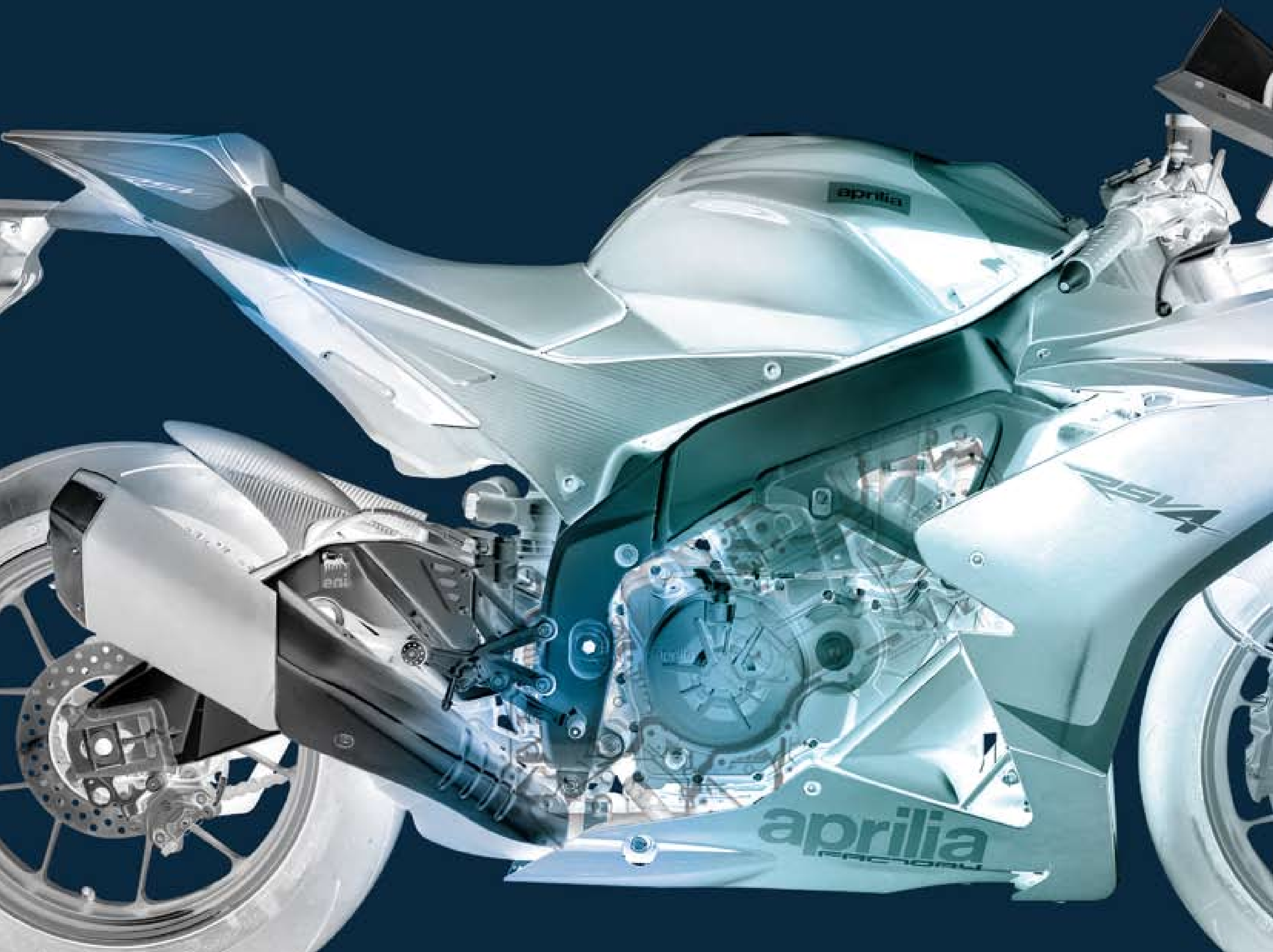
Half-year Financial Report
as of 30 June 2012

Disclaimer

This Half-Year Report 2012 has been translated into English solely for the convenience of the international reader. In the event of conflict or inconsistency between the terms used in the Italian version of the report and the English version, the Italian version shall prevail, as the Italian version constitutes the sole official document.

Contents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REPORT ON OPERATION

Introduction

This Interim Financial Report as of 30 June 2012 was drafted in compliance with Italian Legislative Decree no. 58/1998 and subsequent amendments, as well as the Consob Regulation on Issuers.
This Interim Financial Report has been prepared in compliance with International Financial Reporting Standards (« IFRS ») issued by the International Accounting Standards Board (« IASB ») and approved by the European Union and in accordance with IAS 34 – Interim Financial Reporting.
Since the 2012 Half-year Financial Statements, the Piaggio Group has adopted IAS 19 revised, in advance. For further details, see section 2.1. Accounting standards, amendments and interpretations applied as from 1 January 2012 in the "Notes".
Therefore published income statement data for the first half of 2011 and as of 31 December 2011 have been restated where necessary in this document, for the purpose of uniform comparison.

Key operating and financial data

	2012	1st half 2011[1]	Statutory 2011[1]
In millions of Euro			
Data on financial position			
Net revenues	764.1	830.0	1,516.5
Gross industrial margin	236.3	253.2	454.3
Operating income	71.7	75.6	104.8
Earnings before tax	56.3	62.5	78.6
Net income	33.8	33.7	46.3
- Non-controlling interests	*0.1*	*0.0*	*0.0*
- Group	*33.7*	*33.7*	*46.3*
Data on financial performance			
Net employed capital (NEC)	828.4	774.3	782.1
Consolidated net debt	(384.0)	(332.1)	(335.9)
Shareholders' equity	444.4	442.2	446.2
Balance sheet figures and financial ratios			
Gross margin as a percentage of net revenues (%)	30.9%	30.5%	30.0%
Net income as a percentage of net revenues (%)	4.4%	4.1%	3.1%
ROS (Operating income/net revenues) (%)	9.4%	9.1%	7.0%
ROE (Net income/shareholders' equity) (%)	7.6%	7.6%	10.5%
ROI (Operating income/NEC) (%)	8.7%	9.8%	13.5%
EBITDA	114.4	121.0	199.8
EBITDA/net revenues (%)	15.0%	14.6%	13.2%
Other information			
Sales volumes (unit/000)	315.4	346.5	653.3
Investments in property, plant and equipment and intangible assets	78.4	48.5	126.1
Research and Development [2]	37.7	37.1	68.5
Employees at the end of the period (number)	8,349	7,954	7,619

1_Values have been restated, following the adoption of IAS 19 revised which, among others, changes the principle for recognising actuarial gains and losses relative to post-employment benefits. For further details, see section 2.1 Accounting standards, amendments and interpretations applied as from 1 January 2012 in the "Notes".

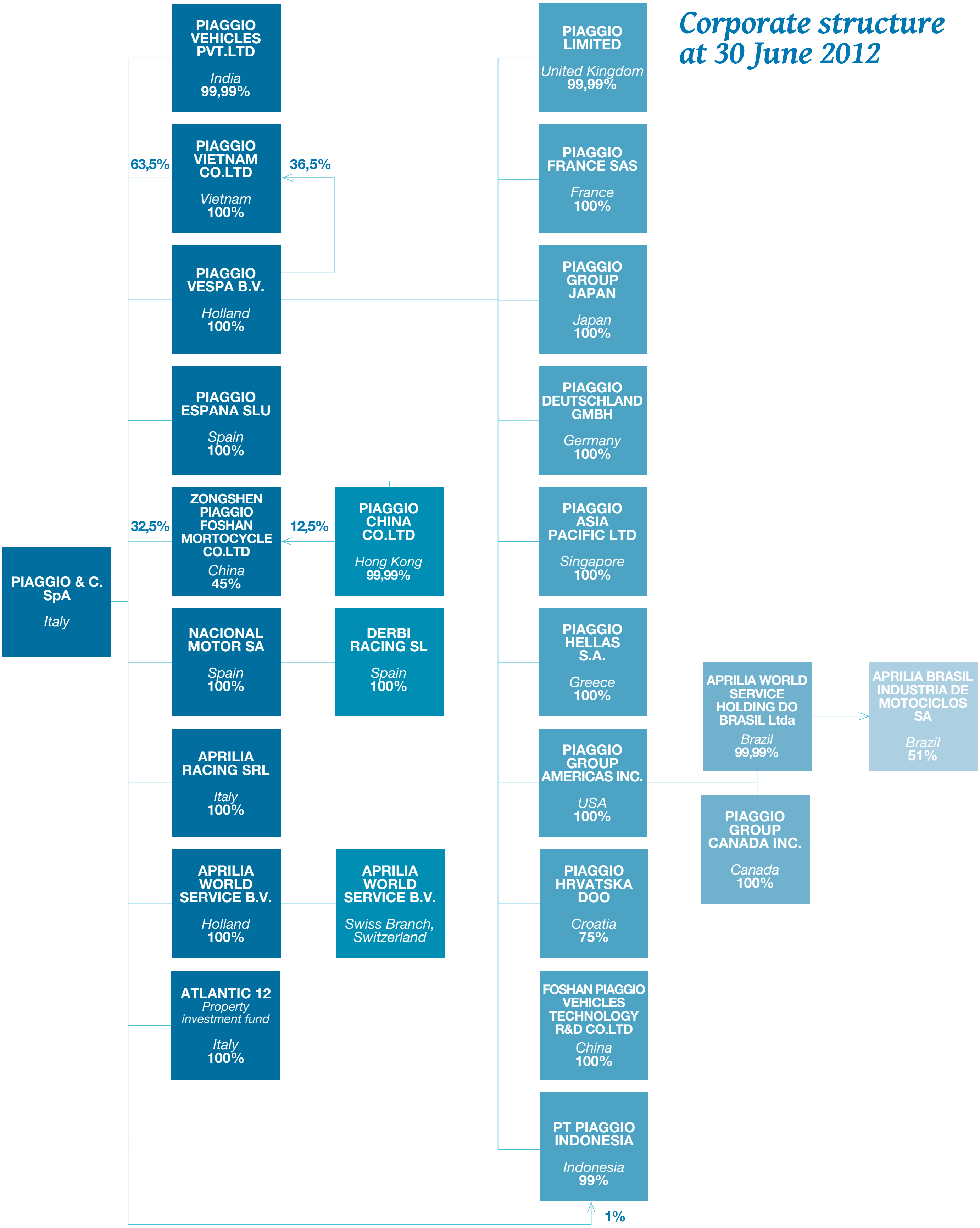
2_ The item Research and Development includes investments recognised in the statement of financial position and costs recognised in income statement.

Results by operating segment

		EMEA and Americas	India	Asia SEA	Total
Sales volumes (units/000)	1st half of 2012	167.1	97.5	50.8	**315.4**
	1st half of 2011	197.9	111.4	37.2	**346.5**
	Change	(30.8)	(13.9)	13.6	**(31.1)**
	Change %	-15.6%	-12.4%	36.6%	**-9.0%**
Turnover (million Euro)	1st half of 2012	503.5	165.0	95.6	**764.1**
	1st half of 2011	563.3	197.6	69.1	**830.0**
	Change	(59.8)	(32.6)	26.5	**(65.9)**
	Change %	-10.6%	-16.5%	38.3%	**-7.9%**
Staff (average for the period)	1st half of 2012	4,669	2,645	939	**8,253**
	1st half of 2011	4,759	2,321	590	**7,670**
	Change	(90.0)	324.0	349.0	**583**
	Change %	-1.9%	14.0%	59.2%	**7.6%**
Investments (million Euro)	1st half of 2012	43.7	21.9	12.9	**78.4**
	1st half of 2011	26.4	15.9	6.2	**48.5**
	Change	17.3	6.0	6.7	**29.9**
	Change %	65.5%	37.6%	107.5%	**61.7%**
Research and Development[3] (million Euro)	1st half of 2012	23.8	8.9	5.0	**37.7**
	1st half of 2011	26.2	8.2	2.7	**37.1**
	Change	(2.4)	0.7	2.3	**0.6**
	Change %	-9.0%	8.4%	83.5%	**1.6%**

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

Corporate structure at 30 June 2012



During the period, the company structure of the Group did not change.

On 11 April 2012, following award of the competitive tender pursuant to article 105-107 of the Italian Bankruptcy Law, Piaggio & C. signed a contract of purchase for the company site “Tecnocontrol” situated in Pontedera, for a total value of 11,323,000 Euro.
With the acquisition of Tecnocontrol, Piaggio & C. now has its own aluminium engine components processing procedure.
The effect on the statement of financial position of Piaggio & C. is as follows:

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

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

On 1 July 2012, the company incorporated under Dutch law, Aprilia World Service BV, was merged by incorporation with the company Piaggio Vespa BV, also incorporated under Dutch law, wholly owned by Piaggio & C. S.p.A..

Company Boards

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

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

Significant events during first half of 2012

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

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

24 January 2012 - The Group established an organisation based on the geographic areas EMEA and Americas, Asia SEA and India.

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

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

14 March 2012 - The opening of an Advanced Design Center at Pasadena in California (USA) was announced. The centre will work closely with the Piaggio Group's Style Centre, and R&D Centres based in Italy, China, India and Vietnam.

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

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

26 March 2012 - Production of the new Moto Guzzi V7 range got underway at the Mandello del Lario site.

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

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

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

28 April 2012 - Two days after its presentation to the Indian and international press at Bombay, the new Piaggio Group site for manufacturing Vespas for the Indian market at Baramati (State of Maharashtra) was officially inaugurated. The new site will have an initial production capacity of 150,000 vehicles/year, which will be increased to 300,000 vehicles/year in 2013.

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

Background

The market

Two-wheeler

Sales on the world two-wheeler market in the first half of 2012 fell to below 24 million vehicles, registering a drop of 2.5% compared to the same period in 2011.

Whereas growth on the Indian market continued. With an increase of 10.8% compared to the previous year, nearly 7 million vehicles were sold in India, exceeding China in terms of volumes.

Sales fell by approximately 11% in China, which became the second world market with approximately 6.3 million vehicles sold.

After years of growth, the Asian area known as Asean 5 registered a decline of approximately 6% (approximately 6.9 million units). The growth rate of Indonesia, the most important country in this area, also declined by 5.6%, with sales volumes falling to 3.8 million units, while still accounting for 55% of sales in South East Asia; Vietnam was still the second market in the area, with volumes just below 1.4 million units (-4.5%); Thailand instead recorded the best performance on world markets (+13.2%), with over 1 million vehicles sold. The last two countries in the Asean 5 area, the Philippines and Malaysia, reported contrasting trends: sales decreased in the Philippines (-12.4%, with sales amounting to approximately 330 thousand units) while they increased in Malaysia (+9.7% with sales accounting for 279 thousand units).

Among other countries in the Asian area, the Taiwanese market continued to grow in the first half of 2012 (+1.2%), with total volumes at nearly 290 thousand units.

In the first half of 2012, the North American market reversed the trend of recent years, selling 299 thousand vehicles and posting a 3% increase.

In the first half of 2012, the Latin American market slowed down (-7%) mainly due to the decrease on the Brazilian market (the reference country for the area), which sold approximately 900 thousand units, accounting for a 13% drop in sales compared to the first half of 2011.

Europe, which is the reference area for the Piaggio Group's operations, continued to struggle, with sales on the two-wheeler market down 14% compared to the first half of 2011 (-13% for the motorcycle segment, and -16% for the scooter segment). In the scooter segment, the decrease refers to both the over 50cc market (-12%), and 50cc market (-19%). In the motorcycle segment, sales of over 50cc models were down 12%, while the trend for 50cc models was more marked, with a 23% decline.

The scooter market

Italy

The Italian scooter market ended the first half of 2012 with 115 thousand vehicles sold, a performance down by 20% compared to the figure of 144 thousand recorded in the same period in 2011.
The 50cc segment was affected above all (-30% with 25 thousand units sold), while the decrease in the over 50cc segment was less marked (also because of the first-time registration of vehicles used by the Italian postal service), with approximately 90 thousand units sold, equal to -17% compared to the first half of the previous year.

Europe

Sales on the European scooter market fell by 16% in the first half of 2012, from 525 thousand units in the first half of 2011 to 444 thousand units in the first half of 2012.
The 50cc scooter segment recorded a negative trend of 19%, with sales falling from 255 thousand units in the

first half of 2011 to 207 thousand in 2012.
The over 50cc scooter segment was also affected, with sales down by 12%, accounting for 237 thousand units overall against 270 thousand in the same period of 2011.
Italy is still the most important market in Europe, with 115 thousand units sold, followed by France with 89 thousand units and Germany with 49 thousand units. Spain ranks fourth with 40 thousand vehicles sold, while the United Kingdom closed the first half of the year with sales of 17 thousand units.
Sales in France decreased by 11% compared to the previous year, falling from 99 thousand to 89 thousand units. This decrease was mainly due to the 50cc scooter segment, where sales fell by 14%, while this negative trend was less significant in the over 50cc segment (- 6%).
The trend on the German market was also negative (-14%) mainly due to the 50cc scooter segment, where sales fell by 19%, while the decline in the over 50cc segment was not as significant (-5%).
Sales on the Spanish market fell by 16% with volumes amounting to 40 thousand vehicles. This negative trend was equally distributed between the 50cc and over 50cc segments.
The British market grew by 8% compared to the same period in 2011, with approximately 17 thousand vehicles sold and this was the only main European nation to report a positive trend. In particular, the increase in volumes was driven by the over 50cc scooter segment, which increased sales by 18%, while sales of the 50cc segment fell by 7%.

North America
In the first half of 2012, the North American scooter market remained stable compared to the previous year, with 21 thousand vehicles sold. In the United States (which accounts for more than 90% of the reference area), sales increased by 6%, accounting for 19 thousand units, while Canada was affected by a considerable downturn (-31%). In particular, the trend of the 50cc scooter segment was excellent in the United States, with sales up 25%.

South America
Brazil remained the most important area in South America for the scooter market, with sales accounting for 236,000 units in the first six months of 2012, up 1% compared to the first half of 2011.
Scooter sales are broken down as follows: 206,000 Cub scooters (scooters with gears) (up +2.7% compared to the first half of 2011) and 30,000 automatic scooters (-9.3% compared to the same period of the previous year).
In the automatic scooter segment, 125cc engine scooters were the main category, with approximately 23,000 items sold (-8.7% compared to the first six months of 2011), while sales in the over 125 segment were down slightly, with 4,200 units sold.

Vietnam
The Vietnamese market mainly concerns scooters, while sales in the motorcycle segment are not particularly significant. The two main product segments are Cub scooters (862 thousand units in the first half of 2012, -6.7% over 2011) and automatic scooters (scooters+autocubs, 534 thousand units, remaining steady over 2011).
The 50cc scooter segment is not operative on this market.
In the Cub segment, 51cc to 115cc models were the best performers, with approximately 758 thousand units sold (down 8.7 percentage points compared to 2011) accounting for 90% of the entire segment.
In the automatic segment, the 115cc-125cc range sold 85 thousand items in the first half of 2012. Sales increased by 3.4% in the 51cc-115cc segment (344 thousand units sold in the first six months of 2012), while in the over 125 segment sales went up from 57 thousand units to approximately 105 thousand (+82% compared to the same period in the previous year).

The motorcycle market

Italy
In the first half of 2012, sales of motorcycles (including 50cc motorcycles) fell by 30% in Italy, from 59 thousand units in the first half of 2011 to 42 thousand units. This downturn affected all subsegments. Unlike previous

years, the large engine segment was impacted the most: sales of over 750cc motorcycles fell by 32% to stand at 22 thousand units, while in the 126-750cc segment they fell by 27% to stand at 15 thousand units. Sales of small engine models also decreased considerably: the 50cc and 51-125cc segments both reported a 26% fall in sales.

Europe

The motorcycle market (including 50cc motorcycles) also performed badly at a European level, with volumes down in the first half of 2012, from 339 thousand units in the first half of 2011 to 297 thousand units in the same period of 2012 (-13%). The most significant decline was registered in the 50cc segment, with sales falling from 25 thousand units in 2011 to 19 thousand units in 2012 (-23%). Other segments also decreased: the 51-125cc motorcycle segment fell by 14%, selling 38 thousand units; the 126-750cc segment sold 93 thousand vehicles, down 11%, while the over 750cc segment sold 146 thousand vehicles, equal to a drop of 11%.
France continued to be the main European market (68 thousand units). Germany ranked second, with 65 thousand units, ahead of Italy with 42 thousand units; Great Britain came fourth (34 thousand units) followed by Spain (19 thousand units).

North America

Growth on the North American motorcycle market, affected by major downturns following the global crisis, picked up by 3% in the first half of 2012, due to the performance of both the US (+3%) and Canadian (+5%) markets.
The United States account for nearly 90% of sales on the North American market. Sales of large engine motorcycles (over 750cc), which have a 65% market share, went up by 8%; the 50cc motorcycle segment also reported a positive growth trend (+45%), while the medium engine segments declined: 51-125cc motorcycle segment (-8%) and 126-750cc motorcycle segment (-8%).

South America

The South American reference market for motorcycles is also Brazil.
Sales of motorcycles in Brazil in the first six months of 2012 decreased by 17.3%, falling to 661 thousand units.
The 126cc to 300cc segment was the main category, with 423 thousand units sold in the first six months of 2012, registering a 12.6% decrease compared to the previous year.

Commercial Vehicles

Europe

In the first 6 months of 2012, the European light commercial vehicles market (EU27+EFTA) (vehicles with a maximum mass of up to 3.5 tons), where the Piaggio Group operates, accounted for 0.748 million unit sold, registering a downturn of 12.7% compared to the same period (January - June 2012 estimate based on May data). The trend in main European countries was as follows: Italy reported a decrease of 38.7%, with sales falling from 101,878 units in the first five months of 2011 to 62,452 units in the same period of 2012; likewise Spain reported a 24.3% decrease. France and Germany also reported a downturn, albeit to a lesser extent, of 9% and 3.6% respectively.

India

Sales on the Indian three-wheeler market, in which Piaggio Vehicles Private Limited, a subsidiary of Piaggio & C. S.p.A. operates, fell from 253,000 units in the first half of 2011 to 241,400 in 2012, registering a 4.6% decrease.
On this market, the passenger transport vehicles segment sold 192,190 units, down 2.6%, while the cargo segment decreased by more than 11.5%, with sales falling from 55,590 to 49,210 units.
Sales of four-wheeler light commercial vehicles (LCV) for the transport of goods (cargo), with Piaggio Vehicles Private Limited selling its Apé Truk and Apé Mini models, were up by 15.9%, from 110,750 units in the first half of 2011 to 128,350 units in the same period.

The regulatory framework

Two-wheeler

Italy

In February, the Law Decree no. 5 on "Urgent measures for simplification and development", was approved. Some simplifications concern road traffic, licences/authorisation to ride/drive vehicles, the contracting out of the traffic information service, regulations on exhaust gas testing and speed control equipment. In particular, pursuant to Article 11 section 8, combustion and exhaust devices of vehicles must only be tested when they undergo their MOT.

A Consolidated Act on a highway code reform was presented in early 2012 and adopted in late June by the IX Parliamentary Committee for Transport, Postal Services and Telecommunications. Under this act, a part of the highway code will be deregulated, to speed up procedures to change requirements that are frequently updated. The Consolidated Act will be examined by parliament, discussed by competent Committees in the Senate and then finally approved.

The Chamber of Deputies is currently examining a bill for the Promotion of low emission vehicles (Lulli/Ghiglia/Scalera law decree). The priority objectives of the bill are:
- the development of sustainable mobility;
- the development of an Infrastructures Plan, including private infrastructures, to establish a network for recharging electrical vehicles;
- measures to promote research into alternative engines;
- incentives for purchasing vehicles with low polluting emissions, based on CO_2 emission levels. So far, a maximum limit of €70 million has been established for vehicle incentives, for each year from 2013 to 2015 (mainly for use by third parties, companies and small businesses), for electric, hybrid, LPG, natural gas, biogas, biofuel and hydrogen vehicles that produce CO_2 exhaust emissions below 120 g/km;
- further measures, such as the possibility for regions to allow vehicles with low emissions to be exempt from paying vehicle tax.

European Union

In the first half of 2012, the Commission, Parliament and Council of the European Union continued its work on the co-decision process that will lead to publication of the future "Framework Regulation for the type-approval and market surveillance of two-, three-wheeler vehicles and quadricycles". This regulation will significantly change the current legal framework. Final approval of the regulation being discussed is scheduled for autumn and its entry into force is expected for 2016. The EU intends issuing a specific directive for mopeds, that will only introduce Euro 3 pollution limits from 2014 onwards.
New aspects introduced by the regulation include:
- the obligation for motorcycles up to 125cc to have advanced brake systems/combined brake systems, and for bigger engine two-wheelers to have ABS,
- further and more stringent measures to prevent unlawful vehicle alterations,
- reclassification of existing categories of two-, three-wheelers and quadricycles,
- the obligation for vehicle manufacturers to freely provide information on repairs and maintenance to independent industry operators,
- new pollution limits, which will become increasingly stricter over the years, and further testing on vehicle environmental performance (evaporative emissions, durability, etc.),
- a single test cycle (Revised World Motorcycle Test Cycle-WMTC), which will be the same for all vehicle categories, to measure pollutant emission levels, from 2020 onwards,
- the introduction of on board diagnostics (OBD) for some vehicle categories.

While the regulation has been discussed, the Commission has also prepared four Delegated Acts of procedures for the performance of tests necessary for vehicle type-approval. These Delegated Acts concern environmental performance, functional safety and vehicle construction requirements, as well as administrative requirements concerning the type-approval procedure.

United Kingdom

As from January, motorcycles can travel in London along the bus lanes of most "Red Routes", i.e. main roads that account for 5% of the city's road network, but are occupied by up to 30% of traffic. This new measure delivers numerous benefits, and chiefly shorter journey times, fewer pollutant emissions in the air and a focus on two-wheeler vehicles as a key part of London's transport strategy.

Portugal

In April 2012, the Portuguese government adopted the new Directive 2006/126 of the EU Commission on driving licences, that will come into force in the entire European Union on 19 January 2013. Within the framework of requirements for which the EU directive grants each member country discretionary powers, the Portuguese government has established the following:

a. persons aged 24 years and over may directly hold an A type licence (to drive two-wheelers with a maximum power above 35kW), even if they have not previously held a lower category licence (A2);
b. holders of a B type licence for cars only, may:
   - ride two-, three- or four-wheelers with a maximum speed ≤45 km/h and engine ≤50cc or maximum power up to 4kW),
   - motorcycles with a maximum engine of 125cc and maximum power ≤11kW,
   - three-wheelers with a power above 15 kW (in the latter case, from 21 years of age onwards).

France

France's Interministerial Committee for Road Safety (CISR) has established that all drivers of vehicles must have a breathalyser on board, as from 1 July 2012. This measure concerns car drivers and persons driving quadricycles with an engine above 50cc and motorcyclists; moped riders are excluded. Fines for failure to observe this regulation will only apply starting from November.

Vietnam

Since 1 January, a vehicle registration tax on two-wheelers has been in force, which varies depending on the vehicle value. In the city of Hanoi, for example, the tax is 4 million Dong (equal to approximately €150) for motorcycles of a value over 40 million Dong (€1500), 2 million Dong (approximately €75) for motorcycles of a value ranging from 15 to 40 million Dong (approximately €565-€1500) and 500 thousand Dong (approximately €18) for vehicles of a value not exceeding 15 million Dong (approximately €565).

Since 1 June, a tax has been compulsory with revenues being channelled into road maintenance. The amount of the tax depends on the vehicle's engine size. In any case, the tax is less than €10/year.

In May 2012, a national regulation was introduced, establishing a limit on the evaporative emissions of two-wheeler tank emissions. To comply with this regulation, no changes were necessary for the Group's vehicles as they already meet the requirements of the regulation.

India

In March, the Central Government published Statutory Order S.O 436(E) which amended some CMVR (Central Motor Vehicle Rules) - the main tools governing motor vehicles in India. In particular, standards were updated on: hydraulic tubing for brakes, the identification of controls and indicators, and electromagnetic interference and compatibility. These standards will be applied to newly approved vehicles, on different dates, starting from Spring 2013. Some new standards were also published on: the type-approval of electric and hybrid vehicles, anti-spray systems, drive batteries for electric vehicles; these new standards will be adopted between the end of 2012 and end of 2013.

USA

The National Highway Traffic Safety Administration (NHTSA) is considering amending standard no. 108 on "Lamps, Reflective Devices, and Associated Equipment" with the development of a performance-based standard, i.e. that gives manufacturers the chance to choose the technology to use to guarantee compliance with requirements of the standard.

The NHTSA has proposed a standard to update current requirements and test procedures in standard no. 122 (Motorcycle Brake Systems), to harmonise them with the recently issued corresponding UN Global Technical Regulation no. 3.

The Pedestrian Safety Enhancement Act (PSEA), issued in 2011, foresees that the NHTSA will propose a standard making it obligatory for hybrid and electric vehicles to have an acoustic alert system to alert pedestrians with sight defects that vehicles are approaching when they are travelling below cross-over speed, i.e. the speed when the noise of tyres, air resistance or other factors make the vehicle identifiable even without alert systems. At present, the proposed standard is in the initial stages of approval and the legislators are evaluating whether the regulation will apply to electric two-wheelers.

Commercial vehicles

Italy

Low emission commercial vehicles are also included in categories covered by incentives of the Lulli/ Ghiglia/Scalera law decree (see the section on “Two-wheelers” above).

European Union

In April, Commission Implementing Regulation (EU) no. 293/2012 was published on the monitoring and reporting of data on the registration of new light commercial vehicles pursuant to Regulation (EU) No 510/2011 (establishing emission performance standards for new light commercial vehicles, as from 2014, to reduce CO_2 emissions). The Implementing Regulation specifies the obligations of each EU member state for the monitoring and reporting of data on CO_2 emissions of light-duty vehicles in their member state. This information will then be used by the Commission to determine specific CO_2 emission objectives for manufacturers, and to verify that these objectives are met.

France

With a decree of 12 March 2012, the French Ministry of the Interior has made it compulsory for motorways to have acoustic alert systems as from 1 July 2012. The alert systems - rumble strips running along the edge of the hard shoulder on motorways made from raised material (small strips or humps placed at the same distance) - make a noise and cause vibrations to alert drivers if they move from the lane they are travelling in towards the hard shoulder. The entire road system should be updated by July 2022, with the exception of roads near residential areas and areas where these devices could be hazardous.

Financial position and performance of the Group

Consolidated income statement (reclassified)

	1st half of 2012		1st half of 2011		Change	
	In millions of Euro	Accounting for a %	In millions of Euro	Accounting for a %	In millions of Euro	%
Net revenues	764.1	100.0%	830.0	100.0%	(65.9)	-7.9%
Cost to sell	527.8	69.1%	576.8	69.5%	(48.9)	-8.5%
Gross industrial margin	**236.3**	**30.9%**	**253.2**	**30.5%**	**(17.0)**	**-6.7%**
Operating expenses	164.6	21.5%	177.6	21.4%	(13.0)	-7.3%
EBITDA	**114.4**	**15.0%**	**121.0**	**14.6%**	**(6.6)**	**-5.5%**
Depreciation	42.7	5.6%	45.4	5.5%	(2.6)	-5.8%
Operating income	**71.7**	**9.4%**	**75.6**	**9.1%**	**(4.0)**	**-5.3%**
Result of financial items	(15.3)	-2.0%	(13.1)	-1.6%	(2.2)	16.9%
Earnings before tax	**56.3**	**7.4%**	**62.5**	**7.5%**	**(6.2)**	**-9.9%**
Taxes	22.5	2.9%	28.8	3.5%	(6.3)	-21.8%
Net income	**33.8**	**4.4%**	**33.7**	**4.1%**	**0.1**	**0.3%**

Vehicles

	1st half of 2012	1st half of 2011	Change
In thousands of units			
EMEA and Americas	167.1	197.9	(30.8)
India	97.5	111.4	(13.9)
ASIA SEA	50.8	37.2	13.6
Total vehicles	**315.4**	**346.5**	**(31.1)**
Two-wheeler	216.7	227.7	(11.0)
Commercial Vehicles	98.7	118.8	(20.1)
Total vehicles	**315.4**	**346.5**	**(31.1)**

Net revenues

	1st half of 2012	1st half of 2011	Change
In millions of Euro			
EMEA and Americas	503.5	563.3	(59.8)
India	165.0	197.6	(32.6)
ASIA SEA	95.6	69.1	26.5
Total net revenues	**764.1**	**830.0**	**(65.9)**
Two-wheeler	561.9	578.7	(16.8)
Commercial Vehicles	202.2	251.3	(49.2)
Total net revenues	**764.1**	**830.0**	**(65.9)**

During the first half of 2012, the Piaggio Group sold 315,400 vehicles worldwide, registering a downturn of approximately 9.0% in volume over the same period of the previous year, when 346,500 vehicles were sold. There was considerable growth in sales of vehicles in Asia SEA (+ 36.6%), thanks to the increase in production capacity at the Vietnamese plant and entry on the Indonesian market, while sales fell in EMEA and the Americas (- 15.6%) and in India (- 12.4%). As regards the type of products sold, the main downturn occurred in the *Commercial Vehicles* segment (- 16.9%).

Sales of two-wheeler vehicles were affected by a particularly complex market context and competitive scenario, at least as regards European markets. In particular, the two-wheeler market in EMEA registered a downturn equal to approximately 14% (- 16% for scooters and - 13% for motorcycles). In EMEA, the Piaggio Group retained its market leadership, with a 19.4% share (up 0.3 percentage points). The Group achieved excellent sales results on the North American market (+ 42.8%) and in India, where the Vespa is now being marketed.

Sales of commercial vehicles were negatively affected by the concurrent downturn on all reference markets (Italy – 38.7%, Europe – 12.7% and India – 4.6%).

In terms of consolidated turnover, the Group ended the first half of 2012 with lower net revenues compared to the first half of 2011 (- 7.9%), equal to 764.1 million Euro. Turnover in Asia SEA went up considerably (+ 38.3%), while revenues fell in India (- 16.5%), and in EMEA and the Americas (- 10.6%). As regards the latter area, America achieved an excellent performance, with turnover up by 111%. As for the type of products sold, the downturn mainly concerned the Commercial Vehicles segment (- 19.6%). The decrease in turnover from two-wheeler products (- 2.9%) was offset by the shift in demand to vehicles with larger engines.
As a result, the impact of two-wheeler vehicles on overall turnover went up from 69.7% in the first half of 2011 to 73.5% in the same period in 2012; on the other hand, the impact of commercial vehicles fell from 30.3% in the first six months of 2011 to 26.5% in the first half of 2012.

The Group's **gross industrial margin**, defined as the difference between "net revenues" and "cost to sell" decreased by 17.0 million Euro in absolute terms compared to the first half of the previous year, while in relation to net turnover, it increased by 30.5% in the first half of 2011 to the current figure of 30.9%. The increase in percentage terms is mainly due to the greater impact of two-wheeler vehicles on total turnover.
For example, the "cost to sell" includes costs for materials (direct and consumables), accessory purchase costs (transport of incoming material, customs, warehousing), employee costs for direct and indirect manpower and relative expenses, work carried out by third parties, energy costs, depreciation of property, plant, equipment and industrial equipment, maintenance and cleaning costs net of sundry cost recovery recharged to suppliers. Amortisation/depreciation included in the gross industrial margin was equal to 16.4 million Euro (16.4 million Euro in the first half of 2011).

Operating expenses incurred during the first half of 2012 totalled 164.6 million Euro, 13.0 million Euro less compared to the same period of the previous year (177.6 million Euro), and confirm the Group's constant focus on keeping costs down and maintaining high profitability levels.
For example, operating expenses include employee costs, costs for services and lease and rental costs, as well as operating costs net of operating income not included in the gross industrial margin. Operating expenses also include amortisation/depreciation not included in the gross industrial margin, amounting to 26.3 million Euro (29.0 million Euro in the first half of 2011).

These trends in the income statement resulted in a consolidated **EBITDA**, defined as operating income gross of amortisation/depreciation, which was lower in absolute terms compared to the first half of 2011 (114.4 million Euro in the first half of 2012 and 121.0 million Euro in the first half of 2011), but higher in relation to turnover, up from 14.6% recorded in the first half of the previous year to 15.0% in the first half of 2012. In terms of Operating Income (**EBIT**), the performance of the period was also down in absolute terms compared to the first six months of 2011, with a consolidated EBIT equal to 71.7 million Euro, but up in relation to turnover, from 9.1% in the first half of the previous year to 9.4% in the first half of 2012.

The result of financial assets worsened compared to the first half of the previous year, with Net Charges amounting to 15.3 million Euro (13.1 million Euro in the first half of 2011). This increase was affected by higher debt combined with a higher cost of funding and charges for debt refinancing, partially offset by the positive impact of currency management and the equity valuation of the joint venture in China.

Consolidated net profit stood at 33.8 million Euro (4.4% of turnover), slightly up on the figure for the first half of 2011, equal to 33.7 million Euro (4.1% of turnover). Income tax for the period is estimated at 22.5 million Euro, equivalent to 40.0% of earnings before tax.

Consolidated statement of financial position

Statement of financial position	As of 30 June 2012	As of 31 December 2011	Change
In millions of Euro			
Net working capital	(24.3)	(39.9)	15.6
Net tangible assets	302.0	274.9	27.2
Net intangible assets	652.3	649.4	2.9
Financial assets	5.8	2.6	3.2
Provisions	(107.5)	(104.9)	(2.6)
Net capital employed	**828.4**	**782.1**	**46.2**
Consolidated net debt	384.0	335.9	48.1
Shareholders' equity	444.4	446.2	(1.9)
Sources of funds	**828.4**	**782.1**	**46.2**
Minority interest capital	1.2	1.2	0.1

Net working capital as of 30 June 2012, negative for 24.3 million Euro, used cash flows of 15.6 million Euro in the first half of 2012. Specifically, net working capital is defined as the sum of trade receivables, inventories, trade payables and other non-trade assets and liabilities During the period, in a particularly challenging market context, the Piaggio Group was able to maintain a balance in net working capital, thanks above all to a careful management in the collection of trade receivables, and to a major focus on inventory management and optimisation.

Plant property and equipment, comprising plant, property, machinery and industrial equipment, net of accumulated depreciation and assets held for sale, amounted to 302.0 million Euro as of 30 June 2012, up by approximately 27.2 million Euro compared to 31 December 2011. This increase is mainly due to the volume of acquisitions in the period, which greatly exceeded the value of depreciation.

Intangible assets, comprising capitalised development costs, costs for patents and know-how, as well as goodwill arising from acquisitions/mergers taking place within the Group over the last few years, totalled 652.3 million Euro, with an increase of approximately 2.9 million Euro compared to 31 December 2011. As above, the value of investments was higher than amortisation.

Financial assets, defined as the sum of "investments" and "other non-current financial assets" totalled 5.8 million Euro. The increase is mainly due to the equity valuation of the Zongshen Piaggio Foshan joint venture.

Provisions, comprising retirement funds and employee benefits, other long term provisions, the current portion of other long term provisions, as well as deferred tax liabilities, totalled 107.5 million Euro, registering an increase compared to 31 December 2011 (2.6 million Euro).

As fully described in the next section on the "Consolidated Cash Flow Statement", **net financial debt** as of 30 June 2012 was equal to 384.0 million Euro, compared to 335.9 million Euro as of 31 December 2011. The decrease of 48.1 million Euro in net debt is mainly due to the major investment programme and distribution of dividends, only partially offset by the positive trend of cash flow from operating activities.

Shareholders' equity as of 30 June 2012 amounted to 444.4 million Euro, down 1.9 million Euro compared to 31 December 2011.

Consolidated Cash Flow Statement

The consolidated Cash Flow Statement, prepared in accordance with the schedules envisaged by international financial reporting standards, is presented in the “Consolidated Financial Statements and Notes as of 30 June 2012”; the following is a comment relating to the summary statement shown.

Change in consolidated net debt	1st half of 2012	1st half of 2011	Change
In millions of Euro			
Opening consolidated net debt	**(335.9)**	**(349.9)**	**14.0**
Cash flow from operating activities	79.1	67.7	11.4
(Increase)/reduction in working capital	(15.6)	21.8	(37.4)
(Increase)/reduction in net investments	(76.0)	(37.7)	(38.2)
Change in shareholders' equity	(35.7)	(34.0)	(1.7)
Total change	(48.1)	17.8	(65.9)
Closing consolidated net debt	**(384.0)**	**(332.1)**	**(51.9)**

During the first half of 2012 the Piaggio Group used **financial resources** amounting to 48.1 million Euro.

Cash flow from operating activities, defined as net income minus non-monetary costs and charges, was equal to 79.1 million Euro.

Working capital involved a cash flow of 15.6 million Euro.

Investment activities involved a total of 69.7 million Euro of financial resources, in addition to 11.3 million Euro relative to the acquisition of Tecnocontrol. These investments refer to approximately 28.1 million Euro for capitalised research and development expenditure, and approximately 40.2 million Euro for plant, property and equipment and intangible assets.

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

As a result of the above financial dynamics, which generated a use of 48.1 million Euro, the **net debt** of the Piaggio Group stood at – 384.0 million Euro.

Alternative non-GAAP performance measures

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

In particular the following alternative performance measures have been used:

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

Results by type of product

Two-wheeler

	1st half of 2012		1st half of 2011		Change %		Change	
	Volumes Sell in (units/000)	Turnover (million Euro)	Volumes Sell in (units/000	Turnover (million Euro)	Volumes	Turnover	Volumes	Turnover
EMEA and Americas	161.0	462.6	190.5	509.6	-15.5%	-9.2%	(29.6)	(47.0)
- of which EMEA	152.1	417.6	184.3	488.3	-17.5%	-14.5%	(32.2)	(70.7)
(of which Italy)	*38.1*	*116.6*	*56.0*	*161.1*	*-31.9%*	*-27.6%*	*(17.9)*	*(44.5)*
- of which America	8.9	45.0	6.2	21.3	42.8%	111.5%	2.7	23.7
India	4.9	3.7					4.9	3.7
ASIA SEA	50.8	95.6	37.2	69.1	36.6%	38.3%	13.6	26.5
Total	**216.7**	**561.9**	**227.7**	**578.7**	**-4.8%**	**-2.9%**	**(11.0)**	**(16.8)**
Scooters	196.7	389.8	203.0	397.0	-3.1%	-1.8%	(6.4)	(7.2)
Motorcycles	20.1	90.4	24.7	102.1	-18.8%	-11.4%	(4.6)	(11.7)
Spare parts and Accessories		68.9		71.1		-3.1%		(2.2)
Other		12.8		8.5		50.2%		4.3
Total	**216.7**	**561.9**	**227.7**	**578.7**	**-4.8%**	**-2.9%**	**(11.0)**	**(16.8)**

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

Comments on main results and significant events of the sector

The Piaggio Group maintained its leadership position on the European two-wheeler market in the first half of 2012, with a 19.4% market share, up 0.3 percentage points.
With production at its own site in Vinh Phuc, the Group also consolidated its position on the premium

market in Vietnam with successful sales of its Vespa and Liberty models, and laid the foundations for future growth in other Asian area countries, by forging business relations with local importers.
The Group also consolidated its position as the main manufacturer on the North American scooter market, with a share above 25%. In this context, the Piaggio Group is steadfastly committed to consolidating its presence in the motorcycle segment, with its Moto Guzzi and Aprilia brands.

Brands and products

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

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

Piaggio With a wide range of models covering all main scooter segments, Piaggio is one of Europe's and the world's leading brands. The huge success of Piaggio has been built up around the ease of use, design and outstanding functionality of its products.
In 2012, Piaggio made a return to the maxi scooter GT segment, with the X10, setting the standard for style, comfort, safety and innovation and featuring 3 engine sizes - 125, 350 and 500cc - for a better positioning on the most extensive and competitive segment of the market. In particular, the X10 sets the benchmark for safety, and is unique in the segment, with three channel ABS and ASR traction control system.

Vespa Vespa is the Piaggio Group's most well known brand worldwide, synonymous with style and elegance.
The Vespa range has always featured models that have all the distinctive heritage of the brand combined with a unique design and steel body.

In January, the Vespa LX 125 was presented to the Indian market at the Auto Expo show in Delhi, Asia's biggest motor show and a leading international showcase for the industry.
As regards the Vespa range worldwide, the new Vespa LX and S models with new 3 valve engines were unveiled in June. The new 125cc and 150cc engines represent the state of the art in terms of technology and efficiency and compared to the previous generation boast a 30% reduction in consumption and CO_2 emissions and a mileage of 55 Km/litre at a constant speed of 50 km/h.

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

Aprilia Aprilia includes a 50cc to 300cc scooter range, and a 50cc to 1000cc motorcycle range. The brand is known for its sporting style worldwide, winning many important competitions, the excellent performance of its products, and a cutting-edge innovation and design.

During the period, the SRV 850 and My 12 Dorsoduro went on sale.
The SRV 850 is Aprilia's new maxi twin cylinder model. The 76 horsepower V2 engine makes it the top-performing scooter on the market. The Aprilia SRV 850 also boasts a technological leadership position, with a unique-in-class ABS and a sophisticated traction control system adjustable on 2 levels, for an even safer and more pleasurable riding experience.
The My12 Dorsoduro 1200 offers a new riding, performance and design content. In particular, the model

features even better handling, thanks to lighter rims that reduce inertia and enhance the riding experience. Plus the model design has been entirely restyled.

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

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

Moto Guzzi The Moto Guzzi brand came into being in 1921, and is one of the most well-known motorcycle brands in Europe, with a strong brand loyalty among customers. In 1970 Moto Guzzi gained worldwide popularity when it became the motorcycle of choice of the police in Los Angeles, California. Moto Guzzis, which have always been unique with their distinctive 90° V twin cylinder engines, are perfect for touring and combine a stylish traditional design with the latest technologies in the world of motorcycles.
During the period, Moto Guzzi developed a new V7 range. The new engine delivers a greater torque and power even at lower speeds, more efficiency, lower consumption and reduced emissions. The new V7 MY12 range is available in three versions, the V7 Stone, V7 Special and V7 Racer, all featuring the utmost attention to details and finishes.
The Nevada range has also made a comeback with the introduction of a new small block and single fuel supply designed for the new V7 range and extended to Moto Guzzi's custom middleweight models.

The distribution network

EMEA

In EMEA (Europe, the Middle East, Africa) the Piaggio Group operates directly in main European countries and through importers in other markets, with a network of 1,974 business partners as of June 2012. These partners have a total of 3,760 agreements to market the Group's brands and 35% of these are sole agency agreements, where the partner only sells the Group's brand(s), and no products of other competitors.
The Piaggio Group is present in 83 countries in EMEA and during the first 6 months of 2012, it began to market its products in Moldavia, Belarus, Georgia, Oman and Azerbaijan. Besides expanding its business operations in these new countries, the Group has consolidated its sales network in other nations where it directly operates, since the start of 2012, appointing 50 new dealers.

Its distribution-related choices are based on two strategies:

1. Consolidating local coverage, through a quality-based selection of the network, with the objective of increasing the weight and retention of exclusive Group dealers.
2. Consolidating the performance and quality of the distribution network through the following priority actions: improving contract standards, with particular reference to customer management, improving the sales and financial performance of dealers, improving the quality of customer-integrated services, and developing management tools and services.

Americas

In America, the Piaggio Group is directly present in the United States and Canada, while in Latin America (LATAM) it operates through a network of importers. At the end of June 2012, 380 operators were working for the Group in the Americas, as follows:

- 307 dealers on the US market;
- 44 dealers on the Canadian market;
- a network of 25 importers in Latin America.

In the United States, action was taken to streamline the distribution network, to improve its quality and further

support the Group's sales operations. Thanks to a new distribution structure as well, sales performance improved in the first half of 2012, with approximately 6,400 units sold.
After the sales network in Canada was restructured to switch over to a direct presence based on the US model, Group sales in the first half of 2012 amounted to approximately 1,050 units.
In Latin America, the Group is present in 22 countries with a network of 25 importers, and in the first half of 2012 approximately 1500 units were sold.

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

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

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

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

India
The Vespa sales network in India currently comprises 50 sole dealers located in 35 main Indian cities.

Investments

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

Commercial Vehicles

	1st half of 2012		1st half of 2011		Change %		Change	
	Volumes Sell in (units/000)	Turnover (million Euro)	Volumes Sell in (units/000	Turnover (million Euro)	Volumes	Turnover	Volumes	Turnover
EMEA and Americas	6.1	40.9	7.4	53.8	-17.1%	-24.0%	(1.3)	(12.9)
- (of which Italy)	*2.8*	*23.5*	*4.3*	*34.1*	*-35.8%*	*-31.1%*	*(1.5)*	*(10.6)*
- (of which America)	*0.8*	*1.9*	*0.5*	*0.9*	*61.9%*	*102.3%*	*0.3*	*0.9*
India	92.6	161.3	111.4	197.6	-16.9%	-18.4%	(18.8)	(36.3)
Total	**98.7**	**202.2**	**118.8**	**251.3**	**-16.9%**	**-19.6%**	**(20.1)**	**(49.2)**
Ape	93.7	157.2	110.2	187.0	-15.0%	-15.9%	(16.5)	(29.8)
Porter	1.7	17.3	2.5	25.2	-32.3%	-31.6%	(0.8)	(8.0)
Quargo	0.9	4.4	2.0	8.9	-53.3%	-50.5%	(1.0)	(4.5)
Mini Truk	2.4	4.6	4.1	8.2	-41.6%	-44.0%	(1.7)	(3.6)
Other	0.0	0.0						
Spare parts and Accessories		18.7		22.0		-14.9%		(3.3)
Total	**98.7**	**202.2**	**118.8**	**251.3**	**-16.9%**	**-19.6%**	**(20.1)**	**(49.2)**

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

Comments on main results and significant events of the sector

In the first half of 2012, the Commercial Vehicles business generated a turnover of approximately 202.2 million Euro, including approximately 18.7 million Euro relative to spare parts and accessories, registering a 19.6% decrease over the same period of 2011. Units sold fell from 118,800 units in the first half of 2011 to 98,700 units in the first 6 months of 2012, with a downturn, lower than turnover, of 16.9%.

On the EMEA and Americas markets, the Piaggio Group sold 6,100 units in the first half of 2012, generating a net total turnover of approximately 40.9 million Euro, including spare parts and accessories for 8.7 million Euro. The decrease in units sold of 17.1% and in turnover of 24.0%, compared to the same period in 2011, is mainly due to the continuing downturn on the reference market comprising chassis-cab Commercial Vehicles with a total maximum mass of up to 3.5 tons of 18.3% in Europe and 33% on the Italian domestic market. In particular, in Italy, the Porter range improved its performance in relation to the market decline, with a market share of 13.4%, which is nearly one percentage point higher than the same period in 2011. Sales of the Ape range were stable, with figures changing from 4,189 units in 2011 to 4,071 in 2012.

On the Indian three-wheeler market, down 4.6% compared to the first half of 2011, Piaggio Vehicles Private Limited, with 83,187 units sold against 97,030 units in 2011, retained its position as reference player, with a market share of 34.5%. In more detail, Piaggio Vehicles Private Limited consolidated its role as market leader in the cargo segment, with a market share of 51.3% and 25,300 units sold, and as a leading player in the important passenger segment with a market share of 30.1% and 57,900 units sold.
Sales on the four-wheeler market, which is dominated by Indian vehicle manufacturers, went up from 110,750 units in 2011 to 128,350 units in 2012. Piaggio Vehicles Private Limited still has a marginal role in this segment, with a 2.3% market share, down on the same period of 2011.

Investments and product development

In the first half of 2012, investments and product development focussed on supporting the Piaggio Vehicles Private Limited range for the Indian market. Two vehicles which will consolidate Piaggio's role on the Indian four-wheeler market are in the final stages of completion, and are scheduled to go on the market in the second half of 2012. In particular, the new 1000cc P100 Diesel engine, based on the P120 engine already used for the European market, will be assembled on one of the two products.

Events occurring after the end of the period

At present, no significant events occurring after 30 June 2012 are reported.

Operating outlook

In an increasingly challenging reference scenario, the Group continued to pursue the objectives of its 2011-2014 Plan, presented on 14 December 2011, in the second half of 2012.

Key aspects of the plan include a strong increase in productivity, to generate value for shareholders, customers and employees, and in terms of business and geographic segments, a development strategy that is in line with the world economic scenario, to achieve considerable growth on emerging markets characterised by a high rate of development, while maintaining and consolidating leadership positions on mature markets.

In particular:

- in Asia SEA, expansion of the two-wheeler product range and engines, as well as finalisation of entry on the Indonesian market and on new Asian markets, thanks to the increased production capacity of Piaggio Vietnam;
- entry into the Indian scooter market and its high annual growth rates, with the premium brand Vespa and presentation (26 April 2012) of the model for the Indian domestic market, which went into production in the first quarter of 2012 at the new site in Baramati, officially inaugurated on 28 April 2012;
- further consolidation of the Group's European leadership position on mature markets, in terms of the global two-wheeler market and in the scooter segment, plus a growth in sales and margins in the motorcycle segment;
- retention of sales and market shares in India in the commercial vehicles segment, also thanks to the introduction of new three- and four-wheeler products in segments with a higher growth rate) and retention of current positions in emerging countries in Europe and further development of exports to African, Asian and Latin American markets.

From a technological viewpoint, the Piaggio Group is extremely focussed on developing new highly innovative engines with far lower fuel consumption and pollutant emission levels in the two-wheeler and commercial vehicles segments. Thanks to work between the Piaggio Group's R&D Centres in Europe and Asia and world-class university institutes, the development of vehicles with new generation electric engines and hybrid engines will continue and in fact the Piaggio Group is already at the forefront of hybrid engine technology worldwide.

In line with the increasingly global profile of industrial and business operations, the development of an international system of competencies and research in product marketing and style, will be given a major boost, with Group centres in Europe, Asia and the USA bringing together the best designers and marketing experts from all Piaggio Group sites worldwide.

Transactions with related parties

Net sales, costs, payables and receivables as of 30 June 2012 involving parent, subsidiaries and affiliated companies relate to the sale of goods or services which are a part of normal operations of the Group.
Transactions are carried out at normal market values, depending on the characteristics of the goods and services provided.
The information on transactions with related parties, including information required by Consob in its communication of 28 July 2006, is given in note E of the Consolidated Financial Statements.
The procedure for transactions with related parties, pursuant to article 4 of Consob Regulation no. 17221 of 12 March 2010 as amended, approved by the Council on 30 September 2010, is published on the institutional site of the Issuer www.piaggiogroup.com, under Governance.

Relations with Parent Companies

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

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

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

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

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

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

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

Piaggio and its production sites

The Piaggio Group has a strong international presence.
At its Italian site in Pontedera (in the area near Pisa), the Group has three facilities, one for the manufacture of commercial vehicles, one for the manufacture of scooters and another for the manufacture of engines for two- and three-wheelers. During the first half of 2012, Piaggio acquired a company that supplies aluminium and steel components for vehicles and engines, currently named Polo Meccanica (Mechanical Site) and situated in Pontedera. In addition to the facilities manufacturing scooters and motorcycles, which are the most important industrial complex of the two-wheeler segment in Europe, two other sites operate in Italy for European production (Scorzè and Mandello del Lario) plus one site in Spain (Martorelles).

The Group also has its own production sites in Vietnam (at Vinh Phuc) for the manufacture of two-wheeler vehicles and in India (at Baramati, in the state of Maharashtra) for the manufacture of commercial vehicles and engines, in addition to a new site for Vespas for the Indian market, as from 2012.

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

Pontedera Sites

Activities are being completed for the development of a specific software programme and relative technical database which will generate a methodology to identify and subsequently calculate the risk of biomechanical overload on the muscoloskeletal system at work stations, with work scheduled for completion by July 2012.

Two-wheeler sites

In the mechanical processing area, activities were carried out to make equipment safe and reduce risks from the manual handling of loads. The production of crankcases and gears for the LEm engine got underway (to supply the engine assembly lines at Pontedera and in Vietnam). Two devices were installed and started up for making lubrication holes on 350cc drive shafts as well as a shot-peening machine for make connecting rods. A tribofinish system was purchased for the integral drive shafts line, and will go into production in the second half of 2012. The production line for the XGT engine wheel axis was equipped. Prototypes were developed for the drive shaft and shaft axis of the 1400cc Moto Guzzi engine, equipping the relative lines. Testing and start-up of the integral drive shaft automatic processing lines and make connecting rods work centre were completed.
A new LEm engine assembly line was installed as part of engine assembly and testing activities.
In the welding area, work began for the new layout of workshop 9, where new Vespa New LX and Vespa 946 body welding lines will be installed.
As regards 2W Painting processes, the new Product Routing System to manage conveyor production flows between the 2W Welding/Painting/Assembly departments, was installed. 2 new clear coating mixing machines were installed to replace current systems which are now obsolete; works began to replace the boiler which heats the paint mixing room, and to change the fluid supplying the paint furnace batteries from steam to heated water and to replace the actual batteries.
Design work on a new adjustable single-body conveyor was completed. This conveyor will be used for current Vespa models (GT and LX) and for models to be introduced in 2013 (Vespa 946 and New LX), and is scheduled for start up in late 2012.
As regards the Vehicles Assembly process, the X10 125-350-500 vehicles with and without ABS, the Beverly 350 with ABS, the Vespa LX with new LEm engine, the Liberty for the Italian postal services and the SRV 850 with ABS were fully industrialised.

Commercial Vehicles Plants

In the welding area, activities are being completed to update Ape and Porter welding line electro/pneumatic machines and equipment to safety standards.
In the painting and cataphoresis area, new lifting systems were fitted for Ape and Porter bodywork, in compliance with safety standards.
As regards vehicle assembly, production of the electric Porter EVO (new battery charger) and the APE 50 25 Km for North Europe got underway.
Two new 30m^3 underground tanks for the heating system used for painting activities are being installed. This will guarantee safety in the event of an emergency, and perfect storage and retention of diathermic oil during replacement operations.

Major building, civil and plant engineering works are being completed at both Pontedera sites to fully modernise a part of the buildings and bring them in line with current fire prevention and protection regulations. All installations, systems, subdivisions and requirements indicated by the Fire Brigade will be put in place in the first part of the second half of 2012.

Polo Meccanica Site

With the acquisition of the aluminium and steel components manufacturer on 11/04/2012, a new layout is being designed for production lines, to streamline areas used. This new layout will be adopted in the second half of 2012 and involves revising make/buy supplies, reallocating supplies of raw materials and measures to make equipment safe. Activities got underway for the purchase of MAZAK and MORISEIKI work centres. A washing/flushing and leakage testing machine was acquired for the 350 cylinder head.

Spare Parts Warehouse

The new Worldwide Spare Parts Centre, which will serve all Piaggio Group brands, is nearing completion at a company site in Pontedera, in the area of the former airport.
The new industrial site will be a large and ultra-modern logistics base for taking delivery of, packing, storing and dispatching after-sales spare parts: the Warehouse will cover a total indoor area of approximately 37,000 m^2 and will have an independent porters' lodge as well as new outdoor areas and perimeter area for an additional approx. 32,000 m^2.
The site is scheduled for completion, with handover of the new building, at the end of September 2012.

Scorzè Plant

Activities began to make petrol distribution systems on all vehicle assembly lines compliant.
The side wall comprising transparent PVC strips protecting existing shelters for forklifts was modernised and partly replaced.
The covering of chimneys above the testing booths and roofing surface were repaired.
Flooring in the staff canteen washing and preparation area was entirely replaced.

Noale Plant

Work to modernise and make testing cabins (engines department) compliant with fire prevention regulations inside building no. 10 is being completed.
The booths have new aerosol extinguishing equipment and petrol detectors. The work concerns 16 booths.

Mandello Del Lario Plant

In conjunction with competent public authorities (the Local Authorities - Arpal (the Regional Agency for environmental protection in Liguria - the Provincial authorities), the company is continuing the project to classify industrial land inside the plant, in order to remove and clean up the subsurface after previous industrial production.
At present, the ground is being analysed, and underground tanks identified at the site are being cleaned up.
In May 2012, all 19 underground and above-ground tanks, situated near demolished buildings, were removed and cleaned up.
The operation will be completed by the end of July.
As concerns vehicle assembly, industrialisation of the Moto Guzzi California New got underway, and measures were taken to make tooling department equipment and the gear assembly line compliant.

Baramati Plant

Production of the 125cc HE (High Efficiency) engine, including aluminium processing, assembly and testing, got underway at the engines plant in February, while at the same time, preproduction assembly of the new 200cc engine for the Three-Wheeler Ape Pax, ended in June. The production of this engine, including aluminium processing, assembly and testing, is scheduled for July.
Production of the Vespa got underway in March at the new Two-Wheeler plant, which has a production capacity of 150,000 vehicles/year and is equipped with the new 125cc HE engine. The production facility includes welding, plastic and sheet metal painting and vehicle assembly departments.
The industrialisation projects were completed on schedule.

Hanoi Plant

Expansion of the industrial site in Vietnam was completed, with new industrial buildings built for mechanical processing and for engine and spare parts assembly.
The third vehicle assembly line went into production at the new Vehicles Plant. The welding department, transferred from the vehicles building to an area inside the new spare parts building in late 2011, early 2012, is now operative.
As scheduled, production ramp-up for the new LEm engine assembly and testing line got underway in June in the engines building.
As regards Mechanical Processing, equipment for the processing of aluminium crankcases at the Indian supplier is now fully developed. Acceptance tests on this equipment, for approval for dispatch to Piaggio Vietnam are scheduled for the second week of July. Machines for aluminium processing are currently in transit from Japan to Vietnam, and tests at Piaggio Vietnam for approval to manufacture the machines and equipment will take place in August.
Aluminium processing will begin in September.

Piaggio Manufacturing System (PMS)

The **P**iaggio **P**roduction **S**ystem (**PPS**), which has been operative at production sites for more than a year, is the forerunner of the Group's continual improvement programmes. Alongside the PPS, which pursues lean production at the Group's plants, the **P**iaggio **T**echnology **S**ystem (**PTS**) has come into being, to pursue a lean organization in staff departments, as well as the **P**iaggio **B**uying **S**ystem (**PBS**), which strives for lean purchasing in procurement departments.
Thus, the Group has managed to give its continual improvement programme for the entire logistics/

production system a global dimension: the **P**iaggio **M**anufacturing **S**ystem (**PMS**), which brings together the three PPS, PTS and PBS modules, develops the strategy adopted by Piaggio Manufacturing to consolidate its excellence in the Supply Chain, by fully covering all coordinated company areas.

PPS

In the first six months of 2012, the PPS generated significant economic benefits, engaging and enthusing Manufacturing personnel.
A specific management dashboard to obtain final technical and economic results has made improvements in performance transparent. Plus the development of a model representing the competitiveness of all production sites has steered employees towards an efficiency-driven approach. This achievement will no doubt increase as improvement activities continue into the second half of the year. Forecasts for efficiency on an annual basis are in line with objectives and correspond to an economic return which is tenfold that of costs invested in employee training.

PTS

The PTS programme was defined in the first half of 2012. Continual analysis of information flows and materials and a rigorous use of tools to measure performance have led to the launch of several improvement projects for staff activities that support production processes. Initial benefits are expected for the Inbound Logistics area, with projects that aim to cut the transport costs of goods in transit from the Far East. Other projects are planned for the Technologies area, with the adoption of specific advanced systems to optimise the work of human resources on projects under development.

PBS

The PBS programme was defined in the first half of 2012. The reorganisation of the Purchasing function based on a matrix structure focussing on Commodities and Markets, is the starting point for improvement activities. The need to maximise the results of a matrix organisational structure has led to the development of various projects that will make all information and work of the organisation transparent. Projects which are expected to generate significant improvements include the “Global Purchase Management Board” that will show activities carried out by Purchasing at all Group sides worldwide in real time, before orders are issued by SAP.

Piaggio and research and development

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

In particular, its main goal is to satisfy the latest needs for mobility while reducing the environmental impact and consumption of its vehicles and guaranteeing an excellent performance, producing a new generation of vehicles that are:

- **environmentally-friendly,** and namely that can reduce emissions of pollutant gases and CO_2 in urban areas, based on developments in traditional technologies and a greater use of renewable and sustainable energy sources;
- **reliable and safe,** to get about town easily, helping to reduce traffic congestion and guaranteeing high standards of active, passive and preventive safety;
- **recyclable,** to minimise environmental impact, even at the end of their useful life cycle;
- **cost-effective,** to reduce running costs per kilometre.

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

	1st half of 2012			1st half of 2011		
	Capitalised	Reimbursed	Total	Capitalised	Reimbursed	Total
In millions of Euro						
EMEA e Americas	15.3	8.6	**23.8**	15.5	10.7	**26.2**
India	8.3	0.6	**8.9**	7.8	0.4	**8.2**
Asia SEA	4.6	0.4	**5.0**	2.0	0.7	**2.7**
Totale	**28.1**	**9.6**	**37.7**	**25.3**	**11.8**	**37.1**

In 2012, the Piaggio Group continued its policy of retaining technological leadership in the sector, allocating total resources of 37.7 million Euro to research and development, of which 28.1 million Euro capitalised under intangible assets as development costs.

Piaggio and human resources

Staff

As of 30 June 2012, the Group's employees numbered 8,349 against 7,954 in the same period in 2011, of which 4,414 operating at Italian sites against 4,381 as of 30 June 2011, with an increase of 395 units in the Group and 33 in ITALY.

Efforts continued to diversify the work force, with a considerable increase in the number of professional and/or specialist staff dedicated to product and process development and innovation.

The total number of stable employees of the Group was equal to 6,007 as of 30 June 2012, of which 3,891 work at Italian facilities. The decrease amounts to 184 in the Group and 36 in Italy compared to 30 June 2011.

Development at different sites in the Far East was particularly significant, with the consolidation of Piaggio Vietnam Co. Ltd., where employee numbers rose to 844 as of 30 June 2012 from 652 at 30 June 2011.

Employees by geographical segment at the end of the period

	As of 30 June 2012	As of 31 December 2011	As of 30 June 2011
EMEA and Americas	4,875	4,356	4,925
of which Italy	*4,414*	*3,871*	*4,381*
India	2,548	2,331	2,315
Asia Pacific	926	932	714
Total	**8,349**	**7,619**	**7,954**

Average number of Company employees by professional category

	1st half of 2012	1st half of 2011	Change
Senior Management	95	102	(7)
Middle Management	572	492	80
White collars	2,180	2,086	94
Blue collars	5,406	4,990	416
Total	**8,253**	**7,670**	**583**

Organisational development

In the first half of 2012, the Piaggio Group continued its process to internationalise production and sales activities and consolidate its leadership position on the European market.

In this context, the following main organisational changes took place in the first half of 2012:

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

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

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

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

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

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

Developing Human Capital

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

In 2012, processes and activities undertaken in 2011 continued, in particular as regards the evaluation of competencies, extended to cover the entire Group and the Piaggio Way programme.

An information system has been adopted throughout the Group for a management of the entire Personnel Recruitment process worldwide which is uniform, traceable and consistent with authorisation flows.

Reviews

Competency models form the basis for criteria used by the Group in personnel appraisal processes.
In the first half of 2012, the Piaggio 2012 evaluation process, Evaluation Management System, got underway, involving all Group white collar staff and middle and senior management.

Piaggio Way

In 2012, the Piaggio Way talent programme continued into its second year in Europe, the United States, Asia and India.
The programme, which will last for a maximum of four years, will select staff classified as Young Talent and Managerial Talent, and give them the chance to take part in fast-track development programmes (job rotation, strategic and international projects, events with the involvement of top management, coaching, bespoke training).

Training

Training addresses all roles, levels of responsibility, professional groups and individuals who are motivated to improving their own professional value in keeping with the Company's development and its evolving corporate culture. Training was consolidated in the first six months of 2012, with 43,062 hours provided for all company employees in the Group, of which 27,946 hours in Italy, covering all segments/areas.

Hours of training by training area

Thematic area	Number of training hours provided
Managerial training	15,085
Technical – professional training	15,143
Linguistic training	4,067
Safety and environmental training	8,767
Total	**43,062**

Total training hours by professional category

Professional category	Number of training hours provided
Senior Management	625
Middle Management	8,699
White collars	24,167
Blue collars	2,416
Project workers	7,155
Total	**43,062**

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

In 2012, in particular, Piaggio managerial training courses were continued and consolidated, including training based on requests originating from the EMS evaluation system. Training also focussed on the launch of the new Product Lifecycle Management system, involving Company R&D areas.
Piaggio also values the sharing of its know-how by organising training events managed by internal trainers, with a view to encouraging the exchange of the advanced methods and knowledge developed within company, so as to promote continuing improvement.

Health and Safety

In the first half of 2012, safety training (for a total of 9,000 hours) as well as dedicated courses on specific subjects (such as: "safe driving courses for road vehicle operators", "first aid courses for infirmary staff", "expert maintenance operator courses", "courses on the use of electrostatic guns for painting operators") were held for new recruits on fixed-term contracts, with training provided in line with new provisions of Government/Regional agreements in force since 26 January 2012 in relation to which a training programme for different employee categories, including white collar staff and managers, is also being defined.

In June 2012, OCRA analysis on the risk of biomechanical overload on the upper limbs, which is part of the ERGONOMICS PROJECT, was completed at the Pontedera site: this activity is now being completed at the Scorzè and Mandello del Lario operating sites. At the Pontedera site, 1,514 work tasks were analysed; specific re-engineering is being carried out for a limited number of tasks (approximately 13%) and will be completed in July.
Operating programmes for each operating site are continuing to schedule, with NIOSH/SNOOK and CIRIELLO analysis on the risk of lifting and pushing loads that will be completed by the end of this year. At the Pontedera site, 625 of the 1,150 work stations were analysed, while a further 430 are currently being analysed. Re-engineering is also taking place, where necessary.

In the first half of 2012, the penultimate operating step of the Piaggio-USL 5 Valdera agreement (between Piaggio and the local health authorities of the Valdera area), on research into work-related pathologies of the upper limbs in assembly departments neared completion. Tests (scans and tests on nervous conduction velocity) on workers already undergoing individual check-ups because pathological characterisation applies to them, after screening in previous steps, are nearly finished.

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

In February 2012, the Occupational Hygiene and Safety Department conducted a safety audit at the Piaggio Vietnam site, based on the BS HOSAS18001 standard and Consolidated Act 81/2008 in force in Italy. The Safety Management System, in line with the system adopted by the Piaggio Group at its European sites, was therefore implemented with documents and procedures. In the first half of the year, approximately 1,200 hours of safety training were provided.

Industrial relations

In the first half of 2012, with the extremely critical economic and financial scenario continuing at a national and European level, Company sites had to deal with situations arising from a failure of 2-wheeler and commercial vehicles markets to recover.

At the Pontedera site, the mobility procedure which began in 2011 and resulted in 208 blue collar staff (in 2011) and 62 white collar staff leaving the company, ended in March. At the same time, production ramp-up for two-wheeler vehicles, which usually takes place in April - July, started and was managed entirely with fixed-term contracts, as provided for by trade union agreements made in 2009. Activities for the manufacture of Commercial Vehicles were instead stopped, with use of the Wage Guarantee Fund in January, February and March, amounting to a total of 3 weeks and 30,933 hours.
The additional trade union agreement of 6 March 2009 expired at the end of 2011, and is now operating as an extra activity, while renewal is pending.

In April 2012, after several months of provisional management, the former Tecnocontrol mechanical site was acquired, after insolvency proceedings. A trade union structure was established at this production site, which operates separately from the main Pontedera site.

At the Noale and Scorzè sites, a new trade union agreement was defined in January 2012. Under this agreement the parties will continue measures that began in 2011 to guarantee the economic and financial sustainability of the two-year investment plan (2011/2012) established by the Company, consolidating results already achieved in part to significantly reduce costs and recover the efficiency and productivity of the technical structure. At the Noale site, activities continued to streamline staff and staff activities, with a new mobility procedure affecting 45 people. Solidarity contracts at the Noale site and for Aprilia Racing s.r.l. will continue to be used throughout 2012, to bring volumes in line with requested activities.

At the Scorzè site, which has a production mission that has been confirmed, the use of solidarity contracts will continue throughout 2012, with a reduction in working hours for all site employees, effectively bringing work in line with volumes scheduled on a monthly basis, to meet market requests.

The Ministry for Labour and Social Policies has authorised the solidarity contracts for all sites concerned (Ministerial Decree no. 66276 of 5/06/2012, no. 66288 of 05/06/2012 and no. 66574 of 21/06/2012).

As regards the Moto Guzzi Mandello del Lario site, considering the good performance of sales and market demand, fixed-term contracts and flexible working hours as agreed on with trade unions were used for the production ramp-up.


sterilgarda
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In the first half of 2012, the trend of hours lost through strikes in Italy remained stable, but with a marked drop in industrial action at a company level; in fact approximately 80% of the hours concern strikes at a national level.

The Spanish company Nacional Motor and the Piaggio Branch at Martorelles (Barcelona), signed an agreement in June 2012 with government representatives and trade union organisations, concerning the employment regulations plan (Expediente de Regulación de Empleo) submitted by the company in 2011, which includes the possible gradual transfer of production volumes to Italian sites and a possible consequent restructuring plan.

Corporate Governance

Profile

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

The Chairman and Chief Executive Officer of the Company is Roberto Colaninno and the Deputy Chairman is Matteo Colaninno.

The Company has adopted the Corporate Governance Code of Borsa Italiana S.p.A. and observes all principles of corporate governance contained in the code. With reference to recent updates to the Self-Regulatory Code of December 2011, the Company has already taken measures to bring its governance system in line, evaluating changes required by the revision, and considering the provisional requirements therein.

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

Board of Directors

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

The current Board of Directors comprises a majority of independent, non-executive directors. Therefore, the number and authority of these 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.

Committees

In addition to the Lead Independent Director, the Appointment Proposal Committee, the Remuneration Committee, the Internal Control and Risks Committee and the Related Party Transactions Committee have been appointed within the Board.

Internal control and risk management system

The Board defines the guidelines of the internal control and risk management system, considered as a combination of processes aimed at monitoring the efficiency of corporate operations, the reliability of financial information, compliance with laws and regulations and the safekeeping of corporate assets.
In this context, the Board of Directors is assisted by a Director appointed to oversee operation of the internal control and risk management system and an Internal Control and Risk Committee.

Board of Statutory Auditors

The Board of Statutory Auditors in office at the date of this Report was elected by unanimous vote of the Shareholders' Meeting held on 13 April 2012. The statutory auditors were elected from a single slate of candidates filed by the majority shareholder IMMSI S.p.A., in accordance with the provisions of Article 24 of the Articles of Association, and will hold office until the approval of the annual financial statements for the year ended 31 December 2014.

Corporate Governance Report

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

Stock Option Plan

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

As of 30 June 2012, 3,940,000 option rights had been assigned for a corresponding number of shares.

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

Rights	No. of options	Average exercise price (Euro)	Market price (Euro)
Rights existing as of 31.12.2011	4,090,000		
- of which exercisable as of 31.12.2011	300,000		
New rights assigned in the first half of 2012	-		
Rights exercised in the first half of 2012	-		
Rights expired in the first half of 2012	(150,000)		
Rights existing as of 30.06.2012	3,940,000		
- of which exercisable as of 30.06.2012	940,000		

Mantua, 27 July 2012

For the Board of Directors

/s/ Roberto Colaninno

Chairman and Chief Executive Officer
Roberto Colaninno


MOTO GUZZI

Economic glossary

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

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

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

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

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

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

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

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

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

CONDENSED INTERIM FINANCIAL STATEMENTS,

CONSOLIDATED FINANCIAL STATEMENTS AND NOTES AS OF 30 JUNE 2012

Consolidated Income Statement

Notes	In thousands of Euros	1st half of 2012 Total	of which related parties	1st half of 2011 Restated[1] Total	of which related parties
4	**Net revenues**	**764,076**		**830,012**	**903**
5	Cost for materials	443,299	19,626	492,258	20,751
6	Cost for services and leases and rentals	131,312	2,014	139,588	2,026
7	Employee costs	119,493		132,603	
8	Depreciation of property, plant and equipment	18,444		18,306	
8	Amortisation of intangible assets	24,292		27,056	
9	Other operating income	54,864	91	65,030	251
10	Other operating costs	10,424		9,586	
	Operating income	**71,676**		**75,645**	
11	Income/(loss) from investments	2,556		0	
12	Financial income	1,153		2,318	
12	Borrowing costs	19,382	186	14,962	158
12	Net exchange gains/(losses)	329		(488)	
	Earnings before tax	**56,332**		**62,513**	
13	Taxation for the period	22,540		28,818	
	Earnings from continuing activities	**33,792**		**33,695**	
	Assets held for disposal:				
14	Profits or losses arising from assets held for disposal	0		0	
	Net Income (Loss) for the period	**33,792**		**33,695**	
	Attributable to:				
	Shareholders of the Parent Company	**33,734**		**33,661**	
	Non-controlling interests	**58**		**34**	
15	**Earnings per share (figures in €)**	**0.091**		**0.091**	
15	**Diluted earnings per share (figures in €)**	**0.091**		**0.090**	

1_Values were restated, following the adoption of IAS 19 revised which, among others, changes the principle for recognising actuarial gains and losses relative to post-employment benefits. For further details, see section 2.1 Accounting standards, amendments and interpretations applied as from 1 January 2012 in the "Notes".

Consolidated Statement of Comprehensive Income

Notes	In thousands of Euros	1st half of 2012	1st half of 2011 Restated[2]	Change
	Profit (loss) for the period (A)	**33,792**	**33,695**	**97**
29	Effective portion of profits (losses) on cash flow hedges	(703)	(1,662)	959
	Actuarial gains (losses) relative to defined benefit plans	(2,101)	(372)	(1,729)
	Profit (loss) deriving from the translation of financial statements of foreign companies denominated in foreign currency	(970)	(7,476)	6,506
	Total Other Profits (and losses) for the period (B)[2]	**(3,774)**	**(9,510)**	**5,736**
	Total Profit (loss) for the period (A + B)[3]	**30,018**	**24,185**	**5,833**
	Attributable to:			
	Shareholders of the Parent Company	**29,957**	**24,154**	**5,803**
	Non-controlling interests	**61**	**31**	**30**

2_Values were restated, following the adoption of IAS 19 revised which, among others, changes the principle for recognising actuarial gains and losses relative to post-employment benefits. For further details, see section 2.1 Accounting standards, amendments and interpretations applied as from 1 January 2012 in the "Notes".

3_Other Profits (and losses) take account of relative tax effects

Consolidated Statement of Financial Position

Notes	In thousands of Euros	As of 30 June 2012 Total	of which related parties	As of 31 December 2011 Total	of which related parties
	Assets				
	Non-current assets				
16	Intangible assets	652,302		649,420	
17	Property, plant and equipment	302,039		274,871	
18	Investment property				
19	Investments	5,032		2,482	
20	Other financial assets	16,048		11,836	
21	Long-term tax receivables	1,140		976	
22	Deferred tax assets	55,026		55,726	
23	Trade receivables				
24	Other receivables	15,129	405	15,165	405
	Total non-current assets	**1,046,716**		**1,010,476**	
28	**Assets held for sale**				
	Current assets				
23	Trade receivables	140,956	1,486	65,560	2,453
24	Other receivables	31,311	6,489	28,028	6,456
21	Short-term tax receivables	27,449		27,245	
25	Inventories	287,776		236,988	
26	Other financial assets	0		0	
27	Cash and cash equivalents	107,340		151,887	
	Total current assets	**594,832**		**509,708**	
	Total assets	**1,641,548**		**1,520,184**	
	Shareholders' equity and liabilities				
	Shareholders' equity				
29	Share capital and reserves attributable to the shareholders of the Parent Company	443,116		445,036	
29	Share capital and reserves attributable to non-controlling interests	1,243		1,182	
	Total shareholders' equity	**444,359**		**446,218**	
	Non-current liabilities				
30	Financial liabilities falling due after one year	383,035	2,900	329,200	2,900
31	Trade payables	254		235	
32	Other long-term provisions	12,541		12,429	
33	Deferred tax liabilities	34,383		32,735	
34	Retirement funds and employee benefits	47,492		46,603	
35	Tax payables	1,339		2,539	
36	Other long-term payables	5,530		5,948	
	Total non-current liabilities	**484,574**		**429,689**	
	Current liabilities				
30	Financial liabilities falling due within one year	123,579		170,261	
31	Trade payables	479,548	21,287	375,263	18,903
35	Tax payables	30,036		20,920	
36	Other short-term payables	66,367	85	64,718	75
32	Current portion of other long-term provisions	13,085		13,115	
	Total current liabilities	**712,615**		**644,277**	
	Total shareholders' equity and liabilities	**1,641,548**		**1,520,184**	

Consolidated Cash Flow Statement

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

Notes	In thousands of Euros	1st half of 2012 Total	1st half of 2012 of which related parties	1st half of 2011 Total	1st half of 2011 of which related parties
	Operating activities				
	Consolidated net income	33,734		33,289	
	Non-controlling interests	58		34	
13	Taxation for the period	22,540		28,500	
8	Depreciation of property, plant and equipment	18,444		18,306	
8	Amortisation of intangible assets	24,292		27,056	
	Non-monetary costs for stock options	385		829	
	Allocations for provisions for risks and retirement funds	11,235		10,737	
	Write-downs / (Reversals)	638		224	
	Losses / (Gains) on the disposal of property, plants and equipment	6		(27)	
	Losses / (Gains) on the disposal of intangible assets	0		0	
12	Financial income	(849)		(2,318)	
	Dividend income	(6)		0	
12	Borrowing costs	17,257		12,202	
	Income from public grants	(1,209)		(1,345)	
	Portion of earnings of affiliated companies	(2,550)		0	
	Change in working capital:				
23	(Increase)/Decrease in trade receivables	(75,396)	967	(94,889)	(94)
24	(Increase)/Decrease in other receivables	(3,247)	(33)	2,839	156
25	(Increase)/Decrease in inventories	(49,244)		(17,548)	
31	Increase/(Decrease) in trade payables	104,304	2,384	92,376	3,766
	Increase/(Decrease) in other payables	1,231	10	8,366	(8)
32	Increase/(Decrease) in provisions for risks (excluding allocations)	(6,713)		(9,913)	
34	Increase/(Decrease) in retirement funds and employee benefits (excluding allocations)	(3,647)		(8,886)	
	Other changes	(4,829)		21,274	
	Cash generated from operating activities	**86,434**		**121,106**	
	Interest paid	(11,618)		(12,539)	
	Taxation paid	(9,154)		(15,168)	
	Cash flow from operating activities (A)	**65,662**		**93,399**	
	Investment activities				
17	Investment in property, plant and equipment	(37,193)		(18,858)	
	Sale price/repayment value, property, plant and equipment	124		178	
16	Investment in intangible assets	(31,453)		(29,600)	
	Acquisition of Tecnocontrol	(11,323)			
	Sale price/repayment value, intangible assets	914		10	
	Purchase of financial assets	(4,211)		0	
	Sale price of financial assets	0		602	
	Collected interests	312		2,030	
	Cash flow from investment activities (B)	**(82,830)**		**(45,638)**	
	Financing activities				
29	Purchase of treasury shares	(2,385)		0	
29	Outflow for dividends paid	(29,877)		(25,684)	
30	Loans received	97,670		11,693	
30	Outflow for repayment of loans	(94,110)		(66,669)	
30	Financing received for leases	0		227	
30	Repayment of finance leases	(442)		(392)	
	Cash flow from funding activities (C)	**(29,144)**		**(80,825)**	
	Increase / (Decrease) in cash and cash equivalents (A+B+C)	(46,312)		(33,064)	
	Opening balance	**151,802**		**154,758**	
	Exchange differences				
	Closing balance	**105,490**		**121,694**	

The table below details the breakdown of the balance of cash and cash equivalents as of 30 June year-on-year.

Notes	In thousands of Euros	As of 30 June 2012	As of 30 June 2011	Change
27	Cash and cash equivalents	107,340	128,965	(21,625)
30	Current account overdrafts	(1,850)	(7,271)	5,421
	Closing balance	**105,490**	**121,694**	**(16,204)**

Consolidated Net Debt (Net Financial Debt)

Pursuant to Consob Communication of 28 July 2006 and in compliance with the recommendation of the CESR of 10 February 2005 "Recommendation for the consistent implementation of the European Commission's Regulation on Prospectuses". The indicator does not include financial assets and liabilities arising from the fair value measurement of financial derivatives used as hedging, the fair value adjustment of relative hedged items equal to €/000 15,270 and relative accruals (see note 30 of the Notes).

Note	In thousands of Euros	Al 30 giugno 2012	Al 31 dicembre 2011	Variazione
27	**Liquidity**	**107,340**	**151,887**	**(44,547)**
26	Securities			0
	Current financial receivables	**0**	**0**	**0**
30	Payables due to banks	(40,985)	(22,949)	(18,036)
30	Current portion of bank financing	(44,977)	(122,428)	77,451
30	Amounts due to factoring companies	(32,826)	(20,085)	(12,741)
30	Amounts due under leases	(915)	(894)	(21)
30	Current portion of payables due to other lenders	(3,876)	(3,905)	29
	Current financial debt	**(123,579)**	**(170,261)**	**46,682**
	Net current financial debt	**(16,239)**	**(18,374)**	**2,135**
30	Payables due to banks and financing institutions	(163,584)	(112,768)	(50,816)
30	Debenture loan	(192,708)	(191,859)	(849)
30	Amounts due under leases	(6,282)	(6,745)	463
30	Amounts due to other lenders	(5,191)	(6,153)	962
	Non-current financial debt	**(367,765)**	**(317,525)**	**(50,240)**
	Net Financial Debt	**(384,004)**	**(335,899)**	**(48,105)**

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

In thousands of Euros	
Increase/decrease in cash and cash equivalents from the consolidated Cash Flow Statement	**(46,312)**
Outflow for repayment of loans	94,110
Repayment of finance leases	442
Loans received	(97,670)
Amortised cost on medium-/long-term financing	2,007
Loans on leases received	
Repayment of loans provided	
Purchase of financial assets	
Sale of financial assets	
Exchange differences	(682)
Change in Consolidated Net Debt	**(48,105)**

Changes in Consolidated Shareholders' Equity

Movements from 1 January 2012 / 30 June 2012

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

Movements from 1 January 2011 / 30 June 2011[2]

Notes	In thousands of Euros	Share capital	Share premium reserve	Legal reserve	Reserve for measurement of financial instruments	IAS transition reserve
	As of 1 January 2011	**203,348**	**3,493**	**11,299**	**(227)**	**(5,859)**
29	Charges for the period for stock option plans					
29	Allocation of profits			942		
29	Distribution of dividends					
29	Purchase of treasury shares					
29	Total overall profit (loss)				(1,662)	
	As of 30 June 2011	**203,348**	**3,493**	**12,241**	**(1,889)**	**(5,859)**

2_Values were restated, following the adoption of IAS 19 revised which, among others, changes the principle for recognising actuarial gains and losses relative to post-employment benefits. For further details, see section 2.1. Accounting standards, amendments and interpretations applied as from 1 January 2012 in the "Notes".

Group consolidation reserve	Group conversion reserve	Reserve for actuarial gain (losses) relative to defined benefit plan	Stock option reserve	Performance reserve	Consolidated Group shareholders' equity	Non-controlling interests capital and reserves	Total shareholders' equity
993	**(13,087)**	**1,447**	**12,700**	**232,409**	**445,036**	**1,182**	**446,218**
			385		**385**		**385**
				(2,352)	**0**		**0**
				(29,877)	**(29,877)**		**(29,877)**
				(1,687)	**(2,385)**		**(2,385)**
	(973)	(2,101)		33,734	**29,957**	**61**	**30,018**
993	**(14,060)**	**(654)**	**13,085**	**232,227**	**443,116**	**1,243**	**444,359**

Group consolidation reserve	Group conversion reserve	Reserve for actuarial gain (losses) relative to defined benefit plan	Stock option reserve	Performance reserve	Consolidated Group shareholders' equity	Non-controlling interests capital and reserves	Total shareholders' equity
993	**(1,850)**	**684**	**11,929**	**217.467**	**441,277**	**1,613**	**442,890**
			829		**829**		**829**
				(942)	**0**		**0**
				(25,684)	**(25,684)**		**(25,684)**
					0		**0**
	(7,473)	(372)		33,661	**24,154**	**31**	**24,185**
993	**(9,323)**	**312**	**12,758**	**224.502**	**440,576**	**1,644**	**442,220**

Notes to the Condensed Interim Financial Statements as of 30 June 2012

A) General aspects

Piaggio & C. S.p.A. (the Company) is a joint-stock company established in Italy at the Register of Companies of Pisa. The main operations of the company and its subsidiaries (the Group) are described in the Report on Operations.
The Condensed Interim Financial Statements are expressed in Euros (€) since this is the currency in which most of the Group's transactions take place. Foreign assets are booked in accordance with currently effective international accounting standards.

Scope of consolidation

The scope of consolidation has changed since 30 June 2011, due to the establishment of a new company in China on 1 December 2011. As the change is of a limited extent, comparability with data from previous periods has not been affected.
The scope of consolidation has not changed compared to 31 December 2011.

1. Conformity to international accounting standards

These Condensed Interim Financial Statements have been drafted in compliance with the International Accounting Standards (IAS/IFRS) in force at that date, issued by the International Accounting Standards Board and approved by the European Commission, as well as in compliance with the provisions established in Article 9 of Legislative Decree no. 38/2005 (CONSOB Resolution no. 15519 dated 27 July 2006 containing the "Provisions for the presentation of financial statements", CONSOB Resolution no. 15520 dated 27 July 2006 containing the "Changes and additions to the Regulation on Issuers adopted by Resolution no. 11971/99", CONSOB communication no. 6064293 dated 28 July 2006 containing the "Corporate reporting required in accordance with Article 114, paragraph 5 of Leg. Decree no. 58/98"). The interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously the Standing Interpretations Committee ("SIC"), were also taken into account.
In preparing these Condensed Interim Financial Statements, in accordance with IAS 34 – *Interim Financial Reporting*, the same accounting standards adopted in preparing the Consolidated Financial Statements as of 31 December 2011 were applied.

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

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

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

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

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

Other information

A specific paragraph in this document provides information on any significant events occurring after the end of the first half of the year and on the foreseeable operating outlook.

The following exchange rates were used to translate the financial statements of companies included in the scope of consolidation into euros:

Currency	Spot exchange rate 30 June 2012	Average exchange rate 1-1/30-6-2012	Spot exchange rate 31 December 2011	Average exchange rate 1-1/30-6-2011
US Dollar	1.259	1.29678	1.2939	1.40311
Pounds Sterling	0.8068	0.82249	0.8353	0.86799
Indian Rupee	70.120	67.61014	68.713	63.13153
Singapore Dollars	1.5974	1.63910	1.6819	1.76535
Chinese Renminbi	8.0011	8.19181	8.1588	9.17551
Croatian Kuna	7.5178	7.54208	7.537	7.39711
Japanese Yen	100.13	103.3669	100.20	115.02989
Vietnamese Dong	26,281.65	27,293.80388	27,699.67	29,418.38452
Canadian Dollars	1.2871	1.30409	1.3215	1.37026
Indonesian Rupiah	11,878.50	11,919.67082	11,731.50	12,269.57943

2. Form and content of the financial statements

Form of the consolidated financial statements

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

Consolidated Income Statement

The consolidated income statement is presented with the items classified by nature. The overall Operating Income is shown, which includes all income and cost items, irrespective of their repetition or fact of falling outside normal operations, except for the items of financial operations included under Operating Income and Earnings before tax. In addition, the income and cost items arising from assets that are held for disposal or sale, including any capital gains or losses net of the tax element, are recorded in a specific consolidated balance sheet item which precedes Group net income and minority interest.

Consolidated Statement of Comprehensive Income

The Consolidated Statement of Comprehensive Income is presented as provided for in IAS 1 revised. This amended version of the standard requires income attributable to parent company owners and to non-controlling interests to be recorded, net of relative tax effects.

Consolidated Statement of Financial Position

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

Consolidated Cash Flow Statement

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

Change in consolidated shareholders' equity

The statement of changes in consolidated shareholders' equity includes the statement of comprehensive income, separately indicating amounts attributable to owners of the parent and non-controlling interests, amounts of owner-generated transactions and any effects of retrospective application or retrospective determination pursuant to IAS 8. Reconciliation between the opening and closing balance of each item for the period is presented.

2.1. Accounting standards, amendments and interpretations applied as from 1 January 2012

Since the 2012 Half-year Financial Statements, the Group has adopted IAS 19 revised, in advance (published in the Gazzetta Ufficiale of 6 June 2012).
The amendment to IAS 19 – *Employee benefits* which eliminates the option of deferring recognition of actuarial gains and losses with the corridor approach, requiring disclosure of the provision deficit or surplus in the statement of financial position, and separate recognition of cost items linked to employment and net borrowing costs in profit and loss, and recognition of actuarial gains and losses resulting from the remeasurement in each period of assets and liabilities in "Other comprehensive income". In addition, the performance of assets included in net borrowing costs must be calculated based on the discount rate of liabilities and no longer on the expected return of assets. Lastly, the amendment introduces enhanced disclosures to provide in the notes.

In this regard:

- during the first time adoption of international accounting standards, the Company had chosen, from possible options allowed by IAS 19, to systematically recognise actuarial components in the income statement as "Employee costs"; under the "revised" version of this standard, endorsed by the European Commission, and in order to provide information which is reliable and more relevant, these components are directly recognised as "Valuation reserves" in shareholders' equity, with the reserves being immediately recognised in the "Statement of Comprehensive Income", without being recorded in the income statement; IAS 19 "revised" therefore excludes the possibility of systematically recognising actuarial components in the income statement;
- this amendment, considering the retrospective application required as of IAS 8, has given rise to the following effects on the financial statements:
  - the actuarial loss recognised in 2011, for adjustment to results of calculations made by the external actuary with reference to defined benefit obligations in relation to personnel, for an amount equal to 690 thousand Euro was not recorded in the income statement for the first half of 2011, with an increase in net profit for 2011 of 372 thousand Euro and a concurrent negative change, of the same amount, under the item "Valuation reserves" included in the statement of financial position and the item "Actuarial Gains (Losses) relative to defined benefit plans", recorded in the "Statement of Comprehensive Income" for the first half of 2011;
  - the actuarial loss arising from the adjustment to results of calculations made by the external actuary with reference to defined benefit obligations in relation to personnel, for an amount equal to 2,361 thousand Euro was not recorded in the income statement for the first half of 2012, with an increase in net profit for 2012 equal to 2,101 thousand Euro and a concurrent negative change, of the same amount, under the item "Valuation reserves" included in the statement of financial position and the item "Actuarial Gains (Losses) relative to defined benefit plans", recorded in the "Statement of Comprehensive Income" for the first half of 2012;

Technical valuations are based on the hypotheses outlined below:

Technical annual discount rate	4.10%
Annual rate of inflation	2.00%
Annual increase in termination benefits	3.00%

To value the discount rate, the iBoxx Eurozone Corporates A10+ index considered most significant in relation to the indicator used as of 31 December 2011, was adopted.

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

2.2 Amendments and interpretations effective as from 1 January 2012 and not relevant for the Group

The following amendments and interpretations, applicable as from 1 January 2012, regulate specific cases and case histories which are not present within the Group at the date of these Condensed Interim Financial Statements:

› On 20 December 2010 the IASB issued a minor amendment to IAS 12 – Income Taxes which requires businesses to measure deferred tax assets and liabilities arising from an asset based on the manner in which the carrying amount of the asset will be recovered (through continual use or sale). Consequently SIC-21 Income taxes – Recovery of Revalued Non-Depreciable Assets – will no longer be applicable. The amendment is applicable in a retrospective manner as of 1 January 2012.

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

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

On 12 May 2011 the IASB issued standard IFRS 10 - *Consolidated Financial Statements* which will replace SIC-12 *Consolidation - Special Purpose Entities* and parts of IAS 27 - *Consolidated and Separate Financial Statements* that will be renamed *Separate Financial Statements* and will regulate the accounting treatment of investments in separate financial statements. The new standard deviates from existing standards by identifying the concept of control, according to a new definition, as the determinant factor for the purposes of consolidation of a company in the consolidated financial statements of the parent company. It also provides a guide for determining the existence of control where this is difficult to establish (effective control, potential votes, specific-purpose company, etc.). The standard is applicable in a retrospective manner as of 1 January 2013.

On 12 May 2011 the IASB issued the standard IFRS 11 – *Joint arrangements* which will replace IAS 31 – *Interests in Joint Ventures* and SIC-13 – *Jointly Controlled Entities - Non-Monetary Contributions by*

Venturers. The new standard provides methods for identifying joint arrangements based on the rights and obligations under such arrangements rather than their actual legal form and establishes the equity method as the only accounting treatment for jointly controlled entities in consolidated financial statements. The standard is applicable in a retrospective manner as of 1 January 2013. After the issue the standard *IAS 28 – Investments in Associates* was amended to include jointly controlled entities within its field of application, as of the date the standard became effective.

On 12 May 2011 the IASB issued standard IFRS 12 – *Disclosure on interests in other entities* which is a new and complete standard on disclosures to provide on all types of investments including in subsidiaries, joint arrangements, associates, special purpose entities and unconsolidated structured entities. The standard is applicable in a retrospective manner as of 1 January 2013.

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

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

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

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

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

B) Segment reporting

3. Reporting by operating segments

Since 2008 and for all of 2011, the Piaggio Group's organisational structure comprised the "Two-Wheeler" and "Commercial Vehicles" divisions, further broken down into different geographic operating segments.

Since 24 January 2012, the Group's organisation has been based on the geographic areas EMEA and Americas, Asia SEA and India.

In this document, reporting by operating segments is based on the new organisational logic of the Piaggio Group, therefore published figures relative to the first half of 2011 have been reclassified where necessary for the purpose of uniform comparison.

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

Income statement by operating segments

		EMEA and Americas	India	Asia SEA	Total
Sales volumes (unit/000)	1st half of 2012	167.1	97.5	50.8	**315.4**
	1st half of 2011	197.9	111.4	37.2	**346.5**
	Change	(30.8)	(13.9)	13.6	**(31.1)**
	Change %	-15.6%	-12.4%	36.6%	**-9.0%**
Net turnover (millions of Euro)	1st half of 2012	503.5	165.0	95.6	**764.1**
	1st half of 2011	563.3	197.6	69.1	**830.0**
	Change	(59.8)	(32.6)	26.5	**(65.9)**
	Change %	-10.6%	-16.5%	38.3%	**-7.9%**
Gross margin (millions of Euro)	1st half of 2012	163.2	37.3	35.7	**236.3**
	1st half of 2011	175.8	50.7	26.7	**253.2**
	Change	(12.6)	(13.4)	9.0	**(16.9)**
	Change %	-7.2%	-26.4%	33.9%	**-6.7%**
EBITDA (millions of Euro)	1st half of 2012				**114.4**
	1st half of 2011				**121.0**
	Change				**(6.6)**
	Change %				**-5.4%**
EBIT (millions of Euro)	1st half of 2012				**71.7**
	1st half of 2011				**75.6**
	Change				**(4.0)**
	Change %				**-5.2%**
Net income (millions of Euro)	1st half of 2012				**33.8**
	1st half of 2011				**33.7**
	Change				**0.1**
	Change %				**0.3%**

C) Information on the consolidated income statement

4. Net revenues — *€/000 764,076*

Revenues are shown net of premiums recognised to customers (dealers).
This item does not include transport costs, which are recharged to customers (€/000 15,094) and invoiced advertising cost recoveries (€/000 2,455), which are posted under other operating income.
The revenues for disposals of Group core business assets essentially refer to the marketing of vehicles and spare parts on European and non-European markets.

Revenues by geographic segment

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

	1st half of 2012		1st half of 2011		Changes	
	Amount	%	Amount	%	Amount	%
In thousands of Euros						
EMEA and Americas	503,477	65.9	563,352	67.9	(59,875)	-10.6
India	165,013	21.6	197,564	23.8	(32,551)	-16.5
ASIA SEA	95,586	12.5	69,096	8.3	26,490	38.3
Total	**764,076**	**100.0**	**830,012**	**100.0**	**(65,936)**	**-7.9**

Increases on Asian markets partially offset the downturns in India and Europe.

5. Costs for materials — *€/000 443,299*

The percentage of costs for materials accounting for net revenues decreased, from 59.3% in the first half of 2011 to 58% in the current period, following the greater impact of two-wheeler vehicles on total production, and particularly of vehicles manufactured for the Asian market, for which the percentage accounting for turnover is lower compared to the Group average.
The following table details the content of this financial statement item:

	1st half of 2012	1st half of 2011	Change
In thousands of Euros			
Raw, ancillary materials, consumables and goods	490,608	512,295	(21,687)
Change in inventories of raw, ancillary materials, consumables and goods	(16,872)	(25,186)	8,314
Change in work in progress of semifinished and finished products	(30,437)	5,149	(35,586)
Total costs for purchases	**443,299**	**492,258**	**(48,959)**

This item includes €/000 19,626 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 lease and rental costs *€/000 131,312*

Below is a breakdown of this item:

In thousands of Euros	1st half 2012	1st half 2011	Change
Employee costs	10,831	9,579	1,252
External maintenance and cleaning services	3,694	3,623	71
Energy, telephone and telex	10,797	9,873	924
Postal expenses	313	275	38
Commissions payables	465	438	27
Advertising and promotion	16,152	18,529	(2,377)
Technical, legal and tax consultancy and services	12,824	15,574	(2,750)
Company boards operating costs	1,201	1,189	12
Insurance	1,876	1,898	(22)
Outsourced manufacturing	10,804	13,834	(3,030)
Transport costs and spare parts	20,934	23,608	(2,674)
Sundry commercial expenses	8,086	8,610	(524)
Expenses for public relations	2,043	1,203	840
Product warranty costs	8,281	10,571	(2,290)
Bank costs and factoring charges	2,942	2,853	89
Costs for leases and rentals	9,385	7,363	2,022
Other	8,741	8,612	129
Insurance from Group companies	25	66	(41)
Services from companies of the Group	1,035	1,092	(57)
Costs for leases and rentals from Group companies	883	798	85
Total costs for services	**131,312**	**139,588**	**(8,276)**

Savings were mainly due to the reduction in the volume of activities, as well as the manufacturing of aluminium components for engines produced at Pontedera becoming an in-company process.
Costs for leases and rentals include lease rentals for business properties of €/000 4,610, as well as lease payments for car hire, computers and photocopiers.
Third party work of €/000 10,804 refers to the processing of production parts. The item “Other” includes costs for temporary work of €/000 437.

7. Employee costs *€/000 119,493*

Employee costs are broken down as follows:

In thousands of Euros	1st half of 2012	1st half of 2011	Change
Salaries and wages	91,730	101,111	(9,381)
Social security contributions	22,905	26,562	(3,657)
Post-employment benefits	4,187	4,331	(144)
Other costs	671	599	72
Total	**119,493**	**132,603**	**(13,110)**

As already indicated, published data relative to the half-year period of the previous year have been restated to make them uniform with current data.
As regards employee costs €/000 385 were recorded, relative to stock option costs, as required by international accounting standards, as well as charges connected with the mobility plans for the Pontedera, Noale and Martorelles production sites.

Savings are due to a decrease in average staff numbers in EMEA and America and to the policy encouraging early retirement adopted the previous year, which led to more senior staff members leaving the company between the end of 2011 and the first quarter of 2012, replaced by younger employees.
Below is a breakdown of the headcount by actual number and average number:

Level	Average number	1st half of 2012	1st half of 2011	Change
Senior Management		95	102	(7)
Middle Management		572	492	80
White collars		2,180	2,086	94
Manual labour		5,406	4,990	416
Total		**8,253**	**7,670**	**583**

Level	Number as of	30 June 2012	31 December 2011	Change
Senior Management		95	97	(2)
Middle Management		576	515	61
White collars		2,198	2,127	71
Manual labour		5,480	4,880	600
Total		**8,349**	**7,619**	**730**

The increase in employee numbers is mainly attributable to the Indian and Vietnamese subsidiaries.
Average employee numbers were affected by seasonal workers in the summer (on fixed-term employment contracts).
In fact the Group uses fixed-term employment contracts to handle typical peaks in demand in the summer months.

8. Amortisation, depreciation and impairment costs *€/000 42,736*

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

Property, plant and equipment	1st half of 2012	1st half of 2011	Change
In thousands of Euros			
Buildings	2,222	2,030	192
Plant and equipment	7,427	7,135	292
Industrial and commercial equipment	7,879	8,188	(309)
Other assets	916	953	(37)
Total depreciation of tangible fixed assets	**18,444**	**18,306**	**138**

Intangible assets	1st half of 2012	1st half of 2011	Change
In thousands of Euros			
Development costs	11,152	13,995	(2,843)
Industrial patent rights and intellectual property rights	8,241	8,133	108
Concessions, licences, trademarks and similar rights	4,519	4,519	0
Other	380	409	(29)
Total amortisation of intangible fixed assets	**24,292**	**27,056**	**(2,764)**

As set out in more detail in the paragraph on intangible assets, as of 1 January 2004, goodwill is no longer amortised, but tested annually for impairment.
The impairment test carried out as of 31 December 2011 confirmed the full recoverability of the amounts recorded in the financial statements. At the date when this Report was prepared, no indicators were identified of an extent that would make the conclusions reached at the end of 2011 no longer applicable.
Amortisation under the item "Concessions, licences, trademarks and similar rights" includes €/000 2,993 of amortisation for the Aprilia brand and €/000 1,523 for the Guzzi brand.

9. Other operating income

€/000 54,864

This item consists of:

In thousands of Euros	1st half of 2012	1st half of 2011	Change
Operating grants	1,209	1,345	(136)
Increases in fixed assets from internal work	21,511	21,276	235
Sundry sales and income:			
- Rent receipts	69	343	(274)
- Capital gains on assets and investments	9	84	(75)
- Sale of miscellaneous materials	468	521	(53)
- Recovery of transport costs	15,094	15,235	(141)
- Recovery of advertising costs	2,455	4,194	(1,739)
- Recovery of sundry costs	2,773	2,682	91
- Compensation	1,705	2,331	(626)
- Contingent assets	0	7	(7)
- Licence rights and know-how	1,118	1,445	(327)
- Sponsorship	1,980	1,871	109
- Other income	6,473	13,696	(7,223)
Total other operating income	**54,864**	**65,030**	**(10,166)**

Other operating income decreased by €/000 10,166 compared to figures for the first half of 2011.
Operating grants mainly refer to government and EU funding for research projects. The grants are recognised in profit or loss, with reference to the amortisation of capitalised costs for which the grants were received.

10. Other operating costs

€/000 10,424

This item consists of:

In thousands of Euros	1st half of 2012	1st half of 2011	Change
Duties and taxes not on income	2,002	2,175	(173)
Capital losses from disposal of assets	6	57	(51)
Various subscriptions	513	535	(22)
Impairment of receivables in working capital	638	224	414
Allocation of provisions	6,699	5,374	1,325
Other operating costs	566	1,221	(655)
Total	**10,424**	**9,586**	**838**

Overall, other operating costs increased by €/000 838. This change is mainly due to greater impairment and allocations for risks compared to the same period of the previous year.

11. Net income from investments *€/000 2,556*

This item mainly refers to the equity valuation of the investment in the Zongshen Piaggio Foshan joint venture.

12. Net financial income (charges) *€/000 (17,900)*

The balance of financial income (borrowing) for the first half of 2012 was negative by €/000 17,900, registering an increase compared to the negative value of €/000 13,132 recorded in the same period of the previous year. This change is due to the increase in debt as well as an increase in the cost of funding and charges for debt refinancing, partially offset by the positive impact of currency management.

13. Taxes *€/000 22,540*

Income tax for the first half of 2012, calculated in accordance with IAS 34, is estimated at €/000 22,540, equivalent to 40% of earnings before tax, and is equal to the best estimate of the average weighted rate expected for the entire financial period.

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

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

15. Earnings per share

Earnings per share are calculated as follows:

		1st half 2012	1st half of 2011
Net income	€/000	33,792	33,695
Earnings attributable to ordinary shares	€/000	33,792	33,695
Average number of ordinary shares in circulation		371,793,901	371,793,901
Earnings per ordinary share	€	0.091	0.091
Adjusted average number of ordinary shares		372,472,930	374,733,653
Diluted earnings per ordinary share	€	0.091	0.090

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

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

16. Intangible assets *€/000 652,302*

The table below shows the breakdown of intangible assets as of 30 June 2012 and 31 December 2011, as well as movements during the period.

	Development costs	Patent rights	Concessions, licences and trademarks	Goodwill	Other	Assets under construction and advances	Total
In thousands of Euros							
Historical cost	102,694	200,757	148,296	557,322	4,908	43,803	1,057,343
Provisions for write-down							0
Accumulated depreciation	(57,297)	(160,811)	(75,961)	(110,382)	(3,472)		(407,923)
Assets as of 31.12.2011	**45,397**	**39,946**	**72,335**	**446,940**	**1,436**	**43,803**	**649,420**
Investments	11,911	1,074			169	18,299	31,453
Transitions in the period	11,001	1,813			0	(12,814)	
Depreciation	(11,152)	(8,241)	(4,519)		(380)		(24,292)
Disposals	(890)	(24)	0		0	0	(914)
Write-downs							0
Exchange differences	(266)	(58)			68	(334)	(590)
Other movements	(2,923)	68			0	80	(2,775)
Total changes	**7,681**	**(5,368)**	**(4,519)**	**0**	**(143)**	**5,231**	**2,882**
Historical cost	98,110	202,383	148,296	557,322	5,306	49,034	1,060,451
Provisions for write-down		0	0	0	0	0	0
Accumulated depreciation	(45,032)	(168,242)	(80,480)	(110,382)	(4,013)		(408,149)
Assets as of 30.06.2012	**53,078**	**34,141**	**67,816**	**446,940**	**1,293**	**49,034**	**652,302**

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

	Value as of 30 June 2012			Value as of 31 December 2011			Change		
	For the period	Under construction and advances	Total	For the period	Under construction and advances	Total	For the period	Under construction and advances	Total
In thousands of Euros									
R&D costs	53,078	44,825	97,903	45,397	39,986	85,383	7,681	4,839	12,520
Patent rights	34,141	4,000	38,141	39,509	3,697	43,206	(5,368)	303	(5,065)
Concessions, licences and trademarks	67,816		67,816	72,335		72,335	(4,519)	0	(4,519)
Goodwill	446,940		446,940	446,940		446,940	0	0	0
Other	1,293	209	1,502	1,436	120	1,556	(143)	89	(54)
Total	**603,268**	**49,034**	**652,302**	**605,617**	**43,803**	**649,420**	**(2,349)**	**5,231**	**2,882**

Increases mainly refer to the capitalisation of development costs for new products and new engines.

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.
Development expenditure for new projects capitalised during the first half of 2012 mainly refers to the new models Piaggio X10, Vespa India, Vespa 946, Aprilia Caponord, Moto Guzzi California and Nevada, as well as the Indian diesel engine.
Development costs included under this item are amortised on a straight line basis over a period ranging from 3 to 5 years, in consideration of their remaining useful life.

During the first half of 2012, development costs of approximately 9.6 million Euro were charged directly to the consolidated income statement.

The item Industrial patents and intellectual property rights comprises software for €/000 13,013 (of which €/000 3,525 under construction) and patents and know-how.
Patents and know-how mainly refer to the Vespa, GP 800, MP3, RSV4, MP3 hybrid, the 1200 cc engine and NT3 prototype. Increases for the period mainly refer to software.
The costs of industrial patents and intellectual property rights are amortised over a period ranging from 3 to 5 years, in consideration of their remaining useful life.

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

	As of 30 June 2012	As of 31 December 2011	Change
In thousands of Euros			
Guzzi trademark	22,851	24,375	(1,524)
Aprilia trademark	44,902	47,895	(2,993)
Minor brands	63	65	(2)
Total Trademarks	**67,816**	**72,335**	**(4,519)**

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 2005. The above mentioned trademarks are amortised over a period of 15 years and no impairment indicators were identified.

Goodwill derives from the greater value paid compared to the corresponding portion of the subsidiaries shareholders' equity at the time of purchase, less the related accumulated amortisation until 31 December 2003. During first-time adoption of the IFRS, the Group opted not to retroactively apply IFRS 3 - *Business Combinations* to acquisitions of companies that took place before 1st January 2004. As a result, the goodwill generated on acquisitions prior to the date of transition to IFRSs was maintained at the previous value, determined according to Italian accounting standards, subject to assessment and recognition of any impairment losses.
For all the transactions listed below, the difference between the carrying amount 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 1st January 2004: €/000 330,590);
- the acquisition, completed in 2001, by Piaggio & C. S.p.A. of 49% of the company Piaggio Vehicles Pvt. Ltd from the partner Greaves Ltd (net value as of 1 January 2004: €/000 5,192). This is in addition to the subsequent acquisition by Simest S.p.A. of a 14.66% stake in the share capital of Piaggio Vehicles Pvt. Ltd;
- the acquisition, by Piaggio & C. S.p.A., of 100% of Nacional Motor S.A. in October 2003, at a price of €/000 35,040 with goodwill net of amortisation of €/000 31,237 as of 1 January 2004.
- the acquisition, by Piaggio & C. S.p.A. of 100% of Aprilia S.p.A. in December 2004.

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

Following the reorganisation by geographic segments which took place at the start of 2012, goodwill is broken down as follows:

	EMEA and Americas	India	Asia Sea	Total
In thousands of Euros				
30.06.2012	305,311	109,695	31,934	**446,940**
31.12.2011	305,311	109,695	31,934	**446,940**

As specified in the section on accounting standards, from 1 January 2004 goodwill is no longer amortised, but is tested annually or more frequently for impairment if specific events or changed circumstances indicate the possibility of it having been impaired, in accordance with the provisions of IAS 36 *Impairment of Assets* (impairment test).
The possibility of reinstating booked values is verified by comparing the net book value of individual *cash generating units* with the recoverable value (usage value). This recoverable value is represented by the present value of future cash flows which, it is estimated, will be derived from the continual use of goods referring to *cash generating units* and by the final value attributable to these goods.
The recoverability of goodwill is verified at least once per year (as of 31 December), even in the absence of indicators of impairment losses.
As of 30 June 2012, there were no indications of impairment losses for this asset.
The item "Other intangible assets" mainly refers to costs incurred by Piaggio Vietnam.

17. Property, plant and machinery — *€/000 302,039*

The table below details the breakdown of plant, property and equipment as of 30 June 2012 and 31 December 2011, as well as changes for the period.

In thousands of Euros	Land	Buildings	Plant and equipment	Equipment	Other assets	Assets under construction and advances	Total
Historical cost	31,586	131,760	335,935	471,529	43,343	51,516	1,065,669
Reversals							0
Provisions for write-down				(1,339)			(1,339)
Accumulated depreciation		(46,950)	(266,346)	(439,050)	(37,113)		(789,459)
Assets as of 31.12.2011	**31,586**	**84,810**	**69,589**	**31,140**	**6,230**	**51,516**	**274,871**
Investments		158	1,466	3,997	370	31,202	37,193
Transitions in the period		7,988	21,562	2,102	813	(32,465)	0
Depreciation		(2,222)	(7,427)	(7,879)	(916)		(18,444)
Disposals		0	(10)	(40)	(46)	(34)	(130)
Impairment				0			0
Exchange differences		(196)	(779)	(3)	(13)	567	(424)
Other movements		1,363	6,436	1,023	151	0	8,973
Total changes	**0**	**7,091**	**21,248**	**(800)**	**359**	**(730)**	**27,168**
Historical cost	31,586	141,071	364,411	478,065	44,897	50,786	1,110,816
Reversals							0
Provisions for write-down				(1,441)			(1,441)
Accumulated depreciation		(49,170)	(273,574)	(446,284)	(38,308)		(807,336)
Assets as of 30.06.2012	**31,586**	**91,901**	**90,837**	**30,340**	**6,589**	**50,786**	**302,039**

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

	Value as of 30 June 2012			Value as of 31 December 2011			Change		
	For the period	Under construction and advances	Total	For the period	Under construction and advances	Total	For the period	Under construction and advances	Total
In thousands of Euros									
Land	31,586		31,586	31,586		31,586	0	0	0
Buildings	91,901	18,198	110,099	84,810	18,253	103,063	7,091	(55)	7,036
Plant and equipment	90,837	22,913	113,750	69,589	24,155	93,744	21,248	(1,242)	20,006
Equipment	30,340	8,918	39,258	31,140	8,493	39,633	(800)	425	(375)
Other assets	6,589	757	7,346	6,230	615	6,845	359	142	501
Total	**251,253**	**50,786**	**302,039**	**223,355**	**51,516**	**274,871**	**27,898**	**(730)**	**27,168**

The item Plant, property and equipment was affected by the acquisition of the company Tecnocontrol. The impact is indicated under "Other movements" and concerns a value of €/000 2,113 for Buildings, €/000 6,456 for Plant and Machinery, €/000 1,142 for Equipment and €/000 68 for Other assets.

Plant, property, and equipment mainly refer to Group production facilities in Pontedera (Pisa), Noale (Venice), Mandello del Lario (Lecco), Barcelona (Spain), Baramati (India) and Vinh Phuc (Vietnam).
Increases principally concern moulds for new vehicles launched in the period, the construction of the new spare parts warehouse at Pontedera, completion of the Vespa plant in India and development of the new engines plant in Vietnam.

As of 30 June 2012, the net values of assets held under leases were as follows:

	As of 30 June 2012
In thousands of Euros	
Mandello del Lario site (land and building)	13,344
Total	**13,344**

Future lease rental commitments are detailed in note 30.

Guarantees
As of 30 June 2012, the Group had land and buildings encumbered by mortgage liens or privileges in favour of banks to secure loans obtained in previous years.

18. Investment Property — *€/000 0*

As of 30 June 2012 no investment property was held.

19. Investments — *€/000 5,032*

The Investments heading comprises:

	As of 30 June 2012	As of 31 December 2011	Change
In thousands of Euros			
Investments in joint ventures	4,838	2,288	2,550
Investments in affiliated companies	194	194	0
Total	**5,032**	**2,482**	**2,550**

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

20. Other non-current financial assets *€/000 16,048*

	As of 30 June 2012	As of 31 December 2011	Change
In thousands of Euros			
Financial receivables due from third parties	32	32	0
Fair value of hedging derivatives	15,850	11,639	4,211
Investments in other companies	166	165	1
Total	**16,048**	**11,836**	**4,212**

The item fair value of hedging derivatives comprises €/000 12,757 relative to the *fair value* of the cross currency swap for a private debenture loan, €/000 3,078 relative to the *fair value* of the cross currency swap for a medium-term loan of the Indian subsidiary, and €/000 15 relative to the *fair value* of the cross currency swap for a medium-term loan of the Vietnamese subsidiary. For further details, see attachment F – Information on financial instruments.

21. Current and non-current tax receivables *€/000 28,589*

Receivables due from tax authorities consist of:

	As of 30 June 2012	As of 31 December 2011	Change
In thousands of Euros			
VAT receivables	26,530	26,873	(343)
Income tax receivables	1.314	645	669
Other receivables due from the public authorities	745	703	42
Total tax receivables	**28,589**	**28,221**	**368**

Non-current tax receivables totalled €/000 1,140, compared to €/000 976 as of 31 December 2011, while current tax receivables totalled €/000 27,449 compared to €/000 27,245 as of 31 December 2011.

22. Deferred tax assets *€/000 55,026*

The item "deferred tax assets" primarily includes deferred tax assets, largely referring to the cancellation of unrealised intercompany capital gains with third parties, deferred tax assets on the tax losses of the Parent Company and Nacional Motor S.A. as well as prepaid taxes on temporary differences of the Parent.
As part of measurements to define deferred tax assets, the Group mainly considered the following:

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

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

23. Current and non-current trade receivables — *€/000 140,956*

Their breakdown was as follows:

	As of 30 June 2012	As of 31 December 2011	Change
In thousands of Euros			
Trade receivables	139,470	63,107	76,363
Receivables due from Group companies valued at Equity	1,474	2,408	(934)
Receivables due from affiliated companies	12	45	(33)
Total	**140,956**	**65,560**	**75,396**

No non-current trade receivables were recorded for either period.
Receivables due from Group companies valued at equity comprise amounts due from Zongshen Piaggio Foshan Motorcycles.
Receivables due from affiliated companies include amounts due from the Fondazione Piaggio and Immsi Audit.
The item "Trade receivables" comprises receivables referring to normal sale transactions, recorded net of bad debt of €/000 26,427.
The 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 customers an instrument for funding their own inventories. As of 30 June 2012 trade receivables still due sold without recourse totalled €/000 133,747 and 2,318 to be accredited, of which the Group received payment prior to the natural maturity of the receivables for €/000 111,485. As of 30 June 2012, receivables sold with recourse by factoring companies and banks amounted to €/000 32,826, with a counter entry under current liabilities.

24. Other current and non-current receivables — *€/000 46,440*

They consist of:

Other non-current receivables	As of 30 June 2012	As of 31 December 2011	Change
In thousands of Euros			
Due from Group companies valued at Equity	138	138	0
Due from associated companies	267	267	0
Prepaid expenses	12,197	12,265	(68)
Advances to employees	85	99	(14)
Security deposits	328	324	4
Due from others	2,114	2,072	42
Total non-current portion	**15,129**	**15,165**	**(36)**

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.

Other current receivables	As of 30 June 2012	As of 31 December 2011	Change
In thousands of Euros			
Receivables due from the Parent Company	6,322	6,259	63
Receivables due from Group companies valued at Equity	140	140	0
Receivables due from affiliated companies	27	57	(30)
Accrued income	1,043	2,941	(1,898)
Prepaid expenses	3,815	2,026	1,789
Advance payments to suppliers	1,630	2,543	(913)
Advances to employees	592	576	16
Fair value of hedging derivatives	785	987	(202)
Security deposits	347	203	144
Receivables due from others	16,610	12,296	4,314
Total current portion	**31,311**	**28,028**	**3,283**

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 regard amounts due from the Fondazione Piaggio.
The item fair value of hedging derivatives mainly refers to the fair value of hedging derivatives relative to the exchange risk on forecast transactions recognised on an cash flow hedge basis. For further details, see attachment F – Information on financial instruments.

25. Inventories *€/000 287,776*

This item comprises:

	As of 30 June 2012	As of 31 December 2011	Change
In thousands of Euros			
Raw materials and consumables	137,689	103,126	34,563
Provisions for write-down	(14,015)	(13,152)	(863)
Net value	*123,674*	*89,974*	*33,700*
Work in progress and semifinished products	16,207	23,246	(7,039)
Provisions for write-down	(852)	(852)	0
Net value	*15,355*	*22,394*	*(7,039)*
Finished products and goods	173,894	150,649	23,245
Provisions for write-down	(25,393)	(26,160)	767
Net value	*148,501*	*124,489*	*24,012*
Advances	246	131	115
Total	**287,776**	**236,988**	**50,788**

The increase is related to seasonal sales trends.

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

As of 30 June 2012, there were no current financial assets.

27. Cash and cash equivalents *€/000 107,340*

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

	As of 30 June 2012	As of 31 December 2011	Change
In thousands of Euros			
Bank and postal deposits	101,275	151,394	(50,119)
Cash on hand	72	52	20
Securities	5,993	441	5,552
Total	**107,340**	**151,887**	**(44,547)**

The item Securities refers to a deposit agreement of the Indian subsidiary to effectively use temporary liquidity.

28. Assets held for sale *€/000 0*

As of 30 June 2012, there were no assets held for sale.

Information on the consolidated statement of financial position - Liabilities

29. Share capital and reserves — *€/000 444,359*

Share capital — €/000 201,511

During the period, share capital changed, following the purchase of 1,259,062 treasury shares. Broken down as follows:

In thousands of Euros	
Subscribed and paid up capital	205,941
Treasury shares as of 31.12.2011	(3,732)
Acquisition of treasury shares in the period	(698)
Share capital as of 30 June 2012	**201,511**

As of 30 June 2012, the Parent Company held 8,103,142 treasury shares, equal to 2.1795% of the share capital.
In accordance with international accounting standards, the acquisitions were recognised as a decrease of shareholders' equity.

As of 30 June 2012, according to the shareholder ledger, notifications received pursuant to article 120 of Legislative Decree no. 58/1998 and other information available, the following shareholders hold voting rights, either directly or indirectly, exceeding 2% of the share capital:

Declarer	Direct shareholder	% of ordinary share capital	% of shares with voting rights
Omniaholding S.p.A.	IMMSI S.p.A.	53.048	53.048
	Omniaholding S.p.A.	0.027	0.027
	Total	**53.075**	**53.075**
Diego della Valle	Diego della Valle & C. S.a.p.a.	5.336	5.336
	Total	**5.336**	**5.336**
Financiere de l'Echiquier	Financiere de l'Echiquier	4.980	4.980
	Total	**4.890**	**4.980**

Share premium reserve — €/000 3,493

The share premium reserve as of 30 June 2012 was unchanged and amounted to €/000 3,493.

Legal reserve — €/000 14,593

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

Other provisions €/000 (8,708)

This item consists of:

	As of 30 June 2012	As of 31 December 2011	Change
In thousands of Euros			
Translation reserve	(14,060)	(13,087)	(973)
Stock option reserve	13,085	12,700	385
Financial instruments' fair value reserve	(2,213)	(1,510)	(703)
Termination benefit adjustment reserve	(654)	1,447	(2,101)
IFRS transition reserve	(5,859)	(5,859)	0
Total other provisions	*(9,701)*	*(6,309)*	*(3,392)*
Consolidation reserve	993	993	0
Total	**(8,708)**	**(5,316)**	**(3,392)**

As already indicated, following the adoption of IAS 19 Revised, in advance, published data relative to the half-year period of the previous year have been restated to make them uniform with current data.

The financial instruments fair value provision is negative by €/000 2,213 and refers to the effects of cash flow hedge accounting in foreign currencies, interest and specific business transactions. These transactions are described in full in the note on financial liabilities.

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

Distributed dividends €/000 29,877

In May 2012, dividends totalling €/000 29,877 were paid. In May 2011, dividends totalling €/000 25,684 were paid.

Performance reserve €/000 33,734

Non-controlling interests capital and reserves €/000 1,243

The end of period figures refer to minority interest in Piaggio Hrvatska Doo.

Other net income (losses) €/000 (2,804)

The value of Other net income (losses) consists of:

	1st half of 2012
In thousands of Euros	
The effective portion of net income (losses) on cash flow hedging instruments generated in the period	(423)
The effective portion of net income (losses) on cash flow hedging instruments reclassified in the consolidated income statement	(280)
Effective portion of profits (losses) on cash flow hedges	**(703)**
Actuarial gains (losses) relative to defined benefit plans	(2,101)
Total gains (losses)	**(2,804)**

30. Current and non-current financial liabilities *€/000 506,614*

In the first half of 2012, the Group's overall debt increased by €/000 7,153, from €/000 499,461 to €/000 506,614. Net of the fair value measurement of financial derivatives to hedge the exchange risk and interest rate risk, and the adjustment of relative hedged items, as of 30 June 2012 total financial debt of the Group increased by €/000 3,558.

	Financial liabilities as of 30 June 2012			Financial liabilities as of 31 December 2011			Change		
	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total
In thousands of Euros									
Gross financial debt	123,579	367,765	491,344	170,261	317,525	487,786	(46,682)	50,240	3,558
Fair Value of hedging derivatives		15,270	15,270		11,675	11,675		3,595	3,595
Total	**123,579**	**383,035**	**506,614**	**170,261**	**329,200**	**499,461**	**(46,682)**	**53,835**	**7,153**

The Group's net debt amounted to €/000 384,004 as of 30 June 2012 compared to €/ 000 335,899 as of 31 December 2011, as can be seen in the table on Net Debt included in the financial statements.
The attached tables summarise the breakdown of financial debt as of 30 June 2012 and as of 31 December 2011, as well as changes for the period.

	Book value As of 31.12.2011	Repay-ments	New issues	Reclassification to the current portion	Exchange delta	Other changes	Book value As of 30.06.2012
In thousands of Euros							
Non-current portion:							
Bank financing	112,768		68,780	(15,621)	560	(2,903)	163,584
Bonds	191,859					849	192,708
Other medium-/long-term loans:							
- *of which leasing*	*6,745*			*(463)*			*6,282*
- *of which amounts due to other lenders*	*6,153*			*(962)*			*5,191*
Total other loans	12,898	0	0	(1,425)	0	0	11,473
Total	**317,525**	**0**	**68,780**	**(17,046)**	**560**	**(2,054)**	**367,765**

	Book value As of 31.12.2011	Repay-ments	New issues	Reclassification to the current portion	Exchange delta	Other changes	Book value As of 30.06.2012
In thousands of Euros							
Current portion:							
Current account overdrafts	85		1,765				1,850
Current account payables	22,864		16,149		122		39,135
Bonds	-						-
Payables due to factoring companies	20,085		12,741				32,826
Current portion of medium-/long-term loans:							
- *of which leasing*	*894*	*(442)*		*463*			*915*
- *of which due to banks*	*122,428*	*(93,119)*		*15,621*		*47*	*44,977*
- *of which amounts due to other lenders*	*3,905*	*(991)*		*962*			*3,876*
Total other loans	127,227	(94,552)	0	17,046	0	47	49,768
Total	**170,261**	**(94,552)**	**30,655**	**17,046**	**122**	**47**	**123,579**

The breakdown of the debt is as follows:

In thousands of Euros	**Book value as of 30.06.2012**	**Book value as of 31.12.2011**	**Par value as of 30.06.2012**	**Par value as of 31.12.2011**
Bank financing	249,546	258,145	253,287	259,031
Debenture loan	192,708	191,859	201,799	201,799
Other medium-/long-term loans:				
- of which leasing	*7,197*	*7,639*	*7,197*	*7,639*
- of which amounts due to other lenders	*41,893*	*30,143*	*41,893*	*30,143*
Total other loans	49,090	37,782	49,090	37,782
Total	**491,344**	**487,786**	**504,176**	**498,612**

The table below shows the debt servicing schedule as of 30 June 2012:

	Par value as of 30.06.2012	**Amounts falling due within 12 months**	**Amounts falling due after 12 months**	**Amounts falling due in**				
In thousands of Euros				**2nd half of 2013**	**2014**	**2015**	**2016**	**Beyond**
Bank financing	253,287	86,226	167,061	14,499	26,745	89,339	19,483	16,995
- including opening of credit lines and bank overdrafts	*40,985*	*40,985*	*0*	*0*	*0*	*0*	*0*	*0*
- of which medium/long-term bank loans	*212,302*	*45,241*	*167,061*	*14,499*	*26,745*	*89,339*	*19,483*	*16,995*
Debenture loan	201,799	0	201,799				150,000	51,799
Other medium-/long-term loans:								
- of which leasing	*7,197*	*915*	*6,282*	*473*	*5,809*			
- of which amounts due to other lenders	*41,893*	*36,702*	*5,191*	*659*	*1,630*	*1,639*	*312*	*951*
Total other loans	49,090	37,617	11,473	1,132	7,439	1,639	312	951
Total	**504,176**	**123,843**	**380,333**	**15,631**	**34,184**	**90,978**	**169,795**	**69,745**

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

In thousands of Euros	**Book value as of 31.12.2011**	**Book value as of 30.06.2012**	**Notional value as of 30.06.2012**	**Applicable interest rate**
Euro	438,248	437,302	449,331	4.53%
Indian Rupee	12,069	19,514	19,969	10.53%
Indonesian Rupiah	1,619	3,115	3,115	8.00%
US Dollar	17,003	5,163	5,163	2.14%
Vietnamese Dong	14,605	22,095	22,443	17.22%
Japanese Yen	4,242	4,155	4,155	1.90%
Total currencies other than Euro	*49,538*	*54,042*	*54,845*	*11.68%*
Total	**487,786**	**491,344**	**504,176**	**5.31%**

Medium and long-term bank debt amounts to €/000 208,561 (of which €/000 163,584 non-current and €/000 44,977 current) and consists of the following loans:

- a €/000 85,714 medium-term loan from the European Investment Bank to finance Research & Development investments planned for the period 2009-2012. The loan will fall due in February 2016 and has an initial amortisation quota of 14 six-monthly instalments to be repaid at a variable rate equal to the six-month Euribor plus a spread of 1.323%. The contractual terms envisage loan covenants but exclude guarantees. It should be noted that, with reference to the 2011 period, these parameters were comfortably met. An interest rate swap was taken out on the loan to hedge the interest rate risk (for more details, see attachment F);
- a medium-term revolving syndicated loan of €/000 57,326 (nominal value of €/000 60,000) granted in December 2011 and finalised in January 2012, as suspension conditions had been met. The loan, of a total value of €/000 200,000, is for 4 years and was undersigned to refinance the existing equivalent loans which are near maturity. The contractual terms envisage loan covenants but exclude guarantees. It should be noted that, in reference to the first half of 2012, these parameters were comfortably met;
- a medium-term revolving syndicated loan of €/000 765 (nominal value of €/000 1,000) granted by Monte dei Paschi di Siena in December 2011 and finalised in January 2012, as suspension conditions had been met. The loan, of a total value of €/000 40,000, is for 18 month minus one day and was undersigned to refinance the existing equivalent loans which are near maturity;
- a €/000 14,971 (nominal value of €/000 15,000) loan from Mediobanca and Banca Intesa San Paolo, syndicated to a small pool of banks, maturing in December 2012. The loan package consisted of an initial instalment of €/000 150,000 which has been fully drawn on (as of 30 June 2012 €/000 15,000 was still due) and a second instalment of €/000 100,000 to be used as a credit line, which the Parent Company waived in advance of maturity, in January 2012. 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 first half of 2012, these parameters were comfortably met;
- a €/000 9,375 five-year unsecured loan from GE Capital Interbanca stipulated in September 2008;
- €/000 4,275 of loans from various banks pursuant to Italian Law no. 346/88 on subsidised applied research;
- a €/000 1,350 eight-year subsidised loan from ICCREA in December 2008 granted under Italian Law 100/90;
- €/000 19,392 (nominal amount €/000 19,847) medium-term loan for USD/000 29,000 granted by International Finance Corporation (a World Bank member) to the subsidiary Piaggio Vehicles Private Limited on which interest matures at a variable rate increased by a margin. The loan will fall due on 15 July 2019 and has an amortisation quota of six-monthly instalments from January 2014. A guarantee has been provided by the Parent Company and, in line with market practice, some financial parameters must be met. It should be noted that, in reference to the first half of 2012, these parameters were comfortably met. Cross currency swaps were taken out on the loan to hedge the exchange risk and interest rate risk (for more details, see attachment F);
- €/000 15,393 (nominal value €/000 15,741) medium-term loan for USD/000 19,680 granted by International Finance Corporation to the subsidiary Piaggio Vietnam on which interest matures at a variable rate increased by a margin. The loan will fall due on 15 July 2018 and has an amortisation quota of six-monthly instalments from July 2014. A guarantee has been provided by the Parent Company and, in line with market practice, some financial parameters must be met. It should be noted that, in reference to the first half of 2012, these parameters were comfortably met. Cross currency swaps were taken out on the loan to hedge the exchange risk and interest rate risk (for more details, see attachment F).

The item Bonds for €/000 192,708 (nominal value of €/000 201,799) refers to:

- €/000 141,281 (nominal value of €/000 150,000) relative to a high-yield debenture loan issued on 4 December 2009 for a nominal amount of €/000 150,000, falling due on 1 December 2016 and with a semi-annual coupon with fixed annual nominal rate of 7%. Standard & Poor's and Moody's confirmed their ratings in 2011 of BB with a negative outlook and Ba2 with a stable outlook;
- €/000 51,427 (nominal value of €/000 51,799) relative to a private debenture loan (US Private Placement) issued on 25 July 2011 for $/000 75,000 wholly subscribed by an American institutional investor, payable in 5 annual portions from July 2017, with a semi-annual coupon with fixed annual nominal rate of 6.50%. As of 30 June 2012, the fair value measurement of the debenture loan was equal to €/000 64,385. Cross currency swaps were taken out on this loan to hedge the exchange risk and interest rate risk (for more details, see attachment F).

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

Medium-/long-term payables due to other lenders equal to €/000 16,264 of which €/000 11,473 due after the year and €/000 4,791 as the current portion, detailed as follows:

- a property lease for €/000 7,197 granted by Unicredit Leasing (non-current portion equal to €/000 6,282);
- subsidised loans for a total of €/000 9,067 provided by the Italian Ministry of Economic Development and Italian Ministry of Education using regulations to encourage exports and investment in research and development (non-current portion of €/000 5,191).

Financial advances received from factoring companies and banks, on the sale of trade receivables with recourse, total €/000 32,826.

31. Current and non-current trade payables — *€/000 479,802*

As of 30 June 2012

Non-current portion	As of 30 June 2012	As of 31 December 2011	Change
In thousands of Euros			
Amounts due to suppliers	254	235	19
Trade payables due to companies valued at equity			
Amounts due to affiliated companies			
Amounts due to parent companies			
Total	**254**	**235**	**19**

Current portion	As of 30 June 2012	As of 31 December 2011	Change
In thousands of Euros			
Amounts due to suppliers	458,261	356,360	101,901
Trade payables due to companies valued at equity	21,211	18,124	3,087
Amounts due to affiliated companies	76		76
Amounts due to parent companies		779	(779)
Total	**479,548**	**375,263**	**104,285**

Payables to equity companies mainly refer to the supply of vehicles from the Chinese subsidiary Zongshen Piaggio Foshan.

32. Current and non-current portions of provisions *€/000 25,626*

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

In thousands of Euros	Balance as of 31 December 2011	Allocations	Applications	Reclassifi-cations	Delta exchange rate	Balance as of 30 June 2012
Provision for product warranties	14,735	6,458	(5,542)		61	15,712
Provision for quality-related events	392		(59)			333
Risk provisions on investments	195					195
Provision for contractual risks	3,993			(58)		3,935
Provisions for guarantee risks	76					76
Provision for tax risks	36					36
Other provisions for risks	6,117	241	(977)	(77)	35	5,339
Total	**25,544**	**6,699**	**(6,578)**	**(135)**	**96**	**25,626**

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

Non-current portion In thousands of Euros	As of 30 June 2012	As of 31 December 2011	Change
Provision for product warranties	4,864	4,523	341
Provision for quality-related events	241	242	(1)
Risk provisions on investments	195	195	0
Provision for contractual risks	3,935	3,993	(58)
Provisions for guarantee risks			
Provision for tax risks			
Other provisions for risks and charges	3,306	3,476	(170)
Total non-current portion	**12,541**	**12,429**	**112**

Current portion In thousands of Euros	As of 30 June 2012	As of 31 December 2011	Change
Provision for product warranties	10,848	10,212	636
Provision for quality-related events	92	150	(58)
Risk provisions on investments			
Provision for contractual risks			
Provisions for guarantee risks	76	76	0
Provision for tax risks	36	36	0
Other provisions for risks and charges	2,033	2,641	(608)
Total current portion	**13,085**	**13,115**	**(30)**

The product warranty provision relates to allocations for technical assistance on products covered by customer service which are estimated to be provided over the contractually envisaged warranty period. This period varies according to the type of goods sold and the sales market, and is also determined by customer take-up to commit to a scheduled maintenance plan.
The provision increased during the period by €/000 6,458 and was used for €/000 5,542 in relation to charges incurred during the period.
The provision for quality-related events covers possible costs that could arise as a result of faulty components provided by suppliers.
Risk provisions for investments cover the portion of negative shareholders' equity of the subsidiaries Piaggio China Co. Ltd and AWS do Brasil, as well as charges that may arise from said.
The provision of contractual risks refers mainly to charges which may arise from the ongoing negotiation of a supply contract.
The provision for tax risks concerns council tax for the Scorzè site.
"Other provisions" include provisions for legal risks for €/000 3,624.

33. Deferred tax liabilities *€/000 34,383*

Deferred tax liabilities totalled €/000 34,383 compared to €/000 32,735 as of 31 December 2011. The change is mainly due to the recognition of deferred taxes concerning the result of the Indian subsidiary, which will be taxed, presuming it becomes a dividend for the Parent Company in future.

34. Retirement funds and employee benefits *€/000 47,492*

	As of 30 June 2012	As of 31 December 2011	Change
In thousands of Euros			
Retirement funds	1,603	1,191	412
Post-employment benefits	45,889	45,412	477
Total	**47,492**	**46,603**	**889**

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

35. Current and non-current tax payables *€/000 31,375*

The item includes tax payables recorded in the financial statements of individual consolidated companies, set aside in relation to tax charges for the individual companies on the basis of applicable national laws.
Payables for tax withholdings made refer mainly to withholdings on employees' earnings, on employment termination payments and on self-employed earnings.
Their breakdown was as follows:

Non-current portion	As of 30 June 2012	As of 31 December 2011	Change
In thousands of Euros			
Due for income taxes	162	169	(7)
Due for non-income tax			0
Tax payables for:			
- VAT			0
- withheld tax at source			0
- other	1,177	2,370	(1,193)
Total	1,177	2,370	(1,193)
Total	**1,339**	**2,539**	**(1,200)**

Current portion	As of 30 June 2012	As of 31 December 2011	Change
In thousands of Euros			
Due for income taxes	11,975	5,594	6,381
Due for non-income tax	93		93
Tax payables for:			
- VAT	10,888	5,217	5,671
- withheld taxes made	2,839	5,496	(2,657)
- other	4,241	4,613	(372)
Total	17,968	15,326	2,642
Total	**30,036**	**20,920**	**9,116**

36. Current and non-current other payables *€/000 71,897*

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

Non-current portion	As of 30 June 2012	As of 31 December 2011	Change
In thousands of Euros			
Payables to employees	24	25	(1)
Guarantee deposits	490	332	158
Deferred liabilities			0
Deferred income	1,761	2,344	(583)
Amounts due to social security institutions			0
Fair value of hedging derivatives	2,855	2,847	8
Other payables	400	400	0
Total	**5,530**	**5,948**	**(418)**

Current portion	As of 30 June 2012	As of 31 December 2011	Change
In thousands of Euros			
Payables to employees	27,965	25,772	2,193
Guarantee deposits	1,447	1,492	(45)
Deferred liabilities	19,313	15,424	3,889
Deferred income	1,611	1,315	296
Amounts due to social security institutions	5,974	9,719	(3,745)
Fair value of hedging derivatives	1,180	961	219
Sundry payables due to affiliated companies	32	32	0
Sundry payables due to parent companies	53	43	10
Other payables	8,792	9,960	(1,168)
Total	**66,367**	**64,718**	**1,649**

Amounts due to employees include the amount for holidays accrued but not taken of €/000 15,962 and other payments to be made for €/000 12,027.
Payables due to affiliated companies refer to various amounts due to the Fondazione Piaggio.
The item Fair Value of hedging derivatives refers to the fair value (€/000 2,855 non-current portion and €/000 1,180 current portion) of a hedging Interest Rate Swap recognised on a cash flow hedge basis as provided for by IAS 39 and the fair value of hedging derivatives to hedge the exchange risk on forecast transactions recognised on a cash flow hedge basis (€/000 228 current portion).
The item Accrued liabilities includes €/000 3,155 for interest on hedging derivatives and relative hedged items measured at fair value.

Mantua, 27 July 2012

for the Board of Directors

/f/ Roberto Colaninno

Chairman and Chief Executive Officer
Roberto Colaninno

E) Transactions with related parties

The main business and financial relations of Group companies with related parties have already been described in the specific paragraph in the Report on Operations to which reference is made here. To supplement this information, the following table provides information by company of outstanding items as of 30 June 2012, as well as their contribution to the respective financial statement item.

	Fondazione Piaggio	Piaggio China	AWS do Brasil	Zongshen Piaggio Foshan	IMMSI Audit	Studio D'Urso	Omniaholding	IMMSI	**Total**	**% of accounting item**
In thousands of Euros										
Income statement										
costs for materials				19,626					**19,626**	**4.43%**
costs for services and leases and rentals		-		24	430	70	25	1,465	**2,014**	**1.53%**
other operating income	-			26	40			25	**91**	**0.17%**
Borrowing costs				84			102		**186**	**0.96%**
Assets										
other non-current receivables	267		138						**405**	**2.68%**
current trade receivables	5			1,474	7			-	**1,486**	**1.05%**
other current receivables	27			140	-			6,322	**6,489**	**20.72%**
Liabilities										
financial liabilities falling due after one year							2,900		**2,900**	**0.76%**
current trade payables	-	6		21,205	-	70	-	6	**21,287**	**4.44%**
other current payables	32			-	-		-	53	**85**	**0.13%**

F) Information on financial instruments

This attachment provides information about financial instruments, their risks, as well as the sensitivity analysis in accordance with the requirements of IFRS 7, effective as of 1 January 2007.
As of 30 June 2012 and as of 31 December 2011, the financial instruments in force were allocated as follows within the Piaggio Consolidated Group Financial Statements.

		As of 30 June 2012	As of 31 December 2011	Change
Notes	In thousands of Euros			
	Assets			
	Non-current assets			
20	Other financial assets	15,850	11,639	4,211
	of which from the measurement of derivatives	15,850	11,639	4,211
	Liabilities			
	Non-current liabilities			
30	Financial liabilities falling due after one year	383,035	329,200	53,835
	of which bonds	192,708	191,859	849
	of which bank financing	163,584	112,768	50,816
	of which leasing	6,282	6,745	(463)
	of which other lenders	5,191	6,153	(962)
	of which the fair value of hedging derivatives	15,270	11,675	3,595
	Current liabilities			
30	Financial liabilities falling due within one year	123,579	170,261	(46,682)
	of which bank financing	85,962	145,377	(59,415)
	of which leasing	915	894	21
	of which other lenders	36,702	23,990	12,712

Current and non-current liabilities

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

Financial Risks

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

Liquidity risk and capitals management

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

As of 30 June 2012 the most important credit lines irrevocable until maturity granted to the Parent Company were as follows:

- revolving loan of €/000 200,000 due in December 2015;
- revolving loan of €/000 40,000 due in June 2013;
- revolving loan of €/000 20,000 due in November 2013;
- debenture loan of €/000 150,000 due in December 2016;
- debenture loan of $/000 75,000 due in July 2021;
- a loan of €/000 85,714 due in February 2016;
- a loan of €/000 9,375 due in September 2013;
- a loan of €/000 15,000 due in December 2012;

Other Group companies had the following irrevocable credit lines:

- a loan of $/000 36,850 due in July 2019;
- a loan of $/000 19,680 due in July 2018.

As of 30 June 2012, the Group had a liquidity of €/000 107,340, undrawn irrevocable credit lines of €/000 209,335 and revocable credit lines of €/000 168,941, as detailed below:

	As of 30 June 2012	As of 31 December 2011
In thousands of Euros		
Variable rate with maturity within one year - irrevocable until maturity	39,000	100,000
Variable rate with maturity beyond one year - irrevocable until maturity	170,335	4,100
Variable rate with maturity within one year - cash revocable	134,941	180,045
Variable rate with maturity within one year - with revocation for self-liquidating typologies	34,000	20,700
Total undrawn credit lines	**378,276**	**304,845**

Exchange Risk

The Group operates in an international context where transactions are conducted in currencies different from Euro. This exposes the Group to risks arising from exchange rates fluctuations. 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*.

This policy analyses:

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

As of 30 June 2012, Piaggio & C. S.p.A. had undertaken the following forward purchase contracts (recognised based on the regulation date):

- for a value of CAD/000 830 corresponding to €/000 646 (valued at the forward exchange rate), with average maturity on 25 July 2012;
- for a value of GBP/000 7,140 corresponding to €/000 8,920 (valued at the forward exchange rate), with average maturity on 10 August 2012;
- for a value of JPY/000 375,000 corresponding to €/000 3,655 (valued at the forward exchange rate),

with average maturity on 10 July 2012;
› for a value of SEK/000 850 corresponding to €/000 96 (valued at the forward exchange rate), with average maturity on 31 July 2012;
› for a value of USD/000 9,010 corresponding to €/000 7,138 (valued at the forward exchange rate), with average maturity on 6 July 2012;

and forward sales contracts:
for a value of CAD/000 1,550 corresponding to €/000 1,193 (valued at the forward exchange rate), with average maturity on 12 August 2012;
› for a value of GBP/000 6,730 corresponding to €/000 8,302 (valued at the forward exchange rate), with average maturity on 16 August 2012;
› for a value of JPY/000 30,000 corresponding to €/000 30 (valued at the forward exchange rate), with average maturity on 31 July 2012;
› for a value of SEK/000 9,000 corresponding to €/000 1,004 (valued at the forward exchange rate), with average maturity on 16 August 2012;
› for a value of USD/000 3,540 corresponding to €/000 2,760 (valued at the forward exchange rate), with average maturity on 16 August 2012.

Details of other operations ongoing at other Group companies are given below:
› for PT Piaggio Indonesia forward purchase contracts for €/000 1,250, with average maturity on 3 August 2012;
› for Piaggio Vehicles Private Limited forward purchase contracts for USD/000 1,100 with average maturity on 31 July 2012, for JPY/000 170,690 with average maturity on 2 July 2012 and for €/000 2,000 with average maturity on 31 July 2012. As regards sales, contracts for USD/000 1,076 with average maturity on 31 July 2012.

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

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

As of 30 June 2012, the Group had undertaken the following hedging transactions on the exchange risk:
› forward purchase contracts for a value of CNY/000 64,000 corresponding to €/000 7,315 (valued at the forward exchange rate), with average maturity on 16 September 2012;
› forward sales contracts for a value of GBP/000 4,900 corresponding to €/000 5,886 (valued at the forward exchange rate), with average maturity on 21 August 2012;
To hedge the business risk alone, *cash flow* hedging is adopted with the effective portion of profits and losses recognised in a specific shareholders' equity reserve. Fair value is determined based on market quotations provided by main traders.

As of 30 June 2012 the total fair value of instruments to hedge the exchange risk accounted for on a hedge accounting basis was equal to €/000 525. During the period, profits under other components of the Statement of Comprehensive Income were recognised amounting to €/000 147 and losses from other components of the Statement of Comprehensive Income amounting to €/000 205 were reclassified to profits/losses for the period.

The net balance of cash flows during the first half of 2012 in main currencies is shown below:

In millions of Euro	Cash Flow 1st half of 2012
Pound Sterling	14.1
Indian Rupee	(38.0)
Croatian Kuna	1.8
US Dollar	7.3
Canadian Dollar	4.0
Swiss Franc	(1.1)
Vietnamese Dong	8.1
Chinese Yuan[1]	(25.1)
Japanese Yen	(4.9)
Total cash flow in foreign currency	**(33.8)**

1_Cash flow in Euro

In view of the above, assuming a 3% increase in the average exchange rate of the Euro on the unhedged portion of cash flows in main currencies observed during the first half of 2012, consolidated cash flow would have increased by approximately €/000 986.

Interest rate risk

This risk arises from fluctuating interest rates and the impact this may have on future cash flows arising from financial assets and liabilities. The Group regularly measures and controls its exposure to interest rates changes and manages such risks also resorting to derivative instruments, mainly Interest Rate Swaps and Cross Currency Swaps, as established by its own management policies.
As of 30 June 2012, the following hedging derivatives were taken out:

- *interest Rate Swap* to hedge the variable rate loan for a nominal amount of €/000 117,857 (as of 30 June 2012 for €/000 85,714) granted by the European Investment Bank. The structure has fixed step-up rates, in order to stabilise financial flows associated with the loan; in accounting terms, the instrument is recognised on a cash flow hedge basis, with profits/losses arising from the fair value measurement allocated to a specific reserve in shareholders' equity; as of 30 June 2012, the fair value of the instrument was negative by €/000 3,807;
- *a cross currency swap* to hedge the private debenture loan issued by the Parent Company for a nominal amount of $/000 75,000. The purpose of the instrument is to hedge both the exchange risk and interest rate risk, turning the loan from US dollars to Euro, and from a fixed rate to a variable rate; the instrument is accounted for on a fair value hedge basis, with effects arising from the measurement recognised as profit and loss. As of 30 June 2012, the fair value of the instrument was €/000 12,757. The net economic effect arising from the measurement of the instrument and underlying private debenture loan was equal to €/000 171;
- *a cross currency swap* to hedge a loan relative to the Indian subsidiary for $/000 29,000 granted by International Finance Corporation. The purpose of the instrument is to hedge the exchange risk and interest rate risk, turning the loan from US dollars to Indian Rupees, and a third of said loan from a variable rate to a fixed rate; As of 30 June 2012, the fair value of the instrument was €/000 3,020;
- *a cross currency swap* to hedge a loan relative to the Vietnamese subsidiary for $/000 19,680 granted by International Finance Corporation. The instrument hedges the exchange risk and partially the interest rate risk, turning the variable loan in US dollars to a fixed rate loan in Vietnamese Dong, except for a minor portion at a variable rate (one fourth). As of 30 June 2012, the fair value of the instrument was negative by €/000 272.

	Fair Value
Piaggio & C. S.p.A.	
Interest Rate Swap	(3,807)
Cross Currency Swap	12,757
Piaggio Vehicles Private Limited	
Cross Currency Swap	3,020
Piaggio Vietnam	
Cross Currency Swap	(272)

As of 30 June 2012, variable rate debt, net of financial assets and considering hedging derivatives, was equal to €/000 90,326. Consequently a 1% increase or decrease in the Euribor above this net exposure would have generated higher or lower interest of €/000 903 per year.

Credit risk

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

	As of 30 June 2012	As of 31 December 2011
In thousands of Euros		
Liquid assets	101,275	151,394
Securities	5,993	441
Financial receivables		
Trade receivables	140,956	65,560
Total	**248,224**	**217,395**

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

Hierarchical fair value valuation levels

As regards financial instruments recorded in the balance sheet at fair value, IFRS 7 requires these values to be classified on the basis of hierarchical levels which reflect the significance of the inputs used in determining fair value. These levels are as follows:

- level 1 – quoted prices for similar instruments;
- level 2 – directly observable market inputs other than Level 1 inputs;
- level 3 – inputs not based on observable market data.

The table below shows the fair value of hedging derivatives and relative hedged items as of 30 June 2012, by hierarchical measurement level.

	Level 1	Level 2	Level 3
In thousands of Euros			
Other assets - Financial hedging derivatives		15,835	15
Other assets		785	
Total		**16,620**	**15**
Hedging financial derivatives		(58)	(287)
Financial liabilities at fair value recognised as profit or loss		(66,724)	
Other liabilities		(4,035)	
Total		**(70,817)**	**(287)**
Accrued liabilities on hedging derivatives and relative hedged items measured at fair value		(1,780)	(1,375)
Total		**(55,977)**	**(1,647)**

Hierarchical level 3 includes items transferred from level 2 and refers to the measurement of the cross currency swap taken out for the Vietnamese subsidiary. This classification reflects the illiquiity of the local market, which does now allow for a valuation based on conventional criteria. If valuation techniques typical of local markets had been adopted, which is not the case for the Vietnamese financial market, derivatives would have had a negative fair value totalling €/000 3,006, rather than €/000 272 (included under financial hedging instruments - level 3, equal to a total of €/000 287) and accrued liabilities on financial hedging instruments equal to €/000 1,148.

The table below shows Level 2 changes occurring in the first half of 2012:

	Level 2
In thousands of Euros	
Balance as of 31 December 2011	(54,241)
Profit (loss) recognised in the consolidated income statement	(205)
Increases/(Decreases)	249
Balance as of 30 June 2012	**(54,197)**

G) Rulings

In an appeal pursuant to article 140 of the Consumer's Code, the consumer association Altroconsumo requested the Court of Pisa to order Piaggio to take all necessary measures to recall the first series of the Gilera Runner from the market (manufacture was stopped in 2005), claiming the existence of a design defect in the vehicle tank which would not make it safe. In particular, to support its claims, Altroconsumo reported two fires caused over the years by two accidents in which a first series Gilera Runner was involved and attached crash tests carried out on the same type of motorcycles.
Piaggio opposed the proceedings undertaken by Altroconsumo, opposing the alleged existence of a design defect and hazardous nature of the vehicle, filing a specific technical appraisal. The trial judge rejected the claim, ordering Altroconsumo to pay Piaggio's legal fees. Following the appeal made by Altroconsumo against the first instance ruling, a technical appraisal has been ordered to ascertain the existence of the design defect claimed by Altroconsumo. Appraisal activities, currently underway, should end in October 2012.

The Canadian Scooter Corp. (CSC), sole distributor of Piaggio for Canada, summoned Piaggio & C. S.p.A., Piaggio Group Americas Inc. and Nacional Motor S.A to appear before the Court of Toronto (Canada) to obtain compensation for damages sustained due to the alleged infringement of regulations established by Canadian law on franchising (the Arthur Wishart Act). A settlement to the dispute is ongoing.

By means of the deed of 3 June 2010, the Company took action to establish an arbitration board through the Arbitration Chamber of Milan, for a ruling against some companies of the Case New Holland Group (Italy, Holland and the US), to recover damages under contractual and non-contractual liability relating to the execution of a supply and development contract of a new family of utility vehicles (NUV). The Arbitration Board was established on 5 October 2010, informing the parties of the terms for filing briefs. Testimonial evidence admitted by the Board was examined on the basis of written statements and on the questioning of witnesses, in a hearing of 20 September 2011. With a ruling filed on 21 November 2011, the Board ordered final briefs to be exchanged and set the final hearing for 15 March 2012, which was subsequently deferred to 24 April 2012. At this hearing, the Arbitration Board reached a decision, which at present has not yet been notified to the parties.

Da Lio S.p.A., by means of a writ received on 15 April 2009, summoned the Company before the Court of Pisa to claim compensation for the alleged damages sustained for various reasons as a result of the termination of supply relationships. The Company appeared in court requesting the rejection of all opposing requests. Da Lio requested a joinder with the opposition concerning the injunction obtained by Piaggio to return the moulds retained by the supplier at the end of the supply agreement. Judgements were considered and a ruling issued pursuant to article 186ter of the Italian Code of Civil Proceedings, on 7 June 2011, ordering Piaggio to pay the sum of Euro 109,586.60, in addition to interest relative to sums which were not disputed. On 14 March 2012 the first preliminary hearing was held, with some of the parties' witnesses being examined; the next hearing, to continue the preliminary investigation, will be held on 5 July 2012.

On 16 June 2011 Elma srl, a Piaggio dealer since 1995, notified the Company of the summary judgement issued by the Court of Pisa to pay 1,340,000 Euro as fees claimed to have been accrued by way of an alleged sole agency agreement for distribution in the Rome area. For the same reasons, Elma by means of a writ received on 26 June 2011 requested a ruling for Piaggio to pay an additional 640,000 Euro as well as damages, estimated as more than 5,000,000 Euro, sustained due to non-compliance by and abuse of the dominant position of the Company; Elma also filed an appeal pursuant to article 700 of the Italian Code of Civil Proceedings for an injunction preventing payment to Piaggio of the guarantees issued to Piaggio in relation to the payment of sums receivable relative to supplies of products to Elma for a total of Euro 430,000.
Piaggio opposed the injunction fully disputing the validity of Elma's claims, requesting notification of termination of the agreement due to severe breach of contract by Elma as well as a ruling for Elma to settle outstanding sums owing, amounting to approximately Euro 966,000.

A ruling was made entirely in favour of Piaggio that in the meantime received payment for the guarantees issued in its favour.
As regards the proceedings, the Judge rejected the temporary enforcement of the injunction issued in favour of Elma, and subsequently forwarded the case to the President of the Court for a hearing concerning the proceedings. The proceedings have been assigned to the Court of Pisa; the next hearing, for establishing times and filing briefs, will be held on 5 July 2012.
As regards the case, Elma has also brought a case against a former senior manager of the Company with the Court of Rome: Piaggio appeared in the proceedings, requesting, among others, that the case be moved to the Court of Pisa. On the first hearing, on 20 June 2012, declaring its lack of jurisdiction concerning the case, the Judge forwarded the case to the President of the Court for a new Judge to be assigned.

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 opposed the injunction fully disputing the validity of Gammamoto's claims and objecting to the lack of jurisdiction of the Judge in charge. The Judge, accepting the petition formulated by the Company, declared its lack of jurisdiction with regards to the dispute. Gammamoto appealed against the ruling on the grounds of lack of jurisdiction at the Court of Cassation, which ruled that the Court of Venice, already indicated in the ruling of the Court of Rome, had jurisdiction. Gammamoto has continued proceedings through the Court of Venice and the first hearing of the prosecution was held on 16 May 2012. In this hearing, the parties requested the admission of preliminary briefs and the Judge, after making its decision, admitted testimonial evidence and evidence for examination requested by the parties, establishing the hearing for the preliminary investigation on 12 November 2012.

Leasys–Savarent S.p.A., summoned to appear before the Court of Monza by Europe Assistance in relation to the rental supply of Piaggio vehicles to the Italian Postal System, summoned the Company as a guarantee, also filing for damages against Piaggio for alleged breach of the supply agreement. The Court of Monza declared its lack of jurisdiction concerning the applications filed against Piaggio, and Leasys-Savarent summoned Piaggio to appear before the Court of Pisa. The trial was suspended while awaiting the resolution of the dispute pending before the Court of Monza, which turned down the application of Leasys-Savarent. Leasys-Savarent continued proceedings through the Court of Pisa, applying only for damages against Piaggio. On the hearing of 5 October 2011, the parties requested the admission of preliminary briefs and the Judge deferred its decision. After making its decision, the Judge admitted some of the testimonial evidence requested and rejected the request for a Court-appointed expert. The hearing for the examination of witnesses, established for 26 June 2012, was deferred to 20 March 2013, as agreed by the parties, that are evaluating the possibility of settling the case.

Following the appeal made by the Company pursuant to article 700 of the Italian Code of Civil Proceedings, the Court of Naples, as a precautionary measure, issued an injunction against LML Italia S.r.l., a company distributing models of scooters in Italy manufactured by LML India Ltd, preventing it from using the "Piaggio", "Vespa" and "Vespa PX" brands on its sales information, advertising and promotional materials, stating that the continual matching of LML products with the Vespa manufactured by Piaggio constituted grounds for unfair competition. This ruling was also confirmed in an appeal. Piaggio therefore initiated proceedings with the Court of Naples to obtain damages for the unlawful use of Piaggio marks and for acts of unfair competition adopted by LML. The case has been adjourned to 6 December 2011 for specification of the pleadings. A ruling is therefore pending. LML India, in turn, referring to the arbitration clause in settlement agreements signed with Piaggio in 1999 to end the joint venture established in India, summoned the Company to appear before an arbitration board in Singapore to obtain compensation for alleged damages sustained by LML India due to the effect of legal action taken by Piaggio against LML Italia. Arbitration ruled against all applications submitted by LML India. The arbitration board subsequently ruled that LML India pay the Company's legal fees and the procedure to quantify the amount is ongoing.

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.

As regards tax claim rulings involving the Parent Company Piaggio & C S.p.A., two appeals are ongoing against two tax assessments notified to the Company and relative to the 2002 and 2003 tax years respectively. These assessments originate from an audit conducted by the Inland Revenue Office in 2007 at the Company's offices, following information filed in the Formal Notice of Assessment issued in 2002 following a general audit.
As concerns the assessments, a ruling in the first instance in favour of the Company was made for both the 2002 and 2003 tax years. The Inland Revenue Office has appealed against both rulings.
With reference to the 2002 tax year, the Regional Tax Tribunal confirmed the local ruling in favour of the company. As regards the 2003 tax year, a date still has to be set for the hearing.
For both cases, the Company has not considered it necessary to allocate provisions, in view of the positive opinions expressed by consultants appointed as counsel.
The main tax disputes of other Group companies concern P&D S.p.A. in liquidation and Piaggio Vehicles PVT Ltd.

More specifically, and with reference to P&D S.p.A., a dispute arose in relation to the tax assessment issued by the Inland Revenue Office for the 2002 tax year concerning VAT based on the assessment made in 1999, with an outcome in favour of the company and was completed in favour of the company with judgement in the second instance becoming final.

As regards Piaggio Vehicles PVT Ltd, several disputes concerning different tax years from 1998 to 2010 are ongoing relative to direct and indirect tax assessments. The Indian company has partly paid the contested amounts, as required by local laws, and these will be paid back when proceedings are successfully concluded in its favour. As regards claims for which it has not paid any sums, and considering positive opinions expressed by consultants appointed as counsel, it has not made provisions in the financial statements for the contested amounts.

As concerns disputes relative to other Group Companies, Piaggio France S.A. decided to consult the *Commision*, a body that may be consulted prior to the litigation stage. Considering the positive indications from advisors, the Company did not consider it necessary to make allocations for risks arising from this notice.

H) Subsequent events

To date, no events have occurred after 30 June 2012 that make additional notes or adjustments to these Financial Statements necessary.

In this regard, reference is made to the Report on Operations for significant events after 30 June 2012.

I) Companies in which the Group has equity investments

37. Piaggio Group companies

In accordance with Consob resolution no. 11971 dated 14 May 1999, and subsequent amendments (article 126 of the Regulation), the list of the Group's companies and major investments is provided below. The list presents the companies divided by type of control and method of consolidation.
The following are also shown for each company: the company name, the registered office, the country of origin and the share capital in the original currency, in addition to the percentage held by Piaggio & C. S.p.A. or by other subsidiaries.
In a separate column there is an indication of the percentage of voting rights at the ordinary general meeting should it be different from the equity investment percentage in the share capital.

List of companies included in the scope of consolidation on a line-by-line basis as of 30 June 2012.

Company name	Registered office	Country	Share capital	Currency	% Group ownership	Held by	%	% votes
Parent company								
PIAGGIO & C. S.P.A.	Pontedera (Pisa)	Italy	205,941,272.16	Euro				
Subsidiaries								
Aprilia Racing S.r.l.	Pontedera (Pisa)	Italy	250,000.00	Euro	100%	PIAGGIO & C. S.P.A.	100%	
Aprilia World Service B.V.	Amsterdam	Holland	30,000,000 auth. capital (6,657,500 subscribed and paid up)	Euro	100%	PIAGGIO & C. S.P.A.	100%	
Atlantic 12 - Property investment fund	Milan	Italy	12,101,975.00	Euro	100%	PIAGGIO & C. S.P.A.	100%	
Derbi Racing S.L.	Barcelona	Spain	3,006.00	Euro	100%	Nacional Motor S.A.	100%	
Foshan Piaggio Vehicles Technology Research and Development Co Ltd	Foshan City	China	10,500,000.00	rmb	100%	Piaggio Vespa B.V.	100%	
Nacional Motor S.A.	Barcelona	Spain	1,588,422.00	Euro	100%	PIAGGIO & C. S.P.A.	100%	
P & D S.p.A. *	Pontedera (Pisa)	Italy	416,000.00	Euro	100%	PIAGGIO & C. S.P.A.	100%	
Piaggio Asia Pacific PTE Ltd.		Singapore	100,000.00	sin$	100%	Piaggio Vespa B.V.	100%	
Piaggio Deutschland GmbH	Kerpen	Germany	250,000.00	Euro	100%	Piaggio Vespa B.V.	100%	
Piaggio Espana S.L.U.	Alcobendas	Spain	426,642.00	Euro	100%	PIAGGIO & C. S.P.A.	100%	
Piaggio France S.A.S.	Clichy Cedex	France	1,209,900.00	Euro	100%	Piaggio Vespa B.V.	100%	
Piaggio Group Americas Inc	New York	USA	2,000.00	USD	100%	Piaggio Vespa B.V.	100%	
Piaggio Group Canada Inc.	Toronto	Canada	10,000.00	CAD	100%	Piaggio Group Americas Inc	100%	
Piaggio Group Japan	Tokyo	Japan	99,000,000.00	Yen	100%	Piaggio Vespa B.V	100%	
Piaggio Hellas S.A.	Athens	Greece	2,704,040.00	Euro	100%	Piaggio Vespa B.V.	100%	
Piaggio Hrvatska D.o.o.	Split	Croatia	400,000.00	kuna	75%	Piaggio Vespa B.V.	75%	
Piaggio Limited	Bromley Kent	United Kingdom	250,000.00	gbp	100%	Piaggio Vespa B.V.	99.9996%	
						PIAGGIO & C. S.P.A.	0.0004%	
Piaggio Vehicles Private Limited	Maharashtra	India	340,000,000.00	rupees	100%	PIAGGIO & C. S.P.A.	99.999997%	
						Piaggio Vespa B.V.	0.000003%	
Piaggio Vespa B.V.	Breda	Holland	91,000.00	Euro	100%	PIAGGIO & C. S.P.A.	100%	
Piaggio Vietnam Co Ltd	Hanoi	Vietnam	64,751,000,000.00	Dong	100%	PIAGGIO & C. S.P.A.	63,5%	
						Piaggio Vespa B.V.	36.5%	
PT Piaggio Indonesia	Jakarta	Indonesia	4,458,500,000.00	Rupiah	100%	PIAGGIO & C. S.P.A.	1%	
						Piaggio Vespa B.V.	99%	

* Company in liquidation

List of companies included in the scope of consolidation with the equity method as of 30 June 2012

Company name	Registered office	Country	Share capital	Currency	% Group ownership	Held by	%	% votes
Aprilia Brasil Industria de Motociclos 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 other significant investments as of 30 June 2012

Company name	Registered office	Country	Share capital	Currency	% Group ownership	Held by	%	% votes
Depuradora D'Aigues de Martorelles Soc. Coop. Catalana Limitada	Barcelona	Spain	60,101.21	Euro	22%	Nacional Motor S.A.	22%	
Immsi Audit S.c.a.r.l.	Mantua	Italy	40,000.00	Euro	25%	PIAGGIO & C. S.P.A.	25%	
Mitsuba Italia S.p.A.	Pontedera (Pisa)	Italy	1,000,000.00	Euro	10%	PIAGGIO & C. S.P.A.	10%	
Pont - Tech, Pontedera & Tecnologia S.c.r.l.	Pontedera (Pisa)	Italy	884,160.00	Euro	20.44%	PIAGGIO & C. S.P.A.	20.44%	
S.A.T. Societé d'Automobiles et Triporteurs S.A.	Tunis	Tunisia	210,000.00	TND	20%	Piaggio Vespa B.V.	20%	


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

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

1. The undersigned Roberto Colaninno (Chairman and Chief Executive Officer) and Alessandra Simonotto (Appointed Executive) of Piaggio & C. S.p.A. certify, also in consideration of article 154-bis, sections 3 and 4, of Legislative Decree no. 58 of 24 February 1998:
› the appropriateness with regard to the company's characteristics and
› the actual application of administrative and accounting procedures for the formation of the Condensed Interim Financial Statements during the first half of 2012.

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

3. Moreover, it is stated that

3.1 the Condensed Interim Financial Statements:

a. have been prepared 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. correspond to accounting records;
c. give a true and fair view of the consolidated statement of financial position and results of operations of the issuer and of all companies included in the scope of consolidation;

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

Date: 27 July 2012

/s/ Roberto Colaninno — /s/ Alessandra Simonotto

Roberto Colaninno
Chairman and Chief Executive Officer

Alessandra Simonotto
Manager in charge

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

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AUDITORS' REPORT ON THE REVIEW OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

To the Shareholders of
Piaggio & C. SpA

1 We have reviewed the condensed consolidated interim financial statements of Piaggio & C. SpA and its subsidiaries ("Piaggio Group") as of 30 June 2012, comprising the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the statement of changes in consolidated shareholders' equity, the consolidated cash flow statement and the explanatory notes. The Directors of Piaggio & C. SpA are responsible for the preparation of the condensed consolidated interim financial statements in accordance with the international accounting standard IAS 34, applicable to interim financial reporting, as adopted by the European Union. Our responsibility is to issue this report based on our review.

2 Our work was conducted in accordance with the criteria for a review recommended by the Italian Commission for Listed Companies and the Stock Exchange (Consob) with Resolution no. 10867 of 31 July 1997. The review consisted principally of inquiries of company personnel about the information reported in the condensed consolidated interim financial statements and about the consistency of the accounting principles utilised therein as well as the application of analytical review procedures on the data contained in the above mentioned consolidated financial statements. The review excluded certain auditing procedures such as compliance testing and verification and validation tests of the assets and liabilities and was therefore substantially less in scope than an audit performed in accordance with generally accepted auditing standards. Accordingly, unlike an audit on the annual consolidated financial statements, we do not express a professional audit opinion on the condensed consolidated interim financial statements.

The condensed consolidated interim financial statements present, for comparative purposes, the prior year annual data and the prior year condensed consolidated interim financial statements. As described in the explanatory notes, the Directors have restated some prior year comparative information as against those previously presented, which were audited and reviewed by other auditors who issued their reports dated 12 March 2012 and 28 July 2011, respectively. We have examined the restatement of the comparative information and the related disclosures in the explanatory notes for the purpose of our review of the condensed consolidated interim financial statements for the six months ended 30 June 2012.

PricewaterhouseCoopers SpA

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3 Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements of the Piaggio Group as of 30 June 2012 have not been prepared, in all material respects, in accordance with the international accounting standard IAS 34, applicable to interim financial reporting, as adopted by the European Union.

Florence, 1 August 2012

PricewaterhouseCoopers SpA

Signed by

Corrado Testori
(Partner)

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

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This report is available on the Internet at:
www.piaggiogroup.com

Published on August 3, 2012

Management and coordination
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