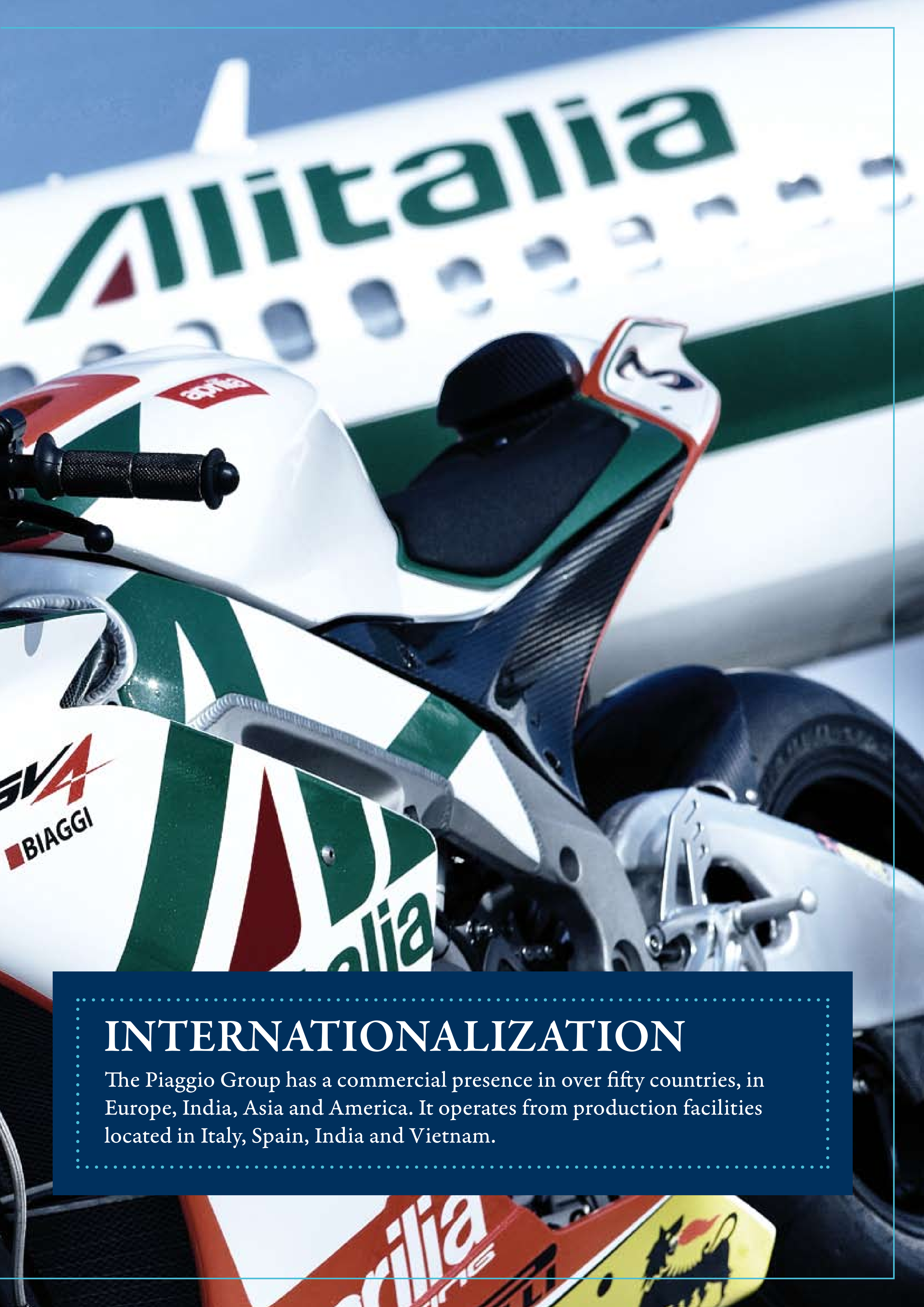
2009
ANNUAL REPORT

MISSION

Piaggio is an Italian industrial group operating with a multinational strategy, whose activities are directed towards offering transport solutions at an affordable price and with low environmental impact to customers in more than fifty countries in Europe, India, Asia and America.

Its objectives are to create value for all its shareholders, while complying with business ethics and recognising the social role it has to play, contributing to the professional advancement of its employees and partners and to the economic and civil development of the communities in which it operates.


Alitalia



INTERNATIONALIZATION

The Piaggio Group has a commercial presence in over fifty countries, in Europe, India, Asia and America. It operates from production facilities located in Italy, Spain, India and Vietnam.

INNOVATION

For the Piaggio Group, which continually strives to satisfy market needs, the industrial development of products and new technologies capable of delivering a performance superior to its competitors, is a key factor for success.

SAFETY

The Piaggio Group is constantly committed to safety. For many years, some models have been fitted with a "combined braking" system for easier handling by less expert riders and support in all emergency situations. Many models have an electronic device replacing the throttle mechanical wire ("Ride By Wire"), to calibrate the throttle depending on road conditions (Aprilia Shiver, RSV1000, Mana850, Dorsoduro) and are therefore configured for Traction Control, which is already standard on the RSV1000 range.

ENVIRONMENT FRIENDLY

The Piaggio Group has always been sensitive to environmental issues. Vehicles currently in production meet the most stringent international pollution regulations. Commercial vehicles include models with a dual petrol/gas fuel system and electric power. In the two-wheeler segment, the Hybrid version of the MP3 was unveiled in 2009, as the first hybrid vehicle with lithium batteries and the first and only scooter worldwide boasting a parallel hybrid technology.

NETWORK CAPILLARITY

The sales network consists of more than 11 thousand operators in the primary and sub-network in Europe, 250 exclusive dealers in India and 300 dealers in USA, in addition to a distribution network of Piaggio importers in other countries.


Vespa

FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2009

Shareholders' Meeting

The Board of Directors unanimously resolved to approve the Reports and authorise the Chairman and Chief Executive Officer to establish, no later than 12 March 2010, the date and place for convening the Ordinary General Meeting of Shareholders with the following

Agenda

the Ordinary General Meeting of Shareholders:

1) Piaggio & C. S.p.A. Financial Statements as of 31 December 2009; 2009 Report on Operations and proposal to allocate net income; Board of Statutory Auditors' Report; Independent Auditors' Report; related and consequent resolutions; presentation of the Piaggio Group Consolidated Financial Statements as of 31 December 2009 and relative reports. Related and consequent resolutions.
2) Appointment of a Board Director pursuant to article 2386 of the Civil Code. Related and consequent resolutions.
3) Amendment to the Plan assigning option rights on shares for top management of the Piaggio Group and authorisation to provide treasury shares, approved by the Ordinary General Meeting on 7 May 2007. Related and consequent resolutions.

The Extraordinary General Meeting, with the following agenda:

1) Proposal to cancel 24,247,007 portfolio treasury shares, with elimination of the par value of ordinary shares in circulation. Subsequent changes to article 5.1 of the Articles of Association. Related and consequent resolutions.
2) Proposal to increase share capital, against payment and divisibly, for a total maximum nominal amount of EUR 2,891,410.20 (in addition to EUR 6,673,309.80 as a premium), excluding option rights pursuant to article 2441, sections 5 and 8 of the Civil Code and article 134 of Legislative Decree 58/1998, to be underwritten by beneficiaries of the "2007-2009 Stock Option Plan", subject to cancellation of the clauses in articles 5.4, 5.5 and 5.6 of the Articles of Association. Subsequent changes to article 5 of the Articles of Association.


MOTO GUZZI

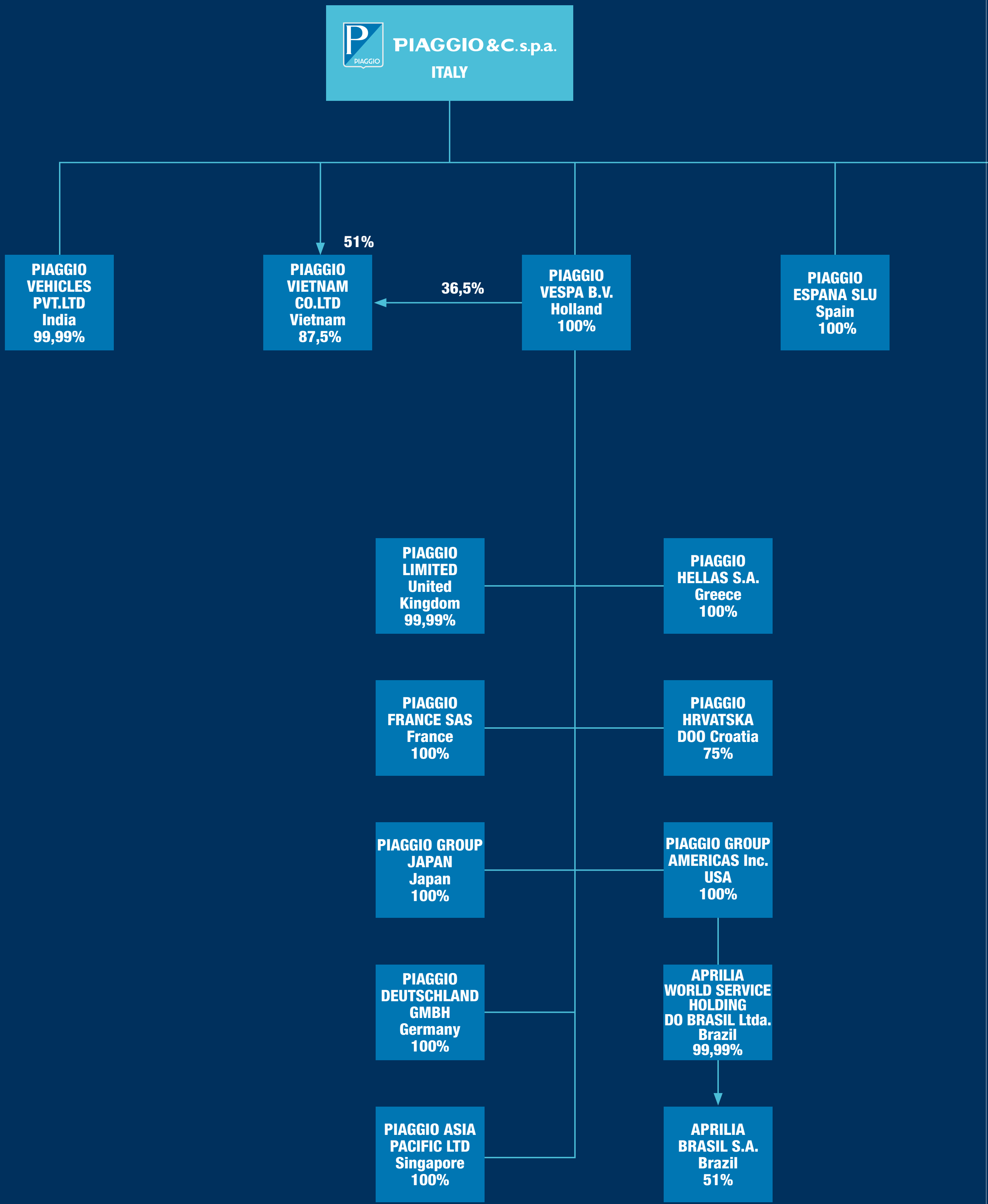
Contents

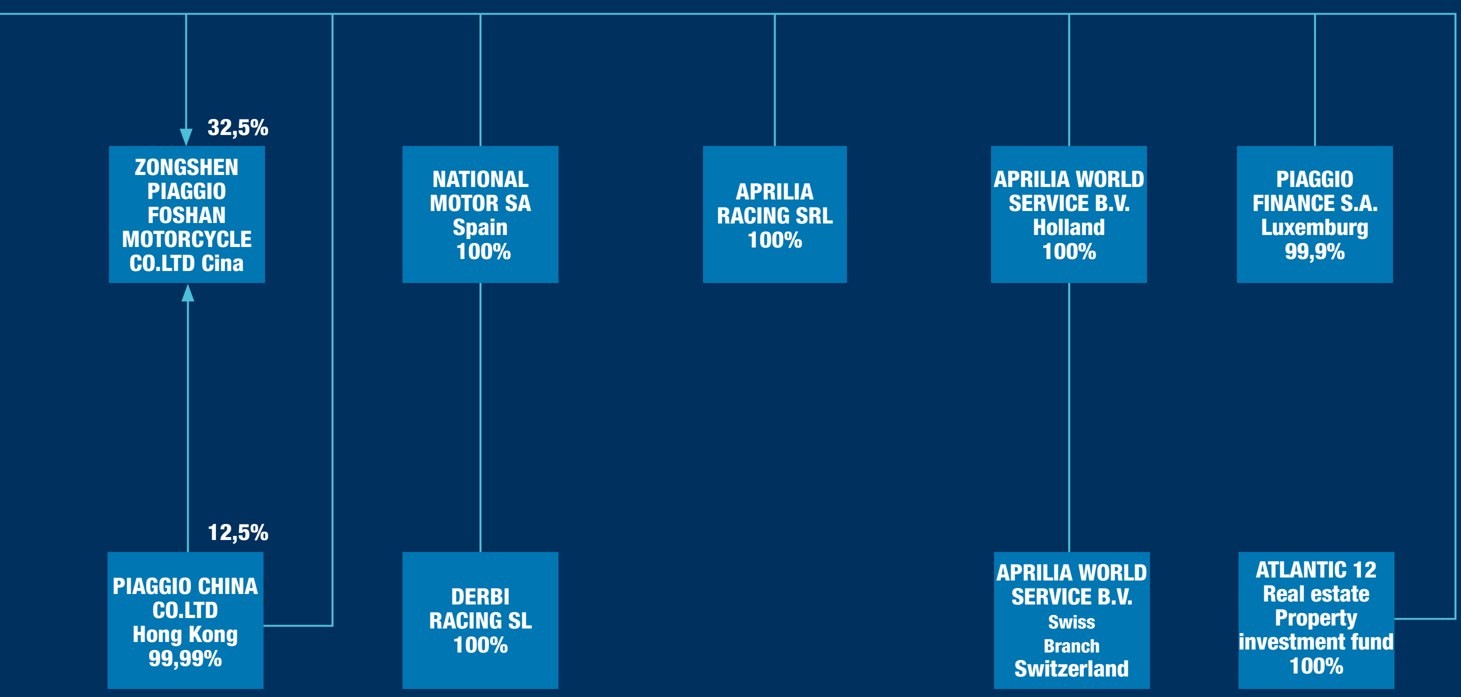
COMPANY BOARDS

BOARD OF DIRECTORS	
Chairman and Chief Executive Officer	Roberto Colaninno (1)
Deputy Chairman	Matteo Colaninno
Directors	Michele Colaninno
	Franco Debenedetti (3), (4)
	Daniele Discepolo (2), (5)
	Luciano La Noce (3), (4)
	Giorgio Magnoni
	Livio Corghi
	Luca Paravicini Crespi (3), (5)
	Riccardo Varaldo (4), (5)
	Vito Varvaro (7)
BOARD OF STATUTORY AUDITORS	
Chairman	Giovanni Barbara
Statutory auditors	Attilio Francesco Arietti
	Alessandro Lai
Substitute auditors	Mauro Girelli
	Elena Fornara
SUPERVISORY BODY	Antonio Parisi (8)
	Giovanni Barbara
	Ulisse Spada (6)
GENERAL DIRECTOR OF FINANCE	Michele Pallottini
MANAGER IN CHARGE OF FINANCIAL REPORTING	Alessandra Simonotto
INDEPENDENT AUDITORS	Deloitte & Touche 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 Internal Control Committee
(6) In office since 15 September 2009
(7) In office since 16 April 2009
(8) In office since 18 December 2009

Company structure of the Piaggio Group As of 31 December 2009





AFFILIATED COMPANIES

- Pont-Tech S.r.l.
  (held 20.44% by Piaggio & C. S.p.A.)
- SAT S.A.
  (held 20% by Piaggio Vespa B.V.)
- IMMSI Audit S.c.a.r.l.
  (held 25% by Piaggio & C. S.p.A.)
- Acciones Depuradora
  (held 22% by Nacional Motor S.A.)

COMPANY IN LIQUIDATION

- P&D S.p.a.
  (held 100% by Piaggio & C. S.p.A.)
- Moto Laverda S.r.l.
  (held 100% by Piaggio & C. S.p.A.)
- Piaggio Portugal Ltda
  (held 100% by Piaggio Vespa B.V.)

PROPOSAL TO APPROVE THE FINANCIAL STATEMENTS AND ALLOCATE NET INCOME

Dear Shareholders

We wish to propose the approval of the Financial Statements as of 31 December 2009, prepared according to IFRS (International Financial Reporting Standards).

Furthermore, considering the need to have an available reserve to cover non-amortised development costs recorded under assets (in accordance with article 2426, no. 5 of the Civil Code), we wish to propose allocating profits of EUR 46,053,039.63 as follows:

- EUR 2,302,651.98 to the legal reserve;
- EUR 17,955,814.58 as retained earnings.
- the remaining EUR 25,794,573.07 as dividends

Subject to approval by the shareholders' meeting, the Company will pay out a dividend of EUR 0.07 per share, starting from 20 May 2010 with dividend payment on 17 May 2010, including the portion relative to own shares in accordance with article 2357-ter of the Civil Code.

Milan, 26 February 2010

On behalf of the Board of Directors

Chairman and Chief Executive Officer
Roberto Colaninno

PIAGGIO GROUP FINANCIAL HIGHLIGHTS

In millions of euro		**2009**	**2008**
Income statement (reclassified)			
Net revenues		1,486.9	1,570.1
Gross industrial margin		467.1	468.8
Operating expenses		-362.6	-374.3
Operating income		104.4	94.5
Earnings before tax		74.1	59.6
Net income		47.4	43.3
Minority interest		1.4	0.3
Group		46.0	43.0
Gross margin on net revenues	%	31.4%	29.9%
Operating income on net revenues	%	7.0%	6.0%
Net income on net revenues	%	3.2%	2.8%
EBITDA		**200.8**	**189.1**
EBITDA on Net Revenues	%	13.5%	12.0%
Balance sheet			
Net working capital		17.2	-3.7
Tangible assets		250.4	250.4
Intangible assets		641.3	648.2
Financial assets		0.6	0.6
Provisions		-133.7	-137.5
Net capital employed		**775.8**	**757.9**
Consolidated net debt		352.0	359.7
Shareholders' equity		423.8	398.2
Sources of funds		**775.8**	**757.9**
Minority interest capital		2.1	1.5
Cash flow			
Opening consolidated net debt		**-359.7**	**-269.8**
Cash flow from operating activities (Net income earnings + Amortisation/depreciation)		143.8	137.9
Change in net working capital		-20.9	3.3
Net investments		-89.4	-106.6
Change in retirement funds and other provisions		-3.8	-7.9
Other changes in Shareholders' equity		-21.8	-116.6
Total cash flow		***7.7***	***-89.9***
Closing consolidated net debt		**-352.0**	**-359.7**

INCOME STATEMENT BY SECTORS OF OPERATION

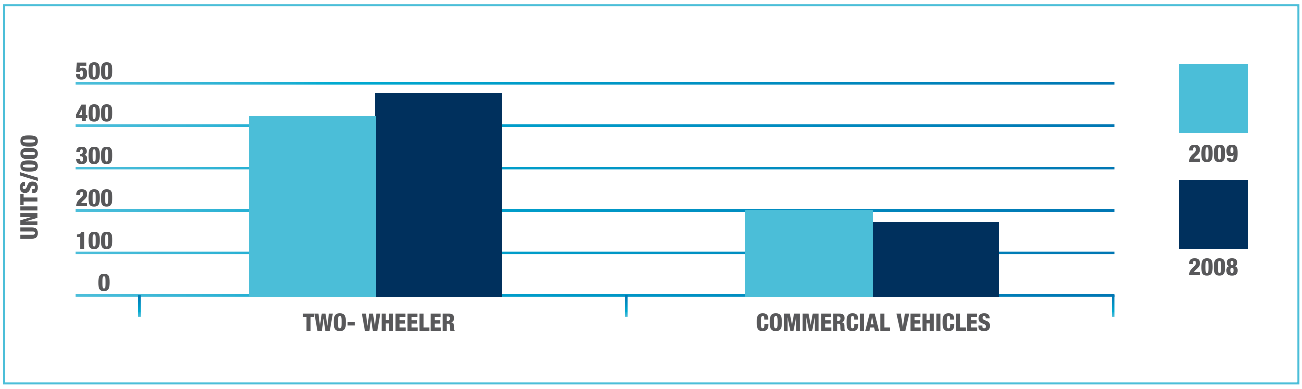
		TWO-WHEELER VEHICLES				COMMERCIAL VEHICLES			
		EUROPE	AMERICAS	ASIA PACIFIC	TOTAL	EUROPE	INDIA	TOTAL	TOTAL
	2009	355.1	18.2	36.9	**410.3**	15.7	181.7	**197.4**	**607.7**
Sales volumes	2008	416.7	31.0	22.8	**470.5**	19.2	158.9	**178.1**	**648.6**
(units/000)	Change	(61.5)	(12.8)	14.1	**(60.2)**	(3.5)	22.8	**19.3**	**(41.0)**
	Change %	-14.8	-41.2	61.8	**-12.8**	-18.4	14.3	**10.8**	**-6.3**
	2009	920.8	60.7	83.9	**1,065.4**	134.7	286.8	**421.5**	**1,486.9**
Turnover	2008	1,042.0	93.5	45.2	**1,180.7**	145.4	244.0	**389.4**	**1,570.1**
(ML €)	Change	(121.2)	(32.8)	38.8	**(115.3)**	(10.7)	42.8	**32.1**	**(83.2)**
	Change %	-11.6	-35.1	85.9	**-9.8**	-7.4	17.5	**8.2**	**-5.3**
	2009	301.8	19.8	27.3	**348.9**	35.7	82.6	**118.3**	**467.1**
Gross industrial margin	2008	339.0	26.5	10.3	**375.9**	42.7	50.3	**93.0**	**468.8**
(ML €)	Change	(37.2)	(6.7)	17.0	**(27.0)**	(7.0)	32.3	**25.3**	**(1.7)**
	Change %	-11.0	-25.4	164.1	**-7.2**	-16.5	64.3	**27.2**	**-0.4**
	2009								**200.8**
EBITDA	2008								**189.1**
(ML €)	Change								**11.7**
	Change %								**6.2**
	2009								**74.1**
EBT	2008								**59.6**
(ML €)	Change								**14.5**
	Change %								**24.3**
	2009								**47.4**
Net income	2008								**43.3**
(ML €)	Change								**4.1**
	Change %								**9.5**


scarabeo

MAIN DATA PER BUSINESS SEGMENT

Business unit		Two-Wheeler Vehicles	Commercial Vehicles	Total
	2009	410.3	197.4	**607.7**
Sales volumes	2008	470.5	178.1	**648.6**
(units/000)	Change	(60.2)	19.3	**(41.0)**
	Change %	-12.8	10.8	**-6.3**
	2009	1,065.4	421.5	**1,486.9**
Turnover	2008	1,180.7	389.4	**1,570.1**
(ML €)	Change	(115.3)	32.1	**(83.2)**
	Change %	-9.8	8.2	**-5.3**
	As of 31/12/2009	4,783	2,517	**7,300**
Employees	As of 31/12/2008	4,672	1,536	**6,208**
(n.)	Change	111	981	**1,092**
	Change %	2.4	63.9	**17.6**
	2009	56.6	37.2	**93.8**
Investments	2008	81.7	21.2	**102.9**
(ML €)	Change	(25.1)	16.0	**(9.1)**
	Change %	-30.7	75.5	**-8.9**
	2009	50.5	19.5	**70.0**
R&D	2008	57.4	15.6	**73.0**
(ML €)	Change	(6.9)	3.9	**(3.0)**
	Change %	-12.0	25.0	**-4.1**

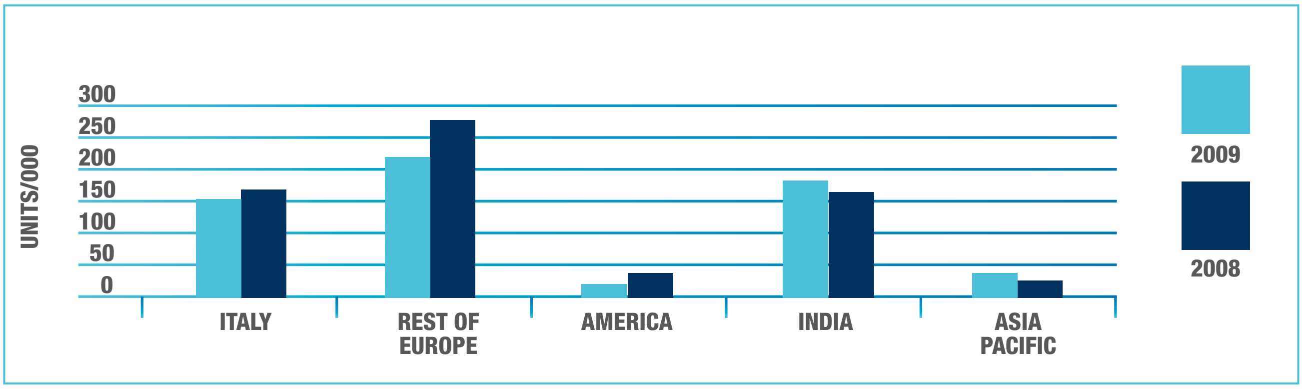
SALES VOLUMES



MAIN DATA BY GEOGRAPHICAL SEGMENT

		ITALY	REST OF EUROPE	AMERICAS	INDIA	ASIA PACIFIC	Total
Sales volumes	2009	153.1	217.6	18.4	181.7	36.9	**607.7**
(units/000)	2008	162.3	273.1	31.6	158.9	22.8	**648.6**
	Change	(9.2)	(55.5)	(13.2)	22.8	14.1	**(41.0)**
	Change %	-5.7	-20.3	-41.7	14.3	61.8	**-6.3**
Turnover	2009	471.7	583.2	61.3	286.8	83.9	**1,486.9**
(ML €)	2008	500.4	685.6	95.0	244.0	45.2	**1,570.1**
	Change	(28.7)	(102.3)	(33.7)	42.8	38.8	**(83.2)**
	Change %	-5.7	-14.9	-35.5	17.5	85.9	**-5.3**
Employees	As of 31/12/2009	4,131	535	64	2,126	444	**7,300**
(n.)	As of 31/12/2008	4,269	561	68	1,205	105	**6,208**
	Change	(138)	(26)	(4)	921	339	**1,092**
	Change %	-3.2	-4.6	-5.9	76.4	322.9	**17.6**
Investments	2009	58.7	2.7	0.1	27.7	4.6	**93.8**
(ML €)	2008	71.7	4.0	0.2	14.7	12.3	**102.9**
	Change	(13.0)	(1.3)	(0.1)	13.0	(7.7)	**(9.1)**
	Change %	-18.2	-32.6	-51.0	88.4	-62.7	**-8.9**
R&D	2009	56.1			12.4	1.5	**70.0**
(ML €)	2008	63.3			9.7		**73.0**
	Change	(7.2)			2.7	1.5	**(3.0)**
	Change %	-11.4			27.8	N.A.	**-4.1**

SALES VOLUMES



HIGHLIGHTS, THE GROUP RESULTS

In 2009, the Piaggio Group sold 607,700 vehicles in the world, 410,300 of which in the two-wheeler business and 197,400 in the Commercial Vehicles business.
With regard to the two-wheeler business, such performance took place within a particularly difficult market context in the Group's main reference areas. In fact demand dropped compared to the same period of the previous year in Europe (- 17%) as well as in the United States (- 40% globally and - 57% in the scooter segment).
Deliveries in the Asian market grew with sales of 36,900 units, a 61.8% growth with respect to the corresponding period of the previous year. It should also be noted that, on 24 June 2009, the sale of the Vespa LX scooter, produced in the Vietnamese plant of Binh Xuyen, was officially initiated in Vietnam.
Sales on the Italian market, on the other hand, decreased (- 4.7%), as in the European market (- 20.4%) and the American market (- 41.2%).
The Commercial Vehicles division closed the year with 197,400 units sold, compared to 178,100 units in 2008. The growth of 10.8% is due to the success of its Indian subsidiary, where sales increased by 14.3%.
With respect to the above events, **consolidated net sales in** 2009 amounted to 1,486.9 ML € (- 5.3% compared to 2008).
This downturn in turnover also affected the change in the exchange rate of the euro against other currencies, with a negative effect on turnover of approximately 17.5 ML € compared to 2008.

The **gross industrial margin is equal to** 467.1 ML € compared to 468.8 ML € in 2008, with the percentage accounting for turnover going up (31.4% compared to 29.9% in 2008), thanks to a strong focus on keeping product costs down.

Operating expenses decreased by 11.7 ML € compared to 2008 (- 3.1%), despite greater amortisation/depreciation of the period due to investments in new models and engines over the past few years coming into effect.

Consolidated **EBITDA** stood at 200.8 ML €, registering an increase compared to 189.1 ML € in 2008. The percentage of EBITDA accounting for revenues also went up, from 12.0% in 2008 to the current 13.5%.

Operating income reached 104.4 ML €, compared to 94.5 ML € in 2008 (+10.5%), with amortisation/depreciation totalling 96.4 ML € (+ 1.8 ML € + 1.9 ML € compared to 2008).

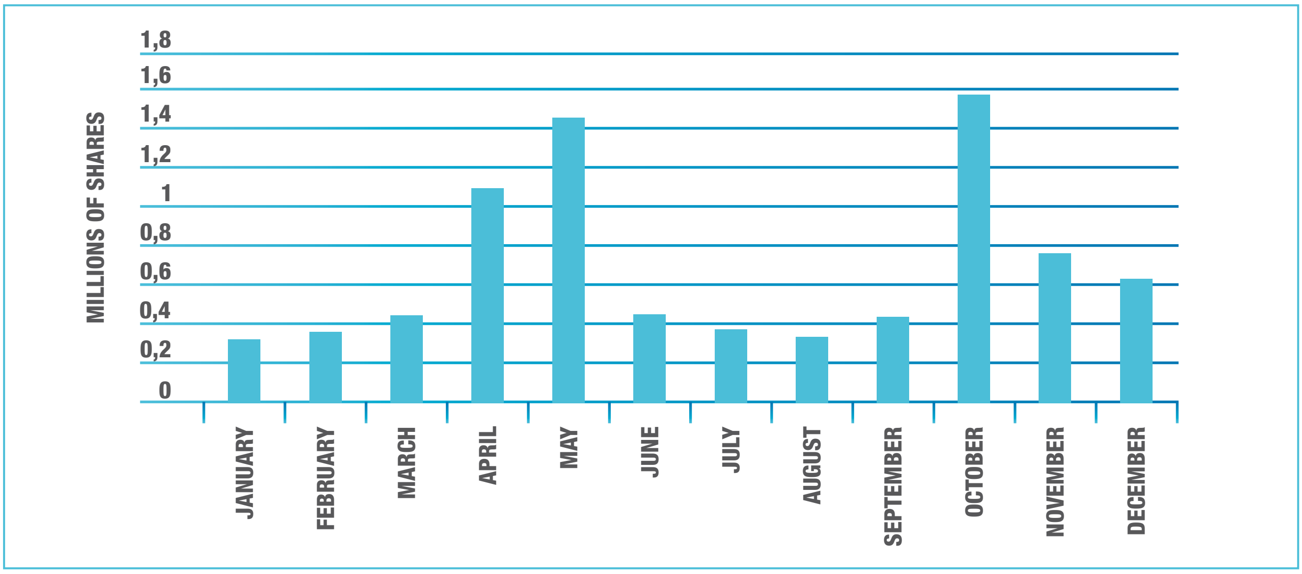
Earnings before tax were equal to 74.1 ML € (+ 24.2% compared to 2008) and **net profit** was equal to 47.4 ML € (+ 9.4% compared to 2008), after taxes of 26.7 ML €.

Consolidated net financial debt changed from 359.7 ML € as of 31 December 2008 to 352.0 ML € as of 31 December 2009. The decrease of 7.7 ML € is due mainly to the positive trend of cash flow from operating activities, which made it possible to finance the investment programme, the distribution of dividends accounting for 22.5 ML € and the purchase of own shares amounting to 1.2 ML €.

PIAGGIO AND THE FINANCIAL MARKETS

Piaggio has established an ongoing dialogue with Shareholders and Investors through its Investor Relations department which organises presentations throughout the year - both live and via conference call - when the Group publishes its results or during other events that require direct disclosure to the market. For further information, visit www.piaggiogroup.com and the Investor Relations section with financial data, company presentations, periodic publications and share price updates.

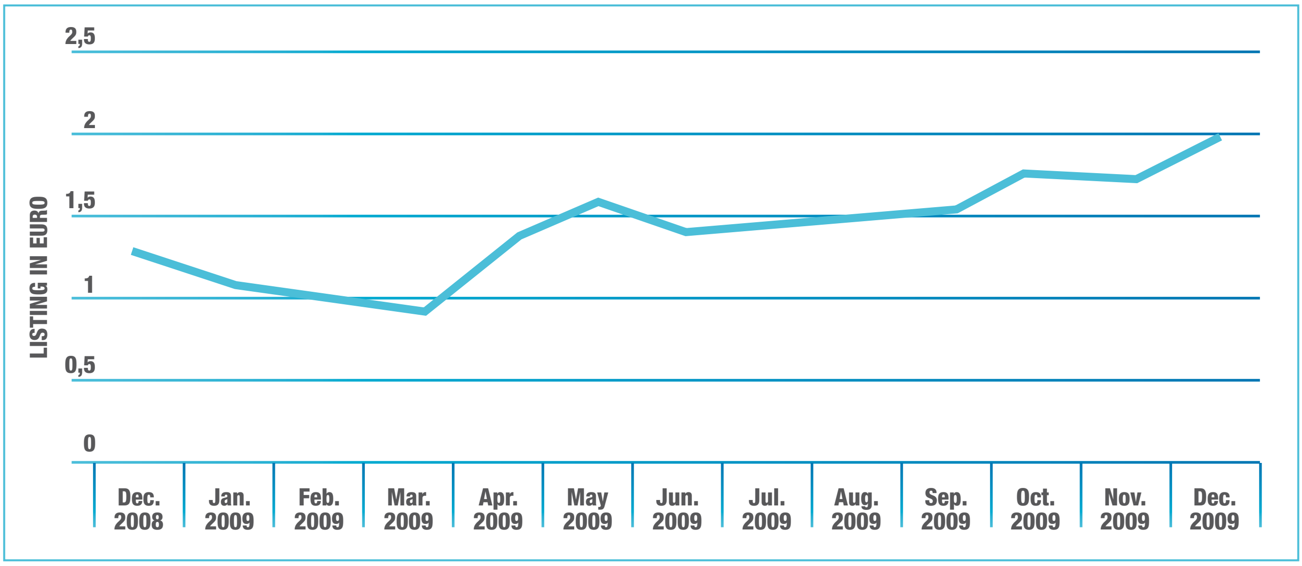
AVERAGE VOLUMES TRANSACTED PER MONTH



Official price per share at:

Amounts in euro	30/12/09	30/06/09	31/12/08
Ordinary shares	1.9711	1.4518	1.248

PERFORMANCE OF PIAGGIO SHARES



SIGNIFICANT EVENTS DURING THE YEAR

In February 2009, the Government Cabinet approved a decree law providing an incentive of EUR 500 for the purchase of Euro 3 motorcycles up to 400 cc, when owners traded in (scrapping scheme) a Euro 0 or Euro 1 category moped or small motorcycle.

18 March 2009 Standard & Poor's confirmed its BB corporate rating of the Parent Company, though downgraded the outlook from "stable" to "negative".

16 April 2009 The new Piaggio Porter, with its radically new design, technical features and internal fittings, was unveiled to the international media. The new Porter has been released with a range of ecological engines, including the Eco-Power model (petrol/LPG bi-fuel), the Green Power (methane gas/petrol) and the Electric Power model (zero-emission electricity).

22 April 2009 The incentives introduced by the Ministry for the Environment became effective for bicycles, mopeds and electric vehicles.

12 May 2009 Moody's confirmed its BA2 corporate rating of the Parent Company, though downgrading the outlook from "stable" to "negative".

28 May 2009 The new Piaggio MP3 Hybrid was unveiled. The world first hybrid scooter equipped with a petrol engine and electric motor which, by operating in synergy, allow for a drastic reduction of both fuel consumption as well as CO2 emissions.

10 June 2009 The new Scarabeo product line was launched, including the new Scarabeo 300 Special, Scarabeo 125/200 ei and Scarabeo 50 4 Valves.

23 June 2009 The new Piaggio X7 Evo was presented in the formats 125 ei and 300 ei.

24 June 2009 The sale of the Vespa LX scooter, produced in the Vietnamese plant of Binh Xuyen, was officially initiated in Vietnam. Produced as 125 and 150cc, the Vespa LX is entirely realised within the new Vietnam plant of the Piaggio Group whose manufacturing activities include welding, painting, final assembly, testing and quality control. The Piaggio Vietnam plant reached a production capacity of 100,000 units a year.

3 July 2009 The Piaggio Group's 2009-2012 Strategic Plan was presented.
The Plan, which covers four years, focuses on strong growth in the Asian area by consolidating the group

direct industrial presence, expanding its range of two-wheeler and commercial vehicles and developing its distribution structures, organisation and human resources.
Within the domestic European market, the strategies of the Group aim to consolidate the current leadership by developing and innovating the range of products within the scooter sectors by means of the various Group brands, thereby rationalising the range of motorcycles and, at the same time, valorising the different missions of the brands Aprilia, Moto Guzzi and Derbi.
Thanks to its own capacity for technological innovation, the Group aims to achieve a leadership position in the supply of new engines with a low environmental impact and reduced fuel consumption: the Group will focus on development and the growing supply of hybrid, electric and bi-fuel vehicles within the two-wheeler and the commercial transportation sectors.
Within the motorisation sector, the production of Diesel and turbo diesel engines with 1,000 and 1200 cc will also be initiated. These drivetrains will serve as the fundamental element in the expansion of the Group's product offer within the commercial vehicles sector - manufactured and marketed both in Europe and Asia - which will allow for the growth and segmentation of the Ape, Quargo and Porter product lines.

15 September 2009 The Board of Directors of Piaggio resolved to redeem in advance the Piaggio Finance 10% senior notes due 2012 debenture loan issued in 2005, listed on the Irish Stock Exchange, for a total nominal amount of 61 ML € out of the currently effective 122 ML €.

16 October 2009 The Piaggio Finance 10% senior notes due 2012 debenture loan amounting to €/000 60,980 was redeemed in advance by exercising option rights at par value plus the penalty indicated in regulations.

16 October 2009 Piaggio & C stipulated a settlement agreement with Mr. Ivano Beggio in relation to the financial instrument "Aprilia Shareholders, 2004-2009" which was issued at the time of acquisition of the Aprilia Group. According to this agreement, Piaggio paid EUR 7 million to Mr. Beggio.

19 October 2009 The Spaniard Julian Simon, riding an Aprilia, won the Riders Championship title in the 125cc category. This was the second title for the motorcycle manufacturer, after winning the Championship Constructors' title in the 125cc category.

1 December 2009 Piaggio Board of Directors resolved to issue a debenture loan on the High Yield market, for a par value of EUR 150 million and fixed annual coupon of 7% for 7 years.

29 December 2009 The Piaggio Finance 10% senior notes due 2012 debenture loan amounting to €/000 60,980 was redeemed in advance by exercising option rights at par value plus the penalty indicated in regulations. Following this operation, the debenture loan was entirely redeemed.

Report on Operations

1. PIAGGIO GROUP PROFILE

The Piaggio Group has been a world leader in the two-wheeler and Commercial Vehicles industries for over sixty years.

The Group operates in the two-wheeler sector manufacturing products under the following brands:

Piaggio – the Group's historic brand, with an extensive range of products from 50cc to 500cc covering all segments of the scooter market. The Piaggio brand image is one of vehicles that are safe, stylish, robust and with cutting-edge technology, able to meet the most diverse urban mobility requirements.

Vespa – the scooter market historic brand. The Group has been selling the Vespa, an icon of Italian style, elegance and quality, for 60 years.

Gilera - the brand under which the Group sells small and medium engined two-wheeler vehicles (up to 850 cc) and a range of road and off-road models that feature sporty, stylish lines, top of the range quality and high performance. The brand is marketed to a young, dynamic and sports-oriented target.

Derbi – the brand which sells small-engined scooters and motorcycles in Europe, aimed at young customers.

Aprilia – the vehicles bearing this brand are sporty and high-tech. The brand has a long racing history, of more than 20 years of successes.

Scarabeo – under the Scarabeo brand, launched by Aprilia in 1993, the Group sells scooters of various engine sizes that are the essence of style, elegance and safety.

Moto Guzzi – the Moto Guzzi brand is an aristocrat of large-engined motorcycles, aimed at enthusiasts seeking classical elegance combined with innovative technology.

The Group operates in the three- and four-wheeler sector, manufacturing products under the Piaggio, Ape, Quargo and Porter brands. The Piaggio Group light commercial vehicles stand out for their compact dimensions, high load-bearing capacity and superb handling.

Vehicles manufactured are sold in over 50 countries.
Two-, three- and four-wheelers are all distributed through their own sales networks, comprising over 11,000 independent operators in the European main and secondary networks, 250 exclusive dealers in India and 300 dealers in the USA, as well as the distribution network of Piaggio importers in other countries.

2. PIAGGIO GROUP FINANCIAL POSITION AND PERFORMANCE

Financial performance of the Piaggio Group

Net revenues

In millions of euro	2009	2008	Change
Two-Wheeler Vehicles	1,065.4	1,180.7	(115.3)
Commercial Vehicles	421.5	389.4	32.1
TOTAL REVENUES	**1,486.9**	**1,570.1**	**(83.2)**

In 2009, the Piaggio Group sold 607,700 vehicles in the world, 410,300 of which in the two-wheeler business and 197,400 in the Commercial Vehicles business.

With regard to the Two-Wheeler business, such performance was realised within a particularly difficult market context in the Group's main reference areas. In fact demand dropped compared to the same period of the previous year in Europe (-17%) as well as in the United States (- 40% globally and - 57% in the scooter segment). Deliveries in the Asian market grew with sales of 36,900 units, up 61.8% compared to the same period of the previous year. It should also be noted that, on 24 June 2009, the sale of the Vespa LX scooter, produced in the Vietnamese plant of Binh Xuyen, was officially initiated in Vietnam.

Sales on the Italian market, on the other hand, decreased (-4.7%), as in the European market (- 20.4%) and the American market (- 41.2%).

The Commercial Vehicles division closed the year with 197,400 units sold, compared to 178,100 units in 2008. The growth of 10.8% is due to the success of its Indian subsidiary, where sales increased by 14.3%. In local currency, Piaggio Vehicles turnover increased by 22.4%.

In 2009 consolidated net sales stood at 1,486.9 ML € decreasing 5.3% compared to 2008. By analysing the performance of revenues in reference sub-segments, the reduction is due to the above-mentioned decrease in demand in the two-wheeler sector, in addition to the change in the euro exchange rate against other currencies, with a negative effect on turnover of approximately 17.5 ML € compared to 2008, which was only partially offset by growth in the commercial vehicles business. Compared to the previous year, the decrease in the two-wheeler sub-segment is due to the reduction in turnover both in the scooter sector (- 36.8 ML €, - 4.6% compared to 2008) and in the motorcycle sector (- 52.0 ML €, - 24.7%).

The **gross industrial margin**, defined as the difference between "Revenues" and the corresponding "Cost of Sales" of the period, is equal to 467.1 ML €, registering a slight decrease compared to 2008 and accounting for 31.4% (29.9 % in 2008) of turnover. This item includes industrial amortisation/depreciation amounting to 33.0 ML €.

"Cost of Sales" 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, amortisation/depreciation of property, plant, equipment and industrial equipment, external maintenance and cleaning costs net of sundry cost recovery recharged to suppliers.

Operating expenses as of 31 December 2009 totalled 362.6 ML €, a decrease of 11.7 ML € with respect to 374.3 ML € in the same period of 2008 (- 3.1%). These consist of employee costs, costs for services and use of third party assets, and additional operational expenditures net of operating income not included in the gross industrial margin. Operating expenses also cover amortisation/depreciation amounting to 63.4 ML €, not included in the calculation of the gross industrial margin. In addition, operating expenses as of 31 December 2009 included 2.3 ML € of costs for the write-down of product development projects (amounting to 2.1 ML € as of 31 December 2008).

The performance of the above revenues and costs produced a **consolidated EBITDA** – defined as the "Operating income" before depreciation/amortisation of tangible and intangible assets, as resulting from the consolidated income statement

– equal to 200.8 ML €, registering an increase of 6.2% compared to 189.1 ML € of the previous year. In percentage terms, Ebitda accounted for 13.5% of turnover in 2009, compared to 12.0% in 2008.

Operating income in 2009 was positive, amounting to 104.4 ML €, up 9.9 ML € compared to 94.5 ML € in 2008.

Net financial charges amount to 30.8 ML €, compared to 34.9 ML € in 2008, of which 12.4 ML € relative to debenture loans. The improvement refers to the reduction in interest rates which entirely offset the higher financial debt and refinancing of the Piaggio Finance 10% senior notes due 2012 debenture loan with more cost-effective financing.

2009 closed with a consolidated **net profit** of 47.4 ML €, compared to 43.3 ML € reported the previous year. Total tax for the period amounts to 26.7 ML €, (16.3 ML € as of 31 December 2008). The tax burden increased compared to 2008, which had benefited from significant deferred tax asset entries.

Consolidated cash flow statement

The consolidated cash flow statement prepared in accordance with the models provided by international financial reporting standards (IFRS) is shown in the "Consolidated financial statements and Explanatory notes as of 31 December 2009". The following is a comment relating to the summary statement shown in the Highlights.

Cash flow generated in the year was 7.7 ML €.

Cash flow from operating activities, i.e. net income plus amortisation/depreciation, was 143.8 ML €. The positive impact of this flow on cash generated in the period, offset by the negative effect of the increase in net working capital - from - 3.7 ML € as of 31 December 2008 to 17.2 ML € as of 31 December 2009 (+20.9 ML €), was partly absorbed by investment activities equal to 89.4 ML €, the net change in funds for 3.8 ML €, as well as distributed dividends equal to 22.5 ML € and the acquisition of own shares for 1.2 ML €.

Investing activities absorbed resources for a total 89.4 ML €. The increase in **assets** mainly refers to 39.3 ML € of investments in tangible assets, and 54.5 ML € for investments in intangible assets.

Financial position of the Piaggio Group

Net working capital – defined as the net sum of: Current and non-current trade receivables and other receivables, Inventories, Long-term trade payables and other payables and Current trade payables, Other receivables (Short- and long-term tax receivables, Deferred tax assets) and Other payables (Tax payables and Other short-term payables) – was positive for 17.2 ML €, up compared to figures as of 31 December 2008 (a net increase of 20.9 ML €).

Tangible assets consist of properties, plant, equipment and industrial equipment, net of accumulated amortisation/depreciation, and assets held for sale, as set out in more detail in the "Explanatory Notes" to the Consolidated Financial Statements, in notes 17 and 28. As of 31 December 2009 tangible assets totalled 250.4 ML € confirming figures as of 31 December 2008.

Intangible assets consist of capitalised research and development costs, costs for patents and know how and goodwill arising from the merger and acquisitions operations undertaken within the Group since 2000 onwards, as set out in more detail in the "Explanatory Notes" to the Consolidated Financial Statements, in note 16. As of 31 December 2009, intangible assets totalled 641.3 ML €, 7.0 ML € down compared to 31 December 2008.

Financial assets, defined by the directors as the total of equity investments and other non-current financial assets (refer to Notes 19 and 20), totalled 0.6 ML €, showing no significant change compared to 31 December 2008.

Provisions consist of retirement funds and employee benefits (Note 36), other long-term provisions (Note 33), the current portion of other long-term provisions (Note 34), deferred tax liabilities (Note 35), and totalled 133.7 ML €, decreasing with respect to 31 December 2008 (- 3.8 ML €).

Net financial debt as of 31 December 2009 was equal to 352.0 ML € compared to 359.7 ML € as of 31 December 2008. The decrease of 7.7 ML is due mainly to the positive trend of cash flow from operating activities, which made it possible to finance investments, the distribution of dividends accounting for 22.5 ML € and the purchase of own shares amounting to 1.2 ML €.
The breakdown of the net financial debt, which is set out in more detail in the specific table in the "Explanatory Notes", may be summarised as follows:

In millions of euro	As of 31/12/2009	As of 31/12/2008	Change
Cash	200.2	40.0	160.2
Financial assets	4.1	5.8	(1.7)
(Medium- and long-term financial payables)	(305.4)	(143.9)	(161.5)
(Debenture loan)	(137.7)	(120.9)	(16.8)
(Short-term financial payables)	(113.2)	(140.7)	27.5
Total net financial debt	**(352.0)**	**(359.7)**	**7.7**

The increase in financial assets is related to the new medium-term debt accrued in 2009 to refinance 2009 and 2010 debt maturity.

Shareholders' equity as of 31 December 2009 totalled 423.8 ML €, against 398.2 ML € as of 31 December 2008.

Employees

Group employees as of 31 December 2009 totalled 7,300, including seasonal staff (1,021 people), with an increase of 1,092 employees compared to 31 December 2008, mainly working at the subsidiaries in India and Vietnam.

	Average number		Number at	
Number of people	*2009*	*2008*	*31/12/2009*	*31/12/2008*
Executives	111	111	109	112
Middle Management	433	429	441	430
Clerical staff	2,039	1,967	2,063	1,995
Manual labour	4,565	4,797	4,687	3,671
Total	**7,148**	**7,304**	**7,300**	**6,208**

3. CORPORATE SOCIAL RESPONSIBILITY

The Piaggio Group has always been committed to safety, quality, environmental issues and the well-being of its employees and partners. In other words, it is committed to being socially accountable for its operations.
During 2009, the Group published its Sustainability Report (2008 Corporate Social Responsibility) for the first time - so that it would be accountable to all stakeholders for actions taken to improve its capacity to generate value, considering its economic and financial responsibilities, as well as other areas and mainly products, the environment, personnel and social commitment.
This document is subject to a limited audit by Deloitte ERS and can be viewed on the institutional website www.piaggiogroup.com under Investor Relations.

The Group's 2009 results, in the sphere of social responsibility, will be reviewed and commented on in the 2009 Sustainability Report, shortly to be published.
In defining and preparing the report, the Piaggio Group has followed national and international best practices on Cor-

porate Responsibility and edition G3 of the Sustainability Reporting Guidelines produced by Global Reporting Initiative (GRI).

The *GRI Reporting Framework* is a universally accepted model for reporting the economic, environmental and social performance of an organisation. 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.

4. SIGNIFICANT EVENTS AFTER 31 DECEMBER 2009

22 January 2010 An agreement was signed with Enel to study mobility and charging needs for company fleets and hybrid scooters, based on a joint pilot project to be developed in a number of Italian cities.

5. OPERATING OUTLOOK

In 2010 the Piaggio Group will focus on continuously improving its competitive edge in all sectors and on all markets where it operates.

Quality, product costs and productivity will continue to be the drivers of management in 2010, which will be based on actions targeting sales of three- and four-wheeler commercial vehicles in India and Europe. The Group will focus in particular on expanding its motorcycle brands Europe, and consolidating its leadership position in the scooter sector in Europe and America, as well as developing sales of Vespa scooters in Vietnam, which officially got underway at the end of June 2009.

In 2010 the Piaggio Group will be committed to future developments and new investments. The most significant include development of its new diesel engine and production start-up at its new plant in India.

6. DEALINGS WITH RELATED PARTIES

Revenues, costs, payables and receivables as of 31 December 2009 involving parent companies, subsidiaries and affiliated companies refer to the sale of goods or services which are part of normal Group activities.

Transactions are carried out at normal market values, depending on the characteristics of the goods and services provided.

Information on dealings with related parties, including disclosures required by Consob Communication of 28 July 2006, are presented in note E of the Consolidated Financial Statements and in note D of the separate Financial Statements of the Parent Company.

7. THE MARKET

7.1 *The two-wheeler business*

For the second year running, the world two-wheeler market (scooters and motorcycles) registered a 2% downturn, with volumes just under 41 million units.

The Asian area is the largest market. The People's Republic of China remained the leading market worldwide, reporting a growth of approximately 6% and just under 16 million vehicles sold.

The Indian market came second (+14%), with a growth registering just over 8 million units sold.

South East Asia reported a decline of 3%. In particular, the Indonesian market, which is still the most important in the area, decreased by 6% (5.8 million units sold in 2009). The market in Thailand reported a decrease of 12% (1.5 million units sold), in Malaysia a decrease of 21% (430,000 units), while the Philippines reported a decline of 18% (610,000 units).

The only market to grow in this area was Vietnam which, based on data from the National Association, reported 2.2 million vehicles sold, and a 23% growth.

The Japanese market confirmed the crisis of the last few years, with a 23% decrease in volumes compared to 2008, with the number of units sold dropping to 400,000.

North America recorded a heavy loss in 2009, with a decrease of nearly 400,000 vehicles (reporting a figure of 585,000 units).

Sales dropped sharply in South America, due above all to the Brazilian market (-20%) with figures down to approximately 1.5 million vehicles sold.

Europe, which continues to be the main reference area for Piaggio Group operations, was affected considerably by the world economic crisis. With approximately 1.9 million vehicles sold, the market reported a negative trend in 2009, and a 17% decrease. This result is due mainly to the motorcycle business (-22%) coupled with a downturn in the scooter business (-13%). All sectors registered a negative performance. In particular sales fell by 15% in the over 50cc sector, and by 20% in the 50cc sector. In the over 50cc sector, the scooter market declined by just 6%, while the motorcycle market decreased by 22%.

The scooter market

Europe

The scooter market in Europe reported a 13% decrease in volumes in 2009, from 1,371 thousand units in 2008 to 1,193 thousand units in 2009.

Of all the sectors, the 50cc segment was most penalised and reported a negative trend of 19%, falling from 720 thousand units in 2008 to 584 thousand units in 2009.

The decrease in the over 50cc scooter sector was far less marked with a reduction of 6%, totalling 609 thousand units against 651 thousand units in 2008.

Of the primary nations, Italy remained the most important market with 389 thousand units, followed by France with 226 thousand units. With 112 thousand units sold, Germany became the third country of the area, surpassing Spain, whose sales fell sharply by 106 thousand units.

The French market decreased by 16% compared to the previous year, from 270 thousand to 226 thousand units. The decrease was more unbalanced in the 50cc scooter segment (-18%), while scooters over 50cc fell by 13%.

After a fairly stable first half, the German market closed 2009, with 112 thousand units sold and a decrease of 16%. The trend was negative both for the 50cc market (-16%) and for the over 50cc scooter segment (-17%).

The Spanish market was undoubtedly the most affected by the global crisis. Despite recovering in the second half of the year, with 106 thousand vehicles sold, figures dropped sharply (-33%) compared to the same period in 2008 when market volumes nearly reached 157 thousand units. Both segments performed badly, however the 50cc scooter sector was most affected, with sales down 47%, against a 23% decrease in the over 50cc scooter sector.

The British market also fell significantly to just above 27 thousand vehicles (-31% compared to the same period in 2008). Similarly to Spain, this market decrease was also more accentuated in the 50cc market which fell by 36% compared to the 26% reported in the over 50cc sector.

North America

The scooter market in North America in 2009 dropped sharply (-57%), from 87 thousand units in 2008 to approximately 38 thousand units in 2009.

This marked decrease occurred in both the 50cc and over 50cc segments. The over 50cc segment was particularly affected.

In particular the scooter market in the United States (88% of the reference area) decreased considerably in 2009 (-59%), with figures down to 31 thousand vehicles.

The motorcycle market

Europe

The motorcycle market in Europe registered a downturn, from 849 thousand units sold in 2008 to 661 thousand units

in 2009 (-22%). The most significant losses occurred in the 126-750cc segment, with sales decreasing from 351 thousand units to 255 thousand units (-27%) and in the 50cc segment, where figures dropped from 86 thousand units to 64 thousand units (-25%). The 51-125cc and over 750cc sectors also decreased by 13% and 19%, respectively.
The primary markets are France (145 thousand units) - which exceeded Italy in 2009 in terms of sales volumes - followed by Germany (99 thousand units), Great Britain (84 thousand units) and Spain (68 thousand units).
In Europe, the main sub-segment was large-sized engine motorcycles - 126-750 - (255 thousand units) where the Group is present with the Aprilia and Moto Guzzi brands, followed by over 750 cc motorcycles (242 thousand units), where the Group is present with the Aprilia and Moto Guzzi brands. In 2009, all primary markets reported contractions, particularly the Spanish (-48%) and German (-18%) markets, whereas the decrease was less marked on the British (-16%) and French (-10%) markets.

Nord America

In 2009 the motorcycle market in North America (USA + Canada) decreased considerably (-38%) from 874 thousand units in 2008 to 547 thousand in 2009.
In particular, the motorcycle market in the United States (89% of the area) was affected by a marked decline compared to 2008 (-39%), with sales volumes amounting to 489 thousand units against 803 thousand units in 2008.

After the positive trend of the last few years, the motorcycle market in Canada fell by 26%, with the number of vehicles sold in 2008 decreasing from 78 thousand to 58 thousand in 2009.

7.2 *The commercial vehicles business*

During 2009, the N1 Light Commercial Vehicles market in Europe (vehicles with a Gross Vehicle Ground Weight ≤ 3.5 tons) recorded a major decline compared the same period in 2008, equal to 30.5% (EU Countries, source: ACEA).
On the Italian market, sales decreased by 21.5% with 181,274 units sold against 230,964 in 2008 (source: ACEA, deliveries declared by manufacturers, N1 market).

Sales on the three-wheeler market in India, where Piaggio Vehicle Private Limited, a subsidiary of Piaggio & C. S.p.A. operates, went up from 348,597 units in 2008 to 411,296 in 2009, registering an increase of 18.0%.
Within this market, the passenger transport vehicles sector continued to expand, reaching 329,235 units and a growth of 27.6%, while the Cargo sector reported a decrease of 9.4%, falling from 90,602 to 82,061 units. In addition to the traditional three-wheeler market, the four-wheeler Light Commercial Vehicles for goods transport market, must also be considered. Piaggio Vehicle Private Limited operates on this market with the Apé Truk. The LCV Cargo market accounted for 186,332 units in 2009, up 22.3% compared to the same period in 2008.

8. THE REGULATORY FRAMEWORK

Italy

In order to upgrade the circulating fleet of two-wheeler vehicles with new vehicles that have a lower environmental impact, the Italian Government introduced two different types of incentives in favour of consumers if a corresponding obsolete vehicle was scrapped. An incentive scheme was also introduced for the cost of scrapping vehicles (EUR 30 for scooters and EUR 80 for motorcycles):

- Scrapping & Disposal - Government incentives (Ministry for Economic Development)
  As of February 2009, a discount of EUR 500 was offered for the purchase of a Euro 3 motorcycle with an engine of up to 400cc or with power not exceeding 60kW; the manufacturer recovers this amount through a tax credit. The incentives campaign remained effective up until 31 December 2009.
- Scrapping - Programme agreement between the Ministry of the Environment, CIVES (Italian electrical vehicle manufacturers association) and ANCMA (Italian motorcycle manufacturers association)

In April 2009, the Ministry of the Environment allocated a fund of approximately 9 ML € as contributions for the purchase of bicycles/electrical bicycles (up to EUR 700), motorcycles (up to EUR 180 if two strokes or EUR 350 if four strokes), electrical vehicles (up to EUR 1300) and hybrids (up to EUR 950). This fund was used up in a short amount of time and was almost exclusively utilised for the purchase of bicycles due to the extremely quick and simple procedure for these vehicles.

In view of the success of this scheme, the Ministry of the Environment decided to allocate a further 10 ML € to continue to scheme. A second programme agreement was made, with the allocation of funds between the bicycle and scooter/motorcycle sector better defined.

Under the new agreement between the Ministry of the Environment, CIVES and ANCMA, purchasers of electric/hybrid vehicles and motorcycles may receive up to EUR 500 for vehicles with petrol engines and EUR 1300 for electric/hybrid vehicles. This second incentive campaign began in September and will continue until funds run out.

Joint efforts by the Motor Vehicles Department, ANCMA and ANFIA (Italian National Automobile Association) for the development of specific national regulations on Tuning resulted in a modification of the contents of Article 75 of the Highway Code which now allows users of two-wheeler vehicles to “personalise” their vehicle without excessive bureaucratic constraints by replacing original parts - considered important for safety purposes and/or emissions - with aftermarket components, on condition that the technical and administrative constraints set by the Ministry of Transport are complied with, based on a national specific type approval process.

In April 2009, the Group obtained authorisation from the Ministry of Transport for MP3 LT vehicles with an engine capacity of 250cc and over, including three-wheeler scooter versions, to circulate on freeways, highways and bypass roads.

From November onwards, Certificates of Conformity (CoC) were issued for all manufactured mopeds. Like the regulations in force for motorcycles, the certificates indicate the Anti-Forgery Code (CAF) directly supplied by the Ministry of Transport Data Processing Centre, to prevent fraud or the forgery of documents required to register motor vehicles.

Contact has been established at a political level and with technical departments from the Ministry of Transport, to assess the impact of possible amendments to some articles of the Highway Code on the two-wheeler 50cc market. These possible amendments concern requirements for riding mopeds (practical tests needed to obtain a moped

licence) and for promoting the implementation in Italy of the directive 2006/126/EC on EU driving licences.
EU member states must implement this directive by 1 January 2011.

Europe

The European Commission continued to implement and analyse in-depth activities for new technical requirements concerning:

- Polluting emissions (new Euro phases, CO2 emissions, durability, amount of fuel consumption, a new procedure for measuring exhaust noise levels).
- Elements linked to safety (ABS braking system, limitation of power, anti-rigging regulations, etc..)
- Measurement of noise emissions from vehicles in an urban context. The Commission, in association with a working party from the United Nations in Geneva (WP29), is amending international technical regulations on the measurement of motorcycle exhaust noise emission, with the introduction of a new procedure which is currently being studied, to come into force in 2 to 3 years' time. With the assistance of the Italian and European two-wheeler manufacturing industry, practical comparative tests are being conducted on current and future regulations, to define equivalent noise levels of the two procedures.

The Group is carefully monitoring these activities, to prevent new legal requirements from placing further constraints on the European two-wheeler market.

In addition, the EU Commission is assessing the possibility of extending the mandatory periodical technical servicing to two- or three-wheelers; this has already been in effect for automobiles throughout the EU. This measure would result in greater control on real safety conditions and on actual polluting emissions of circulating vehicles.
This periodical servicing has already been effective in Italy for some time, with beneficial effects on the number of roadway accidents.

In August, the Official Journal of the European Union published the directive 2009/108/EC, amending, for the purposes of adapting it to technical progress, Directive 97/24/EC of the European Parliament and of the Council on certain components and characteristics of two- or three-wheel motor vehicles.
The amendment provides for the possibility of type approval of hybrid motor vehicles for pollution or noise emission purposes. This possibility was immediately used and at the beginning of September, the MP3 Hybrid 125cc obtained European type approval and is currently on the market in leading European nations.

The European CEN standard on protective clothing for riders, and in particular for races, is currently under review. Changes being discussed concern increasing the protection and safety characteristics of this type of clothing. Some of these requirements might become mandatory for road use as well.

In **France**, the proposal to modify national regulations - in order to prevent the driving of the Piaggio MP3 LT vehicle with a B license (car licence) - was rejected. This was possible due to the fact that currently effective directive on the EC driving license (91/439/EC) allows for driving the MP3 LT with a B license and that the national regulations can not be in conflict with EC regulations.

In **Spain**, the new directive of the EC license 2006/126/EC was incorporated significantly in advance; its entry into force was in January 2013. This directive sets more stringent conditions for the use of two- and three- wheeler vehicles. ACEM requested that the EU ensure that Member States comply with the deadlines of the directives, thereby requesting that Spain postpone implementation of the directive.

Non-European countries

In the **United States**, discussions at the federal level are underway in order to modify the currently effective provisions relative to:

- evaporative fuel emissions from the power supply system
- new safety measures (ABS requirement, periodical servicing of circulating vehicles, etc.).

In **Thailand**, new national regulations came into force to measure pollution from two-wheeler motor vehicles, similar to the current Euro 3 regulations in effect in Europe, but including additional testing of durability for anti-pollution devices (Deterioration Factor DF = 1.1) and fuel tank evaporative emissions. The latter tests are not in force in Europe at present.

A similar scenario unfolded in **Taiwan**, where national regulations came into force for testing of exhaust emissions, which is equivalent to Euro 3, durability (DF = 1.4) and evaporative emissions, in addition to fuel consumption.

At the **ISO** (International Standardisation Organisation) level, activities are underway in relation to electrical and/or hybrid vehicles in order to define and regulate:

- their classification and relative terminology,
- their performance (engine, vehicle, etc..)
- operating safety characteristics for vehicle use (insulation of electrical components, electronic management of controls and vehicle controls, etc.).

9. THE PIAGGIO GROUP

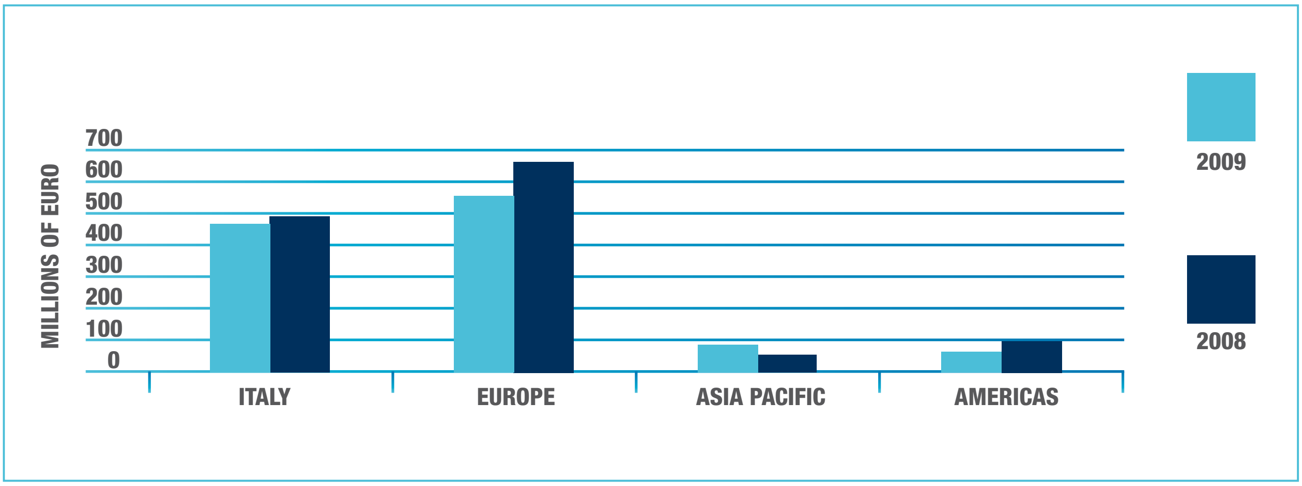
9.1 *The two-wheeler business unit*

In 2009, the Piaggio Group sold a total of 410,300 units in the two-wheeler segment (-12.8% compared to 2008), with a net turnover of 1,065.4 ML € (-9.8%), including spare parts and accessories, net of turnover from motor sales of 4.2 million €. The Piaggio Group confirmed its leadership position in the European scooter market in 2009.

As pointed out in previous paragraphs, the Piaggio Group's performance in 2009 was strongly penalised by declining demand on the Italian, European and North American markets. The decrease affected both the scooter and the motorcycle sector. The results achieved in Asia were very satisfactory, where, mainly thanks to the success of the new Vespa production facility in Vietnam, sales volumes and turnover went up by 61.8% and 85.9%, respectively.

	2009		2008		Change %		Change	
	Volumes	Turnover	Volumes	Turnover				
	Sell in		Sell in					
	(units/ '000)	(ML€)	(units/ '000)	(ML€)	Volumes	Turnover	Volumes	Turnover
Italy	142.2	373.6	149.2	395.0	-4.7%	-5.4%	(7.1)	(21.5)
Europe (Europe+ MEA)	213.0	547.2	267.5	647.0	-20.4%	-15.4%	(54.5)	(99.7)
Asia Pacific	36.9	83.9	22.8	45.2	61.8%	85.9%	14.1	38.8
Americas	18.2	60.7	31.0	93.5	-41.2%	-35.1%	(12.8)	(32.8)
TOTAL	**410.3**	**1,065.4**	**470.5**	**1,180.7**	**-12.8%**	**-9.8%**	**(60.2)**	**(115.3)**
Scooters	369.0	758.1	405.7	794.9	-9.0%	-4.6%	(36.7)	(36.8)
Motorcycles	41.3	158.2	62.6	210.2	-34.1%	-24.7%	(21.3)	(52.0)
Spare parts and Accessories		144.9		154.5		-6.2%		(9.5)
Other		4.2	2.3	21.2		-80.2%	(2.3)	(17.0)
TOTAL	**410.3**	**1,065.4**	**470.5**	**1,180.7**	**-12.8%**	**-9.8%**	**(60.2)**	**(115.3)**

TWO-WHEELER SEGMENT TURNOVER



9.2 *The two-wheeler product range*

The Piaggio, Vespa and Gilera brands, comprising an extensive range of products that already conform to Euro 3 standards can meet the needs of all client brackets on the scooter market.

The two models with the highest sales in 2009 were the Vespa LX (73 thousand units sold) and the Piaggio Liberty (45 thousand units sold) followed in third place by the Vespa GTS (29 thousand units), in fourth place by the Piaggio Beverly (26 thousand units) and in fifth place by the MP3 (nearly 24 thousand units).

In the scooter sector, the most important event for the Piaggio Group in 2009 was the unveiling of its hybrid MP3, the world's first scooter powered by two powerplants (an internal combustion engine and an electric motor), demonstrating the Piaggio Group's strong commitment to environmental concerns. To support and introduce the innovative drivetrain to the market, the MP3 was selected as the most technologically advanced vehicle of the entire range.

The Group also took important steps in upgrading its drivetrains. As from the first half of 2009, nearly all over 50cc engines have electronic injection in order to guarantee a better power delivery, reduced consumption and fewer emissions.
The new 300 drivetrain, guaranteeing a better performance, was extended to the Group's most important vehicles. The 50 4 stroke 4 valve engine was also introduced on several models, taking the range to a premium level in racing.

In particular the Piaggio brand presented its "Cruiser 300" version of the Carnaby model in 2009, with top-quality standard fittings, including numerous chrome items and attention to details, making it a "high-wheel" range product.

In the GT segment, the Piaggio brand renewed its product range with significant modifications to the X7 model, introducing the 300 engine and electronic injection for its 125 version.

Electronic injection versions were also introduced for the Vespa brand, on its 125 and 150 models of the Vespa LX and the 50cc 4 stroke 4 valve engine was also fitted on these models. The sports version of the Vespa GTS Super 300 was extended to the 125cc model.

The Scarabeo brand got a competitive boost with its "Special" version, fitted with a 300 engine and numerous items to enhance the sporting design of the vehicle.
The Scarabeo was the first scooter with dual electronic mapping on the 125/150cc models, to adapt vehicle performance to client needs.

2009 was the year of the RSV4 for Aprilia motorcycles, the most important project in the recent history of the brand representing its core values of a sporting nature, performance, competitiveness and technology. The new supersports bike will turn the brand into a world leader in motorcycles, both on the track and markets. The first deliveries of the Factory version - a faithful reproduction of the motorcycle ridden by Max Biaggi in the SBK world championships achieving results that were far better than expected - were made in May. In October, the R version arrived, intended to increase the number of RSV4 clients, thanks to a better accessibility without foregoing any features compared to the more sophisticated Factory version.
In the first half of 2009, more touring-oriented versions of the Mana and Shiver models were unveiled, offering a greater versatility and designed to meet the needs of medium distance touring, also with passenger and luggage on board.
During the second half of the year, the off road range was completed, with the launch of the MXV 4.5.

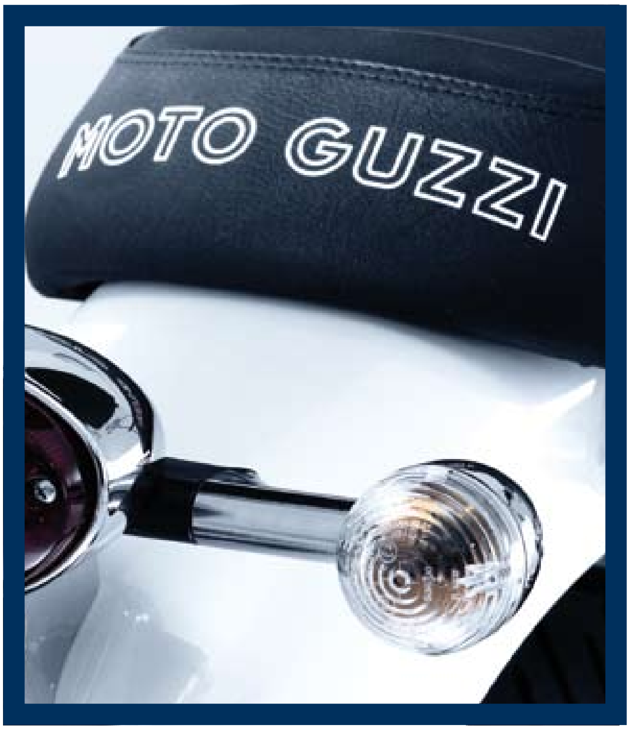
2009 was the first full year of the Dorsoduro model, with excellent results, as it was the top selling motorcycle in the Aprilia range, with 3,500 units sold.

9.3 *The emea distribution network*

At an EMEA level, the Piaggio Group had 13,400 operators at the end of 2009, divided as follows:

- approximately 11,100 operators on European markets, with a direct commercial presence, of which more than 2,500 in Italy and more than 8,600 in other primary European markets (France, Spain, Germany, UK, Benelux, Croatia and Greece);
- approximately 2,300 on markets managed by importers, of which approximately 50% in Europe, 25% in Africa and the remaining 25% in the Middle East.

More than 1,200 of these operators (approximately 10%) are exclusive dealers of the Group's brands (with around 500 Group mono brand dealers and approximately 740 Group multi-brand dealers, while the remaining 12,100 operate as multi-franchises).



In overall terms, the 360,000 plus units sold to end clients in the EMEA were from more than 17,500 sales outlets broken down as follows: approximately 4,400 in Italy, approximately 10,500 in Domestic Europe, approximately 300 in Greece and Croatia and approximately 2,400 on markets managed by importers.

The strategy to rationalise and consolidate the Group's sales network continued in 2009, based on two approaches:

1. exploiting and capitalising on the Group's synergies (according to a distribution model which is more end customer driven and divided into two areas: urban mobility and sport & passion)

2. consolidating performance and the quality of the distribution network, based on the following priority actions: improving network coverage, the sales and financial performance of dealers, developing services and support-oriented management tools.

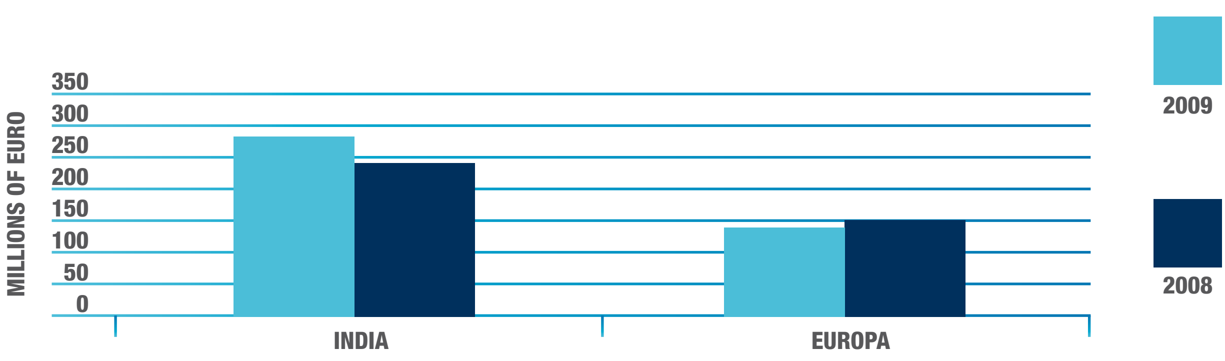
As a result, the distribution network of the Group's various brands, evolved as follows:

- Piaggio Vespa Gilera network dealers went up from 1,774 to 1,814 (thanks above all to work to improve network coverage on foreign domestic Europe markets)
- the Aprilia network benefited from important Group synergies at a distribution level (in particular in Germany and Spain), with the number of dealers going up from 757 to 892
- the Moto Guzzi network began a process to rationalise and consolidate commercial and financial areas, with the number of dealers going down from 357 to 275 (on all EMEA markets)
- the Derbi network began to benefit from integration within the Group's networks, within the number of dealers going up from 335 to 376 (with a particular focus on Italy and Greece).

9.4 *THE Commercial Vehicles BUSINESS UNIT*

	2009		2008		Change %		Change	
	Volumes	Turnover	Volumes	Turnover				
	Sell in		Sell in					
	(units/ '000)	(ML€)	(units/ '000)	(ML€)	Volumes	Turnover	Volumes	Turnover
India								
Vehicles	181.7	270.0	158.9	229.0	14.3%	17.9%	22.8	41.0
Spare parts and Accessories		16.8		14.9		12.1%		1.8
Total India	**181.7**	**286.8**	**158.9**	**244.0**	**14.3%**	**17.5%**	**22.8**	**42.8**
Europe								
Vehicles	15.7	114.3	19.2	124.5	-18.4%	-8.2%	(3.5)	(10.2)
Spare parts and Accessories		20.4		20.9		-2.6%		(0.5)
Total Europe	**15.7**	**134.7**	**19.2**	**145.4**	**-18.4%**	**-7.4%**	**(3.5)**	**(10.7)**
TOTAL	**197.4**	**421.5**	**178.1**	**389.4**	**10.8%**	**8.2%**	**19.3**	**32.1**
Ape	178.8	268.6	158.8	238.5	12.6%	12.6%	20.0	30.0
Minivan	7.4	80.8	7.3	72.6	1.9%	11.3%	0.1	8.2
Quargo/Apé Truk	11.1	34.7	11.8	40.9	-5.5%	-15.2%	(0.6)	(6.2)
Microcars	0.0	0.2	0.1	1.0	-76.6%	-81.4%	(0.1)	(0.8)
Atv	0.0	0.0	0.1	0.4	-92.5%	-92.9%	(0.1)	(0.4)
Spare parts and Accessories		37.1		35.9		3.6%		1.3
TOTAL	**197.4**	**421.5**	**178.1**	**389.4**	**10.8%**	**8.2%**	**19.3**	**32.1**

COMMERCIAL VEHICLES TURNOVER



The Commercial Vehicles Division closed 2009 with 197.4 thousand units sold, a 10.8% increase with respect to 2008 volumes, while turnover increased from 389.4 ML € in 2008 to 421.5 ML € in 2009, a change of 8.2%. Turnover generated in Europe reached 134.7 ML € while India recorded 286.8 ML €.

On the European market, Piaggio sold 15,660 units. Turnover decreased from 145.4 ML € in 2008 to 134.7 ML € in 2009. The sales trend for the Porter was positive, from 7,295 units in 2008 to 7,431 in 2009, with a 1.9% change in a European market characterised by a marked downturn. In the cab van reference segment, the share of the Porter on markets increased from 3.7% in 2008 to 6.1% in 2009.

As regards activities for the product range, the new Porter was unveiled in April 2009, with the petrol version and Eco-solution version featuring eco-friendly low environmental impact engines. In September 2009, the new Porter Maxxi and 100% electric Porter Electric Power were introduced. Compared to its predecessor, the new Porter has a restyled exterior, modern style and new fittings, plus new components and technical characteristics, including EPS - Electric Power Steering - for smoother handling. In December 2009, the Ape Calessino Electric Lithium - the three-wheeler for passengers with a vintage style and 100% electric motor was unveiled.

On the Indian three-wheeler market, Piaggio Vehicles continued to consolidate its position as a top market player and leader. Sales of three-wheeler vehicles went up from 149,275 units in 2008 to 171,654 in 2009, registering an increase of 15.0%. A more detailed analysis of the market reveals that Piaggio Vehicles consolidated its position as market leader within the Cargo sector for the transportation of goods. Thanks in particular to the Piaggio Apé 501 and its wide range of possible customisations, Piaggio Vehicles achieved a market share of 55.9%. The market share in the Passenger segment also stayed solid, achieving 37.3%. Sales on the four-wheeler Light Commercial Vehicles market also increased. Sales of the Apé Truk went up from 9,648 units in 2008 to 10,069 in 2009.

9.5 *Research and development*

The Piaggio Group carries out research into and the development of new products and technologically advanced solutions for its vehicles and engines at its production sites in Pontedera, Noale, Mandello del Lario, Barcelona, Baramati and Hanoi.

In 2009 the Piaggio Group continued its policy of achieving technological leadership in the industry, allocating a total of 70.0 ML € to R&D, of which 46.6 ML € capitalised as development costs under intangible assets.

R&D activities particularly concerned new vehicles and new engines and above all ecological ones.

Research and Development Projects

Under the 2007 Budget, article 1, paragraphs 280 - 284, tax credits are granted to support resident businesses that carry out “industrial research and pre-competitive development”. The tax relief concerns costs borne during the 2007-2008-2009 tax periods.

	2009			2008		
In millions of euro	Capitalised	Costs	Total	Capitalised	Costs	Total
Two-wheeler Vehicles	29.6	20.9	50.5	35.8	21.6	57.4
Commercial Vehicles	17.0	2.5	19.5	13.6	2	15.6
Total	**46.6**	**23.4**	**70.0**	**49.4**	**23.6**	**73.0**

During 2009, by booking resources (the so-called "click day") tax credits within limits allowed by law were used for activities in the period.

R&D projects funded by the Ministry for Economic Development (MSE)

In 2009, as part of the national "Industria 2015" programme and following pre-selection, Piaggio submitted an application in the "Made in Italy" call for tender, for funding for its "DE.TECH, DEsign cfd and design TECHnologies project: an integrated platform for motorcycles manufactured in Italy" project. The project entails costs of over EUR 7 million at its Pontedera and Noale sites during 2010/12, with Piaggio leading 10 industrial partners and universities.

The Group received a grant of EUR 926 thousand, for costs borne in 2005/2006 for the "Innovative, high performance Maxi scooter for a global market" project, after a wait of several years due to a lack of funds from the government.

R&D projects financed by the Ministry for Education and Research (MIUR)

The Mid2R project on injection systems of conventional and natural gas engines (funding of EUR 6 million) is underway. During 2009 the first prototypes of bifuel vehicles and the first 4 stroke direct injection engine were developed.

Technical activities for the Eureka One project neared completion in 2009, in line with specifications (definition of two high performance, low environmental impact multicylinder engines). At the same time reporting was carried out and in February 2009, for the first interim payment certificate, a grant of EUR 529 thousand, in addition to EUR 1,146 of financing, was received.

Activities for the "6030" project on chassis architecture were completed during the year, with reporting on activities during 2006 and 2007 and relative payment of allocated funding (a grant of EUR 563 thousand and a subsidised loan of EUR 2,976).

Moreover, a successful application was made for the "Mo. Bi." project on hybrid powered motor vehicles, for a call for tender from the Veneto Region.

European R&D projects

In 2009 Piaggio continued work on European projects financed as part of the 6th and 7th Framework Programme, on road safety improvements for motorcyclists. In addition it was involved in the VERITAS project on the development of design tools for elderly and disabled users.

Important projects were completed in 2009 or are still ongoing, including:

- The integrated **APROSYS** project for the study and development of advanced passive safety systems for terrestrial vehicles (cars, motorcycles, heavy vehicles).
  The main outcome of the Aprosys - SP4 "Motorcycle Accidents" subproject was the study of the activation system of passive safety devices for motorcycles (airbags and wearable devices) by simulations and experimental crash tests between cars and motorcycles. The project was successfully completed in March 2009.
- The **Safespot** project (an "Integrated Project"), which studies communication between vehicles on the road and infrastructures, in order to increase the safety of road users, informing them beforehand of risks and dangers on the road.
  During the second year of the project, the vehicle hardware and software architecture to use in functional tests, scheduled for the second half of 2009, were defined. Given the scale of the project, times were extended and activities will end in early 2010.
- The **SIM "Safety In Motion"** project, led by Piaggio, was successfully completed in November 2009, with the final event held at the Piaggio Foundation Museum (Museo della Fondazione Piaggio). During this final event, the results achieved by Piaggio and its partners in the field of active, passive and preventive safety, used on a functioning prototype fitted with an advanced braking system (three channel ABS), semi-active suspension and a combined passive safety system (front airbag and inflatable jacket) and innovative man-machine interface were presented to the public.
- The **Saferider** project, which began in January 2008 as part of the 7th Framework Programme, on studies to improve the Man-Vehicle Interface (HMI) which take into consideration market requests (mainly linked to Infotainment such as GPS, mp3, mobile phone, interphone...) and safety needs (e-safety and namely driving aid systems), is still underway.
- The **eSUM** project, approved by the Directorate General for Energy and Transport of the European Commission. Piaggio is working on this project with the local authorities of major European cities (Rome, Paris, London, Athens, Barcelona) on demonstrations of results achieved in other safety and sustainable urban mobility projects (prototypes of the SIM project and hybrid vehicles). The project is ongoing and will continue throughout 2010.
- The **VERITAS** project in which Piaggio aims to integrate virtual tools for ergonomic analysis in its design environment, to develop a mathematical dummy model representing standard as well as elderly and disabled users. The project was approved in 2009 and will commence in January 2010, lasting for 3 years.

9.6 *Production*

Pontedera Plants

Two-wheeler Facilities

The industrialisation of a new integral shaft for the Dorsoduro 1200cc engine began as part of technological steel processing, and operations were carried out to add new grinding areas for engine shaft lines and cam axles.

The industrialisation of the Dorsoduro 1200cc engine began, as part of engine assembly processes, with the first

pre-series production. Fitting facilities for the mass production of the new HYBRID engine and MP3 Hybrid vehicles were completed. Re-layout works for Vespa welding equipment began for workshop 9, with the replacement of a worn robot. Major non-routine maintenance works on the plant main electrical cabin were also completed.

Commercial Vehicles Plant

Fitting facilities for the manufacture of the Porter with new multiTEC 1300cc petrol and BTC 1200cc diesel engines got underway and are near completion.

Scorzè Plant

Fitting facilities for the mass production of the DORSODURO 1200cc motorcycle began.

Mandello Del Lario Plant

Initial restructuring works began for the second stage of the ARROCCO project, while requalification planning and design for the entire second stage has been contracted out.

Baramati Plant

All building and plant works necessary to manufacture the LEADER 125cc and 1200cc BTC DIESEL engines have been completed. The process to decide on the manufacture of LEADER engines is underway.

Hanoi Plant

Production facilities manufactured the first 25,000 VESPA vehicles with internal welding, plate cataphoresis, bodywork and plastics painting, laboratories and quality control, warehouses, assembly and testing.

WCM Project

Operations continued to increase the number of Word Class Manufacturing work sites. At present 39 sites are open, in four sectors: L-Logistic, LM-Lean Manufacturing, PQ-Production Quality, S-Safety; of these 17 have been completed.

The work sites are located transversally with respect to production facilities and allow for continual improvement on all specified areas and an objectification of all attained results.

Environmental Certification and Safety at the Workplace

In April, a check-up was implemented by DNV on all ISO 14001:2004 environmental certification processes as well as on all BS OHSAS 18001:2007 occupational safety processes.

Testing activities, including detailed audits of facilities in Pontedera, Noale and Scorzè, had a positive outcome.

10. RISK FACTORS

The Piaggio Group has established procedures to manage risks in most exposed areas.

Risks relative to the business segment

Risks relative to the macroeconomic and segment situation

The Group's business is affected, among other things, by general economic conditions which may vary depending on the markets where it operates.
An economic crisis and ensuing slow down in consumption may have a negative effect on the Group's sales.
To offset the negative impact that a drop in demand could have on company profitability, the Piaggio Group has a flexible structure and uses fixed term employment contracts so that it can configure its production capacity in line with market demand.

Risks relative to a highly competitive market

Many of the Group's main competitors are of a bigger scale and have greater financial resources and production capacities.
A very aggressive price policy adopted by the competition could force the Group to increase discounts, thus reducing its margins, to defend its market share. The Group's ability to continuously put innovative products on the market protects it from this risk, at least partially.

Risks relative to an increase in energy costs, raw materials and components

Production costs are exposed to the risk of fluctuating costs of energy, raw materials and components. If the Piaggio Group were not capable of transferring a possible increase in these costs to sales prices, its profitability would be affected. To date, the Piaggio Group has not considered it necessary to use financial instruments to cover the risk of fluctuations in these costs.

Risks relative to seasonal business fluctuations

The business is subject to high seasonal demand. Sales of two-wheeler vehicles are concentrated in the spring and summer. Moreover, an excessively rainy spring can decrease product sales, with a negative impact on financial results and position. To deal with this risk, the Piaggio Group has a flexible production structure and thanks to vertical part-time (working only a part of the week) and short-term contracts, it can handle peak demands.

Risk relative to the reference regulatory framework

The Group's business operations are subject to a large number of regulations. To obtain type approval, the Group's products must first meet minimum technical requirements concerning safety, noise, consumption and polluting gas emissions established by national and international government bodies.
The enactment of tighter regulations could put products currently on the road out of the market and force manufacturers to support investments to upgrade/adapt them. To this end, the Piaggio Group, as a leading international manufacturer, is often requested to take part, through its representatives, in parliamentary committees appointed to formulate new laws.

Risks relative to the Piaggio Group

Risks relative to changed customer preferences

The Group's success depends on its ability to make products that cater for the tastes of consumers, meeting their mobility needs. If customers do not like products, the Group sells less than planned and has to grant higher discounts and thus


Vespa

obtains lower margins. The Piaggio Group invests continuously in research and development (see section 9.5), and has a dedicated team that can anticipate and deal with market requests and trends and introduce innovative products.

Risks relative to protecting brand, licence and patent rights
The Piaggio Group legally protects its products and brands throughout the world. Some countries where it operates have no laws guaranteeing a certain level of protection for intellectual property. This circumstance could make the measures adopted by the Group to protect it from third party infringement of its rights insufficient. Plagiarism by competitors could have a negative impact on sales.

Risks relative to dependence on suppliers and a global sourcing policy
In carrying out its operations, the Group uses different suppliers of raw materials, semi-finished goods and components for its vehicles.
The Group's operations are affected by the capacity of its suppliers to guarantee quality standards and product specifications, as well as relative delivery times.
The Group has established a components procurement policy that targets increasing supplies from low-cost Asian countries (whilst maintaining the same quality standards), by acting through its direct presence in India and China.
In future, the unavailability of products or any default by suppliers concerning quality standards, requested specifications and/or delivery times could cause price increases in supplies, interruptions to or a negative impact on the Group's operations.

Risks relative to the operating status of industrial production facilities
The Group operates from industrial production facilities located in Italy, Spain, India and as from 2009, Vietnam. These facilities are subject to operating risks, including by way of example, plant breakdowns, failure to comply with applicable laws, the withdrawal of permits and licences, absence of a work force, natural disasters, sabotage, attacks or major interruptions to supplies of raw materials or components. Any interruption to production activities could have a negative impact on operations and on the financial performance and position of the Group.
The operating risks connected to industrial production facilities in Italy and abroad are covered by specific insurance policies, allocated among the facilities based on their importance.

Country risk
As the Piaggio Group operates at an international level, it is exposed to risks related to a high level of internationalisation. Political instability in some countries where it operates, changes in legal requirements and the establishment of customs barriers may have a negative effect on profitability.

Risks relative to product liability and to possible vehicle defects
The Piaggio Group is exposed to the risk of product liability actions in countries where it operates. Although no claims not covered by insurance have been made against Group, these types of claims could be made in the future with particular reference to the use of two-wheeler vehicles in the United States. If future claims for compensation that exceed existing insurance cover for product liability were made, this could have a negative impact on the financial performance and position of the Group.

The vehicles manufactured by the Piaggio Group, including installed components supplied by third parties, could have sudden defects that require repairs under warranty as well as expensive recall campaigns.

To prevent these risks, the Piaggio Group has adopted a quality control system with standards which are among the most stringent on the market, for the components it receives and for finished products.

Risks relative to legal proceedings
For information on legal proceedings, refer to section 12.2.

Risks relative to industrial relations
The Piaggio Group operates in Europe in an industrial framework with a strong trade union presence. It is potentially exposed to the risk of strikes and interruptions to production activities.
In the recent past, no major production interruptions due to strikes have taken place.
To prevent as far as possible the risk of an interruption to production activities, the Group's relations with trade union organisations are based on dialogue.

Risks relative to the publication of financial statement data
As the Group is an international concern, it is subject to different tax regulations. Developments in these regulations could expose the Group to the risk of default.
The Group is exposed to the risk of possible inadequacies concerning its company procedures designed to ensure compliance with main Italian and foreign laws and regulations.
To deal with this risk, the financial statements of the Group's companies are audited by independent auditors. During 2009, control activities required as of law 262/2005 were extended to the foreign subsidiaries Piaggio Vehicles Pvt. Ltd and Piaggio Group of America Inc., with positive results.

Financial risks

Risks relative to financial debt - At the date of the financial statements, the main sources of financing of the Piaggio Group were as follows:

- a debenture loan of a total amount of EUR 138 million issued by Piaggio & C. due on 1 December 2016 with payment equal to 7% at a fixed rate;
- financing from banks for a total amount of EUR 373 million, of which the composition by type, interest rate and due date is explained in full in the notes to the financial statements.

In addition, the Group has other minor financing agreements and reversible credit lines for a total nominal debt of EUR 570.1 million.
The debt described could have a negative effect on the Group's operations in the future, limiting its capacity to obtain further financing or resulting in financing with more unfavourable conditions.

Liquidity risk (access to the credit market)
This risk is related to difficulties the Group could have in obtaining financing in time for its operating activities.
Cash flows, financing requirements and cash equivalents of the Group are monitored or handled centrally, under the supervision of the Group's Finance Management, with the aim of guaranteeing the effective and efficient management of financial resources.
Moreover, the Group's central treasury department has committed credit lines available, as described in section 32 of the Notes to the Consolidated Financial Statements, to further hedge the liquidity risk.

Exchange rate risk
The Piaggio Group carries out operations in currencies other than the euro and this exposes it to the risk of different fluctuating exchange rates.
The exposure to the business risk consists of the 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 economic exposure of each reference month.

The exposure to the transaction 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 2009, the exchange rate 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 transaction 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 risk

The Group has assets and liabilities, necessary to manage cash and cash equivalents and financial requirements, which are sensitive to interest rate changes. These assets and liabilities are subject to an interest rate risk, which is covered by the use of derivatives.

Credit risk

The Piaggio Group is exposed to risks relating to delayed payments of receivables. To offset this risk, the Parent Company has stipulated agreements with leading Italian and foreign factoring companies for the transfer of trade receivables without recourse.

11. HUMAN RESOURCES AND QUALITY SYSTEMS

11.1. *Quality and customer service*

Continuing on from 2008, which was an important time for the Group to target product and process quality, organisational efforts were stepped up in 2009 with further focus on customer satisfaction.

In particular, a new organisational unit was set up - "Customer & Dealer Satisfaction Systems" - with the aim of creating an organisational entity to develop work methodologies and applications to monitor service levels and the effectiveness of the quality of Piaggio Group products and processes, with a customer-driven approach.

The unit works in conjunction with sales structures on various reference markets, to organise Customer and Dealer Relationship Management initiatives and support product development and delivery processes as regards customer satisfaction and related aspects.

In particular, main projects in 2009 concerned:

1. Selecting CRM and DRM reference models for different markets where the Group already operates. Choices were made based on a SWOT analysis that took into account the best practices of various reference markets.
2. The introduction of methods and resources for identifying and measuring the effectiveness of services and products on new markets, with a customer-driven approach. The purpose is to create a market/client-driven organisational focus within the Group, from as early on as the development stage.

11.2 *Organisational development*

In 2009, the organisational restructuring of the Group continued in line with business requirements and consolidation of the internationalisation process currently underway. In particular, the most significant events in the first half of the year concerned:

- The Asiatic pole of the two-wheelers was created through the establishment of an Asia two-wheeler organisational Unit for the purposes of developing and proposing a range of products in Asia and which can promote the growth of turnover, profitability and market shares in the markets of Vietnam, China, Asia Pacific and Japan.
- The EMEA two-wheeler Commercial Division was created by establishing the departments of Central Staff ("Marketing and Network Development", "Sales Planning & Support", "Business Development for Derbi, MG and Off Road") as well as through the acquisition for the Corporate Business department (from Commercial Vehicles) and the strengthening of control in the various markets.
- The optimisation of processes and operating mechanisms of the Commercial Vehicles Division, by defining in detail the organisational structures, with particular reference to the EMEA CIS Commercial unit and Strategic Marketing unit.
- The Racing activities of the Group were consolidated within Aprilia Racing s.r.l.

The need to consolidate industrial processes worldwide, as well as product monitoring (two- and three- four- wheelers) and relative strategies, created the need for a new Group organisational structure, which was disclosed at the end of December but became operative as from 1 January 2010.

In particular this operation focussed on:

- Establishing a Product Development and Strategies Management Unit to guarantee the development of new projects and co-ordinate the R&D process at an international level, as well as product and brand diversification on various markets.
- Establishing a Technological Manufacturing and Production Management Unit, focussed on all technological activities relating to production facilities, to guarantee the development of specialist Group know how and technological innovation monitoring.
- Establishing the Manufacturing and EMEA 2W Facilities Management Unit, with the aim of maximising synergies and production efficiencies at 2W production facilities.
- The Materials and Components Procurement Unit now reports to the General Finance Management Unit, to develop important economies of scale aimed at consolidating partnerships with suppliers and achieving better levels of efficiency.

The plan for implementing the new IT system, SAP HR, began in 2008 with the objective of aligning the Group with the best practices of international companies. The plan has continued and is operational in both Italy and foreign offices of the Group, and is scheduled for completion in the first half of 2010 for India and Vietnam.

Training activities involved all clusters of the company's staff and included specific plans for financed training (e.g. newly graduated staff, key people, CIGO workers, etc.). In total, 15,232 training hours involving 1,011 individuals were provided, including institutional, specialised and work safety training.

11.3 *Human resources*

As of 31 December 2009, the Group's total workforce - including not only employees but also resources within the company on supply contracts - was equal to 7,300 people compared to the 6,208 total in the same period of 2008. Of these 4,133 were operating at Italian facilities compared to 4,248 as of 31 December 2008, with an increase of 1,092 people within the Group, and a decrease of 138 people in Italy.

The efforts of the Group continue to confirm the vision for a constant search for innovation in order to improve the overall efficiency of the organisational model.

In particular, process re-engineering, also made possible through the use of IT systems and development of original technological solutions, allowed for diversification of the employment mix, with increasing numbers of professional and/or specialised personnel dedicated to developing and innovating new products and processes.

6,279 persons as of 31 December 2009, were permanently employed by the Group, of which 4,111 working at Italian sites. The recorded increase was equal to 416 units within the Group, while in Italy there was a slight decrease (109 units) compared to 31 December 2008.

The development of different scenarios in the Far East was important, with the newly established Piaggio Vietnam Co. Ltd. being consolidated. As of 31 December 2009 the company had 397 staff members against 81 as of 31 December 2008.

Within this geographical area, the development of the PVPL continued. This organisation is the most consolidated, reporting an increase of permanently employed staff from 893 individuals as of 31 December 2008 to 1,260 as of 31 December 2009, including a significant increase of managers, from 119 as of 31 December 2008 to 146 as of 31 December 2009.

11.4 *Industrial relations*

After the supplementary employment agreement for the Pontedera plant was concluded in March 2009, trade union activities focussed more on the other two production facilities at Scorzè and Mandello del Lario.

The Scorzè facility, which manufactures scooters and Aprilia motorcycles, continued to temporarily lay off workers and use the wage guarantee fund (CIGO) (185,364 hours) to deal with declining production volumes following the major downturn in 2009 in the motor vehicles sector. Dialogue with trade unions enabled agreements to be reached for non-operative periods. In October, November and December, in conjunction with the trade unions, workers and office staff that had been temporarily laid off with the wage guarantee fund received training, in an initiative which was a worthwhile investment for their professional development.

The global production scenario meant that talks to renew the supplementary agreement which had expired in December 2008 were postponed in 2010. In January 2010 a trade union agreement was signed under which working hours will be reduced throughout 2010 to adapt production capacity to market needs.

As regards the production facility at Mandello del Lario, the first scheduled works on infrastructures were completed, and the restructuring work and production shutdowns necessary were managed by temporarily laying off workers and using the extraordinary wage guarantee fund.

The Moto Guzzi brand was also affected by difficulties on the motorcycle market and workers were temporarily laid off and the wage guarantee fund was used to adjust manufacturing volumes to commercial demand (62,503 hours of the fund).

In September, lengthy talks with trade unions began concerning the industrial plan presented by the company for

the Moto Guzzi brand and Mandello del Lario production facilities.

Under the plan, major product and infrastructure investments will be made, but significant downsizing will also take place, with 54 persons to be laid off using the extraordinary wage guarantee fund and employment mobility procedures.

An agreement was reached in December 2009, approved by the Ministry for Economic Development. The plan to cut back on staff is already operative and as of 31 December 2009, the first round of redundancies took place, with 26 persons laid off.

At a nationwide level, the new national employment agreement for the engineering industry was signed on 15 December 2009, without the participation of the trade union FIOM/CGIL. The different position of this organisation will make industrial relations at a national level harder, with a foreseeable impact also at different Company sites.

Continual dialogue helped improve industrial relations and despite the complexity of issues tackled during the year, absenteeism from work due to strikes decreased by 58% compared to the previous year.

12. OTHER INFORMATION

12.1 *Corporate*

During 2009, the Group's Corporate structure changed as a consequence of the following operations:

- On 1 January 2009 the share capital of Aprilia Racing S.r.l. was increased from EUR 21,000 to EUR 150,000, as a result of Piaggio & C. S.p.A. transferring its "racing" branch, with a resulting 86% underwriting of an increase in share capital.
- On 21 January 2009, Aprilia Moto UK Limited was cancelled from the local Registry of Companies.
- On 23 January 2009, Aprilia World Service B.V. transferred its shareholding in the company Aprilia World Service Holding do Brasil Ltda to Piaggio Group Americas Inc.
- On 1 June 2009, the merger by incorporation of Piaggio Benelux B.V. into Piaggio Vespa B.V. was implemented with retroactive effectiveness as of 1 January 2009.
- On 21 July 2009, Nacional Motor SA sold 14% of its shareholding in Aprilia Racing Srl to Piaggio & C. S.p.A.
- On 28 July 2009, Aprilia World Service BV sold 2% of its shareholding in Nacional Motor SA to Piaggio & C. S.p.A.
- On 28 July 2009 Piaggio & C. S.p.A. transferred its off road racing branch to Aprilia Racing Srl, through which the share capital of the latter was increased from EUR 150,000 to EUR 250,000.
- On 1 December 2009, due to a spin off from Nacional Motor SA, the company "Piaggio Espana S.L.U." was established in Spain, to act as a selling agency on the Spanish market.
- On 14 December 2009, the branch "Piaggio & C. S.p.A. sucursal en Espana" was established in Spain.
- On 23 December 2009 the spin off from Nacional Motor SA to Piaggio & C. S.p.A. was completed, effective from 28 December 2009. Due to this operation, the share capital of Nacional Motor decreased from EUR 9,368,904 to EUR 1,588,422.

- On 30 December 2009, through property and cash contributions, Piaggio & C. S.p.A. acquired 78 shares in Atlantic 12 – a closed property investment fund, corresponding to 100% of the equity investment.

12.2 *Disputes*

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 party to the Court of Pisa as a guarantee. Judgement before the Court of Pisa was suspended until completion of the dispute pending before the Court of Monza, which in the meantime reached a decision. However Leasys has not yet taken up the case pending with the Court of Pisa.

In relation to the same dispute, Leasys–Saverent S.p.A. also filed an appeal for an injunction with the Court of Pisa against the Company, requesting the payment of certain invoices relative to costs sustained by Leasys itself for the servicing of the motorcycles rented by the Italian Postal System. The Company appeared before the court in opposition to the above mentioned injunction, requesting a repeal given that the supply contract did not charge the Company with these expenses. The Judge, after rejecting the plea filed by Leasys for injunctive relief to become temporarily enforceable, accepted the Company's appeal, revoking the injunction.

By means of the deed notified on 25 May 2006, the company summoned some companies of the Case New Holland Group (Italy, Holland and USA) before the Court of Pisa in order 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. CNH appeared in court requesting the repeal of the claims of Piaggio and objecting to the lack of jurisdiction of the court in question in the preliminary hearing. At the hearing on 2 December 2009, closing arguments were submitted and proceedings were adjourned for judgement concerning the plea of incompetence filed by CNH.

In a writ received on 29 May 2007, Gammamoto S.r.l. in liquidation, a former Aprilia licensee in Rome, brought a case against the Company before the Court of Rome for contractual and non-contractual liability. The Company has opposed the injunction fully disputing the validity of Gammamoto's claims and objecting to the incompetence of the Judge in charge. The Judge, accepting the request formulated by the Company, declared its lack of jurisdiction with regards to the dispute. Gammamoto appealed against the decision, through a ruling as to jurisdiction before the Court of Cassation.

Da Lio S.p.A., by means of a writ received on 15 April 2009 - summoned the Company before the Court of Pisa in order to attain compensation for the presumed damages sustained for various reasons as a result of the cancellation for the supply relationships. The Company appeared in court requesting the rejection of all opposing requests. Da Lio requested the consolidation of this judgement, appealing against the injunction obtained by Piaggio for the return of moulds held by the supplier at the end of the business relationship. A hearing has been set for 24 March 2010 for the decision on consolidating judgements.

The Canadian Scooter Corp. (CSC), an exclusive Piaggio dealer in Canada, summoned Piaggio & C. S.p.A., Piaggio Group Americas Inc. and Nacional Motor S.A. before the Court of Toronto (Canada) to obtain compensation for damages sustained due to the alleged breach of regulations established by Canadian law on franchising (the Arthur Wishart Act). Proceedings are in the preliminary stage.

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.

With regard to tax disputes involving the parent company, Piaggio & C. SpA, three appeals are ongoing, which were put forth against an equivalent number of tax assessments notified to the Company for the tax periods of 2002 and 2003. These assessments were the result of controls by the Tax authorities in 2007 at the Company premises following observations contained in the Report on Findings drawn up in 2002 following a general control. Appealing against these notices of assessment, the Company obtained a trial judgement in its favour, for the year 2002. The Tax authorities appealed against this ruling. The Company intents appearing before the court. In relation to the above dispute, the Company has not deemed it necessary to make provisions in consideration of the positive indications expressed by professionals in charge of the defence.
Main disputes of a fiscal nature of other Group companies concerned P&D S.p.A. in liquidation, Piaggio Vehicles PVT Ltd. and Piaggio France S.A.
In particular, with regard to P&D S.p.A. in liquidation, litigation is ongoing arising notices of assessment issued by the Tax authorities for the tax periods 2000, 2001, and 2002 following controls made in 1999, resulting in the drawing up of the relative Report on Findings. In relation to the notices of assessment, P&D S.p.A. obtained a trial judgement in its favour. The Financial Administration department appealed, partially opposing the ruling of the Pisa tax commission. The dispute concerns the undue deduction of VAT for the year 2002. Consequently the Company appeared before the court, and is waiting for a hearing to be set. The Company has not deemed it necessary to make allocations for ongoing litigation, in consideration of the positive indications expressed by professionals appointed as counsel.
Finally, as concerns Piaggio Vehicles PVT Ltd, litigation is ongoing regarding different years between 1998 and 2008 concerning both direct and indirect taxes. As regards litigation concerning direct taxes, the Indian company has already paid the amounts to which the dispute refers, which will be reimbursed if the outcome of the dispute is in its favour. As regards litigation concerning indirect taxes, no amount has been paid and considering indications from appointed professionals, no allocations have been set aside.
Following a general control for the years 2006 and 2007 by the French tax authorities, Piaggio France S.A., has received a notice of assessment ("Proposition de Rectification").
The assessment concerns income tax as well as VAT. The Company is assessing the advisability of appealing.
In this case as well, considering the positive indications from appointed professionals, no provisions have been set aside.

12.3 *Stock option plan*

With regard to the 2007-2009 incentive plan approved by 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"), it should be noted that, during the year, two new stock options were assigned:

- on 15 January 2009, 390,000 options were assigned at an exercise price of EUR 1.2218. On the date of assignment of the options, the market price of the underlying financial instruments was equal to EUR 1.1569;
- on 11 May 2009, 250,000 options were assigned at an exercise price of EUR 1.2237. On the date of assignment of the options, the market price of the underlying financial instruments was equal to EUR 1.2238.

On 18 December 2009, in order to guarantee the more efficient management of the Plan, and in line with its objectives, the Board of Directors, with the backing of the Remuneration Committee resolved to proceed, with the consent of those concerned (as allowed pursuant to the Plan's regulations) to cancel options still existing assigned by the CEO on 13 June 2007 (equal to 5,950,000), and reallocate a part of them. In particular, 4,720,000 options at an exercise price of EUR 1.826 were allocated. On the date of assignment of the options, the market price of the underlying financial instruments was equal to EUR 1.8818. Thus options totalling 1,230,000 were not re-assigned. During the year, 730,000 options expired. As of 31 December 2009, 8,095,000 option rights had been assigned for a corresponding number of shares.

Following the close of the year, a further 500,000 options at the exercise price of EUR 1.892 were assigned on 4 January 2010. On the date of assignment of the options, the market price of the underlying financial instruments was equal to Euro 2.004. At the end of January 2010, 75,000 option rights expired.

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 Issuer's institutional website http://www.piaggiogroup.com/www.piaggiogroup.com, under Investor Relations / Company documentation.

12.4 *Corporate ownership information*

Information on corporate ownership required by article 123-bis of the Consolidated Finance Act is reported in the relative section of the Annual Report on corporate governance.

12.5 *Compliance plan for internal control systems for Group companies headquartered in non-eu countries*

With reference to provisions in articles 36 and 39 of the Regulations approved by Consob ruling no. 16191/2007 and the Compliance Plan adopted by the Company in accordance with these regulations (the "Plan"), control activities during the year were extended to the foreign subsidiaries Piaggio Vehicles Pvt. Ltd and Piaggio Group of America Inc., as required by law 262/2005. Controls were successful.

In accordance with article 2.6.2. section 12 of the Regulations of Markets Organised and Managed by Borsa Italiana S.p.A., the Company conformed to the provisions of article 36 of Consob Regulation no. 16191/2007.

Rights	No. options	Average exercise price (euro)	Market price (euro)
Rights existing as of 31/12/2008	9,415,000		
- of which exercisable in 2008	0		
New rights assigned in 2009	640,000	1.2225	1.1830
Rights expiring in the period	730,000		
Cancellation of the 2007 assignment	5,950,000		
Replacement of the 2007 assignment *with resolution of 18 December 2009*	4,720,000	1.826	1.8818
Rights existing as of 31/12/2009	8,095,000		
- of which exercisable as of 31/12/2009	0		

12.6 *Relations with the parent company*

Piaggio & C. S.p.A. is subject to the management and co-ordination of IMMSI pursuant to article 2497 et seq. of the Civil Code. During the year, this management and coordination consisted of the following activities:

- As regards mandatory accounting data, and in particular financial statements and reports on operations with reference to the situation of Group companies, IMMSI defined a group manual which identifies the accounting standards adopted and optional choices made in implementing these standards, in order to represent the consolidated financial statement in a consistent and uniform manner.
- IMMSI defined the procedures and times for preparing the Budget and in general the industrial plan of Group companies, as well as final management analyses supporting management control activities.
- To optimise dedicated resources within the Group, IMMSI also provided services on developing and managing company property, real estate consultancy services and other administrative services.
- Lastly, IMMSI acted as consultant to the Company and subsidiaries for extraordinary finance operations, organisation, strategy and coordination, and also provided services to optimise the Group's financial position.

In accordance with article 2.6.2. section 13 of the Regulations of Markets Organised and Managed by Borsa Italiana S.p.A., the conditions as of article 37 of Consob Regulation no. 16191/2007 exist.

Equity investments of members of the board of directors, the supervisory body, general directors and senior executives with strategic responsibilities

Members of the board of directors and supervisory body and general directors of the Issuer do not hold equity investments in the Issuer.

Milan, 26 February 2010

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

Report on Corporate Governance and Corporate Ownership

GLOSSARY

Code: The Self-Regulatory Code of listed companies approved in March 2006 by the Committee for Corporate Governance and promoted by Borsa Italiana S.p.A., available at http://www.borsaitaliana.itwww.borsaitaliana.it, under the section Italian Stock Exchange – Rules – *Corporate Governance.*

Civil code: the Italian Civil Code.

Board: the Issuer's Board of Directors.

Issuer or Company: the Issuer of the listed shares to which the Report refers.

Financial year: the financial year to which the Report refers.

Stock Exchange Regulatory Instructions: regulatory instructions for Markets organised and managed by Borsa Italiana S.p.A.

Stock Exchange Regulations: the Regulations of the Stock Market organised and managed by Borsa Italiana S.p.A.

Consob Regulation on Issuers: the Regulations promulgated by Consob by Resolution no. 11971 of 1999 on the matter of Issuers.

Consob Regulations on Markets: the Regulations promulgated by Consob with Resolution no. 16191 of 2007 on market matters.

Report: the corporate governance report that companies are required to prepare pursuant to arts. 123 bis of the Consolidated Finance Act, 89 bis of Consob Regulation on Issuers and art. IA.2.6. of the Stock Exchange Regulatory Instructions.

Consolidated Finance Act: Legislative decree dated 24 February 1998, no. 58 (Consolidated Finance Act).

1. ISSUER PROFILE

Funded in 1884, the Issuer, having its registered office in Pontedera (Pisa), is now one of the leading world manufacturers of two-wheeler motor vehicles.

The Issuer is classified amongst the first 4 world operators in the reference market. The product range includes scooters,

mopeds and motorcycles from 50 to 1200cc marketed under the Piaggio, Vespa, Gilera, Aprilia, Moto Guzzi, Derbi and Scarabeo brands. The Issuer also operates in the three- and four-wheeler light transport sector with the Ape, Porter and Quargo vehicles.

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

The Chairman and Chief Executive Officer of the Issuer is Roberto Colaninno, the Deputy Chairman is Matteo Colaninno, the General Director of Finance is Michele Pallottini and the General Director of Product Development and Strategies is Maurizio Roman, the latter appointed by the Board of Directors on 26 February 2010.

2. INFORMATION ON THE OWNERSHIP STRUCTURE (pursuant to article 123bis of the Consolidated Finance Act as of 31/12/2009)

a) Structure of share capital (art. 123-bis, section 1, letter a), Consolidated Finance Act)

The share capital of the Issuer was fully subscribed and paid up, amounting to EUR 205,941,272.16 divided into 396,040,908 ordinary shares of a par value of EUR 0.52 each. The shares, each carrying a voting right, are indivisible and issued as dematerialised shares.

At 31 December 2009 8,095,000 option rights had been assigned, and at the date of this report 8,595,000 option rights had been assigned, in favour of senior executives of the Issuer, of its Italian and foreign subsidiaries and of Directors with powers in the aforesaid subsidiaries, entitling them to the purchase of ordinary shares of the Issuer's portfolio, in compliance with the Incentive Plan approved by the Shareholders' Meeting of the Issuer on 7 May 2007 and disclosed to the market in the information disclosed in accordance with article 84-bis of Consob Regulation on Issuers. The essential parts of the Incentive Plan are described in section 12.3 of the Report on Operations and in information published by the Issuer in accordance with article 84-bis of Consob Regulation on Issuers. These documents may be viewed on the Issuer's institutional website www.piaggiogroup.com under Investor Relations / Information Memorandum.

Categories of shares that make up the share capital:

	N° of shares	% of share capital	Listed (indicate the markets) / not listed	Rights and obligations
Ordinary shares	396,040,908	100	SCREEN-BASED STOCK MARKET	Each share gives the right to one vote. The shareholders rights and obligations are those provided in arts. 2346 et seq of the Civil Code.

b) Restrictions on the transfer of securities (article 123-bis, section 1, letter b), Consolidated Finance Act)

There are no securities transfer restrictions.

c) Significant equity investments in capital (art. 123-bis, section 1, letter c), Consolidated Finance Act)

As of 31 December 2009 the Issuer's own shares amounted to 27,547,007, equal to 6.956% of the share capital. At the same date, significant equity investments in the capital of the Issuer, as resulting from disclosures pursuant to article 120 of the Consolidated Finance Act, were as follows:

At the date this Report was approved, the number of own shares of the Issuer had not changed compared to 31 December 2009.

d) Securities with special rights (article 123-bis, section 1, letter d), Consolidated Finance Act)

No securities have been issued bearing special rights of control.

e) Employee share ownership: exercising of voting rights (article 123-bis, section 1, letter e), Consolidated Finance Act)

There is no employee share ownership scheme.

f) Restrictions on voting rights (article 123-bis, section 1, letter f), Consolidated Finance Act)

There are no restrictions on voting rights.

g) Shareholder agreements (article 123-bis, section 1, letter g) Consolidated Finance Act)

As far as the Issuer is aware, as of 31 December 2009 no agreements were ongoing between shareholders of the com-

Declarer	Direct shareholder	% of ordinary share capital	% of voting share capital
Piaggio & C. S.p.A.	Piaggio & C. S.p.A.	6.956	6.956
	Total	**6.956**	**6.956**
Omniaholding S.p.A.	IMMSI S.p.A.	53.588	53.588
	Omniaholding S.p.A.	0.025	0.025
	Total	**53.613**	**53.613**
Diego della Valle	Diego della Valle & C. S.a.p.a.	5.009	5.009
	Total	**5.009**	**5.009**
Girondi Giorgio	G.G.G. S.p.a.	2.103	2.103
	Doutdes S.p.a	0.328	0.328
	Total	**2.431**	**2.431**
State of New Jersey Common Pension Fund D	State of New Jersey Common Pension Fund D	2.063	2.063
	Total	**2.063**	**2.063**

pany, of a content relevant pursuant to article 122 of the Consolidated Finance Act.

h) Amendments to the Articles of Association (article 123-bis, section 1, letter l) Consolidated Finance Act)

Changes to the Articles of Association are governed by *pro tempore* regulations in force.

The Board of Directors is also tasked with passing resolutions on the following, in compliance with article 2436 of the Civil Code: mergers or spin offs, defined as simplified in accordance with articles 2505, 2505-bis, 2506-ter, last paragraph, of the Civil Code; transferring the registered office of the company within Italy; lowering capital in the event of withdrawal; amending the articles of association, without prejudice to the above resolutions also being passed by the Extraordinary Shareholders' Meeting.

i) Authority to increase the share capital and authorisation to purchase own shares (article 123-bis, section 1, letter m), Consolidated Finance Act)

1. The Board, in connection with the 2004-2007 Stock Option Plan, has obtained the following powers to increase the Issuer's share capital:

- With a resolution passed on 7 June 2004, the Issuer's Extraordinary General Meeting granted powers to the Board, pursuant to art. 2443 of the Civil Code and for a period of five years from the effective date of the resolution, to increase on one or more occasions the share capital, against payment, in cash, with a share premium, for a maximum par amount of EUR 10,587,241.60 by issuing up to a maximum of 20,360,080 shares with a par value of EUR 0.52, to service option rights to be reserved in connection with the 2004-2007 Stock Option Plan, pursuant to the fifth and sixth paragraphs of art. 2441 of the Civil Code; the Board was also granted powers to establish, pursuant to the second paragraph of art. 2439 of the Civil Code, that the capital is intended as increased, for each increase operation, by an amount equal to the subscriptions collected within five years from the date of recording the above resolution in the Register of Companies
- With a resolution passed on 8 March 2006, the Issuer's Extraordinary General Meeting granted powers to the Board, in accordance with article 2443 of the Civil Code, for a period of five years from the effective date of the resolution, to increase on one or more occasions the share capital against payment, with a premium, for a maximum nominal amount of EUR 551,200.00 by issuing up to a maximum of EUR 1,060,000 new ordinary shares at a par value of EUR 0.52, to service option rights to be reserved, pursuant to paragraphs 5 and 6 of article 2441 of the Civil Code, within the framework of the 2004-2007 Stock Option Plan approved by a Board resolution on 4 May 2004; the Board was also granted powers to establish, pursuant to the second paragraph of art. 2439 of the Civil Code, that the share capital is intended as increased, for each increase operation, by an amount equal to the subscriptions collected within five years from the date of recording the above resolution in the Register of Companies.

As at the time of going to press, the Board has exercised the right to increase the share capital to service option rights to be reserved in connection with the 2004-2007 Stock Option Plan for an overall par amount of EUR 11,113,840.92 by the issue of 21,372,771 new ordinary shares with a par value of EUR 0.52.

It is specified that all the options attributed by the aforesaid 2004-2007 Stock Option Plan were exercised.

2. In the context of the Warrant PIAGGIO & C. 2004-2009 the Board has obtained the following power of attorney to increase the Issuer's share capital:

- With a resolution passed on 18 April 2005, the Issuers' Extraordinary General Meeting granted powers to the

Board, in accordance with article 2443 of the Civil Code, to increase on one or more occasions, the share capital up to an amount of EUR 13,000,000.00 par value, against payment, with or without a premium, by issuing a maximum number of 25,000,000 ordinary shares with the same characteristics as those already in circulation, for a period of five years from the date of filing the above resolution with the Registry of Companies, excluding preemption rights in the company's interest, in accordance with paragraph 5 of article 2441 of the Civil Code, and reserving the right to subscribe these shares exclusively to the holders of "PIAGGIO & C. 2004-2009; Warrants"; the Board was also attributed the right to arrange that the share capital is increased by the amount equal to subscriptions collected by the date that shall be determined with resolutions of the Board itself, as well as, consequently, the right to establish, from time to time, the issue price of the shares, the entitlement, timing, the ways and conditions of issuance, including therein the right to arrange that the new shares are issued by a set-off against the receivables that the owners of the aforesaid warrants shall have in consequence of the exercise of the warrants themselves.

As at the time of going to press there has been no share capital increase related to the above mentioned powers. At the same date all "Piaggio & C. 2004-2009 warrants" had been reimbursed in cash.

***

On 16 April 2009 the Shareholders' Meeting resolved to authorise transactions to purchase and provide for ordinary treasury shares, (i) for investment purposes and to stabilise share price trends and liquidity on the share market, according to the terms and procedures in applicable provisions and in the interest of the Company, also pursuant to and for the purposes of market practices on activities to support liquidity, allowed by Consob in accordance with article 180, section 1, letter c) of the Consolidated Finance Act, with ruling no. 16839 of 19 March 2009; or (ii) for the use of own shares in operations connected to current management or current projects with strategies the Company intends pursuing, in relation to which shares may be exchanged, including the allocation of these shares to convertible loan stock and/or warrants, and in the interest of the Company, for purposes included in market practices on the purchase of own shares to establish a "securities warehouse" as allowed by Consob pursuant to article 180, section 1, letter c) of the Consolidated Finance Act, with ruling no. 16839 of 19 March 2009.

To this end, the Shareholders' meeting authorised, pursuant to and for the purposes of article 2357 of the Civil Code, the purchase, on one or more occasions, for a period of eighteen months as from the date of the resolution (and therefore up until 16 October 2010), of ordinary shares of the company up to a maximum which, taking account of Piaggio ordinary shares held from time to time in the Company's and subsidiaries' portfolios, is not globally above the maximum limit established by applicable ad interim regulations and, depending on cases, (a) of a unit amount of at least 20% and a maximum not exceeding 10% the arithmetic mean of official Piaggio share prices registered in the ten stock exchange days prior to each purchase operation; or (b) in the case purchases are made by a public purchase or exchange offer, of an amount of at least 10% and a maximum not exceeding 10% the official registered Piaggio share price on the stock exchange day preceding notification to the public; or (c) in the case purchases are made as part of market practice concerning activities supporting liquidity and/or market practice concerning the purchase of own shares to establish a so-called "securities warehouse", in compliance with the operating conditions established for this practice by Consob ruling no. 16839 of 19 March 2009, including the limits relative to daily purchase amounts and volumes.

The Shareholders' Meeting also authorised the filing of portfolio own shares without time limits. For further details, reference is made to the minutes of the Shareholders' Meeting, available on the Issuer's Internet site http://www.piaggiogroup.www.piaggiogroup.com, under "Investor Relations" – Information Memorandum.

As of 31 December 2009 the Issuer held 27,547,007 portfolio own shares equal to 6.955% of the share capital, of which 10,000,000 shares equal to 2.52% of the share capital for the 2007 – 2009 Stock Option Plan which may be assigned to plan beneficiaries according to the terms and conditions established by the relative authorisation ruling approved by the Ordinary General Meeting on 7 May 2007. During the year, 1,020,673 shares equal to 0.26% of the share capital at a mean weighted price of EUR 1.1543 were purchased.

l) Change of control clauses (article 123-bis, section 1, letter h), Consolidated Finance Act)

The Issuer stipulated some important agreements, the contents of which are explained in the relative section of the Financial Statements as of 31 December 2009, which are modified or cancelled if control of the company which is party to the agreement changes. In particular agreements refer to: a financing agreement and opening of credit with Banca Intesa Sanpaolo S.p.A. and Mediobanca for a total of EUR 250 million; a debenture loan of EUR 150 million issued by Piaggio & C. S.p.A.; a framework agreement for operating credit lines of EUR 70.3 million from a pool of banks led by Banca Intesa Sanpaolo S.p.A. as agent; a financing agreement with Efibanca for EUR 1 million; a financing agreement with the European Investment Bank for EUR 150 million; a financing agreement of EUR 90 million agreed on with a pool of banks led by BNP Paribas.

m) Indemnities to Directors in the case of resignation, dismissal or termination of employment following a public purchase offer (article 123-bis, section 1, letter i), Consolidated Finance Act)

No agreements have been entered into between the Issuer and the directors that provide for indemnities in the case of resignation, dismissal/termination without just cause, or if the employment ceases following a public offering.

As regards the effects of termination of employment relative to the *2007 – 2009 Stock Option Plan*, reference is made to documents published by the Issuer pursuant to article 84-bis of Consob Regulation on Issuers. These documents may be viewed on the Issuer's institutional website www.piaggiogroup.com under Investor Relations / Information Memorandum

***

With reference to additional information as of article 123-bis of the Consolidated Finance Act, reference is made to subsequent sections of this Report, as indicated below:

- as regards information on the appointment and replacement of Directors (article 123-bis, section 1, letter l), part one) reference is made to section 5.1
- as regards information on the main characteristics of risk management and internal control systems (pursuant to article 123-bis, section 2, letter b)) reference is made to sections 11 and 12;

- as regards information about the operating mechanisms of the Shareholders' Meeting, its main powers, the rights of Shareholders and procedures for exercising these rights (article 123-bis, section 2, letter c)), reference is made to section 17;
- as regards information on the composition and operation of the board of directors and supervisory body and their committees (article 123-bis, section 2, letter d)), reference is made to sections 5., 7., 8., 9., 11., 14. and 15.

3. COMPLIANCE

The Issuer has adopted the Code.

Neither the Issuer or strategically important subsidiaries are subject to non-Italian legal provisions affecting their corporate governance structure.

4. MANAGEMENT AND CO-ORDINATION

The Issuer is subject to the management and co-ordination of IMMSI S.p.A. pursuant to article 2497 et seq. of the Civil Code. This activity is conducted with the methods indicated in the appropriate section of the Directors' Report on Operations.

5. BOARD OF DIRECTORS

5.1. *Appointment and replacement of board directors (pursuant to article 123-bis, section 1, letter l), Consolidated Finance Act)*

The provisions of the Issuer's articles of association that govern the composition and appointment of the Board (art. 12) are suitable to ensure compliance with the provisions introduced in this regard by Law 262/2005 (art. 147-ter of the Consolidated Finance Act) and by Legislative Decree no. 303 of 29 December 2006.

The Company is managed by a Board of Directors comprising at least 7 (seven) and no more than 15 (fifteen) directors. The Shareholders' Meeting determines, at the time of their appointment, the number of the Board members within the aforesaid limits, as well as their term of office that shall not exceed three financial years, whereafter their appointment expires as at the date of the Shareholders' Meeting called for approval of the Financial Statements for the last financial year of their office. Board directors may be re-elected.

Pursuant to article 12.2 of the Articles of Association, persons who have not gained at least three years experience in the following may not be appointed as directors of the company or, if appointed, shall be disqualified:
a) administration and supervision activities, i.e. senior management tasks in joint stock companies with share capital of at least two million EUR; or
b) professional activities or university teaching in legal, economic, financial and technical-scientific fields strictly related to Company operations; or
c) managerial functions with public bodies or the public administration sector operating in the credit, financial or insurance fields, or in any case in fields which are strictly related to the company operations.

Board Directors are appointed by the Ordinary General Meeting based on lists submitted by Shareholders, in which candidates shall be listed according to consecutive numbering.
In accordance with article 12.3 of the Issuer's articles of association, the lists of candidates for the office of Director must be deposited by the Shareholders at the registered office at least 15 (fifteen) clear days before that fixed for the first call of the Shareholders' Meeting.

Only those shareholders who, alone or as a group, represent at least 2.5% (two point five percent) of the share capital, or another percentage established by legal or regulatory provisions, may present lists. In its ruling no. 17148 of 27 January 2010, Consob established that 2.5% of the share capital is the percentage of equity investment required to submit candidate lists for appointment to the Board of Directors of the Issuer, with reference to the year ended 31 December 2009. 1 (one) director is reserved for the minority list.

The appointment mechanism adopted for choosing the candidates included in the lists is as follows:

a) the names of Board Directors, minus one, are selected from the list with the highest number of votes from Shareholders, in the consecutive order in which they are listed;

b) the remaining director is taken from the minority list that may not in any way, not even indirectly, be linked with the shareholders who presented or voted the list referred to in point a) and that received the most shareholder votes, being the first candidate on the list of names.

Should the minority list referred to in point b) not have obtained a percentage of votes equal to at least half of that required, in accordance with the above, for the purpose of presenting the list itself, all the Directors to be appointed shall be taken from the list referred to in point a).

Should the appointment not be ensured, with candidates elected with the above indicated methods, of a number of directors having the requisites of independence equal to the minimum number established by the law in relation to the overall number of the directors, the non-independent candidate elected last in progressive order from the list that had the highest number of shareholders' votes, mentioned in a) above, shall be substituted by the independent candidate not elected from the same list in accordance with the progressive order, or, in default, by the first independent candidate in accordance with the progressive order not elected from other lists, in accordance with the number of votes each obtained. Such substitution procedure shall take place until the Board is composed of the number of members having the requisites mentioned in article 148.3 of the Consolidated Finance Act at least equal to the minimum prescribed by the law. Finally, should said procedure not ensure the last result indicated, the substitution shall take place by a resolution passed by a relative majority at a shareholders' meeting, subject to presentation of candidatures of persons having the above mentioned requisites.

In the case of presentation of a single list or in the case where no list is presented, the Shareholders' Meeting shall approve the appointment with the legal majorities, without observance of the procedure envisaged above.

In the event of the death of one or more Board Director(s) during the year, the following procedure is adopted pursuant to article 1386 of the Civil Code, provided that the majority of Board Directors appointed by the General Meeting is still in office:

I The Board, with a resolution approved by the Board of Statutory Auditors, appoints replacements from candidates (who may still be elected) from the same list the former board directors belonged to and the Shareholders' Meeting votes, by legal majority, observing the same criterion;

II if there are no previously unelected candidates on the list, or it is not possible to comply with point (i) for any reason whatsoever, the Board, with a resolution approved by the Board of Statutory Auditors and subsequently by the Shareholders' Meeting replaces the Board Directors, voting by majority, without voting for the list.

In any case the Board of Directors and Shareholders' Meeting will proceed in such as way as to ensure that appointed Directors meet the requisites established by law, by the Articles of Association and by other applicable provisions.

In the event of death of the majority of Board Directors appointed by the Shareholders' Meeting, the entire Board will be removed from office and the Shareholders' Meeting shall be immediately convened by the Board Directors remaining in office to appoint a new Board.

5.2. *Composition (article 123-bis, section 2, letter d), Consolidated Finance Act)*

The Board of the Issuer in office at the time of going to press, comprised eleven members unanimously appointed by the Ordinary General Meeting of 16 April 2009, based on the sole list of candidates presented by the majority shareholder IMMSI S.p.A., in compliance with article 12.4 of the Articles of Association. The Board of Directors thus appointed remains in office until the date of the Shareholders' Meeting called for the approval of the financial statements for the financial year closing on 31 December 2011.

During 2009 the board director Livio Corghi was appointed by co-option, to replace Gianclaudio Neri, pursuant to article 2386 section 1 of the Civil Code.

The professional curricula of the directors are filed at the registered office and available on the Issuer's institutional website www.piaggiogroup.com under Investor Relations/ Information Memorandum.

STRUCTURE OF THE BOARD OF DIRECTORS

Name	Position	In office from	List M/m	Exec.	Non exec	Indep	Indep. Consolidated Finance Act	% BoD	Other offices
Roberto Colaninno	Chairman Chief Executive Officer	16/04/2009	M	X				100	7
Matteo Colaninno	Deputy Chairman	16/04/2009	M		X			100	3
Michele Colaninno	Director	16/04/2009	M		X			100	9
Livio Corghi	Director	15/09/2009	-		X			100	5
Franco Debenedetti	Director	16/04/2009	M		X	X	X	91	5
Daniele Discepolo	Director	16/04/2009	M		X	X	X	100	9
Luciano Pietro La Noce	Director	16/04/2009	M		X			82	10
Giorgio Magnoni	Director	16/04/2009	M		X			73	1
Luca Paravicini Crespi	Director	16/04/2009	M		X	X	X	91	5
Riccardo Varaldo	Director	16/04/2009	M		X	X	X	82	2
Vito Varvaro	Director	16/04/2009	M		X			90	2

Directors no longer in office during the year

Name	2009	In office from	In office until	List (M/m)	Exec	Non-Exec..	Indep	Indep. Consolidated Finance Ac	% BoD	Other offices
Gianclaudio Neri	Director	16/04/2009	30/07/2009	M		X			50	3

LEGEND
List M/m: indicates whether the Board Director has been elected from the list voted by the majority (M) or by a minority (m).
Exec.: indicates whether the Director can be classified as an executive
Non-exec.: indicates whether the Director can be classified as non-executive
Indep.: indicates whether the director can be classified as independent in accordance with the criteria established by the Code
Indep. Consolidated Finance Act: indicates whether the director has the independence requisites established by art.148.3 of the Consolidated Finance Act (art. 144-decies of Consob Regulation on Issuers)
% BoD: indicates the attendance, in percentages, of the director at the Board
Other offices: indicates the overall number of appointments in other companies of the Issuer's Group, in listed companies on regulated markets (including foreign markets), in financial, banking and insurance companies or companies of significant dimensions.


VH880AM

Name	Position	A.C.	% A.C.	R.C.	% R.C.	ICC	% I.C.C.
Luciano Pietro La Noce	Director	M	100	M	100		
Daniele Discepolo	Director					P	100
Franco Debenedetti	Director	P	100	M	100		
Riccardo Varaldo	Director			P	100	M	86
Luca Paravicini Crespi	Director	M	100			M	100

LEGEND
A.C.: indicates the Appointments Committee; **C/M** indicates if the director is chairman/member of the Appointment Proposal Committee
% A.C.: indicates the attendance, in percentages, of the director at the meetings of the appointments committee (such percentage is calculated considering the number of meetings which the director has attended with respect to the number of meetings of the appointments committee held during the year or after assumption of office)
R.C.: indicates the Remuneration Committee; **C/M** indicates if the director is chairman/member of the Remuneration Committee
% R.C..: indicates the attendance, in percentages, of the director at the meetings of the remuneration committee (such percentage is calculated considering the number of meetings which the director has attended with respect to the number of meetings of the remuneration committee held during the year or after assumption of office)
I.C.C.: indicates the Internal Control Committee; **C/M** indicates if the director is chairman/member of the Internal Control Committee
%. I.C.C.: indicates the attendance, in percentages, of the director at the meetings of the internal control committee (such percentage is calculated considering the number of meetings which the director has attended with respect to the number of meetings of the internal control committee held during the year or after assumption of office)

There were no changes in the composition of the Board after the financial year-end.

Maximum accumulation of offices held in other companies

The Board has not considered the definition of general criteria regarding the maximum number of appointments for administration and control in other companies that can be considered compatible with an effective conduct of the role of director of the Issuer, it being understood that each director must evaluate the compatibility of the offices of director and statutory auditor held in other companies listed on regulated markets, in financial, banking and insurance companies or those of significant dimensions, with the diligent conduct of the duties assumed as a director of the Issuer.

During the meeting held on 26 February 2010 the Board, on examining the results of the offices presently held by its directors in other companies, considered that the number and standing of the offices held do not interfere and are, consequently, compatible with an effective conduct of the office of director of the Issuer.

It is also specified, with reference to the offices assumed by the Issuer's directors in the Parent Company IMMSI S.p.A., that the majority of the Issuer's Board members do not hold administrative and management appointments in IMMSI S.p.A.

The list of the companies in which each director holds management or control appointments at the time of going to press is shown below, indicating whether the company in which they hold the appointment forms part or not of the Group of which the Issuer is Parent Company or forms a part.

Full name	Company	Management and control positions held in public companies
Roberto Colaninno	- IMMSI S.p.A. *	Chairman of the Board of Directors
	- Omniaholding S.p.A. *	Chairman of the Board of Directors
	- Omniainvest S.p.A. *	Chairman of the Board of Directors
	- RCN Finanziaria S.p.A. *	Director
	- Rodriquez Cantieri Navali S.p.A. *	Director
	- Alitalia Compagnia Aerea Italiana S.p.A.	Chairman of the Board of Directors
	- Air One S.p.A.	Chairman of the Board of Directors
Vito Varvaro	- Tod's S.p.A.	Director
	- Marcolin S.p.A.	Director
	- Cantine Settesoldi Società Cooperativa	Director
Matteo Colaninno	- Omniaholding S.p.A. *	Deputy Chairman and Chief Executive Officer
	- IMMSI S.p.A. *	Director
	- Omniainvest S.p.A. *	Director
Michele Colaninno	- Is Molas S.p.A. *	Director
	- Omniainvest S.p.A. *	Director
	- Rodriquez Cantieri Navali S.p.A. *	Director
	- Omniaholding S.p.A. *	Chief Executive Officer
	- IMMSI S.p.A. *	Director and General Director
	- Piaggio Vietnam Co. Ltd. *	Director
	- ISM Investimenti S.p.A.*	Director
	- Immsi Audit S.c.a r.l.*	Director
	- RCN Finanziaria S.p.A.*	Director
Daniele Discepolo	- Vincenzo Zucchi S.p.A.	Director
	- Esaote S.p.A.	Chairman of the Supervisory Body
	- Beta Skye S.r.l.	Chairman of the Board of Directors
	- Investimenti & Sviluppo S.p.A.	Director, Chairman of the ICC
	- Fondazione Filarete	Director
	- Artemide Group S.p.a.	Director, Chairman of the ICC
	- Mascioni S.p.A.	Director
	- Manucor S.p.A.	Director
	- Fondazione Filarete Investimenti	Director
Luciano Pietro La Noce	- Rodriquez Cantieri Navali S.p.A. *	Chairman of the Board of Directors
	- Is Molas S.p.A. *	Chairman of the Board of Directors
	- Apuliae S.p.A. *	Chairman of the Board of Directors
	- Pietra S.r.l. *	Chairman of the Board of Directors
	- Omniainvest S.p.A. *	Chief Executive Officer
	- B&L S.r.l.	Sole Director
	- IMMSI S.p.A. *	Chief Executive Officer
	- RCN Finanziaria S.p.A. *	Chairman of the Board of Directors

Full name	Company	Management and control positions held in public companies
Giorgio Magnoni	- ISM Investimenti S.p.A.*	Chairman of the Board of Directors
	- Banca Popolare di Mantova	Deputy Chairman
	- Air One S.p.A.	Director
	- Acqua Blu S.r.l.	Board Director and Chairman of the Board
	- S.F.E.R.A. S.r.l.	Director
	- Società Agricola Yani S.r.l.	Sole Director
	- SO.PA.F. S.p.A.	Board Director, Deputy Chairman of the Board and CEO
Franco Debenedetti	- CIR S.p.A.	Director
	- COFIDE S.p.A.	Director
	- IRIDE S.p.A.	Director
	- Banca Popolare di Milano	Director
Luca Paravicini Crespi	- China Milan Equity Exchange S.r.l.	Chairman
	- CIR S.p.A.	Director
	- Gruppo Editoriale l'Espresso S.p.A.	Director
	- Scala Group S.p.A.	Director
	- Education.it S.p.A.	Director
	- Consilium SGR S.p.A.	Director
	- Il Gallione S.p.A.	Director
Riccardo Varaldo	- Finmeccanica S.p.A	Director
	- Intesa Sanpaolo S.p.A.	Member of the Surveillance Committee
Livio Corghi	- RCN Finanziaria S.p.A.*	Director
	- Rodriquez Cantieri Navali S.p.A.*	Board Director and General Director of Finance
	- Intermarine S.p.A.*	Deputy Chairman
	- Conam S.p.A.*	Chairman
	- Rodriquez Marine System S.r.l.*	Chairman

* The company belongs to the same Group as the Issuer.

5.3. *Operation of the board of directors (pursuant to article 123-bis, section 2, letter d), Consolidated Finance Act)*

Pursuant to article 12 of the Articles of Association, the Company is administered by a Board of Directors comprising at least 7 (seven) and no more than 15 (fifteen) directors. The Ordinary General Meeting determines, at the time of their appointment, the number of the Board members within the aforesaid limits, as well as their term of office that shall not exceed three financial years, whereafter their appointment expires as at the date of the Shareholders' Meeting called for approval of the Financial Statements for the last financial year of their office. Board directors may be re-elected.

Pursuant to article 13 of the Articles of Association, the Board of Directors elects the Chairman from its members, if not elected by the Shareholders' Meeting; one of more Deputy Chairmen may also be elected. A Secretary is also appointed, that may not necessarily be a Board Director.

Pursuant to article 17, section 4 of the Articles of Association, the Board of Directors - within the limits of the law and the Articles of Association - may delegate its powers and functions to an Executive Committee. It may also delegate, to the above extent, some of its powers and functions to the Chairman and/or other members, as well as appoint one or more Chief Executive Officers to whom said powers and functions are delegated.

Pursuant to article 14, section 1 of the Articles of Association, the Chairman - or person replacing said in accordance with the Articles of Association - convenes the Board of Directors by letter, which may also be sent by fax or by other suitable means of communication, to the address of each Board Director and statutory Auditor.

Board Meetings are chaired by the Chairman, or in his absence or impediment, by the sole Deputy Chairman, or if several Deputy Chairmen hold office, by the Deputy Chairman in office for the longest period of time, or if Deputy Chairmen have been in office for the same period of time, by the most senior.

Pursuant to article 14, section 4 of the Articles of Association, the Board of Directors is convened at the registered office of the company or at another place, provided said is in Italy, whenever deemed necessary by the Chairman - or person acting on his/her behalf in accordance with the Articles of Association, or when requested by the Chief Executive Officer, if appointed, or by at least three Board Directors, without prejudice to powers to convene the Board granted to other parties in accordance with law. Participants in Board Meetings may take part from remote venues using audio-visual link-up systems (video or teleconferencing). In this case, all participants shall be identified and must be able to intervene, expressing their opinion in real time, as well as receive, transmit and consult documents not previously known; in addition, participants must be able to examine items, intervene and pass resolutions at the same time. Board Directors and Auditors participating by remote link-up shall be able to consult the same documents distributed to persons at the place where the meeting is held. The Board meeting shall be considered as being held in the place where Chairman and Secretary are present, who shall work together.

Pursuant to article 15 of the Articles of Association, the majority of board members shall be present in order for resolutions of the Board of Directors to be valid. Resolutions are adopted if voted by the majority, with non-voters not included in the count. In the case of a tie, the vote of the person chairing the meeting prevails. Voting shall take place by open vote.

5.4. *Role of the board of directors (pursuant to article 123-bis, section 2, letter d), Consolidated Finance Act)*

During the course of the financial year 11 (eleven) Board meetings were held on the following dates: 26 February 2009, 16 April 2009, 29 April 2009, 2 July 2009, 30 July 2009, 15 September 2009, 19 October 2009, 30 October 2009, 25 November 2009, 01 December 2009, 18 December 2009.
Board meetings lasted on average two hours.
Main corporate events in 2010 (already notified to the market and to Borsa Italiana S.p.A. on 28 January 2010, according to regulatory requirements) have been scheduled to include 4 (four) meetings on the following dates:
- 26 February 2010 – approval of the draft financial statements and draft consolidated financial statements as of 31 December 2009.
- 29 April 2010 – approval of the Interim Report on Operations as of 31 March 2010;
- 30 July 2010 – approval of the half-year Financial Report as of 30 June 2010;

- 29 October 2010 – approval of the Interim Report on Operations as of 30 September 2010.

The calendar is available in Italian and English on the Issuer's institutional website http://www.piaggiogroup.comwww.piaggiogroup.com, under *Investor Relations - Corporate Governanc*e - Financial Calendar.

The Chairman of the Board of Directors and Chief Executive Officer ensures that adequate information on items in the agenda is given to all Board Directors. In particular, this information is given based on adequate procedures that enable Board Directors to knowledgeably discuss the issues, and Board Directors are given drafts of documents to approve suitably in advance, apart from cases which are particularly urgent or concern special confidentiality requirements.

Directors of the Issuer and group also attend board meetings to provide appropriate information on issues on the agenda.

***

The Board has a central role in connection with corporate organisation and is responsible for the functions and strategic guidelines, as well as the verification of the existence of the necessary controls to monitor the performance of the Issuer and Group companies of which it is the Parent Company.

Pursuant to art. 17.1 of the Articles of Association, the Board has all powers for the management of the company and for this purpose can approve or execute all actions considered necessary or useful for the implementation of the objects of the company with the exception of those reserved by law and by the Articles of Association for the Shareholders' Meeting.

The Board, in its meeting of 16 April 2009, resolved on the allocation of management competencies to the Administrative Body, granting in any case the following powers to the Board, in addition to those assigned by law and by the Articles of Association:

a) acquisition or disposal of equity investments in companies, enterprises or business branches;

b) conclusion and modification of loan agreements in whatever form entered into, the amount of which is greater than EUR 25 million;

c) granting of secured guarantees on assets and personal guarantees for third party obligations, other than those granted in the interest of directly or indirectly controlled companies;

d) transfer of marks, patents and other intellectual property rights, as well as the stipulation of licence agreements, of an amount or value above EUR 2.5 million;

e) the stipulation and amendment of long-term business agreements, including joint ventures, which are not part of ordinary company operations;

f) purchase and sale of real estate;

g) other extraordinary administration transactions, the amount of which is greater than EUR 50 million;

h) without prejudice to the provisions of the above clauses, transactions concluded with related parties, as defined pursuant to applicable legal and regulatory directives, with the exclusion of the typical and usual transactions for company business concluded at market conditions;

i) appointment of the company's general manager and manager of the administration, finance and control division;

j) appointment of the members of the administrative bodies and general managers of the directly or indirectly controlled companies.

In connection with its authority, the Board examines and approves the strategic, industrial and financial plans of the Issuer and of the Group of which it is the Parent Company, the corporate governance system and the structure of the Group of which it is the Parent Company.

Conforming to regulatory directives in force and the Articles of Association, the examination and prior approval of the transactions of the Issuer and its subsidiaries in which one or more directors have an interest on their own behalf or on behalf of third parties, are reserved to the Board.

As regards the management of conflicts of interest and operations with related parties of the Issuer and the group of which the Issuer is parent, reference is made to section 13 hereunder.

Pursuant to article 2381 of the Civil Code and the application criterion 1.C.1., letter b) of the Code, during the year the Board reviewed the adequacy of the general organisational, administrative and accounting structure of the Issuer and its strategically important subsidiaries, on at least a quarterly basis, with particular reference to the internal control system and the management of conflicts of interest, according to procedures adopted to this end by the Issuer. As part of these activities, the Board was assisted, as necessary, by the Internal Control Committee, the Internal Control Supervisor, the independent auditors IMMSI Audit S.c.a r.l and the financial reporting manager as well as the procedures and controls implemented also pursuant to Law 262/2005.

The Board evaluated the general results of operations at least quarterly, taking into consideration the information received from the authorised bodies, as well as periodically comparing the results achieved with those programmed.

On 26 February 2010, the Issuer's Board arranged for the annual valuation, pursuant to the 1.C.1 g) application criterion of the Code, considering that the composition and functioning of the administrative body are adequate with respect to the Issuer's management and organisational requirements, including taking into account the presence, from a total of eleven members, of ten non-executive directors, four of whom are independent non-executive directors, who also ensure a suitable composition of the Committees formed within the Board.

The Shareholders' Meeting has not authorised exceptions to the non-competition prohibition provided in art. 2390 of the Civil Code.

5.5. *Authorised bodies*

Chief Executive Officers

The Issuer's Chairman, Roberto Colaninno, also holds the office of Chief Executive Officer.

The Chairman and Chief Executive Officer was granted all powers of ordinary and extraordinary administration, with the exclusion of powers reserved by law or by the articles of association, as well as by the Board resolution of 16 April 2009, to the formal authority of the Administrative Body (see 5.3 and 5.4 above).

Chairman and Deputy Chairman

The Chairman of the Board:

a) is the main person responsible for the Issuer's management (chief executive officer) and

b) is not the Issuer's controlling shareholder.

Pursuant to the Articles of Association, the Chairman of the Board has powers to act as Chairman of the Shareholders' Meeting (article 9), to convene Board meetings (article 14), to legally represent the Company vis-à-vis third parties and before the courts and has powers to sign for the company (article 23). The Deputy Chairman, Matteo Colaninno, substitutes for the Chairman.

***

Board information

During the year, the Chief Executive Officer reported to the Board on operations carried out as part of his powers, at least on a quarterly basis and according to procedures appropriate for enabling Board Directors to knowledgeably discuss issues.

5.6. *Other executive directors*

No other executive directors have been appointed.

5.7. *Independent directors*

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

The qualifications for independence pursuant to article 3 of the Code and article 148, section 3, points b) and c) of the Consolidated Finance Act, held by the independent directors currently in office, were evaluated by the Board of Directors on their appointment, and at the meeting held on 26 February 2010.

Please note that, in order to exclude the potential risks limiting the Issuer's management autonomy, which could lead, in particular, to an overlapping of the administrative bodies of the Issuer and the Parent Company IMMSI S.p.A.: (a) the Issuer's current Board of Directors includes six non-executive Directors – Michele Colaninno, Matteo Colaninno, Luciano Pietro La Noce, Giorgio Magnoni, Vito Varvaro and Livio Corghi– and four independent non-executive Directors – Daniele Discepolo, Franco Debenedetti, Riccardo Varaldo and Luca Paravicini Crespi; (b) the majority of the members of the Issuer's Board does not hold administrative and management positions in IMMSI S.p.A..

These independent directors have the independence qualifications pursuant to article 3 of the Code and article 148.3 b) and c) of the Consolidated Finance Act, in that each of them:

(i) does not control the Issuer, either directly or indirectly, or through subsidiaries, trust companies or through third parties, nor is able to exercise considerable influence thereon;

(ii) does not participate, either directly or indirectly, in any shareholder agreement through which one or more persons can exercise control or considerable influence over the Issuer;

(iii) is not, or was not in the three previous financial years, a significant representative of the Issuer (i.e. chairman, legal representative, executive director, or executive with strategic responsibilities) or one of its subsidiaries having strategic significance or a company subjected to the joint control of the Issuer, or a company or entity that – together with others through a shareholders agreement – controls the Issuer or is capable of exercising a considerable influence thereon;

(iv) does not, or did not in the previous financial year, carry out – either directly or indirectly (e.g. via subsidiaries or companies in which they are significant representatives, in the sense indicated in item (iii) above, or as a partner in a professional firm or a consulting company) – important commercial, financial or professional relationships or working relationships as employees: (a) with the Issuer, one of its subsidiaries, or with one of its significant representatives in the sense indicated in item (iii) above (b) with a person who, alone or jointly with others through a shareholders agreement, controls the Issuer, or rather – being a company or entity – with related significant representatives in the sense indicated in item (iii) above, thereof;

(v) notwithstanding the indications under item (iv) above, does not have working relationship as employee or contractors, or other asset-based or professional relationships that could jeopardise a director's independence: (a) with the Issuer, its subsidiaries or parent companies, or with companies subject to joint control;

(b) with directors of the Issuer; (c) with spouses, relatives and the like up to the fourth degree of kinship of directors of the companies as under item (a) above;

(vi) does not receive, or has not received in the previous three financial years, a large bonus from the Issuer, or from a subsidiary or Parent Company, additional to the fixed salary of a non-executive director of the Issuer, including participation in incentive plans based on corporate performance, such as stock option plans;

(vii) has not been a Director of the Issuer for more than nine of the last twelve years;

(viii) does not hold the position of executive director in another company in which one of the Issuer's executive directors is also a director;

(ix) is not a shareholder or director of a company or entity belonging to the Issuer's external auditor's corporate network;

(x) is not a close family member of a person who falls into the categories mentioned in the previous points and who is not a spouse, relative and the like up to the fourth degree of kinship of the directors of the Issuer, its subsidiaries, parent companies or companies subject to its joint control.

***

The Board of Statutory Auditors verified the proper application of the assessment criteria and procedures adopted by the Board to evaluate the independence of its members and the results of this inspection will be detailed in the Statutory Auditor's report to the Shareholders' Meeting, pursuant to article 153 of Consolidated Finance Act.

During 2009, two meetings of the Committee of Independent Board Directors were held, attended by the Chairman of the Board of Statutory Auditors. During the meetings, the independent Directors met with the CEO of the Company who gave them detailed information on company strategies and operations being studied and developed by management.

The information obtained, in advance, directly from the Chairman, was then considered in meetings and consequent resolutions of the Board of Directors.

The independent Board Directors can confirm that, during the two meeting held with the CEO, more information and more details of significant relevant management issues were disclosed.

5.8. *Lead independent director*

The Board has designated non-executive independent director Daniele Discepolo as Lead Independent Director, pursuant to the Code, so that he represents a point of reference and co-ordinates the petitions of non-executive directors, and particularly of independent directors. Lead Independent Director Daniele Discepolo, an independent director who has suitable expertise in accounting and finance, also holds the position of Chairman of the Internal Control Committee.

6. PROCESSING OF CORPORATE INFORMATION

6.1. *Procedure for external communication of price-sensitive information*

In order to monitor access to and circulation of price-sensitive information before it has been made public, to ensure that privacy requirements pursuant to legislation and regulations have been respected and to regulate the internal management and external communication of this information, the Board adopted a "Procedure for the publication of price-sensitive information" in its meeting of 28 August 2006.

In accordance with this procedure, the Issuer's Chairman, Chief Executive Officer and Investor Relations Officer (see section 7 below) ensure the correct management of publication to the market of price-sensitive information, and supervise that this Procedure is observed.

The Investor Relations Officer and Press Relations Officer – briefed by the Group's top management or otherwise made aware of the Issuer's and its subsidiaries' significant corporate events - verify with the General Director of Finance and Head of the Legal and Corporate Business Department that legal obligations have been met, and if information should be considered as sensitive.

If information is deemed price-sensitive or regulations in force require it to be published, the Press Relations Officer draws up a press release and – with the help of the Head of the Legal Department – ensures that this release covers the requirements stipulated by the legislation in force in this regard.

The text of the press release must be submitted to the Chairman and Chief Executive Officer, and – where necessary – the Board of Directors for final approval before being published.

The press release is entered into the Network Information System (NIS), which is organised and managed by Borsa Italiana and via the NIS, the release is sent to Consob and to at least two press agencies. Moreover, the Company inserts the release "by the opening of the market the day after it has been published" on the institutional website www.piaggiogroup.com under the Investor Relations section, ensuring that this information stays on the website for at least two years.

In order to ensure the proper management of price-sensitive information within the Group, this Procedure is made known to the Chief Executive Officers of the main subsidiaries, i.e. the Issuer's subsidiaries that fall within its scope of consolidation.

The management of price-sensitive information of subsidiaries is entrusted to their Chief Executive Officers, who must send as soon as possible to the General Director of Finance and/or Investor Relations Officer of the Issuer any information that – on the basis of their evaluation – could contain information that is price-sensitive in accordance with this Procedure.

The General Director of Finance and/or Investor Relations Officer who have received notice of this price-sensitive information from the Chief Executive Officers of these subsidiaries check with the Head of the Legal Department to verify that legal obligations have been met, and especially to see if the information should be considered as price-sensitive.

If information is deemed price-sensitive or regulations in force require it to be published, the Press Relations Officer draws up a press release and – with the help of the Head of the Legal Department – ensures that this release covers the requirements stipulated by the legislation in force in this regard.


aprilia

The text of the press release must be submitted to the Chairman and Chief Executive Officer, and – where necessary – the Board of Directors for final approval before being published.

6.2. *Register of persons with access to price-sensitive information*

With special reference to the requirement of listed Issuers, entities having control over them and persons acting in their name or on their account, to establish and manage a register of persons having access to price-sensitive information pursuant to art. 115-bis of the Consolidated Finance Act, the Company's Board of Directors approved the following at the meeting held on 3 May 2006: (i) pursuant to and for the effects of art. 152-bis of the Regulations on Issuers, to grant powers to the Parent Company IMMSI S.p.A. to keep, manage and update the register of persons having access to IMMSI S.p.A.'s price-sensitive information, also on behalf of Piaggio and Piaggio Group companies; (ii) to implement the "Procedure for the management of the Register of persons having access to Price-sensitive Information" adopted by IMMSI S.p.A. by approval of its own Board of Directors at the meeting held on 24 March 2006.

On 5 November 2007, the Board, considering it opportune for the Issuer to establish, keep and independently manage a register of persons having access to price-sensitive information regarding the Group of which the Issuer is the Parent Company, adopted an independent "Procedure for the management of the Register of persons having access to price-sensitive information – Gruppo Piaggio & C. S.p.A.", including its application for entities with a relationship of control over the Issuer, except for necessary adaptations in relation to the corporate organisational structure within their respective organigrams.

Both of these procedures are available on the institutional website http://www.piaggiogroup.comwww.piaggiogroup.com under the section Investor Relations/Procedures.

6.3. *Internal Dealing*

Regarding the management of reporting requirements deriving from the new Internal Dealing regulation pursuant to art. 114.7 of the Consolidated Finance Act, and arts. 152-sexies, 152-septies and 152-octies of the Regulations on Issuers, in effect for listed companies as of 1 April 2006, the Issuer's Board of Directors approved the adoption of the "Procedure to comply with Internal Dealing requirements" on 3 May 2006, effectively binding as of the date of listing.

The notices relating to significant transactions pursuant to the internal dealing regulations made during the financial year were reported to the market with respect to this Procedure, and are available on the Issuer's institutional website www.piaggiogroup.com under *Investor Relations.*

7. COMMITTEES WITHIN THE BOARD (*pursuant* to article 123-bis, section 2, letter d), Consolidated Finance Act)

The following committees have been established within the Board: the Appointment Proposals Committee, the Remuneration Committee, and the Internal Control Committee.

The Issuer has not established a committee that performs the functions of two or more committees required by the Code, nor has established committees other than those required by the Code.

8. APPOINTMENT PROPOSAL COMMITTEE

In compliance with the Code and in consideration of the list-based voting system in the Articles of Association for nominations to Administrative Body, the Board of Directors has established an internal Appointment Proposals Committee.

The majority of the Appointment Proposals Committee members are non-executive independent directors.
The Appointment Proposals Committee is composed of three members: Franco Debenedetti, acting as Chairman, Luca Paravicini Crespi and Luciano La Noce.

Functions of the Appointments Committee

The Appointment Proposals Committee has the duty of ensuring that the presentation procedure for lists set by the Articles of Association takes place correctly and transparently, in respect of applica ble legislation and the Articles of Association. Once it has verified that the presentation procedure for lists has been respected, ensuring specifically that the documents that are filed along with the lists and the proper deadlines for these have been met in full. This committee arranges the necessary formalities for the presentation of these lists to the Shareholders in Meeting convened for the appointment of the Board of Directors or members thereof.
Pursuant to the application criteria under 6.C.2 c) of the Code, the Appointment Proposals Committee also has the duty to give the Board an opinion, if and when necessary, regarding the size and composition thereof.

No financial resources were allocated to the Appointment Proposals Committee as it uses the Issuer's corporate resources and facilities to perform duties.

During the financial year 1 (one) meeting of the Appointment Proposals Committee was held on 16 April 2009. During this meeting, the Committee ensured that the procedure for presenting lists took place properly and transparently in compliance with applicable laws and the articles of association, with particular reference to the completeness of documents to file with the lists and filing dates. The Committee also oversaw procedures required to present lists to the Shareholders' Meeting.

The meeting, which was recorded in minutes, lasted approximately 30 (thirty) minutes.

9. REMUNERATION COMMITTEE

In compliance with the Code, the company's Board of Directors has established a Remuneration Committee from its members.
The majority of Remuneration Committee members are non-executive independent directors.
The Remuneration Committee is composed of three members: Riccardo Varaldo as Chairman, Luciano La Noce and Franco Debenedetti.

Functions of the Remuneration Committee

The Remuneration Committee has the duty: (i) to make proposals to the Board regarding the remuneration of the Chief Executive Officer and other directors who hold special positions, monitoring the application of the decisions made; and (ii) to make general recommendations to the Board regarding the remuneration of executives having strategic responsibilities in the Piaggio Group, keeping account of information and indications given by the Chief Executive Officer and occasionally checking the criteria adopted for the remuneration of these executives.

Moreover, duties relating to the management of stock option plans that may have been approved by relevant Company bodies have been given to the Remuneration Committee.

During the financial year, 2 (two) meetings of the Remuneration Committee were held, on 16 April 2009 and on 18 December 2009.
The meetings lasted on average 15 (fifteen) minutes.
During these meetings, the Committee decided on the remuneration of appointed persons/parties relative to the 2009 financial year in line with fees paid in previous years and keeping with the undertakings and responsibilities of appointments and professional qualifications of appointed persons/parties. To this end, the Committee also considered the scale of the Company and the Piaggio Group's prospects for global growth.

Minutes were duly taken at the Internal Remuneration Committee meetings.

Participation of non-members in the Remuneration Committee meetings took place by invitation of the Committee.

In carrying out its functions, the Remuneration Committee has had the possibility of accessing corporate information and functions needed to carry out its duties and also use external consultants within the terms set by the Board.

No financial resources were allocated to the Remuneration Committee in that, in order to fulfil its duties, it uses the Issuer's corporate resources and facilities.

During the current year, the Committee will meet as required to formulate proposals and recommendations on matters in its remit.

10. DIRECTOR'S REMUNERATION

In relation to Directors' remuneration, pursuant to art. 18 of the Articles of Association, each Director was reimbursed expenses incurred for their functions, and paid the annual fee approved by the Ordinary General Meeting at the time of their appointment, which remains unchanged until the Meeting approves a different amount.

All Board Directors of the Issuer are paid the same fee, equal to EUR 40,000 per annum, determined by the Shareholders' Meeting on 16 April 2009.

The fees of the Chairman, Deputy Chairman and Chief Executive Officer were determined instead by the Board on 16 April 2009 and 18 December 2009, after consulting with the Board of Statutory Auditors and Remuneration Committee.

A share-based Incentive Plan is provided for executives of the Issuer or of its Italian and/or foreign subsidiaries in accordance with art. 2359 of the Civil Code, as well as for directors having powers in the aforementioned subsidiaries. The essential parts of the Incentive Plan are described in documents published by the Issuer pursuant to 84-bis of Consob Regulation on Issuers. These documents may be viewed on the Issuer's institutional website www.piaggiogroup.com under *Investor Relations* / Company documentation

***

Remuneration of non-executive directors is not linked to the financial results achieved by the Issuer.
No share-based incentives plan has been made for non-executive directors.
The Shareholders' Meeting, as indicated above, determined the remuneration of non-executive directors.

***

As regards reporting requirements of article 78 of the Issuers' Regulations, the table below shows the emoluments of Board Directors and Senior Executives with strategic responsibilities paid during the year according to the criteria indicated in Attachment 3C to the regulations.

Specifically, under emoluments for the office the following are shown: (i) the emoluments due as approved by the Shareholders' Meeting, or pursuant to article 2389.2 of the Civil Code that have not been paid, (ii) possible share of profits, (iii) attendance fees, (iv) lump-sum expense reimbursements; the column non-monetary benefits includes fringe benefits (according to a criteria of taxability) including any insurance policies; bonuses and other incentives and portions of fees that are one-off payments; other fees include (i) payments for offices held in other listed and unlisted subsidiaries, (ii) salaries as employees (gross of social security and taxes borne by the employee, excluding union fees borne by the company and employee severance allocations), (iii) post-employment benefits, and (iv) all possible additional payments deriving from other services rendered.
The table below includes all persons that held the position of Board Member or General Director during the year, or for a part thereof.

Name	Emoluments for the office	Non-monetary benefits	Bonuses and other incentives	Other fees	Total
Roberto Colaninno	1,040,000 (1)				1,040,000
Matteo Colaninno	100,000 (2)				100,000
Michele Colaninno	40,000				40,000
Livio Corghi (3)	13,333				13,333
Franco Debenedetti	40,000				40,000
Daniele Discepolo	60,000 (4)				60,000
Luciano Pietro La Noce	40,000				40,000
Giorgio Magnoni	40,000				40,000
Luca Paravicini Crespi	50,000 (5)				50,000
Riccardo Varaldo	50,000 (5)				50,000
Vito Varvaro (6)	26,667				26,667
Gianclaudio Neri (7)	23,333				23,333
Giangiacomo Attolico Trivulzio (8)	13,333				13,333
Daniele Bandiera (9)		10,447.08		1,849,096.92 (10)	1,859,544
Michele Pallottini		10,628.16		903,242.84	913,871

(1) This amount includes EUR 1,000,000 as an emolument for the office of Chairman and Chief Executive Officer.
(2) This amount includes EUR 60,000 as an emolument for the office of Deputy Chairman.
(3) As from 15 September 2009.
(4) This amount includes EUR 20,000 as an emolument for the office of Chairman of the Internal Control Committee.
(5) This amount includes EUR 10,000 as an emolument for the office of Member of the Internal Control Committee.
(6) As from 16 April 2009.
(7) Until 30 July 2009.
(8) Until 16 April 2009.
(9) Until 4 November 2009.
(10) This amount includes EUR 1,364,107 relative to the end of office benefit.

The Issuer does not have any additional executives with strategic responsibilities other than the general directors whose fees are shown in the table above.

11. INTERNAL CONTROL COMMITTEE

The Board has established an Internal Control Committee from its members.

The Internal Control Committee is composed of non-executive independent directors.

During the financial year, the Internal Control Committee was composed of three members: Daniele Discepolo as Chairman, Riccardo Varaldo and Luca Paravicini Crespi.

Director Daniele Discepolo has the accounting and finance experience considered to be suitable by the Board at the time of his appointment.
Participation of non-members in Internal Control Committee meetings was by invitation of the committee.

Functions given to the Internal Control Committee
The Internal Control Committee performs consultation and proposition-making functions for the Board, and is specifically entrusted with the following duties:
- (i) assist the Board in carrying out activities inherent in the internal control system, specifically in defining guidelines for the system and the activities involved in periodic inspections of the system's suitability, efficacy and effective functioning;
- (ii) examine the work plan of the internal control supervisor and the periodic interim reports sent by the latter;
- (iii) together with the financial reporting manager and the auditors, assess the suitability of the accounting principles used and their consistency in the drafting of the Consolidated Financial Statements;
- (iv) assess the proposals made by the independent auditors for their appointment, assess the audit plan drawn up and the results shown in the report and in the Comments and Suggestions letter;
- (v) refer to the Board at least half-yearly, on the approval of the interim financial statements and report, regarding the activities performed by and the suitability of the internal control system;
- (vi) perform additional tasks that the Board feels appropriate for the Committee, with special reference to relationships with the independent auditors and consultation functions regarding transactions with related parties as envisaged by the specific procedure approved by the Board.

During the year, 7 (seven) meetings of the Internal Control Committee were held on 27 January 2009; 23 February 2009; 16 April 2009; 27 May 2009; 30 July 2009; 19 October 2009 and 27 November 2009.

The meetings lasted on average 3 (three) hours.

Minutes of Internal Control Committee meetings were duly taken.

During the year, the Internal Control Committee constantly monitored the internal control system as well as the progress of the internal auditing plan, with a particular focus on (i) the adoption of measures following on from audit activities of previous years, (ii) the progress of 2009 audit plan activities, (iii) the trend of risk analysis activities, (iv) compliance audits performed pursuant to Law 262/2005, (v) monitoring of the guidelines, auditing approach and work plan of the independent auditors, (vi) compliance audits pursuant to Legislative Decree 231/2001, (vii) review of the organisation of responsibilities, duties and activities necessary to protect the health and safety of workers.

During its meetings, the Internal Control Committee also discussed the most appropriate initiatives relating to audits, with a view to gradually improving the internal control system in order to ensure maximum efficiency and safety.

On 14 November 2008, the Issuer reported that it had completed measures to guarantee the compliance of its subsidiaries established and regulated by the laws of countries outside the EU with conditions pursuant to article 36 of Consob's Regulation of Markets. This disclosure may be consulted on the Issuer's institutional website www.piaggiogroup.com under *Investor Relations* / Information Memorandum.

***

The Chairman of the Board of Statutory Auditors Giovanni Barbara and Chairman of the Supervisory Body regularly attended Internal Control Committee meetings.

In carrying out its functions, the Internal Control Committee had the faculty of accessing the corporate information and departments needed to carry out its duties, and also use external consultants within the terms set by the Board.

No financial resources were allocated to the Internal Control Committee as it uses the Issuer's corporate resources and facilities to carry out its duties.

At least 5 (five) Internal Control Committee meetings are planned for the year. In addition to the meeting already held on 15 February 2010, meetings are scheduled for: 15 March 2010, 15 June 2010, 13 September 2010 and 15 November 2010.

12. INTERNAL CONTROL SYSTEM

The Board defines the guidelines of the internal control 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 and the safekeeping of corporate assets.
The Board (i) prevents and manages corporate risks regarding the Issuer and the group which reports to the Issuer by defining suitable control guidelines that ensure that such risks are correctly identified and adequately measured, monitored, managed and assessed, even as regards safeguarding corporate assets and the fit and proper management of the company; (ii) periodically inspects – at the very least on an annual basis – the appropriateness, effectiveness and actual functioning of the internal control system.

In exercising these functions, the Board collaborates with a director who is in charge of overseeing the functioning of the internal control system (the Director In Charge), and with the Internal Control Committee. The Board also takes into consideration the organisational and management models adopted by the Issuer and the Group of which the Issuer is Parent Company, in accordance with Legislative Decree 231/2001.
Upon the proposal of the Director In Charge and having obtained the opinion of the Internal Control Committee, the Board appointed an Internal Control Supervisor, ensuring that this person is supplied with the resources suitable to carry out his/her functions – resources that also regard the operating structure and internal organisational proce-

dures to access the information needed for the role – granting powers to the Chief Executive Officer and the General Director of Finance to formalise the terms and conditions of this appointment.

***

The Internal Control Committee referred back to the Board on a regular basis during the financial year regarding its work, the result of its inspections and the functioning of the internal control system, highlighting how the system proved to be largely in line with the size and organisational and operational structure of the Issuer.

The Board of Directors of the Issuer, also considering the information provided by the Internal Control Committee, was able to give an evaluation of the adequacy, effectiveness and efficient functioning of Issuer's internal control system, in the meeting of 26 February 2010.

12.1. *Executive director in charge of the internal control system*

The Board has appointed Chairman and Chief Executive Officer Roberto Colaninno as the Executive Director In Charge of overseeing the functioning of the internal control system.

***

The Executive Director In Charge of overseeing the functioning of the internal control system:

- conducted an identification of the main corporate risks (strategic, operational, financial and compliance risks), taking account of the characteristics of the Issuer and its subsidiaries' business activities, and subjected them to periodic examination by the Board
- implemented the guidelines defined by the Board, arranging for the design, creation and management of the internal control system, continuously inspecting its overall suitability, effectiveness and efficiency
- arranged for the adaptation of this system to the dynamics of the business' operating conditions and its legislative and regulatory position
- proposed the appointment of the Internal Control Supervisor to the Board.

12.2. *Internal control supervisor*

As from 1 January 2009 the consortium company Immsi Audit S.c. a r.l. has been providing services, performing all internal auditing activities for IMMSI Group companies. The Board of Directors, upon the proposal of the appointed Board Director and after consulting with the Internal Control Committee, resolved to appoint Maurizio Strozzi, CEO of Immsi Audit S.c. a r.l., to replace Pierantonio Piana as Designated Internal Control Supervisor.

The Designated Internal Control Supervisor is not the head of any operational area, and does not report hierarchically to any operational area managers, including the administration and finance areas.

***

During the financial year, the Internal Control Supervisor:

- had direct access to all information useful for carrying out his duties;
- reported on his work to the Internal Control Committee and to the Board of statutory Auditors;
- also reported on his work to the Executive Director In Charge of overseeing the functioning of the internal control system.

During the year, the Internal Control Supervisor, assisted by the Internal Audit department, audited the internal control system in conformity to the 2009-2011 Internal Audit Plan approved by the Board of Directors on 26 February 2009, undertaking risk analysis, financial, operational and compliance auditing activities, monitoring for the use of improvement/corrective action plans agreed on downstream internal auditing activities and monitoring for standards assurance (with particular reference to provisions of Law 262/2005 and Legislative Decree 231/2001). In particular internal auditing in 2009 concerned: "sales network management and development" and the "identification of customer satisfaction by brand/product and after sales" and the administrative/management processes of the foreign subsidiaries Piaggio Croazia, Piaggio Asia Pacific and Piaggio Group Americas, monitoring of undertakings made in disclosures, monitoring of the procedural framework supporting legal and regulatory compliance for funded research projects, compliance and operational efficiency of personnel (Italy - non-managerial) / outsourcer administration processes, monitoring of information periodically disclosed to the Supervisory Body pursuant to Legislative Decree 231/2001 by Company functions, the random monitoring of reported information on sensitive processes for the purposes of Legislative Decree 231/2001 identified in the annual activity plan drawn up by the Body, as well as administrative/accounting audit activities defined by the compliance officer in accordance with Law 262/2005 (now a part of the Consolidated Finance Act).

***

The Issuer has established an internal audit department, headed by the Internal Control Supervisor.

During the financial year, the internal audit department was run by Maurizio Strozzi, CEO of the company Immsi Audit S.c.a r.l.

No connections exist between the Issuer and person appointed as head of the internal audit department.
The internal audit department has been outsourced, to ensure full independence and autonomy in carrying out relative activities.

12.3. *Organisational model pursuant to legislative decree 231/2001*

On 12 March 2004 the Issuer adopted the organisational, management and control model for the purpose of preventing corporate crimes indicated in Legislative Decree 231/2001, as amended (the "Model"). The Supervisory Body in office was appointed by the Board of Directors on 16 April 2009 for the years 2009-2010-2011, and thus up until approval of the financial statements as of 31 December 2011. The Supervisory Body comprises Giovanni Barbara, Chairman of the Issuer's Board of Statutory Auditors, Ulisse Spada, Manager of the Issuer's Legal Affairs Department and Antonino Parisi (replacing Enrico Ingrillì, who passed away during the year), who acts as chairman, selected from eligible external professionals.

The Model currently consists of the Code of Ethics and Code of Conduct, in addition to the Internal Control Process Charts, subdivided into Instrumental and Operational processes, as well as the Disciplinary System. The Model is currently being revised and updated to include new statutory offences and crimes specifically indicated in Legislative Decree 231/2001.
During the final part of 2008, an e-mail account was set up on the corporate Intranet allowing Piaggio employees to send a message directly to the Supervisory Body to report information. These messages may only be read by the Supervisory Body, thereby rendering the relationship between the Supervisory Body and the actual corporation compliant with the Model. During 2009, the Issuer's Supervisory Body met 7 times, with all members attending.
In its meeting of 15 February 2010, the Supervisory Body approved the 2010 Activity Plan. At least 5 (five) meetings of the Supervisory Body are planned for the year. In addition to the meeting already held on 15 February 2010, meetings are scheduled for: 15 March 2010, 15 June 2010, 13 September 2010 and 15 November 2010.

The Model has been sent to all Piaggio Group executive managers and has been published on the corporate Intranet and is available on the Issuer's institutional website www.piaggiogroup.com under "Investor Relations / Corporate Governance/ Governance Model".

12.4. *External auditors*

The audit has been entrusted to Deloitte & Touche S.p.A.. This appointment was approved by the Shareholders' Meeting on 30 March 2006, and expires on approval of the financial statements as of 31 December 2011.

12.5. *Financial reporting manager*

The financial reporting manager of the Issuer is Alessandra Simonotto, Head of the Issuer's Credit Administration and Management.

Pursuant to art. 17.3 of the Issuer's Articles of Association, the financial reporting manager must have the professional requisites characterised by detailed expertise in administration and accounting, as well as the reputation requisites prescribed by the legislation in force for those who carry out administrative and management functions. This expertise, which must be assessed by the Board of Directors, must be acquired through work experience in a role having a suitable level of responsibility for a sufficient period of time.

The financial reporting manager is appointed by the Board, subject to obligatory approval by the Board of Statutory Auditors.

At the time of this appointment, the Board attributed financial reporting manager with all the powers and means necessary to execute the prescribed duties.

12.6 *Main characteristics of the risk management and internal control systems in relation to the financial disclosure process (article 123-bis, section 2, letter b), consolidated finance act)*

Introduction

Purpose and objectives

The risk management and internal control system in relation to Piaggio Group financial disclosure was developed using the "COSO Report"[1] as a reference model. According to this report, the Internal Control System, given its broadest meaning, is defined as "a process, carried out by the Board of Directors, by senior managers and other subjects

1 COSO model, produced by the Committee of Sponsoring Organizations of the Treadway Commission - "Internal Control – Integrated Framework" published in 1992 and updated in 1994 by the Committee of Sponsoring Organizations of the Treadway Commission.

of the company structure, intended to provide reasonable certainty as to achieving objectives in the following categories:

- effectiveness and efficiency of operating activities;
- reliability of financial statement information;
- conformity to laws and regulations in force".

As concerns the financial disclosure process, these objectives refer to the credibility, accuracy, reliability and timeliness of disclosure.

In defining its own internal control system in relation to the financial disclosure process, the Group observed relative requirements of the following reference laws and regulations:

- Legislative decree no. 58 of 24 February 1998 (Consolidated Finance Act).
- Law no. 262 of 28 December 2005 (as amended, including the legislative decree implementing the "Transparency" directive approved on 30 October 2007) on the preparation of company accounting documents.
- Consob Regulation on Issuers of 4 May 2007 "Statement of the financial reporting manager and of delegated administrative bodies concerning the financial statements, consolidated financial statements and half-year report pursuant to article 154-bis of the Consolidated Finance Act";
- Consob Regulation on Issuers of 6 April 2009 "Implementation of the Transparency directive (2004/109/EC) on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market, amending the directive 2001/34/EC";
- the Civil Code, which extends liability in company management (article 2434), the offence of disloyalty following settlement or the promise of benefits (article 2635) and the offence of obstructing public and supervisory authorities in performing their functions (article 2638) to include managers in charge of financial reporting.

- Legislative Decree 231/2001 which, referring to the above provisions of the Civil Code and the administrative liability of corporate bodies for offences committed by employees against the public administration sector, considers the Manager in charge of financial reporting as a key figure.

The risk management and internal control system in relation to Group financial disclosure was implemented also considering guidelines from some industry associations concerning the activities of the Manager in charge of financial reporting, and in particular:

- Position Paper Andaf "financial reporting manager";
- Position Paper AIIA "Law no. 262 on the Protection of Savings";
- Confindustria (Italian manufacturers' association) "Guidelines for the activities of financial reporting manager pursuant to article 154-bis Consolidated Finance Act)

in addition to the "Format for the corporate governance report and corporate ownership " issued by Borsa Italiana.

Main characteristics of the risk management and internal control system in relation to the financial disclosure process

Methodological approach

The risk management and internal control system in relation to Piaggio Group financial disclosure is part of the Group's wider-ranging Internal Control System, which includes the following:

- Code of Ethics,
- The Organisational and management model pursuant to Legislative Decree 231/2001 and relative protocols,
- Procedures for internal dealing notices,
- Principles and procedures for carrying out significant transactions and transactions with related parties,
- the System granting powers and authority,
- the Company organisation chart and job profiles,
- the Procedure on reporting information to the Market,
- the Risk analysis process adopted (Risk Assessment),
- the Accounting control system.

Piaggio's Accounting and Administrative Control System comprises a number of operating procedures and documents, including:

- The Accounting and Administrative Control Model – a document issued to all employees directly involved in preparing and/or controlling accounting information, which defines the operating procedures of the Accounting Control System.
- Group Accounting Manual – a document promoting the development and application of consistent accounting criteria within the Group as regards the identification, classification and measurement of operating activities;
- Operating instructions for financial statements and reporting, and closing schedules – documents informing company functions in detail about operating procedures for managing financial statement preparation activities, within defined, shared deadlines;
- Administrative and accounting procedures – documents defining the responsibilities and control rules to follow with particular reference to administrative/accounting processes.

Piaggio's Accounting and Administrative Control Model defines a methodological approach for the risk management and internal control system comprising the following stages:

a) Identification and assessment of financial disclosure risks;
b) Identification of controls for identified risks;
c) Evaluation of controls for identified risks and management of any problems detected.

System Elements

a) Identification and assessment of financial disclosure risks

Risks relative to accounting disclosure are identified and assessed based on a structured risk assessment process. The process identifies the objectives of the financial disclosure internal control system in order to guarantee a true and accurate financial disclosure. These objectives are based on financial statement "assertions" (existence and occurrence of events, completeness, rights and obligations, valuation/recording, presentation and disclosure), and other control

objectives (such as compliance with authorisation limits, separating duties and responsibilities, the documentation and traceability of operations, etc.).
The risk assessment therefore focuses on parts of financial statements identified as having a potential impact on financial disclosure in relation to failure to achieve the control objectives.

The purpose of the process which determines the scope of entities and processes that are significant in terms of their potential impact on financial disclosure is to identify the financial statement accounts, subsidiaries and administrative/accounting processes considered significant, with reference to the Group's consolidated financial statements, based on valuations made using quantitative and qualitative parameters.

In particular, these parameters are defined:
- determining the quantitative threshold values to compare consolidated financial statements figures and the relative contribution from Group subsidiaries,
- using qualitative valuations based on a knowledge of the company and specific risk factors inherent in administrative/accounting processes.

Underlying company processes are related to financial statement accounts classified as significant, to identify controls that can meet the objectives of the financial disclosure internal control system. The adequacy of these controls and their application is then evaluated. In the case of automatic controls, this evaluation also considers general IT controls for applications that support processes which are considered significant.

b) Identification of controls for identified risks;
As stated above, controls necessary to mitigate risks identified in administrative/accounting processes are identified,

considering control objectives associated with financial disclosure.

The functions involved in the financial disclosure process ensure that administrative and accounting procedures and relative controls are updated, as concerns areas in their remit.

If, after defining the scope of actions, sensitive areas are identified which are not regulated, either wholly or in part, by administrative and accounting procedures, existing procedures are supplemented and new procedures are formalised, overseen by the Manager in charge of financial reporting, in relation to management areas in his remit.

c) Evaluation of controls for identified risks and problems detected.
The Accounting Control System is periodically evaluated, at least every six months, when preparing the separate annual financial statements, consolidated annual financial statements and abbreviated consolidated half-year financial statements.

The adequacy and application of administrative and accounting procedures and controls are evaluated by monitoring (testing) based on best practices.

Testing is done throughout the financial year, as arranged and coordinated by the Manager in charge of financial reporting through his own department, supported if necessary by the internal audit department or appropriately selected external consultants.

Control tests are run on the administrative and functional departments coordinated by the Manager in charge of financial reporting or by his officers, assisted by the Internal Audit department to ensure that controls for administrative and accounting procedures are carried out, in addition to specific focused controls on companies, processes and accounting entries.

Delegated bodies and administrative managers of subsidiaries report to the Manager in charge of financial reporting on the monitoring of the adequacy and application of administrative and accounting procedures.

The Manager in charge of financial reporting, assisted by the Internal Control Supervisor, produces a report summarising the results of evaluations on controls for previously identified risks (Management Summary). This is based on the outcome of monitoring activities and on statements from delegated administrative bodies and administrative managers of subsidiaries. This evaluation may identify compensatory controls, corrective actions or improvement plans for any problems identified.

The Management Summary is issued to the Chief Executive Officer, and then submitted to the Board of Statutory Auditors of the Parent Company, the Internal Control Committee and Board of Directors.

Roles and functions involved

The risk management and internal control system for financial disclosure is governed by the Manager in charge of financial reporting. Appointed by the Board of Directors, the Manager, in conjunction with the Chief Executive Officer, is responsible for planning, implementing and approving the Accounting and Administrative Control Model, and assessing its application, issuing a statement relative to the interim and annual financial statements, including consolidated statements. The Manager in charge of financial reporting is also responsible for establishing adequate administrative and accounting procedures for drafting the financial statements and consolidated financial statements. With the assistance of the Internal Audit department, it also provides subsidiaries considered significant in terms of preparing consolidated Group reporting, with guidelines on evaluating the Accounting Control System.

In carrying out activities, the Manager in charge of financial reporting:

- liaises with the Internal Audit Department/Internal Control Supervisor, that independently audits the operation of the control system and assists the Manager in charge of financial reporting in monitoring the system;
- is assisted by Function Managers. These managers ensure complete, reliable information flows to the Manager in charge of financial reporting, for areas in their remit, for accounting disclosure purposes;
- coordinates the activities of administrative managers of subsidiaries considered significant. These managers, in conjunction with delegated bodies, are responsible for establishing adequate accounting control systems within their companies, to monitor administrative and accounting processes and to evaluate effectiveness over time, reporting results to the parent company, based on an internal statement process;
- establishes reciprocal information flows with the Internal Control Committee and Board of Directors, reporting on activities carried out and on the adequacy of the Internal Control System.

Lastly, the Board of Statutory Auditors and Supervisory Body are informed of the adequacy and reliability of the administrative/accounting system.

13. INTERESTS OF DIRECTORS AND TRANSACTIONS WITH RELATED PARTIES

The "Procedure for significant transactions and transactions with related parties", approved by the Issuer in the board meeting of 28 August 2006, sets out the (quantitative and/or qualitative) criteria used to identify transactions to be examined and approved by the Board. These criteria have been identified in relation to the type of transaction involved, with specific and distinct reference (i) to significant income, equity and financial transactions or those in relation to the Issuer's business (i.e. "Significant Transactions" as defined elsewhere); as well as (ii) to transactions with related parties (i.e. "Related Party Transactions", as defined elsewhere).

In order to concretely implement the application criteria, 9.C.1. and 9.C.2. of the Code, the Board arranged for the definition of appropriate procedures suited to guarantee the Board members a full and exhaustive report on Significant Transactions and Transactions with Related Parties.

Significant Transactions

The following are considered significant income, equity and financial transactions, i.e. transactions relating to the company's business ("Significant Transactions"):

1) acquisitions or disposals of equity investments in companies or branches of companies;
2) the conclusion or modification of loan contracts of any type stipulated for amounts of more than EUR 25 million;
3) the granting of collateral guarantees on assets and personal guarantees for commitments to third parties other than those granted in the interest, directly or indirectly, of subsidiary companies;
4) the transfer of brands, patents and other intellectual property rights, as well as the conclusion of licensing contracts;
5) the conclusion and modification of multi-year commercial agreements, including joint-venture agreements;
6) the purchase and sale of real estate;
7) other extraordinary administrative transactions having an amount of more than EUR 50 million;
8) the appointment of the general manager and the head of the company's administration, finance and control departments;
9) the appointment of the members of administrative bodies and the general managers of directly and indirectly held subsidiary companies.


300ie

Reference must usually be made, for the calculation of the amounts indicated in items 2) and 7) above, to each transaction considered on an individual basis, except in the case of transactions that are strictly and objectively related to a similar strategic or executive plan, where reference must be made to the total value of all the related transactions.

In relation to each Significant Transaction, the Board must receive a report – drawn up by the delegated bodies – suitable for allowing for a prior examination of the essential elements of this transaction. Specifically, an exhaustive report must be provided regarding the strategic motivations for the Significant Transaction and its estimated income, equity and financial effects, including at consolidated level.

Transactions with Related Parties

In conformance with art. 2.1 h) of the Consob Issuer's Regulations, Related Parties are those defined by international accounting standards regarding financial statements information on transactions with related parties, adopted according to the procedure under article 6 of EC regulation no. 1606/2002 (International Accounting Principle IAS 24).

To ensure precise compliance with the principles and procedures as of this point, the delegated bodies prepare and update the list of identifiable Related Parties.

Transactions with Related Parties are therefore reserved for the examination and approval of the Issuer's Board, except for Normal Transactions with Related Parties at Market Conditions (as defined below).

In any case, it remains understood that the Board of Statutory Auditors has the authority in the case of Normal Transactions with Related Parties at Market Conditions that can also be qualified as Significant Transactions. In this case, the above-mentioned principles and procedures are applied with reference to significant transactions.

For the purposes of this procedure:

- "Normal Transactions" mean repeated, or typical transactions, or those that occur during the normal course of the Issuer's business, according to type, subject and conditions of payment;
- "Transactions at Market Conditions" mean transactions concluded at market conditions, i.e. at conditions that conform to trading practices carried out normally or at conditions that do not deviate from those practised for similar transactions.

In relation to each Transaction with Related Parties reserved to the Board, the Board must receive a report – drawn up by the delegated bodies – suitable to allow for a prior examination of the essential elements of this transaction, with special reference to the following elements:

- the general characteristics of the transactions (specifically indicating: the subject, motivations, amount and timing of the transaction, as well as the nature of its correlation);
- the methods used to calculate the amount and/or the main conditions and main terms that could susceptibly generate commitments for the Company;
- foreseeable income, equity and financial effects of the transaction, on a direct and consolidated basis;
- any interests (direct and indirect) that the members of the company boards might have in the transaction.

After receiving information from delegated bodies and wherever appropriate, taking account of the nature, amount and other characteristics of an individual Transaction with Related Parties (as of Application criterion 9.C.1 of the Code), the Board may request that the transaction is concluded with the assistance of one or more experts, who express an opinion on the economic and/or executive conditions and technical methods of the transaction. The selection of experts to be consulted must be from amongst individuals whose expertise and authority is recognised, and whose independence and lack of conflict of interest regarding the transaction must be verified.

In accordance with application criterion 9.C.2 of the Code, directors who have an interest – even potential or indirect – in a Transaction with Related Parties must inform the Board, in advance and exhaustively, on the existence of this interest and the circumstances surrounding it. In relation to each actual case and based on the report given by the Board member involved – also taking account of the need to ensure the proper functioning of the management body – the Board is required to evaluate whether or not it is opportune to request that this Board member: (i) distance him/herself from the session before the beginning of discussions and until a decision has been reached; or (ii) to abstain from participation in votes regarding the matter.

Transactions with Related Parties other than those reserved for examination and approval by the Board are instead entrusted to the expertise of the delegated bodies, in accordance with the powers given to them.

Except where otherwise specified below, the delegated bodies must supply the Board with an exhaustive report on the essential elements of the Transaction with Related Parties arising from those that have already taken place, as well as on potential risk profiles or other critical issues of this Transaction at the next meeting thereof. Specifically, an exhaustive report must be supplied regarding the following elements:

- general features of the transaction (with special reference to the nature of the association and the motivations for the transaction);
- foreseeable income, equity and financial effects of the transaction, including on a consolidated basis.

In any case, it remains understood that the delegated bodies have the possibility – where they feel it opportune – to subject Transactions with Related Parties to the examination and approval of the Issuer's Board if, despite not being reserved to the authority of the Board, they present – in concrete terms – specific elements and/or risks critical to the safekeeping of corporate assets, or for the protection of minority shareholders. In this case, the relevant procedure must be applied.

The Procedure for significant transactions and transactions with related parties can be viewed on the Issuers' institutional website http://www.piaggiogroup.comwww.piaggiogroup.com, under *Investor Relations* / Corporate Governance / Procedures.

14. APPOINTMENT OF STATUTORY AUDITORS

The appointment and replacement of statutory auditors is regulated by pro tempore laws and regulations in force, and by art. 24 of the Issuer's Articles of Association. The directives in the Issuer's Articles of Association that regulate the appointment of the Board of Statutory Auditors are suitable for ensuring compliance to the regulation in art. 148.2-bis of the Consolidated Finance Act introduced by Law 262/2005 and by the directives under Decree 303/2006.

Pursuant to art. 24 of the Issuer's Articles of Association, the lists presented to shareholders must be filed at the registered office at least fifteen clear days before the date of the first call of the Shareholders' Meeting.

The appointment of the Board of Statutory Auditors takes place according to lists presented to Shareholders. Each shareholder, as well as shareholders who have entered into a significant shareholder agreement pursuant to art. 122 of the Consolidated Finance Act, as well as the Parent Company, its subsidiaries and joint ventures pursuant to art. 93 of the Consolidated Finance Act, cannot present or take part in presenting more than one list, either by proxy or through trust companies, nor can they vote on different list.

Only shareholders who – either alone or jointly – hold a total of shares with voting rights representing at least 2.5% (two point five percent) of the share capital with the right to vote in Ordinary General Meeting have the right to present lists, or else those who represent another percentage that has possibly been set or required by laws or regulations. In its ruling no. 17148 of 27 January 2010, Consob established that 2.5% of the share capital is the percentage of equity investment required to present candidate lists for appointment to the Control Body of the Issuer, with reference to the year ended 31 December 2009.

The election of Statutory Auditors takes place as follows:

a) two statutory auditors and an alternate auditor are selected from the list which obtained the highest number of votes at the Shareholders' Meeting, based on the sequential order in which they appear in the sections of the list;
b) one statutory auditor and one alternate auditor will be selected from the second list which obtained the highest number of votes at the Shareholders' Meeting and who, pursuant to the law and other regulations in force, is not connected, either directly or indirectly, with the Shareholders who presented or voted the list which obtained the highest number of votes, based on the sequential order in which they appear in the sections of the list.

If there is a tie among two or more lists, the Statutory Auditors appointed will be those most senior in age.

The Chairman of the Board of Statutory Auditors shall be the statutory auditor selected from the second list that obtained the highest number of votes, pursuant to item b) above.

The above-mentioned provisions regarding the appointment of Statutory Auditors do not apply to Shareholders' Meetings to which only one list has been presented, or voted. In those cases, the Shareholders' Meeting shall resolve with a relative majority.

If, at the deadline for presenting lists, only one list or only lists presented by Shareholders with whom significant connections exist pursuant to pro tempore laws and regulations in force have been filed, lists may be presented in the five days following this date. In this case, the minimum threshold for presenting lists is halved.

When the Shareholders' Meeting must appoint the Standing Statutory Auditors and/or Alternate Statutory Auditors required in order to fill the Board of Statutory Auditors, the procedure shall be as follows: if Statutory Auditors elected from the majority list are to be replaced, the appointment takes place by relative majority voting, regardless of the lists presented.

If conversely the Auditors elected from the minority list are to be replaced, the Shareholders' Meeting shall replace them by relative majority voting, selecting them from amongst the candidates appearing on the list of the auditor to be replaced.

15. STATUTORY AUDITORS (pursuant to article 123-*bis*, section 2, letter d), Consolidated Finance Act)

The Board of Statutory Auditors in office at the time of going to press, was unanimously appointed by the Ordinary General Meeting of 16 April 2009, based on the sole list of candidates presented by the majority shareholder IMMSI S.p.A., in compliance with article 24 of the Articles of Association and will remain in office until approval of the financial statements for the year ended 31 December 2011.

The Board in office comprises the following:

Name	Position	In office from	List (M/m)	Indep. per the Code	% attend. in B. of S. A.	Other offices
Giovanni Barbara	Chairman	16/04/2009	M	X	90	10
Attilio Francesco Arietti	Statutory Auditor	16/04/2009	M	X	100	12
Alessandro Lai	Statutory Auditor	16/04/2009	M	X	100	12
Mauro Girelli	Alternate Auditor	16/04/2009	M	X	_	26
Elena Fornara	Alternate Auditor	16/04/2009	M	X	_	-

LEGEND

List (M/m): indicates whether the Auditor has been elected from the list voted by the majority (M) or by a minority (m).

Indep.: indicates whether the auditor can be qualified as independent according to the criteria set by the Code.

% attend. in B. of S.A.: indicates the attendance, as a percentage, of the auditor at Board meetings (calculated as the number of meetings that the auditor attended over the number of Board meetings that took place during the financial year or following the assumption of the position).

Other offices indicates the total number of appointments held at 31 December 2009 with companies, as of Book V, Section V, Parts V, VI and VII of the Civil Code. For updated information on appointments, not available when this Report was approved, reference is made to the report on supervisory activities to be presented pursuant to article 153, section 1 of the Consolidated Finance Act, to the Shareholders' Meeting convened to approve the 2009 financial statements.

As regards the disclosure requirements of article 78 of the Issuers' Regulations, the table below shows the fees paid to Statutory Auditors during the financial year, according to criteria in Attachment 3C to the Regulations.

Name	Emoluments for the office	Non-monetary benefits	Bonuses and other incentives	Other fees	Total
Barbara Giovanni	110,783	-	-	25,000	135,783
Arietti Attilio Francesco	77,021	-	-	-	77,021
Lai Alessandro	76,624	-	-	-	76,624
Girelli Mauro	-	-	-	-	
Fornara Elena	-	-	-	-	

The professional *curricula* of the Statutory Auditors pursuant to arts. 144-octies and 144-decies of Consob Regulation on Issuers are available on the Issuer's institutional website http://www.piaggiogroup.comwww.piaggiogroup.com under Investor Relations/Information Memorandum.

During the financial year 10 (ten) meetings of the Board of Statutory Auditors were held on the following dates: 26 February 2009; 3 March 2009; 23 March 2009; 16 April 2009; 27 May 2009; 17 June 2009; 26 June 2009; 30 July 2009; 15 September 2009; 27 November 2009;

The meetings lasted on average 3 (three) hours.

The delegated bodies reported to the Board of Statutory Auditors on their work in a suitable and timely manner as prescribed by law and the Articles of Association, i.e. at least on a quarterly basis, regarding general operational performance and the outlook, as well as on the more significant transactions made by the Issuer and its subsidiaries according to size and characteristics.

On 15 February 2010 the Board of Statutory Auditors verified that its members still had their requisites of independence, already verified on their appointment, on the basis of criteria in the Code regarding the independence of Directors.

The Issuer expects Statutory Auditors who – for their account or for a third party's – have an interest in a certain transaction of the Issuer's, to promptly and fully inform the other Statutory Auditors and the Chairman of the Board regarding the nature, terms, origin and scope of their interest.
Statutory Auditors periodically monitor the independence of the independent auditors, expressing their opinion on an annual basis in a report to the Shareholders' Meeting.

In carrying out its work, the Board of Statutory Auditors duly coordinated with the internal audit department and with the Internal Control Committee, meeting with the head of the internal audit department and the Internal Control Supervisor.

At least 5 (five) meetings of the Board of Statutory Auditors are planned for the year. In addition to the meeting already held on 15 February 2010, meetings are scheduled for: 15 March 2010, 15 June 2010, 13 September 2010 and 15 November 2010.

15.1 *Functioning of the board of statutory auditors*

The Board of Statutory Auditors exercises the powers and functions granted and assigned to it by law and by other applicable provisions.

Pursuant to article 25, section 2, of the Articles of Association, meetings of the Board of Statutory Auditors may be held by teleconferencing and/or video conferencing provided that:
a) the Chairman and the person taking the minutes are at the place where the meeting has been convened;
b) all participants may be identified and are able to take part in the discussion, receive, transmit and consult documents and intervene in real time concerning all items. If these conditions apply, the meeting of the Board of Statutory Auditors is considered as being held at the place where the Chairman and person taking the minutes are present.

16. RELATIONSHIPS WITH SHAREHOLDERS

The Company believed it to be in its own specific interest – besides being its duty to the market – to establish a continuous dialogue with the majority of its shareholders, as well as with institutional investors, from the time of its listing on the stock market based on the reciprocal understanding of their respective roles. This relationship must in any case be

carried out with respect to the "Procedure for the publication of price-sensitive information" described in section 6 above.
It was considered that this relationship with the majority of shareholders and institutional investors could be facilitated via the constitution of dedicated corporate structures, provided with the suitable personnel and organisational resources.
For this purpose, an Investor Relations Department was established to take care of relations with the majority of shareholders and institutional investors, and possibly carry out specific tasks in the management of price-sensitive information and in relations with Consob and Borsa Italiana S.p.A..
At the time of going to press, Simone Montanari was Investor Relations manager. This department can be contacted at: investorrelations@piaggio.com
The Investor Relations reporting activities is also ensured by making available the most significant company documentation in a timely and on-going basis on the Company website under the Investor Relations section.
In particular, investors may view all press releases to the market, interim financial data approved by competent company boards (annual financial statements, half-year Financial Report, interim reports on operations), and documents distributed during meetings with professional investors, analysts and the financial community in Italian or English on the Internet site.
Moreover, the Issuer's website contains the Articles of Association, the documents prepared for Shareholders' Meetings, Internal Dealing communications, the Annual Report on the Corporate Governance System, and any other document that the Issuer is required to publish on its website by regulations in force.

To update the market in a timely fashion, the Company has set up an e-mail alert service that allows subject matter released on the web site to be received in real time.

17. GENERAL MEETINGS (article 123-*bis*, section 2, letter c), Consolidated Finance Act)

Pursuant to art. 8.2 of the Issuer's Articles of Association, "Shareholders are legitimately entitled to take part if the Company has received the notice prescribed by Article 2370.2 of the Civil Code within two working days before the date of each Shareholders' Meeting."

The Ordinary General Meeting is convened at least once a year to approve the financial statements within one hundred and twenty days from the close of the financial year. The ordinary and extraordinary General Meeting is also convened whenever deemed suitable by the Board of Directors and when required by law. The General Meeting shall be convened without delay when requested pursuant to law.

The ordinary and extraordinary General Meeting is convened, within the times indicated by laws in force, with notice published in the Official Gazette of the Republic of Italy or in the newspaper "Il Sole 24 Ore" stating the day, place and time of the first and any subsequent calls, as well as a list of items on the agenda, without prejudice to compliance with any other provision of laws in force.

The agenda of the General Meeting is set by the person with powers to convene the meeting in accordance with law and the Articles of Association, or in the event the meeting is convened on request of Shareholders, on the basis of the items to discuss in said. In the event that the meeting is convened on request of Shareholders pursuant to law, the agenda is supplemented according to the terms and procedures indicated in applicable provisions.

Pursuant to article 9 of the Articles of Association, the General Meeting of Shareholders is chaired by the Chairman of the Board of Directors, or in his/her absence or impediment, by the sole Deputy Chairman, or if several Deputy Chairmen hold office, by the Deputy Chairman in office for the longest period of time, or if Deputy Chairmen have been in office for the same period of time, by the most senior. In the absence or impediment of the Chairman, the sole Deputy Chairman, or all Deputy Chairmen, the General Meeting of Shareholders is chaired by a Director or Shareholder appointed by the majority of those present. The Chairman of the General Meeting ascertains the identity and legitimate attendance of those present, ascertains that the Meeting is duly established and that the number of Shareholders necessary to pass valid resolutions is present; governs proceedings, defines the voting procedures and ascertains voting results.

Legal provisions and provisions of the Articles of Association apply for the due establishment of the ordinary and extraordinary General Meeting and for the validity of resolutions.

To facilitate attendance at the General Meeting and the exercising of voting rights, the ordinary or extraordinary General Meeting may be held, pursuant to article 6, section 2 of the Articles of Association, by video conferencing with participants attending in several adjoining or remote places, provided that decisions are made collectively and principles of good faith and equal treatment of shareholders are observed.

The Company does not feel it necessary, at present, to propose the adopting of specific regulations for the proceedings of Shareholders' Meetings, since it also believes it appropriate that in principle Shareholders are ensured the maximum level of participation and expression in discussions at Meetings.

Pursuant to article 17 of the Articles of Association, in compliance with article 2436 of the Civil Code, General Meeting resolutions are delegated to the Board of Directors as concerns the following:

- mergers or spin offs, defined as simplified in accordance with articles 2505, 2505-bis, 2506-ter, last paragraph, of the Civil Code;
- establishing or closing sub-offices;
- transferring the registered office of the company within Italy;
- indicating Board Directors with power of attorney;
- lowering capital in the event of withdrawal;
- amending the Articles of Association to account for legal provisions.

Resolutions may in any event also be passed by an Extraordinary General Meeting of Shareholders.

***

As regards the rights of Shareholders, reference is made to applicable pro tempore laws and regulations. In addition to information in previous sections of this Report, the right to withdraw may only be exercised within the limits established by mandatory laws and, pursuant to article 3, section 2 of the Articles of Association, this right is excluded in the case of extending the duration of the Company.

***

The Board has reported on the activities carried out and scheduled in General Meetings, and endeavoured to ensure that shareholders had adequate information regarding the necessary elements so that they could make fully-informed decisions within the framework of a General Meeting.

The Board in its meeting of 26 February 2009, pursuant to application criterion 11.C.6 of the Code, did not consider it necessary to put to the General Meeting of Shareholders amendments to the articles of association in relation to the percentages established to exercise prerogatives to protect minorities, as - in compliance with article 144-*quater* of Consob Regulation on Issuers for presenting lists to appoint Board members and members of the Board of Statutory Auditors - articles 12.3 and 24.1 of the Articles of Association of the Issuer establish a limit of 2.5% of capital with voting rights or different percentage if established or referred to by laws or regulations.

In this regard, in its ruling no. 17148 of 27 January 2010, Consob established that 2.5% of the share capital is the percentage of equity investment required to present candidate lists for appointment to the administration and control bodies of the Issuer, with reference to the year ended 31 December 2009.

18. ADDITIONAL CORPORATE GOVERNANCE PRACTICES (pursuant to article 123-bis, paragraph 2, letter a), Consolidated Finance Act)

The Issuer does not adopt any corporate governance practices in addition to those required by laws or regulations and described in this Report.

19. CHANGES AFTER THE FINANCIAL YEAR-END

No other changes occurred in the corporate governance structure after the financial year-end, other than those indicated in the specific sections.

Piaggio Group
Consolidated Financial Statements as of 31 December 2009

CONSOLIDATED INCOME STATEMENT

In thousands of Euros	Notes	2009	2008	Change
Net revenues	**4**	**1,486,882**	**1,570,060**	**(83,178)**
of which with related parties		*7*	*58*	*(51)*
Cost for materials	5	871,653	936,603	(64,950)
of which with related parties		*38,800*	*43,855*	*(5,055)*
Cost for services and use of third party assets	6	272,065	292,920	(20,855)
of which with related parties		*3,679*	*1,557*	*2,122*
Employee costs	7	242,916	250,967	(8,051)
Amortisation/depreciation of property, plant and equipment	8	37,148	38,073	(925)
Amortisation/depreciation of intangible assets	8	59,230	56,467	2,763
Other operating income	9	135,938	133,474	2,464
of which with related parties		*1,538*	*2,035*	*(497)*
Other operating costs	10	35,387	33,993	1,394
of which with related parties		*2*	*10*	*(8)*
Operating income		**104,421**	**94,511**	**9,910**
Income/(loss) from equity investments	11	450	12	438
Financial income	12	4,455	6,367	(1,912)
Financial charges	12	33,275	41,288	(8,013)
of which with related parties		*161*	*246*	*(85)*
Net exchange gains/(losses)	12	(1,958)	31	(1,989)
Earnings before tax		**74,093**	**59,633**	**14,460**
Taxation for the period	13	26,674	16,302	10,372
Earnings from continuing activities		**47,419**	**43,331**	**4,088**
Assets held for disposal:				
Profits or losses arising from assets held for disposal	**14**			**0**
Consolidated net income		**47,419**	**43,331**	**4,088**
Attributable to:				
Shareholders of the Parent Company		**46,031**	**43,001**	**3,030**
Minority Shareholders		**1,388**	**330**	**1,058**
Earnings per share (figures in €)	**15**	**0.12**	**0.11**	**0.01**
Diluted earnings per share (figures in €)	**15**	**0.12**	**0.11**	**0.01**

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

In thousands of Euros	Notes	2009	2008	Change
Profit (loss) for the period (A)		**47,419**	**43,331**	**4,088**
Effective part of profits (losses) on cash flow hedges	31	532	(658)	1,190
Profit (loss) deriving from the translation of financial statements of foreign companies denominated in foreign currency		619	(6,152)	6,771
Total Other Profits (and losses) for the period (B)		**1,151**	**(6,810)**	**7,961**
Total Profit (loss) for the period (A + B)		**48,570**	**36,521**	**12,049**
Attributable to:				
Shareholders of the Parent Company		**47,467**	**36,264**	**11,203**
Minority Shareholders		**1,103**	**257**	**846**

CONSOLIDATED BALANCE SHEET

Balance sheet				
In thousands of Euros	**Notes**	**31 December 2009**	**31 December 2008**	**Change**
ASSETS				
Non-current assets				
Intangible assets	16	641,254	648,234	(6,980)
Property, plant and equipment	17	250,415	250,354	61
Property investments	18			0
Equity investments	19	239	239	0
Other financial assets	20	343	359	(16)
of which with related parties		*9*		*9*
Long-term tax receivables	21	4,990	8,166	(3,176)
Deferred tax assets	22	46,462	36,227	10,235
Other receivables	24	12,914	12,587	327
of which with related parties		*459*	*799*	*(340)*
Total non-current assets		**956,617**	**956,166**	**451**
Assets held for sale	**28**			**0**
Current assets				
Trade receivables	23	103,164	90,278	12,886
of which with related parties		*477*	*460*	*17*
Other receivables	24	24,198	21,380	2,818
of which with related parties		*4,066*	*1,961*	*2,105*
Short-term tax receivables	21	23,979	27,772	(3,793)
Inventories	25	252,496	257,961	(5,465)
Other financial assets	26	4,127	5,787	(1,660)
of which with related parties			*45*	*(45)*
Cash and cash equivalents	27	200,239	39,985	160,254
Total current assets		**608,203**	**443,163**	**165,040**
TOTAL ASSETS		**1,564,820**	**1,399,329**	**165,491**

CONSOLIDATED BALANCE SHEET

Balance sheet				
In thousands of Euros	**Notes**	**31 December 2009**	**31 December 2008**	**Change**
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity				
Share capital and reserves attributable to the shareholders of the Parent Company	31	421,661	396,767	24,894
Share capital and reserves attributable to minority shareholders	31	2,141	1,454	687
Total shareholders' equity		**423,802**	**398,221**	**25,581**
Non-current liabilities				
Financial liabilities falling due after one year	32	443,164	264,789	178,375
of which with related parties		*16,000*		*16,000*
Retirement funds and employee benefits	36	61,859	64,160	(2,301)
Other long-term provisions	34	22,965	21,678	1,287
Tax payables	37		166	(166)
Other long-term payables	38	6,485	5,965	520
Deferred tax liabilities	35	29,694	31,795	(2,101)
Total non-current liabilities		**564,167**	**388,553**	**175,614**
Current liabilities				
Financial liabilities falling due within one year	32	113,178	140,691	(27,513)
Trade payables	33	345,987	362,224	(16,237)
of which with related parties		*13,242*	*8,712*	*4,530*
Tax payables	37	18,952	19,065	(113)
Other short-term payables	38	79,567	70,677	8,890
of which with related parties		*607*	*600*	*7*
Current portion other long-term provisions	34	19,167	19,898	(731)
Total current liabilities		**576,851**	**612,555**	**(35,704)**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1,564,820**	**1,399,329**	**165,491**

CONSOLIDATED STATEMENT OF CASH FLOWS

This table shows the causes of the changes in liquid assets net of short-term bank overdrafts, in accordance with IAS no. 7.

Amounts in €/000	**2009**	**2008**
Operating activities		
Consolidated net income	46,031	43,001
Minority shareholders	1,388	330
Taxation for the period	26,674	16,302
Amortisation/depreciation of property, plant and equipment	37,148	38,073
Amortisation/depreciation of intangible assets	59,230	56,467
Non-monetary costs for stock options	723	1,980
Allocations for risks and retirement funds and employee benefits	28,740	29,836
Write-downs / (Revaluations)	7,360	6,268
Losses / (Gains) on the disposal of property, plants and equipment	83	(237)
Financial income	(1,445)	(3,905)
Dividend income	(601)	
Financial charges	28,051	35,723
Income from public grants	(7,428)	(7,316)
Change in working capital:		
(Increase)/Decrease in trade receivables	(12,886)	31,134
(Increase)/Decrease other receivables	(2,818)	(1,035)
(Increase)/Decrease in inventories	5,465	(32,432)
Increase/(Decrease) in trade payables	(16,237)	14,764
(Increase)/Decrease other payables	8,890	(3,766)
Increase/(Decrease) in provisions for risks	(19,015)	(18,411)
Increase/(Decrease) in retirement funds and employee benefits	(11,470)	(11,621)
Other changes	20,299	(16,452)
Cash generating by operating activities	**198,182**	**178,703**
Interest paid	(33,522)	(32,716)
Taxation paid	(35,325)	(22,394)
Penalty for the debenture loan redeemed in advance	(6,098)	
Cash flow from operating activities (A)	**123,237**	**123,593**

CONSOLIDATED STATEMENT OF CASH FLOWS

Amounts in €/000	2009	2008
Investment activity		
Investment in property, plant and equipment	(39,254)	(45,635)
Sale price, or repayment value, of property, plant and equipment	1,505	1,116
Investment in intangible assets	(54,535)	(57,293)
Sale price, or repayment value, of intangible assets	55	22
Sale price of equity investments		496
Repayment of loans provided	45	71
Purchase of financial assets		(10)
Sale price of financial assets	1,615	12,630
Collected interests	2,082	4,030
Cash flow from investment activities (B)	**(88,487)**	**(84,573)**
Financing activities		
Purchase of own shares	(1,179)	(26,102)
Outflow for dividends paid	(22,533)	(23,251)
Loans received	395,365	43,456
Outflow for repayment of loans	(234,179)	(101,635)
Repayment of finance leases	(726)	(695)
Cash flow from funding activities (C)	**136,748**	**(108,227)**
Increase / (Decrease) in liquid funds (A+B+C)	171,498	(69,207)
Opening balance	**25,976**	**94,862**
Exchange differences	807	321
Closing balance	**198,281**	**25,976**

The table below shows the breakdown of the liquid funds balance as of 31 December 2009 and as of 31 December 2008.

In thousands of Euros	31 December 2009	31 December 2008	Change
Liquid funds	200,239	39,985	160,254
Current account overdrafts	(1,958)	(14,009)	12,051
Final balance	**198,281**	**25,976**	**172,305**

CONSOLIDATED NET DEBT /(NET FINANCIAL DEBT)

In thousands of Euros	Notes	31 December 2009	31 December 2008	Change
Liquidity		200,239	39,985	160,254
Short-term financial receivables due from third parties	26		4,137	(4,137)
Short-term financial receivables due from affiliated companies	26		45	(45)
Securities	26	4,127	1,605	2,522
Current financial receivables		**4,127**	**5,787**	**(1,660)**
Payables due to banks	32	(24,473)	(66,378)	41,905
Current portion of bank financing	32	(58,812)	(57,734)	(1,078)
Amounts due to factoring companies	32	(26,599)	(13,020)	(13,579)
Amounts due under leases	32	(758)	(727)	(31)
Current portion of payables due to other financiers	32	(2,536)	(2,569)	33
Aprilia Instruments	32		(263)	263
Current financial debt		**(113,178)**	**(140,691)**	**27,513**
Net current financial debt		**91,188**	**(94,919)**	**186,107**
Payables due to banks and financing institutions	32	(289,872)	(117,056)	(172,816)
Bonds	32	(137,665)	(120,873)	(16,792)
Amounts due under leases	32	(8,262)	(9,019)	757
Amounts due to other lenders	32	(7,365)	(8,842)	1,477
Aprilia Instruments	32		(8,999)	8,999
Non-current financial debt		**(443,164)**	**(264,789)**	**(178,375)**
NET FINANCIAL DEBT*		**(351,976)**	**(359,708)**	**7,732**

* 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".

This table reconciles the movement in the flow of the consolidated net debt with liquid fund movements as shown in the Statement of Cash Flows.

In thousands of Euros	
Increase/decrease in liquid funds from the cash flow statement	**171,498**
Outflow for repayment of loans	234,179
Repayment of finance leases	726
Loans received	(395,365)
Amortised cost on M-L term financing	(2,453)
Loans on leases received	0
Repayment of loans provided	(45)
Purchase of financial assets	0
Sale of financial assets	(1,615)
Exchange differences	807
Change in Net Financial Debt	**7,732**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS'

In thousands of Euros	Share capital	Share premium reserve	Legal reserve	Reserve for measurement of financial instruments	IAS transition reserve
As of 1 January 2009	**192,147**	**3,493**	**7,497**	**(405)**	**(5,859)**
Charges for the period for stock option plans					
Allocation of profits			1,499		
Distribution of dividends					
Purchase of own shares	(531)				
Total overall Profit (loss)				532	
As of 31 December 2009	**191,616**	**3,493**	**8,996**	**127**	**(5,859)**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS'

In thousands of Euros	Share capital	Share premium reserve	Legal reserve	Reserve for measurement of financial instruments	IAS transition reserve
As of 1 January 2008	**202,124**	**3,493**	**4,273**	**62,703**	**(5,859)**
Reclassification of debt warrants				(62,450)	
Charges for the period for stock option plans					
Allocation of profits			3,224		
Distribution of dividends					
Purchase of own shares	(9,977)				
Simest acquiring Piaggio Vietnam capital					
Total overall Profit (loss)				(658)	
As of 31 December 2008	**192,147**	**3,493**	**7,497**	**(405)**	**(5,859)**

EQUITY 1 JANUARY 2009 / 31 DECEMBER 2009

Group consolidation reserve	Group conversion reserve	Stock option reserve	Performance reserve	Consolidated Group shareholders' equity	Minority interest capital and reserves	TOTAL SHAREHOLDERS' EQUITY
993	**(6,372)**	**8,556**	**196,717**	**396,767**	**1,454**	**398,221**
		723		723		723
			(1,499)	0		0
			(22,117)	(22,117)	(416)	(22,533)
			(648)	(1,179)		(1,179)
	904		46,031	47,467	1,103	48,570
993	**(5,468)**	**9,279**	**218,484**	**421,661**	**2,141**	**423,802**

EQUITY 1 JANUARY 2008 / 31 DECEMBER 2008

Group consolidation reserve	Group conversion reserve	Stock option reserve	Performance reserve	Consolidated Group shareholders' equity	Minority interest capital and reserves	TOTAL SHAREHOLDERS' EQUITY
993	**(293)**	**6,576**	**196,387**	**470,397**	**1,050**	**471,447**
				(62,450)		(62,450)
		1,980		1,980		1,980
			(3,224)	0		0
			(23,322)	(23,322)	(171)	(23,493)
			(16,125)	(26,102)		(26,102)
				0	318	318
	(6,079)		43,001	36,264	257	36,521
993	**(6,372)**	**8,556**	**196,717**	**396,767**	**1,454**	**398,221**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2009

Chapter	Note No.	DESCRIPTION
A		*GENERAL ASPECTS*
	1	Form and content of the financial statements
	2	Consolidation principles and evaluation criteria
B		*SEGMENT REPORTING*
	3	Information by business sectors and by geographical area
C		*INFORMATION ON THE CONSOLIDATED INCOME STATEMENT*
	4	Net revenues
	5	Costs for materials
	6	Costs for services and use of third party assets
	7	Employee costs
	8	Amortisation/depreciation and impairment costs
	9	Other operating income
	10	Other operating costs
	11	Net income from equity investments
	12	Net financial proceeds/(charges)
	13	Taxation
	14	Gain / (loss) on assets held for disposal or sale
	15	Earnings per share
D		*INFORMATION ON THE CONSOLIDATED BALANCE SHEET: ASSETS*
	16	Intangible assets
	17	Property, plant and equipment
	18	Property investments
	19	Equity investments
	20	Other non-current financial assets
	21	Current and non-current tax receivables
	22	Deferred tax assets
	23	Current and non-current trade receivables
	24	Other current and non-current receivables
	25	Inventories
	26	Other current financial assets
	27	Cash and cash equivalents
	28	Assets held for sale
	29	Distribution by geographical segment of receivables entered under assets
	30	Receivables due after 5 years
		INFORMATION ON THE CONSOLIDATED BALANCE SHEET: LIABILITIES
	31	Share capital and reserves
	32	Current and non-current financial liabilities
	33	Current and non-current trade payables
	34	Current and non-current portions of provisions
	35	Deferred tax liabilities
	36	Retirement funds and employee benefits
	37	Current and non-current tax payables
	38	Current and non-current other payables
	39	Distribution by geographical segment of payables entered under liabilities
	40	Payables due after 5 years
E		*DEALINGS WITH RELATED PARTIES*
F		*COMMITMENTS AND RISKS*
G	*41*	*Guarantees provided*
		NON-RECURRENT TRANSACTIONS
H		*INFORMATION ABOUT FINANCIAL INSTRUMENTS*
I		*SUBSEQUENT EVENTS*
L		*SUBSIDIARIES*
	42	Piaggio Group Companies
M		*INFORMATION PURSUANT TO ARTICLE 149 DUODECIES OF CONSOB REGULATION ON ISSUERS*
N		*STATEMENT OF THE MANAGER IN CHARGE OF FINANCIAL REPORTING*

A) GENERAL ASPECTS

Piaggio & C. S.p.A. (the Company) is a corporation established in Italy at the Company Registry Office of Pisa. The addresses of its registered office and the locations where the Group's main activities are conducted are shown in the introduction to the financial statements file. The main operations of the company and its subsidiaries (the Group) are described in the Report on Operations.
The Financial Statements are expressed in euro (€) as this is the currency in which most of the Group's transactions take place. Foreign businesses are included in the consolidated Financial Statements in accordance with the principles indicated in the following notes.

Scope of consolidation

As of 31 December 2009, the structure of Piaggio Group was that attached to the Report on Operations and is taken as also referred to herein.
The scope of consolidation has changed due to the effect of the liquidation of Aprilia Moto UK Ltd being completed. This change, of a limited extent, does not alter the comparability of financial results between the two reference periods.

Compliance with international accounting standards

The Consolidated Financial Statements of the Piaggio Group as of 31 December 2009 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 Legislative Decree no. 38/2005 (Consob Resolution no. 15519 dated 27/7/06 containing the "Provisions for the presentation of financial statements", Consob Resolution no. 15520 dated 27/7/06 containing the "Changes and additions to the Issuers' Regulations adopted by Resolution no. 11971/99", Consob communication no. 6064293 dated 28/7/06 containing "Corporate disclosure 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 called the Standing Interpretations Committee ("SIC"), were also taken into account. In addition, international accounting standards have been uniformly applied for all Group companies. The financial statements of subsidiaries used for consolidation have been duly adapted and reclassified, where necessary, in order to make them conform to international accounting standards and to the standard classification criteria used in the Group.

The financial statements have been drawn up on the basis of the historical cost principle, amended as required to valuate some financial instruments, and on the basis that the company is a going concern. In fact the Group has ascertained that despite the difficult economic and financial context at present, no significant uncertainties exist (as defined in section 25 of Principle IAS 1) as to the company being a going concern, also in relation to actions already identified to adapt to changing demand, and the Group's industrial and financial flexibility.
These consolidated financial statements have been audited by Deloitte & Touche S.p.A..

For a greater clarity and comparability of data, details of costs of services have been revised in relation to published information in the explanatory notes to the 2008 Consolidated Financial Statements, without altering the total value of individual financial statement items.

Other information

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

1. FORM AND CONTENT OF THE FINANCIAL STATEMENTS

Form of the consolidated financial statements

The Consolidated Financial Statements consist of the Balance Sheet, the Income Statement, the Statement of Changes in Shareholders' Equity, the Statement of Cash Flows and these explanatory notes.

In relation to the form of the consolidated financial statements, the Company has opted to present the following types of accounting schedules:

Consolidated balance sheet

The consolidated balance sheet is presented in opposite sections with separated 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 income statement

The consolidated income statement is presented with the items classified by their nature.

The overall operating income are shown, which include all the 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 pre-tax income.

In addition, the revenue and cost items arising from assets held for disposal or sale, including any capital gains or losses net of the tax element, are recorded in a specific balance sheet item which precedes Group net income and minority interest.

For greater clarity, it should be noted that exchange gains and losses previously entered under financial income and charges are now entered as a separate item, as from this year. For comparability purposes, previously published 2008 figures have been appropriately reclassified.

Consolidated Comprehensive Income Statement

The consolidated comprehensive income statement 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 cash flow statement

The consolidated cash flow statement is divided into cash-flow generating areas. The 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 balance sheet balances for this item at the reference date. Financial flows in foreign currency have been converted at the average exchange rate for the year. Income and costs related to interest, dividends received and income taxes are included in the cash flow generated from operations.

Change in consolidated shareholders' equity

As of 1 January 2009, the consolidated statement of changes in Shareholders' equity has been adjusted in accordance with the adjusted version of IAS 1. 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 retroactive application or of the retroac-

tive calculation pursuant to IAS 8. A reconciliation between the opening and closing balance of the period is presented for each item.

Content of the Consolidated Financial Statements

The Consolidated Financial Statements of the Piaggio & C. Group include the Financial Statements of the Parent Company Piaggio & C. S.p.A. and of the Italian and foreign companies it directly and indirectly controlled, which are listed in section L.

2. CONSOLIDATION PRINCIPLES AND EVALUATION CRITERIA

The Consolidated Financial Statements as of 31 December 2009 include, using the line-by-line method, the Financial Statements of the Parent Company and the companies in which the Piaggio Group holds the majority of voting rights, and in any case of all companies in which it exercises a dominant influence, the list of which is supplied in Section L.
As of 31 December 2009 subsidiaries and associated companies of Piaggio & C. S.p.A. were distributed as follows:

	Subsidiaries			Associated			Total
	Italy	Abroad	Total	Italy	Abroad	Total	
Companies:							
- consolidated on a line-by-line basis	5	17	22				22
- consolidated on an equity basis		3	3		1	1	4
- valued at cost				3	2	5	5
Total companies	**5**	**20**	**25**	**3**	**3**	**6**	**31**

2.1 *Consolidation principles*

The assets and liabilities, as well as the income and charges, of consolidated companies are incorporated on a line-by-line basis, by eliminating the book value of the consolidated equity investments against the related shareholders' equity at the purchase or underwriting date. The book value of the equity investments has been eliminated against the shareholders' equity of the subsidiaries, by attributing to the minority interest shareholders in specific headings the portion of shareholders' equity and net income for the period due to them in the case of subsidiaries that are consolidated using the line-by-line method.
The positive differences arising from the elimination of the equity investments against the book value of shareholders' equity at the date of the first consolidation are charged to the higher values attributable to assets and liabilities, and the remainder to goodwill. In accordance with the transitory provisions of IFRS 3, the Group has changed the accounting criterion for goodwill for the future starting from the transition date. Therefore, as from this date the Group has stopped amortising goodwill, testing it instead for *impairment*.
The portion of shareholders' equity and net earnings of subsidiaries pertaining to minority interest have been recorded respectively in a specific item under Shareholders' equity called "Minority interest capital and reserves" and in the Income Statement in a heading called "Minority interest".

Subsidiaries

These are companies where the Group exercises a dominant influence. Such influence exists when the Group has the power, directly or indirectly, to determine the financial and operating policies of a company in order to derive benefits from its activities. The acquisition of subsidiaries is recorded on the basis of the method of acquisition. The acquisition cost is determined from the sum of the present values, at the date when control is achieved of the assets given, the liabilities incurred or taken on, and the financial instruments issued by the Group in exchange for control of the company acquired, plus the costs directly attributed to the merger.

The assets, liabilities and identifiable contingent liabilities of the company acquired which meet the conditions for their recording in accordance with IFRS 3 are recorded at their fair values at the date of acquisition, with the exception of non-current assets (or Groups being disposed of) which are classified as held for sale in accordance with IFRS 5, which are recorded and measured at fair value less sale costs. The goodwill arising from the acquisition is recorded as an asset and initially measured at cost, represented by the surplus of the acquisition cost compared to the Group share in fair values of the assets, liabilities and identifiable contingent liabilities recorded. The financial statements of the subsidiaries are included in the consolidated financial statements from the date when control is acquired until such control ceases to exist. The portions of shareholders' equity and earnings attributable to minority interest are indicated separately, in the consolidated balance sheet and consolidated income and loss statement, respectively.

Associated companies

These are companies in which the Group exercises significant influence, but not joint control, over their financial and operating policies. The consolidated financial statements include the portion due to the Group of associated companies' earnings, recorded using the equity method, from the date on which such significant influence starts until it ceases to exist. Should the Group portion of the associated company's losses exceed the book value of the equity investment in the financial statements, then the value of the equity investment is reset and the portion of further losses is not recorded, except and to the extent that the Group is obliged to answer for them.

Joint control companies

These are businesses over whose activities the Group has joint control, established by contractual agreements; these *joint venture* agreements, which imply the establishment of a separate entity in which each participant has a share of the equity investment, are called joint control equity investments. The Group records joint control equity investments by using the equity method.

With reference to transactions between a Group company and a joint control company, unrealised gains and losses are eliminated to an extent equal to the percentage of the Group's equity investment in the joint control company, except in the case in which the unrealised losses represent evidence of impairment in the transferred asset.

Equity investments in other companies

Equity investments in other companies (normally with a percentage of ownership below 20%) are recorded at cost which is written down if necessary for impairment. The dividends received from such companies are included under the heading Income (loss) from equity investments.

Transactions eliminated in the consolidation process

In preparing the consolidated financial statements, all the balances and significant transactions between Group companies are eliminated, as are the unrealised gains and losses on intragroup transactions.

The unrealised gains and losses generated on transactions with associated or joint control companies are eliminated in relation to the value of the Group's portion of equity investment in those companies.

Transactions in foreign currency

Transactions in foreign currency are recorded at the exchange rate in force at the reference date of the financial statements and are converted at the exchange rate in force at that date. Exchange rate differences generated by the extinction of currency items or by their conversion at different rates from those at which they were converted when they were initially recorded in the year or in previous financial statements are recorded in the income statement.

Consolidation of foreign companies

The separate financial statements of each company belonging to the Group are drawn up in the currency of the main economic environment in which they operate (the operating currency). For the purposes of the consolidated financial statements, the financial statements of each foreign entity are in euro, which is the operating currency of the Group and the currency for presenting the consolidated financial statements. All assets and liabilities of foreign companies in a currency other than the euro falling within the scope of consolidation are converted using the exchange rates in force at the reference date of the financial statements (current exchange rate method). Income and costs are converted at the average rate for the period. Exchange rate differences arising from the application of this method are classified as an item of shareholders' equity until the equity investment is disposed of. In preparing the consolidated cash flow statement, average exchange rates have been used to convert the cash flows of the foreign subsidiaries.

During first-time adoption of the IFRS, the cumulative exchange rate differences generated by the consolidation of foreign companies outside the Eurozone have not been reversed, as allowed by IFRS 1 and therefore have been maintained.

Conversion differences that arise from the comparison between opening shareholders' equity converted at current exchange rates and the same converted at historic exchange rates, as well as the differences between the earnings for the period expressed at average exchange rates and those expressed at current exchange rates, are charged to the shareholders' equity item "Other reserves".

The exchange rates used for the conversion into euro of the financial statements of the companies included in the scope of consolidation able below.

2.2 *Accounting standards*

Intangible assets

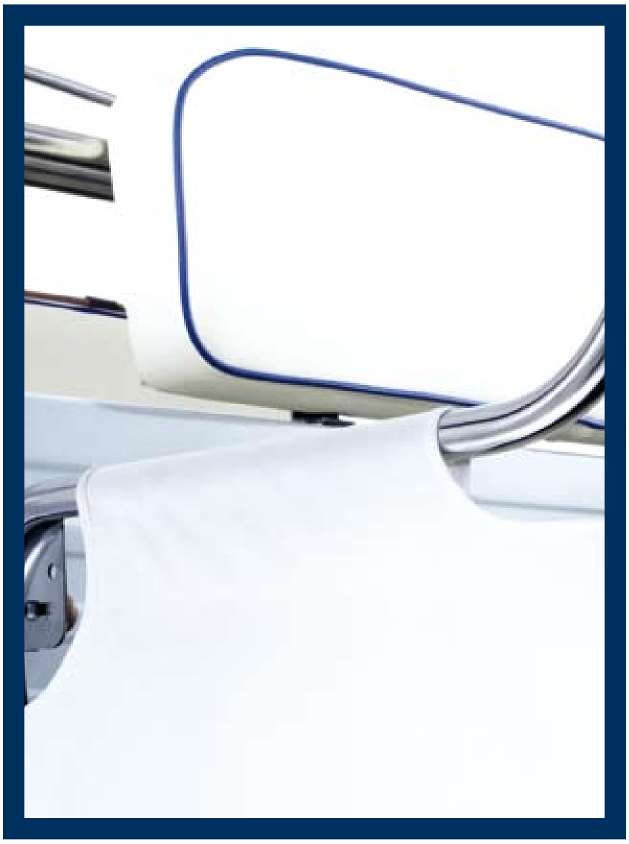
Pursuant to the provisions of IAS 38, an intangible asset acquired and produced internally is booked under assets only if it can be identified, controlled and is expected to generate future economic benefits and its cost can be reliably determined.

Intangible assets having a finite life are recognised at purchase or production cost net of amortisation/depreciation and accumulated value impairment. Amortisation/depreciation is charged for the entire useful life of the asset and begins to be charged when the asset enters operation.

Goodwill

If companies are acquired, the assets, liabilities and potential liabilities acquired with it and identifiable are recognised at their *fair value* at the purchase date. The positive difference

Currency	Exchange rate at 31/12/2009	Average exchange rate at 2009	Exchange rate at 31/12/2008	Average exchange rate at 2008
US Dollar	1.44060	1.39478	1.39170	1.47076
Pound Sterling	0.88810	0.89094	0.95250	0.796285
Indian Rupee	67.04000	67.36110	67.63600	63.73430
Singapore Dollar	2.01940	2.02409	2.00400	2.07619
Chinese Renminbi	9.83500	9.52771	9.49660	10.22360
Croatian Kune	7.30000	7.34003	7.35550	7.22389
Japanese Yen	133.16000	130.33700	126.14000	152.45400
Dong Vietnam	26,617.10000	24,846.20000	24,321.80000	24,177.20000



between the purchase cost and the Group share in the fair value of such assets and liabilities is classified as goodwill and is booked to the financial statements as an intangible asset. Any negative difference is booked to the income statement at the time of purchase.

Goodwill cannot be amortised, but is subject to revaluation annually, or more frequently, if specific events take place or circumstances indicate that the asset has suffered value impairment, in order to identify value impairment, pursuant to the IAS 36 - *Impairment of Assets*. After the initial valuation, goodwill is recognised at cost, net of any accumulated value impairment.

At the time of sale of part of or the entire company acquired and whose acquisition has led to goodwill, the corresponding residual value of goodwill is taken into account in calculating the capital gains or losses on the sale.

During first-time adoption of the IFRS, the Group opted not to retroactively apply IFRS 3 - *Business Combinations* to acquisitions of companies that took place before 1 January 2004; as a result, the goodwill generated on acquisitions prior to the date of transition to IFRS was maintained at the previous value, determined according to Italian accounting standards, subject to assessment and calculation of value impairment.

After 1 January 2004, pursuant to the acquisitions taking place in 2004, additional goodwill was generated, whose amount was re-determined in light of the diverse values absorbed by the shareholders' equity of the acquired companies, pursuant to the provisions of IFRS 3.

Development costs

Costs of developing vehicle and engine production projects are booked to assets only if the following conditions are met: the costs can be reliably determined and the technical feasibility of the product, volumes, and expected prices indicate that the costs incurred during development generate future economic benefits. Capitalised development costs only include the costs incurred that can be attributed directly to the development process.

Capitalised development costs are amortised on a systematic basis, beginning with the start of production along the entire estimated life of the product.

All other development costs are posted to the income statement when incurred.

Other intangible assets

Other intangible assets acquired or produced internally are booked with assets pursuant to the provisions of IAS 38 - *Intangible Assets*, if it is probable that the asset will create future economic benefits and the cost of the asset can be measured reliably.

These assets are recognised at the purchase or production cost and are amortised on a straight-line basis for the estimated useful life, if the asset has a finite life. Intangible assets with an indefinite useful life should not be amortised but should be subject to an *impairment* test annually, or more frequently, each time there is an indication that the asset may have been subject to impairment.

Other intangible assets valued after acquisition of a company are booked separately from goodwill, if their present value can be measured reliably.

Below is a chart of the amortisation/depreciation periods of the various categories of Intangible Assets:

Development costs	3 years
Industrial patents and intellectual property rights	3-5 years
Other	5 years
Trademarks	max. 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 preference was not to use the *fair value* method.

Property, plant and equipment were booked at the purchase or production cost and were not revaluated. For an asset that justifies capitalisation, the cost also includes any financial charges that are directly attributable to acquisition, construction or production of the asset.

Costs incurred subsequent to the purchase are capitalised only if they increase the future economic benefits in the asset to which they refer.

All the other costs are posted to the income statement when incurred. Tangible assets in progress are recognised at cost and are depreciated as of the year in which they begin to be used.

Amortisation/depreciation is charged on a straight-line basis on the cost of the assets, net of the respective outstanding values, according to the estimated useful life of the asset while applying the rates given in the notes to this category.

Land is not depreciated.

Assets held under financial lease contracts, through which the Group essentially assumes all the risks and benefits related to ownership, are recognised as Group assets at their present value, or if less, at the present value of the minimum payments due for the *lease*. The corresponding liability toward the landlord is posted with financial payables. The assets are depreciated by applying the criteria and rates used for owned assets.

Rentals in which the landlord essentially retains the risks and benefits related to ownership of the assets are classified as operating *leases*. Costs referring to operating leases are booked systematically to the income statement for the entire duration of the *lease* contract.

The Group has its own production facilities also in countries where ownership rights are not permitted. Up until 2006, the Group classified rentals paid in advance to obtain land availability where its production facilities were located under the item land, and the portion of the rental was entered under amortisation/depreciation This practice assumed that local laws did not allow for the purchase of property and that the duration of the agreement of 90 years classified the item under as a finance lease.

As from 2007 and on the basis of clarification from the IFRIC, the Group has reclassified rentals paid in advance to obtain land availability where its production facilities are located under the item receivables.

Gains and losses arising from sales or disposals of assets are determined as the difference between the sales revenue and the net book value of the asset and are booked to the income statement of the period.

Impairment

At year-end, the Group reviews the book value of its tangible and intangible assets to determine if there are indications that these assets have incurred *impairment*. If impairment is found, the realisable amount of these assets is estimated to determine the amount to write-down. If it is not possible to

estimate the recoverable value of an asset individually, the Group makes estimates of the recoverable value of the cash-generating unit to which the asset belongs.
The recoverable amount is the greater of the fair value net of the sales costs (if available) and value in use. In evaluating the value in use, estimated future cash flows are discounted to the present value using a rate net of taxes, which reflects current market valuations of the actual value of money and specific risks of the asset.
If the recoverable amount of an asset (or a cash generating unit) is estimated to be less than the respective book value, the book value of the asset is reduced to the lesser recoverable value. Value impairment is measured in the income statement immediately, provided the asset is represented by land or buildings other than property investments, recognised at revaluated values, in which case the loss is charged to the respective revaluation reserve. Should the recorded write-down no longer be valid, the book value of the asset (or the cash generating unit), with the exception of goodwill, is increased to the new value arising from the estimate made of its recoverable value, but not more than the net carrying value that the asset would have had if the write-down for impairment losses had not been made. The restored value is posted to the income statement.

An intangible asset with an indefinite life is subject to impairment tests every year, or more frequently, if there is an indication that the asset may have suffered impairment.

Investment Property

International accounting standards regulate separately fixed assets used for production or administration (IAS 16) and fixed assets for investment (IAS 40).
According to the provisions of IAS 40, fixed assets and buildings that are not instrumental and are held only for the purpose of earning lease revenues and/or increasing wealth are recognised at cost, net of amortisation/depreciation and impairment.
Property investments are eliminated from the financial statements when they are sold or disposed of or when the investment is not utilisable and future economic benefits are not expected in the event of its sale.

Non-current assets held for sale

Non-current assets (and asset groups being divested) classified as held for sale are valued at the lesser of their previous book value and the fair value, net of the costs of sale.
Non-current assets (and asset groups being divested) are classified as held for sale when it is expected that their book value will be recovered by a sale transaction instead of through use in company operations.
This condition is fulfilled only when the sale is highly probable, when the asset (or the group of assets) is available for

immediate sale in its current conditions and when company management has undertaken a commitment for the sale, which is expected to take place within twelve months from the date of classification of this item.

Financial assets

Financial assets are booked to and removed from the financial statements on the trading date and are initially valued at cost, including charges directly related to acquisition.

At subsequent financial statement dates, financial assets that the Group has the intention and the capacity to hold to maturity (securities held to maturity) are posted at the amortised cost, according to the effective interest rate method, net of the devaluations made to reflect losses in value.

Financial assets other than those held to maturity are classified as held for trading or available for sale, and are valued at the *fair value* at the end of each period. When financial assets are held for trading, the gains and losses arising from changes to the *fair value* are posted to the income statement; for financial assets available for sale, gains and losses arising from changes to the *fair value* are posted directly to shareholders' equity until these are sold or have been subject to value impairment; at that time, total gains or losses previously posted in shareholders' equity are posted to the income statement.

Inventories

Inventories are booked at the lesser of purchase or production cost - determined by attributing to products all costs directly incurred and the share of indirect costs reasonably attributed to production activities under normal use conditions - and the fair value at the end of the period.

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

For raw materials and work in progress, the fair value is represented by the presumed net realisable value of the corresponding finished products, minus completion costs; for finished products, it is represented by the presumed net realisable value (list prices).

Any impairment determined based on market performance is eliminated in subsequent periods if the conditions no longer apply.

Obsolete, slow-moving and/or surplus inventory are devalued to reflect their possible use or future realisation by booking to a provision for write-down reserve.

Receivables

Receivables are booked at their adjusted par value, to adapt them to the presumed realisable value, by booking a provision for write-down. This reserve is calculated based on the valuations of recovery made during an analysis of the individual positions and the overall risk of the total receivables, considering guarantees.

When collection of the amount payable is deferred beyond the ordinary terms applied to customers, the receivable is time-discounted. For the purposes of determining this effect, collection times are estimated by applying a discount rate to the expected cash flows, corresponding to the Euribor *Swap* 20-year rate plus a spread of quotations for government bonds having a AA rating.

Factoring transactions

The Group assigns a significant part of its trade receivables with *factoring* transactions. The assignments can be without recourse and in this case, do not imply risks of regression, nor liquidity risks, resulting in cancellation of the corresponding amounts of the balance of trade receivables at the time of assignment to the factor.

For with recourse assignments, since neither the risk of default nor liquidity risks are transferred, the respective receivables are posted in the balance sheet until payment is made by the assigned debtor. In this case, any advances collected by the factor are posted under payables to other lenders.

Cash and cash equivalents

The item related to cash and cash equivalents includes cash, bank accounts, deposits returnable on demand, and other short-term highly liquid financial investments which can be quickly converted into cash and are subject to minimal risk of value impairment.

Financial liabilities

Financial liabilities are valued based on the amounts collected, net of the accessory charges to the transaction. After this initial valuation, loans are valued using the amortised cost method, calculated by applying the actual interest rate. Financial liabilities hedged with derivative instruments are booked at the present value, according to the methods established for *hedge accounting*, applicable to the *fair value hedge*: gains and losses arising from subsequent valuations to the present value, due to changes in the interest rate, are posted to the income statement and are offset by the actual portion of the loss and the profit deriving from subsequent valuations at the present value of the hedged instrument.

Derivative instruments and hedge accounting

Group business is exposed primarily to financial risks arising from changes in interest and currency exchange rates. The Group uses derivative instruments (mainly forward currency contracts) to hedge risks arising from changes in foreign currency in certain irrevocable commitments and expected future transactions.

Use of these instruments is regulated by written procedures on the use of derivatives, which is consistent with the *risk management* policies of the Group. Derivative instruments are initially posted at cost and adjusted to the *fair value* at subsequent account closing dates.

Derivative financial instruments are used exclusively to hedge, in order to reduce the currency exchange, interest rate and market price change risk. In compliance with IAS 39, derivative financial instruments can be accounted for using the methods established for *hedge accounting* only when, at the start of the hedging, there is the formal designation and documentation of the hedge report, it is presumed that the hedge is highly effective, the effectiveness can be accurately measured and the hedging is highly effective during all the accounting periods for which it is designated.

When the financial instruments possess the characteristics to be accounted for in *hedge accounting*, the following accounting treatment is applied:

- *Fair value hedge*: If a derivative financial instrument is designated as a hedge for exposure to the change in present value of an asset or liability, attributable to a particular risk that can affect the income statement, the gain or loss arising from subsequent valuations of the present value of the hedge instrument are posted to the income statement. The gain or loss on the covered item, attributable to the hedged risk, changes the book value of this item and is reported on the income statement.
- *Cash flow hedge*: If an instrument is designated as a hedge against exposure to changes in the cash flows of an asset or liability posted to the financial statements or a highly probable transaction and which could affect the income statement, the effective portion of the gains or losses of the financial instrument is posted under shareholders' equity. Accumulated gains or losses are cancelled from

shareholders' equity and are accounted for in the income statement in the period when the hedged transaction occurs. Gains or losses associated with a hedge or the part of a hedge that has become ineffective are booked immediately to the income statement. If a hedge instrument or a hedge relationship ends, but the hedged transaction has not taken place, accumulated gains or losses that had been booked to shareholders' equity are posted to the income statement as soon as the respective transaction takes place. If the hedged transaction is no longer considered likely, any unrealised suspended gains or losses in shareholders' equity are posted immediately to the income statement.

If *hedge accounting* cannot be applied, any gains or losses arising on the valuation of the present value of the derivative financial instrument are booked immediately to the income statement.

Long-term reserves

The Group allocates a reserve for risks and charges when it has an obligation, legal or implicit, toward another party and it is probable that Group resources will be necessary to fulfil the obligation and when a reliable estimate can be made of the amount of the obligation.
Estimated differences are reflected in the income statement of the period when the change occurred.

If the effect is considerable, the provisions are calculated by time- discounting the estimated future cash flows at an estimated discount rate gross of taxes that can reflect the current market valuations of the present value of the cash and the specific risks related to the liability.

Retirement funds and employee benefits

With adoption of the IFRS, the reserve for severance indemnity is considered an obligation with definite benefits to account for according to IAS 19 - *Employee Benefits*. As a result, it must be recalculated by making actuarial evaluations at the end of each period by applying the Projected *Unit Credit Method*.
Payments for plans with definite contributions are posted to the income statement in the period they are payable. Liabilities for benefits payable subsequent to the employment relationship posted to the financial statements represent the present value of liabilities for definite benefit plans, adjusted to consider actuarial gains and losses relating to past services not accounted for and reduced to the *fair value* of planned activities. Net assets resulting from this calculation are limited to the value of actuarial losses and to the cost related to unaccounted for past services, plus the present value of any refunds and reductions in future contributions to the plan.
The Group decided not to use the "corridor method", which would allow it not to post the cost component (calculated using the method described) represented by actuarial gains or losses if this component does not exceed 10 percent. Note that the interest component on the charge related to employee plans is posted under financial charges.

Stock option plan

According to the provisions of IFRS 2 - Share-based Payment, the total amount of the present value of the *stock option* at the date of assignment is recognised in the income statement with payroll costs with the item recognised directly to shareholders' equity if the assignees of the capital


scarabeo

instruments become titleholders at the time of assignment. If there is a "maturation period" when certain conditions must occur before the assignees become titleholders, the cost for compensation, determined based on the present value of the options at the date of assignation, is recognised with payroll costs based on constant rates for the entire interim period between the date of assignation and the date of maturation, with the item recognised directly under shareholders' equity. The fair value is determined with the *Black Scholes* method.

Changes in the present value of the options subsequent to the date of assignment have no effect on the initial assessment.

Tax assets and liabilities

Deferred tax liabilities are determined based on the temporary taxable differences between the value of assets and liabilities and their taxable value. Deferred tax assets are accounted for only in the amount in which it is probable that future taxable income will be produced, against which to apply the positive balance. The book value of deferred tax assets is reviewed at the end of each period and is decreased if it is unlikely that sufficient taxable earnings will be produced to recover all or part of these assets.

Deferred tax liabilities are calculated based on the tax rates expected to be applied in the period in which these differences arise, considering the rates in effect or those of known future emanation. Deferred tax liabilities are charged directly to the income statement, except for those related to items recognised directly to shareholders' equity; in this case, the related deferred tax liabilities are also charged to shareholders' equity.

Payables

Payables are recognised at their face value, which is considered representative of their payment value.

Net sales recognition

According to IFRS, sales of assets are recognised when the goods are shipped and the company has transferred risks and benefits connected with ownership of the assets.

Net sales are recognised net of returns, discounts, rebates and premiums, as well as taxes directly connected with the sale of the merchandise and performance of the services. Financial revenues are recognised based on an accrual principle.

Contributions

Capital grants are recognised in the financial statements if they are of certain collection and are charged to the income statement according to the useful life of the asset against which they are distributed.

Operating grants are recognised in the financial statements if they are certain and are credited to the income statement in relation to the costs against which they are distributed.

Financial income

Financial income is booked according to the accrual principle. This income includes interest earned on invested reserves, positive exchange rate differences and income arising from financial instruments when not compensated as part of hedge transactions. Interest income is posted in the income statement when it accrues, considering the actual yield.

Financial charges

Financial charges are booked according to the accrual principle.

These include interest payments on financial payables calculated using the actual interest method, exchange rate losses and losses on derivative financial instruments.

The share of interest charges of financial lease payments is charged to the income statement using the actual interest method.

Dividends

Dividends booked to the income statement, earned by minority shareholdings, are recognised on an accrual basis, which means the time when the credit arises pursuant to the resolution to distribute dividends by the subsidiary.

Income taxes

Taxes represent the amount of current and deferred tax liabilities.

Taxes allocated for in the individual statutory financial statements of the consolidated subsidiaries are posted to the consolidated financial statements based on an estimate of the taxable revenue, determined in compliance with national legislation at the date the financial statements end, considering the applicable exemptions and any credits claimed. Income taxes are recognised in the income statement, except for taxes relating to items directly debited or credited to shareholders' equity, in which case the tax effect is recognised directly under shareholders' equity.

Taxes are booked under the item "Taxes payable" net of advances and withholdings. Taxes payable in the event of distribution of the suspended reserves shown in the financial statements of the individual Group companies are not allocated since distribution is not expected.

As from 2007 and for a three-year period, the Parent Company and Moto Guzzi S.p.A. signed up to the National Consolidated Tax Convention pursuant to articles 117 - 129 of the Consolidated Income Tax Act (T.U.I.R) of which the consolidating party is IMMSI S.p.A. and to which other companies of the IMMSI Group belong. The consolidating party determines a single taxable base for the group of companies which are party to the National Consolidated Tax Convention, and can therefore offset taxable income against tax losses in the same income tax return. Each company which is party to the National Consolidated Tax Convention transfers its fiscal income (taxable income or fiscal loss) to the consolidating company. The latter records a receivable payable to the consolidated company which is equal to the amount of corporate income tax to pay. In the case of companies with fiscal losses, the consolidating company records a related payable equal to corporate income tax on the portion of the loss actually offset at a Group level.

Earnings per Share

Basic earnings per share are calculated by dividing profits or losses attributed to parent company shareholders by the weighted average of the ordinary shares in circulation during the period. Diluted profits per share are calculated by dividing profits or losses attributed to parent company shareholders by the weighted average of the ordinary shares in circulation, adjusted to take account of the effects of all the potential ordinary shares with a diluting effect. Shares relative to the stock option plan were considered as shares that could be potentially issued. The adjustment to make to the number of *stock options* for calculating the adjusted number of shares is determined by multiplying the number of the *stock options* by the subscription costs and dividing it by the market price of the share.

Use of estimates

Drafting the financial statements and the respective notes in application of the IFRS requires management to make estimates and assumptions that have an effect on the value of the assets and liabilities and on the disclosure related to potential assets and liabilities at the financial statement date. Final earnings could differ from these estimates. Estimates are used to evaluate intangible assets subject to *impairment tests* (see § "Impairment losses") to identify provisions for doubtful accounts, for inventory obsolescence, amortisation/depreciation, the write-downs of assets, employee benefits, taxes, restructuring reserves and other provisions and reserves. Estimates and assumptions are periodically reviewed and the effects of every change are reflected immediately in the income statement.

Considering the current global economic and financial crisis, assumptions about future trends reflect a significant degree of uncertainty. Consequently, the Group cannot rule out the possibility that next year's results will differ from estimates and may require adjustments that are even considerable and which are not foreseeable and cannot be estimated at present.

Dealings with associated companies and related parties

Dealings with subsidiaries and related parties are shown in the Report on Operations which is to be referred to for this heading as well.

New accounting standards, amendments and interpretations applied as of 1 January 2009

The following accounting standards, amendments and interpretations have been applied for the first time by the Group as of 1 January 2009.

Adjusted IAS 1 – Presentation of Financial Statements

The adjusted version of IAS 1 – *Presentation of Financial Statements* - applicable as of 1 January 2009 - requires that company drafts a statement of changes in Shareholders' equity which includes all changes from transactions with shareholders. All transactions with third parties must be disclosed in a separate statement of comprehensive income or in two statements (the income statement and the statement of comprehensive income). In any case, the changes generated by transactions with minority interest cannot be reported in the statement of changes in Shareholders' equity.

The Group has applied the adjusted version of the principle as of 1 January 2009 and in a retroactive manner, choosing to highlight all changes generated from transactions with non-shareholders in two statements measuring trends of the period and respectively named "Consolidated Income Statement" and "Consolidated comprehensive income statement".

The Group subsequently modified the presentation of the "Statement of changes in Shareholders' equity".

In addition, it should be noted that the amendment of the Adjusted IAS 1 has entered into force; this amendment states that assets and liabilities deriving from derivative financial instruments which are not detained for trading purposes be classified within the balance sheet, distinguishing between current and non-current assets and liabilities.

With regards to this point, it should be noted that this amendment did not result in any change in the presentation/format of items relative to assets and liabilities from derivative financial instruments.

Amendment to IFRS 2 - *Maturity and cancellation conditions*
The amendment states that - for the purposes of assessing remuneration instruments based on stock - only service and performance conditions can be considered to be maturity conditions for the plans. Potential other clauses relative to the maturity of the plans must therefore be included within the fair value assessment of the grant dates and must not be considered when determining the number of rights which, on that date and in subsequent valuations, the company expects to mature. The amendment also specifies that the same accounting treatment should be applied, also in case an entity cancels a grant of equity instruments.

The Group has applied the adjusted version of the principle as of 1 January 2009 in a retroactive manner: its application, however, has not resulted in accounting effects for the Group.

Updated version of IFRS 3 – *Business combinations*. The main changes to IFRS 3 regard in particular the elimination of the obligation to evaluate the single assets and liabilities of the subsidiary at the fair value in each subsequent acquisition, in case of acquisition by degrees of subsidiaries. In such cases, the goodwill will be determined as the difference between the value of the equity immediately before the acquisition, the equivalent of the transaction, and the value of the acquired net assets. Further, should the company not acquire 100% of the equity, the portion of shareholders' equity pertaining to minority interest, can be evaluated both at the fair value and by using the method already provided by IFRS 3.
The revised version of the standard also provides the recording in the income statement of all costs connected to the business combination and the posting at the date of the acquisition of the payments subject the acceptance to condition. The Group has applied the adjusted version of the principle as of 1 January 2009.

IAS 38 – *Intangible assets*: this principle was amended following the adjustment to IFRS 3 in 2008 which established that there is sufficient information to assess the fair value of an intangible asset acquired during the course of company grouping if it is separable or originates from contractual or legal rights. The amendment in question also clarified the valuation techniques which must be utilised to valuate the fair value of intangible assets for which there is no active market of reference. The Group has applied the new amendment as from 1 January 2009.

Improvements for IAS 19 – *Employee Benefits*. The amendment clarifies the definition of cost/income relative to past services rendered by employees and it establishes that in case of reduction of a plan, the effect to be immediately posted to the income statement should only include the reduction of benefits relative to future periods, whereas the effect arising from possible reductions due to past service periods, should be held as a negative cost relative to past services rendered by the employees. The Group has applied the adjusted version of the principle as of 1 January 2009 in a prospective manner: its application, however, has not resulted in accounting effects for the Group.

Improvements to IAS 23 – *Borrowing Costs*. In the new version of the principle, the option according to which companies can immediately post the financial charges to the income statement - incurred due to assets for which usually a determined period of time is required to prepare the said asset ready for use or sale - was removed.

Improvements to IAS 28 – *Investments in Associates*. The amendment establishes that in case of equity investment evaluated with the shareholders' equity method, a possible impairment should not be allocated to single assets (and in particular to potential goodwill) that form the equity's book value, but to the value of the equity as a whole. Therefore,

in the presence of conditions for a subsequent revaluation, such revaluation should be recognised in full.
In accordance with the provisions of the transition rules of the amendment, the Group has applied - in a prospective manner - the new accounting principle to the value re-instatements applied as of 1 January 2009. However, its application did not result in accounting effects for the Group given that the Group did not - during the period - book any value-reinstatements of goodwill relative to the book values of equity investments.
In addition, it should be noted that certain requests for information for investments in associates and joint venture companies - which were evaluated at fair value according to IAS 39 - have been modified along with IAS 31 - Interests in Joint Ventures and the amendment of IFRS 7 - *Financial instruments: Disclosures and IAS 32 - Financial instruments: Presentation were modified*.

Improvements to IAS 38 – *Intangible Assets*. The modification provides for the recognition of promotional and advertising costs within the income statement. It also establishes that in case the enterprise incurs charges from which future economic benefits are expected without being recorded as intangible assets, these should be posted to the income statement when the enterprise itself has the right to access the good, if it is the purchase of goods, or when the service is rendered, if it is the purchase of services. Finally, the standard was modified to enable the enterprises to adopt the method of the produced units to determine the amortisation/depreciation of finite life intangible assets.
The Group has applied the adjusted version of the principle as of 1 January 2009 in a retroactive manner: its application, however, has not resulted in accounting effects for the Group.

Amendment to IFRS7 – *Financial instruments: additional information*. The amendment was issued to increase the level of disclosure required in the case of fair value valuation and to consolidate existing principles on the disclosure of liquidity risks of financial instruments. In particular, the amendment requires disclosure on determination of the fair value of financial instruments by hierarchical valuation levels. The adoption of this amendment has produced only one change to disclosures in the notes.

Amendments and interpretations applied as of 1 January 2009 and not relevant to the Group

The following amendments and interpretations, applicable as of 1 January 2009, regulate specific cases and case histories which are not present within the Group as of the date of this annual report:

- IAS 16 – *Property, Plant and Equipment*. The modification provides for companies - whose characteristic business is renting - to re-classify goods which are no longer leased and are available for sale to the warehouse. Subsequently, gains or losses arising from their disposal should be recorded as net sales. The amounts paid to build or purchase goods to be allocated to others, as well as the amounts collected from the subsequent sale of such goods, form, for the purpose of the Statement of Cash Flows, cash flows arising from operating activities (and not from investment activities).
- Improvement to IAS 20 – *Accounting for Government Grants and Disclosure of Government Assistance*. The amendment, which is to be applied prospectively as of 1 January 2009, establishes that benefits arising from government grants at an interest rate much lower than the market one, should be considered as government assistance and should therefore follow the recognition rules established by IAS 20. The previous version of the principle stated that - in the case of financing with facilitated rates received as public grants - the company did not require to book any benefit. As a result, the financing was booked at the value corresponding to the received

collection - and the lower interest derived from the latter - directly within the income statement under the item, "Financial proceeds (charges)".

In accordance with the provisions of the transition rules of the amendment, the new accounting principle must be applied as of 1 January 2009 to all financing with facilitated rates granted as of that date. For these grants, a financial payable at fair value and deferred income must be booked in connection with the facilitated-rate grants which will be received for an amount equal to the difference between the fair value of the payable and the cash inflow amount. This value must be booked within the income statement when and only when all the conditions required for the recognition of the grant are systematically met in order to correlate the grant with the costs to compensate.

- IAS 29 – *Financial reporting in Hyperinflationary Economies*. The previous version of the principle did not explain that some assets and liabilities could be recorded in the financial statements according to the present value, rather than according to the historical cost.
- IAS 32 – Financial instruments. In particular, the standard requires companies to classify the puttable instruments and financial instruments that impose an obligation on the company to hand over to a minority interest a share of the equity investment in the company's assets as equity instruments.
- IAS 36 – *Impairment of assets*. The amendment provides that additional information be provided in case the company determines the recoverable amount of the cash-generating units by using the discounted cash flow method.
- IAS 39 – *Financial instruments: Recognition and Measurement*. This amendment clarifies how the new effective interest rate of a financial instrument must be calculated at the end of fair value hedge. Moreover, it clarifies that the prohibition to reclassify as financial instruments with adaptation of the fair value to income statement should not be applied to the derivative financial instruments that can no longer be qualified as hedging instruments or that become hedging instruments.
- IAS 40 – *Investment Property*. The modification states that property investments which are under construction fall under the realm of application of IAS 40 rather than IAS 16.
- IFRIC 13 – *Customer fidelization programmes*.
- IFRIC 15 – *Agreements for the construction of real estate*.
- IFRIC 16 – *Hedging a shareholding in a foreign company*.

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

On 10 January 2008 the IASB amended IAS 27 – *Consolidated and Separate Financial Statements* establishing that modifications to the share that do not result in a loss of control should be accounted for as equity transactions and with the item therefore recognised under shareholders' equity. Moreover, it was also established that when a company disposes of the control of its own subsidiary, but continues to retain a portion of capital in the company, this should be accounted for at the fair value and possible gains or losses due to the loss of control should be posted to the income statement. Finally, the amendment to IAS 27 requires that all losses attributable to minority interest should be allocated to the portion of third parties' shareholders' equity, also when these exceed their own share of capital in the subsidiary. The new regulations will be applicable for the future starting as of 1 January 2010.

On 31 July 2008, the IASB issued an amendment to IAS 39 - *Financial Instruments - Recognition and Measurement*- which clarifies the application of the principle in order to define the underlying asset subject to hedging under specific circumstances. This modification must be applied as of 1 January 2010 in a prospective manner.

On 27 November 2008, IFRIC issued the interpretation, IFRIC 17 - *Distribution of non-liquid assets* - which clarifies that a payable for dividends must be recognised when dividends are appropriately authorised and that this payable must be valuated at the fair value of the net assets which will be utilised for payment. The interpretation must be applied in a forward-looking manner as of 1 January 2010.

On 29 January 2009, IFRIC issued the interpretation of IFRIC 18 - *Transfer of assets of customers* - which clarifies the booking methods which must be adopted if the company stipulates a contract in which it receives a tangible good from one of its customers and which it must utilise to connect a customer to a network or to provide a specific type of access for the supply of goods and services. The interpretation is applicable in a prospective manner as of 1 January 2010.

On 12 March 2009, the IASB issued an amendment to IFRIC 9 - *Redetermination of the value of incorporated derivatives* and to IAS 39 - *Financial Instruments: Recognition and Measurement* which allows certain financial instruments to be re-classified outside of the accounting category which is "booked at fair value and offset in the income statement". These amendments clarify that - during the re-classification of a financial instrument outside of the above mentioned category - all implicit derivatives must be valued and, if necessary, booked separately in the financial statements. The amendments are applicable as of 31 December 2009.

On 16 April 2009, IASB issued a set of amendments to the IFRS; only those involving changes in the presentation, booking and valuation for financial statement items are cited.

- IFRS 2 – *Share-based Payment:* the amendment, applicable as of 1 January 2010, clarified that the transfer of a company branch for the purposes of forming a joint venture or grouping of companies or company branches under joint control do not fall within the realm of applicability of IFRS 2.

- IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations*: this amendment, applicable as of 1 January 2010 in a prospective manner, clarified that IFRS 5 and the other IFRS which specifically refer to non-current assets classified as available for sale or as discontinued operations provide all required information for this type of assets or operations.
- IFRS 8 – *Operating segments*: the amendment, applicable as of 1 January 2010, requires that companies provide the total value of assets for each sector subject to informational disclosure if this value is provided at the highest level of operational decision-making. This information was previously requested even in the absence of this condition. Adoption of the principle in advance is allowed.
- IAS 1 – *Presentation of Financial Statements*: the amendment, applicable as of 1 January 2010, requires that a company must classify a liability as current if it does not retain an unconditional right to postpone its settlement for at least 12 months after the closing of the year, even in the presence of an option on the part of the counterparty which could result in a settlement by means of the issue of equity instruments.

- IAS 7 – *Statement of Cash Flows:* the amendment, applicable as of 1 January 2010, clarifies that only cash flows deriving from expenses resulting in the booking of assets within the financial position can be classified within the Statement of Cash Flows as deriving from investment assets; on the other hand, cash flows deriving from expenses which do not result in the booking of an asset must be classified as derived from operating activities.
- IAS 17 – *Leases*: the amendment requires that - during the valuation of a leasing contract that includes both land and buildings - the part relative to the land be considered, as customary, to be a finance lease if the land in question has an indefinite useful life given that, in this case, the risks associated with its use for the whole duration of the contract can be considered transferred to the lessee. The amendment is applicable as of 1 January 2010. On the date of adoption, all lands subject to the leasing contract which were previously effective and not yet expired must be separately valued with the potential retroaction recognition of a new finance lease.
- IAS 36 – *Impairment of Assets*: this amendment, applicable in a prospective manner as of 1 January 2010, requires that each operational unit or group of operational unit - for which goodwill is allocated for the purposes of impairment tests - be no greater in size than the operating sector defined in paragraph 5 of IFRS 8 and before the grouping allowing by paragraph 12 of the same IFRS on the basis of similar economic conditions or other similar elements.

- IAS 39 – *Financial instruments*: Recognition and Measurement: the amendment restricts the exception of non-applicability contained within paragraph 2g of IAS 39 to forward contracts between a buyer and a selling shareholder - for the purposes of the sale of a company in a company grouping on future date of acquisition - if the completion of the company grouping only depends on the elapsing of a suitable amount of time. The amendment decrees that option rights (currently exercisable or not) which allow one of the two parties to retain control over the realisation or non-realisation of future events - and whose exercising involving the control of a company - fall within the realm of applicability of IAS 39. The amendment also clarifies that the implicit penalties for the advance redemption of loans - whose price compensates the lender with the loss of additional interest - must be considered strictly correlated to the financing contract and may therefore not be booked separately. Finally, the amendment provides that net income or losses on one hedged financial instrument must be re-classified from the shareholders' equity to the income statement in the period in which the expected and hedged cash flow has an effect on the income statement. The amendment is applicable in a prospective manner as of 1 January 2010. Adoption of the principle in advance is allowed.
- IFRIC 9 – *Redetermination of the values of implicit derivatives*: the amendment, applicable in a prospective manner as of 1 January 2010, excludes - from the realm of applicability of IFRIC 9 - the implicit derivatives within contracts acquired during the course of company groups at the time of the creation of jointly controlled companies or joint ventures.

At the date of issue of these Financial Statements, the competent bodies of the European Union had not yet completed the approval process necessary for the application of the amendments described above.

In the month of June 2009, the IASB issued an amendment to IFRS 2 - Share-based Payment: payments based on shares of the Group in cash. The amendment defines its realm of application and its relationship with other accounting principles. In particular, the amendment clarifies that the company which receives the goods and services as part of the payment plans based on shares must book these goods and services independently of the company of the Group which settles the transaction and independently of the fact that the settlement is in cash or shares. In addition, it states that the term "group" is to be interpreted as in IAS 27 - Consolidated and Separate Financial Statements, including the parent company and its subsidiaries. Finally, the amendment specifies that a company must valuate the goods and services which are received as part of a transaction settled in cash or shares from its own perspective and which could potentially not coincide with that of the group and with the relative amount recognised within the consolidated financial statements. The amendment incorporates the guidelines which were previously included in IFRIC 8 and IFRIC 2; as a result, the latter were removed.
The amendment is applicable as of 1 January 2010.
At the date of issue of these Financial Statements, the competent bodies of the European Union had not yet completed the approval process necessary for the application of the amendment.

On 8 October 2009, IASB issued an amendment to IAS 32 – *Financial instruments*: Presentation: Classification of rights issues, to regulate the accounting of rights issues (rights, options or warrants) in a currency other than the operating currency of the issuer. These rights were previously accounted for as liabilities from derivative financial instruments. The amendment requires these rights, in certain conditions, to be classified as Shareholders' equity regardless of the currency in which the exercise price is denominated.
The amendment is applicable in a retrospective manner as of 1 January 2011.

On 4 November 2009, the IASB issued a revised version of IAS 24 – *Related Party Disclosures* – which simplifies the type of information required in the case of transactions with related parties controlled by the State and gives a clear definition of related parties.
The amendment is applicable as of 1 January 2011.
At the date of issue of these Financial Statements, the competent bodies of the European Union had not yet completed the approval process necessary for its application.

On 12 November 2009 the IASB published IFRS 9 – *Financial Instruments* - on classifying and measuring financial assets as from 1 January 2013. This is the first step in a project which will entirely replace IAS 39 in stages. The new standard uses a single approach based on procedures for financial instrument management and on contract cash flows of financial assets to determine valuation criteria replacing different regulations in IAS 39. The new standard will also have a single method to determine impairment losses from financial assets.
At the date of issue of these Financial Statements, the competent bodies of the European Union had not yet completed the approval process necessary for its application.

On 26 November 2009 the IASB issued a minor amendment to IFRIC 14 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* – which allows companies to prepay minimum funding contributions and recognise them as an asset.
The amendment is applicable as of 1 January 2011.

At the date of issue of these Financial Statements, the competent bodies of the European Union had not yet completed the approval process necessary for the application of the amendment.

On 26 November 2009 the IFRIC issued an amendment to IFRIC 19 – *Extinguishing Financial Liabilities with Equity Instruments* – which provides guidelines on recording the extinguishing of a financial liability with equity instruments. The interpretation establishes that if a business renegotiates extinguishing conditions of a financial liability and the creditor accepts extinguishing through the issue of the company's shares, the shares issued by the company will become a part of the price paid for extinguishing the financial liability and shall be valued at fair value. The difference between the book value of the extinguished financial liability and opening value of equity instruments shall be recorded in the income statement of the period.
The amendment is applicable as of 1 January 2011.
At the date of issue of these Financial Statements, the competent bodies of the European Union had not yet completed the approval process necessary for the application of the amendment.

B) SEGMENT REPORTING

3. *Segment reporting*

The application of the IFRS 8 - Operating Segments - is mandatory as of 1 January 2009. This principle requires operating segments to be identified on the basis of an internal reporting system which top company management utilises to allocate resources and to assess performance.

The previous principle IAS 14 - Segment Reporting - required, on the other hand, that sectors (primary or secondary) be identified on the basis of risks and benefits which refer to the sectors themselves; the reporting system only represents the starting point for this identification.

The information for operating sectors presented below reflects the internal reporting utilised by management for making strategic decisions.
During the course of 2008, it should be noted that the Piaggio Group adopted a new organisational structure with a view to focusing Group resources by "functional area" and by "geographical area".
As a result, internal reporting has been modified to reflect this organisational change; it was therefore based on functional areas subdivided into the following geographical areas.
The "two-wheeler" and "Commercial Vehicles" divisions are the two functional areas of the Group. They have been identified considering the types of products sold. The results of these functional areas are considered by management in order to assess attained performances.
The business figures and margins are in line with those used in internal reporting.
The functional areas - within the reports provided to management - are further detailed by geographical areas; in particular for the "two-wheeler" sectors, the values are presented in reference to "Europe", the "Americas" and "Asia Pacific"; with regards to "Commercial Vehicles" the identified geographical areas are "Europe" and "India".
For the purposes of reporting comparative data, figures as of 31 December 2008 - which were previously published - have been re-processed and re-allocated in accordance with the above.
The following income statement analysis provides information on the contribution in relation to the consolidated values of the "two-wheeler" and "Commercial Vehicles" functional areas. As previously illustrated within the commentary on the economic and financial performance of the Piaggio Group, the **consolidated EBITDA** was defined as the "Operating Income" gross of amortisation/depreciation of intangible assets and amortisation/depreciation of tangible assets, as reported within the consolidated income statement.

INCOME STATEMENT/ NET EMPLOYED CAPITAL BY OPERATING SECTOR

		TWO-WHEELER VEHICLES				COMMERCIAL VEHICLES			
		EUROPE	AMERICAS	ASIA PACIFIC	TOTAL	EUROPE	INDIA	TOTAL	TOTAL
	2009	355.1	18.2	36.9	**410.3**	15.7	181.7	**197.4**	**607.7**
Sales volumes	2008	416.7	31.0	22.8	**470.5**	19.2	158.9	**178.1**	**648.6**
(units/000)	Change	(61.5)	(12.8)	14.1	**(60.2)**	(3.5)	22.8	**19.3**	**(41.0)**
	Change %	-14.8	-41.2	61.8	**-12.8**	-18.4	14.3	**10.8**	**-6.3**
	2009	920.8	60.7	83.9	**1,065.4**	134.7	286.8	**421.5**	**1,486.9**
Turnover	2008	1,042.0	93.5	45.2	**1,180.7**	145.4	244.0	**389.4**	**1,570.1**
(ML €)	Change	(121.2)	(32.8)	38.8	**(115.3)**	(10.7)	42.8	**32.1**	**(83.2)**
	Change %	-11.6	-35.1	85.9	**-9.8**	-7.4	17.5	**8.2**	**-5.3**
	2009	301.8	19.8	27.3	**348.9**	35.7	82.6	**118.3**	**467.1**
Gross industrial margin	2008	339.0	26.5	10.3	**375.9**	42.7	50.3	**93.0**	**468.8**
(ML €)	Change	(37.2)	(6.7)	17.0	**(27.0)**	(7.0)	32.3	**25.3**	**(1.7)**
	Change %	-11.0	-25.4	164.1	**-7.2**	-16.5	64.3	**27.2**	**-0.4**
	2009								**200.8**
EBITDA	2008								**189.1**
(ML €)	Change								**11.7**
	Change %								**6.2**
	2009								**74.1**
EBT	2008								**59.6**
(ML €)	Change								**14.5**
	Change %								**24.3**
	2009								**47.4**
Net income	2008								**43.3**
(ML €)	Change								**4.1**
	Change %								**9.5**
Net capital employed	31 12 2009	408.0	66.2	56.2	**530.4**	89.2	156.2	**245.4**	**775.8**
(ML €)	31 12 2008	437.9	68.4	49.4	**555.6**	69.7	132.6	**202.3**	**757,9**
Of which Assets	31 12 2009	789.8	94.9	100.7	**985.5**	153.9	221.1	**375.0**	**1,360.5**
(ML €)	31 12 2008	853.3	110.9	74.2	**1,038.4**	136.0	176.8	**312.8**	**1,351.2**
Of which Liabilities	31 12 2009	(381.9)	(28.7)	(44.6)	**(455.2)**	(64.6)	(64.9)	**(129.5)**	**(584.7)**
(ML €)	31 12 2008	(415.4)	(42.6)	(24.8)	**(482.8)**	(66.3)	(44.2)	**(110.5)**	**(593.3)**

C) INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

4. *4. Net sales* *€/000 1,486,882*

Revenues are shown net of premiums recognised to customers (dealers). This item does not include transport costs, which are recharged to customers (€/000 30,062) and invoiced advertising cost recoveries (€/000 7,635), which are shown under other operating income.

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

In 2009, net sales decreased by €/000 83,178, following the drop in general demand for two-wheeler vehicles on the European market due to the economic crisis which has hit the whole of the Western world, as well as the exchange rate effect linked to the Euro revaluation with an impact of approximately 17.5 ML €.

Revenues by business sector

The breakdown of revenues by business sector is shown in the following table:

In thousands of Euros	2009		2008		Changes	
	amount	%	amount	%	amount	%
Two-wheeler Vehicles	1,065,417	71.65	1,180,666	75.20	(115,249)	-9.76
Commercial Vehicles	421,465	28.35	389,394	24.80	32,071	8.24
Total	**1,486,882**	**100.00**	**1,570,060**	**100.00**	**(83,178)**	**-5.30**

Revenues by geographic area

The division of revenues by geographic area is shown in the following table:

In thousands of Euros	2009		2008		Changes	
	amount	%	amount	%	amount	%
Italy	471,696	31.72	500,386	31.87	(28,690)	-5.73
Rest of Europe	583,240	39.23	685,594	43.67	(102,354)	-14.93
Americas	61,255	4.12	94,952	6.05	(33,697)	-35.49
India	286,753	19.29	243,972	15.54	42,781	17.54
Asia Pacific	83,938	5.65	45,156	2.88	38,782	85.88
Total	**1,486,882**	**100.00**	**1,570,060**	**100.00**	**(83,178)**	**-5.30**

5. *Costs for materials* *€/000 871,653*

These totalled €/000 871,653 compared to €/000 936,603 in 2008.

The reduction of 6.9% is related to the efficiencies achieved and the decrease in production and sales volumes. The percentage of costs accounting for net sales went down, decreasing from 59.7% in 2008 to 58.6% in the current period. The following table details the content of this financial statement item:

In thousands of Euros	2009	2008	Change
Raw, ancillary, consumable materials and merchandise	868,058	968,553	(100,495)
Change in inventories of raw materials, consumables and goods	(4,307)	(139)	(4,168)
Change in work in progress of semifinished and finished products	7,902	(31,811)	39,713
Total costs for purchases	**871,653**	**936,603**	**(64,950)**

This item includes €/000 38,800 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 use of third party assets* *€/000 272,065*

These totalled €/000 272,065 compared to €/000 292,920 as of 31 December 2008.

Below is a breakdown of this item:

In thousands of Euros	2009	2008	Change
Employee costs	17,069	18,712	(1,643)
Maintenance and cleaning	6,368	6,915	(547)
Energy, telephone and telex	16,486	19,614	(3,128)
Postal expenses	612	515	97
Commissions paid	2,769	3,763	(994)
Advertising and promotion	31,462	38,280	(6,818)
Technical, legal and tax consultancy and services	32,194	28,629	3,565
Company boards operating costs	1,967	2,050	(83)
Insurance	3,359	3,331	28
Third party work	21,917	32,374	(10,457)
Transport costs and spare parts	48,956	55,457	(6,501)
Sundry commercial expenses	23,282	21,007	2,275
Expenses for public relations	4,143	2,065	2,078
Product warranty costs	15,194	16,643	(1,449)
Bank costs and factoring charges	5,641	5,790	(149)
Costs for use of third party assets	14,261	11,847	2,414
Other	23,625	24,738	(1,113)
Services from companies of the Group	2,760	1,190	1,570
Total costs for services	**272,065**	**292,920**	**(20,855)**

The saving of €/000 20,855 was generated by a reduction in asset volumes.

Costs for the use of third party assets include lease rentals for business properties of €/000 4,964, as well as lease payments for car hire, computers and photocopiers.

Third party work of €/000 21,917 refers to production parts.

The item "Other" includes costs for temporary work of €/000 1,309.

7. *Employee cost* *€/000 242,916*

Employee costs are broken down as follows:

In thousands of Euros	2009	2008	Change
Salaries and wages	178,911	183,319	(4,408)
Social security contributions	49,105	49,922	(817)
Post-employment benefits	9,103	13,501	(4,398)
Other costs	5,797	4,225	1,572
Total	**242,916**	**250,967**	**(8,051)**

Employee costs decreased in absolute terms by €/000 8,051 compared to figures recorded in the previous year (3.2%). The reduction is attributable to the decrease in the average number of employees and to the decrease in average unit costs.

The increase in "other employee costs" is related to one-off costs borne to restructure production facilities in Italy and Spain and business facilities in France. It should be noted that employee costs include €/000 723 relating to stock option costs which were recorded in accordance with international financial reporting standards.

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

	Average number		
Level	**2009**	**2008**	**Change**
Executives	111	111	0
Middle Management	433	429	4
Clerical staff	2,039	1,967	72
Manual labour	4,565	4,797	(232)
Total	**7,148**	**7,304**	**(156)**

	Number at		
Level	**31/12/2009**	**31/12/2008**	**Change**
Executives	109	112	(3)
Middle Management	441	430	11
Clerical staff	2,063	1,995	68
Manual labour	4,687	3,671	1,016
Total	**7,300**	**6,208**	**1,092**

The increase is mainly attributable to the Indian and Vietnamese subsidiaries.

Average employee figures are affected by seasonal workers in the summer (fixed-term contracts and fixed-term service contracts).

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

Movements in employees between the two years are compared below:

	As of 31.12.08	Incoming	Outgoing	Transitional	As of 31.12.09
Executives	112	22	(25)		109
Middle Management	430	58	(72)	25	441
Clerical staff	1,995	359	(283)	(8)	2,063
Manual workers	3,671	2,569	(1,536)	(17)	4,687
Total (*)	**6,208**	**3,008**	**(1,916)**	**0**	**7,300**
(*) of which fixed-term contracts	345	2,023	(1,335)	(12)	1,021

8. *Amortisation/depreciation and impairment costs €/000 96,378*

Below is a summary of amortisation/depreciation for the period, divided into categories:

In thousands of Euros	2009	2008	Change
Property, plant and equipment:			
Buildings	3,957	3,584	373
Plant and equipment	12,546	12,722	(176)
Industrial and commercial equipment	18,428	19,351	(923)
Other assets	2,217	2,416	(199)
Total amortisation/depreciation of tangible fixed assets	**37,148**	**38,073**	**(925)**

In thousands of Euros	2009	2008	Change
Intangible assets:			
Development costs	31,941	33,426	(1,485)
Industrial patent rights and intellectual property rights	17,113	13,747	3,366
Concessions, licences, trademarks and similar rights	9,194	9,195	(1)
Other	982	99	883
Total amortisation/depreciation of intangible fixed assets	**59,230**	**56,467**	**2,763**

As set out in more detail in the paragraph on intangible assets, as of 1 January 2004, goodwill is no longer amortised, but is tested annually for impairment.

The impairment test carried out as of 31 December 2009 confirmed the full recoverability of the amounts recorded in the financial statements.

9. *Other operating income €/000 135,938*

This item consists of:

In thousands of Euros	2009	2008	Change
Operating grants	7,428	7,316	112
Increases in fixed assets from internal work	35,204	35,672	(468)
Sundry sales and income:			
- Rent receipts	11,459	10,742	717
- Capital gains on assets and equity investments	120	258	(138)
- Sale of miscellaneous materials	516	790	(274)
- Recovery of transport costs	30,062	36,425	(6,363)
- Recovery of advertising costs	7,635	9,801	(2,166)
- Recovery of sundry costs	16,228	11,741	4,487
- Compensation	3,419	461	2,958
- Contingent assets	39	919	(880)
- Licence rights and know-how	3,387	1,617	1,770
- Sponsorship	5,695	6,194	(499)
- Other income	14,746	11,538	3,208
Total other operating income	**135,938**	**133,474**	**2,464**

Total other operating income reflects a slight increase compared to 2008 figures.

The rent receipts refer mainly to income for the rent of racing bikes to the teams which compete in the World Motorcycling Championship. The item recovery of transport costs refers to costs recharged to customers, the charges for which are classified under "services".

Operating grants mainly represent the benefit arising from the Tax Credit for Research and Development activities pursuant to article 1, c. 280-284 of Law no. 296/2006.

Other income includes €/000 2,063 relative to the lower amount paid in the year for extinguishing financial instruments issued for the acquisition of the merged company Aprilia.

10. *Other operating costs* *€/000 35,387*

This item consists of:

In thousands of Euros	2009	2008	Change
Non-income tax and duties	4,515	4,540	(25)
Capital losses from disposal of assets	203	21	182
Various subscriptions	823	864	(41)
Write-downs of intangible assets	2,262	2,137	125
Write-downs of tangible assets	215	125	90
Write-downs of receivables in working capital	4,883	4,006	877
Allocation of provisions	19,571	16,259	3,312
Other operating costs	2,915	6,041	(3,126)
Total	**35,387**	**33,993**	**1,394**

Overall, other operating costs increased by €/000 1,394. This change is mainly due to more provisions for risks made during the year.

11. *Net income from equity investments* *€/000 450*

This item mainly comprises dividends waived by Simest, a minority shareholder in Piaggio Vietnam, in favour of Piaggio & C.

12. *Net financial income/(charges)* *€/000 (30,778)*

Below is the breakdown of financial charges and income:

In thousands of Euros	2009	2008	Change
Income:			
- Interest received from customers	171	238	(67)
- Interest on bank and postal accounts	1,445	1,954	(509)
- Interest on financial receivables	1,669	1,951	(282)
- Financial income from discounting back post employment benefits		19	(19)
- Other	1,170	2,205	(1,035)
Total	4,455	6,367	(1,912)
Total financial income	**4,455**	**6,367**	**(1,912)**

In thousands of Euros	2009	2008	Change
Financial charges paid to equity companies	161	246	(85)
Financial charges paid to others:			
- Interest on debenture loan	12,440	15,620	(3,180)
- Interest on bank loans	12,061	12,169	(108)
- Interest paid to other lenders	3,550	7,041	(3,491)
- Cash discounts for customers	1,184	1,163	21
- Bank charges on loans	435	332	103
- Charges implementation reserves for severance indemnities	2,670	3,304	(634)
- Interest paid on leases	426	666	(240)
- Other	348	747	(399)
Total financial charges paid to others	**33,114**	**41,042**	**(7,928)**
Total financial charges	**33,275**	**41,288**	**(8,013)**

In thousands of Euros	2009	2008	Change
Exchange gains	9,652	25,539	(15,887)
Exchange losses	11,610	25,508	(13,898)
Totale utili/(perdite) nette da differenze cambio	**(1.958)**	**31**	**(1.989)**

The balance of financial income (charges) in 2009 was negative (- €/000 30,778), less than the previous year (- €/000 34,890). The improvement of €/000 4,112 compared to the previous year is mainly due to the reduction in interest rates, the refinancing of the Piaggio Finance 10% senior notes due in 2012 debenture loan using less costly financing sources and the decrease in charges for discounting back post employment benefits, offset in part by the increase in the average net debt for the period.

13. *Taxation* *€/000 26,674*

Details of the item income taxes are shown below:

In thousands of Euros	2009	2008	Change
Current income tax	48,024	33,558	14,466
Deferred tax liabilities	(21,350)	(17,256)	(4,094)
Total	**26,674**	**16,302**	**10,372**

Taxes in 2009 amounted to €/000 26,674, equal to 36.0% of earnings before tax.

Taxes in 2008 amounted to €/000 16,302, equal to 27.3% of earnings before tax. The 2008 tax rate had benefited from deferred tax asset entries relating to tax losses arising from the merger of Moto Guzzi S.p.A. with the Parent Company.

The reconciliation compared to the theoretical rate is shown in the table below:

In thousands of Euros	2009
Earnings before tax	74,093
Theoretical tax rate	27.5%
Theoretical income taxes	20,376
Taxes relative to previous years	38
Tax effect arising from foreign tax rates differing from Italian theoretical tax rates	2,984
Tax effect arising from permanent differences	(9,989)
Tax effect arising from temporary differences	(457)
Other differences	2,533
Other local taxes	30
Regional production tax (IRAP)	6,528
Dividend distribution tax (India)	4,632
Income taxes entered in the financial statements	**26,675**

Theoretical taxes were determined applying the corporate income tax (IRES) rate in force in Italy (27.5%) to earnings before tax.

The impact arising from the regional production tax (IRAP) rate and Indian dividend distribution tax 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 period there were no gains or losses from assets held for disposal or disuse.

15. *Earnings per share*

Earnings per share are calculated as follows:

In thousands of Euros		2009	2008
Net income	€/000	47,419	43,331
Earnings attributable to ordinary shares	€/000	47,419	43,331
Average number of ordinary shares in circulation		396,040,908	396,040,908
Earnings per ordinary share	€	0.12	0.11
Adjusted average number of ordinary shares		396.361.269	396.199.585
Diluted earnings per ordinary share	€	0.12	0.11

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

D) INFORMATION ON THE CONSOLIDATED BALANCE SHEET - ASSETS

16. *Intangible assets* *€/000 641,254*

The table below details the breakdown of intangible assets as of 31 December 2009 and as of 31 December 2008, as well as the changes for the period. Increases are mainly due to the capitalisation of costs for the development of new products and new engines, as well as software purchases.
Write-downs refer to research projects which have now been permanently stopped.

Development costs *€/000 76,472*

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 43,999, which represent costs for which the conditions for capitalisation exist, but in relation to products that will go into production in future years. During 2009 the Parent Company Piaggio & C. S.p.A., based on an overall analysis of capitalised development costs, and in order to verify proper qualification, reclassified costs incurred in previous years and not yet fully amortised for the "RSV4", "MP3 Hybrid" and "1200 cc engine" projects from this item to "Industrial patents and intellectual property rights". These products and their relative development meant it was necessary to adopt highly innovative technical solutions, develop new calculation methods and regulations, define ad hoc design techniques and tests and acquire technologically advanced testing and measurement instruments and equipment, which enabled Piaggio to diversify its technical know how and the qualitative and functional level of some of its vehicles compared with competitors. From this viewpoint, the 2009 Financial Statements better reflect the total costs incurred in the product development process. These costs meet the capitalisation criteria of IAS 38, but did not result in the Group obtaining specific patents or acquiring particular

In thousands of Euros	Book value as of 31/12/2008	Increases	Amortisation/ depreciation	Disposals	Write-downs	Reclassifications	Exchange differences	Book value as of 31/12/2009
R&D costs	81,820	46,579	(31,941)	(16)	(2,262)	(17,891)	183	76,472
Patent rights	18,095	5,775	(17,113)	(39)		17,978	11	24,707
Concessions,licences and trademarks	99,606		(9,194)					90,412
Goodwill	446,940							446,940
Other	1,773	2,181	(982)				(249)	2,723
Total	**648,234**	**54,535**	**(59,230)**	**(55)**	**(2,262)**	**87**	**(55)**	**641,254**

technical knowledge not yet available to third parties.
As regards development expenses, the new projects capitalised during 2009 primarily refer to the new models Aprilia RSV4, MP3 Hybrid, the new Beverly, and Vespa LX/GTS with electronic injection.
Development costs included under this item are amortised on a straight-line basis over 3 years, in consideration of their remaining useful life.
During 2009, development costs of approximately EUR 23.4 million were charged directly to the income statement.

Industrial patents and intellectual property rights *€/000 24,707*

This item comprises software for €/000 10,526 and patents and know how. It includes assets under construction for €/000 449.
Patents and know how mainly refer to the Vespa vehicles, GP 800, MP3 and as mentioned above to the RSV4, MP3 hybrid and 1200 cc. engine. Increases of the period in relation to software primarily refer to the implementation of the SAP application within the Indian subsidiary.
Industrial patent and intellectual property rights costs are amortised over three years.

Concessions, licences and trademarks *€/000 90,412*

The item *Concessions, licences, trademarks and similar rights* equal to €/000 99,606, consists of:

In thousands of Euros	Net Value as of 31/12/2009	Net Value as of 31/12/2008
Guzzi brand	30,468	33,515
Aprilia brand	59,869	65,856
Laverda brand		155
Minor brands	75	80
Total Trademarks	**90,412**	**99,606**

The gross value of the Aprilia brand is €/000 89,803, while that of Guzzi is €/000 36,559. The values of the Aprilia and Moto Guzzi trademarks are based on an assessment report of an independent third party which was specifically drafted during the course of 2005.
The above mentioned trademarks are amortised over a period of 15 years. The value of the Laverda brand was entirely amortised in the year.

Goodwill *€/000 446,940*

Following the re-organisation by business unit during the course of 2008, goodwill has, as of 31 December 2008, been attributed to the cash-generating units (see table below).

	TWO – WHEELER VEHICLES				COMMERCIAL VEHICLES			
In thousands of Euros	EUROPE	AMERICAS	ASIA PACIFIC	TOTAL	EUROPE	INDIA	TOTAL	TOTAL
31 12 2009	197,337	42,847	31,934	272,118	65,127	109,695	174,822	446,940
31 12 2008	197,337	42,847	31,934	272,118	65,127	109,695	174,822	446,940

As specified in setting out the accounting principles, 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 re-instating 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 hypotheses adopted by the Group to determine future financial flows and the consequent recoverable value (value in use) refer to:

a) the use of figures from 2010 budget approved by the Board of Directors on 18 December 2009 and from the 2009-2010 Piaggio Group Plan approved by the Board on 2 July 2009
b) the discount rate
c) the use of the growth rate.

To discount back cash flows, the Group adopted a discount rate (WACC) which differed depending on the various cash generating units. This reflects current market valuations of the cost of borrowing and takes into consideration specific risks of the activities and geographical area in which the cash generating unit operates. The weighted average discount rate of the Group, net of taxes, was equal to 7.5%.

In conducting impairment tests, the end value was determined using a growth rate (g rate) of 1.0% for all cash-generating units.

	2w Emea	2w Americas	2w Asia	CV Europa	CV India
WACC	6.9%	6.3%	9.7%	6.9%	9.1%
G	1.0%	1.0%	1.0%	1.0%	1.0%

Analyses conducted did not identify any impairment losses. No write-downs were therefore included in consolidated data as of 31 December 2009.

Based on indications in the joint document of the Bank of Italy, Consob and Isvap (Supervisory Body for Private Insurance) no. 2 of 6 February 2009, the Group conducted a sensitivity analysis on test results in relation to changes in basic assumptions (use of the growth rate in producing the end value and discount rate) which affect the value in use of cash generating units.

In all cases, the Group's value in use was higher than the net book value tested.

Given that the recoverable value was estimated, the Group can not 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.

Goodwill derives from the greater value paid compared to the corresponding portion of the subsidiaries shareholders' equity at the time of purchase, less the related accumulated amortisation/depreciation until 31 December 2003. During first-time adoption of the IFRS, the Group opted not to retroactively apply IFRS 3 - Business Combinations to acquisitions of companies that took place before 1 January 2004; as a result, the goodwill generated on acquisitions prior to the date of transition to IFRS was maintained at the previous value, determined according to Italian accounting standards, subject to assessment and calculation of value impairment.

For all the transactions listed below, the difference between the book value of the equity 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 1 January 2004: €/000 330,590);
- the acquisition, completed in 2001, by Piaggio & C. S.p.A. of 49% in the company Piaggio Vehicles Pvt. Ltd from the partner Greaves Ltd (net value as of 1 January 2004: €/000 5,192). To this may be added 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/depreciation 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 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 2,723*

These totalled €/000 2,723 and are primarily composed of charges incurred by Piaggio Vietnam.

17. *Property, plant and equipment* *€/000 250,415*

The table below details the breakdown of tangible assets as of 31 December 2009 and as of 31 December 2008, as well as the changes for the period. Increases mainly refer to moulds for new vehicles launched during the year, as well as construction of the new production facility in India.

Land *€/000 32,150*

Land is not depreciated.

Land basically refers to Group production facilities in Pontedera (Pisa), Noale (Venice), Mandello del Lario (Lecco) and Barcelona (Spain). The item also includes land at Pisa and Lugnano which was transferred by the Parent Company in December 2009 to a property fund, consolidated on a line-by-line basis.

In thousands of Euros	Value as of 31/12/2008	Increases	Deprecia-tion	Disposals	Write-downs	Reclassifi-cations	Exchange differences	Value as of 31/12/2009
Land	32,150							32,150
Buildings	91,426	2,596	(3,957)	(289)		408	(428)	89,756
Plants and equipment	69,267	22,085	(12,546)	(393)	(189)	384	(495)	78,113
Equipment	48,983	12,753	(18,428)	(350)	(21)	928	(2)	43,863
Other	8,528	1,820	(2,217)	(556)	(5)	(1,033)	(4)	6,533
Total	**250,354**	**39,254**	**(37,148)**	**(1,588)**	**(215)**	**687**	**(929)**	**250,415**

Buildings *€/000 89,756*

The *Buildings* item, net of accumulated amortisation/depreciation, comprises (see table below):

In thousands of Euros	As of 31/12/2009	As of 31/12/2008	Change
Industrial buildings	84.415	86.120	(1.705)
Ancillary buildings	821	759	62
Lightweight constructions	361	414	(53)
Assets under construction	4.159	4.133	26
Total	**89.756**	**91.426**	**(1.670)**

Industrial buildings refer to Group production facilities in Pontedera (Pisa), Noale (Venice), Mandello del Lario (Lecco), Barcelona (Spain), Baramati (India), and Hanoi (Vietnam). The item also includes some buildings at Pisa and Lugnano which were transferred by the Parent Company in December 2009 to a property fund, consolidated on a line-by-line basis.

As of 31 December 2009, the net values of assets held under leases were as follows:

In thousands of Euros	As of 31/12/2009
Mandello del Lario facility (land and building)	13,636
EDP (other assets)	6
Total	**13,642**

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 78,113*

Plant and equipment, net of the accumulated amortisation/depreciation, consists of:

In thousands of Euros	As of 31/12/2009	As of 31/12/2008	Change
Non-specific plants	37,022	33,399	3,623
Automatic equipment	6,246	7,364	(1,118)
Ovens and sundry equipment	661	736	(75)
Other	13,174	13,498	(324)
Assets under construction	21,010	14,270	6,740
Total	**78,113**	**69,267**	**8,846**

Plants and equipment refer to Group production facilities in Pontedera (Pisa), Noale (Venice), Mandello del Lario (Lecco), Barcelona (Spain), Baramati (India), and Hanoi (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%;
- ovens and sundry equipment: 15%;
- robotic work centres: 22%.

Assets under construction amount to €/000 21,012.

Industrial and commercial equipment €/000 43,863

The value of the item *"Industrial and Commercial Equipment"*, equal to €/000 43,863 is essentially composed of Piaggio & C production equipment. S.p.A., Nacional Motor S.A., Piaggio Vietnam Co Ltd and Piaggio Vehicles Pvt. Ltd. already being depreciated and assets under construction totalling €/000 9,182.

Main investments in equipment concerned moulds for new vehicles launched during the year or which are planned 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 the Group companies to represent its useful life and in particular:

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

Other tangible assets €/000 6,533

Other tangible assets, net of accumulated amortisation/depreciation, consist of:

In thousands of Euros	As of 31/12/2009	As of 31/12/2008	Change
EDP systems	2,031	2,569	(538)
Office furniture and equipment	2,205	2,246	(41)
Vehicles	1,255	1,198	57
Other	386	765	(379)
Assets under construction	656	1,750	(1,094)
Total	**6,533**	**8,528**	**(1,995)**

Revaluations of assets

The Parent Company still has assets for which revaluations have been made in conformity to specific regulations or during merger operations.

The table below shows detailed figures for financial statement items, with reference to the legal provision or merger operation.

	Re-valuation Law . L.623/73	Revaluation Law L.575/65 and 72/83
Tangible assets		
Industrial buildings	16	2,950
Plant and equipment	0	1,004
Industrial and commercial equipment	0	0
Office furniture and equipment	0	5
Electronic office equipment	0	0
Own transport	0	0
Tangible assets total	16	3,959
Intangible assets		
Aprilia brand	0	0
Guzzi brand		103
Intangible assets total	**0**	**103**
General total	**16**	**4,062**

Guarantees

As of 31 December 2009 the Group owned land and buildings encumbered by mortgage liens or privileges in favour of banks to secure loans obtained in previous years.

18. *Property investments* *€/000 0*

As of 31 December 2009 no property investments were recorded.

19. *Equity investments* *€/000 239*

Equity investments comprise:

In thousands of Euros	As of 31/12/2009	As of 31/12/2008	Change
Equity investments in subsidiaries			
Equity investments in joint ventures			
Equity investments in affiliated companies	239	239	0
Total	**239**	**239**	**0**

No changes in equity investments were recorded for the period. The composition of equity investments is shown in the table below:

In thousands of Euros	Book value as of 31/12/2009
Subsidiaries	
Valued using the equity method:	
Piaggio China Co. LTD	0
Aprilia Brasil SA	0
Aprilia World Service do Brasil Ltd	0
Total subsidiaries	**0**
Joint venture	
Valued using the net shareholders' equity method:	
Zongshen Piaggio Foshan Motorcycles Co. Ltd – China	0
Total joint venture	**0**
Associated companies	
Valued at cost:	
Immsi Audit S.c.a.r.l	10
SA.T.S.A. – Tunisia	45
Acciones Depuradora Soc. Coop.	3
Motoride.com – Milan (in liquidation)	0
Pontech Soc. Cons. S.c.r.l. – Pontedera	181
Total associated companies	**239**

Revaluation for merger	Econ. Revaluation 1988	Revaluation Law. L.413/91	Revaluation in departure of pre-existing. Art.2425	Revaluation for merger 1990	Revaluation for merger 1996	Revaluation Law L.242/2000	Total Reval
0	584	3,201	1,018	1,668	1,549	0	10,986
263	0	0	0	42	0	1,930	3,239
331	0	0	0	2,484	0	3,438	6,253
58	0	0	0	101	0	0	164
0	0	0	0	27	0	0	27
0	0	0	0	13	0	0	13
652	584	3,201	1,018	4,335	1,549	5,368	20,682
0	0	0	0	21,691	0	25,823	47,514
			258				361
0	**0**	**0**	**258**	**21,691**	**0**	**25,823**	**47,875**
652	**584**	**3,201**	**1,276**	**26,026**	**1,549**	**31,191**	**68,557**

Equity investments in subsidiaries

€/000 0

As regards subsidiaries, main events during the year were:

- On 1 January 2009 the share capital of Aprilia Racing S.r.l. was increased from EUR 21,000 to EUR 150,000, as a result of Piaggio & C. S.p.A. transferring its "racing" branch, with a resulting 86% underwriting of an increase in share capital.
- On 21 January 2009, Aprilia Moto UK Limited was cancelled from the local Registry of Companies.
- On 23 January 2009, Aprilia World Service B.V. transferred its shareholding in the company Aprilia World Service Holding do Brasil Ltda to Piaggio Group Americas Inc.
- On 1 June 2009, the merger by incorporation of Piaggio Benelux B.V. into Piaggio Vespa B.V. was implemented with retroactive effectiveness as of 1 January 2009.
- On 21 July 2009, Nacional Motor SA sold 14% of its shareholding in Aprilia Racing Srl to Piaggio & C. S.p.A.
- On 28 July 2009, Aprilia World Service BV sold 2% of its shareholding in Nacional Motor SA to Piaggio & C. S.p.A.
- On 28 July 2009 Piaggio & C. S.p.A. transferred its off road racing branch to Aprilia Racing Srl, through which the share capital of the latter was increased from EUR 150,000 to EUR 250,000.
- On 1 December 2009, following the spin off from Nacional Motor SA, the company "Piaggio Espana S.L.U. " was established in Spain, to act as a selling agency on the Spanish market.
- On 14 December 2009, the branch "Piaggio & C. S.p.A. sucursal en Espana" was established in Spain.
- On 23 December 2009 the spin off from Nacional Motor SA to Piaggio & C. S.p.A. was completed, effective from 28 December 2009. Due to this operation, the share capital of Nacional Motor decreased from EUR 9,368,904 to EUR 1,588,422.

- On 30 December 2009, through property and cash contributions, Piaggio & C. S.p.A. acquired 78 shares in Atlantic 12 – a closed property investment fund, corresponding to 100% of the equity investment. This fund is consolidated on a line-by-line basis in the Piaggio Group, as the group has the power to appoint directors and therefore controls its management. This property fund, used to acquire land and buildings in Lugnano and Pisa, was established to further value these properties.

Equity investments in joint ventures

€/000 0

The equity investment in Zongshen Piaggio Foshan Motorcycles Co. Ltd was classified under "joint ventures" in relation to agreements made in the contract stipulated on 15 April 2004 between Piaggio & C. S.p.A. and its long-standing partner Foshan Motorcycle Plant, and the Chinese company Zongshen Industrial Group Company Limited.

Piaggio & C. S.p.A. has a 45% holding in Zongshen Piaggio Foshan Motorcycles, of which 12.5% through its direct subsidiary Piaggio China Company Ltd. The book value of the equity investment is zero and has been constant compared to 31 December 2008.

In relation to the bank loans provided to the subsidiary Zongshen Piaggio Foshan Motorcycle Co. Ltd, Group companies have issued overall bank guarantees of €/000 6,803.

The following table summarises the main financial highlights of the joint venture:

Zongshen Piaggio Foshan Motorcycle Co.	Financial statements as of 31/12/2009	
		45% (*)
In thousands of Euros		
NET TRADE RECEIVABLES	131	59
TRADE RECEIVABLES DUE FROM Piaggio Group	8,392	3,776
INVENTORIES	6,671	3,002
TRADE PAYABLES	(10,366)	(4,665)
AMOUNTS DUE TO Piaggio Group	(516)	(232)
OTHER RECEIVABLES	(0)	(0)
OTHER AMOUNTS DUE TO Piaggio Group	4,016	1,807
OTHER PAYABLES	(5,238)	(2,357)
WORKING CAPITAL	3,089	1,390
TANGIBLE ASSETS	12,281	5,526
INTANGIBLE ASSETS	28	13
TOTAL FIXED ASSETS	12,309	5,539
NET CAPITAL EMPLOYED	15,398	6,929
Other reserves	802	361
PROVISIONS	802	361
FINANCIAL PAYABLES	14,938	6,722
SHORT-TERM FINANCIAL RECEIVABLES AND CASH	(6,976)	(3,139)
FINANCIAL POSITION	7,962	3,583
SHARE CAPITAL	26,024	11,711
OTHER PROVISIONS	34,781	15,652
RETAINED EARNINGS	(56,541)	(25,443)
EARNINGS FOR THE PERIOD	2,370	1,066
SHAREHOLDERS' EQUITY	6,634	2,985
TOTAL SOURCES OF FUNDS	15,398	6,929

(*) percentage Group ownership

Investments in associates *€/000 239*

This item did not change during the year.

20. *Other non-current financial assets* *€/000 343*

In thousands of Euros	As of 31/12/2009	As of 31/12/2008	Change
Financial receivables due from affiliated companies	9	-	9
Financial receivables due from third parties	169	194	(25)
Equity investments in other companies	165	165	0
Total	**343**	**359**	**(16)**

Financial receivables due from third parties refer to the liquidation of the company Motoride.

The item equity investments in other companies did not change compared to the previous year's figures and is broken down as follows:

In thousands of Euros	Book value as of 31/12/2009
Other companies:	
Valued at cost:	
Sviluppo Italia Liguria S.c.p.a.	5
Consorzio Pisa Ricerche	76
Centro per l'innovazione – Pisa	0
A.N.C.M.A. – Rome	2
GEO.FOR. S.p.A. – Pontedera	47
GEO.FOR. Patrimonio S.p.A. – Pontedera	0
E.CO.FOR. S.p.A. – Pontedera	2
Consorzio Fiat Media Center – Turin	3
S.C.P.S.T.V.	21
IVM	9
Mitsuba Italia S.p.A.	0
Total other companies	**165**

21. *Current and non-current tax receivables* *€/000 28,969*

Tax receivables of €/000 28,969 consist of:

In thousands of Euros	As of 31/12/2009	As of 31/12/2008	Change
VAT receivables	22,792	27,281	(4,489)
Tax receivables refund applications	1,865	1,932	(67)
Other receivables due from the public authorities	4,312	6,725	(2,413)
Total tax receivables	**28,969**	**35,938**	**(6,969)**

Tax receivables included under non-current assets totalled €/000 4,990, compared to €/000 8,166 as of 31 December 2008, while tax receivables included under current assets totalled €/000 23,979 compared to €/000 27,772 as of 31 December 2008, mainly due to the effect of the VAT reduction of the Parent Company.

22. *Deferred tax assets* *€/000 46,462*

Deferred tax assets totalled €/000 46,462 compared to €/000 36,227 as of 31 December 2008. The change of €/000 10,235 was mainly due to the recording of deferred taxes relating to the elimination of intergroup capital gains on the transfer of the Derbi brand from Nacional Motor to the Parent Company and to the transfer of the "customer relationship" lists from the Parent Company to Piaggio Group Americas and Piaggio Vietnam, as well as the use of deferred tax assets entered in previous years referring to the taxable amount offset against previous tax losses and the re-absorption of temporary differences.

As part of valuations made to define deferred tax assets, the Group considered the following:

1. tax regulations of countries where it operates, their impact in terms of temporary differences and any tax benefits arising from the use of previous tax losses, considering their maturity;
2. financial results in the mid-term for each company and the economic and tax impacts arising from the implementation of organisational restructuring.

Based on the above considerations, and with a view to caution, the tax benefits arising from losses which may be carried forward and from temporary differences were not recognised in full.

In thousands of Euros	Amount of temporary differences	tax rate	Tax effect	Recorded as of 31/12/2009
	13,225	27.5%-31.4%	4,039	
	1,997	38.20%	763	
	448	23.50%	105	
Provisions for risks	**15,670**		**4,907**	
	16,045	31.40%	5,038	
	297	38.50%	114	
	601	38.20%	230	
Product warranty provision	**16,943**		**5,382**	
	20,930	27.50%	5,756	
	801	38.20%	306	
Provisions for write-down accounts	**21,731**		**6,062**	
	28,442	31.40%	8,931	
	102	20.00%	20	
	577	23.50%	136	
	2,189	38.20%	836	
Provision for obsolete stock	**31,310**		**9,923**	
	46,735	27.5%-31.4%	16,041	
	201	38.50%	77	
	5,309	7.50%-25.00%	1,723	
	8,344	38.20%-12.00%	4,320	
	3,081	33.99%	1,047	
	227	23.50%	53	
Other changes	**63,897**		**23,261**	
Total deferred tax assets on temporary differences			**49,535**	**32,353**
Piaggio&C	40,070	27.50%	11,019	
Nacional Motor	14,183	30.00%	4,255	
Piaggio Group Americas	15,358	42.00%	6,510	
Piaggio Vietnam	1,112	7.50%	83	
Piaggio Group Japan	174	38.50%	67	
Derbi Racing	8,449	30.00%	2,535	
Total deferred tax assets on tax losses	**79,346**		**24,469**	**14,109**
Recognised deferred tax assets				**46,462**
Unrecognised deferred tax assets			**27,542**	

23. *Current and non-current trade receivables* *€/000 103,164*

As of 31 December 2009 current trade receivables totalled €/000 103,164 against €/000 90,278 as of 31 December 2008. In both periods analysed, non-current trade receivables were not recognised.

Their breakdown was as follows:

In thousands of Euros	As of 31/12/2009	As of 31/12/2008	Change
Trade receivables	102,687	89,818	12,869
Receivables due from Group companies valued at equity	460	394	66
Receivables due from Parent Company	12		12
Receivables due from affiliated companies	5	66	(61)
Total	**103,164**	**90,278**	**12,886**

The item "Trade receivables" comprises receivables referring to normal sale transactions, recorded net of provisions for risks of €/000 25,923.

The Piaggio Group sells a large part of its trade receivables with and without recourse. The Piaggio Group 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 clients an instrument for funding their own inventories. At 31 December 2009, trade receivables still due sold without recourse totalled €/000 69,302, of which the Group received payment prior to the natural maturity of the receivables for €/000 65,655. As of 31 December 2009, receivables sold with recourse totalled €/000 26,599, with a counter entry in current liabilities.

Changes in the reserve are as follows:

In thousands of Euros	
31 December 2008	**24,343**
Increases for provisions	4,883
Decreases for use	(3,323)
31 December 2009	**25,923**

Receivables due from Group companies valued at equity comprise amounts due from Zonshen Piaggio Foshan Motorcycles. Receivables due from affiliated companies include amounts due from the Fondazione Piaggio.

24. *Other current and non-current receivables* *€/000 37,112*

Other receivables recorded under non-current assets totalled €/000 12,914 compared to €/000 12,587 as of 31 December 2008, whereas those recorded under current assets were equal to €/000 24,198 against €/000 21,380 as of 31 December 2008. They comprise the following:

In thousands of Euros	As of 31/12/2009	As of 31/12/2008	Change
Other non-current receivables:			
- due from Group companies valued at equity	138	440	(302)
- due from affiliated companies	321	359	(38)
- due from others	12,455	11,788	667
Total non-current portion	**12,914**	**12,587**	**327**

Receivables due from Group companies valued at equity comprise amounts due from AWS do Brasil.

Receivables due from affiliated companies regard amounts due from the Fondazione Piaggio.

In thousands of Euros	As of 31/12/2009	As of 31/12/2008	Change
Other current receivables:			
Receivables due from Parent Company	3,960	1,784	2,176
Receivables due from Group companies valued at equity	57	5	52
Receivables due from affiliated companies	49	172	(123)
Receivables due from others	20,132	19,419	713
Total current portion	**24,198**	**21,380**	**2,818**

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

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

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

25. *Inventories* *€/000 252,496*

As of 31 December 2009, this item totalled €/000 252,496, compared to €/000 257,961 at the end of 2008, and comprised:

In thousands of Euros	As of 31/12/2009	As of 31/12/2008	Change
Raw materials and consumables	107,450	103,314	4,136
Provisions for write-downs	(12,900)	(8,687)	(4,213)
	94,550	*94,627*	*(77)*
Work in progress	21,475	23,733	(2,258)
Provisions for write-downs	(852)	(852)	0
	20,623	*22,881*	*(2,258)*
Finished products and goods	160,861	161,766	(905)
Provisions for write-downs	(23,736)	(21,417)	(2,319)
	137,125	*140,349*	*(3,224)*
Advances	198	104	94
Total	**252,496**	**257,961**	**(5,465)**

26. *Other current financial assets* *€/000 4,127*

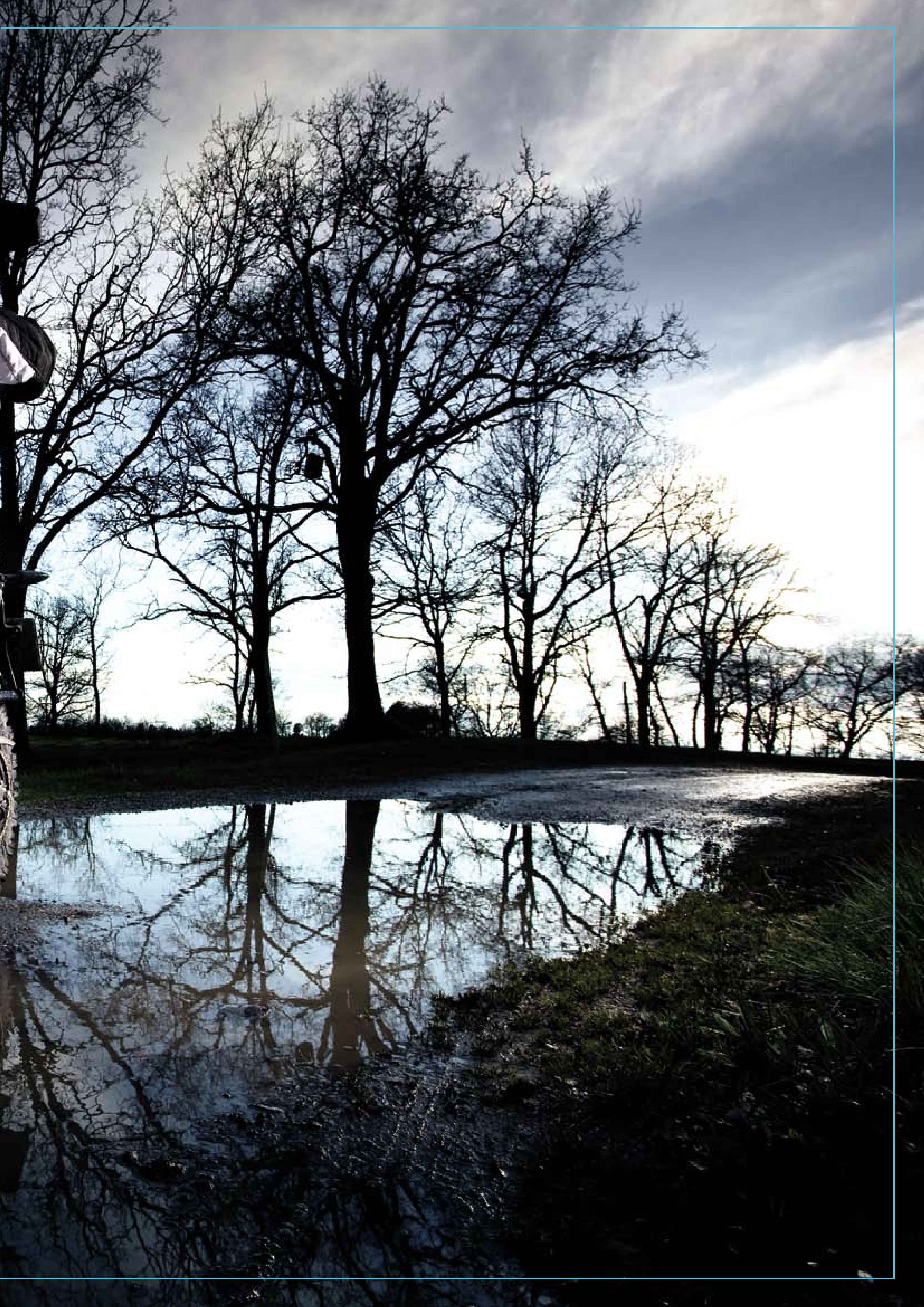
This item comprises:

In thousands of Euros	As of 31/12/2009	As of 31/12/2008	Change
Financial receivables due from affiliated companies		45	(45)
Investments in securities	4,127	1,605	2,522
Other	-	4,137	(4,137)
Total	**4,127**	**5,787**	**(1,660)**

The item "Securities" refers to the underwriting of certificates of deposit issued by an Indian public social security body carried out by the Indian subsidiary in order to make efficient use of temporary liquidity.

The item "Financial receivables due from associated companies" included last year the current portion of the loan granted to the Fondazione Piaggio.


DERBI



The item Other referred as of 31 December 2008 to receivables due from some factoring companies for amounts being accredited with a value date in 2009.

27. *Cash and cash equivalents*

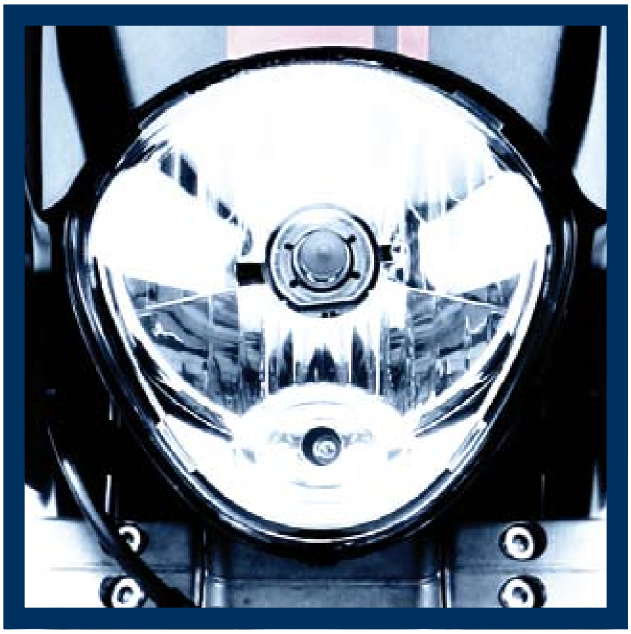
€/000 200,239

This item mainly includes short-term and on demand bank deposits.

Cash and cash equivalents totalled €/000 200,239 against €/000 39,985 as of 31 December 2008, as detailed below:

In thousands of Euros	As of 31/12/2009	As of 31/12/2008	Change
Bank and post office deposits	190,796	39,943	150,853
Cash and assets in hand	336	42	294
Securities	9,107		9,107
Total	**200,239**	**39,985**	**160,254**

The item "Securities" refers to the underwriting of certificates of deposit issued by an Indian public social security body carried out by the Indian subsidiary in order to make efficient use of temporary liquidity.



28. *Assets held for sale* *€/000 0*

As of 31 December 2009, there were no assets held for sale.

29. *Distribution of assets by geographical segment*

As regards the division of assets by geographical segment, reference is made to information in the section on segment reporting.

30. *Receivables due after 5 years*

€/000 0

As of 31 December 2009 no receivables due after 5 years were recorded.

INFORMATION ON THE CONSOLIDATED BALANCE SHEET - LIABILITIES

31. *Share capital and reserves*

€/000 423,802

Share capital *€/000 191,616*

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

In thousands of Euros	
Subscribed and paid up capital	205,941
Own shares purchased as of 31 December 2008	(13,794)
Share capital as of 1 January 2009	**192,147**
Purchase of own shares 2009	(531)
Share capital as of 31 December 2009	**191,616**

As of 31 December 2009 the fully subscribed and paid-up share capital consisted of 396,040,908 ordinary shares with a par value of EUR 0.52 each, totalling EUR 205,941,272.16.

During the period, following the resolution passed at the Shareholders' Meeting on 24 June 2008, the Parent Company purchased 1,020,673 own shares.

Therefore, as of 31 December 2009 the Parent company held 27,547,007 own shares, equal to 6.956% of the share capital.

In accordance with the provisions of international accounting standards, these purchases were recorded as a reduction in shareholders' equity.

Share premium reserve *€/000 3,493*

The share premium reserve as of 31 December 2009 was unchanged and stood at €/000 3,493.

Legal reserve *€/000 8,996*

The legal reserve increased by €/000 1,499 as a result of the allocation of the earnings for the last period.

Other provisions *€/000 (928)*

This item consists of:

In thousands of Euros	As of 31/12/2009	As of 31/12/2008	Change
Conversion reserve	(5,468)	(6,372)	903
Stock option reserve	9,279	8,556	723
Financial instruments' fair value reserve	127	(405)	532
IFRS transition reserve	(5,859)	(5,859)	0
Total other provisions	(1,921)	(4,080)	2,158
Consolidation reserve	993	993	0
Total	**(928)**	**(3,087)**	**2,158**

The financial instruments fair value reserve equal to €/000 127 refers to the effect of recording the cash flow hedge of forward purchases and sales in foreign currency based on estimated cash flows and turnover described in more detail in the note on financial instruments.

The consolidation reserve was established following the acquisition in January 2003 by Piaggio & C. S.p.A. of the equity investment held by Daihatsu Motor Co. Ltd in P&D S.p.A., equal to 49% of the share capital.

Distributed dividends *€/000 22,533*

In May 2009, the Parent Company paid dividends totalling €/000 22,117. During 2008, dividends for €/000 23,493 had been distributed. In December, Piaggio Vietnam distributed an advance on the dividend to Simest, in its capacity as a minority shareholder, equal to €/000 416. Simest turned over the dividend to the Parent Company, based on a contractual agreement with the Group, which guarantees Simest a certain return on the financial investment made in Piaggio Vietnam and concurrently excludes it from all economic risks as well as profit from the financial performance of Piaggio Vietnam.

Performance reserve *€/000 218,484*

Minority interest capital and reserves *€/000 2,141*

The end of period amount refers to the minority shareholders in Piaggio Hrvatska Doo and Piaggio Vietnam.

Other net income (losses) *€/000 532*

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

In thousands of Euros	As of 31/12/2009	As of 31/12/2008	Change
The effective part of net income (losses) on cash flow hedging instruments generated in the period	127	(406)	533
The effective part of net income (losses) on cash flow hedging instruments reclassified in the income statement	405	(252)	657
Effective part of profits (losses) on cash flow hedges	532	(658)	1,190

Reconciliation statement between shareholders' equity and earnings for the period of the Parent company and shareholders' equity and consolidated earnings for the period.

In thousands of Euros	Earnings as of 31/12/2009	Shareholders' equity as of 31/12/2009
Piaggio & C. S.p.A.	46,053	348,340
Earnings and shareholders' equity of subsidiaries	63,941	197,397
Elimination of the book value of equity investments		(77,837)
Elimination of dividends from subsidiaries	(31,851)	
Transfers/disposals of intangible/tangible assets to subsidiaries	(26,563)	(43,821)
Elimination of effects of other intergroup transactions and other entries	(4,161)	(277)
Gruppo Piaggio & C.	47,419	423,802

32. *Current and non-current financial liabilities* *€/000 556,342*

In 2009, the Group's overall debt reported an increase of €/000 150,862, rising from €/000 405,480 to €/000 556,342.

This increase is due to the disbursement, in February 2009, of a medium term loan of €/000 150,000, stipulated with the European Investment Bank in December 2008 (€/000 139,286), as well as a medium term syndicated loan of €/000 90,000 disbursed by a pool of banks under the coordination of BNP Paribas, net of reimbursements during the year. The Group's net debt fell to €/000 351,976 as of 31 December 2009 from €/ 000 359,708 as of 31 December 2008, as can be seen in the table on consolidated net debt included in the financial statements.

Financial payables included in non-current liabilities totalled €/000 443,164 against €/000 264,789 as of 31 December 2008, whereas financial liabilities included in current liabilities totalled €/000 113,178 compared to €/000 140,691 as of 31 December 2008.

The attached tables summarise the breakdown of financial debt as of 31 December 2009 and as of 31 December 2008, as well as the changes for the period.

In thousands of Euros	As of 31/12/2008	Repayments	New issues	Reclassification to the current portion	Other changes	As of 31/12/2009
Non-current portion:						
Medium-/long-term loans	117,056		242,976	(69,779)	(381)	289,872
Bonds falling due over 12 months	120,873	(123,960)	150,000		(9,248)	137,665
Other medium-/long-term loans						
of which leasing	*9,019*			*(757)*		*8,262*
of which due to other lenders	*8,842*		*1,145*	*(2,622)*		*7,365*
of which Aprilia instruments	*8,999*	*(8,999)*				*-*
Total loans after 12 months	*26,860*	*(8,999)*	*1,145*	*(3,379)*	*0*	*15,627*
Total	**264,789**	**(132,959)**	**394,121**	**(73,158)**	**(9,629)**	**443,164**

In thousands of Euros	As Of 31/12/2008	Repayments	New issues	Recl.from non-current	Other changes	As of 31/12/2009
Current portion:						
Current account overdrafts	14,009	(12,051)				1,958
Current account payables	52,369	(29,854)				22,515
Payables due to factoring companies	13,020		13,579			26,599
Current portion of medium-/long-term loans:						
of which leasing	*727*	*(726)*		*757*		*758*
of which due to banks	*57,734*	*(68,448)*		*69,779*	*(253)*	*58,812*
of which due to other lenders	*2,569*	*(2,655)*		*2,622*		*2,536*
of which Aprilia instruments	*263*	*(263)*				-
Total loans within 12 months	61,293	(72,092)	0	73,158	(253)	62,106
Total	**140,691**	**(113,997)**	**13,579**	**73,158**	**(253)**	**113,178**

The breakdown of the debt is as follows:

In thousands of Euros	Book value As of 31/12/2009	Book value As of 31/12/2008	Par value As of 31/12/2009	Par value As of 31/12/2008
Bank financing	373,157	241,168	374,618	241,995
Bonds	137,665	120,873	150,000	123,960
Other medium-/long-term loans:				
of which leasing	*9,020*	*9,746*	*9,020*	*9,746*
of which amounts due to other lenders	*36,500*	*24,431*	*36,500*	*24,431*
of which Aprilia instruments	*0*	*9,262*	*0*	*10,263*
Total other loans	45,520	43,439	45,520	44,440
Total	**556,342**	**405,480**	**570,138**	**410,395**

The table below shows the debt servicing schedule as of 31 December 2009:

	Par value as of 31/12/2009	Amounts falling due within 12 months	Amounts falling due after 12 months	Amounts falling due in				
In thousands of Euros				**2011**	**2012**	**2013**	**2014**	**Beyond**
Bank financing	374,618	83,538	291,080	83,440	122,551	28,930	22,100	34,059
- including opening of credit lines and bank overdrafts	24,473	24,473	0					
- of which medium/long-term bank loans	350,145	59,065	291,080	83,440	122,551	28,930	22,100	34,059
Bonds	150,000	0	150,000	0	0	0	0	150,000
Other medium-/long-term loans:								
of which leasing	*9,020*	*758*	*8,262*	*791*	*827*	*866*	*5,778*	*0*
of which amounts due to other lenders	*36,500*	*29,135*	*7,365*	*2,499*	*2,390*	*448*	*451*	*1,577*
Total other loans	45,520	29,893	15,627	3,290	3,217	1,314	6,229	1,577
Total	**570,138**	**113,431**	**456,707**	**86,730**	**125,768**	**30,244**	**28,329**	**185,636**

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

	Book value as of 31/12/2008	Book value as of 31/12/2009	Notional value	Applicable interest rate
In thousands of Euros				
Euro	385,147	532,874	547,622	3.72%
Indian Rupee	9,705	876	-	
US Dollar	5,350	18,998	18,922	1.18%
Dong Vietnam	5,278	3,594	3,594	3.50%
Total currencies other than Euro	*20,333*	*23,468*	*22,516*	*1.55%*
Total	**405,480**	**556,342**	**570,138**	**3.63%**

Medium and long-term bank debt amounts to €/000 348,684 (of which €/000 289,872 non-current and €/000 58,812 current) and consists mainly of the following loans:

- a €/000 139,286 medium-term loan from the European Investment Bank to finance Research & Development investments planned for the period 2009-2012. The loan has a remaining duration of six years, with an amortisation/depreciation schedule of 14 six-monthly instalments to be repaid at a variable rate equal 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, in reference to the 2009 period, these parameters were comfortably met;
- €/000 89,030 (par value €/000 90,000) medium-term loan from a pool of banks granted in July to the Parent Company by Banca Nazionale del Lavoro as banking agent and paid in August 2009. This loan lasts for three years, with a pre-amortisation schedule of a year and a half, with repayments in three six-monthly instalments. The financial terms provide for a variable interest rate linked to the six-month Euribor plus an initial margin of 1.90%. This margin may vary from a minimum of 1.65% to a maximum of 2.20% in accordance with changes in

the Net Financial Debt / Ebitda ratio. Guarantees are not issued. However in line with market practice, some financial parameters must be complied with. It should be noted that, in reference to the 2009 period, these parameters were comfortably met;

- €/000 82,009 (par value €/000 82,500) loan to the Parent company from Mediobanca and Banca Intesa San Paolo. In April 2006, this loan was syndicated to a restricted pool of banks and it is part of a more articulated loan package. The loan package consisted of an initial *instalment* of €/000 150,000 (par value) which has been fully drawn on (as of 31 December 2009 €/000 82,500 was still due) and a second *instalment* of €/000 100,000 to be used as a credit line (as of 31 December 2009 still unused). The structure envisages a 7-year term, with a grace period of 18 months and 11 six-monthly instalments with the last maturity on 23 December 2012 for the loan tranche, a variable interest rate linked to the 6 month Euribor rate to which a variable spread between a maximum of 2.10% and a minimum of 0.65% is added depending on the Net Financial Debt/EBITDA ratio. For the *tranche* relating to the credit line there is a commitment fee of 0.25%. Guarantees are not issued. However in line with market practice, some financial parameters must be complied with. It should be noted that, in reference to the 2009 period, these parameters were comfortably met;
- a €/000 25,000 five-year unsecured loan from Interbanca entered into in September 2008;
- a €/000 860 loan from Interbanca in accordance with Law 346/88 regarding subsidies for applied research, secured by a mortgage lien on property;
- €/000 2,691 as a non-interest bearing loan originally granted by Banca Antonveneta to a subsidiary of the Aprilia Group, which following the acquisition was charged to the Parent Company; the lump sum due date is in 2011;

- a €/000 1,832 subsidised loan from Banca Intesa San Paolo under Law 346/88 regarding applied research;
- a €/000 2,976 subsidised loan from Banca Intesa San Paolo under Law 346/88 regarding applied research;
- €/000 3,500 of payables due to Interbanca in its capacity of provider of the EMH instruments;
- a €/000 1,500 eight-year subsidised loan from ICCREA in December 2008 granted under Law 100/90 and linked to the SIMEST equity investment in the Vietnamese company.

The item "Bonds due after the year" (€/000 137,665 net book value) refers to the high-yield debenture loan issued on 4 December 2009 by the Parent Company Piaggio & C. S.p.A., for a nominal amount of €/000 150,000, due on 1 December 2016 with six-monthly payment at an annual fixed nominal rate of 7%. Standard & Poor's and Moody's both assigned a BB and BA2 rating with a negative outlook for the issue.

The issue was used to finance the pre-repayment of the Piaggio Finance S. A. 10% senior notes due 2012 high yield debenture loan. Medium-/long-term payables due to other lenders amount to €/000 45,520 (of which €/000 15,627 due after twelve months; (€/000 29,893 is the current portion of other loans). These break down as follows:

- €/000 9,020 in finance leases for the merged Moto Guzzi S.p.A., of which €/000 9,018 provided by Locat S.p.A. and €/000 2 by Italease Factoring S.p.A.;
- subsidised loans for a total of €/000 9,901 provided by Simest and by the Ministry of Economic Development using regulations to encourage exports and investment in research and development (non-current portion of €/000 7,365);
- advances from factoring operations with recourse €/000 26,599.

Financial instruments

Exchange rate risk

In 2009, the exchange rate 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 transaction 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.

The exposure to the business risk consists of the envisaged payables and receivables in foreign currency, taken from the budget for sales and purchases reclassified by currency and accrued on a monthly basis.

Hedging must be at least 66% the economic exposure of each reference quarter.

The exposure to the transaction 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.

As regards contracts in place to hedge the exchange rate risk on receivables and payables in currency (transaction risk) as of 31 December 2009 the Parent Company had in place: forward purchase operations for a value of CHF/000 4,286 equal to €/000 2,882 (valued at the forward exchange rate), GBP/000 4,835 equal to €/000 5,341, SEK/000 940 equal to €/000 91, JPY/000,000 856 equal to €/000 6,514, SGD/000 450 equal to €/000 223 and USD/000 2,920 equal to €/000 2,012. As of 31 December 2009 the following forward sales operations were recorded:

- for a value of CAD/000 2,515 equal to €/000 1,624 (valued at the forward exchange rate);
- for a value of CHF/000 4,920 equal to €/000 3,258 (valued at the forward exchange rate);
- for a value of DKK/000 2,175 equal to €/000 292 (valued at the forward exchange rate);
- for a value of GBP/000 5,785 equal to €/000 6,441 (valued at the forward exchange rate);
- for a value of JPY/000,000 376 equal to €/000 2,831 (valued at the forward exchange rate);
- for a value of SGD/000 1,035 corresponding to €/000 503 (valued at the forward exchange rate);
- USD/000 9,160 corresponding to €/000 6,320 (valued at the forward exchange rate);

As regards contracts in place to hedge the exchange rate risk on forecast transactions (business risk), as of 31 December 2009 the Parent Company had forward purchase transactions for a value of CNY/000 235 equal to €/000 23,691 (valued at the forward exchange rate), and forward sales transactions for a value of CHF/ 000 22,800 equal overall to €/000 15,131 (valued at the forward exchange rate) and GBP/000 18,800 equal to €/000 20,879 (valued at the forward exchange rate).

33. *Current and non-current trade payables* *€/000 345,987*

As of 31 December 2009 and as of 31 December 2008 no trade payables were recorded under non-current liabilities. "Tax liabilities" included in current liabilities totalled €/000 345,987, against €/000 362,224 as of 31 December 2008.

In thousands of Euros	As of 31/12/2009	As of 31/12/2008	Change
Current liabilities:			
Amounts due to suppliers	332,745	353,512	(20,767)
Trade payables due to companies valued at equity	12,408	8,209	4,199
Amounts due to affiliated companies	393	159	234
Amounts due to parent companies	441	344	97
Total current portion	**345,987**	**362,224**	**(16,237)**

34. *Reserves (current and non-current portion)* *€/000 42,132*

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

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

In thousands of Euros	As of 31/12/2009	As of 31/12/2008	Change
Non-current portion			
Product warranty provision	5,025	2,945	2,080
Risk provisions on equity investments	5,480	5,480	0
Provisions for contractual risks	6,438	8,481	(2,043)
Other provisions for risks and charges	6,022	4,772	1,250
Total non-current portion	**22,965**	**21,678**	**1,287**

In thousands of Euros	As of 31/12/2009	As of 31/12/2008	Change
Current portion			
Product warranty provision	12,504	15,592	(3,088)
Risk provisions on equity investments		302	(302)
Provisions for contractual risks	3,083		3,083
Other provisions for risks and charges	3,580	4,004	(424)
Total current portion	**19,167**	**19,898**	**(731)**

In thousands of Euros	Balance as of 31/12/2008	Provisions	Applications	Adjustment	Exchange rate delta	Balance as of 31/12/2009
Product warranty provision	18,537	14,308	(15,316)			17,529
Risk provisions on equity investments	5,782		(302)			5,480
Provisions for contractual risks	8,481	1,040				9,521
Other provisions for risks and charges	8,776	4,263	(4,381)	1,065	(121)	9,602
Total	**41,576**	**19,611**	**(19,999)**	**1,065**	**(121)**	**42,132**

The product warranty provision relates to allocations for technical assistance on products with 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 14,308 and was used for €/000 15,316 in relation to charges incurred in the year.

The reserve for risks on equity investments includes the portion of negative shareholders' equity in the subsidiaries Piaggio China Co Ltd and AWS do Brasil, and the joint venture Zongshen Piaggio Foshan, as well as the 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.

"Other provisions" include provisions for legal risks for €/000 6,201. The allocation of di €/000 4,263 made in the year refers to €/000 993 for other legal proceedings underway.

35. *Deferred tax liabilities €/000 29,694*

Deferred tax liabilities totalled €/000 29,694, compared to €/000 31,795 as of 31 December 2008. The change was mainly generated by the Parent Company following the re-absorption of temporary differences.

36. *Retirement funds and employee benefits €/000 61,859*

In thousands of Euros	As of 31/12/2009	As of 31/12/2008	Change
Retirement funds	2,510	2,562	(52)
Post-employment benefits	59,349	61,598	(2,249)
Total	**61,859**	**64,160**	**(2,301)**

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.

Use refers to the payment of benefits already allocated in previous years, while allocations refer to benefits accrued in the period.

Changes in post-employment benefits are as follows::

	In thousands of Euros
Balance as of 31 December 2008	**61,598**
Increase	11,067
Interest cost	2,670
Actuarial gain	(1,964)
Applications	(14,022)
Balance as of 31 December 2009	**59,349**

Financial/technical assumptions

Technical evaluations were made based on the assumptions below:

- Annual technical discount rate 4.45%
- Annual rate of inflation 2.00%
- Annual rate of increase in post-employment benefits 3.00%

The iBoxx Corporates AA index with a 7-10 duration as of 31 December 2009 was used as a reference to evaluate the discount rate. In fact this was the average residual duration of the scope of the evaluation.

With regard to the 2007-2009 incentive plan approved by 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"), it should be noted that, during the year, two new stock options were assigned:

- on 15 January 2009, 390,000 options were assigned at an exercise price of EUR 1.2218. On the date of assignment of the options, the market price of the underlying financial instruments was equal to EUR 1.1569;
- on 11 May 2009, 250,000 options were assigned at an exercise price of EUR 1.2237. On the date of assignment of the options, the market price of the underlying financial instruments was equal to EUR 1.2238.

On 18 December 2009, in order to guarantee the more efficient management of the Plan, and in line with its objectives, the Board of Directors, with the backing of the Remuneration Committee resolved to proceed, with the consent of those concerned (as allowed pursuant to the Plan's regulations) to cancel options still exiting assigned by the CEO on 13 June 2007 (equal to 5,950,000), and reallocate a part of them.

In particular, 4,720,000 options at an exercise price of EUR 1.826 were allocated. On the date of assignment of the options, the market price of the underlying financial instruments was equal to EUR 1.8818. Thus options totalling 1,230,000 were not re-assigned.

During the year, 730,000 options expired. As of 31 December 2009, 8,095,000 option rights had been assigned for a corresponding number of shares. Following the close of

the year, a further 500,000 options at the exercise price of EUR 1.892 were assigned on 4 January 2009. On the date of assignment of the options, the market price of the underlying financial instruments was equal to Euro 2.004. At the end of January 2010, 75,000 option rights expired.

As previously indicated in the section on consolidation principles, the cost for fees, corresponding to the present value of options which the company determined applying the Black-Scholes valuation model using average historical fluctuations of Company shares and the average interest rate on loans with the same duration as the contract validity, is recognised under employee costs on a straight-line basis for the period between the allocation and maturity date, with the counter entry directly recognised as shareholders' equity.

As required by Consob, the table below shows the options assigned to board members, general directors and senior executives with strategic responsibilities:

		Options held at the beginning of the year			Options assigned during the year		
	Position held	**No, of options**	**Average price of exercise**	**Average expiry**	**No, of options**	**Average price of exercise**	**Average expiry**
Bandiera Daniele	General Director of Operations *	1,365,000	3.55	13/06/2012			
		585,000	1.216	31/07/2013			
Pallottini Michele	General Director of Finance	1,365,000	3.55	13/06/2012			
		750,000	1.216	31/07/2013			
					1,500,000	1.826	13/06/2012
Total		**4,065,000**			**1,500,000**		

* Until 4 November 2009

37. *Current and non-current tax payables €/000 18,952*

"Tax payables" included in current liabilities totalled €/000 18,952, against €/000 19,065 as of 31 December 2008. As of 31 December 2009, there were no tax payables included in non-current liabilities, which totalled €/000 166 as of 31 December 2008.

Their breakdown was as follows:

In thousands of Euros	As of 31/12/2009	As of 31/12/2008	Change
Due for income taxes	1,646	1,344	302
Due for non-income tax	1,724		1,724
Tax payables for:			
- VAT	3,260	3,962	(702)
- withheld taxes made	8,342	6,026	2,316
- other	3,980	7,899	(3,919)
Total	*15,582*	*17,887*	*(2,305)*
Total	**18,952**	**19,231**	**(279)**

The item includes tax payables recorded in the financial statements of individual consolidated companies, allocated in relation to tax charges for 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 86,052*

In thousands of Euros	As of 31/12/2009	As of 31/12/2008	Change
Non-current portion:			
Amounts due to social security institutions	1,003	1,003	0
Other payables	5,482	4,962	520
Total non-current portion	**6,485**	**5,965**	**520**

Options exercised during the year			Options expired during the year	Options held at the end of the year		
No, of options	Average price of exercise	Average expiry	No, of options	No, of options	Average price of exercise	Average expiry
			1,365,000			
			585,000			
			1,365,000			
				750,000	1.216	31/07/2013
				1,500,000	1.826	13/06/2012
			3,315,000	**2,250,000**		

In thousands of Euros	As of 31/12/2009	As of 31/12/2008	Change
Current portion:			
Amounts due to employees	34,192	24,563	9,629
Amounts due to social security institutions	10,120	9,205	915
Sundry payables due to affiliated companies	34	226	(192)
Sundry payables due to parent companies	573	374	199
Others	34,648	36,309	(1,661)
Total	**79,567**	**70,677**	**8,890**

Other payables included in non-current liabilities totalled €/000 6,485 against €/000 5,965 as of 31 December 2008, whereas other payables included in current liabilities totalled €/000 79,567 compared to €/000 70,677 as of 31 December 2008. Amounts due to employees include the amount for holidays accrued but not taken of €/000 11,066 and other payments to be made for €/000 23,126.

Payables due to associated companies refer to various amounts due to the Fondazione Piaggio and Immsi Audit.

39. *Distribution of liabilities by geographical segment*

As regards the division of liabilities by geographical segment, reference is made to information in the section on segment reporting.

40. *Payables due after 5 years*

The Group has payables due after 5 years, details of which are included in Note 32 on Financial Liabilities.

Milan, 26 February 2010

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

E) DEALINGS WITH RELATED PARTIES

The main business and financial relations that Group companies had with related parties have already been described in the specific paragraph in the Directors' Report to which reference is made here. To supplement this information, the following table outlines outstanding items, by company, as of 31 December 2009, as well as their contribution to respective financial statement items.

		Euro/000	% of accounting item
Relations with affiliated companies			
Fondazione Piaggio	other current receivables	21	0.09%
	other non-current receivables	321	2.49%
	current trade receivables	5	0.00%
	other current payables	28	0.04%
Piaggio China	other non-current financial assets	9	2.62%
	current trade payables	14	0.00%
	costs for services and use of third party assets	9	0.07%
AWS do Brasil	other non-current receivables	138	1.07%
Zongshen Piaggio Foshan	other current receivables	57	0.24%
	costs for materials	38.800	4.45%
	other operating income	1.407	1.03%
	current trade receivables	460	0.45%
	current trade payables	12.408	3.59%
	net sales	7	0.00%
	Financial charges	161	-0.48%
	costs for services and use of third party assets	158	0.06%
IMMSI Audit	other current receivables	28	0.12%
	other current payables	6	0.01%
	costs for services and use of third party assets	790	0.29%
	other operating income	28	0.02%
Rodriquez Cantieri Navali	other operating income	33	0.02%
Is Molas Resort	costs for services and use of third party assets	105	0.04%
Studio D'Urso	current trade payables	379	0.11%
	costs for services and use of third party assets	379	0.14%
Relations with parent companies			
IMMSI	costs for services and use of third party assets	2.238	0.82%
	other operating income	70	0.05%
	other operating costs	2	0.01%
	current trade receivables	12	0.01%
	other current receivables	3.960	16.36%
	current trade payables	441	0.13%
	other current payables	573	0.72%
Omniaholding	financial liabilities falling due after one year	16.000	3.61%

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 as follows:

TYPE	AMOUNT €/000
Cassa di Risparmio di Pisa bank guarantee issued on behalf of Piaggio & C.	
In favour of the Administration Sector, Province of Pisa	130
Bank guarantee from Banca Intesa San Paolo issued	
on our behalf in favour of the La Spezia Customs Authority	300
Unicredit bank guarantee issued on behalf of Piaggio & C. for USD 11,000,000 to guarantee the credit line of USD 10,000,000 granted by ANZ in favour of the subsidiary Piaggio Vietnam	
of which drawn	4,884
of which undrawn	2,752
Banca Intesa San Paolo bank guarantee issued in favour of AMIAT – Turin to guarantee contractual obligations for the supply of vehicles	230
Banca Intesa San Paolo bank guarantee issued in favour of the Ministry of the Interior of Algeria, to guarantee contractual obligations for the supply of vehicles	399
Bank guarantee to secure the credit line agreed with Banca Intesa San Paolo to the subsidiary Piaggio Vespa BV for USD 20,000,000	
of which drawn	4,095
of which given to the subsidiary Piaggio Foshan	6,803
of which undrawn	2,985
BNL bank guarantee issued in favour of the Venice Customs Authority	206
MPS bank guarantee in favour of AMA SpA – Rome, to guarantee contractual obligations for the supply of vehicles	226
Banca Intesa Madrid bank guarantee in favour of Soc. Estatal De Correos Tel. issued on 13-08-2007 to guarantee supplies	192
Banco di Brescia bank guarantee issued in favour of the local authority of Scorzé to secure the payment of town planning charges	166
Banca di Credito Cooperativo di Fornacette bank guarantee issued on behalf of Piaggio & C. in favour of Poste Italiane – Rome to guarantee contractual obligations for the supply of vehicles	204
Banca di Credito Cooperativo di Fornacette bank guarantee issued on behalf of Piaggio & C. in favour of AMA SpA – Rome, to guarantee contractual obligations for the supply of vehicles	500
Monte dei Paschi di Siena bank guarantee issued in favour of the Ministry of the Interior of Algeria, to guarantee contractual obligations for the supply of vehicles	391
Monte dei Paschi di Siena bank guarantee issued in favour of Foshan Nanhai-China, to guarantee contractual obligations for the supply of vehicles	742
Monte dei Paschi di Siena bank guarantee issued in favour of Akrapovic, to guarantee contractual obligations for the supply of vehicles	111

G) NON-RECURRENT TRANSACTIONS

During 2009 and 2008 the Group did not carry out important non-recurrent transactions.

H) INFORMATION ON FINANCIAL INSTRUMENTS

This attachment provides information on 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 2009 and as of 31 December 2008 the financial instruments in force were allocated as follows within the Piaggio Group's consolidated financial statements:

Current and non-current financial 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.

Credit lines

As of 31 December 2009 the most important credit lines irrevocable until maturity were as follows:

- a €/000 182,500 credit line maturing on December 2012, consisting of a loan with amortisation/depreciation and credit opening completely refundable at maturity;
- a framework agreement with a pool of banks for the granting of credit lines for a total amount of €/000 70,300 maturing on December 2011, usable for opening a credit up to 80% and as advance on credits up to 60%;

In thousands of Euros	Notes	At 31/12/2009	At 31/12/2008	Change
ASSETS				
Current assets				
Other financial assets	26	4,127	5,787	(1,660)
of which securities		*4,127*	*1,605*	*2,522*
of which financial receivables			*4,182*	*(4,182)*
LIABILITIES				
Non-current liabilities				
Financial liabilities falling due after one year	32	443,164	264,789	178,375
of which bonds		*137,665*	*120,873*	*16,792*
of which bank financing		*289,872*	*117,056*	*172,816*
of which leasing		*8,262*	*9,019*	*(757)*
of which other lenders		*7,365*	*8,842*	*(1,477)*
of which Aprilia instruments			*8,999*	*(8,999)*
Current liabilities				
Financial liabilities falling due within one year	32	113,178	140,691	(27,513)
of which bank financing		*83,285*	*124,112*	*(40,827)*
of which leasing		*758*	*727*	*31*
of which other lenders		*29,135*	*15,589*	*13,546*
of which Aprilia instruments			*263*	*(263)*

- a loan with a pool of banks for €/000 90,000 maturing in August 2012;
- a loan of €/139,286 maturing in February 2016;
- a loan of €/25,000 maturing in September 2013.

All the above mentioned credit lines have been granted to the parent company.

Management of Financial Risks

Cash management functions regulation and financial risks management is centralised. Cash management operations are performed within formalised policies and guidelines, valid for all Group's companies.

Capitals management and liquidity risk

Cash flows and the Group's credit line needs are monitored or managed centrally under the control of the Group's Cash management in order to guarantee an effective and efficient management of the financial resources as well as optimising the debt's maturity standpoint. The Parent Company financed temporary cash requirements of Group companies through short-term loans governed by market conditions.

To better hedge against the liquidity risk, the Group Treasury had available €/000 160,129 of undrawn irrevocable credit lines and €/000 125,225 of revocable credit lines as of 31 December 2009, as detailed below:

In thousands of Euros	2009	2008
Variable rate with maturity within one year - irrevocable until maturity	0	1,908
Variable rate with maturity beyond one year - irrevocable until maturity	160,129	294,474
Variable rate with maturity within one year - cash revocable	89,325	89,993
Variable rate with maturity within one year - with revocation for self-liquidating typologies	35,900	34,200
Total undrawn credit lines	**285,354**	**420,575**

Exchange rate risk management

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. In 2005, the Group adopted an exchange rate risk management policy which aims to neutralise the possible negative effects of the changes in exchange rates on company cash-flows.

The policy envisages hedging the business risk - which concerns the changes in company profitability compared to the annual business budget on the basis of a key change (the so-called "budget change") - for at least 66% of the exposure by recourse to derivative contracts.

The policy also provides the integral hedging of transaction 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 (net between sales and purchases in the same foreign currency) by resorting to the natural offsetting of the exposure, to the underwriting of derivatives sales or purchase contract in foreign currency, besides advances of receivables in foreign currency. The Group is also exposed to the transfer risk, arising from the conversion into Euros of balance sheets of subsidiaries drawn up in currencies different from Euros performed during the consolidation process. The policy adopted by the Group does not require hedging for this type of exposure.

The net balance of cash flows in main currencies is shown below, whereas for derivatives contracts based on exchange rates applicable as of 31 December 2009, reference is made to the list in the notes, in the section on financial liabilities.

	Amounts in ML €	
	Cash Flow 2009	**Cash Flow 2008**
Pound Sterling	25.1	33.7
Indian Rupee	32.6	20.9
Croatian Kuna	4.7	17.7
US Dollar	(9,6)	30.5
Canadian Dollar	4.5	5.2
Swiss Franc	14.5	14.0
Vietnamese Dong	32.6	(13,0)
Chinese Yuan*	(53,4)	(55,9)
Japanese Yen	(34,0)	(23,4)
Total cash flow in foreign currency	**17.0**	**29.7**
* cash flow in Euro		

Considering the above, assuming a 3% increase in the average Euro exchange rate on the unhedged portion of the economic exposure for main currencies observed in 2009, consolidated operating income would have decreased by approximately €/000 471.

Management of the interest rate risk

The exposure to interest rate risk arises from the necessity to fund operating activities, both industrial and financial, besides to use the available cash.

Changes in interest rates may affect the costs and the returns of investment and financing operations. The Group regularly measures and controls its exposure to interest rates changes and manages such risks also resorting to derivative instruments, mainly Forward Rate Agreement and Interest Rate Swap, according to what established by its own management policies. As of 31 December 2009 variable rate debt, net of financial assets, was equal to €/000 161,086. As a consequence, a 1% increase or decrease of the Euribor above this net exposure would have generated higher or lower interests of €/000 1,611 per year.

Credit risk

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

In thousands of Euros	**2009**	**2008**
Liquid assets	200,239	39,985
Securities	4,127	1,605
Financial receivables		4,185
Trade receivables	103,382	90,278
Total	**307,748**	**136,053**

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 under financial position 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 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 2009, based on fair value hierarchical levels.

In thousands of Euros	Level 1	Level 2	Level 3
Assets valued at fair value			
Other assets	-	358	-
Total assets	-	358	-
Liabilities valued at fair value			
Other liabilities	-	(231)	-
Total liabilities	**-**	**(231)**	**-**

In 2009 transfers between levels did not take place.

I) SUBSEQUENT EVENTS

No events have occurred after 31 December 2009 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 2009.

L) SUBSIDIARIES

42. *Piaggio Group companies*

In accordance with Consob communication no. 11971 dated 14 May 1999, and subsequent amendments (article 126 of the Regulation), the list of the Group's companies and major equity 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, the shareholding owned by Piaggio & C. S.p.A. or other subsidiaries is also reported. In a separate column there is an indication of the percentage of voting rights at the ordinary general meeting should it be different from the equity investment percentage in the share capital.

LIST OF COMPANIES INCLUDED IN THE SCOPE OF CONSOLIDATION ON A LINE-BY-LINE BASIS AS OF 31 DECEMBER 2009.

Company name	Registered office
Parent company	
Piaggio & C. S.p.A.	Pontedera (Pisa)
Subsidiaries	
Aprilia Racing S.r.l.	Pontedera (Pisa)
Aprilia World Service B.V.	Amsterdam
Atlantic 12 – Property investment fund	Milan
Derbi Racing S.L.	Barcelona
Moto Laverda S.r.l. *	Noale (Venice)
Nacional Motor S.A.	Barcelona
P & D S.p.A. *	Pontedera (Pisa)
Piaggio Asia Pacific PTE Ltd.	
Piaggio Deutschland Gmbh	Kerpen
Piaggio Espana S.L.U.	Madrid
Piaggio Finance S.A.	Luxembourg
Piaggio France S.A.S.	Clichy Cedex
Piaggio Group Americas Inc	New York
Piaggio Group Japan	Yokohama
Piaggio Hellas S.A.	Athens
Piaggio Hrvatska D.o.o.	Split
Piaggio Limited	Bromley Kent
Piaggio Portugal Limitada *	Lisbona
Piaggio Vehicles Private Limited	Maharashtra
Piaggio Vespa B.V.	Oosterhout
Piaggio Vietnam Co Ltd	Hanoi

* Company in liquidation

Country	Share capital	Cur-rency	% Group own-ership	Held by	%	% votes
Italy	205,941,272.16	euro				
Italy	250,000.00	euro	100%	Piaggio & C. S.p.A.	100%	
Holland	30,000,000 auth. capital (6,657,500 subscribed and paid	euro	100%	Piaggio & C. S.p.A.	100%	
Italy	19,500,000.00	euro	100%	Piaggio & C. S.p.A.	100%	
Spain	1,263,000.00	euro	100%	Nacional Motor S.A.	100%	
Italy	80,000.00	euro	100%	Piaggio & C. S.p.A.	100%	
Spain	1,588,422.00	euro	100%	Piaggio & C. S.p.A.	100%	
Italy	416,000.00	euro	100%	Piaggio & C. S.p.A.	100%	
Singapore	100,000.00	sin$	100%	Piaggio Vespa B.V.	100%	
Germany	250,000.00	euro	100%	Piaggio Vespa B.V.	100%	
Spain	426,642.00	euro	100%	Piaggio & C. S.p.A.	100%	
Luxembourg	31,000.00	euro	99.99%	Piaggio & C. S.p.A.	99.99%	
France	1,209,900.00	euro	100%	Piaggio Vespa B.V.	100%	
USA	561,000.00	USD	100%	Piaggio Vespa B.V.	100%	
Japan	3,000,000.00	yen	100%	Piaggio Vespa B.V	100%	
Greece	2,704,040.00	euro	100%	Piaggio Vespa B.V.	100%	
Croatia	400,000.00	kuna	75%	Piaggio Vespa B.V.	75%	
United Kingdom	250,000.00	gbp	100%	Piaggio Vespa B.V. Piaggio & C. S.p.A.	99.9996% 0,0004%	
Portogallo	5,000.00	euro	100%	Piaggio Vespa B.V.	100%	
India	340,000,000.00	rupie	100%	Piaggio & C. S.p.A. Piaggio Vespa B.V.	99.999997% 0,000003%	
Olanda	91,000.00	euro	100%	Piaggio & C. S.p.A.	100%	
Vietnam	64,751,000,000.00	Dong	87,5%	Piaggio & C. S.p.A. Piaggio Vespa B.V.	51% 36.5%	

LIST OF COMPANIES INCLUDED IN THE SCOPE OF CONSOLIDATION WITH THE EQUITY METHOD AS OF 31 DECEMBER 2009

Company name	Regis-tered office	Country	Share capital	Cur-rency	% Group owner-ship	Held by	%	% votes
Aprilia Brasil S.A.	Manaus	Brazil	2,020,000.00	reais	51%	Aprilia World Service Holding do Brasil Ltda	51%	
Aprilia World Service Holding do Brasil Ltda.	São Paulo	Brazil	2,028,780.00	reais	99.99995%	Piaggio Group Americas Inc	99.99995%	
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%	
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 SIGNIFICANT EQUITY INVESTMENTS AS OF 31 DECEMBER 2009

Company name	Regis-tered office	Country	Share capital	Cur-rency	% Group owner-ship	Held by	%	% votes
Acciones Depuradora Soc. Coop. Catalana Limitada	Barce-lona	Spain	60,101.21	euro	22%	Nacional Motor S.A.	22%	
Immsi Audit S.c.a.r.l.	Mantova	Italy	40,000.00	euro	25%	Piaggio & C. S.p.A.	25%	
Mitsuba Italia S.p.A.	Ponted-era (Pisa)	Italy	1,000,000.00	euro	10%	Piaggio & C. S.p.A.	10%	
Pont - Tech, Pontedera & Tecnologia S.c.r.l.	Ponted-era (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%	

M) INFORMATION PURSUANT TO ARTICLE 149-DUODIECIES OF CONSOB REGULATION ON ISSUERS

The following table, prepared pursuant to article 149 duodecies of Consob Regulation on Issuers, shows the 2009 fees for audit and other services provided by the independent auditors and organisations in its network.

Type of service	Company providing the service	Recipient	Notes	2009 fees
Auditing of accounts	Deloitte & Touche S.p.A.	Parent Company - Piaggio & C. S.p.A.		495,404
	Deloitte & Touche S.p.A.	Subsidiaries		13,891
	Deloitte network	Subsidiaries		505,721
Certification services	Deloitte & Touche S.p.A.	Parent Company - Piaggio & C. S.p.A.	1)	22,000
Tax advisory services	Deloitte network	Parent Company - Piaggio & C. S.p.A.		44,992
	Deloitte network	Subsidiaries		54,306
Other services	Deloitte & Touche S.p.A.	Parent Company - Piaggio & C. S.p.A.	2)	155,000
	Deloitte network	Parent Company - Piaggio & C. S.p.A.	3)	141,470
Total				**1,432,784**

N.B. The fees of subsidiaries operating in currencies other than the euro and agreed on in local currency were converted to the exchange rate in effect as of 31 December 2009.

1) Signing of statements on obtaining regional production tax reductions for costs of employees working on research and development programmes and other contributions for industrial research activities.
2) Activities relating to the issue of the debenture loan.
3) Activities relating to the auditing of the company financial statements and analysis of the internal control system

N) CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ARTICLE 81-TER OF CONSOB REGULATION NO. 11971 OF 14 MAY 1999 AS AMENDED

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

- the appropriateness with regard to the company's characteristics and
- the actual application of administrative and accounting procedures for the production of the consolidated financial statements as of 31 December 2009.

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

3. Moreover

3.1 the consolidated financial statements:

a) have been drafted in compliance with the international financial reporting standards recognised by the European Community pursuant to regulation (EC) no. 1606/2002 of the European Parliament and Council of 19 July 2002;

b) are consistent with the accounts;

c) are appropriate for giving a true and fair view of the financial position and results of operations of the issuer and of companies in the scope of consolidation;

3.2 The Report on Operations includes a reliable analysis of the performance and results of operations, as well as the situation of the issuer and of companies in the scope of consolidation, along with a description of main risks and uncertainties to which they are exposed.

26 February 2010

Chairman and Chief Executive Officer

Manager in charge

Deloitte & Touche S.p.A.
Corso Italia, 17
50123 Firenze
Italia

Tel: +39 055 2671011
Fax: +39 055 282147
www.deloitte.it

AUDITORS' REPORT PURSUANT TO ART. 156 OF LEGISLATIVE DECREE No. 58 OF FEBRUARY 24, 1998

**To the Shareholders of
PIAGGIO & C. S.p.A.**

1. We have audited the consolidated financial statements of PIAGGIO & C. S.p.A. and subsidiaries the "PIAGGIO Group", which comprise the consolidated balance sheet as of December 31, 2009, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in Shareholders' equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes. These consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/2005 are the responsibility of the Company's Directors. 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 recommended by CONSOB, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the prior year's consolidated financial statements, whose data presented for comparative purposes have been reclassified to take account of the change in presentation of financial statements introduced by IAS 1, reference should be made to our auditors' report issued on March 5, 2009.

3. In our opinion, the consolidated financial statements give a true and fair view of the financial position of the PIAGGIO Group as of December 31, 2009, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/2005.

4. The Directors of PIAGGIO & C. S.p.A. are responsible for the preparation of the report on operations and the annual report on corporate governance in accordance 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 reported in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the annual report on corporate governance, with the consolidated financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the report on operations and the information reported in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998 paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) included in the annual report on corporate governance are consistent with the consolidated financial statements of the PIAGGIO Group as of December 31, 2009.

DELOITTE & TOUCHE S.p.A.
Signed by
Paolo Guglielmetti
Partner

Florence
March 10, 2010

Piaggio & C. S.p.A.

Financial statements as of 31 December 2009

FINANCIAL POSITION AND PERFORMANCE OF PIAGGIO & C. S.P.A.

In millions of Euro		**2009**	**2008**
Income statement (reclassified)			
Net revenues		1,125.8	1,276.3
Operating income		38.8	48.6
Earnings before tax		44.9	30.2
Net income		46.1	30.0
Operating income on net revenues	%	3.4	3.8
Net income on net revenues	%	4.1	2.3
EBITDA (management)		**124.7**	**135.4**
EBITDA on Net Revenues	%	11.1	10.6
Balance sheet			
Net working capital		29.0	(10.1)
Tangible assets		184.4	195.1
Intangible assets		547.2	523.3
Financial assets		61.7	89.0
Provisions		(125.6)	(128.7)
Net capital employed		**696.7**	**668.6**
Consolidated net debt		348.4	361.5
Shareholders' equity		348.3	307.1
Sources of funds		**696.7**	**668.6**
Cash Flow			
Opening consolidated net debt		**(361.5)**	**(268.2)**
Initial consolidated net debt of the merged company Moto Guzzi			**(37.5)**
Cash flow from operating activities (earnings+amortisation/depreciation)		132.0	116.8
(Assets) liabilities from the Nacional Motor spin off		(3.1)	
Non-current financial assets eliminated due to the effect of the spin off		24.0	
Change in net working capital		(39.1)	25.6
Net investments		(75.5)	(72.8)
Change in retirement funds and other reserves		(3.2)	(13.0)
Other changes in shareholders' equity		(22.0)	(112.4)
Total cash flow		**13.1**	**(55.8)**
Closing consolidated net debt		**(348.4)**	**(361.5)**

NET INCOME OF THE PARENT COMPANY PIAGGIO & C. S.P.A.

Net financial income and charges

Net income of the Parent Company in 2009 stood at 1,125.8 ML €, registering a decrease (11.8%) compared to 2008 figures.

The decrease is due to the poorer performance of the two-wheeler segment and commercial vehicles division.

Ebitda - defined as "Operating income" **gross** of amortisation/depreciation and deprecation as resulting from the income statement of the financial statements - was equal to 124.7 ML €, decreasing by 10.7 ML € (7.9%) compared to the figure of 135.4 ML € last year. In percentage terms, Ebitda accounted for 11.1% of turnover in 2009, compared to 10.6% in 2008 (+0.5 p.p.).

In addition, operating expenses as of 31 December 2009 included 2.3 ML € of costs for the write-down of product development projects, while this item amounted to 2.1 ML € as of 31 December 2008.

As regards the performance of revenues and costs, **operating income in** 2009 was positive, amounting to 38.8 ML €, with a decrease of 9.8 ML € compared to the 48.6 ML € in 2008 (-20.2%). Profitability (measured as operating income in relation to net revenues) was equal to 3.4%, which is basically the same as the figure of 3.8% in 2008 (-0.4%).

Net financial charges, including exchange gains/losses for a positive value of 0.5 ML €, amounted to 26.1 ML €, compared to 36.5 ML € in 2008, when exchange gains/losses were represented by a positive value of 0.1 ML €, of which 13.9 ML € for the loan from Piaggio Finance Luxembourg following the debenture loan issued by the latter and redeemed in advance in the year.

During 2009, **equity investments**, in relation to dividends approved by Piaggio Vehicles Pvt Ltd, Piaggio Vespa B.V., Piaggio Vietnam Co Ltd and after the valuation of some smaller companies in liquidation, resulted in a net income of 32.2 ML €, compared to 18.1 ML € in 2008.

2009 ended with a **net profit** of 46.0 ML €, against a net profit of 30.0 ML € recorded in the same period of the previous year, after deducting current taxes and deferred tax liabilities totalling 16.5 ML € and recording deferred tax assets for 17.6 ML €.

Statement of Cash Flows

The statement of cash flows - drafted in accordance with the models provided by international financial reporting standards (IFRS) - is shown on the following pages: the following is a comment relating to the summary statement shown in the Highlights.

Financial assets recorded a positive overall change of 13.1 ML € in the year.

Cash flow from operating activities, i.e. net income plus amortisation/depreciation, was equal to 132 ML €.

This positive flow, increased by the positive change of 20.9 ML € resulting from the algebraic sum between the positive balance of assets/liabilities from the spin off of the subsidiary Nacional Motor amounting to 3.1 ML €, to which a negative cash flow corresponds, and the amount of non-current financial assets of 24 ML €, eliminated due to the effect of the spin off, which instead produced a positive cash flow, were absorbed as follows:

- 39.1 ML € by working capital, which went up from –10.1 ML € as of 31 December 2008 to + 29 ML € as of 31 December 2009 (change of + 39.1 ML €);
- 75.5 ML € by the increase net of investments;
- 3.2 ML € by the decrease in funds;
- 22 ML € by the total negative balance of changes in shareholders' equity concerning the distribution of dividends in the year for 22.1 ML and the purchase of own shares for 1.1 ML € - as negative changes - and for 1.2 ML €. as positive changes to some IAS reserves.

The increase net of **fixed assets**, totalling 75.5 ML €, compared to 72.8 ML € in the previous year, consists of 18.2 ML € for investments in tangible assets, 55.9 ML € for investments in intangible assets, of which 18 ML € relative to the purchase of the Derbi brand by the subsidiary Nacional Motor, and 1.5 ML € for investments in financial assets.

Financial position of Piaggio & C S.P.A.

Net working capital – defined as the net sum of: Current and non-current trade receivables and other receivables, Inventories, Long-term trade payables and other payables and Current trade payables, Other receivables (Short- and long-term tax receivables, Deferred tax assets) and Other payables (Tax payables and Other short-term payables) – was positive for 29 ML €, up compared to figures as of 31 December 2008 (- 10.1 ML €).

Tangible assets comprise plant, property, equipment and industrial equipment, net of amortisation/depreciation funds. As of 31 December 2009, tangible assets totalled 184.4 ML €, 10.7 ML € down compared to 31 December 2008. The balance as of 31/12/2009 includes the net value of tangible assets from the spin off of the subsidiary Nacional Motor for 3.3 ML €.

Intangible assets consist of capitalised development costs, patent and know how costs and goodwill arising from merger and acquisition operations undertaken within the Group since 2000 onwards, as set out in more detail in the notes to the financial statements. As of 31 December 2009, intangible assets totalled 547.2 ML €, an increase of 23.9 ML € compared to figures as of 31 December 2008. The balance as of 31/12/2009 includes the net value of intangible assets from the spin off of the subsidiary Nacional Motor for 2.5 ML €, goodwill entered following the spin off for 23.3 ML € as well as the purchase value of the Derbi brand for 18.0 ML €.

Financial assets, defined by the Directors as the sum of the items Equity investments and Other non-current financial assets totalled 61.7 ML €. The net decrease of 27.4 ML € compared to 31 December 2008 is attributable as regards 26.4 ML € and 24 ML € respectively to the cancellation, following the spin off, of the portion of the cost of the equity investment and related non-current financial asset ("Participation loan") held in the subsidiary Nacional Motor; as regards 0.2 ML € to the write-down of equity investments held in subsidiaries in liquidation and the write-down of long-term receivables; an increase of 1.3 ML € and 17.3 ML € respectively as concerns the residual value of land and buildings transferred to the "Atlantic 12" closed property investment fund, the fair value adjustment of the relative portions received and as regards 4.6 ML €, (on the increase) to investments in equity and other non-current financial assets in subsidiaries.

Reserves consist of retirement funds and employee benefits, other long-term reserves, the current portion of other long-term reserves and deferred tax liabilities, totalling 125.6 ML €, down 3.2 ML € compared to 31 December 2008.

Net financial debt as of 31 December 2009 was equal to 348.4 ML €, compared to 361.5 ML € as of 31 December 2008. The reduction of 13.1 ML € compared to 31 December 2008 refers to the overall positive change occurring in the year. Total cash generated was 152.9 ML € and is attributable to the positive cash flow arising from the Nacional Motor spin off, for 20.9 ML € and to the positive residual flow for 132 ML €. Negative changes refer to 39.1 ML € relative to the increase in working capital, which changed from a negative figure as of 31 December 2008 of 10.1 ML € to a positive figure of 29.0 ML € as of 31 December 2009, to 75.5

ML € relative to the increase net of investments, to 3.2 ML € relative to the decrease in funds and to 22 ML € relative to negative changes in shareholders' equity.

The breakdown of the net financial debt, which is set out in more detail in the specific table in the "Explanatory Notes", may be summarised as follows:

In millions of Euro	As of 31/12/2009	As of 31/12/2008	Change
Cash	176.0	11.3	164.7
Current financial assets	28.6	39.1	(10.5)
(Short-term financial payables)	(109.8)	(121.4)	11.6
(Medium- and long-term financial payables)	(443.2)	(144.2)	(299.0)
(Financial payables due to the subsidiary Piaggio Finance)		(146.3)	146.3
Net Financial debt	**(348.4)**	**(361.5)**	**13.1**

Shareholders' equity as of 31 December 2009 totalled 348.3 ML €, against 307.1 ML € as of 31 December 2008. Following the shareholders' resolution of 16 April 2009, dividends for a total of 22.1 ML € were paid out in May. Following the shareholders' resolution of 24 June 2008, 1,020,673 own shares for a total cost of 1.1 ML € were purchased in the year. As of 31 December 2009, 27,547,007 own shares had been purchased for a total of 54.1 ML €.

Employees

Company **employees as of** 31 December 2009 totalled 4,059, registering a decrease of 203 people compared to 31 December 2008.

	Average number		Number at	
Level	**2009**	**2008**	**31/12/09**	**31/12/08**
Executives	92	92	92	94
Middle Management	215	223	219	219
Clerical staff	1,067	1,138	1,040	1,147
Manual labour	2,953	3,238	2,708	2,802
Total	**4,327**	**4,691**	**4,059**	**4,262**

Piaggio & C. S.p.A.

Separate Financial Statements of the Parent Company and Notes as of 31 December 2009

INCOME STATEMENT

In thousands of Euros	Notes	2009	2008	Change
Net revenues	**3**	**1,125,773**	**1,276,332**	**(150,559)**
of which with related parties		*109,329*	*159,261*	*(49,932)*
Cost for materials	4	629,965	719,603	(89,638)
of which with related parties		*52,490*	*67,568*	*(15,078)*
Cost for services and use of third party assets	5	256,432	279,661	(23,229)
of which with related parties		*51,507*	*38,701*	*12,806*
Employee costs	6	192,127	205,157	(13,030)
of which with related parties		*34*		*34*
Amortisation/depreciation of property, plant and equipment	7	30,357	32,170	(1,813)
Amortisation/depreciation of intangible assets	7	55,556	54,597	959
Other operating income	8	105,617	90,510	15,107
of which with related parties		*36,202*	*17,507*	*18,695*
Other operating costs	9	28,179	27,040	1,139
of which with related parties		*2*	*28*	*(26)*
Operating income		**38,774**	**48,614**	**(9,840)**
Income/(loss) from equity investments	10	32,207	18,090	14,117
Financial income	11	7,465	5,054	2,411
of which with related parties		*5,004*	*646*	*4,358*
Financial charges	11	34,021	41,673	(7,652)
of which with related parties		*14,040*	*16,420*	*(2,380)*
Net exchange gains/(losses)	11	501	140	361
Earnings before tax		**44,926**	**30,225**	**14,701**
Taxation for the period	**12**	**(1,127)**	**241**	**(1,368)**
Earnings from continuing activities		**46,053**	**29,984**	**16,069**
Assets held for disposal:				
Profits or losses arising from assets held for disposal	**13**			**0**
Net income		**46,053**	**29,984**	**16,069**
Earnings per share (figures in €)	**14**	**0.12**	**0.08**	**0.04**
Diluted earnings per share (figures in €)	**14**	**0.12**	**0.08**	**0.04**

COMPREHENSIVE INCOME STATEMENT

In thousands of Euros	Notes	2009	2008	Change
Profit (loss) for the period (A)		**46,053**	**29,984**	**16,069**
Effective part of profits (losses) on cash flow hedges		535	(2,495)	3,030
Fair value adjustment of financial assets available for sale		17,259		17,259
Total Other Profits (and losses) for the period (B)*		**17,794**	**(2,495)**	**20,289**
Total Profit (loss) for the period (A + B)		**63,847**	**27,489**	**36,358**

* Inclusive of related tax effects

BALANCE SHEET

In thousands of Euros	Notes	As of 31/12/2009	As of 31/12/2008	Change
ASSETS				
Non-current assets				
Intangible assets	15	547,185	523,287	23,898
Property, plant and equipment	16	184,376	195,060	(10,684)
Property investments	17			0
Equity investments	18	40,481	64,673	(24,192)
Other financial assets	19	21,188	24,359	(3,171)
of which with related parties		*1,355*	*24,239*	*(22,884)*
Long-term tax receivables	20	892	1,234	(342)
Deferred tax assets	21	29,377	22,493	6,884
Trade receivables and other receivables	22	4,332	4,899	(567)
of which with related parties		*321*	*398*	*(77)*
Total non-current assets		**827,831**	**836,005**	**(8,174)**
Assets held for sale	**27**			**0**
Current assets				
Trade receivables and other receivables	23	173,332	138,873	34,459
of which with related parties		*79,279*	*64,145*	*15,134*
Short-term tax receivables	20	4,695	20,694	(15,999)
Inventories	24	195,817	211,452	(15,635)
Other financial assets	25	28,585	39,120	(10,535)
of which with related parties		*28,585*	*34,937*	*(6,352)*
Cash and cash equivalents	26	175,991	11,312	164,679
Total current assets		**578,420**	**421,451**	**156,969**
TOTAL ASSETS		**1,406,251**	**1,257,456**	**148,795**

In thousands of Euros	Notes	As of 31/12/2009	As of 31/12/2008	Change
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity				
Share capital	30	191,617	192,148	(531)
Share premium reserve	30	3,493	3,493	0
Legal reserve	30	8,996	7,497	1,499
OTHER PROVISIONS	30	38,100	19,583	18,517
Retained (losses) earnings	30	60,082	54,361	5,721
Earnings (losses) for the period	30	46,053	29,984	16,069
Total shareholders' equity		**348,341**	**307,066**	**41,275**
Non-current liabilities				
Financial liabilities falling due after one year	31	443,164	290,505	152,659
of which with related parties		*16,000*	*146,257*	*(130,257)*
Other long-term payables	37	6,276	5,884	392
Retirement funds and employee benefits	35	58,547	61,974	(3,427)
Other long-term provisions	33	26,933	27,084	(151)
Deferred tax liabilities	34	25,704	27,432	(1,728)
Total non-current liabilities		**560,624**	**412,879**	**147,745**
Current liabilities				
Financial liabilities falling due within one year	31	109,761	121,410	(11,649)
of which with related parties		*6,785*	*247*	*6,538*
Trade payables	32	299,709	325,346	(25,637)
of which with related parties		*36,987*	*27,478*	*9,509*
Tax payables	36	12,005	15,664	(3,659)
Other short-term payables	37	61,420	62,840	(1,420)
of which with related parties		*6,595*	*8,643*	*(2,048)*
Current portion other long-term provisions	33	14,391	12,251	2,140
Total current liabilities		**497,286**	**537,511**	**(40,225)**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1,406,251**	**1,257,456**	**148,795**

STATEMENT OF CASH FLOWS

This table shows the causes of the changes in liquid assets net of short-term bank overdrafts, in accordance with IAS no. 7.

In thousands of Euros	**2009**	**2008**
Operating activities		
Earnings (losses) for the period	46,053	29,984
Taxation for the period	(1,127)	241
Amortisation/depreciation of property, plant and equipment	30,357	32,170
Amortisation/depreciation of intangible fixed assets	55,556	54,595
Non-monetary costs for stock options	723	1,981
Allocations for risks and retirement funds and employee benefits	24,092	28,928
Write-downs / (Revaluations)	5,812	4,622
Losses / (Gains) on the disposal of property, plants and equipment	(1,090)	(213)
Losses / (Gains) on the disposal of shareholdings	0	(1)
Financial income	(27,207)	(30,598)
Dividend income	(32,452)	(17,946)
Financial charges	53,262	67,077
Change in working capital:		
(Increase)/Decrease in trade receivables	(18,593)	18,454
(Increase)/Decrease other receivables	(18,604)	36,693
(Increase)/Decrease in inventories	15,635	(28,151)
Increase/(Decrease) in trade payables	(37,138)	13,550
(Increase)/Decrease other payables	10,472	(17,414)
Increase/(Decrease) in the current portion of reserves for risks	2,140	(2,505)
Increase/(Decrease) in the non-current portion of reserves for risks	(12,770)	(11,595)
Increase/(Decrease) in retirement funds and employee benefits	(14,900)	(13,807)
Other changes	9,324	(1,036)
Cash generating by operating activities	**89,545**	**165,029**
Interest paid	(53,905)	(52,137)
Taxation paid	(12,560)	(5,847)
Cash flow from operating activities (A)	**23,080**	**107,045**

Investment activity		
Investment in property, plant and equipment	(18,500)	(27,440)
Sale price, or repayment value, of property, plant and equipment	1,439	901
Net (assets)/liabilities of the merged Moto Guzzi S.p.A.		1,949
Loss from the Moto Guzzi merger, attributed to the brand		(36,705)
Elimination of the equity investment of the merged Moto Guzzi S.p.A.		34,756
Net (assets)/liabilities from the Nacional Motor spin off	(3,123)	
Cancellation of the participation loan to Nacional Motor as a result of the spin off	24,000	
Elimination of the portion of equity investment cost in Nacional Motor as a result of the spin off	26,378	
Investments in intangible fixed assets	(57,871)	(46,188)
Realisable or repayment value of intangible assets	1,933	3
Investment in financial assets	(4,681)	(157)
Loans provided	0	(25,244)
Repayment of loans provided	10,535	13
Sale price of financial assets	3,150	694
Collected interests	20,360	20,189
Dividends from equity investments	5,293	14,142
Cash flow from investment activities (B)	**8,913**	**(63,087)**
Financing activities		
Purchase of own shares	(1,179)	(26,101)
Initial financial debt of the merged Moto Guzzi S.p.A.	0	(37,551)
Outflow for dividends paid	(22,116)	(23,322)
Loans received	421,191	38,992
Outflow for repayment of loans	(224,623)	(101,691)
Repayment of finance leases	(727)	(695)
Cash flow from funding activities (C)	**172,546**	**(150,368)**
Increase / (Decrease) in liquid funds (A+B+C)	204,539	(106,410)
Opening balance	**(29,285)**	**77,125**
Closing balance	**175,254**	**(29,285)**


PRINCIPE
Calessino

The table below shows the breakdown of the cash and cash equivalents balance as of 31 December 2009 and as of 31 December 2008.

In thousands of Euros	As of 31/12/2009	As of 31/12/2008	Change
Liquid funds	175,991	11,312	164,679
Current account overdrafts	(737)	(40,597)	39,860
Final balance	**175,254**	**(29,285)**	**204,539**

NET DEBT/(NET FINANCIAL DEBT)

In thousands of Euros	Notes	As of 31/12/2009	As of 31/12/2008	Change
Cash and assets in hand		33	18	15
Bank and post office deposits		175,958	11,294	164,664
Liquidity		**175,991**	**11,312**	**164,679**
Short-term financial receivables due from third parties		0	4,137	(4,137)
Short-term financial receivables due from subsidiary companies		28,584	34,937	(6,353)
Short-term financial receivables due from affiliated companies		0	45	(45)
Current financial receivables		**28,584**	**39,119**	**(10,535)**
Current account overdrafts		(737)	(40,597)	39,860
Current account payables		(13,536)	(6,586)	(6,950)
Bonds				0
Current portion of bank financing		(58,812)	(57,402)	(1,410)
Amounts due to factoring companies		(26,598)	(13,020)	(13,578)
Amounts due under leases		(758)	(727)	(31)
Current portion of payables due to other financiers		(2,535)	(2,568)	33
Due to subsidiaries		(6,785)	(247)	(6,538)
Aprilia Instruments		0	(263)	263
Current financial debt		**(109,761)**	**(121,410)**	**11,649**
Net current financial debt		**94,814**	**(70,979)**	**165,793**
Payables due to banks and financing institutions		(289,873)	(117,389)	(172,484)
Bonds		(137,665)		(137,665)
Amounts due under leases		(8,261)	(9,019)	758
Due to subsidiaries		0	(146,257)	146,257
Amounts due to other lenders		(7,365)	(8,841)	1,476
Aprilia Instruments		0	(8,999)	8,999
Non-current financial debt		**(443,164)**	**(290,505)**	**(152,659)**
NET FINANCIAL DEBT*		**(348,350)**	**(361,484)**	**13,134**

* 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

In thousands of Euros	Share capital	Share premium reserve	Legal reserve
As of 1 January 2009	**192,148**	**3,493**	**7,497**
Allocation of 2008 profit as approved by			
the ordinary general meeting of shareholders of 16 April 2009:			
- To the shareholders			
- To shareholders' equity			1,499
Purchase of own shares	(531)		
Change in IAS reserves			
Earnings for the period			
As of 31 December 2009	**191,617**	**3,493**	**8,996**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

In thousands of Euros	Share capital	Share premium reserve	Legal reserve
As of 1 January 2008	**202,124**	**3,493**	**4,273**
Allocation of 2007 profit as approved by			
the ordinary general meeting of shareholders of 07/05/2008:			
- To the shareholders			
- To shareholders' equity			3,224
Purchase of own shares	(9,976)		
Change in IAS reserves			
Earnings for the period			
As of 31 December 2008	**192,148**	**3,493**	**7,497**

AS OF 1 JANUARY 2009/ 31 DECEMBER 2009

	IAS transition reserve	Stock option reserve	Financial instruments' fair value reserve	Reserve for the fair value adjustment of financial assets available for sale	Performance reserve	TOTAL SHAREHOLDERS' EQUITY
	11,435	**8,557**	**(409)**		**84,345**	**307,066**
					(22,116)	(22,116)
					(1,499)	0
					(648)	(1,179)
		723	535	17,259		18,517
					46,053	46,053
	11,435	**9,280**	**126**	**17,259**	**106,135**	**348,341**

AS OF 1 JANUARY 2008/ 31 DECEMBER 2008

	IAS transition reserve	Stock option reserve	Financial instruments' fair value reserve	Performance reserve	TOTAL SHAREHOLDERS' EQUITY
	11,435	**6,576**	**64,536**	**97,032**	**389,469**
				(23,322)	(23,322)
				(3,224)	0
				(16,125)	(26,101)
		1,981	(64,945)		(62,964)
				29,984	29,984
	11,435	**8,557**	**(409)**	**84,345**	**307,066**

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2009

A) GENERAL ASPECTS

Piaggio & C. S.p.A. (the Company) is a corporation established in Italy at the Company Registry Office of Pisa. The address of its registered office and locations where its main operations are conducted are shown in the introduction to the financial statements file. The Financial Statements are in euro (€) as this is the currency in which most of the Company's transactions take place.

Compliance with international accounting standards

The Financial Statements as of 31 December 2009 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 Legislative Decree no. 38/2005 (Consob Resolution no. 15519 dated 27/7/06 containing "Provisions for the presentation of financial statements", Consob Resolution no. 15520 dated 27/7/06 containing "Changes and additions to the Issuer Regulation adopted by Resolution no. 11971/99", Consob communication no. 6064293 dated 28/7/06 containing "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 called the Standing Interpretations Committee ("SIC"), were also taken into account.

The financial statements have been drawn up on a historical cost basis, amended as required to value some financial instruments, and on the basis that the company is a going concern. In fact the Company has ascertained that despite the difficult economic and financial climate, no significant uncertainties exist (as defined in section 25 of Principle IAS 1) as to the company being a going concern, also in relation to actions already identified to adapt to changing demand, and the Company's industrial and financial flexibility.

1. *Form and content of the financial statements*

FORM OF THE FINANCIAL STATEMENTS

The Financial Statements consist of the Balance Sheet, the Income Statement, the Statement of Changes in Shareholders' Equity, the Statement of Cash Flows and these notes.

In relation to the form of the financial statements, the Company has opted to present the following types of accounting schedules:

Balance sheet

The balance sheet is presented in opposite sections with separated 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.

Income statement

The income statement is presented with items classified by nature. The overall operating income are shown, which include all the 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 pre-tax income. In addition, 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 financial statement item which precedes net income.

For greater clarity, it should be noted that exchange gains and losses previously entered under financial income and charges are now entered as a separate item, as from this year. For comparability purposes, previously published 2008 figures have been appropriately reclassified.

Comprehensive Income Statement

The comprehensive income statement is presented in accordance with the provisions of the revised version of IAS 1.

Statement of Cash Flows

The Statement of Cash Flows is divided into cash-flow generating areas. The Statement of Cash Flows of Piaggio & C.

S.p.A. was drawn up using the indirect method. The cash and cash equivalents recorded in the statement of cash flows include the balance sheet balances for this item at the reference date.
Financial flows in foreign currency have been converted to the exchange rate in effect when the year ended. Income and costs related to interest, dividends received and income taxes are included in the cash flow generated from operations.

Change in shareholders' equity

As of 1 January 2009, the statement of changes in Shareholders' equity of the Financial Statements has been revised in accordance with the revised version of IAS 1. The statement includes the total comprehensive income statement. A reconciliation between the opening and closing balance of the period is presented for each item.

These financial statements have been audited by Deloitte & Touche S.p.A..

2. *Accounting policies*

The most significant accounting policies for drafting the financial statements as of 31 December 2009 are explained below.

Intangible assets

Pursuant to the provisions of IAS 38, an intangible asset acquired or produced internally is booked under assets only if it can be identified, controlled and is expected to generate future economic benefits and its cost can be reliably determined.
Intangible assets having a finite life are recognised at purchase or production cost net of amortisation/depreciation and accumulated value impairment.
Amortisation/depreciation is charged for the entire useful life of the asset and begins to be charged when the asset enters operation.

Goodwill

If companies are acquired, the assets, liabilities and potential liabilities acquired with it and identifiable are recognised at their *fair value* at the purchase date. The positive difference between the purchase cost and the Company's share in the present value of such assets and liabilities is classified as goodwill and is booked to the financial statements as an intangible asset. Any negative difference is booked to the income statement at the time of purchase.
Goodwill cannot be amortised, but is subject to revaluation annually, or more frequently, if specific events take place or circumstances indicate that the asset has suffered value impairment, in order to identify value impairment, pursuant to the IAS 36 - *Impairment of Assets*. After the initial valuation, goodwill is recognised at cost, net of any accumulated value impairment.
At the time of sale of part of or the entire company acquired and whose acquisition has led to goodwill, the corresponding residual value of goodwill is taken into account in calculating the capital gain or loss on the sale.
During first-time adoption of the IFRS, 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 IFRS was maintained at the previous value, determined according to Italian accounting standards, subject to assessment and calculation of value impairment.
After 1 January 2006, following acquisitions in 2004, additional goodwill was generated, due to the effect of recording financial instruments issued at the time of the acquisitions.

Development costs

Costs of developing vehicle and engine production projects are booked to assets only if the following conditions are met: the costs can be reliably determined and the technical feasibility of the product, volumes, and expected prices indicate that the costs incurred during development generate future economic benefits. Capitalised development costs only include the costs incurred that can be attributed directly to the development process.

Capitalised development costs are amortised on a systematic basis, beginning with the start of production along the entire estimated life of the product.

All other development costs are posted to the income statement when incurred.

Other intangible assets

Other intangible assets acquired or produced internally are booked with assets pursuant to the provisions of IAS 38 - *Intangible Assets*, if it is probable that the asset will create future economic benefits and the cost of the asset can be measured reliably. These assets are recognised at the purchase or production cost and are amortised on a straight-line basis for the estimated useful life, if the asset has a defined useful life. Intangible assets with an indefinite useful life should not be amortised but should be subject to an *impairment* test annually, or more frequently, each time there is an indication that the asset may have been subject to impairment.

Other intangible assets valued after acquisition of a company are booked separately from goodwill, if their present value can be measured reliably.

Below is a chart of the amortisation/depreciation periods of the various categories of Intangible Assets:

Development costs	3 years
Industrial patents and intellectual property rights	3-5 years
Other	5 years
Trademarks	max. 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 financial charges that are directly attributable to acquisition, construction or production of the asset.

Costs incurred subsequent to the purchase are capitalised only if they increase the future economic benefits in the asset to which they refer.

All the other costs are posted to the income statement when incurred.

Tangible assets in progress are recognised at cost and are depreciated as of the year in which they begin to be used.

Amortisation/depreciation is charged on a straight-line basis on the cost of the assets, net of the respective outstanding values, according to the estimated useful life of the asset

while applying the rates given in the notes to this category.
Land is not depreciated. Assets held under financial lease contracts, through which the Company essentially assumes all the risks and benefits related to ownership, are recognised as Company assets at their present value, or if less, at the effective value of minimum payments due for the lease. The corresponding liability toward the landlord is posted with financial payables.
The assets are depreciated by applying the criteria and rates used for owned assets.
Rentals in which the landlord essentially retains the risks and benefits related to ownership of the assets are classified as operating *leases*.
Costs referring to operating *leases* are booked systematically to the income statement for the entire duration of the lease contract.
Gains and losses arising from sales or disposals of assets are determined as the difference between the sales revenue and the net book value of the asset and are booked to the income statement of the period.

Equity investments

Equity investments in subsidiaries and associated companies are entered at cost adjusted for impairment losses.
Equity investments in subsidiaries and associated companies are tested for impairment losses on an annual basis, or more frequently if necessary. If evidence exists of impairment losses, the losses are recorded in the income statement as write-downs.
If the portion of losses of the Company exceeds the book value of the equity investment and the Company is required to report this, the value of the equity investment is resetted and the portion of further losses is recorded as a provision under liabilities.
If the impairment loss is subsequently made up or reduced, the value is reinstated in the income statement within cost limits.

Impairment

At the end of each period, the Company reviews the book value of its tangible and intangible assets and equity investments to determine if there are indications that these assets have incurred impairment.
If impairment is found, the realisable amount of these assets is estimated to determine the amount to write-down. If it is not possible to estimate the recoverable value of an asset individually, the Company estimates the recoverable value of the cash-generating unit to which the asset belongs.
The recoverable amount is the higher of the net sale price and the use value. In evaluating the value of use, estimated future cash flows are discounted to the present value using a rate gross of taxes, which reflects current market assessments of the actual value of the cash and the specific risks of the asset.
If the recoverable amount of an asset (or a cash generating unit) is estimated to be less than the respective book value, the book value of the asset is reduced to the lesser recoverable value. Value impairment is measured in the income statement immediately, provided the asset is represented by land or buildings other than property investments, recognised at revalued values, in which case the loss is charged to the respective revaluation reserve.
Should the recorded write-down be no longer valid, the carrying value of the asset (or the cash generating unit) is reversed to the new value arising from the estimate made of its recoverable value, but not more than the net carrying value that the asset would have had if the write-down had

not been made. The restored value is posted to the income statement. An intangible asset with an indefinite life is subject to impairment tests every year, or more frequently, if there is an indication that the asset may have suffered impairment.

Investment property

International accounting standards regulate separately fixed assets used for production or administration (IAS 16) and fixed assets for investment (IAS 40). According to the provisions of IAS 40, fixed assets and buildings that are not instrumental and are held only for the purpose of earning lease revenues and/or increasing wealth are recognised at cost, net of amortisation/depreciation and impairment.

Property investments are eliminated from the financial statements when they are sold or disposed of or when the investment is not utilisable and future economic benefits are not expected in the event of its sale.

Non-current assets held for sale

Non-current assets (and asset groups being divested) classified as held for sale are valued at the lesser of their previous book value and the fair value, net of the costs of sale.

Non-current assets (and asset groups being divested) are classified as held for sale when it is expected that their book value will be recovered by a sale transaction instead of through use in company operations. This condition is fulfilled only when the sale is highly probable, when the asset (or the group of assets) is available for immediate sale in its current conditions and when company management has undertaken a commitment for the sale, which is expected to take place within twelve months from the date of classification of this item.

Financial assets

Financial assets are booked to and removed from the financial statements on the trading date and are initially valued at cost, including charges directly related to acquisition.

At the end of subsequent periods, financial assets that the Company has the intention and the capacity to hold to maturity (securities held to maturity) are posted at the amortised cost, according to the effective interest rate method, net of write-downs made to reflect impairment losses.

Financial assets other than those held to maturity are classified as held for trading or available for sale, and are valued at the *fair value* at the end of each period.

When financial assets are held for trading, the gains and losses arising from changes to the *fair value* are posted to the income statement; for financial assets available for sale, gains and losses arising from changes to the fair value are posted directly to shareholders' equity until these are sold or have been subject to value impairment; at that time, total gains or losses previously posted in shareholders' equity are posted to the income statement.

Inventories

Inventories are booked at the lesser of purchase or production cost - determined by attributing to products all costs directly incurred and the share of indirect costs reasonably attributed to production activities under normal use conditions - and the fair value at the end of the period.

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

For raw materials and work in progress, the fair value is represented by the presumed net realisable value of the corresponding finished products, minus completion costs; for finished products, it is represented by the presumed net realisable value (list prices).

Any impairment determined based on market performance is eliminated in subsequent periods if the conditions no longer apply.

Obsolete, slow-moving and/or surplus inventory are devalued to reflect their possible use or future realisation by booking to a provision for write-down reserve.

Receivables

Receivables are booked at their adjusted par value, to adapt them to the presumed realisable value, by booking a provision for write-down. This reserve is calculated based on the valuations of recovery made during an analysis of the individual positions and the overall risk of the total receivables, considering guarantees.

When collection of the amount payable is deferred beyond the ordinary terms applied to customers, the receivable is time-discounted.

For the purposes of determining this effect, collection times are estimated by applying a discount rate to the expected cash flows, corresponding to the Euribor *Swap* 20-year rate plus a spread of quotations for government bonds having a AA *rating*.

Factoring transactions

The Company assigns a significant part of its trade receivables through *factoring* transactions.

The assignments can be without recourse and in this case, do not imply risks of regression, nor liquidity risks, resulting in cancellation of the corresponding amounts of the balance of trade receivables at the time of assignment to the factor.

For assignments with recourse, since neither the risk of default nor liquidity risks are transferred, the respective receivables are posted in the balance sheet until payment is made by the assigned debtor. In this case, any advances collected by the factor are posted under payables to other lenders.

Cash and cash equivalents

The item related to cash and cash equivalents includes cash, bank accounts, deposits returnable on demand, and other short-term highly liquid financial investments which can be quickly converted into cash and are subject to minimal risk of value impairment.

Financial liabilities

Financial liabilities are valued based on the amounts collected, net of the accessory charges to the transaction. After this initial valuation, loans are valued using the amortised cost method, calculated by applying the actual interest rate. Financial liabilities hedged with derivative instruments are booked at the present value, according to the methods established for *hedge accounting*, applicable to the *fair value hedge*: gains and losses arising from subsequent valuations to the present value, due to changes in the interest rate, are posted to the income statement and are offset by the actual portion of the loss and the profit deriving from subsequent valuations at the present value of the hedged instrument.

Derivative instruments and hedge accounting

Company operations are exposed primarily to financial risks arising from changes in interest and exchange rates. The Company uses derivative instruments (mainly forward currency contracts) to hedge risks arising from changes in foreign currency in certain irrevocable commitments and in expected future transactions.

The use of these instruments is regulated by written procedures on the use of derivatives, which is consistent with the risk management policies of the Company.

Derivative instruments are initially posted at cost and adjusted to the *fair value* at subsequent account closing dates.

Derivative financial instruments are used exclusively to hedge, in order to reduce the currency exchange, interest rate and market price change risk.

In compliance with IAS 39, derivative financial instruments can be accounted for using the methods established for *hedge accounting* only when, at the start of the hedging, there is the formal designation and documentation of the hedge report, it is presumed that the hedge is highly effective, the effectiveness can be accurately measured and the hedging is highly effective during all the accounting periods for which it is designated. When the financial instruments possess the characteristics to be accounted for in *hedge accounting*, the following accounting treatment is applied:

- *Fair value hedge*: If a derivative financial instrument is designated as a hedge for exposure to the change in present value of an asset or liability, attributable to a particular risk that can affect the income statement, the gain or loss arising from subsequent valuations of the present value of the hedge instrument are posted to the income statement. The gain or loss on the covered item, attributable to the hedged risk, changes the book value of this item and is reported on the income statement.
- *Cash flow hedge*: If an instrument is designated as a hedge against exposure to changes in the cash flows of an asset or liability posted to the financial statements or a highly probable transaction and which could affect the income statement, the effective portion of the gains or losses of the financial instrument is posted under shareholders' equity. Accumulated gains or losses are cancelled from shareholders' equity and are accounted for in the income statement in the period when the hedged transaction occurs. Gains or losses associated with a hedge or the part of a hedge that has become ineffective are booked immediately to the income statement. If a hedge instrument or a hedge relationship ends, but the hedged transaction has not taken place, accumulated gains or losses that had been booked to shareholders' equity are posted to the income statement as soon as the respective transaction takes place. If the hedged transaction is no longer considered likely, any unrealised suspended gains or losses in shareholders' equity are posted immediately to the income statement.

If *hedge accounting* cannot be applied, any gains or losses arising on the valuation of the present value of the derivative financial instrument are booked immediately to the income statement.

Long-term reserves

The Company allocates provisions for risks and charges when it has an obligation, legal or implicit, toward third parties and it is probable that Company resources will be necessary to fulfil the obligation and when a reliable estimate can be made of the amount of the obligation.

Estimated differences are reflected in the income statement of the period when the change occurred.

If the effect is considerable, the provisions are calculated by time- discounting the estimated future cash flows at an estimated discount rate gross of taxes that can reflect the current market valuations of the present value of the cash and the specific risks related to the liability.

Retirement funds and employee benefits

With adoption of the IFRS, the reserve for severance indemnity is considered an obligation with definite benefits to account for according to IAS 19 - *Employee benefits*. As a result, it must be recalculated by making actuarial evaluations at the end of each period by applying the *Projected Unit Credit Method*. Payments for plans with definite contributions are posted to the income statement in the period


RSV4
brembo
FACTORY

they are payable. Liabilities for benefits payable subsequent to the employment relationship posted to the financial statements represent the present value of liabilities for definite benefit plans, adjusted to consider actuarial gains and losses relating to past services not accounted for and reduced to the *fair value* of the planned activities.

Net assets resulting from this calculation are limited to the value of actuarial losses and to the cost related to unaccounted for past services, plus the present value of any refunds and reductions in future contributions to the plan.

The Company decided not to use the “corridor method”, which would allow it not to post the cost component (calculated using the method described) represented by actuarial gains or losses if this component does not exceed 10 percent. Note that the interest component on the charge related to employee plans is posted under financial charges.

Stock option plan

According to the provisions of IFRS 2 - Share-based Payment, the total amount of the present value of the *stock option* at the date of assignment is recognised in the income statement with payroll costs with the item recognised directly to shareholders’ equity if the assignees of the capital instruments become titleholders at the time of assignment. If there is a “maturation period” when certain conditions must occur before the assignees become titleholders, the cost for compensation, determined based on the present value of the options at the date of assignation, is recognised with payroll costs based on constant rates for the entire interim period between the date of assignation and the date of maturation, with the item recognised directly under shareholders’ equity.

The *fair value* is determined with the *Black Scholes* method. Changes in the present value of the options subsequent to the date of assignment have no effect on the initial assessment.

Tax assets and liabilities

Deferred tax liabilities are determined based on the temporary taxable differences between the value of assets and liabilities and their taxable value. Deferred tax assets are accounted for only in the amount in which it is probable that future taxable income will be produced, against which to apply the positive balance. The carrying value of deferred tax assets is reviewed at the end of each period and is decreased if it is unlikely that sufficient taxable earnings will be produced to recover all or part of these assets.

Deferred tax liabilities are calculated based on the tax rates expected to be applied in the period in which these differences arise, considering the rates in effect or those of known future emanation. Deferred tax liabilities are charged directly to the income statement, except for those related to items recognised directly to shareholders’ equity; in this case, the related deferred tax liabilities are also charged to shareholders’ equity.

Deferred tax assets and liabilities are offset when there is a legal right to compensate current tax assets and liabilities and when they refer to taxes due to the same tax authority and the Company intends settling the current tax assets and liabilities on a net basis.

Payables

Payables are recognised at their face value, which is considered representative of their payment value.

Net sales recognition

According to IFRS, sales of assets are recognised when the goods are shipped and the company has transferred risks and benefits connected with ownership of the assets.

Net sales are recognised net of returns, discounts, rebates and premiums, as well as taxes directly connected with the sale of the merchandise and performance of the services. Financial revenues are recognised based on an accrual principle.

Contributions

Capital grants are recognised in the financial statements if they are of certain collection and are charged to the income statement according to the useful life of the asset against which they are distributed.

Operating grants are recognised in the financial statements if they are certain and are credited to the income statement in relation to the costs against which they are distributed.

Financial income

Financial income is booked according to the accrual principle. This income includes interest earned on invested reserves, positive exchange rate differences and income arising from financial instruments when not compensated as part of hedge transactions. Interest income is posted in the income statement when it accrues, considering the actual yield.

Financial charges

Financial charges are booked according to the accrual principle. These include interest payments on financial payables calculated using the actual interest method, exchange rate losses and losses on derivative financial instruments. The share of interest charges of financial lease payments is charged to the income statement using the actual interest method.

Dividends

Dividends booked to the income statement are recognised on an accrual basis, which means the time when the credit arises pursuant to the resolution to distribute dividends by the subsidiary.

Income taxes

Taxes represent the amount of current and deferred tax 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 taxes are recognised in the income statement, except for taxes relating to items directly debited or credited to shareholders' equity, in which case the tax effect is recognised directly under shareholders' equity.

Taxes are booked under the item "Tax payable" net of advances and withholdings.

As from 2007 and for a three-year period, the Company signed up to the National Consolidated Tax Convention pursuant to articles 117 - 129 of the Consolidated Income Tax Act (T.U.I.R) of which the consolidating party is IMMSI S.p.A. and to which other companies of the IMMSI Group belong. The consolidating party determines a single taxable base for the group of companies which are party to the National Consolidated Tax Convention, and can therefore offset taxable income against tax losses in the same income tax return. Each Company which is party to the National Consolidated Tax Convention transfers its fiscal income (taxable income or fiscal loss) to the consolidating company. The latter records a receivable payable to the consolidated company which is equal to the amount of corporate income tax to pay. In the case of companies with fiscal losses, the consolidating company records a payable equal to corporate income tax on the portion of the loss actually offset at a Group level.

Earnings per Share

Basic earnings per share are calculated by dividing the profit or loss attributed to shareholders by the weighted average of ordinary shares in circulation during the period. Diluted profits per share are calculated by dividing the profit or loss attributed to shareholders by the weighted average of ordinary shares in circulation, adjusted to take account of the effects of all potential ordinary shares with a diluting effect. Shares relative to the stock option plan were considered as shares that could be potentially issued. The adjustment to make to the number of stock options for calculating the adjusted number of shares is determined by multiplying the number of the stock options by the subscription costs and dividing it by the market price of the share.

Use of estimates

Drafting the financial statements and the respective notes in application of the IFRS requires management to make estimates and assumptions that have an effect on the value of the assets and liabilities and on the disclosure related to potential assets and liabilities at the financial statement date. Final earnings could differ from these estimates. Estimates are used to evaluate intangible assets subject to *impairment tests* (see § "Impairment losses") to identify provisions for doubtful accounts, for inventory obsolescence, amortisation/depreciation, the write-downs of assets, employee benefits, taxes, restructuring reserves and other provisions and reserves. Estimates and assumptions are periodically reviewed and the effects of every change are reflected immediately in the income statement. Considering the current global economic and financial crisis, assumptions about future trends reflect a significant degree of uncertainty. Consequently, the Group cannot rule out the possibility that next year's results will differ from estimates and may require adjustments that are even considerable and which are not foreseeable and cannot be estimated at present.

Dealings with subsidiaries and related parties

Dealings with subsidiaries and related parties are shown in the Report on Operations which is to be referred to for this heading as well.

New accounting standards, amendments and interpretations applied as of 1 January 2009

The following accounting standards, amendments and interpretations have been applied for the first time by the Company as of 1 January 2009.

Adjusted IAS 1 – Presentation of Financial Statements

The adjusted version of IAS 1 – *Presentation of Financial Statements* - applicable as of 1 January 2009 - requires that company drafts a statement of changes in Shareholders' equity which includes all changes from transactions with shareholders. All transactions with third parties must be disclosed in a separate statement of comprehensive income or in two statements (the income statement and the statement of comprehensive income). In any case, the changes generated by transactions with minority interest cannot be reported in the statement of changes in Shareholders' equity.

The Company has retroactively applied the revised version of the standard as of 1 January 2009, opting to highlight all changes generated from transactions with non-shareholders in two statements measuring trends of the period and respectively named "Income Statement" and "Comprehensive income statement". The Company subsequently modi-

fied the presentation of the "Statement of changes in Shareholders' equity". In addition, it should be noted that the amendment of the Adjusted IAS 1 has entered into force; this amendment states that assets and liabilities deriving from derivative financial instruments which are not detained for trading purposes be classified within the balance sheet, distinguishing between current and non-current assets and liabilities. With regards to this point, it should be noted that this amendment did not result in any change in the presentation/format of items relative to assets and liabilities from derivative financial instruments.

Amendment to IFRS 2
Maturity and cancellation conditions
The amendment states that - for the purposes of assessing remuneration instruments based on stock - only service and performance conditions can be considered to be maturity conditions for the plans. Potential other clauses relative to the maturity of the plans must therefore be included within the fair value assessment of the grant dates and must not be considered when determining the number of rights which, on that date and in subsequent valuations, the company expects to mature. The amendment also specifies that the same accounting treatment should be applied, also in case an entity cancels a grant of equity instruments.
The Company has retroactively applied the revised version of the standard as of 1 January 2009. its application, however, has not resulted in accounting effects for the Group.

Updated version of IFRS 3 – *Business combinations*. The main changes to IFRS 3 regard in particular the elimination of the obligation to evaluate the single assets and liabilities of the subsidiary at the fair value in each subsequent acquisition, in case of acquisition by degrees of subsidiaries. In such cases, the goodwill will be determined as the difference between the value of the equity immediately before the acquisition, the equivalent of the transaction, and the value of the acquired net assets. Further, should the company not acquire 100% of the equity, the portion of shareholders' equity pertaining to minority interest, can be evaluated both at the fair value and by using the method already provided by IFRS 3. The revised version of the standard also provides the recording in the income statement of all costs connected to the business combination and the posting at the date of the acquisition of the payments subject the acceptance to condition. The Company has applied the revised version of the standard as of 1 January 2009.

IAS 38 – *Intangible assets*: this principle was amended following the adjustment to IFRS 3 in 2008 which established that there is sufficient information to assess the fair value of an intangible asset acquired during the course of company grouping if it is separable or originates from contractual or legal rights. The amendment in question also clarified the valuation techniques which must be utilised to valuate the fair value of intangible assets for which there is no active market of reference. The Company has applied the new amendment as from 1 January 2009.

Improvements for IAS 19 – *Employee Benefits*. The amendment clarifies the definition of cost/income relative to past services rendered by employees and it establishes that in case of reduction of a plan, the effect to be immediately posted to the income statement should only include the reduction of benefits relative to future periods, whereas the effect arising from possible reductions due to past service periods, should be held as a negative cost relative to past services rendered by the employees. The Group has applied the adjusted version of the principle as of 1 January 2009 in a prospective manner: its application, however, has not resulted in accounting effects for the Company.

Improvements to IAS 23 – *Borrowing Costs*. In the new version of the principle, the option according to which companies can immediately post the financial charges to the income statement - incurred due to assets for which usually a determined period of time is required to prepare the said asset ready for use or sale - was removed.

Improvements to IAS 28 – *Investments in Associates*. The amendment establishes that in case of equity investment evaluated with the shareholders' equity method, a possible impairment should not be allocated to single assets (and in particular to potential goodwill) that form the equity's book value, but to the value of the equity as a whole. Therefore, in the presence of conditions for a subsequent revaluation, such revaluation should be recognised in full.
In accordance with the provisions of the transition rules of the amendment, the Company has applied - in a forward-looking manner - the new accounting standard to value reinstatements made as of 1 January 2009. However, its application did not result in accounting effects for the Company given that the Company did not - during the period - book any value-reinstatements of goodwill relative to the book values of equity investments.
In addition, it should be noted that certain requests for information for investments in associates and joint venture companies - which were evaluated at fair value according to IAS 39 - have been modified along with IAS 31 - Interests in Joint Ventures and the amendment of IFRS 7 - *Financial instruments: Disclosures* and IAS 32 - *Financial instruments: Presentation were modified*.

Improvements to IAS 38 – *Intangible Assets*. The modification provides for the recognition of promotional and advertising costs within the income statement. It also establishes that in case the enterprise incurs charges from which future economic benefits are expected without being recorded as intangible assets, these should be posted to the income statement when the enterprise itself has the right to access the good, if it is the purchase of goods, or when the service is rendered, if it is the purchase of services. Finally, the standard was modified to enable the enterprises to adopt the method of the produced units to determine the amortisation/depreciation of finite life intangible assets.
The Company has retroactively applied the revised version of the standard as of 1 January 2009 in a retroactive manner. However its application has not resulted in accounting effects for the Company.

Amendment to IFRS7 – *Financial instruments: additional information*. The amendment was issued to increase the level of disclosure required in the case of fair value valuation and to consolidate existing principles on the disclosure of liquidity risks of financial instruments. In particular, the amendment requires disclosure on determination of the fair value of financial instruments by hierarchical valuation levels. The adoption of this amendment has produced only one change to disclosures in the notes.

Amendments and interpretations applied as of 1 January 2009 which are not relevant to the Company

The following amendments and interpretations, applicable as of 1 January 2009, regulate specific cases which are not present within the Company as of the date of this annual report:

- IAS 16 – *Property, Plant and Equipment*. The modification provides for companies - whose characteristic business is renting - to re-classify goods which are no longer leased and are available for sale to the warehouse. Subsequently, gains or losses arising from their disposal should be recorded as net sales. The amounts paid to build or purchase goods to be allocated to others, as well as the amounts collected from the subsequent sale of such goods, form, for the purpose of the statement of cash flows, cash flows arising from operating activities (and not from investment activities).

- Improvement to IAS 20 – *Accounting for Government Grants and Disclosure of Government Assistance.* The amendment, which is to be applied prospectively as of 1 January 2009, establishes that benefits arising from government grants at an interest rate much lower than the market one, should be considered as government assistance and should therefore follow the recognition rules established by IAS 20. The previous version of the principle stated that - in the case of financing with facilitated rates received as public grants - the company did not require to book any benefit. As a result, the financing was booked at the value corresponding to the received collection - and the lower interest derived from the latter - directly within the income statement under the item, "Financial proceeds (charges)". In accordance with the provisions of the transition rules of the amendment, the new accounting principle must be applied as of 1 January 2009 to all financing with facilitated rates granted as of that date. For these grants, a financial payable at fair value and deferred income must be booked in connection with the facilitated-rate grants which will be received for an amount equal to the difference between the fair value of the payable and the cash inflow amount. This value must be booked within the income statement when and only when all the conditions required for the recognition of the grant are systematically met in order to correlate the grant with the costs to compensate.
- IAS 29 – *Financial reporting in Hyperinflationary Economies*. The previous version of the principle did not explain that some assets and liabilities could be recorded in the financial statements according to the present value, rather than according to the historical cost.
- IAS 32 – *Financial instruments*. In particular, the standard requires companies to classify the puttable instruments and financial instruments that impose an obligation on the company to hand over to a minority interest a share of the equity investment in the company's assets as equity instruments.
- IAS 36 – *Impairment of assets*. The amendment provides that additional information be provided in case the company determines the recoverable amount of the cash-generating units by using the discounted cash flow method.
- IAS 39 – *Financial instruments: Recognition and Measurement*. This amendment clarifies how the new effective interest rate of a financial instrument must be calculated at the end of fair value hedge. Moreover, it clarifies that the prohibition to reclassify as financial instrument with adaptation of the fair value to income statement should not be applied to the derivative financial instruments that can no longer be qualified as hedging instruments or that become hedging instruments.
- IAS 40 – *Investment Property*. The modification states that property investments which are under construction fall under the realm of application of IAS 40 rather than IAS 16.
- IFRIC 13 – *Customer fidelization programmes*.
- IFRIC 15 – *Agreements for the construction of real estate*.
- IFRIC 16 – Hedging a shareholding in a foreign company

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

On 10 January 2008 the IASB amended IAS 27 – *Consolidated and Separate Financial Statements* establishing that modifications to the share that do not result in a loss of control should be accounted for as *equity transactions* and with the item therefore recognised under shareholders' equity. Moreover, it was also established that when a company disposes of the control of its own subsidiary, but continues to retain a portion of capital in the company, this should be accounted for at the fair value and possible gains or losses due to the loss of control should be posted to the income statement. Finally, the amendment to IAS 27 requires that all losses attributable to minority interest should be allocated to the portion of third parties' shareholders' equity, also when these exceed their own share of capital in the subsidiary. The new regulations will be applicable for the future starting as of 1 January 2010.

On 31 July 2008, the IASB issued an amendment to IAS 39 - *Financial Instruments - Recognition and Measurement*- which clarifies the application of the principle in order to define the underlying asset subject to hedging under specific circumstances. This modification must be applied as of 1 January 2010 in a prospective manner.

On 27 November 2008, IFRIC issued the interpretation, IFRIC 17 - *Distribution of non-liquid assets* - which clarifies that a payable for dividends must be recognised when dividends are appropriately authorised and that this payable must be valuated at the fair value of the net assets which will be utilised for payment. The interpretation must be applied in a forward-looking manner as of 1 January 2010.

On 29 January 2009, IFRIC issued the interpretation of IFRIC 18 - *Transfer of assets of customers* - which clarifies the booking methods which must be adopted if the company stipulates a contract in which it receives a tangible good from one of its customers and which it must utilise to connect a customer to a network or to provide a specific type of access for the supply of goods and services. The interpretation is applicable in a prospective manner as of 1 January 2010.

On 12 March 2009, the IASB issued an amendment to IFRIC 9 - *Redetermination of the value of incorporated derivatives* and to IAS 39 - *Financial Instruments: Recognition and Measurement* which allows certain financial instruments to be re-classified outside of the accounting category which is "booked at fair value and offset in the income statement". These amendments clarify that - during the re-classification of a financial instrument outside of the above mentioned category – all implicit derivatives must be valued and, if necessary, booked separately in the financial statements. The amendments are applicable as of 31 December 2009.

On 16 April 2009, IASB issued a set of amendments to the IFRS; only those involving changes in the presentation, booking and valuation for financial statement items are cited.

- IFRS 2 – *Share-based Payment*: the amendment, applicable as of 1 January 2010, clarified that the transfer of a company branch for the purposes of forming a joint venture or grouping of companies or company branches under joint control do not fall within the realm of applicability of IFRS 2.
- IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations*: this amendment, applicable as of 1 January 2010 in a prospective manner, clarified that IFRS 5 and the other IFRS which specifically refer to non-current assets classified as available for sale or as discontin-

ued operations provide all required information for this type of assets or operations.

- IFRS 8 – *Operating Segments*: the amendment, applicable as of 1 January 2010, requires that companies provide the total value of assets for each sector subject to informational disclosure if this value is provided at the highest level of operational decision-making. This information was previously requested even in the absence of this condition. Adoption of the principle in advance is allowed.
- IAS 1 – *Presentation of Financial Statements*: the amendment, applicable as of 1 January 2010, requires that a company must classify a liability as current if it does not retain an unconditional right to postpone its settlement for at least 12 months after the closing of the year, even in the presence of an option on the part of the counterparty which could result in a settlement by means of the issue of equity instruments.
- IAS 7 – *Statement of Cash Flows*: the amendment, applicable as of 1 January 2010, clarifies that only cash flows deriving from expenses resulting in the booking of assets within the financial position can be classified within the statement of cash flows as deriving from investment assets; on the other hand, cash flows deriving from expenses which do not result in the booking of an asset must be classified as derived from operating activities.
- IAS 17 – *Leases*: the amendment requires that - during the valuation of a leasing contract that includes both land and buildings - the part relative to the land be considered, as customary, to be a finance lease if the land in question has an indefinite useful life given that, in this case, the risks associated with its use for the whole duration of the contract can be considered transferred to the lessee. The amendment is applicable as of 1 January 2010. On the date of adoption, all lands subject to the leasing contract which were previously effective and not yet expired must be separately valued with the potential retroaction recognition of a new finance lease.
- IAS 36 – *Impairment of Assets*: this amendment, applicable in a prospective manner as of 1 January 2010, requires that each operational unit or group of operational unit - for which goodwill is allocated for the purposes of impairment tests - be no greater in size than the operating sector defined in paragraph 5 of IFRS 8 and before the grouping allowing by paragraph 12 of the same IFRS on the basis of similar economic conditions or other similar elements.
- IAS 39 – *Financial instruments: Recognition and Measurement*: the amendment restricts the exception of non-applicability contained within paragraph 2g of IAS 39 to forward contracts between a buyer and a selling shareholder - for the purposes of the sale of a company in a company grouping on future date of acquisition - if the completion of the company grouping only depends on the elapsing of a suitable amount of time. The amendment decrees that option rights (currently exercisable or not) which allow one of the two parties to retain control over the realisation or non-realisation of future events - and whose exercising involving the control of a company - fall within the realm of applicability of IAS 39. The

amendment also clarifies that the implicit penalties for the advance redemption of loans - whose price compensates the lender with the loss of additional interest - must be considered strictly correlated to the financing contract and may therefore not be booked separately. Finally, the amendment provides that net income or losses on one hedged financial instrument must be re-classified from the shareholders' equity to the income statement in the period in which the expected and hedged cash flow has an effect on the income statement. The amendment is applicable in a prospective manner as of 1 January 2010. Adoption of the principle in advance is allowed.

- IFRIC 9 – *Redetermination of the values of implicit derivatives*: the amendment, applicable in a prospective manner as of 1 January 2010, excludes - from the realm of applicability of IFRIC 9 - the implicit derivatives within contracts acquired during the course of company groups at the time of the creation of jointly controlled companies or joint ventures.

At the date of issue of these Financial Statements, the competent bodies of the European Union had not yet completed the approval process necessary for the application of the amendments described above.

In the month of June 2009, the IASB issued an amendment to IFRS 2 - Share-based Payment: payments based on shares of the Group in cash.

The amendment defines its realm of application and its relationship with other accounting principles.

In particular, the amendment clarifies that the company which receives the goods and services as part of the payment plans based on shares must book these goods and services independently of the company of the Group which settles the transaction and independently of the fact that the settlement is in cash or shares. In addition, it states that the term "group" is to be interpreted as in IAS 27 - Consolidated and Separate Financial Statements, including the parent company and its subsidiaries. Finally, the amendment specifies that a company must valuate the goods and services which are received as part of a transaction settled in cash or shares from its own perspective and which could potentially not coincide with that of the group and with the relative amount recognised within the consolidated financial statements.

The amendment incorporates the guidelines which were previously included in IFRIC 8 and IFRIC 2; as a result, the latter were removed.

The amendment is applicable as of 1 January 2010.

At the date of issue of these Financial Statements, the competent bodies of the European Union had not yet completed the approval process necessary for the application of the amendment.

On 8 October 2009, IASB issued an amendment to IAS 32 – *Financial instruments*: Presentation: Classification of rights issues, to regulate the accounting of rights issues (rights, options or warrants) in a currency other than the operating currency of the issuer. These rights were previously accounted for as derivative liabilities. The amendment requires these rights, in certain conditions, to be classified as Shareholders' equity regardless of the currency in which the exercise price is denominated.

The amendment is applicable in a retrospective manner as of 1 January 2011.

On 4 November 2009, the IASB issued a revised version of IAS 24 – *Related Party Disclosures* – which simplifies the type of information required in the case of transactions with related parties controlled by the State and gives a clear definition of related parties.

The amendment is applicable as of 1 January 2011.

At the date of issue of these Financial Statements, the competent bodies of the European Union had not yet completed the approval process necessary for its application.

On 12 November 2009 the IASB published IFRS 9 – *Financial Instruments* - on classifying and measuring financial assets as from 1 January 2013. This is the first step in a project which will entirely replace IAS 39 in stages. The new standard uses a single approach based on procedures for financial instrument management and on contract cash flows of financial assets to determine valuation criteria replacing different regulations in IAS 39. The new standard will also have a single method to determine impairment losses from financial assets.
At the date of issue of these Financial Statements, the competent bodies of the European Union had not yet completed the approval process necessary for its application.

On 26 November 2009 the IASB issued a minor amendment to IFRIC 14 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* – which allows companies to prepay minimum funding contributions and recognise them as an asset.
The amendment is applicable as of 1 January 2011.
At the date of issue of these Financial Statements, the competent bodies of the European Union had not yet completed the approval process necessary for the application of the amendment.

On 26 November 2009 the IFRIC issued an amendment to IFRIC 19 – *Extinguishing Financial Liabilities with Equity Instruments* – which provides guidelines on recording the extinguishing of a financial liability with equity instruments. The interpretation establishes that if a business renegotiates extinguishing conditions of a financial liability and the creditor accepts extinguishing through the issue of the company's shares, the shares issued by the company will become a part of the price paid for extinguishing the financial liability and shall be valued at fair value.
The difference between the book value of the extinguished financial liability and opening value of equity instruments shall be recorded in the income statement of the period.
The amendment is applicable as of 1 January 2011.
At the date of issue of these Financial Statements, the competent bodies of the European Union had not yet completed the approval process necessary for the application of the amendment.

Other information

Exceptions pursuant to article 2423, section 4, of the Civil Code

No exceptional circumstances occurred requiring a departure from laws on Financial Statements pursuant to article 2423, section 4 of the Civil Code.

Information on company management and coordination

Pursuant to article 2497-bis, section 4, of the Civil Code, main data of the last financial statements for the year ended 31 December 2008 of the parent company IMMSI S.p.A, with registered office in Mantova (MN), Piazza Vilfredo Pareto 3 – tax code 07918540019, are shown below:

INCOME STATEMENT

Figures in euro	2008	2007
Financial income	25,940,355	14,421,335
of which related parties and intergroup	*15,836,992*	*7,349,275*
Financial charges	(6,720,815)	(4,058,299)
of which related parties and intergroup	*(29,247)*	*(32,813)*
Income/(loss) from equity investments	0	0
Operating income	4,242,069	4,254,653
of which related parties and intergroup	*1,824,701*	*1,812,306*
Costs for materials	(60,887)	(60,428)
Costs for services and use of third party assets	(4,355,955)	(3,638,256)
of which related parties and intergroup	*(387,759)*	*(418,293)*
Employee costs	(1,427,056)	(1,403,062)
Amortisation/depreciation of tangible assets	(426,878)	(366,866)
Amortisation/depreciation of goodwill	0	0
Amortisation/depreciation of intangible assets with a finite life	0	(187)
Other operating income	301,255	636,776
of which related parties and intergroup	*90,333*	*93,630*
Other operating costs	(705,029)	(338,387)
of which related parties and intergroup	*(747)*	*(14,354)*
EARNINGS BEFORE TAX	**16,787,059**	**9,447,279**
Taxation	458,483	2,103,290
of which related parties and intergroup	*(217,881)*	*183,782*
EARNINGS AFTER TAX FROM CONTINUING ACTIVITIES	**17,245,542**	**11,550,569**
Profit or loss arising from assets held for disposal or sale	0	0
NET INCOME FOR THE PERIOD	**17,245,542**	**11,550,569**

BALANCE SHEET

Figures in euro	As of 31/12/2008	As of 31/12/2007
NON-CURRENT ASSETS		
Intangible assets	0	0
Tangible assets	581,304	11,631,058
of which related parties and intergroup	*71,257*	*91,810*
Property investments	72,349,120	0
Equity investments	382,310,815	366,752,717
Other financial assets	126,349,999	12,000,000
of which related parties and intergroup	*26,350,000*	*12,000,000*
Tax receivables	3,885,028	4,315,360
Deferred tax assets	0	0
Trade receivables and other receivables	2,751,821	1,384,774
of which related parties and intergroup	*2,747,986*	*1,380,937*
TOTAL NON-CURRENT ASSETS	**588,228,087**	**396,083,909**
ASSETS HELD FOR DISPOSAL	**0**	**0**
CURRENT ASSETS		
Trade receivables and other receivables	13,864,948	1,314,264
of which related parties and intergroup	*2,388,899*	*1,154,394*
Tax receivables	136,530	216,305
Other financial assets	35,427,150	79,881,794
of which related parties and intergroup	*18,020,000*	*14,701,278*
Cash and cash equivalents	9,149,587	8,219,899
TOTAL CURRENT ASSETS	**58,578,215**	**89,632,262**
TOTAL ASSETS	**646,806,302**	**485,716,171**

Figures in euro	As of 31/12/2008	As of 31/12/2007
SHAREHOLDERS' EQUITY		
Share capital	177,075,600	178,464,000
Other reserves and retained earnings	238,542,106	176,721,015
Earnings for the period	17,245,542	11,550,569
TOTAL SHAREHOLDERS' EQUITY	**432,863,248**	**366,735,584**
NON-CURRENT LIABILITIES		
Financial liabilities	45,917,633	45,862,758
Trade payables and other payables	0	0
Retirement funds and similar	201,526	158,278
Other long-term provisions	0	0
Deferred tax liabilities	21,531,884	5,574,184
TOTAL NON-CURRENT LIABILITIES	**67,651,043**	**51,595,220**
LIABILITIES RELATED TO ASSETS HELD FOR DISPOSAL	0	0
CURRENT LIABILITIES		
Financial liabilities	92,412,850	62,698,000
of which related parties and intergroup	*360,000*	*540,000*
Trade payables	1,501,296	1,059,018
of which related parties and intergroup	*384,173*	*238,191*
Current taxes	397,266	310,079
Other payables	51,860,141	3,197,812
of which related parties and intergroup	*49,926,236*	*2,324,678*
Current portion other long-term provisions	120,458	120,458
TOTAL CURRENT LIABILITIES	**146,292,011**	**67,385,367**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**646,806,302**	**485,716,171**

B) INFORMATION ON THE INCOME STATEMENT

Before analysing individual items, it should be noted that comments on the general trend of costs and revenues are made in accordance with section 1 article 2428 of the Civil Code, in the Report on Operations. As positive and negative income components have been indicated in the Income Statement and previous comments on items in the Balance Sheet have been made, the comments below only concern main items.

3. *Net sales* *€/000 1,125,773*

Revenues for disposals of the Company's core business assets essentially refer to the marketing of vehicles and spare parts on European and non-European markets.

These are entered net of premiums to customers and gross of transport costs charged to customers.

Revenues are broken down by business segment below.

Revenues by business segment

In thousands of Euros	2009		2008		Changes	
	Amount	%	Amount	%	Amount	%
Two-wheeler vehicles	978,249	86.90	1,101,091	86.27	(122,842)	-11.16
Commercial Vehicles	139,061	12.35	149,956	11.75	(10,895)	-7.27
Other	8,463	0.75	25,285	1.98	(16,822)	-66.53
TOTAL	**1,125,773**	**100.00**	**1,276,332**	**100.00**	**(150,559)**	**-11.80**

Revenues by geographic area

In thousands of Euros	2009		2008		Changes	
	Amount	%	Amount	%	Amount	%
Italy	478,601	42.51	511,650	40.09	(33,049)	-6.46
Rest of Europe	545,059	48.42	641,248	50.24	(96,189)	-15.00
Rest of the world	102,113	9.07	123,434	9.67	(21,321)	-17.27
TOTAL	**1,125,773**	**100.00**	**1,276,332**	**100.00**	**(150,559)**	**-11.80**

4. *Costs for materials €/000 629,965*

These totalled €/000 629,965 compared to €/000 719,603 as of 31 December 2008.

The decrease in costs for materials compared to the previous year (12.5%) is mainly related to the decrease in production and sales volumes. Costs of raw, ancillary, consumable materials and merchandise accounted for 56% of net sales compared to 56.4% in 2008.

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

In thousands of Euros	2009	2008	Change
Raw, ancillary, consumable materials and merchandise	613,939	747,642	(133,703)
Purchase of used vehicles for comparative tests	(1)	111	(112)
Change in inventories of raw, ancillary, consumable materials and merchandise	2,724	(15,780)	18,504
Change in work in progress, semifinished and finished products	13,303	(12,370)	25,673
Total costs for purchases	**629,965**	**719,603**	**(89,638)**

The change in inventories of raw, ancillary, consumable materials and merchandise, amounting to a negative figure of €/000 2,724, is attributed as follows:

Merchandise

Positive change of €/000 1,121.

The allocation to the provision for obsolete stock, net of a use of €/000 30, was €/000 1,674.

Raw materials

Negative change of €/000 3,815.

The allocation to the provision for obsolete raw materials, net of a use of €/000 2,049, was €/000 1,757.

Consumables

Negative change of €/000 30.

Work in progress, semifinished and finished products

The change in work in progress, semifinished and finished products, negative overall by €/000 13,303, is attributed as follows:

- Finished products: negative change of €/000 9,280.
- Semifinished products: negative change of €/000 4,313.
- Work in progress positive change of €/000 290.

Net of the allocation of €/000 1,984, €/000 1,313 from the provision for obsolete finished products was used during the year.

5. *Costs for services and use of third party assets* *€/000 256,432*

These totalled €/000 256,432 compared to €/000 279,661 as of 31 December 2008.

Below is a breakdown of this item:

In thousands of Euros	2009	2008	Change
Employee costs	8,599	10,373	(1,774)
Maintenance and cleaning	4,862	5,577	(715)
Energy, telephone and telex	11,525	13,558	(2,033)
Fees and commission due	25,749	28,307	(2,558)
Advertising and promotion	18,443	27,907	(9,464)
Technical, legal and tax consultancy and services	11,287	10,149	1,138
Company boards operating costs	1,871	1,991	(120)
Insurance	2,796	2,791	5
Third party work	20,774	32,374	(11,600)
Transport expenses	57,069	65,801	(8,732)
Sundry commercial expenses	18,416	18,079	337
Product warranty costs	14,640	14,572	68
Factoring charges and commission	4,850	4,564	286
Bank charges	657	773	(116)
Miscellaneous services provided for operation of the company	40,063	32,141	7,922
Other services	6,657	4,134	2,523
Costs for use of third party assets	8,174	6,570	1,604
Total costs for services	**256,432**	**279,661**	**(23,229)**

The decrease of €/000 23,229 is attributable to the decrease in costs relative to costs for manufacturing services, transport expenses, advertising and promotion, fees and commission due, employee costs, energy and other utility costs, maintenance and cleaning costs and bank charges partially offset by increases in costs for miscellaneous services provided in running the company, business expenses, costs for the use of third party assets and other services.

Costs for the use of third party assets refer to €/000 2,670 for lease rentals of property and €/000 5,504 for lease payments for the rental of vehicles, computers and photocopiers.

Third party work of €/000 20,774 refers to processing on production parts, by suppliers working with company materials.

Transport expenses total €/000 57,069 and refer to €/000 43,331 for the sale of products, to €/000 13,075 for transport expenses of purchased items and to €/000 663 for postal expenses and express delivery costs.

The item "Other services" includes costs for temporary work of €/000 1,259, services for external relations of €/000 3,537 as well as services for experience of €/000 952.

Costs for company boards refer to the activities of the Board of Directors and board members assigned special powers, as well as the Board of Statutory Auditors and Supervisory Body and include fees and the reimbursement of expenses for €/000 1,500, €/000 275 and €/000 96 respectively.

Services provided for running the company include outsourced services for €/000 8,412, warehouse management services for € /000 1,039, auditing services for €/000 433, waste disposal and water treatment services for €/000 1,483, services provided by group companies for administration and back office activities for €/000 20,688 and management services provided by the parent company IMMSI S.p.A. for € /000 1,000.

6. *Employee cost* *€/000 192,127*

Employee costs are broken down as follows:

In thousands of Euros	2009	2008	Change
Salaries and wages	134,436	143,176	(8,740)
Social security contributions	43,887	45,571	(1,684)
Post-employment benefits	8,748	12,389	(3,641)
Other costs	5,056	4,021	1,035
Total	**192,127**	**205,157**	**(13,030)**

The decrease of 6.4% for salaries, wages and social security contributions is mainly attributable to the decrease in employees during the year.

It should be noted that employee costs include €/000 723 relating to stock option costs which were recorded in accordance with international financial reporting standards.

As of 31 December 2009, employees totalled 4,059 persons.

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

	Average number		
Level	**2009**	**2008**	**Change**
Executives	92	92	0
Middle Management	215	223	(8)
Clerical staff	1,067	1,138	(71)
Manual labour	2,953	3,238	(285)
Total	**4,327**	**4,691**	**(364)**

	Number at		
Level	**As of 31/12/2009**	**As of 31/12/2008**	**Change**
Executives	92	94	(2)
Middle Management	219	219	0
Clerical staff	1,040	1,147	(107)
Manual labour	2,708	2,802	(94)
Total	**4,059**	**4,262**	**(203)**

Movements in employees between the two years are compared below:

	As of 31/12/08	Incoming	Outgoing	Transitional	As of 31/12/09
Executives	94	11	(14)	1	92
Middle Management	219	22	(34)	12	219
Clerical staff	1,147	61	(158)	(10)	1,040
Manual workers	2,802	885	(976)	(3)	2,708
Total (*)	4,262	979	(1,182)	0	4,059
(*) of which fixed-term contracts	27	827	(825)	(9)	20

7. *Amortisation/depreciation and impairment costs* *€/000 85,913*

Below is a summary of amortisation/depreciation for the period, divided into categories:

In thousands of Euros	2009	2008	Change
Tangible assets			
Buildings	3,492	3,455	37
Plant and equipment	8,860	9,617	(757)
Industrial and commercial equipment	16,851	17,628	(777)
Other assets	1,154	1,470	(316)
Total amortisation/depreciation of tangible fixed assets	**30,357**	**32,170**	**(1,813)**

In thousands of Euros	2009	2008	Change
Intangible assets			
Development costs	30,358	32,062	(1,704)
Industrial patent rights and intellectual property rights	16,563	13,641	2,922
Concessions, licences, trademarks and similar rights	8,635	8,894	(259)
Total amortisation/depreciation of intangible fixed assets	**55,556**	**54,597**	**959**

As set out in more detail in the section 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 2009 confirmed the full recoverability of the amounts recorded in the financial statements.

Amortisation/depreciation of the item "Concessions, licences, trademarks and similar rights" refers to amortisation/depreciation of the Aprilia brand for €/000 5,467, of the Guzzi brand for €/000 3,047 and of other brands from the merged company Aprilia S.p.A. for €/000 121. The item "Industrial patent and intellectual property rights" includes amortisation/depreciation relative to software equal to €/000 6,353.

8. *Other operating income* *€/000 105,617*

This item consists of:

In thousands of Euros	2009	2008	Change
Contributions for research	7,428	7,327	101
Increases in fixed assets from internal work	26,062	29,244	(3,182)
Sundry sales and income:			
- Rent receipts	278	10,665	(10,387)
- Contingent assets from valuations	44	900	(856)
- Capital gains on the disposal of assets	1,091	220	871
- Capital gains on the disposal of equity investments	0	1	(1)
- Recovery of transport costs	(9)	72	(81)
- Recovery of business costs	88	856	(768)
- Recovery of registration costs	116	78	38
- Recovery of promotion costs	179	813	(634)
- Recovery of stamp duties	2,226	2,356	(130)
- Recovery of labour costs	1,752	468	1,284
- Recovery of duties on exports	119	118	1
- Recovery of supplier costs	1,062	1,496	(434)
- Recovery of guarantee costs	140	73	67
- Recovery of taxes from customers	744	612	132
- Recovery of sundry costs	29,221	18,681	10,540
- Licence rights and know-how	10,704	6,133	4,571
- Commission receivable	1,614	810	804
- Sale of miscellaneous materials	226	867	(641)
- Compensation, third party damage	3,419	419	3,000
- Sponsorships owed	3,403	4,167	(764)
- Clearing of debts	1,000	0	1,000
- Other income	14,710	4,134	10,576
Total other operating income	**105,617**	**90,510**	**15,107**

The increase amounted to €/000 15,107.

Contributions for research costs mainly refer to the benefits established under Law 296/2006 (2007 Budget Law), amended by Law 244/2007 (2008 Budget Law), which provided tax relief for businesses conducting pre-competitive Research and Development programmes between 1 January 2007 and 31 December 2009, comprising a tax credit to be used to offset taxes payable. Costs covered by the tax relief were borne in 2007/2008/2009. For capitalised costs, contributions were recorded in the income statement in relation to amortisation/depreciation.

During the period, internal costs for product development projects were capitalised for a total of €/000 25,907 as well as internal costs for the construction of tangible assets for a total of €/000 155.

The decrease in rent receipts is due to the absence of income from the rental of racing bikes to teams competing in the World Motorcycling Championship, following the transfer of the company "racing" branch to the subsidiary Aprilia Racing S.r.l, as from 1/01/2009.

The item "Recovery of sundry costs" includes amounts charged to the subsidiaries Piaggio Vietnam and Piaggio Vehicles of €/000 1,162 and €/000 1,909 respectively, as well as to the associated company Zongshen Piaggio Foshan of €/000 6,812, for the supply of services, spare parts, equipment and materials for the construction and production of vehicles. The item also includes €/000 8,125 charged to the Indian subsidiary Piaggio Vehicles for services concerning the development of diesel engines and €/000 2,787 charged to the subsidiary Piaggio Vietnam for industrial start-up services.

Licence rights of €/000 10,704 refer mainly to the Indian subsidiary Piaggio Vehicles (€/000 6,478), Piaggio Vietnam (€/000 1,555) and other independent companies: JINCHENG GROUP (€/000 820), THE BEANSTALK (€/000 675), ENI (€/000 255), ZONGSHEN (€/000 196), FORME SRL (€/000 228), HACHETTE (€/000 94), MAISTO (€/000 38), PEG PEREGO (€/000 61).

Income from the recovery of labour costs mainly refers to amounts changed to Group companies for the use of personnel.

Recovered amounts from suppliers refer to amounts charged for restoring materials and final inspections, as well as amounts charged for the absence of materials for assembly lines.

The recovery of stamp duty mainly refers to amounts charged to dealers for stamp duty on certificates of conformity of vehicles, due as of 1 January 2005.

Other income includes €/000 5,300 for the transfer of distribution rights on Asian markets to the subsidiary Piaggio Vietnam, €/000 3,263 for the transfer of distribution rights on Canadian and Latin American markets to the subsidiary Piaggio Group Americas as well as €/000 2,063 relative to the lower amount paid in the year for extinguishing financial instruments issued for the acquisition of the merged company Aprilia.

9. *Other operating costs* *€/000 28,179*

This item consists of:

In thousands of Euros	2009	2008	Change
Allocation for future risks	1,041	0	1,041
Total allocations for risks	*1,041*	*0*	*1,041*
Allocation for product warranties	11,579	10,857	722
Total other allocations	*11,579*	*10,857*	*722*
Stamp duty	2,344	2,597	(253)
Non-income tax and duties	1,010	863	147
Local property tax (ICI)	817	798	19
Various subscriptions	820	861	(41)
Social welfare charges	295	257	38
Capital losses from disposal of assets	1	7	(6)
Sundry expenses	4,705	5,915	(1,210)
Losses on receivables	0	120	(120)
Total sundry operating expenses	*9,992*	*11,418*	*(1,426)*
Write-down of development costs	2,262	2,137	125
Write-downs of receivables in working capital	3,305	2,628	677
Total write-downs	*5,567*	*4,765*	*802*
Total other operating costs	**28,179**	**27,040**	**1,139**

Overall, other operating costs increased by €/000 1,139.

This change is basically due to the allocation for future risks, to the increased allocation for product warranties and a higher write-down of receivables, mainly offset by a reduction in sundry expenses which include contingent liabilities, cost/revenue adjustments of previous years and compensation for damages.

Stamp duty of €/000 2,344 refers mainly to the duty for certificates of conformity of vehicles. This cost is charged to Dealers and the recovery is entered under "Other operating income".

The write-down of development costs refers to costs capitalised in previous years, borne for research projects which are considered as no longer recoverable.

10. *Net income from equity investments* *€/000 32,207*

This item consists of:

In thousands of Euros	2009	2008	Change
Dividends from subsidiaries	32,267	17,934	14,333
Value reinstatements on equity investments in subsidiaries	-	294	(294)
Dividends from minority interest	185	12	173
Write-down of equity investments in subsidiaries	(111)	(150)	39
Write-down of non-current financial assets	(134)		(134)
Total	**32,207**	**18,090**	**14,117**

Dividends of €/000 26,654 were distributed by the subsidiary Piaggio Vehicles Ltd – India, of €/000 3,500 by Piaggio Vespa B.V. and of €/000 2,113 by Piaggio Vietnam.

The write-down of equity investments in subsidiaries reflects the losses of some companies in liquidation.

The write-down of non-current financial assets refers to long-term receivables considered no longer recoverable.

11. *Net financial income/(charges) €/000 (26,056)*

Below is the breakdown of financial charges and income:

In thousands of Euros	2009	2008	Change
Financial income:			
- From subsidiaries	5,004	2,390	2,614
Financial income from third parties:			
- Interest from securities	28	98	(70)
- Interest received from customers	73	194	(121)
- Interest on bank and postal accounts	1,260	748	512
- Interest on financial receivables	28	533	(505)
- Financial income from discounting back receivables	-	19	(19)
- Other	1,072	1,072	0
Total financial income from third parties:	**2,461**	**2,664**	**(203)**
Total financial income	**7,465**	**5,054**	**2,411**

The amount of €/000 5,004 entered under financial income from subsidiaries refers to:

- €/000 1,346 interest on a long-term financial receivable from Nacional Motor;
- €/000 807 interest from financing activities from the subsidiaries Nacional Motor (€/000 66), Piaggio Vespa BV. (€/000 345), AWS (€/000 258), Piaggio Group Americas (€/000 59), Piaggio Vietnam (€/000 64) and Aprilia Racing (€/000 15);
- €/000 20 from cash pooling by Piaggio for Nacional Motor;
- €/000 2,831 on commission for the loan received from the subsidiary Piaggio Finance relating to repurchase of bonds on the market, under par.

Other income refers to €/000 1,070 for the portion of the year relative to the amount paid by underwriters of Piaggio & C warrants.

In thousands of Euros	2009	2008	Change
Financial charges			
- Payable to subsidiaries	13,880	16,175	(2,295)
- Payable to parent companies	-	1,743	(1,743)
Total financial charges payable to the Group	**13,880**	**17,918**	**(4,038)**
Financial charges payable to third parties:			
- Interest on bonds	858	-	858
- Interest on bank accounts	772	1,694	(922)
- Interest on bank loans	10,604	9,754	850
- Interest on import/expert advances	196	387	(191)
- Interest paid to other lenders	633	6,197	(5,564)
- Interest payable on subdiscount factoring	2,188		2,188
- Cash discounts for customers	1,184	1,164	20
- Bank charges on loans	435	333	102
- Interest paid on leases	426	666	(240)
- Financial charges from discounting back post employment benefits	2,623	3,304	(681)
- Other	223	255	(32)
Total financial charges payable to third parties	**20,142**	**23,754**	**(3,612)**
Total financial charges	**34,022**	**41,672**	**(7,650)**

The item "payable to subsidiaries" of €/000 13,880 refers to:

- interest payable on loans for €/000 13,874 of which €/000 13,857 to Piaggio Finance Luxembourg, €/000 9 to Piaggio Vespa BV, €/000 5 to Aprilia Racing Srl, €/000 3 to P&D;
- €/000 5 to financial charges from cash pooling.
- €/000 1 to charges on subsidiaries put into liquidation.

Interest on bonds refers to financial charges for the year concerning the Debenture Loan issued by the Company on 04/12/2009 and maturing on 1/12/2016. Interest payable to other lenders mainly refers to interest to factoring companies and to banks for business loans. The item "other" mainly refers to implicit interest payable of €/000 187 deducted from the minimum guaranteed amount payable according to the financial instrument regulation EMH 04-09 and represents the portion for the period.

In thousands of Euros	2009	2008	Change
- Exchange gains	15,742	16,808	(1,066)
- Exchange losses	(13,340)	(19,837)	6,497
Realizable gains (losses)	*2,402*	*(3,029)*	*5,431*
- Valuation exchange gains	4,000	8,737	(4,737)
- Valuation exchange losses	(5,901)	(5,568)	(333)
Valuation gains (losses)	*(1,901)*	*3,169*	*(5,070)*
Total net exchange gains/(losses)	**501**	**140**	**361**

12. *Taxation* *€/000 (1,127)*

Details of the item income taxes are shown below:

In thousands of Euros	2009	2008	Change
Current taxes	16,159	17,048	(889)
Deferred tax liabilities	361	268	93
Deferred tax assets	(17,647)	(17,075)	(572)
Total	**(1,127)**	**241**	**(1,368)**

Current taxes comprise:

- €/000 2,705 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 1,961 and €/000 692 respectively;
- €/000 11,443 from deferred tax assets (corporate income tax and regional production tax) allocated in previous years of which €/000 5,851 relative to temporary changes eliminated in the year, €/000 5,575 concerning the offsetting of estimated taxable income against previous tax losses, €/000 17 for payment in the year of temporary changes relative to IAS effects.
- €/000 322 for taxes due on income generated by a foreign subsidiary taxed in Italy on the basis of transparent fiscal conditions.
- €/000 6,336 for regional production tax for the period.
- €/000 2,089, a decrease, for the issue of portions of deferred tax assets allocated in previous years and, €/000 615, a decrease, from zeroing tax payables determined on income from the previous year.
- €/000 1,943, a decrease, from income arising from the consolidated tax convention.

Deferred tax assets and liabilities were entered for €/000 361 and €/000 17,647 respectively.

2009 taxes were negative amounting to €/000 1,127. Taxes in 2008 amounted to €/000 241, accounting for 0.8% of earnings before tax.

The reconciliation compared to the theoretical rate is shown in the table below:

In thousands of Euros	2009
Earnings before tax	44,926
Theoretical tax rate	*27.50%*
Theoretical income taxes	12,355
Tax effect arising from permanent changes	(7,725)
Tax effect arising from temporary changes	8,794
Use of tax losses against which deferred tax assets had not been allocated	(7,849)
Paid deferred tax assets allocated in previous years on temporary changes	5,868
Paid deferred tax liabilities allocated in previous years	(2,089)
Tax effect arising from taxes on income generated abroad	2,705
Taxes on income generated by controlled foreign companies	322
Tax effect arising from allocated deferred tax assets	(17,648)
Tax effect arising from allocated deferred tax liabilities	361
Income from the Consolidated Tax Convention	(1,942)
Paid tax payables calculated on income for the previous year	(615)
Regional production tax (IRAP)	6,336
Income taxes entered in the financial statements	**(1,127)**

Theoretical taxes were determined applying the corporate income tax (IRES) rate in force in Italy (27.5%) to earnings before tax. The effect arising from regional production tax was determined separately, as this tax is calculated based on earnings before tax.

In 2009, as part of the National Consolidated Tax Convention, in which Immsi is the Consolidating Party, Piaggio & C S.p.A. did not transfer any earnings to the Consolidating party as the corporate taxable income of Piaggio & C S.p.A. was entirely offset by its previous tax losses.

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

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

14. *Earnings per share*

Earnings per share are calculated as follows:

		2009	2008
Net income	€/000	46,053	29,984
Earnings attributable to ordinary shares	€/000	46,053	29,984
Number of ordinary shares in circulation as of 1/1	No	396,040,908	396,040,908
Number of shares issued in the period	No	-	-
Average number of ordinary shares in circulation during the period	No	396,040,908	396,040,908
Potential dilution of ordinary shares	No	320,361.4	150,337.0
Adjusted average number of ordinary shares	No	396,361,269	396,191,245
Diluted earnings per ordinary share	€	0.12	0.076

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

D) INFORMATION ON THE BALANCE SHEET - ASSETS

Assets

15. *Intangible assets* *€/000 547,185*

The table below details the breakdown of intangible assets as of 31 December 2009 and as of 31 December 2008, as well as the changes for the period.

Intangible assets increased overall by €/000 23,898 following investments for the period net of amortisation/depreciation for the period. Increases mainly refer to the acquisition of the Derbi brand by the subsidiary Nacional Motor, the

In thousands of Euros	Value as of 31/12/2008	Value as of 28/12/2009 NM spin off	Increases	Depreciation	Dis-posal	Reclassifi-cations	Write - downs	Value as of 31/12/2009
Development costs	66,231	2,484	27,839	(30,358)	-	(10,783)	(2,262)	53,151
Patent rights	17,912	44	12,032	(16,563)	(1,933)	10,778	-	22,270
Concessions, licences and trademarks	93,848	0	18,000	(8,635)	-	-	-	103,213
Goodwill	345,296	-	-	-	-	23,255	-	368,551
Other	-	-	-	-	-	-	-	0
Total	**523,287**	**2,528**	**57,871**	**(55,556)**	**(1,933)**	**23,250**	**(2,262)**	**547,185**

capitalisation of development costs for new products and new engines, as well as the purchase of software. As regards goodwill, the reclassification reflects the portion of the cost of the equity investment cancelled following net assets from the spin off of the subsidiary Nacional Motor, amounting to €/000 3,123.

Write-downs were directly entered in the income statement, under other operating costs, and refer to projects for which industrial development was stopped during the year.

Development costs €/000 53,151

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 21,075 that represent costs for which the conditions for capitalisation exist, but in relation to products that will go into production in future years.

During 2009 the Company, based on an overall analysis of capitalised development costs, and in order to verify proper qualification, reclassified costs incurred in previous years and not yet fully amortised for the “RSV4”, “MP3 Hybrid” and “1200 cc engine” projects from this item to “Industrial patents and intellectual property rights”.

These products and their relative development meant it was necessary to adopt highly innovative technical solutions, develop new calculation methods and regulations, define ad hoc design techniques and tests and acquire technologically advanced testing and measurement instruments and equipment, which enabled Piaggio to diversify its technical know how and the qualitative and functional level of some of its vehicles compared with competitors.

From this viewpoint, the 2009 Financial Statements better reflect the total costs incurred in the product development process.

These costs meet the capitalisation criteria of IAS 38, but did not result in the Company obtaining specific patents or acquiring particular technical knowledge not yet available to third parties.

Development costs for new projects capitalised during 2009 mainly refer to new engines for 1000 and 1200 4 cylinder motorcycles, the new Dorsoduro, Stelvio Guzzi, V7 Guzzi, Norge 1200 and Moto Guzzi RSV 1000 motorcycles, the new Carnaby, GP800, Scarabeo, Vespa and X7 scooters and relative engines, the Mp3 Hybrid and relative engines, as well as three- and four-wheelers such as the Ape Calessino, Porter GPL and Porter Maxi.

Development costs included under this item are amortised on a straight-line basis over 3 years, in consideration of their remaining useful life.

During 2009, development costs of approximately EUR 22.5 million were booked directly to the income statement. The write-down made during the year for €/000 2,262 refers to vehicles and engines which will no longer be manufactured and for which the requisites for capitalisation no longer apply.

Pursuant to article 2426, point 5 of the Civil Code, shareholders' equity is unavailable for research and development costs still to amortise, equal to €/000 53,151.

Industrial patents and intellectual property rights €/000 22,270

This item refers to patents for €/000 131, know how for €/000 14,044 and software for €/000 7,645

As regards software, the increase in the year refers to the purchase of various licences, the "Suppliers' Portal" project, the introduction of SAP at the subsidiaries PVPL and VIETNAM, and implementation of projects for the business, production, personnel and administration departments.

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

Concessions, licences and trademarks €/000 103,213

The item Concessions, licences, trademarks and similar rights equal to €/000 103,213, consists of:

In thousands of Euros	Net Value as of 31/12/2009	Net Value as of 31/12/2008
Guzzi brand	30,468	33,515
Aprilia brand	54,670	60,136
Laverda brand	0	116
Derby brand	18,000	0
Minor brands	75	80
Total Trademarks	**103,213**	**93,848**

During the year, the value of the Guzzi brand decreased due to amortisation/depreciation of €/000 3,047 entered in the income statement, determined based on an estimated useful life up to 2019.

During the year, the value of the Aprilia brand decreased due to amortisation/depreciation of €/000 5,467 entered in the income statement, determined based on an estimated useful life up to 2019.

Other brands merged during the Aprilia merger decreased in the year by €/000 6 arising from amortisation/depreciation calculated based on the useful life.

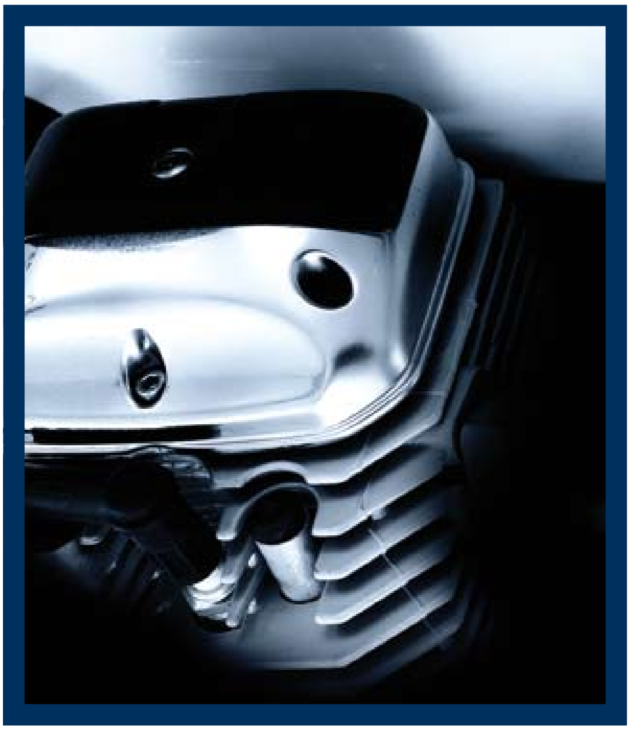
Goodwill €/000 368,551

"Goodwill" refers to €/000 265,135 for the portion of the loss from the merger paid as such and arising from the merger with Piaggio & C. S.p.A. (€/000 250,569) and of Vipifin S.p.A. (€/000 14,566) with Piaggio & C. S.p.A. (formerly MOD S.p.A.) which took place in 2000, for €/000 456 from the goodwill generated in previous years from mergers by the merged company Aprilia and for €/000 79,705 as of entries following the merger of Aprilia in 2005.

On 28/12/2009 the subsidiary Nacional Motor was spun off to become Piaggio's technological, sales and organisational branch. Net spun off assets were equal to €/000 3,123.

The proportional amount of the cost of the equity investment relative to this value was determined as €/000 26,378. The difference between this value and the value of net spun off assets amounts to €/000 23,255, and was entered under goodwill.

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). The main assumptions used in determining the value in use are related to the discount rate and the growth rate. In particular, Piaggio has adopted a discount rate which reflects current market valuations for the cost of borrowing and takes account of the specific risk attributable to the Group: this rate is equal to 6.9%. The forecasts for cash-generating units derive from those in the most recent budgets and plans prepared by the Group for the next three years, extrapolated for following years on the basis of medium-/long-term growth rates equal to 1.0%.



The *impairment test* carried out as of 31 December 2009 confirmed that there was no need to make any changes to the figures in the financial statements. The *business plan* prepared by the Group, which predicts a positive performance for companies over the next three years, provides reassurance on the appropriateness of the figures used.

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.

16. *Property, plant and equipment* *€/000 184,376*

The table below details the breakdown of tangible assets as of 31 December 2009 and as of 31 December 2008, as well as the changes for the period.

In thousands of Euros	Value as of 31/12/2008	Value as of 28/12/2009 NM spin off	Increases	Depreciation	Disposals	Reclassifications	Contributions	Value as of 31/12/2009
Land and buildings	106,299	0	1,192	(3,492)	0	409	(1,347)	103,061
Plant and equipment	39,475	204	4,639	(8,861)	(28)	0	(160)	35,269
Equipment	45,860	3,051	12,199	(16,851)	(313)	(409)	(13)	43,524
Other	3,426	69	472	(1,154)	(8)	0	(283)	2,522
Total	**195,060**	**3,324**	**18,502**	**(30,358)**	**(349)**	**0**	**(1,803)**	**184,376**

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.

- Investments for "hybrid", "injection" powertrains and 1000 4 Stroke 4 Valve engines: €/000 1,155;
- Miscellaneous investments: €/000 118.

Land and building *€/000 103,061*

Compared to the previous year, the net decrease in this item was €/000 3,238.

Increases in the period concerned:

- Various works at the Pontedera facility, for €/000 160
- Restructuring works at the Moto Guzzi facility for €/000 1,032
- Reclassification of the item "equipment" for €/000 409

Decreases refer to €/000 3,492 relative to amortisation/depreciation for the period and €/000 1,347 relative to the transfer of land and buildings concerning the industrial sites of Pisa and Lugnano and the "Atlantic 12" closed property investment fund.

Plant and equipment *€/000 35,629*

Changes in this item during the period refer to increases of €/000 4,639 and decreases of €/000 8,861 for amortisation/depreciation for the period, €/000 28 for disposals made in the year and €/000 160 for the transfer of the "Road Racing" company branch and "Off Road Racing" division to the subsidiary Aprilia Racing.

Capitalisation of €/000 4,639 in the period concerned the following acquisitions:

- Upgrading of equipment in the two- and three-wheeler workshops: €/000 1,093;
- Investments for engine assembly lines: €/000 237;
- Investments for painting and vehicle assembly areas: €/000 632;
- New steam production system at the Pontedera facility: €/000 373;
- Purchase of mechanical processing equipment: €/000 1,031;

Equipment *€/000 43,524*

Changes in this item in the period are due to increases of €/000 12,199 and decreases of €/000 16,851 for amortisation/depreciation for the period, €/000 313 for the residual cost of worn equipment, no longer used in production and sold, €/000 13 for the transfer of the "Road Racing" company branch to the subsidiary "Aprilia Racing" and €/000 409 for reclassifications to the item "buildings". Capitalisation of €/000 12,199 in the period mainly comprised:

- Upgrading of moulds due to wear, and for safety purposes €/000 1,615
- Laboratory equipment €/000 375
- Equipment for assembly lines at the Pontedera facility €/000 1,045
- Equipment for assembly lines at the Scorze' facility €/000 129
- Equipment to improve vehicle quality €/000 320
- Equipment for vehicle design modifications €/000 126
- Purchase of moulds for the Vespa (PX, GT, GS, ET, S) €/000 305
- Purchase of moulds for Aprilia brand vehicles (Sportcity, Scarabeo, RS, etc.) €/000 52
- Purchase of moulds for the MP3 Hybrid €/000 279
- Purchase of moulds for the MP3 MIC €/000 53
- Purchase of moulds for the CARNABY RST €/000 438
- Purchase of moulds for the PORTER €/000 1,563
- Purchase of moulds for the Gilera GP800 €/000 90
- Purchase of moulds for the Aprilia motorcycle "MANA" €/000 187
- Purchase of moulds for the Aprilia motorcycle "SHIVER" €/000 233
- Purchase of moulds for the Aprilia motorcycle RSV 4 1000 €/000 807

- Purchase of moulds for the Aprilia Dorsoduro motorcycle €/000 234
- Purchase of moulds for the Moto Guzzi Norge 1200 4V €/000 256
- Purchase of moulds for the Liberty €/000 434
- Purchase of moulds for the New Beverly €/000 1,308
- Purchase of moulds for Moto Guzzi motorcycles (Griso, Stelvio etc.) €/000 112
- Purchase of equipment for new Moto Guzzi products €/000 83
- Purchase of moulds for the RSV4 1000 cc engine €/000 870
- Purchase of moulds for the 125 injection engine €/000 257
- Purchase of moulds for the 1200 twin cylinder engine €/000 568

- Purchase of moulds for the hybrid powertrain €/000 299
- Purchase of moulds for the 300cc engine €/000 161

Other tangible assets €/000 2,522

As of 31 December 2009, the item "other assets" comprised the following:

In thousands of Euros	As of 31/12/2009	As of 31/12/2008	Change
EDP systems	1,306	1,720	414
Office furniture and equipment	680	701	(21)
Vehicles	2	199	(197)
Cars	534	805	(271)
Total	**2,522**	**3,425**	**(903)**

Revalutations of assets

The Company still has assets for which revaluations have been made in conformity to specific regulations or during merger operations.

The table below shows detailed figures for financial statement items, with reference to the legal provision or merger operation.

	Revalu-ation Law 623/73	Re-valua-tion Law 575/65 and	Re-valua-tion for merg-	Econ. Re-valua-tion 1988	Revalu-ation Law 413/91	Revalua-tion in depar-ture of pre-ex-	Re-valua-tion for merg-	Re-valua-tion for merg-	Re-valua-tion Law 242	Total Reval.
Tangible assets										
Industrial buildings	16	2,950	0	584	3,201	1,018	1,668	1,549	0	10,986
Plant and equipment	0	1,004	263	0	0	0	42	0	1,930	3,239
Industrial and commercial equipment	0	0	331	0	0	0	2,484	0	3,438	6,253
Office furniture and equipment	0	5	58	0	0	0	101	0	0	164
Electronic office equipment	0	0	0	0	0	0	27	0	0	27
Own transport	0	0	0	0	0	0	13	0	0	13
Tangible assets total	**16**	**3,959**	**652**	**584**	**3,201**	**1,018**	**4,335**	**1,549**	**5,368**	**20,682**
Intangible assets										
Aprilia brand	0	0	0	0	0	0	21,691	0	25,823	47,514
Guzzi brand		103				258				361
Intangible assets total	**0**	**103**	**0**	**0**	**0**	**258**	**21,691**	**0**	**25,823**	**47,875**
General total	**16**	**4,062**	**652**	**584**	**3,201**	**1,276**	**26,026**	**1,549**	**31,191**	**68,557**

17. *Property investments* *€/000 0*

As of 31 December 2009 no property investments were recorded.

18. *Equity investments* *€/000 40,481*

Equity investments comprise:

In thousands of Euros	As of 31/12/2009	As of 31/12/2008	Change
Equity investments in subsidiaries	40,291	64,483	(24,192)
Equity investments in affiliated companies	190	190	0
Total	**40,481**	**64,673**	**(24,192)**

Changes for the period are shown in the following table:

Equity investments in subsidiaries *€/000 40,291*

The equity investment in Aprilia Racing was acquired in the year from the subsidiary Nacional Motor at the price of €/000 23 and subsequently increased following the transfer of the two company branches - the "Road Racing" segment and the "Off Road Racing" division, for €/000 1,267 and €/000 150 respectively.

As regards the equity investment in Nacional Motor, 2% of the share capital was acquired in the year by the Dutch subsidiary AWS BV. As a result, the equity investment in Nacional Motor stood at 100%.

On 02/12/2009 the company branch for product promotion and sales development of the subsidiary Nacional Motor

In thousands of Euros	Book value as of 31/12/2008	Incr.	Reclass.	Reinstate-ments	Write-downs	Disposals	Book value as of 31/12/2009
Subsidiaries							
P & D S.p.A. in liquidation	178	144			(103)		219
Piaggio Vespa B.V.	11,927						11,927
Piaggio China Ltd	0						0
Piaggio Vietnam Co Ltd	1,440						1,440
Piaggio Vehicles Pvt Ltd	15,793						15,793
Piaggio Finance	31						31
Nacional Motor	35,040	712	(25,976)			(3,123)	6,653
Piaggio Espana SL	0		2,721				2,721
Aprilia Racing S.r.l.	0	1,440					1,440
AWS B.V.	0						0
Motoride in liquidation	0						0
Moto Laverda in liquidation	73				(7)		66
Total subsidiaries	**64,482**	**2,296**	**(23,255)**	**0**	**(110)**	**(3,123)**	**40,290**
Associated companies							
Piaggio Foshan ltd.	0						0
Pontech Soc. Cons. a.r.l.	181						181
IMMSI Audit S.C. R.L.	10						10
Fondazione Piaggio onlus	0						0
Total associated companies	**191**	**0**	**0**	**0**	**0**	**0**	**191**
Total equity investments	**64,673**	**2,296**	**(23,255)**	**0**	**(110)**	**(3,123)**	**40,481**

was spun off to the recently established Piaggio Espana. Following this operation, the portion of cost relative to the equity investment in Nacional Motor, to attribute to the new company, amounted to €/000 2,721. On 28/12/2009 the subsidiary Nacional Motor was spun off to become Piaggio's technological, sales and organisational branch. Net spun off assets were equal to €/000 3,123. The proportional amount of the cost of the equity investment relative to this value was determined as €/000 26,378. The difference between this value and the value of net spun off assets amounts to €/000 23,255, and was entered under goodwill. The value of the Nacional Motor equity investment was tested for impairment. The main assumptions used by the Company to calculate the recoverable value (value in use) refer to the discount rate, the use of the latest budgets/forecasts and growth rate.

To discount back cash flows, the Company adopted a discount rate reflecting current market valuations of the cost of borrowing and taking account of specific risks of operations. The estimates and data used for impairment testing are based on the past experience of management and on expected developments of markets where Piaggio operates. Testing confirmed the adequacy of the recorded figure.

During the year, equity investments in P&D S.p.A. and Moto Laverda S.r.l., both in liquidation, were also written down, for €/000 103 and €/000 7 respectively, following losses for the period.

Investments in associates *€/000 191*

No changes occurred in the year.

19. *Other non-current financial assets* *€/000 21,188*

In thousands of Euros	As of 31/12/2009	As of 31/12/2008	Change
Receivables due from subsidiaries	1,523	24,194	(22,671)
Equity investments in other companies	165	165	0
Securities available for sale	19,500	-	19,500
Total	**21,188**	**24,359**	**(3,171)**

The decrease in non-current financial receivables due from subsidiaries refers to cancellation of the "participation loan", granted to the subsidiary Nacional Motor, following its spin off. The decrease was offset in part by €/000 19,500 attributed, based on a specific appraisal, to portions received for buildings and land relative to the industrial sites at Pisa and Lugnano and the "Atlantic 12" closed property investment fund. The table below shows the composition of equity investments in other companies:

In thousands of Euros	Book value as of 31/12/2009
Other companies	
Valued at cost:	
Sviluppo Italia Liguria S.c.p.a. (formerly Bic Liguria S.p.A.)	5
Consorzio Pisa Ricerche	76
Centro per l'innovazione – Pisa	
A.N.C.M.A. – Rome	2
GEOFOR S.p.a.	47
E.CO.FOR. Service S.p.a.	2
FGM & CC S.p.A. (formerly Fiat Media Center consortium)	3
Mitsuba FN Europe S.p.a.	0
IVM GMBH	9
S.C.P.S.T.V.	21
Total other companies	**165**

No changes occurred in 2009.

20. *Current and non-current tax receivables* *€/000 5,587*

Tax receivables of €/000 5,587 consist of:

In thousands of Euros	As of 31/12/2009	As of 31/12/2008	Change
VAT receivables	461	13,798	(13,337)
Tax receivables for tax refund applications	1,101	1,616	(515)
Other tax receivables	4,025	6,514	(2,489)
Total	**5,587**	**21,928**	**(16,341)**

Non-current tax receivables total €/000 892 compared to €/000 1,234 as of 31 December 2008. The decrease of €/000 342 refers to refunds received in the year.

Current tax receivables total €/000 4,695 compared to €/000 20,694 as of 31 December 2008. The decrease of €/000 15,999 is mainly attributable to VAT credit which went down from €/000 13,798 to €/000 461 and other tax receivables including the tax credit from the State for innovative research costs which decreased by €/000 1,794, from €/000 5,414 to €/000 3,620.

21. *Deferred tax assets* *€/000 29,377*

These totalled €/000 29,377 compared to €/000 22,493 as of 31 December 2008.

The balance as of 31/12/2009 includes deferred tax assets of €/000 3,021 from the merged company Moto Guzzi. This amount refers to the 2007 tax loss declared by the merged company and transferred to the Parent Company IMMSI within the framework of the Consolidated Tax Convention, and refers to the portion to be paid by IMMSI for the aforesaid tax loss still not used.

The change of €/000 6,884 was generated as follows: €/000 11,443 from the use of deferred tax assets entered in previous years and €/000 18,326 from entering new deferred tax assets.

Additional deferred tax assets of €/000 18,326 were entered in the light of forecasts of Piaggio & C. S.p.A., relative use in future years and considering the different trend between use and the expiry of relative tax benefits.

The table below shows in detail items for which deferred tax assets are allocated, as well as the amounts of deferred tax assets already booked/not booked.

In thousands of Euros	Amount of temporary differences	Tax effect 27.5%	Tax effect 3.9%
Provisions for risks	13,225	3,637	402
Product warranty provision	16,046	4,413	626
Allowance for doubtful accounts	20,930	5,756	
Provision for obsolete stock	28,442	7,821	1,109
Other changes	4,547	1,250	175
Total taxes on temporary differences	**83,190**	**22,877**	**2,312**
2005 tax losses	21,334	5,867	
2006 tax losses	7,749	2,131	
Moto Guzzi 2007 tax losses transferred to IMMSI	10,987	3,021	
Total deferred tax assets on tax losses	**40,070**	**11,019**	**0**
IAS effects	**55**	**15**	**2**
Deferred tax assets already booked		**27,063**	**2,314**
Deferred tax assets not booked		**6,848**	

Overall, entered deferred tax assets are as follows:

In thousands of Euros	Values as of 31/12/2009
Deferred tax assets for:	
- Temporary changes	18,358
- Previous tax losses	7,998
- Losses sustained within the framework of the consolidated tax convention	3,021
Total	**29,377**

22. *Trade receivables and other non-current receivables €/000 4,332*

Trade receivables and other non-current receivables total €/000 4,332 compared to €/000 4,899 as of 31 December 2008.

Their breakdown was as follows:

In thousands of Euros	As of 31/12/2009	As of 31/12/2008	Change
Receivables due from affiliated companies	321	359	(38)
Other	4,011	4,540	(529)
Total	**4,332**	**4,899**	**(567)**

The item "Other" includes guarantee deposits of €/000 218 and deferred charges of €/000 3,614. The latter decreased by €/000 250 compared to the previous year.

23. *Trade receivables and other current receivables €/000 173,332*

Trade receivables and other current receivables amount to €/000 173,332 against €/000 138,873 as of 31 December 2008, registering an increase of €/000 34,459.

Trade receivables and other current receivables are represented by the following:

In thousands of Euros	As of 31/12/2009	As of 31/12/2008	Change
Trade receivables	76,691	61,403	15,288
Trade receivables due from subsidiaries	36,977	48,073	(11,096)
Trade receivables due from associated companies	461	460	1
Trade receivables due from parent companies	12	-	12
Other receivables due from third parties	17,388	13,324	4,064
Other receivables due from subsidiaries	37,737	13,653	24,084
Other receivables due from associated companies	78	176	(98)
Other receivables due from parent companies	3,988	1,784	2,204
Total	**173,332**	**138,873**	**34,459**

Trade receivables are entered net of a risk provision for receivables of €/000 15,832.

The item Trade receivables comprises receivables, referred to normal sales transactions.

The item includes receivables in foreign currency, comprising CAD/000 2,511, CHF/000 719, DKK/000 2,031, GBP/000 6,808, HKD /000 103, INR/000 871,282, JPY/000 529,718, RMB/000 2,109 SEK/000 22, SGD/000 568, and USD/000 23,345 for a total counter value of €/000 45,274 at the exchange rate in effect at 31 December 2009.

The item also includes invoices to issue for €/000 64, relative to normal business transactions and to credit notes to issue for €/000 16,550, mainly relative to premiums for achieving objectives to pay to the sales network in Italy and abroad as well as bills subject to collection and cash orders presented to banks and not yet paid, amounting to €/000 6,056.

Domestic trade receivables are usually transferred to factoring companies, mainly without recourse and with advance collection.

Piaggio sells a large part of its trade receivables on a revolving basis 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 clients an instrument for funding their own inventories. As of 31 December 2009, trade receivables still due without recourse totalled €/000 69,302.

Piaggio received payment for these receivables, before their natural expiry, amounting to €/000 65,655. As of 31 December 2009 advance payments made for receivables transferred with recourse amounted to €/000 26,599, with a counter entry under current liabilities.

Changes in the trade receivables provisions for write-down were as follows:

In thousands of Euros	
Opening balance as of 31 December 2008	**13,803**
Nacional Motor spin off	10
Decreases for use	(197)
Portion transferred to Aprilia Racing	(95)
Increases for provisions	2,311
Reclassifications from the allowance for sundry doubtful accounts	0
As of 31 December 2009	**15,832**

During the period, the account provisions for write-down was used to hedge losses for €/000 197.

Allocations from the allowance were made for risks identified when valuing receivables as of 31 December 2009.

Trade receivables due from subsidiaries refer to the supply of products in normal market conditions. Other receivables due from subsidiaries comprise cost recoveries and miscellaneous charges. The item "other receivables due from third parties" is comprised as follows:

In thousands of Euros	**As of 31/12/2009**	**As of 31/12/2008**	**Change**
Receivables from employees	678	616	62
Miscellaneous receivables due from third parties:			
Advances on the supply of services	123	123	0
Balances due from suppliers and other creditors	5,840	5,446	394
Invoices and credit to issue	1,781	629	1,152
Miscellaneous receivables due from domestic and foreign third parties	4,417	3,469	948
Receivables for the sale of property	302	508	(206)
Receivables for equipment grants	2,530	-	2,530
Other receivables	1,717	2,533	(816)
Total	**17,388**	**13,324**	**4,064**

Receivables from employees refer to advances paid for transfers, sick leave and accident leave, contractual advances, cash provisions, etc.

Miscellaneous receivables of €/000 4,417 mainly refer to receivables from domestic and foreign subjects arising from relations that are not related to typical operations.

24. *Inventories* *€/000 195,817*

As of 31 December 2009, this item totalled €/000 195,817, compared to €/000 211,452 at the end of 2008, and comprised:

In thousands of Euros	As of 31/12/2009	As of 31/12/2008	Change
Raw materials	82,905	89,277	(6,372)
Provisions for write-downs	(9,406)	(7,648)	(1,758)
Net value	73,499	81,629	(8,130)
Consumables	2,710	2,739	(29)
Work in progress, semifinished products	19,180	23,203	(4,023)
Provisions for write-downs	(852)	(852)	0
Net value	18,328	22,351	(4,023)
Finished products and goods	119,463	121,342	(1,879)
Provisions for write-downs	(18,183)	(16,626)	(1,557)
Net value	101,280	104,716	(3,436)
Advances	0	17	(17)
Total	**195,817**	**211,452**	**(15,635)**

Changes in the provision for obsolete stock are summarised in the table below:

In thousands of Euros	As of 31/12/2008	Transfer Aprilia Racing	Nacional Motor spin off	Use	Allocation	As of 31/12/2009
Raw materials	7,648	(1,621)		(428)	3,806	9,405
Work in progress, semifinished products	852					852
Merchandise	7,854	(4)	877	(26)	1,704	10,405
Finished products and goods	8,772	(1,233)	320	(2,064)	1,983	7,778
Total	**25,126**	**(2,858)**	**1,197**	**(2,518)**	**7,493**	**28,440**

25. *Other current financial assets* *€/000 25,584*

This item comprises:

In thousands of Euros	As of 31/12/2009	As of 31/12/2008	Change
Financial receivables due from subsidiaries	28,584	34,937	(6,353)
Financial receivables due from affiliated companies	-	45	(45)
Financial receivables due from third parties	-	4,138	(4,138)
Total	**28,584**	**39,120**	**(10,536)**

The item "Financial receivables due from subsidiaries" refers to loans to Piaggio Group Americas for €/000 13,563, to Aprilia World Service BV for €/000 5,352, to Aprilia Racing for €/000 1,050, to Nacional Motor for €/000 6,029 and to Piaggio Espana SL for €/000 2,590.

26. *Cash and cash equivalents* *€/000 175,991*

This item mainly includes short-term and on demand bank deposits.

Cash and cash equivalents totalled €/000 175,991 against €/000 11,312 as of 31 December 2008, as detailed below:

In thousands of Euros	As of 3/12/2009	As of 31/12/2008	Change
Bank and post office deposits	175,959	11,294	164,665
Cash and assets in hand	32	18	14
Total	**175,991**	**11,312**	**164,679**

27. *Assets held for sale* *€/000 0*

As of 31 December 2009, there were no assets held for sale.

28. Distribution by geographical segment of receivables entered under assets

The table below shows the distribution by geographical segment of receivables entered under assets in the balance sheet as of 31 December 2009:

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

As of 31 December 2009 no receivables due after 5 years were recorded.

INFORMATION ON THE BALANCE SHEET - LIABILITIES

30. *Share capital and reserves €/000 348,341*

Share capital *€/000 191,617*

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

In thousands of Euros	
Subscribed and paid up capital	205,941
Own shares purchased as of 31 December 2008	(13,793)
As of 1 January 2009	**192,148**
Purchase of own shares	(531)
As of 31 December 2009	**191,617**

As of 31 December 2009 the fully subscribed and paid-up share capital consisted of 396,040,908 ordinary shares with a par value of EUR 0.52 each, totalling EUR 205,941,272.16.

In thousands of Euros	Italy	Europe	India	United States	Asia	Other countries	Total
Receivables from other non-current financing activities	19,833	1,346			9		21,188
Medium-/long-term tax receivables	696	196					892
Trade receivables and other non-current receivables	4,332						4,332
Total non-current assets	**24,861**	**1,542**	**0**	**0**	**9**	**0**	**26,412**
Trade receivables and other current receivables	66,963	46,693	24,525	5,081	25,994	4,076	173,332
Short-term tax receivables	4,535	160					4,695
Current financial assets	1,050	13,971		13,564			28,585
Total current assets	**72,548**	**60,824**	**24,525**	**18,645**	**25,994**	**4,076**	**206,612**
Total	**97,409**	**62,366**	**24,525**	**18,645**	**26,003**	**4,076**	**233,024**

During the period, following the resolution passed at the General Meeting of Shareholders on 24 June 2008, the Company purchased 1,020,673 own shares.

Therefore, as of 31 December 2009 the Company held 27,547,007 own shares, equal to 6.956% of the share capital. In accordance with the provisions of international accounting standards, these purchases were recorded as a reduction in shareholders' equity.

Share premium reserve €/000 3,493

The share premium reserve as of 31 December 2009 was equal to €/000 3,493, with the balance unchanged compared to the previous year.

Legal reserve €/000 8,996

The legal reserve increased by €/000 1,499 as a result of the allocation of the earnings for the last period.

Other reserves €/000 38,100

This item consists of:

In thousands of Euros	As of 3/12/2009	As of 31/12/2008	Change
Stock option reserve	9,280	8,557	723
Financial instruments' fair value reserve	126	(409)	535
IFRS transition reserve	11,435	11,435	0
Fair value adjustment reserve for financial assets held for sale	17,259		17,259
Total other reserves	**38,100**	**19,583**	**18,517**

The financial instruments fair value reserve was positive and refers exclusively to the effect of recording the cash flow hedge. As of 31 December 2008 this valuation was negative, standing at €/000 409.

The fair value adjustment reserve for financial assets held for sale refers to the valuation of the portions received for the industrial sites at Pisa and Lugnano and the "Atlantic 12" closed property investment fund.

Distributed dividends €/000 22,117

In May 2009, dividends totalling €/000 22,117 were paid. In May 2008, dividends totalling €/000 23,322 were paid.

Performance reserve €/000 106,135

Other net income (losses) €/000 17,794

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

In thousands of Euros	As of 3/12/2009	As of 31/12/2008	Change
The effective part of net income (losses) on cash flow hedging instruments generated in the period	126	(409)	535
The effective part of net income (losses) on cash flow hedging instruments re-classified in the income statement	409	(2,086)	2,495
Total profits (losses) on cash flow hedges	535	(2,495)	3,030
Profit generated in the period from the fair value adjustment of financial assets held for sale	17,259		17,259
Total profits/(losses) booked to Shareholders' Equity	**17,794**	**(2,495)**	**20,289**

Analysis of Shareholders' Equity items, based on their origin, availability and use in the previous three years is shown in the table below.

In thousands of Euros				
Nature/description	**Amount**	**Possible use**	**Portion available**	**2007 uses to cover losses**
Par value capital	205,941			
Par value of purchased own shares	-14,324			
Capital reserves:				
Share premium reserve	3,493	A,B,C (*)	3,493	32,961
Financial instruments' fair value reserve	126		---	
Fair value adjustment reserve for financial assets held for sale	17,259		---	
Profit reserves:				
Legal reserve	8,996	B	---	
IAS transition reserve	11,435	A,B,C	11,435	1,746
Stock option reserve	9,280	A,B,C	9,280	
Total Reserves	50,589		24,208	34,707
Retained (losses) earnings	99,868			
Greater cost of purchased own shares	-39,786			
	60,082	A,B,C		
Earnings (losses) for the period	46,053			
Total shareholders' equity	**348,341**			

Key:
A: to increase share capital
B: to cover losses
C: to distribute to shareholders
(*) entirely available to increase capital or cover losses. For other uses the legal reserve with 20% of the share capital must previously be adjusted (also through transfer from the share premium reserve) As of 31 December 2009 this adjustment would be equal to €/000 32,192.

Pursuant to article 2426, section 5 of the Civil Code, shareholders' equity is unavailable for development costs still to amortise which were equal to €/000 53,152 as of 31 December 2009.

31. *Current and non-current financial liabilities €/000 552,925*

Financial liabilities included in non-current liabilities totalled €/000 443,163 against €/000 290,505 as of 31 December 2008, whereas other payables included in current liabilities totalled €/000 109,761 compared to €/000 121,410 as of 31 December 2008.

As shown in the table on consolidated net debt in the financial statements, the overall net debt changed from €/000 361,484 as of 31 December 2008 to €/000 348,350 as of 31 December 2009, registering a decrease of €/000 13,134.

The tables below summarise the breakdown of financial debt as of 31 December 2009 and as of 31 December 2008, as well as the changes for the period.

In thousands of Euros	As of 31/12/2008	Repay-ments	Increases	Reclassifica-tions to cur-rent portion	Other changes	As of 31/12/2009
Non-current portion:						
Medium-/long-term bank loans	117,389		232,266	(58,812)	(970)	289,873
Other medium-/long-term loans						
of which Simest	*0*			*0*		*0*
of which payables due to other M.I.C.A lenders.	*8,841*		*1,059*	*(2,535)*		*7,365*
of which Aprilia shareholder instruments	*8,999*			*(7,000)*	*(1,999)*	*0*
of which amounts due under leases	*9,019*			*(758)*		*8,261*
of which payables due to subsidiaries	*146,257*		*0*	*(146,257)*		*0*
Total other loans after 12 months	**173,116**		**1,059**	**(156,550)**	**(1,999)**	**15,626**
Debenture loan	0		150,000		(12,335)	137,665
Total	**290,505**	**0**	**383,325**	**(215,362)**	**(15,304)**	**443,164**

In thousands of Euros	As of 31/12/2008	Repay-ments	Increases	Reclass. from non-current	Other changes	As of 31/12/2009
Current portion:						
Current account overdrafts	40,597	(39,860)				737
Current account payables	6,586		6,950			13,536
Payables due to factoring companies	13,020		13,578			26,598
Payables due to subsidiaries	247	(146,257)	6,538	146,257		6,785
Current portion of medium-/long-term loans:						
of which leasing	*727*	*(727)*		*758*		*758*
of which due to banks	*57,402*	*(68,448)*	*10,714*	*55,312*	*332*	*55,312*
of which EMH Instrument	*0*	*0*		*3,500*		*3,500*
of which Aprilia Shareholder Instruments	*263*	*(7,263)*		*7,000*		*0*
of which payables due to other M.I.C.A lenders.	*2,211*	*(2,298)*	*87*	*2,535*		*2,535*
of which due to other Simest lenders	*357*	*(357)*		*0*		*0*
Total loans within 12 months	**60,960**	**(79,093)**	**10,801**	**69,105**	**332**	**62,105**
Total	**121,410**	**(265,210)**	**37,867**	**215,362**	**332**	**109,761**

The increase in debt is mainly attributable to new medium-/long-term loans for €/000 231,295 and to the issue of a debenture loan for a par value of €/000 150,000.

The breakdown of the debt is as follows:

In thousands of Euros	Book value as of 31/12/2009	Book value as of 31/12/2008	Par value as of 31/12/2009	Par value as of 31/12/2008
Bank financing	359,457	218,474	360,918	219,300
Bonds	137,665	0	150,000	0
Other medium-/long-term loans:				
of which leasing	*9,019*	*9,746*	*9,019*	*9,746*
of which amounts due to other lenders	*36,499*	*24,429*	*36,499*	*24,429*
of which Aprilia instruments	*0*	*9,262*	*0*	*10,263*
of which EMH Instrument	*3,500*	*3,500*	*3,500*	*3,500*
of which payables due to subsidiaries	*6,785*	*146,504*	*6,785*	*150,247*
Total other loans	**55,803**	**193,441**	**55,803**	**198,185**
Total	**552,925**	**411,915**	**566,721**	**417,485**

The table below shows the debt servicing schedule as of 31 December 2009:

In thousands of Euros	Par value at 31/12/2009	Amounts falling due within 12 months	Amounts falling due after 12 months	Amounts falling due in 2011	2012	2013	2014	Beyond
Bank financing	360,918	69,838	291,080	83,440	122,551	28,930	22,100	34,059
Bonds	150,000	0	150,000	0	0	0	0	150,000
Other medium-/long-term loans:								
of which leasing	*9,019*	*757*	*8,262*	*791*	*827*	*866*	*5,778*	*0*
of which amounts due to other lenders	*36,499*	*29,134*	*7,365*	*2,499*	*2,390*	*448*	*451*	*1,577*
of which EMH instrument	*3,500*	*3,500*	*0*	*0*	*0*	*0*	*0*	*0*
of which payables due to subsidiaries	*6,785*	*6,785*	*0*	*0*	*0*	*0*	*0*	*0*
Total other loans	**55,803**	**40,176**	**15,627**	**3,290**	**3,217**	**1,314**	**6,229**	**1,577**
Total	**566,721**	**110,014**	**456,707**	**86,730**	**125,768**	**30,244**	**28,329**	**185,636**

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

In thousands of Euros	Book value as of 31/12/2008	Book value as of 31/12/2009	Notional value as of 31/12/2009	Applicable interest rate as of 31/12/2009
USD	1,186	13,536	13,536	0.981%
Euro	410,729	539,389	553,185	3.684%
Total	**411,915**	**552,925**	**566,721**	**3.619%**

Medium and long-term bank debt amounts to €/000 348,684 (of which €/000 289,872 non-current and €/000 58,812 current) and consists mainly of the following loans:

- a €/000 82,009 loan (par value €/000 82,500) from Mediobanca and Banca Intesa San Paolo. This syndicated loan issued through a small pool of banks in April 2006, comprised an instalment of €/000 150,000 (par value) fully drawn on and an instalment of €/000 100,000 to be used as a credit line, not fully drawn on as of 31 December 2009. The structure envisages a 7-year term, with a grace period of 18 months and 11 six-monthly instalments with the last maturity on 23 December 2012 for the loan tranche, a variable interest rate linked to the 6 month Euribor rate to which a variable spread between a maximum of 2.10% and a minimum of 0.65% is added depending on the Net Financial Debt/EBITDA ratio. The margin remained at 0.90% in 2009, as in the second half of 2007, demonstrating the excellent ratio of these indices. For the instalment relating to the credit line there is a commitment fee of 0.25%. Guarantees are not issued. However in line with market practice, some financial parameters must be complied with. With reference to the 2009 period, these parameters were comfortably met;
- a €/000 139,286 medium-term loan from the European Investment Bank to finance Research & Development investments planned for the period 2009-2012. The amortisation/depreciation schedule of the seven-year loan consists of 14 six-monthly instalments to be repaid at a variable rate equal to the six-month Euribor rate plus a spread of 1.323%. The contractual terms envisage loan covenants but exclude guarantees. It should be noted that, in reference to the 2009 period, these parameters were comfortably met;
- a €/000 89,030 (par value €/000 90,000) medium-term syndicated loan granted in July by Banca Nazionale del Lavoro as banking agent and paid on 28 August 2009. This loan lasts for three years, with a pre-amortisation schedule of a year and a half, with repayments in three six-monthly instalments. The financial terms provide for a variable interest rate linked to the six-month Euribor plus an initial margin of 1.90%. This margin may vary from a minimum of 1.65% to a maximum of 2.20% in accordance with changes in the Net Financial Debt / Ebitda ratio. Guarantees are not issued. However, in line with market practice, some financial parameters must be complied with. With reference to the 2009 period, these parameters were comfortably met;
- a €/000 2,976 subsidised loan from Banca Intesa San Paolo under Law 346/88 regarding applied research. Granted on 18 December 2009 maturing on 1 January 2018;
- a €/000 860 loan from Interbanca in accordance with Law 346/88 regarding subsidies for applied research, secured by a mortgage lien on property;
- a €/000 2,691 non-interest bearing loan originally granted by Banca Antonveneta to a subsidiary of the Aprilia Group, which following the acquisition was charged to the Parent Company; the lump sum due date is in 2011;
- a €/000 1,832 subsidised loan issued on 29/01/2007 by Intesa San Paolo pursuant to Law 346/88 for the development of a research project on "innovative vehicles with a high-rating performance, safety and handling", maturing on 1 July 2013;
- €/000 3,500 of payables due to Interbanca in its capacity of provider of EMH financial instruments;

- a €/000 25,000 loan from Interbanca issued on 5/11/2008, to consolidate financial resources. This loan will be repaid in 8 six-monthly instalments deferred as capital contributions, commencing on 31/03/2010 and ending on 30/09/2013, in addition to interest due on the loan as from the date of use, calculated based on the six-month Euribor listed at 11:00 CET and displayed on the Euribor01 page of the Reuters (act/360) circuit, increased by 1.15 points;
- a €/000 1,500 loan from ICCREA BANCA S.p.A. issued on 4/12/2008 to cover financial requirements relating to the capitalisation of the company Piaggio Vietnam Co. Ltd., established in 2007, in which SIMEST S.p.A. (Società Italiana per le Imprese all'Estero) holds 12.5% of the share capital, for the construction of a facility in Vietnam. To guarantee this loan, SIMEST S.p.A. approved a reduced interest rate, pursuant to article 4 of law 100/90 as amended.

The item Bonds amounting to €/000 137,665 (net book value) refers to the high yield debenture loan issued on 4 December 2009, for a par value of €/000 150,000, maturing on 1 December 2016 with a semi-annual coupon with fixed annual nominal rate of 7%. Standard & Poor's and Moody's both assigned a BB and BA2 rating with a negative outlook for the issue. The issue was to partly finance the pre-repayment of the loan from Piaggio Finance S.A., against a high yield debenture loan issued on 27 April 2005, for a nominal amount of €/000 150,000.

The item Medium-/long-term payables due to other lenders equal to €/000 22,419 of which €/000 15,626 due after 1 year and €/000 6,793 as the current portion, are detailed below:

- EMH financial instrument for €/000 3,500;
- subsidised loans for a total of €/000 9,900 provided by the Ministry of Economic Development using regulations to encourage investment in research and development (non-current portion of €/000 7,365);
- finance leases for €/000 9,019 acquired following the merger with Moto Guzzi S.p.A. (non-current portion equal to €/000 8,261).

Financial instruments

Exchange rate risk

In 2009, the exchange rate 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 transaction 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. The exposure to the business risk consists of the envisaged payables and receivables in foreign currency, taken from the budget for sales and purchases reclassified by currency and accrued on a monthly basis. Hedging must be at least 66% the economic exposure of each reference quarter. The exposure to the transaction 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. As regards contracts in place to hedge the exchange rate risk on receivables and payables in currency (transaction risk) as of 31 December 2009 the Company had the following in place:

- for a value of JPY/000 856,000 equal to €/000 6,514 (valued at the forward exchange rate);

- for a value of CHF/000 4,286 equal to €/000 2,882 (valued at the forward exchange rate);
- for a value of GBP/000 4,835 equal to €/000 5,341 (valued at the forward exchange rate);
- for a value of SGD/000 450 equal to €/000 223 (valued at the forward exchange rate);
- for a value of SEK/000 940 equal to €/000 91 (valued at the forward exchange rate);
- for a value of USD/000 2,920 equal to €/000 2,012 (valued at the forward exchange rate);

As of 31 December 2009 the following forward sales operations were recorded:

- for a value of USD/000 9,160 equal to €/000 6,320 (valued at the forward exchange rate);
- for a value of SGD/000 1,035 equal to €/000 503 (valued at the forward exchange rate);
- for a value of JPY/000 376,000 equal to €/000 2,831 (valued at the forward exchange rate);
- for a value of GBP/000 5,785 equal to €/000 6,441 (valued at the forward exchange rate);
- for a value of DKK/000 2,175 equal to €/000 292 (valued at the forward exchange rate);
- for a value of CHF/000 4,920 equal to €/000 3,258 (valued at the forward exchange rate);
- for a value of CAD/000 2,515 equal to €/000 1,624 (valued at the forward exchange rate);

As regards contracts in place to hedge the exchange rate risk on forecast transactions (business risk), as of 31 December 2009 forward purchase transactions for a value of CNY/000 235,000 equal to €/000 23,691 (valued at the forward exchange rate), and forward sales transactions for a value of CHF/ 000 22,800 equal overall to €/000 15,131 (valued at the forward exchange rate) and GBP/000 18,800 equal to €/000 20,879 (valued at the forward exchange rate) were ongoing.

32. *Trade payables (current)*

€/000 299,709

All trade payables are included under current liabilities and totalled €/000 299,709 against €/000 325,346 as of 31 December 2008.

In thousands of Euros	As of 31/12/2009	As of 31/12/2008	Change
Current liabilities:			
Amounts due to suppliers	263,200	300,338	(37,138)
Amounts due to subsidiaries	24,954	17,773	7,181
Amounts due to affiliated companies	11,114	6,891	4,223
Amounts due to parent companies	441	344	97
Total current portion	**299,709**	**325,346**	**(25,637)**

The item comprises trade payables referring to €/000 291,267 for the purchase of goods and services for running the company and the purchase of assets for €/000 8,442.

The item includes payables in foreign currency, referring to CHF/000 244, GBP/000 761, HKD/000 68, INR/000 4,455, JPY/000 1,071, USD/000 3,562, SEK/000 921, SGD/000 92, for a total value of €/000 11,813.

As regards the payable of €/000 4,205, payment is secured by bank guarantees.

33. *Reserves (current and non-current portion)* *€/000 41,324*

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

In thousands of Euros	As of 31/12/2008	Nacional Motor spin off	Allocations	Applica-tions	Adj.	Reclass.	As of 31/12/2009
Provisions for risks							
Risk provisions on equity investments	11,977						11,977
Provisions for contractual risks	8,480		1,040				9,520
Risk provision for legal proceedings	2,656	23				62	2,741
Risk provision for guarantees provided	138					(62)	76
Risk provision for receivables	888						888
Risk provision for taxes	0		76				76
Total risk provisions	**24,139**	**23**	**1,116**	**0**	**0**	**0**	**25,278**
Provisions for expenses							
Product warranty provision	15,196	1,431	11,579	(12,160)			16,046
Total provisions for expenses	**15,196**	**1,431**	**11,579**	**(12,160)**	**0**	**0**	**16,046**
Total provisions for risks and charges	**39,335**	**1,454**	**12,695**	**(12,160)**	**0**	**0**	**41,324**

The breakdown between current and non-current portions of provisions is as follows:

In thousands of Euros	As of 31/12/2009	As of 31/12/2008	Change
Non-current portion			
Risk provisions on equity investments	11,977	11,977	0
Provisions for contractual risks	6,437	8,480	(2,043)
Risk provision for legal proceedings	2,741	2,656	85
Risk provision for guarantees provided	76	138	(62)
Risk provision for receivables	888	888	0
Product warranty provision	4,814	2,945	1,869
Total non-current portion	**26,933**	**27,084**	**(151)**

In thousands of Euros	As of 31/12/2009	As of 31/12/2008	Change
Current portion			
Provisions for contractual risks	3,083		3,083
Risk provision for taxes	76		76
Product warranty provision	11,232	12,251	(1,019)
Total current portion	**14,391**	**12,251**	**2,140**

The risk provisions on equity investments as of 31 December 2009 refers to:

- €/000 5,286 for charges that could arise from the equity investment in the associated company Zongshen Piaggio Foshan Motorcycles Co. Ltd. Under the item "commitments and risks" guarantees have been recorded relative to loans from banks to the associated company Zongshen Piaggio Foshan Motorcycle Co. Ltd. granted directly (USD/000 8,100 equivalent to €/000 5,820 at the exchange rate in effect as of 31 December 2009) and through subsidiaries (USD/000 9,800 equivalent to €/000 7,042 at the exchange rate in effect as of 31 December 2009).
- €/000 194 to the subsidiary Piaggio China Co. Ltd, and €/000 6,497 to the subsidiary Aprilia World Service B.V in consideration of foreseeable future charges to be borne for the equity investment in the two companies.

The provisions for contractual risks refers to:

- €/000 4,217 for charges that could arise from the renegotiation of a supply agreement.

- €/000 848 for charges for the three-year managerial plan.
- €/000 4,455 for charges that could arise from the termination of purchase agreements.

The risk provision for legal proceedings concerns €/000 1,100 relative to employment litigation and the difference of €/000 1,641 to other legal proceedings.

The risk provision for guarantees provided refers to charges expected for guarantees issued on the transfer of company equity investments.

The risk provision for receivables of €/000 888 refers to probable charges related to the non-recognition of receivables from suppliers.

The risk provision for taxes concerns local property tax (ICI).

The provision for guarantees of €/000 16,046 refers to potential liabilities related to product sales.

The product warranty provision relates to allocations for technical assistance on products with 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 in the year by €/000 13,010 of which €/000 1,431 relative to the Nacional Motor spin off and €/000 11,579 for new allocations, with €/000 12,160 used in relation to guarantee charges incurred in the year.

34. *Deferred tax liabilities* *€/000 25,704*

Provisions for deferred tax liabilities entered in the Financial Statements refer to:

- €/000 4,409 for the capital gain entered by the merged company Aprilia in 2005 for buildings, already leased, and repurchased by Aprilia Leasing S.p.A.
- €/000 139 for dividends approved by Piaggio Vehicles paid at the beginning of January 2010.
- €/000 6 for dividends approved by Piaggio Vietnam (Simest portion) still to be cashed.
- €/000 24 for the elimination of tax interference in 2004 on prepaid amortisation/depreciation.
- €/000 1,383 for accumulated amortisation/depreciation deducted from fiscally recognised goodwill values.
- €/000 3,069 for costs fiscally deducted off the accounts, concerning the application of IAS/IFRS accounting standards.
- €/000 7,124 for allocation to the Aprilia brand of the portion of the loss arising from the merger of the company in 2005.
- €/000 9,551 for allocation to the Guzzi brand of the portion of the loss arising from the merger of the company in 2008.

Provisions for deferred tax liabilities were reduced in the period by €/000 2,089 following the issue of the portion and increased overall by €/000 361 for new allocations booked to the income statement.

35. *Retirement funds and employee benefits* *€/000 58,547*

In thousands of Euros	As of 31/12/2009	As of 31/12/2008	Change
Retirement funds	365	408	(43)
Post-employment benefits	58,182	61,566	(3,384)
Total	**58,547**	**61,974**	**(3,427)**

The retirement fund mainly comprises the additional customer benefits fund of benefits for agents in the event of agency agreement termination for facts not attributable to said.

In the period, €/000 99 of the fund was used for the payment of benefits already allocated in previous years, adjusted by €/000 45 due to the effect of benefits no longer due and increased by €/000 101 for benefits matured in the period.


GPR
DERBI

Changes in post-employment benefits are as follows:

In thousands of Euros	Post-employment benefits
Value as of 31 December 2008	**61,566**
Cost of the period	8,748
Interest cost	2,623
Applications and transfers to retirement funds	(13,674)
Fund transferred to Aprilia Racing	(1,326)
Other changes	245
Value as of 31 December 2009	**58,182**

With regard to the 2007-2009 incentive plan approved by 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"), it should be noted that, during the year, two new stock options were assigned:

- on 15 January 2009, 390,000 options were assigned at an exercise price of EUR 1.2218. On the date of assignment of the options, the market price of the underlying financial instruments was equal to EUR 1.1569;
- on 11 May 2009, 250,000 options were assigned at an exercise price of EUR 1.2237. On the date of assignment of the options, the market price of the underlying financial instruments was equal to EUR 1.2238.

On 18 December 2009, in order to guarantee the more efficient management of the Plan, and in line with its objectives, the Board of Directors, with the backing of the Remuneration Committee resolved to proceed, with the consent of those concerned (as allowed pursuant to the Plan's regulations) to cancel options still existing assigned by the CEO on 13 June 2007 (equal to 5,950,000), and reallocate a part of them. In particular, 4,720,000 options at an exercise price of EUR 1.826 were allocated. On the date of assignment of the options, the market price of the underlying financial instruments was equal to EUR 1.8818. Thus options totalling 1,230,000 were not re-assigned. During the year, 730,000 options expired. As of 31 December 2009, 8,095,000 option rights had been assigned for a corresponding number of shares.

Following the close of the year, a further 500,000 options at the exercise price of EUR 1.892 were assigned on 4 January 2009. On the date of assignment of the options, the market

		Options held at the beginning of the year			Options assigned during the year		
	Position held	**No, of options**	**Average price of exercise**	**Average expiry**	**No, of options**	**Average price of exercise**	**Average expiry**
Bandiera Daniele	General Director of Operations *	1,365,000	3.55	13/06/2012			
		585,000	1.216	31/07/2013			
Pallottini Michele	General Director of Finance	1,365,000	3.55	13/06/2012			
		750,000	1.216	31/07/2013			
					1,500,000	1.826	13/06/2012
Total		**4,065,000**			**1,500,000**		

* Until 4 November 2009

price of the underlying financial instruments was equal to Euro 2.004. At the end of January 2010, 75,000 option rights expired.

As previously indicated in the section on consolidation principles, the cost for fees, corresponding to the present value of options which the company determined applying the Black-Scholes valuation model using average historical fluctuations of Company shares and the average interest rate on loans with the same duration as the contract validity, is recognised under employee costs on a straight-line basis for the period between the allocation and maturity date, with the counter entry directly recognised as shareholders' equity.

As required by Consob, the table below shows the options assigned to board members, general directors and senior executives with strategic responsibilities:

36. *Current and non-current portion of tax payables €/000 12,005*

The item "Tax payables" amounts to €/000 12,005 against €/000 15,664 as of 31 December 2008.

In thousands of Euros	As of 31/12/2009	As of 31/12/2008	Change
Due for income taxes	5,157	8,533	(3,376)
Tax payables for:			
- VAT	2,319	2,620	(301)
- Taxes withheld at source	4,496	4,507	(11)
- Dutch tax on vehicle registration	21		21
- Duties due and taxes to pay	12	4	8
Total other tax payables	**6,848**	**7,131**	**(283)**
Total	**12,005**	**15,664**	**(3,659)**

Current tax payables comprise €/000 1,908 for taxes to pay abroad on income produced abroad (royalties and know how) and €/000 3,249 for substitute taxes required by the 2008 Budget in relation to the realignment of off the account deductions and the fiscal recognition of the value of some assets.

VAT to pay in EU states represents the payable at the end of the year for VAT due in European countries where direct identification with reference to VAT was obtained.

Payables for withheld taxes refer to the income of employees, freelance workers and commission.

	Options exercised during the year			Options expired during the year	Options held at the end of the year		
	No, of options	Average price of exercise	Average expiry	No, of options	No, of options	Average price of exercise	Average expiry
				1,365,000			
				585,000			
				1,365,000			
					750,000	1.216	31/07/2013
					1,500,000	1.826	13/06/2012
				3,315,000	**2,250,000**		

37. *Other current and non-current portion of tax payables* *€/000 67,696*

In thousands of Euros	As of 31/12/2009	As of 31/12/2008	Change
Non-current portion:			
Deferred income	4,674	4,176	498
Amounts due to social security institutions	1,002	1,003	(1)
Other payables	600	705	(105)
Total	**6,276**	**5,884**	**392**

In thousands of Euros	As of 31/12/2009	As of 31/12/2008	Change
Current portion:			
Payables due to subsidiaries	6,085	7,724	(1,639)
Payables due to associated companies	34	226	(192)
Payables due to parent companies	575	374	201
Amounts due to employees	31,231	25,469	5,762
Amounts due to social security institutions	8,885	8,413	472
Payables due to company boards	418	352	66
Payables for undefined contributions	819	948	(129)
Payables for financial statement assessments	180	119	61
Balance due to customers	3,418	5,314	(1,896)
Deferred liabilities	3,971	7,538	(3,567)
Deferred income	2,894	3,002	(108)
Other payables	2,910	3,361	(451)
Total	**61,420**	**62,840**	**(1,420)**

Other payables included in non-current liabilities totalled €/000 6,276 against €/000 5,884 as of 31 December 2008, whereas other payables included in current liabilities totalled €/000 61,420 compared to €/000 62,840 as of 31 December 2008.

As concerns non-current liabilities:

- Deferred income comprises €/000 3,985 from capital grants to enter in the income statement in relation to amortisation/depreciation, €/000 689 for income cashed but relative to other years arising from licence agreements.
- Other payables refer to €/000 600 for the guarantee deposit paid in 1997 by T.N.T. Automotive Logistics S.p.A. to guarantee the payment of post-employment benefits accrued by employees belonging to the transferred company branch operating in the receipt, packaging, storage and distribution of spare parts and accessories.
- The items payables to Social Security Institutions mainly include amounts due for portions payable by the company and employees for salaries and wages in December and amounts allocated for the so-called "long-term mobility" of Piaggio & C. employees, within the framework of restructuring plans.

Payables due after 12 months refer to the payable to the social security institute INPS for the above mobility.

Amounts due to employees include the amount for holidays accrued but not taken of €/000 10,661 and other remuneration to be paid for €/000 20,570. €/000 819 refer to contributions for subsidies on research activities not permanently acquired. Balances due refer mainly to premiums for achieving objectives paid to customers, to pay at the end of the year and to credit notes for returns. Deferred income includes the short-term portion relative to above mentioned licence agreements (€/000 201), to equipment grants (€/000 2,632) as well as to other miscellaneous income entered in the income statement in the following year. Deferred liabilities refer to €/000 3,387 of interest in loans and €/000 584 for miscellaneous costs and expenses.

38. *Distribution by geographical segment of payables entered under liabilities*

The table below shows the distribution by geographical segment of payables entered under liabilities in the balance sheet as of 31 December 2009:

In thousands of Euros	Italy	Europe	India	United States	Asia	Other countries	Total
Non-current financial liabilities	325,307	117,857					443,164
Trade payables and other non-current payables	5,587	89			600		6,276
Total non-current liabilities	**330,894**	**117,946**	**0**	**0**	**600**	**0**	**449,440**
Current financial liabilities	65,779	43,982					109,761
Current trade payables	239,744	31,523	671	278	27,275	218	299,709
Current tax payables	9,686	2,319					12,005
Other current payables	51,809	8,782		12	393	424	61,420
Total current liabilities	**367,018**	**86,606**	**671**	**290**	**27,668**	**642**	**482,895**
Total	**697,912**	**204,552**	**671**	**290**	**28,268**	**642**	**932,335**

39. *Payables due after 5 years*

The Company has payables due after 5 years, details of which are included in Note 31 on Financial Liabilities.

D) DEALINGS WITH RELATED PARTIES

The main business and financial relations that Group companies had with related parties have already been described in the specific paragraph in the Directors' Report to which reference is made here. To supplement this information, the following table outlines outstanding items, by company, as of 31 December 2009, as well as their contribution to respective financial statement items.

		Figures in €/000	% of accounting item	Financial statement item
Relations with parent companies				
Omniaholding Spa	Financial liabilities falling due after one year	16,000	3.61%	443,164
IMMSI	trade receivables and other current receivables	3,972	2.29%	173,332
	current trade payables	441	0.15%	299,709
	other current payables	573	0.93%	61,420
	costs for services and use of third party assets	2,238	0.87%	256,432
	other operating income	70	0.07%	105,617
	other operating costs	2	0.01%	25,916
Relations with subsidiaries				
P & D Spa	trade receivables and other current receivables	4	0.00%	173,332
	Current financial liabilities	271	0.25%	109,761
	other current payables	36	0.06%	61,420

		Figures in €/000	% of accounting item	Financial statement item
P & D Spa	other operating income	4	0.00%	105,617
	financial charges	3	0.01%	34,022
Nacional Motor	other non-current financial assets	1,346	6.35%	21,188
	other current financial assets	6,028	21.09%	28,585
	trade receivables and other current receivables	3,629	2.09%	173,332
	current trade payables	2,575	0.86%	299,709
	net sales	9,005	0.80%	1,125,773
	costs for materials	16,504	2.62%	629,965
	costs for services and use of third party assets	5,373	2.10%	256,432
	employee costs	22	0.01%	192,127
	other operating income	428	0.41%	105,617
	financial income	1,433	19.19%	7,465
	financial charges	5	0.01%	34,022
Piaggio Hrvatska	trade receivables and other current receivables	798	0.46%	173,332
	current trade payables	1	0.00%	299,709
	net sales	6,055	0.54%	1,125,773
	costs for services and use of third party assets	1	0.00%	256,432
	other operating income	24	0.02%	105,617
Piaggio France S.A.	trade receivables and other current receivables	18	0.01%	173,332
	current trade payables	1,993	0.67%	299,709
	costs for services and use of third party assets	8,037	3.13%	256,432
	other operating income	103	0.10%	105,617
Piaggio Espana S.L.U.	other current financial assets	2,590	9.06%	28,585
	current trade payables	4,293	1.43%	299,709
	costs for services and use of third party assets	341	0.13%	256,432
Piaggio Deutschland GMBH	trade receivables and other current receivables	415	0.24%	173,332
	current trade payables	5,200	1.74%	299,709
	costs for services and use of third party assets	8,097	3.16%	256,432
	other operating income	3	0.00%	105,617
Piaggio Limited	trade receivables and other current receivables	5,712	3.30%	173,332
	current trade payables	1,579	0.53%	299,709
	other current payables	5,761	9.38%	61,420
	costs for services and use of third party assets	3,189	1.24%	256,432
Piaggio Portugal Ltda	trade receivables and other current receivables	195	0.11%	173,332
	current trade payables	1	0.00%	299,709
Aprilia Racing Srl	other current financial assets	1,050	3.67%	28,585
	trade receivables and other current receivables	2,227	1.28%	173,332

		Figures in €/000	% of accounting item	Financial statement item
Aprilia Racing Srl	current trade payables	5,353	1.79%	299,709
	other current payables	125	0.20%	61,420
	net sales	303	0.03%	1,125,773
	costs for materials	4	0.00%	629,965
	costs for services and use of third party assets	14,066	5.49%	256,432
	employee costs	12	0.01%	192,127
	other operating income	1,449	1.37%	105,617
	financial income	15	0.20%	7,465
	financial charges	5	0.01%	34,022
Derbi Racing Srl	current trade payables	120	0.04%	299,709
Piaggio Hellas Epe	trade receivables and other current receivables	11,967	6.90%	173,332
	current trade payables	96	0.03%	299,709
	net sales	39,228	3.48%	1,125,773
	costs for services and use of third party assets	94	0.04%	256,432
	other operating income	27	0.03%	105,617
Piaggio Vehicles Pvt Ltd	trade receivables and other current receivables	24,450	14.11%	173,332
	current trade payables	621	0.21%	299,709
	net sales	33	0.00%	1,125,773
	costs for materials	2,975	0.47%	629,965
	costs for services and use of third party assets	2	0.00%	256,432
	other operating income	16,891	15.99%	105,617
Piaggio Group Americas	other current financial assets	13,564	47.45%	28,585
	trade receivables and other current receivables	5,072	2.93%	173,332
	current trade payables	256	0.09%	299,709
	other current payables	10	0.02%	61,420
	net sales	39,419	3.50%	1,125,773
	costs for services and use of third party assets	3,028	1.18%	256,432
	other operating income	3,348	3.17%	105,617
	financial income	59	0.78%	7,465
Piaggio Vietnam	trade receivables and other current receivables	16,126	9.30%	173,332
	current trade payables	31	0.01%	299,709
	net sales	9,125	0.81%	1,125,773
	costs for materials	9	0.00%	629,965
	costs for services and use of third party assets	22	0.01%	256,432
	other operating income	12,231	11.58%	105,617
	financial income	63	0.85%	7,465
Piaggio Asia Pacific	trade receivables and other current receivables	277	0.16%	173,332

		Figures in €/000	% of accounting item	Financial statement item
Piaggio Asia Pacific	current trade payables	360	0.12%	299,709
	net sales	3,130	0.28%	1,125,773
	costs for services and use of third party assets	1,085	0.42%	256,432
	other operating income	5	0.00%	105,617
Piaggio Vespa BV	trade receivables and other current receivables	4	0.00%	173,332
	current financial liabilities	6,490	5.91%	109,761
	current trade payables	2,149	0.72%	299,709
	costs for services and use of third party assets	2,232	0.87%	256,432
	financial income	345	4.63%	7,465
	financial charges	8	0.02%	34,022
Piaggio China	other non-current financial assets	9	0.04%	21,188
	current trade payables	14	0.00%	299,709
	costs for services and use of third party assets	9	0.00%	256,432
Aprilia World Service	other current financial assets	5,352	18.72%	28,585
	trade receivables and other current receivables	15	0.01%	173,332
	current financial liabilities	23	0.02%	109,761
	current trade payables	400	0.13%	299,709
	costs for services and use of third party assets	2,260	0.88%	256,432
	other operating income	15	0.01%	105,617
	financial income	258	3.46%	7,465
	financial charges	1	0.00%	34,022
Piaggio Group Japan	trade receivables and other current receivables	3,795	2.19%	173,332
	current trade payables	8	0.00%	299,709
	net sales	3,022	0.27%	1,125,773
	other operating income	135	0.13%	105,617
Aprilia Moto UK	current trade payables	7	0.00%	299,709
Piaggio Finance	trade receivables and other current receivables	1	0.00%	173,332
	other current payables	56	0.09%	61,420
	financial income	2,831	37.92%	7,465
	financial charges	13,857	40.73%	34,022
Relations with affiliated companies				
Fondazione	trade receivables and other non-current receivables	321	7.42%	4,332
	trade receivables and other current receivables	27	0.02%	173,332
	other current payables	28	0.05%	61,420
IMMSI AUDIT	trade receivables and other current receivables	28	0.02%	173,332
	other current payables	6	0.01%	61,420
	costs for services and use of third party assets	790	0.31%	256,432

		Figures in €/000	% of accounting item	Financial statement item
IMMSI AUDIT	other operating income	28	0.03%	105,617
Zongshen Piaggio Foshan	trade receivables and other current receivables	512	0.30%	173,332
	current trade payables	11,110	3.71%	299,709
	net sales	8	0.00%	1,125,773
	costs for materials	32,998	5.24%	629,965
	costs for services and use of third party assets	158	0.06%	256,432
	other operating income	1,406	1.33%	105,617
	financial charges	161	0.47%	34,022
Other related parties				
Studio D'urso	current trade payables	379	0.13%	299,709
	costs for services and use of third party assets	379	0.15%	256,432
Is Molas Resort	costs for services and use of third party assets	106	0.04%	256,432
Rodriquez Cantieri Navali	trade receivables and other current receivables	33	0.02%	173,332
	costs for services and use of third party assets	0	0.00%	256,432
	other operating income	33	0.03%	105,617

E) FEES PAID TO MEMBERS OF THE BOARD OF DIRECTORS, THE SUPERVISORY BODY, GENERAL DIRECTORS AND SENIOR EXECUTIVES WITH STRATEGIC RESPONSIBILITIES

Name	Emoluments for the office	Non-monetary benefits	Bonuses and other incentives	Other fees	Total
Roberto Colaninno	1,040,000 (1)				1,040,000
Matteo Colaninno	100,000 (2)				100,000
Michele Colaninno	40,000				40,000
Livio Corghi (5)	13,333				13,333
Franco Debenedetti	40,000				40,000
Daniele Discepolo	60,000 (3)				60,000
Luciano Pietro La Noce	40,000				40,000
Giorgio Magnoni	40,000				40,000
Luca Paravicini Crespi	50,000 (4)				50,000
Riccardo Varaldo	50,000 (4)				50,000
Vito Varvaro (6)	26,667				26,667
Gianclaudio Neri (7)	23,333				23,333
Giangiacomo Attolico Trivulzio (8)	13,333				13,333
Daniele Bandiera (9)		10,447.08		1,849,096.92(10)	1,859,544
Michele Pallottini		10,628.16		903,242.84	913,871

(1) This amount includes EUR 1,000,000 as an emolument for the office of Chairman and Chief Executive Officer.
(2) This amount includes EUR 60,000 as an emolument for the office of Deputy Chairman.
(3) This amount includes EUR 20,000 as an emolument for the office of Chairman of the Internal Control Committee.
(4) This amount includes EUR 10,000 as an emolument for the office of Chairman of the Internal Control Committee.
(5) As from 15 September 2009
(6) As from 16 April 2009
(7) Until 30 July 2009
(8) Until 16 April 2009
(9) Until 4 November 2009 General Director of Operations
(10) This amount includes EUR 1,364,107 relative to the end of office benefit.

F) COMMITMENTS AND RISKS

40. *Guarantees provided*

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

TYPE	AMOUNT €/000
Cassa di Risparmio di Pisa bank guarantee issued on behalf of Piaggio & C. in favour of the Administration Sector, Province of Pisa	130
Bank guarantee from Banca Intesa San Paolo issued on our behalf in favour of the La Spezia Customs Authority	300
Unicredit bank guarantee issued on behalf of Piaggio & C. for USD 11,000,000 to guarantee the credit line of USD 10,000,000 granted by ANZ in favour of the subsidiary Piaggio Vietnam	
of which drawn	4,884
of which undrawn	2,752
Banca Intesa San Paolo bank guarantee issued in favour of AMIAT – Turin to guarantee contractual obligations for the supply of vehicles	230
Banca Intesa San Paolo bank guarantee issued in favour of the Ministry of the Interior of Algeria, to guarantee contractual obligations for the supply of vehicles	399
Bank guarantee to secure the credit line agreed with Banca Intesa San Paolo to the subsidiary Piaggio Vespa BV for USD 20,000,000	
of which drawn	4,095
of which given to the subsidiary Piaggio Foshan	6,803
of which undrawn	2,985
BNL bank guarantee issued in favour of the Venice Customs Authority	206
MPS bank guarantee in favour of AMA SpA – Rome, to guarantee contractual obligations for the supply of vehicles	226
Banca Intesa Madrid bank guarantee in favour of Soc. Estatal De Correos Tel. issued on 13-08-2007 to guarantee supplies	192
Banco di Brescia bank guarantee issued in favour of the local authority of Scorzé to secure the payment of town planning charges	166
Banca di Credito Cooperativo di Fornacette bank guarantee issued on behalf of Piaggio & C. in favour of Poste Italiane – Rome to guarantee contractual obligations for the supply of vehicles	204
Banca di Credito Cooperativo di Fornacette bank guarantee issued on behalf of Piaggio & C. in favour of AMA SpA – Rome, to guarantee contractual obligations for the supply of vehicles	500
Monte dei Paschi di Siena bank guarantee issued in favour of the Ministry of the Interior of Algeria, to guarantee contractual obligations for the supply of vehicles	391
Monte dei Paschi di Siena bank guarantee issued in favour of Foshan Nanhai-China, to guarantee contractual obligations for the supply of vehicles	742
Monte dei Paschi di Siena bank guarantee issued in favour of Akrapovic, to guarantee contractual obligations for the supply of vehicles	111

41. *Operating leases*

Piaggio & C. S.p.A. has stipulated operating leases for the use of tangible assets. These leases have an average duration of 6 months. As of 31 December 2009 and 2008 the amount of operating leases still due and which may not be eliminated was as follows:

In thousands of Euros	As of 31/12/2009	As of 31/12/2008	Change
Within the year	75	106	(31)
Between 1 and 5 years	10	85	(75)
After 5 years			
TOTAL	**85**	**191**	**(106)**

G) NON-RECURRENT TRANSACTIONS

During 2009 and 2008 the Company did not carry out important non-recurrent transactions.

I) INFORMATION ON FINANCIAL INSTRUMENTS

This attachment provides information on 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 2009 and as of 31 December 2008 the financial instruments in force were allocated as follows within Piaggio & C. S.p.A. financial statements: S.p.A:

In thousands of Euros	Notes	As of 31/12/2009	As of 31/12/2008	Change
ASSETS				
Current assets				
Other financial assets	25	28,585	39,120	(10,535)
LIABILITIES				
Non-current liabilities				
Financial liabilities falling due after one year	31	443,164	290,505	152,659
of which bonds		*137,665*		*137,665*
of which due to Piaggio Finance			*146,257*	*(146,257)*
of which bank financing		*289,873*	*117,389*	*172,484*
of which leasing		*8,261*	*9,019*	*(758)*
of which other lenders		*7,365*	*8,841*	*(1,476)*
of which Aprilia instruments			*8,999*	*(8,999)*
Current liabilities				
Financial liabilities falling due within one year	31	109,024	80,813	8,095
of which bank financing		*58,812*	*57,402*	*1,410*
of which leasing		*758*	*727*	*31*
of which other lenders		*2,535*	*2,568*	*(33)*
of which Aprilia instruments			*263*	*(263)*
of which current account payables		*13,536*	*6,586*	*6,950*
of which factoring companies		*26,598*	*13,020*	*13,578*
of which to subsidiaries		*6,785*	*247*	*6,538*

Current and non-current financial 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.

Credit lines

As of 31 December 2009 the most important credit lines irrevocable until maturity were as follows:

- a €/000 182,500 credit line maturing on December 2012, consisting of a loan with amortisation/depreciation and credit opening completely refundable at maturity;
- a framework agreement with a pool of banks for the granting of credit lines for a total amount of €/000 70,300 maturing on December 2011, usable for opening a credit up to 80% and as advance on credits up to 60%;
- a loan with a pool of banks for €/000 90,000 maturing in August 2012;
- a loan of €/139,286 maturing in February 2016;
- a loan of €/25,000 maturing in September 2013.

All the above mentioned credit lines have been granted to the Company.

Management of Financial Risks

Cash management functions regulation and financial risks management is centralised. Cash management operations are performed within formalised policies and guidelines, valid for all Group's companies.

Capitals management and liquidity risk

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 debt maturity. The Company financed temporary cash requirements of Group companies through short-term loans governed by market conditions.

To better hedge against the liquidity risk, the Group's Treasury had available €/000 160,129 of undrawn irrevocable credit lines and €/000 115,247 of revocable credit lines as of 31 December 2009, as detailed below:

In thousands of Euros	2009	2008
Variable rate with maturity within one year - irrevocable until maturity	0	0
Variable rate with maturity beyond one year - irrevocable until maturity	160,129	294,474
Variable rate with maturity within one year - cash revocable	83,747	81,691
Variable rate with maturity within one year - with revocation for self-liquidating typologies	31,500	27,200
Total undrawn credit lines	**275,376**	**403,365**

Exchange rate risk management

The Company 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. In 2005, the Company adopted an exchange rate risk management policy which aims to neutralise the possible negative effects of the changes in exchange rates on company cash-flows. The policy envisages hedging the business risk - which concerns the changes in company profitability compared to the annual business budget on the basis of a key change (the so-called "budget change") - for at least 66% of the exposure by recourse to derivative contracts. The policy also provides the integral hedging of transaction 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 (net between sales and purchases in the same foreign currency) by resorting to the natural offsetting of the exposure, to the underwriting of derivatives sales or purchase contract in foreign currency, besides advances of receivables in foreign currency. The net balance of cash flows in main currencies is shown below, whereas for derivatives contracts based on exchange rates applicable as of 31 December 2009, reference is made to the list in the notes, in the section on financial liabilities.

	Amounts in ML €	
	Cash Flow 2009	Cash Flow 2008
Pound Sterling	25.1	33.7
Singapore Dollar	0.4	0.6
US Dollar	10.5	27.9
Canadian Dollar	4.5	5.2
Swiss Franc	14.5	14.0
Chinese Yuan*	(53,4)	(55,9)
Japanese Yen	(31,9)	(23,4)
Total cash flow in foreign currency	**(30,3)**	**2.1**
* cash flow in Euro		

Considering the above, assuming a 3% increase in the average Euro exchange rate on the unhedged portion of the economic exposure for main currencies observed in 2009, consolidated operating income would have increased by approximately €/000 569.

Management of the interest rate risk

The exposure to interest rate risk arises from the necessity to fund operating activities, both industrial and financial, besides to use the available cash. Changes in interest rates may affect the costs and the returns of investment and financing operations. The Company regularly measures and controls its exposure to interest rates changes and manages such risks also resorting to derivative instruments, mainly Forward Rate Agreements and Interest Rate Swaps, as established in its management policies. As of 31 December 2009 variable rate debt, net of financial assets, was equal to €/000 157,166. As a consequence, a 1% increase or decrease of the Euribor above such net exposure would have generated higher or lower interests of €/000 1,572 per year.

Credit risk

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 in Italy and in Europe.

Hierarchical fair value valuation levels

As regards financial instruments recorded under financial position 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 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 2009, based on fair value hierarchical levels.

In thousands of Euros	Level 1	Level 2	Level 3
Assets valued at fair value			
Long-term securities available for sale			19,500
Other assets	-	358	-
Total assets	**-**	**358**	**19,500**
Liabilities valued at fair value			
Other liabilities	-	(231)	-
Total liabilities	**-**	**(231)**	**-**

The Atlantic 12 closed property fund, classified under long-term securities available for sale, comes under level 3 of hierarchical fair value levels as it is based on an appraisal by an independent expert.
In 2009 transfers between levels did not take place.
The table below shows changes in Level 3 during 2009:

In thousands of Euros	Level 3
Balance as of 31 December 2008	-
Profits (losses) entered in the income statement	-
Increases/(Decreases)	19,500
Balance as of 31 December 2009	**19,500**

H) SUBSEQUENT EVENTS

No events have occurred after 31 December 2009 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 2009.

L) SUBSIDIARIES

Reference is made to attachments to the Consolidated Financial Statements.

M) INFORMATION PURSUANT TO ARTICLE 149-DUODIECIES OF CONSOB REGULATION ON ISSUERS

The following table, prepared pursuant to article 149 duodecies of Consob Regulation on Issuers, shows the 2009 fees for audit and other services provided by the independent auditors and organisations in its network.

Type of service	Company providing the service	Notes	2009 fees
Auditing of accounts	Deloitte & Touche S.p.A.		495,404
Certification services	Deloitte & Touche S.p.A.	1)	22,000
Tax advisory services	Deloitte network		44,992
Other services	Deloitte & Touche S.p.A. Deloitte network	2) 3)	155,000 141,470
Total			**858,866**

1) Signing of statements on obtaining regional production tax reductions for costs of employees working on research and development programmes and other contributions for industrial research activities.
2) Activities relating to the issue of the debenture loan.
3) Activities relating to the auditing of the company financial statements and analysis of the internal control system.

N) CERTIFICATION OF THE FINANCIAL STATEMENTS PURSUANT TO ARTICLE 81-TER OF CONSOB REGULATION NO. 11971 OF 14 MAY 1999 AS AMENDED

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

- the appropriateness with regard to the company's characteristics and
- the actual application of administrative and accounting procedures for the production of the financial statements as of 31 December 2009.

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

3. Moreover

3.1 the financial statements:

a) have been drafted in compliance with the international financial reporting standards recognised by the European Community pursuant to regulation (EC) no. 1606/2002 of the European Parliament and Council of 19 July 2002;

b) are consistent with the accounts;

c) are appropriate for giving a true and fair view of the financial position and results of operations of the issuer;

3.2 The report on operations includes a reliable analysis of the performance and results of operations, as well as the situation of the issuer, along with a description of main risks and uncertainties to which they are exposed.

26 February 2010

Chairman and Chief Executive Officer

Manager in charge

* * *


MOTO GUZZI

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 CIVIL CODE

To the Shareholders,

In the course of the financial year ending 31 December 2009 the Board of Statutory Auditors of Piaggio & C. S.p.A. (the "Company") carried out its statutory supervisory duties, also taking into account the Consob circulars about 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].
In the course of the financial year ending 31 December 2009, the Board of Statutory Auditors therefore checked (i) that the law and the memorandum of association were observed, (ii) that the principles of correct administration 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* [Self-regulating Code of Practice of the Committee for the Corporate Governance of Listed Companies], adopted by the Company, were actually implemented, and (v) that the directives issued to controlled companies as per Article 114, paragraph 2, of the T.U.F were adequate.
More particularly the Board can report as follows:

1. The Board has verified that the Company operations having the greatest impact on its profits, cash flow and assets – which it learnt about by attending board of directors' meetings and shareholders' meetings and by talking to top management – were in compliance with the law and memorandum of association.

2. The Board did not discover, in the course of the financial year 2009, 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 Notes to the Financial Statements to be adequate.

4. The reports on the financial statements and consolidated financial statements by the audit firm Deloitte & Touche S.p.A., issued pursuant to Article 156 of the T.U.F. on 10 March 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 give a true and fair view of the Company's profitability, assets and liabilities and financial position, and of its cash flow in the financial year ending 31 December 2009. These reports also certify that the directors' report and the information stated in paragraph 1 c), d), f), l), m) and paragraph 2 b) of Article 123 of the T.U.F. are consistent with the financial statements and consolidated financial statements.

5. In the course of the financial year 2009 and to date the Board has not received any complaints from shareholders as per Article 2408 of the Civil Code.

6. The Board is not aware of any other complaints which it should report here.

7. In the course of the financial year 2009, Deloitte & Touche S.p.A. (the "Audit Firm") received from the Company, for duties additional to auditing, remuneration totalling € 177,000.

8. In the course of the financial year 2009, the affiliates of the Company paid € 13,891 to the Audit Firm and € 505,721 to the Deloitte Network for audit services.

In the course of the same year, the Company and its affiliates paid the Deloitte Network a total amount of € 99,298 for tax advisory services; the Company also paid the Deloitte Network a total amount of € 141,470 for other services.

In consideration of the above and the declaration issued by the Audit Firm on 10 March 2010, stating that there were no grounds of incompatibility, the Board of Statutory Auditors believes that no critical issues emerged with regard to the independence of the Audit Firm.

9. During the financial year 2009 the Board of Statutory Auditors issued statutory legal opinions and made the required statements (an opinion on the three-year internal audit plan for 2009-2011; a reasoned proposal pursuant to Article 159 of the T.U.F., to amend the audit appointment; an opinion on the remuneration paid to the Chairman and Vice-Chairman; an opinion on co-opting the director Livio Corghi; and a statement of the costs borne for research projects). The content of these opinions was not at variance with the resolutions subsequently adopted by the Board of Directors.

The Board of Statutory Auditors, in compliance with the Self-regulating Code, also verified:

a) that the criteria and checks used by the Board of Directors when evaluating the independence of its members had been correctly applied, in accordance with the criteria established by law and the Self-regulating Code;
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 Self-regulating Code, 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 the extent of his interest.

10. In the course of 2009 the Company's Board of Directors met eleven times; the Remuneration Committee met twice; the Appointments Committee met once; and the Internal Audit Committee seven times. During the same year the Board of Statutory Auditors met ten times; it also attended all the meetings of the Board of Directors and shareholders' meetings held during the year.

The Chairman of the Board also attended five of the Internal Audit Committee meetings.

11. The Board of Statutory Auditors has, to the extent of its remit, gathered information and checked that the principles of correct administration have been observed and that the Company's administrative structure is adequate for the purposes of complying with these principles.

In particular, as regards the decision-making processes of the Board of Directors, the Board has 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 administration have been observed.

12. The Board of Statutory Auditors has 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 – also by liaising and coordinating with the Internal Audit Committee, the Managing Director in his capacity as the director appointed to oversee that the internal audit system is functioning, and the Supervisory Body – has checked the Company's internal audit system and the work of the Soggetto Preposto al Controllo Interno [person who oversees that the internal audit system is functioning].

In particular, the Board of Statutory Auditors reminds the shareholders that on 1 January 2009 the consortium Immsi Audit S.c.a.r.l. began to coordinate all the internal auditing of the Immsi Group companies, including Piaggio & C. S.p.A.; the managing director of Immsi Audit S.c.a.r.l. was appointed as the Company's Soggetto Preposto al Controllo Interno and also as head of the Company's Internal Audit Department.

In light of these checks and the evaluations made by the Soggetto Preposto, the Internal Audit Committee and the Board of Directors with regard to the adequacy, efficiency and actual functioning of the internal auditing system, 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 has 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 of Statutory Auditors states that in the course of 2009, with the support of the internal audit department, and for the Company and its strategically important subsidiaries, the Dirigente Proposto evaluated the adequacy and the actual application of the administrative and accounting procedures described in Article 154-bis of the T.U.F.; this work made it possible to affirm that the financial statements are able to provide a true and fair representation of the profitability, assets and liabilities and financial position of the Company and the most important subsidiaries.

In light of these checks and the evaluations made by the Board of Directors 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 purpose of correctly representing the operational items.

15. The Board has checked that the directives given by the Company to its subsidiaries as per Article 114, paragraph 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, paragraph 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, paragraph 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. has also facilitated the exchange of information with that parent company's Board of Statutory Auditors.

17. The Company has adopted the Self-regulating Code of Practice for Listed Companies, approved in March 2006 by the Committee for Corporate Governance and promoted by Borsa Italiana S.p.A.
The system of corporate governance adopted by the Company is detailed in the Corporate Governance Report for 2009, approved by the Board of Directors on 26 February 2010.

18. In the course of its activity and checks during the year, the Board of Statutory Auditors discovered no blameworthy facts, omissions or irregularities of such significance as to require flagging in this report.

19. The Board of Statutory Auditors remarks that, as far as it is aware, there has been no derogation from the law in the preparation of 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 2009 as drafted and approved by the Board of Directors at its meeting of 26 February 2010, and agrees with the Board of Directors about the proposed allocation of the year's profits.

Milan, 19 March 2010

The Board of Statutory Auditors

Mr. Giovanni Barbara

Mr. Attilio Arietti

Mr. Alessandro Lai

Deloitte.

Deloitte & Touche S.p.A.
Corso Italia, 17
50123 Firenze
Italia

Tel: +39 055 2671011
Fax: +39 055 282147
www.deloitte.it

AUDITORS' REPORT PURSUANT TO ART. 156 OF LEGISLATIVE DECREE No. 58 OF FEBRUARY 24, 1998

To the Shareholders of
PIAGGIO & C. S.p.A.

1. We have audited the financial statements of PIAGGIO & C. S.p.A., which comprise the balance sheet as of December 31, 2009, and the income statement, the statement of comprehensive income, the statement of changes in Shareholders' equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes. These financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/2005 are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the Auditing Standards recommended by CONSOB, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the prior year's financial statements, whose data presented for comparative purposes have been reclassified to take account of the change in presentation of financial statements introduced by IAS 1, reference should be made to our auditors' report issued on March 5, 2009.

3. In our opinion, the financial statements give a true and fair view of the financial position of PIAGGIO & C. S.p.A. as of December 31, 2009, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/2005.

4. The Directors of PIAGGIO & C. S.p.A. are responsible for the preparation of the report on operations and the annual report on corporate governance in accordance 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 reported in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the annual report on corporate governance, with the financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the report on operations and the information reported in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998 paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) included in the annual report on corporate governance are consistent with the financial statements of PIAGGIO & C. S.p.A. as of December 31, 2009.

DELOITTE & TOUCHE S.p.A.
Signed by
Paolo Guglielmetti
Partner

Florence
March 10, 2010