Financial Statements 2012

General Meeting of Shareholders

The Board of Directors unanimously

resolved

to appoint the Chairman and Chief Executive Officer to convene the Ordinary General Meeting of Shareholders, on first call, on 15 April 2013 at 15:00 hours at the Meeting Room of Intesa Sanpaolo S.p.a., in Milan, Piazza Belgioioso no. 1, and, where necessary, on second call, on 16 April 2013, at 11:00 hours, at the same place, with the following.

Agenda

The Ordinary General Meeting of Shareholders:

1. Financial Statements of Piaggio & C. S.p.A. as of 31 December 2012; Directors' Report on Operations for 2012 and proposal to allocate profit for the period; Report of the Board of Statutory Auditors; Report of the Independent Auditors; Related and consequent resolutions; presentation of the Consolidated Financial Statements as of 31 December 2012 of the Piaggio Group and relative reports.
2. Report on remuneration, pursuant to article 123-ter of Legislative Decree no. 58/1998. Related and consequent resolutions.
3. Authorisation to purchase and use treasury shares, pursuant to articles 2357 and 2357-ter of the Italian Civil Code, as well as article 132 of Legislative Decree no. 58/1998 and relative provisions for enactment, subject to withdrawal of the authorisation granted by the Ordinary General Meeting of Shareholders of 13 April 2012, for the portion not executed. Related and consequent resolutions.

The Extraordinary General Meeting of Shareholders:

1. Proposal to cancel 11,049,021 portfolio treasury shares; Subsequent changes to article 5.1 of the Articles of Association. Related and consequent resolutions.

Mantua, 27 February 2013

For the Board of Directors

/f/ Roberto Colaninno

Chairman and Chief Executive Officer
Roberto Colaninno

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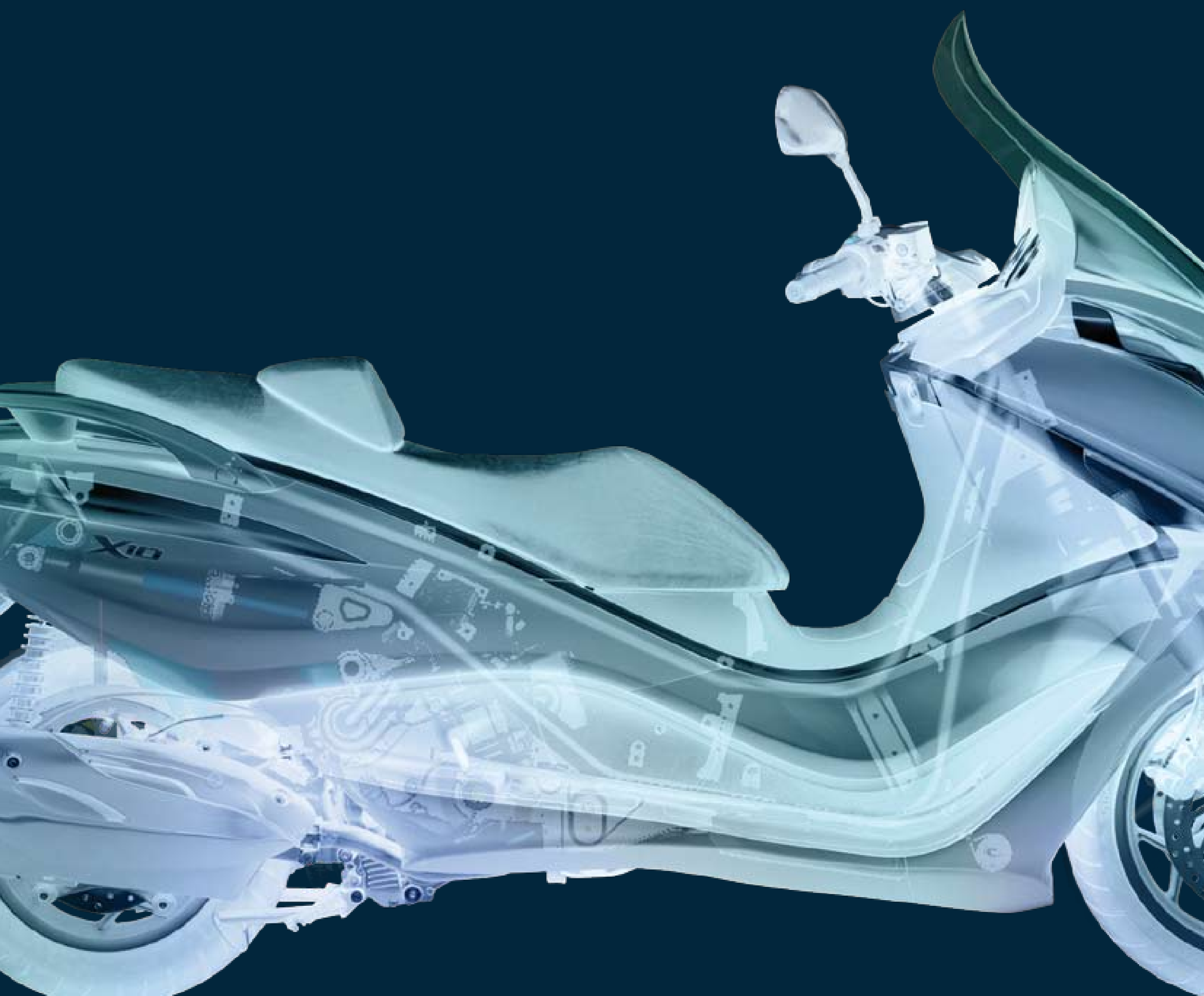

MANAGEMENT REPORT

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PIAGGIO

PIAGGIO

Mission

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

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

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

Key operating and financial data

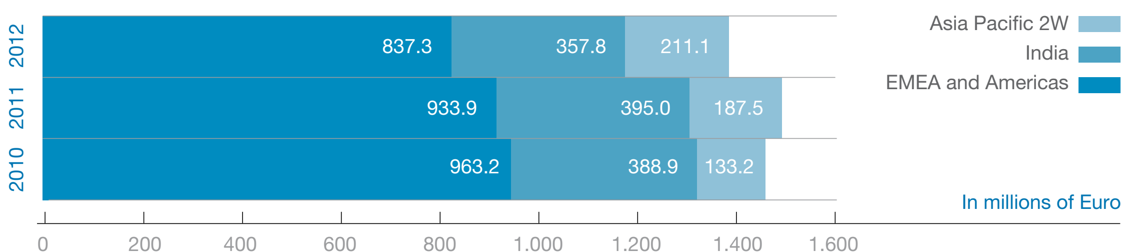
	2012	2011[1]	2010[1]
In millions of euro			
Data on financial position			
Net sales revenues	1,406.2	1,516.5	1,485.4
Gross industrial margin	417.9	454.3	462.3
Operating income	96.6	104.8	111.0
Profit before tax	67.9	78.6	83.7
Net profit	42.1	46.3	42.8
- Non-controlling interests	*0.1*	*0.0*	*0.0*
- Group	*42.0*	*46.3*	*42.7*
Data on financial performance			
Net capital employed (NCE)	831.7	782.1	792.8
Consolidated net debt	(391.8)	(335.9)	(349.9)
Shareholders' equity	439.9	446.2	442.9
Balance sheet figures and financial ratios			
Gross margin as a percentage of net revenues (%)	29.7%	30.0%	31.1%
Net profit as a percentage of net revenues (%)	3.0%	3.1%	2.9%
ROS (Operating income/net revenues)	6.9%	6.9%	7.5%
ROE (Net income/shareholders' equity)	9.6%	10.4%	9.7%
ROI (Operating income/NCE)	11.6%	13.4%	14.0%
EBITDA	176.2	199.8	197.0
EBITDA/net revenues (%)	12.5%	13.2%	13.3%
Other information			
Sales volumes (unit/000)	615.5	653.3	628.4
Investments in property, plant and equipment and intangible assets	147.8	126.1	96.2
Research and Development[2]	59.6	68.5	62.9
Employees at the end of the period (number)	8,129	7,619	7,529

1_ Values have been restated following the adoption of IAS 19 revised which, among others, changes the principle for recognising actuarial gains and losses relative to post-employment benefits. For further details, see section 2.2 Accounting policies - New accounting standards, amendments and interpretations applied as from 1 January 2012 in the "Notes".
2_ The item Research and Development includes investments recognised in the statement of financial position and costs recognised in profit and loss.

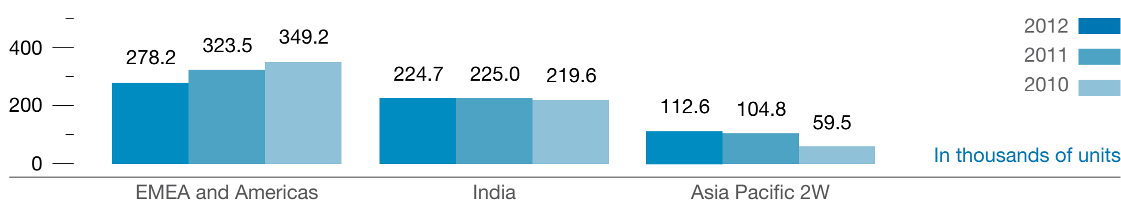
Results by operating segments

		EMEA and Americas	India	Asia Pacific 2W	Total
Sales volumes (units/000)	2012	278.2	224.7	112.6	**615.5**
	2011	323.5	225.0	104.8	**653.3**
	Change	(45.3)	(0.3)	7.8	**-37.7**
	Change %	-14.0%	-0.1%	7.5%	**-5.8%**
Turnover (million Euro)	2012	837.3	357.8	211.1	**1,406.2**
	2011	933.9	395.0	187.5	**1,516.5**
	Change	(96.6)	(37.3)	23.6	**-110.3**
	Change %	-10.3%	-9.4%	12.6%	**-7.3%**
Staff (no.)	As of 31.12.2012	4,318	2,814	997	**8,129**
	As of 31.12.2011	4,356	2,331	932	**7,619**
	Change	(38)	483	65	**510**
	Change %	-0.9%	20.7%	7.0%	**6.7%**
Investments (million Euro)	2012	84.5	36.5	26.7	**147.8**
	2011	67.9	42.7	15.5	**126.1**
	Change	16.6	(6.2)	11.2	**21.7**
	Change %	24.4%	-14.5%	72.5%	**17.2%**
Research and Development[3] (million Euro)	2012	39.1	13.5	7.0	**59.6**
	2011	42.0	22.9	3.6	**68.5**
	Change	(2.9)	(9.4)	3.4	**-8.9**
	Change %	-6.9%	-41.1%	93.2%	**-13.0%**

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



Revenues by geographic segment



Sales volumes by geographic segment

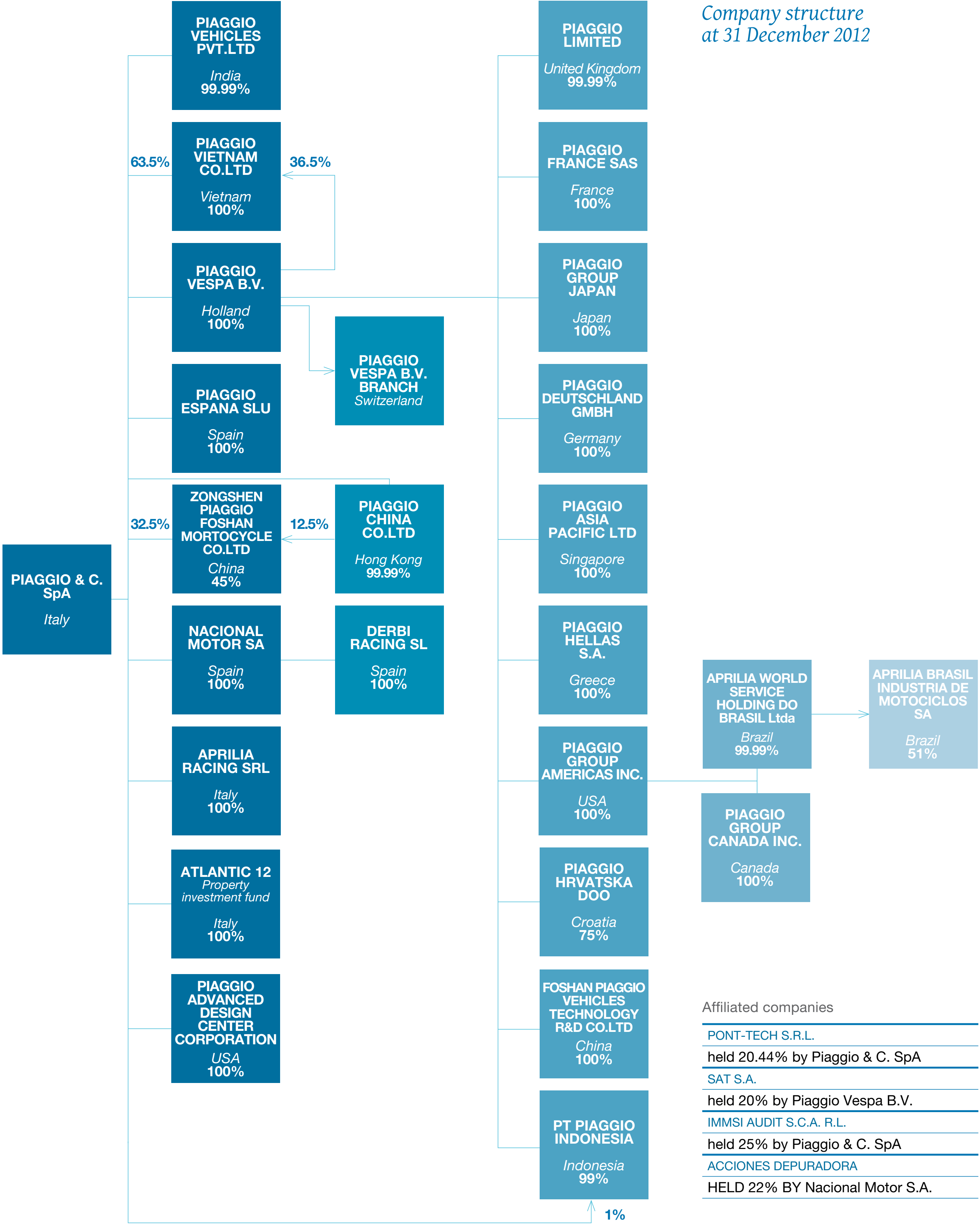
Sales volumes by geographic segment - 2012

The Piaggio Group

The Piaggio Group is Europe's largest manufacturer of two-wheeler motor vehicles and an international leader in its field. The Group is also a major player worldwide in the commercial vehicles market.
The Piaggio Group product range includes scooters, mopeds and motorcycles from 50cc to 1,400cc marketed under the Piaggio, Vespa, Gilera, Aprilia, Moto Guzzi, Derbi and Scarabeo brands. The Group also operates in the three- and four-wheeler light transport sector with its Ape, Porter and Quargo ranges of commercial vehicles.

The Group, with headquarters in Pontedera (Pisa, Italy), operates at an international level through production sites located in Pontedera, which manufactures two-wheeler vehicles under the Piaggio, Vespa and Gilera brands, vehicles for light transport for the European market and engines for scooters and motorcycles; in Noale and Scorzè (Venice), which produces Aprilia and Scarabeo brand two-wheeler vehicles; in Mandello del Lario (Lecco), which manufactures Moto Guzzi vehicles and engines; in Martorelles (Barcelona, Spain), which manufactures Derbi vehicles; in Baramati (in the Indian state of Maharashtra), which manufactures three- and four-wheeler light transport vehicles, the Vespa for the Indian market and engines; in Vinh Phuc (Vietnam), which manufactures scooters and engines for the local market and ASEAN area. The Piaggio Group is also a 45% stakeholder in a joint-venture operation in China (in Foshan, in the Guangdong province) which, therefore, is not included in the Group's consolidated results.

Motorsports play a vital role for the Group's motorcycle production operations. The Group's brand portfolio includes names that have earned pride of place in the history of international motorcycle racing, which between them have notched up 101 world championships - 51 for Aprilia, 21 for Derbi, 15 for Moto Guzzi and 14 for Gilera - plus over 500 race wins in World Motorcycle Grand Prix and Superbike Championships.


Company structure
at 31 December 2012
PIAGGIO & C. SpA
Italy
PIAGGIO VEHICLES PVT.LTD
India
99.99%
63.5%
PIAGGIO VIETNAM CO.LTD
Vietnam
100%
36.5%
PIAGGIO VESPA B.V.
Holland
100%
PIAGGIO VESPA B.V. BRANCH
Switzerland
PIAGGIO ESPANA SLU
Spain
100%
32.5%
ZONGSHEN PIAGGIO FOSHAN MORTOCYCLE CO.LTD
China
45%
12.5%
PIAGGIO CHINA CO.LTD
Hong Kong
99.99%
NACIONAL MOTOR SA
Spain
100%
DERBI RACING SL
Spain
100%
APRILIA RACING SRL
Italy
100%
ATLANTIC 12
Property investment fund
Italy
100%
PIAGGIO ADVANCED DESIGN CENTER CORPORATION
USA
100%
PIAGGIO LIMITED
United Kingdom
99.99%
PIAGGIO FRANCE SAS
France
100%
PIAGGIO GROUP JAPAN
Japan
100%
PIAGGIO DEUTSCHLAND GMBH
Germany
100%
PIAGGIO ASIA PACIFIC LTD
Singapore
100%
PIAGGIO HELLAS S.A.
Greece
100%
PIAGGIO GROUP AMERICAS INC.
USA
100%
APRILIA WORLD SERVICE HOLDING DO BRASIL Ltda
Brazil
99.99%
APRILIA BRASIL INDUSTRIA DE MOTOCICLOS SA
Brazil
51%
PIAGGIO GROUP CANADA INC.
Canada
100%
PIAGGIO HRVATSKA DOO
Croatia
75%
FOSHAN PIAGGIO VEHICLES TECHNOLOGY R&D CO.LTD
China
100%
PT PIAGGIO INDONESIA
Indonesia
99%
1%
Affiliated companies
PONT-TECH S.R.L.
held 20.44% by Piaggio & C. SpA
SAT S.A.
held 20% by Piaggio Vespa B.V.
IMMSI AUDIT S.C.A. R.L.
held 25% by Piaggio & C. SpA
ACCIONES DEPURADORA
HELD 22% BY Nacional Motor S.A.

During the period, the Group's corporate structure changed as a result of the following events:

› on 1 July 2012, the company incorporated under Dutch law Aprilia World Service BV was merged by incorporation with the company Piaggio Vespa BV, also incorporated under Dutch law, wholly owned by Piaggio & C. S.p.A.;
› on 8 October 2012, a new company Piaggio Advanced Design Center Corp., wholly owned by Piaggio & C. S.p.A. and based in Pasadena, California, was incorporated under California law;
› the company P&D S.p.a. went into liquidation.

On 11 April 2012, following award of the competitive tender pursuant to article 105-107 of the Italian Bankruptcy Law, Piaggio & C. signed a contract of purchase for the company site "Tecnocontrol" situated in Pontedera, for a total value of 11,323,000 Euro.

With the acquisition of Tecnocontrol, Piaggio & C. now has its own aluminium engine components processing procedure.

The effect on the statement of financial position of Piaggio & C. is as follows:

› Production buildings + 2,113,000.00 Euro
› Operating goods + 7,666,061.81 Euro
› Consumables + 1,543,938.19 euro

In this regard, the acquisition has not resulted in the recognition of goodwill or potential liabilities, since the adoption of IFRS 3 revised.

BUTTERFLY ZONE
Pacific
MOTO GUZZI
California

Company Boards

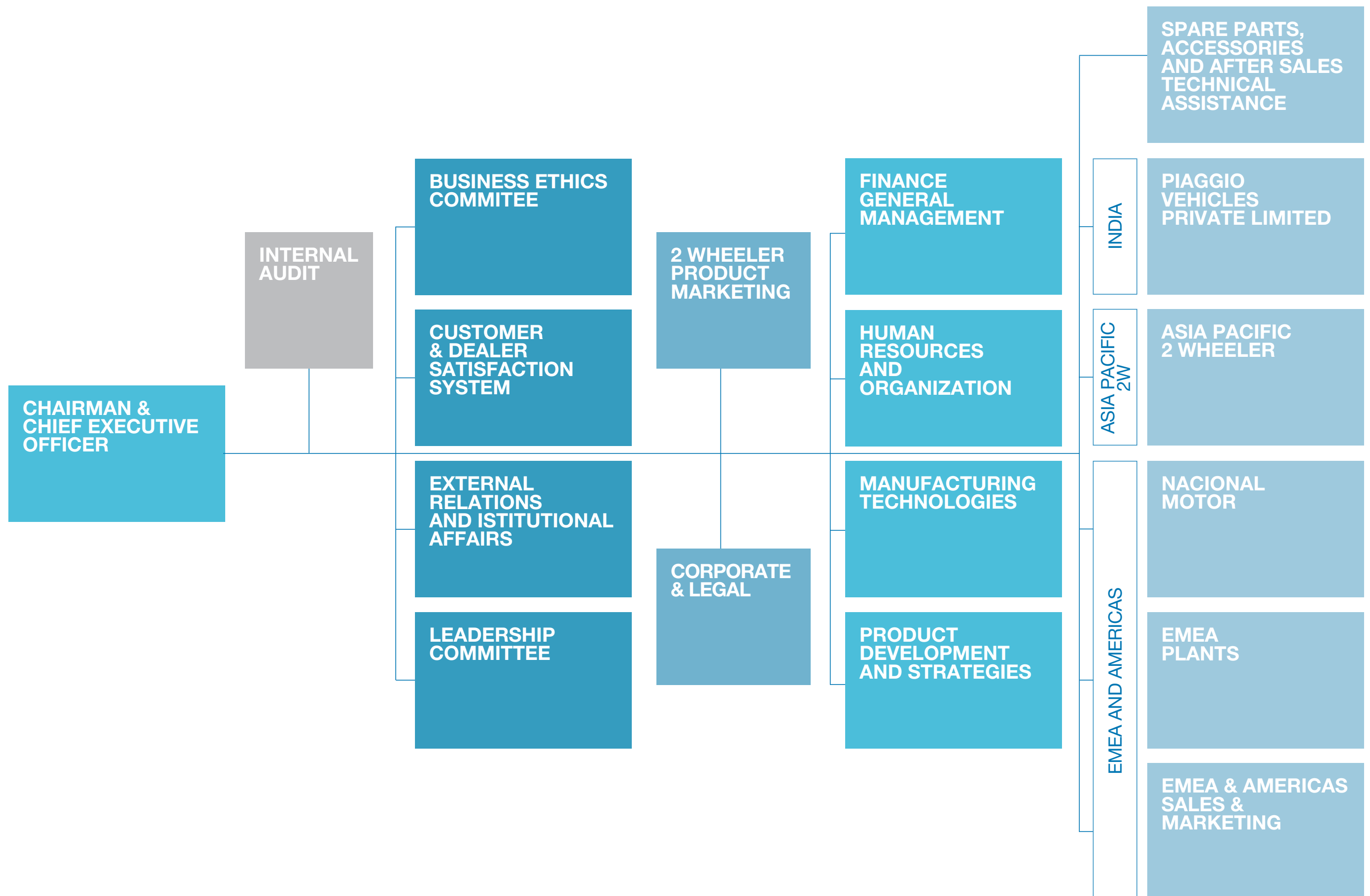
Board of Directors	
Chairman and Chief Executive Officer	Roberto Colaninno (1)
Deputy Chairman	Matteo Colaninno
Directors	Michele Colaninno (3)
	Franco Debenedetti (3), (4)
	Daniele Discepolo (2), (4), (5), (6)
	Mauro Gambaro
	Livio Corghi
	Luca Paravicini Crespi (3), (5), (6)
	Riccardo Varaldo (4), (5), (6)
	Vito Varvaro
	Andrea Paroli

Board of Statutory Auditors	
Chairman	Giovanni Barbara
Statutory Auditors	Attilio Francesco Arietti
	Alessandro Lai
Alternate Auditors	Mauro Girelli
	Elena Fornara

Supervisory Body	
	Antonino Parisi
	Giovanni Barbara
	Ulisse Spada
Chief Financial Officer	Gabriele Galli (7)
Financial Reporting Manager	Alessandra Simonotto
Independent Auditors	PricewaterhouseCoopers S.p.A.

(1) Director in charge of internal audit
(2) Lead Independent Director
(3) Member of the Appointment Proposal Committee
(4) Member of the Remuneration Committee
(5) Member of the Control and Risks Committee
(6) Member of the Related Party Transactions Committee
(7) In office since 17 December 2012

Organisational structure



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

- *Internal Audit:* this function is responsible for developing all activities concerning and functional to internal auditing, in order to improve the effectiveness and efficiency of the internal control system and evaluate its operation.
- *External Relations and Institutional Affairs:* this function is responsible for developing and managing the Group's company and business communication activities, liaising with information bodies, national and international institutions, as well as trade associations, and is also responsible for managing and developing corporate and business web sites.
- *Customer & Dealer Satisfaction System:* this function is responsible for innovation projects and for developing tools for dealer & customer relationship management process management and customer care activities for reference markets. The function is also responsible for all customer & dealer satisfaction analysis and monitoring activities.
- *Corporate & Legal:* this function is responsible for providing assistance for all legal aspects, including assistance for contracts, managing problems concerning litigation involving the Group, guaranteeing protection of the Group's industrial property at a worldwide level, and guaranteeing the management of obligations concerning company law.
- *Two-wheeler Product Marketing:* this function is responsible for identifying market/customer needs and opportunities arising from technological innovation and developments in laws and standards, in order to assist the definition of the two-wheeler vehicle concept, as part of product range development.
- *Product Development and Strategies:* this function is responsible for activities concerning innovation, product marketing, style, engineering, reliability and quality targeting scooters, motorcycles, engines and three-/four wheeler commercial vehicles and accessories, in order to guarantee the development of specialist, unique know-how within the Group, as well as of relative racing activities.
- *Manufacturing Technologies:* this function is responsible for guaranteeing innovation and changes to production technologies, for managing infrastructures and sites, for ensuring the development of new industrial sites worldwide and for managing activities for the purchase of materials and components.
- *Personnel and Organisation Management:* this function is responsible for human resources development and organisation, and for handling industrial relations.
- *Finance General Management:* this function is responsible for the administration, finance, tax, investor relations, planning and control, purchasing (purchasing of goods, services, supplier management) logistics (two-, three- and four-wheeler vehicle distribution) and information technology functions.
- *Emea and Americas Sales & Marketing:* this function is responsible for achieving sales targets established for scooters, motorcycles, commercial vehicles, spare parts and accessories, for defining price policies for single markets and identifying appropriate actions to develop the sales network, through the coordination of sales companies in Europe and America, and for managing corporate sales to Major Clients and the central public administration sector at a European level.
- *EMEA Plants:* this function is responsible for guaranteeing the manufacture and quality of engines, motorcycles, scooters and commercial vehicles.
- *Nacional Motor:* this company is responsible for managing the production of two-wheeler vehicles at the production site in Spain.
- *Asia Pacific 2 Wheeler:* this company is responsible for coordinating the companies Piaggio Vietnam, Piaggio Asia Pacific, Piaggio Group Japan Corporation, Foshan Piaggio Vehicles Technology Research & Development Co., Ltd and Piaggio Indonesia, in order to guarantee business and industrial profitability, turnover, market share and customer satisfaction for the Group's two-wheeler vehicles, by managing production and sales on reference markets.
- *Piaggio Vehicles Private Limited:* this company is responsible for guaranteeing business and industrial profitability, turnover, market share and customer satisfaction for the Group's commercial vehicles in India, by managing production and sales on reference markets. The company has also started to sell the Vespa manufactured at the Baramati site on the Indian market.
- *Spare Part Accessories and After Sales Technical Assistance:* this function is responsible for managing after-sales activities and for defining the range of spare parts, establishing prices in conjunction with the sales department and ensuring distribution of the Group's spare parts and accessories.

Strategy and areas of development

Business strategy

The Piaggio Group aims to create value by adopting a strategy which:

- consolidates its leadership position on the European two-wheeler market and on the Indian light commercial vehicles market;
- increases its presence on international markets, with particular reference to the Asian area;
- increases the operating efficiency of all company processes, with a focus on industrial productivity.

EMEA and Americas

Europe Two-Wheeler segment - consolidating a leadership position: development and improvements are planned for motorcycles (with the Aprilia and Moto Guzzi brands) and scooters (with the Piaggio and Vespa brands), to consolidate coverage of each market segment, valuing the uniqueness of each brand.

America Two-Wheeler segment - continuing growth, by consolidating the product range and sales network.

Europe Commercial Vehicles - maintaining growth based on eco-sustainable solutions, with a product range featuring new engines with zero or low environmental impact and lower emissions.

India

Two-Wheeler segment - consolidating the Group's position on the scooter market: by consolidating the sales network and product range.

Commercial Vehicles - an increase in volumes and profitability, consolidating the leadership position on the three-wheeler market and developing new, four-wheeler products.

Asia Pacific 2W

Strong growth: the aim will be to create conditions for sustained, continual growth in the area, also through expanding the production site in Vietnam. The product range will be enhanced and in addition to the Vespas manufactured on site and products imported from Europe, new products manufactured in Vietnam will be introduced, designed and developed for local markets.

Key assets

The Group will aim to consolidate its business position by levering and investing in the potential of its key assets:

- distinctive brands, recognised worldwide;
- an extensive sales network on reference market;
- competency in research and development, focussed on innovation, safety and the environment;
- a strong international presence, with local operations for all core company processes, from marketing to research and development, production and purchasing.

Sustainability strategy

Embracing sustainability objectives and commitments is fundamentally important for the Piaggio Group and its development. These objectives and commitments are mainly included in and are strongly related to the Group's 2011-2014 Strategic Plan.

The Piaggio Group's sustainability strategy is based on areas of sustainability which are important for the Group: economic sustainability, product sustainability, environmental sustainability and social sustainability.
The Group's strategic objectives for Corporate Social Responsibility (CSR) are based on four areas:

› Transparency and economic value:
  - creating value while respecting business ethics;
  - timely, correct, in-depth information to stakeholders.

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

› Environmental sustainability:
  - reducing energy consumption;
  - reducing emissions of CO_2 and other pollutants;
  - conserving natural resources;
  - waste handling and recovery;
  - logistics.

› Developing human resources and the context:
  - developing, training and promoting human resources so that everyone's expectations and aspirations are met;
  - listening to and assisting customers, to establish relations based on transparency and trust;
  - working together with dealers;
  - working together with suppliers, through jointly developed projects;
  - engaging and supporting local communities through social, cultural and educational initiatives.

These areas form the basis for the sustainability objectives to be pursued in the 2011-2014 period.
The results achieved in 2012, the sustainability policy adopted by the Group and initiatives taken are presented in the Piaggio Group's Corporate Social Responsibility Report, which is issued at the same time as this Report and is available on its institutional web site **www.piaggiogroup.com** under Social Responsibility.

Piaggio and financial markets

Financial disclosure

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

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

In 2012, communication with the financial community was stepped up, with the Group meeting more than 160 investors on main European and North American financial markets during road shows and conferences. Initiatives also included direct meetings and conference calls, managed daily by the IR function, and institutional communication events concerning quarterly results.

As in the previous year, coverage of Piaggio shares was extended in 2012, and with the start-up of activities by three international merchant banks, total coverage now comprises 15 brokers.

The Company's web site www.piaggiogroup.com is constantly updated with exhaustive information concerning the Group and all major corporate documentation, in both Italian and English.

In particular, press releases disclosed to the market by the Press Office, the Company's periodic financial reports, the Corporate Social Responsibility Report, and the Company's business and financial performance are all published on-line, along with the material used in meetings with the financial community, Piaggio share consensus as well as corporate governance documents (articles of association, insider trading and material concerning shareholders' meetings).

Contacts Investor Relations Department
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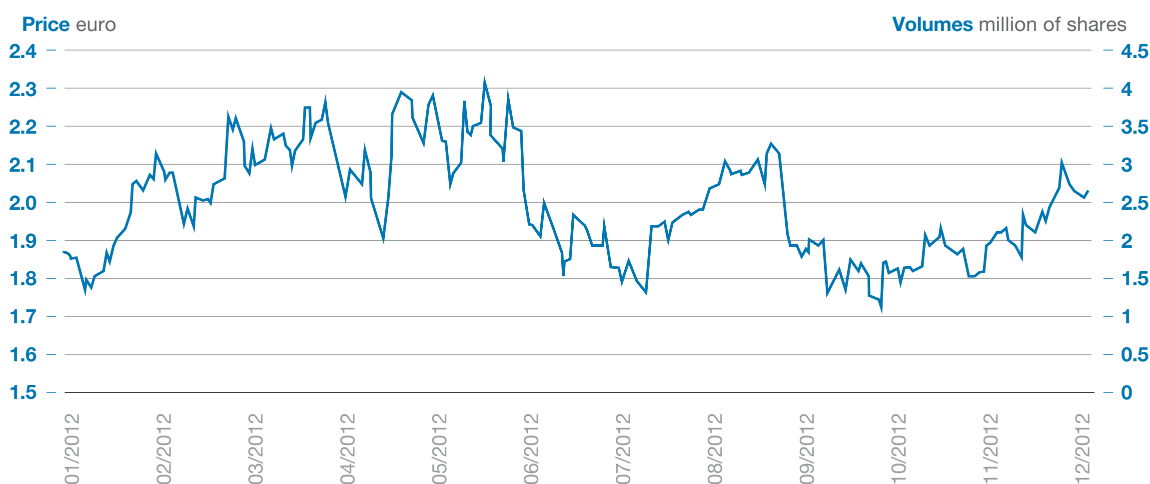
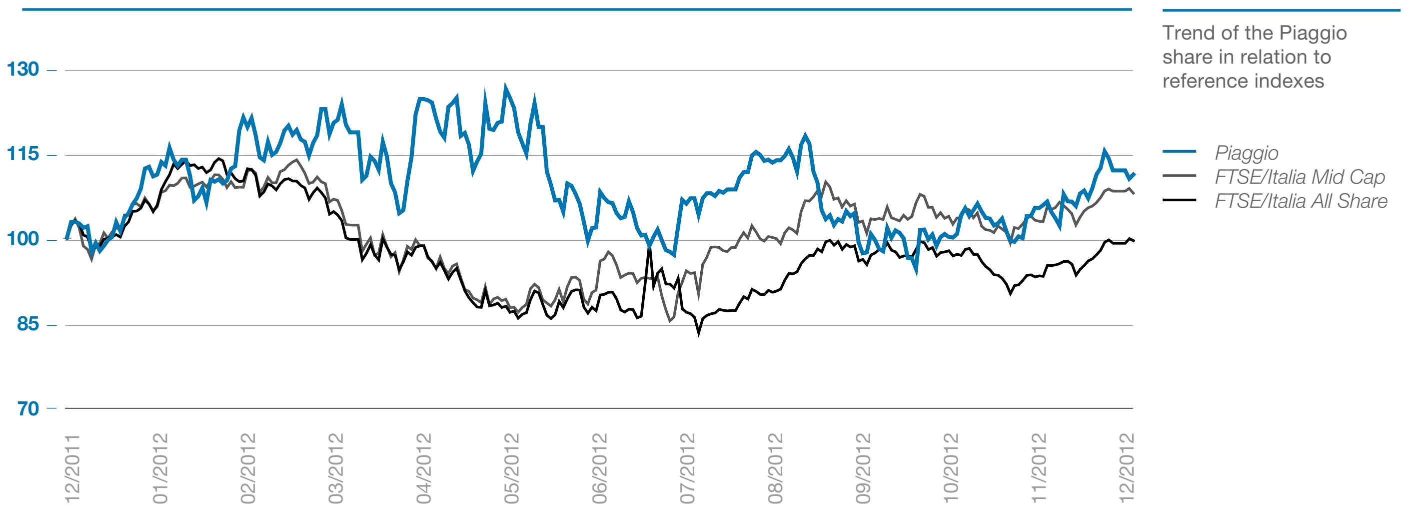
Piaggio shares

Price and daily volumes



Trend of the Piaggio share in relation to reference indexes



In 2012, Piaggio shares gained 12%, performing better than reference indexes, as shown in the previous graphs.

Main share indicators

	2012	2011
Official share price on the last day of trading (Euro)	2.03	1.80
Number of shares (no.)	371,793,901	371,793,901
Earnings per share (Euro)		
- Basic earnings	0.113	0.126
- Diluted earnings	0.113	0.126
Shareholders' equity by share (Euro)	1.18	1.21
Market capitalisation (millions of Euro)[1]	755	669

1_Obtained by multiplying the official share price of the last day of trading by the number of shares.

Group rating

	Current	31/12/2011
Standard & Poor's		
- Corporate	BB-	BB
- Outlook	Stable	Negative
Moody's		
- Corporate	Ba2	Ba2
- Outlook	Negative	Stable

Events during the year

6 January 2012 - the Vespa for the Indian market was unveiled at the Auto Expo show in Delhi. With a new low emission 60 km/litre engine, the scooter has been manufactured at Piaggio's production facilities in Baramati (India) since March 2012 and has been on sale in 35 major cities in India since May. Initial production capacity will amount to 150,000 vehicles/year.

23 January 2012 - the revolving syndicated loan of 130 million Euro undersigned on 29 December 2011 was finalised, as suspension conditions had been met. In particular, the remaining 65 million Euro of a pooled loan, with maturity in August 2012, was paid back in advance, and the early cancellation of a loan of 100 million Euro, undrawn on, with maturity in December 2012, was requested.

24 January 2012 - The Group established an organisation based on the geographic areas EMEA and Americas, Asia SEA (renamed Asia Pacific 2W) and India.

3 February 2012 - Piaggio & C. S.p.A. was awarded the contract in the tender called by Poste Italiane S.p.A. at an EU level, with electronic bidding, to establish a framework agreement for the supply of 17,783 mopeds for postal deliveries.

1 March 2012 - A new production site for scooter engines was inaugurated at Vinh Phuc in Vietnam. The facility will have an initial production capacity of more than 200,000 engines a year, which will go up to 300,000 as production capacity at the vehicle manufacturing site is stepped up.

20 March 2012 - A financing agreement was signed with International Finance Corporation for $/000 17,850 to cover the production investments of the Indian subsidiary.

23 March 2012 - Through the participation of Mediobanca and Intesa Sanpaolo, the medium-term revolving loan for 130 million Euro undersigned on 29 December 2011 by Piaggio & C. S.p.A., was increased to the maximum value of 200 million Euro.

26 March 2012 - Production began on the new Moto Guzzi V7 range, at the Mandello del Lario production site.

11 April 2012 - Following award of the competitive tender pursuant to article 105-107 of the Italian Bankruptcy Law, a contract of purchase was signed for the company site "Tecnocontrol" situated in Pontedera, for a total value of 11,323,000 Euro.

13 April 2012 - The Meeting of Shareholders of Piaggio & C. S.p.A. appointed the new Board of Directors that will remain in office for three years until approval of the financial statements as of 31 December 2014.
The Board of Directors will comprise 11 members, based on the one list submitted by the majority shareholder Immsi S.p.A.: Roberto Colaninno, Matteo Colaninno, Michele Colaninno, Andrea Paroli, Livio Corghi, Franco Debenedetti (independent director), Daniele Discepolo (independent director), Mauro Gambaro (independent director), Luca Paravicini Crespi (independent director), Riccardo Varaldo (independent director), Vito Varvaro (independent director).
The Meeting of Shareholders also appointed the Board of Statutory Auditors, comprising: Giovanni Barbara (Chairman), Alessandro Lai and Francesco Arietti as statutory auditors and Mauro Girelli and Elena Fornara as alternate auditors.
The Curricula Vitae of Board Directors and members of the Board of Statutory Auditors are available at www.piaggiogroup.com, under Governance.

13 April 2012 - The Meeting of Shareholders resolved to appoint PricewaterhouseCoopers S.p.A. to audit the company's accounts for the 2012-2020 period.

28 April 2012 - Two days after its presentation to the Indian and international press at Bombay, the new Piaggio Group site for manufacturing Vespas for the Indian market at Baramati (State of Maharashtra)

was officially inaugurated. The new site will have an initial production capacity of 150,000 vehicles/year, which will be increased to 300,000 vehicles/year in 2013.

7 June 2012 - The fully restyled range of the new VESPA LX and S 3V models made its début. Developed and manufactured at Pontedera, the ultra-technological 4 stroke, 3 valve 125cc and 150cc engines have set new standards with: a mileage of 55 km/litre, and a 30% decrease in fuel consumption and CO_2 emissions. Plus performance has been seriously boosted: the maximum power of the Vespa 125cc has improved by 7.1%, and maximum torque by 10.3%. For the Vespa LX and Vespa S 3V 150cc, maximum power and torque have increased by 6.3 and 7.8% respectively.

14 September 2012 - Production got underway at Baramati (India) of the new Ape City Passenger three-wheeler, with a new 200cc engine entirely developed by Piaggio. The Ape City Passenger is a compact and extremely versatile, practical vehicle, with superb handling in busy city traffic. The 200cc engine will be available in different versions, with petrol, natural gas and LPG options, plus it cuts fuel consumption and pollutant emission levels.

14 September 2012 - Moody's reviewed its Ba2 rating outlook from stable to negative.

4 October 2012 - The new RSV4 Factory ABS and new Fly with 50cc and 125cc engines were unveiled at Intermot, Cologne. The new RSV4 Factory ABS features a state-of-the-art suite of electronic control systems, directly based on Piaggio's experience in the World Superbike Championships.
The new Piaggio Fly has an entirely new, sophisticated look, and with its superb handling it offers all the comfort, protection and safety of larger engine models.

7 October 2012 - Riding an Aprilia RSV4 SBK, Max Biaggi won the rider's world championship title in the Superbike World Championships and Aprilia won the world manufacturer's title. With this double victory, Aprilia has now won 51 world titles and the Piaggio Group 101 world titles with its Aprilia, Moto Guzzi, Gilera and Derbi brands.

8 October 2012 - The company Piaggio Advanced Design Center Corp., wholly owned by Piaggio & C. S.p.A. and based in Pasadena, California, was incorporated under California law.

28 November 2012 - An agreement was signed with the European Investment Bank for a 60 million loan for research and development projects.
The seven-year loan concerns research and development projects that will take place at the Piaggio Group's Italian sites. Investments planned by Piaggio for 2013-2015 will enable the Group to consolidate R&D with the aim of manufacturing scooters, motorcycles and commercial vehicles that are innovative, environmentally-friendly, safer, more reliable and have lower consumption and pollutant emission levels.

30 November 2012 - Standard & Poor's reduced its rating from BB to BB- and revised its outlook from Negative to Stable.

17 December 2012 - The Board of Directors of Piaggio & C. S.p.A. appointed Gabriele Galli, Finance Director, to the position of Chief Financial Officer.

Background

The macroeconomic framework

In 2012, the slowdown in the world economy continued, at a rate of approximately 3%, with dynamics varying by geographic segment. Inflation was low in western countries, characterised by marked difficulties in managing European public debt and a fall in prices of non-oil based raw materials.
While the goal of achieving a social/geographic balance and the global world context caused a slowdown in the considerable growth rates of Eastern Asia, growth in the United States was still supported by strong tax policies and expansionary monetary policies, the consequences of which appear hard to remedy in the future, in terms of reducing public debt. Japan is an exception, which also has an expansionary policy despite its huge public debt.
The Eurozone recorded a slight fall in growth, despite the good performance of its leading nation, Germany, which benefited from concurrent low interest rates and a weak euro that favoured the trade balance. The financial crisis of peripheral countries had a negative impact on the economic cycle, and the first signs of investors' risk appetite picking up could only be seen after measures taken by the ECB in the last quarter of the year.
In Italy, the fall in GDP was significant: the hard-hitting measures taken for recovery reduced the spread between Italian and German debt, but also left their mark in the short term on consumer spending.

The market

Two-wheeler

The worldwide two-wheeler market (scooters and motorcycles) fell below the figure of 47 million, with a 5% decrease over 2011.

The only major market to grow compared to 2011 was India, with an increase of 5.8%, and 13.8 million vehicles sold, overtaking China to becoming the leading market worldwide for sales.

The People's Republic of China lost its top ranking for sales of two-wheelers, registering a decrease compared to 2011 (-8.7%), with 12.6 million vehicles sold.

After several years of growth, the Asean 5 area registered a decrease of approximately 8% compared to 2011 (13.4 million units in 2012). Indonesia, the main market in this area, registered a decrease of approximately 12.2% over 2011, with overall volumes falling to account for just over 7 million items, however it retained its position as leading nation in South East Asia. Vietnam was also affected by a slowdown, with sales volumes equal to 3.1 million units (-6.4%). Growth continued however in Thailand, up 3.1% over 2011 (accounting for nearly 2.1 million units) and in Malaysia, up 8.7% (537 thousand units), while the remaining country in the Asean 5 area, the Philippines, reported a decline, ending the year with 647 thousand items sold (11.4% down on 2011).

Volumes of other Asian area countries (Singapore, Hong Kong, South Korea, Japan, Taiwan, New Zealand and Australia) decreased slightly, in overall terms, compared to 2011, with nearly 1.24 million units sold (-2.6%). In this Asian area, sales in Taiwan fell by 5.2% compared to 2011 (606 thousand units sold), after several years of a growth trend.

The North American market, registering an increase of 2.7% over 2011 (465,000 vehicles sold), reversed its negative trend of recent years.

South America registered a decline, mainly because of Brazil, the leading market in this area which reported a downturn of 20.5%, with just over 1.6 million vehicles sold in 2012.

Europe, which is the reference area for Piaggio Group operations, continued to struggle in 2012, with

sales on the two-wheeler market down 13% compared to 2011 (-12% for the motorcycle segment, and -13% for the scooter segment). In the scooter segment, the decrease affected both the over 50cc market (-10%), and the 50cc market (-16%). In the motorcycle segment, sales of over 50cc models were down 11%, while the negative trend for 50cc models was more marked, with a 22% decline.

The scooter market

Europe
The European scooter market in 2012 accounted for 815,000 registered vehicles, with a decrease in sales of 13% over 2011.
The over 50cc segment fared slightly better, with 424,000 vehicles registered and a decrease of 10% compared to 2011, while the 50cc segment accounted for 392,000 vehicles registered and a decrease of 16%.
Italy is the most important market with 192,000 units sold, followed by France with 182,000 units and Germany with 83,000 units. Germany has slightly overtaken Spain, which is now in fourth place in Europe with 82,000 vehicles sold, while the United Kingdom registered 34,000 vehicles. The Italian market continued its decline in 2012, down 19% over the previous year, when 239,000 vehicles were registered. The 50cc segment decreased by 32% with 45,000 vehicles sold. In the over 50cc segment, 147,000 units were sold, registering a decrease of 14% compared to 2011.
The French market with 182,000 vehicles decreased by 10% compared to the 202,000 vehicles sold the previous year: this downturn concerned both the over 50cc (-6%) and 50cc (-12%) scooter segments.
The German market also registered a decrease (-8%) with approximately 83,000 vehicles sold in 2012 compared to 90,000 in 2011. This negative trend is mainly attributable to the 50cc scooter segment which fell by 12%, while the over 50cc segment reported a slight decrease (-2%).
Spain, with approximately 82,000 vehicles sold, reported a decrease of 14% compared to 2011. In particular, the 50cc scooter segment fell by 17%, while the over 50cc scooter segment, which is by far the most important, was affected by a 13% downturn.
The United Kingdom continued its growth trend in 2012, the only main country to increase sales, with 34,000 units sold (+5% compared to 2011). This result is due to performance in the over 50cc scooter segment (+13%), which offset the negative trend of the 50cc scooter segment (-7%).

Americas
North America. In 2012 the market continued its positive trend (+4%), registering approximately 38,000 vehicles: this performance was due to the 50cc segment, where sales increased by 14%; sales in the over 50cc segment fell slightly (-4%).
The scooter market in the United States (which accounts for 91% of the reference area), grew by 8%, with 34,000 vehicles sold; the considerable downturn on the Canadian market continued, with 3,500 vehicles registered in 2012, accounting for a decrease of 24%.

South America. The South American scooter market decreased, with approximately 785,000 units sold.
Brazil remains the most important area, also for the scooter market, with approximately 459,000 items sold in 2012, down by just under 1% over the previous year.
Sales of scooters amounted to 404,000 Cub scooters (scooters with gears) (+1.4% on 2011) and 55,000 automatic scooters (-14% compared to the previous year).
In the automatic scooter segment, the 125cc category performed best, with 47,000 items sold, while the over 125cc category consolidated sales, up from approximately 3,000 units to approximately 8,000 items.
In the Cub segment, 125cc models sold the most, accounting for more than 213,000 units (+27.1%); the 51cc-115cc segment also performed well, with approximately 191,000 units sold.

Asia
The main scooter market in the Asean 5 area is Indonesia, with over 6.5 million items sold, reporting a decrease compared to 2011 of 12.5%. This decline is due to the Cub segment, accounting for 2.2 million units and a 32% decrease, while the automatic scooter segment increased by 2.8% (nearly 4.3 million units).

The second main market is Vietnam, which reported a 6.4% increase and 3.1 million units sold, of which 1.9 million Cub and 1.2 automatic scooters.
Thailand came third, with a 4.5% increase over 2011 and more than 2 million units sold (1.08 million Cub and 974,000 automatic scooters).
In Malaysia, sales accounted for 544,000 units, up 8% over 2011 (466,000 Cub and 78,000 automatic scooters). Sales in the Philippines increased by 9.6% compared to 2011, with 354 thousand units sold.

Vietnam. The Vietnamese market mainly concerns scooters, as sales in the motorcycle segment are not particularly significant. The two main product segments are Cub scooters (1.9 million units in 2012, -4.6% over 2011) and automatic scooters (1.15 million units, down 11% over 2011).
The 50cc scooter segment is not operative on this market.
In the Cub segment, 51cc to 115cc models were the best performers, with more than 1.75 million units sold, accounting for 90% of the entire segment.
51cc to 115cc models were also the best performers in the automatic scooter segment (719,000 units sold). The impact of this segment on the total market fell from 65% in 2011 to 62% in 2012, in favour of other engine categories: sales in the 115cc-125cc category fell to 209 thousand units, while they rose to 223 thousand units in the over 125cc category.

India. The over 90cc range is the main product segment, with more than 2.7 million units sold in 2012 (+25.8% compared to the previous year) and accounting for 93.2% of the total automatic scooter market. The 50cc scooter segment is not operative in India.
The automatic scooter market increased by 21.1% in 2012, closing the year with nearly 2.9 million units sold.

The motorcycle market

Europe

Sales on the European motorcycle market fell by 12%, from 536,000 units in 2011 to 472,000 units in 2012. All subsegments decreased considerably, including the over 750cc segment (down 12% with 215,000 units sold), which had performed well in previous years. The 50cc segment continued to decline, with a decrease of 22% and sales amounting to 36,000 vehicles; the 51-125cc segment declined by 14% (69,000 vehicles registered), while the 126-750cc segment recorded a loss of 8%, selling 153,000 vehicles.
France is still the main European market with 114,000 units, followed by Germany (96,000), Italy in third place with sales of 63,000 units, while the United Kingdom (60,000 vehicles) and Spain (34,000 units) rank fourth and fifth respectively.
All these markets recorded a downturn, apart from Germany which also grew in 2012 (+1%). Growth in Italy and Spain suffered a further set back (-28% and -27% respectively); while figures for France were not as high (-12%), and the trend in the United Kingdom remained more or less steady (-2%).
In Italy, with volumes falling from 88,000 units in 2011 to 63,000 in 2012, all subsegments were considerably affected: sales in the 51cc-125cc segment fell by 28% to approximately 5,000 units, and by 24% in the 126-750cc motorcycle segment from 30,000 units in 2011 to 23,000 units in 2012. The over 750cc motorcycle segment also decreased considerably, with volumes down from 46,000 in 2011 to 32,000 in 2012 (-32%). The 50cc motorcycle segment reported sales of just under 4,000 units, down 25% compared to 2011.

Americas

North America. After a slight downturn in 2011, the motorcycle market in North America (USA and Canada) picked up in 2012 (+3%), selling 465,000 units compared to 453,000 in the previous year. In the United States (accounting for 90% of the area), the motorcycle segment performed well (+2%) selling 418,000 units against 409,000 units in 2011. Recovery on the Canadian market was more substantial, up 7%, with 47,000 units sold.
South America. The South American motorcycle market nearly reached the 1.9 million mark for units sold in 2011, of which 70% manufactured in Brazil. In 2012, sales of motorcycles in Brazil decreased by 24%,

accounting for just over 1.15 million items.

Asia

India is the most important motorcycle market in Asia, selling more than 10 million units in 2012 (10.1 million), accounting for a 2.1% increase.

The motorcycle market in the Asean 5 area is far less important than the scooter sector. Sales of motorcycles in Vietnam were not significant. As for other countries, the highest sales volumes were recorded in Indonesia with nearly 776,000 items, followed by the Philippines with nearly 317,000 items, Thailand with nearly 78,000 and lastly Malaysia with just 31 thousand items sold.

Commercial Vehicles

Europe

In 2012, the European market for light commercial vehicles (vehicles with a maximum mass of up to 3.5 tons) where the Piaggio Group operates, accounted for 1.37 million units sold, down 13.3% compared to 2011. (source: ACEA January/December 2012). This downturn was due both to the trend of the Van segment and to Piaggio's reference segment - Chassis Cabs. In detail, the downswing affected all main European reference markets: Germany (-6.0%), France (-10.6%), Spain (-26.3%) and Italy (-32.0%).

India

Sales on the Indian three-wheeler market, where Piaggio Vehicles Private Limited, a subsidiary of Piaggio & C. S.p.A. operates, went up from 525,800 units in 2011 to 532,200 in 2012, registering a +1.2% increase.

Within this market, the passenger transport vehicles segment continued its growth trend, selling 433,400 units, up 4.1%, while the cargo segment reported a downturn of 9.8%, with sales falling from 109,500 in 2011 to 98,800 in 2012. The traditional three-wheeler market is flanked by the four-wheeler light commercial vehicles (LCV) market (cargo vehicles for goods transport) where Piaggio Vehicles Private Limited operates with the Apé Truk and Apé Mini. The LCV cargo market (vehicles with a maximum mass below 2 tons) in which the Apé Truk and Apé Mini are sold, accounted for 254,400 units in 2012, up 7.6% over 2011.

The regulatory framework

Two-wheeler

European Union
In December, the European Parliament and Council approved the "Framework Regulation on approval and market surveillance of two- or three-wheel vehicles and quadricycles". The requirements of the regulation will come into force, for newly approved vehicles, in January 2016 (in 2017 for vehicles already approved). New requirements of the regulation include:

- advanced brake systems or combined brake systems mandatory for 51cc to 125cc motorcycles, ABS mandatory for bigger engine two-wheeler vehicles;
- additional and more rigorous anti-rigging measures;
- reclassification of existing categories of two- and three-wheeler vehicles and quadricycles;
- the mandatory requirement for vehicle manufacturers to allow independent industry operators access to repair and maintenance information;
- new pollution limits, which will become increasingly stricter over the years, and additional environmental performance testing (evaporative emissions, durability, etc);
- a single test cycle (Revised World Motorcycle Test Cycle-WMTC) the same for all vehicle categories, to measure pollutant emissions, starting from 2020;
- the introduction of on board diagnostics (OBD) for some vehicle categories.

The EU has confirmed its intention to issue a specific directive for scooters, that will introduce Euro 3 pollution limits only for newly approved vehicles as from July 2014, while Euro 2 scooters may continue to be registered until the end of 2017.

While the regulation has been discussed, the Commission has also prepared four Delegated Acts of procedures for the performance of tests necessary for vehicle type-approval. The four Delegated Acts concern environmental performance, functional safety and vehicle manufacturing requirements, as well as administrative requirements concerning the type approval procedure; these Acts should be adopted by the European Commission in Spring 2014 and come into effect in 2016 at the same time as the Framework Regulation.

Italy
The Italian bill for "The promotion of low emission vehicles" (originally presented as the Lulli/Ghiglia/Scalera bill) was included in August in the text of Italian Law Decree 83/12 (Development Decree "Urgent measures for the growth of the country").
The priority objectives of the bill are:

- the development of sustainable mobility;
- the development of an Infrastructures Plan, including private infrastructures, to establish a network for recharging electrical vehicles;
- measures to promote research into alternative engines;
- incentives to purchase low pollution vehicles (vehicles mainly for independent and business users, with electric, hybrid, LPG, methane, biomethane, biofuel and hydrogen power that produce carbon dioxide exhaust emissions of no more than 120 g/km) modulated based on their CO_2 emission level.

In the second half of 2012, the amount of incentives allocated for "environmentally friendly vehicles", originally €70 million for each year from 2013 to 2015, was changed several times, and in December the figure of €40 million for 2013 and € 35 million for 2014 and 2015 was allocated. The starting date of the incentive campaign was also changed in December 2012, due to delays in preparing necessary administrative documents: compared to the original text in which incentives were to begin on 1 January 2013, the start has been deferred to the thirty-first day following approval of a specific degree that will concern procedures for allocating the incentives, which is still being prepared.

The so-called *Testo Unico* (Consolidated Act) relative to Highway Code reform, adopted at the end

of June by the Italian IX Parliamentary Committee, which plans to deregulate a part of the code to streamline the procedure to change requirements subject to frequent updates, continued through parliament in the middle of 2012. As final approval has not yet been given, and considering the recent announcement to call general elections, there is some uncertainty as to whether the contents of the Consolidated Act will be incorporated in the future into a new measure, and whether the procedure for its approval will start up again.

In August 2012, as part of “Provisions to promote the development of mobility through low emission vehicles”, a regulation on converting internal combustion engine vehicles in circulation to having an electrical power source was approved. Based on this regulation, vehicles with an internal combustion engine, currently in circulation, may be converted to having only an electrical power source, based on detailed requirements that will be contained in a specific degree of the Ministry of Transport. The contents of the decree are particularly important for two-, three-wheeler and quadricycle manufacturers, as they will include all requirements of the Ministry of Transort considered necessary to guarantee the electric vehicle’s conformity to all applicable safety regulations.

In December 2012, as part of the Italian “Decree for Development”, an amendment was proposed and approved, banning the registration of motorcycles with 125cc engines and upwards, without a corresponding version with ABS. This amendment went against EU regulations in force and against regulations recently approved by the European Parliament and Council, that will become effective in January 2016. For this reason, the amendment was immediately invalidated by a special measure contained in the “Stability Law”.

France
In October 2012, French Parliament issued a negative opinion on the European regulatory proposal submitted in the summer, to extend periodic testing (MOTs) of two- and three-wheeler motor vehicles, whilst also increasing the frequency of car testing. The main reason for this unfavourable opinion is that French Parliament believes the impact of technical faults on accidents involving two-wheeler vehicles is statistically irrelevant compared to other factors such as, first and foremost, the human factor. The entire process to discuss the proposal at EU and Member State level will presumably last around two years.

The Interministerial Committee for Road Safety (CISR) established that as from 1 July 2012, all users of motor vehicles, including motorcycles (but excluding scooters) must have a breathalyser on board, with sanctions to be applied from November onwards. This obligation was stopped by the Ministry of the Interior and deferred to spring 2013. In the meantime, CISR will evaluate the relevance of such a measure.

Vietnam
The Vietnamese government proposed extending the two-wheeler vehicle registration tax, already in effect in Hanoi, to the province of Ho Chi Minh. The tax varies depending on the value of the vehicle. The tax is 4 million Dong (approximately €150) for motorcycles of a value above 40 million Dong (€1,500) and 2 million Dong (approximately €75) for motorcycles of a value ranging from 15 to 40 million Dong (approximately €565-€1,500).

At the same time as and by adapting the Hanoi tax scheme, a proposal was made to apply the tax to the province of Ho Chi Minh, which will vary, depending on engine size, from 50,000 to 150,000 Dong/year (less than €10/year) with proceeds being used for road maintenance.

A regulation is being prepared which will require pollution cycle fuel consumption testing and limits for the type approval of motorcycles and scooters with an engine below 150cc. The regulation will be based on EU regulations and corresponding United Nations regulations.

India
On 29 June 2012, the Central Government of India passed the Central Motor Vehicle Rules with General Statutory Rule 515 including, in national regulations, the possibility to adopt the UN's Global Technical Regulation no. 2 as an alternative to India's Bharat Stage III. Manufacturer of two-wheeler motor vehicles may therefore opt to follow the GTR N.2 international standard as an alternative to national regulations, to measure emissions, during type approval.

USA
In the last few days of the year, the US government approved the American Taxpayer Relief Act of 2012, which introduces tax measures to avoid the "fiscal cliff", i.e. the sharp drop in the trade deficit in 2013. The many regulations of the Act include the extension, up to 1 January 2014, of a 10% tax credit (for a maximum of $2,500) for the purchase of extra-urban hybrid plug-in motorcycles and three-wheelers. A similar tax credit was provided for vehicles purchased up to December 2011.

Commercial vehicles

Italy
Based on indications in the Communication of the European Commission "Integrated Product Policy - Building on Environmental Life-Cycle Thinking", the Italian Ministry for the Environment produced an *"Action Plan for the environmental sustainability of consumption in the public administration sector"* (hereinafter PAN GPP). The PAN GPP sets out national objectives and identifies categories of goods, services and works considered as priority in terms of environmental impact. The ministerial decree of 8 May 2012 "Minimum environmental criteria for the purchase of road transport vehicles" is an integral part of the PAN GPP. Based on this decree, contracts for the purchase of such vehicles awarded by the public administration sector require the inclusion of minimum environmental criteria such as a maximum CO_2 emissions limit and incentive criteria for particularly "environmentally friendly" vehicles.

In September 2012, ANFIA, the Italian Association of the Automotive Industry, FEDERAUTO, the Italian Federation of Car Dealers and UNRAE, the National Union of Foreign Vehicle Representatives, signed a protocol of understanding with the Department of Mobility and Transport of the City of Rome, *"Protocol of understanding for the allocation of grants to purchase motor vehicles with a gross vehicle weight of up to 6.5 tons, for the transport of goods and for technological services".*
The Protocol, which aims to reduce urban traffic pollution from trucks and to improve the entire goods logistics system in areas of the city with traffic restrictions, is part of initiatives that Rome City Council has already adopted and implemented as part of its Strategic Plan for Sustainable Mobility intended to achieve a balance between the need to access goods and protect public health.

As from mid-January 2013, grants may be claimed by:
- owners who demolish Euro 2 trucks with a gross vehicle weight up to 6.5 t, who hold an annual permit to transit in areas with traffic restrictions valid on 21 September 2012;
- owners who demolish Euro 3 trucks with a gross vehicle weight up to 6.5 t, who hold an annual permit to transit in areas with traffic restrictions valid on the date when an application is made for the grant;

and that provide goods transport services (independently and for third parties), or are wholesalers, operators in the building industry, operators providing repairs and maintenance and/or cleaning services.

The new environmentally friendly vehicles purchased (also through finance leases) are eligible for grants if:
- they have a gross vehicle weight up to 6.5 t (if electric/hybrid, methane, LPG vehicles);
- they have a gross vehicle weight up to 3.5 t (if Diesel Euro 5 and subsequent).

Funds for € 2,513,300.14 have been allocated and the amount of the grant varies according to the limit of the gross vehicle weight and type of fuel system (electric/hybrid, methane, LPG, Diesel Euro 5).

France
In July, the Minister for Production Development, Arnaud Montebourg, presented a plan supporting the automotive industry which includes an increase in current environmental bonuses for purchasing electric, hybrid and low pollutant emission combustion engine vehicles (up to €7,000) based on a scheme in which the grant increases in proportion to the reduction in CO_2 emissions. These incentives, which are in place until the end of 2012 and will be redetermined in the 2013 budget, also concern light commercial vehicles.

Financial position and performance of the Group

Consolidated income statement

Consolidated income statement (reclassified)

	2012		2011		Change	
	In millions of Euro	Accounting for a %	In millions of Euro	Accounting for a %	In millions of Euro	%
Net sales revenues	1,406.2	100.0%	1,516.5	100.0%	(110.3)	-7.3%
Cost to sell	988.3	70.3%	1,062.2	70.0%	(73.9)	-7.0%
Gross industrial margin	**417.9**	**29.7%**	**454.3**	**30.0%**	**(36.4)**	**-8.0%**
Operating expenses	321.3	22.9%	349.5	23.0%	(28.2)	-8.1%
EBITDA	**176.2**	**12.5%**	**199.8**	**13.2%**	**(23.6)**	**-11.8%**
Depreciation/Amortisation	79.6	5.7%	95.0	6.3%	(15.4)	-16.2%
Operating income	**96.6**	**6.9%**	**104.8**	**6.9%**	**(8.2)**	**-7.8%**
Result of financial items	-28.7	-2.0%	-26.2	-1.7%	(2.5)	9.5%
Profit before tax	**67.9**	**4.8%**	**78.6**	**5.2%**	**(10.7)**	**-13.6%**
Taxes	25.8	1.8%	32.3	2.1%	(6.5)	-20.2%
Net profit	**42.1**	**3.0%**	**46.3**	**3.1%**	**(4.2)**	**-9.0%**

Vehicles

	2012	2011	Change
In thousands of units			
EMEA and Americas	278.2	323.5	(45.3)
India	224.7	225.0	(0.3)
Asia Pacific 2W	112.6	104.8	7.8
Total vehicles	**615.5**	**653.3**	**(37.7)**
Two-wheeler	406.1	415.0	(8.9)
Commercial Vehicles	209.4	238.3	(28.9)
Total vehicles	**615.5**	**653.3**	**(37.7)**

Net revenues

	2012	2011	Change
In millions of Euro			
EMEA and Americas	837.3	933.9	(96.6)
India	357.8	395.0	(37.3)
Asia Pacific 2W	211.1	187.5	23.6
Total net revenues	**1,406.2**	**1,516.5**	**(110.3)**
Two-wheeler	993.3	1,025.3	(32.1)
Commercial Vehicles	412.9	491.1	(78.2)
Total net revenues	**1,406.2**	**1,516.5**	**(110.3)**

In 2012, the Piaggio Group sold 615,500 vehicles worldwide, with a decrease in volumes of approximately 5.8% over the previous year, when 653,300 vehicles had been sold. There was considerable growth in sales of vehicles in the Asia Pacific 2W area (+ 7.5%), thanks to the increase in production capacity at the Vietnamese plant, while sales fell considerably in EMEA and the Americas (-14.0%). Volumes sold in India were basically stable (- 0.1%) also thanks to the launch of the Vespa in April. As regards the type of products sold, the downturn mainly concerned the commercial

vehicles segment (- 12.1%).

Sales of two-wheeler vehicles were affected by a particularly complex market context and competitive scenario, at least as regards European markets. In particular, the two-wheeler market in EMEA registered a downturn equal to approximately 13% (- 13% for scooters and - 12% for motorcycles). In the EMEA area, the Piaggio Group retained its market leadership position, with a 19.8% share. The Group achieved excellent sales results on the North American market (+ 36.4%) and in India, where the Vespa is now being marketed.

Sales of commercial vehicles were negatively affected by the concurrent downturn on all reference markets (Italy - 32%, Europe - 13.3% and the Indian cargo market - 9.8%).

In terms of consolidated turnover, the Group ended 2012 with net revenues down by 7.3% compared to 2011, and equal to 1,406.2 million Euro. As for the type of products sold, the downturn mainly concerned commercial vehicles (- 15.9%). As a result, the impact of two-wheeler vehicles on overall turnover went up from 67.6% in 2011 to the current figure of 70.6%; whereas, the same parameter in the commercial vehicles segment decreased from 32.4% in 2011 to 29.4% in 2012.
Turnover in the Asia Pacific 2W area went up considerably (+ 12.6%), while revenues fell in India (- 9.4%), and in EMEA and the Americas (- 10.3%). As regards the latter area, America achieved an excellent performance, with turnover up by 105.1%.

The Group's **gross industrial margin**, defined as the difference between "net revenues" and "cost to sell" decreased by 36.4 million Euro in absolute terms compared to the previous year, while in relation to net turnover, it amounted to 29.7% (30.0% in 2011). The decrease as a percentage, due mainly to the different mix of products sold on markets in EMEA and the Americas, and in India and Asia Pacific 2W, was within 0.3 percentage points, thanks to important actions to curb product costs.
For example, the "cost to sell" includes costs for materials (direct and consumables), accessory purchase costs (transport of incoming material, customs, warehousing), employee costs for direct and indirect manpower and relative expenses, work carried out by third parties, energy costs, depreciation of property, plant, machinery and industrial equipment, maintenance and cleaning costs net of sundry cost recovery recharged to suppliers. Amortisation/depreciation included in the gross industrial margin was equal to 32.9 million Euro (31.7 million Euro in 2011).

Operating expenses incurred during 2012 totalled 321.3 million Euro, approximately 28.2 million Euro less compared to the previous year (349.5 million Euro), and highlight the Group's constant focus on keeping costs down and maintaining high profitability levels. This saving benefited from the decrease in the item amortization of intangible assets, due to particularly high figures for the previous year related to measures to renew the range and due to the changed useful life of the Aprilia and Moto Guzzi brands.
For example, operating expenses include employee costs, costs for services, leases and rentals, as well as operating costs net of operating income not included in the gross industrial margin. Operating expenses also include amortisation/depreciation not included in the gross industrial margin, amounting to 46.7 million euro (63.4 million euro in 2011).

These trends in the income statement resulted in a consolidated **EBITDA** – defined as operating income gross of amortisation/depreciation – which was lower than the previous period, and equal to 176.2 million Euro (199.8 million Euro in 2011). In relation to turnover, EBITDA was equal to 12.5% (13.2% in 2011). In terms of Operating Income **(EBIT)**, performance was negative compared to 2011, with a consolidated EBIT equal to 96.6 million Euro, down 8.2 million Euro from 2011; compared to turnover, EBIT remained steady at 6.9%, as in the previous year.

The result of financial assets declined compared to the previous year, with Net Charges amounting

to 28.7 million euro (26.2 million euro in 2011). This increase, offset by the capitalisation of 6.9 million Euro, based on IAS 23, is affected by the increase in debt, necessary to support investments made in 2012, combined with an increase in the cost of funding and charges for debt refinancing.

Consolidated net profit stood at 42.1 million Euro (3.0% of turnover), down on the figure for the previous year of 46.3 million Euro (3.1% of turnover). Taxes for the period were equal to 25.8 million Euro, while they accounted for 32.3 million Euro in 2011. The significant decrease compared to 2011 is due to the decrease in profit before tax and the registration of deferred tax assets for temporary differences that will be cancelled in future years.

Consolidated statement of financial position

Statement of financial position	As of 31 December 2012	As of 31 December 2011[4]	Change
In millions of Euro			
Net working capital	(81.1)	(72.7)	(8.4)
Net tangible assets	321.0	274.9	46.1
Net intangible assets	661.0	649.4	11.5
Financial assets	6.7	2.6	4.0
Provisions	(75.9)	(72.1)	(3.8)
Net capital employed	**831.7**	**782.1**	**49.6**
Net Financial Debt	391.8	335.9	55.9
Shareholders' equity	439.9	446.2	(6.3)
Sources of funds	**831.7**	**782.1**	**49.6**
Minority interest capital	1.2	1.2	0.1

4_ For a better understanding of the trend of other receivables/payables, deferred tax liabilities (previously recognised under "Provisions") have been reclassified under "Net working capital", where they can be offset.

Net working capital as of 31 December 2012 was equal to – 81.1 million Euro, generating a positive cash flow of approximately 8.4 million Euro in 2012. Specifically, net working capital is defined as the sum of trade receivables, inventories, trade payables and other non-trade assets and liabilities. During 2012, in a particularly challenging market context, the Piaggio Group was able to maintain a balance in net working capital, thanks above all to a careful management in the collection of trade receivables, and to a major focus on inventory management and optimisation and the implementation of new sales and supply chain financing agreements, for trade payables. Under this item, deferred tax liabilities (previously recognised under the item "Provisions") were reclassified, for a better understanding of the trend of other receivables/payables. The statement of financial position as of 31 December 2011 was consequently reclassified for a uniform comparison.

Plant, property and equipment comprising plant, property, machinery and industrial equipment, net of accumulated depreciation and assets held for sale, amounted to 321.0 million Euro as of 31 December 2012, with an increase equal to 46.1 million Euro compared to 31 December 2011. This increase is due to the considerable volume of investments (equal to approximately 88.2 million Euro compared to 61.8 million Euro in the previous year) mainly targeting plant and machinery, buildings and industrial equipment, and principally concerning the new spare parts warehouse, completion of the Vespa plant in India and development of the engine plant in Vietnam, while depreciation was equal to approximately 37.0 million Euro. The value adjustment of the balance sheet item to the exchange rate in effect at the end of the reporting period generated a decrease in the carrying amount of approximately 4.8 million Euro.

Intangible assets, comprising capitalised development costs, costs for patents and know-how and goodwill arising from acquisition/merger operations carried out within the Group in recent years, amounted to 661.0 million Euro, with an increase of approximately 11.5 million Euro compared to 31 December 2011. This increase is mainly due to the positive difference between significant

investments of the year equal to approximately 59.6 million Euro, mainly concerning product development (40.5 million Euro) and patent/know how rights (18.1 million Euro) and amortization amounting to approximately 42.6 million Euro.

Financial assets, defined as the sum of “investments” and “other non-current financial assets” totalled 6.7 million Euro. The increase refers to the equity valuation of the Zongshen Piaggio Foshan joint venture (3.5 million Euro).

Provisions, comprising retirement funds and employee benefits, other long term provisions and the current portion of other long term provisions, totalled 75.9 million Euro, registering an increase compared to 31 December 2011 (72.1 million Euro).

As fully described in the next section on the “Consolidated Statement of Cash Flows”, **net financial debt** as of 31 December 2012 was equal to 391.8 million Euro, compared to 335.9 million Euro as of 31 December 2011. This difference of approximately 55.9 million Euro is due mainly to the major investment programme of 2012, the distribution of dividends and policy to purchase treasury shares.

Shareholders’ equity as of 31 December 2012 amounted to 439.9 million Euro, down 6.3 million Euro compared to 31 December 2011.

Consolidated Statement of Cash Flows

The Consolidated Statement of Cash Flows, prepared in accordance with international accounting standards, is presented in the “Consolidated Financial Statements and Notes as of 31 December 2012”; the following is a comment relating to the summary statement shown.

Change in consolidated net debt	2012	2011	Change
In millions of Euro			
Opening consolidated net debt	**(335.9)**	**(349.9)**	**14.0**
Cash flow from operating activities	125.5	119.9	5.6
(Increase)/reduction in working capital	8.4	49.2	(40.8)
(Increase)/reduction in net investments	(141.4)	(111.3)	(30.1)
Change in shareholders' equity	(48.4)	(43.7)	(4.7)
Total change	**(55.9)**	**14.0**	**(69.9)**
Closing consolidated net debt	**(391.8)**	**(335.9)**	**(55.9)**

During 2012 the Piaggio Group used **financial resources** amounting to 55.9 million Euro.

Cash flow from operating activities, defined as net profit, minus costs and non-monetary income, was equal to 125.5 million Euro.

Working capital generated a cash flow of 8.4 million euro; in detail:

- the collection of trade receivables used financial flows for a total of 2.5 million Euro;
- stock management generated financial flows for a total of approximately 15.9 million Euro;
- supplier payment trends generated financial flows of approximately 17.7 million Euro;
- the movement of other non-trade assets and liabilities had a negative impact on financial flows by approximately 22.7 million Euro.

Investment activities involved a total of 141.4 million Euro of financial resources. Investments refer to approximately 40.5 million Euro for capitalised research and development costs and approximately 97.5 million Euro of plant, property and equipment and intangible assets, mainly relative to the new spare parts warehouse, the completion of the Vespa plant in India and the development of the engine plant in Vietnam, in addition to 11.3 million Euro relative to the acquisition of Tecnocontrol.

The impact of the distribution of dividends in 2012 on cash flow was equal to 29.9 million Euro.

As a result of the above financial dynamics, which involved a cash flow of 55.9 million Euro, the **net debt** of the Piaggio Group amounted to -391.8 million Euro.

Alternative non-GAAP performance measures

In accordance with CESR recommendation CESR/05-178b 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 relative expenses, work carried out by third parties, energy costs, depreciation of property, plant, equipment and industrial equipment, maintenance and cleaning costs net of sundry cost recovery recharged to suppliers.
- **Consolidated net debt:** gross financial debt, minus cash on hand and other cash and cash equivalents, as well as other current financial receivables. Consolidated net debt does not include other financial assets and liabilities arising from the fair value measurement of financial derivatives used as hedging and the fair value adjustment of relative hedged items. These Consolidated Financial Statements include a table indicating the statement of financial position items used to determine the measure.

Opération vente

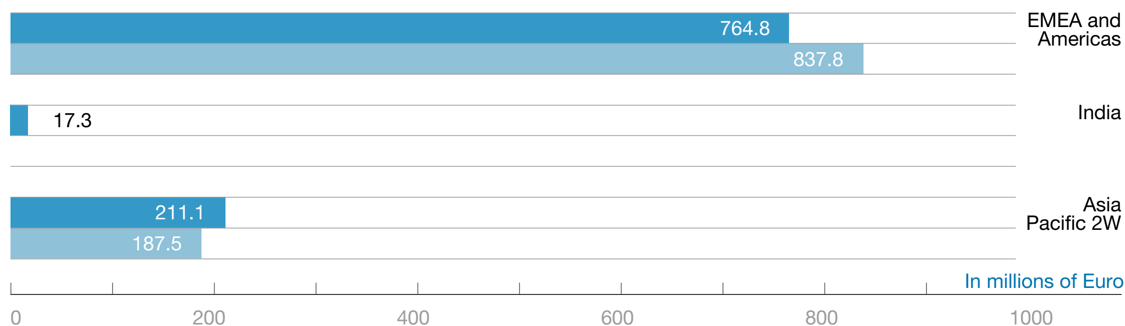
Results by type of product

Two-wheeler

	2012		2011		Change %		Change	
	Volumes Sell in (units/000)	Turnover (million Euro)	Volumes Sell in (units/000)	Turnover (million Euro)	Volumes	Turnover	Volumes	Turnover
EMEA and Americas	267.9	764.8	310.2	837.8	-13.7%	-8.7%	(42.4)	(73.0)
- of which EMEA	253.8	690.7	299.9	802.4	-15.4%	-13.9%	(46.1)	(111.7)
(of which Italy)	*68.2*	*193.3*	*85.1*	*249.1*	*-19.9%*	*-22.4%*	*(16.9)*	*(55.8)*
- of which America	14.1	74.1	10.3	35.4	36.4%	109.2%	3.8	38.7
India	25.7	17.3					25.7	17.3
Asia Pacific 2W	112.6	211.1	104.8	187.5	7.5%	12.6%	7.8	23.6
Total	**406.1**	**993.3**	**415.0**	**1,025.3**	**-2.1%**	**-3.1%**	**(8.9)**	**(32.1)**
Scooters	374.7	704.1	376.7	715.5	-0.5%	-1.6%	(2.0)	(11.5)
Motorcycles	31.4	137.1	38.3	155.5	-17.9%	-11.8%	(6.9)	(18.4)
Spare parts and Accessories		128.7		135.5		-5.0%		(6.8)
Other		23.4		18.8		24.2%		4.6
Total	**406.1**	**993.3**	**415.0**	**1,025.3**	**-2.1%**	**-3.1%**	**(8.9)**	**(32.1)**

Revenues of Two-wheeler vehicles

2012
2011



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.

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

Market positioning

The Piaggio Group retained its leadership position on the European market in 2012, retaining the same market share as 2011, i.e. 19.8%, thanks to consolidation of its position in the scooter segment (a 27.9% share, +0.3pp vs 2011), as well as the registration of vehicles for the Poste Italiane contract.

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

The Group retained its strong position on the North American scooter market, where it has consolidated its leadership with a market share of just under 30%, and where it is committed to increasing its profile in the motorcycle segment, through the Aprilia and Moto Guzzi brands.

Brands and products

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

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

In 2012, the Piaggio Group was absolute market leader, thanks to the introduction of vehicles with a style and content placing them at the top of their segments.

Piaggio With a wide range of models covering all main scooter segments, Piaggio is one of Europe's and the world's leading brands. The huge success of Piaggio has been built up around the ease of use, design and outstanding functionality of its products.
In 2012, Piaggio made a return to the maxi scooter GT segment, with the X10, setting the standard for style, comfort, safety and innovation and featuring 3 engine sizes - 125, 350 and 500cc - for a better positioning on the most extensive and competitive segment of the market. In particular, the X10 sets the benchmark for safety, and is unique in the segment, with three channel ABS and ASR traction control system. Plus the finishes, comfort and load capacity make the X10 a cut above the rest of the competition.
The new Piaggio Fly was unveiled in summer 2012. Designed and built for the needs and desires of a wide range of users, the New Fly is the most up-to-date successor of Piaggio's great tradition as Europe's top manufacturer of scooters and leader in research into easy, stylish mobility solutions.

The Piaggio Fly is Piaggio's global scooter, designed in association with European and Asian research centres and conceived to meet the needs of the most discerning customers worldwide.
The New Fly combines ease of use, all the style of Italian design plus the comfort, protection and safety of a bigger sized scooter.
Marketed with 50 4-stroke and 125 3-valve engines, the Piaggio Fly delivers an outstanding performance, plus low consumption and superb practicality with a flat stand, the seat which is just 760 mm high, a capacious underseat compartment and 12" wheels for the utmost safety on any surface.

Vespa The Vespa is the Piaggio Group's most well known brand worldwide, synonymous with style and elegance. The Vespa range has always featured models that have all the distinctive heritage of the brand combined with a unique design and steel body.
In January, the Vespa brand was presented to the Indian market at the Auto Expo show in Delhi, Asia's biggest motor show and a leading international showcase for the industry, with the unveiling of the LX 125 model.
As regards the Vespa range worldwide, the new Vespa LX and S models with new 3 valve engines were unveiled in June. The new 125cc and 150cc engines represent the state of the art in terms of technology and efficiency and compared to previous-generation models, boast a 30% reduction in consumption and CO_2 emissions and a mileage of 55 Km/litre at a constant speed of 50 km/h.
The Vespa 946, inspired by the MP6 prototype, the idea behind the most famous scooter in the world which came into being sixty-six years ago, made its début at EICMA. The new Vespa 946 stands out for its futuristic style and exclusive construction solutions. The 946 is the first Vespa with ASR and ABS as standard. The new 125 4T 3V engine boasts an outstanding performance, a record fuel consumption (up to 55 km/l), and low CO_2 emissions (- 30%). It will go on the market in early 2013.

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

Derbi The Derbi brand features a range of scooters from 50cc to 300cc and a range of motorcycles from 50cc to 125cc. Its customer target is young, in the 14-17 years' age group, making it one of the biggest manufacturers in the 50cc segment. The brand has won 21 world titles, gaining a leadership position in Spain and on the 50cc and 125cc motorcycle market.

Aprilia The Aprilia brand includes a range of scooters from 50cc to 850cc and a range of motorcycles from 50cc to 1200cc. The brand is synonymous worldwide with a sporting style thanks to its huge number of wins in leading championships, the outstanding performance of its products, their innovation and cutting-edge design.

The SRV 850 is Aprilia's new maxi twin cylinder model. The 76 horsepower V2 engine makes it the top-performing scooter on the market, offering all the riding experience of an Aprilia product. A superb performance and outstanding safety: The Aprilia SRV 850 also boasts a technological leadership position, with a unique-in-class ABS and a sophisticated traction control system adjustable on 2 levels, for an even safer and more pleasurable riding experience.
The My12 Dorsoduro 1200 offers a new riding, performance and design content. In particular, the model features even better handling, thanks to lighter rims that reduce inertia and enhance the riding experience, plus an optimal performance from an engine already at the top of its field, thanks to enhanced electronics and safety features, harnessing all the power of a recent SBK.

Just one motorcycle for many uses: this is the concept behind the Aprilia Caponord 1200. The new Aprilia road enduro bike introduces ADD - the state-of-the-art semiactive suspension system that can automatically adjust calibration to the type of route conditions, road surface and driving style. The multi-map Ride by Wire accelerator, three-level adjustable traction control and two-channel ABS

(both opt-out) embody a suite of electronic controls unique worldwide, as they have been developed by Aprilia from its experience in racing. The 90° V twin cylinder engineer is a technological gem, capable of delivering a maximum power of 128 horsepower at 8,500 rpm and above all a maximum torque of 11.8 kgm at 6,500 rpm. Unveiled at the Milan EICMA show, the motorcycle will go on sale in early 2013.

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

Moto Guzzi At the end of November 2012, Moto Guzzi launched the California 1400 Touring on the market, redefining the concept of luxury motorcycles and continuing the history of this model, which began in 1970 when the Moto Guzzi V7 Police was selected for the Los Angeles Police Department's fleet, after some very rigorous testing. Designing the successor of the most famous Moto Guzzi in the world meant tackling a huge technological and financial challenge, to replicate a new standard-setter, as was the case in the 1970's, and state-of-the-art two-wheeler technology. The exclusive and impressive new motorcycle represents the best of a brand made in Italy.

The distribution network

EMEA

In the EMEA area (Europe, the Middle East, Africa) the Piaggio Group operates directly in main European countries and through importers on other markets. In December 2012, the Group's sales network comprised more than 1,760 dealers. More than 3,450 agreements to market the Group's brands are managed by partners, of which 36% are sole agency agreements, where the partner only sells the Group's brand(s), and no products of other competitors. The percentage of sole agents went up in 2012 (+1%).
At present, the Piaggio Group is active in 86 countries in the EMEA area and in 2012 it further consolidated its sales network, appointing 70 new business partners, and expanding to some countries in Eurasia.

In 2012, measures concerning the Group's distribution structure took into account market changes in the area, and focussed on achieving a greater qualitative/quantitative balance. Contractual sales and after-sales standards in agency agreements regulating network relationships were also revised in 2012. These standards are driven by improving end customer experience during product purchasing and customer and after-sales service.
Distribution-related choices are based on two strategies:

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

Americas

In the Americas, the Piaggio Group is directly present in the United States and Canada, while in Latin America it operates through a network of importers. At the end of 2012, the Group had over 360 partners in the Americas, of which 290 in the United States, 40 in Canada and a network of 26 importers in Central and South America.
In 2012, measures continued to strengthen the sales network in order to further support the Group's objectives for growth. Distribution-related actions in the United States aimed to consolidate the sales network by identifying new partners that can fully support the commercial penetration of the Group's brands. The process to expand the sales network aims for a greater impact of the motorcycle segment - a market which is particularly attractive in terms of volumes and growth trends, and consolidated

results in the scooter segment. Besides developing the dealer network in 2012, agency agreements were revised in order to improve relations with dealers and the quality of end customer service. After its reorganisation in the last few years, the sales network in Canada switched over to the direct model format and distribution logistics used in the United States.
In Latin America, the Piaggio Group continued to expand its distribution network, and sales operations began in three new areas in 2012, in the Turks and Caicos, Peru and Ecuador, thanks to business agreements entered into with local importers.

Pacific Asia
In the Asia Pacific Area, the Piaggio Group has a direct commercial presence in Vietnam, Indonesia, and - for the Aprilia brand only - in Japan. On other markets in this area, it operates through importers.
In line with the Group's strategic objectives, which plan to expand operations in the region, the distribution network is being built up.

In Vietnam, the Group increased its importers from 4 in 2008 (when a different business model was adopted) to more than 40 dealers in 2012, and more than 90 sales outlets. The Group has aimed and is aiming to develop its network in quantitative terms, by stepping up its presence in smaller areas of the country, and in qualitative terms, with a particular focus on corporate identity.

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

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

India
Piaggio Vehicles Private Limited had 63 dealers in India as of 31 December 2012, with plans to increase sales outlets in 2013. At present, the network covers the main areas of the entire country.

Comments on main results and significant events of the sector

During 2012, the Piaggio Group sold a total of 406,100 units in the two-wheeler segment, worldwide, accounting for a net turnover equal to approximately 993.3 million euro (- 3.1%), including spare parts and accessories (128.7 million euro, - 5.0%). In 2012, the Piaggio Group reconfirmed its leadership position on the European scooter market.
As explained in the previous paragraphs, the Piaggio Group's performance in 2012 was highly penalised by the drop in demand on the European market. This downturn concerned both the scooter and motorcycle segments.
On the other hand, growth in the Asian area was strong compared to the previous period, with sales and turnover increasing by 7.5% and 12.6% respectively, due to an improved production capacity at the Vietnam site.
In the second quarter of 2012, the Vespa went on sale in India. 25,700 units were sold during the year.

Investments

Investments mainly targeted the following areas:
› Development of the new spare parts warehouse at Pontedera.
› Completion of the Vespa plant in India.
› Development of new products and face lifts of existing products.
› Improvements in and modernisation of current production capacity.
› Implementation of new IT tools.

As regards investments for Piaggio Group products in particular, significant resources were dedicated to some brands and/or products which are key to the Group's development. Main investments for European and Asian production sites (Vietnam and India), addressed the following areas:
- new Vespa 946 and New Vespa LX models;
- new Piaggio X10 and Moto Guzzi California vehicles;
- new Lem and 1400 cc engines.

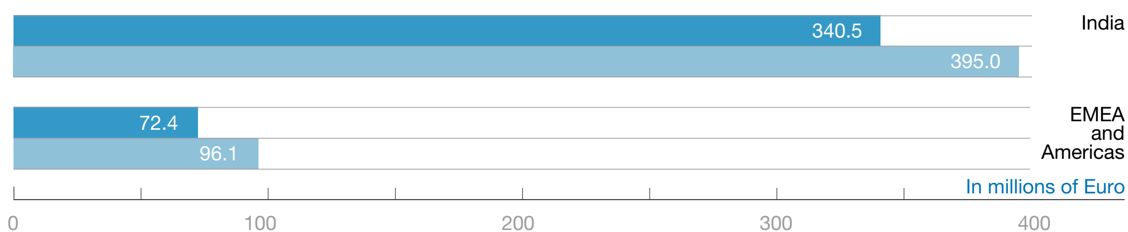
Industrial investments were also made, targeting safety, quality and the productivity of production processes.

Commercial Vehicles

	2012		2011		Change %		Change	
	Volumes Sell in (units/000)	Turnover (million Euro)	Volumes Sell in (units/000)	Turnover (million Euro)	Volumes	Turnover	Volumes	Turnover
EMEA and Americas	10.4	72.4	13.3	96.1	-22.0%	-24.6%	(2.9)	(23.7)
(of which Italy)	*4.7*	*41.9*	*7.6*	*60.3*	*-37.9%*	*-30.5%*	*(2.9)*	*(18.4)*
(of wich the Americas)	*1.1*	*2.7*	*1.1*	*2.0*	*-2.7%*	*33.7%*	*(0.0)*	*0.7*
India	199.0	340.5	225.0	395.0	-11.5%	-13.8%	(26.0)	(54.6)
Total	**209.4**	**412.9**	**238.3**	**491.1**	**-12.1%**	**-15.9%**	**(28.9)**	**(78.2)**
Ape	201.4	330.8	221.6	370.0	-9.1%	-10.6%	(20.2)	(39.2)
Porter	3.0	31.4	4.4	44.6	-32.8%	-29.6%	(1.4)	(13.2)
Quargo	1.6	7.4	4.2	17.8	-62.1%	-58.5%	(2.6)	(10.4)
Mini Truck	3.4	6.5	8.1	15.9	-57.7%	-59.2%	(4.7)	(9.4)
Spare parts and Accessories		36.8		42.8		-14.0%		(6.0)
Total	**209.4**	**412.9**	**238.3**	**491.1**	**-12.1%**	**-15.9%**	**(28.9)**	**(78.2)**

Revenues of commercial vehicles

2012
2011



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

Market positioning

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

The Group distributes its products mainly in Italy (which accounted for 45% of the Group's volumes in Europe in 2012), as well as in Germany (22%), France (3%) and Spain (2%). The Group acts as operator on these markets in a niche segment (urban mobility), thanks to its range of low environmental impact products.

The Group is also present in India, in the passenger vehicle and cargo subsegments of the three-wheeler market, where it currently holds a leadership position, with a market share of 34.3%.

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 Apé Truk and Apé Mini.

Brands and products

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

The Piaggio Group range also includes the compact, robust Porter and Quargo models.
European range vehicles are currently manufactured at production sites in Pontedera, while the range of vehicles intended for the Indian market is manufactured entirely at the production site in Baramati.

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

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

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

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

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

The Quargo, a heavy four-wheeler, which can be driven from the age of 16 with an A1 type licence completes the range. This model levers important component and production process synergies with the Porter, extending the range to include intracity models designed for users who are traditionally served by the Ape 50 and TM, but need to switch to an equivalent four-wheeler vehicle.

India

In 1999, the Piaggio Group began operating on the Indian market, through Piaggio Vehicles Private Limited, manufacturing two versions of the Apé, the Apé 501 and the Apé 601. Thanks to these models, the Group has achieved a considerable level of brand awareness in recent years, developed a dealer network throughout the country and gained an excellent reputation for customer service, quality and style, obtaining a considerable market share from the outset.

In 2012, sales of models introduced in 2010 and 2011, such as the Apé City Passenger with petrol, diesel, gas and methane engine, and the Apé Mini with a 441cc diesel engine and one of the lowest average fuel consumption figures in its category, were consolidated.

The distribution network

Europe

The Piaggio Group has more than 500 dealers in Europe. Development of the sales network in Europe has led to 45 dealers opening, to manage the entire product line and this has improved coverage on main European markets and offset the abandon of some operators of Piaggio sales network. Network developed concerned Italy, Spain, France, Germany and Benelux in particular. Dealers appointed in 2011 were consolidated, and a new distribution agreement with Denmark and Sweden was entered into, becoming operative in the first few months of 2012.

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

On the Italian market, Piaggio Veicoli Commerciali has 110 dealers, 80% of which are exclusive dealers of Piaggio vehicles. The rest of the network comprises multibrand dealers (mainly cars and commercial vehicles). The 110 dealers are the result of a process to streamline the network which got underway in 2012 and has optimised sales efficiency, maximising local coverage and guaranteeing dealer proximity for end customers.

The 110 dealers manage a sub-network of more than 650 sales outlets and dedicated repair centres, with the aim of providing a top level professional service which is close to end users.

In 2012, the process to identify business opportunities on high potential markets such as Latin America and Africa continued. South America continues to be a strategically important area, where the Group is consolidating initiatives launched in 2010 and 2011 and approaching new business opportunities, stemming from the diverse mobility needs of emerging markets, through its Indian range, and of more developed markets, through its European range. After the opening of a new dealer in Djibouti, actions were taken to analyse potential and carry out scouting in Africa, planned for 2013.

India

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

Comments on main results and significant events of the sector

In 2012, the Commercial Vehicles business generated a turnover of approximately 412.9 million Euro, including approximately 36.8 million Euro relative to spare parts and accessories, registering an 15.9% decrease over the previous year. 209,400 units were sold in 2012, down 12.1% compared to 2011.

On the EMEA and Americas market, the Piaggio Group sold 10,367 units in 2012, generating a net total turnover of approximately 72.4 million Euro, including spare parts and accessories for 16.3 million Euro. The 22.0% decrease in units sold is mainly due to the negative trend of the reference market and difficult macro-economic situation affecting main European markets.

On the Indian three-wheeler market, up 1.2% over the previous year, Piaggio Vehicles Private Limited holds a 34.3% share. Sales of three-wheeler vehicles fell from 195,111 units in 2011 to 182,381 units in 2012, registering a decrease of 7.0%. Detailed analysis of the market shows that Piaggio Vehicles Private Limited consolidated its role as market leader in the cargo segment: thanks to the Piaggio Apé 501, above all, and numerous possibilities for customisation, Piaggio Vehicles Private Limited holds a 52.1% market share (56.5% in 2011). Its market share, although decreasing slightly, also remained steady in the Passenger segment, standing at 30.2% (32.0% in 2011). On the four-wheeler market, Piaggio Vehicles Private Limited sold 4,018 units, holding a marginal share of 1.6%.

Investments

Development focussed on products for the Indian market, with ongoing investments made for the development and industrialisation of new petrol and diesel engines and new three- and four-wheeler vehicles for passenger and goods' transport.

The new 200cc petrol, LPG and methane engine was developed, for the new Apé City three-wheeler, to meet the needs of passenger transport in urban areas.

A new 1000 twin cylinder aspirated engine was completed for the new Porter 1000, a four-wheeler with a capacity of over 1,000 kg to be sold on the European market starting from early 2013. Besides completing the range for the 0.5 ton capacity segment, the new Porter 600 was developed, which will be fitted with a single cylinder 510cc diesel engine and launched at the beginning of 2013.

Events occurring after the end of the period

15 February 2013 - Nacional Motor submitted the “E.R.E.” (Expediente de Regulacion de Empleo - Employment Regulations Plan), after the Group announced its intention to close the Spanish plant and transfer production to Italian sites.

In particular, the employment plan will involve leaving incentives for nearly all employees, based on agreements made with trade unions and signed in 2009, 2011 and 2012. In particular, the purpose of agreements made in July 2012 was to define the procedures and remuneration for employees if production activities stopped. In February 2013, the Piaggio Group announced its decision to adopt the incentive procedure in order to streamline its production activities. This procedure will comprise restructuring costs for the Group amounting to approximately 5 million Euro. Based on IAS 37, these costs will be recognised in 2013.

Risks and uncertainties

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

Risks relative to the operating segment

Risks related to the macroeconomic scenario and the sector

As already discussed in the section on Background, in the second half of 2012, the world economy was affected by a slowdown, with dynamics anchored to geographic segments.
To attenuate the negative effects of the world macroeconomic situation, the Piaggio Group continued to pursue its strategic vision, expanding its presence on Asian area markets, where growth rates have remained high, and consolidating the competitive positioning of its products, through research and a considerable focus on the development of low consumption, environmentally friendly engines.

Risks related to a high level of market competition

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

Risks related to higher energy, raw material and component costs

Production costs are exposed to the risk of fluctuating energy, raw material and component. If the Piaggio Group were not able to offset an increase in these costs against sales prices, its financial position and performance would be affected.

Risks related to seasonal fluctuations in operations

The Group's business is extremely seasonal, particularly on western markets where sales of two-wheeler vehicles mainly take place in Spring and Summer. In addition, an extremely wet spring could lead to fewer sales of products with a negative effect on the Group's business and financial performance. Piaggio tackles these risks first and foremost by consolidating its presence on markets, such as India and Asia Pacific 2W, which are not affected by an extremely seasonal nature and by adopting a flexible production structure that can deal with peak demand through vertical part-time and fixed-term employment contracts.

The risk relative to the regulatory reference framework

Numerous national and international laws and regulations on safety, noise levels, consumption and the emission of pollutant gases apply to Piaggio products. Strict regulations on atmospheric emissions, waste disposal, the drainage and disposal of water and other pollutants also apply to the Group's production sites.
The enactment of regulations which are more stringent than those currently in force could lead to products being taken off the market and force manufacturers to make investments to renew product ranges and/or renovate/upgrade production sites.
To deal with these risks, the Group has always invested in research and development into innovative

products that anticipate any restrictions on current regulations. Moreover, the Group, as one of the sector's leading manufacturers, is often requested to be represented on parliamentary committees appointed to discuss and formulate new laws.
In this framework, government measures in the form of incentives or tax reductions to boost demand must be taken into account. These measures, which are not easy to predict, may affect the financial position and performance of the Group to a considerable extent.

Risks relative to the Piaggio Group

Risks related to changed customer preferences

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

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

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

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

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

Risks related to the operation of industrial sites

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

Country risk

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

Risks related to product liability and risks connected with vehicle defects

The Piaggio Group is exposed to the risk of product liability actions in countries where it operates. Although no claims for compensation which are not covered by insurance have so far been made against the Group, these claims could be made in the future, with particular reference to the United States. Any future payment of compensation exceeding insurance cover for product liability could have negative affects on the operations and financial position and performance of the Group.
The vehicles manufactured by the Piaggio Group, including components supplied by third parties, could have unexpected defects that require repairs under warranty, as well as costly recall campaigns. To prevent these risks, the Piaggio Group adopts an efficient quality control system for supplied components and finished products.

Risks related to litigation

As regards litigation, reference is made to the specific attachment in the Notes to the Consolidated Financial Statements.

Risks related to industrial relations

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

Risks related to the publication of the financial disclosure

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

IT and data and information management risks

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

Financial risks

Risks connected with financial debt

The Piaggio Group's sources of financing at the end of the reporting period were:
- debenture loans for a total nominal amount of 202 million Euro;
- bank loans for a total nominal amount of 254 million Euro. The type, rates and maturities of these loans are discussed in the Notes to the Consolidated Financial Statements.

The Group also had minor loans and revocable credit lines for a total debt of 488 million euro. For more details, see attachment H.
The above debt situation could have a negative impact on Group operations in the future, limiting its ability to obtain additional financing or to obtain financing in unfavourable conditions.

Liquidity risk (access to the credit market)

This risk is connected with any difficult the Group could have in obtaining financing on an appropriate timescale for its operations.
The cash flows, financing requirements and liquidity of Group companies are monitored or managed centrally by the Group's Finance Management, with the aim of guaranteeing an effective and efficient management of financial resources.
To provide further hedging for the liquidity risk, the Group's Central Treasury Department has committed credit lines, as described in section 32 of the Notes to the Consolidated Financial Statements.

Exchange risks

The Piaggio Group undertakes operations in currencies other than the euro and this exposes it to the risk of fluctuating exchange rates of different currencies.
Exposure to the business risk consists of envisaged payables and receivables in foreign currency, taken from the budget for sales and purchases reclassified by currency and accrued on a monthly basis.
The Group's policy is to hedge at least 66% of the exposure of each reference month.
Exposure to the settlement risk consists of receivables and payables in foreign currency acquired in the accounting system at any moment. The hedge must at all times be equal to 100% of the import, export or net settlement exposure for each currency.
In 2012, the exchange risk was managed in line with the policy introduced in 2005, which aims to neutralise the possible negative effects of exchange rate changes on company cash-flow, by hedging the business risk which concerns changes in company profitability compared to the annual business budget on the basis of a key change (the so-called "budget change") and of the settlement risk, which concerns the differences between the exchange rate recorded in the financial statements for receivables or payables in foreign currency and that recorded in the related receipt or payment.

Interest rate risks

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

Credit risk

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

Operating outlook

Despite the slowdown in growth at a global level and of western economies in particular, the Group is committed to the strategies outlined in its industrial plan presented in December 2011, in order to continue generating value for all stakeholders.
Thus it is committed to generating strong growth for productivity (harnessing its increased international presence, to increase the competitiveness of product costs in key processes such as purchasing, manufacturing and design), to its strategy of industrial and business development in Asia and to consolidating its leadership position on western markets.

As regards business and industrial operations:
- the growth strategy for the Asia Pacific area will be continued, expanding the range of two-wheeler vehicles and pursuing development on various markets in the area, also through an industrial presence which was further consolidated in 2012, with the start-up of the engine manufacturing plant in Vietnam;
- sales on the Indian scooter market will be stepped up. This market is characterised by high growth rates, with the Group starting operations in Spring 2012, introducing its premium brand Vespa - and will be supported by expansion of the sales network and consolidation of product ranges;
- the Group will confirm its leadership position on the European two-wheeler market, where Piaggio has retained its market share for scooters for the fourth year running, by further consolidating its product range to include the launch of the iconic Vespa 946 in the first half of 2013, and by achieving a growth in sales and margins in the motorcycle segment, thanks to the Moto Guzzi and Aprilia ranges;
- sales of commercial vehicles in India will be expanded, also thanks to three-wheelers being launched in new segments of the Indian market, such as the new Apé City with 200cc petrol engine, and new models in the four-wheeler segment, while exports will be further developed in emerging countries, targeting African, Asian and Latin American markets;
- current positions on the European commercial vehicles market will be maintained.

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

Transactions with related parties

Revenues, costs, payables and receivables as of 31 December 2012 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 to the Consolidated Financial Statements and Notes to the separate Financial Statements of the Parent Company.
The procedure for transactions with related parties, pursuant to article 4 of Consob Regulation no. 17221 of 12 March 2010 as amended, approved by the Council on 30 September 2010, is published on the institutional site of the Issuer **www.piaggiogroup.com**, under *Governance*.

Relations with Parent Companies

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

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

›

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

›

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

›

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

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

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

Transactions with subsidiaries

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

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

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

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

Nacional Motor
- provides vehicles, spare parts and accessories for sale on respective markets to Piaggio & C. S.p.A..

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

Piaggio Hrtvaska, Piaggio Hellas, Piaggio Group Americas e 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 e Piaggio Vespa
- provide a sales promotion service and after-sales services to Piaggio & C. S.p.A. for their respective markets.

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

Foshan Piaggio Vehicles Tecnologies R&D
- provides to Piaggio & C. S.p.A.:
  - a component and vehicle design/development service;
  - scouting local suppliers;
- provides to Piaggio Vietnam:
  - scouting local suppliers.

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

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

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

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

Piaggio and its production sites

The Piaggio Group has a strong international presence.
At its Italian site in Pontedera (in the area near Pisa), the Group has three facilities, one for the manufacture of commercial vehicles, one for the manufacture of scooters and engines for two-wheeler vehicles, and one for the supply of aluminium and steel components for vehicles and engines. In addition to the facilities manufacturing scooters and motorcycles, which comprise the most important industrial complex of the two-wheeler segment in Europe, two other sites operate in Italy for European production (Scorzè and Mandello del Lario) plus one site in Spain (Martorelles).

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

The main operations taking place during 2012 concerning these sites, which aimed to develop and make production capacity even more efficient, are outlined below.

Pontedera Sites

Activities for the development of a specific software programme and relative technical database to generate a methodology to identify and subsequently calculate the risk of biomechanical overload on the muscoloskeletal system at work stations were completed.
The first release of a specific software programme is being completed, for mapping and statements of worksites contracted out to external companies, for an overall organisation and vision of activities in the field.

Two-wheeler sites

In the mechanical processing area, activities were carried out to make equipment safe and reduce risks from the manual handling of loads. The 1400 Moto Guzzi and 1200 Caponord integral drive shafts were industrialised.
As regards engine assembly, the test bench for connection, circuit dielectric rigidity and functional testing on the Liberty Elettrico engine was implemented and upgraded, and neutral sensor control and electrical and pressure testing were implemented for the Derbi engine assembly line.
As regards welding, activities are underway to industrialise the welding of Vespa 946 and New LX bodies.
As regards two-wheeler painting processes, activities to develop the new painting system have been started, with works scheduled to end in 2015.
As regards vehicle assembly, industrialisation of the new Vespa 946 began, with the development of the vehicle assembly line, comprising AGV devices (an innovative system for the plant).
Activities were also carried out to reduce the risk of the manual handling of loads, by introducing pneumatic handlers, with special lifting accessories, trailer-mounted devices and raised platforms.
Major building, civil and systems works were completed, necessary to fully upgrade a part of buildings to fire prevention regulations in force.
6 heating burners in the two-wheeler assembly workshop were replaced, for greater heating efficiency and compliance with regulations on emissions.

Commercial Vehicles Plants

Investments were made to improve technical efficiency and complete work to ensure compliance with safety regulations.

Polo Meccanica Site

Investments were made for the manufacture of Racing Aprilia SBK and 1400cc Moto Guzzi California engines.
Work to make machinery safe was also completed.

Experimental Pattern department

The Pattern department was entirely renovated.

Spare Parts Warehouse

The new Worldwide Spare Parts Centre serving all Piaggio Group brands was completed in September 2012, at the site of the former airport on company property at Pontedera.
The new industrial site, which will become operative in the first quarter of 2013, is a large and ultra-modern logistics base to receive, pack, store and dispatch after-sales spare parts: the warehouse covers a total surface area of 37,000 m^2 and has an independent porter's lodge, 10 loading bays and new outside areas with transit perimeter, for a further 32,000 m^2.
The building has an innovative technological transfer system for storing and picking materials, with a storage capacity of 100,000 different codes, served by 8 automated shelf handling systems, and a final transport system for preparing kits to dispatch.

Scorzè Plant

Works to make petrol distribution systems on all vehicle assembly lines conform to standards, as well as vehicle loading/unloading bays were completed, and the glycol distribution system was upgraded.
Equipment was fitted for assembly of the SRV 850 as from January 2013 at Scorzè and equipment for all Derbi models.

Noale Plant

Investments were made to make the plant compliant with safety regulations.

Mandello del Lario Plant

In conjunction with competent public authorities (the Local Authorities - Arpal - the Regional Agency for environmental protection in Liguria - the Provincial authorities), the company is continuing the project to classify industrial land inside the plant, in order to remove and clean up the subsurface after previous industrial production.
Work to analyse the ground and clean up underground tanks identified at the site was completed.
As regards vehicle assembly, industrialisation of the Moto Guzzi California was completed.

Baramati Plant

At the Engine Plant, production of the Ape Pax 200cc engine for the petrol, LPG and CNG versions of the Ape Passenger manufactured at the adjacent Commercial Vehicles Site got underway, including a paired crankcase processing line and assembly and testing line. Activities to develop a new quick test bench for the Ape Pax 200cc engine and to test it at the supplier, were completed and the bench was sent from Italy to Baramati in December.
Activities are underway to install machinery at the Engine Plant for the production of cylinder heads for HE and Ape Pax 200cc engines, with installation and the dispatch of samples to Pontedera for manufacturing approval scheduled for the first quarter of 2013. Activities to install machinery for cylinder grinding for HE and Ape Pax 200cc engines were completed, and samples for manufacturing approval were dispatched to Pontedera.
Production of the Vespa got underway in March at the new Two-Wheeler plant, which has a production capacity of 150,000 vehicles/year. The Vespa is equipped with the new 125cc HE engine industrialised at the engine factory in Baramati. The production facility includes body welding, plastic and sheet metal painting, vehicle assembly and final testing, and warehouse and dispatch departments.

Vinh Phuc Plant

At the Engines Plant, activities to install the coupled crankcase processing line for the LEm engine were completed, with manufacturing approval granted and sent by Piaggio & C. to Piaggio Vietnam in December.
As regards the manufacture of the New Vespa LX, work began at the two-wheeler Vehicles Plant to expand the spare parts warehouse in order to install the new welding line, and upgrade the painting and assembly lines. Production start-up of the New Vespa LX is scheduled for the second half of 2013.

Piaggio Production System (PPS) inside PMS

In 2012, the continual improvement programme PPS, adopted at EMEA sites, focussed on three factors: the competitiveness of the production system, the work environment and company culture.

Competitiveness
Against a flexible budget, processing costs were cut.

Work environment
The programme to improve work places at pilot sites of each Plant, based on Lean Manufacturing Tools, 5S, is being completed. The first step to extend this programme to 50% of the areas of each Plant is being completed. Optimised work places improve staff motivation, handling and material manufacturing processes. Improvements in product quality and productivity are expected.

Company culture
Personnel receive basic training on using the best methodologies and tools recognised at a World Class Manufacturing level.
A strategy is also being shaped to achieve a structured approach to continual improvement in Staff and Purchasing areas, putting in place the entire Piaggio Manufacturing System process.

Environmental, Quality and Occupational Safety certification

The Piaggio Group has outstanding environmental, quality and occupational safety management systems at all its production sites.

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

On 17 September 2012, the supply quality system at the Piaggio Vehicles Private Limited engine production site was awarded ISO/TS 16949:2009 for its supplier quality system.
In 2012, from 23 October to 29 November, audits were conducted by the certification body Det Norske Veritas (DNV)[5] confirming the validity of the three certificates held by the Company for **Quality**, the **Environment** and **Health and Safety**.
The audits, which included eight DNV auditors, demonstrated the Company's commitment to its Quality, Health and Safety and Environmental policies desired by Top Management and are proof of reliability of Management Systems which are applied with the contribution of all functions and the individuals who work in them.

5_DNV = Det Norske Veritas is one of the world's leading certification bodies, with the parent company based in Norway; since 1864 it has been operating to "safeguard life, property and the environment". It is active in 100 nations, and has 300 offices and 7,000 employees.

Piaggio and research and development

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

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

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

In this framework, Piaggio successfully submitted its MUSS (Safe and Sustainable Urban Mobility) project for the 2008 tender ("Industry 2015") called by the Ministry for Economic Development. The project, which commenced in April 2010, targets the development of innovative solutions for environmentally-friendly urban transport which is more sustainable.
During 2012, the experimental development stage of the MUSS project began, with many results having a tangible impact on production. In particular, the following results were achieved in the project's main macro areas:

- The greatest contribution to reducing consumption and emissions was achieved by the optimisation of engine thermal fluid dynamics, with particular reference to the combustion process, as well as by a reduction in organic leaks and an improvement in the performance of the CVT transmission system. The new 125/150 three valve engines were further developed and optimised, with a specific version for the Vietnamese market focussing on consumption rather than performance.
- Research on alternative fuel engines targeted biofuels, with particular reference to bioethanol.
- Technical solutions for hybrid plug-in and electric engines were studied and developed, to improve the performance and reliability of electronic control and energy accumulation systems, and achieve greater vehicle usability with smart autonomy management. The development of new 1.5 kWh modular (lithium) batteries was completed; a prototype comprising 4 batteries in parallel was produced and tested, studying its potential use up to 10 elements. Considerable focus was also paid to the regulatory framework at national and international level (Two-wheeler).
- Numerical/experimental methodologies were developed in the field of engine acoustics and timbre, with the aim of designing intake and exhaust systems and engine components with acoustic emissions that are increasingly lower and "more pleasant".
- As part of weight reduction activities, calculation methodologies for structural optimisation were applied to the design of a new die-cast aluminium chassis (Moto Guzzi chassis) and also led to the development and manufacture of scooter wheel rims (Piaggio X10). Numerical/experimental activities also got underway to characterise the mechanical behaviour of scooter chassis welded joints.
- During the second year of the project, aerodynamic simulation methodologies (CFD) were developed, with a detailed breakdown of engine components and the virtual rider model. The virtual simulation methodology was validated by comparative analysis of experimental data obtained in the wind tunnel at Perugia University. In attempting to improve and develop wind tunnel performance, a new configuration for the aerodynamic load balance was defined. A first release of the data acquisition software has been issued and instruments to display the wake

have been implemented.

- In the "Life Cycle Management" sector, Piaggio partnered Florence University in analysing the recyclability characteristics of the MP3 125 Hybrid according to ISO 22628:2002, which led to vehicle recoverability and recyclability indexes being calculated. Some vehicle components were also developed, to be moulded in PP/PE obtained from reusing post-consumption materials (Plasmix), and experimental tests were carried out following company standards.
- In the field of active safety systems, studies and experiments led to ADD (Aprilia Dynamic Damping) semi-active electronic suspensions being used in the mass production of Guzzi (California 1400) and Aprilia (Caponord 1200) motorcycles. The ride-by-wire technology, which has been extended to most of the Group's vehicles, has enabled functions such as cruise control, multi-map systems and ATC (Aprilia Traction Control) to be implemented. An electrically adjustable suspension was developed for the Piaggio X10. An LED "light guide" headlight was also created for the X10, to increase vehicle visibility.
- In the field of human-machine interface and on board information systems, the Piaggio Multimedia Platform info/mobility system, based on a Bluetooth® smartphone/vehicle connection, was made available to the public as an accessory for the Piaggio X10. The application software was released for iOS operating platforms and a version for Android platforms is being finalised. The system implements an innovative virtual pressure sensor function, available for vehicles with ABS, that lets the rider check tyre pressure. http://www.multimediaplatform.piaggio.com/eng/index.htm.

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

			2012			2011
	Capitalised	Expenses	Total	Capitalised	Expenses	Total
In millions of Euro						
Two-wheeler	30.0	16.2	**46.2**	30.1	27.0	**57.1**
Commercial Vehicles	10.5	2.9	**13.3**	8.2	3.2	**11.4**
Total	**40.5**	**19.1**	**59.6**	**38.3**	**30.2**	**68.5**
EMEA and Americas	21.9	17.2	**39.1**	20.8	21.2	**42.0**
India	12.4	1.1	**13.5**	14.8	8.1	**22.9**
Asia Pacific 2W	6.2	0.8	**7.0**	2.7	0.9	**3.6**
Total	**40.5**	**19.1**	**59.6**	**38.3**	**30.2**	**68.5**

In 2012, the Piaggio Group continued its policy of retaining technological leadership in the sector, allocating total resources of 59.6 million Euro to research and development, of which 40.5 million Euro capitalised under intangible assets as development costs.

Research into engines

The design and manufacture of engines is an activity with a high technological content requiring extremely specialised resources.

The Piaggio Group's engine research and development teams are unique in Europe, capable of developing an unrivalled range from 50 cc. to 1,400 cc., 2 or 4 stroke engines, with one or more cylinders, fuelled by petrol, diesel or natural gas, with carburettor, indirect or direct injection, and with continual drive, gears or sequential transmission, suitable for mopeds, scooters, motorcycles and light transport vehicles.

Engine research mainly focuses on high-performance, environmentally friendly products.
The new 350 4-stroke 4 valve water cooling engines for the GT - RA “premium” and “125 and 150 three valve” segments, unveiled in 2011, are concrete proof of this commitment. In particular, the latter embodies several technical solutions aimed at capping emissions and reducing internal friction. Emissions have been reduced by adopting a unique fluid dynamics design of the suction ducts and combustion chamber, creating a “tumble” motion of the inflowing air/fuel mix that makes it possible to improve thermodynamic performance. An in-depth study was carried out to decrease internal friction (lubrication, use of roller rocking levers, roller bearings etc.) which produced outstanding results in terms of reduction and consumption.

In recent years the most cutting-edge effort to reduce environmental impact has definitely been the development of the 125 Hybrid engine in 2009. This innovation uses a hybrid powerplant combining an ultra-modern internal combustion engine with electronic injection and an electric motor. The integrated management of two powerplants improves overall vehicle performance and drastically reduces pollutant emissions. For several years now, the 125cc model has been joined by the 300 Hybrid version.

In 2011 a new modular battery with 30% higher capacity was developed for two-wheeler applications. UL safety certification is currently underway for the battery and battery charger.

The development for new 1.5-kWh modular batteries is also currently at an advanced stage.

In further pursuing the goal of zero emissions, 2011 saw the official unveiling of the Liberty e-mail at the EICMA Exhibition. It is the electric version of the agile and lightweight Liberty that is already a part of the delivery fleet of institutions and companies in more than ten countries. Over 60,000 Liberty vehicles are used, among others, by the French, Spanish, Austrian, Swiss and Italian postal services. Liberty e-mail has a new, advanced 2.6 kW electric motor with a range of up to 70 km, namely a performance that is in line with that of the best 50cc 4-stroke, 4 valve combustion engines while ensuring zero pollutant and noise emissions. The Liberty e-mail has a spacious rear trunk, a front carrier to carry the mailbag and documents and a large windshield. The graphic design can be customised with the colours and logos of the institution or company. Sale started with the delivery of the first lots to various European postal services.

Innovation and safety

The Group’s research and development into vehicles mainly focuses on new solutions to improve customers’ quality of life.

The Group’s product range, including vehicles, is extensive, from scooters to light transport vehicles, from small engine motorcycles to super sports and racing bikes, from touring to custom bikes, and from small scooters to GT models.

In European cities, two-wheeler vehicles are a practical solution to individual mobility needs and can help reduce traffic congestion, while guaranteeing good levels of safety and comfort, plus considerably lower consumption and emission levels.

The Group is therefore committed at all times to improving safety systems (braking systems, suspension systems and electronic dynamics management) and to identifying new architectural solutions through new product formulas, and aerodynamic and ergonomic analysis.

Piaggio continued to focus on improving the active safety of its products in 2012, extending ABS and ASR to other Group vehicles. The ABS/ASR version of the new Piaggio X10 350 and 500 features a

combined, three channel ABS system, which is a first-time application for the Group's scooters, plus ASR electronic traction control. This function has also been developed for and assembled on the Aprilia SRV 850 maxi scooter with twin cylinder engine.

Improvements in the field of suspensions has resulted in the application of an electrically adjustable rear suspension system on the X10. The system lets the rider easily adjust the rigidity of the suspension system to load/road conditions and riding style, from the handlebar controls, for even better active safety.
Another new safety feature is the "virtual pressure sensor" installed on the PMP system to monitor tyre conditions (pressure and wear), and ensure optimal performance.

As part of its research work on preventive safety and dynamics, Piaggio's most ambitious objective is the study and development of new product concepts, such as three- and four-wheeler tilting vehicles that guarantee an unprecedented stability even on wet or uneven road surfaces, and shorter stopping distances compared to conventional scooters. The benchmark in this sector is the tilting three-wheeler Piaggio MP3, which went on sale in 2006.
These new concepts, in addition to other safety devices, can achieve active and passive safety levels on a par with car manufacturing standards, whilst retaining all the benefits of two-wheeler vehicles in terms of size, emissions and consumption.

Piaggio has always played a major role in European projects to improve the safety and comfort of motorcyclists.
During 2012, in the third year of the VERITAS project, Piaggio worked on the development of a predictive model for the ergonomic analysis of two-wheeler vehicles, based on anthropometric measurements and scooter and motorcycle posture surveys, also on a sample of older users. The results were used to develop a software programme for ergonomic controls during new vehicle configuration. Tests on the software's usability in Vehicle Design are now being run. Easy access functions have been designed for man-vehicle interfaces and are planned for installation on the Piaggio Multimedia Platform, after testing.

Piaggio and the environment

In keeping with the principles set forth in its Code of Ethics, the Piaggio Group operates at a global level with *“choices of investment and of industrial and commercial initiatives [.....] based on the respect of the environment and of public health.” (article 7).*
In particular *“In compliance with the applicable regulations, the Company has respect for environmental issues in determining its choices, also adopting – where operationally and economically compatible and possible – eco-compatible technologies and methods of production, with the purpose of reducing the environmental impact of its own activities.” (article 8).*

The Piaggio Group firmly believes that safeguarding the environment while carrying out all Company operations is essential for mankind, technology and nature to coexist peacefully. It is convinced that commitment to sustainable development is not only a business ethic, but also an important variable of all corporate strategies. The Group therefore makes sustainable products, which must be manufactured using production facilities with the minimum environmental impact.
The Piaggio Group, which has expanded some production sites, is continuing its environmental policy to cut down on the use of natural resources and minimise harmful emissions and production-related waste. Initiatives concern the following areas:
› maintaining environmental certification awarded to the Group’s production sites;
› reducing energy consumption;
› reducing emissions of CO_2 and other pollutants;
› conserving water resources;
› waste handling and recovering.

Within the framework of management systems, ISO 14001 certification is a useful tool allowing Piaggio to adopt a structured, coordinated approach among Group companies, to defining environmental objectives and identifying risks and opportunities for improvement. It enables it to guarantee compliance with all environmental laws and regulations, to reduce energy costs, manage waste and raw materials and put in place a process to continually improve its environmental performance.

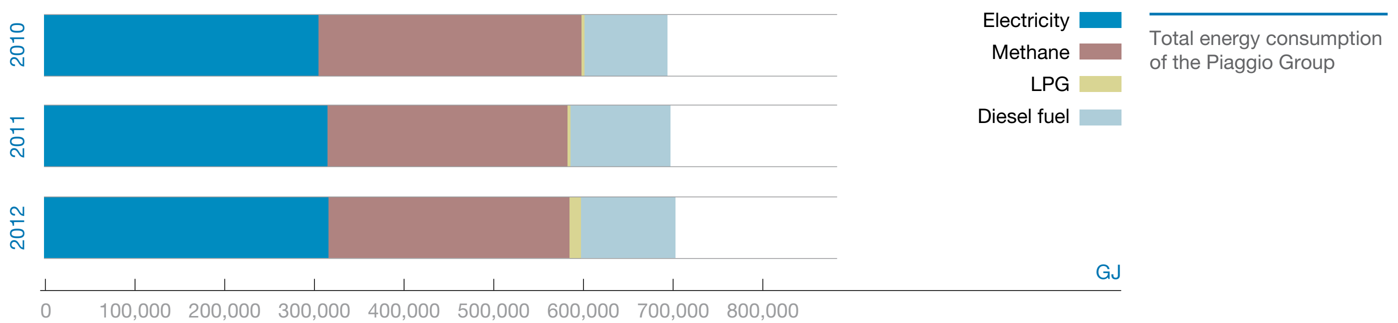
In December 2010, certification of the environmental management system of the Pontedera, Noale and Scorzè production sites to ISO 14001:2004 was renewed up until December 2013, incorporating the Mandello del Lario site into the certified system. The certification company conducted a maintenance audit at the 4 sites in autumn 2012. The outcome was positive, and nonconformities were not identified. In January 2011, the Vinh Phuc site also obtained ISO 14001:2004 certification.

During 2012, no damage was caused to the environment for which the Company was declared as being definitively liable, nor were sanctions or penalties applied for crimes to the environment or for environmental damage.
Piaggio’s focus on the environmental impact of its operations is also reflected by its CSR Report, which it has published since 2008, defining its commitments and describing its performance to stakeholders. The CSR Report is therefore a means for Piaggio to disclose its environmental policy, actions taken and results achieved, with a view to continual improvement.

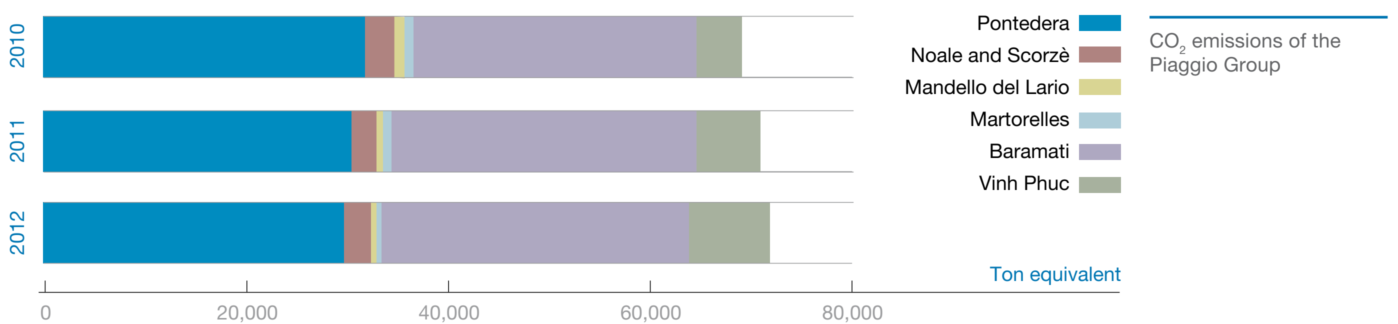
Main environmental performance indicators

Piaggio is committed to improving the management of environmental processes, targeting lower energy consumption, less pollutant emissions and a lower production of waste and use of water, however the Piaggio Group’s environmental performance in the 2010-2012 period was affected, in some instances, by anomalous trends. These anomalies were due to the combination of two opposing aspects. On the one hand, benefits were generated from the adoption of structural and technical measures for the efficient and environmentally friendly management of production sites. On the other hand, consumption increased, due, among other factors, to the increase in production

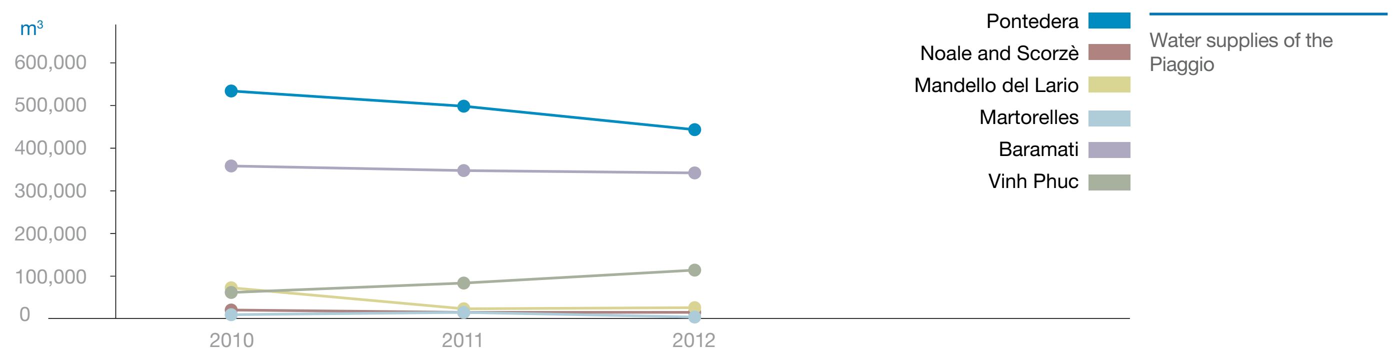
at the Baramati and Vinh Phuc sites.
As regards waste, a comparison with 2011-2012 figures shows that waste production increased at the Vietnamese site, due to higher production volumes. Renovation works had a considerable impact on 2010 data for the Mandello site, where extensive areas of the plant, some of which no longer in use, were cleaned up and restored.



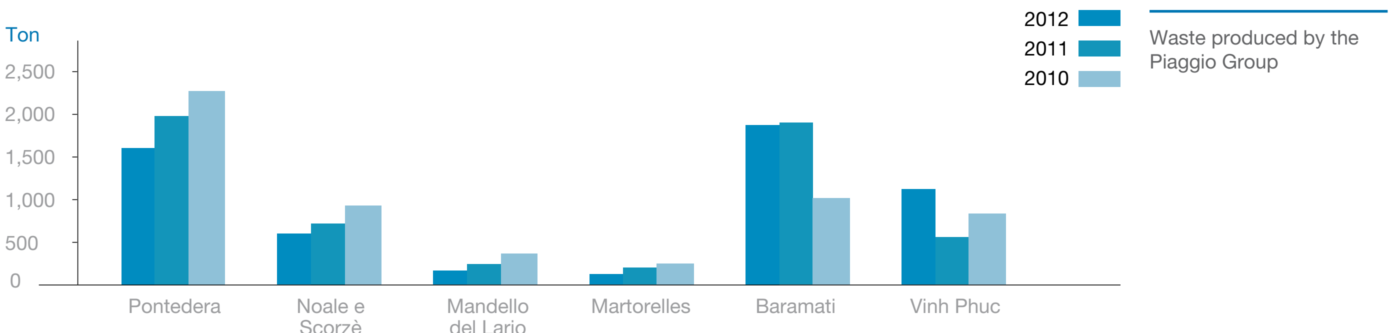
Total energy consumption of the Piaggio Group



CO_2 emissions of the Piaggio Group



Water supplies of the Piaggio



Waste produced by the Piaggio Group

Piaggio and human resources

Staff

Despite employee restructuring processes in western countries, the Group's workforce increased, with group employees totalling 8,129 units as of 31 December 2012, up by 510 units (6.7%) compared to 31 December 2011. This increase is mainly due to the new Indian scooter manufacturing site and the relative sales network, as well as consolidation of the Vietnamese engine manufacturing site.

Company employees by geographic segment as of 31 December

Employee/staff numbers	2012	2011	2010
EMEA and Americas	4,318	4,356	4,647
of which Italy	*3,873*	*3,871*	*4,138*
India	2,814	2,331	2,400
Asia Pacific 2W	997	932	482
Total	**8,129**	**7,619**	**7,529**

Figures on the number of employees at the end of the year are not indicative of the average number of staff, as data are affected by seasonal contract employees appointed during the summer. In fact the Group uses fixed-term employment contracts to handle typical peaks in demand in the summer months. The average number of employees is therefore historically higher than the average number at the end of the year, with the same scope of consolidation.

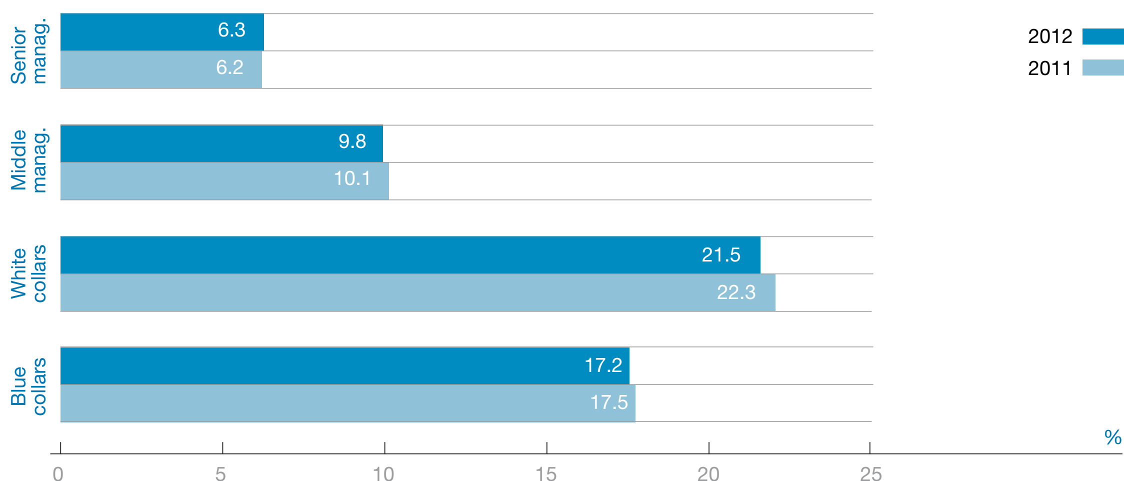
Average number of Company employees by professional category

Employee/staff numbers	2012	2011	2010
Senior management	95	100	109
Middle Management	574	504	465
White collars	2,202	2,100	2,088
Blue collars	5,477	5,033	4,939
Total	**8,348**	**7,737**	**7,601**

Company employees by gender and geographic segment as of 31 December

	2012		2011	
Employee/staff numbers	Men	Women	Men	Women
EMEA and Americas	3,068	1,250	3,146	1,210
of which Italy	*2,731*	*1,142*	*2,778*	*1,093*
India	2,787	27	2,311	20
Asia Pacific 2W	835	162	776	156
Total	**6,690**	**1,439**	**6,233**	**1,386**

Number of women employees as of 31 December



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

Employee/staff		up to 30	31-40	41-50	> 50	Total
2012	Senior management	0	7	39	50	96
	Middle management	1	201	254	117	573
	White collars	478	925	536	275	2,214
	Blue collars	2,123	1,213	1,059	851	5.246
	Total	**2,602**	**2,346**	**1,888**	**1,293**	**8,129**
2011	Senior management	0	13	40	44	97
	Middle management	2	193	209	111	515
	White collars	510	801	526	290	2,127
	Blue collars	2,045	1,061	987	787	4,880
	Total	**2,557**	**2,068**	**1,762**	**1,232**	**7,619**

Company employees up to 30 years of age by geographic segment as of 31 December 2012

Company employees by education level as of 31 December 2012

Employee/staff	Graduate	High School	Middle School	Primary School	Total
EMEA and Americas	741	1,799	1,583	195	4,318
of which Italy	*562*	*1,665*	*1,518*	*128*	*3,873*
India	636	2,171	7	0	2,814
Asia Pacific 2W	338	658	0	1	997
Total	**1,715**	**4,628**	**1,590**	**196**	**8,129**

Company employees by contract type, gender and geographic segment as of 31 December 2012

		Fixed-term contract			Open-ended contract	
Employee/staff	Men	Women	Total	Men	Women	Total
EMEA and Americas	27	6	33	3,041	1,244	4,285
of which Italy	*2*	*0*	*2*	*2,729*	*1,142*	*3,871*
India	1,386	0	1,386	1,401	27	1,428
Asia Pacific 2W	577	99	676	258	63	321
Total	**1,990**	**105**	**2,095**	**4,700**	**1,334**	**6,034**

Company employees by contract type, gender and geographic segment as of 31 December 2012

		Full time			Part time	
Employee/staff	Men	Women	Total	Men	Women	Total
EMEA and Americas	2,847	910	3,757	221	340	561
of which Italy	*2,615*	*822*	*3,437*	*116*	*320*	*436*
India	2,787	27	2,814	0	0	0
Asia Pacific 2W	835	162	997	0	0	0
Total	**6,469**	**1,099**	**7,568**	**221**	**340**	**561**

Organisational Development: Actions in 2012

Despite a difficult economic scenario worldwide, the Piaggio Group stepped up its strategy in 2012 to achieve greater globalisation in terms of its industrial and sales presence in Asia and consolidated its leadership position in Europe and America, allowing it to compete as a global company on international markets.

In particular, significant events during 2012 concerned the following:

› the **Materials and Components Purchasing** function had a new, more specific organisation, to guarantee an adequate organisation for the Group's internationalisation, through a single, integrated, global, functional Corporate department to optimise purchasing costs, develop specialist competencies for commodities and further integrate foreign structures;

› as part of **Production and Manufacturing Technologies**, a new position was established to achieve cost optimisation for two-wheeler products and commercial vehicles, working in areas concerning production processes and suppliers;

› in the Asia Pacific 2 Wheeler area, **Foshan Piaggio Vehicles Technology R&D Co. Ltd.** has started to operate, with the aim of recruiting new Suppliers to support the Group's international purchasing activities, assisting with research and development for products developed in China, and promoting activities and initiatives relative to the Zongshen Piaggio Foshan Motorcycle Co. Ltd. joint venture and Piaggio-Jincheng agreements;

› the **Asia Pacific 2 Wheeler** structure has been redefined, with Manufacturing, Purchasing and Quality organisational units being established and directly reporting to the Manager, guaranteeing a more efficient management of operating activities in the area;

› the company **PT Piaggio Indonesia** now reports directly to the Sales & Marketing Manager of Asia Pacific 2 Wheeler, for an integrated approach with Asian sales companies;

› **Two-wheeler Product Marketing** now reports directly to the Chairman and Chief Executive Officer, with the aim of guaranteeing global and international development of the Group's products;

› a new structure has been established for the **2-Wheeler Market Italy** function, to optimise and guarantee maximum efficiency in sales network management, also in response to changed market conditions;

› the responsibilities of the Group's **Style Centre**, which also oversees the development of all brand accessories and clothing, have been redefined, to ensure consistency with vehicle styles;

› the **Web Communication** organisational unit has been set up within the **External Relations and Institutional Affairs** department, to guarantee maximum focus on communication, through the Group's Internet sites and corporate sites for Customers;

› the **Corporate & Legal** function has a new organisation, to optimise legal support for all Group activities, as well as compliance activities; a central organisational unit, **Industrial Property**, has also been set up, with the aim of protecting the Group's industrial property (brands, technical patents, models, know-how, etc.) at worldwide level;

› the **Finance General Management** unit has been set up, with all Finance Management functions reporting to it.

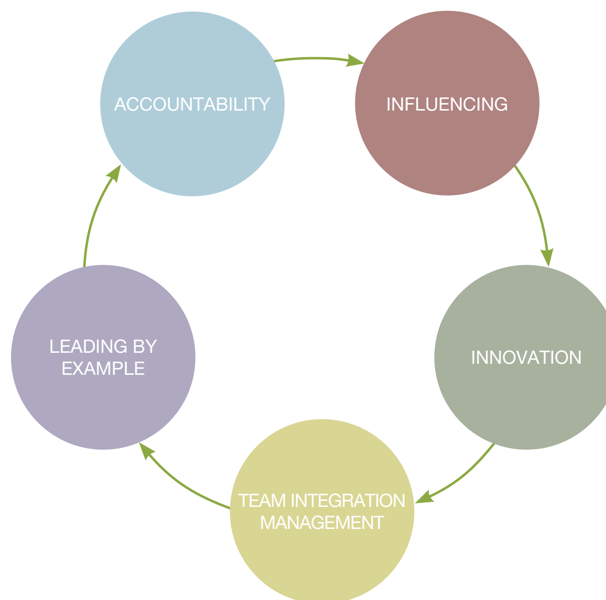
Developing human capital

The development of the core competencies required by a changing business and market is a priority for the Piaggio Group. This is why the development of people and careers are rooted in building, maintaining and developing these competencies.
To this end, the Piaggio Group has developed specific models and policies over the years for the development of human capital.

The Group's managerial competencies model

On the basis of the Group's strategic plan and in line with its core values, Piaggio has identified a managerial competencies model that represents the set of skills to be implemented day by day to ensure personal success and the success of the company.
This model is touchstone of reference for the entire Group for the development of the company culture and the growth of our people. In 2012, the model was fine tuned and managerial skills were extensively disseminated to office and managerial staff at Group level.

The Group's managerial competencies model



The Group's professional competencies model

The store of professional competencies and know-how in the Group is the true foundation and only real guarantee assuring the continuity and quality of our results. For this reason, the Piaggio Group has developed a professional competencies model which is updated and expanded in accordance with the strategic plan, and in line with changes in technology and the market.
The model identifies thirteen professional groups and their specific competencies. Development tools and training are aimed at helping people acquire the level of competence required by their role.
In 2012, the specific roles of foreign operating units were added to the professional system, used as the basis for the evaluation and systematic development of professional competencies of the entire office and managerial staff of the Group.
The identification of technical/professional competencies was also updated at Group level, and development and training plans were configured to improve gaps identified in 2012.

Reviews

Competency models form the basis for criteria used in personnel appraisal processes. On the basis of the position they hold, staff reviews focus on the following key aspects, taking into account professional growth and company objectives reached:
- managerial and professional competencies;
- performance;
- potential;
- international mindset.

Employees are reviewed by comparing their competencies, as evidenced by concrete and observable action in their everyday work, with the company's competencies model.
During 2012, the Evaluation Management System was consolidated at Group level. This standard evaluation system is for all office and managerial staff, assisted by computer tools (SAP HR and Success Factors) for the real-time management of all evaluations, for human capital development purposes.
Potential is systematically assessed in young talent, managers and people earmarked to cover top management positions in the Group.
The competency models prepared in this way are also used as the basis for evaluating candidates during recruitment.
During recruitment, two evaluations are carried out for candidates applying for a specific position: one concerns the managerial competencies of the Piaggio Model, carried out by HR, and the other, the professional competencies of the Piaggio System, carried out by the line manager.
This evaluation method and the authorisation flow for recruitment are fully integrated in SAP in the SAP Recruiting module.

Development paths

Development tools are provided with the objective of building and continuously improving the managerial and professional competencies identified in the respective models, while at the same time bringing out people's potential and identifying and rewarding outstanding performance. The set of tools provided by the Piaggio Group includes:
- development plans, which identify the action to be taken for the growth of the employee;
- job rotation and participation in strategic or international projects;
- managerial and professional training;
- Piaggio Way, the talent management programme.

During 2012, development actions to consolidate the Company's international focus were stepped up, in particular with job allocations and rotation in the Group's Asian companies.

Career paths

For our highest value human assets, management and professional career paths are designed in order to cover key roles and ensure that strategic and technological know-how is kept and developed in the Group at the international level. In 2012, tools for monitoring and managing plans for taking over key positions within the Group were consolidated.

Reward policies

The Piaggio Group adopts specific reward policies, designed to remunerate staff and their contributions based on criteria of competitiveness, fairness and meritocracy. The Group's reward system is differentiated for the various professional groups in the company, and consists of a salary component, an objective-based incentive system and benefits.

Piaggio Way

Piaggio has run a specific talent management programme for several years, to ensure the development of its resources with the most value, and to identify people within the Group that have shown they have an excellent potential, are extremely passionate about their work and have the courage to explore new avenues.
The Piaggio Way programme was extended to all Group units at worldwide level, with the considerable involvement of Asian and Indian employees.
The programme, which will last for a maximum of four years, will select staff classified as Young Talent and Managerial Talent, and give them the chance to take part in fast-track development programmes (job rotation, strategic and international projects, events with the involvement of top management, coaching, bespoke training).

Training

Training addresses all roles, levels of responsibility, professional groups and individuals who are motivated to improving their own professional value in keeping with the Company's development and its evolving corporate culture.
Training was stepped up in 2012, with 93,906 hours provided within the Group for all employees, of which 62.5% in western countries, 11.9% in Asia and 25.6% in India.
Particular emphasis was given to professional training in the year for the introduction of new Product Lifecycle Management processes and tools, mainly involving R&D employees.

Hours of training by training area

Thematic area	2012*	2011*
Managerial training	26,824	16,937
Technical – professional training	34,806	19,333
Linguistic training	9,629	10,360
Safety and environmental training	22,647	5,334
Total	**93,906**	**51,964**

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

Total training hours by professional category

Professional category	2012*	2011*
Senior management	1,618	2,255
Middle Management	16,137	8,645
White collars	48,771	33,260
Blue collars	19,890	7,445
Project workers	7,490	360
Total	**93,906**	**51,964**
Total per-capita	**11.5**	**6.8**

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

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

In 2012, in particular, Piaggio managerial training courses were continued and consolidated, including training based on requests originating from the EMS evaluation system. Training also focussed on the launch of the new Product Lifecycle Management system, involving Company R&D areas.

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

Health and safety

During 2012, around 17,500 hours of training were given to personnel on accident prevention and occupational health and safety.

In particular, specific courses were held for technical staff and workers, for a total of around 1,800 hours of training, as well as two training sessions for senior managers, concerning positions that, in organisational terms, have authority/responsibility for occupational safety. As part of measures enacting directives of the State/Regions Agreement no. 211 of December 2011, supplemented by Agreement no. 153 of July 2012, the first step in safety training was completed in December 2012 for 850 workers and a total of 9,200 classroom hours, while training for 560 staff on temporary employee contracts amounting to 6,600 hours was given in the first half of the year.

Special attention was paid to issues concerning outsourced work, in terms of contract safety and operating interference during activities, involving specifically dedicated personnel.

During 2012, the company continued its “work place ergonomics” activities, with OCRA, NIOSH, SNOOK and CIRIELLO analysis, completing its major programme to identify specific risks of repetitive movements of the upper limbs. In this regard, more than 2,000 work duties were examined at the Pontedera, Scorzè and Mandello sites, identifying situations requiring ergonomic re-engineering which is still underway, and the related application of defined improvement measures.

As regards the identification of risks from the manual handling of loads, 935 work stations were examined in 2012, equal to 51% of all stations: activities are scheduled for completion in 2013.

During the year, surveys were carried out to verify the absence of hazards in the event of situations occurring related to the use of products/substances in the production cycle, as well as periodic controls on risk levels relative to particular factors such as electromagnetic fields, vibration, explosive atmospheres and the microclimate in summer.

As regards the latter issue, an operating methodology was consolidated (instrumental monitoring with measurement units in workshops and extra breaks in the case of environmental conditions significant in terms of health) the importance of which was recognised by the Prefecture of Pisa, which awarded Piaggio for “Good Practices in preventing risks to health and safety” in 2011, acknowledging the company’s innovative choice of managing particularly adverse climatic conditions.

Piaggio was once again awarded 1st prize in 2012 for its “Ergoanalisi” (Ergonomics analysis) project, which combines the need to optimise production efficiency with an evaluation of work station ergonomics, from as early on as the design stage, in order to minimise the risk of biomechanical overload on the upper limbs.

The award was given in particular for the innovative good practices introduced, as they can reduce the risk at source, tangibly improving the working conditions of employees.

In October and November 2012, audits were successfully conducted by the Certification Company to maintain Piaggio certification of its health and safety management system for all operating sites in Italy up until December 2013.

Industrial relations

In 2012, the financial and economic crisis continued to affect Italy and numerous European countries, causing a further downturn on European markets as regards motor vehicles; consequently, industrial relations dealt with various situations at Company sites arising from the need to adapt production schedules to industry trends.
As regards the site at Pontedera, a procedure for the mobility of white collars and middle management staff, which began in 2011 with the signing of a trade union agreement, was completed in March.
Employment commitments of the supplementary trade union agreement of 2009 were complied with, with some 130 workers being employed with a part-time cyclical, vertical contract and the change-over of another 130 part-time contracts to full-time contracts.
The Wage Guarantee Fund had to be used, due to a continuing decline in production volumes (first quarter of 2012; August, October, November and December).
In April 2012, following the award of the competitive tender, Piaggio signed an agreement to purchase the "Tecnocontrol" company site, so it now has its own aluminium engine components processing procedure; at the end of 2011, Piaggio had been assigned receivership and therefore the temporary management of production activities of the insolvent supplier. Following the acquisition, 90 staff were employed on an open-ended contract. Various parts of the 2009 supplementary trade union agreement were dealt with, including the Results Bonus (final figures for 2011 and 2012 objectives).

A trade union agreement was entered into, in January 2012, for the Noale and Scorzè sites. Based on the agreement, measures were discussed to guarantee the economic and financial sustainability of the Company's investment plan, through major cost reductions and actual recovery of the technical structure's efficiency and productivity, and manufacturing activities.
The staff restructuring programme at the Noale site had to be continued (whilst retaining two-wheeler sector know-how) and consequently, total staff numbers at the site were reduced, also considering the ongoing crisis which has led to a decrease in consumption and sales volumes. Procedures to adopt to achieve these objectives were jointly agreed on: a mobility procedure for the Noale site (45 employees) and solidarity contracts for both Noale and Aprilia Racing, to immediately reduce overheads and also effectively and promptly respond to trends of activities and their distribution at different times of the year; transfers to other group sites with greater professional opportunities, also with a view to maintaining and developing Group know how; identification of new local employment opportunities, also with the support of dedicated, qualified external structures assisted by specific training activities. All measures were adopted, downsizing staff by 24 units and gearing performance to different volumes of activities.
At the Scorzè site, which has a production mission that has been confirmed, the use of solidarity contracts continued in 2012, with a reduction in working hours for all site employees, effectively bringing work in line with volumes scheduled on a monthly basis, to meet market requests.
The Italian Ministry for Employment and Social Policies authorised the use of solidarity contracts at these sites (decree no. 66288 of 05/06/2012 for Scorzè; decree no. 66574 of 21/06/2012 for Noale; decree no. 66276 of 05/06/2012 for Aprilia Racing).

As regards the Moto Guzzi production site, final production volumes in 2012 were fully aligned with scheduled volumes and higher than those of the previous year, also due to the production start-up of the new Moto Guzzi V7 range in March 2012.
Work volumes fully absorbed available human resources and 30 supply contracts were also required.

In 2012, the trend of hours lost through industrial action increased in Italy, following a micro-conflict caused by a minority active in one trade union organisation. This increase, compared to 2011, also refers to national strikes organised by one trade union organisation, against some employment policies.

Following the plan signed in July 2011 between the Spanish Company Nacional Motor and the Martorelles (Barcelona) Piaggio Branch and government representatives concerning the Expediente de Regulación de Empleo (employment regulations plan), activities carried out at these sites were included in the restructuring programme. In particular, in the first few months of 2012, some Derbi products were moved from Martorelles to Scorzè.

As regards the Indian subsidiary, negotiations with trade unions began at the end of 2012 to renew workers' wage agreements.

As regards Piaggio Vietnam, the trend of industrial relations was normal.

Customer and dealer service

The levers for building enduring customer relationships based on trust lie in the customer engagement tools provided by the Customer Opinion Survey and Customer Service.

Customer Experience

Piaggio has created and consolidated over time a customer engagement platform to understand the changing expectations of customers and gauge how effectively it meets those expectations by measuring brand reputation and customer loyalty.
The main items studied and monitored, also based on benchmarking with leading competitors are:
› the motivations for choosing a brand and the fundamental features of products and services;
› the adaptation of sales and assistance structures to satisfy specific needs;
› the effectiveness of the sales network and services;
› brand awareness and loyalty.

A dedicated customer engagement tool is up and running throughout the world in the form of a special Customer Experience portal, which enables customer opinions and feedback to be monitored in real time.

In 2012 around 36,200 customers, 7,700 of which in Vietnam and 3.600 in Indonesia, actively participated in the engagement platforms.

Besides confirming that product quality and perceived reliability are key to customer retention, the feedback was also given to product innovation and development functions, to supplement market research and technical testing and inspection data they receive. In particular, suggestions about the product concept (technical characteristics) prompted ideas for new engines that can best meet the needs of an increasingly discerning clientèle, particularly as regards fuel consumption - which is coming to the fore in western markets and is vital for success on eastern markets.

Customer service

Customer service, together with the dealer network, represents the most important channel for our relationship with customers. The Group’s Contact Centre Project operates in a multichannel environment, by contact and customer targets, and also has a virtual on-line space on a SAP CRM platform or on Sale Force.com for all main European markets, i.e. Italy, France, Spain, Germany, and Great Britain - as well as for the USA and Vietnam. The service is in the start-up stage in India.

In 2012 some 70,000 contacts were managed in Europe, with a further 5,000 in the rest of the world. Problems found in products or services accounted for 20% of calls for assistance.

The Group’s service levels in its main markets match standards of excellence in the sector, with 85% of calls managed within thirty seconds, and resolution times below forty-eight hours.

In 2012 the CRM platform was launched in Indonesia, Holland, Belgium and Luxembourg and the web-based customer care service in India went into operation. The CRM platform is in the start-up stage in India. The platforms are all characterised by standardised management of customer reports that helps set international Group-wide response standards, while allowing real-time management of all the markets and functions involved in customer management.

Dealer Portal

The Dealer Portal is a gateway to applications, information and technical documents and sales literature designed to help dealers manage their markets according to common standards and criteria. Access is personalised on the basis of the role assigned to the partner by their agency agreement. In particular, the portal let dealers:
› obtain information on promotional and sales methods for the range of products;
› learn and train their own staff on product maintenance and customer management techniques;
› access technical documents and sales literature.

The Dealer portal is normally combined with other activities, such as dealer conventions, workshops on specific issues and pilot tests on dealer panels for new projects, to ensure that dealer activities and initiatives translate into customer management methods able to build customer loyalty and develop dealers' reputations on the market.

Dealer Support Service

The Dealer Support Service provides daily assistance to ensure the optimal management of after-sales service – from delivery of the vehicle to management of assistance services and product warranties. The service represents the most important channel for managing our relationship with the network, and is based on a series of specialist platforms dedicated to logistics, product and accessory sales, and services. The support service is delivered through an on-line help desk, available for all our main European markets – Italy, France, Spain, Germany, Great Britain, Benelux as well as the USA, Vietnam and Indonesia.

Besides enabling service levels to be standardised for all our partners, in accordance with contractual arrangements, the platforms enable the right action to be taken and training, documentation and available information to be delivered in the most effective way.

Corporate Social Responsibility

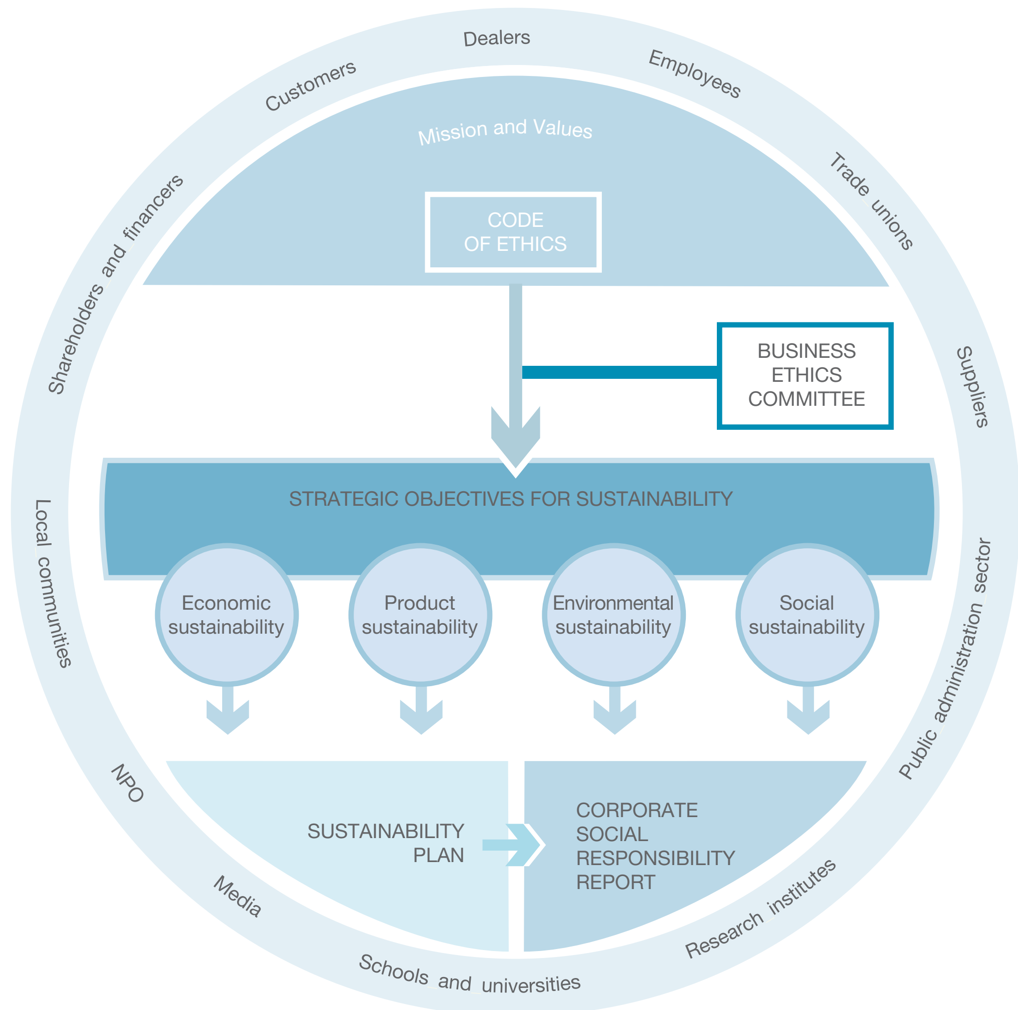
Piaggio's concept of sustainability is outlined in its "CSR Model', which is developed at a Group level. This Model is based on the mission and values that have set the company apart since its inception and which are the cornerstone of its Code of Ethics.

The Piaggio Group has always been committed to safety, quality, environmental issues and the wellbeing of its employees and partners. In other words, it is committed to being socially accountable for its operations.

Since the 1990's, Piaggio has made its mark in bringing together production and social responsibility, through the intense work of the Fondazione Piaggio. With its Museum and Historical Archive, the Foundation is one of the first examples in Italy of placing value in a Company's historical heritage and promoting culture in the community.

Piaggio's constant focus on sustainability and its increasing commitment in recent years have convinced the Group of the need to adopt a structured Corporate Social Responsibility model that defines and organises all aspects of Piaggio's corporate social responsibility.

Piaggio's Corporate Social Responsibility Model



Piaggio's mission and values, which form the basis for the Group's Code of Ethics, established in 2004, are considered as strategic objectives for sustainability, divided into areas of sustainability that are important for the Group: economic sustainability, product sustainability, environmental sustainability and social sustainability. Based on these areas and in line with its strategic objectives, the Group has produced a three-year sustainability plan with short and medium-/long-term objectives.

The entire process described in this document is coordinated by the Business Ethics Committee, set up in 2008. The Committee is tasked with developing regulations and rules of organisational conduct in line with best international practices for corporate social responsibility.

As part of its responsibilities and duties, the Business Ethics Committee analyses all operations concerning relations between the Piaggio Group and external players, with the aim of guaranteeing to all stakeholders that the information cycle is managed transparently. Starting from the assumption that transparency best describes the purpose of corporate social responsibility today, the Committee acts as a "guarantor" for investors, consumers and opinion leaders, to make sure Company conduct is based on conformity to laws at all times, on fairness and on the truthfulness of disclosures to the public.

In developing a social responsibility strategy that can fully meet the needs of all stakeholders, the Business Ethics Committee has identified stakeholder categories addressed by the Group's operations: customers, employees, shareholders and investors, dealers, suppliers, trade unions, local communities, schools, universities and research institutes, the public administration sector, the media, organisations and trade associations.

Careful monitoring of all its stakeholders' expectations is a great opportunity for the Group to further improve operations. It is in this context that Piaggio is focussing its efforts: understanding possible areas of improvement in order to provide products that always meet the expectations of its customers, communicating its philosophy and business model clearly and effectively at all times.

The Piaggio Group pursues its sustainability objectives based on specific development guidelines:

- **Transparency and economic value** In line with these development guidelines, the Group's objectives include creating value for all shareholders, while complying with business ethics and adopting a number of social values.
- **Product innovation and sustainable mobility** The Group's industrial strategy is based on technological innovation which targets environmentally friendly mobility. In this context, the Group considers research into cutting-edge solutions as a critical factor for successful investment choices and industrial and commercial initiatives. Innovation is geared to cutting pollutant emissions and consumption, as well as increasing vehicle safety. Plus the Piaggio Group firmly believes that stakeholder involvement is fundamental for the development of the Company and communities where it works, in terms of economic and social wellbeing.
- **Environmental sustainability** Safeguarding the environment while carrying out all company operations is essential for mankind, technology and nature to coexist peacefully The Group therefore makes sustainable products, which must be manufactured using production facilities with the minimum environmental impact. Production systems are made sustainable through optimising process efficiency and converting facilities that are no longer competitive. In particular, the environmental strategy for the Group's production sites aims for a more rational use of natural resources and minimal harmful emissions and waste from production.
- **Developing human resources and the context** People are fundamental for Piaggio. They are vital to creating added value in the long term. The Group has defined objectives for the growth, promotion and training of human resources, ensuring that each person is rewarded for the contributions they make and that their expectations and goals are met. To achieve this, growth must go beyond the boundaries of the Company. It must go further afield to reach suppliers and dealers, with whom Piaggio wants to cooperate being a reliable partner, forging a common ground to work and grow

together, to create value for the end customer. The success of a company is also closely linked to customer confidence and satisfaction. Customers must be listened to, informed and respected, establishing relations based on transparency and trust. The Group is committed to engaging and supporting local communities through social, cultural and educational initiatives. The relations the Group forges with other reference stakeholders is fundamental: trade unions, local communities, schools, universities and research institutes, the public administration sector, the media, organisations and trade associations.

Piaggio's constant focus on sustainability and its increasing commitment in recent years have convinced the Group of the need to communicate its sustainability strategy and results achieved with even greater transparency. This is achieved through the Corporate Social Responsibility Report (CSR Report), considered the most appropriate means for achieving the Group's objective.

The CSR Report, available since 2008 and published on the institutional site www.piaggiogroup.com under Social Responsibility, is an annual document which reports on the Group's strategy, policy and economic, environmental, social and product performance, sustained by principles of the utmost transparency and continual improvement.

In defining and preparing the CSR Report, the Piaggio Group has followed national and international best practices on Corporate Responsibility and the Sustainability Reporting Guidelines produced by Global Reporting Initiative (GRI) in their G3.1 edition dated 2011. The GRI Reporting Framework is a universally accepted model of reporting sustainability. It includes practices which are common to different types of organisations and has a content which is both general and sector-specific, with the purpose of reporting the sustainability performance of an organisation.

Since the first edition in 2008, the CSR Report has been audited by an external organisation, to guarantee to all stakeholders that the information it contains is reliable.

Corporate Governance

Profile

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

The Chairman and Chief Executive Officer of the Company is Roberto Colaninno and the Deputy Chairman is Matteo Colaninno. As from 17 December 2012, Gabriele Galli is Chief Financial Officer.

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

Board of Directors

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

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

Committees

The Appointment Proposal Committee, the Remuneration Committee, the Internal Control and Risk Committee and the Committee for Transactions with Related Parties have been established within the Board.

Internal control and risk management committee

The internal control and risk management system requires the Board to define the guidelines of the internal control and risk management system, considered as a combination of processes aimed at monitoring the efficiency of corporate operations, the reliability of financial information, compliance with laws and regulations, as well as with the articles of association and internal procedures, and the safekeeping of corporate assets.
In this context, the Board of Directors is assisted by a Director appointed to oversee operation of the internal control and risk management system and an Internal Control and Risk Management Committee.
The Board of Directors, in response to a proposal by the Appointed Director of the internal control and risk management system and having obtained the opinion of the Internal Control and Risk Management Committee and the Board of Statutory Auditors, appointed the Internal Auditing Supervisor to verify that the internal control and risk management system is operative and adequate, ensuring that he/she receives adequate means to carry out his/her functions, including - as regards the operating structure and internal organisational procedures - access to information needed for his/her position.

Board of Statutory Auditors

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

Corporate Governance Report

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

Stock option plan

With regard to the 2007-2009 incentive plan approved by the General Meeting of Shareholders on 7 May 2007 as amended, for executives of the Company or of its Italian and/or foreign subsidiaries, in compliance with article 2359 of the Italian Civil Code, as well as for directors having powers in the aforesaid subsidiaries ("2007-2009 plan") during the year 150,000 option rights expired.

As of 31 December 2012, 3,940,000 option rights had been assigned for a corresponding number of shares.

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

Rights	No. of options	Average exercise price (Euro)	Market price (Euro)
Rights existing as of 31.12.2011	4,090,000		
- of which exercisable as of 31.12.2011	300,000		
New rights assigned in 2012			
Rights excercised in 2012			
Rights expired in 2012	(150,000)		
Rights existing as of 31.12.2012	3,940,000		
- of which exercisable as of 31.12.2012	3,940,000		

Other information

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

With reference to the obligations of the "Consolidated Privacy Act", enacted with Italian Legislative Decree no. 196 of 30 June 2003, – Annex B), Technical Regulations – Piaggio & C. S.p.A., as Data Controller has adopted the security measures listed in the regulations, and updated its Security Policy Document according to law.
The purpose of the Security Policy Document is to:

1. define and describe the security policies adopted concerning the processing of personal data relative to employees, outsourced staff, customers, suppliers and other subjects concerned;
2. define and explain the organisational criteria adopted by the Company to put these measures in place.

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

	Net profit as of 31/12/2012	Shareholders' equity as of 31/12/2012	Net profit as of 31/12/2011	Shareholders' equity as of 31/12/2011
In thousands of Euros				
Piaggio & C. SpA	**46,190**	**349,703**	**46,250**	**347,999**
Net profit and shareholders' equity of subsidiaries	77,066	182,758	71,199	195,652
Elimination of the book value of investments		(73,148)		(68,118)
Elimination of dividends from subsidiaries	(91,890)		(70,458)	
Sale/disposal of intangible assets/ property, plant and equipment to subsidiaries	2,924	(19,614)		(22,502)
Elimination of the effects of other intergroup transactions and other records	7,784	174	(731)	(6,813)
Piaggio & C. Group	**42,074**	**439,873**	**46,260**	**446,218**

Proposal to approve the financial statements and allocate profit for the period

Dear Shareholders,

We propose your approval of the Financial Statements as of 31 December 2012 prepared according to International Financial Reporting Standards (IFRS).

We also propose your approval to allocate profit for the period, equal to 46,190,201.07 Euro, as follows:
- 2,309,510.05 Euro to the legal reserve;
- 33,126,198.96 Euro to be distributed as dividends;
- 10,754,492.06 as retained earnings.

Subject to approval by the General Meeting of Shareholders, the Company will pay a dividend equal to 0.092 Euro, gross of taxes, as from 23 May 2013, with detachment date on 20 May 2013, for all ordinary shares, for a maximum total amount of 33,126,198.96 Euro.

Mantua, 27 February 2013

For the Board of Directors

/f/ Roberto Colaninno

Chairman and Chief Executive Officer
Roberto Colaninno

Economic glossary

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

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

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

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

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

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

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

Operating expenses: consist of employee costs, costs for services and lease and rental costs, 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 Euro; changes and percentages are calculated from figures in thousands of Euro and not from rounded off figures in millions of Euro.

PIAGGIO GROUP
CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2012

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Consolidated Income Statement

Notes	In thousands of Euros	2012 Total	of which related parties	2011 Restated[6] Total	of which related parties
4	Net revenues	1,406,152	591	1,516,463	1,674
5	Cost for materials	835,352	32,802	904,060	38,786
6	Cost for services and leases and rentals	249,934	3,910	266,484	3,817
7	Employee costs	223,419		248,356	
8	Depreciation of property, plant and equipment	37,001		35,219	
8	Amortisation of intangible assets	42,620		59,794	
9	Other operating income	101,298	475	122,562	502
10	Other operating costs	22,540	5	20,323	14
	Operating income	**96,584**		**104,789**	
11	Income/(loss) from investments	3,530		2,481	
12	Financial income	2,016		4,087	
12	Borrowing Costs	33,609	503	31,853	305
12	Net exchange gains/(losses)	(660)		(932)	
	Profit before tax	**67,861**		**78,572**	
13	Taxes for the period	25,787		32,312	
	Earnings from continuing activities	**42,074**		**46,260**	
	Assets held for disposal:				
14	Profits or losses arising from assets held for disposal				
	Net Profit (Loss) for the period	**42,074**		**46,260**	
	Attributable to:				
	Shareholders of the Parent Company	**42,008**		**46,290**	
	Non-controlling interests	**66**		**(30)**	
15	**Earnings per share (figures in €)**	**0.113**		**0.124**	
15	**Diluted earnings per share (figures in €)**	**0.113**		**0.124**	

6_ Values have been restated, following the adoption of IAS 19 revised which, among others, changes the principle for recognising actuarial gains and losses relative to post-employment benefits. For further details, see section 2.2 Accounting policies – New Accounting standards, amendments and interpretations applied as from 1 January 2012 in the "Notes".

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Consolidated Statement of Comprehensive Income

Notes	In thousands of Euros	2012	2011 Restated[6]
	Net Profit (loss) for the period (A)	**42,074**	**46,260**
31	Effective portion of profits (losses) on cash flow hedges	(1,759)	(1,283)
31	Actuarial gains (losses) relative to defined benefit plans	(4,498)	763
31	Profit (loss) deriving from the translation of financial statements of foreign companies denominated in foreign currency	(3,818)	(11,262)
	Total Other Profits (and losses) for the period (B)*	**(10,075)**	**(11,782)**
	Total Profit (loss) for the period (A + B)	**31,999**	**34,478**
	Attributable to:		
	Shareholders of the Parent Company	**31,936**	**34,533**
	Non-controlling interests	**63**	**(55)**

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

Consolidated Statement of Financial Position

Notes	In thousands of Euros	As of 31 December 2012 Total	of which related parties	As of 31 December 2011 Total	of which related parties
	Assets				
	Non-current assets				
16	Intangible assets	660,968		649,420	
17	Property, plant and equipment	321,015		274,871	
18	Investment property				
19	Investments	6,049		2,482	
20	Other financial assets	13,047		11,836	
21	Long-term tax receivables	1,195		976	
22	Deferred tax assets	36,714		32,843	
23	Trade receivables	28			
24	Other receivables	13,781	372	15,165	405
	Total non-current assets	**1,052,797**		**987,593**	
28	**Assets held for sale**				
	Current assets				
23	Trade receivables	63,079	946	65,560	2,453
24	Other receivables	37,301	6,610	28,028	6,456
21	Short-term tax receivables	18,592		27,245	
25	Inventories	221,086		236,988	
26	Other financial assets	1,260			
27	Cash and cash equivalents	86,110		151,887	
	Total current assets	**427,428**		**509,708**	
	Total assets	**1,480,225**		**1,497,301**	
	Shareholders' equity and liabilities				
	Shareholders' equity				
31	Share capital and reserves attributable to the shareholders of the Parent Company	438,628		445,036	
31	Share capital and reserves attributable to non-controlling interests	1,245		1,182	
	Total shareholders' equity	**439,873**		**446,218**	
	Non-current liabilities				
32	Financial liabilities falling due after one year	376,574	2,900	329,200	2,900
33	Trade payables	259		235	
34	Other long-term provisions	12,352		12,429	
35	Deferred tax liabilities	6,639		9,852	
36	Retirement funds and employee benefits	50,470		46,603	
37	Tax payables	555		2,539	
38	Other long-term payables	6,423		5,948	
	Total non-current liabilities	**453,272**		**406,806**	
	Current liabilities				
32	Financial liabilities falling due within one year	115,042		170,261	
33	Trade payables	392,893	17,382	375,263	18,903
37	Tax payables	15,757		20,920	
38	Other short-term payables	50,345	187	64,718	75
34	Current portion of other long-term provisions	13,043		13,115	
	Total current liabilities	**587,080**		**644,277**	
	Total shareholders' equity and liabilities	**1,480,225**		**1,497,301**	

Consolidated Statement of Cash Flows

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

Notes	In thousands of Euros	2012 Total	of which related parties	2011 Restated[7] Total	of which related parties
	Operating activities				
	Consolidated net profit	42,008		46,290	
	Allocation of profit to non-controlling interests	66		(30)	
13	Taxes for the period	25,787		32,312	
8	Depreciation of property, plant and equipment	37,001		35,219	
8	Amortisation of intangible assets	42,620		59,794	
	Non-monetary costs for stock options	685		771	
	Allocations for risks and retirement funds and employee benefits	23,004		21,134	
	Write-downs / (Reversals)	1,493		(1,192)	
	Losses / (Gains) on the disposal of property, plants and equipment	(418)		(6,012)	
	Losses / (Gains) on the disposal of intangible assets	0			
12	Financial income	(1,522)		(3,910)	
	Dividend income	(15)		(193)	
12	Borrowing Costs	28,904		25,558	
	Income from public grants	(2,316)		(3,492)	
	Portion of earnings of affiliated companies	(3,515)			
	Change in working capital:	0			
23	(Increase)/Decrease in trade receivables	2,453	1,507	24,861	(243)
24	(Increase)/Decrease in other receivables	(7,889)	(121)	(18,740)	(435)
25	(Increase)/Decrease in inventories	15,902		3,078	
32	Increase/(Decrease) in trade payables	17,654	(1,521)	22,783	6,046
	(Increase)/Decrease in other payables	(13,898)	112	8,636	(267)
34	Increase/(Decrease) in provisions for risks	(14,370)		(21,782)	
36	Increase/(Decrease) in retirement funds and employee benefits	(4,814)		(20,795)	
	Other changes	6,336		6,021	
	Cash generated from operating activities	**195,156**		**210,311**	
	Interest paid	(28,848)		(22,825)	
	Taxes paid	(32,066)		(31,862)	
	Cash flow from operating activities (A)	**134,242**		**155,624**	
	Investment activities				
17	Investment in property, plant and equipment	(78,392)		(61,790)	
	Sale price, or repayment value, of property, plant and equipment	955		6,542	
16	Investment in intangible assets	(59,574)		(64,300)	
	Acquisition of Tecnocontrol	(11,323)			
	Sale price, or repayment value, of intangible assets	40		122	
	Purchase of financial assets	(1,263)		0	
	Sale price of financial assets	5		23,051	
	Collected interests	981		11,666	
	Cash flow from investment activities (B)	**(148,571)**		**(84,709)**	
	Financing activities				
31	Exercise of stock options			2,843	
31	Purchase of treasury shares	(9,152)		(9,080)	
31	Outflow for dividends paid	(29,877)		(25,684)	
32	Loans received	114,835		71,400	
32	Outflow for repayment of loans	(128,245)		(112,727)	
32	Financing received for leases	0		227	
32	Repayment of finance leases	(894)		(850)	
	Cash flow from funding activities (C)	**(53,333)**		**(73,871)**	
	Increase / (Decrease) in cash and cash equivalents (A+B+C)	(67,662)		(2,956)	
	Opening balance	**151,802**		**154,758**	
	Exchange differences				
	Closing balance	**84,140**		**151,802**	

7_ Values have been restated, following the adoption of IAS 19 revised which, among others, changes the principle for recognising actuarial gains and losses relative to post-employment benefits. For further details, see section 2.2 Accounting policies – New Accounting standards, amendments and interpretations applied as from 1 January 2012 in the "Notes".

The table below details the breakdown of the balance of cash and cash equivalents as of 31 December 2012 and 31 December 2011.

Notes	In thousands of Euros	As of 31 December 2012	As of 31 December 2011	Change
27	Cash and cash equivalents	86,110	151,887	(65,777)
32	Current account overdrafts	(1,970)	(85)	(1,885)
	Closing balance	**84,140**	**151,802**	**(67,662)**

Consolidated Net Debt (Net Financial Debt)

Notes	In thousands of Euros	As of 31 December 2012	As of 31 December 2011	Change
27	**Liquidity**	**86,110**	**151,887**	**(65,777)**
26	Securities	1,260		1,260
	Current financial receivables	**1,260**		**1,260**
32	Payables due to banks	(61,943)	(22,949)	(38,994)
32	Current portion of bank financing	(31,363)	(122,428)	91,065
32	Amounts due to factoring companies	(19,179)	(20,085)	906
32	Amounts due under leases	(936)	(894)	(42)
32	Current portion of payables due to other lenders	(1,621)	(3,905)	2,284
	Current financial debt	**(115,042)**	**(170,261)**	**55,219**
	Net current financial debt	**(27,672)**	**(18,374)**	**(9,298)**
32	Payables due to banks and financing institutions	(160,277)	(112,768)	(47,509)
32	Debenture loan	(193,550)	(191,859)	(1,691)
32	Amounts due under leases	(5,809)	(6,745)	936
32	Amounts due to other lenders	(4,532)	(6,153)	1,621
	Non-current financial debt	**(364,168)**	**(317,525)**	**(46,643)**
	Net financial debt*	**(391,840)**	**(335,899)**	**(55,941)**

** 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 12,406 and relative accruals (see note 32 of the Notes).*

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

In thousands of Euros	
Increase/decrease in cash and cash equivalents from the consolidated statement of cash flows	**(67,662)**
Outflow for repayment of loans	128,245
Repayment of finance leases	894
Loans received	(114,835)
Amortised cost on medium-/long-term financing	(2,463)
Purchase of financial assets	1,263
Sale of financial assets	(5)
Exchange differences	(1,380)
Other changes	2
Change in consolidated net debt	**(55,941)**

Changes in Consolidated Shareholders' Equity

Movements from 1 January 2012 / 31 December 2012[8]

Notes	In thousands of Euros	Share capital	Share premium reserve	Legal reserve	Reserve for measurement of financial instruments	IAS transition reserve	Group consolidation reserve
	As of 1 January 2012	**202,209**	**3,493**	**12,241**	**(1,510)**	**(5,859)**	**993**
31	Charges for the period for stock option plans						
31	Allocation of profits			2,352			
31	Distribution of dividends						
31	Purchase of treasury shares	(2,705)					
31	Other movements						
	Total overall profit (loss)				(1,759)		
	As of 31 December 2012	**199,504**	**3,493**	**14,593**	**(3,269)**	**(5,859)**	**993**

8_ Values have been restated, following the adoption of IAS 19 revised which, among others, changes the principle for recognising actuarial gains and losses relative to post-employment benefits. For further details, see section 2.2 Accounting policies – New Accounting standards, amendments and interpretations applied as from 1 January 2012 in the "Notes"

Movements from 1 January 2011 / 31 December 2011[9]

Notes	In thousands of Euros	Share capital	Share premium reserve	Legal reserve	Reserve for measurement of financial instruments	IAS transition reserve	Group consolidation reserve
	As of 1 January 2011	**203,348**	**3,493**	**11,299**	**(227)**	**(5,859)**	**993**
	Charges for the period for stock option plans						
	Allocation of profits			942			
	Distribution of dividends						
	Purchase of treasury shares	(2,382)					
	Sale of treasury shares	1,243					
	Reacquisition of the Simest equity investment						
	Total overall profit (loss)				(1,283)		
	As of 31 December 2011	**202,209**	**3,493**	**12,241**	**(1,510)**	**(5,859)**	**993**

9_ Values have been restated, following the adoption of IAS 19 revised which, among others, changes the principle for recognising actuarial gains and losses relative to post-employment benefits. For further details, see section 2.2 Accounting policies – New Accounting standards, amendments and interpretations applied as from 1 January 2012 in the "Notes"

Group conversion reserve	Actuarial gains (losses) relative to defined benefit plan	Stock option reserve	Performance reserve	Consolidated Group shareholders' equity	Non-controlling interests capital and reserves	Total shareholders' equity
(13,087)	**1,447**	**12,700**	**232,409**	**445,036**	**1,182**	**446,218**
		685		**685**		**685**
			(2,352)			
			(29,877)	**(29,877)**		**(29,877)**
			(6,447)	**(9,152)**		**(9,152)**
	(94)		94			
(3,815)	(4,498)		42,008	**31,936**	**63**	**31,999**
(16,902)	**(3,145)**	**13,385**	**235,835**	**438,628**	**1,245**	**439,873**

Group conversion reserve	Actuarial gains (losses) relative to defined benefit plan	Stock option reserve	Performance reserve	Consolidated Group shareholders' equity	Non-controlling interests capital and reserves	Total shareholders' equity
(1,850)	**684**	**11,929**	**217,467**	**441,277**	**1,613**	**442,890**
		771		**771**		**771**
			(942)			
			(25,684)	**(25,684)**		**(25,684)**
			(6,698)	**(9,080)**		**(9,080)**
			1,600	**2,843**		**2,843**
			376	**376**	**(376)**	
(11,237)	763		46,290	**34,533**	**(55)**	**34,478**
(13,087)	**1,447**	**12,700**	**232,409**	**445,036**	**1,182**	**446,218**

Notes to the Consolidated Financial Statements as of 31 December 2012

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 Euro (€) 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.
For a greater clarity and comparison of information in the Consolidated Financial Statements as of 31 December 2012, some changes have been made to the statement of financial position and some items have been reclassified in the financial statements and notes relative to information presented for comparative purposes.

Scope of consolidation

As of 31 December 2012, the structure of the Piaggio Group was as indicated in the Report on Operations and is the structure referred to herein.
The scope of consolidation changed compared to the Consolidated Financial Statements as of 31 December 2012 due to a new company being incorporated in the United States on 8 October 2012 and the end of the process liquidating the company P&D. The changes, of a limited extent, do not affect the comparability of data with previous periods.

Compliance with international accounting standards

The Consolidated Financial Statements of the Piaggio Group as of 31 December 2012 have been drafted in compliance with the International Accounting Standards (IAS/IFRS) in force at that date, issued by the International Accounting Standards Board and approved by the European Commission, as well as in compliance with the provisions established in Article 9 of Italian Legislative Decree no. 38/2005 (Consob Resolution no. 15519 dated July 27/7/06 containing the "Provisions for the presentation of financial statements", Consob Resolution no. 15520 dated July 27/7/06 containing the "Changes and additions to the Regulation on Issuers adopted by Resolution no. 11971/99", Consob communication no. 6064293 dated 28/7/06 July containing the "Corporate reporting required in accordance with Article 114, paragraph 5 of Legislative Decree no. 58/98").
The interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously the Standing Interpretations Committee ("SIC"), were also taken into account.
Moreover, international accounting standards have been uniformly adopted for all Group companies.
The financial statements of subsidiaries, used for consolidation, have been appropriately modified and reclassified, where necessary, to bring them in line with the international accounting standards and uniform classification criteria used by the Group.

The Financial Statements have been prepared on a historical cost basis, amended as required for the measurement of some financial instruments, and on a going-concern basis. In fact, despite the difficult economic and financial context, the Group has evaluated that there are no significant doubts about its continuing as a going concern (as defined in section 25 of IAS 1), also in relation to actions already identified to adapt to changing levels in demand, as well as the industrial and financial flexibility of the Group.
The Consolidated Financial Statements are audited by PricewaterhouseCoopers S.p.A..

Other information

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

1. Form and content of the financial statements

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

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

Consolidated Statement of Comprehensive Income
The consolidated statement of comprehensive income is presented in accordance with the provisions of adjusted version of IAS 1. It reports the net Income attributable to shareholders of the parent company and to the minority shareholders.

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

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

Consolidated net debt
The statement of consolidated net debt has been prepared pursuant to Consob Communication of 28 July 2006 and in compliance with the recommendation of the CESR of 10 February 2005 "Recommendation for the consistent implementation of the European Commission's Regulation on Prospectuses".

Consolidated Statement of Changes in Shareholders' Equity
The Consolidated Statement of Changes in Shareholders' Equity is presented as provided for in IAS 1 revised.
It includes the comprehensive income statement while separately reporting the amounts attributable to shareholders of the parent company as well as the quota pertaining to third parties, the amounts of operations with shareholders acting in this capacity and potential effects of retrospective application or of the retroactive calculation pursuant to IAS 8. Reconciliation between the opening and closing balance of each item for the period is presented.

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

As of 31 December 2012 subsidiaries and affiliated companies of Piaggio & C. S.p.A. were as follows:

	Subsidiaries			Affiliated companies			Total
	Italy	**Abroad**	**Total**	**Italy**	**Abroad**	**Total**	
Companies:							
- consolidated on a line-by-line basis	2	21	23				23
- consolidated with the equity method					1	1	1
- valued at cost				2	2	4	4
Total companies	**2**	**21**	**23**	**2**	**3**	**5**	**28**

2. Principles of consolidation and accounting policies

2.1 Principles of consolidation

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

Subsidiaries

Subsidiaries are companies in which the Group has a major influence. This influence exists when the Group has direct or indirect power to determine the financial and operational policies of a company in order to gain benefits from its operations. The acquisition of subsidiaries is recognised according to the acquisition method. The cost of acquisition is determined by the sum of present values at the date control of the given assets was obtained, liabilities borne or undertaken and financial instruments issued by the Group in exchange for control of the acquired company.
In the case of acquisitions of companies, acquired and identifiable assets, liabilities and potential liabilities are recognised at present value at the date of acquisition. The positive difference between the acquisition cost and share of the Group in the present value of said assets and liabilities is classified as goodwill and recognised in the financial statements as an intangible asset. Any negative difference ("negative goodwill") is recorded instead in the income statement at the date of acquisition.
The financial statements of subsidiaries are included in the Consolidated Financial Statements starting from the date when control is acquired until control ceases.
The portions of shareholders' equity and income attributable to non-controlling interests are separately indicated in the Consolidated Statement of Financial Position and Consolidated Income Statement respectively.

Affiliated companies

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

Jointly controlled companies

Jointly controlled companies are companies in which the Group has joint control of operations, as defined by contractual agreements. These joint venture agreements require the establishment of a separate entity in which each participating organisation has a share known as a joint control shares. The Group records joint control investments using the equity method.

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As regards transactions between a Group company and a jointly controlled company, unrealised profits and losses are eliminated to an extent equal to the percentage of the investment of the Group in the jointly controlled company, with the exception of unrealised losses that constitute evidence of an impairment of the transferred asset.

Transactions eliminated during the consolidation process

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

Transactions in foreign currency

Transactions in foreign currency are recorded at the exchange rate in effect at the end of the reporting period and are translated at the exchange rate in effect at that date. Exchange differences arising when monetary items are settled or translated at rates different from those at which they were translated when initially recognised in the period or in previous financial statements are reported in the income statement.

Consolidation of foreign companies

The separate financial statements of each company belonging to the Group are prepared in the currency of the primary economic environment in which they operate (the functional currency). For the purposes of the Consolidated Financial Statements, the financial statements of each foreign entity are in euro, which is the functional currency of the Group and the presentation currency of the Consolidated Financial Statements.
All assets and liabilities of foreign companies in a currency other than the euro which come under the scope of consolidation are translated, using exchange rates in effect at the end of the reporting period (currency exchange rates method). Income and costs are translated at the average exchange rate of the period. Translation differences arising from the application of this method, as well as translation differences arising from a comparison of initial shareholders' equity translated at current exchange rates and the same equity translated at historical rates, are recognised in the statement of comprehensive income and allocated to a specific reserve in shareholders' equity until disposal of the investment. Average exchange rates for translating the cash flows of foreign subsidiaries are used in preparing the Consolidated Statement of Cash Flows.
During the first-time adoption of IFRSs, cumulative translation differences arising from the consolidation of foreign companies outside the euro zone were not reset to zero, as allowed by IFRS 1 and have therefore been maintained.
The exchange rates used to translate the financial statements of companies included in the scope of consolidation into euros are shown in the table.

Currency	Spot exchange rate 31 December 2012	Average exchange rate as of	Spot exchange rate 31 December 2011	Average exchange rate
US Dollar	1.3194	1.28479	1.2939	1.39196
Pounds Sterling	0.8161	0.810871	0.8353	0.867884
Indian Rupee	72.560	68.5973	68.713	64.88590
Singapore Dollars	1.6111	1.60546	1,6819	1,74887
Chinese Renminbi	8.2207	8.10523	8.1588	8.99600
Croatian Kuna	7.5575	7.52167	7.537	7.43904
Japanese Yen	113.61	102.492	100.20	110.95900
Vietnamese Dong	27,776.32	27,027.53629	27,699.67	29,168.37557
Canadian Dollars	1.3137	1.28421	1.3215	1.37610
Indonesian Rupiah	12,714.00	12,045.7	11,731.50	12,206.50000

2.2 Accounting policies

The most significant accounting policies adopted to prepare the Consolidated Financial Statements as of 31 December 2012 are outlined below.

Intangible assets

As provided for in IAS 38, an intangible asset which is purchased or self-created is recognised as an asset only if it is identifiable, controllable and future economic benefits are expected and its cost may be measured reliably.
Intangible assets with a finite life are measured at acquisition cost or production cost net of amortisation and accumulated impairment losses. For an asset that justifies capitalisation, the cost also includes any borrowing costs that are directly attributable to acquisition, construction or production of the asset.
Amortisation is referred to the expected useful life and commences when the asset is available for use.

Goodwill

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

Development costs

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

Other intangible assets

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

over their estimated useful life, if they have a finite useful life.
Intangible assets with an indefinite useful life are not amortised but tested annually for impairment, or more frequently if there is an indication that an asset may be impaired.
Other intangible assets recognised following the acquisition of a company are accounted for separately from goodwill, if their present value may be reliably measured.
The amortisation period for an intangible asset with a useful life is revised at least at the end of each reporting period. If the expected useful life of the activity differs from estimates previously made, the amortisation period is changed accordingly.
The amortisation periods of intangible assets are shown below:

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

Property, plant and equipment

The Piaggio Group has decided to adopt the cost method on first-time application of the IAS/IFRS, as allowed by IFRS 1. For the measurement of property, plant and equipment, therefore, the fair value method was not used. Property, plant and equipment were booked at the purchase or production cost and were not revalued. For an asset that justifies capitalisation, the cost also includes any borrowing costs that are directly attributable to acquisition, construction or production of the asset.

Costs incurred after acquisition are capitalised only if they increase the future economic benefits of the asset they refer to. All other costs are recorded in the income statement when they are incurred.
Property, plant and equipment under construction are measured at cost and depreciated starting from the period in which they are put into operation.
Depreciation is determined, on a straight-line basis, on the cost of the assets net of their relative residual values, based on their estimated useful life.
Land is not depreciated.

Assets held through finance lease agreements, on the basis of which all risks and benefits related to ownership are basically transferred to the Group, are recognised as Group assets at their fair value, or if lower, at the present value of minimum payments due for the lease. The corresponding liability vis-à-vis the lessor is recognised in the financial statements as a financial payable. The assets are depreciated applying the criterion and rates used for assets owned by the company.
Leases in which the lessor basically retains all risks and benefits related to ownership are classified as operating leases. The costs referred to operating leases are recognised on a line-by-line basis in the income statement over the term of the lease agreement.

The Group has its own production plants even in countries where ownership rights are not allowed. Up until 2006, it classified the rentals paid in advance to obtain the availability of land where its production sites are situated as land, and relative portion of rent as depreciation, on the assumption that local laws did not allow for the acquisition of ownership, and the 90 year duration of the agreement classified it as a finance lease.

From 2007 onwards and on the basis of clarification from IFRIC, the Group reclassified rentals paid in advance to obtain the availability of land where its production sites are situated as receivables.
Profits and losses arising from the sale or disposal of assets are measured as the difference between the sale revenue and net book value of the asset and are entered in the income statement for the period.

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

The recoverable amount is the higher of an asset's fair value less costs to sell (if available) and its value in use. In measuring the value in use, estimated future cash flows are discounted at their fair value, using a rate net of taxes, which reflects current market changes in the fair value of money and specific risks of the asset.

If the recoverable amount of an asset (or of a cash generating unit) is estimated to be lower than the relative carrying amount, the carrying amount of the asset is reduced to the lower recoverable value. An impairment loss is immediately recognised in profit or loss, unless the asset concerns land or property other than investment property recognised at revalued values. In said case, the loss is recorded in the relative reversal reserve.

When the conditions that gave rise to an impairment loss no longer exist, the carrying amount of the asset (or of a cash generating unit), except for goodwill, is increased to the new value arising from an estimate of its recoverable amount, up to the net carrying amount applicable to the asset if no impairment loss had been recognised. The reversal of the impairment loss is immediately recognised in profit or loss.

An intangible asset with an indefinite useful life is tested annually for impairment, or more frequently if there is an indication that an asset may be impaired.

Investment property
International accounting standards regulate the accounting treatment of property used for production or administrative purposes (IAS 16) differently from investment property (IAS 40). As provided for by IAS 40, non-instrumental property held to earn rentals and/or for capital appreciation and/or both is measured at cost net of depreciation and accumulated impairment losses.
Investment property is eliminated from the financial statements when it is disposed of or when it may not be used over time and future economic benefits from its sale are not expected.

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

Financial assets
Financial assets are recognised and reversed from the financial statements, based on the trading date and are initially measured at cost, including any charges directly connected with the purchase.

At subsequent end of reporting periods, the financial assets the Group intends and can retain up until maturity (securities held until maturity) are recognised at amortised cost based on the effective interest rate method, net of reversals for impairment losses.

Financial assets other than those held to maturity are classified as held for trading or for sale, and are

measured at fair value at the end of each period. When financial assets are held for trading, profits and losses arising from changes in fair value are recognised in profit or loss for the period; in the case of financial assets held for sale, profits and losses arising from changes in fair value are recognised in the statement of comprehensive income, allocated to a specific reserve of shareholders' equity until sold, recovered or disposed of.

Inventories

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

The purchase or production cost is determined based on the weighted average cost method.

As regards raw materials and work in progress, the market value is represented by the estimated net realisable value of corresponding finished products minus completion costs. As regards end products, the market value is represented by the estimated net realisable value (price lists).

The lower measurement based on market trends is eliminated in subsequent years, if the trends no longer exist.

Obsolete, slow moving and/or excess inventories are impaired in relation to their possible use or future realisation, in a provision for the write-down of inventories.

Receivables

Trade receivables and other receivables are initially recognised at fair value and subsequently recognised based on the amortised cost method, net of the provision for bad debts. Losses on receivables are recognised when there is objective evidence that the Group is not able to recover the amount due from the other party on the basis of contractual terms.

When payment of amounts due exceeds standard terms of payment granted to clients, the receivable is discounted. To determine the effect, cash collection times were estimated applying a discount rate corresponding to the 20-year Euribor Swap plus a spread of listings for A rating government securities to expected financial flows.

Factoring

The Group sells a significant part of its trade receivables through factoring. Factoring may be without recourse, and in this case no risks of recourse or liquidity exist, as corresponding amounts of the balance of trade receivables are reversed when the receivable is sold to the factor.

For factoring with recourse, the risk of non-payment and the liquidity risk are not transferred, and therefore relative receivables remain in the statement of financial position until payment by the client of the amount due. In this case any advance payments collected by the factor are recognised under payables as amounts due to other lenders.

In the case of reverse factoring, relations for which a primary obligation with the supplier is maintained and any deferment, if granted, does not significantly change terms, are still classified as trade liabilities.

Cash and cash equivalents

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

Treasury shares

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

Financial liabilities

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

Derivatives and measurement of hedging operations

Group assets are primarily exposed to financial risks from changes in exchange and interest rates. The Group uses derivatives to hedge risks arising from changes in foreign currency and interest rates in particular irrevocable commitments and planned future transactions. The use of these instruments is regulated by written procedures on the use of derivatives, in line with the Group's risk management policies.

Derivatives are initially recognised at cost, and adjusted to fair value at subsequent end of reporting periods.

Derivative financial instruments are only used with the intent of hedging, in order to reduce the exchange risk, interest rate risk and risk of changes in market prices. In line with IAS 39, financial instruments may qualify for hedge accounting, only when the hedging instrument is formally designated and documented, is expected to be highly effective and this effectiveness can be reliably measured and is highly effective throughout the reporting periods for which it is designated.

When financial instruments may be measured by hedge accounting, the following accounting treatment is adopted:

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

item affects profit or loss. If hedge accounting ceases for a cash flow hedge relationship, gains and losses deferred in other shareholders' equity are recognised immediately in profit or loss.

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

Long-term provisions

The Group recognises provisions for risks and charges when it has a legal or implicit obligation to third parties and it is likely that Group resources will have to be used to meet the obligation and when the amount of the obligation itself can be reliably estimated.

Changes in estimates are recognised in profit or loss when the change takes place.
If the effect is considerable, provisions are calculated discounting future cash flows estimated at a discount rate gross of taxes, to reflect current market changes in the fair value of money and specifics risks of the liability.

Retirement funds and employee benefits

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

Stock option plan

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

Tax assets and liabilities

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

In the case of reserves of undistributed profits of subsidiaries and because the Group is able to control distribution times, deferred taxes are allocated for the reserves when distribution is expected in the future.
Deferred tax assets and liabilities are recognised at their net value when they may be offset in the same tax jurisdiction.

Payables

Payables are recognised at their nominal value, considered representative of their settlement value.

Recognition of revenues

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

Grants

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

Operating grants are recognised in the financial statements, when their payment is certain and are recognised in profit or loss in relation to costs for which the grants have been provided.

Financial income

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

Borrowing Costs

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

Dividends

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

Income tax

Taxes represent the sum of current and deferred tax assets and liabilities.
Taxes allocated under statutory accounting circumstances of individual companies included in the scope of consolidation are recognised in the consolidated financial statements, based on taxable income estimated in compliance with national laws in force at the end of the reporting period, considering applicable exemptions and tax receivables owing. Income tax is recognised in profit or loss, with the exception of items directly charged to or from shareholders' equity, in which case the tax effect is directly recognised in shareholders' equity.
Taxes are recorded under "Tax payables" net of advances and withheld taxes. Taxes due in the event of the distribution of reserves as withheld taxes recognised in the financial statements of individual Group companies are not allocated, as their distribution is not planned.
In 2010, for a further three years, the Parent Company was party 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 one global overall income equal to the algebraic sum of taxable income (income or losses) realised by individual companies that opt for this Group taxation method.

The consolidating company recognises a receivable from the consolidated company which is equal to the corporate tax to be paid on the taxable income transferred by the latter. Whereas, in the case of companies reporting tax losses, the consolidating company recognises a payable related to corporate tax on the portion of loss actually used to determine global overall income.

Earnings per share

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

Use of estimates

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

Transactions with subsidiaries and related parties

Transactions with subsidiaries and related parties are described in the Report on Operations, referred to herein.

New accounting standards, amendments and interpretations applied as from 1 January 2012

Since the 2012 Half-year Financial Statements, the Group has adopted IAS 19 revised, in advance (published in the Gazzetta Ufficiale of 6 June 2012).
In this regard:

› during the first time adoption of international accounting standards, the Company had chosen, from possible options allowed by IAS 19, to systematically recognise actuarial components in the income statement as "Employee costs"; under the "revised" version of this standard, endorsed by the European Commission, and in order to provide information which is reliable and more relevant, these components are directly recognised as "Valuation reserves" in shareholders' equity, with the reserves being immediately recognised in the "Statement of Comprehensive Income", without being recorded in the income statement; IAS 19 "revised" therefore excludes the possibility of systematically recognising actuarial components in the income statement;

› this amendment, considering the retrospective application required as of IAS 8, has given rise to the following effects on the financial statements:
  · the actuarial loss recognised in 2011, for adjustment to results of calculations made by the external actuary with reference to defined benefit obligations in relation to personnel, for an amount equal to 756 thousand Euro was not recorded in the income statement for 2011, with a decrease in net profit for 2011 of 756 thousand Euro and a concurrent positive change, of the same amount, under the item "Valuation reserves" included in the statement of financial position and the item "Actuarial Gains (Losses) relative to

defined benefit plans", recorded in the "Statement of Comprehensive Income" for 2011;
- the actuarial loss arising from the adjustment to results of calculations made by the external actuary with reference to defined benefit obligations in relation to personnel, for an amount equal to 5,722 thousand Euro was not recorded in the income statement for 2012, with an increase in net profit for 2012 equal to 4,473 thousand Euro and a concurrent negative change, of the same amount, under the item "Valuation reserves" included in the statement of financial position and the item "Actuarial Gains (Losses) relative to defined benefit plans", recorded in the "Statement of Comprehensive Income" for the first half of 2012.

Technical valuations are based on the assumptions outlined below:

Technical annual discount rate	3.25%
Annual rate of inflation	2.00%
Annual rate of increase in post-employment benefits	3.00%

To value the discount rate, the iBoxx Eurozone Corporates A index with a 10+ duration as of 31 December 2012 considered most significant in relation to the indicator used as of 31 December 2011 (AA with a 10+ duration) was adopted. This change was treated as a prospective change in estimate as provided for by IAS 8. Thus if the previous index had been used, the actuarial loss arising from the adjustment to results of calculations made by the external actuary with reference to employee benefit obligations would have been higher by 2,332 thousand euro.

- the adoption of IAS 19 revised above did not give rise to changes in initial or final shareholders' equity, but only resulted in a different quantification of the items "Valuation reserves" and "Profit (Loss) for the year", recorded in the "Statement of changes in shareholders' equity" and in the statement of financial position.

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

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

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

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

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

- On 12 May 2011 the IASB issued the standard IFRS 11 – *Joint arrangements* which will replace IAS 31 – *Interests in Joint Ventures* and SIC-13 – J*ointly Controlled Entities - Non-Monetary Contributions by Venturers.* The new standard provides methods for identifying joint arrangements based on the rights and obligations under such arrangements rather than their actual legal form and establishes the equity method as the only accounting treatment for jointly controlled entities in consolidated financial statements. The standard is applicable in a retrospective manner as of 1 January 2014. After the issue the standard IAS 28 – Investments in Associates was amended to include jointly controlled entities within its field of application, as of the date the standard became effective.

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

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

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

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

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

- On 12 November 2009, the IASB published IFRS 9 – *Financial Instruments* which was later amended on 28 October 2010. The standard, which is applicable from 1 January 2015 in a retrospective manner, represents the first part of a process to entirely phase out and replace IAS 39 with new criteria for classifying and recognising financial assets and liabilities and for eliminating financial assets (derecognition) from the financial statements. In particular 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 recorded in the income statement.

B) Segment reporting

3.Operating segment reporting

As stated in the 2011 Financial Statements, as from 24 January 2012 the Piaggio Group has an organisation based on geographic segments, EMEA and Americas, India and Asia Pacific 2W.

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

Consolidated Income Statement/ Net employed capital by geographic segment

		EMEA and Americas	India	Asia Pacific 2W	Total
Sales volumes (unit/000)	2012	278.2	224.7	112.6	**615.5**
	2011	323.5	225.0	104.8	**653.3**
	Change	(45.3)	(0.3)	7.8	**(37.7)**
	Change %	-14.0%	-0.1%	7.5%	**-5.8%**
Net turnover (millions of Euro)	2012	837.3	357.8	211.1	**1,406.2**
	2011	933.9	395.0	187.5	**1,516.5**
	Change	(96.6)	(37.3)	23.6	**(110.3)**
	Change %	-10.3%	-9.4%	12.6%	**-7.3%**
Gross margin (millions of Euro)	2012	254.0	82.2	81.6	**417.9**
	2011	284.1	97.6	72.6	**454.3**
	Change	(30.1)	(15.3)	9.0	**(36.4)**
	Change %	-10.6%	-15.7%	12.5%	**-8.0%**
EBITDA (millions of Euro)	2012				**176.2**
	2011				**199.8**
	Change				**(23.6)**
	Change %				**-11.8%**
EBIT (millions of Euro)	2012				**96.6**
	2011				**104.8**
	Change				**(8.2)**
	Change %				**-7.8%**
Net profit (millions of Euro)	2012				**42.1**
	2011				**46.3**
	Change				**(4.2)**
	Change %				**-9.0%**
Capital employed (millions of Euro)	2012	541.9	151.8	138.1	**831.7**
	2011	524.9	157.1	100.2	**782.1**
	Change	17.0	(5.3)	37.9	**49.6**
	Change %	3.2%	-3.4%	37.9%	**6.3%**
Of which receivable (millions of Euro)	2012	932.6	263.7	186.6	**1,382.9**
	2011	946.4	249.5	160.7	**1,356.6**
	Change	(13.8)	14.2	25.9	**26.2**
	Change %	-1.5%	5.7%	16.1%	**1.9%**
Of which payable (millions of Euro)	2012	390.8	111.9	48.5	**551.2**
	2011	421.5	92.4	60.6	**574.5**
	Change	(30.8)	19.5	(12.0)	**(23.3)**
	Change %	-7.3%	21.1%	-19.9%	**-4.1%**

C) Information on the Consolidated Income Statement

4. Net revenues — *€/000 1,406,152*

Revenues are shown net of premiums recognised to customers (dealers).
This item does not include transport costs, which are recharged to customers (€/000 24,958) and invoiced advertising cost recoveries (€/000 5,091), which are posted under other operating income.
The revenues for disposals of Group core business assets essentially refer to the marketing of vehicles and spare parts on European and non-European markets.

Revenues by geographic segment

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

	2012		2011		Change	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
In thousands of Euros						
EMEA and Americas	837,255	59.54	933,897	61.58	(96,642)	-10.35
India	357,795	25.44	395,047	26.05	(37,252)	-9.43
Asia Pacific 2W	211,102	15.01	187,519	12.37	23,583	12.58
Total	**1,406,152**	**100.00**	**1,516,463**	**100.00**	**(110,311)**	**-7.27**

In 2012 net sales revenues decreased on the whole compared to figures for the previous year. Increases on Asian markets partially offset the downturns in India and Europe.

5. Costs for materials — *€/000 835,352*

These totalled €/000 835,352 compared to €/000 904,060 in 2011.
The percentage of costs accounting for net sales went down, decreasing from 59.6% in 2011 to 59.4% in the current period, following the reduction in engines purchased from external sources. The following table details the content of this financial statement item:

	2012	2011	Change
In thousands of Euros			
Raw, ancillary materials, consumables and goods	818,503	902,689	(84,186)
Change in inventories of raw, ancillary materials, consumables and goods	6,886	(4,573)	11,459
Change in work in progress of semifinished and finished products	9,963	5,944	4,019
Total costs for purchases	**835,352**	**904,060**	**(68,708)**

This item includes €/000 32,802 for costs relative to purchases of scooters from the Chinese subsidiary Zongshen Piaggio Foshan, which are sold on European and Asian markets.

6. Costs for services and leases and rental costs *€/000 249,934*

Below is a breakdown of this item:

	2012	2011	Change
In thousands of Euros			
Employee costs	19,998	19,121	877
External maintenance and cleaning services	8,101	7,380	721
Energy, telephone and telex	21,568	18,926	2,642
Postal expenses	528	686	(158)
Commissions payables	588	610	(22)
Advertising and promotion	27,709	31,012	(3,303)
Technical, legal and tax consultancy and services	30,294	32,687	(2,393)
Company boards operating costs	2,171	2,114	57
Insurance	3,854	4,019	(165)
Outsourced manufacturing	15,446	20,972	(5,526)
Transport costs (vehicles and spare parts)	40,050	43,192	(3,142)
Sundry commercial expenses	16,052	17,342	(1,290)
Expenses for public relations	2,381	2,242	139
Product warranty costs	12,145	10,305	1,840
Quality-related events	6,143	10,478	(4,335)
Bank costs and factoring charges	5,662	6,926	(1,264)
Lease and rental costs	18,179	16,834	1,345
Other	15,155	18,045	(2,890)
Insurance from Group companies	51	66	(15)
Services from companies of the Group	2,107	1,892	215
Lease and rental costs of Group companies	1,752	1,635	117
Total costs for services	**249,934**	**266,484**	**(16,550)**

The reduction was caused by a decrease in volumes of assets and by the manufacture of aluminium components for engines becoming an internal process in April 2012, following the acquisition of Tecnocontrol.
Costs for leases and rentals include lease rentals for business properties of €/000 9,532, as well as lease payments for car hire, computers and photocopiers.
The item "Other" includes costs for temporary work of €/000 644.

7. Employee costs *€/000 223,419*

As already indicated, published data relative to the previous year, have been restated to make them uniform with current data.
As regards employee costs, €/000 685 were recorded, relative to stock option costs, as required by international accounting standards, as well as charges connected with the mobility plans for the Pontedera, Noale and Martorelles production sites (in the latter case, costs do not take into account the restructuring stage which began on 15 February 2013).
The reduction during the year is due, among others, to a considerable part of variable costs related to incentive systems for personnel at all levels, not being included, due to personnel failing to reach their objectives.

	2012	2011	Change
In thousands of Euros			
Salaries and wages	163,377	172,697	(9,320)
Social security contributions	43,097	48,122	(5,025)
Post-employment benefits	8,681	8,892	(211)
Other costs	8,264	18,645	(10,381)
Total	**223,419**	**248,356**	**(24,937)**

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

Level	Average number	2012	2011	Change
Senior management		95	100	(5)
Middle Management		574	504	70
White collars		2,202	2,100	102
Manual labour		5,477	5,033	444
Total		**8,348**	**7,737**	**611**

Level	Number as of	31.12.2012	31.12.2011	Change
Senior management		96	97	(1)
Middle Management		573	515	58
White collars		2.214	2.127	87
Manual labour		5.246	4.880	366
Total		**8.129**	**7.619**	**510**

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

Level	As of 31.12.11	Incoming	Leavers	Relocations	As of 31.12.12
Senior management	97	2	(5)	2	96
Middle Management	515	92	(55)	21	573
White collars	2,127	381	(282)	(12)	2,214
Blue collars	4,880	4,394	(4,017)	(11)	5,246
Total (*)	**7,619**	**4,869**	**(4,359)**	**0**	**8,129**
(*) of which fixed-term contracts	1,917	4,324	(4,118)	(92)	2,031

The increase in employees is mainly due to the new two-wheeler plant in India.
Average employee numbers were affected by seasonal workers in the summer (on fixed-term employment contracts).
In fact the Group uses fixed-term employment contracts to handle typical peaks in demand in the summer months.

Distribution of the workforce by geographic segment as of 31 December 2012

8. Amortisation/depreciation and impairment costs *€/000 79,621*

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

Property, plant and equipment	2012	2011	Change
In thousands of Euros			
Buildings	4,497	4,095	402
Plant and equipment	15,742	14,075	1,667
Industrial and commercial equipment	14,849	15,198	(349)
Other assets	1,913	1,851	62
Total depreciation of tangible fixed assets	**37,001**	**35,219**	**1,782**

Intangible assets	2012	2011	Change
In thousands of Euros			
Development costs	21,373	28,315	(6,942)
Industrial Patent and Intellectual Property Rights	15,626	21,512	(5,886)
Concessions, licences, trademarks and similar rights	4,823	9,039	(4,216)
Other	798	928	(130)
Total amortisation of intangible fixed assets	**42,620**	**59,794**	**(17,174)**

As set out in more detail in the paragraph on intangible assets, as of 1 January 2004, goodwill is no longer amortised, but tested annually for impairment.
The impairment test carried out as of 31 December 2012 confirmed the full recoverability of the amounts recorded in the financial statements.
The decrease in the item amortization of intangible assets is due to particularly high figures for the previous year related to measures to renew the range and also to the changed useful life of the Aprilia and Moto Guzzi brands, to which reference is made in the comment on the specific item of assets.

9. Other operating income *€/000 101,298*

This item consists of:

	2012	2011	Change
In thousands of Euros			
Operating grants	2,316	3,492	(1,176)
Increases in fixed assets from internal work	39,084	38,804	280
Other revenue and income:			
- Rent receipts	348	522	(174)
- Capital gains on assets and investments	425	6,095	(5,670)
- Sale of miscellaneous materials	891	1,058	(167)
- Recovery of transport costs	24,958	25,318	(360)
- Recovery of advertising costs	5,091	8,244	(3,153)
- Recovery of sundry costs	5,590	6,364	(774)
- Compensation	1,014	954	60
- Compensation for quality-related events	2,833	5,424	(2,591)
- Licence rights and know-how	2,295	3,268	(973)
- Sponsorship	3,793	3,417	376
- Other income	12,660	19,602	(6,942)
Total other operating income	**101,298**	**122,562**	**(21,264)**

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

Operating grants mainly refer to government and EU funding for research projects. €/000 441 of these grants refers to the benefit arising from tax receivables for research and development activities as provided for by article 1 sections 280-284 of Law no. 296/2006 (2007 Budget) amended by Law 244/2007 (2008 Budget). The grants are recognised in profit or loss, with reference to the amortisation of capitalised costs for which the grants were received.
Capital gains on assets in 2011 basically included those relative to the sale of property in Lugnano.

10. Other operating costs *€/000 22,540*

This item consists of:

	2012	2011	Change
In thousands of Euros			
Allocation for future risks	1,944	331	1,613
Total allocations for risks	**1,944**	**331**	**1,613**
Allocation for product warranties	12,379	12,041	338
Total other allocations	**12,379**	**12,041**	**338**
Duties and taxes not on income	4,347	2,257	2,090
Various subscriptions	945	922	23
Capital losses from disposal of assets	7	83	(76)
Miscellaneous expenses	1,227	2,294	(1,067)
Losses on receivables	198	1,299	(1,101)
Total sundry operating expenses	**6,724**	**6,855**	**(131)**
Impairment of receivables in working capital	1,493	1,096	397
Total impairment	**1,493**	**1,096**	**397**
Total	**22,540**	**20,323**	**2,217**

The increase is mainly related to the increase in the items “non-income taxes” and “allocation for future risks” only partially offset by the reduction in losses on receivables and miscellaneous expenses.

11. Income/(loss) from investments — *€/000 3,530*

Net income from investments refers to €/000 3,550 relative to the equity valuation of the investment in the Zongshen Piaggio Foshan joint venture, €/000 15 relative to dividends from minority investments and €/000 – 35 relative to the equity valuation of investments in affiliated companies.

12. Net financial income/(borrowing costs) *€/000 (32,253)*

Below is the breakdown of borrowing costs and income:

In thousands of Euros	2012	2011	Change
Income:			
- Interest receivable from affiliated companies			
- Interest receivable from clients	142	147	(5)
- Bank and post office interest payable	824	2,284	(1,460)
- Interest payable on financial receivables	509	597	(88)
- Interest on hedging	494	177	317
- Other	47	882	(835)
Total financial income	**2,016**	**4,087**	**(2,071)**

In thousands of Euros	2012	2011	Change
Borrowing costs payable to affiliated companies	300	103	197
Borrowing costs paid to others:			
- Interest payable on bank accounts	2,167	638	1,529
- Interest payable on debenture loans	14,672	13,246	1,426
- Interest payable on bank loans	8,551	8,315	236
- Interest payable to other lenders	2,799	3,051	(252)
- Cash discounts to clients	553	867	(314)
- Bank charges on loans	2,151	463	1,688
- Hedging costs	-	184	(184)
- Borrowing costs from discounting back post employment benefits	2,001	2,262	(261)
- Interest payable on lease agreements	180	205	(25)
- Other	235	2,519	(2,284)
Total borrowing costs Vs others	**33,309**	**31,750**	**1,559**
Total borrowing costs	**33,609**	**31,853**	**1,756**

In thousands of Euros	2012	2011	Change
Exchange gains	11,016	13.149	(2,133)
Exchange losses	11,676	14,081	(2,405)
Total net exchange gains/(losses)	**(660)**	**(932)**	**272**
Net financial income (borrowing costs)	**(32,253)**	**(28,698)**	**(3,555)**

The balance of financial income (borrowing costs) in 2012 was negative by €/000 32,253, registering an increase compared to the sum of €/000 28,698 of the previous year. This change was affected by the increase in debt along with an increase in costs and charges for debt refinancing. In 2012, borrowing costs amounting to €/000 6,920 were capitalised, in compliance with IAS 23.

13. Taxes *€/000 25,787*

As already indicated, published data relative to the previous year, have been restated to make them uniform with current data. The item "Income taxes" is detailed below:

In thousands of Euros	2012	2011	Change
Current taxes	31,388	39,024	(7,636)
Deferred tax liabilities	(5,601)	(6,712)	1,111
Total	**25,787**	**32,312**	**(6,525)**

Taxes for 2012 were equal to €/000 25,787, and account for 38.0% of profit before tax. In 2011, taxes were equal to €/000 32,312, and accounted for 41.1% of profit before tax.
The major decrease compared to 2011 is due to lower profit before tax and to the recognition of deferred tax assets on temporary differences that will be cancelled in future years.

Reconciliation in relation to the theoretical rate is shown below:

In thousands of Euros	2012
Profit before tax	67,861
Theoretical rate	27.5%
Theoretical income taxes	**18,662**
Tax effect arising from the difference in foreign tax rates and theoretical Italian rates	8,305
Effect arising from changes in Profit before tax due to the application of tax regulations	(2,082)
Tax effect arising from deferred tax assets for time changes and tax losses	(3,629)
Tax effect arising from deferred tax liabilities allocated for time changes	(2,031)
Tax effect arising from taxes on income produced abroad	2,632
Other differences	(276)
Expenses (income) from the Consolidated Tax Convention	(22)
Income taxes referred to previous years	465
Tax effect arising from tax benefits	(5,935)
Tax on the distribution of dividends	6,312
Regional production tax and other local taxes	3,386
Income taxes recognised in the financial statement	**25,787**

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

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

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

15. Earnings per share

Earnings per share are calculated as follows:

		2012	2011
Net income	€/000	42,074	46,260
Earnings attributable to ordinary shares	€/000	42,074	46,260
Average number of ordinary shares in circulation at		371,793,901	371,793,901
Earnings per ordinary share	€	0.113	0.124
Adjusted average number of ordinary shares		372,348,319	374,048,592
Diluted earnings per ordinary share	€	0.113	0.124

The potential effects deriving from stock option plans were considered when calculating diluted earnings per share. As already indicated, published data relative to the previous year, have been restated to make them uniform with current data.

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

16. Intangible assets *€/000 660,968*

The table below shows the breakdown of intangible assets as of 31 December 2012 and 31 December 2011, as well as movements during the period.

	Development cost	Patent rights	Concessions, licences and trademarks	Goodwill	Other	Assets under development and advances	Total
In thousands of Euros							
Historical cost	102,694	200,320	148,296	557,322	4,908	43,803	1,057,343
Provisions for write-down							-
Accumulated amortisation	(57,297)	(160,811)	(75,961)	(110,382)	(3,472)		(407,923)
Assets as of 31.12.2011	**45,397**	**39,509**	**72,335**	**446,940**	**1,436**	**43,803**	**649,420**
Investments	14,641	15,786			591	28,556	59,574
Transitions in the period	15,075	2,914			41	(18,030)	
Amortisation	(21,373)	(15,626)	(4,823)		(798)		(42,620)
Disposals	(6)	(27)	-		-	(7)	(40)
Write-downs							-
Exchange differences	(790)	(226)			(10)	(1,598)	(2,624)
Other movements	(2,884)	130			12	-	(2,742)
Total changes	**4,663**	**2,951**	**(4,823)**	**0**	**(164)**	**8,921**	**11,548**
Historical cost	104,710	217,857	148,283	557,322	5,643	52,724	1,086,539
Provisions for write-down							-
Accumulated amortisation	(54,650)	(175,397)	(80,771)	(110,382)	(4,371)		(425,571)
Assets as of 31.12.2012	**50,060**	**42,460**	**67,512**	**446,940**	**1,272**	**52,724**	**660,968**

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

	Value as of 31 December 2012			**Value as of 31 December 2011**			**Change**		
	For the period	**Under construction and advances**	**Total**	**For the period**	**Under construction and advances**	**Total**	**For the period**	**Under construction and advances**	**Total**
In thousands of Euros									
R&D costs	50,060	49,158	99,218	45,397	39,986	85,383	4,663	9,172	13,835
Patent rights	42,460	3,095	45,555	39,509	3,697	43,206	2,951	(602)	2,349
Concessions, licences and trademarks	67,512		67,512	72,335		72,335	(4,823)	-	(4,823)
Goodwill	446,940		446,940	446,940		446,940	-	-	-
Other	1,272	471	1,743	1,436	120	1,556	(164)	351	187
Total	**608,244**	**52,724**	**660,968**	**605,617**	**43,803**	**649,420**	**2,627**	**8,921**	**11,548**

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

Development costs €/000 99,218

Development costs include costs for products and engines in projects for which there is an expectation, for the period of the useful life of the asset, to see net sales at such a level in order to allow the recovery of the costs incurred. This item also includes assets under construction for €/000 49,158 that represent costs for which the

conditions for capitalisation exist, but in relation to products that will go into production in future years.
Costs for the development of new projects capitalised during 2012 mainly refer to new models of the Vespa 946 and the New Vespa LX, to the new Piaggio X10 and Moto Guzzi California and the new Lem and 1,400 cc engines.
Borrowing costs relative to loans for long-term product development are capitalised as a part of the cost of the actual assets.
Development costs included under this item are amortised on a straight line basis over 5 years (founding products) or 3 years, in consideration of their remaining useful life.
During 2012, development costs of approximately 19.1 million Euro were recognised directly in profit or loss.

Industrial Patent and Intellectual Property Rights €/000 45,555

This item comprises software for €/000 13,567 and patents and know-how. It includes assets under construction for €/000 3,095.
Patents and know-how refer mainly to Vespa vehicles, the GP 800, MP3, RSV4, MP3 Hybrid and 1200cc engine and to the NT3 prototype. Increases for the period mainly concern software and implementation of the SRM platform in India and Vietnam and installation of SAP in Indonesia.
Industrial patent and intellectual property rights costs are amortised over three years.

Trademarks, concessions and licences €/000 67,512

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

	As of 31 December 2012	As of 31 December 2011	Change
In thousands of Euros			
Guzzi trademark	22,750	24,375	(1,625)
Aprilia trademark	44,702	47,895	(3,193)
Minor brands	60	65	(5)
Total Trademarks	**67,512**	**72,335**	**(4,823)**

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

The accounting effects of the change are as follows:

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

Goodwill €/000 446,940

In order to respond to market demand more effectively and efficiently, keep a steady focus on product specifics and create organisational and operational synergies to optimise costs, the Group, as already referred to in the 2011 Financial Statements, and as from 24 January 2012, has an organisation based on geographic segments, establishing the new CGUs Emea and Americas, India and Asia Pacific 2W.

	EMEA and Americas	India	Asia Pacific 2W	Total
In thousands of Euros				
31.12.2012	305,311	109,695	31,934	446,940
31.12.2011	305,311	109,695	31,934	446,940

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

a. the use of 2013 Budget figures (approved by the Board of Directors on 17 December 2012) and management estimates for data relative to 2014-2016;
b. the WACC discount rate.

In particular, to discount cash flows, the Group adopted a discount rate (WACC) which differs based on different cash generating units. This reflects market valuations of the fair value of money and takes account of specific risks of activities and the geographic segment in which the cash generating unit operates. The average discount rate of the Group, net of taxes, is equal to 10.3%.
In the future cash flows discounting model, a final value is entered at the end of the cash flow projection period, to reflect the residual value each cash-generating unit should produce. The final value represents the current value, at the last year of the projection, of all subsequent cash flows calculated as perpetual income, and was determined using a growth rate (g rate) which differed by CGU, to reflect the different growth potentials of each CGU.

	EMEA and Americas	India	Asia Pacific 2W
WACC	8.25%	11.33%	11.61%
G	1.5%	2.0%	2.0%

Analyses did not identify any impairment losses. Therefore no impairment was recognised in consolidated data as of 31 December 2012.
In addition, and on the basis of information in the document produced jointly by the Bank of Italy, Consob and Isvap (the insurance watchdog) no. 2 of 6 February 2009, the Group conducted sensitivity analysis of test results in relation to changes in basic assumptions (use of the growth rate in producing the final value and discount rate) which affect the value in use of cash generating units.
In all cases, the value in use of the Group was higher than the net carrying amount tested.

Given that the recoverable value was estimated, the Group cannot ensure that there will be no impairment losses of goodwill in future financial periods.
Given the current market crisis, the various factors utilised in the estimates could require revision; the Piaggio

Group will constantly monitor these factors as well as the existence of impairment losses.

The item *Goodwill* arises from the greater value paid compared to the corresponding portion of shareholders' equity of companies in which the Group has investments on purchase, minus relative accumulated amortisation up to 31 December 2003. During first-time adoption of IFRSs, the Company opted not to retroactively apply IFRS 3 - *Business Combinations* to acquisitions of companies that took place before 1 January 2004; as a result, the goodwill generated on acquisitions prior to the date of transition to IFRSs was maintained at the previous value, determined according to Italian accounting standards, subject to assessment and recognition of any impairment losses.
For all the transactions listed below, the difference between the carrying amount of the investment and the net book value has been attributed to goodwill.
The transactions which gave rise to this item are:

› the acquisition by MOD S.p.A. of the Piaggio & C. Group, completed during 1999 and 2000 (net value as of 1st January 2004: €/000 330,590);
› the acquisition, completed in 2001, by Piaggio & C. S.p.A. of 49% of the company Piaggio Vehicles Pvt. Ltd from the partner Greaves Ltd (net value as of 1 January 2004: €/000 5,192). This is in addition to the subsequent acquisition by Simest S.p.A. of a 14.66% stake in the share capital of Piaggio Vehicles Pvt. Ltd;
› the acquisition, by Piaggio & C. S.p.A., of 100% of Nacional Motor S.A. in October 2003, at a price of €/000 35,040 with goodwill net of amortisation of €/000 31,237 as of 1 January 2004;
› the acquisition, by Piaggio & C. S.p.A. of 100% of Aprilia S.p.A. in December 2004.

As part of the agreements for the acquisition of Aprilia, the company issued warrants and financial instruments in favour of Banks acting as creditors with respect to Aprilia and the selling shareholders; these could be exercised in periods determined by the respective regulations as of the date of approval of the consolidated financial statements as of 31 December 2007.
The initial purchase cost adjustment relating to the payment of Warrants and EMH Financial Instruments equal to €/000 70,706 was entered as goodwill.

Other intangible assets €/000 1,743

These totalled €/000 1,743 and mainly consist of charges sustained by Piaggio Vietnam.

17. Property, plant and equipment *€/000 321,015*

The table below shows the breakdown of plant, property and equipment as of 31 December 2012 and 31 December 2011, as well as movements during the period.

	Land	Buildings	Plant and equipment	Equipment	Other assets	Assets under development and advances	Total
In thousands of Euros							
Historical cost	31,586	131,760	335,935	471,529	43,343	51,516	1,065,669
Reversals							-
Provisions for write-down				(1,339)			(1,339)
Accumulated depreciation		(46,950)	(266,346)	(439,050)	(37,113)		(789,459)
Assets as of 31.12.2011	**31,586**	**84,810**	**69,589**	**31,140**	**6,230**	**51,516**	**274,871**
Investments		1,847	5,006	9,612	1,011	60,916	78,392
Transitions in the period		13,908	32,930	3,039	1,426	(51,303)	-
Depreciation		(4,497)	(15,742)	(14,849)	(1,913)		(37,001)
Disposals		-	(399)	(64)	(43)	(32)	(538)
Impairment				-			-
Exchange differences		(1,106)	(2,709)	(13)	(147)	(842)	(4,817)
Acquisition of Tecnocontrol		2,113	6,456	1,142	68		9,779
Other movements		324	221	(133)	(83)	-	329
Total changes	**-**	**12,589**	**25,763**	**(1,266)**	**319**	**8,739**	**46,144**
Historical cost	31,586	148,663	375,802	483,825	44,456	60,255	1,144,587
Reversals							-
Provisions for write-down				(1,427)			(1,427)
Accumulated depreciation		(51,264)	(280,450)	(452,524)	(37,907)		(822,145)
Assets as of 31.12.2012	**31,586**	**97,399**	**95,352**	**29,874**	**6,549**	**60,255**	**321,015**

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

	Value as of 31 December 2012			Value as of 31 December 2011			Change		
	For the period	Under construction and advances	Total	For the period	Under construction and advances	Total	For the period	Under construction and advances	Total
In thousands of Euros									
Land	31,586		31,586	31,586		31,586	0	0	0
Buildings	97,399	14,806	112,205	84,810	18,253	103,063	12,589	(3,447)	9,142
Plant and equipment	95,352	31,460	126,812	69,589	24,155	93,744	25,763	7,305	33,068
Equipment	29,874	13,189	43,063	31,140	8,493	39,633	(1,266)	4,696	3,430
Other assets	6,549	800	7,349	6,230	615	6,845	319	185	504
Total	**260,760**	**60,255**	**321,015**	**223,355**	**51,516**	**274,871**	**37,405**	**8,739**	**46,144**

The item Plant, property and equipment was affected by the acquisition of the company Tecnocontrol. The effects are indicated in a specific row and concern a value of €/000 2,113 for Buildings, €/000 6,456 for Plant and Machinery, €/000 1,142 for Equipment and €/000 68 for Other assets. For more details, see the comments on Corporate Structure in the Report on Operations.
Plant, property, and equipment mainly refer to Group production facilities in Pontedera (Pisa), Noale (Venice), Mandello del Lario (Lecco), Barcelona (Spain), Baramati (India) and Vinh Phuc (Vietnam).
Increases principally concern moulds for new vehicles launched in the period, the construction of the new spare parts warehouse at Pontedera, completion of the Vespa plant in India and development of the new engines plant in Vietnam. 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.

Land €/000 31,586

Land is not depreciated. Land mainly refers to Group production facilities in Pontedera (Pisa), Noale (Venice), Mandello del Lario (Lecco) and Barcelona (Spain). The item also includes land at Pisa which was transferred in December 2009 by the Parent Company to a property fund, consolidated on a line-by-line basis.

Buildings €/000 112,205

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

In thousands of Euros	As of 31 December 2012	As of 31 December 2011	Change
Industrial buildings	96,517	83,971	12,546
Ancillary buildings	477	564	(87)
Light constructions	405	275	130
Assets under construction	14,806	18,253	(3,447)
Total	**112,205**	**103,063**	**9,142**

Industrial buildings refer to Group production facilities in Pontedera (Pisa), Noale (Venice), Mandello del Lario (Lecco), Barcelona (Spain), Baramati (India) and Vinh Phuc (Vietnam). The item also includes a building at Pisa which was transferred in December 2009 by the Parent Company to a property fund, consolidated on a line-by-line basis.
As of 31 December 2012, the net values of assets held under leases were as follows:

In thousands of Euros	As of 31 December 2012
Mandello del Lario site (land and building)	13,239
Total	**13,239**

Future lease rental commitments are detailed in note 32.
Buildings are depreciated on a straight-line basis using rates considered suitable to represent their useful life.
Production buildings are depreciated on the basis of rates between 3% and 5%, while lightweight constructions are depreciated using rates between 7% and 10%.

Plant and equipment €/000 126,812

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

In thousands of Euros	As of 31 December 2012	As of 31 December 2011	Change
General plants	69,407	49,398	20,009
Automatic machinery	6,913	3,535	3,378
Furnaces and sundry equipment	733	864	(131)
Other	18,299	15,792	2,507
Assets under construction	31,460	24,155	7,305
Total	**126,812**	**93,744**	**33,068**

Plants and machinery refer to Group production facilities in Pontedera (Pisa), Noale (Venice), Mandello del Lario (Lecco), Barcelona (Spain), Baramati (India) and Vinh Phuc (Vietnam).
The “Other” item mainly includes non-automatic machinery and robotic centres.

Plant and equipment are depreciated using the following rates:
› non-specific plants: 10%;
› specific plant and non-automatic equipment: 10%;

- specific plant and automatic equipment: 17.5%;
- furnaces and sundry equipment: 15%;
- robotic work centres: 22%.

Assets under construction amount to €/000 31,460.

Equipment €/000 43,063

The item Equipment, equal to €/000 43,063, mainly refers to production equipment of Piaggio & C. S.p.A., Nacional Motor S.A., Piaggio Vehicles Pvt. Ltd. and Piaggio Vietnam Co Ltd already being depreciated and assets under construction for €/000 13,189.
Main investments in equipment concerned moulds for new vehicles launched during the year or scheduled to be launched in the first half of next year, moulds for new engines and specific equipment for assembly lines.
Industrial and commercial equipment is depreciated using rates considered appropriate by Group companies to represent its useful life and in particular:

- testing and monitoring equipment: 30%;
- miscellaneous and small-scale equipment: 25%.

Other plant, property and equipment €/000 7,349

As of 31 December 2012 the item *Other assets* comprised the following:

	As of 31 December 2012	As of 31 December 2011	Change
In thousands of Euros			
EDP systems	829	1,012	(183)
Office furniture and equipment	3,734	3,625	109
Vehicles	1,446	1,345	101
Other	540	248	292
Assets under construction	800	615	185
Total	**7,349**	**6,845**	**504**

Reversals of assets

The Parent Company still has assets subject to impairment reversals in compliance with specific regulations or during merger operations.
The table below gives detailed figures for financial statement items and with reference to the legal provision or merger operation.

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

Warranties

As of 31 December 2012, the Group had buildings encumbered by mortgage liens in favour of financing institutions to secure loans obtained in previous years, of which the balance to repay is €/000 123.

18. Investment Property *€/000 0*

As of 31 December 2012 no investment property was held.

19. Investments *€/000 6,049*

The Investments heading comprises:

	As of 31 December 2012	As of 31 December 2011	Change
In thousands of Euros			
Interests in joint ventures	5,838	2,288	3,550
Investments in affiliated companies	211	194	17
Total	**6,049**	**2,482**	**3,567**

The increase in the item interests in joint ventures refers to the equity valuation of the investment in the Zongshen Piaggio Foshan Motorcycles Co. Ltd. joint venture.
The value of investments in affiliated companies was adjusted during the year to the corresponding value of shareholders' equity.

Investments in Joint Ventures €/000 5,838

Joint venture	Carrying amount as of 31 December 2012
In thousands of Euros	
Accounted for using the equity method:	
Zongshen Piaggio Foshan Motorcycles Co. Ltd – China	5,838
Total joint ventures	**5,838**

The investment in Zongshen Piaggio Foshan Motorcycles Co. Ltd was classified under the item *"joint ventures"* in relation to agreements made in the contract signed on 15 April 2004 between Piaggio & C. S.p.A. and its historical partner Foshan Motorcycle Plant, and the Chinese company Zongshen Industrial Group Company Limited.
The investment of Piaggio & C. S.p.A. in Zongshen Piaggio Foshan Motorcycles is equal to 45% of which 12.5% is held through the direct subsidiary Piaggio China Company Ltd.. The carrying amount of the investment is equal to €/000 5,838 and reflects shareholders' equity pro-quota adjusted to take into account the measurement criteria adopted by the Group, as well as the recoverable value determined during impairment testing by the Parent Company.

The table below summarises main financial data of the joint ventures:

Zongshen Piaggio Foshan Motorcycle Co.	Financial Statements as of 31 December 2012
In thousands of Euros	45%*
Working capital	3,069
Total assets	5,622
Net Capital Employed	**8,691**
Provisions	343
Consolidated debt	858
Shareholders' equity	7,490
Total sources of financing	**8,691**

** Group ownership*

Investments in Associates €/000 211

This item comprises:

Affiliated companies	Carrying amount as of 31 December 2011	Revers.	Write-down	Carrying amount as of 31 December 2012
In thousands of Euros				
Accounted for using the cost method:				
Immsi Audit S.c.a.r.l.	10			10
S.A.T. S.A. – Tunisia	0			0
Depuradora D'Aigues de Martorelles S.C.C.L.	3	52		55
Pontech Soc. Cons. a.r.l. – Pontedera	181		(35)	146
Total affiliated companies	**194**	**52**	**(35)**	**211**

The value of investments in affiliated companies was adjusted during the year to the corresponding value of shareholders' equity.

20. Other non-current financial assets *€/000 13,047*

	As of 31 December 2012	As of 31 December 2011	Change
In thousands of Euros			
Financial receivables due from third parties	30	32	(2)
Fair Value of hedging derivatives	12,854	11,639	1,215
Investments in other companies	163	165	(2)
Total	**13,047**	**11,836**	**1,211**

The item *"Fair value of hedging derivatives"* refers to €/000 9,937 from the fair value of the cross currency swap relative to a private debenture loan, to €/000 2,819 from the fair value of the cross currency swap relative to a medium-term loan of the Indian subsidiary and to €/000 98 from the fair value of the cross currency swap relative to a medium-term loan of the Vietnamese subsidiary. For more details, see attachment H - Information on financial instruments.
The value of investments in other companies decreased by €/000 2 following the disposal of investments in Sviluppo Italia Liguria (- 5 €/000) and increase in the increase in the investment in IVM (+ 3 €/000).

Their breakdown is as follows:

Other companies:	Carrying amount as of 31 December 2011	Increases	Disposals	Carrying amount as of 31 December 2012
In thousands of Euros				
Accounted for using the cost method:				
Sviluppo Italia Liguria S.c.p.a.	5		(5)	0
Consorzio Pisa Ricerche	76			76
A.N.C.M.A. – Rome	2			2
GEOFOR S.p.A. – Pontedera	47			47
ECOFOR SERVICE S.p.A. – Pontedera	2			2
Mitsuba Italia SpA	0			0
Consorzio Fiat Media Center – Turin	3			3
S.C.P.S.T.V.	21			21
IVM	9	3		12
Total other companies	**165**	**3**	**(5)**	**163**

21. Current and non-current tax receivables *€/000 19,787*

Receivables due from tax authorities consist of:

	As of 31 December 2012	As of 31 December 2011	Change
In thousands of Euros			
VAT receivables	16,412	26,873	(10,461)
Income tax receivables	1,636	645	991
Other receivables due from the public authorities	1,739	703	1,036
Total tax receivables	**19,787**	**28,221**	**(8,434)**

Non-current tax receivables amounted to €/000 1,195 compared to €/000 976 as of 31 December 2011, while current tax receivables amounted to €/000 18,592 compared to €/000 27,245 as of 31 December 2011, mainly due to the decrease in VAT receivables of the Parent Company and Indian subsidiary. The item "other receivables due from the public administration" mainly includes the advance payment of regional production tax.

22. Deferred tax assets *€/000 36,714*

Deferred tax assets total €/000 36,714, up compared to €/000 32,843 as of 31 December 2011. During 2012, deferred tax assets increased considerably, due to the registration of deferred taxes on temporary differences that will be cancelled in future years and on tax losses that will be offset against future taxable income.

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.

As of 31 December 2012	Amount of temporary differences	Tax rate	Tax effect	Recognised	Not recognised
In thousands of Euros					
	6,463	27.5/31.4%	2,001		
	334	20.00%	67		
	1,516	36.87%	559		
Provisions for risks	**8,313**		**2,627**		
	12,278	31.40%	3,855		
	190	30.00%	57		
	81	38.40%	31		
	152	25.00%	38		
Provision for product warranties	**12,700**		**3,981**		
	11,184	27.50%	3,076		
	170	20.00%	34		
	440	27.50%	121		
	7	38.40%	3		
	555	36.87%	205		
Provisions for bad debts	**12,356**		**3,438**		
	29,929	31.40%	9,398		
	426	7.50%	32		
	3,885	31.40%	1,220		
	264	38.40%	101		
	372	20.00%	74		
	3,133	36.87%	1,155		
	71	20.00%	14		
Provisions for obsolete stock	**38,079**		**11,995**		
	(16,242)	27.5/31.4%	(5,085)		
	3,936	30%	1,181		
	663	33.33%	221		
	230	32.56%	75		
	7,322	33.99%	2,489		
	307	20.00%	61		
	81	23.00%	19		
	87	25.00%	22		
	185	38.40%	71		
	301	20.00%	60		
	2,957	7.50%	222		
	3,601	19.00%	684		
	200	25.00%	50		
	39	30.00%	12		
	6,112	36.87%	2,254		
	171	100.00%	171		
	5	20.00%	1		
	41	17.00%	7		
	125	27.50%	34		
Other changes	**10,123**		**2,548**		
Total for provisions and other changes	**81,571**		**24,588**	**12,296**	**12,291**
Piaggio &C	87,951	27.50%	24,187		
Piaggio Indonesia	937	25.00%	234		
Nacional Motor	18,614	30.00%	5,584		
Piaggio Japan	2,586	36.10%	934		
Piaggio Group of Americas	29,777	36.87%	10,979		
Derbi Racing SL	8,529	30.00%	2,559		
Total out of tax losses	**148,394**		**44,477**	**24,418**	**20,059**

23. Trade receivables *€/000 63,107*

As of 31 December 2012 current trade receivables amounted to €/000 63,079 compared to €/000 65,560 as of 31 December 2011.
At the same date, non-current trade receivables amounted to €/000 28.

Their breakdown was as follows:

	As of 31 December 2012	As of 31 December 2011	Change
In thousands of Euros			
Trade receivables	62,161	63,107	(946)
Receivables due from Group companies valued at equity	946	2,408	(1,462)
Receivables due from affiliated companies	-	45	(45)
Total	**63,107**	**65,560**	**(2,453)**

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

The item "Trade receivables" comprises receivables referring to normal sale transactions, recorded net of the provision for bad debts of €/000 26,177.

Movements of provisions were as follows:

In thousands of Euros	
Opening balance as of 1 January 2012	**26,124**
Increases for allocations	1,255
Decreases for use	(1,180)
Other changes	(22)
Closing balance as of 31 December 2012	**26,177**

The Group sells a large part of its trade receivables with and without recourse. Piaggio has signed contracts with some of the most important Italian and foreign factoring companies as a move to optimise the monitoring and the management of its trade receivables, besides offering its customers an instrument for funding their own inventories, for factoring classified as without the substantial transfer of risks and benefits. On the contrary, for factoring without recourse, contracts have been formalised for the substantial transfer of risks and benefits. As of 31 December 2012 trade receivables still due, sold without recourse totalled €/000 66,242.
Of these amounts, Piaggio received payment prior to natural expiry, of €/000 64,516.

As of 31 December 2012, advance payments received from factoring companies and banks, for trade receivables sold with recourse totalled €/000 19,179 with a counter entry recorded in current liabilities.

24. Other current and non-current receivables *€/000 51,082*

Other receivables recorded under non-current assets totalled €/000 13,781 compared to €/000 15,165 as of 31 December 2011, whereas those recorded under current assets are equal to €/000 37,301 against €/000 28,028 as of 31 December 2011. They comprise the following:

Other non-current receivables	As of 31 December 2012	As of 31 December 2011	Change
In thousands of Euros			
Receivables due from Group companies	138	138	-
Receivables due from affiliated companies	234	267	(33)
Prepaid expenses	10,643	12,265	(1,622)
Advances to employees	84	99	(15)
Security deposits	443	324	119
Receivables due from others	2,239	2,072	167
Total non-current portion	**13,781**	**15,165**	**(1,384)**

Receivables due from Group companies comprise amounts due from AWS do Brasil.
Receivables due from affiliated companies regard amounts due from the Fondazione Piaggio (Foundation).

Other current receivables	As of 31 December 2012	As of 31 December 2011	Change
In thousands of Euros			
Receivables due from the Parent Company	6,359	6,259	100
Receivables due from Group companies valued at equity	194	140	54
Receivables due from affiliated companies	57	57	-
Accrued income	631	2,941	(2,310)
Prepaid expenses	8,162	2,026	6,136
Advance payments to suppliers	5,503	2,543	2,960
Advances to employees	2,136	576	1,560
Fair Value of hedging derivatives		987	(987)
Security deposits	263	203	60
Receivables due from others	13,996	12,296	1,700
Total current portion	**37,301**	**28,028**	**9,273**

Receivables due from the Parent Company regard the assignment of tax receivables that took place within the group consolidated tax procedure.
Receivables due from Group companies comprise amounts due from Zongshen Piaggio Foshan Motorcycles.
Receivables due from affiliated companies are amounts due from the Fondazione Piaggio and Immsi Audit.

25. Inventories *€/000 221,086*

This item comprises:

	As of 31 December 2012	As of 31 December 2011	Change
In thousands of Euros			
Raw materials and consumables	97,750	103,126	(5,376)
Provisions for write-down	(13,352)	(13,152)	(200)
Net value	*84,398*	*89,974*	*(5,576)*
Work in progress and semifinished products	20,678	23,246	(2,568)
Provisions for write-down	(852)	(852)	-
Net value	*19,826*	*22,394*	*(2,568)*
Finished products and goods	143,049	150,649	(7,600)
Provisions for write-down	(26,264)	(26,160)	(104)
Net value	*116,785*	*124,489*	*(7,704)*
Advances	77	131	(54)
Total	**221,086**	**236,988**	**(15,902)**

26. Other current financial assets *€/000 1,260*

This item comprises:

	As of 31 December 2012	As of 31 December 2011	Change
In thousands of Euros			
Locked-up deposits	1,260	-	1,260
Total	**1,260**	**-**	**1,260**

This item refers to the collection of monies from the sale of a licence in France, which according to local legislation, is currently in the form of a bank deposit pending the expiry of the quarterly period indicated by the law for any claimants.

27. Cash and cash equivalents *€/000 86,110*

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

	As of 31 December 2012	As of 31 December 2011	Change
In thousands of Euros			
Bank and postal deposits	71,424	151,394	(79,970)
Cash on hand	59	52	7
Securities	14,627	441	14,186
Total	**86,110**	**151,887**	**(65,777)**

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

28. Assets held for sale *€/000 0*

As of 31 December 2012, there were no assets held for sale.

29. Breakdown of assets by geographic segment

As regards the breakdown of assets by geographic segment, reference is made to the section on segment reporting.

30. Receivables due after 5 years *€/000 0*

As of 31 December 2012, there were no receivables due after 5 years.

Information on the Consolidated Statement of Financial Position - Liabilities

31. Share capital and reserves — *€/000 439,873*

Share capital — €/000 199,504

During the period, share capital changed, following the purchase of 4,882,441 treasury shares. This is broken down as follows:

In thousands of Euros	
Subscribed and paid up capital	205,941
Treasury shares purchased as of 31 December 2011	(3,732)
Share capital as of 1 January 2012	202,209
Purchase of treasury shares	(2,705)
Share Capital as of 31 December 2012	**199,504**

Therefore, as of 31 December 2012 the Parent company held 11,726,521 treasury shares, equal to 3.15% of the share capital.
In accordance with international accounting standards, the acquisitions were recognised as a decrease of shareholders' equity.

Share premium reserve — €/000 3,493

The share premium reserve as of 31 December 2012 was unchanged and equal to €/000 3,493.

Legal reserve — €/000 14,593

The legal reserve increased by €/000 2,352 as a result of the allocation of earnings for the last period.

Other reserves — €/000 (14,797)

This item consists of:

In thousands of Euros	As of 31 December 2012	As of 31 December 2011	Change
Translation reserve	(16,902)	(13,087)	(3,815)
Stock option reserve	13,385	12,700	685
Financial instruments' fair value reserve	(3,269)	(1,510)	(1,759)
Termination benefit adjustment reserve	(3,145)	1,447	(4,592)
IFRS transition reserve	(5,859)	(5,859)	-
Total other reserves	*(15,790)*	*(6,309)*	*(9,481)*
Consolidation reserve	993	993	-
Total	**(14,797)**	**(5,316)**	**(9,481)**

As already indicated, following the adoption of IAS 19 Revised, in advance, published data relative to the previous year have been restated to make them uniform with current data.
The financial instruments fair value provision is negative and refers to the effects of cash flow hedge accounting in foreign currencies, interest and specific business transactions. These transactions are described in full in the note on financial instruments.
The consolidation reserve was generated after the acquisition - in the month of January 2003 - of the shareholding in Daihatsu Motor Co. Ltd in P&D S.p.A., equal to 49% of the share capital, by Piaggio & C. S.p.A.

Distributed dividends €/000 29,877

In May 2012, dividends amounting to €/000 29,877 were paid. In May 2011, dividends amounting to €/000 25,684 had been paid.

Performance reserve €/000 235,835

Non-controlling interests capital and reserves €/000 1,245

The end of period amount refers to minority interest in Piaggio Hrvatska Doo.

Other net profit (losses) €/000 (6,257)

The value of Other net income (losses) is composed as follows

In thousands of Euros	As of 31 December 2012	As of 31 December 2011	Change
The effective portion of net profit (losses) on cash flow hedging instruments generated in the period	(1,069)	(1,510)	441
The effective portion of net profit (losses) on cash flow hedging instruments restated in the consolidated income statement	(690)	227	(917)
Effective portion of profits (losses) on cash flow hedges	**(1,759)**	**(1,283)**	**(476)**
Actuarial gains (losses) relative to defined benefit plans	(4,498)	763	(5,261)
Total gains (losses)	**(6,257)**	**(520)**	**(5,737)**

32. Current and non-current financial liabilities €/000 491,616

During 2012, the Group's overall debt reported a decrease of €/000 7,845, dropping from €/000 499,461 to €/000 491,616. Total financial debt of the Group, net of the fair value measurement of financial derivatives to hedge foreign exchange risk and interest rate risk as of 31 December 2012 decreased by €/000 8,576.

	Financial liabilities as of 31 December 2012			Financial liabilities as of 31 December 2011			Change		
In thousands of Euros	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total
Gross financial debt	115,042	364,168	479,210	170,261	317,525	487,786	(55,219)	46,643	(8,576)
Fair Value of hedging derivatives		12,406	12,406		11,675	11,675		731	731
Total	**115,042**	**376,574**	**491,616**	**170,261**	**329,200**	**499,461**	**(55,219)**	**47,374**	**(7,845)**

This reduction is mainly attributable to the repayment of loan instalments due, using available resources, partially offset by the granting of new loans. The Group's net debt totalled €/000 391,840 as of 31 December 2012 compared to €/ 000 335,899 as of 31 December 2011, as can be seen in the table on net financial debt included in the financial statements. Non-current financial liabilities totalled €/000 364,168 against €/000 317,525 as of 31 December 2011, whereas current financial liabilities totalled €/000 115,042 compared to €/000 170,261 as of 31 December 2011.

The attached tables summarise the breakdown of financial debt as of 31 December 2012 and as of 31 December 2011, as well as changes for the period.

In thousands of Euros	Book value As of 31.12.2011	Repayments	New issues	Reclassification to the current portion	Exchange delta	Other changes	Book value As of 31.12.2012
Non-current portion:							
Bank financing	112,768		78,412	(32,174)	694	577	160,277
Bonds	191,859					1,691	193,550
Other medium-/long-term loans:							
- of which leasing	*6,745*			*(936)*			*5,809*
- of which amounts due to other lenders	*6,153*			*(1,621)*			*4,532*
Total other loans	*12,898*	*-*	*-*	*(2,557)*	*-*	*-*	*10,341*
Total	**317,525**	**-**	**78,412**	**(34,731)**	**694**	**2,268**	**364,168**

In thousands of Euros	Book value As of 31.12.2011	Repayments	New issues	Reclassification to the current portion	Exchange delta	Other changes	Book value As of 31.12.2012
Current portion:							
Current account overdrafts	85		1,885				1,970
Current account payables	22,864		36,423		686		59,973
Bonds							-
Payables due to factoring companies	20,085	(906)					19,179
Current portion of medium-/long-term loans:							
- of which leasing	*894*	*(894)*		*936*			*936*
- of which due to banks	*122,428*	*(123,434)*		*32,174*		*195*	*31,363*
- of which amounts due to other lenders	*3,905*	*(3,905)*		*1,621*			*1,621*
Total other loans	*127,227*	*(128,233)*	*0*	*34,731*	*0*	*195*	*33,920*
Total	**170,261**	**(129,139)**	**38,308**	**34,731**	**686**	**195**	**115,042**

The breakdown of the debt is as follows:

In thousands of Euros	Book value As of 31.12.2012	Book value As of 31.12.2011	Nominal value As of 31.12.2012	Nominal value As of 31.12.2011
Bank financing	253,583	258,145	253,699	259,031
Debenture loan	193,550	191,859	201,799	201,799
Other medium-/long-term loans:				
of which leasing	*6,745*	*7,639*	*6,745*	*7,639*
of which amounts due to other lenders	*25,332*	*30,143*	*25,332*	*30,143*
Total other loans	*32,077*	*37,782*	*32,077*	*37,782*
Total	**479,210**	**487,786**	**487,575**	**498,612**

The table below shows the debt servicing schedule as of 31 December 2012:

	Nominal value as of 31/12/2012	Amounts falling due within 12 months	Amounts falling due after 12 months	Amounts falling due in				
				2014	**2015**	**2016**	**2017**	**Beyond**
In thousands of Euros								
Bank financing	253,699	93,422	160,277	33,381	42,445	31,395	20,384	32,672
- including opening of credit lines and bank overdrafts	61,943	61,943	0					
- of which medium/long-term bank loans	191,756	31,479	160,277	33,381	42,445	31,395	20,384	32,672
Debenture loan	201,799	0	201,799			150,000	9,669	42,130
Other medium-/long-term loans:								
- of which leasing	6,745	936	5,809	5,809				
- of which amounts due to other lenders	25,332	20,800	4,532	1,630	1,639	312	314	637
Total other loans	32,077	21,736	10,341	7,439	1,639	312	314	637
Total	**487,575**	**115,158**	**372,417**	**40,820**	**44,084**	**181,707**	**30,367**	**75,439**

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

	Book value As of 31.12.2011	Book value As of 31.12.2012	Notional value As of 31.12.2012	Applicable interest rate
In thousands of Euros				
Euro	438,248	429,052	437,417	4.54%
Indian Rupee	12,069	25,291	25,291	10.33%
Indonesian Rupiah	1,619	2,989	2,989	8.00%
US Dollar	17,003	3,032	3,032	2.25%
Vietnamese Dong	14,605	14,894	14,894	18.22%
Japanese Yen	4,242	3,952	3,952	1.90%
Total currencies other than Euro	49,538	50,158	50,158	11.38%
Total	**487,786**	**479,210**	**487,575**	**5.24%**

Medium and long-term bank debt amounts to €/000 191,640 (of which €/000 160,277 non-current and €/000 31,363 current) and consists of the following loans:

- a €/000 75,000 medium-term loan, granted by the European Investment Bank, to fund investments in Research & Development, planned for 2009-2012. The loan will fall due in February 2016 and has an amortisation quota of 14 six-monthly instalments at a variable rate linked to the six-month Euribor plus a spread of 1.323%. The contractual terms envisage loan covenants but exclude guarantees. It should be noted that, with reference to the 2012 period, these parameters were comfortably met. An interest rate swap was taken out for this loan, to hedge the interest rate risk (for more details, see attachment H);
- a €/000 60,000 medium-term loan, granted by the European Investment Bank, to fund investments in Research & Development, planned for 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%. The contractual terms envisage loan covenants but exclude guarantees. It should be noted that, in reference to the 2012 period, these parameters were comfortably met;
- a €/000 25,211 medium-term loan for USD/000 36,850 granted by International Finance Corporation (a World Bank member) to the subsidiary Piaggio Vehicles Private Limited with interest accruing at a variable rate. The loan falls due on 15 July 2019 and will be paid back based on an amortisation quota of six-monthly instalments starting from January 2014. The contract terms require a guarantee provided by the Parent Company and, in line with market practice, compliance with financial parameters. It should

be noted that, with reference to the 2012 period, these parameters were comfortably met. Cross currency swaps were taken out for this loan, to hedge the exchange risk and interest rate risk (for more details, see attachment H);

- a €/000 14,894 medium-term loan for USD/000 19,680 granted by International Finance Corporation to the subsidiary Piaggio Vietnam with interest accruing at a variable rate. The loan falls due on 15 January 2018 and will be paid back based on an amortisation quota of six-monthly instalments starting from January 2014. The contract terms require a guarantee provided by the Parent Company and, in line with market practice, compliance with financial parameters. It should be noted that, with reference to the 2012 period, these parameters were comfortably met. Cross currency swaps were taken out for this loan, to hedge the exchange risk and interest rate risk (for more details, see attachment H);
- a medium-term revolving syndicated loan of €/000 884 (nominal value of €/000 1,000) granted by Monte dei Paschi di Siena in December 2011 and finalised in January 2012, as suspension conditions had been met. The loan, of a total value of €/000 40,000, is for 18 months minus one day and was undersigned to strengthen the liquidity position of the existing equivalent loans which are near maturity.
- a €/000 6,250 five-year unsecured loan from GE Capital Interbanca stipulated in September 2008;
- €/000 3,645 of loans from various banks pursuant to Italian Law no. 346/88 on subsidised applied research;
- a €/000 4,556 loan from Banca Intesa granted pursuant to Italian Law no. 297/99 on subsidised applied research;
- a €/000 1,200 eight-year subsidised loan from ICCREA in December 2008 granted under Italian Law 100/90;

The medium-term revolving syndicated loan of €/000 200,000 and the revolving loan of €/000 20,000 had been undrawn as of 31 December 2012.

The item Bonds for €/000 193,550 (nominal value of €/000 201,799) refers to:

- €/000 142,109 (nominal value of €/000 150,000) relative to a high-yield debenture loan issued on 4 December 2009 for a nominal amount of €/000 150,000, falling due on 1 December 2016 and with a semi-annual coupon with fixed annual nominal rate of 7%. Standard & Poor's and Moody's assigned a BB- rating with a stable outlook and a Ba2 rating with a negative outlook respectively;
- €/000 51,441 (nominal value of €/000 51,799) relative to a private debenture loan (US Private Placement) issued on 25 July 2011 for $/000 75,000 wholly subscribed by an American institutional investor, payable in 5 annual portions from July 2017, with a semi-annual coupon with fixed annual nominal rate of 6.50%. As of 31 December 2012, the fair value measurement of the debenture loan was equal to €/000 61,574. A cross currency swap was taken out for this debenture loan, to hedge the exchange risk and interest rate risk (for more details, see attachment H).

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

Medium-/long-term payables due to other lenders equal to €/000 12,898 of which €/000 10,341 due after the year and €/000 2,557 as the current portion, detailed as follows:

- a property lease for €/000 6,745 granted by Unicredit Leasing (non-current portion equal to €/000 5,809);

- subsidised loans for a total of €/000 6,153 provided by the Italian Ministry of Economic Development and Italian Ministry of Education using regulations to encourage exports and investment in research and development (non-current portion of €/000 4,532).

Financial advances received from factoring companies and banks, on the sale of trade receivables with recourse, total €/000 19,179.

33. Current and non-current trade payables — *€/000 393,152*

As of 31 December 2012, non-current trade payables totalled €/000 259 against €/000 235 as of 31 December 2011, whereas current trade payables totalled €/000 392,893 compared to €/000 375,263 as of 31 December 2011.

	As of 31 December 2012	As of 31 December 2011	Change
In thousands of Euros			
Amounts due to suppliers	375,770	356,595	19,175
Trade payables due to companies valued at equity	16,613	18,124	(1,511)
Amounts due to parent companies	769	779	(10)
Total	**393,152**	**375,498**	**17,654**

The growth is basically due to new business or supply chain financing agreements for trade payables.

34. Reserves (current and non-current portion) — *€/000 25,395*

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

	Balance as of 31 December 2011	Allocations	Applications	Reclassifications	Delta exchange rate	Balance as of 31 December 2012
In thousands of Euros						
Provision for product warranties	14,735	12,379	(12,218)		(60)	14,836
Provision for quality-related events	392	750	(353)			789
Risk provisions on investments	195	52				247
Provisions for contractual risks	3,993		(58)			3,935
Provisions for guarantee risks	76		(18)			58
Provision for tax risks	36		(19)			17
Other reserves for risks	6,117	1,194	(1,640)	(116)	(42)	5,513
Total	**25,544**	**14,375**	**(14,306)**	**(116)**	**(102)**	**25,395**

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

Non-current portion	As of 31 December 2012	As of 31 December 2011	Change
In thousands of Euros			
Provision for product warranties	4,501	4,523	(22)
Provision for quality-related events	0	242	(242)
Risk provisions on investments	247	195	52
Provision for contractual risks	3,935	3,993	(58)
Other reserves for risks and charges	3,669	3,476	193
Total non-current portion	**12,352**	**12,429**	**(77)**

Current portion	As of 31 December 2012	As of 31 December 2011	Change
In thousands of Euros			
Provision for product warranties	10,335	10,212	123
Provision for quality-related events	789	150	639
Provisions for guarantee risks	58	76	(18)
Provision for tax risks	17	36	(19)
Other reserves for risks and charges	1,844	2,641	(797)
Total current portion	**13,043**	**13,115**	**(72)**

The product warranty provision relates to allocations for technical assistance on products covered by customer service which are estimated to be provided over the contractually envisaged warranty period. This period varies according to the type of goods sold and the sales market, and is also determined by customer take-up to commit to a scheduled maintenance plan.
The provision increased during the period by €/000 12,379 and €/000 12,218 was used in relation to charges incurred during the period.
The provision for quality-related events covers possible costs that could arise as a result of faulty components provided by suppliers. Allocations made during the year amounted to €/000 750.
Risk provisions for investments were set up to cover 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.
The provision of contractual risks refers mainly to charges which may arise from the ongoing negotiation of a supply contract.
The provision for tax risks concerns council tax for the Scorzè site.
"Other provisions" include the provision for legal risks for €/000 3,511. The sum of €/000 381 was allocated to this provision during the year.

35. Deferred tax liabilities — *€/000 6,639*

This item amounts to €/000 6,639 compared to €/000 9,852 as of 31 December 2011. The change is mainly related to the decrease in deferred taxes registered for reserves of the Indian subsidiary that will be taxed when they are transferred to the Parent Company.

36. Retirement funds and employee benefits — *€/000 50,470*

	As of 31 December 2012	As of 31 December 2011	Change
In thousands of Euros			
Retirement funds	1,101	1,191	(90)
Post-employment benefits provision	49,369	45,412	3,957
Total	**50,470**	**46,603**	**3,867**

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

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

Their breakdown was as follows:

In thousands of Euros	
Opening balance as of 1 January 2012	**45,412**
Cost for the period	8,681
Interest cost	2,002
Actuarial (gain) or loss	5,722
Use and transfers of retirement funds	(12,446)
Other movements	(2)
Closing balance as of 31 December 2012	**49,369**

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	3.25%
Annual rate of inflation	2.00%
Annual rate of increase in post-employment benefits	3.00%

To value the discount rate, the iBoxx Eurozone Corporates A index with a 10+ duration as of 31 December 2012 considered most significant in relation to the indicator used as of 31 December 2011 (AA with a 10+ duration) was adopted. If the previous index had been used, the value of actuarial losses and the provision would have been higher by 2,385 thousand Euro.
The subsidiary operating in Indonesia has provisions for employees identified as defined benefit plans. As of 31 December 2012, these provisions amounted to €/000 52.
With regard to the 2007-2009 incentive plan approved by the General Meeting of Shareholders on 7 May 2007, for executives of the Company or of its Italian and/or foreign subsidiaries, in compliance with article 2359 of the Italian Civil Code, as well as for directors having powers in the aforesaid subsidiaries ("2007-2009 plan") during the year 150,000 option rights expired.

As of 31 December 2012, 3,940,000 option rights had been assigned for a corresponding number of shares.

Detailed information on the 2007-2009 Plan is available in the documents published by the Issuer in accordance with article 84-bis of Consob Regulation on Issuers. These documents can be viewed on the institutional web site www.piaggiogroup.com, under Investors / Financial Press Releases.

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

As required by Consob, the table below shows the options assigned to Board members, General Directors and Senior Management with strategic responsibilities:

	Position	Options held at the start of the period			Options held at the end of the period		
		No. of options	Average exercise price	Average maturity	No. of options	Average exercise price	Average maturity
Gabriele Galli	General Manager Finance	250,000	1.826	18.12.2014	250,000	1.826	18.12.2014

37. Current and non-current tax payables *€/000 16,312*

"Current tax payables" totalled €/000 15,757 as against €/000 20,920 as of 31 December 2011, whereas non-current tax payables amounted to €/000 555 compared to €/000 2,539 as of 31 December 2011. Their breakdown was as follows:

	As of 31 December 2012	As of 31 December 2011	Change
In thousands of Euros			
Due for income taxes	4,285	5,763	(1,478)
Due for non-income tax	65	-	65
Tax payables for:			
- VAT	3,076	5,217	(2,141)
- withheld tax at source	5,079	5,496	(417)
- other	3,807	6,983	(3,176)
Total	11,962	17,696	(5,734)
Total	**16,312**	**23,459**	**(7,147)**

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.

Tax payables on non-income tax refer to taxes on the dividend distributed by the Indian subsidiary. Payables for withheld taxes made refer mainly to withheld taxes on employees' earnings, on employment termination payments and on self-employed earnings.

38. Other payables (current and non-current) *€/000 56,768*

Non-current portion	As of 31 December 2012	As of 31 December 2011	Change
In thousands of Euros			
Payables to employees	19	25	(6)
Guarantee deposits	2,003	332	1,671
Accrued liabilities			0
Deferred income	1,160	2,344	(1,184)
Fair Value of hedging derivatives	2,841	2,847	(6)
Other payables	400	400	0
Total non-current portion	**6,423**	**5,948**	**475**

Current portion	As of 31 December 2012	As of 31 December 2011	Change
In thousands of Euros			
Payables to employees	19,133	25,772	(6,639)
Guarantee deposits	179	1,492	(1,313)
Accrued liabilities	8,450	15,424	(6,974)
Deferred income	1,206	1,315	(109)
Amounts due to social security institutions	8,827	9,719	(892)
Fair Value of hedging derivatives	1,521	961	560
Sundry payables due to affiliated companies	127	32	95
Sundry payables due to parent companies	60	43	17
Other payables	10,842	9,960	882
Total	**50,345**	**64,718**	**(14,373)**

Other payables included in non-current liabilities totalled €/000 6,423 against €/000 5,948 as of 31 December 2011, whereas other payables included in current liabilities totalled €/000 50,345 compared to €/000 64,718 as of 31 December 2011.
Amounts due to employees include the amount for holidays accrued but not taken of €/000 10,652 and other payments to be made for €/000 8,500.
Payables due to affiliated companies refer to various amounts due to the Fondazione Piaggio and Immsi Audit.
Payables to parent companies consist of payables to Immsi and Omniaholding.
The item Fair value of hedging derivatives refers to the fair value (€/000 2,841 non-current portion and €/000 1,137 current portion) of an interest rate swap for hedging, recognised on a cash flow hedge basis as provided for in IAS 39 (see attachment H) and the fair value of derivatives to hedge the foreign exchange risk of forecast transactions recognised on a cash flow hedge basis (€/000 384 current portion).
The item Accrued liabilities includes €/000 3,431 for interest on hedging derivatives and relative hedged items measured at fair value.

39. Breakdown of liabilities by geographic segment

As regards the breakdown of liabilities by geographic segment, reference is made to the section on segment reporting.

40. Payables due after 5 years

The Group has loans due after 5 years, which are referred to in detail in Note 32 Financial Liabilities.
With the exception of the above payables, no other long-term payables due after five years exist.

E) Transactions with related parties

The main business and financial relations of Group companies with related parties have already been described in the specific paragraph in the Report on Operations to which reference is made here. To supplement this information, the following table provides an indication by company of outstanding items as of 31 December 2012, as well as their contribution to the respective financial statement items.

	Fondazione Piaggio	Piaggio China	AWS do Brasil	Zongshen Piaggio Foshan	IMMSI Audit	Studio D'Urso	Omnia-holding	IMMSI	**Total**	**% of accounting item**
In thousands of Euros										
Income statement										
revenue from sales				591					**591**	**0.04%**
costs for materials				32,802				-	**32,802**	**3.93%**
costs for services and lease and rental	32	-		41	760	94	57	2,926	**3,910**	**1.56%**
other operating income	1			364	60			50	**475**	**0.47%**
other operating costs				4				1	**5**	**0.02%**
borrowing costs				300			203		**503**	**1.50%**
Assets										
other non-current receivables	234		138						**372**	**2.70%**
current trade receivables	-			946	-			-	**946**	**1.50%**
other current receivables	32			194	25		-	6,359	**6,610**	**17.72%**
Liabilities										
financial liabilities falling due after one year							2,900		**2,900**	**0.77%**
current trade payables	-	6	-	16,607	-	-	-	769	**17,382**	**4.42%**
other current payables	32	-		-	1	94	16	44	**187**	**0.37%**

F) Commitments and risks

41. Guarantees provided

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

Type	Amount €/000
Guarantee of BCC-Fornacette to Livorno Customs Authorities for handling Piaggio goods at Livorno Port	200
Guarantee of BCC-Fornacette issued for the Group to Poste Italiane – Rome to guarantee contract obligations for the supply of vehicles	1,321
Guarantee of BCC-Fornacette issued for the Group to Poste Italiane – Rome to guarantee contract obligations for the supply of vehicles	204
Guarantee of Banca Intesa San Paolo issued to the Ministry of the Interior of Algeria, to guarantee contract obligations for the supply of vehicles	140
Guarantee of Banca Intesa San Paolo issued to the Ministry of the Interior of Algeria, to guarantee contract obligations for the supply of vehicles	158
Guarantee of Monte dei Paschi di Siena issued to FoshanNanhai - China, for Euro 600,000 to guarantee contract obligations for the supply of vehicles	
of which drawn	0
of which undrawn	600
Guarantee of Monte dei Paschi di Siena issued to Daihatsu for Yen 50,000,000, to guarantee contract obligations for the supply of vehicles	
of which drawn	0
of which undrawn	440
Guarantee of Monte dei Paschi di Siena issued to Chen ShinRubber for Euro 300,000, to guarantee contract obligations for the supply of vehicles	
of which drawn	0
of which undrawn	300

G) Non-recurrent transactions

During 2012 and 2011, the Group did not undertake significant non-recurrent transactions.

H) Information on financial instruments

This attachment provides information about financial instruments, their risks, as well as the sensitivity analysis in accordance with the requirements of IFRS 7, effective as of 1 January 2007.
As of 31 December 2012 and as of 31 December 2011 existing financial instruments were allocated as follows within the Piaggio Group's Consolidated Financial Statements:

Notes	In thousands of Euros	As of 31 December 2012	As of 31 December 2011	Change
	Assets			
	Non-current assets			
20	Other financial assets	13,047	11,836	1,211
	of which financial receivables	*30*	*32*	*(2)*
	of which from the measurement of derivatives	*12,854*	*11,639*	*1,215*
	of which investments in other companies	*163*	*165*	*(2)*
	Current assets			
26	Other financial assets	1,260	-	1,260
	Liabilities			
	Non-current liabilities			
32	Financial liabilities falling due after one year	376,574	329,200	47,374
	of which bonds	*193,550*	*191,859*	*1,691*
	of which bank financing	*160,277*	*112,768*	*47,509*
	of which leasing	*5,809*	*6,745*	*(936)*
	of which other lenders	*4,532*	*6,153*	*(1,621)*
	of which the fair value of hedging derivatives	*12,406*	*11,675*	*731*
	Current liabilities			
32	Financial liabilities falling due within one year	115,042	170,261	(55,219)
	of which bank financing	*93,306*	*145,377*	*(52,071)*
	of which leasing	*936*	*894*	*42*
	of which other lenders	*20,800*	*23,990*	*(3,190)*

Current and non-current liabilities

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

Consolidated Income Statement
Consolidated Statement of Comprehensive Income
Consolidated Statement of Financial Position
Consolidated Cash Flow Statement
Consolidated net debt
Changes in Shareholders' Equity
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Certification
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Financial risks

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

Liquidity risk and capitals management

The liquidity risk arises from the possibility that available financial resources are not sufficient to cover, in due times and procedures, future payments arising from financial and/or commercial obligations. To deal with these risks, cash flows and the Group's credit line needs are monitored or managed centrally under the control of the Group's Treasury in order to guarantee an effective and efficient management of the financial resources as well as optimise the debt's maturity standpoint.
In addition, the Parent Company finances the temporary cash requirements of Group companies by providing direct short-term loans regulated in market conditions or guarantees.

As of 31 December 2012 the most important sources of financing irrevocable until maturity granted to the Parent Company were as follows:
- a debenture loan of €/000 150,000 maturing in December 2016;
- a debenture loan of €/000 75,000 maturing in July 2021;
- a loan of €/000 75,000 maturing in February 2016;
- a loan of €/000 60,000 maturing in December 2019;
- a loan of €/000 6,250 maturing in September 2013.

Other Group companies also have the following irrevocable loans:
- a loan of €/000 36,850 maturing in July 2019;
- a loan of €/000 19,680 maturing in July 2018.

As of 31 December 2012, the Group had a liquidity of €/000 86,110, €/000 259,000 of undrawn irrevocable credit lines and €/000 174,198 of revocable credit lines, as detailed below:

	As of 31 December 2012	As of 31 December 2011
In thousands of Euros		
Variable rate with maturity within one year - irrevocable until maturity	59,000	100,000
Variable rate with maturity beyond one year - irrevocable until maturity	200,000	4,100
Variable rate with maturity within one year - cash revocable	140,198	180,045
Variable rate with maturity within one year - with revocation for self-liquidating typologies	34,000	20,700
Total undrawn credit lines	**433,198**	**304,845**

Exchange Risk

The Group operates in an international context where transactions are conducted in currencies different from Euro. This exposes the Group to risks arising from exchange rates fluctuations. For this purpose, the Group has an exchange rate risk management policy which aims to neutralise the possible negative effects of the changes in exchange rates on company cash-flows.
This policy analyses:
- **the exchange risk:** the policy wholly covers this risk which arises from differences between the recognition exchange rate of receivables or payables in foreign currency in the financial statements and the recognition exchange rate of actual collection or payment. To cover this type of exchange risk, the exposure is naturally offset in the first place (netting between sales and purchases in the same currency) and if necessary, by signing currency future derivatives, as well as advances of receivables denominated in currency.

As of 31 December 2012, Piaggio & C. S.p.A. had forward purchase contracts (recognised on a regulation date basis):
- for a value of CNY/000 14,200 corresponding to €/000 1,744 (valued at the forward exchange rate), with average maturity on 7 January 2013;
- for a value of GBP/000 650 corresponding to €/000 792 (valued at the forward exchange rate), with average maturity on 29 January 2013;
- for a value of JPY/000 270,000 corresponding to €/000 2,514 (valued at the forward exchange rate), with average maturity on 7 January 2013;
- for a value of USD/000 1,450 corresponding to €/000 1,120 (valued at the forward exchange rate), with average maturity on 7 January 2013;

and forward sales contracts:
- for a value of CAD/000 370 corresponding to €/000 286 (valued at the forward exchange rate), with average maturity on 13 March 2013;
- for a value of CNY/000 2,100 corresponding to €/000 258 (valued at the forward exchange rate), with average maturity on 7 January 2013;
- for a value of GBP/000 620 corresponding to €/000 756 (valued at the forward exchange rate), with average maturity on 27 March 2013;
- for a value of JPY/000 25,000 corresponding to €/000 242 (valued at the forward exchange rate), with average maturity on 31 January 2013;
- for a value of SEK/000 1,600 corresponding to €/000 186 (valued at the forward exchange rate), with average maturity on 31 January 2013;
- for a value of USD/000 2,890 corresponding to €/000 2,221 (valued at the forward exchange rate), with average maturity on 20 February 2013.

Details of other operations ongoing at other Group companies are given below:
- sales for USD/000 1,301 on the company Piaggio Vehicles Private Limited with average maturity on 18 February 2013;

- **the settlement exchange risk:** arises from the conversion into Euro of the financial statements of subsidiaries prepared in currencies other than the Euro during consolidation. The policy adopted by the Group does not require this type of exposure to be covered.
- **the business risk:** arises from changes in company profitability in relation to annual figures planned in the economic budget on the basis of a reference change (the "budget change") and is covered by derivatives. The items of these hedging operations are therefore represented by foreign costs and revenues forecast by the sales and purchases budget. The total of forecast costs and revenues is processed monthly and relative hedging is positioned exactly on the average weighted date of the economic event, recalculated based on historical criteria. The economic occurrence of future receivables and payables will occur during the budget year.

As of 31 December 2012, the Group had the following transactions to hedge the business risk:
- for a value of CNY/000 249,500 corresponding to €/000 30,183 (valued at the forward exchange rate), with average maturity on 17 June 2013;

To hedge the business risk alone, cash flow hedging is adopted with the effective portion of profits and losses recognised in a specific shareholders' equity reserve. Fair value is determined based on market quotations provided by main traders.
As of 31 December 2012, the total fair value of hedging instruments for exchange risk recognised on an hedge accounting basis was negative by €/000 384. During 2012, losses were recognised in other components of the Statement of Comprehensive Income amounting to €/000 384 and losses from other components of the Statement of Comprehensive Income were reclassified to profit/loss for the year for €/000 583.

The net balance of cash flows during 2012 is shown below, divided by main currency:

Cash Flow	2012
In millions of Euro	
Pound Sterling	24.2
Indian Rupee	52.3
Croatian Kuna	3.9
US Dollar	2.9
Canadian Dollar	5.4
Swiss Franc	(2.2)
Vietnamese Dong	40.9
Chinese Yuan*	(59.0)
Japanese Yen	(15.5)
Total cash flow in foreign currency	**52.9**

** cash flow partly in Euro*

In view of the above, an assumed appreciation/deprecation of 3% of the Euro would have generated potential losses for €/000 1,538 and potential profits for €/000 1,633 respectively.

Interest rate risk

This risk arises from fluctuating interest rates and the impact this may have on future cash flows arising from financial assets and liabilities. The Group regularly measures and controls its exposure to interest rates changes and manages such risks also resorting to derivative instruments, mainly Interest Rate Swaps and Cross Currency Swaps, as established by its own management policies.
As of 31 December 2012, the following hedging derivatives were in use:

- an interest rate swap to cover a variable rate loan for a nominal amount of €/000 117,857 (as of 31 December 2012 for €/000 75,000) granted by the European Investment Bank. The structure has fixed step-up rates, in order to stabilise financial flows associated with the loan; in accounting terms, the instrument is recognised on a cash flow hedge basis, with profits/losses arising from the fair value measurement allocated to a specific reserve in shareholders' equity; as of 31 December 2012, the fair value of the instrument was negative by €/000 3,978; sensitivity analysis of the instrument, assuming a 1% increase and decrease in the shift of the variable rates curve, shows a potential impact on Shareholders' Equity, net of the relative tax effect, equal to €/000 723 and €/000 -746 respectively;
- a cross currency swap to hedge the private debenture loan issued by the Parent Company for a nominal amount of $/000 75,000. The purpose of the instrument is to hedge both the exchange risk and interest rate risk, turning the loan from US dollars to Euro, and from a fixed rate to a variable rate; the instrument is accounted for on a fair value hedge basis, with effects arising from the measurement recognised as profit and loss. As of 31 December 2012, the fair value of the instrument was equal to €/000 9,938. The net economic effect arising from the recognition of the instrument and underlying private debenture loan is equal to €/000 301; sensitivity analysis of the instrument, and its underlying, assuming a 1% increase and decrease in the shift of the variable rates curve, showed a potential impact on the Income Statement, net of the relative tax effect, is negligible assuming constant exchange rates; whereas assuming a 1% reversal and write-down of exchange rates, sensitivity analysis identified a potential impact on the Income Statement, net of the relative tax effect, of €/000 -82 and €/000 83 respectively;
- a cross currency swap to hedge a loan relative to the Indian subsidiary for $/000 36,850 granted by International Finance Corporation. The purpose of the instrument is to hedge the exchange risk and interest rate risk, turning the loan from US dollars to Indian Rupees, and a third of said loan from a variable rate to a fixed rate; As of 31 December 2012, the fair value of the instrument was equal to €/000 2,569. The sensitivity analysis of the instrument, and its underlying, assuming a 1% increase and decrease in the shift of the variable rates curve, showed a potential impact on the Income Statement, net of the relative tax effect of €/000 83 and €/000 -87 respectively, assuming constant exchange rates. Assuming a 1% reversal and write-down of the exchange rate of the Indian Rupee, sensitivity analysis of the instrument and its underlying identified a potential impact on the Income Statement, net of the relative tax effect, of €/000 -22 and €/000 22 respectively;

- a cross currency swap to hedge a loan relative to the Vietnamese subsidiary for $/000 19,680 granted by International Finance Corporation. The purpose of the instrument is to hedge the exchange risk and partially hedge the interest rate risk, turning the loan from US dollars at a variable rate into Vietnamese Dong at a fixed rate, except for a minor portion (24%) at a variable rate. As of 31 December 2012, the fair value of the instrument was equal to €/000 (196). Sensitivity analysis of the instrument, and its underlying, assuming a 1% increase and decrease in the shift of the variable rates curve, showed a potential impact on the Income Statement, net of the relative tax effect, is €/000 204 and €/000 -211 respectively, assuming constant exchange rates; assuming a 1% reversal and write-down of the exchange rate of the Vietnamese Dong, sensitivity analysis of the instrument and its underlying identified a potential impact on the Income Statement, net of the relative tax effect, of €/000 -10 and €/000 10 respectively.

	Fair Value
Piaggio & C. SpA	
Interest Rate Swap	(3,978)
Cross Currency Swap	9,937
Piaggio Vehicles Private Limited	
Cross Currency Swap	2,569
Piaggio Vietnam	
Cross Currency Swap	(196)

As of 31 December 2012, variable rate debt, net of financial assets and considering hedging derivatives, was equal to €/000 58,459. Consequently, a 1% increase or decrease in the EURIBOR above this net value would have generated greater or lower interest of €/000 585 per year.

Credit risk

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

	As of 31 December 2012	**As of 31 December 2011**
In thousands of Euros		
Liquid assets	71,424	151,394
Securities	14,627	441
Financial receivables	1,260	
Trade receivables	63,107	65,560
Total	**150,418**	**217,395**

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

Hierarchical fair value valuation levels

As regards financial instruments recorded in the balance sheet at fair value, IFRS 7 requires these values to be classified on the basis of hierarchical levels which reflect the significance of the inputs used in determining fair value. These levels are as follows:
- level 1 – quoted prices for similar instruments;
- level 2 – directly and indirectly observable market inputs other than Level 1 inputs;
- level 3 – inputs not based on observable market data.

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The table below shows the assets and liabilities measured at fair value as of 31 December 2012, by fair value measurement hierarchical level.

	Level 1	Level 2	Level 3
In thousands of Euros			
Financial assets			
Hedging financial derivatives		12,756	98
Investments in other companies			163
Total		**12,756**	**261**
Financial liabilities			
Hedging financial derivatives		(250)	(294)
Financial liabilities at fair value recognised as profit or loss.		(103,766)	
Other liabilities		(4,362)	
Total		**(108,378)**	**(294)**

Hierarchical level 3 includes items transferred from level 2 and refers to the measurement of the cross currency swap taken out for the Vietnamese subsidiary. This classification reflects the illiquidity of the local market, which does now allow for a valuation based on conventional criteria. If valuation techniques typical of liquid markets had been adopted, which is not the case for the Vietnamese financial market, derivatives would have had a negative fair value totalling €/000 3,786, rather than €/000 -196 (included under financial hedging instruments - level 3) and accrued liabilities on financial hedging instruments equal to €/000 1,002.

The following tables show Level 2 and Level 3 changes during 2012:

	Level 2
In thousands of Euros	
Balance as of 31 December 2011	(54,241)
Profit (loss) recognised in the consolidated income statement	(583)
Increases/(Decreases)	(40,751)
Level 3 reclassification	(47)
Balance as of 31 December 2012	**(95,622)**

	Level 3
In thousands of Euros	
Balance as of 31 December 2011	-
Profit (loss) recognised in the consolidated income statement	
Increases/(Decreases)	(245)
Other movements	165
Level 2 reclassification	47
Balance as of 31 December 2012	**(33)**

I) Disputes

Piaggio opposed the proceedings undertaken by Altroconsumo, opposing the alleged existence of a design defect and hazardous nature of the Gilera Runner first series, filing a specific technical appraisal. The trial judge rejected the claim, ordering Altroconsumo to pay Piaggio's legal fees. Following the appeal made by Altroconsumo, a technical appraisal was ordered to ascertain the existence of the design defect claimed by Altroconsumo. Following the results of the appraisal and hearing held on 18 December 2012, the Board informed the parties on 29 January 2013 that Altroconsumo's appeal had been upheld, ruling Piaggio to (i) inform owners of the hazardous nature of the product, (ii) publish the ruling of the Board in some newspapers and specialised magazines (iii) recall the product. The company is evaluating actions to take.

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

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

Da Lio S.p.A., by means of a writ received on 15 April 2009, summoned the Company before the Court of Pisa to claim compensation for the alleged damages sustained for various reasons as a result of the termination of supply relationships. The Company appeared in court requesting the rejection of all opposing requests. Da Lio requested a joinder with the opposition concerning the injunction obtained by Piaggio to return the moulds retained by the supplier at the end of the supply agreement. Judgements were considered and a ruling issued pursuant to article 186*ter* of the Italian Code of Civil Proceedings, on 7 June 2011, ordering Piaggio to pay the sum of Euro 109,586.60, in addition to interest, relative to sums which were not disputed. During 2012, testimonial evidence was presented and the Judge postponed the continuation of the investigation to the hearing of 7 February 2013.

In June 2011 Elma srl, a Piaggio dealer since 1995, started two separate proceedings against the Company, claiming the payment of (i) approximately 2 million Euro for alleged breach of the sole agency ensured by Piaggio for the Rome area and (ii) an additional 5 million Euro as damages for alleged breach and abuse of economic dependence by the Company. Piaggio opposed the proceedings undertaken by Elma, fully disputing its claims and requesting a ruling that Elma pay sums still owing of approximately 966,000 Euro.
During the proceedings, Piaggio requested payment of the bank guarantees issued in its favour by three banks against the risk of default by the dealer. Elma attempted to stop payment of the guarantees with preventive proceedings at the Court of Pisa (Pontedera section): the proceedings ended in favour of Piaggio that collected the amounts of the guarantees (over 400,000 Euro). Trial proceedings have begun and the next hearing for the admission of evidence, will be held on 24 April 2013.
As regards the case, Elma has also brought a case against a former senior manager of the Company with the Court of Rome: Piaggio appeared in the proceedings, requesting, among others, that the case be moved to the Court of Pisa. The first hearing will be held on 18 March 2013.

In a writ received on 29 May 2007, Gammamoto S.r.l. in liquidation, a former Aprilia licensee in Rome, brought a case against the Company before the Court of Rome for contractual and non-

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contractual liability. The Company fully opposed the injunction disputing the validity of Gammamoto's claims and objecting to the lack of jurisdiction of the Judge in charge. The Judge, accepting the petition formulated by the Company, declared its lack of jurisdiction with regards to the dispute. Gammamoto has continued proceedings through the Court of Venice. The Judge has admitted testimonial evidence and evidence for examination requested by the parties, establishing the hearing for the preliminary investigation on 12 November 2012. The next preliminary hearing will be held on 6 February 2013.

Leasys–Savarent S.p.A., summoned to appear before the Court of Monza by Europe Assistance in relation to the rental supply of Piaggio vehicles to the Italian Postal System, summoned the Company as a guarantee, also filing for damages against Piaggio for alleged breach of the supply agreement. The Court of Monza declared its lack of jurisdiction concerning the applications filed against Piaggio, and Leasys-Savarent therefore summoned Piaggio to appear before the Court of Pisa. The trial was suspended while awaiting the resolution of the dispute pending before the Court of Monza, which turned down the application of Leasys-Savarent. Leasys-Savarent continued proceedings through the Court of Pisa, applying only for damages against Piaggio. On the hearing of 5 October 2011, the parties requested the admission of preliminary briefs and the Judge deferred its decision. After making its decision, the Judge admitted some of the testimonial evidence requested and rejected the request for a Court-appointed expert. The hearing for the examination of evidence to be held on 26 June 2012 has been postponed to 20 March 2013.

Following the appeal made by the Company pursuant to article 700 of the Italian Code of Civil Proceedings, the Court of Naples, as a precautionary measure, issued an injunction against LML Italia S.r.l., a company distributing models of scooters in Italy manufactured by LML India Ltd, preventing it from using the "Piaggio", "Vespa" and "Vespa PX" brands on its sales information, advertising and promotional materials, stating that the continual matching of LML products with the Vespa manufactured by Piaggio constituted grounds for unfair competition. This ruling was also confirmed in an appeal. Piaggio therefore obtained a ruling from the Court of Naples in its favour: the Court considered LML responsible for acts of unfair competition to the detriment of the Company and prohibited it from using Piaggio trademarks; the relative sentence was also published, as ruled by the Judge, in some newspapers and specialised magazines.

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

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

Tax disputes involving the Parent Company Piaggio & C S.p.A. (hereinafter "the Company"), concern two appeals against tax assessments notified to the Company and relative to the 2002 and 2003 tax periods. These assessments originate from an audit by the Inland Revenue Office in 2007 at the Company, following findings in the Formal Notice of Assessment produced in 2002 after a general audit.
The Company has obtained a favourable ruling concerning these assessments, in both the first and second instance, and with reference to both tax periods.
For both cases, the Company has not considered it necessary to allocate provisions, in view of the positive opinions expressed by consultants appointed as counsel.

As regards the tax assessments notified on 31 January 2012, already indicated in the 2011 Financial

Statements, the Company, also considering the moderate amounts, decided to settle the assessment, solely for the purposes of settling the dispute and without acknowledging the claims of the revenue office, paying the amount determined during the settlement process of 24 April 2012.

The main tax disputes of other Group companies concern P&D S.p.A. in liquidation, Piaggio Vehicles PVT Ltd and Piaggio France S.A..

More specifically, and with reference to P&D S.p.A., a dispute arose in relation to the tax assessment issued by the Inland Revenue Office for the 2002 tax year concerning VAT based on the audit made in 1999, with an outcome in favour of the company, with judgement in the second instance becoming final. Liquidation of the subsidiary was completed in December 2012.

With reference to the Indian subsidiary, some disputes concerning different tax years from 1998 to 2010 are ongoing relative to direct and indirect tax assessments and for a part of which, considering positive opinions expressed by consultants appointed as counsel, provisions have not been made in the financial statements. The Indian company has already partly paid the amounts contested, as required by local laws, that will be paid back when proceedings are successfully concluded in its favour.

As regards the French company, a favourable ruling was issued in December 2012 by the *Commission Nationale des Impots directes et des taxes sur le chiffre d'affaires*, the decision-making body ruling prior to legal proceedings in disputes with the French tax authorities concerning a general audit of the 2006 and 2007 periods. The French tax authorities however upheld its claims against the company. An appeal has therefore been made to the *Tribunal Administratif* (first instance) against the claims. The Company has not considered allocating provisions necessary, in view of the positive opinions expressed by consultants appointed as counsel, as well as the opinion of the above Commission.

L) Subsequent events

To date, no events have occurred after 31 December 2012 that make additional notes or adjustments to these Financial Statements necessary.

Report on Operations for significant events after 31 December 2012.

M) Companies in which the Group has investments

42. Piaggio Group companies

In accordance with Consob resolution no. 11971 dated 14 May 1999, and subsequent amendments (article 126 of the Regulation), the list of the Group's companies and major investments is provided below. The list presents the companies divided by type of control and method of consolidation.
The following are also shown for each company: the company name, the registered office, the country of origin and the share capital in the original currency, in addition to the percentage held by Piaggio & C. S.p.A. or by other subsidiaries.
In a separate column there is an indication of the percentage of voting rights at the ordinary general meeting should it be different from the investment percentage in the share capital.

List of companies included in the scope of consolidation on a line-by-line basis as of 31 December 2012

Company name	Registered office	Country	Share capital	Currency	% Group ownership	Held by	%	% votes
Parent company:								
PIAGGIO & C. S.P.A.	Pontedera (Pisa)	Italy	205,941,272.16	Euro				
Subsidiaries								
Aprilia Brasil Industria de Motociclos S.A.	Manaus	Brazil	2,020,000.00	Reais	51%	Aprilia World Service Holding do Brasil Ltda	51%	
Aprilia Racing s.r.l.	Pontedera (Pisa)	Italy	250,000.00	Euro	100%	Piaggio & C. S.p.A.	100%	
Aprilia World Service Holding do Brasil Ltda.	Sao Paolo	Brazil	2,028,780.00	Reais	99.99995%	Piaggio Group Americas Inc	99.99995%	
Atlantic 12 – Fondo Comune di Investimento Immobiliare	Milan	Italy	11,293,012.00	Euro	100%	Piaggio & C. S.p.A.	100%	
Derbi Racing S.L.	Barcelona	Spain	3,006.00	Euro	100%	Nacional Motor S.A.	100%	
Foshan Piaggio Vehicles Tecnology R&D Co Ltd	Foshan City	China	10,500,000.00	Rmb	100%	Piaggio Vespa B.V.	100%	
Nacional Motor S.A.	Barcelona	Spain	1,588,422.00	Euro	100%	Piaggio & C. S.p.A.	100%	
Piaggio Advanced Design Center Corp.	California	USA	100,000.00	USD	100%	Piaggio & C. S.p.A.	100%	
Piaggio Asia Pacific PTE Ltd.	Singapore	Singapore	100,000.00	Sin$	100%	Piaggio Vespa B.V.	100%	
Piaggio China Co. LTD	Hong Kong	China	12,500,000 auth. Capital (12,100,000 subscribed and paid up)	USD	99.99999%	Piaggio & C. S.p.A.	99.99999%	
Piaggio Deutschland Gmbh	Kerpen	Germany	250,000.00	Euro	100%	Piaggio Vespa B.V.	100%	
Piaggio Espana S.L.U.	Alcobendas	Spain	426,642.00	Euro	100%	Piaggio & C. S.p.A.	100%	
Piaggio France S.A.S.	Clichy Cedex	France	1,209,900.00	Euro	100%	Piaggio Vespa B.V.	100%	
Piaggio Group Americas Inc	New York	USA	2,000.00	USD	100%	Piaggio Vespa B.V.	100%	
Piaggio Group Canada Inc	Toronto	Canada	10,000.00	CAD	100%	Piaggio Group Americas Inc	100%	
Piaggio Group Japan	Tokyo	Japan	99,000,000.00	Yen	100%	Piaggio Vespa B.V	100%	
Piaggio Hellas S.A.	Athens	Greece	2,704,040.00	Euro	100%	Piaggio Vespa B.V.	100%	
Piaggio Hrvatska D.o.o.	Split	Croatia	400,000.00	Kuna	75%	Piaggio Vespa B.V.	75%	
Piaggio Limited	Bromley Kent	United Kingdom	250,000.00	GPB	100%	Piaggio Vespa B.V. Piaggio & C. S.p.A.	99.9996% 0.0004%	
Piaggio Vehicles Private Limited	Maharashtra	India	340,000,000.00	Rupees	100%	Piaggio & C. S.p.A. Piaggio Vespa B.V.	99.999997% 0.000003%	
Piaggio Vespa B.V.	Breda	Holland	91,000.00	Euro	100%	Piaggio & C. S.p.A.	100%	
Piaggio Vietnam Co Ltd	Hanoi	Vietnam	64,751,000,000.00	Dong	100%	Piaggio & C. S.p.A. Piaggio Vespa B.V.	63.5% 36.5%	
PT Piaggio Indonesia	Jakarta	Indonesia	4,458,500,000.00	Rupiah	100%	Piaggio & C. S.p.A. Piaggio Vespa B.V.	1% 99%	

List of companies included in the scope of consolidation with the equity method as of 31 December 2012

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

List of investments in affiliated companies as of 31 December 2012

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

N) Information pursuant to article 149 duodecies of the Consob Regulation on Issuers

The following statement was prepared, provided pursuant to article 149 duodecies of the Consob Regulation on Issuers, indicates the fees for 2012 for auditing services and other services provided by the same auditing firm and entities belonging to the auditing firm's network, the Independent Auditors and members of its organisation.

Type of service	Subject providing the service	Recipient	Notes	Fees for 2012
In euro				
Auditing services	PricewaterhouseCoopers SpA	Parent Company Piaggio & C. SpA		319,160
	PricewaterhouseCoopers SpA	Subsidiaries		11,450
	PwC network	Subsidiaries		377,560
Certification services	PwC network	Subsidiaries		36,000
Other services	PwC network	Parent Company Piaggio & C. SpA	1)	39,250
	PwC network	Subsidiaries		2,500
Total				**785,920**

N.B. Sums of subsidiaries operating in currencies other than the Euro and agreed on in a local currency have been converted to the average exchange rate of 2012.

1. Activities mainly related to the auditing of the Corporate Social Responsibility Report.

This document was published on 20 March 2013 authorised by the Chairman and Chief Executive Officer.

Mantua, 27 February 2013

For the Board of Directors

/f/ Roberto Colaninno

Chairman and Chief Executive Officer
Roberto Colaninno

aprilia

Certification of the Financial Statements pursuant to article 154/bis of Legislative Decree 58/98

1. The undersigned Roberto Colaninno (Chairman and Chief Executive Officer) and Alessandra Simonotto (Appointed Executive) of Piaggio & C. S.p.A. certify, also in consideration of article 154-bis, sections 3 and 4, of Legislative Decree no. 58 of 24 February 1998:
   › the appropriateness with regard to the company's characteristics and
   › actual application of administrative and accounting procedures for the formation of the Consolidated Financial Statements as of 31 December 2012.

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

3. Moreover

3.1 the Consolidated Financial Statements:

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

3.2 The Report on Operations includes reliable analysis of the trend of operations and operating results, as well as the situation of the Issuer and companies included in the scope of consolidation, as well as a description of main risks and uncertainties to which they are exposed.

Date: 27 February 2013

/s/ Roberto Colaninno

Roberto Colaninno
Chairman and Chief Executive Officer

/s/ Alessandra Simonotto

Alessandra Simonotto
Executive in charge

Report of the Independent Auditors on the Consolidated Financial Statements

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE No. 39 OF 27 JANUARY 2010

To the shareholders of
Piaggio & C. SpA

1 We have audited the consolidated financial statements of Piaggio & C. SpA and its subsidiaries ("Piaggio Group") as of 31 December 2012 which comprise the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the statement of changes in consolidated shareholders' equity, the consolidated statement of cash flows and related notes. The directors of Piaggio & C. SpA are responsible for the preparation of these financial statements in compliance with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree no. 38/2005. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards and criteria recommended by Consob, the Italian Commission for listed Companies and the Stock Exchange. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the consolidated financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our opinion.

The consolidated financial statements present, for comparative purposes, the data of the prior year. As described in the explanatory notes the Directors have restated some comparative information of the prior year compared to that previously presented which were audited by other auditors, who issued their report dated 12 March 2012. We have examined the restatement methods of the comparative information and the related disclosures in the explanatory notes for the purpose of our audit of the consolidated financial statements ended 31 December 2012.

3 In our opinion, the consolidated financial statements of the Piaggio Group as of 31 December 2012 comply with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree no. 38/2005; accordingly, they have been prepared clearly and give a true and fair view of the financial position, result of operations and cash flows of the Piaggio Group for the year then ended.

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. 3.754.400,00 Euro i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n. 43 dell'Albo Consob - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70124 Via Don Luigi Guanella 17 Tel. 0805640211 - **Bologna** Zola Predosa 40069 Via Tevere 18 Tel. 0516186211 - **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Dante 7 Tel. 01029041 - **Napoli** 80121 Piazza dei Martiri 58 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43100 Viale Tanara 20/A Tel. 0521242848 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Via Grazioli 73 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Verona** 37135 Via Francia 21/C Tel.0458263001

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4 The directors of Piaggio & C. SpA are responsible for the preparation of a report on operations and a report on corporate governance and corporate ownership published in section "Governance" of the website of Piaggio & C. SpA in compliance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the information referred to in paragraph 1, letters c), d), f), l), m), and paragraph 2, letter b), of article 123-bis of Legislative Decree no. 58/98 presented in the report on corporate governance and corporate ownership, with the financial statements, as required by law. For this purpose, we have performed the procedures required under Italian Auditing Standard no. 001 issued by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili) and recommended by Consob. In our opinion, the report on operations and the information referred to in paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b), of article 123-bis of Legislative Decree no. 58/98 presented in the report on corporate governance and corporate ownership are consistent with the consolidated financial statements of Piaggio & C. SpA as of 31 December 2012.

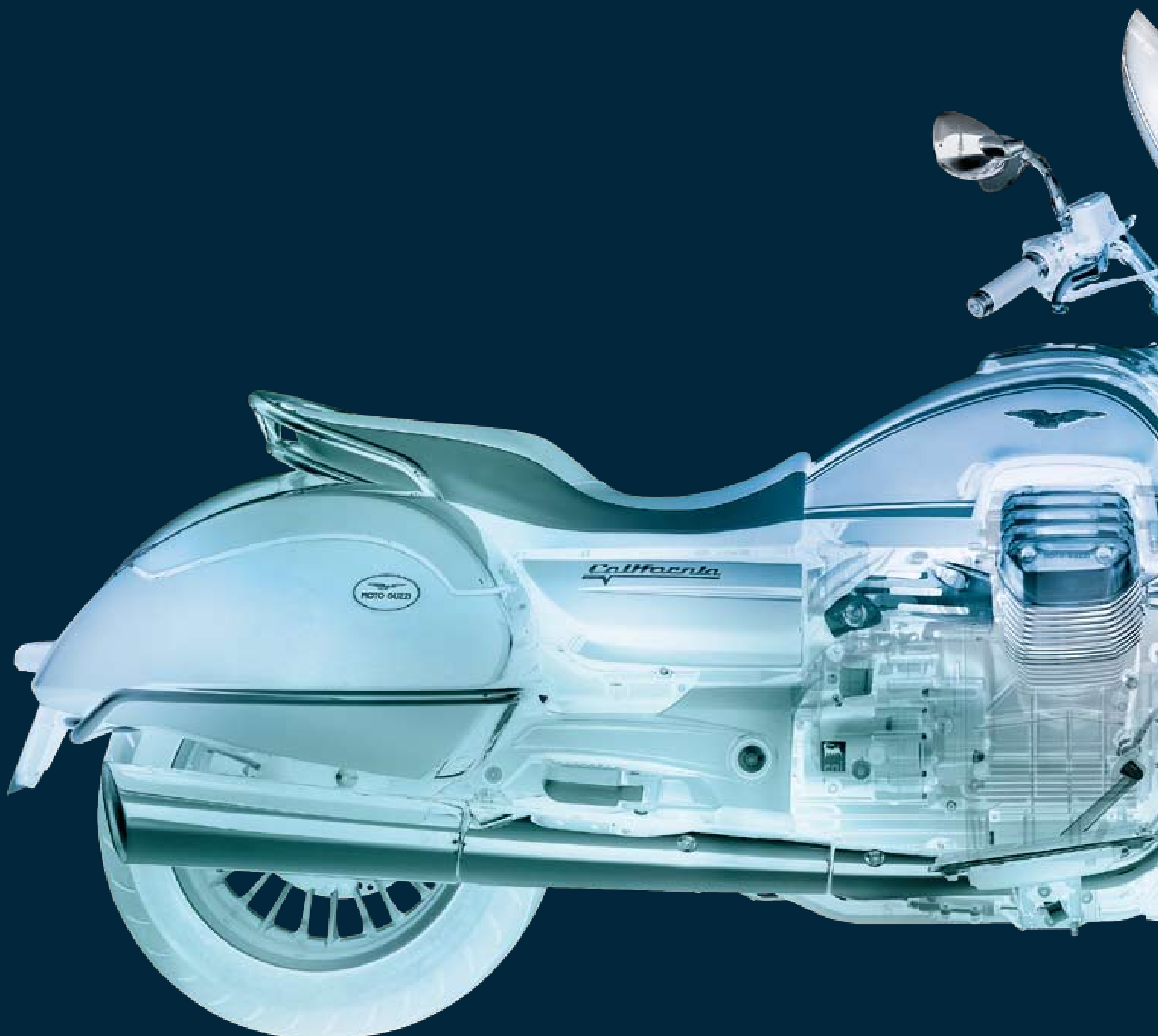
Florence, 8 March 2013

PricewaterhouseCoopers SpA

Signed by

Corrado Testori
(Partner)

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

SEPARATE FINANCIAL STATEMENTS OF THE PARENT COMPANY AS OF 31 DECEMBER 2012

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Income Statement

Notes	In thousands of Euros	2012 Total	of which related parties	2011 Restated[10]	of which related parties
3	Net revenues	841,756	96,001	948,065	91,546
4	Cost for materials	485,637	57,964	541,788	85,885
5	Cost for services and leases and rentals	218,872	44,756	244,528	47,393
6	Employee costs	170,661		196,789	
7	Depreciation of property, plant and equipment	26,661		26,570	
7	Amortisation of intangible assets	35,884		52,938	
8	Other operating income	110,737	34,500	131,244	40,146
9	Other operating costs	19,514	666	19,169	129
	Operating income	**(4,736)**		**(2,473)**	
10	Income/(loss) from investments	81,181		72,490	
11	Financial income	1,176	331	2,519	578
11	Borrowing Costs	29,136	445	29,302	353
11	Net exchange gains/(losses)	(279)		311	
	Profit before tax	**48,206**		**43.545**	
12	Taxes for the period	2,016		(2,705)	
	Earnings from continuing activities	**46,190**		**46,250**	
	Assets held for disposal:				
13	Profits or losses arising from assets held for disposal				
	Net profit	**46,190**		**46,250**	

10_ 2011 values have been restated, following the adoption of IAS 19 revised which, among others, changes the principle for recognising actuarial gains and losses relative to post-employment benefits. For further details, see section 2 "Accounting policies", section "New accounting standards, amendments and interpretations applied as from 1 January 2012" in the "Notes".

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Statement of Comprehensive Income

Notes	In thousands of Euros	2012	2011 Restated[11]
	Net Profit (loss) for the period (A)	**46,190**	**46,250**
29	Effective portion of profits (losses) on cash flow hedges	(1,759)	(1,283)
29	Fair value adjustment of assets available for sale		(4,903)
29	Actuarial gains (losses) relative to defined benefit plans	(4,382)	779
	Total Other Profits (and losses) for the period (B)*	**(6,141)**	**(5,407)**
	Total Profit (loss) for the period (A + B)	**40,049**	**40,843**

11_ 2011 values have been restated, following the adoption of IAS 19 revised which, among others, changes the principle for recognising actuarial gains and losses relative to post-employment benefits. For further details, see section 2 "Accounting policies", section "New accounting standards, amendments and interpretations applied as from 1 January 2012" in the "Notes".

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

Statement of financial position

Notes	In thousands of Euros	As of 31 December 2012 Total	of which related parties	As of 31 December 2011 Total	of which related parties
	Assets				
	Non-current assets				
14	Intangible assets	548,662		538,873	
15	Property, plant and equipment	204,633		182,484	
16	Investment property				
17	Investments	51,337		38,896	
18	Other financial assets	10,101		21,012	
19	Long-term tax receivables	1,190		976	
20	Deferred tax assets	23,475		18,205	
22	Other receivables	3,551	234	4,778	267
	Total non-current assets	**842,949**		**805,224**	
26	**Assets held for sale**				
	Current assets				
21	Trade receivables	57,342	18,660	67,189	24,710
22	Other receivables	87,068	70,710	84,695	74,000
19	Short-term tax receivables	3,533		9,627	
23	Inventories	170,464		183,355	
24	Other financial assets	12,738	12,738	16,946	16,946
25	Cash and cash equivalents	9,765		50,816	
	Total current assets	**340,910**		**412,628**	
	Total assets	**1,183,859**		**1,217,852**	
	Shareholders' equity and liabilities				
	Shareholders' equity				
29	Share capital	199,504		202,209	
29	Share premium reserve	3,493		3,493	
29	Legal reserve	14,593		12,241	
29	Other reserves	18,623		34,366	
29	Retained profit (loss)	67,300		49,440	
29	Profit (loss) for the period	46,190		46,250	
	Total shareholders' equity	**349,703**		**347,999**	
	Non-current liabilities				
30	Financial liabilities falling due after one year	333,838	2,900	300,084	2,900
32	Other long-term provisions	9,906		16,684	
33	Retirement funds and employee benefits	48,633		44,851	
34	Tax payables	464		2,369	
35	Other long-term payables	4,113		4,499	
	Total non-current liabilities	**396,954**		**368,487**	
	Current liabilities				
30	Financial liabilities falling due within one year	105,487	220	149,372	1,975
31	Trade payables	266,849	30,550	287,595	36,930
34	Tax payables	8,312		12,640	
35	Other short-term payables	45,008	9,052	42,948	484
32	Current portion of other long-term provisions	11,546		8,811	
	Total current liabilities	**437,202**		**501,366**	
	Total shareholders' equity and liabilities	**1,183,859**		**1,217,852**	

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Statement of Cash Flows

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

Notes	In thousands of Euros	2012	2011 Restated[12]
	Operating activities		
	Profit (Loss) for the period	46,190	46,250
	Taxes for the period	2,016	(2,705)
	Depreciation of property, plant and equipment	26,661	26,569
	Amortisation of intangible assets	35,884	52,938
	Non-monetary costs for stock options	685	771
	Allocations for risks and retirement funds and employee benefits	23,587	19,995
	Write-downs / (Reversals)	242	3,953
	Losses / (Gains) on the disposal of property, plants and equipment	(561)	(110)
	Financial income	(8,248)	(10,329)
	Dividend income	(75,616)	(75,787)
	Borrowing Costs	36,487	36,801
	Change in working capital:		
	(Increase)/Decrease in trade receivables	2,925	13,211
	(Increase)/Decrease in other receivables	4,562	(31,087)
	(Increase)/Decrease in inventories	12,891	(4,893)
	Increase/(Decrease) in trade payables	(14,358)	9,980
	(Increase)/Decrease in other payables	(6,619)	(11,510)
	Increase/(Decrease) in the current portion of provisions for risks	2,735	(4,140)
	Increase/(Decrease) in the non-current portion of provisions for risks	(19,909)	(14,155)
	Increase/(Decrease) in retirement funds and employee benefits	(6,674)	(21,224)
	Other changes	(4,549)	29,900
	Cash generated from operating activities	**58,331**	**64,428**
	Interest paid	(32,995)	(30,225)
	Taxes paid	(8,844)	(5,088)
	Cash flow from operating activities (A)	**16,492**	**29,115**
	Investment activities		
	Investment in property, plant and equipment	(48,908)	(29,583)
	Sale price, or repayment value, of property, plant and equipment	659	221
	Investment in intangible assets	(46,882)	(48,281)
	Sale price, or repayment value, of intangible assets	1,209	1,118
	Investment in non-current financial assets	(79)	(2,926)
	Repayment of loans provided	4,208	12,102
	Sale price of financial assets	365	29,261
	Collected interests	6,279	8,388
	Dividends from investments	78,249	38,937
	Cash flow from investment activities (B)	**(4,900)**	**9,237**
	Financing activities		
	Purchase of treasury shares	(9,152)	(9,080)
	Collection for the exercise of stock options	0	2,843
	Outflow for dividends paid	(29,878)	(25,684)
	Loans received	337,684	53,029
	Outflow for repayment of loans	(352,486)	(114,937)
	Financial leases	0	227
	Repayment of finance leases	(894)	(824)
	Cash flow from funding activities (C)	**(54,726)**	**(94,426)**
	Increase / (Decrease) in cash and cash equivalents (A+B+C)	(43,134)	(56,074)
	Opening balance	**50,731**	**106,805**
	Closing balance	**7,597**	**50,731**

12_ 2011 values have been restated, following the adoption of IAS 19 revised which, among others, changes the principle for recognising actuarial gains and losses relative to post-employment benefits. For further details, see section 2 "Accounting policies", section "New accounting standards, amendments and interpretations applied as from 1 January 2012" in the "Notes".

The table below details the breakdown of the balance of cash and cash equivalents as of 31 December 2012 and 31 December 2011.

Notes	In thousands of Euros	As of 31 December 2012	As of 31 December 2011	Change
25	Cash and cash equivalents	9,765	50,816	(41,051)
30	Current account overdrafts	(2,168)	(85)	(2,083)
	Closing balance	**7,597**	**50,731**	**(43,134)**

Net Debt / (Net Financial Debt)

Notes	In thousands of Euros	As of 31 December 2012	As of 31 December 2011	Change
25	**Liquidity**	**9,765**	**50,816**	**(41,051)**
24	Short-term financial receivables due from third parties	-	-	-
24	Government securities available for sale	-	-	-
24	Short-term financial receivables due from subsidiaries	12,738	16,946	(4,208)
24	Short-term financial receivables due from affiliated companies	-	-	-
	Current financial receivables	**12,738**	**16,946**	**(4,208)**
30	Current account overdrafts	(2,168)	(85)	(2,083)
30	Current account payables	(50,000)	-	(50,000)
30	Bonds	-	-	-
30	Current portion of bank financing	(31,363)	(122,428)	91,065
30	Amounts due to factoring companies	(19,179)	(20,085)	906
30	Amounts due under leases	(936)	(894)	(42)
30	Current portion of payables due to other lenders	(1,621)	(3,905)	2,284
30	Financial payables due to subsidiaries	(220)	(1,975)	1,755
	Current financial debt	**(105,487)**	**(149,372)**	**43,885**
	Net current financial debt	**(82,984)**	**(81,610)**	**(1,374)**
30	Payables due to banks and financing institutions	(120,171)	(86,095)	(34,076)
30	Debenture loan	(193,550)	(191,859)	(1,691)
30	Amounts due under leases	(5,809)	(6,745)	936
30	Financial payables due to subsidiaries	0	0	0
30	Amounts due to other lenders	(4,532)	(6,153)	1,621
	Non-current financial debt	**(324,062)**	**(290,852)**	**(33,210)**
	Net Financial Debt*	**(407,046)**	**(372,462)**	**(34,584)**

**_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 and the fair value adjustment of relative hedged items equal to €/000 9,775 (see note 30 of the Notes).*

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

In thousands of Euros	
Increase/decrease in cash and cash equivalents from the statement of cash flows	**(43,134)**
Outflow for repayment of loans	352,486
Repayment of finance leases	894
Loans received	(337,684)
Amortised cost on medium-/long-term financing	(2,938)
Repayment of loans provided	(4,208)
Change in net debt	**(34,584)**

Changes in Shareholders' Equity

Movements from 1 January 2012/31 December 2012

Notes	In thousands of Euros	Share capital	Share premium reserve	Legal reserve	Reserve for the fair value measurement of financial instruments
	As of 1 January 2012	**202,209**	**3,493**	**12,241**	**(1,510)**
29	Charges for the period for stock option plans				
29	Allocation of profit for 2011 as resolved by the Ordinary General Meeting of Shareholders on 13 April 2012:				
	- To shareholders				
	- To shareholders' equity			2,352	
29	Purchase of treasury shares	(2,705)			
29	Reclassification of reserves				
29	Total overall profit (loss)				(1,759)
	As of 31 December 2012	**199,504**	**3,493**	**14,593**	**(3,269)**

Movements from 1 January 2011/31 December 2011[13]

Notes	In thousands of Euros	Share capital	Share premium reserve	Legal reserve	Reserve for the fair value measurement of financial instruments
	As of 1 January 2011	**203,348**	**3,493**	**11,299**	**(227)**
29	Charges for the period for stock option plans				
29	Allocation of profit for 2010 and previous years as resolved by the ordinary general meeting of shareholders on 13 April 2011:				
	- To shareholders				
	- To shareholders' equity			942	
29	Purchase of treasury shares	(2,382)			
29	Reclassification of reserves	1,243			
29	Total overall profit (loss)				(1,283)
	As of 31 December 2011	**202,209**	**3,493**	**12,241**	**(1,510)**

13_ 2011 values have been restated, following the adoption of IAS 19 revised which, among others, changes the principle for recognising actuarial gains and losses relative to post-employment benefits. For further details, see section 2 "Accounting policies", section "New accounting standards, amendments and interpretations applied as from 1 January 2012" in the "Notes".

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IAS transition reserve	Actuarial gains (losses) relative to defined benefit plan	Stock option reserve	Reserve for the fair value adjustment of financial assets available for sale	Performance reserve	Total shareholders' equity
11,435	**1,454**	**12,700**	**10,287**	**95,690**	**347,999**
		685			**685**
					-
				(29,878)	**(29,878)**
				(2,352)	**-**
				(6,447)	**(9,152)**
			(10,287)	10,287	**0-**
	(4,382)			46,190	**40,049**
11,435	**(2,928)**	**13,385**	**-**	**113,490**	**349,703**

IAS transition reserve	Actuarial gains (losses) relative to defined benefit plan	Stock option reserve	Reserve for the fair value adjustment of financial assets available for sale	Performance reserve	Total shareholders' equity
11,435	**675**	**11,929**	**15,190**	**81,164**	**338,306**
		771			**771**
					0
				(25,684)	**(25,684)**
				(942)	**0**
				(6,698)	**(9,080)**
				1,600	**2,843**
	779		(4,903)	46,250	**40,843**
11,435	**1,454**	**12,700**	**10,287**	**95,690**	**347,999**

Notes to the Financial Statements as of 31 December 2012

A) General aspects

Piaggio & C. S.p.A. (the Company) is a joint-stock company established in Italy at the Register of Companies of Pisa. The addresses of the registered office and places where main business operations are conducted are listed in the introduction to the financial statements.
These Financial Statements are expressed in Euros (€) since this is the currency in which most of the Company's transactions take place.
For a greater clarity and comparison of information in the Separate Financial Statements as of 31 December 2012, some changes have been made to the statement of financial position and some items have been reclassified in the financial statements and notes relative to information presented for comparative purposes.

Compliance with international accounting standards

The Financial Statements as of 31 December 2012 have been drafted in compliance with the International Accounting Standards (IAS/IFRS) in force at that date, issued by the International Accounting Standards Board and approved by the European Commission, as well as in compliance with the provisions established in Article 9 of Italian Legislative Decree no. 38/2005 (Consob Resolution no. 15519 dated July 27/7/06 containing the "Provisions for the presentation of financial statements", Consob Resolution no. 15520 dated July 27/7/06 containing the "Changes and additions to the Regulation of Issuers adopted by Resolution no. 11971/99", Consob communication no. 6064293 dated 28/7/06 July containing the "Corporate reporting required in accordance with Article 114, paragraph 5 of Italian Legislative Decree no. 58/98"). The interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously the Standing Interpretations Committee ("SIC"), were also taken into account.

The Financial Statements have been prepared on a historical cost basis, amended as required for the measurement of some financial instruments, and on a going-concern basis. In fact, despite the difficult economic and financial context, the Company has evaluated that there are no significant doubts about its continuing as a going concern (as defined in section 25 of IAS 1), also in relation to actions already identified to adapt to changing levels in demand, as well as the industrial and financial flexibility of the Company.

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

1. Form and content of the financial statements

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

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

Statement of Comprehensive Income

The Statement of Comprehensive Income for the period is presented as provided for in IAS 1 revised.

Statement of Financial Position

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

Statement of Cash Flows

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

Net debt

The statement of net debt has been prepared pursuant to Consob Communication of 28 July 2006 and in compliance with the recommendation of the CESR of 10 February 2005 "Recommendation for the consistent implementation of the European Commission's Regulation on Prospectuses ".

Statement of Changes in Shareholders' Equity

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

2. Accounting policies

The most significant accounting policies adopted to prepare the Financial Statements as of 31 December 2012 are outlined below.

Intangible assets

As provided for in IAS 38, an intangible asset which is purchased or self-created is recognised as an asset only if it is identifiable, controllable and future economic benefits are expected and its cost may be measured reliably. For an asset that justifies capitalisation, the cost also includes any borrowing costs that are directly attributable to acquisition, construction or production of the asset.
Intangible assets with a finite life are measured at acquisition cost or production cost net of amortisation and accumulated impairment losses. Amortisation is referred to the expected useful life and commences when the asset is available for use.

Goodwill

In the case of acquisitions of companies, acquired and identifiable assets, liabilities and potential liabilities are recognised at present value at the date of acquisition. The positive difference between the acquisition cost and share of the Company in the present value of said assets and liabilities is classified as goodwill and recognised in the financial statements as an intangible asset. Any negative difference ("negative goodwill") is recorded instead in the income statement at the date of acquisition.
Goodwill is not amortised but tested annually for impairment, or more frequently if specific events or changed circumstances indicate that an asset may be impaired, as provided for in IAS 36 - *Impairment of Assets*. After initial recognition, goodwill is recognised at cost net of any accumulated impairment losses.
On the disposal of part of or an entire company previously acquired and from the acquisition of

which goodwill arose, the corresponding residual value of goodwill is considered when measuring the capital gain or loss of the disposal.
During first-time adoption of IFRSs, the Company opted not to retroactively apply IFRS 3 - *Business Combinations* to acquisitions of companies that took place before 1 January 2005. As a result, the goodwill generated on acquisitions prior to the date of transition to IFRSs was maintained at the previous value, determined according to Italian accounting standards, subject to assessment and recognition of any impairment losses.
After 1 January 2006, following acquisitions during 2004, further goodwill was generated due to the effect of the valuation of financial instruments issued during the acquisition.

Development costs

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

Other intangible assets

As provided for in IAS 38 – *Intangible Assets*, other intangible assets which are purchased or self-created are recognised as assets if it is probable that use of the asset will generate future economic benefits and the cost of the asset can be reliably measured.
These assets are recognised at acquisition or production cost and are amortised on a straight line basis over their estimated useful life, if they have a definite useful life. Intangible assets with an indefinite useful life are not amortised but tested annually for impairment, or more frequently if there is an indication that an asset may be impaired.
Other intangible assets recognised following the acquisition of a company are accounted for separately from goodwill, if their present value may be reliably measured.
The amortisation period for an intangible asset with a useful life is revised at least at the end of each reporting period. If the expected useful life of the activity differs from estimates previously made, the amortisation period is changed accordingly.
The amortisation periods of intangible assets are shown below:

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

Property, plant and equipment

The Company has decided to adopt the cost method on first-time application of the IAS/IFRS, as allowed by IFRS 1. For the measurement of property, plant and equipment, therefore, the preference was not to use the fair value method. Property, plant and equipment were booked at the purchase or production cost and were not revalued. For an asset that justifies capitalisation, the cost also includes any borrowing costs that are directly attributable to acquisition, construction or production of the asset.
Costs incurred after acquisition are capitalised only if they increase the future economic benefits of the asset they refer to. All other costs are recorded in the income statement when they are incurred.
Property, plant and equipment under construction are measured at cost and depreciated starting from the period in which they are put into operation.
Depreciation is determined, on a straight line basis, on the cost of the assets net of their relative

residual values, based on their estimated useful life.
Land is not depreciated.
Assets held through finance lease agreements, on the basis of which all risks and benefits related to ownership are basically transferred to the Company, are recognised as Company assets at their present value, or if lower, at the current value of minimum payments due for the lease. The corresponding liability vis-à-vis the lessor is recognised in the financial statements as a financial payable. The assets are depreciated applying the criterion and rates used for assets owned by the company.
Leases in which the lessor basically retains all risks and benefits related to ownership are classified as operating leases. The costs referred to operating leases are recognised on a line-by-line basis in the income statement over the term of the lease agreement.
Profits and losses arising from the sale or disposal of assets are measured as the difference between the sale revenue and net book value of the asset and are entered in the income statement for the period.

Investments

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

Impairment

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

Investment property

International accounting standards regulate the accounting treatment of property used for production or administrative purposes (IAS 16) differently from investment property (IAS 40). As provided for by IAS 40, non-instrumental property held to earn rentals and/or for capital appreciation and/or both is measured at cost net of depreciation and accumulated impairment losses.
Investment property is eliminated from the financial statements when it is disposed of or when it may

not be used over time and future economic benefits from its sale are not expected.

Non-current assets held for sale

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

Financial assets

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

Inventories

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

Receivables

Trade receivables and other receivables are initially recognised at fair value and subsequently recognised based on the amortised cost method, net of the provision for bad debts. Losses on receivables are recognised when there is objective evidence that the Company is not able to recover the amount due from the other party on the basis of contractual terms.
When payment of amounts due exceeds standard terms of payment granted to clients, the receivable is discounted. To determine the effect, collection times are estimated applying a discount rate corresponding to the 20-year Euribor Swap plus a spread of listings for A rating government securities to expected financial flows.

Factoring

The Company sells a significant part of its trade receivables through factoring. Factoring may be without recourse, and in this case no risks of recourse or liquidity exist, as corresponding amounts of the balance of trade receivables are reversed when the receivable is sold to the factor.
For factoring with recourse, the risk of non-payment and the liquidity risk are not transferred, and

therefore relative receivables remain under shareholders' equity until payment by the client of the amount due. In this case any advance payments collected by the factor are recognised under payables as amounts due to other lenders.
In the case of reverse factoring, relations for which a primary obligation with the supplier is maintained and any deferment, if granted, does not significantly change terms, are still classified as trade liabilities.

Cash and cash equivalents

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

Treasury shares

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

Financial liabilities

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

Derivatives and measurement of hedging operations

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

› **Fair value hedge:** if a financial derivative is designated as a hedge of the exposure to changes in present value of a recognised asset or liability, attributable to a particular risk and could affect profit or loss, the gain or loss from the subsequent change in present value of the hedging instrument is recognised in profit or loss. The gain or loss on the hedged item, attributable to the hedged risk, changes the carrying amount of the hedged item and is recognised in profit or loss.
› **Cash flow hedge:** if an instrument is designated as a hedge of the exposure to variability in cash flows of a recognised asset or liability or of a highly probable forecast transaction which

could affect profit or loss, the effective portion of the gain or loss on the financial instrument is recognised in other comprehensive Income. Accumulated gain or loss is reversed from other shareholders' equity and recognised in profit or loss in the same period as the hedging transaction. The gain or loss associated with hedging or the part of hedging which is ineffective, is immediately recognised in profit or loss. If the transaction is still expected to occur and the hedge relationship ceases, the amounts accumulated in equity will be retained in equity until the hedged item affects profit or loss. If hedge accounting ceases for a cash flow hedge relationship, gains and losses deferred in other shareholders' equity are recognised immediately in profit or loss.

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

Long-term provisions

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

Retirement funds and employee benefits

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

Stock option plan

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

Tax assets and liabilities

Deferred taxes are determined based on the temporary taxable differences between the value of the asset and liability and their tax value. Deferred tax assets are measured only to the extent to which it is likely that adequate future taxable sums exist against which the deferred taxes can be used. The

carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent to which it is no longer likely that sufficient taxable income exists allowing for all or a portion of said assets to be recovered.
Deferred taxes are determined based on tax rates expected for the period in which the tax assets are realised, considering the rates in effect or which are known to come into effect. Deferred taxes are directly recognised in profit or loss, except for items directly recognised in shareholders' equity, in the case that relative deferred taxes are also recognised in shareholders' equity.
Deferred tax assets and liabilities are recognised as offset in the statement of financial position in compliance with IAS 12.

Payables

Payables are recognised at their nominal value, considered representative of their settlement value.

Recognition of revenues

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

Grants

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

Financial income

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

Borrowing Costs

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

Dividends

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

Income tax

Taxes represent the sum of current and deferred tax assets and liabilities.
Taxes allocated on the basis of estimated taxable income determined in compliance with national laws in force at the year end are recorded, taking account of applicable exemptions and tax credits due. Income tax is recognised in profit or loss, with the exception of items directly charged to or from shareholders' equity, in which case the tax effect is directly recognised in shareholders' equity. Taxes are recorded under "Tax payables" net of advances and withheld taxes.
As from the 2007 reporting period, the Company has been party to the National Consolidated Tax 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. Current participation in the convention will be in effect up until 2012.

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

Use of estimates

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

Transactions with subsidiaries and related parties

Transactions with subsidiaries and related parties are described in the Report on Operations, referred to herein.

New accounting standards, amendments and interpretations applied as from 1 January 2012

Since the 2012 Half-year Financial Statements, the Company has adopted IAS 19 revised, in advance (published in the Gazzetta Ufficiale of 6 June 2012).
In this regard:

- during the first time adoption of international accounting standards, the Company had chosen, from possible options allowed by IAS 19, to systematically recognise actuarial components in the income statement as “Employee costs”; under the “revised” version of this standard, endorsed by the European Commission, and in order to provide information which is reliable and more relevant, these components are directly recognised as “Valuation reserves” in shareholders’ equity, with the reserves being immediately recognised in the “Statement of Comprehensive Income”, without being recorded in the income statement; IAS 19 “revised” therefore excludes the possibility of systematically recognising actuarial components in the income statement;

- this amendment, considering the retrospective application required as of IAS 8, has given rise to the following effects on the financial statements:
  - the actuarial profit recognised in 2011, for adjustment to results of calculations made by the external actuary with reference to defined benefit obligations in relation to personnel, for an amount equal to 779 thousand Euro was not recorded in the income statement for 2011, with a decrease in net profit for 2011 of 779 thousand Euro and a concurrent positive change, of the same amount, under the item “Valuation reserves” included in the statement of financial position and the item “Actuarial Gains (Losses) relative to defined benefit plans”, recorded in the “Statement of Comprehensive Income” for 2011;
  - the actuarial loss arising from the adjustment to results of calculations made by the external actuary with reference to defined benefit obligations in relation to personnel, for an amount equal to 5,597 thousand Euro was not recorded in the income statement for 2012, with an increase in net profit for 2012 equal to 4,382 thousand Euro and a concurrent negative change,

of the same amount, under the item "Valuation reserves" included in the statement of financial position and the item "Actuarial Gains (Losses) relative to defined benefit plans", recorded in the "Statement of Comprehensive Income" for 2012.

Technical valuations are based on the assumptions outlined below:

Technical annual discount rate	3.25%
Annual rate of inflation	2.00%
Annual rate of increase in post-employment benefits	3.00%

To value the discount rate, the iBoxx Eurozone Corporates A index with a 10+ duration as of 31 December 2012 considered most significant in relation to the indicator used as of 31 December 2011 (AA with a 10+ duration) was adopted. This change was treated as a prospective change in estimate as provided for by IAS 8. Thus if the previous index had been used, the actuarial loss arising from the adjustment to results of calculations made by the external actuary with reference to employee benefit obligations would have been higher by 2,332 thousand euro.

› the adoption of IAS 19 revised above did not give rise to changes in initial or final shareholders' equity, but only resulted in a different quantification of the items "Valuation reserves" and "Profit (Loss) for the year", recorded in the "Statement of changes in shareholders' equity" and in the statement of financial position.

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

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

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

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

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

› On 12 May 2011 the IASB issued the standard IFRS 11 – *Joint arrangements* which will replace IAS 31 – Interests in Joint Ventures and SIC-13 – *Jointly Controlled Entities - Non-Monetary Contributions* by Venturers. The new standard provides methods for identifying joint arrangements based on the rights and obligations under such arrangements rather than their actual legal form and establishes

the equity method as the only accounting treatment for jointly controlled entities in consolidated financial statements. The standard is applicable in a retrospective manner as of 1 January 2014. After the issue the standard IAS 28 – *Investments in Associates* was amended to include jointly controlled entities within its field of application, as of the date the standard became effective.

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

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

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

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

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

› On 12 November 2009, the IASB published IFRS 9 – Financial Instruments which was later amended on 28 October 2010. The standard, which is applicable from 1 January 2015 in a retrospective manner, represents the first part of a process to entirely phase out and replace IAS 39 with new criteria for classifying and recognising financial assets and liabilities and for eliminating financial assets (derecognition) from the financial statements. In particular 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 recorded in the income statement.

Other information

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

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

Adjustment of Financial Statement items referred to the previous period

Some Financial Statement items of the previous year have been restated, following the adoption of IAS 19 revised which, among others, changes the principle for recognising actuarial gains and losses relative to post-employment benefits. This application of this accounting standard had the following effects on the 2011 financial statements:

- the actuarial profit recognised in 2011, for adjustment to results of calculations made by the external actuary with reference to defined benefit obligations in relation to personnel, for an amount equal to 779 thousand Euro was not recorded in the income statement for 2011, with a decrease in net profit for 2011 of the same amount;
- and a concurrent positive change, of the same amount, under the item "Valuation reserves" included in the statement of financial position and the item "Actuarial Gains (Losses) relative to defined benefit plans", recorded in the "Statement of Comprehensive Income" for 2011.

In compliance with IAS 12, which requires the net effects of deferred taxes to be recognised in the Statement of Financial Position, €/000 22,883 was reclassified from deferred tax liabilities to deferred tax assets.

Acquisition of "Tecnocontrol"

On 11 April 2012, following award of the competitive tender pursuant to article 105-107 of the Italian Bankruptcy Law, Piaggio & C. signed a contract of purchase for the company site "Tecnocontrol" situated in Pontedera, for a total value of 11,323,000 Euro.
With the acquisition of Tecnocontrol, Piaggio & C. now has its own aluminium engine components processing procedure.
The effect on the statement of financial position of Piaggio & C. is as follows:

- Production buildings + 2,113,000.00
- Operating goods + 7,666,061.81
- Consumables + 1,543,938.19

In this regard, the acquisition has not resulted in the recognition of goodwill or potential liabilities, since the adoption of IFRS 3 revised.

Information on company management and coordination activities

Pursuant to article 2497-bis, section 4 of the Italian Civil Code, main data of the last financial statements of the parent company IMMSI S.p.A., with registered office in Mantova (MN), Piazza Vilfredo Pareto 3 – tax code 07918540019, for the year ended 31 December 2011, are summarised below. The data were taken from relative Financial Statements for the year ended 31 December 2011. For adequate and complete understanding of the financial position and performance of Immsi SpA as of 31 December 2011, and the results of operations in the year ended at this date, see the Financial Statements, and report by the independent auditors, available in the forms provided for by law.

Income statement	**2011**	**2010**
In thousands of Euros		
Financial income	18,661	32,962
Of which related parties and intergroup	*17,844*	*16,597*
Borrowing Costs	(8,966)	(14,443)
Of which related parties and intergroup		*(2)*
Income/(loss) from investments		
Operating income	4,787	4,758
Of which related parties and intergroup	*2,027*	*2,033*
Costs for materials	(42)	(45)
Costs for services and lease and rental costs	(3,230)	(4,871)
Of which related parties and intergroup	*(591)*	*(527)*
Employee costs	(1,275)	(1,389)
Depreciation of plant, property and equipment	(156)	(167)
Amortisation of goodwill		
Amortisation of intangible assets with a finite life	(4)	(4)
Other operating income	148	188
Of which related parties and intergroup	*100*	*110*
Other operating costs	(354)	(288)
Profit before tax	**9,569**	**16,700**
Taxes	1,450	157
Earnings after tax from operating activities	**11,019**	**16,858**
Profit or loss arising from assets held for disposal or sale	-	-
Net profit for the period	**11,019**	**16,858**

Statement of comprehensive income	**2011**	**2010**
In thousands of Euros		
Net profit for the period	**11,019**	**16,858**
Profits (losses) from the fair value measurement of assets available for sale (AFS)	(8,378)	(7,287)
Effective portion of profit (losses) from instruments to hedge financial flows	(932)	188
Adjustment of the Property Investments reserve	(462)	
Total profit (loss) for the period	**1,247**	**9,759**

Statement of financial position	As of 31 December 2011	As of 31 December 2010
In thousands of Euros		
Non-current assets		
Intangible assets	*4*	*9*
Plant, property and equipment	509	548
Of which related parties and intergroup	*54*	*71*
Investment property	73,496	73,263
Investments	351,401	353,975
Other financial assets	116,047	115,241
Of which related parties and intergroup	*36,047*	*35,241*
Tax receivables	2,365	2,922
Deferred tax assets	62	-
Trade receivables and other receivables	3,541	3,645
Of which related parties and intergroup	*3,536*	*3,450*
Total non-current assets	**547,426**	**549,603**
Assets held for disposal	-	-
Current assets		
Trade receivables and other receivables	11,939	8,436
Of which related parties and intergroup	*11,731*	*7,986*
Tax receivables	1,218	813
Other financial assets	72,362	63,103
Of which related parties and intergroup	*66,395*	*48,715*
Cash and cash equivalents	726	32,573
Total current assets	**86,245**	**104,925**
Total assets	**633,671**	**654,528**
Shareholders' equity		
Share capital	177,076	177,076
Reserves and retained earnings	257,163	260,293
Income for the period	11,019	16,858
Total shareholders' equity	**445,258**	**454,226**
Non-current liabilities		
Financial liabilities	62,504	68,550
Trade payables and other payables	744	-
Retirement fund and similar obligations	264	273
Other long-term provisions		-
Deferred tax liabilities	20,404	20,102
Total non-current liabilities	**83,916**	**88,925**
Liabilities related to assets held for disposal	-	-
Current liabilities		
Financial liabilities	96,681	101,846
Trade payables	1,387	1,820
Of which related parties and intergroup	*278*	*233*
Current taxes	319	296
Other payables	6,110	7,413
Of which related parties and intergroup	*5,712*	*6,733*
Current portion of other long-term provisions	-	-
Total current liabilities	**104,497**	**111,376**
Total shareholders' equity and liabilities	**633,671**	**654,528**

B) Information on the income statement

3. Net revenues — *€/000 841,756*

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

Revenues by type of product

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

	2012		2011		Changes	
	amount	%	amount	%	Amount	%
In thousands of Euros						
Two-wheeler	769,573	91.42	852,219	89.89	(82,646)	(9.70)
Commercial Vehicles	72,183	8.58	95,846	10.11	(23,663)	(24.69)
Total	**841,756**	**100.00**	**948,065**	**100.00**	**(106,309)**	**(11.21)**

Revenues by geographic segment

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

	2012		2011		Changes	
	amount	%	Amount	%	Amount	%
In thousands of Euros						
EMEA and Americas	802,863	95.38	905,698	95.53	(102,835)	(11.35)
Asia Pacific	38,478	4.57	41,918	4.42	(3,440)	(8.21)
India	414	0.05	449	0.05	(35)	(7.81)
Total	**841,756**	**100.00**	**948,065**	**100.00**	**(106,309)**	**(11.21)**

In 2012 net sales revenues decreased by €/000 106,309 attributable to the general decline in demand for Two-Wheeler vehicles on the Italian and European market, due to the economic crisis affecting the entire western world.

4. Costs for materials *€/000 485,637*

These totalled €/000 485,637 compared to €/000 541,788 as of 31 December 2011.
The decrease in costs for materials compared to the previous year (10.4%) is mainly related to the fall in production and sales volumes. The percentage of costs for raw, ancillary materials, consumables and goods accounting for net revenues was 55.8%, compared to 57.7% in 2011.

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

	2012	2011	Change
In thousands of Euros			
Raw, ancillary materials, consumables and goods	472,701	546,620	(73,919)
Purchase of used vehicles and for testing	46	61	(15)
Change in inventories of raw, ancillary materials, consumables and goods	7,762	(1,719)	9,481
Change in work in progress of semifinished and finished products	5,128	(3,174)	8,302
Total costs for purchases	**485,637**	**541,788**	**(56,151)**

The change in inventories of raw, ancillary materials, consumables and goods, amounting to a negative figure of €/000 7,762, is attributable to the following:

Merchandise
Positive change of €/000 1,773
Allocation to the provision for obsolete stock, net of a use of €/000 529, amounted to €/000 1,319.

Raw materials
Negative change of €/000 10,962.
Allocation to the provision for obsolete raw materials, net of a use of €/000 22, amounted to €/000 18.

Consumables
Positive change of €/000 1,427.

The change in work in progress, semi-finished and finished products, for a total negative amount of €/000 5,128 was determined as follows:

- Finished products: negative change of €/000 2,368.
- Semifinished products: negative change of €/000 2,630.
- Work in progress negative change of €/000 130.

Allocation to the provision for obsolete finished products, net of a use of €/000 1,248, amounted to €/000 193.

5. Costs for services and leases and rental costs *€/000 218,872*

These totalled €/000 218,872 compared to €/000 244,528 as of 31 December 2011.
Below is a breakdown of this item

	2012	2011	Change
In thousands of Euros			
Employee costs	9,640	9,862	(222)
External maintenance and cleaning services	4,661	4,542	119
Energy, telephone and telex	13,254	11,559	1,695
Commissions payables	18,641	20,980	(2,339)
Advertising and promotion	12,433	15,793	(3,360)
Technical, legal and tax consultancy and services	8,523	11,670	(3,147)
Company boards operating costs	2,184	2,146	38
Insurance	2,991	3,192	(201)
Outsourced manufacturing	15,334	20,748	(5,414)
Transport costs (vehicles and spare parts)	44,150	49,585	(5,435)
Sundry commercial expenses	11,274	14,907	(3,633)
Product warranty costs	9,100	9,160	(60)
Costs for quality-related events	7,607	10,478	(2,871)
Bank costs and factoring charges	4,749	5,306	(557)
Misc. services provided in the business year	35,992	37,226	(1,234)
Other services	4,446	3,943	503
Lease and rental costs	13,894	13,431	463
Total costs for services	**218,872**	**244,528**	**(25,656)**

The decrease of €/000 25,656 is mainly attributable to the decrease in costs relative to transport, third party work, advertising and promotion, consultancy services, commercial expenses, commission due and costs for miscellaneous business services. Costs for quality-related events were partially offset by compensation received, recognised under "Other operating income" and amounting to €/000 2,833.
Lease and rental costs refer to €/000 6,346 for rental payments for buildings and €/000 7,548 for car, software and photocopier hire payments.

Third party work, of €/000 15,334, refers to processing on production components carried out by outsourced suppliers.

Transport costs totalled €/000 44,150 and refer to €/000 34,635 for the sale of products, to €/000 7,652 for transport expenses of purchased items, to €/000 981 for shuttle and miscellaneous transport services and to €/000 882 for postal expenses and express delivery costs.

The item "Other services" includes services for public relations amounting to €/000 2,715, technical services for expertise amounting to €/000 550 as well as costs of employees seconded to other companies and costs of temporary work for a total of €/000 864.

Expenses for the operation of company boards refer to the activities of the Board of Directors and Board Directors with particular responsibilities, as well as the Board of Statutory Auditors, Supervisory Body, Internal Control Committee and Remuneration Committee. These expenses include fees and the reimbursement of costs for €/000 440, €/000 1,310, €/000 302, €/000 62, €/000 40 and €30 respectively.

Business services include outsourcing services for €/000 7,981, warehouse management services for € /000 499, relocation and restoration services for €/000 588, waste disposal and water treatment services for €/000 1,952, administration and back office services provided by group companies for €/000 19,438 and management services provided by the parent company IMMSI S.p.A. for € /000 1,000.

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6. Employee costs *€/000 170,661*

Employee costs are broken down as follows:

	2012	2011	Change
In thousands of Euros			
Salaries and wages	118,755	131,159	(12,404)
Social security contributions	37,541	42,749	(5,208)
Post-employment benefits	8,476	8,689	(213)
Other costs:	5,889	14,192	(8,303)
Total	**170,661**	**196,789**	**(26,128)**

As already indicated, following the adoption of IAS 19 Revised, published data relative to the previous year have been restated to make them uniform with current data.
The reduction during the year is due, among others, to a considerable part of variable costs related to incentive systems for personnel at all levels, not being included, due to personnel failing to reach their objectives.
Employee costs include €/000 685 relating to stock option costs which were recorded in accordance with international accounting standards.
The workforce as of 31 December 2012 totalled 3,850 members of staff.
Below is a breakdown of the headcount by actual number and average number:

Average number

Level	2012	2011	Change
Senior management	80	85	(5)
Middle Management	232	231	2
White collars	985	1,028	(43)
Manual labour	2,742	2,722	20
Total	**4,039**	**4,066**	**(27)**

Number as of

Level	31 December 2012	31 December 2011	Change
Senior management	81	82	(1)
Middle Management	232	226	6
White collars	969	1,023	(54)
Manual labour	2,568	2,479	89
Total	**3,850**	**3,810**	**40**

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

Level	As of 31.12.11	Incoming	Leavers	Relocations	As of 31.12.12
Senior management	82	2	(5)	2	81
Middle Management	226	4	(17)	19	232
White collars	1,023	37	(72)	(19)	969
Blue collars	2,479	710	(619)	(2)	2,568
Total (*)	**3,810**	**753**	**(713)**	**0**	**3,850**
(*) of which fixed-term contracts	97	586	(588)	(92)	3

7. Amortisation/depreciation and impairment costs *€/000 61,545*

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

Property, plant and equipment	2012	2011	Change
In thousands of Euros			
Buildings	3,458	3,332	126
Plant and equipment	7,990	7,557	433
Industrial and commercial equipment	14,654	14,992	(338)
Other assets	559	689	(130)
Total depreciation of tangible fixed assets	**26,661**	**26,570**	**91**

Intangible assets	2012	2011	Change
In thousands of Euros			
Development costs	15,643	22,679	(7,036)
Industrial Patent and Intellectual Property Rights	14,495	20,540	(6,045)
Concessions, licences, trademarks and similar rights	5,746	9,719	(3,973)
Total amortisation of intangible fixed assets	**35,884**	**52,938**	**(17,054)**

As set out in more detail in the paragraph on intangible assets, as of 1 January 2005, goodwill is no longer amortised, but tested annually for impairment.

The impairment test carried out as of 31 December 2012 confirmed the full recoverability of the amounts recorded in the financial statements.

Amortisation of the item "Concessions, licences, trademarks and similar rights" refers to amortisation of the Aprilia brand for €/000 2,916, of the Guzzi brand for €/000 1,625, of the Derbi brand for €/000 1,200 and of other brands from the merged company Aprilia S.p.A. for €/000 5.
The item "Industrial Patent and Intellectual Property Rights" includes amortisation relative to software equal to €/000 4,326.

The decrease in the item amortisation of intangible assets is due to particularly high figures for the previous year related to measures to renew the range and also to the changed useful life of the Aprilia and Moto Guzzi brands, to which reference is made in the comment on the specific item of assets.

8. Other operating income *€/000 110,737*

This item consists of:

In thousands of Euros	2012	2011	Change
Operating grants	2,316	3,492	(1.176)
Increases in fixed assets from internal work	30,520	28,445	2,075
Other revenue and income:			
- Expenses recovered in invoices	22,746	26,130	(3,384)
- Rent receipts	260	268	(8)
- Contingent assets from measurement	58	4,033	(3,975)
- Capital gains on the disposal of assets	561	121	440
- Capital gains on securities available for sale	0	5,371	(5,371)
- Recovery of transport costs	46	107	(61)
- Recovery of business costs	1,402	1,334	68
- Recovery of registration costs	1,326	28	1,298
- Recovery of advertising costs	38	32	6
- Recovery of stamp duty	1,060	1,353	(293)
- Recovery of labour costs	6,140	4,850	1,290
- Recovery of duty on exported products	62	72	(10)
- Recovery of supplier costs	1,036	1,980	(944)
- Recovery of warranty costs	63	26	37
- Recovery of taxes from customers	551	769	(218)
- Recovery of professional training costs	7	0	7
- Recovery of sundry costs	3,008	4,175	(1,167)
- Provision of services to group companies	12,908	18,700	(5,792)
- Licence rights and know-how	15,247	16,247	(1,000)
- Commission receivable	1,413	2,219	(806)
- Sale of miscellaneous materials	769	0	769
- Compensation from damage to third parties	1,001	921	80
- Compensation from third parties for quality-related events	2,833	5,424	(2,591)
- Sponsorship	1,050	1,020	30
- Clearance of payables	66	183	(117)
- Other income	4,250	3,944	306
Total other operating income	**110,737**	**131,244**	**(20,507)**

The decrease totals €/000 20,507

Operating grants refer to:

- €/000 462 for benefits established by law 296/2006 (2007 Budget), subsequently amended by law 244/2007 (2008 Budget), which provided benefits for companies undertaking pre-competitive Research and Development programmes, starting from 1 January 2007 and reaching completion by 31 December 2009. The benefit consists of a tax income to be used against payable taxes. Costs to which the benefit applies were incurred in 2007/2008/2009. This funding refers to funding recorded in the income statement in relation to the amortisation of capitalised costs.
- €/000 1,460 refer to other state subsidies concerning research projects of which €/000 200 recorded in the income statement in relation to the amortisation of development costs.
- €/000 233 for funding for professional training provided by trade associations.
- €/000 161 for the portion relative to the year of sums received from a customer for product development.

During the period, internal costs for product development projects of €/000 29,368 were capitalised, in addition to internal costs for the construction of property, plant and equipment, amounting to €/000 1,152.
Expenses recovered in invoices refer to costs for preparation, advertising, insurance, transport and packaging charged to clients directly in product sales invoices.

The item "Recovery of sundry costs" includes €/000 486 and €/000 339 charged to the subsidiaries Piaggio Vietnam and Piaggio Vehicles respectively, as well as €/000 87 charged to the associated company Zongshen Piaggio Foshan for the supply of components, equipment and various materials for the construction and production of vehicles. The item also includes sums charged to third-party customers of €/000 1,466 for the recovery of administration costs relative to sales invoices.
Licence rights of €/000 15,241 were obtained mainly from the subsidiaries Piaggio Vehicles (€/000 7,517) and Piaggio Vietnam (€/000 6,244), from the associated company Piaggio Foshan (€/000 125) as well as from the third party companies JINCHENG GROUP (€/000 232), THE BEANSTALK (€/000 179), FORME SRL (€/000 579).
Income from the recovery of labour costs mainly refers to amounts charged to Group companies for the use of personnel.
The recovery of costs from suppliers refers to amounts charged for the reprocessing of materials and final inspections, and for failure to supply assembly lines with material.
The recovery of stamp duty mainly refers to amounts charged to dealers for stamp duty on vehicle conformity certificates, as from 1 January 2005.
Other income mainly refers to contingent assets obtained during the period.

9. Other operating costs *€/000 19,514*

This item consists of:

	2012	2011	Change
In thousands of Euros			
Allocation for future risks	0	0	0
Allocation for litigation	368		368
Total allocations for risks	**368**	**0**	**368**
Allocation for product warranties	10,108	9,849	259
Allocation for quality-related events	750	0	750
Total other allocations	**10,858**	**9,849**	**1,009**
Stamp duty	1,315	1,567	(252)
Duties and taxes not on income	1,279	1,078	201
Local tax, formerly council tax	1,168	707	461
Various subscriptions	896	879	17
Social charges	217	351	(134)
Capital losses from disposal of assets	0	12	(12)
Miscellaneous expenses	2,031	2,721	(690)
Losses on receivables	168	1,543	(1,375)
Total sundry operating expenses	**7,074**	**8,858**	**(1,784)**
Impairment of receivables in working capital	1,214	462	752
Total impairment	**1,214**	**462**	**752**
Total other operating costs	**19,514**	**19,169**	**345**

Overall, other operating costs increased by €/000 345.
Stamp duty of €/000 1,315 mainly refers to the tax due on vehicle conformity certificates. This cost is charged to Dealers and the recovered amount is entered under "Other operating income".
Sundry costs include contingent liabilities amounting to €/000 1,153.

10. Income/(loss) from investments *€/000 81,181*

This item consists of:

	2012	2011	Change
In thousands of Euros			
Dividends from subsidiaries	75,602	75,594	8
Value reinstatements on investments in subsidiaries	6,573	784	5,789
Value reinstatements on investments in affiliated companies	3,550	1,532	2,018
Dividends from the investments of non-controlling interests	15	193	(178)
Write-down of investments in subsidiaries	(4,559)	(5,613)	1,054
Total	**81,181**	**72,490**	**8,691**

Dividends of €/000 38,760 were distributed by the subsidiary Piaggio Vehicles Ltd, of €/000 14,000 by Piaggio Vespa B.V. and of €/000 22,842 by Piaggio Vietnam.
Value reinstatements of € 6,573 concern the subsidiary Piaggio Vespa BV as regards €/000 6,497 and the subsidiary P&D as regards €/000 76. Liquidation of the latter company was completed in the year, with residual shareholders' equity being transferred to the sole partner Piaggio & C.
The value reinstatement of €/000 6,497 refers to the merger of Aprilia World Service BV with Piaggio Vespa BV, on 1 July 2012, which meant that specific allocation recognised as a liability in previous years, was no longer necessary.
The value reinstatement for investments of €/000 3,550 concerns the affiliated company Zongshen Piaggio Foshan. The value of this investment recognised as an asset amounts to €/000 5,082. For further details, see the section "Interests in joint ventures" in the Consolidated Financial Statements.
The write-down of investments in subsidiaries reflects the lower value of €/000 4,559 determined for the investment in Nacional Motor, following impairment testing.

11. Net financial income/(borrowing costs) *€/000 (28,239)*

Below is the breakdown of borrowing costs and income:

	2012	2011	Change
In thousands of Euros			
Financial income			
- From subsidiaries	331	578	(247)
Financial income from third parties:			-
- Interest from securities	-	748	(748)
- Interest receivable from clients	69	98	(29)
- Bank and post office interest payable	458	1,041	(583)
- Interest payable on financial receivables	-	-	-
- Financial income from discounting back receivables	-	-	-
- Income from derivatives	301	-	301
- Other	17	54	(37)
Total financial income from third parties:	845	1,941	(1,096)
Total financial income	**1,176**	**2,519**	**(1,343)**

The amount of €/000 331 recognised as financial income from subsidiaries refers to:
- a total of €/000 329 for interest relative to financial assets receivable from the subsidiaries Piaggio Vespa BV (€/000 2), AWS BV (€/000 138), Nacional Motor (€/000 174), and Aprilia Racing (€/000 15);
- €/000 2 from cash pooling by Piaggio & C. for European subsidiaries.

During 2012, borrowing costs for €/000 2,286 were capitalised.

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	2012	2011	Change
In thousands of Euros			
Borrowing Costs			
- Payable to subsidiaries	9	47	(38)
Total borrowing costs payable to the Group	9	47	(38)
Borrowing costs payable to third parties:			
- Interest payable on a debenture loan	14,672	13,246	1,426
- Interest payable on bank accounts	361	662	(301)
- Interest payable on bank loans	6,800	7,692	(892)
- Interest payable on import/export advance loan	0	11	(11)
- Interest payable to other lenders	1,285	936	349
- Interest payable on subdiscount factor operations	1,393	1,910	(517)
- Cash discounts to clients	557	804	(247)
- Capital losses on the disposal of securities recognised as current assets	0	998	(998)
- Costs for derivatives	0	138	(138)
- Bank charges on loans	1,809	408	1,401
- Interest payable on lease agreements	180	205	(25)
- Borrowing costs from discounting back post employment benefits	1,969	2,225	(256)
- Other	101	20	81
Total borrowing costs payable to third parties	29,127	29,255	(128)
Total borrowing costs	**29,136**	**29,302**	**(166)**

Interest payable on debenture loans refers to borrowing costs for the year concerning the debenture loan issued by the Company on 4 December 2009, falling due on 1 December 2016 and the debenture loan issued on 25 July 2011 falling due on 31 July 2021.
Interest payable to other lenders mainly refers to interest payable to factoring companies and banks for the sale of trade receivables. The item also includes interest payable to the financial administration authorities (€/000 72) relating to the acknowledgement of notices of assessment.

	2012	2011	Change
In thousands of Euros			
- Exchange gains	6,279	6,356	(77)
- Exchange losses	(5,594)	(6,586)	992
Total exchange gains (losses)	685	(230)	915
- Exchange gains	793	1,455	(662)
- Exchange losses	(1,757)	(914)	(843)
Total valuation exchange gains (losses)	(964)	541	(1,505)
Net exchange gains/(losses)	**(279)**	**311**	**(590)**

12. Taxes *€/000 2,016*

The item "Income taxes" is detailed below:

In thousands of Euros	2012	2011	Change
Current taxes	10,432	13,199	(2,767)
Deferred tax liabilities	867	769	98
Deferred tax assets	(9,283)	(16,673)	7,390
Total taxes	**2,016**	**(2,705)**	**4,721**

Current taxes consist of:

- €/000 2,557 from foreign income tax, mainly relative to royalties from the Indian subsidiary Piaggio Vehicles Ltd. and from the subsidiary Piaggio Vietnam, whose taxes amounted to €/000 1,680 and €/000 796 respectively;
- €/000 3,230 from regional production tax on income for the year.
- €/000 1,640, registering a decrease, from the release of portions of provisions for deferred taxes assets allocated in previous years.
- €/000 5,951 for the payment of deferred tax assets (corporate tax and regional production tax) allocated in previous years and attributable to temporary changes that were annulled in the year, as well as the adjustment of deferred taxes for actual tax losses.
- €/000 22, registering a decrease, from income arising from the consolidated tax convention.
- €/000 356 from taxes referred to previous years.

Deferred tax liabilities and deferred tax assets of €/000 867 and €/000 9,283 respectively were recognised.
In 2012, the item taxes generated expenses for €/000 2,016. In 2011 taxes had generated income amounting to €/000 2,705.

Reconciliation in relation to the theoretical rate is shown below:

In thousands of Euros	2012
REVENUE TAXES ON INCOME	
Profit before tax	48,206
Theoretical rate	27.50%
Theoretical tax	13,257
Tax effect arising from permanent changes	(21,298)
Tax effect arising from temporary changes	2,236
Use of tax losses against which deferred tax assets were not allocated	0
Reverse deferred corporate tax liabilities allocated in previous years for temporary changes	(1,505)
Reverse advanced corporate tax assets allocated in previous years for temporary changes	4,329
Reverse advanced tax assets allocated in previous years for tax losses	1,084
Tax effect arising from taxes on income produced abroad	2,557
Taxes relative to previous years	171
Expenses (income) from the Consolidated Tax Convention	(22)
Tax affect arising from deferred corporate tax liabilities for temporary changes	840
Tax affect arising from deferred corporate tax assets for temporary changes	(1,296)
Tax affect arising from deferred corporate tax assets due to recalculation of the 2010 and 2011 tax loss after a higher deduction of regional tax from corporate tax	(2,183)
Deferred tax assets transferred to the Consolidated Tax Convention	-
REGIONAL PRODUCTION TAX (IRAP)	
Regional production tax on net revenues for the year	3,230
Regional production tax referred to previous years	185
Reverse deferred regional production tax liabilities allocated in previous years for temporary changes	(135)
Reverse advanced regional production tax assets allocated in previous years for temporary changes	539
Tax affect arising from deferred regional production tax liabilities for temporary changes	27
Tax affect arising from advanced regional production tax assets for temporary changes	0
Income taxes recognised in the financial statement	**2,016**

Theoretical tax rates were determined applying the corporate tax rate in effect in Italy (27.5%) to profit before tax. The impact arising from the regional production tax rate was determined separately, as this tax is not calculated on the basis of profit before tax.
As regards 2012, within the framework of the National Consolidated Tax Convention, in which Immsi is Consolidating company, Piaggio & C. S.p.A. transferred a negative taxable income for corporate tax (tax loss) of €/000 21,109 to the Consolidating company.

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

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

C) Information on the statement of financial position - assets

14. Intangible assets *€/000 548,662*

The table below shows the breakdown of intangible assets as of 31 December 2012 and 31 December 2011, as well as movements during the year.

	Development costs	Patent rights	Concessions, licences and trademarks	Goodwill	Other	Assets under development and advances	Total
In thousands of Euros							
Historical cost	79,907	190,624	227,105	463,926	-	22,044	983,606
Provisions for write-down		-	-	-	-	-	0
Accumulated amortisation	(52,410)	(153,618)	(143,330)	(95,375)	-	-	(444,733)
Assets as of 31/12/2011	**27,497**	**37,006**	**83,775**	**368,551**	**-**	**22,044**	**538,873**
Investments	15,113	15,628	-	-	-	16,142	46,883
Transitions in the period	9,872	922	-	-	-	(10,794)	-
Amortisation	(15,643)	(14,496)	(5,746)	-	-	-	(35,885)
Disposals	(1,194)	(15)	-	-	-	-	(1,209)
Write-downs	-	-	-	-	-	-	-
Other movements	1	(1)	-	-	-	-	-
Total changes	**8,149**	**2,038**	**(5,746)**	**-**	**-**	**5,348**	**9,789**
Historical cost	80,363	207,133	227,105	463,926	-	27,392	1,005,919
Provisions for write-down	-	-	-	-	-	-	0
Accumulated amortisation	(44,717)	(168,089)	(149,076)	(95,375)	-		(457,257)
Assets as of 31/12/2012	**35,646**	**39,044**	**78,029**	**368,551**	**-**	**27,392**	**548,662**

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

	Value as of 31 December 2012			Value as of 31 December 2011			Change		
	For the period	Under construction and advances	Total	For the period	Under construction and advances	Total	For the period	Under construction and advances	Total
In thousands of Euros									
R&D costs	35,646	24,094	59,740	27,497	19,009	46,506	8,149	5,085	13,234
Patent rights	39,044	3,298	42,342	37,006	3,035	40,041	2,038	263	2,301
Concessions, licences and trademarks	78,029		78,029	83,775		83,775	(5,746)	-	(5,746)
Goodwill	368,551		368,551	368,551		368,551	-	-	-
Other	-		-			-	-	-	-
Total	**521,270**	**27,392**	**548,662**	**516,829**	**22,044**	**538,873**	**4,441**	**5,348**	**9,789**

Intangible assets increased overall by €/000 9,789 following investments net of disposals and amortisation for the period.
Increases mainly refer to the capitalisation of development costs for new products and new engines, as well as the purchase of software.

Development costs €/000 35,646

Development costs include costs for products and engines in projects for which there is an expectation, for the period of the useful life of the asset, to see net sales at such a level in order to allow the recovery of the costs incurred.
During 2012, and based on an overall analysis of capitalised development costs, to verify correct classification, the Company reclassified costs incurred in previous years but not yet fully amortised, relative to the projects listed in the table below, from "Development costs" to "Industrial Patent and Intellectual Property Rights":

PLM project for R&D	Guzzi 1400 4V engine	Beverly 350	Lem 3v engine for the Vespa 46
Aprilia Caponord	Ape PAX	New Vespa LX	Vespa India
Tuono engine	NEW APE "NT3"	Vespa 946	Lem 3v engine for the Vespa India
Liberty Elettrico	Porter	350 engine	3v LEM engine
New California Guzzi	New FLY	50 engine	3V HE aria engine for the Vespa India
			200cc APE PAX engine

These products and their development have made it necessary to adopt highly innovative technical solutions, develop new calculation methods and regulations, define ad hoc design and testing techniques, acquire technologically advanced measurement and test equipment, and have enabled Piaggio to diversify its technical expertise and the quality and functional standards of some of its vehicles compared to the competition. In this framework, the 2012 Financial Statements reflect the total costs incurred in the product development process to a better extent, because although complying with the capitalisation criteria of IAS 38, they did not lead to the Company obtaining specific patents or the acquisition of particular technical expertise not yet available to third parties.

As regards development costs, new projects capitalised during 2012 refer mainly to new engines for Aprilia and Moto Guzzi motorcycles, new low-emission 3V engines for new scooters, the new Tuono 1000, Caponord, New California and V7 Racer motorcycles, the New Beverly, XGT and Vespa scooters and relative engines, the MP3 Hybrid and relative engines, as well as three- and four-wheeler vehicles such as the Porter Petrol and Diesel version and the New Ape NT3.
Borrowing costs relative to loans for long-term product development are capitalised as a part of the cost of the actual assets. During 2012 borrowing costs for €/000 999 were capitalised, applying an average interest rate of 5.84%
Development costs included under this item are amortised on a straight line basis over 5 years (founding products) or 3 years, in consideration of their remaining useful life.
During 2012, development costs of approximately 17.8 million euro were recognised directly in profit or loss.
Pursuant to article 2426, section 5 of the Italian Civil Code, the value of research and development costs still to be amortised equal to €/000 59,740 is unavailable in shareholders' equity.

Industrial Patent and Intellectual Property Rights €/000 39,044

This item comprises patents for €/000 52, know-how for €/000 30,754 and software for €/000 8,238.
As regards software, the increase in the period amounted to €/000 4,176 and was mainly attributable to the purchase of various licences, upgrades and the introduction of the new PLM system (Product Lifecycle Management) for the R&D area, as well as the implementation of projects for sales, production, personnel and administration.
Investments in know-how totalled €/000 11,452.
Costs for industrial patent and intellectual property rights are amortised on a straight line basis over three years, except for costs for founding products and costs for the purchase of SAP licences which are amortised over 5 years.
During 2012 borrowing costs for €/000 117 were capitalised, applying an average interest rate of 5.84%.

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Trademarks, concessions and licences €/000 78,029.

The item *Trademarks, concessions and licences*, equal to €/000 78,029 consists of:

	As of 31 December 2012	As of 31 December 2011	Change
In thousands of Euros			
Derbi trademark	14,400	15,600	(1,200)
Guzzi trademark	22,750	24,375	(1,625)
Aprilia trademark	40,819	43,735	(2,916)
Minor trademarks	60	65	(5)
Total Trademark	**78,029**	**83,775**	**(5,746)**

As of 31 December 2012, the residual useful life of the Moto Guzzi and Aprilia brands was revised, in compliance with IAS 38, section 104 (as of 31/12/2011, the residual useful life for both brands was 8 years). In particular, the revision of the residual useful life is based on the assumption related to the potential and future economic benefits arising from the considerable investments made in recent years by the company to renew the range of Moto Guzzi and Aprilia products that change the expectations and potential of future economic benefits related to the industrial and commercial use of both brands. As provided for by IAS/IFRS, the residual useful life of the Moto Guzzi and Aprilia brands was therefore extended to 2026, changing the annual depreciation allowance calculated on the residual net carrying amount. This change was applied on an annual and forward-looking basis starting from 2012, as provided for by IAS 8. The accounting effects are as follows:

		Aprilia trademark	Moto Guzzi trademark
Expected useful life			
	Previous valuation	Up to 2019	Up to 2019
	New valuation	Up to 2026	Up to 2026
Annual amortisation			
€/000	*Previous valuation*	5,467	3,047
	New valuation	2,916	1,625
Annual charge of deferred taxes			
€/000	*Previous valuation*	(712)	(955)
	New valuation	(380)	(509)
Annual net impact on the Income Statement			
€/000	*Previous valuation*	4,755	2,092
	New valuation	2,536	1,116
	Difference	2,219	976

The value of other brands acquired with the Aprilia merger decreased during the year by €/000 5 following amortisation calculated on the basis of the estimated useful life.

Goodwill €/000 368,551

The item *Goodwill* refers to €/000 265,135 for the portion of the merger deficit paid and originating from the merger of Piaggio & C. S.p.A. (€/000 250,569) and Vipifin S.p.A. (€/000 14,566) in Piaggio & C. S.p.A. (formerly MOD S.p.A.) which took place in 2000, to €/000 456 for goodwill generated in previous years from mergers undertaken by the merged company Aprilia, to €/000 79,705 for the amount recognised following the merger of Aprilia in 2005 and to €/000 23,255 for the amount recognised following the spin off of the technological, business and organisational branch of the subsidiary Nacional Motor in favour of Piaggio in 2009.
As specified in information on accounting standards, as from 1 January 2005 goodwill is no longer amortised, but is tested for impairment annually, or more frequently if specific events or changed circumstances indicate the possibility of impairment, in accordance with the provisions of IAS 36 *Impairment of Assets* (impairment test).

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

The main assumptions used by the Company to determine future financial flows, relative to a four-year period, and the consequent recoverable value (value in use) refer to:
a. the use of 2013 Budget figures and management estimates for data relative to 2014-2016;
b. the WACC discount rate, which reflects current market changes in the cost of money and considers the specific risk attributable to areas in which it operates (8.25%).

In the future cash flows discounting model, a final value is entered at the end of the cash flow projection period, to reflect the residual value Piaggio should produce. The final value represents the current value, at the last year of the projection, of all subsequent cash flows calculated as perpetual income, and was determined using a growth rate (g rate) equal to 1.5%.
The impairment test carried out as of 31 December 2012 confirmed that there was no need to make any changes to the figures in the financial statements. The estimates prepared by the Company, which forecast a positive trend for the next 3 years, confirm the adequacy of amounts.
Given that the recoverable value was estimated, the Company cannot guarantee the absence of goodwill impairment in future financial periods.
Given the current market crisis, the various factors utilised in the estimates could require revision; the Company will constantly monitor these factors as well as the existence of impairment losses.

15. Property, plant and equipment *€/000 204,633.*

The table below shows the breakdown of plant, property and equipment as of 31 December 2012 and 31 December 2011, as well as movements during the period.

	Land	Buildings	Plant and equipment	Equipment	Other assets	Assets under development and advances	Total
In thousands of Euros							
Historical cost	28,035	108,453	252,706	440,789	25,794	22,065	877,842
Reversals	-	4,816	2,368	6,253	199	-	13,636
Provisions for write-down	-	-	-	(1,339)	-	-	(1,339)
Accumulated depreciation	-	(43,135)	(225,553)	(415,232)	(23,735)	-	(707,655)
Assets as of 31/12/2011	**28,035**	**70,134**	**29,521**	**30,471**	**2,258**	**22,065**	**182,484**
Investments	-	1,771	4,938	9,572	178	22,669	39,128
Transitions in the period	-	746	2,284	3,035	161	(6,226)	-
Depreciation	-	(3,458)	(7,990)	(14,654)	(559)	-	(26,661)
Disposals	-	1	-	(63)	(9)	(27)	(98)
Write-downs	-	-	-	2	-	-	2
Purchase of “Tecnocontrol”	-	2,113	6,456	1,142	68	-	9,779
Other movements	-	-	(1)	-	-	-	(1)
Total changes	**-**	**1,173**	**5,687**	**(966)**	**(161)**	**16,416**	**22,149**
Historical cost	28,035	113,084	266,352	453,667	26,037	38,481	925,656
Reversals	-	4,816	2,368	6,253	199	-	13,636
Provisions for write-down	-	-	-	(1,337)	-	-	(1,337)
Accumulated depreciation	-	(46,593)	(233,512)	(429,078)	(24,139)	-	(733,322)
Assets as of 31/12/2012	**28,035**	**71,307**	**35,208**	**29,505**	**2,097**	**38,481**	**204,633**

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

	Value as of 31 December 2012			Value as of 31 December 2011			Change		
	For the period	Under construction and advances	Total	For the period	Under construction and advances	Total	For the period	Under construction and advances	Total
In thousands of Euros									
Land	28,035	-	28,035	28,035	-	28,035	-	-	-
Buildings	71,307	14,340	85,647	70,134	8,630	78,764	1,173	5,710	6,883
Plant and equipment	35,208	10,475	45,683	29,521	4,435	33,956	5,687	6,040	11,727
Equipment	29,505	13,550	43,055	30,471	8,853	39,324	(966)	4,697	3,731
Other assets	2,097	116	2,213	2,258	147	2,405	(161)	(31)	(192)
Total	**166,152**	**38,481**	**204,633**	**160,419**	**22,065**	**182,484**	**5,733**	**16,416**	**22,149**

Increases are mainly due to moulds for new vehicles and engines launched in the year, crankshaft processing lines, engine test benches and the experimental workshop.
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. During 2012 borrowing costs for €/000 1,170 were capitalised, applying an average interest rate of 5.84%.

Land €/000 28,035

Buildings €/000 71,307

Movements for this item during the period are due to increases of €/000 3,884, of which €/000 2,113 from the purchase of "Tecnocontrol", to movements during the year of €/000 746 and depreciation for the period of €/000 3,458.
Capitalisation of €/000 1,771, relative to production buildings, refers to:
- Various works at the Pontedera plant: €/000 1,688;
- Various works at the Noale and Scorzè plants: €/000 83.

Plant and equipment €/000 35,208

Movements for this item during the period are due to increases of €/000 11,394, of which €/000 6,456 from the purchase of "Tecnocontrol", to movements during the year of €/000 2,284 and depreciation for the period of €/000 7,990.
Capitalisation of €/000 4,938, relative to plant and machinery, refers to the following acquisitions:
- upgrading of equipment at the two- and three-wheeler workshops: €/000 1,854;
- investments for engine assembly lines: €/000 1,277;
- purchase of machinery for mechanical processing: €/000 785;
- investments for the vehicle painting and assembly area: €/000 352;
- investments for the wear of machinery: €/000 338;
- investments for new engines and new vehicles: €/000 332.

Equipment €/000 29,505

Movements for this item during the period are due to increases of €/000 10,714, of which €/000 1,142 from the purchase of "Tecnocontrol", to movements during the year of €/000 3,035, disposals of €/000 61 and depreciation for the period of €/000 14,654.
Capitalisation of €/000 9,572, referring to equipment, mainly consists of:
- the purchase of moulds for the new X10: 2,924;
- the purchase of equipment for the Moto Guzzi California: €/000 1,525;
- equipment for Pontedera plant assembly lines: €/000 842;
- the renewal of moulds due to wear and for safety reasons: €/000 822;
- equipment for Pontedera plant welding lines: €/000 701;
- the purchase of moulds for the Aprilia SRV 850: €/000 624;
- the purchase of moulds for the 125-150 3V LEM engine: €/000 536;

- equipment to improve vehicle quality: €/000 482;
- the purchase of moulds for X10 engines: €/000 336;
- upgrading of containers: €/000 217;
- equipment for upgrading plants: €/000 125;
- the purchase of moulds for the Liberty Elettrico: €/000 148;
- equipment for Scorzè plant assembly lines: €/000 78;
- the purchase of moulds for the Tuono motorcycle: €/000 60;
- equipment for Mandello plant assembly lines: €/000 43;
- the purchase of moulds for the 350cc scooter engine: €/000 27;
- the purchase of equipment for the Moto Guzzi V7: €/000 24;
- the purchase of moulds for the petrol/diesel Porter: €/000 20;
- the purchase of moulds for the MP3 Light : €/000 20;
- the purchase of moulds for the New Beverly: €/000 18.

Other plant, property and equipment €/000 2,213

As of 31 December 2012 the item *Other assets*, including assets under construction, comprised the following:

In thousands of Euros	As of 31 December 2012	As of 31 December 2011	Change
EDP systems	632	850	(218)
Office furniture and equipment	926	1,003	(77)
Vehicles	89	23	66
Cars	566	530	36
Total	**2,213**	**2,406**	**(193)**

€/000 68 of the item refers to the acquisition of "Tecnocontrol".

Assets under construction and advances €/000 38,841

Movements for this item during the period are due to increases of €/000 22,669, decreases for movements for the period of €/000 6,226 and disposals of €/000 27.

Capitalisation in the period equal to €/000 22,669 mainly refers to:
- investments for the new Spare Parts Production Site: €/000 15,365;
- the purchase of moulds and equipment for the New Vespa "946": €/000 1,609;
- the purchase of moulds and equipment for the New Vespa LX: €/000 1,435;
- investments for the New Vespa LX welding line: €/000 1,278;
- the purchase of moulds for the Aprilia Enduro R21 motorcycle: €/000 783;
- purchase of machinery for mechanical processing: €/000 702;
- equipment for upgrading plants: €/000 376;
- the purchase of moulds for the Moto Guzzi California Custom: €/000 294;
- the renewal of moulds due to wear and for safety reasons: €/000 277;
- investments for the Mandello Del Lario Plant building: €/000 220;
- equipment for Pontedera plant assembly lines: €/000 193;
- the purchase of moulds for the Liberty Elettrico Poste: €/000 63;
- the purchase of moulds for the Tuono ABS version motorcycle: €/000 57;
- equipment to improve vehicle quality: €/000 17.

Reversals of assets

The Company still has assets for which reversals have been made in conformity to specific regulations or during merger operations.

The table below gives detailed figures for financial statement items and with reference to the legal provision or merger operation:

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

Warranties

As of 31 December 2012, the Company had buildings encumbered by mortgage liens in favour of financing institutions to secure loans obtained in previous years, of which the balance to repay is €/000 123.

16. Investment property *€/000 0*

As of 31 December 2012 no investment property was held.

17. Investments *€/000 51,337*

The Investments heading comprises:

	As of 31 December 2012	As of 31 December 2011	Change
In thousands of Euros			
Investments in subsidiaries	46,064	37,173	8,891
Investments in affiliated companies	5,273	1,723	3,550
Total	**51,337**	**38,896**	**12,441**

Movements for the period are shown below:

	Carrying amount as of 31/12/2011	Increases	Value reinstatement	Reclassifications	Write-downs	Disposals	Carrying amount as of 31/12/2012
In thousands of Euros							
Subsidiaries							
Piaggio Subsidiary Vespa B.V.	11,927						11,927
Piaggio Vehicles Pvt Ltd	15,793						15,793
Nacional Motor	2,653				(2,653)		0
Piaggio Vietnam Co Ltd	1,762						1,762
Piaggio China Ltd	589						589
P&D S.p.a. in liquidation	284		76			(360)	0
Aprilia Racing S.r.l.	1,440						1,440
Piaggio Espana SL	2,721						2,721
Piaggio Indonesia	4						4
Piaggio Advanced Design Center		76					76
FCIIC Atlantic				11,752			11,752
Total subsidiaries	**37,173**	**76**	**76**	**11,752**	**(2,653)**	**(360)**	**46,064**
Affiliated companies							
Zongshen Piaggio Foshan	1,532		3,550				5,082
Pontech Soc. Cons. a.r.l.	181						181
Immsi Audit S.C.A.R.L.	10						10
Fondazione Piaggio onlus	-						-
Total affiliated companies	**1,723**	**0**	**3,550**	**0**	**0**	**0**	**5,273**
Total investments	**38,896**	**76**	**3,626**	**11,752**	**(2,653)**	**(360)**	**51,337**

Investments in subsidiaries €/000 46,064

The increase of €/000 76 refers to the subscription to and payment of share capital in the American company Piaggio Advanced Design Center.

The reclassification of €/000 11,752 concerns portions of the Atlantic 12 closed property investment fund, allocated in the previous year to “Other non-current financial assets” as securities available for sale.

Liquidation of the company P&D was completed in the year, with residual shareholders’ equity being transferred to the sole partner Piaggio & C. The value reinstatement of the investment for €/000 76 refers to this event.

Decreases refer to:

- €/000 2,653 relative to the write-down of the investment in Nacional Motor, following the losses for the period of the company.
- €/000 360 relative to the disposal of the investment in P&D S.p.A. due to completion of the company’s liquidation.

Investments in Associates €/000 5,273

The increase of €/000 3,550 refers to the recovery of the portion of the value of the investment in the Chinese company Zongshen Piaggio Foshan Motorcycle, written down in previous years, following its positive economic trend.
The value reinstatement of the investment in Zongshen Piaggio Foshan Motorcycle and Piaggio China was determined based on the estimated recoverable value, represented by the value in use. This was calculated discounting expected cash flows processed on the basis of approved plans; the discount rate used includes a specific risk consistent with the geographic segment where the company operates.

18. Other non-current financial assets *€/000 10,101*

	As of 31 December 2012	As of 31 December 2011	Change
In thousands of Euros			
Fair value of hedging derivatives	9,938	9,094	844
Investments in other companies	163	165	(2)
Securities available for sale	0	11,753	(11,753)
Total	**10,101**	**21,012**	**(10,911)**

The item *Fair value* of hedging derivatives refers to the fair value of the cross currency swap to hedge the private debenture loan. For details, see note 30 on Financial Liabilities and attachment H.
Securities available for sale refer to portions of the Atlantic 12 Closed Property Fund reclassified as of 31 December 2012 as investments in subsidiaries.

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

Other companies	Carrying amount as of 31 December 2012	Carrying amount as of 31 December 2011	Change
In thousands of Euros			
Accounted for using the cost method:			
Sviluppo Italia Liguria S.c.p.a. (formerly Bic Liguria S.p.a.)	-	5	(5)
Consorzio Pisa Ricerche	76	76	-
A.N.C.M.A. – Rome	2	2	-
GEOFOR S.p.a.	47	47	-
E.CO.FOR. Service S.p.a.	2	2	-
Consorzio Fiat Media Center – Turin	3	3	-
IVM GMBH	12	9	3
Mitsuba FN Europe S.p.a.	-	-	-
S.C.P.S.T.V.	21	21	-
Total other companies	**163**	**165**	**(2)**

During 2012, the investment in Sviluppo Italia Liguria S.c.p.a. was reimbursed by the issuer, while the investment in IVM GMBH was increased by €/000 2.

19. Current and non-current tax receivables *€/000 4,723*

Tax receivables totalled €/000 4,723 as of 31 December 2012 and consist of the following:

	As of 31 December 2012	As of 31 December 2011	Change
In thousands of Euros			
VAT receivables	1,930	9,148	(7,218)
Tax receivables for taxes to be reimbursed	1,512	1,236	276
Other tax receivables	1,281	219	1,062
Total	**4,723**	**10,603**	**(5,880)**

Non-current tax receivables totalled €/000 1,190 compared to €/000 976 as of 31 December 2011. Positive changes of €/000 214 were recorded during the year.
Current tax receivables totalled €/000 3,533 compared to €/000 9,627 as of 31 December 2011. The decrease of €/000 6,094 is basically due to the negative change in VAT receivables (€/000 7,218).

20. Deferred tax assets *€/000 23,475*

In compliance with IAS 12, this item indicates the balance net of deferred tax assets and liabilities as of 31 December 2012. The breakdown of this net balance is shown in the table below.

	As of 31 December 2012	As of 31 December 2011	Change
In thousands of Euros			
Deferred tax assets	44,337	41,088	3,249
Deferred tax liabilities	(20,862)	(22,883)	2,021
Total	**23,475**	**18,205**	**5,270**

Deferred tax assets total €/000 44,337 compared to €/000 41,088 as of 31 December 2011, recording a positive change of €/000 3,249.
The balance of deferred tax assets as of 31 December 2012 refers to:
› €/000 20,150 for allocations made for temporary differences;
› €/000 2,113 for allocations made for 2006 tax losses of the merged Moto Guzzi;
› €/000 22,074 for allocations made for tax losses generated under the National Consolidated Tax Convention of which IMMSI S.p.A. is the consolidating company.
The positive change of €/000 3,249 is attributable to:
› €/000 5,951 from the recognition of deferred tax assets from previous years in the income statement, of which €/000 4,868 relative to temporary changes and € 1,083 to tax losses considering actual figures for the latter item;
› €/000 355 from the transformation of deferred tax assets into tax receivables;
› €/000 1,567 from the recognition of new deferred tax assets relative to temporary changes of which €/000 272 directly recognised under Shareholders' Equity;
› €/000 7,988 from the recognition of deferred tax assets determined from the tax loss of 2012 and higher tax losses of 2010 and 2011, following the recalculation of the regional production tax deduction from corporate tax, as required by regulations in force.

Additional deferred tax assets amounting to €/000 9,555 were recognised in light of forecast results of Piaggio & C. S.p.A., and the foreseeable use of relative tax benefits in future years.

Details of items affected by the allocation of deferred tax assets as well as the amount of deferred tax assets already recognised and not recognised are shown in the table below.

	Amount	Tax effect 27.5%	Tax effect 3.9%
In thousands of Euros			
Nacional Motor goodwill	19,379	5,329	756
Provisions for risks	6,463	1,777	224
Provision for product warranties	12,278	3,376	479
Provision for quality-related events	789	217	31
Provisions for bad debts	11,184	3,075	
Provisions for obsolete stock	29,929	8,230	1,167
Other changes	3,075	846	50
Total for provisions and other changes	**83,097**	**22,850**	**2,707**
IAS effects	**11**	**3**	
2006 tax loss including Moto Guzzi	7,683	2,113	
2007 tax loss including Moto Guzzi transferred to IMMSI	10,239	2,816	
2010 tax loss transferred to IMMSI	19,873	5,465	
2011 tax loss to transfer to IMMSI	29,047	7,988	
2012 tax loss to transfer to IMMSI	21,109	5,805	
Total out of tax losses	**87,951**	**24,187**	**-**
Losses from the fair value measurement of financial instruments	**3,978**	**1,094**	**-**
Deferred tax assets already recognised		**44,337**	
Deferred tax assets not recognised for provisions and other chamges		**6,504**	

Overall, deferred tax assets can be summarised as follows:

	Values as of 31 December 2011	Portion recognised in income statement	Portion recognised in shareholders' equity	Portion allocated to income statement	Portion allocated to shareholders' equity	Portion transformed into a tax receivable	Values as of 31 December 2012
In thousands of Euros							
Deferred tax assets for:							
Temporary changes	23,451	(4,868)		1,295	272		20,150
Previous	2,131	(18)					2,113
Losses generated within the framework of tax consolidation	15,506	(1,065)		7,988		(355)	22,074
Total	**41,088**	**(5,951)**	**-**	**9,283**	**272**	**(355)**	**44,337**

Deferred tax assets total €/000 20,862 compared to €/000 22,883 as of 31 December 2011, recording a positive change of €/000 2,021.
As of 31 December 2012, provisions for deferred taxes referred to:

- €/000 4,274 for the surplus value recognised by the merged company Aprilia in 2005 for buildings already held through leases, and purchased back by Aprilia Leasing S.p.A.
- €/000 517 for dividends resolved on by subsidiaries, still to be collected.
- €/000 134 for research subsidies to be received;
- €/000 2,031 for depreciation charges minus tax-recognised goodwill values.
- €/000 1,456 for tax-deducted costs, off the accounts, in relation to the application of IAS/IFRS.
- €/000 5,319 for allocation of the merger loss to the Aprilia brand, arising from its merger in 2005.

› €/000 7,131 for allocation of the merger loss to the Guzzi brand, arising from its merger in 2008.

Provisions for deferred taxes were reduced in the period by €/000 2,888 following recognition of the relative portion of €/000 1,640 in profit or loss, and €/000 1,248 in Shareholders' Equity and were increased by €/000 867 due to new allocations recognised in profit or loss.

21. Trade receivables *€/000 57,342*

Current trade receivables amounted to €/000 57,342 compared to €/000 67,189 as of 31 December 2011, registering a decrease of €/000 9,847.
No non-current trade receivables were recorded for either period.

	As of 31 December 2012	As of 31 December 2011	Change
In thousands of Euros			
Trade receivables	38,682	42,821	(4,139)
Trade receivables due from subsidiaries	17,734	22,903	(5,169)
Trade receivables due from affiliated companies	926	1,465	(539)
Total	**57,342**	**67,189**	**(9,847)**

Trade receivables are recorded net of a provision for bad debts equal to €/000 16,354.
The item Trade receivables comprises receivables referred to normal sales transactions.
The item includes receivables in foreign currency, comprising CAD/000 579, CHF/000 33, GBP/000 974, INR/000 332,949, JPY/000 98,015, SEK/000 1,874, SGD/000 152, USD/000 5,825 and VND/000 508,000, for a total exchange value, at the exchange rate in effect as of 31 December 2012, of €/000 31,361.
The item also includes invoices to issue amounting to €/000 2,935, referring to normal sales transactions and credit notes to issue amounting to €/000 11,722, mainly concerning premiums for the sales network in Italy and other countries reaching sales targets, as well as bills under reserve and cash orders presented to banks and still in effect for €/000 2,370.
Trade receivables due from national clients are usually sold to factoring companies and mainly on a without recourse and advance payment collection basis.
The Company sells a large part of its trade receivables with and without recourse. Piaggio has signed contracts with some of the most important Italian and foreign factoring companies as a move to optimise the monitoring and the management of its trade receivables, besides offering its customers an instrument for funding their own inventories, for factoring classified as without the substantial transfer of risks and benefits. On the contrary, for factoring without recourse, contracts have been formalised for the substantial transfer of risks and benefits. As of 31 December 2012, trade receivables still due sold without recourse totalled €/000 55,657, of which Piaggio received payment prior to the natural maturity of the receivables for €/000 53,931.
As of 31 December 2012, advance payments received from factoring companies and banks, for trade receivables sold with recourse totalled €/000 19,179 with a counter entry recorded in current liabilities.

Movements for the provision for bad trade debts were as follows:

In thousands of Euros	
Opening balance as of 1 January 2012	**16,247**
Decreases for use recognised in income statement	(866)
Decreases for direct item use	(8)
Reclassifications from the provision for bad debts relative to long-term receivables	4
Increases for allocations	977
Closing balance as of 31 December 2012	**16,354**

During the period, €/000 874 of the provision for bad debts was used to cover losses.
Allocations to the provision were made against risks arising from the valuation of receivables as of 31 December 2012.
Trade receivables due from subsidiaries and affiliated companies refer to the supply of products undertaken in normal market conditions.

22. Other current and non-current receivables *€/000 90,619*

Other non-current receivables amounted to €/000 3,551 compared to €/000 4,778 as of 31 December 2011, registering a decrease of €/000 1,227.
Their breakdown was as follows:

Other non-current receivables	As of 31 December 2012	As of 31 December 2011	Change
In thousands of Euros			
- due from welfare institutes	748	456	292
- due from affiliated companies	234	267	(33)
- due from others	2,569	4,055	(1,486)
Total	**3,551**	**4,778**	**(1,227)**

Receivables due from welfare institutes refer to sums receivable from and payable by the Italian National Social Security Institute (INPS) for termination benefit accrued by employees on solidarity contracts.
The item "Other" includes guarantee deposits for €/000 485 and prepaid expenses for €/000 2,046, with the latter item registering a decrease compared to the previous year of €/000 1,575.

Other current receivables amounted to €/000 87,068 compared to €/000 84,695 as of 31 December 2011, registering an increase of €/000 2,373.
Their breakdown is as follows:

Other current receivables	As of 31 December 2012	As of 31 December 2011	Change
In thousands of Euros			
Other receivables due from third parties	16,358	10,904	5,454
Other receivables due from subsidiaries	64,099	67,544	(3,445)
Other receivables due from affiliated companies	251	196	55
Other receivables due from parent companies	6,360	6,051	309
Total	**87,068**	**84,695**	**2,373**

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

	As of 31 December 2012	As of 31 December 2011	Change
In thousands of Euros			
Receivables due from employees	1,887	364	1,523
Due from welfare institutes	502		502
Sundry receivables from third parties:			
Balances of receivables from suppliers and other parties	1,509	1,447	62
Invoices and credit to issue	1,104	1,782	(678)
Sundry receivables due from Italian and foreign third parties	3,517	4,126	(609)
Receivables for operating grants	488	0	488
Other receivables	7,351	3,185	4,166
Total	**16,358**	**10,904**	**5,454**

Receivables due from employees refer to advances paid for secondments, sick leave, contract advances, cash provisions, etc.
Sundry receivables of €/000 3,517 mainly refer to receivables from Italian and foreign parties, originating from transactions not related to typical activities. The item is recognised net of provisions for write-downs of €/000 1,930.
Movements for the provision for bad debts relative to sundry receivables were as follows:

In thousands of Euros	
Opening balance as of 1 January 2012	**1,692**
Increases for allocations	238
Closing balance as of 31 December 2012	**1,930**

During the period, the provision for bad debts was not used to cover losses.
During the measurement of other receivables as of 31 December 2012, a further allocation to the provision of €/000 238 was necessary.

23. Inventories — *€/000 170,464*

As of 31 December 2012, this item totalled €/000 170,464, compared to €/000 183,355 at the end of 2011, and consisted of:

In thousands of Euros	As of 31 December 2012	As of 31 December 2011	Change
Raw, ancillary materials and consumables	65,823	75,340	(9,517)
Provisions for write-down	(8,151)	(8,133)	(18)
Net value	**57,672**	**67,207**	**(9,535)**
Work in progress and semifinished products	19,507	22,268	(2,761)
Provisions for write-down	(852)	(852)	-
Net value	**18,655**	**21,416**	**(2,761)**
Finished products and goods	115,063	114,146	917
Provisions for write-down	(20,926)	(19,414)	(1,512)
Net value	**94,137**	**94,732**	**(595)**
TOTAL	**170,464**	**183,355**	**(12,891)**

Movements for the obsolescence fund are summarised in the table below:

In thousands of Euros	As of 31/12/2011	Use	Allocation	As of 31/12/2012
Raw materials	8,133	(22)	40	8,151
Work in progress and semifinished products	852	-	-	852
Finished products and goods	19,414	(1,777)	3,289	20,926
TOTAL	**28,399**	**(1,799)**	**3,329**	**29,929**

24. Other current financial assets — *€/000 12,738*

This item comprises:

In thousands of Euros	As of 31 December 2012	As of 31 December 2011	Change
Financial receivables due from subsidiaries	12,738	16,946	(4,208)
Total	**12,738**	**16,946**	**(4,208)**

The item Financial receivables due from subsidiaries refers to a loan to Nacional Motor for €/000 12,738.

25. Cash and cash equivalents *€/000 9,765*

This item mainly includes short-term or on demand bank deposits.
Cash and cash equivalents totalled €/000 9,746 against €/000 50,816 as of 31 December 2011, as detailed below:

	As of 31 December 2012	As of 31 December 2011	Change
In thousands of Euros			
Bank and postal deposits	9,746	50,793	(41,047)
Cash on hand	19	23	(4)
Total	**9,765**	**50,816**	**(41,051)**

26. Assets held for sale *€/000 0*

As of 31 December 2012, there were no assets held for sale.

27. Breakdown by geographic segment of receivables recognised as assets

Receivables recognised as assets in the Statement of Financial Position as of 31 December 2012 are broken down by geographic segment as follows:

	Asia	Europe	India	Italy	United States	Other countries	Total
In thousands of Euros							
Other non-current financial assets				10,101			10,101
Medium-/long-term tax receivables		357		833			1,190
Other non-current receivables		95		3,456			3,551
Total non-current assets	-	*452*	-	*14,390*	-	-	*14,842*
Current trade receivables	8,426	26,271	1,157	13,814	5,725	1,949	57,342
Other current receivables	30,238	15,945	21,273	19,341	268	3	87,068
Short-term tax receivables		155		3,378			3,533
Current financial assets		12,738					12,738
Total current assets	*38,664*	*55,109*	*22,430*	*36,533*	*5,993*	*1,952*	*160,681*
Total	**38,664**	**55,561**	**22,430**	**50,923**	**5,993**	**1,952**	**175,523**

28. Receivables due after 5 years *€/000 0*

As of 31 December 2012, there were no receivables due after 5 years.

Information on the statement of financial position - Liabilities

29. Share capital and reserves — *€/000 349,703*

Share capital — €/000 199,504

During the period, share capital changed, following the purchase of 4,882,441 treasury shares. This is broken down as follows:

In thousands of Euros	
Subscribed and paid up capital	205,941
Treasury shares purchased as of 31 December 2011	(3,732)
Share capital as of 1 January 2012	202,209
Purchase of treasury shares	(2,705)
Share Capital as of 31 December 2012	**199,504**

Therefore, as of 31 December 2012 the Parent company held 11,726,521 treasury shares, equal to 3.15% of the share capital.
In accordance with international accounting standards, the acquisitions were recognised as a decrease of shareholders' equity.

Share premium reserve — €/000 3,493

The share premium reserve as of 31 December 2012 was unchanged and equal to €/000 3,493.

Legal reserve — €/000 14,593

The legal reserve increased by €/000 2,352 as a result of the allocation of earnings for the last period.

Other reserves — €/000 18,623

This item consists of:

In thousands of Euros	As of 31 December 2012	As of 31 December 2011	Change
Stock option reserve	13,385	12,700	685
Financial instruments' fair value reserve	(3,269)	(1,510)	(1,759)
IFRS transition reserve	11,435	11,435	-
Actuarial gains (losses) relative to defined benefit plan	(2,928)	1,454	(4,382)
Reserve for the fair value adjustment of financial assets available for sale	-	10,287	(10,287)
Total other reserves	**18,623**	**34,366**	**(15,743)**

As already indicated, following the adoption of IAS 19 Revised, in advance, published data relative to the previous year have been restated to make them uniform with current data.
The financial instruments fair value provision is negative and refers to the effects of cash flow hedge accounting in foreign currencies and interest. These transactions are described in full in the note on financial instruments.

As of 31 December 2011 this valuation was negative, amounting to €/000 1,510.
The fair value adjustment reserve for financial assets held for sale was transferred to the item "Retained earnings", in line with the reclassification of portions of the "Atlantic 12" closed property investment fund, received for the Pisa industrial site in previous years, to the item investments in subsidiaries.

Distributed dividends €/000 29,877

In May 2012, dividends amounting to €/000 29,877 were paid. In May 2011, dividends amounting to €/000 25,684 had been paid.

Performance reserve €/000 113,490

Other net profit (losses) €/000 (6,141)

The value of Other net profit (losses) consists of:

	As of 31 December 2012	As of 31 December 2011	Change
In thousands of Euros			
The effective portion of net profit (losses) on cash flow hedging instruments generated in the period	(1,069)	(1,510)	441
The effective portion of net profit (losses) on cash flow hedging instruments restated in the income statement	(690)	227	(917)
Total of profits (losses) on cash flow hedges	**(1,759)**	**(1,283)**	**(476)**
Profits (losses) reclassified in the income statement for the fair value adjustment of financial assets available for sale	0	(4,902)	4,902
Total profits (losses) for the fair value adjustment of financial assets available for sale	**0**	**(4,902)**	**4,902**
Actuarial gains (losses) generated in the period relative to defined benefit plans	(4,382)	779	(5,161)
Actuarial gains (losses) relative to defined benefit plans	**(4,382)**	**779**	**(5,161)**
Total profits (losses) recognised in Shareholders' equity	**(6,141)**	**(5,406)**	**(735)**

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

Type/description	Amount	Possible use	Portion available	2007 uses to cover losses
In thousands of Euros				
Nominal value of capital	205,941			
Nominal value of acquired treasury shares	(6,437)			
Capital reserves:				
Share premium	3,493	A,B,C(*)	3,493	32,961
Profit reserves:				
Legal reserve	14,593	B	-	
IAS transition reserve	11,435	A,B,C	11,435	1,746
Stock option reserve	13,385	A,B,C	13,385	
Financial instruments' fair value reserve	(3,269)			
Reserve from discounting back post employment benefits	(2,928)			
Total Reserves	**36,709**		**28,313**	**34,707**
Retained earnings (losses)	89,637			
Greater cost of purchased own shares	(22,337)			
	67,300	A,B,C		
Profits (losses) for the period	46,190			
Total shareholders' equity	**349,703**			

Key:
A: to increase capital
B: to cover losses
C: to allocate to shareholders

(*) wholly available to increase capital and cover losses. For other uses prior adjustment (also by transfer from the share premium reserve) of the legal reserve to 20% of the Share Capital is necessary. As of 31 December 2012 this adjustment would be equal to €/000 26,596.

Pursuant to article 2426 section 5 of the Italian Civil Code, shareholders' equity is not available for the value of development costs still to be amortised as of 31 December 2012 that amount to €/000 59,740.

30. Current and non-current financial liabilities *€/000 439,325*

Total debt decreased by €/000 10,131 in 2012, from €/000 449,456 to €/000 439,325. Net of the fair value measurement of financial derivatives to hedge foreign exchange risk and interest rate risk of €/000 9,775, total financial debt in 2012 decreased by €/000 10,673.

	Financial liabilities as of 31 December 2012			Financial liabilities as of 31 December 2011			Change		
	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total
In thousands of Euros									
Gross financial debt	105,487	324,063	429,550	149,372	290,851	440,223	(43,885)	33,212	(10,673)
Fair Value of hedging derivatives		9,775	9,775		9,233	9,233	0	542	542
Total	**105,487**	**333,838**	**439,325**	**149,372**	**300,084**	**449,456**	**(43,885)**	**33,754**	**(10,131)**

This reduction is mainly attributable to the repayment of loan instalments due, using available resources, partially offset by the granting of new loans.

As indicated in the table on consolidated net debt in the financial statements, total net debt went up from €/000 372,462 as of 31 December 2011 to €/000 407,046 as of 31 December 2012, registering an increase of €/000 34,584.

The tables below show the composition of financial debt as of 31 December 2012 and 31 December 2011, as well as movements for the year.

	Accounting balance as of 31/12/2011	Repayments	New issues	Reclassifications to current portion	Other changes	Accounting balance as of 31/12/2012
In thousands of Euros						
Non-current portion:						
Medium/long-term bank loans	86,095	(204,000)	268,505	(31,364)	936	120,172
Debenture loan	191,859				1,691	193,550
Other medium-/long-term loans						
- of which due to other lenders	6,153			(1,621)		4,532
- of which amounts due under leases	6,745			(936)		5,809
- of which amounts due to subsidiaries	-					-
Total other loans due over 12 months	*12,898*	*-*	*-*	*(2,557)*	*-*	*10,341*
Total	**290,852**	**(204,000)**	**268,505**	**(33,921)**	**2,627**	**324,063**

	Accounting balance as of 31/12/2011	Repayments	New issues	Reclassifications to current portion	Other changes	Accounting balance as of 31/12/2012
In thousands of Euros						
Current portion:						
Current account overdrafts	85	(85)	2,168			2,168
Current account payables	-		50,000			50,000
Payables due to factoring companies	20,085	(20,085)	19,179			19,179
Payables due to subsidiaries	1,975	(1,755)				220
Current portion of medium-/long-term loans:						
- of which leasing	894	(894)		936		936
- of which due to banks	122,428	(122,741)		31,364	312	31,363
- of which amounts due other M.I.C.A. lenders	3,905	(3,905)		1,621		1,621
Total loans due within the year	*127,227*	*(127,540)*	*-*	*33,921*	*312*	*33,920*
Total	**149,372**	**(149,465)**	**71,347**	**33,921**	**312**	**105,487**

The table below shows the debt servicing schedule as of 31 December 2012:

	Nominal value as of 31/12/2012	Amounts falling due within 12 months	Amounts falling due after 12 months	Amounts falling due in				
				2014	2015	2016	2017	Oltre
In thousands of Euros								
Bank financing	203,819	83,648	120,171	29,113	35,033	22,492	11,480	22,053
Debenture loan	201,799	-	201,799	-	-	150,000	9,669	42,130
Other medium-/long-term loans:								
- of which leasing	6,745	936	5,809	5,809	-	-	-	-
- of which amounts due to other lenders	25,332	20,800	4,532	1,630	1,639	312	314	637
- of which amounts due to subsidiaries	220	220	-	-	-	-	-	-
Total other loans	*32,297*	*21,956*	*10,341*	*7,439*	*1,639*	*312*	*314*	*637*
Total	**437,915**	**105,604**	**332,311**	**36,552**	**36,672**	**172,804**	**21,464**	**64,820**

Medium and long-term bank debt amounts to €/000 151,535 (of which €/000 120,172 non-current and €/000 31,363 current) and consists of the following loans:

- a €/000 75,000 medium-term loan, granted by the European Investment Bank, to fund investments in Research & Development, planned for 2009-2012. The loan will fall due in February 2016 and has an amortisation quota of 14 six-monthly instalments at a variable rate linked to the six-month Euribor plus a spread of 1.323%. The contractual terms envisage loan covenants but exclude guarantees. It should be noted that, with reference to the 2012 period, these parameters were comfortably met. An interest rate swap was taken out for this loan, to hedge the interest rate risk (for more details, see attachment H);
- a €/000 60,000 medium-term loan, granted by the European Investment Bank, to fund investments in Research & Development, planned for 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%. The contractual terms envisage loan covenants but exclude guarantees. It should be noted that, in reference to the 2012 period, these parameters were comfortably met;
- a medium-term revolving syndicated loan of €/000 884 (nominal value of €/000 1,000) granted by Monte dei Paschi di Siena in December 2011 and finalised in January 2012, as suspension conditions had been met. The loan, of a total value of €/000 40,000, is for 18 months minus one day;
- a €/000 6,250 five-year unsecured loan from GE Capital Interbanca stipulated in September 2008;
- €/000 3,645 of loans from various banks pursuant to Italian Law no. 346/88 on subsidised applied research;
- a €/000 4,556 loan from Banca Intesa granted pursuant to Italian Law no. 297/99 on subsidised applied research;
- a €/000 1,200 eight-year subsidised loan from ICCREA in December 2008 granted under Italian Law 100/90.

The medium-term revolving syndicated loan of €/000 200,000 and the revolving loan of €/000 20,000 had been undrawn as of 31 December 2012.

The item Bonds for €/000 193,550 (nominal value of €/000 201,799) refers to:

- €/000 142,109 (nominal value of €/000 150,000) relative to a high-yield debenture loan issued on 4 December 2009 for a nominal amount of €/000 150,000, falling due on 1 December 2016 and with a semi-annual coupon with fixed annual nominal rate of 7%. Standard & Poor's and Moody's assigned a BB- rating with a stable outlook and a Ba2 rating with a negative outlook respectively;
- €/000 51,441 (nominal value of €/000 51,799) relative to a private debenture loan (US Private Placement) issued on 25 July 2011 for $/000 75,000 wholly subscribed by an American institutional investor, payable in 5 annual portions from July 2017, with a semi-annual coupon with fixed annual nominal rate of 6.50%. As of 31 December 2012, the fair value measurement of the debenture loan was equal to €/000 61,574. A cross currency swap was taken out for this debenture loan, to hedge the exchange risk and interest rate risk (for more details, see attachment H).

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

Medium-/long-term payables due to other lenders equal to €/000 12,898 of which €/000 10,341 due after the year and €/000 2,557 as the current portion, are detailed as follows:

- a property lease for €/000 6,745 granted by Unicredit Leasing (non-current portion equal to €/000 5,809);
- subsidised loans for a total of €/000 6,153 provided by the Italian Ministry of Economic Development and Italian Ministry of Education using regulations to encourage exports and investment in research and development (non-current portion of €/000 4,532).

Financial advances received from factoring companies and banks, on the sale of trade receivables with recourse, total €/000 19,179.

31. Trade payables (current) *€/000 266,849*

Trade payables are wholly included under current liabilities and total €/000 266,849, compared to €/000 287,595 as of 31 December 2011.

Current liabilities	As of 31 December 2012	As of 31 December 2011	Change
In thousands of Euros			
Amounts due to suppliers	236,299	250,657	(14,358)
Amounts due to subsidiaries	13,626	18,902	(5,276)
Amounts due to affiliated companies	16,154	17,257	(1,103)
Amounts due to parent companies	770	779	(9)
Total	**266,849**	**287,595**	**(20,746)**

The item comprises trade payables of €/000 249,610 for the purchase of goods, materials and services for business operations and €/000 17,239 for the purchase of assets.

The item includes payables in foreign currency, referring to CHF/000 50, CNY/000 16,781, GBP/000 956, HKD/000 66, INR/000 714, JPY/000 447,220, RMB/000 188, SEK/000 356, USD/000 5,981, SGD/000 16, for a total value of €/000 12,342.

As regards the amount of €/000 3,006, the payment of amounts due under this item is guaranteed by bank guarantees.

32. Reserves (current and non-current portion) *€/000 21,452*

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

	Balance as of 31 December 2011	Allocations	Applications	Adjustment	Reclassification	Balance as of 31 December 2012
In thousands of Euros						
Provisions for risks						
Risk provisions on investments	6,497	1,905		(6,497)		1,905
Provisions for contractual risks	3,993			(58)		3,935
Risk provision for legal disputes	2,295	368	(193)			2,470
Provision for guarantee risks	76		(18)			58
Provisions for tax risks	36		(19)			17
Total provisions for risks	*12,897*	*2,273*	*(230)*	*(6,555)*	-	*8,385*
Provisions for expenses						
Provision for product warranties	12,207	10,109	(10,038)			12,278
Provision for quality-related events	391	750	(352)			789
Total provisions for expenses	*12,598*	*10,859*	*(10,390)*	-	-	*13,067*
Total provisions for risks and charges	**25,495**	**13,132**	**(10,620)**	**(6,555)**	**-**	**21,452**

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

Non-current portion	As of 31 December 2012	As of 31 December 2011	Change
In thousands of Euros			
Risk provisions on investments	-	6,497	(6,497)
Provisions for contractual risks	3,935	3,993	(58)
Risk provision for legal disputes	2,470	2,295	175
Provision for guarantee risks	58	76	(18)
Provision for product warranties	3,443	3,582	(139)
Provision for quality-related events	-	241	(241)
Total non-current portion	**9,906**	**16,684**	**(6,778)**

Current portion	As of 31 December 2012	As of 31 December 2011	Change
In thousands of Euros			
Risk provisions on investments	1,905		1,905
Provisions for tax risks	18	36	(18)
Provision for product warranties	8,834	8,625	209
Provision for quality-related events	789	150	639
Total current portion	**11,546**	**8,811**	**2,735**

The provision for investment risk as of 31 December 2012 refers to the subsidiary Nacional Motor and was allocated in view of future expenses expected to be incurred for the investment.
The adjustment of this provision of €/000 6,497 refers to the merger of Aprilia World Service BV with Piaggio Vespa BV, on 1 July 2012, which meant that specific allocation recognised as a liability in previous years, was no longer necessary.
The provision for contract risks refers exclusively to charges which could arise from the renegotiation of a supply contract.
The adjustment of €/000 58 refers instead to the evaluation of correlated risks carried out at the end of the period.
The provision for litigation concerns €/000 670 for labour litigation and the difference of €/000 1,800 refers to other legal proceedings. €/000 193 was used, of which €/000 98 to settle employment claims and €/000 95 to

settle other claims. The allocation of €/000 368 reflects the evaluation of ongoing litigation, made at the end of the period.
The risk provision for guarantees provided refers to charges expected for guarantees issued on the transfer of company investments.
The tax risk provision of €/000 17 concerns payment notices to receive concerning council tax.
The use of €/000 19 during the year refers to payment notices concerning council tax received in the period.
The provision for product warranties of €/000 12,278 refers to potential liabilities related to the sale of products. The provision refers to allocations for technical assistance on products covered by customer service which are estimated to be provided over the contractually envisaged warranty period. This period varies according to the type of goods sold to the sales market and to customer take-up to commit to a scheduled maintenance plan.
The provision increased during the year by €/000 10,109 for new allocations and was used for €/000 10,038 for expenses sustained referring to sales in previous years.
The provision increased during the period with €/000 750 for new allocations, and €/000 352 used for charges incurred during the period.

33. Retirement funds and employee benefits *€/000 48,633*

	As of 31 December 2012	As of 31 December 2011	Change
In thousands of Euros			
Provision for retirement	107	160	(53)
Post-employment benefits provision	48,526	44,691	3,835
Total	**48,633**	**44,851**	**3,782**

The provision for retirement mainly consists of supplementary client funds, representing the amounts payable to agents if agency agreements are terminated for reasons not attributable to them. During the period, €/000 64 of this provision was used to pay benefits already accrued in previous years, and the provision increased by €/000 11 for benefits accrued in the period.

Movements for post-employment benefits are as follows:

Fondo trattamento di fine rapporto	
In thousands of Euros	
Opening balance as of 1 January 2012	**44,691**
Cost for the period	8,476
Actuarial losses recognised as Shareholders' Equity	5,597
Interest cost	1,968
Use and transfers of retirement funds	(12,206)
Closing balance as of 31 December 2012	**48,526**

Economic/technical hypotheses

Technical valuations are based on the assumptions outlined below:

Technical annual discount rate	3.25%
Annual rate of inflation	2.00%
Annual rate of increase in post-employment benefits	3.00%

To value the discount rate, the iBoxx Eurozone Corporates A index with a 10+ duration as of 31 December 2012 considered most significant in relation to the indicator used as of 31 December 2011 (AA with a 10+ duration) was adopted. If the former index had been used, the fund value would have been higher by 2,332 thousand euro.

With regard to the 2007-2009 incentive plan approved by the General Meeting of Shareholders on 7 May 2007 as amended, for executives of the Company or of its Italian and/or foreign subsidiaries, in compliance with article 2359 of the Italian Civil Code, as well as for directors having powers in the aforesaid subsidiaries ("2007-2009 plan") during the year 150,000 option rights expired.

As of 31 December 2012, 3,940,000 option rights had been assigned for a corresponding number of shares.

Detailed information on the 2007-2009 Plan is available in the documents published by the Issuer in accordance with article 84-bis of Consob Regulation on Issuers. These documents can be viewed on the institutional website www.piaggiogroup.com, under Investors / Financial Press Releases.

As previously mentioned in the section on consolidation principles, the cost of payments, corresponding to the present value of options which the company determined applying the Black-Scholes valuation model, that uses the average historical volatility of the share of the Company and average interest rate of loans with a maturity equal to the duration of the agreement, is recognised under employee costs on a straight line basis in the period between the date of assignment and date of accrual, with a counter entry directly recognised in shareholders' equity.
As required by Consob, the table below shows the options assigned to Board members, General Directors and Senior Management with strategic responsibilities:

		Options held at the start of the period			Options held at the end of the period		
	Position	No. of options	Average exercise price	Average maturity	No. of options	Average exercise price	Average maturity
Gabriele Galli	Chief Financial Officer	250,000	1.826	18.12.2014	250,000	1.826	18.12.2014

34. Current and non-current tax payables *€/000 8,776*

Tax payables totalled €/000 8,776 compared to €/000 15,009 as of 31 December 2011.

	As of 31 December 2012	As of 31 December 2011	Change
In thousands of Euros			
Non-current portion:			
- Taxes withheld in a capacity as withholding agent	464	2,369	(1,905)
Current portion:			
Due for income taxes	1,059	2,936	(1,877)
Other tax payables for:			
- VAT	1,263	3,178	(1,915)
- Tax withheld at source	3,960	4,131	(171)
- Taxes withheld in a capacity as withholding agent	1,905	2,386	(481)
- Duty and tax records to pay	125	9	116
Total other tax payables	*7,253*	*9,704*	*(2,451)*
Total current portion	*8,312*	*12,640*	*(4,328)*
Total	**8,776**	**15,009**	**(6,233)**

Current tax payables of €/000 1,059 refer to taxes to pay abroad for income generated abroad, mainly for royalties, technical consultancy services and other services to the subsidiaries Piaggio Vehicles and Piaggio Vietnam.
Tax payables relative to income generated in Italy are offset against relative tax receivables. Regional production tax for the year

amounted to €/000 3,230. As regards corporate tax, the company expects a negative taxable income of €/000 20,109.
VAT to pay refers to the amount due at the end of the year for VAT due in European states where direct identification was obtained with reference to this tax.
Payables for withheld taxes paid refer to the income of employee and outsourced work and commission.
The total amount payable of €/000 2,369, relative to taxes withheld in a capacity as withholding agent, refers to taxes withheld at source concerning the loan with the subsidiary Piaggio Finance, which stopped in 2009.

35. Other payables (current and non-current) — *€/000 49,121*

Non-current portion	As of 31 December 2012	As of 31 December 2011	Change
In thousands of Euros			
Deferred income	872	1,775	(903)
Payables from the fair value measurement of financial instruments	2,841	2,324	517
Other payables	400	400	0
Total	**4,113**	**4,499**	**(386)**

Current portion	As of 31 December 2012	As of 31 December 2011	Change
In thousands of Euros			
Amounts due to subsidiaries	8,864	409	8,455
Amounts due to affiliated companies	32	32	0
Amounts due to parent companies	60	43	17
Payables to employees	12,925	21,753	(8,828)
Amounts due to social security institutions	7,851	8,834	(983)
Amounts due to company boards	120	316	(196)
Amounts due for temporary funding	69	60	9
Amounts due for financial statement assessments	320	429	(109)
Amounts due to customers	3,065	2,678	387
Payables from the fair value measurement of financial instruments	1,522	961	561
Accrued liabilities	3,377	4,502	(1,125)
Deferred income	903	1,011	(108)
Related deferred income	2	0	2
Other payables	5,898	1,920	3,978
Total	**45,008**	**42,948**	**2,060**

Other payables included in non-current liabilities totalled €/000 4,113 against €/000 4,499 as of 31 December 2011, whereas other payables included in current liabilities totalled €/000 45,008 compared to €/000 42,948 as of 31 December 2011.

As regards the non-current portion:
- Deferred income comprises €/000 786 from capital grants to enter in the income statement in relation to amortisation/depreciation, €/000 86 for income cashed but relative to other years arising from licence agreements.
- Payables from the fair value measurement of financial instruments refer to transactions accounted for on a cash flow hedge basis.
- Other payables refer to €/000 400 for the guarantee deposit paid in 1997 by T.N.T. Automotive Logistics S.p.A. to guarantee the payment of termination benefits accrued by employees of the sold company branch concerned with the receipt, packing, storage and distribution of spare parts and accessories.

As regards the current portion:
- Amounts due to employees include the amount for holidays accrued but not taken of €/000 9,941 and other remuneration to be paid for €/000 2,984.
- Contributions of €/000 69 refer to contributions relative to subsidies for research activities not yet acquired.
- Amounts due to clients mainly refer to premiums for clients achieving sales targets that will be paid at the end of the reporting period and to credit notes for returns.
- Deferred income refers to the short-term portion of licence agreements (€/000 200), equipment grants (€/000 687) as well as interest receivable on deferred payments to clients (€/000 18) of which income will be recorded in the income statement in the following year.
- Accrued liabilities refer to €/000 1,243 for interest on loans, €/000 1,940 for interest on debenture loans, €/000 57 for interest on sundry payables and €/000 137 for sundry costs and expenses.

36. Breakdown by geographic segment of payables recognised as liabilities

Payables recognised as liabilities in the Statement of Financial Position as of 31 December 2012 are broken down by geographic segment as follows:

	Asia	Europe	India	Italy	United States	Other countries	Total
In thousands of Euros							
Non-current financial liabilities		53,572		228,825	51,441		333,838
Medium-/long-term tax payables				464			464
Other non-current payables				4,113			4,113
Total non-current liabilities	*0*	*53,572*	*0*	*233,402*	*51,441*	*0*	*338,415*
Current financial liabilities		21,428		84,059			105,487
Current trade payables	24,337	28,844	3,097	210,531		40	266,849
Current tax payables	514	1,263	545	5,990			8,312
Other current payables	3,106	6,137		35,765			45,008
Total current liabilities	*27,957*	*57,672*	*3,642*	*336,345*	*0*	*40*	*425,656*
Total	**27,957**	**111,244**	**3,642**	**569,747**	**51,441**	**40**	**764,071**

37. Payables due after 5 years

The company has loans due after 5 years, which are referred to in detail in Note 30 Financial Liabilities.

D) 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 outstanding items as of 31 December 2012, as well as their overall contribution to the respective financial statement items.

	Revenues from sales	Costs for materials	Costs for services, lease and rentals	Employee costs	Other operating income	Other operating costs	Financial income	Borrowing Costs	Financial receivables	Trade receivables	Other receivables	Financial payables	Trade payables	Other payables
In thousands of Euros														
Piaggio France S,A,	-	7	6,984	-	202	-	-	-	-	11	62	-	1,292	954
Piaggio Deutschland GMBH	-	-	5,254	-	172	22	2	-	-	29	312	-	1,084	-
Piaggio Limited	-	-	3,060	-	131	-	-	-	-	3	146	-	571	-
Piaggio Hrvatska Doo	3,178	-	18	-	40	-	-	1	-	37	17	-	21	-
Piaggio Hellas Epe	19,307	-	282	-	284	-	-	-	-	3,283	205	-	141	-
P.G.A.	33,333	-	1,043	-	668	-	-	3	-	4,880	256	-	76	-
Piaggio Asia Pacific	-	-	-	-	27	-	-	-	-	-	26	-	-	-
Piaggio Vehicles Pvt Ltd	499	4,338	74	-	15,017	3	-	-	-	1,147	19,159	-	875	-
Nacional Motor S.A.	2,716	17,489	646	-	224	3	174	-	12,738	1,124	199	-	3,663	-
First Atlantic	-	-	-	-	-	-	-	-	-	60	-	-	1	-
Piaggio España S.A.	-	-	4,467	-	87	-	1	-	-	57	89	-	951	368
AWS	-	-	1,517	-	62	7	138	-	-	-	-	-	-	-
Piaggio Vespa BV	-	-	4,691	-	275	548	2	3	-	13	14,237	-	1,479	4,626
Piaggio & Daihatsu S.p.A.	-	-	-	-	4	-	-	2	-	-	-	-	-	-
ZPFM	817	30,385	46	-	218	4	-	231	-	927	194	-	16,154	-
Studio d'Urso	-	-	94	-	-	-	-	-	-	-	-	-	-	94
Fondazione Piaggio	-	-	32	-	1	-	-	-	-	-	266	-	-	32
IMMSI S.p.A.	-	-	2,926	-	50	1	-	-	-	-	6,359	-	769	44
Immsi Audit	-	-	760	-	61	-	-	-	-	-	25	-	-	1
Piaggio Japan	-	-	-	-	599	-	-	-	-	28	68	-	66	-
Piaggio Vietnam	35,959	5,567	184	-	14,509	71	-	-	-	6,672	28,213	-	1,381	2,844
Aprilia Racing	192	177	10,500	-	1,135	-	15	1	-	361	360	220	1,059	10
Piaggio Indonesia	-	-	-	-	577	7	-	-	-	14	563	-	2	62
Fpvt	-	-	2,121	-	158	-	-	-	-	14	185	-	956	-
Omniaholding	-	-	57	-	-	-	-	203	-	-	-	2,900	-	16
Derbi Racing	-	-	-	-	-	-	-	-	-	-	-	-	1	-
Piaggio China	-	-	-	-	-	-	-	-	-	-	-	-	6	-
Total	**96,001**	**57,964**	**44,756**	**-**	**34,500**	**666**	**331**	**445**	**12,738**	**18,660**	**70,944**	**3,120**	**30,550**	**9,052**
% of accounting item	**11.4%**	**11.9%**	**20.4%**	-	**31.2%**	**3.4%**	**28.2%**	**1.5%**	**100.0%**	**32.5%**	**78.3%**	**0.7%**	**11.4%**	**20.1%**

E) Fees paid to Board Directors, members of the Control Committee, to General Directors and Senior Management with strategic responsibilities

The table below includes all the people who held office as a member of the Board of Directors or as General Manager at any time over the year, including for only a fraction of the year.

Name	Position	Emoluments for the office	Non monetary office	Bonus and other incentives	Other fess	Total
In euro						
Roberto Colaninno	Chairman Chief Executive Officer	1,290,000				1,290,000
Matteo Colaninno	Deputy Chairman	100,000				100,000
Michele Colaninno	Director	40,000				40,000
Vito Varvaro	Director	40,000				40,000
Daniele Discepolo	Director	40,000			20,000 (CCR Chairman) 10,000 (CR Director)	70,000
Andrea Paroli	Director	40,000				40,000
Franco Debenedetti	Director	40,000			10,000 (CR Director)	50,000
Mauro Gambaro	Director	40,000				40,000
Luca Paravicini Crespi	Director	40,000			10,000 (CCR Director)	50,000
Riccardo Varaldo	Director	40,000			10,000 (CCR Director 10,000 (CR Chairman)	60,000
Livio Corghi	Director	40,000				40,000
Gabriele Galli*	Chief Financial Officer					

** The fees of the Chief Financial Officer, appointed on 17 December 2012, will commence from 1 January 2013, and therefore, no payment was made for this position in the year.*

Board of Statutory Auditors

As concerns the Board of Statutory Auditors, the table below indicates the fees paid to auditors in the period, according to criteria set out in Attachment 3A to the Consob Regulation on Issuers.

Name	Position	Emoluments for the office	Non monetary office	Bonus and other incentives	Other fees	Total
In euro						
Giovanni Barbara	Chairman	130,000			26,000 (ODV Director)	156,000
Attilio Arietti	Statutory Auditor	80,000				80,000
Alessandro Lai	Statutory Auditor	80,000				80,000
Mauro Girelli	Alternate Auditor	-				-
Elena Fornara	Alternate Auditor	-				-

F) Commitments and risks

38. Guarantees provided

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

Type	Amount €/000
Warrant to grant credit of Piaggio & C. for USD 19,000,000 to guarantee the credit line of an equal amount granted by I.F.C. to the subsidiary Piaggio Vehicles Private Limited	
of which drawn	
of which undrawn	14,400
Warrant to grant credit of Piaggio & C. for USD 17,850,000 to guarantee the credit line of an equal amount granted by I.F.C. to the subsidiary Piaggio Vehicles Private Limited	
of which drawn	
of which undrawn	13,529
Warrant to grant credit of Piaggio & C. for USD 6,000,000 to guarantee the credit line of USD 5,000,000 granted by the Bank of America to the subsidiary Piaggio Vehicles Private Limited	
of which drawn	
of which undrawn	4,548
Warrant to grant credit of Piaggio & C. for INR 550,000,000 to guarantee the credit line of INR 500,000,000 granted by the Hongkong and Shanghai Banking Corporation to the subsidiary Piaggio Vehicles Private Limited	
of which drawn	
of which undrawn	7,580
Warrant to grant credit of Piaggio & C. for USD 19,680,000 to guarantee the credit line of an equal amount granted by I.F.C. to the subsidiary Piaggio Vietnam	
of which drawn	14,916
of which undrawn	
Warrant to grant credit of Piaggio & C. for USD 22,000,000 to guarantee the credit line of USD 20,000,000 granted by ANZ to the subsidiary Piaggio Vietnam	
of which drawn	
of which undrawn	16,674
Warrant to grant credit of Piaggio & C. for USD 5,500,000 to guarantee the credit line of IDR 44,000,000,000 from ANZ to the subsidiary Piaggio Indonesia	
of which drawn	2,989
of which undrawn	1,180
Warrant to grant credit of Piaggio & C. for USD 10,000,000 to guarantee the credit line of the same amount from CHASE to the subsidiary Piaggio Group Americas	
of which drawn	
of which undrawn	7,579
Warrant to grant credit of Piaggio & C. to guarantee the credit line granted by Banca Intesa San Paolo to the subsidiary Piaggio Group Americas for USD 13,000,000	
of which drawn	3,032
of which undrawn	6,821
Warrant to grant credit of Piaggio & C. to guarantee the credit line from Banca Intesa San Paolo to the subsidiary Piaggio Group Japan for USD 7,000,000	
of which drawn	3,952
of which undrawn	1,353
Guarantee of BCC-Fornacette to Livorno Customs Authorities for handling Piaggio goods at Livorno Port	200
Guarantee of BCC-Fornacette issued for the Group to Poste Italiane – Rome to guarantee contract obligations for the supply of vehicles	1,321
Guarantee of BCC-Fornacette issued for the Group to Poste Italiane – Rome to guarantee contract obligations for the supply of vehicles	204
Guarantee of Banca Intesa San Paolo issued to the Ministry of the Interior of Algeria, to guarantee contract obligations for the supply of vehicles	140
Guarantee of Banca Intesa San Paolo issued to the Ministry of the Interior of Algeria, to guarantee contract obligations for the supply of vehicles	158

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Tipologia	Amount €/000
Guarantee of Monte dei Paschi di Siena issued to FoshanNanhai - China, for EUR 600,000 to guarantee contract obligations for the supply of vehicles	
of which drawn	0
of which undrawn	600
Guarantee of Monte dei Paschi di Siena issued to Daihatsu for Yen 50,000,000, to guarantee contract obligations for the supply of vehicles	
of which drawn	0
of which undrawn	440
Guarantee of Monte dei Paschi di Siena issued to Chen ShinRubber for EUR 300,000, to guarantee contract obligations for the supply of vehicles	
of which drawn	0
of which undrawn	300

G) Non-recurrent transactions

During 2012 and 2011, the Company did not undertake significant non-recurrent transactions.

H) Information on financial instruments

This attachment provides information about financial instruments, their risks, as well as the sensitivity analysis in accordance with the requirements of IFRS 7, effective as of 1 January 2007.
As of 31 December 2012 and 31 December 2011 existing financial instruments were allocated as follows within the Financial Statements of Piaggio & C. S.p.A.:

Notes	In thousands of Euros	As of 31 December 2012	As of 31 December 2011	Change
	Assets			
	Non-current assets			
24	Other financial assets	10,101	21,012	(10,911)
	of which securities	*-*	*11,753*	*(11,753)*
	of which from the measurement of derivatives	*9,938*	*9,094*	*844*
	of which investments in other companies	*163*	*165*	*(2)*
24	**Current assets**			
	Other financial assets	12,738	16,946	(4,208)
	of which securities	*-*	*-*	*-*
	of which financial receivables	*12,738*	*16,946*	*(4,208)*
	Liabilities			
30	**Non-current liabilities**			
	Financial liabilities falling due after one year	333,838	300,084	33,754
	of which bonds	*203,325*	*201,092*	*2,233*
	of which bank financing	*120,172*	*86,095*	*34,077*
	of which leasing	*5,809*	*6,744*	*(935)*
	of which other lenders	*4,532*	*6,153*	*(1,621)*
30	**Current liabilities**			
	Financial liabilities falling due within one year	105,487	149,372	(41,224)
	of which bank financing	*31,363*	*122,428*	*(91,065)*
	of which leasing	*936*	*894*	*42*
	of which other lenders	*1,621*	*3,905*	*(2,284)*
	of which current account overdrafts	*2,168*	*85*	*2,083*
	of which current account payables	*50,000*	*-*	*50,000*
	of which factoring	*19,179*	*20,085*	*(906)*
	of which to subsidiaries	*220*	*1,975*	*(1,755)*

Current and non-current liabilities

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

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Financial risks

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

Liquidity risk and capitals management

The liquidity risk arises from the possibility that available financial resources are not sufficient to cover, in due times and procedures, future payments arising from financial and/or commercial obligations. To deal with this risks cash flows and the Company's credit line needs are monitored or managed centrally under the control of the Group's Treasury in order to guarantee an effective and efficient management of the financial resources as well as optimise the debt's maturity standpoint.
In addition, the Company finances the temporary cash requirements of Group companies by providing direct short-term loans regulated in market conditions or guarantees.
As of 31 December 2012 the most important sources of financing irrevocable until maturity granted to the Company were as follows:
- a debenture loan of €/000 150,000 maturing in December 2016;
- a debenture loan of €/000 75,000 maturing in July 2021;
- a loan of €/000 75,000 maturing in February 2016;
- a loan of €/000 60,000 maturing in December 2019;
- a loan of €/000 6,250 maturing in September 2013.

As of 31 December 2012, the Company had a liquidity of €/000 9,765, €/000 259,000 of undrawn credit lines irrevocable to maturity and €/000 151,473 of revocable credit lines, as detailed below:

	As of 31 December 2012	As of 31 December 2011
In thousands of Euros		
Variable rate with maturity within one year - irrevocable until maturity	59,000	100,000
Variable rate with maturity beyond one year - irrevocable until maturity	200,000	4,100
Variable rate with maturity within one year - cash revocable	117,473	150,718
Variable rate with maturity within one year - with revocation for self-liquidating typologies	34,000	20,000
Total undrawn credit lines	**410,473**	**274,818**

Exchange Risk

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

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

As of 31 December 2012, Piaggio & C. S.p.A. had forward purchase contracts (recognised on a regulation date basis):
- for a value of CNY/000 14,200 corresponding to €/000 1,744 (valued at the forward exchange rate), with average maturity on 7 January 2013;
- for a value of GBP/000 650 corresponding to €/000 792 (valued at the forward exchange rate), with average maturity on 29 January 2013;
- for a value of JPY/000 270,000 corresponding to €/000 2,514 (valued at the forward exchange rate), with average maturity on 7 January 2013;
- for a value of USD/000 1,450 corresponding to €/000 1,120 (valued at the forward exchange rate), with average maturity on 7 January 2013;

and forward sales contracts:
- for a value of CAD/000 370 corresponding to €/000 286 (valued at the forward exchange rate), with average maturity on 13 March 2013;
- for a value of CNY/000 2,100 corresponding to €/000 258 (valued at the forward exchange rate), with average maturity on 7 January 2013;
- for a value of GBP/000 620 corresponding to €/000 756 (valued at the forward exchange rate), with average maturity on 27 March 2013;
- for a value of JPY/000 25,000 corresponding to €/000 242 (valued at the forward exchange rate), with average maturity on 31 January 2013;
- for a value of SEK/000 1,600 corresponding to €/000 186 (valued at the forward exchange rate), with average maturity on 31 January 2013;
- for a value of USD/000 2,890 corresponding to €/000 2,221 (valued at the forward exchange rate), with average maturity on 20 February 2013.

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

As of 31 December 2012, the Company had the following transactions to hedge the business risk:
- for a value of CNY/000 249,500 corresponding to €/000 30,183 (valued at the forward exchange rate), with average maturity on 17 June 2013;

To hedge the business risk alone, cash flow hedging is adopted with the effective portion of profits and losses recognised in a specific shareholders' equity reserve. Fair value is determined based on market quotations provided by main traders.
As of 31 December 2012, the total fair value of hedging instruments for exchange risk recognised on an hedge accounting basis was equal to €/000 384. During 2012, profits were recognised in other components of the Statement of Comprehensive Income amounting to €/000 384 and profits from other components of the Statement of Comprehensive Income were reclassified to profit/loss for the year for €/000 583.

The net balance of cash flows during 2012 is shown below, divided by main currency:

	Cash Flow 2012
In millions of Euro	
Pound Sterling	24.1
US Dollar	(9.1)
Canadian Dollar	3.3
Swiss Franc	0.2
Chinese Yuan*	(52.6)
Japanese Yen	(7.3)
Total cash flow in foreign currency	**(41.4)**

_cash flow partially in euro

In view of the above, an assumed appreciation/deprecation of 3% of the euro would have generated potential profits for €/000 1,204 and potential losses for €/000 1,278 respectively.

Interest rate risk

This risk arises from fluctuating interest rates and the impact this may have on future cash flows arising from financial assets and liabilities. The Company 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 31 December 2012, the following hedging derivatives were in use:

- an interest rate swap to cover a variable rate loan for a nominal amount of €/000 117,857 (as of 31 December 2012 for €/000 75,000) granted by the European Investment Bank. The structure has fixed step-up rates, in order to stabilise financial flows associated with the loan; in accounting terms, the instrument is recognised on a cash flow hedge basis, with profits/losses arising from the fair value measurement allocated to a specific reserve in shareholders' equity; as of 31 December 2012, the fair value of the instrument was negative by €/000 3,978; sensitivity analysis of the instrument, assuming a 1% increase and decrease in the shift of the variable rates curve, shows a potential impact on Shareholders' Equity, net of the relative tax effect, equal to €/000 723 and €/000 -746 respectively;
- a cross currency swap to hedge the private debenture loan issued by the Parent Company for a nominal amount of $/000 75,000. The purpose of the instrument is to hedge both the exchange risk and interest rate risk, turning the loan from US dollars to euro, and from a fixed rate to a variable rate; the instrument is accounted for on a fair value hedge basis, with effects arising from the measurement recognised as profit and loss. At 31 December 2012, the fair value of the instrument was equal to €/000 9,938. The net economic effect arising from the recognition of the instrument and underlying private debenture loan is equal to €/000 301; sensitivity analysis of the instrument, and its underlying, assuming a 1% increase and decrease in the shift of the variable rates curve, showed a potential impact on the Income Statement, net of the relative tax effect, is negligible assuming constant exchange rates; whereas assuming a 1% reversal or write-down of exchange rates, sensitivity analysis identified a potential impact on the Income Statement, net of the relative tax effect, of €/000 -82 and €/000 83 respectively.

	Fair Value
Piaggio & C. SpA	
Interest Rate Swap	(3,978)
Cross Currency Swap	9,938

As of 31 December 2012, variable rate debt, net of financial assets and considering hedging derivatives, was equal to €/000 91,171. Consequently, a 1% increase or decrease in the Euribor above this net value would have generated greater or lower interest of €/000 912 per year.

Credit risk

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

	As of 31 December 2012	As of 31 December 2011
In thousands of Euros		
Cash and cash equivalents	9,765	50,816
Securities	-	-
Financial receivables	12,738	16,946
Trade receivables	57,342	67,189
Total	**79,845**	**134,951**

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

Hierarchical fair value valuation levels

As regards financial instruments recorded in the balance sheet at fair value, IFRS 7 requires these values to be classified on the basis of hierarchical levels which reflect the significance of the inputs used in determining fair value. These levels are as follows:
- level 1 – quoted prices for similar instruments;
- level 2 – directly and indirectly observable market inputs other than Level 1 inputs;
- level 3 – inputs not based on observable market data.

The table below shows the assets and liabilities valued at fair value as of 31 December 2012, by fair value measurement hierarchical level.

	Level 1	Level 2	Level 3
In thousands of Euros			
Financial assets			
Other Assets: hedging financial derivatives		9,938	
Investments in other companies			163
Total		**9,938**	**163**
Financial liabilities			
Financial liabilities at fair value recognised as profit or loss		(61,574)	
Other liabilities		(4,362)	
Total		**(65,936)**	

During 2012, no transfers between levels took place.

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The following tables show Level 2 and Level 3 changes during 2012:

In thousands of Euros	Level 2
Balance as of 31 December 2011	(54,343)
Profit (loss) recognised in the income statement	(583)
Increases/(Decreases)	(1,072)
Balance as of 31 December 2012	**(55,998)**

In thousands of Euros	Level 3
Balance as of 31 December 2011	0
Profit (loss) recognised in the income statement	
Increases/(Decreases)	(2)
Other changes	165
Balance as of 31 December 2012	**163**

I) Subsequent events

To date, no events have occurred after 31 December 2012 that make additional notes or adjustments to these Financial Statements necessary.

In this regard, reference is made to the Report on Operations for significant events after 31 December 2012.

L) Subsidiaries

Reference is made to attachments to the Consolidated Financial Statements.

M) Information pursuant to article 149 duodecies of the Consob Regulation on Issuers

The following statement was prepared pursuant to article 149 duodecies of the Consob Regulation on Issuers and indicates the fees for 2012 for auditing services and other services provided by the same auditing firm and entities belonging to the auditing firm's network.

Type of service	Subject providing the service	Notes	Fees for 2012
In euro			
Auditing services	PricewaterhouseCoopers SpA		319,160
Other services	PwC network	1)	39,250
Total			**358,410**

Activities mainly related to the auditing of the Corporate Social Responsibility Report.

This document was published on 20 March 2013 authorised by the Chairman and Chief Executive Officer.

Mantua, 27 February 2013

For the Board of Directors

/f/ Roberto Colaninno

Chairman and Chief Executive Officer
Roberto Colaninno

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Certification
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Statutory Auditors' Report

Certification of the Financial Statements pursuant to article 154/bis of Legislative Decree 58/98

1. The undersigned Roberto Colaninno (Chairman and Chief Executive Officer) and Alessandra Simonotto (Appointed Executive) of Piaggio & C. S.p.A. certify, also in consideration of article 154-bis, sections 3 and 4, of Legislative Decree no. 58 of 24 February 1998:
   › the appropriateness with regard to the company's characteristics and
   › actual application of administrative and accounting procedures for the formation of the Financial Statements as of 31 December 2012.

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

3. Moreover

3.1 the financial statements:

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

3.2 The Report on Operations includes reliable analysis of the trend of operations and operating results, as well as the situation of the Issuer and a description of main risks and uncertainties to which they are exposed.

Date: 27 February 2013

/s/ Roberto Colaninno

Roberto Colaninno
Chairman and Chief Executive Officer

/s/ Alessandra Simonotto

Alessandra Simonotto
Executive in charge

Report of the Independent Auditors on the Financial Statements of the Parent Company

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE No. 39 OF 27 JANUARY 2010

To the shareholders of
Piaggio & C. SpA

1 We have audited the separate financial statements of Piaggio & C. SpA as of 31 December 2012 which comprise the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity, the statement of cash flows and related notes. The directors of Piaggio & C. SpA are responsible for the preparation of these financial statements in compliance with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree no. 38/2005. Our responsibility is to express an opinion on these separate financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards and criteria recommended by Consob, the Italian Commission for listed Companies and the Stock Exchange. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the separate financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our opinion.

The separate financial statements present, for comparative purposes, the data of the prior year. As described in the explanatory notes the directors have restated some comparative information of the prior year compared to that previously presented which were audited by other auditors, who issued their report dated 12 March 2012. We have examined the restatement methods of the comparative information and the related disclosures in the explanatory notes for the purpose of our audit of the separate financial statements ended 31 December 2012.

3 In our opinion, the separate financial statements of Piaggio & C. SpA as of 31 December 2012 comply with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree no. 38/2005; accordingly, they have been prepared clearly and give a true and fair view of the financial position, result of operations and cash flows of Piaggio & C. SpA for the year then ended.

PricewaterhouseCoopers SpA

Sede legale e amministrativa: **Milano** 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. 3.754.400,00 Euro i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n. 43 dell'Albo Consob - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70124 Via Don Luigi Guanella 17 Tel. 0805640211 - **Bologna** Zola Predosa 40069 Via Tevere 18 Tel. 0516186211 - **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Dante 7 Tel. 01029041 - **Napoli** 80121 Piazza dei Martiri 58 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43100 Viale Tanara 20/A Tel. 0521242848 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Via Grazioli 73 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Verona** 37135 Via Francia 21/C Tel.0458263001

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Income Statement
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4 The company, as required by law, has included in the notes to the financial statements, the key figures of the latest financial statements of the entity which directs and coordinates its activities. Our opinion on the financial statements of Piaggio & C. SpA does not extend to those figures.

5 The directors of Piaggio & C. SpA are responsible for the preparation of a report on operations and a report on corporate governance and corporate ownership published in section "Governance" of the website of Piaggio & C. SpA in compliance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the information referred to in paragraph 1, letters c), d), f), l), m), and paragraph 2, letter b), of article 123-bis of Legislative Decree no. 58/98 presented in the report on corporate governance and corporate ownership, with the financial statements, as required by law. For this purpose, we have performed the procedures required under Italian Auditing Standard no. 001 issued by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili) and recommended by Consob. In our opinion, the report on operations and the information referred to in paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b), of article 123-bis of Legislative Decree no. 58/98 presented in the report on corporate governance and ownership structure are consistent with the separate financial statements of Piaggio & C. SpA as of 31 December 2012.

Florence, 8 March 2013

PricewaterhouseCoopers SpA

Signed by

Corrado Testori
(Partner)

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

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Report of the Board of Statutory Auditors to the Meeting of Shareholders

Translation from the Italian original, which remains the definitive version

Piaggio & C. S.p.A.
Registered and administrative office: Viale Rinaldo Piaggio, Pontedera (PI)
Tax code 04773200011
VAT no. 01551260506

REPORT BY THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING AS PER ARTICLE 153 OF LEGISLATIVE DECREE NO. 58/98 (THE "T.U.F.") AND ARTICLE 2429 OF THE ITALIAN CIVIL CODE

To the Shareholders,

Over the course of the financial year ended 31 December 2011 the Board of Statutory Auditors of Piaggio & C. S.p.A. (the "**Company**") carried out its statutory duties, also taking into account the CONSOB circulars on company checks and the activities of the Board of Statutory Auditors, and the *Principi di comportamento del Collegio Sindacale di società quotate nei mercati regolamentati* [Principles of Conduct for the Board of Statutory Auditors of Companies listed on Regulated Markets] recommended by the *Consiglio Nazionale dei Dottori Commercialisti e dei Ragionieri* [National Council of Professional Accountants].

During the financial year ended 31 December 2012, the Board of Statutory Auditors therefore checked (i) that the law and the memorandum of association were observed, (ii) that the principles of sound management were respected, (iii) that those aspects of the Company's organisational structure that fall within its remit, as well as the internal audit system and the administrative and accounting system, were adequate, and that this last could be relied upon to give a true picture of operational items, (iv) how the rules on corporate governance specified in the *Codice di Autodisciplina del Comitato per la Corporate Governance delle società quotate* [Code of Practice for the Self-Regulation of the Committee of Corporate Governance of listed companies], adopted by the Company, were actually implemented, and (v) that the instructions issued to subsidiaries as per article 114(2) of the T.U.F. were adequate.

Moreover, the Board of Statutory Auditors, in its capacity as the Internal Control and Audit Committee pursuant to article 19 of Legislative Decree no. 39 of 27 January 2010, also checked (i) the financial reporting process, (ii) the efficacy of the internal control, internal audit, and risk management systems, (iii) the legal audit of the annual accounts and consolidated annual

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accounts, and (iv) the independence of the external audit firm, with particular regard to the provision of non-audit services to the audited entity.

In particular, the Board reports as follows:

1. The Board verified that the operations having the greatest impact on the Company's profits, cash flow and assets – which it learnt about by attending meetings of the Board of Directors and shareholders, and by talking to top management – were in compliance with the law and memorandum of association.

2. The Board did not discover, during the financial year 2012, any atypical and/or unusual inter-company, third-party or related-party transactions.

The ordinary inter-company and related-party transactions, described in the Directors' Report and in the notes to the financial statements, to which we refer you as appropriate, appear to be fair and in the interests of the Company.

3. With regard to the transactions indicated in point 2 above, the Board considers the information provided in the Directors' Report and in the notes to the financial statements to be adequate.

4. The reports on the financial statements and consolidated financial statements by the audit firm PricewaterhouseCoopers S.p.A. (the "Audit Firm"), issued on 8 March 2013 pursuant to articles 14 and 16 of Legislative Decree no. 39 of 27 January 2010, are unqualified and/or do not include any emphasis of matter paragraphs; and they certify that the financial statements and consolidated financial statements have been drawn up clearly and in compliance with the rules governing their preparation and give a true and fair view of the assets and liabilities, financial position, profitability and cash flow of the Company and Group in the financial year ending 31 December 2012. These reports also certify that the Directors' Report, which includes the information indicated in paragraph 1 c), d), f), l), m) and paragraph 2 b) of article 123 of the T.U.F., and the ownership structure of the Company are consistent with the financial statements and consolidated financial statements.

The Board of Statutory Auditors, in its capacity as the Internal Control and Audit Committee pursuant to article 19 of Legislative Decree no. 39 of 27 January 2010, also examined the report by the Audit Firm on the fundamental points that emerged during its audit of the financial

statements and consolidated financial statements. This report states that, in terms of the financial reporting process, there are no shortcomings in the internal control system important enough to be brought to the attention of the Internal Control and Audit Committee.

The Board of Statutory Auditors also examined the attestation that the Audit Firm issued, pursuant to article 17 of Legislative Decree no. 39 of 27 January 2010, on 19 March 2013, in which (i) it declared that it was independent and that there were no grounds for incompatibility pursuant to articles 10 and 17 of Legislative Decree no. 39/2010, (ii) it declared the non-audit services provided to the Company, also by its own network.

5. During the shareholders' meeting of 13 April 2012, shareholder Mr Fabris submitted the following complaint to the Board of Statutory Auditors, pursuant to article 2408 of the Italian Civil Code (as recorded in the minutes of the meeting): "*The notice calling the shareholders' meeting declares that: 'The shareholders may ask questions about the matters on the agenda even before the meeting, but must do so by the end of the second day of trading prior to the date of the meeting (i.e. by 11 April 2012)...omissis...'. I believe this is reprehensible, since no law or regulation stipulates such a rule. The law stipulates only that any questions submitted before the meeting must be answered, at the latest, during the meeting*".

With reference to this complaint, the Board of Statutory Auditors pointed out that the deadline for submitting questions before the meeting had been set in order to give the Company enough time to organise and prepare its replies; it also pointed out that Mr Fabris's questions had been answered anyway, during the meeting of 13 April 2012.

The Board therefore believes that the Company answered Mr Fabris's questions properly, and that it (the Board) dealt with the complaint adequately.

During the financial year 2012 the Board received no other complaints as per article 2408 of the Italian Civil Code, and has not done so to date.

6. The Board is not aware of any other incidents which it should report here.

7-8. During the financial year 2012, the Company paid the Audit Firm fees of €319,160.00 for its audit services, while the Company's subsidiaries paid, for audit services, fees of €11,450.00 to the Audit Firm, and €377,560.00 to the PricewaterhouseCoopers Network

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During the same year:

- the Audit Firm did not receive, from the Company, any other assignments apart from the audit work, while the PricewaterhouseCoopers Network received fees of €39,250.00 from the Company for assignments additional to its audit work (mainly the audit of the Corporate Social Responsibility Report);

- the Company's subsidiaries paid fees of €38,500.00 to the Network, for certification services and other services provided in addition to audit work.

In light of the above, and the Audit Firm's attestation of independence and denial of any grounds of incompatibility, the Board of Statutory Auditors believes that no critical aspects have emerged with regard to the independence of the Audit Firm.

9. During the financial year 2012, the Board of Statutory Auditors issued statutory opinions and delivered statements upon request (an opinion in favour of the proposals concerning the Chairman, Vice-Chairman and Managing Director's remuneration, after checking that the proposals complied with the Company's remuneration policy; an opinion in favour of the proposal to update the 2012-2014 Internal Audit Plan, approved by the Board of Directors at its meeting of 1 December 2011; an attestation of research costs).

The Board of Statutory Auditors, in compliance with the Code of Practice, also verified:

a) that the criteria and procedures adopted by the Board of Directors when vetting the independence of its members had been correctly applied, in accordance with the criteria established by law and the Code of Practice;

b) that its own members – already vetted before their appointment – still met the independence requirements in accordance with the criteria established by law and the Code of Practice, it being understood that, should an auditor, on his own behalf or on behalf of third parties, have an interest in one of the Company's transactions, he must promptly give extensive information to the other members of the Board of Statutory Auditors and the Chairman of the Board about the nature, terms, origin and extent of his interest.

10. Over the course of 2012, the Company's Board of Directors and the Internal Control and Audit Committee both met seven times; the Remuneration Committee met twice, and the

Appointments Committee met just once. In the same year the Board of Statutory Auditors met ten times; it also attended all the meetings of the Board of Directors and shareholders held during the year.

11. The Board of Statutory Auditors, to the extent of its remit, gathered information and checked that the principles of sound management were observed and that the Company's administrative structure was adequate for the purposes of complying with these principles.

In particular, as regards the decision-making processes of the Board of Directors, the Board checked that the management decisions taken by the directors complied with the law and articles of association, and that their resolutions were not contrary to the interests of the Company.

The Board of Statutory Auditors therefore believes that the principles of sound management have been observed.

12. The Board of Statutory Auditors checked the Company's organisational structure and believes, in light of these checks and to the extent of its own responsibility, that the structure as a whole is adequate.

13. The Board of Statutory Auditors checked the Company's system of internal control by liaising and coordinating with the Internal Control and Audit Committee, with the Internal Audit manager, with the Managing Director in his capacity as the director appointed to oversee that the internal audit and risk management system is functioning, and with the Supervisory Body.

In its capacity as the Internal Control and Audit Committee pursuant to article 19 of Legislative Decree no. 39 of 27 January 2010, the Board also acknowledged the Audit Firm's attestation that there were no shortcomings in the internal audit system, and liaised and continually exchanged information with the Audit Firm and the Control and Risk Committee. Moreover, the Board of Statutory Auditors monitored the Company's transactions with related parties, verifying the functioning and correct application of the Procedure for Transactions with Related Parties, approved by the Board of Directors following the issue of CONSOB Regulation no. 17221 of 12 March 2010.

Lastly, the Board of Statutory Auditors attended the meetings of the Supervisory Board during the financial year, liaising with it about – among other things – updating the Organisational,

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Management and Control Model pursuant to Legislative Decree no. 231/200 to take new types of crimes into account. Once again, it should be pointed out that the flow of information between the Board of Statutory Auditors and the Supervisory Board was also guaranteed by the fact that the Chairman of the Board of Statutory Auditors is a statutory member of the Supervisory Board.

In light of these checks, and the evaluations of the adequacy, efficiency, and effective functioning of the internal audit system, expressed by the Control and Risk Committee and the Board of Directors, the Board of Statutory Auditors believes, to the extent of its own responsibility, that the system as a whole is adequate.

14. The Board of Statutory Auditors checked – by collecting information from the *Dirigente Preposto* [manager in charge of preparing the Company's financial reports] and the relevant department managers, examining company documentation, and analysing the results of the Audit Firm's work – the Company's administrative and accounting system and how reliable it is in giving a true picture of operational items.

In particular, the Board reports that during 2012, the *Dirigente Preposto* completed, with the support of Internal Audit, an evaluation of the adequacy and actual implementation of the administrative and accounting procedures indicated in article 154-*bis* of the T.U.F., for the Company and its strategically important subsidiaries; this allowed the Company to attest that its accounts give a true and fair view of the assets and liabilities, profitability and financial position of itself and its subsidiaries.

In light of these checks and the Board of Directors' evaluation of the adequacy of the Company's organisational, administrative and accounting arrangements, the Board of Statutory Auditors believes, to the extent of its own responsibility, that the system is essentially adequate and reliable for the purposes of correctly representing the operational items.

15. The Board checked that the instructions issued by the Company to its subsidiaries as per article 114(2) of the T.U.F. were adequate, and that there was a proper flow of information between them, and it believes that the Company is able to fulfil the communication obligations laid down by law.

16. During the financial year, the Board of Statutory Auditors met managers from the Audit Firm in order to exchange relevant data and information with them in accordance with article 150(3) of the T.U.F.

At these meetings the Audit Firm did not report any facts or anomalies important enough to be indicated in this report.

During the financial year, the Board of Statutory Auditors met with the supervisory body of the subsidiary Aprilia Racing S.r.l. in order to exchange information pursuant to article 151(2) of the T.U.F.

The fact that the Auditor Alessandro Lai is also the Chairman of the Board of Statutory Auditors of the parent company IMMSI S.p.A. also facilitated the exchange of information with the parent company's Board of Statutory Auditors.

17. The Company abided by the Code of Practice for the Self-Regulation of Listed Companies, approved by the Committee for Corporate Governance and promoted by Borsa Italiana S.p.A., adopting, over the course of the financial year, resolutions aimed at completing the adjustment of the internal control and risk management system to reflect the new measures introduced in December 2011.

The system of corporate governance adopted by the Company is detailed in the Report on Corporate Governance and Ownership Structures for 2012, approved by the Board of Directors on 27 February 2013.

18. In the course of its supervisory activities and checks during the year, the Board of Statutory Auditors did not come across any reprehensible conduct, omissions or irregularities significant enough to be mentioned in this report.

19. The Board of Statutory Auditors remarks that, as far as it is aware, there has been no deviation from the law in preparing the consolidated financial statements and separate financial statements.

The Board, also in view of the results of the work carried out by the body responsible for accounting control, has found no reason – as far as its own remit goes – not to approve the financial statements as at 31 December 2012 as drafted and approved by the Board of Directors

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at its meeting of 27 February 2013, and agrees with the Board of Directors about the proposed allocation of the year's profits.

20 March 2013

The Board of Statutory Auditors

Mr. Giovanni Barbara

[*Signature of Giovanni Barbara*]

This report is available on the Internet at:
www.piaggiogroup.com

Management and Coordination
IMMSI S.p.A.
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