. On the contrary, for factoring without recourse, contracts have been formalised for the substantial transfer of risks and benefits. As of 30 September 2014, trade receivables still due sold without recourse totalled €/000 77,601. Of these amounts, Piaggio received payment prior to natural expiry, of €/000 71,424.

As of 30 September 2014, advance payments received from factoring companies and banks, for trade receivables sold with recourse totalled €/000 27,117 with a counter entry recorded in current liabilities.

24. Other current and non-current receivables €/000 45,691

Other non-current receivables totalled €/000 12,719 against €/000 13,368 as of 31 December 2013, whereas other current receivables totalled €/000 32,972 compared to €/000 26,514 as of 31 December 2013. They consist of:

	As of 30 September 2014	As of 31 December 2013	Change
In thousands of Euros			
Other non-current receivables:			
Receivables due from affiliated companies	197	231	(34)
Prepaid expenses	9,574	9,864	(290)
Advances to employees	62	67	(5)
Security deposits	599	621	(22)
Receivables due from others	2,287	2,585	(298)
Total non-current portion	**12,719**	**13,368**	**(649)**

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

	As of 30 September 2014	As of 31 December 2013	Change
In thousands of Euros			
Other current receivables:			
Receivables due from parent companies	6,776	6,759	17
Receivables due from JV	3,481	372	3,109
Receivables due from affiliated companies		31	(31)
Accrued income	410	701	(291)
Prepaid expenses	5,063	4,751	312
Advance payments to suppliers	1,214	599	615
Advances to employees	382	2,859	(2,477)
Fair Value of hedging derivatives	187	3	184
Security deposits	301	215	86
Receivables due from others	15,158	10,224	4,934
Total current portion	**32,972**	**26,514**	**6,458**

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

Receivables due from joint ventures refer to amounts due from Zongshen Piaggio Foshan.

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

25. Inventories €/000 266,931

This item comprises:

	As of 30 September 2014	As of 31 December 2013	Change
In thousands of Euros			
Raw materials and consumables	117,037	92,330	24,707
Provisions for write-down	(14,674)	(13,522)	(1,152)
Net value	*102,363*	*78,808*	*23,555*
Work in progress and semifinished products	19,885	19,483	402
Provisions for write-down	(852)	(852)	0
Net value	*19,033*	*18,631*	*402*
Finished products and goods	166,335	129,910	36,425
Provisions for write-down	(21,132)	(19,587)	(1,545)
Net value	*145,203*	*110,323*	*34,880*
Advances	332	46	286
Total	**266,931**	**207,808**	**59,123**

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

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

This item comprises:

	As of 30 September 2014	As of 31 December 2013	Change
In thousands of Euros			
Securities	-	838	(838)
Total	**0**	**838**	**(838)**

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

27. Cash and cash equivalents **€/000 128,333**

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

	As of 30 September 2014	As of 31 December 2013	Change
In thousands of Euros			
Bank and postal deposits	128,249	57,300	70,949
Cash on hand	84	45	39
Securities		9,159	(9,159)
Total	**128,333**	**66,504**	**61,829**

The item Securities as of 31 December 2013 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 September 2014, there were no assets held for sale.

INFORMATION ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION - LIABILITIES

29. Share capital and reserves — €/000 420,555

Share capital — €/000 207,090

The change in share capital during the first nine months was as follows:

In thousands of Euros	
Subscribed and paid up capital as of 31 December 2013	206,027
Treasury shares purchased as of 31 December 2013	(457)
Share capital as of 1 January 2014	205,570
Purchase of treasury shares	(124)
Exercise of stock options:	
- Issue of new shares	1,530
- Sale of treasury shares	114
Share Capital as of 30 September 2014	**207,090**

During the period, 2,680,000 new ordinary shares were issued, offered to and subscribed by stock option plan beneficiaries.

Therefore, as of 30 September 2014, the nominal share capital of Piaggio & C., fully subscribed and paid up, was equal to € 207,556,856.58 divided into 363,574,880 ordinary shares.

Moreover, during the period, 217,000 ordinary shares were purchased and 200,000 treasury shares were sold to stock option plan beneficiaries. As of 30 September 2014, the Parent Company held 856,669 treasury shares, equal to 0.24% of the share capital.

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

no. of shares	2014	2013
Situation as of 1 January		
Shares issued	360,894,880	371,793,901
Treasury shares in portfolio	839,669	11,726,521
Shares in circulation	360,055,211	360,067,380
Movements for the period		
Exercise of stock options	2,680,000	150,000
Cancellation of treasury shares		(11,049,021)
Purchase of treasury shares	217,000	512,169
Sale of treasury shares	(200,000)	(350,000)
Situation as of 30 September 2014 and 31 December 2013		
Shares issued	363,574,880	360,894,880
Treasury shares in portfolio	856,669	839,669
Shares in circulation	362.718.211	360,055,211
Treasury shares/issued shares	0.24%	0.23%

On 26 September 2014, 100,000 option rights were exercised to subscribe to a corresponding number of ordinary shares which, at the date of approval of this report, had been wholly issued. The Company will report on the above transaction, as required by law.

In the last few days of September, the Parent Company purchased 228,163 treasury shares with settlement in October, so they were not included in portfolio shares as of 30 September 2014.

As of 30 September 2014, according to the shareholder ledger and notices received pursuant to article 120 of Legislative Decree no. 58/1998 and other information available, the following shareholders held voting rights, either directly or indirectly, exceeding 2% of the share capital:

Declarer	Direct shareholder	% of ordinary share capital	% of shares with voting rights
Omniaholding S.p.A.	IMMSI S.p.A.	50.2589	50.2589
	Omniaholding S.p.A.	0.0275	0.0275
	Total	**50.2864**	**50.2864**
Diego della Valle	Diego della Valle & C. S.r.l.	5.4566	5.4566
	Total	**5.4566**	**5.4566**
Financiere de l'Echiquier	Financiere de l'Echiquier[9]	5.0881	5.0881
	Total	**5.0881**	**5.0881**
UBS AG	UBS GLOBAL ASSET MANAGEMENT (UK) LIMITED	0.0021	0.0021
	UBS AG	2.0997[10]	2.0997[11]
	Total	**2.1019**	**2.1019**

Share premium reserve €/000 7,045

The share premium reserve as of 30 September 2014 had increased by €/000 3.364, following the issue of 2,680,000 new shares.

Legal reserve €/000 16,902

The legal reserve as of 30 September 2014 was unchanged and was equal to €/000 16,902.

[9] In a capacity as manager of the FCP Agressor fund which holds 2.2829% of the share capital.
[10] Of which 0.5518 % without a vote.
[11] Of which 0.5518 % without a vote.

Other reserves €/000 (14,127)

This item consists of:

In thousands of Euros	As of 30 September 2014	As of 31 December 2013	Change
Translation reserve	(20,913)	(27,063)	6,150
Stock option reserve	13,385	13,385	0
Financial instruments' fair value reserve	(1,733)	(1,565)	(168)
IFRS transition reserve	(5,859)	(5,859)	0
Total other reserves	*(15,120)*	*(21,102)*	*5,982*
Consolidation reserve	993	993	0
Total	**(14,127)**	**(20,109)**	**5,982**

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

Earnings reserve €/000 202,698

Share capital and reserves attributable to non-controlling interests €/000 947

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

Other Comprehensive Income (Expense) €/000 1,888

The figure is broken down as follows:

	Reserve for measurement of financial instruments	Group conversion reserve	Earnings reserve	Group total	Share capital and reserves attributable to non-controlling interests	Total other Comprehensive Income (Expense)
In thousands of Euros						
First nine months of 2014						
Items that will not be reclassified to profit or loss						
Remeasurements of defined benefit plans			(4,073)	(4,073)		(4,073)
Total	0	0	(4,073)	(4,073)	0	(4,073)
Items that may be reclassified to profit or loss						
Total translation gains (losses)		6,150		6,150	(21)	6,129
Total profits (losses) on cash flow hedges	(168)			(168)		(168)
Total	(168)	6,150	0	5,982	(21)	5,961
Other Comprehensive Income (Expense)	**(168)**	**6,150**	**(4,073)**	**1,909**	**(21)**	**1,888**
First nine months of 2013						
Items that will not be reclassified to profit or loss						
Remeasurements of defined benefit plans			198	198		198
Total	0	0	198	198	0	198
Items that may be reclassified to profit or loss						
Total translation gains (losses)		(9,045)		(9,045)	(10)	(9,055)
Total profits (losses) on cash flow hedges	1,713			1,713		1,713
Total	1,713	(9,045)	0	(7,332)	(10)	(7,342)
Other Comprehensive Income (Expense)	**1,713**	**(9,045)**	**198**	**(7,134)**	**(10)**	**(7,144)**

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

	First nine months of 2014			First nine months of 2013		
	Gross value	Tax (expense) / benefit	Net value	Gross value	Tax (expense) / benefit	Net value
In thousands of Euros						
Remeasurements of defined benefit plans	(5,620)	1,547	(4,073)	202	(4)	198
Total translation gains (losses)	6,129		6,129	(9,055)		(9,055)
Total profits (losses) on cash flow hedges	79	(247)	(168)	2,200	(487)	1,713
Other Comprehensive Income (Expense)	**588**	**1,300**	**1,888**	**(6,653)**	**(491)**	**(7,144)**

30. Current and non-current financial liabilities €/000 580,737

In the first nine months of 2014, the Group's overall debt increased by €/000 29,000, from €/000 551,737 to €/000 580,737. 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 September 2014 total financial debt of the Group had increased by €/000 23,265.

	Financial liabilities as of 30 September 2014			Financial liabilities as of 31 December 2013			Change		
	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total
In thousands of Euros									
Gross financial debt	116,612	449,623	566,235	116,872	426,098	542,970	(260)	23,525	23,265
Fair Value		14,502	14,502		8,767	8,767		5,735	5,735
Total	**116,612**	**464,125**	**580,737**	**116,872**	**434,865**	**551,737**	**(260)**	**29,260**	**29,000**

The Group's net debt amounted to €/000 437,902 as of 30 September 2014 compared to €/ 000 475,628 as of 31 December 2013, as can be seen in the table below on Net Debt.

In thousands of euros	As of 30 September 2014	As of 31 December 2013	Change
Liquidity	**128,333**	**66,504**	**61,829**
Securities		838	(838)
Current financial receivables	**0**	**838**	**(838)**
Payables due to banks	(41,862)	(52,092)	10,230
Current portion of bank borrowings	(40,595)	(33,180)	(7,415)
Amounts due to factoring companies	(27,117)	(23,871)	(3,246)
Amounts due under leases	(5,108)	(5,809)	701
Current portion of payables due to other lenders	(1,930)	(1,920)	(10)
Current financial debt	**(116,612)**	**(116,872)**	**260**
Net current financial debt	**11,721**	**(49,530)**	**61,251**
Payables due to banks and lenders	(160,552)	(227,587)	67,035
Debenture loan	(287,591)	(195,318)	(92,273)
Amounts due under leases	(218)	0	(218)
Amounts due to other lenders	(1,262)	(3,193)	1,931
Non-current financial debt	**(449,623)**	**(426,098)**	**(23,525)**
NET FINANCIAL DEBT	**(437,902)**	**(475,628)**	**37,726**

***** 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 14,502 and relative accruals.

Non-current financial liabilities totalled €/000 449,623 against €/000 426,098 as of 31 December 2013, whereas current financial liabilities totalled €/000 116,612 compared to €/000 116,872 as of 31 December 2013.

The attached tables summarise the breakdown of financial debt as of 30 September 2014 and as of 31 December 2013, as well as changes for the period.

In thousands of Euros	*Accounting balance As of 31.12.2013*	*Repayments*	*New issues*	*Reclassification to the current portion*	*Exchange delta*	*Other changes*	*Accounting balance as of 30.09.2014*
Non-current portion:							
Bank borrowings	227,587	(34,000)		(32,586)	1,118	(1,567)	**160,552**
Bonds	195,318	(41,973)	138,625			(4,379)	**287,591**
Other medium-/long-term loans:							
of which leases	-		268	(50)			**218**
of which amounts due to other lenders	3,193			(1,931)			**1,262**
Total other loans	*3,193*	*0*	*268*	*(1,981)*	*0*	*0*	***1,480***
Total	**426,098**	**(75,973)**	**138,893**	**(34,567)**	**1,118**	**(5,946)**	**449,623**

In thousands of Euros	*Accounting balance As of 31.12.2013*	*Repayments*	*New issues*	*Reclassification from the non-current portion*	*Exchange delta*	*Other changes*	*Accounting balance as of 30.09.2014*
Current portion:							
Current account overdrafts	13,688	(6,636)					**7,052**
Current account payables	38,404	(3,594)					**34,810**
Bonds	-						0
Payables due to factoring companies	23,871		3,246				**27,117**
Current portion of medium-/long-term loans:							
of which leases	5,809	(751)		50			**5,108**
of which due to banks	33,180	(25,164)		32,586	(7)		**40,595**
of which amounts due to other lenders	1,920	(1,920)		1,931		(1)	**1,930**
Total other loans	*40,909*	*(27,835)*	*0*	*34,567*	*(7)*	*(1)*	***47,633***
Total	**116,872**	**(38,065)**	**3,246**	**34,567**	**(7)**	**(1)**	**116,612**

Medium and long-term bank debt amounts to €/000 201,147 (of which €/000 160,552 non-current and €/000 40,595 current) and consists of the following loans:

- a €/000 32,143 medium-term loan from the European Investment Bank to finance Research & Development investments planned for the 2009-2012 period. The loan will fall due in February 2016 and has an initial amortisation quota of 14 six-monthly instalments to be repaid at a variable rate equal to the six-month Euribor plus a spread of 1.323%. Contract terms require covenants (described below). An Interest Rate Swap has been taken out on this loan to hedge the interest rate risk;
- a €/000 60,000 medium-term loan from the European Investment Bank to finance Research & Development investments planned for the period 2013-2015. The loan will fall due in December

2019 and has an amortisation quota of 11 six-monthly instalments at a fixed rate of 2.723%. Contract terms require covenants (described below);

- a €/000 67,908 (nominal value of €/000 71,000) syndicate loan undersigned in July 2014 following the refinancing with a limited pool of banks of a revolving credit line of a nominal value of €/000 200,000 maturing in December 2015. This overall loan of €/000 220,000 comprises a €/000 154,000 tranche as a revolving credit line of which a nominal value of €/000 5,000 had been used at 30 September 2014 and a tranche as a term loan of €/000 66,000 which has been wholly disbursed. Contract terms require covenants (described below);
- a €/000 8,444 medium-term loan for USD/000 14,763 granted by International Finance Corporation (a World Bank member) to the subsidiary Piaggio Vehicles Private Limited with interest accruing at a variable rate. The loan will fall due on 15 January 2018 and has an amortisation quota of six-monthly instalments as from January 2014. Contract terms include a guarantee of the Parent Company and some covenants (described below). Cross currency swaps have been taken out on this loan to hedge the exchange risk and interest rate risk;
- a €/000 12,628 medium-term loan for USD/000 17,850 granted by International Finance Corporation to the subsidiary Piaggio Vehicles Private Limited with interest accruing at a variable rate. The loan will fall due on 15 July 2019 and has an amortisation quota of six-monthly instalments from July 2015. Contract terms include a guarantee of the Parent Company and some covenants (described below). Cross currency swaps have been taken out on this loan to hedge the exchange risk and interest rate risk;
- a €/000 13,739 medium-term loan for USD/000 17,476 granted by International Finance Corporation to the subsidiary Piaggio Vietnam with interest accruing at a variable rate. The loan will fall due on 15 July 2018 and has an amortisation quota of six-monthly instalments from July 2014. Contract terms include a guarantee of the Parent Company and some covenants (described below). Cross currency swaps have been taken out on this loan to hedge the exchange risk and interest rate risk;
- €/000 3,021 of loans from various banks pursuant to Italian Law no. 346/88 on subsidised applied research;
- a €/000 2,514 loan from Banca Intesa granted pursuant to Italian Law no. 297/99 on subsidised applied research;
- a €/000 750 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 €/000 287,591 (nominal value of €/000 301,799) refers to:

- €/000 51,523 (nominal value of €/000 51,799) related to a private debenture loan (US Private Placement) issued on 25 July 2011 for $/000 75,000 wholly subscribed by an American institutional investor, payable in 5 annual portions from July 2017, with a semi-annual coupon with fixed annual nominal rate of 6.50%. As of 30 June 2014 the fair value measurement of the debenture loan was negative by €/000 57,021 (the fair value is determined based on IFRS relative to fair value hedging). A Cross Currency Swap has been taken out on this loan to hedge the exchange risk and interest rate risk;

- €/000 236,068 (nominal value of €/000 250,000) refers to the liability management operation completed by the Parent Company during the second quarter of 2014. In particular, this operation was for the refinancing of a debenture loan issued by the Company on 1 December 2009 for a total of €/000 150,000 maturing on 1 December 2016. Favourable market conditions resulted in improved economic conditions, enabling optimised borrowing costs, a longer average life and greater use of capital.

  In particular, the liability management operation concerned the following stages:

1. the launch on 7 April 2014, of an exchange offer for bonds relative to the existing debenture loan with new issue bonds. 72% of bondholders took up the offer, for a total value of €/000 108,027;

2. the issue on 24 April 2014 of a High Yield debenture loan (with the same characteristics as the bond issued in 2009), for a total of €/000 250,000, maturing on 30 April 2021 and six-monthly coupon with nominal annual rate fixed at 4.625% (as mentioned, the issue for €/000 108,027 was on an exchange basis, while the remaining portion concerned inflows of new liquidity for the Group). Standard & Poor's and Moody's assigned a BB- rating with a negative outlook and a Ba3 rating with a stable outlook respectively;

3. given the positive outcome of the operation, in May 2014, the Group exercised the call option of the debenture loan issued in 2009 in order to repay €/000 41,973 in advance to bond holders that had not taken part in the exchange. The operation resulted in the premium for the repurchase of securities in circulation, amounting to €/000 1,469, being recognised under non-recurrent borrowing costs in the income statement. The income statement was also affected by the adjustment of the amortised cost (equal to €/000 1,478) due to the settlement of financial liabilities, as provided for by IAS 39 AG 62.

The company may pay back the amount of the High Yield debenture loan issued on 24 April 2014, early, in full or in part, under the conditions indicated in the indenture. The value of prepayment options was not deducted from the original contract, as these are considered as being closely related to the host instrument, as provided for by IAS 39 AG30 g).

The items Medium-/long-term bank debt and Bonds include loans which, in accounting terms, have been recognised on an amortised cost basis (revolving loan, high-yield debenture loan and private debenture loan). According to this criterion, the nominal amount of the liability is decreased by the amount of relative costs of issue and/or stipulation, in addition to any costs relating to refinancing of previous liabilities (in the latter case, the requirements of IAS 39 AG 57 and AG 62 are complied with).
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 principal at the net carrying amount of the financial liability. Some liabilities were recognised at fair value, with relative effects recognised in profit or loss.

Medium-/long-term payables due to other lenders equal to €/000 8,518 of which €/000 1,480 due after the year and €/000 7,038 as the current portion, are detailed as follows:

- a property lease for €/000 5,079 granted by Unicredit Leasing (including the entire current portion);
- a financial lease for €/000 247 granted by VFS Servizi Finanziari for the use of vehicles;
- subsidised loans for a total of €/000 3,192 provided by the Italian Ministry of Economic Development and Italian Ministry of Education, University and Research using regulations to encourage exports and investments in research and development (non-current portion of €/000 1,262).

Financial advances received from factoring companies and banks, on the sale of trade receivables with recourse, totalled €/000 27,117.

Covenants

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

1) financial covenants, on the basis of which the company undertakes to comply with certain levels of contractually defined financial indices, with the most significant comprising the ratio of net financial debt/gross operating margin (EBITDA), measured on the consolidated perimeter of the Group, according to definitions agreed on with lenders;
2) negative pledges that limit the Company's capacity to establish collaterals or other constraints on company assets;
3) "*pari passu*" clauses, on the basis of which the loans will have the same repayment priority as other financial liabilities, and change of control clauses, which are effective if the majority shareholder loses control of the company;
4) limitations on the extraordinary transactions the company may carry out.

The measurement of financial covenants and other contract commitments is monitored by the Group on an ongoing basis. According to results as of 30 June 2014, all covenants had been fully met.

The high-yield debenture loan issued by the company in April 2014 requires compliance with typical covenants of international high-yield market practices. In particular, the company must observe the EBITDA/Net 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.

Financial instruments

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. The Company has adopted 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 September 2014, Piaggio & C. S.p.A. had undertaken the following forward purchase contracts (recognised based on the regulation date):

- for a value of CNY/000 74,000 corresponding to €/000 9,261 (valued at the forward exchange rate), with average maturity on 8 October 2014;
- for a value of GBP/000 1,900 corresponding to €/000 2,432 (valued at the forward exchange rate), with average maturity on 29 October 2014;
- for a value of JPY/000 400,000 corresponding to €/000 2,919 (valued at the forward exchange rate), with average maturity on 8 October 2014;
- for a value of USD/000 14,500 corresponding to €/000 11,245 (valued at the forward exchange rate), with average maturity on 13 October 2014;

and forward sales contracts:

- for a value of CAD/000 710 corresponding to €/000 497 (valued at the forward exchange rate), with average maturity on 31 October 2014;
- for a value of CNY/000 11,100 corresponding to €/000 1,404 (valued at the forward exchange rate), with average maturity on 8 October 2014;
- for a value of INR/000 8,000 corresponding to €/000 102 (valued at the forward exchange rate), with average maturity on 25 November 2014;
- for a value of JPY/000 93,000 corresponding to €/000 678 (valued at the forward exchange rate), with average maturity on 12 November 2014;
- for a value of SEK/000 6,500 corresponding to €/000 707 (valued at the forward exchange rate), with average maturity on 10 November 2014;

- for a value of SGD/000 170 corresponding to €/000 105 (valued at the forward exchange rate), with average maturity on 28 November 2014;
- and for a value of USD/000 8,000 corresponding to €/000 6,194 (valued at the forward exchange rate), with average maturity on 17 November 2014.

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

- for PT Piaggio Indonesia purchases for €/000 2,975 with average maturity on July 1 November 2014 and sales for USD/000 54 with average maturity on 7 October 2014;
- for Piaggio Vehicles Private Limited sales for USD/000 5,465 with average maturity on 18 November 2014;
- for Piaggio Vietnam purchases for €/000 7,100, with average maturity on 23 October 2014;

- 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 exchange risk: arises from changes in company profitability in relation to annual figures planned in the economic budget on the basis of a reference change (the "budget change") and is covered by derivatives. The items of these hedging operations are therefore represented by foreign costs and revenues forecast by the sales and purchases budget. The total of forecast costs and revenues is processed monthly and relative hedging is positioned exactly on the average weighted date of the economic event, recalculated based on historical criteria. The economic occurrence of future receivables and payables will occur during the budget year.

As of 30 September 2014, the Group had undertaken the following hedging transactions on the exchange risk:

- purchase contracts for CNY/000 23,300 corresponding to €/000 2,784 (valued at the forward exchange rate), with average maturity on 8 November 2014;
- forward sales contracts for a value of GBP/000 2,530 corresponding to €/000 3,022 (valued at the forward exchange rate), with average maturity on 9 November 2014.

To hedge the economic exchange risk alone, cash flow hedging is adopted with the effective portion of profits and losses recognised in a specific shareholders' equity reserve. Fair value is determined based on market quotations provided by main traders.
As of 30 September 2014 the total fair value of instruments to hedge the exchange risk accounted for on a cash flow hedge basis was equal to €/000 31.

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 September 2014, the following hedging derivatives had been taken out:

- Interest Rate Swap to hedge the variable rate loan for a nominal amount of €/000 117,857 (as of 30 September for €/000 32,143) granted by the European Investment Bank. The structure has fixed step-up rates, in order to stabilise financial flows associated with the loan; in accounting terms, the instrument is recognised on a cash flow hedge basis, with profits/losses arising from the fair value measurement allocated to a specific reserve in shareholders' equity; as of 30 September 2014, the fair value of the instrument was negative by €/000 939;
- a Cross Currency Swap to hedge the private debenture loan issued by the Parent Company for a nominal amount of $/000 75,000. The purpose of the instrument is to hedge both the exchange risk and interest rate risk, turning the loan from US dollars to euro, and from a fixed rate to a variable rate; the instrument is accounted for on a fair value hedge basis, with effects arising from the measurement recognised in profit or loss. As of 30 September 2014, the fair value of the instrument was equal to €/000 10,084, while the net economic effect arising from recognition of the instrument and underlying private debenture loan was equal to €/000 (9,678);
- a Cross Currency Swap to hedge a loan relative to the Indian subsidiary for $/000 14,763 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 half of the nominal value from a variable rate to a fixed rate. As of 30 September 2014, the fair value of the instrument was equal to €/000 3,531;
- a Cross Currency Swap to hedge the loan related to the Indian subsidiary for $/000 17,850 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, without changing the variable nature of the interest rate. As of 30 September 2014, the fair value of the instrument was equal to €/000 1,919;
- a cross currency swap to hedge a loan relative to the Vietnamese subsidiary for $/000 17,476 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 September 2014, the fair value of the instrument was positive by €/000 8.

	FAIR VALUE
Piaggio & C. S.p.A.	
Interest Rate Swap	(939)
Cross Currency Swap	10,084
Piaggio Vehicles Private Limited	
Cross Currency Swap	5,450
Piaggio Vietnam	
Cross Currency Swap	8

31. Current and non-current trade payables €/000 446,434

As of 30 September 2014, trade payables included under current liabilities totalled €/000 446,434, compared to €/000 346,164 as of 31 December 2013. No non-current trade payables were recorded for either period.

	As of 30 September 2014	As of 31 December 2013	Change
In thousands of Euros			
Amounts due to suppliers	430,526	334,960	95,566
Amounts due to JV	15,273	10,492	4,781
Amounts due to parent companies	635	712	(77)
Total	**446,434**	**346,164**	**100,270**

32. Provisions (current and non-current portion) €/000 21,199

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

	Balance as of 31 December 2013	Allocations	Applications	Reclassifications	Delta exchange rate	Balance as of 30 September 2014
In thousands of Euros						
Provision for product warranties	12,478	7,066	(7,091)		205	12,658
Provisions for risk on investments	239					239
Provisions for contractual risks	3,916					3,916
Provisions for risk on guarantees given	58					58
Provision for tax risks	5,130			(5,130)		0
Other provisions for risks	4,724	254	(715)	(81)	146	4,328
Total	**26,545**	**7,320**	**(7,806)**	**(5,211)**	**351**	**21,199**

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

	As of 30 September 2014	As of 31 December 2013	Change
In thousands of Euros			
Non-current portion:			
Provision for product warranties	3,972	3,826	146
Provisions for risk on investments	239	239	0
Provision for contractual risks	3,916	3,916	0
Other provisions for risks and charges	2,664	3,102	(438)
Total non-current portion	**10,791**	**11,083**	**(292)**

	As of 30 September 2014	As of 31 December 2013	Change
In thousands of Euros			
Current portion:			
Provision for product warranties	8,686	8,652	34
Provision for contractual risks			
Provisions for risk on guarantees given	58	58	0
Provision for tax risks		5,130	(5,130)
Other provisions for risks and charges	1,664	1,622	42
Total current portion	**10,408**	**15,462**	**(5,054)**

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 first nine months by €/000 7,066 and was used for €/000 7,091 in relation to charges incurred during the period.

The provision for risks on investments covers the portion of negative shareholders' equity of the subsidiaries Piaggio China Co. Ltd and AWS do Brasil, as well as charges that may arise from said companies.

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

The provision for tax risks, established in 2013 for the allocation of estimated costs following the assessment started by the Inland Revenue Office for the 2009, 2010 and 2011 tax years, which resulted in the issue of a Formal Notice of Assessment mainly concerning transfer pricing, was reclassified under tax payables, following the start of the assessment which ended with the signing of settlement documents in March 2014.

"Other provisions" include provisions for legal risks of €/000 2,615.

33. Deferred tax liabilities — €/000 6,842

Deferred tax liabilities amount to €/000 6,842 compared to €/000 5,722 as of 31 December 2013.

34. Retirement funds and employee benefits — €/000 54,670

	As of 30 September 2014	As of 31 December 2013	Change
In thousands of Euros			
Retirement funds	878	1,082	(204)
Termination benefits provision	53,792	48,748	5,044
Total	**54,670**	**49,830**	**4,840**

Retirement funds comprise provisions for employees allocated by foreign companies and additional customer indemnity provisions, which represent the compensation due to agents in the case of the

agency contract being terminated for reasons beyond their control. Uses refer to the payment of benefits already accrued in previous years, while allocations refer to benefits accrued in the period.
The item "Termination benefits provision", comprising severance pay of employees of Italian companies, includes termination benefits indicated in defined benefit plans.
The economic/technical assumptions used by Group companies operating in Italy to discount the value are shown in the table below:

- Technical annual discount rate 2.24%
- Annual rate of inflation 2.00%
- Annual rate of increase in termination benefits 3.00%

As regards the discount rate, the iBoxx Corporates A rating with a 10+ duration as of 30 September 2014 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 €2,540 thousand.

35. Current and non-current tax payables €/000 17,811

"Tax payables" included in current liabilities amount to €/000 17,811, against €/000 12,587 as of 31 December 2013. Non-current tax payables were not recognised in either period.
Their breakdown was as follows:

	As of 30 September 2014	As of 31 December 2013	Change
In thousands of Euros			
Due for income tax	12,074	2,870	9,204
Due for non-income tax	57	30	27
Tax payables for:			
- VAT	2,647	2,283	364
- Tax withheld at source	2,314	6,140	(3,826)
- other	719	1,264	(545)
Total	5,680	9,687	(4,007)
Total	**17,811**	**12,587**	**5,224**

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.
The item "Other" includes the recognition of 2 quarterly payments still to be made to the Inland Revenue Office (from December 2014 to March 2015) and relative to costs arising following the assessment started by the Inland Revenue Office for the 2009, 2010 and 2011 tax years, which resulted in the issue of a Formal Notice of Assessment mainly concerning transfer pricing, and the subsequent signing of settlement documents.

36. Other payables (current and non-current) €/000 61,418

	As of 30 September 2014	As of 31 December 2013	Change
In thousands of Euros			
Non-current portion:			
Payables to employees		1	(1)
Guarantee deposits	1,916	1,722	194
Deferred income	1,120	1,123	(3)
Fair Value of hedging derivatives	313	1,102	(789)
Other payables	200	200	0
Total non-current portion	**3,549**	**4,148**	**(599)**

	As of 30 September 2014	As of 31 December 2013	Change
In thousands of Euros			
Current portion:			
Payables to employees	23,297	15,807	7,490
Guarantee deposits			0
Accrued expenses	9,453	5,956	3,497
Deferred income	260	523	(263)
Amounts due to social security institutions	5,781	8,388	(2,607)
Fair Value of hedging derivatives	843	972	(129)
Miscellaneous payables to JV	1,862	58	1,804
Sundry payables due to affiliated companies	7	26	(19)
Sundry payables due to parent companies	6,469	6,390	79
Other payables	9,897	7,296	2,601
Total	**57,869**	**45,416**	**12,453**

Other payables included in non-current liabilities totalled €/000 3,549 against €/000 4,148 as of 31 December 2013, whereas other payables included in current liabilities totalled €/000 57,869 compared to €/000 45,416 as of 31 December 2013.

Amounts due to employees include the amount for holidays accrued but not taken of €/000 9,138 and other payments to be made for €/000 14,159.

Payables to affiliated companies consist of payables to Immsi Audit.

Payables to parent companies consist of payables to Immsi.

The item Fair value of hedging derivatives refers to the fair value (€/000 313 non-current portion and €/000 626 current portion) of an interest rate swap for hedging, recognised on a cash flow hedge basis as provided for in IAS 39 and the fair value of derivatives to hedge the foreign exchange risk on forecast transactions recognised on a cash flow hedge basis (€/000 217 current portion).

The item Accrued liabilities includes €/000 1,633 for interest on hedging derivatives and relative hedged items measured at fair value.

37. Share-based incentive plans

Since 2010, Piaggio has no longer approved any incentive plans based on the allocation of financial instruments.

The stock option plan approved by the Ordinary Shareholders' Meeting of the Company on 7 May 2007 - amended by the Ordinary Shareholders' Meeting of 16 April 2010 ("**2007-2009 Plan**") – for senior management of the Company and Italian and/or international subsidiaries pursuant to article 2359 of the Italian Civil Code, as well as directors with powers in said companies "**Beneficiaries**") assigns the beneficiaries free options, as applicable, to purchase treasury shares, or to subscribe to new issue shares arising from share capital increases, against divisible payment, with the exception of option rights pursuant to article 2441 paragraph 8 of the Italian Civil Code and article 134 of the Consolidated Law on Finance, resolved by the Extraordinary Shareholders' Meeting on 16 April 2010, with a ratio of 1:1.

During 2014, 2,980,000 option rights were exercised, while 390,000 option rights expired, as shown below:

Rights	No. of options	Average exercise price (euro)	Market price (euro)
Rights existing as of 31.12.2013	3,370,000	1.72	
° of which exercisable as of 31.12.2013	3,370,000		
New rights assigned in the first nine months of 2014			
Rights exercised in the first nine months of 2014	(2.980.000)	1.79	2.75
Rights expired in the first nine months of 2014	(390,000)	1.2218	
Rights existing as of 30.09.2014	0	1.826	
° of which exercisable as of 30.09.2014	0		

On 30 September 2014, no exercisable option rights were still available and therefore the 2007 – 2009 Plan has ended.

Detailed information on the 2007-2009 Plan is available in the documents published by the Issuer in accordance with article 84-bis of Consob Regulation on Issuers. These documents are available on the Issuer's institutional website www.piaggiogroup.com under Governance.

The cost of payments, corresponding to the present value of options which the company determined applying the Black-Scholes valuation model, that uses the average historical volatility of the share of the Company and average interest rate of loans with a maturity equal to the duration of the agreement, is recognised under employee costs on a straight line basis in the period between the date of assignment and date of accrual, with a counter entry directly recognised in shareholders' equity.

38. Transactions with related parties

The main business and financial relations of Group companies with related parties have already been described in the specific paragraph in the Report on Operations to which reference is made here. To supplement this information, the following table provides an indication by company of the outstanding items as of 30 September 2014, as well as their contribution to the respective headings.

In thousands of euros	Fondazione Piaggio	Zongshen Piaggio Foshan	IMMSI Audit	Studio D'Urso	Omniaholding	IMMSI	**Total**	**% incidence on accounting item**
Income statement								
revenues from sales		69					**69**	**0.01%**
costs for materials		17,710					**17,710**	**3.33%**
costs for services and leases and rentals		5	638	75	96	1,960	**2,774**	**1.72%**
other operating income		2,278	44			38	**2,360**	**3.26%**
other operating costs						15	**15**	**0.11%**
borrowing costs		204			122		**326**	**0.98%**
Assets								
other non-current receivables	197						**197**	**1.55%**
current trade receivables		723	28				**751**	**0.81%**
other current receivables		3,481				6,776	**10,257**	**31.11%**
other current financial assets							**-**	
Liabilities								
financial liabilities falling due after one year					2,900		**2,900**	**0.62%**
current trade payables		15,273			20	615	**15,908**	**3.56%**
other current payables		1,862	7			6,469	**8,338**	**14.41%**

39. Significant non-recurring events and operations

During 2014, the Parent Company exercised the call option of the debenture loan issued by the Company on 1 December 2009 for a total amount of €/000 150,000 and maturing on 1 December 2016. On 9 June, the remaining portion of this loan (equal to approximately € 42 million) was paid back at the price of 103.50%, after the finalisation of the exchange offer launched on 7 April.
The operation led to the recognition of the premium paid to bond holders that did not take up the exchange offer and of costs not yet depreciated of the reimbursed loan under borrowing costs in the income statement for the first nine months of 2014.
The operation comes under significant non-recurrent transactions, as defined by CONSOB Communication DEM/6064293 of 28 July 2006.
For the first nine months of 2013, no significant non-recurrent transactions had been recorded.

40. Transactions arising from atypical and/or unusual operations

During the first nine months of 2013 and 2014, the Group did not record any significant atypical and/or unusual operations, as defined by Consob Communication DEM/6037577 of 28 July 2006 and DEM/6064293 of 28 July 2006.

41. Events occurring after the end of the period

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

42. Authorisation for publication

This document was published on 3 November 2014 authorised by the Chairman and Chief Executive Officer.

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

Milan, 23 October 2014

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