

**REPORT BY THE BOARD OF STATUTORY AUDITORS
TO THE SHAREHOLDERS' MEETING AS PER ARTICLE 153
OF LEGISLATIVE DECREE NO. 58/98 (THE "T.U.F.")
AND ARTICLE 2429 OF THE CIVIL CODE**

To the Shareholders,

In the course of the financial year ending 31 December 2006 the Board of Statutory Auditors of Piaggio & C. S.p.A. (the "Company") carried out its statutory duties, also taking into account – given the listing of the Company's ordinary shares on the Mercato Telematico Azionario [automated stock exchange] since 11 July 2006 – the Consob circulars about company checks and the activities of boards of statutory auditors, and the "Principi di comportamento del Collegio Sindacale di società quotate nei mercati regolamentati" [Principles of Conduct for the Board of Statutory Auditors of Companies listed on Regulated Markets] recommended by the Consiglio Nazionale dei Dottori Commercialisti e dei Ragionieri [National Council of Professional Accountants].

In the course of the financial year ending 31 December 2006, the Board of Statutory Auditors therefore checked (i) that the law and memorandum of association were observed, (ii) that principles of correct administration were respected, (iii) that those aspects of the Company's organisational structure that fall within its remit, as well as the internal audit system and the administrative and accounting system, were adequate, and that this last could be relied upon to give a true picture of operational items, (iv) how the rules on corporate governance specified in the Codice di Autodisciplina del Comitato per la Corporate Governance delle società quotate [Self-regulating Code of Practice of the Committee for the Corporate Governance of Listed Companies], adopted by the Company, were actually implemented, and (v) that the directives issued to controlled companies as per Article 114, paragraph 2, of the T.U.F. were adequate.

More particularly the Board, in compliance with Article 153 of the T.U.F., and also in view of the indications given by Consob in Circular no. DEM/1025564 of 6 April 2001, can report as follows:

1. The Board has verified that the Company operations impacting its profits, cash flow and assets – which it learnt about by attending board of directors' meetings and shareholders' meetings and by talking to top management – were in compliance with the law and articles of association, were not manifestly imprudent or risky, did not involve potential conflicts of interest, were not at variance with resolutions adopted by the shareholders' meeting, and were not such as to compromise the integrity of the shareholders' equity.
2. The Board did not discover, in the course of the financial year 2006, any atypical and/or unusual third-party, inter-company or related-party transactions.

The inter-company and related-party transactions, described in the Directors' Report and in the Notes to the Financial Statements, took place under normal market conditions; in particular, the Board considers these transactions to be fair and in the interests of the Company.

The Board also notes that the Company's Board of Directors, on 28 August 2006, adopted a Procedura per le Operazioni rilevanti e con Parti Correlate [Procedure for Important Transactions and those with Related Parties], designed to regulate the reporting and procedural aspects of transactions having a particular impact on profits, cash flow and assets, and of transactions with related parties.

The Board, as part of its checks, verified that the above Procedure was observed by the Company's bodies.

3. With regard to the transactions indicated in point 2 above, the Board considers the information provided in the Directors' Report and Notes to the Financial Statements to be adequate.
4. The reports on the financial statements and consolidated financial statements by the auditor Deloitte & Touche S.p.A., issued pursuant to Article 156 of the T.U.F., on 11 April 2007, are unqualified and do not include any emphasis of matter paragraphs; they certify that the financial statements and consolidated financial statements have been drawn up clearly and give a true and fair view of the Company's profitability, assets and liabilities and financial position, of changes in shareholders' equity, and of cash flow in the financial year ending 31 December 2006.
5. In the course of the financial year 2006 and to date the Board has not received any complaints from shareholders as per Article 2408 of the Civil Code.
6. In the course of the financial year 2006 and to date the Board has not received any other complaints.
7. In the course of the financial year 2006 Deloitte & Touche S.p.A. was entrusted with the following duties in addition to the auditing of the financial statements and accounting control:
 - a) Audit of the IFRS reconciliation schedules, for a fee of € 25,000,000 plus VAT and reimbursement of out-of-pocket expenses;
 - b) supporting the sponsor, with regard to both the Italian Prospectus and the international one, in the offering of ordinary shares in the Company to the general public in Italy and institutional investors, for a fee of € 403,550 plus VAT;
 - c) still within the context of the listing process, auditing restricted to the Quarterly Report as at 31 March 2006, for a fee of € 32,650 plus VAT.
8. In the course of the financial year 2006, the following duties were assigned to Studio Legale e Societario, with registered office in Via Tortona 25, Milan, a firm with permanent links to the audit firm:
 - a) ordinary tax advice, for a fee of € 43,680 plus VAT;
 - b) advice on issues regarding the project to centralise the foreign subsidiaries - back offices, for a fee of € 36,400 plus VAT.
9. The Board of Statutory Auditors acknowledges that during the financial year 2006 it issued the following opinions in accordance with the law:
 - a) an opinion on the appointment of the audit firm as per Article 159 of the T.U.F.;
 - b) opinions on the fees granted to directors entrusted with particular functions as per Article 2389 of the Civil Code;
 - c) at the extraordinary shareholders' meeting of 8 March 2006, where the Board of Directors was granted the power to increase the share capital against payment, certification that (i) the share capital had been paid in, (ii) the circumstances indicated in Articles 2446 and 2447 of the Civil Code were absent, and (iii) there were no debenture loans.

Within the framework of the process to have the Company's ordinary shares listed on the stock exchange, which was concluded on 11 July 2006 with the Company's admission to trading on the automated stock exchange MTA, the Board of Statutory Auditors:
 - d) expressed an opinion on the company to be entrusted with the checking of the management control system referred to in Article 2.3.4, paragraph 2 c) of the Borsa Italiana S.p.A. Regulations (more

specifically the Board judged both the names proposed by the Company to be "qualified" for this position):

- e) signed a responsibility statement for the information contained in the Prospectus.

The Board of Statutory Auditors, in compliance with the Self-regulating Code, also:
 - f) verified that the criteria and procedures adopted by the Board of Directors when vetting the independence of its members had been correctly applied,
 - g) verified the independence of its own members using the criteria specified in the Self-regulating Code.
10. In the course of 2006 the Company's Board of Directors met ten times; the Appointments Committee met twice; and the Internal Audit Committee once.

During the same year the Board of Statutory Auditors met seven times, and also when it drew up its report on the financial statements as at 31 December 2005 and when it expressed its opinion on the appointment of the audit firm; the Board also attended all the meetings of the Board of Directors and the three shareholders' meetings held during the year.

The Chairman of the Board also attended a meeting of the Appointments Committee and the Internal Audit Committee meeting.
 11. The Board of Statutory Auditors has learnt and checked, to the extent that this falls within its jurisdiction, that the principles of correct administration have been observed.

In particular, as regards the decision-making processes of the Board of Directors, the Board has checked that the management decisions taken by the directors complied with the law and articles of association, and that their resolutions were not contrary to the interests of the Company.
 12. The Board of Statutory Auditors has learnt and checked, to the extent that this falls within its jurisdiction, that the Company's organisational structure was adequate, noting that it had evolved to reflect the growth in business and the Company's greater presence in the international market.
 13. The Board of Statutory Auditors – also by liaising and coordinating with the Internal Audit Committee and the Managing Director in his capacity as the director appointed to oversee that the internal audit system is functioning – has evaluated and checked the adequacy of the Company's internal audit system and the work of the person in charge of it.
 14. The Board of Statutory Auditors has checked and evaluated – by collecting information from the relevant department managers, examining company documentation, and analysing the results of the audit firm's work – whether the administrative and accounting system was adequate and could be relied upon to give a true picture of operational items.
 15. The Board has checked that the directives given by the Company to its controlled companies as per Article 114, paragraph 2, of the T.U.F. were adequate, and that there was a proper flow of information between them, and it believes that the Company is able to fulfil the communication obligations laid down by law.
 16. During the financial year the Board of Statutory Auditors met managers from the audit firm Deloitte & Touche S.p.A. in order to exchange relevant data and information with them in accordance with Article 150, paragraph 3 of the T.U.F.

At these meetings the audit firm did not report any facts or anomalies important enough to be indicated in this report.

The Board believes that no critical issues arose with regard to the independence of the audit firm.

The fact that the Chairman of the Board of Statutory Auditors is also a statutory auditor of its subsidiary Moto Guzzi S.p.A. has also facilitated the exchange of information with that subsidiary's Board of Statutory Auditors.

- 17.** The Company has adopted the latest version of the Self-regulating Code of Practice of the Committee for the Corporate Governance of Listed Companies.

The system of corporate governance adopted by the Company is detailed in the Corporate Governance Report for 2006, drawn up by the Board of Directors.

- 18.** In the course of its activity and checks during the year, the Board discovered no blameworthy facts, omissions or irregularities of such significance as to require flagging in this report.

- 19.** The Board acknowledges the transition to International Accounting Standards also for the separate financial statements of the parent company. The Board remarks that, as far as it is aware, there has been no derogation from the law in the preparation of the consolidated financial statements and separate financial statements.

The Board, also in view of the results of the work carried out by the body responsible for accounting control, has found no reason – as far as its own remit goes – not to approve the financial statements as at 31 December 2006 as drafted and approved by the Board of Directors at its meeting of 16 March 2007, and agrees with the Board of Directors about the proposed allocation of the year's profits.

The Board of Statutory Auditors

Mr. Giovanni Barbara (Chairman) [Signature of Giovanni Barbara]

Mr. Attilio Francesco Arietti (Statutory Auditor) [Signature of Attilio Arietti]

Mr. Alessandro Lai (Statutory Auditor) [Signature of Alessandro Lai]

Pontedera, 11 April 2007