# Financial Statements 2011

# *General Meeting of Shareholders*

The Board of Directors has unanimously resolved to approve the Reports and authorise the Chairman and Chief Executive Officer to establish, within the times established by law, the date and place of the Ordinary General Meeting of Shareholders with the following.

## *Agenda*

1. Financial Statements of Piaggio & C. SpA as of 31 December 2011; Directors' Report on Operations for 2011 and proposal to allocate profit for the period; Report of the Board of Statutory Auditors; Report of the Independent Auditors; Related and consequent resolutions; Presentation of the Consolidated Financial Statements as of 31 December 2011 of the Piaggio Group and relative reports.
2. Report on remuneration, pursuant to article 123-*ter* of Legislative Decree no. 58/1998. Related and consequent resolutions.
3. Appointment for the auditing of accounts for 2012-2020 and determination of fees. Related and consequent resolutions.
4. Authorisation to purchase and use treasury shares, pursuant to articles 2357 and 2357-ter of the Italian Civil Code, as well as article 132 of Legislative Decree no. 58/1998 and relative provisions for enactment, subject to withdrawal of the authorisation granted by the Ordinary General Meeting of Shareholders of 13 April 2011, for the portion not executed. Related and consequent resolutions.
5. Appointment of the Board of Directors, subject to the determination of the number of members and term of office; determination of fees. Related and consequent resolutions.
6. Appointment of the Board of Statutory Auditors and Chairman; determination of fees. Related and consequent resolutions.

/s/ Roberto Colaninno

**Chairman and Chief Executive Officer**
Roberto Colaninno

# Contents





# *Mission*

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

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

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

# LIFE IN MOTION

Since World War II, Piaggio has been a leading player in the mobility "revolution", improving the quality of life of Italians and other Europeans.

Today, the Piaggio Group manufactures two-, three- and four-wheeler vehicles that meet mobility requirements and the most diverse needs of western markets and major Asian countries.

Piaggio has been able to anticipate new trends of the world economy, where an ability to guarantee technological performance, lower consumption and environmental protection are all fundamentals for business success.

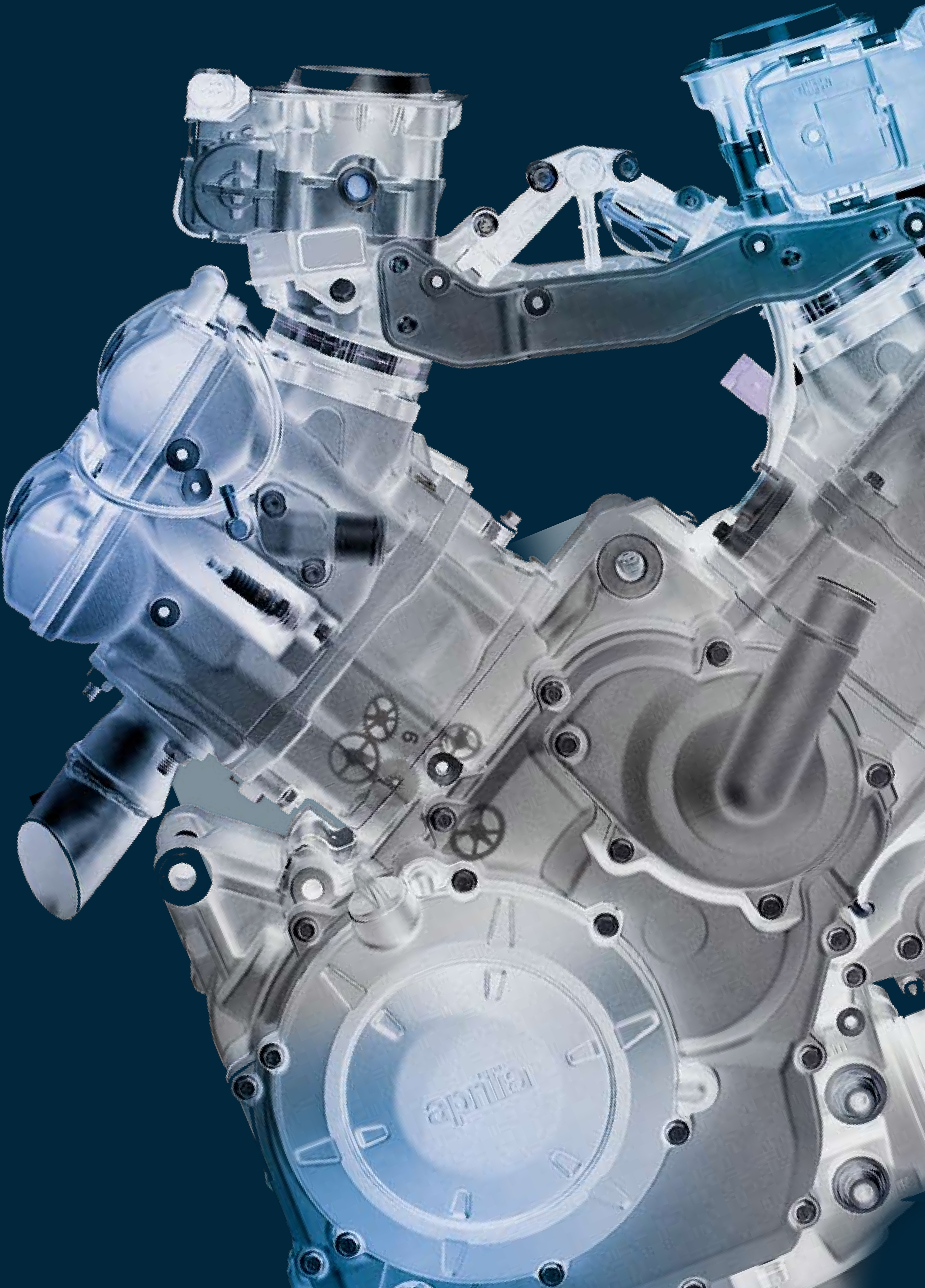
Thanks to this capacity to combine experience with a forward-looking approach, today Piaggio is a global player, Europe's leading manufacturer of motorcycles and scooters and an international force in the commercial vehicles sector.

*POWEREDBY*
# *LEGENDS*

Piaggio values the great brands of an Italian and European motorcycling tradition renowned the world over.

Exclusive symbols of beauty and technology - interpreting the needs and most innovative aspirations of numerous users that all share a passion for a brand that is emblematic of a distinctive lifestyle.

Outright winners - today and yesterday - in the world of sports championships, with 99 world titles to their name.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# POWER OF LIGHTNESS

Two- and three-wheelers - are symbolic of a core business that has always combined style, technology and performance with the latest developments in accessible and sustainable mobility.

A “philosophy” inspired by a concept of “light mobility” for people and goods, made-to-measure for users and the environment, for modern traffic requirements.

An exclusive vision that has become a reality, with a major industrial organisation boasting production sites in Italy, Spain, India and Vietnam, a production capacity of 600,000 vehicles a year, 5 research centres and a range of products that caters for every customer group.

Respect for the environment is second nature to Piaggio, as it looks towards the future with investments in new engines and innovative production - a worldwide leader in the sector of hybrid and electric scooters and electric commercial vehicles.

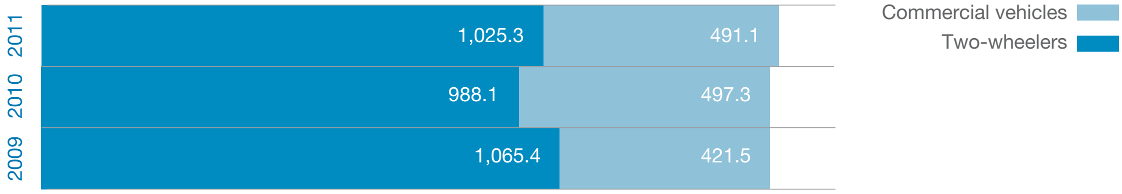
More than **587,000** vehicles manufactured in 2011

# Key operating and financial data

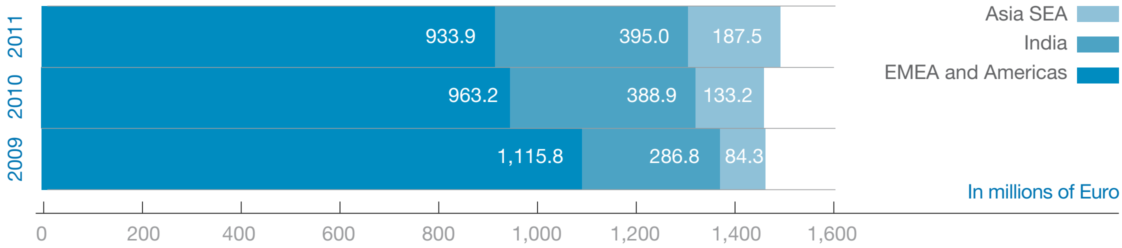
| | 2011 | 2010 | 2009 |
|---|---|---|---|
| In millions of Euro | | | |
| **Data on financial position** | | | |
| Net sales revenues | 1,516.5 | 1,485.4 | 1,486.9 |
| Gross industrial margin | 454.6 | 462.3 | 467.1 |
| Operating income | 105.5 | 111.1 | 104.4 |
| Earnings before tax | 79.3 | 83.8 | 74.1 |
| Net income | 47.0 | 42.8 | 47.4 |
| *- Non-controlling interests* | *0.0* | *0.0* | *1.4* |
| *- Group* | *47.1* | *42.8* | *46.0* |
| | | | |
| **Data on financial performance** | | | |
| Net employed capital (NEC) | 782.1 | 792.8 | 775.8 |
| Consolidated net debt | (335.9) | (349.9) | (352.0) |
| Shareholders' equity | 446.2 | 442.9 | 423.8 |
| | | | |
| **Balance sheet figures and financial ratios** | | | |
| Gross margin as a percentage of net revenues (%) | 30.0% | 31.1% | 31.4% |
| Net income as a percentage of net revenues (%) | 3.1% | 2.9% | 3.2% |
| ROS (Operating income/net revenues) | 7.0% | 7.5% | 7.0% |
| ROE (Net income/shareholders' equity) | 10.5% | 9.7% | 11.2% |
| ROI (Operating income/NEC) | 13.5% | 14.0% | 13.5% |
| EBITDA | 200.6 | 197.1 | 200.8 |
| EBITDA/net revenues (%) | 13.2% | 13.3% | 13.5% |
| | | | |
| **Other information** | | | |
| Sales volumes (unit/000) | 653.3 | 628.4 | 607.7 |
| Investments in property, plant and equipment and intangible assets | 126.1 | 96.2 | 93.8 |
| Research and Development [1] | 68.5 | 62.9 | 71.3 |
| Employees at the end of the period (number) | 7,619 | 7,529 | 7,300 |

*1_ The item Research and Development includes investments recognised in the statement of financial position and costs recognised in profit and loss.*

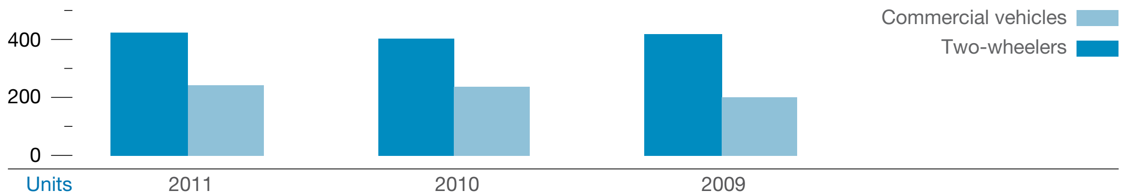
Revenues by business segment

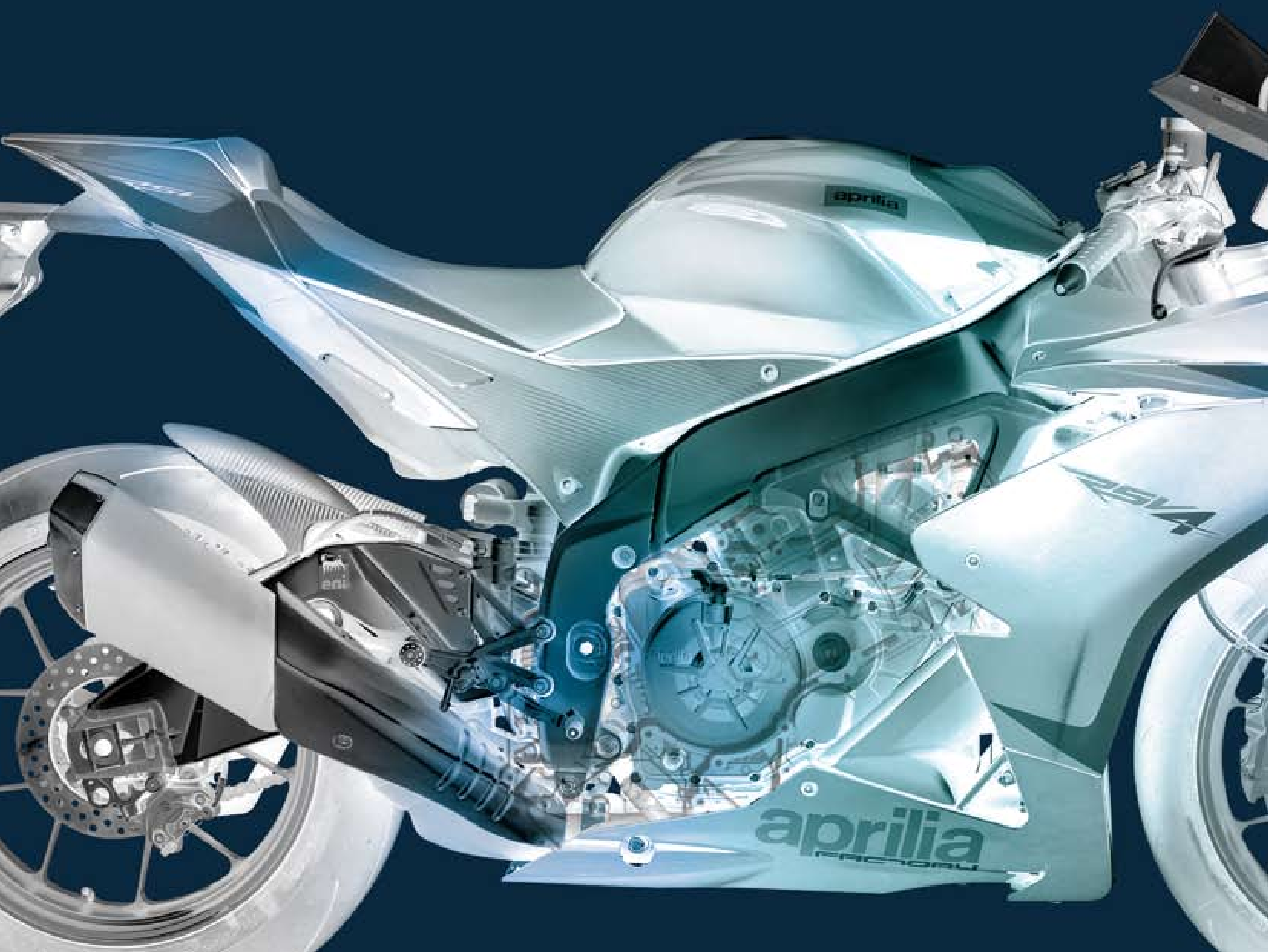



Revenues by geographic segment




Sales volumes by business segment

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# MANAGEMENT REPORT



# The Piaggio Group

The Piaggio Group is Europe's largest manufacturer of two-wheeler motor vehicles and an international leader in its field. The Group is also a major player worldwide in the commercial vehicles market.
The Piaggio Group product range includes scooters, mopeds and motorcycles from 50cc to 1,200cc marketed under the Piaggio, Vespa, Gilera, Aprilia, Moto Guzzi, Derbi and Scarabeo brands. The Group also operates in the three- and four-wheeler light transport sector with its Ape, Porter and Quargo ranges of commercial vehicles.
The Group, with headquarters in Pontedera (Pisa, Italy), operates at an international level through production sites located in Pontedera, which manufactures two-wheeler vehicles under the Piaggio, Vespa and Gilera brands, vehicles for light transport for the European market and engines for scooters and motorcycles; in Noale and Scorzè (Venice), which produces Aprilia and Scarabeo brand two-wheeler vehicles; in Mandello del Lario (Lecco), which manufactures Moto Guzzi vehicles and engines; in Martorelles (Barcelona, Spain), which manufactures Derbi vehicles; in Baramati (in the Indian state of Maharashtra), which manufactures three- and four-wheeler light transport vehicles for the Indian market, engines and where a new production site for the Vespa is nearing completion; in Vinh Phuc (Vietnam), which produces scooters for the local market and ASEAN area. The Piaggio Group is also a 45% stakeholder in a joint-venture operation in China (in Foshan, in the Guangdong province) which, therefore, is not included in the Group's consolidated results.

Motorsports play a vital role for the Group's motorcycle production operations. The Group's brand portfolio includes names that have earned pride of place in the history of international motorcycle racing, which between them have notched up 99 world championships, with 49 for Aprilia, 21 for Derbi, 15 for Moto Guzzi and 14 for Gilera, plus over 500 race wins in World Motorcycle Grand Prix and Superbike Championships.

The Group operated throughout 2011 with a structure based on business segments, further divided into geographic segments of operation.
Its business segments are:

› the Two-Wheeler segment, which included scooters, mopeds and motorcycles (including accessories and spare parts), sold under the Piaggio, Vespa, Gilera, Aprilia, Moto Guzzi, Derbi and Scarabeo brands;
› The Commercial Vehicles segment, which included three and four-wheeler commercial vehicles (including accessories and spare parts) in the Ape, Porter and Quargo ranges.

Since 24 January 2012, the Group's organisation has been based on the geographic areas EMEA and the Americas, Asia SEA and India. The purpose of this new organisational structure is to:

› respond to different market needs more efficiently and effectively;
› maintain a strong focus on specific aspects of products;
› allow for organisational and operating synergies to optimise costs.

To give readers more information, the figures in this document refer to both the old and new organisational structure. Comments refer instead to the structure existing in 2011.


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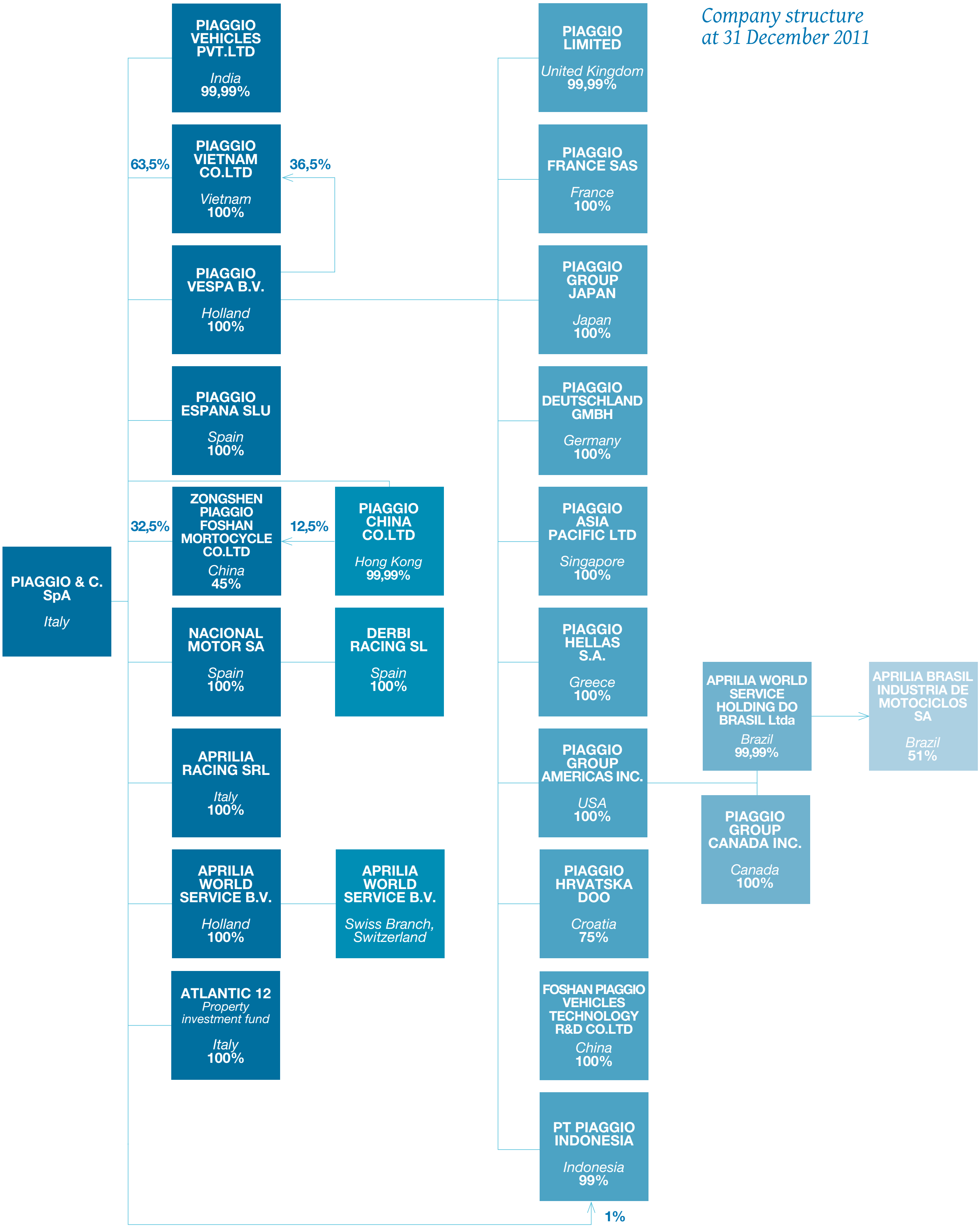
*Company structure at 31 December 2011*



Affiliated companies

| | |
|---|---|
| Pont-Tech S.r.l. | held 20.44% by Piaggio & C. SpA |
| SAT S.A. | held 20% by Piaggio Vespa B.V. |
| IMMSI Audit S.c.a. r.l. | held 25% by Piaggio & C. SpA |
| Depuradora D'Aigues De Martorelles Soc.Coop. Catalana Limitada | held 22% by Nacional Motor S.A. |
| Mitsuba Italia SpA | held 10% by Piaggio & C. SpA |

Company in liquidation

| | |
|---|---|
| P&D SpA | held 100% by Piaggio & C. SpA |

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

- on 22 March 2011 a new company, Pt Piaggio Indonesia, that will operate in Indonesia to promote sales of the Group's products on the Indonesian market was established;
- in July, 12.5% of the share capital in Piaggio Vietnam Co. Ltd. was reacquired from Simest SpA, and today the Piaggio subsidiary is wholly owned by the Group;
- on 1 December 2011 a new company Foshan Piaggio Vehicles Technology Research & Development Co. Ltd. was established, which will mainly carry out research and development in China;
- the following companies went into liquidation: Piaggio Finance, Moto Laverda and Piaggio Portugal.


scarabeo

## *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) |
| | Giorgio Magnoni |
| | Livio Corghi |
| | Luca Paravicini Crespi (3), (5) |
| | Riccardo Varaldo (4), (5) |
| | Vito Varvaro |
| | Andrea Paroli |

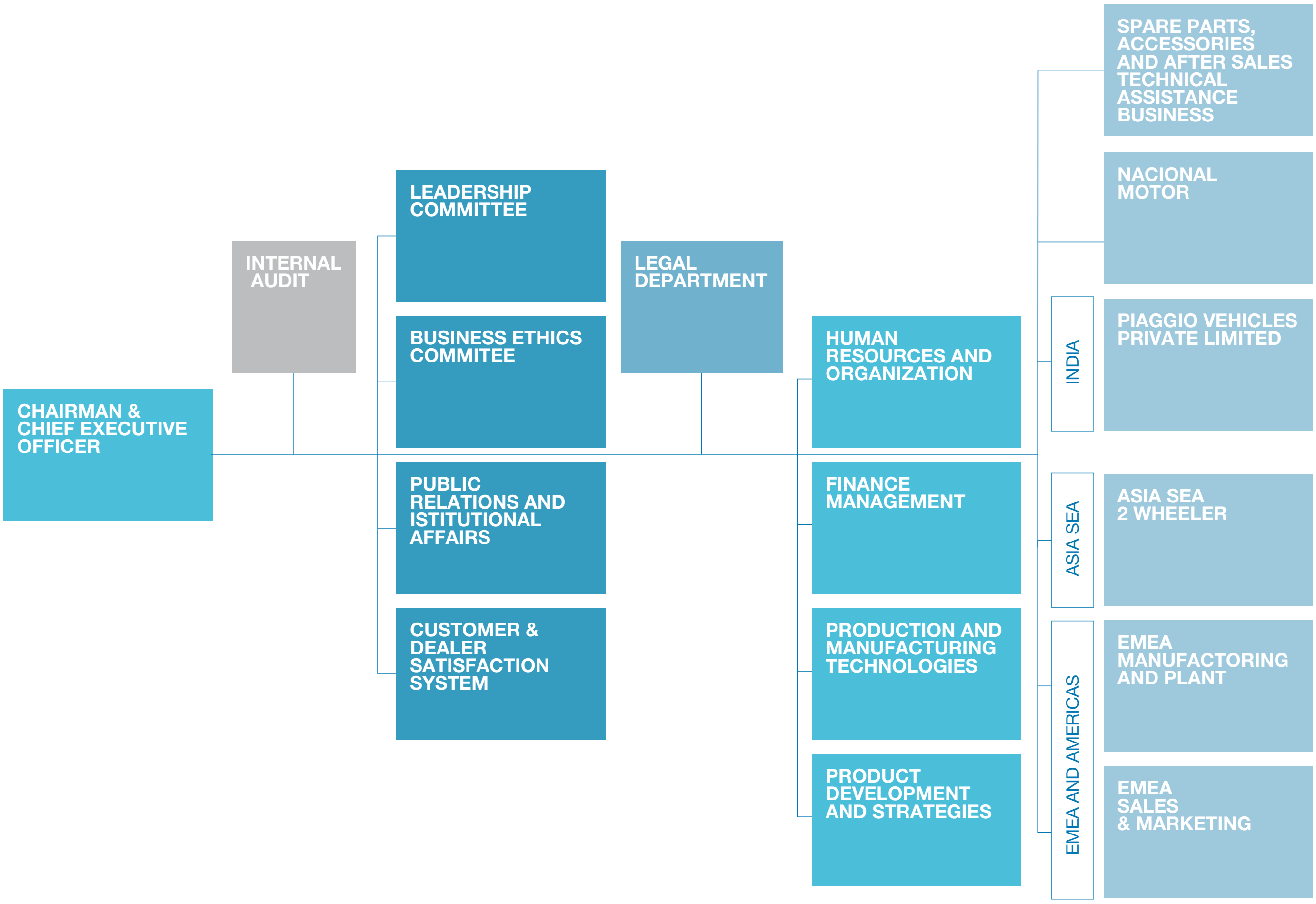
| Board of Statutory Auditors | |
|---|---|
| Chairman | Giovanni Barbara |
| Statutory Auditors | Attilio Francesco Arietti |
| | Alessandro Lai |
| Alternate Auditors | Mauro Girelli |
| | Elena Fornara |

| Supervisory Body | |
|---|---|
| | Antonino Parisi |
| | Giovanni Barbara |
| | Ulisse Spada |

| | |
|---|---|
| Executive in charge of financial reporting | Alessandra Simonotto |
| Independent Auditors | Deloitte & Touche SpA |

*(1) Director in charge of internal audit*
*(2) Lead Independent Director*
*(3) Member of the Appointment Proposal Committee*
*(4) Member of the Remuneration Committee*
*(5) Member of the Internal Control Committee*

*Piaggio Group Organisation*
*(as from 24 January 2012)*



The structure of Piaggio & C. SpA's organisation is based on the following front-line functions:

- *Internal Audit*: this function is responsible for developing all activities concerning and functional to internal auditing, in order to improve the effectiveness and efficiency of the internal control system and evaluate its operation.
- *Public Relations and Institutional Affairs:* this function is responsible for developing and managing the Group's company and business communication activities, liaising with information bodies and national and international institutions, as well as trade associations.
- *Customer & Dealer Satisfaction System:* this function is responsible for innovation projects and for developing tools for dealer & customer relationship management process management and customer care activities for reference markets. The function is also responsible for all customer & dealer satisfaction analysis and monitoring activities.
- *Legal Department:* this function is responsible for providing assistance for all legal aspects, including assistance for contracts, managing problems concerning litigation involving the Group and guaranteeing the management of obligations concerning company law.
- *Product Development and Strategies:* this function is responsible for activities concerning innovation, product marketing, style, engineering, reliability and quality targeting scooters, motorcycles, engines and three-/four wheeler commercial vehicles, in order to guarantee the development of specialist, unique know-how within the Group, as well as relative racing activities.
- *Production and Manufacturing Technologies:* this function is responsible for guaranteeing innovation and changes to production technologies, for managing infrastructures and sites, for ensuring the development of new industrial sites worldwide and for managing activities for the purchase of materials and components.
- *Human Resources and Organization:* this function is responsible for human resources development and organisation, and for handling industrial relations.
- *Finance Management:* this function is responsible for the administration, finance, tax, investor relations, planning and control, purchasing (purchasing of goods, services, supplier management) logistics (two-, three- and four-wheeler vehicle distribution) and information technology functions.
- *Asia SEA 2 Wheeler:* this function is responsible for ensuring the coordination of Piaggio Vietnam, Piaggio Asia Pacific, Piaggio Group Japan Corporation, Piaggio China, Foshan Piaggio Vehicles Technology Research & Development Co. Ltd and Piaggio Indonesia, for the development of a product range in Asia that can guarantee the turnover, profitability and market share targets for the Group's two-wheeler vehicle segment.
- *Sales Management Emea and the Americas:* this function is responsible for achieving sales targets established for scooters, motorcycles, commercial vehicles, spare parts and accessories, for defining price policies for single markets and identifying appropriate actions to develop the sales network, through the coordination of sales companies in Europe and America, and for managing corporate sales to Major Clients and the central public administration sector at a European level.
- *EMEA Manufacturing and Plant:* this function is responsible for guaranteeing the manufacture and quality of engines, motorcycles, scooters and commercial vehicles.
- *Nacional Motor:* this company is responsible for managing the production of Two-Wheeler vehicles at the production site in Spain.
- *Piaggio Vehicles Private Limited:* this company is responsible for guaranteeing business and industrial profitability, turnover, market share and customer satisfaction for the Group's commercial vehicles in India. Functions have also been established (R&D, Manufacturing, Quality, Sales&Marketing, etc.) to support the marketing of the Vespa on the Indian market in 2012.
- *Spare Parts, Accessories and Technical Assistance Business Unit:* this function is responsible for managing after-sales activities, for defining the range of spare parts and non-product accessories, establishing prices in conjunction with the sales department and ensuring distribution.

## *Strategy and areas of development*

### *Business strategy*

The Piaggio Group aims to create value by adopting a strategy which:
- consolidates its leadership position on the European two-wheeler market and on the Indian light commercial vehicles market;
- increases its presence on international markets, with particular reference to the Asian area;
- increases the operating efficiency of all company processes, with a focus on industrial productivity.

To pursue this growth strategy, the Group has adopted an action plan covering its business segments (the Two-Wheeler and Commercial Vehicles segments) and geographic segments, as described in the Group's Strategic Plan for 2011-2014 presented on 14 December 2011.

#### EMEA and Americas

*Europe Two-Wheeler segment - consolidating a leadership position:* the scooter and motorcycle product range (with Aprilia and Moto Guzzi brands) will be developed and improved, to consolidate coverage of each market segment, emphasising the unique features of each brand.

*America Two-Wheeler segment - going back to growth,* consolidating the product range and sales network.

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

#### India

*Two-Wheeler segment - entry on the scooter market:* during 2010, an investment project got underway for the manufacture and marketing of two-wheeler vehicles on the local market. The Vespa for the Indian market was unveiled at the Auto Expo Show, in Delhi, in January 2012, and will go into production at the new site in Baramati in March 2012, with a capacity of 150,000 units a year. The scooter will go on sale in April, immediately after the commercial launch, through a dealer network covering the top 35 cities in India.

*Commercial Vehicles* - an increase in volumes and profitability, consolidating the leadership position on the three-wheeler market and developing new, four-wheeler products. As for engines, new diesel and turbodiesel engines will be manufactured in India, in order to expand and segment the product range on all Asian and European markets.

#### Asia SEA

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

#### Key assets

The Group will aim to consolidate its business position by levering and investing in the potential of its key assets:
- distinctive brands, recognised worldwide;
- an extensive sales network on reference market;
- competency in research and development, focussed on innovation, safety and the environment;
- a strong international presence, with local operations for all core company processes, from marketing to research and development, production and purchasing.

### *Sustainability strategy*

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

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

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

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

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

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

These areas form the basis for the sustainability objectives to be pursued in the 2011-2014 period.

The results achieved in 2011, the sustainability policy adopted by the Group and initiatives taken are presented in the Piaggio Group's Corporate Social Responsibility Report, which is issued at the same time as this Report and is available on its institutional web site www.piaggiogroup.com under Social Responsibility.

# *Piaggio and financial markets*

## *Financial disclosure*

Piaggio considers financial disclosure to be of fundamental importance in building a relationship of trust with the financial market.
In particular its Investor Relations function engages institutional and individual investors as well as financial analysts in an ongoing dialogue, producing transparent, timely and accurate information to promote a correct perception of the Group's value.

In 2011, communication with the financial community was stepped up, with the Group meeting more than 150 investors on main European financial markets (Milan, London, Paris, Frankfurt, Geneva and Zurich), during road shows and conferences.
Initiatives also included direct meetings and conference calls, managed daily by the IR function, and institutional communication events for the market:

- an Investor Day, to present the New Strategic Plan;
- four quarterly conference calls, to present financial results.

At the same time, coverage of the Piaggio share was extended, and with the start-up of activities by two international merchant banks, total coverage now comprises 12 brokers.

The Company's web site www.piaggiogroup.com is constantly updated with exhaustive information concerning the Group and all major corporate documentation, in both Italian and English.
In particular, press releases disclosed to the market by the Press Office, the Company's periodic financial reports, the Corporate Social Responsibility Report, and the Company's business and financial performance are all published on-line, along with the material used in meetings with the financial community and corporate governance documents (articles of association, Internal Dealing procedures and material concerning shareholders' meetings).
In the 2011 edition of the prestigious "KWD Webranking Italy", an annual survey of the best corporate web sites of companies listed on the Italian Stock Exchange, the Piaggio Group's web site was ranked fourth, going up from fifth place in 2010 which earnt it the title of "Best Improver" for having increased its score the most compared to the previous year.

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Email: investorRelations@piaggio.com
Tel: +39 0587 272286
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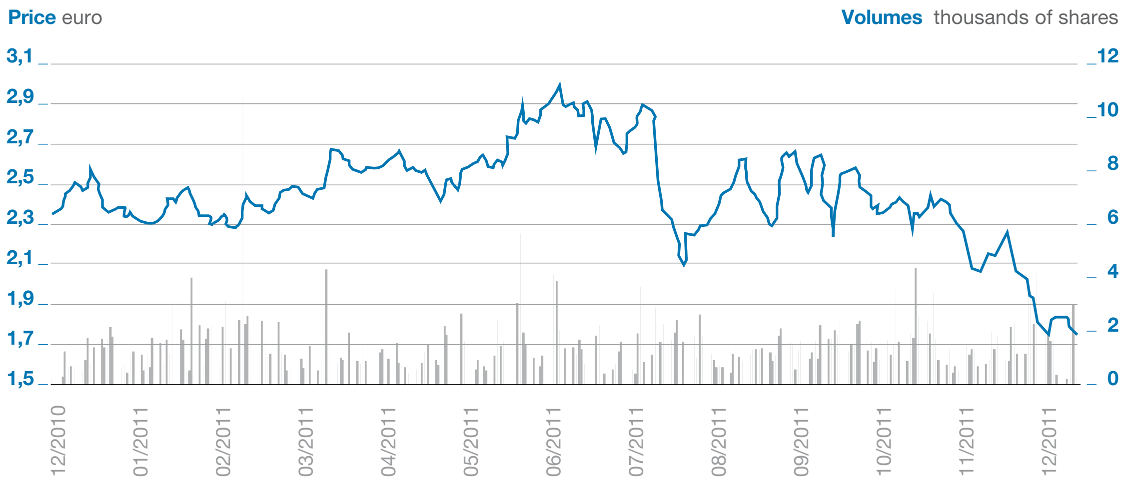
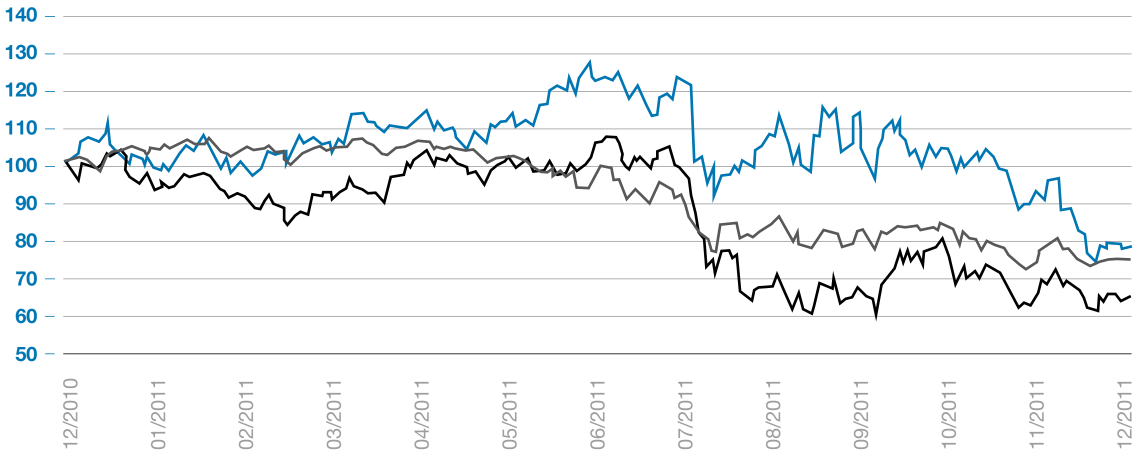
## *The Piaggio share*

Price and daily volumes






Trend of the piaggio share in relation to reference indexes

In a year characterised by a general downturn on the Italian stock exchange and considerable volatility, the Piaggio share performed better than reference indexes.

*Main share indicators*

| | 2011 | 2010 |
|---|---|---|
| Official share price as of 30/12 (Euro) | 1.80 | 2.36 |
| Number of shares (no.) | 371,793,901 | 371,793,901 |
| Earnings per share (Euro) | | |
| - Basic earnings | 0.126 | 0.113 |
| - Diluted earnings | 0.126 | 0.112 |
| Shareholders' equity by share (Euro) | 1.21 | 1.19 |
| Market capitalisation (millions of Euro) [1] | 669.1 | 876.4 |

*1_Obtained by multiplying the official share price as of 30/12 by the number of shares.*

*Group rating*

| | Current | 31/12/2010 |
|---|---|---|
| Standard & Poor's | | |
| - Corporate | BB | BB |
| - Outlook | Negative | Stable |
| | | |
| Moody's | | |
| - Corporate | Ba2 | Ba2 |
| - Outlook | Stable | Stable |

# *Events during the year*

**13 January 2011 -** Davide Scotti became Manager of Piaggio Product Development and Strategies, replacing Maurizio Roman who left the company.

**25 January 2011 -** The production site at Vinh Phuc, Vietnam, was awarded ISO 14001:2004 certification (environmental certification).

**27 January 2011 -** The new range of the Piaggio Porter commercial vehicles, with new Euro 5 petrol and diesel engines, was unveiled.

**16 March 2011 -** The Vespa PX with a 125cc and 150cc engine and four manual gears, was launched on the market.

**22 March 2011 -** A new company was established in Indonesia, which will directly sell the Group's vehicles, which have so far been distributed by importers.

**6 April 2011 -** A new industrial area, situated in the province of Vinh Phuc, near Hanoi, was inaugurated, where the Group's Vietnamese site will be expanded (from the current 26,000 $m^2$ to approximately 50,000 $m^2$).

**7 June 2011 -** the Chairman and CEO of the Piaggio Group, Roberto Colaninno, announced the inception of a new Research Centre at Foshan, China, that will be held 100% by the Piaggio Group and will be involved in developing new engines and new vehicles specifically designed for the needs of Asian markets. The Foshan Research Centre is part of an innovative organisational network model, that will integrate all the Research, Development and Purchasing activities undertaken by the Group at present in Europe, India and China, at a worldwide level.

**17 June 2011 -** Production of the Piaggio MP3 reached the 100,000 mark, demonstrating the remarkable success of this revolutionary scooter model.

**30 June 2011 -** The 125cc and 200cc versions of the Scarabeo were restyled and upgraded.

**1 July 2011 -** Simest sold 12.5% of Piaggio Vietnam to Piaggio & C. Following this operation, Piaggio Vietnam is held 100% by the Group.

Following the Board of Directors' meeting of **13 July 2011** – which resolved to authorise the issue of long-term debt securities for a total nominal amount of 75 million USD – on **25 July 2011** Piaggio & C. SpA finalised the private placement of Senior Unsecured Notes on the American market (US Private Placement) entirely subscribed by an institutional investor for an amount of 75 million USD, with last maturity at 10 years and coupon at 6.50%. The income will be used to refinance the debt, improving the profile by increasing the average maturity and a further differentiation of lenders.

**18 September 2011 -** Aprilia won the world manufacturer's title in the 125cc category.

**19 September 2011 -** Michele Pallottini stepped down from his position as General Manager Finance.

**27 October 2011 -** Aprilia won both the manufacturer's title and rider's title in the Supermoto World Championships, thanks to Adrien Chareyre. Aprilia has now won 7 world titles in the Supermoto Championships.

**6 November 2011 -** Nico Terol took the 125cc rider's world championship title riding an Aprilia. Aprilia has consolidated its leadership position as the Italian and European manufacturer with the most wins in Moto World Championships with victories in 294 GPs (151 in the 125cc category and 143 in the 250cc category) and 38 championship titles (19 manufacturer's titles and 19 riders' titles). Aprilia has now won a total of 49 World Championships.

**21 November 2011 -** In the annual survey conducted by KWD Webranking, in association with Lunquist, which rates the corporate web communication of Italy's leading 100 companies in terms of capitalisation, Piaggio ranked 4th overall (5th place in 2010).

**1 December 2011 -** The 2010 Financial Statements of the Piaggio Group won the Best Financial Reporting Award ("Oscar di Bilancio Società e Grandi Imprese Quotate") in the Listed Companies category.


**29 December 2011 -** Taking out of a medium-term revolving loan, for 130 million Euro, with a small pool of international banks.

# Background

## The macroeconomic framework

In 2011, the global economy slowed down by more than one percentage point compared to 2010, with dynamics anchored to geographic segments, inflation that was lower and evident difficulties in the management of European public debt.

While the objective of East Asia to achieve a social and geographic balance also through monetary policies to control spending, considerably slowed down growth rates, in the United States the partial consolidation of growth was supported by vigorous, expansive fiscal policies. Japan was an exception however, where the expansive policy did not offset the negative effects of the earthquake.

Economic development in overall terms in the eurozone continued to be limited, despite the good performance of Germany. The financial crisis of peripheral countries had a negative impact on the economic cycle. The tough programmes to reduce sovereign debt were not accompanied by such a firm commitment to refinance, and this has led to market uncertainty concerning risk premium tensions.

Expansion in Italy has been minimal, affected by a downturn in the last quarter, due firstly to tax control measures adopted in market conditions that are negative - also because of difficulties over political credibility.

These measures have mainly had an impact on income, and a negative effect on consumer spending.

## The market

### *Two-wheeler*

The world market for two-wheeler motor vehicles (scooters and motorcycles) increased for the second year running, by nearly 3% compared to 2010, with volumes just under 49 million units.

This growth is mainly due to the Indian market, which reported an increase of +16% over 2010, exceeding the 13 million mark (13.1 million vehicles sold), and is now close to first place in terms of market dimensions.

The People's Republic of China remains the first market worldwide, despite registering a decrease compared to 2010 (-13.7%), with 13.8 million units sold.

The Asian area, known as Asean 5, continued to grow, registering an increase of +11.3% (14.5 million units sold). The main markets in this area grew considerably compared to 2010. In particular, the Indonesian market increased by +9.9%, with total volumes of more than 8 million items (8.1 million), to become leader in South East Asia. The steady growth trend in Vietnam continued, with 3.2 million units sold (+18%). Growth in Thailand was good, with sales up 11.3% over 2010 (more than 2 million units sold). Malaysia also improved, reporting a +10.9% increase (465 thousand units sold), while the other country in the Asean 5 area, the Philippines, reported a slight decrease, ending the year with 628 thousand items sold (-0.3% compared to 2010).

Other Asian area countries (Singapore, Hong Kong, South Korea, Japan, Taiwan, New Zealand and Australia) increased the volumes of the previous year, in overall terms, selling nearly 1.3 million units. In this area, growth on the Taiwanese market continued steadily, with volumes going up by 17.5% (634,000 units sold) compared to 2010.

The North American market is still experiencing a slight recession, recording a loss of 1%, and with 490,000 vehicles sold.

South America continued to grow, driven by the area's main market, Brazil, which recorded a growth of 12.5% and sold more than 2 million vehicles in 2011.

Europe, which is the reference area for the Piaggio Group's operations, continued to struggle, with sales on the two-wheeler market down 10% compared to 2010 (-7% for the motorcycle segment, and -11% for the scooter segment). In the scooter segment, the decrease refers to both the over 50cc market (-10%), and 50cc market (-11%). In the motorcycle segment, sales of over 50cc models were down 7%, while the trend for 50cc models was more marked, with a 12% decline.

## The scooter market

Europe

The European scooter market in 2011 fell to just below one million vehicles registered (938,000), with a decrease in sales of 11% over 2010.
Vehicle sales were evenly distributed between the 50cc and over 50cc segments, both with 469,000 vehicles registered. In the 50cc segment, sales dropped by 11% in 2011, while in the over 50cc segment, sales fell by 10%.
Italy is still the most important market in Europe, with 239,000 thousand units sold, followed by France with 202,000 thousand units and Spain with 95,000 thousand units. Germany, with 90,000 units sold ranked fourth, while the United Kingdom sold 33,000 vehicles.
The Italian market decreased by 19% compared to 2010, with 294,000 vehicles registered. The 50cc segment declined by 17%, with 67,000 units sold. In the over 50cc segment, 172,000 units were sold, registering a decrease of 19% over the previous year.
The French market with 202,000 vehicles decreased by 4% compared to the 210,000 vehicles sold the previous year. This decline is entirely attributable to the over 50cc scooter segment which fell by 13%, while the 50cc segment reported a growth of 2%.
The Spanish market, with approximately 95,000 vehicle registrations, decreased by 10%. In particular, the 50cc scooter segment declined by 30%, while the trend in the over 50cc segment was far more limited (-3%).
The German market also registered a decrease (-6%) with approximately 90,000 vehicles sold in 2011 compared to 96,000 in 2010. This negative trend is attributable to the 50cc scooter segment which fell by 12%, while the over 50cc segment reported a growth of 5%.
Growth picked up in the United Kingdom, which is the only main country to increase sales, with 33,000 units sold (+13% compared to 2010). The 50cc segment increased by 2%, while growth in the over 50cc segment was more considerable (+23%).

Americas

*North America.* In 2011, the scooter market picked up, with 36,000 vehicle registrations, up +6% compared to 2010.
This positive trend is attributable to the over 50cc segment, where sales in the United States went up by 22%. The 50cc scooter segment was stable.
In particular, the scooter market in the United States (which accounts for 87% of the reference area), grew by 12%, selling 32,000 vehicles; a downturn was registered instead on the Canadian market, with 4,600 vehicles registered in 2011, and a decrease of 23%.

*South America*. The South American scooter market increased, with approximately 789,000 units sold.
Brazil remains the most important area, including its scooter market, with 463,000 items sold in 2011, up 23.3% over the previous year.
Sales of scooters amounted to 398,000 Cub scooters (scooters with gears) (up +29.5% over 2010) and 65,000 automatic scooters (figure decreased slightly compared to the previous year).
In the automatic scooter segment, the 125cc category performed best, with 58,000 items sold, while the over 125cc category consolidated sales, up from approximately 3,000 units to approximately 7,000 items.

In the Cub segment, 125cc models sold the most, accounting for more than 239,000 units (+27.1%); the 51cc-115cc segment also performed well, with approximately 159,000 units sold.

Asia

Indonesia is the main scooter market in the Asean 5 area, with more than 7.6 million units sold (3.9 million Cub and 3.7 million automatic scooters sold) registering a 9.1% increase over 2010.
This is followed by Vietnam, which reported a 18% increase and 3.2 million units sold, of which 1.9 million Cub and 1.3 automatic scooters, and by Thailand with a 13.3% increase over 2010 and 2 million units sold (1.05 million Cub and 950,000 automatic scooters).
In Malaysia, sales accounted for 440,000 units, up +11% over 2010 (375,000 Cub and 65,000 automatic scooters), while sales in the Philippines remained at 2010 levels (402,000 items sold).

*Vietnam.* The Vietnamese market mainly concerns scooters, as sales in the motorcycle segment are not particularly significant. The two main product segments are Cub scooters (1.9 million units in 2011, up +11.6% over 2010) and automatic scooters (1.3 million units, up 29.4% over 2010).
The 50cc scooter segment is not operative on this market.
In the Cub segment, 51cc to 115cc models were the best performers, with more than 1.8 million units sold, accounting for 90% of the entire segment.
51cc to 115cc models were also the best performers in the automatic scooter segment (850,000 units sold). The impact of this segment on the total market fell from 78% in 2010 to 65% in 2011, in favour of other categories: the 115cc-125cc category sold 281 thousand units, while the over 125cc sold 162 thousand items.

## The motorcycle market

Europe

Sales on the European motorcycle market fell by 7%, from 577,000 units in 2010 to 536,000 units in 2011. As was the case in the previous year, all subsegments continued to decrease considerably, apart from the over 750cc segment which remained steady, with sales of 245,000 vehicles (-1%). The 50cc segment, with 46,000 vehicles, fell by 12%; The 51-125cc segment declined by 9% (79,000 vehicles registered), while the 126-750cc segment recorded a loss of 14%, selling 166,000 vehicles.
France remains the main European market with 129,000 units sold, ahead of Germany (95,000) and Italy (88,000), followed by the United Kingdom with 61,000 vehicles and Spain with 47,000.
These markets were all affected by a downturn however, apart from Germany which grew by 3%. Spain declined considerably (-23%), affected by the comparison with 2010, where first-half sales were boosted by the market, prior to the new VAT rate coming into force. In Italy, the downturn stood at 11%, in the United Kingdom at 8%, while in France it was less accentuated (-3%).
In Italy, where sales volumes fell from 99,000 units in 2010 to 88,000 in 2011, the 51-125cc motorcycle subsegment was most affected, with a 13% drop in sales and approximately 7,000 units sold, as well as the 126-750cc motorcycle segment, with sales down 21%, from 38,000 units in 2010 to 30,000 units in 2011. The over 750cc motorcycle segment also decreased slightly, with volumes down from 48,000 in 2010 to 46,000 in 2011 (-3%). Lastly the 50cc motorcycle segment recorded sales of 5,000 units, with a decrease over 2010 (-11%).

Americas

*North America.* The motorcycle market in North America (USA and Canada) was once again affected by a negative albeit minor trend (-2%), with sales falling from 462,000 units in 2010 to 453,000 units in 2011.
In the United States (accounting for 90% of the area), the motorcycle segment remained steady (-0.5%) selling 409,000 units against 412,000 units in 2010.
The downturn on the Canadian market was more accentuated, which closed the year with sales volumes of 44,000 units, reporting a 14% decrease.

*South America.* The South American motorcycle market nearly reached the 2.3 million mark for units sold

in 2011, of which 70% manufactured in Brazil.
Sales of motorcycles in Brazil increased by 9.6% in 2011, to reach nearly 1.6 million items. The 126cc - 300cc segment was the best performer, with 937,000 units sold, up 18.9% over 2010. The 51cc -125cc segment decreased (596,000 units), by 3.5%, while the over 300cc segment grew, from 29 thousand units to 39 thousand units (+34.5%).

Asia
India is the most important motorcycle market in Asia, selling nearly 10 million units in 2011, accounting for a 14.9% increase.
The motorcycle market in the Asean 5 area is far less important than the scooter sector. Sales of motorcycles in Vietnam were not significant. As for other countries, the highest sales volumes were recorded in Indonesia with nearly 500,000 items, followed by the Philippines with nearly 300,000 items, Thailand with nearly 50,000 and lastly Malaysia with just 25 thousand items sold.

### *Commercial Vehicles*

Europe
In 2011, the European market for light commercial vehicles (vehicles with a maximum mass of up to 3.5 tons) where the Piaggio Group operates, accounted for 1.65 million units sold, up 8.0% compared to 2010. This growth is mainly due to the trend of the VAN segment, while the CHASSIS CAB segment, a reference sector for Piaggio, performed poorly throughout the year.
However, looking at the figures in detail, we can see how the general trend of main European reference markets was quite different: while positive trends were recorded for Germany (+18.8%) and France (+2.7%), Italy and Spain were affected by downturns (-6.1% and -10.1% respectively). (source: ACEA 27/1/2012).

India
Sales on the Indian three-wheeler market, where Piaggio Vehicles Private Limited, a subsidiary of Piaggio & C. SpA operates, went up from 502,000 units in 2010 to 526,000 in 2011, registering a 4.7% increase.
Within this market, the passenger transport vehicles segment continued its growth trend, selling 417,000 units, up 2.8%, while the cargo segment reported an increase of 12.7%, with sales going up from 97,000 to 109,000 units. The traditional three-wheeler market is flanked by the four-wheeler light commercial vehicles (LCV) market (cargo vehicles for goods transport) where Piaggio Vehicles Private Limited operates with the Apé Truk and - since 2010 - with the Apé Mini. The LCV market accounted for sales of 334,000 units in 2011, up 28.8% over 2010.

## *The regulatory framework*

Italy

- As from 1 April 2011, to obtain a licence to drive mopeds riders must pass a riding test (riders who were eighteen or over on 30 September 2005 are exempt) in addition to the written test required since 2005 whose contents are identical to those for Italian A and A1 licences. An extra hour of lessons has been added to the classes for the written test related to the operation of mopeds in the event of an emergency, bringing the course duration to 13 hours instead of 12.

- The law decree on "Further urgent measures for financial stability and development", which was published in mid September and immediately came into force, has changed local registration taxes for new and used vehicles. At present, all scooters and motorcycles are exempt from paying this tax, even though initially motorcycles over a certain maximum power were to pay the new tax.

- As from 15 October 2011, Euro zero two-stroke mopeds, motorcycles, three-wheelers and quadricycles may not longer transit in Lombardy.

- With a ruling on 21 December 2011, Milan Town Council approved the introduction of new regulations as from 16 January 2012, regulating vehicle access and transit in the "Cerchia dei Bastioni" city centre area. Under these new regulations, access is prohibited or car owners will have to pay a congestion charge. Mopeds, motorcycles, three-wheelers and quadricycles will still be able to access the entire area, without paying any charges.

- On 23 December 2011, Decree no. 213 of the Italian Ministry of Transport was published in the Official Gazette. The decree allows seventeen year-olds with an A1 category licence to drive cars, as from 22 April 2012, provided they are accompanied by a person indicated in writing by the parent (or legal guardian) who meets certain requisites and driving experience requirements. To obtain authorisation to drive accompanied, minors will have to take at least 10 hours of driving lessons at a driving school.

- Over the last few months, the Chamber of Deputies and the Senate discussed a bill intended to counteract insurance fraud. This bill was then incorporated in the decree on liberalisation, recently approved by the Cabinet, which is to be converted into law. The motorcycle industry, through its trade association (Confindustria ANCMA), has closely monitored and supports this bill, and hopes that by clamping down on fraud, insurance costs in Italy (third party liability) which are among the highest in Europe, may be reduced.

Europe

- On 5 October, the Committee on Internal Market and Consumer Protection (IMCO) of the European Parliament voted some amendments to the draft Regulation on the type-approval of two-, three-wheeler vehicles and quadricycles (international category L) presented to the European Commission at the end of 2010. This is a first vote and will be followed by the vote of the European Council and Parliament in plenary session. The IMCO document incorporates some views of the Committee on new regulations that concern in particular the reorganisation of current L vehicle categories, revision of the current legal framework, a reduction in pollution levels based on steps that will introduce increasingly stricter levels for gas and noise emissions, new requirements for vehicle design and construction focussed on improving active and passive safety, and new administrative and technical requirements to increase member state surveillance of vehicles put on the market.

- The Committee is preparing Delegated Acts connected with the European Regulation on the type-approval of L category vehicles. In particular, the first acts, which will soon be published, concern technical functional safety requirements and powertrain performance and environmental characteristics of mopeds, motorcycles, three-wheelers and quadricycles, to obtain type-approval. It is presumed that the new regulation will come into force in 2014.

- In Spain, following the early implementation of the new European Directive on driving licences, regulations have already come into force that will become mandatory for the rest of the EU from 19 January 2013. Therefore, the licences recently issued by Spain will not be recognised in the rest of the European Union for approximately one year, restricting the right of Spanish citizens to move freely within the European Union. The industry, through ACEM, the Association of European Motorcycle Manufacturers, and ANESDOR, the Spanish trade association, filed a claim against the Spanish government for having unlawfully brought forward the date of application of the directive, thus infringing European Union Treaties.

- In recent months, debate has been ongoing at an international level over the quietness of electric vehicles. Some see this as an advantage, in view of the already high levels of noise pollution in towns and cities, while others consider it as a possible hazard for “weak road users” who cannot hear electric vehicles approaching, and could be the victim of a collision. Some studies conducted in Europe on road vehicle accidents, for example the Dutch study by the Institute for Road Safety Research (SWOV), have demonstrated that there is no clear scientific evidence of a correlation between the quietness of electrical vehicles and a greater involvement in accidents.

## Asia

Vietnam

- To solve problems with the excessive number of vehicles in major cities in Vietnam, the People’s Committee of Hanoi has introduced a measure, in force as from 1 January 2012, to increase the registration tax for all motorcycles.

- The Ministry of Transport has proposed adopting a rush-hour road tax for cars and motorcycles, in five of the country’s major cities. Based on this proposal, motorcycles with an engine below 175cc would be taxed 500,000 Dong/year (roughly €18); motorcycles above 175cc would be taxed 1,000,000 Dong/year (roughly €36). A Government decision on this proposal has not yet been disclosed.

Taiwan

- The Environmental Protection Agency (EPA) is monitoring the work of European Institutions and their proposal for a Framework Regulation for the type-approval and market surveillance of two-, there-wheeler vehicles and quadricycles, with a view to applying future EU regulations in Taiwan, with some minor differences. Current schedules comprise three subsequent steps in 2015, 2018, 2021 (in all three cases, a year after the times discussed for the EU), evaporative emission tests and on-board diagnostic tests with procedures which will be established for Europe and anti-pollution system durability testing with a mileage very similar to that which will probably be used for EU type-approvals.
- The Ministry of Transport is considering the possibility of implementing start & stop systems on two-wheeler vehicles, similar to those used for cars.

## USA

- In March, the Motorcycle Industry Council (MIC) recommended the adoption of a test procedure for electric vehicles. Known as the Protocol “City” Riding Range, the procedure can give consumers significant and representative data on the actual autonomy of electric motorcycles used in an urban context. The Electric Vehicles task force of MIC has established a procedure that it hopes will be used to correctly publish data on the autonomy of electric vehicles on the market, which is based on an Urban All-Electric Range test, taken from Californian and Federal regulations and used for electric vehicles. The procedure determines vehicle autonomy, in miles or kilometres, in an urban context, in various road and traffic conditions.

*Commercial vehicles*

Italy

› As in the case of two-wheelers, riders of three-wheeler mopeds and light quadricycles (minicars) will have to take a practical test, in addition to the mandatory theoretical test, from April, to obtain a licence. Regardless of the type of vehicle they choose to take the test with, the licence will enable successful candidates to ride all two- and three-wheeler mopeds and light quadricycles.

› In February, the Piaggio Group, along with other manufacturers of commercial vehicles, was requested to take part in a session of the IX and X Parliamentary Committees on two bills intended to promote the diffusion of "environmentally friendly" vehicles. Piaggio's strategic vision for low environmental impact vehicles was presented during the session, and some considerations were made on the two bills in question. In July, the bills were incorporated in a consolidated act "Disposizioni per favorire lo sviluppo della mobilità mediante veicoli che non producono emissioni di anidride carbonica" ("Provisions to promote the development of mobility through vehicles that do not produce carbon dioxide emissions"). Piaggio is monitoring the progress of the bill and decisions that will affect Piaggio's range of electric and hybrid vehicles.

Europe

› On 11 May 2011, Regulation no. 510/2011 of the European Parliament and Council was approved, which establishes $CO_2$ emission levels for light commercial vehicles. Under the Regulation, small-scale manufacturers of N1 vehicles may defer the new pollutant emission limits, and maintain higher emission values. The parameters that the manufacturer shall comply with to obtain this deferral have not yet been defined by the EU Commission; these parameters will probably be based on Regulation 63/2011 of the Commission on procedures for laying down detailed provisions for the application for a derogation from the specific $CO_2$ emission targets.

# *Financial position and performance of the Group*

## *Consolidated income statement*

### Consolidated income statement (reclassified)

| | 2011 | | 2010 | | Change | |
|---|---|---|---|---|---|---|
| | In millions of Euro | Accounting for a % | In millions of Euro | Accounting for a % | In millions of Euro | % |
| Net sales revenues | 1,516.5 | 100.0% | 1,485.4 | 100.0% | 31.1 | 2.1% |
| Cost to sell | 1,061.9 | 70.0% | 1,023.1 | 68.9% | 38.8 | 3.8% |
| **Gross industrial margin** | **454.6** | **30.0%** | **462.3** | **31.1%** | **(7.7)** | **-1.7%** |
| Operating expenses | 349.1 | 23.0% | 351.1 | 23.6% | (2.1) | -0.6% |
| **EBITDA** | **200.6** | **13.2%** | **197.1** | **13.3%** | **3.4** | **1.7%** |
| Depreciation | 95.1 | 6.3% | 86.0 | 5.8% | 9.1 | 10.5% |
| **Operating income** | **105.5** | **7.0%** | **111.1** | **7.5%** | **(5.6)** | **-5.0%** |
| Result of financial items | (26.2) | -1.7% | (27.3) | -1.8% | 1.1 | -4.0% |
| **Earnings before tax** | **79.3** | **5.2%** | **83.8** | **5.6%** | **(4.5)** | **-5.4%** |
| Taxes | 32.3 | 2.1% | 41.0 | 2.8% | (8.7) | -21.2% |
| **Net income** | **47.0** | **3.1%** | **42.8** | **2.9%** | **4.2** | **9.8%** |

### Vehicles

| | 2011 | 2010 | Change |
|---|---|---|---|
| In thousands of units | | | |
| Two-wheeler | 415.0 | 395.0 | 20.0 |
| Commercial Vehicles | 238.3 | 233.4 | 4.9 |
| **Total vehicles** | **653.3** | **628.4** | **24.9** |
| | | | |
| EMEA and Americas | 323.5 | 349.2 | (25.7) |
| India | 225.0 | 219.6 | 5.3 |
| Asia SEA | 104.8 | 59.5 | 45.2 |
| **Total vehicles** | **653.3** | **628.4** | **24.9** |

### Net revenues

| | 2011 | 2010 | Change |
|---|---|---|---|
| In millions of Euro | | | |
| Two-wheeler | 1,025.3 | 988.1 | 37.2 |
| Commercial Vehicles | 491.1 | 497.3 | (6.2) |
| **Total net revenues** | **1,516.5** | **1,485.4** | **31.1** |
| | | | |
| EMEA and Americas | 933.9 | 963.2 | (29.3) |
| India | 395.0 | 388.9 | 6.2 |
| Asia SEA | 187.5 | 133.2 | 54.3 |
| **Total net revenues** | **1,516.5** | **1,485.4** | **31.1** |

During 2011, the Piaggio Group sold 653,300 vehicles worldwide, registering a growth of 4.0% in volume over the previous year (628,400 units sold). This is mainly due to the increase in Two-Wheeler sales in Asia SEA, thanks to an improved production capacity at the Vietnamese plant, and sales starting on the Indonesian market. India also reported a good performance, where sales of *Commercial Vehicles* grew by 2.5%. Sales of Two-Wheeler and Commercial Vehicles in EMEA and the Americas decreased (–25,700 units, -7.4%).

The performance of the *Two-wheeler* segment took place in a particularly complex market context and competitive scenario, at least as concerns the European and American markets. In particular, the EMEA two-wheeler market declined by approximately 10% (-11% for scooters and -7% for motorcycles), while the US market registered a decrease of approximately 1% (+6% for scooters and -2% for motorcycles). In the EMEA area, the Piaggio Group increased its share by approximately 20.1%, to consolidate its leadership position. In the USA, and particularly on the scooter market, the Piaggio Group reported a positive growth trend (from 27.1% to nearly 30%). On the Asian market, the Group's performance was very good (+45,200 units, +75.9% over 2010), due in particular to the success of the Vietnamese subsidiary.

The *Commercial Vehicles* business performed extremely well on the Indian market, where the subsidiary Piaggio Vehicles Private Limited sold more than 225,000 units and increased its excellent sales figure of the previous year by approximately 2.5%.

In terms of consolidated turnover, the Group ended 2011 with net revenues up by 2.1% compared to 2010, equal to 1,516.5 million Euro. The *Two-Wheeler* business grew, with total turnover equal to 1,025.3 million Euro (+3.8%), while the *Commercial Vehicles* business, with a turnover of approximately 491.1 million Euro recorded a decrease of 1.2%. The turnover mix changed slightly. In particular, sales in the *Two-wheeler* segment went up from 66.5% of total turnover in 2010 to 67.6% of total turnover in 2011, whereas, the same parameter in the Commercial Vehicles segment decreased from 33.5% in 2010 to 32.4% in 2011.

Turnover by geographic segment basically reflects the trend for volumes: turnover from the EMEA and Americas market fell, due to the market downturn, while turnover increased in India and Asia SEA, reflecting the growth trend in sales.

The Group's **gross industrial margin** defined as the difference between "net revenues" and "cost to sell" decreased slightly compared to the previous year. In absolute terms, the margin was equal to 454.6 million Euro (- 7.7 million Euro compared to the first half of 2010), while in relation to net turnover, it was equal to 30.0% (31.1% in the first half of 2010). The decrease as a percentage, due mainly to the different mix of products sold on markets in EMEA and the Americas, and in India and Asia SEA, was within 1.1 percentage points, thanks to important actions to curb product costs.
For example, the "cost to sell" includes costs for materials (direct and consumables), accessory purchase costs (transport of incoming material, customs, warehousing), employee costs for direct and indirect manpower and relative expenses, work carried out by third parties, energy costs, depreciation of property, plant, 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 31.7 million euro (31.7 million euro in 2010).

**Operating expenses** in 2011 were equal to 349.1 million Euro, down by approximately 2.1 million Euro compared to the previous year (351.1 million Euro). This figure is particularly significant as these costs also include start-up costs relative to Piaggio Indonesia, which has been operative since March 2011. The trend of lower operating costs confirms the Group's constant focus on reducing costs 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 63.4 million euro (54.3 million euro in 2010).

These trends in the income statement resulted in a consolidated **EBITDA** – defined as operating income gross of amortisation/depreciation – which was better than the previous period, and equal to 200.6 million Euro (197.1 million Euro in 2010). In terms of turnover, EBITDA was equal to 13.2%, aligned with budget estimates and the figure of 13.3% recorded the previous year. In terms of Operating Income

(**EBIT**), performance was negative compared to 2010, with a consolidated EBIT equal to 105.5 million euro, down 5.6 million euro from 2010; in relation to turnover, EBIT was equal to 7.0%, compared to 7.5% for the previous period.

Net income from financial operations, which improved by 1.1 million Euro compared to 2010, includes savings from net borrowing costs that considerably offset the lower income from investments.

Consolidated net profit stood at 47.0 million euro (3.1% of turnover), considerably higher than the figure for the previous period of 42.8 million euro (2.9% of turnover). Taxes for the period were equal to 32.3 million euro, while they amounted to 41.0 million euro in 2010. The major decrease compared to 2010 is due to lower earnings before tax and to the recognition of deferred tax assets on losses that can be carried forward to future periods.

## *Consolidated statement of financial position*

| Consolidated statement of financial position | As of 31 December 2011 | As of 31 December 2010 | Change |
|---|---|---|---|
| millions of Euro | | | |
| Net working capital | (39.9) | 8.8 | (48.8) |
| Net tangible assets | 274.9 | 256.8 | 18.1 |
| Net intangible assets | 649.4 | 652.6 | (3.2) |
| Financial assets | 2.6 | 0.5 | 2.1 |
| Provisions | (104.9) | (125.9) | 21.0 |
| **Net capital employed** | **782.1** | **792.8** | **(10.7)** |
| Net Financial Debt | 335.9 | 349.9 | (14.0) |
| Shareholders' equity | 446.2 | 442.9 | 3.3 |
| **Sources of funds** | **782.1** | **792.8** | **(10.7)** |
| Minority interest capital | 1.2 | 1.6 | (0.4) |

**Net working capital** as of 31 December 2011 was equal to -39.9 million Euro, generating a positive cash flow of approximately 48.8 million Euro in 2011. Specifically, net working capital is defined as the sum of trade receivables, inventories, trade payables and other non-trade assets and liabilities. During 2011, 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 amortisation quota and assets held for sale, amounted to 274.9 million euro as of 31 December 2011, with an increase of approximately 18.1 million euro compared to 31 December 2010. This increase is due to the considerable volume of investments (equal to approximately 61.8 million Euro compared to 37.1 million Euro in the previous year) mainly targeting plant and machinery, buildings and industrial equipment, while depreciation was equal to approximately 35.2 million Euro. The value adjustment of the balance sheet item to the exchange rate in effect at the end of the reporting period generated a decrease in the carrying amount of approximately 8.9 million Euro.

**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 649.4 million euro, with a decrease of approximately 3.2 million euro compared to 31 December 2010. This decrease is mainly due to the value adjustment of balance sheet items to the exchange rate in effect at the end of the reporting period (-6.2 million Euro), which entirely absorbed the positive difference between significant investment activities in the year equal to approximately 64.3 million Euro, mainly targeting product development (38.3 million Euro) and patent/know how rights (24.7 million Euro), and amortisation equal to approximately 59.8 million Euro.

**Financial assets**, defined as the sum of "investments" and "other non-current financial assets" totalled 2.6 million Euro. The increase refers to the equity valuation of the Zongshen Piaggio Foshan joint venture (2.3 million Euro).

**Provisions**, comprising retirement funds and employee benefits, other long term provisions, from the current portion of other long term provisions, as well as deferred tax liabilities, totalled 104.9 million euro, registering a decrease compared to 31 December 2010 (- 21.0 million euro).

As fully described in the next section on the "Consolidated Cash Flow Statement", **net financial debt** as of 31 December 2011 was equal to 335.9 million euro, compared to 349.9 million euro as of 31 December 2010. The improvement of approximately 14 million Euro is mainly due to the positive trend of cash flow from operating activities, as well as the good management of net working capital, which enabled the self-financing of investments and distribution of dividends.

**Shareholders' equity** as of 31 December 2011 amounted to 446.2 million Euro, up 3.3 million Euro compared to 31 December 2010.

## *Consolidated Cash Flow Statement*

The Consolidated Cash Flow Statement, prepared in accordance with international accounting standards, is presented in the "Consolidated Financial Statements and Notes as of 31 December 2011". The following is a comment relating to the summary statement shown.

| Change in consolidated net debt | 2011 | 2010 | Change |
|---|---|---|---|
| millions of Euro | | | |
| **Opening consolidated net debt** | **(349.9)** | **(352.0)** | **2.0** |
| Cash flow from operating activities (earnings+amortisation/depreciation) | 142.0 | 128.8 | 13.2 |
| (Increase)/reduction in working capital | 48.8 | 8.4 | 40.4 |
| (Increase)/reduction in net investments | (112.0) | (103.7) | (8.4) |
| Net change in retirement funds and other provisions | (21.0) | (7.8) | (13.3) |
| Change in shareholders' equity | (43.7) | (23.8) | (19.9) |
| **Total change** | **14.0** | **2.0** | **12.0** |
| **Closing consolidated net debt** | **(335.9)** | **(349.9)** | **14.0** |

During 2011 the Piaggio Group generated **financial resources** amounting to 14.0 million Euro.

**Cash flow from operating activities**, defined as net income minus non-monetary costs and income, was equal to 142.0 million Euro.

**Working capital** generated a cash flow of 48.8 million Euro; in detail:
- the collection of trade receivables generated financial flows for a total of 24.9 million euro;
- stock management generated financial flows for a total of approximately 3.1 million Euro;
- supplier payment trends generated financial flows of approximately 22.8 million Euro;
- the movement of other non-trade assets and liabilities had a negative impact on financial flows by approximately 2.0 million Euro.

**Investment activities** involved a total of 112.0 million Euro of financial resources. Investments for the period refer to approximately 38.3 million Euro for capitalised research and development expenditure, and approximately 87.8 million Euro for plant, property and equipment and intangible assets.
In more detail, research and development expenditure amounted to 30.1 million euro for the *Two-wheeler* segment (scooters, motorcycles and engines) and 8.2 million euro for the *Commercial vehicles* business.

As regards plant, property and equipment and intangible assets, 25.6 million Euro was dedicated to product development for the *Two-wheeler* segment, approximately 5.0 million euro to product development for the *Commercial Vehicles* segment, approximately 44.6 million Euro to industrial activities, approximately 9.7 million Euro to information technology and 2.9 million Euro to other activities.

The impact on cash flow of the distribution of dividends in 2011 was equal to 25.7 million euro.

As a result of the above financial dynamics, which generated a positive cash flow of 14.0 million Euro, the **consolidated net debt** of the Piaggio Group stood at - 335.9 million Euro.

## *Alternative non-GAAP performance measures*

In accordance with CESR recommendation CESR/05-178b on alternative performance measures, in addition to IFRS financial measures, Piaggio has included other non-IFRS measures in its Report on Operations.

These are presented in order to measure the trend of the Group's operations to a better extent and should not be considered as an alternative to IFRS measures.
In particular the following alternative performance measures have been used:

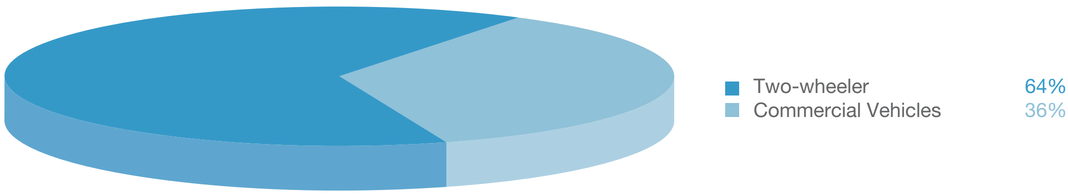
- **EBITDA**: defined as operating income gross of amortisation/depreciation.
- **Gross industrial margin** defined as the difference between net revenues and the cost to sell.
- **Cost to sell**: this includes costs for materials (direct and consumables), accessory purchase costs (transport of incoming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

# *Results by operating segment*

| | | Two-wheeler | | | Commercial Vehicles | | | Total |
|---|---|---|---|---|---|---|---|---|
| | | EMEA and Americas | Asia SEA | Total | EMEA and Americas | India | Total | |
| Sales volumes (unit/000) | 2011 | 310.2 | 104.8 | **415.0** | 13.3 | 225.0 | **238.3** | **653.3** |
| | 2010 | 335.4 | 59.5 | **395.0** | 13.8 | 219.6 | **233.4** | **628.4** |
| | Change | (25.2) | 45.2 | **20.0** | (0.5) | 5.4 | **4.9** | **24.9** |
| | Change % | -7.5% | 75.9% | **5.1%** | -3.7% | 2.5% | **2.1%** | **4.0%** |
| Net turnover (millions of euro) | 2011 | 837.8 | 187.5 | **1,025.3** | 96.1 | 395.0 | **491.1** | **1,516.5** |
| | 2010 | 854.9 | 133.2 | **988.1** | 108.4 | 388.9 | **497.3** | **1,485.4** |
| | Change | (17.1) | 54.3 | **37.2** | (12.3) | 6.1 | **(6.2)** | **31.1** |
| | Change % | -2.0% | 40.8% | **3.8%** | -11.4% | 1.6% | **-1.2%** | **2.1%** |
| Gross margin (millions of euro) | 2011 | 264.5 | 72.6 | **337.1** | 20.0 | 97.6 | **117.5** | **454.6** |
| | 2010 | 280.9 | 49.8 | **330.7** | 26.0 | 105.6 | **131.6** | **462.3** |
| | Change | (16.4) | 22.8 | **6.4** | (6.0) | (8.0) | **(14.1)** | **(7.7)** |
| | Change % | -5.8% | 45.7% | **1.9%** | -23.2% | -7.6% | **-10.7%** | **-1.7%** |
| Employees (no.) | As of 31.12.2011 | | | **5,030** | | | **2,589** | **7,619** |
| | As of 31.12.2010 | | | **4,841** | | | **2,688** | **7,529** |
| | Change | | | **189** | | | **(99)** | **90** |
| | Change % | | | **3.9%** | | | **-3.7%** | **1.2%** |
| Investments[1] (millions of Euro) | 2011 | | | **107.3** | | | **18.8** | **126.1** |
| | 2010 | | | **67.7** | | | **28.5** | **96.2** |
| | Change | | | **39.6** | | | **(9.7)** | **29.9** |
| | Change % | | | **58.5%** | | | **-34.0%** | **31.1%** |
| Research and Development[2] (millions of Euro) | 2011 | | | **57.1** | | | **11.4** | **68.5** |
| | 2010 | | | **45.9** | | | **17.0** | **62.9** |
| | Change | | | **11.2** | | | **(5.6)** | **5.6** |
| | Change % | | | **24.4%** | | | **-32.9%** | **8.9%** |

*1_Total investments in property, plant and equipment and intangible assets.*
*2_The item Research and Development includes investments recognised in the statement of financial position and costs recognised in profit and loss.*

Sales volumes by business segment - year 2011

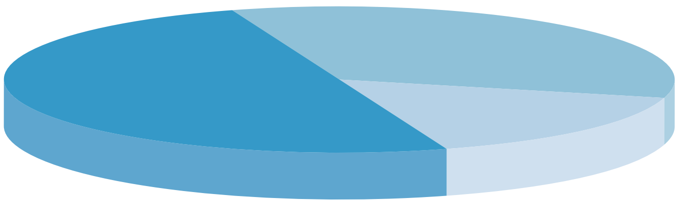


Main data by geographical segment

| | | EMEA and Americas | India | Asia SEA | Total |
|---|---|---|---|---|---|
| Sales volumes (unit/000) | 2011 | 323.5 | 225.0 | 104.8 | **653.3** |
| | 2010 | 349.2 | 219.6 | 59.5 | **628.4** |
| | Change | (25.7) | 5.3 | 45.2 | **24.9** |
| | Change % | -7.4% | 2.4% | 75.9% | **4.0%** |
| Net turnover (millions of euro) | 2011 | 933.9 | 395.0 | 187.5 | **1,516.5** |
| | 2010 | 963.2 | 388.9 | 133.2 | **1,485.4** |
| | Change | (29.3) | 6.2 | 54.3 | **31.1** |
| | Change % | -3.0% | 1.6% | 40.7% | **2.1%** |
| Employees (no.) | As of 31.12.2011 | 4,356 | 2,331 | 932 | **7,619** |
| | As of 31.12.2010 | 4,647 | 2,400 | 482 | **7,529** |
| | Change | (291.0) | (69.0) | 450.0 | **90** |
| | Change % | -6.3% | -2.9% | 93.4% | **1.2%** |
| Investments[3] (millions of Euro) | 2011 | 67.9 | 42.7 | 15.5 | **126.1** |
| | 2010 | 72.4 | 18.2 | 5.6 | **96.2** |
| | Change | (4.5) | 24.5 | 9.9 | **29.9** |
| | Change % | -6.2% | 134.6% | 176.8% | **31.1%** |
| Research and Development [4] (millions of Euro) | 2011 | 42.0 | 22.9 | 3.6 | **68.5** |
| | 2010 | 46.1 | 15.2 | 1.5 | **62.9** |
| | Change | (4.1) | 7.7 | 2.1 | **5.6** |
| | Change % | -8.9% | 50.7% | 140.0% | **8.9%** |

*3_Total investments in property, plant and equipment and intangible assets.*
*4_The item Research and Development includes investments recognised in the statement of financial position and costs recognised in profit and loss*

Sales volumes by geografical segment - year 2011

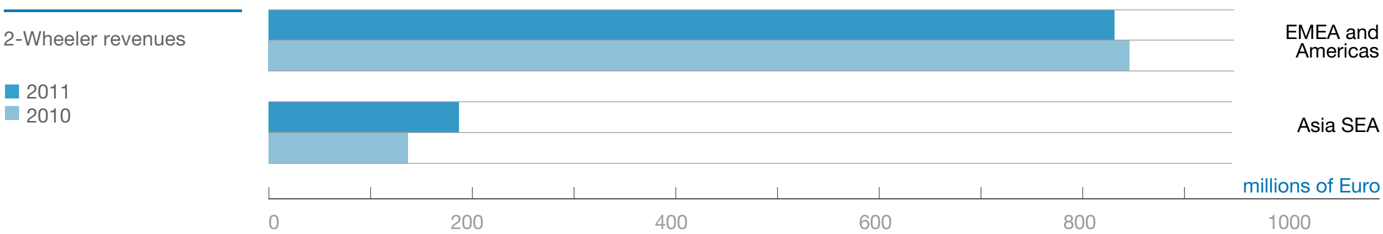


EMEA and Americas 50%
India 34%
Asia SEA 16%

## *Two-wheeler*

| | 2011 | | 2010 | | 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 | 310.2 | 837.8 | 335.4 | 854.9 | -7.5% | -2.0% | (25.2) | (17.1) |
| - of which EMEA | 299.9 | 802.4 | 329.1 | 831.7 | -8.9% | -3.5% | (29.2) | (29.3) |
| *(of which Italy)* | *85.1* | *249.1* | *110.1* | *298.2* | *-22.7%* | *-16.5%* | *(25.0)* | *(49.1)* |
| - of which America | 10.3 | 35.4 | 6.3 | 23.2 | 63.8% | 53.0% | 4.0 | 12.3 |
| Asia SEA | 104.8 | 187.5 | 59.5 | 133.2 | 75.9% | 40.8% | 45.2 | 54.3 |
| **Total** | **415.0** | **1,025.3** | **395.0** | **988.1** | **5.1%** | **3.8%** | **20.0** | **37.2** |
| Scooters | 376.7 | 715.5 | 355.1 | 708.1 | 6.1% | 1.1% | 21.6 | 7.5 |
| Motorcycles | 38.3 | 155.5 | 39.9 | 138.6 | -4.0% | 12.2% | (1.6) | 16.9 |
| Spare parts and Accessories | | 135.5 | | 138.4 | | -2.1% | 0.0 | (2.9) |
| Other | | 18.8 | | 3.0 | | 518.6% | 0.0 | 15.8 |
| **Total** | **415.0** | **1,025.3** | **395.0** | **988.1** | **5.1%** | **3.8%** | **20.0** | **37.2** |

2-Wheeler revenues




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

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

### *Market positioning*

The Piaggio Group retained its leadership position on the European market in 2011, with a market share equal to 20.1%, up 0.4 percentage parts, thanks to its consolidated position as leader in the scooter segment (+0.9 percentage points) and retention of its market share in the motorcycle segment.
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 held on to its strong position on the North American scooter market, where it has consolidated its leadership with a market share of just under 30%, and where it is committed to increasing its profile in the motorcycle segment, through the Aprilia and Moto Guzzi brands.

### *Brands and products*

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

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

<u>Piaggio</u>. In 2011, Piaggio was also European leader in the important high-wheeled scooter segment. After presenting the new generation Beverly in 2010, with its excellent 125cc and 300cc engines, in 2011 Piaggio completed the range with a model that has set the standards for the segment: the Beverly SportTouring.

The successor of the Beverly 400cc, the new SportTouring has come out with a new 350cc engine, designed and manufactured to deliver all the performance of a 400cc model, but with the dimensions, emissions and running costs of a 300cc vehicle.
The Beverly SportTouring is 20 kg lighter, easier and more fun to handle, and is the safest high-wheeled scooter on the market. As a first ever for scooters, it features an electronic control system that combines ABS antilock braking with ASR traction control to prevent the rear wheels sliding on terrain that is uneven or provides a poor grip.
Another important model in the Piaggio brand, is the MP3 Yourban. This new concept delivers all the benefits of MP3 technology on a scooter that is compact, sleek, agile and easy to handle - making it an ideal mover in traffic.
Available in 125cc and 300cc versions, both with electronic injection, the MP3 Yourban stands out for

top-of-the-range fittings and finishes and is ideal for the rider who wants a safe, agile and fun vehicle.

Vespa. 2011 was an extremely important year for Vespa as it marked 65 years of activity, proving once again its unique spirit among scooters worldwide.

To celebrate this major achievement, the PX was relaunched, which is the most iconic Vespa model, with more than three million models sold. While retaining the features that have made it such a success - the four manual gears and pedal brake - the PX has been restyled to increase comfort, thanks to technical solutions and a new seat, and now boasts a technically sophisticated engine which fully meets Euro 3 standards on emissions.
In 2011 Vespa also renewed its three Special Series, successfully launched in 2010. The Touring, Sport and Vie della Moda were expanded with the introduction of the GTS 300 Touring, S Sport and LXV Vie della Moda models.
In addition, with more than 98,000 units sold and an excellent performance in South East Asia, the Vespa LX was the Piaggio Group's best-selling model worldwide in 2011.

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

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

Aprilia. In 2011 Aprilia, the Piaggio Group's Racing Brand, introduced a new model to the Granturismo segment. The SR Max, available as 125cc and 300cc injection versions, is the GT model for riders who not only want comfort and a certain style, but a fun, enjoyable riding experience too.

2011 was a year of renewal for Aprilia. Following a positive reception from the press and the commercial success of the innovative suite of electronic controls, APRC (Aprilia Performance Ride Control), presented to the market with the RSV4 Factory APRC Special Edition, the system now features as standard on the RSV4 range and has been proposed as a version on the new Tuono V4 R. The Tuono, which is Aprilia's main highlight of the year, heralds a return to a model which has become a benchmark for the Noale-based brand. The new model, restyled from its sister, the RSV4, immediately became a standard setter in the maxi naked segment, delivering a motorcycling and riding performance to meet the expectations of the press and customers alike.

Other important initiatives in the motorcycle range include the new RS4 50 and 125 models, which breathe new life into the fantastic RS range, with road model replicas of champion rider's motorcycles. The new 125cc 4-stroke electronic injection engine, in line with the latest market trends, makes the motorcycle perfect for even the most discerning young rider.

Scarabeo. The Scarabeo brand renewed its medium model, with 125cc and 200cc electronic injection engines in 2011. This Scarabeo model was entirely restyled from a design and technical viewpoint. With the new line, featuring even greater comfort, thanks to a new twin seat, and technical solutions, Scarabeo has expanded its product range in the market segment of medium, high-wheeler scooters, which is gaining in strategic importance at an European level.

Scarabeo also introduced the special "YourZ" series for 50cc 2-stroke engines. With its sticker customisation kit, the Scarabeo "YourZ" has been a great hit with very young riders, who are very important customers for Scarabeo, as demonstrated by its partnership with MTV during the 2011 MTV Italian Awards.

Moto Guzzi. In 2011, Moto Guzzi celebrated its 90th anniversary. To mark the occasion, Guzzi World Days were held in September in Mandello del Lario. More than 20,000 people came to visit the factory, museum and to see new models, during the three days.
The climax of the event was the inauguration of the monument dedicated to Carlo Guzzi, in the main square of the town, attended by the local authorities and by Roberto Colaninno, CEO of the Piaggio Group.
Moto Guzzi presented an exclusive numbered series of the California model, called “90”, featuring a special colour and fittings to celebrate its anniversary.
The anniversary had already been celebrated in style with the launch of the redesigned Stelvio 1200. Levering the positive trend of the Enduro segment and starting from the basic version launched in 2008, which is already selling well on markets, Moto Guzzi restyled the Stelvio with a few but important features, to delight customers even more.
Existing models were also consolidated in 2011: the efforts made recently to improve product quality were recognised by customers and contributed to the success of the Norge GT_8v, which was unveiled in 2010, and to the continual rise of the V7, with various versions winning over new Moto Guzzi customers.

## *The distribution network*

EMEA

In the EMEA area (Europe, the Middle East, Africa) the Piaggio Group operates directly in main European countries and through importers in other markets.
At the end of December 2011, the Piaggio Group had 3,800 dealers (direct dealers and importers) in EMEA, for a total of 13,900 sales outlets.
36% of these operators represented and distributed the Group brand (or several Group brands) on an exclusive basis.
Of the 13,900 sales outlets, 2,300 are located in Italy, 9,000 in the rest of Europe and 2,600 in markets overseen by importers. In January 2011, the Group changed its distribution strategy in Holland and Belgium, where the Aprilia and Moto Guzzi brands, previously managed by an importer, are now distributed by a direct network, to make the most of synergies from a direct presence in these countries.
The process to streamline and consolidate the Group’s sales network continued in 2011, with two strategic areas of focus:

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 the sales and financial performance of dealers, improving the quality of customer-integrated services, and developing management tools and services.

Americas

In the Americas, the Piaggio Group was served by 390 active operators at the end of 2011, broken down as follows:

- 323 active dealers on the US market, with a direct commercial presence;
- 44 dealers on the Canadian market, with a direct commercial presence;
- in Latin America (LATAM) the Group is present in 22 countries with a network of 25 importers.

In the United States, the process to streamline the distribution network was stepped up, after the strong market downturn in 2009 (-40.8%) and in 2010 (-15.8%).
The Group changed its distribution strategy in Canada in January 2010, and now adopts the model used in the US, based on a direct sales network comprising some 44 dealers. Overall sales in Canada amounted to 1,200 units in 2011.

In Latin America, the Group is present in 22 countries with a network of 25 importers, to whom approximately 2,240 units were sold.

Asia Pacific

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

In Vietnam, the Group increased its importers from 4 in 2008 (when a different business model was adopted) to more than 40 dealers in 2011, and 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.

### *Comments on main results and significant events of the sector*

During 2011, the Piaggio Group sold a total of 415,000 units in the two-wheeler segment, worldwide, accounting for a net turnover equal to approximately 1,025.3 million euro (+3.8%), including spare parts and accessories (135.5 million euro, -2.1%). In 2011, the Piaggio Group reconfirmed its leadership position on the European scooter market.

As explained in the previous paragraphs, the Piaggio Group's performance in 2011 was highly penalised by the drop in demand on the European market. This downturn concerned both the scooter and motorcycle segments.
On the other hand, growth in the Asian area was strong compared to the previous period, with sales and turnover increasing by 75.9% and 40.8% respectively, due to an improved production capacity at the Vietnam site.

The MP3 range continued to be a success story in 2011, with 21,000 deliveries to take the total sales volume to 100,000 vehicles. The Vespa - the Piaggio Group's iconic brand in the two-wheeler sector - also performed extremely well on the world market, with a turnover equal to 298 million Euro and approximately 152,000 units sold.

Turnover from the motorcycle segment was given a strong boost by the Aprilia RSV4 and thanks to the excellent results achieved in the Superbike World Championships, its different versions produced a very satisfactory turnover for the Group.

### *Investments*

As referred to previously, investments in the Two-Wheeler segment amounted to approximately 107.3 million Euro during 2011. These investments mainly targeted the following areas:
› Development of the new site in India for the Vespa.
› Development of new products and face lifts of existing products.
› Improvements in and modernisation of current production capacity.
› Implementation of new IT tools.

As regards investments for Piaggio Group products in particular, significant resources were dedicated to some brands and/or products which are key to the Group's development. Main investments for European

and Asian production sites (Vietnam and India), addressed the following areas:
› Development of the new 350cc engine.
› Development of the new LEm engine.
› Restyling of the Beverly.
› Development and launch of the new MP3 Urban.
› Start of development of the new Vespa LX.
› Development of the "Made in India" Vespa.
› Production of the Liberty Electric.
› Production of the new XGT.
› Production of the new Fly for Vietnam.
› Production of the new Aprilia SRV 850.
› Completion of the Vespa PX.
› Development to restyle the Moto Guzzi range.

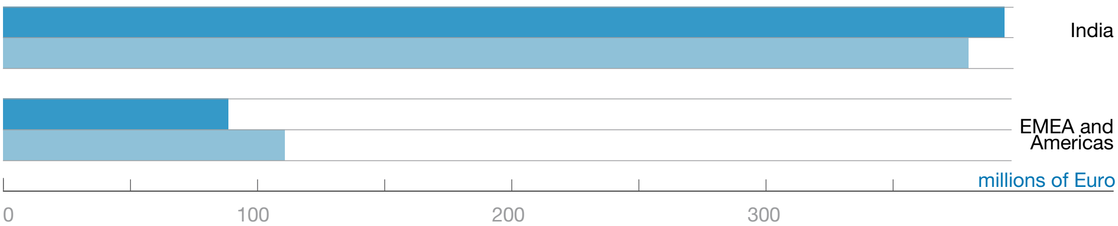
Industrial investments were also made, targeting safety, quality and the productivity of production processes.

## *Commercial Vehicles*

| | 2011 | | 2010 | | 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 | 13.3 | 96.1 | 13.8 | 108.4 | -3.7% | -11.4% | (0.5) | (12.3) |
| *- (of which Italy)* | *7.6* | *60.3* | *8.4* | *70.3* | *-10.4%* | *-14.3%* | *(0.9)* | *(10.1)* |
| *- (of which the Americas)* | *1.1* | *2.0* | *0.4* | *1.2* | *146.6%* | *65.0%* | *0.6* | *0.8* |
| India | 225.0 | 395.0 | 219.6 | 388.9 | 2.5% | 1.6% | 5.4 | 6.1 |
| **Total** | **238.3** | **491.1** | **233.4** | **497.3** | **2.1%** | **-1.2%** | **4.9** | **(6.2)** |
| | | | | | | | | |
| Ape | 221.6 | 370.0 | 217.7 | 363.6 | 1.8% | 1.8% | 3.9 | 6.4 |
| Porter | 4.4 | 44.6 | 5.2 | 55.6 | -16.0% | -19.8% | (0.8) | (11.0) |
| Quargo | 4.2 | 17.8 | 9.0 | 33.2 | -53.9% | -46.3% | (4.9) | (15.4) |
| Mini Truk | 8.1 | 15.9 | 1.5 | 3.1 | 448.6% | 409.2% | 6.6 | 12.8 |
| Spare parts and Accessories | | 42,8 | | 41,7 | | 2,7% | | 1,1 |
| **Total** | **238.3** | **491.1** | **233.4** | **497.3** | **2.1%** | **-1.2%** | **4.9** | **(6.2)** |

Revenues of Commercial vehicles

2011
2010




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

### *Market positioning*

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

The Group distributes its products mainly in Italy (which accounted for 57% of the Group's volumes in Europe in 2011), as well as in Germany (18%), Spain (3%) and France (4%). The Group acts as operator on these markets in a niche segment (urban mobility), thanks to its range of low environmental impact products.

The Group is also present in India, in the passenger vehicle and cargo subsegments of the three-wheeler market, where it currently holds a leadership position, with a market share of 37.1%.

The traditional three-wheeler market in India is flanked by the four-wheeler light commercial vehicles (LCV) market (cargo vehicles for goods transport) where Piaggio Vehicles Private Limited operates with the Apé Truk and - since 2010 - with the Apé Mini.

### *Brands and products*

The Ape is the Group's best-selling brand in the commercial vehicles sector. The Ape is highly regarded because of its outstanding versatility, and is the ideal solution for door-to-door deliveries and short-range mobility requirements.
The Piaggio Group range also includes the compact, robust Porter and Quargo models. The Group now has a modern 1,200cc diesel engine developed and manufactured entirely at its new production site in Baramati, India.

European range vehicles are currently manufactured at production sites in Pontedera, while the range of vehicles intended for the Indian market is manufactured entirely at the production site in Baramati.

Europe
The Piaggio Group's commercial vehicles are intended for the intracity transport niche market, which typically means an average daily mileage of 40 km.
The product range, comprising the Ape 50, Ape TM, Ape Classic, Ape Calessino, Quargo, Porter and Porter Maxxi, combines low running costs, an excellent specific load capacity and extremely easy handling, for access to areas that normal vehicles cannot reach because of their standard size, particularly in historic town and city centres.
The "star in the range" is the Porter, the light commercial vehicle with engine configurations for the most commonly used fuel options: diesel (D120), petrol (MultiTech) and eco-friendly (EcoSolution): bifuel petrol + GPL (EcoPower), bifuel petrol + methane (GreenPower), zero emission electric (ElectricPower).
The chassis version of the Porter is the ideal starter vehicle for adding increasingly specialised fittings to cater for customer needs. Specialisation is the key to Piaggio's success to reach new niche market segments.
In 2011, in the European product range, the new Diesel Euro 5 engines were launched, and the EcoSolution range was completed with a GreenPower version featuring a petrol + factory-fitted methane system option.
The new fully comprehensive engine range means all customer needs can be met, whether from the private domain or public fleet sector, and new trends targeting alternative fuels can be harnessed (pump price tensions, incentive campaigns).
The Quargo, a heavy four-wheeler, which can be driven from the age of 16 with an A1 type licence completes the range. This model levers important component and production process synergies with the Porter, extending the range to include intracity models designed for users who are traditionally served by the Ape 50 and TM, but need to switch to an equivalent four-wheeler vehicle.
Moreover, in a year in which Italy celebrated the 150th anniversary of its unification, the *Ape 50 150°*

*Anniversario Unità d'Italia*, was launched, a special limited edition series to mark this occasion.
Lastly, marketing of the Ape 50 also began in North European countries, thanks to the introduction of a reduced speed version, in line with local regulations.

India
The Piaggio Group started operating on the Indian market in 1999, through Piaggio Vehicles Private Limited, manufacturing two versions of the Apé, the Apé 501 and the Apé 601. With these models, the Group has achieved a considerable level of brand awareness in the last few years and has developed a dealer network throughout India, gaining an excellent reputation for its customer service, quality and style, and immediately obtaining a large share of the market.

In 2010, the Apé City Passenger model was introduced, with petrol, diesel, gas and methane engines. With a 275cc petrol engine version and a 395cc diesel engine version, the Apé City Passenger combines power, comfort and reliability - which are all in demand from the domestic Indian market and main export markets. Its features make it particularly suitable for emerging countries in Africa and South America. In the four-wheeler sector, the Apé Truk Indian range was recently added to, with the Apé Mini. Directly originating from the European range, the Apé Truk line combines an excellent load capacity/vehicle weight ratio, outstanding handling and a compact size. The new Apé Mini in particular has a 441cc diesel engine and a fuel consumption which is low on average, even reaching 29 km/l.

### *The distribution network*

Europe
The Piaggio Group has more than 500 dealers in Europe. Development of the sales network in Europe has led to 70 dealers opening, to manage the entire product line and this has improved coverage on main European markets. This expansion concerned France, Germany, Benelux and Italy in particular. New importers and distributors also became operative in Turkey, England and Serbia.
Developing and improving on the sales network quality standards has been a major focus, with particular attention paid to the efficiency of the service network, standards of corporate identity, the training of salesmen and technicians and approach to customer care.
On the Italian market, the Group has 140 dealers, 80% of which act as exclusive dealers of Piaggio vehicles. The rest of the network comprises multibrand dealers (cars, commercial vehicles and forklift trucks). The 140 Italian operators manage a sub-network of more than 650 sales outlets and dedicated repair centres, with the aim of providing a top level professional service which is close to end users. In 2011, 65 new Service Points were appointed.

New distribution projects which began in 2010 continued in 2011 in four Latin American countries (Mexico, Ecuador, Colombia and Guatemala) where a continually expanding network operates, currently comprising more than 60 sales outlets. New contacts were made with market and institutional operators in another 6 countries where the Group is not currently present. South America continues to be a strategically important area, where the Group is consolidating initiatives launched in the previous year and approaching new business opportunities, stemming from the diverse mobility needs of emerging markets, through its Indian range, and of more developed markets, through its European range.

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

*Comments on main results and significant events of the sector*

In 2011, the Commercial Vehicles business generated a turnover of approximately 491.1 million Euro, including approximately 42.8 million Euro relative to spare parts and accessories, registering an 1.2% decrease over the previous year. The trend for sales was positive, with 238,339 items sold in the year and an increase of 2.1%.

On the European market, the Piaggio Group sold 13,287 units in 2011, generating a net total turnover of approximately 96.1 million Euro, including spare parts and accessories for 19.9 million Euro. The decrease over the previous year, equal to 503 units and to approximately 12.3 million Euro of turnover, was mainly due to the negative trend of the reference segment.

On Latin American markets, the Group continued to develop the projects launched in 2010 in Ecuador, Colombia, Guatemala and Mexico, based on the Indian range Apé. These business development initiatives considerably increased sales volumes in the area, which stood at 1,090 units in 2011, compared to 442 units in the previous year.

On the Indian three-wheeler market, up 4.7% over the previous year, Piaggio Vehicles Private Limited held a 37.1% share. Sales of three-wheeler vehicles went up from 195,970 units in 2010 to 195,111 units in 2011, registering a decrease of 0.4%. Detailed analysis of the market shows that Piaggio Vehicles Private Limited consolidated its role as market leader in the cargo segment. Thanks to the Piaggio Apé 501, above all, and numerous possibilities for customisation, Piaggio Vehicles Private Limited reached a 57% market share (60.1% in 2010). Its market share, although decreasing slightly, also remained steady in the Passenger segment, standing at 32% (34% in 2010). On the four-wheeler market, Piaggio Vehicles Private Limited sales volumes were basically the same as the previous year, with 11,200 units sold. Export performance was particularly significant, with the number of units going up from approximately 14,100 in 2010 to approximately 18,700 in 2011.

*Investments*

Development activities focussed on India, where investments continued for the development of the diesel engines production site. As regards normal operations, works began to expand the production lines for 3-wheeler vehicles, to meet a growing demand from the market.
Product development activities for the European range included the commercial launch of the new Diesel Euro 5 engines and completion of the EcoSolution range with the GreenPower version (petrol + factory-fitted methane system).

# *Events occurring after the end of the period*

**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 will be manufactured at Piaggio's production facilities in Baramati (India) from 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 EUR taken out on 29 December 2011 was finalised, as suspension conditions had been met. In particular, the remaining Euro 65 million of a pooled loan, with maturity in August 2012, was paid back in advance, and the early cancellation of a loan of Euro 100 million, 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.

# *Risks and uncertainties*

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

## *Risks relative to the operating segment*

### *Risks related to the macroeconomic scenario and the sector*

As already discussed in the section on Background, in the second half of 2011, the world economy was affected by a slowdown, with dynamics anchored to geographic segments.
To attenuate the negative effects of the world macroeconomic situation, the Piaggio Group continued to pursue its strategic vision, expanding its presence on Asian area markets, where growth rates have remained high, and consolidating the competitive positioning of its products, through research and a considerable focus on the development of low consumption, environmentally friendly engines.

### *Risks related to a high level of market competition*

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

### *Risks related to higher energy, raw material and component costs*

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

### *Risks related to seasonal fluctuations in operations*

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

### *The risk relative to the regulatory reference framework*

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

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

## *Risks relative to the Piaggio Group*

### *Risks related to changed customer preferences*

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

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

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

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

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

### *Risks related to the operation of industrial sites*

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

### *Country risk*

The Piaggio Group operates in an international arena and is therefore exposed to risks connected with a high

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

### *Risks related to product liability and risks connected with vehicle defects*

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

### *Risks related to litigation*

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

### *Risks related to industrial relations*

In Europe, the Piaggio Group operates in an industrial context with a strong trade union presence, and is potentially exposed to the risk of strikes and interruptions to production activities.
In the recent past, the Group was not affected by major interruptions to production because of strikes.
To avoid the risk of interruptions to production activities, as far as possible, the Group bases its relations with trade union organisations on dialogue.

### *Risks related to the publication of the financial disclosure*

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

### *IT and data and information management risks*

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

# *Financial risks*

### *Risks connected with financial debt*

The Piaggio Group's sources of financing at the end of the reporting period were:
- debenture loans for a total nominal amount of 202 million Euro;
- bank loans for a total nominal amount of 259 million Euro. The type, rates and maturities of these loans are discussed in the notes to the Consolidated Financial Statements.

The Group also had minor loans and revocable credit lines for a total debt of 499 million euro.

The above debt situation could have a negative impact on Group operations in the future, limiting its ability to obtain additional financing or to obtain financing in unfavourable conditions.

### *Liquidity risk (access to the credit market)*

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

### *Exchange risks*

The Piaggio Group undertakes operations in currencies other than the euro and this exposes it to the risk of fluctuating exchange rates of different currencies.

Exposure to the business risk consists of envisaged payables and receivables in foreign currency, taken from the budget for sales and purchases reclassified by currency and accrued on a monthly basis.
The Group's policy is to hedge at least 66% of the exposure of each reference month.
Exposure to the settlement risk consists of receivables and payables in foreign currency acquired in the accounting system at any moment. The hedge must at all times be equal to 100% of the import, export or net settlement exposure for each currency.

In 2011, the exchange risk was managed in line with the policy introduced in 2005, which aims to neutralise the possible negative effects of exchange rate changes on company cash-flow, by hedging the business risk which concerns changes in company profitability compared to the annual business budget on the basis of a key change (the so-called "budget change") and of the settlement risk, which concerns the differences between the exchange rate recorded in the financial statements for receivables or payables in foreign currency and that recorded in the related receipt or payment.

### *Interest rate risks*

The Group has assets and liabilities which are sensitive to changes in interest rates and are necessary to manage liquidity and financial requirements. These assets and liabilities are subject to an interest rate risk and are hedged using derivatives.

*Credit risk*

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

# Operating outlook

The 2011-2014 Plan presented on 14 December 2011 will target a major increase in productivity, to generate value for shareholders, customers and employees, levering the Group's consolidated international presence, and to increase competitive product costing in key processes such as purchasing, manufacturing and design.

In terms of business and geographic segments, the Plan sets out a development strategy in keeping with the global economic scenario, and aims for considerable growth on emerging markets and a high rate of development, whilst retaining and consolidating its leadership positions on mature markets.

In particular:
- as concerns Asia SEA, plans have been made to expand vehicle and engine ranges, to penetrate new market segments with a premium position, finalise entry on the Indonesian market and penetrate new Asian markets, thanks to an increase in the production capacity of Piaggio Vietnam (300,000 units/year compared to the current 140,000 units/year);
- the Group will also enter the Indian scooter market, which has high annual growth rates, with its premium brand Vespa. Production will start in the first quarter of 2012 at the new site in Baramati which is currently being equipped and will have a production capacity of 150,000 units plus/year;
- on mature markets, the Group plans to attain a further share of the European scooter segment, which performed brilliantly in 2011, with the Group consolidating its European leadership position, as well as a growth in sales and margins thanks to the Aprilia range and Moto Guzzi brand, that will unveil its first new motorcycle models in 2012.

As regards commercial vehicles, the 2011-2014 Plan targets increased sales and market shares in emerging countries and retaining current positions on the European market, in particular:
- penetrating new segments of the Indian three-wheeler market, with the new Ape City and its 200cc petrol engine, and increasing shares on the Indian four-wheeler commercial vehicles market, thanks to new products in segments with a higher growth rate;
- supporting sales on the Indian market through consumer financing;
- further developing exports to African, Asian and Latin American markets.

In technological terms, the 2011-2014 Plan is strongly geared towards the development of new low environmental impact petrol engines with reduced consumption, an area in which the Group already excels, for the two-wheeler and commercial vehicles segments. As from 2012, the Piaggio Group - alongside the launch of new products, some of which were already unveiled at the 2011 edition of EICMA, the international motorcycle exhibition- will put new generations of highly innovative engines on the market, featuring outstandingly low fuel consumption and pollutant emission levels. Thanks to work in conjunction with world-class research centres and 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.

# *Transactions with related parties*

Revenues, costs, payables and receivables as of 31 December 2011 involving parent companies, subsidiaries and affiliated companies relate to the sale of goods or services which are a part of normal operations of the Group.
Transactions are carried out at normal market values, depending on the characteristics of the goods and services provided.
The information on transactions with related parties, including information required by Consob in its communication of 28 July 2006, is given in note E of the Consolidated Financial Statements and note D of the separate Financial Statements of the Parent Company.
The procedure for transactions with related parties, pursuant to article 4 of Consob Regulation no. 17221 of 12 March 2010 as amended, approved by the Council on 30 September 2010, is published on the institutional site of the Issuer www.piaggiogroup.com, under *Governance.*

## *Relations with the Parent Company*

Piaggio & C. SpA is subject to the management and coordination of IMMSI SpA 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.

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

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

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

# Piaggio and its production sites

The Piaggio Group has a strong international presence.
At its Italian site in Pontedera (in the area near Pisa), the Group has two facilities, one for the manufacture of commercial vehicles and the other for the manufacture of scooters and motorcycles. In addition to the facility manufacturing scooters and motorcycles, which is 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 2011 concerning these sites, which aimed to develop and make production capacity more efficient, are outlined below.

## Pontedera Sites

Activities began 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 in the first half of 2012.

### *Two-wheeler sites*

As part of mechanical processing activities, a new ion induction furnace for drive shafts and cam axles was installed. Units were set up for the processing of gears for LEm, Electric, 350cc and Derbi 125cc RSV engines, and for the processing of LEm and 350cc engine crankcases, with the complete overhaul of work centres used. Two automatic units for the automation of the integral drive shafts processing line were installed. A new work centre for processing main groups of connecting rods is being installed. As part of engine testing and assembly processes, installations for the new 350cc, Vespa PX, Liberty Electric and 850cc engine assembly lines were completed, while the installation of the LEm engine assembly line is being completed (scheduled for production start-up in March 2012).

As regards Welding and Painting processes, a new automatic unit for the MIG welding of MP3-1 steering tubes and Stalker/Zip chassis was installed, and activities to make welding department equipment and painting department areas safe were completed. Installation of the new Product Routing System began. The system will manage conveyor production flows between the 2W Welding/Painting/Assembly departments, and is scheduled for start-up in the first quarter of 2012.
As concerns Vehicle Assembly, a new steering preparation line was set up, and manufacturing of the Vespa Px and Liberty Electric began.

### *Commercial Vehicles Plants*

The new automated painting line for APE vehicles was started up, and various activities to restore and make safe areas and painting processes for three- and four-wheelers were completed.
Various equipment in the welding department was made compliant with safety regulations: electropneumatic equipment on the Ape TM welding line (completed) and on the Porter line (partially completed, due to finish in the first half of 2012), welding fume exhaust vents.
Production of the Porter with new MultiTech 1,300cc petrol and BTC 1,200cc diesel engines also got underway.

## *Scorzè Plant*

The project to replace the roofing of the scooter building was completed, and line 6 for offroad vehicle assembly was set up.

## *Mandello del Lario Plant*

Renovation works for the second stage of the Arrocco project were completed, and demolition works and construction of the new company porter's lodge were finished. Various activities got underway to renovate the site, including new road surfacing and internal roads, organising the layouts of building A and renovating building D, with a new Metrological Room being set up.
As regards vehicle assembly, the new motorcycle packing line went into production.

## *Baramati Plant*

At the engines plant, the aluminium processing line, and new HE 125cc engine assembly and testing lines were fully industrialised. In particular, in December 2011, preproduction engines were assembled. Industrialisation of the new 200cc engine for the three-wheeler Ape Pax also began and production is scheduled for start-up in July 2012.
At the new Two-wheeler plant, the industrialisation process for the Vespa with the new HE 125cc engine is nearing completion (production will start in March 2012 with a production capacity of 150,000 vehicles/year). In particular, in December 2011, the assembly of preproduction Vespas was completed to schedule.

## *Hanoi Plant*

Work began to install a third vehicle assembly line, and production start-up is scheduled for the first few months of 2012.
Expansion of the industrial site in Vietnam is being completed, with new industrial buildings built for mechanical processing and for engine and spare parts assembly. Work also began to transfer the vehicle welding department from the assembly plant to a more suitable area inside the new spare parts warehouse.
As concerns engine assembly and testing, in Italy, in December 2011, the new assembly line for LEm engines was developed and testing completed at the supplier's premises. The line will be dispatched to Vietnam in the first few weeks of January 2012 and will be installed in the new engine assembly building in February. A procedure was established to issue orders for aluminium processing lines (production start-up in the second half of 2012) and cylinder head processing lines (production start-up in the first half of 2013).

## *World Class Manufacturing Project – Piaggio Production System (PPS)*

This programme for the continual improvement of the Group's production processes was developed through a number of initiatives focussed on extending and consolidating the company's culture of manufacturing.

The PPS programme was also launched at vehicle and engine production sites in India. In the last part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of 2011, the first production process audit was held, which is the starting point for a future improvement programme.

At Italian sites the PPS programme, which got underway at the end of 2010, became fully operational. An important training initiative took part (for a total of 8,000 hours) involving 45% of all Manufacturing department employees, dealing with the most important issues related to Methodologies, Management Tools and Communication Techniques. Production sites were able to put into practice training received, by setting up site improvement projects with trainers, with the objective of eliminating waste. This means production sites will be actively involved in changing production process limits and relative connections with the continual process of cutting costs.

## *Environmental, Quality and Occupational Safety certification*

On 25 January 2011, the environmental management system of the Vinh Phuc site in Vietnam was certified to ISO 14001:2004.

In December 2010, certification to UNI EN ISO14001:2004 (environmental management system), UNI EN ISO 9001:2008 (quality management system) and BS OHSAS 18001:2007 (occupational health and safety management system) was renewed for the December 2010 / December 2013 period for the Pontedera, Noale and Scorzè sites. The Mandello del Lario site obtained the above certification for the first time.

The Spanish plant at Martorelles also obtained ISO 9001:2008 certification in December 2010.

In August 2010 the engine plant of Piaggio Vehicles Private Limited obtained quality management system certification.

# *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 in 5 centres in Italy, India and Vietnam.

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

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

In this framework, Piaggio successfully submitted its **MUSS** (Safe and Sustainable Urban Mobility) project for the 2008 tender ("Industry 2015") called by the Ministry for Economic Development. The project, which commenced in April 2010, targets the development of innovative solutions for environmentally-friendly urban transport which is more sustainable.
In 2011, the MUSS Project became fully operational, and results have already been made available for industrialisation. In particular, the following successes were achieved in the most important macro-areas of the Project:

› as regards improvements to engines to cut consumption and emissions, the best results were attained from thermal/fluid dynamics research and optimisation, which led to the development of the new "125/150 Three Valves", "High Efficiency" and "350 Scooter" engines;
› as regards the study and development of alternative fuel engines, methane and LPG engines for scooters were defined, ready for marketing;
› in the study of hybrid plug-in and electric engines, activities focussed on the management of vehicle/recharging equipment communication;
› as part of studies to reduce vehicle weights, activities targeted research into alternative materials (metallic foams, metal matrix composites, die cast parts obtained from squeeze casting and technopolymers) and new construction solutions, as well as calculation methodologies for the structural optimisation of motorcycle chassis (e.g. the Guzzi Stelvio chassis) and motorcycle and scooter wheel rims;
› the testing methodology used by the Group's experimental departments (Aprilia Racing, Motorcycle Technical Centre, Scooter Technical Centre) to test main aerodynamic parameters in wind galleries was harmonised and consolidated. Activities are ongoing to improve and develop wind tunnel performance, in association with Perugia University;
› as concerns Life Cycle Management, analysis is being conducted on the recyclability characteristics of motor vehicles according to ISO 22628:2002. A report will be produced with the calculation results of recoverability and recyclability indexes for the MP3 125 Hybrid;
› the study and introduction of active safety systems has enabled the first worldwide ABS+ASR system for scooters to be fitted on the new Beverly 350;
› the optimisation of man/machine interface systems and on board information systems has resulted in the presentation and introduction as standard (2012) of an on board information system based on the use of a smart phone connected by radio to the vehicle.

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.

| | | | 2011 | | | 2010 |
|---|---|---|---|---|---|---|
| | **Capitalised** | **Expenses** | **Total** | **Capitalised** | **Expenses** | **Total** |
| In millions of Euro | | | | | | |
| Two-wheeler | 30.1 | 27.0 | **57.1** | 26.2 | 19.6 | **45.9** |
| Commercial Vehicles | 8.2 | 3.2 | **11.4** | 13.8 | 3.2 | **17.0** |
| **Total** | **38.3** | **30.2** | **68.5** | **40.0** | **22.8** | **62.9** |
| | | | | | | |
| EMEA and Americas | 20.8 | 21.2 | **42.0** | 22.7 | 21.5 | **44.2** |
| India | 14.8 | 8.1 | **22.9** | 13.9 | 1.3 | **15.2** |
| Asia SEA | 2.7 | 0.9 | **3.6** | 3.4 | | **3.4** |
| **Total** | **38.3** | **30.2** | **68.5** | **40.0** | **22.8** | **62.9** |

In 2011, the Piaggio Group continued its policy of retaining technological leadership in the sector, allocating total resources of 68.5 million euro to research and development, of which 38.3 million euro capitalised under intangible assets as development costs.

## *Research into engines*

The design and manufacture of engines is an activity with a high technological content requiring extremely specialised resources.
Piaggio's engine research and development teams are unique in Europe, capable of developing an unrivalled range from 50cc to 1200cc, 2 or 4 stroke engines, with one or more cylinders, fuelled by petrol, diesel or natural gas, with carburettor, indirect or direct injection, and with continual drive, gears or sequential transmission, suitable for mopeds, scooters, motorcycles and light transport vehicles.
Engine research mainly focuses on high-performance, environmentally friendly products.
The new engines presented in 2011 are tangible proof of this commitment. For example, the new "Three Valves 125 and 150" engines include numerous technical solutions to cut emissions and reduce internal friction. The reduction in emissions was achieved by using a particular fluid dynamic configuration for intake lines and the combustion chamber, to create a motorcycle called the "Tumble", with petrol/air induction mix for an even better thermodynamic performance.
An in-depth study was carried out to decrease internal friction (lubrication, use or roller rocking levers, roller bearings etc.) which produced outstanding results in terms of reduction and consumption.

In the last few years, Piaggio's most technologically cutting-edge work to reduce environmental impact has without a doubt been the development of its 125 Hybrid engine (2009). This innovation uses a hybrid powerplant combining an ultra-modern internal combustion engine with electronic injection and an electric motor. The integrated management of two powerplants improves overall vehicle performance and drastically reduces pollutant emissions. In 2010, the 300 Hybrid version joined the 125 model.

Based on results obtained in 2010, the **MID2R**[1] project further investigated some aspects of the installation of fuel containers (CNG) in 2011, with a view to using this technology globally over the next few years on new models, based on market requests.

The Piaggio Group's research teams are also involved in studying and developing electric-only vehicles, with the aim of producing zero emission vehicles that have a high degree of autonomy. During 2011, a version of the Liberty Electric, for company fleets, went on the market.

1_A research project financed by the Italian Ministry of Education, Universities and Research, with the objective of developing direct injection petrol and bifuel (CNG) engines. Research activities were focused on defining, studying and designing a high pressure injection power and control system.

## *Innovation and safety*

The Group's research and development into vehicles mainly focuses on new solutions to improve customers' quality of life.
The Group's product range, including vehicles, is extensive, from scooters to light transport vehicles, from small engine motorcycles to super sports and racing bikes, from touring to custom bikes, and from small scooters to GT models.
In European cities, two-wheeler vehicles are a practical solution to individual mobility needs and can help reduce traffic congestion, while guaranteeing good levels of safety and comfort, plus considerably lower consumption and emission levels.
The Group is therefore committed at all times to improving safety systems (braking systems, suspension systems and electronic dynamics management) and to identifying new architectural solutions through new product formulas, and aerodynamic and ergonomic analysis.
In 2011, an ABS was developed for the new Beverly Sport Tourer 350, unveiled at the international motorcycle exhibition EICMA, in November. As a first for scooters worldwide, the latest generation ABS was combined with electronic traction control (ASR) to prevent the vehicle from losing grip on acceleration.

The Piaggio Group has acquired an outstanding knowledge of electronics for semi-active suspension and steering damper, and in general of vehicle dynamics, filing several international patents in association with Milan Polytechnic.
As part of its research work on preventive safety and dynamics, Piaggio's most ambitious objective is the study and development of new product concepts, such as three- and four-wheeler tilting vehicles that guarantee an unprecedented stability even on wet or uneven road surfaces, and shorter stopping distances compared to conventional scooters. The benchmark in this sector is the tilting three-wheeler Piaggio MP3, which went on sale in 2006.
These new concepts, in addition to other safety devices, can achieve active and passive safety levels on a par with car manufacturing standards, whilst retaining all the benefits of two-wheeler vehicles in terms of size, emissions and consumption.
In 2011, the new MP3 Yourban model, a lighter and easier-to-handle version of its forerunner, the MP3 - presented at the 2010 edition of EICMA, the international motorcycle exhibition - was successfully put on the market.
As the Group's brands also include Aprilia, Derbi and Moto Guzzi, its research and development focuses on high performance vehicles, with cutting-edge technologies, as well as on vehicles with emotional appeal.

During 2011, Piaggio took part in three European projects for motorcyclist safety and comfort: eSUM, 2BeSafe, VERITAS.

### *eSUM project*

In February 2011, the final event of the eSUM project took place. This project is financed by the Directorate General for Energy and Transport of the European Commission and commenced in June 2008. The aim of eSUM is to identify "best practices" for making urban motorcycling safer and sustainable. In 2010, Piaggio mainly contributed by giving four MP3 125cc Hybrids (one for each city) to Rome, Barcelona, Paris and London, for a minimum three months, to be tested in everyday use by different people (parking enforcement officers, local police officers, traffic light technicians, etc.). Strengths and areas of improvement were identified via a questionnaire for users. During the final event (Barcelona, 2 February 2011) Piaggio presented the MP3 Yourban as a concrete answer to developments in the MP3 concept for a mainly urban use, showing how the results of questionnaires compiled by MP3 125 Hybrid users during the eSUM project confirmed design choices made in 2010.

*2BeSafe project*

The 2BeSafe project ended in December 2011 in Paris. The objective of the project was to suggest guidelines for improving safety, based on “natural” studies of the behaviour of motorcyclists and on tests conducted in a controlled environment with motorcycle riding simulators. Piaggio contributed as the sole Manufacturer of Consortium vehicles, providing technical support for vehicle instruments and carrying out road tests with its own testers, as well as providing sector expertise for reviewing guidelines.

*VERITAS project*

The VERITAS project continued into its second year in 2011, with the ambitious aim of suggesting design methodologies and instruments that take into account the needs of elderly users and persons with a certain disability level in various sectors (automotive, entertainment, health, smart home systems). Piaggio is taking part so that it can apply an ergonomic analysis methodology for vehicle design (physical ergonomics) and the study of innovative man/vehicle interfaces (e.g. on-board information systems) to this category of users. The project will end in 2013.

# *Piaggio and the environment*

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

The Piaggio Group firmly believes that safeguarding the environment while carrying out all Company operations is essential for mankind, technology and nature to coexist peacefully. It is convinced that commitment to sustainable development is not only a business ethic, but also an important variable of all corporate strategies. The Group therefore makes sustainable products, which must be manufactured using production facilities with the minimum environmental impact.
As announced in its 2011-2014 Strategic Plan, the Piaggio Group will expand some production sites, focus on a major increase in productivity, and continue its environmental policy to cut down on the use of natural resources and minimise harmful emissions and production-related waste. Initiatives concern the following areas:
- maintaining environmental certification awarded to the Group's production sites;
- reducing energy consumption;
- reducing emissions of $CO_2$ and other pollutants;
- conserving water resources;
- waste handling and recovering.

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

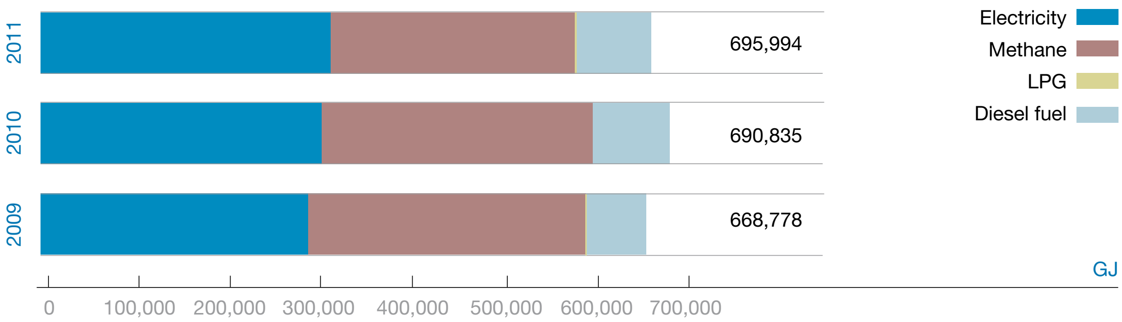
In December 2010, certification of the environmental management system of the Pontedera, Noale and Scorzè production sites to ISO 14001:2004 was renewed up until December 2013. As indicated in the 2010 CSR Report, the Group extended certification to include the production site at Mandello del Lario and completed implementation of a Company Management System at its site in Vinh Phuc. The Vietnamese site obtained certification to ISO 14001:2004 on 25 January 2011.

During 2011, no damage was caused to the environment for which the Company was declared as being definitively liable, nor were sanctions or penalties applied for crimes to the environment or for environmental damage.
Piaggio's focus on the environmental impact of its operations is also reflected by its CSR Report, which it has published since 2008, defining its commitments and describing its performance to stakeholders. The CSR Report is therefore a means for Piaggio to disclose its environmental policy, actions taken and results achieved, with a view to continual improvement.

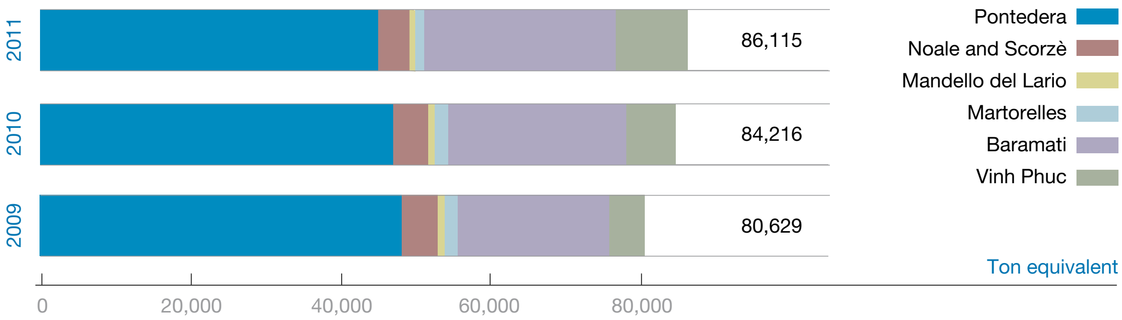
## *Main environmental performance indicators*

Piaggio is committed to improving the management of environmental processes, targeting lower energy consumption, less pollutant emissions and a lower production of waste and use of water, however the Piaggio Group's environmental performance in the 2009-2011 period was affected, in some instances, by anomalous trends. These anomalies were due to the combination of two opposing aspects. On the one hand, benefits were generated from the adoption of structural and technical measures for the efficient and environmentally friendly management of production sites. On the other hand, consumption increased, due, among other factors, to the increase in production at the Baramati and Vinh Phuc sites.

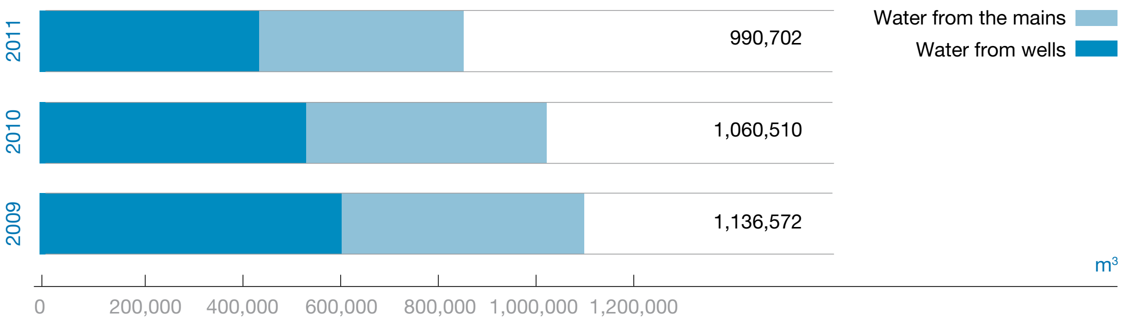
As regards waste, a comparison with 2011-2010 figures shows that waste production increased at non-European sites, due to higher production volumes. Renovation works had a considerable impact on 2010 data for the Mandello site, where extensive areas of the plant, some of which no longer in use, were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



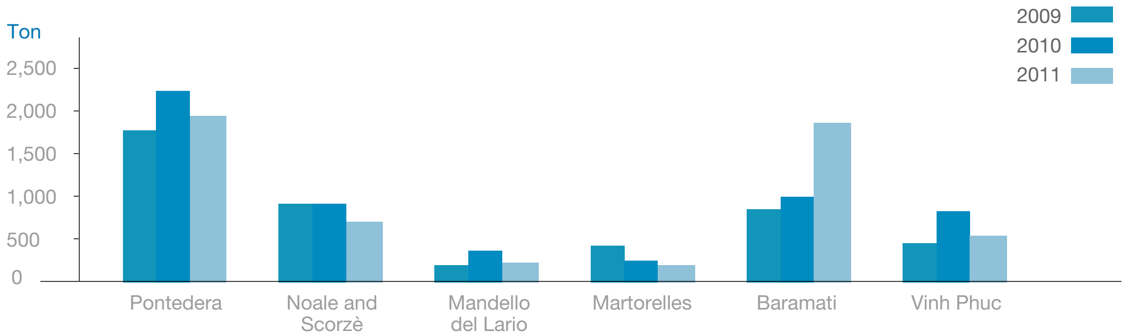

Total energy consumption of the Piaggio Group




$CO_2$ emissions of the Piaggio Group




Water supplies of the Piaggio Group




Waste produced by the Piaggio Group

# *Piaggio and human resources*

## *Staff*

The Group's workforce increased during 2011. As of 31 December 2011, group employees totalled 7,619, up by 90 units (1.2%) compared to 31 December 2010. This increase is mainly due to expansion of the site in Vietnam.

Company employees by geographic segment as of 31 December

| Employee/staff numbers | 2011 | 2010 | 2009 |
|---|---|---|---|
| EMEA and Americas | 4,356 | 4,647 | 4,730 |
| *of which Italy* | *3,871* | *4,138* | *4,131* |
| India | 2,331 | 2,400 | 2,126 |
| Asia SEA | 932 | 482 | 444 |
| **Total** | **7,619** | **7,529** | **7,300** |

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

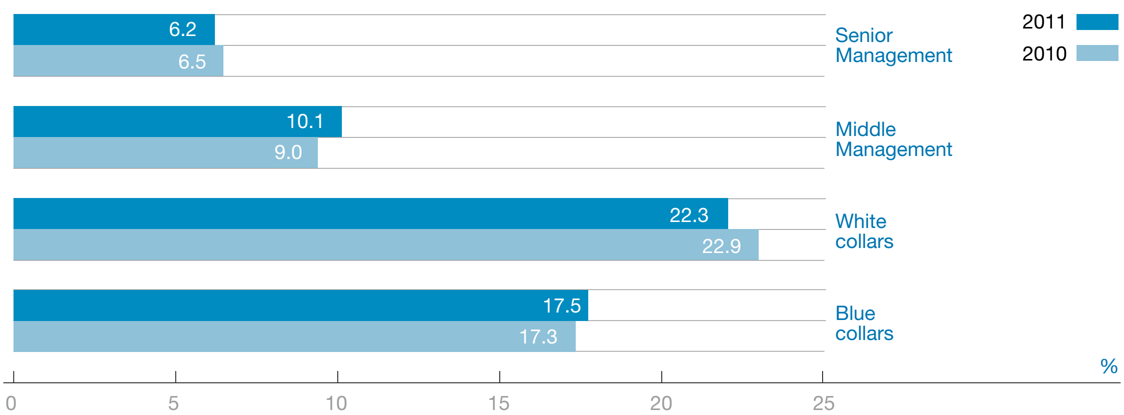
Average number of Company employees by professional category

| Employee/staff numbers | 2011 | 2010 | 2009 |
|---|---|---|---|
| Senior Management | 100 | 109 | 111 |
| Middle Management | 504 | 465 | 433 |
| White collars | 2,100 | 2,088 | 2,039 |
| Blue collars | 5,033 | 4,939 | 4,565 |
| **Total** | **7,737** | **7,601** | **7,148** |

Company employees by gender and geographic segment as of 31 December

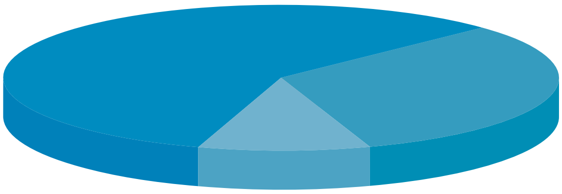
| | 2011 | | 2010 | |
|---|---|---|---|---|
| **Employee/staff numbers** | **Men** | **Women** | **Men** | **Women** |
| EMEA and Americas | 3,146 | 1,210 | 3,393 | 1,254 |
| *of which Italy* | *2,778* | *1,093* | *2,992* | *1,146* |
| India | 2,311 | 20 | 2,383 | 17 |
| Asia SEA | 776 | 156 | 385 | 97 |
| **Total** | **6,233** | **1,386** | **6,161** | **1,368** |

Number of women employees as of 31 December



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

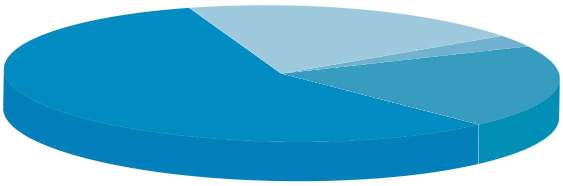
| Employee/staff numbers | | up to 30 | 31-40 | 41-50 | > 50 | Total |
|---|---|---|---|---|---|---|
| 2011 | Senior Management | 0 | 13 | 40 | 44 | 97 |
| | Middle Management | 2 | 193 | 209 | 111 | 515 |
| | White collars | 510 | 801 | 526 | 290 | 2,127 |
| | Blue collars | 2,045 | 1,061 | 987 | 787 | 4,880 |
| | **Total** | **2,557** | **2,068** | **1,762** | **1,232** | **7,619** |
| 2010 | Senior Management | 0 | 12 | 48 | 47 | 107 |
| | Middle Management | 2 | 172 | 197 | 116 | 487 |
| | White collars | 496 | 796 | 469 | 315 | 2,076 |
| | Blue collars | 1,672 | 1,326 | 927 | 934 | 4,859 |
| | **Total** | **2,170** | **2,306** | **1,641** | **1,412** | **7,529** |




Company employees up to 30 years of age by geographic segment as of 31 December 2011

Company employees by qualification as of 31 December 2011

| Employee/staff numbers | Graduate | High School | Middle School | Primary School | Total |
|---|---|---|---|---|---|
| EMEA and Americas | 763 | 1,860 | 1,539 | 194 | 4,356 |
| *of which Italy* | *598* | *1,671* | *1,474* | *128* | *3,871* |
| India | 491 | 1,831 | 9 | 0 | 2,331 |
| Asia SEA | 268 | 663 | 0 | 1 | 932 |
| **Total** | **1,522** | **4,354** | **1,548** | **195** | **7,619** |




Company employees by contract type, gender and geographic segment as of 31 December 2011

| Employee/staff numbers | Fixed-term contract | | | Open-ended contract | | |
|---|---|---|---|---|---|---|
| | Men | Women | Total | Men | Women | Total |
| EMEA and Americas | 87 | 15 | 102 | 3,059 | 1,195 | 4,254 |
| *of which Italy* | *81* | *14* | *95* | *2,697* | *1,079* | *3,776* |
| India | 1,085 | 0 | 1,085 | 1,226 | 20 | 1,246 |
| Asia SEA | 613 | 119 | 732 | 163 | 37 | 200 |
| **Total** | **1,785** | **134** | **1,919** | **4,448** | **1,252** | **5,700** |

Company employees by contract type, gender and geographic segment as of 31 December 2011

| Employee/staff numbers | Full time | | | Part time | | |
|---|---|---|---|---|---|---|
| | Men | Women | Total | Men | Women | Total |
| EMEA and Americas | 3,028 | 880 | 3,908 | 118 | 330 | 448 |
| *of which Italy* | *2,660* | *770* | *3,430* | *118* | *323* | *441* |
| India | 2,311 | 20 | 2,331 | 0 | 0 | - |
| Asia SEA | 775 | 156 | 931 | 1 | 0 | 1 |
| **Total** | **6,114** | **1,056** | **7,170** | **119** | **330** | **449** |

## *Organisational Development: Actions in 2011*

During 2011, the Piaggio Group continued its strategy of developing its industrial and commercial presence in Asia, and consolidating its leadership position in Europe and America, to compete as a global company on international markets.

In particular, the most significant organisational actions in 2011 involved the following:

› redefining the detailed structure of **Product Development and Strategies**, so that the development times of two-, three- and four-wheeler products may be continually improved, in relation to market needs and dynamic product management, with a strong focus on quality, value analysis and innovation. In particular, technical centres of excellence were established, for design and experiment activities concerning scooters, motorcycles, three- and four-wheelers and engines for two-, three- and four-wheelers, to guarantee the development of specialist, unique Group know how;

› an innovation programme, called the **Piaggio Production System (PPS)**, was introduced for Production and Manufacturing Technologies. The programme is based on continual improvement of Piaggio's production/logistics system, at Italian sites, and will subsequently be implemented at foreign sites. The system will improve product quality, flexibility, delivery times and productivity.The **Materials and Components Purchasing** function is now part of the Manufacturing and Production Technologies Management, to guarantee a better synergy with production flows;

› the subsidiary **Piaggio Group Americas** now operates under EMEA 2 Wheeler Sales & Marketing, for a uniform approach to the sales scenarios of western markets;

› the structures of the **Spare Parts, Accessories and Technical Assistance Business Unit** were thoroughly revised, for continual improvement of quality levels of after sales services, with headquarters set up for spare parts and accessories service, after sales network development, marketing and logistics. In particular, the "vintage" business for the Vespa and Moto Guzzi brands will be developed, with specific marketing actions (for example development of a network of "Restoration Centres");

› the "**Vietnam Engine and Factory**" project was launched, with the aim of developing production of a new 125 3V engine at the new Vietnam site;

› a **Marketing Support** function for the Two Wheeler Marketing Structure of the Indian company Piaggio Vehicles Private Limited reporting to the Chairman and CEO of Piaggio & C was established, for a greater integration of operations and development of market segments for two-wheeler products in India;

› the Group entered the Indonesian market in June, with a new subsidiary **PT. Piaggio Indonesia**. Thanks to an efficient business organisation, the subsidiary will be able to develop the marketing of Group vehicles and assess the Indonesian market in depth, in terms of products, customer expectations and prices;

› the **Marketing Operations** and **Network Development** units which are part of EMEA 2 Wheeler Sales & Marketing, were revised, to ensure a better definition of headquarter strategies, guaranteeing the management of operating activities in line with defined plans, through structures existing on the market;

› General Finance Management was replaced by an organisation model in line with the Group's global mission. A **Finance Management** function was established, to guarantee the dissemination of know-how and best practices through corporate functions, for the administration, finance and control, goods and services purchasing, supplier management, logistics and information technology units, and to ensure the implementation of guidelines, as well as the effective management of operating activities of individual international areas, through monitoring in foreign companies;

› The **Legal Department** function now reports directly to the Chief Executive Officer of Piaggio & C., to ensure necessary support for company top management and functions of Group Companies.

› On 24 January 2012, the Group's organisational configuration was defined with the aim of responding to market needs more effectively and efficiently, maintaining a strong focus on specific aspects of products. The Group therefore established an organisation based on the geographic areas EMEA and the Americas, Asia SEA and India. As a result, the EMEA and South America Commercial Vehicles Division stopped operating and activities and functions were reorganised. In particular:

- EMEA and Americas Sales Management now has sales, marketing operations, sales network development and three-, four-wheeler spare parts functions;

- EMEA Manufacturing and Plant has acquired the commercial vehicles production site;

- Finance Management has acquired the logistics and commercial vehicles function;

- Product Development and Strategies has acquired the commercial vehicles product marketing function;

- the Spare Parts, Accessories and Technical Assistance Business Unit has acquired the commercial vehicles technical service function.

## *Developing human capital*

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

### *The Group's managerial competencies model*

On the basis of the Group's strategic plan and in line with its core values, Piaggio has identified a managerial competencies model that represents the set of skills to be implemented day by day to ensure personal success and the success of the company.
This model is touchstone of reference for the entire Group for the development of the company culture and the growth of our people. During 2011, managerial skills were disseminated at a Group level for office staff and managers.

The Group's managerial competencies model


### *The Group's professional competencies model*

The store of professional competencies and know-how in the Group is the true foundation and only real guarantee assuring the continuity and quality of our results. For this reason, the Piaggio Group has developed a professional competencies model which is updated and expanded in accordance with the strategic plan, and in line with changes in technology and the market.
In 2010 Piaggio conducted an in-depth review of the system, identifying professional competencies, roles and career paths.
The model identifies thirteen professional groups and their specific competencies. Development tools and training are aimed at helping people acquire the level of competence required by their role.
In 2011, the new professional system was used as the basis for evaluating and systematically developing the professional skills of all Group office staff and managers.
At a Group level, technical/professional skills mapping was completed, and the first development and training plans to improve gaps, were put in place.

### *Reviews*

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

- managerial and professional competencies
- performance;
- potential;
- international mindset.

Employees are reviewed by comparing their competencies, as evidenced by concrete and observable action in their everyday work, with the company's competencies model.

During 2011, the Group's Evaluation Management System was introduced. This standard evaluation process, assisted by information tools (SAP HR and Success Factors), is for all office staff and managers and manages all evaluations in real time for the purposes of developing human capital development.

Potential is systematically assessed in young talent, managers and people earmarked to cover top management positions in the Group.

### *Development paths*

Development tools are provided with the objective of building and continuously improving the managerial and professional competencies identified in the respective models, while at the same time bringing out people's potential and identifying and rewarding outstanding performance. The set of tools provided by the Piaggio Group includes:

- development plans, which identify the action to be taken for the growth of the employee;
- job rotation and participation in strategic or international projects;
- managerial and professional training;
- Piaggio Way, the talent management programme.

During 2011, actions to consolidate the Company's international dimension were consolidated, in particular by increasing assignments and with job rotation in the Group's Asian companies.

### *Career paths*

For our highest value human assets, management and professional career paths are designed in order to cover key roles and ensure that strategic and technological know-how is kept and developed in the Group at the international level. In 2011, tools for monitoring and managing succession plans were consolidated.

### *Reward policies*

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

### *Piaggio Way*

Piaggio has run a specific talent management programme for several years, to ensure the development of its resources with the most value, and to identify people within the Group that have shown they have an excellent potential, are extremely passionate about their work and have the courage to explore new avenues.

In particular, during 2010, the new Piaggio Way programme was launched in Europe, the United States and Vietnam. In 2011, the programme was extended to all Group units at an international level, with the

considerable involvement of high-fliers from 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 2011, with 51,964 hours provided for the Group's entire workforce, of which 35,487 hours in Italy, compared to 33,667 hours in 2010, with a substantial increase in all segments and areas.

Hours of training by training area

| Thematic area | 2011** | 2010 |
|---|---|---|
| Managerial training* | 16,937 | 25,546 |
| Technical – professional training | 19,333 | 17,968 |
| Linguistic training | 10,360 | 14,145 |
| Safety and environmental training | 5,334 | 7,268 |
| **Total** | **51,964** | **64,927** |

Total training hours by professional category

| Professional category | 2011** | 2010 |
|---|---|---|
| Executives and Senior Managers | 2,255 | 783 |
| Middle management | 8,645 | 3,591 |
| White Collars | 33,260 | 46,279 |
| Blue Collars | 7,445 | 14,163 |
| Temporary personnel | 360 | 111 |
| **Total** | **51,964** | **64,927** |
| **Total per-capita** | **6.8** | **8.6** |

** Data on managerial training includes 260 hours' training on the Model pursuant to Legislative Decree no. 231/2011*
*** Data does not include on-the-job training*

The priority objective of Piaggio is to continually update individual and organisational skills and bring them in line with a changing business and Company strategies and to fully disseminate behaviour focused on competitive excellence, in keeping with Piaggio's managerial and professional competency models.
Piaggio's training courses for managers, based on different age brackets of employees, formed the basis for training initiatives in 2011.
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 2011, health and safety activities further consolidated the awareness of surveillance and prevention officers, with a specific training course which covered, among others, IT management methodologies (identifying and analysing causes of injuries, reporting risk conditions to technical units, managing foreman logbooks for notifying and issuing employees with reprimands, etc.), to monitor all activities carried out in work departments.
The course was held for 50 officers, covering a total of 1,000 hours.
More in general, safety training covered specific courses on various issues for technical staff and blue

collar workers, for a total of 5,300 hours' training. Initial training was also given to managers who have particular responsibilities for occupational safety.
Special attention was paid to issues concerning outsourced work, in terms of contract safety and operating interference during activities, involving personnel specifically dedicated to this type of surveillance.
In 2011, the company continued its "Occupational ergonomics" project, based on the most widely recognised study methodologies (O.C.R.A., N.I.O.S.H., SNOOK and CIRIELLO), and defined and set up a comprehensive work programme which aims to complete activities to determine specific risks from the manual handling of loads in the first half of 2012.
At the Pontedera site, approximately 70% of work stations affected by this issue were analysed in the second half of 2011, identifying, where necessary, remedial measures to reduce the risk to guaranteed levels for workers concerned.
At the same time, activities were extended to other Italian sites, using the same operating procedures.

The data aggregation and analysis process to evaluate work-related stress risks, based on guidelines issued by INAIL, the Italian Workers' Compensation Authority, was completed.
During the year, surveys were carried out to verify the absence of hazards in the event of situations occurring related to the use of products/substances in the production cycle, as well as periodic controls on risk levels relative to particular factors such as electromagnetic fields, vibration, explosive atmospheres and the microclimate in summer.
As for this last issue, an operating methodology was established for (*monitoring and additional breaks when environmental conditions occur that are significant from a health view point, using detection units located in workshops and at dealers)*. The importance of this initiative was also acknowledged by the Prefecture of Pisa, which nominated Piaggio for the "Award for Good Practices in the prevention of risks for health and safety", recognising the innovative approach of the company to managing particularly adverse climatic conditions.
In December 2010, surveillance by the certification Company was successful. Piaggio's certification of its health and safety management system for all operating sites in Italy was extended to December 2013.
At Piaggio Vietnam, more than 600 hours of specific safety training was held for blue collar and white collar staff.

## *Industrial relations*

During 2011, industrial relations at Company sites dealt with and defined a number of situations arising from the continuing economic and financial crisis which caused a downturn on European motor vehicle markets and the need to update 2011 production plants to industry trends.

At the Pontedera site, the company and trade union organisations signed a framework agreement in March confirming the 2011 investment plan and its focus on product development and manufacturing, the construction of the new Global Spare Parts Centre, and strategic aspect of the engines and vehicles (scooters and commercial vehicles) research centre.
A reduction in personnel and direct and indirect workers totalling 400 persons was agreed on, based on two mobility procedures: one procedure for laying off 100 office workers and middle managers, and the other for laying off 300 workers. The procedure for blue collar workers was completed in September, and will end in March 2012 for office staff and middle management. The flexibility required, already recognised by the 2009 trade union agreement, was confirmed, which will allow for temporary contracts based on production schedules.
Use of the Wage Guarantee Fund was necessary to support the drop in production volumes (in February and December 2011) and because of a lack of engine components due to the insolvency of a major supplier (total fund hours 151,719, -25% compared to 2010).
After the receiver in the insolvency proceedings temporarily assigned the production activities of the insolvent supplier, the Group worked with trade union and local organisations, on restaffing procedures and on starting up activities again in very short times.

Various parts of the 2009 supplementary trade union agreement were dealt with, including the Results Bonus (final figures for 2010 and 2011 objectives).

A trade union agreement was entered into, in January, for the Noale and Scorzè sites. Based on the agreement, an important plan to guarantee the economic and financial sustainability of the Company's investment plan will be shared, with major cost reductions and actual recovery of the technical structure's efficiency and productivity. Staff activities had to be streamlined and consequently employees downsized at the Noale site, with cuts estimated to involve 200 people, also considering the current market context. Procedures to achieve these objectives were jointly agreed on: mobility, with 80 people laid off at the Noale site and 15 at Aprilia Racing; solidarity contracts to rebalance working hours with activities; transfers to other group sites with greater professional opportunities, also with a view to maintaining and developing Group know how; identification of new local employment opportunities, also with the support of dedicated, qualified external structures assisted by specific training activities. All measures were adopted, downsizing staff by 80 units and gearing performance to different volumes of activities.
At the Scorzè site, which has a production mission that has been confirmed, the use of solidarity contracts will continue in 2011 for a further 12 months, with a reduction in working hours for all site employees, effectively bringing work in line with volumes scheduled on a monthly basis, to meet market requests.
The Italian Ministry of Employment and Social Policies have authorised the use of solidarity contracts for these sites (decree 60292 of 24/06/2011 and decree 60953 of 01/08/2011).

At the Moto Guzzi production site, staff reorganisation was completed in 2010, and a trade union agreement entered into for the use of solidarity contracts (approved with decree no. 59717 of 31 May 2011). These contracts were used to a limited extent in September, as work volumes required all human resources available.

In 2011, the trend of hours lost through industrial action increased in Italy, following a micro-conflict caused by a minority active in one trade union organisation.

In July 2011, the Spanish company Nacional Motor and the Piaggio Branch at Martorelles (Barcelona), signed an agreement with government representatives for employment regulations, with a plan to restructure various activities at these sites.
No significant events concerning industrial relations took place at the Indian subsidiary, while at Piaggio Vietnam, a Company Trade Union Executive Committee was established (with 11 members), for trade union representation within the company.

# *Customer and dealer service*

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

## *Customer Experience*

Piaggio has created and consolidated a customer engagement platform to understand the changing expectations of customers and gauge how effectively it meets those expectations by measuring brand reputation and customer loyalty.
The main items studied and monitored, also based on benchmarking with leading competitors are:
› the motivations for choosing a brand and the fundamental features of products and services;
› the adaptation of sales and assistance structures to satisfy specific needs;
› the effectiveness of the sales network and services;
› brand awareness and loyalty.
A dedicated customer engagement tool is already up and running throughout the world in the form of a special customer experience portal, which enables customer opinions and feedback to be monitored in real time.

In 2011 around 50,000 customers of the first vehicles sold, 8,000 of which in Vietnam and 200 in Indonesia, actively participated in the engagement platforms.

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

## *Customer service*

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

In 2011, some 85,000 contacts were managed in Europe, with a further 4,000 in the rest of the world. Problems found in products or services accounted for 18% of calls for assistance.
The Group's service levels in its main markets match standards of excellence in the sector, with 85% of calls managed within thirty seconds, and resolution times below forty-eight hours.
In 2011 the CRM platform was launched in Indonesia, and the web-based customer care service in India went into operation. The CRM platform for Holland, Belgium and Luxembourg is in the start-up stage. All the platforms handle customer reports/complaints using the same approach, so international response standards can be defined at a Group level, and all markets and functions involved in customer management can be dealt with in real time.

## *Dealer Web Site*

The Dealer Web Site is a gateway to applications, information and technical documents and sales literature designed to help dealers manage their markets according to common standards and criteria. Access is personalised on the basis of the role assigned to the partner by their agency agreement. In particular, the web site enables dealers to:

- obtain information on promotional and sales methods for the range of products;
- learn and train their own staff on product maintenance and customer management techniques;
- access to the management application for technical and sales documentation;
- learn what customers think of their services.

The tools are normally associated with specific events, such as dealer conventions and engagement panels, to ensure that activities and initiatives translate into customer management methods able to build customer loyalty and develop dealers' reputation on the market.

## *Dealer Support Service*

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

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

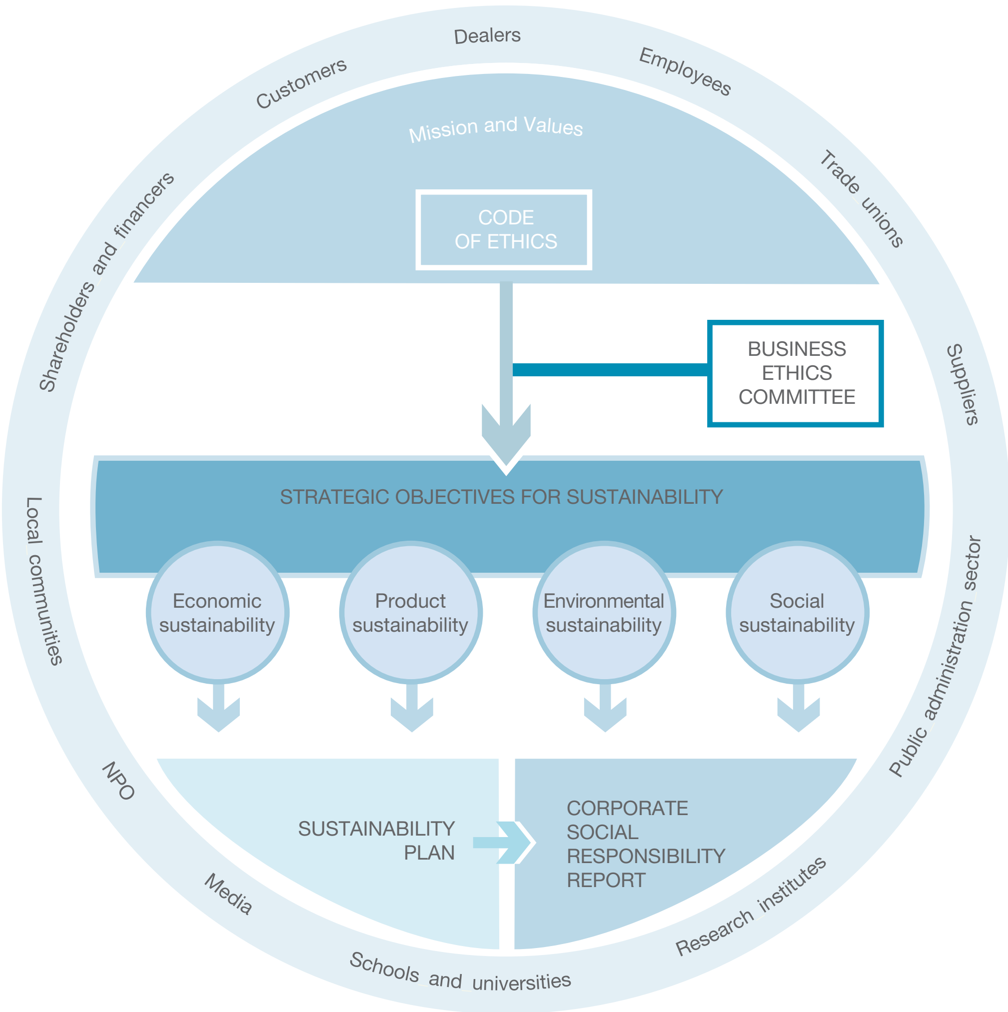
# *Corporate Social Responsibility*

Piaggio's concept of sustainability is outlined in its "CSR Model', which is developed at a Group level. This Model is based on the mission and values that have set the company apart since its inception and which are the cornerstone of its Code of Ethics.
The Piaggio Group has always been committed to safety, quality, environmental issues and the well-being of its employees and partners. In other words, it is committed to being socially accountable for its operations.

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

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

Piaggio's Corporate Social Responsibility Model



Piaggio's mission and values, which form the basis for the Group's Code of Ethics, established in 2004, are considered as strategic objectives for sustainability, divided into areas of sustainability that are important for the Group: economic sustainability, product sustainability, environmental sustainability and social sustainability. Based on these areas and in line with its strategic objectives, the Group has produced a three-year sustainability plan with short and medium-/long-term objectives.
The entire process described in this document is coordinated by the Business Ethics Committee, set up in 2008. The Committee is tasked with developing regulations and rules of organisational conduct in line with best international practices for corporate social responsibility.
As part of its responsibilities and duties, the Business Ethics Committee analyses all operations concerning relations between the Piaggio Group and external players, with the aim of guaranteeing to all stakeholders that the information cycle is managed transparently. Starting from the assumption that transparency best describes the purpose of corporate social responsibility today, the Committee acts as a "guarantor" for investors, consumers and opinion leaders, to make sure Company conduct is based on conformity to laws at all times, on fairness and on the truthfulness of disclosures to the public.
In developing a social responsibility strategy that can fully meet the needs of all stakeholders, the Business Ethics Committee has identified stakeholder categories addressed by the Group's operations: customers, employees, shareholders and investors, dealers, suppliers, trade unions, local communities, schools, universities and research institutes, the public administration sector, the media, organisations and trade associations.
Careful monitoring of all its stakeholders' expectations is a great opportunity for the Group to further improve operations. It is in this context that Piaggio is focussing its efforts: understanding possible areas of improvement in order to provide products that always meet the expectations of its customers, communicating its philosophy and business model clearly and effectively at all times.
The Piaggio Group pursues its sustainability objectives based on specific development guidelines.

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

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

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

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

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

# Corporate Governance

## Profile

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

The Chairman and Chief Executive Officer of the Company is Roberto Colaninno and the Deputy Chairman is Matteo Colaninno[1].

1_On 19 September 2011, Michele Pallottini stepped down from his position as General Manager Finance.

The Company has adopted the Corporate Governance Code of Borsa Italiana SpA and observes all principles of corporate governance contained in the code. The Company is assessing the changes required by the revision of the Corporate Governance Code approved in December 2011, with particular reference to recommendations concerning the fees of directors and senior management with strategic responsibilities and the internal control and risk management system.

The Company is subject to the management and coordination of IMMSI SpA 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 16 April 2009, based on the one candidate list submitted by the majority shareholder IMMSI SpA and coopted in the three-year period. 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 2011.

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

### *Committees*

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

### *Internal control system*

The internal control system, which is being updated to take on board the recommendations in the recent revision of the Corporate Governance Code, requires the Board to define the guidelines of the internal control system, considered as a combination of processes aimed at monitoring the efficiency of corporate operations, the reliability of financial information, compliance with laws and regulations and the safekeeping of corporate assets.
In this context, the Board of Directors is assisted by a Director appointed to oversee operation of the internal control system and an Internal Control Committee.
The Board of Directors, in response to a proposal by the Appointed Director and having obtained the opinion of the Internal Control Committee, appointed the Internal Auditing Supervisor, ensuring that he/she receives adequate means to carry out his/her functions, including - as regards the operating structure and internal organisational procedures - access to information needed for his/her position.

## *Board of Statutory Auditors*

The Board of Statutory Auditors in office at the date of this Report was unanimously appointed by the Ordinary General Meeting of Shareholders on 16 April 2009, based on the one candidate list submitted by the majority shareholder IMMSI SpA, as provided for in article 24 of the articles of association, and will remain in office until approval of the Financial Statements for the year ended 31 December 2011.

## *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 system. The main contents of this Report are summarised below. The Report is published in full on the institutional site of the Issuer www.piaggiogroup.com under Governance.

# *Stock Option Plan*

With regard to the 2007-2009 incentive plan approved by the General Meeting of Shareholders on 7 May 2007 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 year 2,000,000 option rights expired and 2,340,000 option rights were exercised.

As of 31 December 2011, 4,090,000 option rights had been assigned for a corresponding number of shares.

Detailed information on the 2007-2009 Plan is available in the documents published by the Issuer in accordance with article 84-*bis* of Consob Regulation on Issuers. These documents can be consulted on the institutional web site of the Issuer www.piaggiogroup.com under Governance.

| | **No. of options** | **Average exercise price (Euro)** | **Market price (Euro)** |
|---|---|---|---|
| Rights existing as of 31/12/2010 | 8,430,000 | | |
| - of which exercisable in 2010 | | | |
| Rights exercised in 2011 | (2,340,000) | 1.216 | 2.454 |
| Rights expired in 2011 | (2,000,000) | 1.843 | |
| Rights existing as of 31/12/2011 | 4,090,000 | | |
| - of which exercisable as of 31/12/2011 | 300,000 | | |

# Other information

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

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

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

# *Statement of reconciliation between shareholders' equity and earnings for the period of the Parent Company and consolidated companies*

| | Earnings as of 31/12/2011 | Shareholders' equity as of 31/12/2011 | Earnings as of 31/12/2010 | Shareholders' equity as of 31/12/2010 |
|---|---|---|---|---|
| In thousands of Euro | | | | |
| **Piaggio & C. SpA** | **47,029** | **347,998** | **18,848** | **338,306** |
| Earnings and shareholders' equity of subsidiaries | 71,199 | 195,652 | 82,124 | 225,053 |
| Elimination of the book value of investments | | (68,118) | | (79,732) |
| Elimination of dividends from subsidiaries | (70,458) | | (61,328) | |
| Sale/disposal of intangible assets/property, plant and equipment to subsidiaries | | (22,502) | | (31,636) |
| Elimination of the effects of other intergroup transactions and other records | (717) | (6,812) | 3,197 | (9,101) |
| **Piaggio & C. Group** | **47,053** | **446,218** | **42,841** | **442,890** |

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

Dear Shareholders,

We propose your approval of the Financial Statements as of 31 December 2011 prepared according to international accounting standards.

We also propose your approval to allocate profit for the period, equal to Euro 47,028,727.36, as follows:
› Euro 2,351,436.37 Legal reserve;
› Euro 29,892,998.24 to distribute as dividends;
› Euro 14,784,292.75 to retained earnings.

Subject to approval by the general meeting of shareholders, the Company will pay a dividend equal to 0.082 Euro, gross of taxes, as from 14 May 2012, with detachment date on 17 May 2012, for all ordinary shares, for a maximum total amount of 29,892,998.24 Euro.

Rome, 23 February 2012

For the Board of Directors

/s/ Roberto Colaninno

**Chairman and Chief Executive Officer**
Roberto Colaninno

# *Economic glossary*

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

In some cases, data could be affected by rounding off defects due to the fact that figures are represented in millions of Euro; changes and percentages are calculated from figures in thousands of Euro and not from rounded off figures in millions of Euro.


MOTO GUZZI

# PIAGGIO GROUP
## *CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2011*



# Consolidated Income Statement

| Notes | In thousands of Euro | 2011 Total | of which Related parties (Section E) | 2010 Total | of which Related parties (Section E) |
|---|---|---|---|---|---|
| 4 | **Net revenues** | **1,516,463** | **1,674** | **1,485,351** | **711** |
| | | | | | |
| 5 | Cost for materials | 904,060 | 38,786 | 881,075 | 40,584 |
| 6 | Cost for services and leases and rentals | 266,484 | 3,817 | 258,358 | 6,057 |
| 7 | Employee costs | 247,600 | | 240,115 | |
| 8 | Depreciation of property, plant and equipment | 35,219 | | 35,879 | |
| 8 | Amortisation of intangible assets | 59,794 | | 50,127 | |
| 9 | Other operating income | 122,562 | 502 | 121,128 | 3,279 |
| 10 | Other operating costs | 20,323 | 14 | 29,821 | 43 |
| | **Operating income** | **105,545** | | **111,104** | |
| | | | | | |
| 11 | Income/(loss) from investments | 2,481 | | 5,252 | |
| 12 | Financial income | 4,087 | | 2,891 | 3 |
| 12 | Borrowing Costs | 31,853 | 305 | 33,905 | 347 |
| 12 | Net exchange gains/(losses) | (932) | | (1,518) | |
| | **Earnings before tax** | **79,328** | | **83,824** | |
| | | | | | |
| 13 | Taxation for the period | 32,305 | | 40,983 | |
| | **Earnings from continuing activities** | **47,023** | | **42,841** | |
| | | | | | |
| | Assets held for disposal: | | | | |
| 14 | Profits or losses arising from assets held for disposal | | | | |
| | | | | | |
| | **Net Income (Loss) for the period** | **47,023** | | **42,841** | |
| | **Attributable to:** | | | | |
| | **Shareholders of the Parent Company** | **47,053** | | **42,811** | |
| | **Non-controlling interests** | **(30)** | | **30** | |
| | | | | | |
| **15** | **Earnings per share (figures in €)** | **0.126** | | **0.113** | |
| **15** | **Diluted earnings per share (figures in €)** | **0.126** | | **0.112** | |

# Consolidated Statement of Comprehensive Income

| Notes | In thousands of Euro | 2011 | 2010 |
|---|---|---|---|
| | **Profit (loss) for the period (A)** | **47,023** | **42,841** |
| | | | |
| 31 | Effective portion of profits (losses) on cash flow hedges | (1,283) | (354) |
| | Profit (loss) deriving from the translation of financial statements of foreign companies denominated in foreign currency | (11,262) | 3,060 |
| | **Total Other Profits (and losses) for the period (B)[1]** | **(12,545)** | **2,706** |
| | | | |
| | **Total Profit (loss) for the period (A + B)** | **34,478** | **45,547** |
| | | | |
| | **Attributable to:** | | |
| | **Shareholders of the Parent Company** | **34,533** | **45,531** |
| | **Non-controlling interests** | **(55)** | **16** |

*1_Other Profits (and losses) take account of relative tax effects*

# Consolidated Statement of Financial Position

| Notes | In thousands of Euro | As of 31 December 2011 Total | of which Related parties (Section E) | As of 31 December 2010 Total | of which Related parties (Section E) |
|---|---|---|---|---|---|
| | **Assets** | | | | |
| | **Non-current assets** | | | | |
| 16 | Intangible assets | 649,420 | | 652,622 | |
| 17 | Property, plant and equipment | 274,871 | | 256,759 | |
| 18 | Investment property | | | | |
| 19 | Investments | 2,482 | | 194 | |
| 20 | Other financial assets | 11,836 | | 334 | |
| 21 | Long-term tax receivables | 976 | | 967 | |
| 22 | Deferred tax assets | 55,726 | | 46,294 | |
| 23 | Trade receivables | | | | |
| 24 | Other receivables | 15,165 | 405 | 12,655 | 443 |
| | **Total non-current assets** | **1,010,476** | | **969,825** | |
| | | | | | |
| **28** | **Assets held for sale** | | | | |
| | | | | | |
| | **Current assets** | | | | |
| 23 | Trade receivables | 65,560 | 2,453 | 90,421 | 2,210 |
| 24 | Other receivables | 28,028 | 6,456 | 23,300 | 5,983 |
| 21 | Short-term tax receivables | 27,245 | | 44,200 | |
| 25 | Inventories | 236,988 | | 240,066 | |
| 26 | Other financial assets | 0 | | 23,051 | |
| 27 | Cash and cash equivalents | 151,887 | | 154,859 | |
| | **Total current assets** | **509,708** | | **575,897** | |
| | **Total assets** | **1,520,184** | | **1,545,722** | |
| | | | | | |
| | **Shareholders' equity and liabilities** | | | | |
| | **Shareholders' equity** | | | | |
| 31 | Share capital and reserves attributable to the shareholders of the Parent Company | 445,036 | | 441,277 | |
| 31 | Share capital and reserves attributable to non-controlling interests | 1,182 | | 1,613 | |
| | **Total shareholders' equity** | **446,218** | | **442,890** | |
| | | | | | |
| | **Non-current liabilities** | | | | |
| 32 | Financial liabilities falling due after one year | 329,200 | 2,900 | 371,048 | 2,900 |
| 33 | Trade payables | 235 | | 88 | |
| 34 | Other long-term provisions | 12,429 | | 16,993 | |
| 35 | Deferred tax liabilities | 32,735 | | 32,338 | |
| 36 | Retirement funds and employee benefits | 46,603 | | 58,636 | |
| 37 | Tax payables | 2,539 | | 3,361 | |
| 38 | Other long-term payables | 5,948 | | 4,202 | |
| | **Total non-current liabilities** | **429,689** | | **486,666** | |
| | | | | | |
| | **Current liabilities** | | | | |
| 32 | Financial liabilities falling due within one year | 170,261 | | 156,800 | |
| 33 | Trade payables | 375,263 | 18,903 | 352,627 | 12,857 |
| 37 | Tax payables | 20,920 | | 19,290 | |
| 38 | Other short-term payables | 64,718 | 75 | 69,503 | 342 |
| 34 | Current portion of other long-term provisions | 13,115 | | 17,946 | |
| | **Total current liabilities** | **644,277** | | **616,166** | |
| | **Total shareholders' equity and liabilities** | **1,520,184** | | **1,545,722** | |

# 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.

| | | 2011 | | 2010 | |
|---|---|---|---|---|---|
| | | Total | of which Related parties (Section E) | Total | of which Related parties (Section E) |
| Notes | In thousands of Euro | | | | |
| | **Operating activities** | | | | |
| | Consolidated net income | 47,053 | | 42,811 | |
| | Allocation of profit to non-controlling interests | (30) | | 30 | |
| 13 | Taxation for the period | 32,305 | | 40,983 | |
| 8 | Depreciation of property, plant and equipment | 35,219 | | 35,879 | |
| 8 | Amortisation of intangible assets | 59,794 | | 50,127 | |
| | Non-monetary costs for stock options | 771 | | 2,650 | |
| | Allocations for risks and retirement funds and employee benefits | 21,134 | | 29,243 | |
| | Write-downs / (Reversals) | (1,192) | | 1,755 | |
| | Losses / (Gains) on the disposal of property, plants and equipment | (6,012) | | (2,240) | |
| | Losses / (Gains) on the disposal of intangible assets | 0 | | 0 | |
| 12 | Financial income | (3,910) | | (2,891) | |
| | Dividend income | (193) | | (12) | |
| 12 | Borrowing Costs | 25,558 | | 29,744 | |
| | Income from public grants | (3,492) | | (4,164) | |
| | Portion of earnings of affiliated companies | 0 | | 45 | |
| | **Change in working capital:** | | | | |
| 23 | (Increase)/Decrease in trade receivables | 24,861 | (243) | 12,743 | (1,733) |
| 24 | (Increase)/Decrease in other receivables | (18,740) | (435) | (1,157) | (1,901) |
| 25 | (Increase)/Decrease in inventories | 3,078 | | 12,430 | |
| 33 | Increase/(Decrease) in trade payables | 22,783 | 6,046 | 6,640 | (385) |
| | Increase/(Decrease) in other payables | 8,636 | (267) | (12,347) | (265) |
| | Increase/(Decrease) in provisions for risks | (21,782) | | (26,974) | |
| | Increase/(Decrease) in retirement funds and employee benefits | (20,795) | | (13,028) | |
| | Other changes | 5,265 | | (43,774) | |
| | **Cash generated from operating activities** | **210,311** | | **158,493** | |
| | Interest paid | (22,825) | | (23,178) | |
| | Taxes paid | (31,862) | | (12,774) | |
| | **Cash flow from operating activities (A)** | **155,624** | | **122,541** | |
| | | | | | |
| | **Investment activities** | | | | |
| 17 | Investment in property, plant and equipment | (61,790) | | (37,132) | |
| | Sale price, or repayment value, of property, plant and equipment | 6,542 | | 3,823 | |
| 16 | Investment in intangible assets | (64,300) | | (59,063) | |
| | Sale price, or repayment value, of intangible assets | 122 | | 261 | |
| | Purchase of financial assets | 0 | | (23,051) | |
| | Sale price of financial assets | 23,051 | | 4,127 | |
| | Collected interests | 11,666 | | 2,360 | |
| | **Cash flow from investment activities (B)** | **(84,709)** | | **(108,675)** | |
| | | | | | |
| | **Financing activities** | | | | |
| 31 | Exercise of stock options | 2,843 | | | |
| 31 | Purchase of treasury shares | (9,080) | | (3,344) | |
| 31 | Outflow for dividends paid | (25,684) | | (25,765) | |
| 32 | Loans received | 71,400 | | 37,652 | |
| 32 | Outflow for repayment of loans | (112,727) | | (65,174) | |
| 32 | Financing received for leases | 227 | | 0 | |
| 32 | Repayment of finance leases | (850) | | (758) | |
| | **Cash flow from funding activities (C)** | **(73,871)** | | **(57,389)** | |
| | | | | | |
| | Increase / (Decrease) in cash and cash equivalents (A+B+C) | (2,956) | | (43,523) | |
| | | | | | |
| | **Opening balance** | **154,758** | | **198,281** | |
| | Exchange differences | | | | |
| | **Closing balance** | **151,802** | | **154,758** | |

The table below details the breakdown of the balance of cash and cash equivalents as of 31 December 2011 and 31 December 2010.

| Notes | In thousands of Euro | As of 31 December 2011 | As of 31 December 2010 | Change |
|---|---|---|---|---|
| 27 | Cash and cash equivalents | 151,887 | 154,859 | (2,972) |
| 32 | Current account overdrafts | (85) | (101) | 16 |
| | **Closing balance** | **151,802** | **154,758** | **(2,956)** |

## *Consolidated Net Debt (Net Financial Debt)*

| Notes | In thousands of Euro | As of 31 December 2011 | As of 31 December 2010 | Change |
|---|---|---|---|---|
| **27** | **Liquidity** | **151,887** | **154,859** | **(2,972)** |
| | | | | |
| 26 | Securities | | 23,051 | (23,051) |
| | **Current financial receivables** | **0** | **23,051** | **(23,051)** |
| | | | | |
| 32 | Payables due to banks | (22,949) | (45,505) | 22,556 |
| 32 | Current portion of bank financing | (122,428) | (82,929) | (39,499) |
| 32 | Amounts due to factoring companies | (20,085) | (23,255) | 3,170 |
| 32 | Amounts due under leases | (894) | (791) | (103) |
| 32 | Current portion of payables due to other lenders | (3,905) | (4,320) | 415 |
| | **Current financial debt** | **(170,261)** | **(156,800)** | **(13,461)** |
| | | | | |
| | **Net current financial debt** | **(18,374)** | **21,110** | **(39,484)** |
| | | | | |
| 32 | Payables due to banks and financing institutions | (112,768) | (214,785) | 102,017 |
| 32 | Debenture loan | (191,859) | (139,007) | (52,852) |
| 32 | Amounts due under leases | (6,745) | (7,471) | 726 |
| 32 | Amounts due to other lenders | (6,153) | (9,785) | 3,632 |
| | **Non-current financial debt** | **(317,525)** | **(371,048)** | **53,523** |
| | | | | |
| | **Net financial debt*** | **(335,899)** | **(349,938)** | **14,039** |

** Pursuant to Consob Communication of 28 July 2006 and in compliance with the recommendation of the CESR of 10 February 2005 "Recommendation for the consistent implementation of the European Commission's Regulation on Prospectuses". The indicator does not include financial assets and liabilities arising from the fair value measurement of financial derivatives used as hedging and the fair value adjustment of relative hedged items equal to €/000 11,675 (see note 32 of the Notes).*

This table reconciles the movement in the flow of consolidated net debt with cash and cash equivalent movements as shown in the Consolidated Statement of Cash Flows.

| In thousands of Euro | |
|---|---|
| **Increase/decrease in cash and cash equivalents from the Consolidated Statement of Cash Flows** | **(2,956)** |
| Outflow for repayment of loans | 112,727 |
| Repayment of finance leases | 850 |
| Loans received | (71,400) |
| Amortised cost on medium-/long-term financing | (1,326) |
| Loans on leases received | (227) |
| Repayment of loans provided | 0 |
| Purchase of financial assets | 0 |
| Sale of financial assets | (23,051) |
| Exchange differences | (578) |
| **Change in consolidated net debt** | **14,039** |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# *Changes in Consolidated Shareholders' Equity*

## *Movements from 1 January 2011 / 31 December 2011*

| Notes | In thousands of Euro | 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)** |
| | | | | | | |
| 31 | Charges for the period for stock option plans | | | | | |
| 31 | Allocation of profits | | | 942 | | |
| 31 | Distribution of dividends | | | | | |
| 31 | Purchase of treasury shares | (2,382) | | | | |
| 31 | Exercise of stock options | 1,243 | | | | |
| 31 | Reacquisiton of the Simest investment | | | | | |
| | Total overall profit (loss) | | | | (1,283) | |
| | | | | | | |
| | **As of 31 December 2011** | **202,209** | **3,493** | **12,241** | **(1,510)** | **(5,859)** |

## *Movements from 1 January 2010 / 31 December 2010*

| Notes | In thousands of Euro | Share capital | Share premium reserve | Legal reserve | Reserve for measurement of financial instruments | IAS transition reserve |
|---|---|---|---|---|---|---|
| | **As of 1 January 2010** | **191,616** | **3,493** | **8,996** | **127** | **(5,859)** |
| | | | | | | |
| 31 | Charges for the period for stock option plans | | | | | |
| 31 | Allocation of profits | | | 2,303 | | |
| 31 | Distribution of dividends | | | | | |
| 31 | Cancellation of treasury shares | 12,608 | | | | |
| 31 | Purchase of treasury shares | (876) | | | | |
| 31 | Total overall profit (loss) | | | | (354) | |
| | | | | | | |
| | **As of 31 December 2010** | **203,348** | **3,493** | **11,299** | **(227)** | **(5,859)** |

| Group consolidation reserve | Group conversion reserve | Stock option reserve | Performance reserve | Consolidated Group shareholders' equity | Non-controlling interests capital and reserves | Total shareholders' equity |
|---|---|---|---|---|---|---|
| | | | | | | |
| **993** | **(1,850)** | **11,929** | **218,151** | **441,277** | **1,613** | **442,890** |
| | | | | | | |
| | | 771 | | **771** | | **771** |
| | | | (942) | **0** | | **0** |
| | | | (25,684) | **(25,684)** | | **(25,684)** |
| | | | (6,698) | **(9,080)** | | **(9,080)** |
| | | | 1,600 | **2,843** | | **2,843** |
| | | | 376 | **376** | **(376)** | **0** |
| | (11,237) | | 47,053 | **34,533** | **(55)** | **34,478** |
| | | | | | | |
| **993** | **(13,087)** | **12,700** | **233,856** | **445,036** | **1,182** | **446,218** |

| Group consolidation reserve | Group conversion reserve | Stock option reserve | Performance reserve | Consolidated Group shareholders' equity | Non-controlling interests capital and reserves | Total shareholders' equity |
|---|---|---|---|---|---|---|
| | | | | | | |
| **993** | **(5,468)** | **9,279** | **218,484** | **421,661** | **2,141** | **423,802** |
| | | | | | | |
| | | 2,650 | | **2,650** | | **2,650** |
| | | | (2,303) | **0** | | **0** |
| | | | (25,765) | **(25,765)** | | **(25,765)** |
| | | | (12,608) | **0** | | **0** |
| | | | (2,468) | **(3,344)** | | **(3,344)** |
| | 3,618 | | 42,811 | **46,075** | **(528)** | **45,547** |
| | | | | | | |
| **993** | **(1,850)** | **11,929** | **218,151** | **441,277** | **1,613** | **442,890** |

# *Notes to the Consolidated Financial Statements as of 31 December 2011*

## *A) General aspects*

Piaggio & C. SpA (the Company) is a joint-stock company established in Italy at the Register of Companies of Pisa. The addresses of the registered office and places where the Group conducts its main business operations are listed in the introduction to the financial statements. The main operations of the Company and its subsidiaries (the Group) are described in the Report on Operations.
These Financial Statements are expressed in Euro (€) since this is the currency in which most of the Group's transactions take place. Foreign operations are included in the consolidated financial statements according to the standards indicated in the notes below.

## *Scope of consolidation*

As of 31 December 2011, the structure of the Piaggio Group was as indicated in the Report on Operations and is the structure referred to herein.
The scope of consolidation changed compared to the Consolidated Financial Statements as of 31 December 2010 due to the establishment of a new company in Indonesia on 22 March 2011 and a new company in China on 1 December 2011. During the period, the liquidation of Piaggio Finance S.A., Piaggio Portugal Lda and Moto Laverda S.r.l. was finalised. As the changes are of a limited extent, comparability with data from previous periods has not been affected.

### Compliance with international accounting standards

The Consolidated Financial Statements of the Piaggio Group as of 31 December 2011 have been drafted in compliance with the International Accounting Standards (IAS/IFRS) in force at that date, issued by the International Accounting Standards Board and approved by the European Commission, as well as in compliance with the provisions established in Article 9 of Legislative Decree no. 38/2005 (Consob Resolution no. 15519 dated 27/7/06 containing the "Provisions for the presentation of financial statements", Consob Resolution no. 15520 dated 27/7/06 containing the "Changes and additions to the Regulation on Issuers adopted by Resolution no. 11971/99", Consob communication no. 6064293 dated 28/7/06 containing the "Corporate reporting required in accordance with Article 114, paragraph 5 of Legislative Decree no. 58/98"). The interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously the Standing Interpretations Committee ("SIC"), were also taken into account.

Moreover, international accounting standards have been uniformly adopted for all Group companies.
The financial statements of subsidiaries, used for consolidation, have been appropriately modified and reclassified, where necessary, to bring them in line with the international accounting standards and uniform classification criteria used by the Group.

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

## *Other information*

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

## *1. Form and content of the financial statements*

### Form of the consolidated financial statements

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

### Consolidated Income Statement

The consolidated income statement is presented with the items classified by nature. The overall Operating Income is shown, which includes all income and cost items, irrespective of their repetition or fact of falling outside normal operations, except for the items of financial operations included under Operating Income and 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 item preceding income attributable to the parent company and to non-controlling interests.

### Consolidated Statement of Comprehensive Income

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

### Consolidated Statement of Financial Position

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

### Consolidated Cash Flow Statement

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

### Consolidated net debt

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

### Consolidated Statement of Changes in Shareholders' Equity

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

### Contents of the Consolidated Financial Statements

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

As of 31 December 2011 subsidiaries and affiliated companies of Piaggio & C. SpA were as follows:

| | Subsidiaries | | | Affiliated companies | | | Total |
|---|---|---|---|---|---|---|---|
| | **Italy** | **Abroad** | **Total** | **Italy** | **Abroad** | **Total** | |
| Companies: | | | | | | | |
| - consolidated on a line-by-line basis | 3 | 18 | 21 | | | | 21 |
| - consolidated with the equity method | | 3 | 3 | | 1 | 1 | 4 |
| - valued at cost | | | | 3 | 2 | 5 | 5 |
| **Total companies** | **3** | **21** | **24** | **3** | **3** | **6** | **30** |

## *2. Consolidation principles and evaluation criteria*

### 2.1 Principles of consolidation

The assets and liabilities, and income and costs, of consolidated companies are recognised on a global integration basis, eliminating the carrying amount of consolidated investments in relation to the relative shareholders' equity at the time of purchase or underwriting. The carrying amount of investments has been eliminated against the shareholders' equity of subsidiaries/affiliated companies, assigning to non-controlling interests under specific items the relative portion of shareholders' equity and relative net income due for the period, in the case of subsidiaries consolidated on a line-by-line basis.
The positive differences arising from the elimination of investments against the value of shareholders' equity at the date of first consolidation are recognised as greater values attributable to assets and liabilities, and the remainder as goodwill. In accordance with provisional regulations of IFRS 3, the Group has changed its accounting policy concerning goodwill to a forward-looking basis, as from the date of transition. Therefore, starting from the date of transition, the Group has stopped amortising goodwill, which instead has been tested for impairment.
The portion of shareholders' equity and operating profit of subsidiaries due to non-controlling interests has been entered as "Non-controlling interests Capital and Reserves" under shareholders' equity, and in the Income Statement as "Profit for the period of non-controlling interests"

#### Subsidiaries

Subsidiaries are companies in which the Group has a major influence. This influence exists when the Group has direct or indirect power to determine the financial and operational policies of a company in order to gain benefits from its operations. The acquisition of subsidiaries is recognised according to the acquisition method. The cost of acquisition is determined by the sum of present values at the date control of the given assets was obtained, liabilities borne or undertaken and financial instruments issued by the Group in exchange for control of the acquired company, plus costs directly attributable to the business combination.
The identifiable assets, liabilities and potential liabilities of the acquired company that meet the requirements for recognition provided for in IFRS 3 are recorded at their present values at the date of acquisition, apart from non-current assets (or disposal Groups) which are classified as held for sale in accordance with IFRS 5, that are recognised and accounted for at fair value minus costs to sell.
Goodwill arising from the acquisition is recognised as an asset and initially measured at cost, represented by the excess amount of the acquisition cost in relation to the portion of the Group in present values of identifiable assets, liabilities and potential liabilities that have been recognised.
The financial statements of subsidiaries are included in the Consolidated Financial Statements starting from the date when control is acquired until control ceases.
The portions of shareholders' equity and income attributable to non-controlling interests are separately indicated in the Consolidated Statement of Financial Position and Consolidated Income Statement respectively.

#### Affiliated companies

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

### Jointly controlled companies:

Jointly controlled companies are companies in which the Group has joint control of operations, as defined by contractual agreements. These joint venture agreements require the establishment of a separate entity in which each participating organisation has a share known as a joint control shares. The Group records joint control investments using the equity method.
As regards transactions between a Group company and a jointly controlled company, unrealised profits and losses are eliminated to an extent equal to the percentage of the investment of the Group in the jointly controlled company, with the exception of unrealised losses that constitute evidence of an impairment of the transferred asset.

### Investments in other companies

Investments in other companies (usually the percentage held is less than 20%) are entered at cost minus any impairment losses. Dividends received from these companies are included under the item Profits (losses) from investments.

### Transactions eliminated during the consolidation process

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

### Transactions in foreign currency

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

### Consolidation of foreign companies

The separate financial statements of each company belonging to the Group are prepared in the currency of the primary economic environment in which they operate (the functional currency). For the purposes of the Consolidated Financial Statements, the financial statements of each foreign entity are in Euro, which is the functional currency of the Group and the presentation currency of the Consolidated Financial Statements.
All assets and liabilities of foreign companies in a currency other than the Euro which come under the scope of consolidation are translated, using rates of exchange in effect at the end of the reporting period (currency exchange rates method). Income and costs are translated at the average exchange rate of the period. Translation differences arising from the adoption of this method are classified as shareholders' equity until disposal of the investment. Average exchange rates for translating the cash flows of foreign subsidiaries are used in preparing the Consolidated Cash Flow Statement.

During the first-time adoption of IFRSs, cumulative translation differences arising from the consolidation of foreign companies outside the euro zone were not reset to zero, as allowed by IFRS 1 and have therefore been maintained.

Translation differences arising from a comparison of initial shareholders' equity translated at current exchange rates and the same equity translated at historical rates, as well as the difference between the net income expressed at average exchange rates and at current exchange rates are recorded under shareholders' equity as "Conversion reserve".

The exchange rates used to translate the financial statements of companies included in the scope of consolidation into euros are shown in the table.

| Currency | Spot exchange rate 31 December 2011 | Average exchange rate 2011 | Spot exchange rate 31 December 2010 | Average exchange rate 2010 |
|---|---|---|---|---|
| US Dollar | 1.2939 | 1.39196 | 1.33620 | 1.32572 |
| Pounds Sterling | 0.8353 | 0.867884 | 0.86075 | 0.85784 |
| Indian Rupee | 68.713 | 64.88590 | 59.75800 | 60.58780 |
| Singapore Dollars | 1.6819 | 1.74887 | 1.71360 | 1.80552 |
| Chinese Renminbi | 8.1588 | 8.99600 | 8.82200 | 8.97123 |
| Croatian Kuna | 7.537 | 7.43904 | 7.38300 | 7.28906 |
| Japanese Yen | 100.20 | 110.95900 | 108.65000 | 116.23900 |
| Vietnamese Dong | 27,699.67 | 29,168.37557 | 26,050.10000 | 25,368.30000 |
| Canadian Dollars | 1.3215 | 1.37610 | 1.33220 | 1.36511 |
| Indonesian Rupiah | 11,731.50 | 12,206.50000 | | |

## 2.2 Accounting policies

The most significant accounting policies adopted to prepare the Consolidated Financial Statements as of 31 December 2011 are outlined below.

### Intangible assets

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

### Goodwill

In the case of acquisitions of companies, acquired and identifiable assets, liabilities and potential liabilities are recognised at present value at the date of acquisition. The positive difference between the acquisition cost and share of the Group in the present value of said assets and liabilities is classified as goodwill and recognised in the financial statements as an intangible asset. Any negative difference ("negative goodwill") is recorded instead in the income statement at the date of acquisition.
Goodwill is not amortised but tested annually for impairment, or more frequently if specific events or changed circumstances indicate that an asset may be impaired, as provided for in IAS 36 - *Impairment of Assets*.

After initial recognition, goodwill is recognised at cost net of any accumulated impairment losses.
On the disposal of part of or an entire company previously acquired and from the acquisition of which goodwill arose, the corresponding residual value of goodwill is considered when measuring the capital gain or loss of the disposal.
During first-time adoption of IFRSs, the Group opted not to retroactively apply IFRS 3 - *Business Combinations* to acquisitions of companies that took place before 1 January 2004. As a result, the goodwill generated on acquisitions prior to the date of transition to IFRSs was maintained at the previous value, determined according to Italian accounting standards, subject to assessment and recognition of any impairment losses.
After 1 January 2004, and following acquisitions made during 2004, additional goodwill was generated, the amount of which was measured again in the light of the different values of shareholders' equity in the acquired companies in relation to provisions in IFRS 3.

### Development costs

Development costs of projects for the manufacture of vehicles and engines are recognised as assets only if all of the following conditions are met: the costs can be reliably measured and the technical feasibility of the product, the volumes and expected prices indicate that costs incurred during development will

generate future economic benefits. Capitalised development costs include only costs incurred that may be directly attributed to the development process.
Capitalised development costs are amortised on a systematic criterion basis, starting from the beginning of production through the estimated life of the product.
All other development costs are recorded in the income statement when they are incurred.

### Other intangible assets

As provided for in IAS 38 – *Intangible Assets*, other intangible assets which are purchased or self-created are recognised as assets if it is probable that use of the asset will generate future economic benefits and the cost of the asset can be reliably measured.
These assets are recognised at acquisition or production cost and amortised on a straight line basis over their estimated useful life, if they have a finite useful life. Intangible assets with an indefinite useful life are not amortised but tested annually for impairment, or more frequently if there is an indication that an asset may be impaired.
Other intangible assets recognised following the acquisition of a company are accounted for separately from goodwill, if their present value may be reliably measured.
The amortisation periods of intangible assets are shown below:

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

### Property, plant and equipment

The Piaggio Group has decided to adopt the cost method on first-time application of the IAS/IFRS, as allowed by IFRS 1. For the measurement of property, plant and equipment, therefore, the preference was not to use the *fair value* method. Property, plant and equipment were booked at the purchase or production cost and were not revalued. For an asset that justifies capitalisation, the cost also includes any borrowing costs that are directly attributable to acquisition, construction or production of the asset.
Costs incurred after acquisition are capitalised only if they increase the future economic benefits of the asset they refer to. All other costs are recorded in the income statement when they are incurred. Property, plant and equipment under construction are measured at cost and depreciated starting from the period in which they are put into operation.

Depreciation is determined, on a straight-line basis, on the cost of the assets net of their relative residual values, based on their estimated useful life, adopting the rates indicated in the notes on this item.
Land is not depreciated.

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

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

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

### Impairment

At the end of the reporting period, the Group reviews the book value of its tangible and intangible assets to determine whether there is any indication that these assets may be impaired (impairment test). If there is an indication that an asset may be impaired, the asset's recoverable amount is estimated to determine the amount of the impairment. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the asset's cash generating unit.
The recoverable amount is the higher of an asset's fair value less costs to sell (if available) and its value in use. In measuring the value in use, estimated future cash flows are discounted at their fair value, using a rate net of taxes, which reflects current market changes in the fair value of money and specific risks of the asset.
If the recoverable amount of an asset (or of a cash generating unit) is estimated to be lower than the relative carrying amount, the carrying amount of the asset is reduced to the lower recoverable value. An impairment loss is immediately recognised in profit or loss, unless the asset concerns land or property other than investment property recognised at revalued values. In said case, the loss is recorded in the relative reversal reserve.
When the conditions that gave rise to an impairment loss no longer exist, the carrying amount of the asset (or of a cash generating unit), except for goodwill, is increased to the new value arising from an estimate of its recoverable amount, up to the net carrying amount applicable to the asset if no impairment loss had been recognised. The reversal of the impairment loss is immediately recognised in profit or loss.
An intangible asset with an indefinite useful life is tested annually for impairment, or more frequently if there is an indication that an asset may be impaired.

### Investment property

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

### Non-current assets held for sale

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

### Financial assets

Financial assets are recognised and reversed from the financial statements, based on the trading date and are initially measured at cost, including any charges directly connected with the purchase.
At subsequent end of reporting periods, the financial assets the Group intends and can retain up until maturity (securities held until maturity) are recognised at amortised cost based on the effective interest rate method, net of reversals for impairment losses.
Financial assets other than those held until maturity are classified as held for trading or for sale, and are measured at fair value at the end of each period. When financial assets are held for trading, profits and losses arising from changes in fair value are recognised in profit or loss for the period. In the case of financial assets held for sale, profits and losses arising from changes in fair value are directly recognised

as shareholders' equity until the assets are sold or impaired; at this point, the overall profits/losses previously recognised as shareholders' equity are recognised in profit or loss for the period.

### Inventories

Inventories are recognised as the lower of the purchase or production cost, determined by assigning to products the costs directly incurred in addition to the portion of indirect costs reasonably attributable to the performance of production activities in normal production capacity conditions, and the market value at the end of the reporting period.
The purchase or production cost is determined based on the weighted average cost method.
As regards raw materials and work in progress, the market value is represented by the estimated net realisable value of corresponding finished products minus completion costs. As regards end products, the market value is represented by the estimated net realisable value (price lists).
The lower measurement based on market trends is eliminated in subsequent years, if the trends no longer exist.
Obsolete, slow moving and/or excess inventories are impaired in relation to their possible use or future realisation, in a provision for the write-down of inventories.

### Receivables

Receivables are recorded at nominal value, adjusted to the estimated realisable value, and recognised in a provision for impairment. This provision is calculated based on recovery estimates with individual positions and overall risks of receivables being evaluated, taking into account guarantees.
When payment of amounts due exceeds standard terms of payment granted to clients, the receivable is discounted. To determine the effect, cash collection times were estimated applying a discount rate corresponding to the EURIBOR *Swap* 20 years plus a spread of listings for AA rating state securities AA to expected financial flows.

### Factoring

The Group sells a significant part of its trade receivables through factoring. Factoring may be without recourse, and in this case no risks of recourse or liquidity exist, as corresponding amounts of the balance of trade receivables is reversed when the receivable is sold to the factor.
For factoring with recourse, the risk of non-payment and the liquidity risk are not transferred, and therefore relative receivables remain in the statement of financial position until payment by the client of the amount due. In this case any advance payments collected by the factor are recognised under payables as amounts due to other lenders.

### Cash and cash equivalents

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

### Financial liabilities

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

### Derivatives and measurement of hedging operations

Group assets are primarily exposed to financial risks from changes in exchange and interest rates. The Group uses derivatives to hedge risks arising from changes in foreign currency and interest rates in particular irrevocable commitments and planned future transactions. The use of these instruments is regulated by written procedures on the use of derivatives, in line with the Group's risk management policies.
Derivatives are initially recognised at cost, and adjusted to fair value at subsequent end of reporting periods.
Derivative financial instruments are only used with the intent of hedging, in order to reduce the exchange risk, interest rate risk and risk of changes in market prices. In line with IAS 39, financial instruments may qualify for hedge accounting, only when the hedging instrument is formally designated and documented, is expected to be highly effective and this effectiveness can be reliably measured and is highly effective throughout the reporting periods for which it is designated.
When financial instruments may be measured by hedge accounting, the following accounting treatment is adopted:

- **Fair value hedge:** if a financial derivative is designated as a hedge of the exposure to changes in present value of a recognised asset or liability, attributable to a particular risk and could affect profit or loss, the gain or loss from the subsequent change in present value of the hedging instrument is recognised in profit or loss. The gain or loss on the hedged item, attributable to the hedged risk, changes the carrying amount of the hedged item and is recognised in profit or loss.

- **Cash flow hedge:** if an instrument is designated as a hedge of the exposure to variability in cash flows of a recognised asset or liability or of a highly probable forecast transaction which could affect profit or loss, the effective portion of the gain or loss on the financial instrument is recognised in other shareholders' equity. Accumulated gain or loss is reversed from other shareholders' equity and recognised in profit or loss in the same period as the hedging transaction. The gain or loss associated with hedging or the part of hedging which is ineffective, is immediately recognised in profit or loss. If the transaction is still expected to occur and the hedge relationship ceases, the amounts accumulated in equity will be retained in equity until the hedged item affects profit or loss. If hedge accounting ceases for a cash flow hedge relationship, gains and losses deferred in other shareholders' equity are recognised immediately in profit or loss.

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

### Long-term provisions

The Group recognises provisions for risks and charges when it has a legal or implicit obligation to third parties and it is likely that Group resources will have to be used to meet the obligation and when the amount of the obligation itself can be reliably estimated.
Changes in estimates are recognised in profit or loss when the change takes place.
If the effect is considerable, provisions are calculated discounting future cash flows estimated at a discount rate gross of taxes, to reflect current market changes in the fair value of money and specifics risks of the liability.

### Retirement funds and employee benefits

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

not exceed 10 percent. Note that the interest component on the charge related to employee plans is posted under borrowing costs.

### Stock Option Plan

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

### Tax assets and liabilities

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

### Payables

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

### Recognition of revenues

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

### Grants

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

### Financial income

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

### Borrowing Costs

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

### Dividends

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

### Income tax

Taxes represent the sum of current and deferred tax assets and liabilities.

Taxes allocated under statutory accounting circumstances of individual companies included in the scope of consolidation are recognised in the consolidated financial statements, based on taxable income estimated in compliance with national laws in force at the end of the reporting period, considering applicable exemptions and tax receivables owing. Income tax is recognised in profit or loss, with the exception of items directly charged to or from shareholders' equity, in which case the tax effect is directly recognised in shareholders' equity.

Taxes are recorded under "Tax payables" net of advances and withheld taxes. Taxes due in the event of the distribution of reserves as withheld taxes recognised in the financial statements of individual Group companies are not allocated, as their distribution is not planned.

In 2010, for a further three years, the Parent Company was party to the National Consolidated Tax Convention pursuant to articles 117 - 129 of the Consolidated Income Tax Act (T.U.I.R) of which IMMSI SpA is the consolidating company, and to whom other IMMSI Group companies report to. The consolidating company determines one taxable base for the group of companies that are party to the National Consolidated Tax Convention, and may therefore offset taxable income against tax losses in one tax return. Each company which is party to the National Consolidated Tax Convention transfers taxable income (taxable income or loss) to the consolidating company. The latter recognises a receivable from the consolidated company which is equal to the corporate tax to be paid. Whereas, in the case of companies reporting tax losses, the consolidating company recognises a payable related to corporate tax on the portion of loss actually offset at a Group level.

### Earnings per share

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

### Use of estimates

The preparation of the financial statements and notes in compliance with IFRS requires management to make estimates and assumptions which have an impact on the values of assets and liabilities and on disclosure regarding contingent assets and liabilities at the end of the reporting period. Actual results could differ from estimates. Estimates are used to measure intangible assets tested for impairment (see § Impairment losses) and to identify allocations for bad debts, for obsolete inventories, amortisation and depreciation, impairment of assets, employee benefits, taxes, restructuring provisions and other allocations and funds. Estimates and assumptions are periodically revised and the effects of any change are immediately recognised in profit or loss.

In the current world economic and financial crisis, assumptions made as to future trends are marked by a considerably degree of uncertainty. Therefore the possibility in the next reporting period of results that differ from estimates cannot be ruled out, and these could require even significant adjustments which at present cannot be predicted or estimated.

### Transactions with subsidiaries and related parties

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

### New accounting standards, amendments and interpretations applied as from 1 January 2011

The following accounting standards, amendments and interpretations have been applied for the first time by the Group as from 1 January 2011.

- IFRS 3 - *Business combinations:* the amendment clarifies that components of non-controlling interests do not entitle holders to receive a proportional share of net assets of the subsidiary, which must be valued at fair value or as required by applicable international standards. Moreover, the Board further analysed the issue of share-based payments which are replaced in business combinations, adding specific guidelines clarifying accounting treatment.

- IFRS 7 – *Financial instruments: Disclosures:* the change refers to the interaction between additional qualitative and quantitative information required by the standard on the nature and extent of risks concerning financial instruments. This should help readers of financial statements to associate presented information and obtain a general description of the nature and extent of risks concerning financial instruments. The requirement to disclose financing activities which have expired but not been renegotiated or impaired and to disclose the fair value of collaterals has been eliminated.

- IAS 1 – *Presentation of Financial Statements:* the amendment requires the reconciliation of changes in all items of equity to be presented in the notes and the financial statements.

- IAS 34 – *Interim Financial Reporting:* guidelines have been added on additional information to be included in Interim Financial Statements.

- IAS 24 – *Related Party Disclosures* – which simplifies the type of information required in the case of transactions with related parties controlled by the State, and clarifies the definition of related parties.

### Amendments and interpretations applied as from 1 January 2011 and not relevant to the Group

The following amendments, improvements and interpretations, applicable as from 1 January 2011, regulate specific cases and case histories which are not present within the Group at the date of this Annual Report, but which could have accounting effects on future transactions or agreements:

- Amendment to IAS 32 – Financial instruments: Presentation - Classification of rights issues;
- Amendment to IFRIC 14 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction;
- IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments;
- Improvement to IAS/IFRS (2010).

### 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 for financial assets, the new standard uses a single approach based on procedures for financial instruments' management and on characteristics of contract cash flows of financial assets to determine valuation criteria replacing the different regulations of IAS 39. For financial liabilities, the main change concerns the accounting treatment of fair value changes of a financial liability designated as a financial liability recognised at fair value in the income statement, in the case where the changes are due to a change in the creditworthiness of the liability. According to this new standard, the changes will be recognised as "Other comprehensive income" and will no longer be recorded in the income statement.

On 20 December 2010 the IASB issued a minor amendment to IFRS 1 – *First-time Adoption of International*

*Financial Reporting Standards* to eliminate the reference to the date 1 January 2004 described as the date of transition to IFRS and to provide guidance on the presentation of financial statements, in accordance with IFRS, following a period of hyperinflation. These amendments are applicable as from 1 July 2011 on a forward-looking basis.

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.

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 June 2011 the IASB issued an 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 entire provision deficit or surplus in the statement of financial position, and recognition of cost items linked to employment and net borrowing costs in profit and loss, and recognition of actuarial gains and losses resulting from remeasurement of assets and liabilities in “Other comprehensive income”. In addition, the performance of an asset included in net borrowing costs must be calculated based on the discount rate of the liability and no longer on the expected return of the assets. Lastly, the amendment introduces enhanced disclosures to provide in the notes. The amendment is applicable in a retrospective manner from the financial year starting from 1 January 2013.

At the date of issue of this Annual Report, competent bodies of the European Union had not completed the approval process necessary for the application of these amendments and standards.

On 7 October 2010 IASB published some amendments to IFRS 7 – *Financial instruments: Disclosures,* applicable for accounting periods commencing on or after 1 July 2011. Amendments have been issued with the purpose of improving understanding of transfer transactions (derecognition) of financial assets, including understanding of possible effects arising from any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. The adoption of this amendment will not produce any effects on the valuation of financial statement items.

## *B) Segment reporting*

### *3.Operating segment reporting*

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 report, disclosure by operating segments is provided and concerns both the past and future organisational logistics of the Piaggio Group.

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.

## *Consolidated Income Statement/ net employed capital by operating segments*

| | | Two-Wheeler Vehicles | | | Commercial Vehicles | | | Total |
|---|---|---|---|---|---|---|---|---|
| | | EMEA and Americas | Asia SEA | Total | EMEA and Americas | India | Total | |
| Sales volumes (unit/000) | 2011 | 310.2 | 104.8 | **415.0** | 13.3 | 225.0 | **238.3** | **653.3** |
| | 2010 | 335.4 | 59.5 | **395.0** | 13.8 | 219.6 | **233.4** | **628.4** |
| | Change | (25.2) | 45.2 | **20.0** | (0.5) | 5.4 | **4.9** | **24.9** |
| | Change % | -7.5% | 75.9% | **5.1%** | -3.7% | 2.5% | **2.1%** | **4.0%** |
| Net turnover (millions of euro) | 2011 | 837.8 | 187.5 | **1,025.3** | 96.1 | 395.0 | **491.1** | **1,516.5** |
| | 2010 | 854.9 | 133.2 | **988.1** | 108.4 | 388.9 | **497.3** | **1,485.4** |
| | Change | (17.1) | 54.3 | **37.2** | (12.3) | 6.1 | **(6.2)** | **31.1** |
| | Change % | -2.0% | 40.8% | **3.8%** | -11.4% | 1.6% | **-1.2%** | **2.1%** |
| Gross margin (millions of euro) | 2011 | 264.5 | 72.6 | **337.1** | 20.0 | 97.6 | **117.5** | **454.6** |
| | 2010 | 280.9 | 49.8 | **330.7** | 26.0 | 105.6 | **131.6** | **462.3** |
| | Change | (16.4) | 22.8 | **6.4** | (6.0) | (8.0) | **(14.1)** | **(7.7)** |
| | Change % | -5.8% | 45.7% | **1.9%** | -23.2% | -7.6% | **-10.7%** | **-1.7%** |
| EBITDA (millions of Euro) | 2011 | | | | | | | **200.6** |
| | 2010 | | | | | | | **197.1** |
| | Change | | | | | | | **3.4** |
| | Change % | | | | | | | **1.7%** |
| EBIT (millions of Euro) | 2011 | | | | | | | **105.5** |
| | 2010 | | | | | | | **111.1** |
| | Change | | | | | | | **(5.6)** |
| | Change % | | | | | | | **-5.0%** |
| Net income (millions of Euro) | 2011 | | | | | | | **47.0** |
| | 2010 | | | | | | | **42.8** |
| | Change | | | | | | | **4.2** |
| | Change % | | | | | | | **9.8%** |
| Capital employed (millions of Euro) | 2011 | 430.6 | 100.2 | **530.8** | 94.3 | 157.1 | **251.4** | **782.1** |
| | 2010 | 458.4 | 81.0 | **539.3** | 96.7 | 156.8 | **253.5** | **792.8** |
| | Change | (27.8) | 19.2 | **(8.6)** | (2.4) | 0.3 | **(2.1)** | **(10.7)** |
| | Change % | -6.1% | 23.7% | **-1.6%** | -2.5% | 0.2% | **-0.8%** | **-1.4%** |
| Of which receivable (millions of Euro) | 2011 | 800.0 | 160.7 | **960.7** | 146.4 | 249.5 | **395.9** | **1,356.6** |
| | 2010 | 840.7 | 119.4 | **960.1** | 150.8 | 256.9 | **407.7** | **1,367.8** |
| | Change | (40.8) | 41.4 | **0.6** | (4.4) | (7.4) | **(11.8)** | **(11.2)** |
| | Change % | -4.8% | 34.7% | **0.1%** | -2.9% | -2.9% | **-2.9%** | **-0.8%** |
| Of which payable (millions of Euro) | 2011 | 369.4 | 60.6 | **430.0** | 52.2 | 92.4 | **144.5** | **574.5** |
| | 2010 | 382.4 | 38.4 | **420.8** | 54.1 | 100.1 | **154.2** | **575.0** |
| | Change | (13.0) | 22.2 | **9.2** | (2.0) | (7.7) | **(9.7)** | **(0.5)** |
| | Change % | -3.4% | 57.8% | **2.2%** | -3.6% | -7.7% | **-6.3%** | **-0.1%** |

## *Consolidated Income Statement/ net employed capital by geographic segment*

| | | EMEA and Americas | India | Asia SEA | Total |
|---|---|---|---|---|---|
| Sales volumes (unit/000) | 2011 | 323.5 | 225.0 | 104.8 | **653.3** |
| | 2010 | 349.2 | 219.6 | 59.5 | **628.4** |
| | Change | (25.7) | 5.3 | 45.2 | **24.9** |
| | Change % | -7.4% | 2.4% | 75.9% | **4.0%** |
| Net turnover (millions of euro) | 2011 | 933.9 | 395.0 | 187.5 | **1,516.5** |
| | 2010 | 963.2 | 388.9 | 133.2 | **1,485.4** |
| | Change | (29.3) | 6.2 | 54.3 | **31.1** |
| | Change % | -3.0% | 1.6% | 40.7% | **2.1%** |
| Gross margin (millions of euro) | 2011 | 284.5 | 97.6 | 72.6 | **454.6** |
| | 2010 | 306.9 | 105.6 | 49.8 | **462.3** |
| | Change | (22.4) | (8.0) | 22.8 | **(7.7)** |
| | Change % | -7.3% | -7.6% | 45.7% | **-1.7%** |
| EBITDA (millions of Euro) | 2011 | | | | **200.6** |
| | 2010 | | | | **197.1** |
| | Change | | | | **3.4** |
| | Change % | | | | **1.7%** |
| EBIT (millions of Euro) | 2011 | | | | **105.5** |
| | 2010 | | | | **111.1** |
| | Change | | | | **(5.6)** |
| | Change % | | | | **-5.0%** |
| Net income (millions of Euro) | 2011 | | | | **47.0** |
| | 2010 | | | | **42.8** |
| | Change | | | | **4.2** |
| | Change % | | | | **9.8%** |
| Capital employed (millions of Euro) | 2011 | 524.9 | 157.1 | 100.2 | **782.1** |
| | 2010 | 555.1 | 156.8 | 81.0 | **792.8** |
| | Change | (30.2) | 0.3 | 19.2 | **(10.7)** |
| | Change % | -5.4% | 0.2% | 23.7% | **-1.4%** |
| Of which receivable (millions of Euro) | 2011 | 946.4 | 249.5 | 160.7 | **1,356.6** |
| | 2010 | 991.6 | 256.9 | 119.4 | **1,367.8** |
| | Change | (45.1) | (7.4) | 41.4 | **(11.2)** |
| | Change % | -4.6% | -2.9% | 34.7% | **-0.8%** |
| Of which payable (millions of Euro) | 2011 | 421.5 | 92.4 | 60.6 | **574.5** |
| | 2010 | 436.5 | 100.1 | 38.4 | **575.0** |
| | Change | (15.0) | (7.7) | 22.2 | **(0.5)** |
| | Change % | -3.4% | -7.7% | 57.8% | **-0.1%** |

## *C) Information on the Consolidated Income Statement*

### *4. Net revenues* — *€/000 1,516,463*

Revenues are shown net of premiums recognised to customers (dealers).
This item does not include transport costs, which are recharged to customers (€/000 25,318) and invoiced advertising cost recoveries (€/000 8,244), 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 business segment

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

| | 2011 | | 2010 | | Change | |
|---|---|---|---|---|---|---|
| | **Amount** | **%** | **Amount** | **%** | **Amount** | **%** |
| In thousands of Euro | | | | | | |
| Two-wheeler | 1,025,332 | 67.61 | 988,104 | 66.52 | 37,228 | 3.77 |
| Commercial Vehicles | 491,131 | 32.39 | 497,247 | 33.48 | (6,116) | -1.23 |
| **Total** | **1,516,463** | **100.00** | **1,485,351** | **100.00** | **31,112** | **2.09** |

#### Revenues by geographic segment

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

| | 2011 | | 2010 | | Change | |
|---|---|---|---|---|---|---|
| | **Amount** | **%** | **Amount** | **%** | **Amount** | **%** |
| In thousands of Euro | | | | | | |
| EMEA and Americas | 933,897 | 61.58 | 963,224 | 64.85 | (29,327) | -3.04 |
| India | 395,047 | 26.05 | 388,882 | 26.18 | 6,165 | 1.59 |
| Asia SEA | 187,519 | 12.37 | 133,245 | 8.97 | 54,274 | 40.73 |
| **Total** | **1,516,463** | **100.00** | **1,485,351** | **100.00** | **31,112** | **2.09** |

In 2011 net sales revenues increased slightly compared to figures for the previous year. The increases recorded on the Asian and Indian markets offset the downturns on the European and American markets.

### *5. Costs for materials* — *€/000 904,060*

These totalled €/000 904,060 compared to €/000 881,075 in 2010.
The percentage of costs accounting for net revenues went up from 59.3% in 2010 to 59.6% in the current period, due to the greater impact of total production on vehicles in the Asian continent, where the percentage accounting for turnover was higher than the Group average, considering that engines are currently sourced from external suppliers and the lower impact of manpower. The following table details the content of this financial statement item:

| | **2011** | **2010** | **Change** |
|---|---|---|---|
| In thousands of Euro | | | |
| Raw, ancillary materials, consumables and goods | 902,689 | 864,524 | 38,165 |
| Change in inventories of raw, ancillary materials, consumables and goods | (4,573) | 10,592 | (15,165) |
| Change in work in progress of semifinished and finished products | 5,944 | 5,959 | (15) |
| **Total costs for purchases** | **904,060** | **881,075** | **22,985** |

This item includes €/000 38,786 for costs relative to purchases of scooters from the Chinese subsidiary Zongshen Piaggio Foshan, which are sold on European and Asian markets.

### *6. Costs for services and leases and rental costs* *€/000 266,484*

Below is a breakdown of this item:

| | 2011 | 2010 | Change |
|---|---|---|---|
| In thousands of Euro | | | |
| Employee costs | 19,121 | 18,655 | 466 |
| Maintenance and cleaning | 7,380 | 6,887 | 493 |
| Energy, telephone and telex | 18,926 | 17,918 | 1,008 |
| Postal expenses | 686 | 581 | 105 |
| Commissions paid | 610 | 899 | (289) |
| Advertising and promotion | 31,012 | 31,899 | (887) |
| Technical, legal and tax consultancy and services | 32,687 | 32,014 | 673 |
| Company boards operating costs | 2,114 | 2,248 | (134) |
| Insurance | 4,019 | 3,710 | 309 |
| Third party work | 20,972 | 18,811 | 2,161 |
| Transport costs (vehicles and spare parts) | 43,192 | 48,198 | (5,006) |
| Sundry commercial expenses | 17,342 | 17,982 | (640) |
| Expenses for public relations | 2,242 | 3,494 | (1,252) |
| Product warranty costs | 20,783 | 14,947 | 5,836 |
| Bank costs and factoring charges | 6,926 | 4,792 | 2,134 |
| Lease and rental costs | 16,834 | 13,932 | 2,902 |
| Other | 18,045 | 15,480 | 2,565 |
| Insurance from Group companies | 66 | 57 | 9 |
| Services from companies of the Group | 1,892 | 4,985 | (3,093) |
| Lease and rental costs of Group companies | 1,635 | 869 | 766 |
| **Total costs for services** | **266,484** | **258,358** | **8,126** |

The increase is mainly due to higher warranty costs, partially offset, under other revenues, by reimbursements for costs incurred following an event concerning quality.

Lease and rental costs include lease rentals for business properties of €/000 8,317, as well as lease payments for car hire, computers and photocopiers.

Third party work of €/000 20,972 refers to processing of production parts.
The item “Other” includes costs for temporary work of €/000 347.

## *7. Employee costs* *€/000 247,600*

Employee costs are broken down as follows:

| | 2011 | 2010 | Change |
|---|---|---|---|
| In thousands of Euro | | | |
| Salaries and wages | 172,697 | 175,984 | (3,287) |
| Social security contributions | 48,122 | 46,992 | 1,130 |
| Post-employment benefits | 8,136 | 9,516 | (1,380) |
| Other costs | 18,645 | 7,623 | 11,022 |
| **Total** | **247,600** | **240,115** | **7,485** |

Employee costs increased in absolute terms by €/000 7,485 compared to figures for the previous period (+ 3.1%). This increase is due to restructuring costs (€/000 17,425) incurred in Italy, Spain and the United States, to downsize staff to reduced market dimensions, which are recognised as other costs. Employee costs include €/000 771 relating to stock option costs which were recorded in accordance with international accounting standards.

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

| Level | Average number | 2011 | 2010 | Change |
|---|---|---|---|---|
| Senior Management | | 100 | 109 | (9) |
| Middle Management | | 504 | 465 | 39 |
| White collars | | 2,100 | 2,088 | 12 |
| Manual labour | | 5,033 | 4,939 | 94 |
| **Total** | | **7,737** | **7,601** | **136** |

| Level | Number as of | 31.12.2011 | 31.12.2010 | Change |
|---|---|---|---|---|
| Senior Management | | 97 | 107 | (10) |
| Middle Management | | 515 | 487 | 28 |
| White collars | | 2,127 | 2,076 | 51 |
| Manual labour | | 4,880 | 4,859 | 21 |
| **Total** | | **7,619** | **7,529** | **90** |

The increase in staff is mainly attributable to the expansion of the production site in Vietnam.
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.

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

| Level | As of 31/12/10 | Incoming | Leavers | Relocations | As of 31/12/11 |
|---|---|---|---|---|---|
| Senior Management | 107 | 5 | 14) | (1) | 97 |
| Middle Management | 487 | 72 | (72) | 28 | 515 |
| White collars | 2,076 | 412 | (354) | (7) | 2,127 |
| Blue collars | 4,859 | 4,793 | (4,752) | (20) | 4,880 |
| **Total (*)** | **7,529** | **5,282** | **(5,192)** | **0** | **7,619** |
| (*) of which fixed-term contracts | 1,277 | 4,474 | (4,391) | 557 | 1,917 |

## *8. Amortisation/depreciation and impairment costs* *€/000 95,013*

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

| **Property, plant and equipment** | **2011** | **2010** | **Change** |
|---|---|---|---|
| In thousands of Euro | | | |
| Buildings | 4,095 | 4,044 | 51 |
| Plants and machinery | 14,075 | 13,479 | 596 |
| Industrial and commercial equipment | 15,198 | 16,392 | (1,194) |
| Other assets | 1,851 | 1,964 | (113) |
| **Total depreciation of tangible fixed assets** | **35,219** | **35,879** | **(660)** |

| **Intangible assets** | **2011** | **2010** | **Change** |
|---|---|---|---|
| In thousands of Euro | | | |
| Development costs | 28,315 | 26,362 | 1,953 |
| Industrial Patent and Intellectual Property Rights | 21,512 | 13,990 | 7,522 |
| Concessions, licences, trademarks and similar rights | 9,039 | 9,038 | 1 |
| Other | 928 | 737 | 191 |
| **Total amortisation of intangible fixed assets** | **59,794** | **50,127** | **9,667** |

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.

## *9. Other operating income* *€/000 122,562*

This item consists of:

| | **2011** | **2010** | **Change** |
|---|---|---|---|
| In thousands of Euro | | | |
| Operating grants | 3,492 | 4,164 | (672) |
| Increases in fixed assets from internal work | 38,804 | 37,093 | 1,711 |
| Other revenue and income: | | | |
| - Rent receipts | 522 | 552 | (30) |
| - Capital gains on assets and investments | 6,095 | 2,264 | 3,831 |
| - Sale of miscellaneous materials | 1,058 | 956 | 102 |
| - Recovery of transport costs | 25,318 | 25,145 | 173 |
| - Recovery of advertising costs | 8,244 | 6,845 | 1,399 |
| - Recovery of sundry costs | 6,364 | 11,782 | (5,418) |
| - Compensation | 6,378 | 3,082 | 3,296 |
| - Licence rights and know-how | 3,268 | 3,320 | (52) |
| - Sponsorship | 3,417 | 5,135 | (1,718) |
| - Other income | 19,602 | 20,790 | (1,188) |
| **Total other operating income** | **122,562** | **121,128** | **1,434** |

Other operating income increased by €/000 1,434 compared to figures for 2010.
The increase is mainly due to some reimbursements received as payment for costs incurred in relation to an event concerning quality.

Operating grants mainly refer to government and EU funding for research projects. €/000 1,521 of these grants refers to the benefit arising from tax receivables for research and development activities as provided for by article 1 sections 280-284 of Law no. 296/2006 (2007 Budget) amended by Law 244/2007 (2008 Budget). The grants are recognised in profit or loss, with reference to the amortisation/depreciation of capitalised costs for which the grants were received.

Capital gains on assets include those relative to the sale of property in Lugnano, for €/000 6,002.

### *10. Other operating costs* *€/000 20,323*

This item consists of:

| | 2011 | 2010 | Change |
|---|---|---|---|
| In thousands of Euro | | | |
| Allocation for future risks | 331 | 4,046 | (3,715) |
| **Total allocations for risks** | **331** | **4,046** | **(3,715)** |
| | | | |
| Allocation for product warranties | 12,041 | 14,016 | (1,975) |
| **Total other allocations** | **12,041** | **14,016** | **(1,975)** |
| | | | |
| Non-income tax and duties | 2,257 | 4,314 | (2,057) |
| Various subscriptions | 922 | 851 | 71 |
| Capital losses from disposal of assets | 83 | 24 | 59 |
| Miscellaneous expenses | 2,294 | 4,029 | (1,735) |
| Losses on receivables | 1,299 | 786 | 513 |
| **Total sundry operating expenses** | **6,855** | **10,004** | **(3,149)** |
| | | | |
| Write-down of development costs | | 36 | (36) |
| Impairment of property, plant and equipment | | 33 | (33) |
| Impairment of receivables in working capital | 1,096 | 1,686 | (590) |
| **Total impairment** | **1,096** | **1,755** | **(659)** |
| | | | |
| **Total** | **20,323** | **29,821** | **(9,498)** |

Overall, other operating costs decreased by €/000 9,498.

### *11. Income/(loss) from investments* *€/000 2,481*

Net income from investments refer to €/000 2,288 relative to the equity valuation of the investment in the Zongshen Piaggio Foshan joint venture and the remaining portion to dividends from non-controlling interests.

### *12. Net financial income/(borrowing costs)* *€/000 (28,698)*

Financial income and borrowing costs are detailed below:

| | 2011 | 2010 | Change |
|---|---|---|---|
| In thousands of Euro | | | |
| Income: | | | |
| - Interest receivable from affiliated companies | | 3 | (3) |
| - Interest receivable from clients | 147 | 248 | (101) |
| - Bank and post office interest payable | 2,284 | 1,625 | 659 |
| - Interest payable on financial receivables | 597 | 349 | 248 |
| - Interest on hedging | 177 | | 177 |
| - Other | 882 | 666 | 216 |
| **Total financial income** | **4,087** | **2,891** | **1,196** |

| | 2011 | 2010 | Change |
|---|---|---|---|
| In thousands of Euro | | | |
| Borrowing costs payable to affiliated companies | 103 | 144 | (41) |
| Borrowing costs paid to others: | | | |
| - Interest payable on bank accounts | 638 | 24 | 614 |
| - Interest payable on debenture loans | 13,246 | 11,846 | 1,400 |
| - Interest payable on bank loans | 8,315 | 8,845 | (530) |
| - Interest payable to other lenders | 3,051 | 2,508 | 543 |
| - Cash discounts to clients | 867 | 944 | (77) |
| - Bank charges on loans | 463 | 436 | 27 |
| - Hedging costs | 184 | - | 184 |
| - Borrowing costs of discounting termination benefits | 2,262 | 2,637 | (375) |
| - Interest payable on lease agreements | 205 | 207 | (2) |
| - Other | 2,519 | 6,314 | (3,795) |
| **Total borrowing costs to others** | **31,750** | **33,761** | **(2,011)** |
| **Total borrowing costs** | **31,853** | **33,905** | **(2,052)** |

| | 2011 | 2010 | Change |
|---|---|---|---|
| In thousands of Euro | | | |
| Exchange gains | 13,149 | 19,146 | (5,997) |
| Exchange losses | 14,081 | 20,664 | (6,583) |
| **Total net exchange gains/(losses)** | **(932)** | **(1,518)** | **586** |
| **Net financial income/(borrowing costs)** | **(28,698)** | **(32,532)** | **3,834** |

The balance of financial income (charges) in 2011 was negative (- €/000 28,698), less than the previous year (- €/000 32,532). Net borrowing costs, net of costs incurred in 2010 to settle a tax assessment, increased by €/000 2,397, despite the positive effect of currency management and the reduction in average debt, mainly in relation to the increase in variable tax rates and refinancing from sources with higher margins.

## *13. Taxation* *€/000 32,305*

The item "Income taxes" is detailed below:

| | 2011 | 2010 | Change |
|---|---|---|---|
| In thousands of Euro | | | |
| Current taxes | 39,024 | 38,716 | 308 |
| Deferred tax liabilities | (6,719) | 2,267 | (8,986) |
| **Total** | **32,305** | **40,983** | **(8,678)** |

Taxes for 2011 were equal to €/000 32,305, and account for 40.7% of earnings before tax. In 2010, taxes were equal to €/000 40,983, and accounted for 48.9% of earnings before tax.
The major decrease compared to 2010 is due to lower earnings before tax and to the recognition of deferred tax assets on losses that can be carried forward to future years.

Reconciliation in relation to the theoretical rate is shown below:

| | 2011 |
|---|---|
| In thousands of Euro | |
| Earnings before tax | 79,328 |
| Theoretical rate | 27.5% |
| **Theoretical income taxes** | **21,815** |
| | |
| Tax effect arising from the difference in foreign tax rates and theoretical Italian rates | 1,574 |
| Effect arising from changes in Earnings before tax due to the application of tax regulations | 9,843 |
| Reverse deferred tax liabilities allocated in previous years for time changes | (9,838) |
| Reverse deferred tax assets allocated in previous years for time changes | 10,564 |
| Reverse deferred tax assets allocated in previous years for tax losses | 0 |
| Tax effect arising from taxes on income produced abroad | 3,154 |
| Other differences | 398 |
| Expenses (income) from the Consolidated Tax Convention | 122 |
| Income taxes referred to previous years | 1,323 |
| Tax effect arising from deferred tax liabilities allocated for time changes | 11,102 |
| Tax effect arising from deferred tax assets allocated for time changes and tax losses | (19,547) |
| Tax effect arising from the exemption of income generated in Vietnam | (9,106) |
| Tax on the distribution of dividends | 6,850 |
| | |
| Regional production tax and other local taxes | 4,051 |
| | |
| **Income taxes recognised in the financial statement** | **32,305** |

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

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

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

### *15. Earnings per share*

Earnings per share are calculated as follows:

| | | 2011 | 2010 |
|---|---|---|---|
| Net income | €/000 | 47,023 | 42,841 |
| Earnings attributable to ordinary shares | €/000 | 47,023 | 42,841 |
| Average number of ordinary shares in circulation | | 371,793,901 | 380,363,391 |
| Earnings per ordinary share | € | 0.126 | 0.113 |
| Adjusted average number of ordinary shares | | 374,048,592 | 382,790,766 |
| Diluted earnings per ordinary share | € | 0.126 | 0.112 |

The potential effects deriving from stock option plans were considered when calculating diluted earnings per share.

## *D) Information on the Consolidated Statement of Financial position - assets*

### *16. Intangible assets* *€/000 649,420*

The table below shows the breakdown of intangible assets as of 31 December 2011 and 31 December 2010, as well as movements during the period.

| | Development costs | Patent rights | Concessions, licences and trademarks | Goodwill | Other | Total |
|---|---|---|---|---|---|---|
| In thousands of Euro | | | | | | |
| Historical cost | 161,457 | 174,605 | 148,296 | 557,322 | 3,640 | 1,045,320 |
| Provisions for impairment | (36) | 0 | 0 | 0 | 0 | (36) |
| Accumulated depreciation | (73,767) | (139,192) | (66,922) | (110,382) | (2,399) | (392,662) |
| **Assets as of 31/12/2010** | **87,654** | **35,413** | **81,374** | **446,940** | **1,241** | **652,622** |
| Investments | 38,284 | 24,682 | | | 1,334 | 64,300 |
| Depreciation | (28,315) | (21,512) | (9,039) | | (928) | (59,794) |
| Disposals | | (90) | | | (32) | (122) |
| Write-downs | | | | | | 0 |
| Exchange differences | (5,886) | (286) | | | (65) | (6,237) |
| Other movements | (6,354) | 4,999 | | | 6 | (1,349) |
| **Total changes** | **(2,271)** | **7,793** | **(9,039)** | **0** | **315** | **(3,202)** |
| Historical cost | 142,680 | 204,017 | 148,296 | 557,322 | 5,028 | 1,057,343 |
| Provisions for impairment | | 0 | 0 | 0 | 0 | 0 |
| Accumulated depreciation | (57,297) | (160,811) | (75,961) | (110,382) | (3,472) | (407,923) |
| **Assets as of 31/12/2011** | **85,383** | **43,206** | **72,335** | **446,940** | **1,556** | **649,420** |

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

### Development costs €/000 85,383

*Development costs* include costs for products and engines in projects for which there is an expectation, for the period of the useful life of the asset, to see net sales at such a level in order to allow the recovery of the costs incurred. This item also includes assets under construction for €/000 39,986 that represent costs for which the conditions for capitalisation exist, but in relation to products that will go into production in future years.
As regards development expenditure, new projects capitalised during 2011 refer mainly to the new Vespa India models and to the new 125 HE and Lem engines for the future Vespa India and scooters manufactured in Vietnam.
Development costs included under this item are amortised on a straight line basis over 3 years, in consideration of their remaining useful life.
During 2011, development costs of approximately 30.2 million Euro were recognised directly in profit or loss.

### Industrial Patent and Intellectual Property Rights €/000 43,206

This item comprises software for €/000 12,787 and patents and know-how. It includes assets under construction for €/000 3,260.

Patents and know-how refer mainly to Vespa vehicles, the GP 800, MP3, RSV4, MP3 Hybrid and 1200cc engine and to the NT3 prototype. Increases for the period mainly concern software and implementation of the SRM platform in India and Vietnam and installation of SAP in Indonesia.
Industrial patent and intellectual property rights costs are amortised over three years.

## Trademarks, concessions and licences €/000 72,335

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

| | As of 31 December 2011 | As of 31 December 2010 | Change |
|---|---|---|---|
| In thousands of Euro | | | |
| Guzzi brand | 24,375 | 27,422 | (3,047) |
| Aprilia brand | 47,895 | 53,882 | (5,987) |
| Minor brands | 65 | 70 | (5) |
| **Total Trademarks** | **72,335** | **81,374** | **(9,039)** |

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.

## Goodwill €/000 446,940

Following the business unit-based reorganisation during 2008, goodwill, as of 31 December 2008, was attributed to cash-generating units.

| | Two-wheeler vehicles | | | Commercial vehicles | | | Total |
|---|---|---|---|---|---|---|---|
| | EMEA and Americas | Asia SEA | Total | EMEA and Americas | India | Total | |
| In thousands of Euro | | | | | | | |
| 31/12/2011 | 240,184 | 31,934 | 272,118 | 65,127 | 109,695 | 174,822 | 446,940 |
| 31/12/2010 | 240,184 | 31,934 | 272,118 | 65,127 | 109,695 | 174,822 | 446,940 |

As specified in the section on accounting standards, from 1 January 2004 goodwill is no longer amortised, but is tested annually or more frequently for impairment if specific events or changed circumstances indicate the possibility of it having been impaired, in accordance with the provisions of IAS 36 *Impairment of Assets* (impairment test).

The possibility of reinstating booked values is verified by comparing the net book value of individual *cash generating units* with the recoverable value (usage value). This recoverable value is represented by the present value of future cash flows which, it is estimated, will be derived from the continual use of goods referring to *cash generating units* and by the final value attributable to these goods.

The recoverability of goodwill is verified at least once per year (as of 31 December), even in the absence of indicators of impairment losses.

The main hypotheses used by the Group to determine future financial flows, relative to a four-year period, and the consequent recoverable value (value in use) refer to:

a. the use of figures from the Piaggio Group 2011-2014 Plan approved by the Board of Directors on 13 December 2011 for data relative to 2012 - 2014;

b. the use of the growth rate g which differs by CGU to obtain figures for 2015, starting from data of the 2014 Plan;

c. the discount rate (WACC).

In particular, to discount cash flows, the Group adopted a discount rate (WACC) which differs based on different cash generating units. This reflects market valuations of the fair value of money and takes account of specific risks of activities and the geographic segment in which the cash generating unit operates. The average weighted discount rate of the Group, net of taxes, is equal to 10.3%.

In the future cash flows discounting model, a final value is entered at the end of the cash flow projection period, to reflect the residual value each cash-generating unit should produce. The final value represents the current value, at the last year of the projection, of all subsequent cash flows calculated as perpetual income, and was determined using a growth rate (g rate) which differed by CGU, to reflect the different growth potentials of each CGU.

| | 2-Wheeler EMEA and Americas | 2-Wheeler Asia SEA | Commercial Vehicles EMEA and Americas | Commercial Vehicles India |
|---|---|---|---|---|
| WACC | 9.1% | 12.9% | 9.2% | 11.5% |
| G | 1.5% | 2.5% | 1.5% | 2.5% |

Analyses did not identify any impairment losses. Therefore no impairment was recognised in consolidated data as of 31 December 2011.
In addition, and on the basis of information in the document produced jointly by the Bank of Italy, Consob and Isvap (the insurance watchdog) no. 2 of 6 February 2009, the Group conducted sensitivity analysis of test results in relation to changes in basic assumptions (use of the growth rate in producing the final value and discount rate) which affect the value in use of cash generating units.

In all cases, the value in use of the Group was higher than the net carrying amount tested.
To further supplement the above, and in view of the organisational change which took place in early 2012, impairment testing was simulated using the new cash-generating unit structure, which has been in use since 1 January 2012: EMEA and the Americas, Asia SEA and India.

In this case as well, test results did not indicate impairment losses, as the value in use of each cash-generating unit is higher than the corresponding net carrying amount.

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

*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 depreciation until 31 December 2003.
During first-time adoption of the IFRS, the Group opted not to retroactively apply IFRS 3 - *Business Combinations* to acquisitions of companies that took place before 1 January 2004. As a result, the goodwill generated on acquisitions prior to the date of transition to IFRSs was maintained at the previous value, determined according to Italian accounting standards, subject to assessment and recognition of any impairment losses.
For all the transactions listed below, the difference between the carrying amount of the investment and the net book value has been attributed to goodwill.
The transactions which gave rise to this item are:
› the acquisition by MOD SpA of the Piaggio & C. Group, completed during 1999 and 2000 (net value as of 1 January 2004: €/000 330,590);
› the acquisition, completed in 2001, by Piaggio & C. SpA 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 SpA of a 14.66% stake in the share capital of Piaggio Vehicles Pvt. Ltd;
› the acquisition, by Piaggio & C. SpA, of 100% of Nacional Motor S.A. in October 2003, at a price of €/000 35,040 with goodwill net of amortisation/depreciation of €/000 31,237 as of 1 January 2004;
› the acquisition, by Piaggio & C. SpA of 100% of Aprilia SpA in December 2004.
As part of the agreements for the acquisition of Aprilia, the company issued warrants and financial instruments in favour of Banks acting as creditors with respect to Aprilia and the selling shareholders; these could be exercised in periods determined by the respective regulations as of the date of approval of the consolidated financial statements as of 31 December 2007.
The initial purchase cost adjustment relating to the payment of Warrants and EMH Financial Instruments equal to €/000 70,706 was entered as goodwill.

## Other intangible assets €/000 1,556

These totalled €/000 1,556 and mainly consist of charges sustained by Piaggio Vietnam.

## *17. Property, plant and equipment* *€/000 274,871*

The table below shows the breakdown of plant, property and equipment as of 31 December 2011 and 31 December 2010, as well as movements during the period.

| | Land | Buildings | Plants and machinery | Equipment | Other assets | Total |
|---|---|---|---|---|---|---|
| In thousands of Euro | | | | | | |
| Historical cost | 31,844 | 132,925 | 343,666 | 470,297 | 44,081 | 1,022,813 |
| Reversals | | | | | | 0 |
| Provisions for impairment | | | | (1,338) | (21) | (1,359) |
| Accumulated depreciation | | (43,437) | (259,022) | (426,376) | (35,860) | (764,695) |
| **Assets as of 31/12/2010** | **31,844** | **89,488** | **84,644** | **42,583** | **8,200** | **256,759** |
| Investments | | 19,748 | 28,162 | 12,184 | 1,696 | 61,790 |
| Depreciation | | (4,095) | (14,075) | (15,198) | (1,851) | (35,219) |
| Disposals | (258) | (11) | (12) | (109) | (140) | (530) |
| Write-downs | | | | | | 0 |
| Exchange differences | | (2,061) | (6,473) | 19 | (362) | (8,877) |
| Other movements | | (6) | 1,498 | 154 | (698) | 948 |
| **Total changes** | **(258)** | **13,575** | **9,100** | **(2,950)** | **(1,355)** | **18,112** |
| Historical cost | 31,586 | 150,013 | 360,090 | 480,022 | 43,958 | 1,065,669 |
| Reversals | | | | | | 0 |
| Provisions for impairment | | | | (1,339) | | (1,339) |
| Accumulated depreciation | | (46,950) | (266,346) | (439,050) | (37,113) | (789,459) |
| **Assets as of 31/12/2011** | **31,586** | **103,063** | **93,744** | **39,633** | **6,845** | **274,871** |

Increases mainly refer to moulds for new vehicles launched during the year, as well as the construction of the new Two-Wheeler manufacturing site in India.
The decreases include the sale of the site at Lugnano, including land and buildings, for €/000 6,320, which generated a capital gain of €/000 6,002.

### Land €/000 31,586

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

### Buildings €/000 103,063

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

| | As of 31 December 2011 | As of 31 December 2010 | Change |
|---|---|---|---|
| In thousands of Euro | | | |
| Industrial buildings | 83,971 | 84,911 | (940) |
| Ancillary buildings | 564 | 614 | (50) |
| Lightweight constructions | 275 | 325 | (50) |
| Assets under construction | 18,253 | 3,638 | 14,615 |
| **Total** | **103,063** | **89,488** | **13,575** |

Industrial buildings refer to Group production facilities in Pontedera (Pisa), Noale (Venice), Mandello del Lario (Lecco), Barcelona (Spain), Baramati (India) and Vinh Phuc (Vietnam). The item also includes a building at Pisa which was transferred in December 2009 by the Parent Company to a property fund, consolidated on a line-by-line basis.

As of 31 December 2011, the net values of assets held under leases were as follows:

| | As of 31 December 2011 |
|---|---|
| In thousands of Euro | |
| Mandello del Lario site (land and building) | 13,450 |
| EDP (other assets) | 1 |
| **Total** | **13,451** |

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

### Plants and machinery €/000 93,744

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

| | As of 31 December 2011 | As of 31 December 2010 | Change |
|---|---|---|---|
| In thousands of Euro | | | |
| Non-specific plants | 49,398 | 47,553 | 1,845 |
| Automatic equipment | 3,535 | 5,162 | (1,627) |
| Furnaces and sundry equipment | 864 | 593 | 271 |
| Other | 15,792 | 13,433 | 2,359 |
| Assets under construction | 24,155 | 17,903 | 6,252 |
| **Total** | **93,744** | **84,644** | **9,100** |

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

Plant and equipment are depreciated using the following rates:
- non-specific plants: 10%;
- specific plants and non-automatic operating machinery: 10%;
- specific plants and automatic operating machinery: 17.5%;
- furnaces and sundry equipment: 15%;
- robotic work centres: 22%.

Assets under construction amount to €/000 24,155.

### Equipment €/000 39,633

The item *Equipment*, equal to €/000 39,633 mainly refers to production equipment of Piaggio & C. SpA, Nacional Motor S.A., Piaggio Vehicles Pvt. Ltd. and Piaggio Vietnam Co Ltd already being depreciated and assets under construction for €/000 8,493.
Main investments in equipment concerned moulds for new vehicles launched during the year or scheduled to be launched in the first half of next year, moulds for new engines and specific equipment for assembly lines.
Industrial and commercial equipment is depreciated using rates considered appropriate by Group companies to represent its useful life and in particular:
- testing and monitoring equipment: 30%;
- miscellaneous and small-scale equipment: 25%.

## Other plant, property and equipment €/000 6,845

As of 31 December 2011 the item *Other assets* comprised the following:

| | As of 31 December 2011 | As of 31 December 2010 | Change |
|---|---|---|---|
| In thousands of Euro | | | |
| EDP systems | 1,012 | 1,262 | (250) |
| Office furniture and equipment | 3,625 | 3,551 | 74 |
| Vehicles | 1,345 | 1,267 | 78 |
| Other | 248 | 273 | (25) |
| Assets under construction | 615 | 1,847 | (1,232) |
| **Total** | **6,845** | **8,200** | **(1,355)** |

## *Impairment reversals of fixed assets*

The Parent Company still has assets subject to impairment reversals in compliance with specific regulations or during merger operations.

The table below gives detailed figures for financial statement items and with reference to the legal provision or merger operation.

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

## Guarantees

As of 31 December 2011 the Group owned land and buildings encumbered by mortgage liens in favour of banks to secure loans obtained in previous years. The related reimbursement of capital is €/000 368.

## *18.Investment Property* *€/000 0*

As of 31 December 2011 no investment property was held.

## *19. Investments* *€/000 2,482*

The Investments heading comprises:

| | As of 31 December 2011 | As of 31 December 2010 | Change |
|---|---|---|---|
| In thousands of Euro | | | |
| Investments in subsidiaries | | | |
| Interests in Joint Ventures | 2,288 | | 2,288 |
| Investments in affiliated companies | 194 | 194 | 0 |
| **Total** | **2,482** | **194** | **2,288** |

The increase refers to the equity valuation of the investment in the Zongshen Piaggio Foshan Motorcycles Co. Ltd. joint venture.

### Investments in subsidiaries €/000 0

| Subsidiaries | Carrying amount as of 31 December 2011 |
|---|---|
| In thousands of Euro | |
| Accounted for with the equity method: | |
| - Piaggio China Co. Ltd | 0 |
| - Aprilia Brasil Industria de Motociclos SA | 0 |
| - Aprilia World Service do Brasil Ltd | 0 |
| **Total subsidiaries** | **0** |

As regards subsidiaries, a new company "PT Piaggio Indonesia" was established in Indonesia on 22 March 2011, and another company "Foshan Piaggio Vehicles Technology Research & Development Co. Ltd." was established in China on 1 December 2011.

### Investments in Joint Ventures €/000 2,288

| Joint venture | Carrying amount as of 31 December 2011 |
|---|---|
| In thousands of Euro | |
| Accounted for using the equity method: | |
| - Zongshen Piaggio Foshan Motorcycles Co. Ltd – China | 2,288 |
| **Total joint ventures** | **2,288** |

The investment in Zongshen Piaggio Foshan Motorcycles Co. Ltd was classified under the item *"joint ventures"* in relation to agreements made in the contract signed on 15 April 2004 between Piaggio & C. SpA and its historical partner Foshan Motorcycle Plant, and the Chinese company Zongshen Industrial Group Company Limited.

The investment of Piaggio & C. SpA in Zongshen Piaggio Foshan Motorcycles is equal to 45% of which 12.5% is held through the direct subsidiary Piaggio China Company Ltd. The carrying amount of the investment is equal to €/000 2,288 and reflects shareholders' equity pro-quota adjusted to take into account the measurement criteria adopted by the Group, as well as the recoverable value determined during impairment testing by the Parent Company.

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

| Zongshen Piaggio Foshan Motorcycle Co. | Financial Statements as of 31 December 2011 | |
|---|---|---|
| In thousands of Euro | | 45%* |
| Working capital | 6,329 | 2,848 |
| Total assets | 17,169 | 7,726 |
| **Net capital employed** | **23,498** | **10,574** |
| | | |
| Provisions | 1,285 | 578 |
| Consolidated debt | 5,277 | 2,375 |
| Shareholders' equity | 16,936 | 7,621 |
| **Total sources of financing** | **23,498** | **10,574** |

* *Group ownership*

## Investments in Associates €/000 194

The item did not change in 2011 and is broken down as follows:

| Affiliated companies | Carrying amount as of 31 December 2011 |
|---|---|
| In thousands of Euro | |
| Accounted for using the cost method: | |
| Immsi Audit S.c.a.r.l. | 10 |
| S.A.T. S.A. – Tunisia | 0 |
| Depuradora D'Aigues de Martorelles | 3 |
| Pontech Soc. Cons. a.r.l. – Pontedera | 181 |
| **Total affiliated companies** | **194** |

## *20. Other non-current financial assets €/000 11,836*

| | As of 31 December 2011 | As of 31 December 2010 | Change |
|---|---|---|---|
| In thousands of Euro | | | |
| Financial receivables due from affiliated companies | | | |
| Fair Value of hedging derivatives | 11,639 | | 11,639 |
| Financial receivables due from third parties | 32 | 169 | (137) |
| Investments in other companies | 165 | 165 | 0 |
| **Total** | **11,836** | **334** | **11,502** |

The item Fair value of hedging derivatives refers to €/000 9,094 from the fair value of the cross currency swap relative to a private debenture loan, to €/000 2,307 from the fair value of the cross currency swap relative to a medium-term loan of the Indian subsidiary and to €/000 238 from the fair value of the cross currency swap relative to a medium-term loan of the Vietnamese subsidiary. For more details, see attachment H - Information on financial instruments.

The item investments in other companies did not change compared to figures of the previous year and is broken down as follows:

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

## *21. Current and non-current tax receivables* *€/000 28,221*

Receivables due from tax authorities consist of:

| | As of 31 December 2011 | As of 31 December 2010 | Change |
|---|---|---|---|
| In thousands of Euro | | | |
| VAT receivables | 26,873 | 40,255 | (13,382) |
| Income tax receivables | 645 | 1,942 | (1,297) |
| Other receivables due from the public authorities | 703 | 2,970 | (2,267) |
| **Total tax receivables** | **28,221** | **45,167** | **(16,946)** |

Non-current tax receivables amounted to €/000 976 compared to €/000 967 as of 31 December 2010, while current receivables amounted to €/000 27,245 compared to €/000 44,200 as of 31 December 2010, mainly due to the decrease in VAT receivables of the Indian subsidiary.

## *22. Deferred tax assets* *€/000 55,726*

Deferred tax assets totalled €/000 55,726, up on the figure of €/000 46,294 as of 31 December 2010. In 2011, deferred tax assets increased considerably, due to the registration of deferred tax assets on losses that may be offset by income generated in future tax years, and to temporary changes that will be reabsorbed in future years.

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.

| As of 31 December 2011 | Amount of temporary differences | Tax rate | Tax effect | Recognised | Not recognised |
|---|---|---|---|---|---|
| In thousands of Euro | | | | | |
| | 6,364 | 27.5/31.4% | 1,968 | | |
| | 250 | 41.00% | 102 | | |
| | 415 | 20.00% | 83 | | |
| | 1,807 | 35.54% | 642 | | |
| **Provisions for risks** | **8,835** | | **2,796** | | |
| | | | | | |
| | 12,207 | 31.40% | 3,833 | | |
| | 41 | 41.00% | 17 | | |
| | 170 | 25.00% | 43 | | |
| **Provision for product warranties** | **12,419** | | **3,893** | | |
| | | | | | |
| | 20,361 | 27.50% | 5,599 | | |
| | 25 | 20.00% | 5 | | |
| | 734 | 35.54% | 261 | | |
| **Provisions for bad debts** | **21,120** | | **5,865** | | |
| | | | | | |
| | 28,344 | 31.40% | 8,900 | | |
| | 217 | 7.50% | 16 | | |
| | 4,881 | 31.40% | 1,533 | | |
| | 314 | 41.00% | 129 | | |
| | 417 | 20.00% | 83 | | |
| | 3,431 | 35.54% | 1,219 | | |
| | 84 | 20.00% | 17 | | |
| **Provisions for obsolete stock** | **37,688** | | **11,897** | | |
| | | | | | |
| | 52,948 | 27.5/31.4% | 16,388 | | |
| | 5,429 | 30% | 1,629 | | |
| | 501 | 33.33% | 167 | | |
| | 258 | 31.87% | 82 | | |
| | 3,512 | 32.45% | 1,140 | | |
| | 407 | 20.00% | 81 | | |
| | 88 | 25.00% | 22 | | |
| | 22 | 25.00% | 6 | | |
| | 305 | 41.00% | 125 | | |
| | 4,105 | 25.00% | 1,026 | | |
| | 6,635 | 7.50% | 498 | | |
| | 74 | 30.00% | 22 | | |
| | 5,950 | 35.54% | 2,114 | | |
| | 4 | 20.00% | 1 | | |
| | 24 | 17.00% | 4 | | |
| | 464 | 31.40% | 146 | | |
| **Other changes** | **80,726** | | **23,450** | | |
| | | | | | |
| **Total on provisions and other changes** | **160,788** | | **47,901** | **35,914** | **11,987** |
| | | | | | |
| Piaggio & C. SpA | 64,137 | 27.50% | 17,638 | | |
| Piaggio Vietnam Co. Ltd | 761 | 7.50% | 57 | | |
| Nacional Motor SA | 16,455 | 30.00% | 4,936 | | |
| Piaggio Hrvatska Doo | 45 | 20.00% | 9 | | |
| Piaggio Group Japan | 1,608 | 41.00% | 659 | | |
| Foshan Piaggio Tec, R&D Co. Ltd | 34 | 25.00% | 8 | | |
| Piaggio Group Americas Inc. | 42,504 | 35.54% | 15,105 | | |
| Aprilia World Service B.V. | 12,146 | 22.50% | 2,733 | | |
| Derbi Racing SL | 8,529 | 30.00% | 2,559 | | |
| **Total on tax losses** | **146,219** | | **43,704** | **19,812** | **23,892** |

### *23. Trade receivables* *€/000 65,560*

As of 31 December 2011 current trade receivables amounted to €/000 65,560 compared to €/000 90,421 as of 31 December 2010.
No non-current trade receivables were recorded for either period.
Their breakdown was as follows:

| | As of 31 December 2011 | As of 31 December 2010 | Change |
|---|---|---|---|
| In thousands of Euro | | | |
| Trade receivables | 63,107 | 88,211 | (25,104) |
| Receivables due from Group companies valued at equity | 2,408 | 2,198 | 210 |
| Receivables due from the Parent Company | | | 0 |
| Receivables due from affiliated companies | 45 | 12 | 33 |
| **Total** | **65,560** | **90,421** | **(24,861)** |

Receivables due from Group companies valued at equity comprise amounts due from Zongshen Piaggio Foshan Motorcycle.
Receivables due from affiliated companies include amounts due from the Fondazione Piaggio, Cantieri Rodriquez and Immsi Audit.

The item "Trade receivables" comprises receivables referring to normal sale transactions, recorded net of provisions for risks of €/000 26,124.

Movements of provisions were as follows:

| | |
|---|---|
| In thousands of Euro | |
| **Opening balance as of 1 January 2011** | **26,024** |
| Increases for allocations | 1,096 |
| Decreases for use | (996) |
| **Closing balance as of 31 December 2011** | **26,124** |

The Group sells a large part of its trade receivables with and without recourse. Piaggio has signed contracts with some of the most important Italian and foreign factoring companies as a move to optimise the monitoring and the management of its trade receivables, besides offering its customers an instrument for funding their own inventories. As of 31 December 2011 trade receivables still due, sold without recourse totalled €/000 73,565.
Of these amounts, Piaggio received payment prior to natural expiry, of €/000 70,368.

As of 31 December 2011, advance payments received from factoring companies and banks, for trade receivables sold with recourse totalled €/000 20,085 with a counter entry recorded in current liabilities.

### *24. Other current and non-current receivables* *€/000 43,193*

Other non-current receivables totalled €/000 15,165 against €/000 12,655 as of 31 December 2010, whereas other current receivables totalled €/000 28,028 compared to €/000 23,300 as of 31 December 2010.

They consist of:

| Other non-current receivables | As of 31 December 2011 | As of 31 December 2010 | Change |
|---|---|---|---|
| In thousands of Euro | | | |
| Receivables due from Group companies valued at equity | 138 | 138 | 0 |
| Receivables due from affiliated companies | 267 | 305 | (38) |
| Prepaid expenses | 12,265 | 10,261 | 2,004 |
| Advances to employees | 99 | 134 | (35) |
| Receivables due from others | 2,396 | 1,817 | 579 |
| **Total non-current portion** | **15,165** | **12,655** | **2,510** |

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 31 December 2011 | As of 31 December 2010 | Change |
|---|---|---|---|
| In thousands of Euro | | | |
| Receivables due from the Parent Company | 6,259 | 5,795 | 464 |
| Receivables due from Group companies valued at equity | 140 | 134 | 6 |
| Receivables due from affiliated companies | 57 | 54 | 3 |
| Accrued income | 2,941 | 365 | 2,576 |
| Prepaid expenses | 2,026 | 1,898 | 128 |
| Advance payments to suppliers | 2,543 | 1,569 | 974 |
| Advances to employees | 576 | 968 | (392) |
| Fair Value of hedging derivatives | 987 | | 987 |
| Security deposits | 203 | 188 | 15 |
| Receivables due from others | 12,296 | 12,329 | (33) |
| **Total current portion** | **28,028** | **23,300** | **4,728** |

Receivables due from the Parent Company regard the assignment of tax receivables that took place within the group consolidated tax procedure. Receivables due from Group companies valued at equity comprise amounts due from Zongshen Piaggio Foshan. Receivables due from affiliated companies are amounts due from the Fondazione Piaggio and Immsi Audit. The item Fair Value of hedging derivatives refers mainly to the fair value of derivatives to hedge the exchange risk on forecast transactions recognised on a cash flow hedge basis. For more details, see attachment H - Information on financial instruments.

### *25. Inventories* *€/000 236,988*

This item comprises:

| | As of 31 December 2011 | As of 31 December 2010 | Change |
|---|---|---|---|
| In thousands of Euro | | | |
| Raw materials and consumables | 103,126 | 97,315 | 5,811 |
| Provisions for write-down | (13,152) | (12,705) | (447) |
| *Net value* | *89,974* | *84,610* | *5,364* |
| Work in progress and semifinished products | 23,246 | 24,834 | (1,588) |
| Provisions for write-down | (852) | (852) | 0 |
| *Net value* | *22,394* | *23,982* | *(1,588)* |
| Finished products and goods | 150,649 | 156,644 | (5,995) |
| Provisions for write-down | (26,160) | (25,170) | (990) |
| *Net value* | *124,489* | *131,474* | *(6,985)* |
| Advances | 131 | | 131 |
| **Total** | **236,988** | **240,066** | **(3,078)** |

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

This item comprises:

| | As of 31 December 2011 | As of 31 December 2010 | Change |
|---|---|---|---|
| In thousands of Euro | | | |
| Investments in securities | - | 23,051 | (23,051) |
| **Total** | **0** | **23,051** | **(23,051)** |

The value as of 31 December 2010 refers to the underwriting of Italian government securities acquired by Piaggio & C. SpA

### *27. Cash and cash equivalents* *€/000 151,887*

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

| | As of 31 December 2011 | As of 31 December 2010 | Change |
|---|---|---|---|
| In thousands of Euro | | | |
| Bank and post office deposits | 151,394 | 129,475 | 21,919 |
| Cash and assets in hand | 52 | 384 | (332) |
| Securities | 441 | 25,000 | (24,559) |
| **Total** | **151,887** | **154,859** | **(2,972)** |

The item Securities as of 31 December 2010 refers to a swap with securities of an Italian bank, undertaken by the Parent Company to effectively use temporary cash and cash equivalents.

### *28. Assets held for sale* *€/000 0*

As of 31 December 2011, there were no assets held for sale.

### *29. Breakdown of assets by geographic segment*

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

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

As of 31 December 2011, there were no receivables due after 5 years.

## *Information on the Consolidated Statement of Financial Position - liabilities*

### *31. Share capital and reserves* — *€/000 446,218*

### Share capital — €/000 202,209

During the period, share capital changed as a result of the acquisition of 4,301,369 treasury shares and disposal of 2,340,000 treasury shares in order for stock option plan beneficiaries to exercise their stock options. This is broken down as follows:

| In thousands of Euro | |
|---|---|
| Subscribed and paid up capital | 205,941 |
| Treasury shares purchased as of 31 December 2010 | (2,593) |
| Share capital as of 1 January 2011 | 203,348 |
| | |
| Sale of treasury shares to exercise stock options | 1,243 |
| Purchase of treasury shares | (2,382) |
| | |
| **Share Capital as of 31 December 2011** | **202,209** |

Therefore, as of 31 December 2011 the Parent Company held 6,844,080 treasury shares, equal to 1.84% of the share capital.
In accordance with international accounting standards, the acquisitions were recognised as a decrease of shareholders' equity.

### Share premium reserve — €/000 3,493

The share premium reserve as of 31 December 2011 was unchanged and equal to €/000 3,493.

### Legal reserve — €/000 12,241

The legal reserve increased by €/000 942 as a result of the allocation of earnings for the last period.

### Other provisions — €/000 (6,763)

This item consists of:

| In thousands of Euro | As of 31 December 2011 | As of 31 December 2010 | Change |
|---|---|---|---|
| Conversion reserve | (13,087) | (1,850) | (11,237) |
| Stock option reserve | 12,700 | 11,929 | 771 |
| Financial instruments' fair value reserve | (1,510) | (227) | (1,283) |
| IFRS transition reserve | (5,859) | (5,859) | 0 |
| *Total other provisions* | *(7,756)* | *3,993* | *(11,749)* |
| Consolidation reserve | 993 | 993 | 0 |
| **Total** | **(6,763)** | **4,986** | **(11,749)** |

The financial instruments fair value provision is negative and refers to the effects of cash flow hedge accounting in foreign currencies, interest and specific business transactions. These transactions are described in full in the note on financial instruments.
As of 31 December 2010, the same measurement, referred exclusively to the cash flow hedge for foreign currencies was negative by €/000 227.
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 SpA, equal to 49% of the share capital, by Piaggio & C. SpA.

### Distributed dividends €/000 25,684

In May 2011, dividends totalling €/000 25,684 were paid. In May 2010, dividends totalling €/000 25,765 were paid.

### Performance reserve €/000 233,856

### Non-controlling interests capital and reserves €/000 1,182

The end of period amount refers to minority interest in Piaggio Hrvatska Doo.
In July, Piaggio & C reacquired 12.5% of the share capital in Piaggio Vietnam from Simest. Following this operation, Piaggio Vietnam is wholly owned by the Group.

### Other net income (losses) €/000 (1,283)

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

| | As of 31 December 2011 | As of 31 December 2010 | Change |
|---|---|---|---|
| In thousands of Euro | | | |
| The effective portion of net income (losses) on cash flow hedging instruments generated in the period | (1,510) | (227) | (1,283) |
| The effective portion of net income (losses) on cash flow hedging instruments reclassified in the consolidated income statement | 227 | (127) | 354 |
| **Effective portion of profits (losses) on cash flow hedges** | **(1,283)** | **(354)** | **(929)** |

## *32. Current and non-current financial liabilities €/000 499,461*

During 2011, the Group's overall debt decreased by €/000 28,387, falling from €/000 527,848 to €/000 499,461. Total financial debt of the Group in 2011, net of the fair value measurement of financial derivatives to hedge foreign exchange risk and interest rate risk and adjustment of relative hedged items for a total of €/000 11,675, decreased by €/000 40,062.

| | Financial liabilities as of 31 December 2011 | | |
|---|---|---|---|
| | Current | Non-current | Total |
| In thousands of Euro | | | |
| Gross financial debt | 170,261 | 317,525 | 487,786 |
| Fair Value of hedging derivatives | | 11,675 | 11,675 |
| **Total** | **170,261** | **329,200** | **499,461** |

This reduction is attributable to the repayment, using available resources, of instalments of financial payables due, which was partially offset by new loans and the private placement of a debenture loan. The Group's net debt totalled €/000 335,899 as of 31 December 2011 compared to €/ 000 349,938 as of 31 December 2010, as can be seen in the table on net financial debt included in the financial statements. Non-current financial liabilities totalled €/000 317,525 against €/000 371,048 as of 31 December 2010, whereas other payables included in current liabilities totalled €/000 170,261 compared to €/000 156,800 as of 31 December 2010.

The attached tables summarise the breakdown of financial debt as of 31 December 2011 and as of 31 December 2010, as well as changes for the period.

| In thousands of Euros | Book value as of 31/12/2010 | Repayments | New issues | Reclassification to the current portion | Exchange delta | Other changes | Book value as of 31/12/2011 |
|---|---|---|---|---|---|---|---|
| Non-current portion: | | | | | | | |
| Bank financing | 214,785 | | 19,328 | (122,740) | 1,362 | 33 | 112,768 |
| Bonds | 139,007 | | 51,799 | | | 1,053 | 191,859 |
| Other medium-/long-term loans: | | | | | | | |
| - of which leasing | 7,471 | | 227 | (953) | | | 6,745 |
| - of which amounts due to other lenders | 9,785 | | 273 | (3,905) | | | 6,153 |
| Total other loans | 17,256 | 0 | 500 | (4,858) | 0 | 0 | 12,898 |
| | | | | | | | |
| **Total** | **371,048** | **0** | **71,627** | **(127,598)** | **1,362** | **1,086** | **317,525** |

| In thousands of Euros | Book value as of 31/12/2010 | Repayments | New issues | Reclassification from the non-current portion | Exchange delta | Other changes | Book value as of 31/12/2011 |
|---|---|---|---|---|---|---|---|
| Current portion: | | | | | | | |
| Current account overdrafts | 101 | (16) | | | | | 85 |
| Current account payables | 45,404 | (21,756) | | | (784) | | 22,864 |
| Bonds | | | | | | | - |
| Payables due to factoring companies | 23,255 | (3,170) | | | | | 20,085 |
| Current portion of medium-/long-term loans: | | | | | | | |
| - of which leasing | 791 | (850) | | 953 | | | 894 |
| - of which due to banks | 82,929 | (83,481) | | 122,740 | | 240 | 122,428 |
| - of which amounts due to other lenders | 4,320 | (4,320) | | 3,905 | | | 3,905 |
| Total other loans | 88,040 | (88,651) | 0 | 127,598 | 0 | 240 | 127,227 |
| | | | | | | | |
| **Total** | **156,800** | **(113,593)** | **0** | **127,598** | **(784)** | **240** | **170,261** |

The breakdown of the debt is as follows:

| In thousands of Euro | Book value as of 31/12/2011 | Book value as of 31/12/2010 | Nominal value as of 31/12/2011 | Nominal value as of 31/12/2010 |
|---|---|---|---|---|
| Bank financing | 258,145 | 343,219 | 259,031 | 344,379 |
| Debenture loan | 191,859 | 139,007 | 201,799 | 150,000 |
| Other medium-/long-term loans: | | | | |
| - of which leasing | 7,639 | 8,262 | 7,639 | 8,262 |
| - of which amounts due to other lenders | 30,143 | 37,360 | 30,143 | 37,360 |
| Total other loans | 37,782 | 45,622 | 37,782 | 45,622 |
| | | | | |
| **Total** | **487,786** | **527,848** | **498,612** | **540,001** |

The table below shows the debt servicing schedule as of 31 December 2011:

| | Nominal value as of 31/12/2011 | Amounts falling due within 12 months | Amounts falling due after 12 months | Amounts falling due in | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | 2013 | 2014 | 2015 | 2016 | Beyond |
| In thousands of Euros | | | | | | | | |
| Bank financing | 259,031 | 145,689 | 113,342 | 29,120 | 26,710 | 28,344 | 17,631 | 11,537 |
| - including opening of credit lines and bank overdrafts | 22,949 | 22,949 | 0 | 0 | 0 | 0 | 0 | 0 |
| - of which medium/long-term bank loans | 236,082 | 122,740 | 113,342 | 29,120 | 26,710 | 28,344 | 17,631 | 11,537 |
| Debenture loan | 201,799 | 0 | 201,799 | | | | | 201,799 |
| Other medium-/long-term loans: | | | | | | | | |
| - of which leasing | 7,639 | 894 | 6,745 | 936 | 5,809 | | | |
| - of which amounts due to other lenders | 30,143 | 23,990 | 6,153 | 1,621 | 1,630 | 1,639 | 312 | 951 |
| Total other loans | 37,782 | 24,884 | 12,898 | 2,557 | 7,439 | 1,639 | 312 | 951 |
| | | | | | | | | |
| **Total** | **498,612** | **170,573** | **328,039** | **31,677** | **34,149** | **29,983** | **17,943** | **214,287** |

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

| | Book value as of 31/12/2010 | Book value as of 31/12/2011 | Notional value as of 31/12/2011 | Applicable interest rate as of 31/12/2011 |
|---|---|---|---|---|
| In thousands of Euro | | | | |
| Euro | 474,654 | 438,248 | 448,499 | 4.71% |
| | | | | |
| Indian Rupee | | 12,069 | 12,314 | 9.97% |
| Indonesian Rupiah | | 1,619 | 1,619 | 8.85% |
| US Dollar | 39,521 | 17,003 | 17,003 | 2.86% |
| Vietnamese Dong | 7,158 | 14,605 | 14,935 | 19.14% |
| Japanese Yen | 2,918 | 4,242 | 4,242 | 2.20% |
| Swiss Franc | 3,597 | | | |
| Total currencies other than Euro | 53,194 | 49,538 | 50,113 | 9.60% |
| | | | | |
| **Total** | **527,848** | **487,786** | **498,612** | **5.20%** |

Medium and long-term bank debt amounts to €/000 235,196 (of which €/000 112,768 non-current and €/000 122,428 current) and consists of the following loans:

› a €/000 96,429 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 for this loan, to hedge the interest rate risk (for more details, see attachment H);
› a €/000 64,774 (nominal value €/ 000 65,000) medium-term loan from a pool of banks granted in July 2009 to the Parent Company by Banca Nazionale del Lavoro as banking agent and paid in August 2009. The loan will fall due in August 2012, with an initial grace period of 18 months and three six-monthly instalments. The economic terms provide for a variable interest rate linked to the six-month Euribor rate plus an initial margin of 1.90%. This margin may vary from a minimum of 1.65% to a maximum of 2.20% based on the Net financial debt/EBITDA ratio (as of 31 December 2011 this margin was equal to 1.65%). 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 2011 period, these parameters were comfortably met;

- €/000 28,415 (nominal value €/000 28,500) loan to the Parent Company from Mediobanca and Banca Intesa San Paolo. In April 2006, this loan was syndicated to a restricted pool of banks and is part of a more articulated loan package. The loan package consisted of an initial instalment of €/000 150,000 (nominal value) which has been fully drawn on (as of 31 December 2011 €/000 28,500 was still due) and a second instalment of €/000 100,000 to be used as a credit line (undrawn as of 31 December). The structure envisages a 7-year term, with a grace period of 18 months and 11 six-monthly instalments with the last maturity on 23 December 2012 for the loan instalment, a variable interest rate linked to the six-month Euribor to which a variable spread between a maximum of 2.10% and a minimum of 0.65% is added depending on the Net Financial Debt/EBITDA ratio (as of 31 December 2011 this margin was equal to 1.15%). For the instalment relating to the credit line there is a commitment fee of 0.25%. Guarantees are not issued. However in line with market practice, some financial parameters must be complied with. It should be noted that, with reference to the 2011 period, these parameters were comfortably met;
- a €/000 12,500 five-year unsecured loan from Interbanca entered into in September 2008;
- €/000 3,981 of loans from various banks pursuant to Law no. 346/88 on subsidised applied research;
- a €/000 1,500 eight-year subsidised loan from ICCREA in December 2008 granted under Law 100/90 and linked to the SIMEST investment in the Vietnamese company;
- €/000 924 of subsidised loans from Banca Intesa San Paolo under the Research Subsidy Fund, due between July 2017 and January 2018;
- a €/000 12,069 (nominal value €/000 12,314) medium-term loan for USD/000 19,000 granted by International Finance Corporation (a World Bank member) to the subsidiary Piaggio Vehicles Private Limited on which interest matures at a variable rate plus a margin of 2.55%. The loan will fall due on 15 January 2018 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, with reference to the 2011 period, these parameters were comfortably met. Cross currency swaps were taken out for this loan, to hedge the exchange risk and interest rate risk (for more details, see attachment H);
- a €/000 14,604 (nominal value €/000 14,934) 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 plus a margin of 2.55%. 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, with reference to the 2011 period, these parameters were comfortably met. Cross currency swaps were taken out for this loan, to hedge the exchange risk and interest rate risk (for more details, see attachment H).

The item Bonds for €/000 191,859 (nominal value of €/000 201,799) refers to:
- €/000 140,465 (nominal value of €/000 150,000) relative to a high-yield debenture loan issued on 4 December 2009 by the Parent Company Piaggio & C. SpA, 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 51,394 (nominal value of €/000 51,799) relative to a private debenture loan (*US Private Placement*) issued on 25 July 2011 for $/000 75,000 wholly subscribed by an American institutional investor, payable in 5 annual portions from July 2017, with a semi-annual coupon with fixed annual nominal rate of 6.50%. As of 31 December 2011 the fair value measurement of the debenture loan was equal to €/000 61,032. A cross currency swap was taken out for this debenture loan, to hedge the exchange risk and interest rate risk (for more details, see attachment H).

The items Medium-/long-term bank debt and Bonds include loans which, in accounting terms, have been recognised on an amortised cost basis (pooled loan BNL, pooled loan Mediobanca/Intesa, 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/ depreciation 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 amount to €/000 17,697 (€/000 12,898 Other loans due after twelve months; €/000 4,799 is the current portion of other loans). These are broken down as follows:

- a property lease for €/000 7,639 granted by Unicredit Leasing (non-current portion equal to €/000 6,745);
- subsidised loans for a total of €/000 10,058 provided by the Ministry of Economic Development and Ministry of Education using regulations to encourage exports and investment in research and development (non-current portion of €/000 6,153).

Advances from factoring operations with recourse relative to trade receivables are equal to €/000 20,085.

## *33.Current and non-current trade payables* — *€/000 375,498*

As of 31 December 2011 non-current trade payables totalled €/000 235 compared to €/000 88 as of 31 December 2010. Current trade payables totalled €/000 375,263, against €/000 352,627 as of 31 December 2010.

| | As of 31 December 2011 | As of 31 December 2010 | Change |
|---|---|---|---|
| In thousands of Euro | | | |
| Amounts due to suppliers | 356,595 | 339,858 | 16,737 |
| Trade payables due to companies valued at equity | 18,124 | 11,914 | 6,210 |
| Amounts due to affiliated companies | - | 146 | (146) |
| Amounts due to parent companies | 779 | 797 | (18) |
| **Total** | **375,498** | **352,715** | **22,783** |

## *34. Reserves (current and non-current portion)* — *€/000 25.544*

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

| | Balance as of 31 December 2010 | Allocations | Application | Reclassification | Delta exchange rate | Balance as of 31 December 2011 |
|---|---|---|---|---|---|---|
| In thousands of Euro | | | | | | |
| Provision for product warranties | 17,012 | 12,041 | (13,992) | (265) | (61) | 14,735 |
| Provision for quality-related events | 0 | | | 392 | | 392 |
| Risk provisions on investments | 195 | | | | | 195 |
| Provision for restructuring | 0 | | | | | 0 |
| Provisions for contractual risks | 7,746 | | (3,753) | | | 3,993 |
| Provisions for guarantee risks | 76 | | | | | 76 |
| Provision for tax risks | 1,587 | | (1,551) | | | 36 |
| Other provisions for risks | 8,323 | 349 | (2,080) | (550) | 75 | 6,117 |
| **Total** | **34,939** | **12,390** | **(21,376)** | **(423)** | **14** | **25,544** |

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

| Non-current portion | As of 31 December 2011 | As of 31 December 2010 | Change |
|---|---|---|---|
| In thousands of Euro | | | |
| Provision for product warranties | 4,523 | 5,136 | (613) |
| Provision for quality-related events | 242 | 0 | 242 |
| Risk provisions on investments | 195 | 195 | 0 |
| Provision for contractual risks | 3,993 | 6,797 | (2,804) |
| Provision for tax risks | | 155 | (155) |
| Other provisions for risks and charges | 3,476 | 4,710 | (1,234) |
| **Total non-current portion** | **12,429** | **16,993** | **(4,564)** |

| Current portion | As of 31 December 2011 | As of 31 December 2010 | Change |
|---|---|---|---|
| In thousands of Euro | | | |
| Provision for product warranties | 10,212 | 11,877 | (1,665) |
| Provision for quality-related events | 150 | | 150 |
| Risk provisions on investments | | | |
| Provision for contractual risks | | 948 | (948) |
| Provisions for guarantee risks | 76 | 76 | 0 |
| Provision for tax risks | 36 | 1,432 | (1,396) |
| Other provisions for risks and charges | 2,641 | 3,613 | (972) |
| **Total current portion** | **13,115** | **17,946** | **(4,831)** |

The product warranty provision relates to allocations for technical assistance on products covered by customer service which are estimated to be provided over the contractually envisaged warranty period. This period varies according to the type of goods sold and the sales market, and is also determined by customer take-up to commit to a scheduled maintenance plan.
The provision increased during the period by €/000 12,041 and €/000 13,992 was used in relation to charges incurred during the period.
The provision for quality-related events covers possible costs that could arise as a result of faulty components provided by suppliers.
Risk provisions for investments were set up to cover the portion of negative shareholders' equity of the subsidiaries Piaggio China Co. Ltd and AWS do Brasil, as well as charges that may arise from said.
The provision of contractual risks refers mainly to charges which may arise from the ongoing negotiation of a supply contract.
The provision for tax risks concerns council tax for the Scorzè site.
"Other provisions" include provisions for legal risks for €/000 3,718. Allocations made during the year amounted to €/000 239.

### *35. Deferred tax liabilities* *€/000 32,735*

Deferred tax liabilities totalled €/000 32,735 compared to €/000 32,338 as of 31 December 2010. The recognition of deferred taxes under reserves of the Indian subsidiary, which will be taxed when they are transferred to the Parent Company as dividends, offset the use of deferred tax liabilities by the Parent Company.

### *36. Retirement funds and employee benefits* *€/000 46,603*

| | As of 31 December 2011 | As of 31 December 2010 | Change |
|---|---|---|---|
| In thousands of Euro | | | |
| Retirement funds | 1,191 | 1,934 | (743) |
| Post-employment benefits | 45,412 | 56,702 | (11,290) |
| **Total** | **46,603** | **58,636** | **(12,033)** |

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.

Movements for post-employment benefits are as follows:

| In thousands of Euro | |
|---|---|
| **Opening balance as of 1 January 2011** | **56,702** |
| Cost for the period | 8,136 |
| Interest cost | 2,262 |
| Use and transfers of retirement funds | (21,733) |
| Other movements | 45 |
| **Closing balance as of 31 December 2011** | **45,412** |

## Economic/technical hypotheses

Technical valuations are based on the hypotheses outlined below:

| | |
|---|---|
| Technical annual discount rate | 4.60% |
| Annual rate of inflation | 2.00% |
| Annual rate of increase in post-employment benefits | 3.00% |

As regards the discount rate, the iBoxx Corporates AA rating with a 10+ duration as of 31 December 2011 was used as the valuation reference. This figure is the average residual permanence of the population evaluated.

With regard to the 2007-2009 incentive plan approved by the General Meeting of Shareholders on 7 May 2007 for executives of the Company or of its Italian and/or foreign subsidiaries, in compliance with article 2359 of the Italian Civil Code, as well as for directors having powers in the aforesaid subsidiaries ("2007-2009 plan") during the year 2,000,000 option rights expired and 2,340,000 option rights were exercised.

As of 31 December 2011, 4,090,000 option rights had been assigned for a corresponding number of shares.

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

As previously mentioned in the section on consolidation principles, the cost of payments, corresponding to the present value of options which the company determined applying the Black-Scholes valuation model, that uses the average historical volatility of the share of the Company and average interest rate of loans with a maturity equal to the duration of the agreement, is recognised under employee costs on a straight line basis in the period between the date of assignment and date of accrual, with a counter entry directly recognised in shareholders' equity.
As required by Consob regulations, the table below indicates the options assigned to members of the board, to general directors and senior management with strategic responsibility:

| | Position | Options held at the start of the period | | | Options held during the period | | |
|---|---|---|---|---|---|---|---|
| | | No. of options | Average exercise price | Average maturity | No. of options | Average exercise price | Average maturity |
| Roman Maurizio[1] | General Director Operations | 500,000 | 1.892 | 1/03/2012 | | | |
| Pallottini Michele[2] | General Director Finance | 750,000 | 1.216 | 31/07/2013 | | | |
| | | 1,500,000 | 1.826 | 13/06/2012 | | | |
| **Total** | | **2,750,000** | | | | | |

*1_Left the Piaggio Group on 13 January 2011.*

*2_Left the Piaggio Group on 30 September 2011.*

## 37. Current and non-current tax payables €/000 23,459

Current tax payables totalled €/000 20,920, against €/000 19,290 as of 31 December 2010. Non-current tax payables totalled €/000 2,539 compared to €/000 3,361 as of 31 December 2010.
Their breakdown was as follows:

| | As of 31 December 2011 | As of 31 December 2010 | Change |
|---|---|---|---|
| In thousands of Euro | | | |
| Due for income taxes | 5,763 | 3,977 | 1,786 |
| Due for non-income tax | | - | 0 |
| Tax payables for: | | | |
| - VAT | 5,217 | 5,713 | (496) |
| - tax withheld at source | 5,496 | 5,841 | (345) |
| - other | 6,983 | 7,120 | (137) |
| Total | 17,696 | 18,674 | (978) |
| **Total** | **23,459** | **22,651** | **808** |

The item includes tax payables recorded in the financial statements of individual consolidated companies, set aside in relation to tax charges for the individual companies on the basis of applicable national laws.
Tax payables on non-income tax refer to taxes on the dividend distributed by the Indian subsidiary. Payables for withheld taxes made refer mainly to withheld taxes on employees' earnings, on employment termination payments and on self-employed earnings.

## 38. Other payables (current and non-current) €/000 70,666

| Non-current portion | As of 31 December 2011 | As of 31 December 2010 | Change |
|---|---|---|---|
| In thousands of Euro | | | |
| Amounts due to employees | 25 | 31 | (6) |
| Guarantee deposits | 332 | 78 | 254 |
| Deferred liabilities | | | 0 |
| Deferred income | 2,344 | 2,490 | (146) |
| Amounts due to social security institutions | | 1,003 | (1,003) |
| Fair Value of hedging derivatives | 2,847 | | 2,847 |
| Sundry payables due to affiliated companies | | | 0 |
| Sundry payables due to parent companies | | | 0 |
| Other payables | 400 | 600 | (200) |
| **Total non-current portion** | **5,948** | **4,202** | **1,746** |

| | Options exercised during the period | | | Options expired in the period | Options held at the end of the period | | |
|---|---|---|---|---|---|---|---|
| | No. of options | Average exercise price | Average maturity | No. of options | No. of options | Average exercise price | Average maturity |
| | | | | 500,000 | | | |
| | 750,000 | | | | | | |
| | | | | 1,500,000 | | | |
| | **750,000** | | | **2,000,000** | | | |

| Current portion | As of 31 December 2011 | As of 31 December 2010 | Change |
|---|---|---|---|
| In thousands of Euro | | | |
| Amounts due to employees | 25,772 | 25,553 | 219 |
| Guarantee deposits | 1,492 | 1,540 | (48) |
| Deferred liabilities | 15,424 | 17,221 | (1,797) |
| Deferred income | 1,315 | 2,506 | (1,191) |
| Amounts due to social security institutions | 9,719 | 9,728 | (9) |
| Fair Value of hedging derivatives | 961 | | 961 |
| Sundry payables due to affiliated companies | 32 | 58 | (26) |
| Sundry payables due to parent companies | 43 | 284 | (241) |
| Other payables | 9,960 | 12,613 | (2,653) |
| **Total** | **64,718** | **69,503** | **(4,785)** |

Other payables included in non-current liabilities totalled €/000 5,948 against €/000 4,202 as of 31 December 2010, whereas other payables included in current liabilities totalled €/000 64,718 compared to €/000 69,503 as of 31 December 2010.
Amounts due to employees include the amount for holidays accrued but not taken of €/000 11,840 and other payments to be made for €/000 13,932.
Payables due to affiliated companies refer to various amounts due to the Fondazione Piaggio.
Payables to parent companies consist of payables to Immsi.
The item Fair value of hedging derivatives refers to the fair value (€/000 2,324 non-current portion and €/000 664 current portion) of an interest rate swap for hedging, recognised on a cash flow hedge basis as provided for in IAS 39 (see attachment H) and the fair value of derivatives to hedge the foreign exchange risk of forecast transactions recognised on a cash flow hedge basis (€/000 297 current portion).

## *39. Breakdown of liabilities by geographic segment*

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

## *40. Payables due after 5 years*

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

Rome, 23 February 2012

for the Board of Directors
/s/ 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 an indication by company of outstanding items as of 31 December 2011, as well as their contribution to the respective financial statement items.

| In thousands of Euro | Fondazione Piaggio | Piaggio China | AWS do Brasil | Zongshen Piaggio Foshan | Rodriquez Cantieri Navali | IMMSI Audit | Studio D'Urso | Omnia-holding | IMMSI | **Total** | **% of accounting item** |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Income statement** | | | | | | | | | | | |
| revenue from sales | | | | 1,674 | | | | | | **1,674** | **0.11%** |
| costs for materials | | | | 38,786 | | | | | | **38,786** | **4.29%** |
| costs for services and lease and rental costs | | | | 129 | | 784 | 224 | 1 | 2,679 | **3,817** | **1.43%** |
| other operating income | | | | 380 | | 49 | | | 73 | **502** | **0.41%** |
| other operating costs | | | | | | | | | 14 | **14** | **0.07%** |
| borrowing costs | | | | 102 | | | | 203 | | **305** | **0.96%** |
| **Assets** | | | | | | | | | | | |
| other non-current receivables | 267 | | 138 | | | | | | | **405** | **2.67%** |
| current trade receivables | 5 | | | 2,408 | 33 | 7 | | | | **2,453** | **3.74%** |
| other current receivables | 27 | | | 140 | | 30 | | | 6,259 | **6,456** | **23.03%** |
| **Liabilities** | | | | | | | | | | | |
| financial liabilities falling due after one year | | | | | | | | 2,900 | | **2,900** | **0.88%** |
| current trade payables | | 6 | | 18,118 | | | | | 779 | **18,903** | **5.04%** |
| other current payables | 32 | | | | | | | | 43 | **75** | **0.12%** |

# *F) Commitments and risks*

## *41. Guarantees provided*

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

| Type | Amount €/000 |
|---|---|
| Guarantee of Banca Intesa San Paolo issued for the Group to the Customs Authorities of La Spezia | 300 |
| Guarantee of Banca Intesa San Paolo issued to the Ministry of the Interior of Algeria, to guarantee contract obligations for the supply of vehicles | 140 |
| Guarantee issued by Piaggio & C. for USD 19,680,000 to support the loan from I.F.C. to the subsidiary Piaggio Vietnam. The guarantee has been fully drawn on | 15,210 |
| Guarantee of Banca Intesa San Paolo issued to the Ministry of Defence of Algeria, to guarantee contract obligations for the supply of vehicles | 158 |
| Guarantee issued by Piaggio & C. for USD 19,000,000 to support the loan from I.F.C. to the subsidiary Piaggio Vehicles Private Limited. The guarantee has been fully drawn on | 14,684 |
| Warrant to grant credit of Piaggio & C. for USD 10,000,000 to guarantee the credit line of the same amount from CHASE to the subsidiary Piaggio Group Americas | |
| of which drawn | |
| of which undrawn | 7,729 |
| Warrant to grant credit of Piaggio & C. for USD 5,500,000 to guarantee the credit line of the same amount from ANZ to the subsidiary Piaggio Indonesia | |
| of which drawn | 1,620 |
| of which undrawn | 2,631 |
| Warrant to grant credit of Piaggio & C. for USD 22,000,000 to guarantee the credit line of the same amount from ANZ to the subsidiary Piaggio Vietnam | |
| of which drawn | |
| of which undrawn | 17,003 |
| Warrant to grant credit of Piaggio & C. to guarantee the credit line from Banca Intesa San Paolo to the subsidiary Piaggio Group Americas for USD 23,000,000 | |
| of which drawn | 17,003 |
| of which undrawn | 773 |
| Warrant to grant credit of Piaggio & C. to guarantee the credit line from Banca Intesa San Paolo to the subsidiary Piaggio Group Japan for USD 7,000,000 | |
| of which drawn | 4,241 |
| of which undrawn | 1,168 |
| Guarantee of BCC-Fornacette to Livorno Customs Authorities | 200 |
| Guarantee of Banco di Brescia issued to the local authorities of Scorzé, to guarantee payment of urbanisation charges | 166 |
| Guarantee of Banca di Credito Cooperativo di Fornacette issued for the Group to Poste Italiane – Rome to guarantee contract obligations for the supply of vehicles | 356 |
| Guarantee of Banca di Credito Cooperativo di Fornacette issued for the Group to Poste Italiane – Rome to guarantee contract obligations for the supply of vehicles | 204 |
| Guarantee of Banca di Credito Cooperativo di Fornacette issued for the Group to AMA SpA – Rome to guarantee contract obligations for the supply of vehicles | 500 |
| Guarantee of Monte dei Paschi di Siena issued to Foshan Nanhai-China, for Euro 600,000 to guarantee contract obligations for the supply of vehicles | |
| of which drawn | 69 |
| of which undrawn | 531 |
| Guarantee of Monte dei Paschi di Siena issued to Daihatsu for Yen 50,000,000, to guarantee contract obligations for the supply of vehicles | |
| of which drawn | 155 |
| of which undrawn | 344 |
| Guarantee of Monte dei Paschi di Siena issued to Chen Shin Rubber for Euro 300,000, to guarantee contract obligations for the supply of vehicles | |
| of which drawn | 268 |
| of which undrawn | 32 |
| Guarantee of Banca Intesa San Paolo issued to Hafei Motor/China for USD 1,500,000 to guarantee contract obligations for the supply of vehicles | |
| of which drawn | 881 |
| of which undrawn | 278 |

## *G) Non-recurrent transactions*

During 2011 and 2010, the Group did not undertake significant non-recurrent transactions.

## *H) Information on financial instruments*

This attachment provides information about financial instruments, their risks, as well as the sensitivity analysis in accordance with the requirements of IFRS 7, effective as of 1 January 2007.

As of 31 December 2011 and as of 31 December 2010 the financial instruments in force were allocated as follows within the Piaggio Group's Consolidated Financial Statements.

| | | As of 31 December 2011 | As of 31 December 2010 | Change |
|---|---|---|---|---|
| Notes | In thousands of Euro | | | |
| | **Assets** | | | |
| | **Non-current assets** | | | |
| 20 | Other financial assets | 11,639 | 0 | 11,639 |
| | *of which from the measurement of derivatives* | *11,639* | | *11,639* |
| | | | | |
| | **Current assets** | | | |
| 26 | Other financial assets | 0 | 23,051 | (23,051) |
| | *of which securities* | | *23,051* | *(23,051)* |
| | *of which financial receivables* | | | *0* |
| | | | | |
| | **Liabilities** | | | |
| | **Non-current liabilities** | | | |
| 32 | Financial liabilities falling due after one year | 329,200 | 371,048 | (53,523) |
| | *of which bonds* | *191,859* | *139,007* | *52,852* |
| | *of which bank financing* | *112,768* | *214,785* | *(102,017)* |
| | *of which leasing* | *6,745* | *7,471* | *(726)* |
| | *of which other lenders* | *6,153* | *9,785* | *(3,632)* |
| | *of which the fair value of hedging derivatives* | *11,675* | | *11,675* |
| | | | | |
| | **Current liabilities** | | | |
| 32 | Financial liabilities falling due within one year | 170,261 | 156,800 | 13,461 |
| | *of which bank financing* | *145,377* | *128,434* | *16,943* |
| | *of which leasing* | *894* | *791* | *103* |
| | *of which other lenders* | *23,990* | *27,575* | *(3,585)* |

### *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 31 December 2011 the most important sources of financing irrevocable until maturity granted to the Parent Company were as follows:
- a €/000 128,500 credit line maturing on December 2012, consisting of a loan with amortisation/depreciation and credit opening completely refundable at maturity;
- a debenture loan of €/000 150,000 maturing in December 2016;
- a debenture loan of €/000 75,000 maturing in July 2021;
- a pooled loan of €/000 65,000 maturing in August 2012;
- a loan of €/000 96,429 maturing in February 2016;
- a loan of €/000 12,500 maturing in September 2013.

Other Group companies had the following irrevocable credit lines:
- a loan of €/000 19,000 maturing in January 2018;
- a loan of €/000 19,680 maturing in July 2018.

As of 31 December 2011, the Group had a liquidity of €/000 151,887, €/000 104,100 of undrawn irrevocable credit lines and €/000 200,745 of revocable credit lines, as detailed below:

| | As of 31 December 2011 | As of 31 December |
|---|---|---|
| In thousands of Euro | 2010 | |
| Variable rate with maturity within one year - irrevocable until maturity | 100,000 | 0 |
| Variable rate with maturity beyond one year - irrevocable until maturity | 4,100 | 183,787 |
| Variable rate with maturity within one year - cash revocable | 180,045 | 95,961 |
| Variable rate with maturity within one year - with revocation for self-liquidating typologies | 20,700 | 31,002 |
| **Total undrawn credit lines** | **304,845** | **310,750** |

For this purpose, the Parent Company signed an agreement on 29 December 2011 with a small pool of international banks for a medium-term revolving loan, for 130 million Euro. The operation concerns a basic amount of 130 million Euro, undersigned as mandated lead arranger and bookrunner by Bank of America, Banque Nationale de Paris Paribas-BNL and HSBC, which may be extended up to 200 million Euro, by syndication, with a maturity of 4 years.
The main aim of this operation is to refinance mid-term debt maturing in 2012 and provide financial support necessary for the international growth mapped in the 2012-2014 strategic plan. With this new credit facility, the financial debt quality profile of the Piaggio Group will improve, increasing average residual maturity and financial flexibility.

### *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 31 December 2011, Piaggio & C. SpA had forward purchase contracts (recognised on a regulation date basis):

- for a value of CAD/000 260 corresponding to €/000 197 (valued at the forward exchange rate), with average maturity on 31 January 2012;
- for a value of CHF/000 2,600 corresponding to €/000 2,139 (valued at the forward exchange rate), with average maturity on 3 February 2012;
- for a value of GBP/000 2,950 corresponding to €/000 3,584 (valued at the forward exchange rate), with average maturity on 30 January 2012;
- for a value of JPY/000 127,000 corresponding to €/000 1,233 (valued at the forward exchange rate), with average maturity on 17 January 2012;
- for a value of USD/000 4,780 corresponding to €/000 3,611 (valued at the forward exchange rate), with average maturity on 13 January 2012;

and forward sales contracts:

- for a value of CHF/000 1,080 corresponding to €/000 778 (valued at the forward exchange rate), with average maturity on 24 February 2012;
- for a value of CHF/000 3,200 corresponding to €/000 2,612 (valued at the forward exchange rate), with average maturity on 11 February 2012;
- for a value of GBP/000 3,005 corresponding to €/000 3,480 (valued at the forward exchange rate), with average maturity on 9 February 2012;
- for a value of JPY/000 195,000 corresponding to €/000 1,901 (valued at the forward exchange rate), with average maturity on 17 January 2012;
- for a value of SEK/000 1,000 corresponding to €/000 111 (valued at the forward exchange rate), with average maturity on 30 March 2012;
- for a value of SGD/000 60 corresponding to €/000 35 (valued at the forward exchange rate), with average maturity on 17 January 2012;
- for a value of USD/000 3,300 corresponding to €/000 2,461 (valued at the forward exchange rate), with average maturity on 10 February 2012.

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

- for PT Piaggio Indonesia purchases for €/000 5,180, with average maturity on 16 January 2012;
- for Piaggio Vietnam purchases for €/000 31,607, with average maturity on 23 April 2012;
- for Piaggio Vehicles Private Limited purchases for USD/000 1,100 with average maturity on 31 January 2012 and purchases for €/000 20,274 with average maturity on 5 January 2012. As regards sales operations, sales for USD/000 1,713 with average maturity on 15 February 2012 and sales for €/000 1,605 with average maturity on 14 February 2012 were ongoing.

- The settlement exchange risk: arises from the conversion into euro of the financial statements of subsidiaries prepared in currencies other than the euro during consolidation. The policy adopted by the Group does not require this type of exposure to be covered.
- The business risk: arises from changes in company profitability in relation to annual figures planned in the economic budget on the basis of a reference change (the “budget change”) and is covered by derivatives. The items of these hedging operations are therefore represented by foreign costs and revenues forecast by the sales and purchases budget. The total of forecast costs and revenues is processed monthly and relative hedging is positioned exactly on the average weighted date of the economic event, recalculated based on historical criteria. The economic occurrence of future receivables and payables will occur during the budget year.

As of 31 December 2011, the Group had the following transactions to hedge the business risk:
- for a value of CNY/000 131,500 corresponding to €/000 15,041 (valued at the forward exchange rate), with average maturity on 23 June 2012;
- sales for a value of GBP/000 9,300 corresponding to €/000 10,781 (valued at the forward exchange rate), with average maturity on 22 April 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 31 December 2011 the total fair value of hedging instruments for business risk recognised on a hedge accounting basis was equal to €/000 583. During 2011, gains under other components of the Statement of Comprehensive Income were recognised amounting to €/000 583 and profits from other components of the Statement of Comprehensive Income were reclassified under profit/loss for the period amounting to €/000 227.

The net balance of cash flows during 2011 is shown below, divided by main currency:

| Cash Flow | 2011 |
|---|---|
| In millions of Euro | |
| Pound Sterling | 25.5 |
| Indian Rupee | 21.7 |
| Croatian Kuna | 5.0 |
| US Dollar | 5.6 |
| Canadian Dollar | 3.9 |
| Swiss Franc | 13.3 |
| Vietnamese Dong | 55.5 |
| Chinese Yuan* | (35.9) |
| Japanese Yen | (9.1) |
| **Total cash flow in foreign currency** | **85.5** |

** 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 in 2011, consolidated operating income would have decreased by approximately €/000 3,007.

### *Interest rate risk*

This risk arises from fluctuating interest rates and the impact this may have on future cash flows arising from financial assets and liabilities. The Group regularly measures and controls its exposure to interest rates changes and manages such risks also resorting to derivative instruments, mainly Interest Rate Swaps and Cross Currency Swaps, as established by its own management policies.
As of 31 December 2011, the following hedging derivatives were in use:
- an interest rate swap to cover a variable rate loan for a nominal amount of €/000 117,857 (as of 31 December 2011 for €/000 96,429) granted by the European Investment Bank. The structure has fixed step-up rates, in order to stabilise financial flows associated with the loan; in accounting terms, the instrument is recognised on a cash flow hedge basis, with profits/losses arising from the fair value measurement allocated to a specific reserve in shareholders' equity; as of 31 December 2011 the fair value of the instrument was negative by €/000 2,988; sensitivity analysis of the instrument shows a potential impact on Equity, net of tax effect, equal to €/000 1,308, due to a 1% increase in the variable rates curve;
- a cross currency swap to hedge the private debenture loan issued by the Parent Company for a nominal amount of $/000 75,000. The purpose of the instrument is to hedge both the exchange risk and interest

rate risk, turning the loan from US dollars to Euro, and from a fixed rate to a variable rate; the instrument is accounted for on a fair value hedge basis, with effects arising from the measurement recognised as profit and loss. As of 31 December 2011 the fair value of the instrument was equal to €/000 9,094. The net economic effect arising from the recognition of the instrument and underlying private debenture loan was negative by €/000 139; sensitivity analysis of the instrument shows a no significant impact on Income Statement, net of tax effect, due to a 1% increase in the variable rates curve, assuming fixed exchange rate;

- a cross currency swap to hedge a loan relative to the Indian subsidiary for $/000 19,000 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 for approximately 50% of the nominal value, from a fixed rate to a variable rate. As of 31 December 2011 the fair value of the instrument was equal to €/000 2,307. Sensitivity analysis of the instrument shows a potential impact on Income Statement, net of tax effect, equal to €/000 160, due to a 1% increase in the variable rates curve, assuming fixed exchange rate;
- a cross currency swap to hedge a loan relative to the Vietnamese subsidiary for $/000 19,680 granted by International Finance Corporation. The purpose of the instrument is to hedge the exchange risk and partially hedge the interest rate risk, turning the loan from US dollars at a fixed rate into Vietnamese Dong at a fixed rate, except for a minor portion (24%) at a variable rate. As of 31 December 2011 the fair value of the instrument was equal to €/000 47. Sensitivity analysis of the instrument shows a no significant impact on Income Statement, net of tax effect, due to a 1% increase in the variable rates curve, assuming fixed exchange rate.

| | Fair Value |
|---|---|
| *Piaggio & C. SpA* | |
| Interest Rate Swap | (2,988) |
| Cross Currency Swap | 9,094 |
| *Piaggio Vehicles Private Limited* | |
| Cross Currency Swap | 2,307 |
| *Piaggio Vietnam* | |
| Cross Currency Swap | 47 |

As of 31 December 2011, variable rate debt, net of financial assets, and considering hedging derivatives, was equal to €/000 41,015. Consequently a 1% increase or decrease in the Euribor above this net exposure would have generated higher or lower interest of €/000 410 per year.

### *Credit risk*

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

| | As of 31 December 2011 | As of 31 December 2010 |
|---|---|---|
| In thousands of Euro | | |
| Liquid assets | 151,394 | 129,475 |
| Securities | 441 | 48,031 |
| Financial receivables | | |
| Trade receivables | 65,560 | 90,421 |
| **Total** | **217,395** | **267,927** |

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

*Hierarchical fair value valuation levels*

As regards financial instruments recorded in the balance sheet at fair value, IFRS 7 requires these values to be classified on the basis of hierarchical levels which reflect the significance of the inputs used in determining fair value. These levels are as follows:
› level 1 – quoted prices for similar instruments;
› level 2 – directly and indirectly observable market inputs other than Level 1 inputs;
› level 3 – inputs not based on observable market data.

The table below shows the assets and liabilities valued at fair value as of 31 December 2011.

| | Level 1 | Level 2 | Level 3 |
|---|---|---|---|
| In thousands of Euro | | | |
| **Financial assets** | | | |
| Other assets - Financial hedging derivatives | | 11,639 | |
| Other assets | | 880 | |
| **Total** | | **12,519** | |
| | | | |
| **Financial liabilities** | | | |
| Hedging financial derivatives | | (191) | |
| Financial liabilities at fair value recognised as profit or loss | | (63,284) | |
| Other liabilities | | (3,285) | |
| **Total** | | **(66,760)** | |

During 2011, no transfers between levels took place.

The table below shows Level 2 changes occurring during 2011:

| | Level 2 |
|---|---|
| In thousands of Euro | |
| Balance As of 31 December 2010 | (227) |
| Profit (loss) recognised in the consolidated income statement | 227 |
| Increases/(Decreases) | (54,241) |
| **Balance as of 31 December 2011** | **(54,241)** |

## *I) 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 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 the motorcycle 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. Altroconsumo has appealed against this ruling and the next hearing will take place on 21 February 2012.

The Canadian Scooter Corp. (CSC), sole distributor of Piaggio for Canada, summoned Piaggio & C. SpA, 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, deferring its decision concerning the admissibility of the Court-appointed expert requested by Piaggio for this date.

Da Lio SpA, 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 not which were not disputed. Proceedings were adjourned to 14 March 2012 for the start of the preliminary investigation.

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.
The provisional remedy in the first instance concerning the payment of the guarantees was entirely in favour of Piaggio. Elma has appealed against this ruling and the next hearing will be held on 21 February 2012. In the meantime, Piaggio received payment for the guarantees issued in its favour.

The Judge, rejecting the temporary enforcement of the injunction issued in favour of Elma, has forwarded the case to the President of the Court for a hearing concerning the two proceedings started by Elma, which will be held on 7 March 2012.

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 will be held on 16 May 2012. The proceedings undertaken by Gammamoto at the Court of Rome against Piaggio, Intesa Mediofactoring and Banca Popolare del Lazio, to ascertain the undue drawing of the guarantee by Intesa Mediofactoring, a factor company of Piaggio in relation to Gammamoto, also concluded with a ruling that the Court through which Gammamoto took action lacked jurisdiction, which instead was of the Court of Milan. Gammamoto did not continue proceedings within the established times, which are therefore considered as closed.

Leasys–Savarent SpA, 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 by the plaintiff and rejected Piaggio's request for a Court-appointed expert. The hearing for the examination of witnesses will be held on 26 June 2012.
In relation to the same dispute, Leasys–Savarent SpA also filed an appeal for an injunction with the Court of Pisa against the Company, requesting the payment of certain invoices relative to costs sustained by Leasys itself for the servicing of the motorcycles rented by the Italian Postal System. The Company appeared before the court in opposition to the injunction, requesting a repeal given that the supply contract did not charge the Company with these expenses. The injunction was repealed and the relative sentence was final, as the counterparty made no appeal within established times.

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 was deferred to 6 December 2011, for closing arguments. 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.

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 SpA, 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. As of today, decisions from the Regional Tax Tribunal of Tuscany are pending. For both cases, the Company has not considered is necessary to allocate allocations, in view of the positive opinions expressed by consultants appointed as counsel.

On 31 January 2012, the company also received a notice of assessment concerning some findings relative to regional production tax and the 2007 tax year, identified during a general assessment which took place in 2010. The Company is evaluating the most appropriate action to take to deal with the matter.

The main tax disputes of other Group companies concern P&D SpA in liquidation and Piaggio Vehicles Private Ltd.
More specifically, and in reference to P&D SpA in Liquidation, a dispute arose in relation to the tax assessments issued by the Inland Revenue Office for the 2002 tax year concerning VAT, based on an audit conducted in 1999, with the issue of a Formal Notice of Assessment. As concerns the aforesaid tax assessment, a sentence in the first instance was ruled in favour of P&D SpA, against which the Financial Administration made an appeal. With its ruling of 22 September 2011, the Judges ruling in the second instance, rejected the appeal of the Inland Revenue, and confirmed the first instance sentence. The Company has not considered allocating provisions necessary, in view of the positive opinions expressed by consultants appointed as counsel.
As regards Piaggio Vehicles Private 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 regards the rulings relative to other Group companies, the company Piaggio Deutschland GmbH, following assessments conducted by the German tax authorities in 2010 concerning corporate income tax and trade tax, the company settled the case in September 2011, using measures to avoid litigation, as provided for by local laws.
As regards Piaggio France S.A., an initial stage of consultation with the French tax authorities, as established by local laws, is underway, prior to the claim going ahead. Considering the positive indications from advisors, the Company did not consider it necessary to make allocations for risks arising from this notice.

## *L) Subsequent events*

To date, no events have occurred after 31 December 2011 that make additional notes or adjustments to these Financial Statements necessary.

In this regard, reference is made to the Report on Operations for significant events after 31 December 2011.

## *M) Companies in which the group has investments*

### *42. Piaggio Group companies*

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

List of companies included in the scope of consolidation on a line-by-line basis as of 31 December 2011

| Company name | Registered office | Country | Share capital | Currency | % Group ownership | Held by | % | % votes |
|---|---|---|---|---|---|---|---|---|
| **Parent company** | | | | | | | | |
| Piaggio & C. SpA | Pontedera (Pisa) | Italy | 205,941,272.16 | euro | | | | |
| **Subsidiaries** | | | | | | | | |
| Aprilia Racing S.r.l. | Pontedera (Pisa) | Italy | 250.000,00 | euro | 100% | Piaggio & C. SpA | 100% | |
| Aprilia World Service B.V. | Amsterdam | Holland | 30,000,000 auth. capital (6,657,500 subscribed and paid up) | euro | 100% | Piaggio & C. SpA | 100% | |
| Atlantic 12- Property investment fund | Milan | Italy | 12,101,975.00 | euro | 100% | Piaggio & C. SpA | 100% | |
| Derbi Racing S.L. | Barcelona | Spain | 3,006.00 | euro | 100% | Nacional Motor S.A. | 100% | |
| Foshan Piaggio Vehicles Technology R&D Co Ltd | Foshan City | China | 10,500,000.00 | rmb | 100% | Piaggio Vespa B.V. | 100% | |
| Nacional Motor S.A. | Barcelona | Spain | 1,588,422.00 | euro | 100% | Piaggio & C. SpA | 100% | |
| P & D SpA * | Pontedera (Pisa) | Italy | 416,000.00 | euro | 100% | Piaggio & C. SpA | 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. SpA | 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 | 48,237,051.00 (of which 2,000 common stock and 48,235,051 paid in capital) | 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 | 3,000,000.00 | 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. SpA | 0,0004% | |
| Piaggio Vehicles Private Limited | Maharashtra | India | 340,000,000.00 | rupees | 100% | Piaggio & C. SpA | 99.999997% | |
| | | | | | | Piaggio Vespa B.V. | 0.000003% | |
| Piaggio Vespa B.V. | Breda | Holland | 91,000.00 | euro | 100% | Piaggio & C. SpA | 100% | |
| Piaggio Vietnam Co Ltd | Hanoi | Vietnam | 64,751,000,000.00 | Dong | 100% | Piaggio & C. SpA | 63.5% | |
| | | Vietnam | | | | Piaggio Vespa B.V. | 36.5% | |
| PT Piaggio Indonesia | Jakarta | Indonesia | 4,458,500,000.00 | Rupiah | 100% | Piaggio & C. SpA | 1% | |
| | | | | | | Piaggio Vespa B.V. | 99% | |

* Company in liquidation

List of companies included in the scope of consolidation with the equity method as of 31 December 2011

| 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. SpA | 99.99999% | |
| Zongshen Piaggio Foshan Motorcycle Co. LTD. | Foshan City | China | 29,800,000.00 | USD | 45% | Piaggio & C. SpA<br>Piaggio Cina Co.LTD | 32.5%<br>12.5% | |

List of other significant investments as of 31 December 2011

| 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. | Mantova | Italy | 40,000.00 | euro | 25% | Piaggio & C. SpA | 25% | |
| Mitsuba Italia SpA | Pontedera (Pisa) | Italy | 1,000,000.00 | euro | 10% | Piaggio & C. SpA | 10% | |
| Pont - Tech , Pontedera & Tecnologia S.c.r.l. | Pontedera (Pisa) | Italy | 884,160.00 | euro | 20.44% | Piaggio & C. SpA | 20.44% | |
| S.A.T. Societé d'Automobiles et Triporteurs S.A. | Tunis | Tunisia | 210,000.00 | TND | 20% | Piaggio Vespa B.V. | 20% | |

## N) Information pursuant to article 149 duodecies of the Consob Regulation on Issuers

The following information, provided pursuant to article 149 duodecies of the Consob Regulation on Issuers, indicates the fees for 2011 for auditing services and other services provided by the Independent Auditors and members of its organisation.

| Type of service | Company providing the service | Receiver | Notes | Fees for 2011 |
|---|---|---|---|---|
| In euro | | | | |
| Auditing of accounts | Deloitte & Touche SpA | Parent Company - Piaggio & C. SpA | | 441,129 |
| | Deloitte & Touche SpA | Subsidiaries | | 40,416 |
| | Deloitte network | Subsidiaries | | 471,318 |
| Certification services | Deloitte & Touche SpA | Parent Company - Piaggio & C. SpA | | 14,378 |
| | Deloitte network | Subsidiaries | | 53,734 |
| Tax advisory services | Deloitte network | Parent Company - Piaggio & C. SpA | | 79,000 |
| | Deloitte network | Subsidiaries | | 2,800 |
| Other Services | Deloitte & Touche SpA | Parent Company - Piaggio & C. SpA | 1) | 12,108 |
| | Deloitte network | Parent Company - Piaggio & C. SpA | 2) | 70,000 |
| **Total** | | | | **1,184,883** |

1. Services of agreed upon procedures.
2. Activities relating to the auditing of CSR Report


aprilia
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aprilia

# Certification of the Consolidated Financial Statements pursuant to article 154/bis of Legislative Decree 58/98

1. The undersigned Roberto Colaninno (Chairman and Chief Executive Officer) and Alessandra Simonotto (Appointed Executive) of Piaggio & C. SpA certify, also in consideration of article 154-*bis*, sections 3 and 4, of Legislative Decree no. 58 of 24 February 1998:

› the appropriateness with regard to the company's characteristics and
› actual application of administrative and accounting procedures for the formation of the Consolidated Financial Statements as of 31 December 2011.

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

3. Moreover

3.1 the Consolidated Financial Statements:

a. have been prepared in compliance with the international accounting standards recognised by the European Community pursuant to regulation (EC) no. 1606/2002 of the European Parliament and Council of 19 July 2002;
b. correspond to accounting records;
c. give a true and fair view of the consolidated statement of financial position and results of operations of the Issuer and of all companies included in the scope of consolidation;

3.2 The Report on Operations includes reliable analysis of the trend of operations and operating results, as well as the situation of the Issuer and companies included in the scope of consolidation, as well as a description of main risks and uncertainties to which they are exposed.

Date: 23 February 2012

/s/ Roberto Colaninno

Roberto Colaninno
**Chairman and Chief Executive Officer**

/s/ Alessandra Simonotto

Alessandra Simonotto
**Executive in charge**

# *Report of the Independent Auditors on the Consolidated Financial Statements*

Deloitte.

Deloitte & Touche S.p.A.
Corso Italia, 17
50123 Firenze
Italia

Tel: +39 055 2671011
Fax: +39 055 282147
www.deloitte.it

**AUDITORS' REPORT PURSUANT TO ART. 14 AND 16 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010**

**To the Shareholders of**
**PIAGGIO & C. S.p.A.**

1. We have audited the consolidated financial statements of PIAGGIO & C. S.p.A. (the "Company") and subsidiaries (the "PIAGGIO Group"), which comprise the statement of financial position as of December 31, 2011, the income statement, the statement of comprehensive income, the statement of changes in Shareholders' equity and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. These consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n. 38/2005 are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2. We conducted our audit in accordance with the Auditing Standards recommended by CONSOB, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the prior year's consolidated financial statements, whose data are presented for comparative purposes, reference should be made to our auditors' report issued on March 22, 2011.

3. In our opinion, the consolidated financial statements give a true and fair view of the financial position of the PIAGGIO Group as of December 31, 2011, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n. 38/2005.

4. The Directors of PIAGGIO & C. S.p.A. are responsible for the preparation of the report on operations and the annual report on corporate governance, published on the Company's site under section "Governance", in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the information reported in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the annual report on corporate governance, with the financial

statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the report on operations and the information reported in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998 paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) included in the annual report on corporate governance are consistent with the consolidated financial statements of PIAGGIO Group as of December 31, 2011.

DELOITTE & TOUCHE S.p.A.
*Signed by*
Paolo Guglielmetti
Partner

Florence
March 12, 2012

*This report has been translated into the English language solely for the convenience of international readers.*


MOTO GUZZI
Stelvio 1200

# PIAGGIO & C. SPA

## *SEPARATE FINANCIAL STATEMENTS OF THE PARENT COMPANY AS OF 31 DECEMBER 2011*



# *Income statement*

| Notes | In thousands of Euro | 2011 Total | of which Related parties (Section D) | 2010 Total | of which Related parties (Section D) |
|---|---|---|---|---|---|
| 3 | Net revenues | 948,065 | 91,546 | 976,819 | 91,210 |
| | | | | | |
| 4 | Cost for materials | 541,788 | 85,885 | 565,956 | 79,744 |
| 5 | Cost for services and leases and rental | 244,528 | 47,393 | 247,834 | 55,212 |
| 6 | Employee costs | 196,010 | | 191,587 | 34 |
| 7 | Depreciation of property, plant and equipment | 26,570 | | 28,437 | |
| 7 | Amortisation of intangible assets | 52,938 | | 48,174 | |
| 8 | Other operating income | 131,244 | 40,146 | 126,154 | 37,525 |
| 9 | Other operating costs | 19,169 | 129 | 22,719 | 414 |
| | **Operating income** | **(1,694)** | | **(1,734)** | |
| | | | | | |
| 10 | Income/(loss) from investments | 72,490 | | 54,183 | |
| 11 | Financial income | 2,519 | 578 | 2,522 | 772 |
| 11 | Borrowing Costs | 29,302 | 353 | 32,902 | 382 |
| 11 | Net exchange gains/(losses) | 311 | | (817) | |
| | **Earnings before tax** | **44,324** | | **21,252** | |
| | | | | | |
| 12 | Taxation for the period | (2,705) | | 2,404 | |
| | | | | | |
| | **Earnings from continuing activities** | **47,029** | | **18,848** | |
| | | | | | |
| | Assets held for disposal: | | | | |
| 13 | Profits or losses arising from assets held for disposal | | | | |
| | | | | | |
| | **Net income** | **47,029** | | **18,848** | |

# Statement of comprehensive income

| | 2011 | 2010 | Change |
|---|---|---|---|
| In thousands of Euro | | | |
| **Profit (loss) for the period (A)** | **47,029** | **18,848** | **28,181** |
| | | | |
| Effective portion of profits (losses) on cash flow hedges | (1,283) | (353) | (930) |
| Fair value adjustment of assets available for sale | (4,902) | (2,069) | (2,833) |
| **Total Other Profits (and losses) for the period (B)[1]** | **(6,185)** | **(2,422)** | **(3,763)** |
| | | | |
| **Total Profit (loss) for the period (A + B)** | **40,844** | **16,426** | **24,418** |

*1_ Other Profits (and losses) take account of relative tax effects*

# Statement of financial position

| Notes | In thousands of Euro | As of 31 December 2011 Total | of which Related parties (Section D) | As of 31 December 2010 Total | of which Related parties (Section D) |
|---|---|---|---|---|---|
| | **Assets** | | | | |
| | **Non-current assets** | | | | |
| 14 | Intangible assets | 538,873 | | 544,672 | |
| 15 | Property, plant and equipment | 182,484 | | 179,557 | |
| 16 | Investment property | | | | |
| 17 | Investments | 38,896 | | 39,536 | |
| 18 | Other financial assets | 21,012 | | 18,222 | |
| 19 | Long-term tax receivables | 976 | | 967 | |
| 20 | Deferred tax assets | 41,088 | | 30,801 | |
| 22 | Other receivables | 4,778 | 267 | 4,405 | 306 |
| | **Total non-current assets** | **828,107** | | **818,160** | |
| | | | | | |
| 26 | **Assets held for sale** | | | | |
| | | | | | |
| | **Current assets** | | | | |
| 21 | Trade receivables | 67,189 | 24,710 | 91,273 | 34,813 |
| 22 | Other receivables | 84,695 | 74,000 | 43,570 | 30,323 |
| 19 | Short-term tax receivables | 9,627 | | 13,566 | |
| 23 | Inventories | 183,355 | | 178,462 | |
| 24 | Other financial assets | 16,946 | 16,946 | 52,099 | 29,048 |
| 25 | Cash and cash equivalents | 50,816 | | 106,806 | |
| | **Total current assets** | **412,628** | | **485,776** | |
| | **Total assets** | **1,240,735** | | **1,303,936** | |
| | | | | | |
| | **Shareholders' equity and liabilities** | | | | |
| | **Shareholders' equity** | | | | |
| 29 | Capital | 202,209 | | 203,348 | |
| 29 | Share premium reserve | 3,493 | | 3,493 | |
| 29 | Legal reserve | 12,241 | | 11,299 | |
| 29 | Other provisions | 32,912 | | 38,327 | |
| 29 | Retained profit (loss) | 50,115 | | 62,991 | |
| 29 | Profit (loss) for the period | 47,029 | | 18,848 | |
| | **Total shareholders' equity** | **347,999** | | **338,306** | |
| | | | | | |
| | **Non-current liabilities** | | | | |
| 30 | Financial liabilities falling due after one year | 300,084 | 2,900 | 363,869 | 2,900 |
| 32 | Other long-term provisions | 16,684 | | 20,990 | |
| 33 | Deferred tax liabilities | 22,883 | | 24,072 | |
| 34 | Retirement funds and employee benefits | 44,851 | | 55,929 | |
| 35 | Tax payables | 2,369 | | 3,361 | |
| 36 | Other long-term payables | 4,499 | | 4,092 | |
| | **Total non-current liabilities** | **391,370** | | **472,313** | |
| | | | | | |
| | **Current liabilities** | | | | |
| 30 | Financial liabilities falling due within one year | 149,372 | 1,975 | 137,204 | 9,962 |
| 31 | Trade payables | 287,595 | 36,930 | 285,944 | 45,413 |
| 35 | Tax payables | 12,640 | | 11,674 | |
| 36 | Other short-term payables | 42,948 | 484 | 45,544 | 397 |
| 32 | Current portion of other long-term provisions | 8,811 | | 12,951 | |
| | **Total current liabilities** | **501,366** | | **493,317** | |
| | **Total shareholders' equity and liabilities** | **1,240,735** | | **1,303,936** | |

# Statement of Cash Flows

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

| | 2011 | 2010 |
|---|---|---|
| In thousands of Euro | | |
| **Operating activities** | | |
| Profit (Loss) for the period | 47,029 | 18,848 |
| Taxation for the period | (2,705) | 2,404 |
| Depreciation of property, plant and equipment | 26,569 | 28,437 |
| Amortisation of intangible assets | 52,938 | 48,174 |
| Non-monetary costs for stock options | 771 | 2,649 |
| Allocations for risks and retirement funds and employee benefits | 19,995 | 25,371 |
| Write-downs / (Reversals) | 3,953 | 2,337 |
| Losses / (Gains) on the disposal of property, plants and equipment | (110) | (1,991) |
| Financial income | (10,329) | (29,894) |
| Dividend income | (75,787) | (49,945) |
| Borrowing Costs | 36,801 | 61,091 |
| **Change in working capital:** | | |
| (Increase)/Decrease in trade receivables | 13,211 | 18,944 |
| (Increase)/Decrease in other receivables | (31,087) | 18,219 |
| (Increase)/Decrease in inventories | (4,893) | 17,355 |
| Increase/(Decrease) in trade payables | 9,980 | (22,523) |
| Increase/(Decrease) in other payables | (11,510) | (5,941) |
| Increase/(Decrease) in the current portion of provisions for risks | (4,140) | (1,440) |
| Increase/(Decrease) in the non-current portion of provisions for risks | (14,155) | (19,406) |
| Increase/(Decrease) in retirement funds and employee benefits | (21,224) | (14,526) |
| Other changes | 29,121 | (21,221) |
| **Cash generated from operating activities** | **64,428** | **76,942** |
| Interest paid | (30,225) | (45,251) |
| Taxes paid | (5,088) | (9,698) |
| **Cash flow from operating activities (A)** | **29,115** | **21,993** |
| **Investment activities** | | |
| Investment in property, plant and equipment | (29,583) | (25,092) |
| Sale price, or repayment value, of property, plant and equipment | 221 | 3,464 |
| Investment in intangible assets | (48,281) | (45,957) |
| Sale price, or repayment value, of intangible assets | 1,118 | 260 |
| Investment in non-current financial assets | (2,926) | (103) |
| Loans provided | 0 | (463) |
| Repayment of loans provided | 12,102 | 1,354 |
| Purchase of financial assets | 0 | (23,051) |
| Sale price of financial assets | 29,261 | 0 |
| Collected interests | 8,388 | 24,124 |
| Dividends from investments | 38,937 | 57,196 |
| **Cash flow from investment activities (B)** | **9,237** | **(8,268)** |
| **Financing activities** | | |
| Purchase of treasury shares | (9,080) | (3,345) |
| Collection for the exercise of stock options | 2,843 | 0 |
| Outflow for dividends paid | (25,684) | (25,765) |
| Loans received | 53,029 | 26,563 |
| Outflow for repayment of loans | (114,937) | (78,869) |
| Financial leases | 227 | 0 |
| Repayment of finance leases | (824) | (758) |
| **Cash flow from funding activities (C)** | **(94,426)** | **(82,174)** |
| Increase / (Decrease) in cash and cash equivalents (A+B+C) | (56,074) | (68,449) |
| **Opening balance** | **106,805** | **175,254** |
| **Closing balance** | **50,731** | **106,805** |

The table below details the breakdown of the balance of cash and cash equivalents as of 31 December 2011 and 31 December 2010.

| Notes | In thousands of Euro | As of 31 December 2011 | As of 31 December 2010 | Change |
|---|---|---|---|---|
| 25 | Cash and cash equivalents | 50,816 | 106,806 | (55,990) |
| 30 | Current account overdrafts | (85) | (1) | (84) |
| | **Closing balance** | **50,731** | **106,805** | **(56,074)** |

## Consolidated Net Debt (Net Financial Debt)

| Notes | In thousands of Euro | As of 31 December 2011 | As of 31 December 2010 | Change |
|---|---|---|---|---|
| 25 | **Liquidity** | **50,816** | **106,806** | **(55,990)** |
| | | | | |
| | Short-term financial receivables due from third parties | 0 | 0 | 0 |
| 24 | Government securities available for sale | 0 | 23,051 | (23,051) |
| 24 | Short-term financial receivables due from subsidiaries | 16,946 | 29,047 | (12,101) |
| | Short-term financial receivables due from affiliated companies | 0 | 0 | 0 |
| | **Current financial receivables** | **16,946** | **52,098** | **(35,152)** |
| | | | | |
| 30 | Current account overdrafts | (85) | (1) | (84) |
| 30 | Current account payables | 0 | (15,946) | 15,946 |
| 30 | Bonds | 0 | 0 | 0 |
| 30 | Current portion of bank financing | (122,428) | (82,929) | (39,499) |
| 30 | Amounts due to factoring companies | (20,085) | (23,255) | 3,170 |
| 30 | Amounts due under leases | (894) | (791) | (103) |
| 30 | Current portion of payables due to other lenders | (3,905) | (4,320) | 415 |
| 30 | Financial payables due to subsidiaries | (1,975) | (9,962) | 7,987 |
| | **Current financial debt** | **(149,372)** | **(137,204)** | **(12,168)** |
| | | | | |
| | **Net current financial debt** | **(81,610)** | **21,700** | **(103,310)** |
| | | | | |
| 30 | Payables due to banks and financing institutions | (86,095) | (207,607) | 121,512 |
| 30 | Debenture loans | (191,859) | (139,007) | (52,852) |
| 30 | Amounts due under leases | (6,745) | (7,470) | 725 |
| 30 | Financial payables due to subsidiaries | 0 | 0 | 0 |
| 30 | Amounts due to other lenders | (6,153) | (9,785) | 3,632 |
| | **Non-current financial debt** | **(290,852)** | **(363,869)** | **73,017** |
| | | | | |
| | **Net financial debt[1]** | **(372,462)** | **(342,169)** | **(30,293)** |

*1_ Pursuant to Consob Communication of 28 July 2006 and in compliance with the recommendation of the CESR of 10 February 2005 "Recommendation for the consistent implementation of the European Commission's Regulation on Prospectuses". The indicator does not include financial assets and liabilities arising from the fair value measurement of financial derivatives used as hedging and the fair value adjustment of relative hedged items equal to €/000 9,233 (see note 32 of the Notes).*

This table reconciles the movement in the flow of consolidated net debt with cash and cash equivalent movements as shown in the Consolidated Statement of Cash Flows.

| In thousands of Euro | |
|---|---|
| **Increase/decrease in cash and cash equivalents from the Consolidated Statement of Cash Flows** | **(56,074)** |
| Outflow for repayment of loans | 114,937 |
| Repayment of finance leases | 824 |
| Loans received | (53,029) |
| Amortised cost on medium-/long-term financing | (1,571) |
| Loans on leases received | (227) |
| Repayment of loans provided | (12,102) |
| Sale of financial assets | (23,051) |
| **Change in consolidated net debt** | **(30,293)** |

# *Changes in Shareholders' Equity*

## *Movements from 1 January 2011/31 December 2011*

| Notes | In thousands of Euro | Share capital | Share premium reserve | Legal reserve | IAS transition reserve |
|---|---|---|---|---|---|
| | **As of 1 January 2011** | **203,348** | **3,493** | **11,299** | **11,435** |
| | | | | | |
| 29 | Charges for the period for stock option plans | | | | |
| | Allocation of profit for 2010 and previous years as resolved by the ordinary general meeting of shareholders on 13 April 2011: | | | | |
| 29 | - To shareholders | | | | |
| 29 | - To shareholders' equity | | | 942 | |
| 29 | Purchase of treasury shares | (2,382) | | | |
| 29 | Exercise of stock options | 1,243 | | | |
| 29 | Total overall profit (loss) | | | | |
| | | | | | |
| | **As of 31 December 2011** | **202,209** | **3,493** | **12,241** | **11,435** |

## *Movements from 1 January 2010/31 December 2010*

| Notes | In thousands of Euro | Share capital | Share premium reserve | Legal reserve | IAS transition reserve |
|---|---|---|---|---|---|
| | **As of 1 January 2010** | **191,617** | **3,493** | **8,996** | **11,435** |
| | | | | | |
| 29 | Charges for the period for stock option plans | | | | |
| | Allocation of profit for 2009 as resolved by the ordinary general meeting of shareholders on 16 April 2010: | | | | |
| 29 | - To shareholders | | | | |
| 29 | - To shareholders' equity | | | 2,303 | |
| 29 | Purchase of treasury shares | (877) | | | |
| 29 | Cancellation of treasury shares | 12,608 | | | |
| 29 | Total overall profit (loss) | | | | |
| | | | | | |
| | **As of 31 December 2010** | **203,348** | **3,493** | **11,299** | **11,435** |

| Stock option reserve | Reserve for the fair value measurement of financial instruments | Reserve for the fair value adjustment of financial assets available for sale | Performance reserve | Total shareholders' equity |
|---|---|---|---|---|
| | | | | |
| **11,929** | **(227)** | **15,190** | **81,839** | **338,306** |
| | | | | |
| 771 | | | | 771 |
| | | | | |
| | | | (25,684) | (25,684) |
| | | | (942) | 0 |
| | | | (6,698) | (9,080) |
| | | | 1,600 | 2,843 |
| | (1,283) | (4,903) | 47,029 | 40,843 |
| | | | | |
| **12,700** | **(1,510)** | **10,287** | **97,144** | **347,999** |

| Stock option reserve | Reserve for the fair value measurement of financial instruments | Reserve for the fair value adjustment of financial assets available for sale | Performance reserve | Total shareholders' equity |
|---|---|---|---|---|
| | | | | |
| **9,280** | **126** | **17,259** | **106,135** | **348,341** |
| | | | | |
| 2,649 | | | | 2,649 |
| | | | | |
| | | | (25,765) | (25,765) |
| | | | (2,303) | 0 |
| | | | (2,468) | (3,345) |
| | | | (12,608) | 0 |
| | (353) | (2,069) | 18,848 | 16,426 |
| | | | | |
| **11,929** | **(227)** | **15,190** | **81,839** | **338,306** |

# Notes to the Financial Statements as of 31 December 2011

## A) General aspects

Piaggio & C. SpA (the Company) is a joint-stock company established in Italy at the Register of Companies of Pisa. The addresses of the registered office and places where main business operations are conducted are listed in the introduction to the financial statements.
These Financial Statements are expressed in Euros (€) since this is the currency in which most of the Company's transactions take place.

### *Compliance with international accounting standards*

The Financial Statements as of 31 December 2011 have been drafted in compliance with the International Accounting Standards (IAS/IFRS) in force at that date, issued by the International Accounting Standards Board and approved by the European Commission, as well as in compliance with the provisions established in Article 9 of Italian Legislative Decree no. 38/2005 (Consob Resolution no. 15519 dated 27/7/06 containing the "Provisions for the presentation of financial statements", Consob Resolution no. 15520 dated 27/7/06 containing the "Changes and additions to the Regulation of Issuers adopted by Resolution no. 11971/99", Consob communication no. 6064293 dated 28/7/06 containing the "Corporate reporting required in accordance with Article 114, paragraph 5 of Italian Legislative Decree no. 58/98"). The interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously the Standing Interpretations Committee ("SIC"), were also taken into account.
The Financial Statements have been prepared on a historical cost basis, amended as required for the measurement of some financial instruments, and on a going-concern basis. In fact, despite the difficult economic and financial context, the Company has evaluated that there are no significant doubts about its continuing as a going concern (as defined in section 25 of IAS 1), also in relation to actions already identified to adapt to changing levels in demand, as well as the industrial and financial flexibility of the Company.

These Financial Statements have been audited by Deloitte & Touche SpA.

### *1. Form and content of the financial statements*

#### Form of the financial statements
The Company has chosen to highlight all changes generated by transactions with non-shareholders in two statements reporting trends of the period, the "Income Statement" and "Statement of Comprehensive Income". The Financial Statements are therefore composed of the Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Shareholders' Equity, Statement of Cash Flows and these notes.

#### Income Statement
The income statement is presented with items classified by nature. The overall Operating Income is shown, which includes all income and cost items, irrespective of their repetition or fact of falling outside normal operations, except for the items of financial operations included under Operating Income and Earnings before tax. In addition, income and cost items arising from assets held for disposal or sale, including any capital gains or losses net of the tax element, are recognised in a specific item of the Financial Statements which precede financial performance.

#### Statement of Comprehensive Income
The Statement of Comprehensive Income for the period is presented as provided for in IAS 1 revised.

#### Statement of Financial Position
The Statement of Financial Position is presented in opposite sections with separate indication of assets,

liabilities, and shareholders' equity.
In turn, assets and liabilities are reported in the Financial Statements on the basis of their classification as current and non-current.

### Statement of Cash Flows

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

### Consolidated net debt

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

### Statement of Changes in Shareholders' Equity

The Statement of Changes in Shareholders' Equity is presented as provided for in IAS 1 revised.
The Statement includes overall profit (loss) for the period. Reconciliation between the opening and closing balance of each item for the period is presented.

## *2. Accounting policies*

The most significant accounting policies adopted to prepare the Financial Statements as of 31 December 2011 are outlined below.

### Intangible assets

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

### Goodwill

In the case of acquisitions of companies, acquired and identifiable assets, liabilities and potential liabilities are recognised at present value at the date of acquisition. The positive difference between the acquisition cost and share of the Company in the present value of said assets and liabilities is classified as goodwill and recognised in the financial statements as an intangible asset. Any negative difference ("negative goodwill") is recorded instead in the income statement at the date of acquisition.
Goodwill is not amortised but tested annually for impairment, or more frequently if specific events or changed circumstances indicate that an asset may be impaired, as provided for in IAS 36 - *Impairment of Assets*. After initial recognition, goodwill is recognised at cost net of any accumulated impairment losses.
On the disposal of part of or an entire company previously acquired and from the acquisition of which goodwill arose, the corresponding residual value of goodwill is considered when measuring the capital gain or loss of the disposal.
During first-time adoption of IFRSs, the Company opted not to retroactively apply IFRS 3 - *Business Combinations* to acquisitions of companies that took place before 1 January 2005. As a result, the goodwill generated on acquisitions prior to the date of transition to IFRSs was maintained at the previous value, determined according to Italian accounting standards, subject to assessment and recognition of any impairment losses.

After 1 January 2006, following acquisitions during 2004, further goodwill was generated due to the effect of the valuation of financial instruments issued during the acquisition.

### Development costs

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

### Other intangible assets

As provided for in IAS 38 – *Intangible Assets,* other intangible assets which are purchased or self-created are recognised as assets if it is probable that use of the asset will generate future economic benefits and the cost of the asset can be reliably measured.
These assets are recognised at acquisition or production cost and are amortised on a straight line basis over their estimated useful life, if they have a definite useful life. Intangible assets with an indefinite useful life are not amortised but tested annually for impairment, or more frequently if there is an indication that an asset may be impaired.
Other intangible assets recognised following the acquisition of a company are accounted for separately from goodwill, if their present value may be reliably measured.
The amortisation periods of intangible assets are shown below:

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

### Property, plant and equipment

The Company has decided to adopt the cost method on first-time application of the IAS/IFRS, as allowed by IFRS 1. For the measurement of property, plant and equipment, therefore, the preference was not to use the *fair value* method. Property, plant and equipment were booked at the purchase or production cost and were not revalued. For an asset that justifies capitalisation, the cost also includes any borrowing costs that are directly attributable to acquisition, construction or production of the asset.
Costs incurred after acquisition are capitalised only if they increase the future economic benefits of the asset they refer to. All other costs are recorded in the income statement when they are incurred. Property, plant and equipment under construction are measured at cost and depreciated starting from the period in which they are put into operation.
Depreciation is determined, on a straight line basis, on the cost of the assets net of their relative residual values, based on their estimated useful life, adopting the rates indicated in the notes on this item.
Land is not depreciated.
Assets held through finance lease agreements, on the basis of which all risks and benefits related to ownership are basically transferred to the Company, are recognised as Company assets at their present value, or if lower, at the current value of minimum payments due for the lease. The corresponding liability vis-à-vis the lessor is recognised in the financial statements as a financial payable. The assets are depreciated applying the criterion and rates used for assets owned by the company.
Leases in which the lessor basically retains all risks and benefits related to ownership are classified as operating leases. The costs referred to operating leases are recognised on a line-by-line basis in the income statement over the term of the lease agreement.

Profits and losses arising from the sale or disposal of assets are measured as the difference between the sale revenue and net book value of the asset and are entered in the income statement for the period.

### Investments

Investments in subsidiaries and affiliated companies are recognised at cost adjusted for impairment losses.

Investments in subsidiaries and affiliated companies are tested annually for impairment, or more frequently if necessary. If evidence of impairment exists, the loss is recognised in profit or loss as a write-down. In the event any portion attributable to the Company of losses of the subsidiary exceeds the book value of the investment and the Company is liable, the value of the investment is reset to zero and the portion of further losses is recorded as a provision in liabilities. If the impairment loss is reversed or reduced, the value is reversed within cost limits in the income statement.

### Impairment

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

The recoverable amount is the greater of the net sale price and value in use. In measuring the value in use, estimated future cash flows are discounted at their fair value, using a rate gross of taxes, which reflects current market changes in the fair value of money and specific risks of the asset.

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

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

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

### Investment property

International accounting standards regulate the accounting treatment of property used for production or administrative purposes (IAS 16) differently from investment property (IAS 40). As provided for by IAS 40, non-instrumental property held to earn rentals and/or for capital appreciation and/or both is measured at cost net of depreciation and accumulated impairment losses.

Investment property is eliminated from the financial statements when it is disposed of or when it may not be used over time and future economic benefits from its sale are not expected.

### Non-current assets held for sale

Non-current assets (or disposal groups) that are classified as held for sale are measured at the lower of the carrying amount and fair value less costs to sell.

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

### Financial assets

Financial assets are recognised and reversed from the financial statements, based on the trading date and are initially measured at cost, including any charges directly connected with the purchase.
At subsequent end of reporting periods, the financial assets the Company intends and can retain up until maturity (securities held until maturity) are recognised at amortised cost based on the effective interest rate method, net of reversals for impairment losses.
Financial assets other than those held until maturity are classified as held for trading or for sale, and are measured at fair value at the end of each period. When financial assets are held for trading, profits and losses arising from changes in fair value are recognised in profit or loss for the period. In the case of financial assets held for sale, profits and losses arising from changes in fair value are directly recognised as shareholders' equity until the assets are sold or impaired; at this point, the overall profits/losses previously recognised as shareholders' equity are recognised in profit or loss for the period.

### Inventories

Inventories are recognised as the lower of the purchase or production cost, determined by assigning to products the costs directly incurred in addition to the portion of indirect costs reasonably attributable to the performance of production activities in normal production capacity conditions, and the market value at the end of the reporting period.
The purchase or production cost is determined based on the weighted average cost method.
As regards raw materials and work in progress, the market value is represented by the estimated net realisable value of corresponding finished products minus completion costs. As regards end products, the market value is represented by the estimated net realisable value (price lists).
The lower measurement based on market trends is eliminated in subsequent years, if the trends no longer exist.
Obsolete, slow moving and/or excess inventories are impaired in relation to their possible use or future realisation, in a provision for the write-down of inventories.

### Receivables

Receivables are recorded at nominal value, adjusted to the estimated realisable value, and recognised in a provision for impairment. This provision is calculated based on recovery estimates with individual positions and overall risks of receivables being evaluated, taking into account guarantees.
When payment of amounts due exceeds standard terms of payment granted to clients, the receivable is discounted. To determine the effect, collection times are estimated applying a discount rate corresponding to the EURIBOR *Swap* 20 years plus a spread of listings for AA rating state securities to expected financial flows.

### Factoring

The Company sells a significant part of its trade receivables through factoring. Factoring may be without recourse, and in this case no risks of recourse or liquidity exist, as corresponding amounts of the balance of trade receivables are reversed when the receivable is sold to the factor.
For factoring with recourse, the risk of non-payment and the liquidity risk are not transferred, and therefore relative receivables remain under shareholders' equity until payment by the client of the amount due. In this case any advance payments collected by the factor are recognised under payables as amounts due to other lenders.

### Cash and cash equivalents

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

### Financial liabilities

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

### Derivatives and measurement of hedging operations

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

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

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

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

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

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

### Long-term provisions

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

Changes in estimates are recognised in profit or loss when the change takes place.

If the effect is considerable, provisions are calculated discounting future cash flows estimated at a discount rate gross of taxes, to reflect current market changes in the fair value of money and specifics risks of the liability.

### Retirement funds and employee benefits

With adoption of the IFRS, the termination benefit is considered an obligation with defined benefits to be recorded in accounts according to IAS 19 - Employee Benefits. As a result, severance must be recalculated by actuarial evaluations at the end of each period applying the *Projected Unit Credit Method.*

Payments for defined benefit plans are posted to the income statement in the period they are payable. Liabilities for post-employment benefits posted to the financial statements represent the present value of liabilities for defined benefit plans, adjusted to consider actuarial gains and losses relating to past services not accounted for and reduced to the fair value of plan assets. Net assets resulting from this calculation are limited to the value of actuarial losses and to the cost related to unaccounted for past services, plus the present value of any refunds and reductions in future contributions to the plan.

The Company decided not to use the "corridor method", which would allow it not to post the cost component (calculated using the method described) represented by actuarial gains or losses if this component does not exceed 10 percent. Note that the interest component on the charge related to employee plans is posted under borrowing costs.

### Stock Option Plan

As provided for by IFRS 2 - Share-based payment, the total amount of the present value of stock options at the date of assignment is recognised wholly in profit or loss under employee costs, with a counter entry recognised directly in shareholders' equity, if the grantees of the instruments representing capital become owners of the right on assignment. If a "maturity period" is required, in which certain conditions are necessary before grantees become holders of the right, the cost for payments, determined on the basis of the present value of options at the date of assignment, is recognised under employee costs on a straight line basis for the period between the date of assignment and maturity, with a counter entry directly recognised in shareholders' equity.

Determination of fair value based on the Black Scholes method.

Changes in the present value of options subsequent to the date of assignment do not have any effect on initial recognition.

### Tax assets and liabilities

Deferred taxes are determined based on the temporary taxable differences between the value of the asset and liability and their tax value. Deferred tax assets are measured only to the extent to which it is likely that adequate future taxable sums exist against which the deferred taxes can be used. The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent to which it is no longer likely that sufficient taxable income exists allowing for all or a portion of said assets to be recovered.

Deferred taxes are determined based on tax rates expected for the period in which the tax assets are realised, considering the rates in effect or which are known to come into effect. Deferred taxes are directly recognised in profit or loss, except for items directly recognised in shareholders' equity, in the case that relative deferred taxes are also recognised in shareholders' equity.

Deferred tax assets and liabilities are offset when there is a legal right to offset current taxes payable and receivable and when they refer to taxes due to the same tax authority and the Company intends paying current tax assets and liabilities on a net basis.

### Payables

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

### Recognition of revenues

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

Revenues are recognised net of returns, discounts, rebates and premiums, as well as taxes directly connected with the sale of the goods and provision of services. Financial revenues are recognised on an accrual basis.

## Grants

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

## Financial income

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

## Borrowing Costs

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

## Dividends

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

## Income tax

Taxes represent the sum of current and deferred tax assets and liabilities.
Taxes allocated based on an estimate of taxable income determined in compliance with national laws in force at the end of the reporting period are recognised in the financial statements, taking into account applicable exemptions and tax income due. Income tax is recognised in profit or loss, with the exception of items directly charged to or from shareholders' equity, in which case the tax effect is directly recognised in shareholders' equity.
Taxes are recorded under "Tax payables" net of advances and withheld taxes.
As from the 2007 reporting period, the Company has been party to the National Consolidated Tax Convention pursuant to articles 117 - 129 of the Consolidated Income Tax Act (T.U.I.R) of which IMMSI SpA is the consolidating company, and to whom other IMMSI Group companies report to. Current participation in the convention will be in effect up until 2012.
Based on the procedure, the consolidating company determines one taxable base for the group of companies that are party to the National Consolidated Tax Convention, and may therefore offset taxable income against tax losses in one tax return. Each company which is party to the National Consolidated Tax Convention transfers taxable income (taxable income or loss) to the consolidating company. The latter recognises a receivable from the consolidated company which is equal to the corporate tax to be paid. Whereas, in the case of companies reporting tax losses, the consolidating company recognises a payable related to corporate tax on the portion of loss actually offset at a Group level.

## Use of estimates

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

### Transactions with subsidiaries and related parties

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

### New accounting standards, amendments and interpretations applied as from 1 January 2011

The following accounting standards, amendments and interpretations were applied for the first time by the Company as from 1 January 2011.

- IFRS 3 - *Business combinations:* the amendment clarifies that components of non-controlling interests do not entitle holders to receive a proportional share of net assets of the subsidiary, which must be valued at fair value or as required by applicable international standards. Moreover, the Board further analysed the issue of share-based payments which are replaced in business combinations, adding specific guidelines clarifying accounting treatment.
- IFRS 7 – *Financial instruments: Disclosures:* the change refers to the interaction between additional qualitative and quantitative information required by the standard on the nature and extent of risks concerning financial instruments. This should help readers of financial statements to associate presented information and obtain a general description of the nature and extent of risks concerning financial instruments. The requirement to disclose financing activities which have expired but not been renegotiated or impaired and to disclose the fair value of collaterals has been eliminated.
- IAS 1 – *Presentation of Financial Statements:* the amendment requires the reconciliation of changes in all items of equity to be presented in the notes and the financial statements.
- IAS 34 – *Interim Financial Reporting:* guidelines have been added on additional information to be included in Interim Financial Statements.
- IAS 24 – *Related Party Disclosures* – which simplifies the type of information required in the case of transactions with related parties controlled by the State, and clarifies the definition of related parties.

### Amendments and interpretations effective as from 1 January 2011 and not relevant for the Company

The following amendments, improvements and interpretations, applicable as from 1 January 2011, regulate specific cases and case histories which are not present within the Group at the date of this Annual Report, but which could have accounting effects on future transactions or agreements:

- Amendment to IAS 32 – Financial instruments: Presentation - Classification of rights issues;
- Amendment to IFRIC 14 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction;
- IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments;
- Improvement to IAS/IFRS (2010).

### 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 for financial assets, the new standard uses a single approach based on procedures for financial instruments' management and on characteristics of contract cash flows of financial assets to determine valuation criteria replacing the different regulations of IAS 39. For financial liabilities, the main change concerns the accounting treatment of fair value changes of a financial liability designated as a financial liability recognised at fair value in the income statement, in the case where the changes are due to a change in the creditworthiness of the liability. According to this new standard, the changes will be recognised as "Other comprehensive income" and will no longer be recorded in the income statement.

On 20 December 2010 the IASB issued a minor amendment to IFRS 1 – *First-time Adoption of International Financial Reporting Standards* to eliminate the reference to the date 1 January 2004 described as the date of transition to IFRS and to provide guidance on the presentation of financial statements, in accordance with IFRS, following a period of hyperinflation. These amendments are applicable as from 1 July 2011 on a forward-looking basis.

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.

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 June 2011 the IASB issued an 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 entire provision deficit or surplus in the statement of financial position, and recognition of cost items linked to employment and net borrowing costs in profit and loss, and recognition of actuarial gains and losses resulting from remeasurement of assets and liabilities in "Other comprehensive income". In addition, the performance of an asset included in net borrowing costs must be calculated based on the discount rate of the liability and no longer on the expected return of the assets. Lastly, the amendment introduces enhanced disclosures to provide in the notes. The amendment is applicable in a retrospective manner from the financial year starting from 1 January 2013.
At the date of issue of this Annual Report, competent bodies of the European Union had not completed the approval process necessary for the application of these amendments and standards.

On 7 October 2010 IASB published some amendments to IFRS 7 – *Financial instruments: Disclosures,* applicable for accounting periods commencing on or after 1 July 2011. Amendments have been issued with the purpose of improving understanding of transfer transactions (derecognition) of financial assets, including understanding of possible effects arising from any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. The adoption of this amendment will not produce any effects on the valuation of financial statement items.

# Other information

## *Departures pursuant to article 2423, section 4 of the Italian Civil Code*

No exceptional circumstances occurred requiring departures from legal provisions concerning Financial Statements pursuant to article 2423, section 4 of the Italian Civil Code.

## *Information on company management and coordination activities*

Pursuant to article 2497-bis, section 4 of the Italian Civil Code, main data of the last financial statements of the parent company IMMSI SpA, with registered office in Mantova (MN), Piazza Vilfredo Pareto 3 – tax code 07918540019, for the year ended 31 December 2010, are summarised below:

| **Income statement** | **2010** | **2009** |
|---|---|---|
| In thousands of Euro | | |
| Financial income | 32,962 | 19,775 |
| *Of which related parties and intergroup* | *16,597* | *14,825* |
| Borrowing Costs | (14,443) | (4,654) |
| *Of which related parties and intergroup* | *(2)* | *(10)* |
| Income/(loss) from investments | | |
| | | |
| Operating income | 4,758 | 4,628 |
| *Of which related parties and intergroup* | *2,033* | *2,039* |
| Costs for materials | (45) | (49) |
| Costs for services and lease and rental costs | (4,871) | (4,149) |
| *Of which related parties and intergroup* | *(527)* | *(478)* |
| Employee costs | (1,389) | (1,269) |
| Depreciation of plant, property and equipment | (167) | (148) |
| Amortisation of goodwill | | |
| Amortisation of intangible assets with a finite life | (4) | 0 |
| | | |
| Other operating income | 188 | 398 |
| *Of which related parties and intergroup* | *110* | *146* |
| Other operating costs | (288) | (466) |
| **Earnings before tax** | **16,700** | **14,066** |
| | | |
| Taxes | 157 | 463 |
| | | |
| **Earnings after tax from operating activities** | **16,858** | **14,529** |
| | | |
| Profit or loss arising from assets held for disposal or sale | 0 | 0 |
| | | |
| **Net income for the period** | **16,858** | **14,529** |

| **Statement of comprehensive income** | **2010** | **2009** |
|---|---|---|
| In thousands of Euro | | |
| **Net income for the period** | **16,858** | **14,529** |
| *Profits (losses) from the fair value measurement of assets available for sale (AFS)* | *(7,287)* | *7,292* |
| Effective portion of profit (losses) from instruments to hedge financial flows | 188 | 0 |
| **Total profit (loss) for the period** | **9,759** | **21,821** |

| Statement of financial position | As of 31 December 2010 | As of 31 December 2009 |
|---|---|---|
| In thousands of Euro | | |
| **Non-current assets** | | |
| Intangible assets | *9* | - |
| Plant, property and equipment | 548 | 607 |
| *Of which related parties and intergroup* | *71* | *108* |
| Investment property | 73,263 | 72,638 |
| Investments | 353,975 | 376,985 |
| Other financial assets | 115,241 | 92,000 |
| *Of which related parties and intergroup* | *35,241* | *12,000* |
| Tax receivables | 2,922 | 3,632 |
| Deferred tax assets | - | - |
| Trade receivables and other receivables | 3,645 | 2,780 |
| *Of which related parties and intergroup* | *3,450* | *2,775* |
| **Total non-current assets** | **549,603** | **548,641** |
| | | |
| **Assets held for disposal** | - | - |
| | | |
| **Current assets** | | |
| Trade receivables and other receivables | 8,436 | 6,132 |
| *Of which related parties and intergroup* | *7,986* | *5,510* |
| Tax receivables | 813 | 222 |
| Other financial assets | 63,103 | 64,278 |
| *Of which related parties and intergroup* | *48,715* | *42,500* |
| Cash and cash equivalents | 32,573 | 1,463 |
| **Total current assets** | **104,925** | **72,095** |
| | | |
| **Total assets** | **654,528** | **620,736** |
| | | |
| **Shareholders' equity** | | |
| Share capital | 177,076 | 177,076 |
| Reserves and retained earnings | 260,293 | 263,080 |
| Income for the period | 16,858 | 14,529 |
| **Total shareholders' equity** | **454,227** | **454,684** |
| **Non-current liabilities** | | |
| Financial liabilities | 68,550 | 11,000 |
| Trade payables and other payables | - | - |
| Retirement fund and similar obligations | 273 | 227 |
| Other long-term provisions | - | - |
| Deferred tax liabilities | 20,102 | 20,509 |
| **Total non-current liabilities** | **88,925** | **31,736** |
| **Liabilities related to assets held for disposal** | - | - |
| **Current liabilities** | | |
| Financial liabilities | 101,846 | 125,171 |
| *Of which related parties and intergroup* | - | *180* |
| Trade payables | 1,820 | 1,584 |
| *Of which related parties and intergroup* | *233* | *402* |
| Current taxes | 296 | 376 |
| Other payables | 7,413 | 7,186 |
| *Of which related parties and intergroup* | *6,733* | *6,340* |
| Current portion of other long-term provisions | - | - |
| **Total current liabilities** | **111,376** | **134,316** |
| | | |
| **Total shareholders' equity and liabilities** | **654,528** | **620,736** |

## B) Information on the Income Statement

### 3. Net revenues — €/000 948,065

Revenues for disposals of company core business assets essentially refer to the marketing of vehicles and spare parts on European and non-European markets. Revenues are recognised net of premiums given to customers.

#### Revenues by business segment

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

| | 2011 | | 2010 | | Changes | |
|---|---|---|---|---|---|---|
| | Amount | % | Amount | % | Amount | % |
| In thousands of Euro | | | | | | |
| Two-wheeler | 852,219 | 89.89 | 868,904 | 88.95 | (16,685) | (1.92) |
| Commercial Vehicles | 95,846 | 10.11 | 107,915 | 11.05 | (12,069) | (11.18) |
| | | | | | | |
| **Total** | **948,065** | **100.00** | **976,819** | **100.00** | **(28,754)** | **(2.94)** |

#### Revenues by geographic segment

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

| | 2011 | | 2010 | | Changes | |
|---|---|---|---|---|---|---|
| | Amount | % | Amount | % | Amount | % |
| In thousands of Euro | | | | | | |
| EMEA and Americas | 905,698 | 95.53 | 949,925 | 97.25 | (44,227) | (4.66) |
| Asia SEA | 41,918 | 4.42 | 26,894 | 2.75 | 15,024 | 55.86 |
| India | 449 | 0.05 | | 0.00 | 449 | 100.00 |
| | | | | | | |
| **Total** | **948,065** | **100.00** | **976,819** | **100.00** | **(28,754)** | **(2.94)** |

In 2011 net sales revenues decreased by €/000 28,754 attributable to the general decline in demand for Two-Wheeler vehicles and Commercial Vehicles on the Italian and European market, due to the economic crisis affecting the entire western world.

### *4. Costs for materials* *€/000 541,788*

These totalled €/000 541,788 compared to €/000 565,956 as of 31 December 2010.
The decrease in costs for materials compared to the previous year (4.3%) is mainly related to the fall in production and sales volumes. The percentage of costs for raw, ancillary materials, consumables and goods accounting for net revenues was 57.7%, compared to 56.2% in 2010.

The following table details the content of this financial statement item:

| | 2011 | 2010 | Change |
|---|---|---|---|
| In thousands of Euro | | | |
| Raw, ancillary materials, consumables and goods | 546,620 | 548,675 | (2,055) |
| Purchase of used vehicles and for testing | 61 | 36 | 25 |
| Change in inventories of raw, ancillary materials, consumables and goods | (1,719) | 14,785 | (16,504) |
| Change in work in progress of semifinished and finished products | (3,174) | 2,460 | (5,634) |
| | | | |
| **Total costs for purchases** | **541,788** | **565,956** | **(24,168)** |

The change in inventories of raw, ancillary materials, consumables and goods, amounting to a positive figure of €/000 1,719, is attributable to the following:

#### Merchandise
Negative change of €/000 957.
Allocation to the provision for obsolete stock, net of a use of €/000 1,151, amounted to €/000 823.

#### Raw materials
Positive change of €/000 2,645.
€/000 407 of the provision for the obsolescence of raw materials was used, net of the allocation of €/000 600.

#### Consumables
Positive change of €/000 31.

The change in work in progress, semifinished and finished products, for a total positive amount of €/000 3,174 was determined as follows:
› Finished products: positive change of €/000 4,113.
› Semifinished products: negative change of €/000 857.
› Work in progress negative change of €/000 82.

€/000 282 from the provision for the obsolescence of products was used in the year, net of the allocation of €/000 1,790.

## *5. Costs for services and leases and rental costs* *€/000 244,528*

These totalled €/000 244,528 compared to €/000 247,834 as of 31 December 2010.
Below is a breakdown of this item:

| | 2011 | 2010 | Change |
|---|---|---|---|
| In thousands of Euro | | | |
| Employee expenses and costs | 9,862 | 9,913 | (51) |
| Maintenance and cleaning | 4,542 | 4,602 | (60) |
| Energy, telephone and telex | 11,559 | 11,418 | 141 |
| Commissions paid | 20,980 | 22,548 | (1,568) |
| Advertising and promotion | 15,793 | 17,274 | (1,481) |
| Technical, legal and tax consultancy and services | 11,670 | 11,462 | 208 |
| Company boards operating costs | 2,146 | 2,124 | 22 |
| Insurance | 3,192 | 2,950 | 242 |
| Third party work | 20,748 | 18,667 | 2,081 |
| Transport costs (vehicles and spare parts) | 49,585 | 55,752 | (6,167) |
| Sundry commercial expenses | 14,907 | 14,427 | 480 |
| Product warranty costs | 9,160 | 14,033 | (4,873) |
| Costs for quality-related events | 10,478 | | 10,478 |
| Bank costs and factoring charges | 5,306 | 4,890 | 416 |
| Sundry business services | 37,226 | 43,200 | (5,974) |
| Other Services | 3,943 | 4,281 | (338) |
| Lease and rental costs | 13,431 | 10,293 | 3,138 |
| **Total costs for services** | **244,528** | **247,834** | **(3,306)** |

The decrease of €/000 3,306 is mainly attributable to the reduction in costs relative to transport costs, advertising and promotion costs, fees and commission payable, warranty costs and costs for business services, partially offset by the increase in costs for outsourced work services and lease and rental costs. Costs for quality-related events were partially offset by compensation received, recognised under "Other operating income" and amounting to €/000 5,424.

Lease and rental costs refer to €/000 5,953 for rental payments for buildings, €/000 5,486 for lease payments for the hire of vehicles, software and photocopiers, and €/000 1,993 for payments for the temporary performance of an industrial activity already carried out by a supplier declared as insolvent.
Third party work, of €/000 20,748, refers to processing on production components carried out by outsourced suppliers.

Transport costs total €/000 49,585 and refer to €/000 37,889 for the sale of products, €/000 9,383 for transport costs for purchases, €/000 1,308 for transport costs for shuttle and other transit services, and to €/000 1,005 for postal expenses and express courier services.

The item "Other services" includes services for public relations amounting to €/000 2,005, technical services for expertise amounting to €/000 1,246 as well as costs of employees seconded to other companies and costs of temporary work for a total of €/000 388.

Expenses for the operation of company boards refer to the activities of the Board of Directors and Board Directors with particular responsibilities, as well as the Board of Statutory Auditors, Supervisory Body and Internal Control Committee. These expenses include fees and the reimbursement of costs for €/000 1,750, €/000 294, €/000 62 and €/000 40 respectively.

Business services include outsourcing services for €/000 8,956, warehouse management services for € /000 539, relocation and restoration services for €/000 493, waste disposal and water treatment services for €/000 1,484, administration and back office services provided by group companies for €/000 19,097 and management services provided by the parent company IMMSI SpA for € /000 1,009.

## *6. Employee costs* *€/000 196,010*

Employee costs are broken down as follows:

| | 2011 | 2010 | Change |
|---|---|---|---|
| In thousands of Euro | | | |
| Salaries and wages | 131,159 | 134,571 | (3,412) |
| Social security contributions | 42,749 | 41,480 | 1,269 |
| Post-employment benefits | 7,910 | 9,308 | (1,398) |
| Other costs | 14,192 | 6,228 | 7,964 |
| **Total** | **196,010** | **191,587** | **4,423** |

The increase of 2.3% in labour costs is mainly due to the costs incurred for early retirement incentives during the year.
Employee costs include €/000 771 relating to stock option costs which were recorded in accordance with international accounting standards.
The workforce as of 31 December 2011 totalled 3,810 members of staff.

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

### Average number

| Level | 2011 | 2010 | Change |
|---|---|---|---|
| Senior Management | 77 | 92 | (15) |
| Middle Management | 214 | 221 | (7) |
| White collars | 1,016 | 1,063 | (47) |
| Manual labour | 2,722 | 2,842 | (120) |
| **Total** | **4,029** | **4,218** | **(189)** |

### Number as of

| Level | December 2011 | December 2010 | Change |
|---|---|---|---|
| Senior Management | 82 | 90 | (8) |
| Middle Management | 226 | 233 | (7) |
| White collars | 1,023 | 1,059 | (36) |
| Manual labour | 2,479 | 2,677 | (198) |
| **Total** | **3,810** | **4,059** | **(249)** |

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

| Level | As of 31/12/10 | Incoming | Leavers | Relocations | As of 31/12/11 |
|---|---|---|---|---|---|
| Senior Management | 90 | 2 | (10) | | 82 |
| Middle Management | 233 | 9 | (23) | 7 | 226 |
| White collars | 1,059 | 64 | (99) | (1) | 1,023 |
| Blue collars | 2,677 | 602 | (794) | (6) | 2,479 |
| **Total (*)** | **4,059** | **677** | **(926)** | **0** | **3,810** |
| (*) of which fixed-term contracts | 14 | 622 | (532) | (7) | 97 |

### *7. Amortisation/depreciation and impairment costs* *€/000 79,508*

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

| **Property, plant and equipment** | **2011** | **2010** | **Change** |
|---|---|---|---|
| In thousands of Euro | | | |
| Buildings | 3,332 | 3,276 | 56 |
| Plant and equipment | 7,557 | 8,211 | (654) |
| Industrial and commercial equipment | 14,992 | 16,129 | (1,137) |
| Other assets | 689 | 821 | (132) |
| **Total depreciation of tangible fixed assets** | **26,570** | **28,437** | **(1,867)** |

| **Intangible assets** | **2011** | **2010** | **Change** |
|---|---|---|---|
| In thousands of Euro | | | |
| Development costs | 22,679 | 25,312 | (2,633) |
| Industrial Patent and Intellectual Property Rights | 20,540 | 13,143 | 7,397 |
| Concessions, licences, trademarks and similar rights | 9,719 | 9,719 | 0 |
| **Total amortisation of intangible fixed assets** | **52,938** | **48,174** | **4,764** |

As set out in more detail in the paragraph on intangible assets, as of 1 January 2005, goodwill is no longer amortised, but tested annually for *impairment.*
The impairment test carried out as of 31 December 2011 confirmed the full recoverability of the amounts recorded in the financial statements.

Amortisation of the item “Concessions, licences, trademarks and similar rights” refers to amortisation of the Aprilia brand for €/000 5,467, of the Guzzi brand for €/000 3,047, of the Derbi brand for €/000 1,200 and of other brands from the merged company Aprilia SpA for €/000 5.
The item “Industrial Patent and Intellectual Property Rights” includes amortisation relative to software equal to €/000 5,757.

## *8. Other operating income* *€/000 131,244*

This item consists of:

| | 2011 | 2010 | Change |
|---|---|---|---|
| In thousands of Euro | | | |
| Operating grants | 3,492 | 4,164 | (672) |
| Increases in fixed assets from internal work | 28,445 | 28,380 | 65 |
| Other revenue and income: | | | |
| - Expenses recovered in invoices | 26,130 | 27,196 | (1,066) |
| - Rent receipts | 268 | 264 | 4 |
| - Contingent assets from measurement | 4,033 | 294 | 3,739 |
| - Capital gains on the disposal of assets | 121 | 2,002 | (1,881) |
| - Capital gains on securities available for sale | 5,371 | | 5,371 |
| - Recovery of transport costs | 107 | 18 | 89 |
| - Recovery of business costs | 1,334 | 1,216 | 118 |
| - Recovery of registration costs | 28 | 43 | (15) |
| - Recovery of advertising costs | 32 | 351 | (319) |
| - Recovery of stamp duty | 1,353 | 1,731 | (378) |
| - Recovery of labour costs | 4,850 | 3,248 | 1,602 |
| - Recovery of duty on exported products | 72 | 112 | (40) |
| - Recovery of supplier costs | 1,980 | 840 | 1,140 |
| - Recovery of warranty costs | 26 | 13 | 13 |
| - Recovery of taxes from customers | 769 | 820 | (51) |
| - Recovery of professional training costs | | 204 | (204) |
| - Recovery of sundry costs | 4,175 | 18,614 | (14,439) |
| - Provision of services to group companies | 18,700 | 11,066 | 7,634 |
| - Licence rights and know-how | 16,247 | 14,936 | 1,311 |
| - Commission receivable | 2,219 | 1,940 | 279 |
| - Sale of miscellaneous materials | | 529 | (529) |
| - Compensation from damage to third parties | 921 | 3,006 | (2,085) |
| - Compensation from third parties for quality-related events | 5,424 | | 5,424 |
| - Sponsorship | 1,020 | 1,456 | (436) |
| - Clearance of payables | 183 | 45 | 138 |
| - Other income | 3,944 | 3,666 | 278 |
| **Total other operating income** | **131,244** | **126,154** | **5,090** |

The increase amounted to €/000 5,090

Operating grants refer to:
- €/000 1,521 for benefits established by law 296/2006 (2007 Budget), subsequently amended by law 244/2007 (2008 Budget), which provided benefits for companies undertaking precompetitive Research and Development programmes, starting from 1 January 2007 and reaching completion by 31 December 2009. The benefit consists of a tax income to be used against payable taxes. The costs to which the benefit refers were incurred in 2007/2008/2009. This funding refers to funding recorded in the income statement in relation to the amortisation of capitalised costs.
- €/000 1,685 for other state and EU funding for research projects.
- €/000 178 for funding for professional training provided by trade associations.
- €/000 108 for the portion relative to the year of sums received from a customer for product development.

During the year, internal costs for product development projects of €/000 28,373 were capitalised, in addition to internal costs for the construction of property, plant and equipment, amounting to €/000 72.
Expenses recovered in invoices refer to costs for preparation, advertising, insurance, transport and packaging charged to clients directly in product sales invoices.
The item "Recovery of sundry costs" includes €/000 478 and €/000 310 charged to the subsidiaries Piaggio Vietnam and Piaggio Vehicles respectively, as well as €/000 282 charged to the associated company Zongshen Piaggio Foshan for the supply of components, equipment and various materials for the construction and

production of vehicles. The item also includes sums charged to third-party customers of €/000 1,073 for the recovery of administration costs relative to sales invoices.
Licence rights of €/000 16,247 were obtained mainly from the subsidiaries Piaggio Vehicles (€/000 8,418) and Piaggio Vietnam (€/000 5,628), from the associated company Zongshen Piaggio Foshan (€/000 98) as well as from the third party companies JINCHENG GROUP (€/000 377), THE BEANSTALK (€/000 870), FORME SRL (€/000 774).
Income from the recovery of labour costs mainly refers to amounts charged to Group companies for the use of personnel.

The recovery of costs from suppliers refers to amounts charged for the reprocessing of materials and final inspections, and for failure to supply assembly lines with material.
The recovery of stamp duty mainly refers to amounts charged to dealers for stamp duty on vehicle conformity certificates, as from 1 January 2005.
Other income mainly refers to contingent assets obtained during the period.

### *9. Other operating costs* *€/000 19,169*

This item consists of:

| In thousands of Euro | 2011 | 2010 | Change |
|---|---|---|---|
| Allocation for future risks | | | 0 |
| Allocation for litigation | | 500 | (500) |
| **Total allocations for risks** | | **500** | **(500)** |
| | | | |
| Allocation for product warranties | 9,849 | 11,586 | (1,737) |
| **Total other allocations** | **9,849** | **11,586** | **(1,737)** |
| | | | |
| Stamp duty | 1,567 | 1,899 | (332) |
| Non-income tax and duties | 1,078 | 1,275 | (197) |
| Council tax (ICI) | 707 | 710 | (3) |
| Various subscriptions | 879 | 784 | 95 |
| Social charges | 351 | 281 | 70 |
| Capital losses from disposal of assets | 12 | 11 | 1 |
| Miscellaneous expenses | 2,721 | 3,598 | (877) |
| Losses on receivables | 1,543 | 786 | 757 |
| **Total sundry operating expenses** | **8,858** | **9,344** | **(486)** |
| | | | |
| Write-down of development costs | | 36 | (36) |
| Impairment of receivables in working capital | 462 | 1,253 | (791) |
| **Total impairment** | **462** | **1,289** | **(827)** |
| | | | |
| **Total other operating costs** | **19,169** | **22,719** | **(3,550)** |

Overall, other operating costs decreased by €/000 3,550.
This change is due to lower provisions for risks and expenses, lower write-downs and fewer sundry operating expenses.

Stamp duty of €/000 1,567 mainly refers to the tax due on vehicle conformity certificates. This cost is charged to Dealers and the recovered amount is entered under “Other operating income”.
Sundry costs include contingent liabilities amounting to €/000 1,358.

## *10. Income/(loss) from investments* *€/000 72,490*

This item consists of:

| | 2011 | 2010 | Change |
|---|---|---|---|
| In thousands of Euro | | | |
| Dividends from subsidiaries | 75,594 | 49,934 | 25,660 |
| Value reinstatements on investments in subsidiaries | 784 | | 784 |
| Value reinstatements on investments in affiliated companies | 1,532 | 5,286 | (3,754) |
| Dividends from the investments of non-controlling interests | 193 | 11 | 182 |
| Write-down of investments in subsidiaries | (5,613) | (1,048) | (4,565) |
| **Total** | **72,490** | **54,183** | **18,307** |

Dividends of €/000 40,673 were distributed by the subsidiary Piaggio Vehicles Ltd, of €/000 10,700 by Piaggio Vespa B.V., €/000 24,181 by Piaggio Vietnam and of €/000 40 by Piaggio Finance (the latter company ceased operating in the year).
The value reinstatement on investments of €/000 1,532 concerns the affiliated company Zongshen Piaggio Foshan, while the value reinstatement of €/000 784 refers to the subsidiary Piaggio China. The latter amount includes annulment of accumulated depreciation recognised in previous years and amounting to €/000 195. The value of investments recorded as assets now amounts to €/000 589 for the subsidiary Piaggio China and €/000 1,532 for the affiliated company Zongshen Piaggio Foshan.
The impairment of investments relative to subsidiaries reflects the lower value of €/000 5,600 concerning the investment in Nacional Motor and the loss of €/000 13 as a result of the liquidation of Moto Laverda being finalised in the year.

## *11. Net financial income/(borrowing costs)* *€/000 (26,472)*

Financial income and borrowing costs are detailed below:

| | 2011 | 2010 | Change |
|---|---|---|---|
| In thousands of Euro | | | |
| Financial income | | | |
| - From subsidiaries | 578 | 772 | (194) |
| Financial income from third parties: | | | |
| - Interest from securities | 748 | 579 | 169 |
| - Interest receivable from clients | 98 | 118 | (20) |
| - Bank and post office interest payable | 1,041 | 1,045 | (4) |
| - Interest payable on financial receivables | | 2 | (2) |
| - Financial income from discounting back receivables | | | 0 |
| - Other | 54 | 7 | 47 |
| Total financial income from third parties: | 1,941 | 1,751 | 190 |
| **Total financial income** | **2,519** | **2,523** | **(4)** |

The amount of €/000 578 recognised as financial income from subsidiaries refers to:
- a total of €/000 542 for interest relative to financial assets receivable from the subsidiaries Nacional Motor (€/000 192), AWS (€/000 261), Piaggio Group Americas (€/000 42), Piaggio Espana (€/000 7) and Aprilia Racing (€/000 40);
- €/000 36 for cash pooling by Piaggio for Nacional Motor.

| In thousands of Euro | 2011 | 2010 | Change |
|---|---|---|---|
| Borrowing costs: | | | |
| - Payable to subsidiaries | 47 | 40 | 7 |
| - Payable to parent companies | | - | 0 |
| Total borrowing costs payable to the Group | 47 | 40 | 7 |
| Borrowing costs payable to third parties: | | | |
| - Interest payable on a debenture loan | 13,246 | 11,846 | 1,400 |
| - Interest payable on bank accounts | 662 | 7 | 655 |
| - Interest payable on bank loans | 7,692 | 8,285 | (593) |
| - Interest payable on import/export advance loan | 11 | 159 | (148) |
| - Interest payable to other lenders | 936 | 1,185 | (249) |
| - Interest payable on subdiscount factor operations | 1,910 | 1,374 | 536 |
| - Cash discounts to clients | 804 | 944 | (140) |
| - Capital losses on the disposal of securities recognised as current assets | 998 | | 998 |
| - Costs for derivatives | 138 | | 138 |
| - Bank charges on loans | 408 | 436 | (28) |
| - Interest payable on lease agreements | 205 | 207 | (2) |
| - Borrowing costs of discounting termination benefits | 2,225 | 2,587 | (362) |
| - Other | 20 | 5,832 | (5,812) |
| Total borrowing costs Vs third party costs | 29,255 | 32,862 | (3,607) |
| **Total borrowing costs** | **29,302** | **32,902** | **(3,600)** |

The item "payable to subsidiaries" of €/000 47 refers to interest payable on loans to Piaggio Vespa B.V. (€/000 45) and P&D (€/000 2).
Interest payable on debenture loans refers to borrowing costs for the year concerning the debenture loan issued by the Company on 4 December 2009, falling due on 1 December 2016 and the debenture loan issued on 25 July 2011 falling due on 31 July 2021.
Interest payable to other lenders mainly refers to interest payable to factoring companies and banks for the sale of trade receivables. The item also includes interest payable to the financial administration authorities (€/000 60) relating to the acknowledgement of notices of assessment.

| In thousands of Euro | 2011 | 2010 | Change |
|---|---|---|---|
| - Exchange gains | 6,356 | 20,652 | (14,296) |
| - Exchange losses | (6,586) | (21,920) | 15,334 |
| Total exchange gains (losses) | (230) | (1,268) | 1,038 |
| | | | |
| - Exchange gains | 1,455 | 6,720 | (5,265) |
| - Exchange losses | (914) | (6,269) | 5,355 |
| Total valuation exchange gains (losses) | 541 | 451 | 90 |
| | | | |
| **Net exchange gains/(losses)** | **311** | **(817)** | **1,128** |

## *12. Taxation* *€/000 (2,705)*

The item "Income taxes" is detailed below:

| In thousands of Euro | 2011 | 2010 | Change |
|---|---|---|---|
| Current taxes | 13,199 | 17,402 | (4,203) |
| Deferred tax liabilities | 769 | 507 | 262 |
| Deferred tax assets | (16,673) | (15,505) | (1,168) |
| **Total taxes** | **(2,705)** | **2,404** | **(5,109)** |

Current taxes consist of:

- €/000 3,155 for taxes on foreign income, mainly arising from royalties from the Indian subsidiary Piaggio Vehicles Ltd. and the subsidiary Piaggio Vietnam, of which taxes were €/000 2,263 and €/000 795 respectively, as well as income generated by the Spanish branch, of which taxes amounted to €/000 36.
- €/000 3,953 for regional production tax on income for the year.
- €/000 1,991, registering a decrease, from the release of portions of provisions for deferred taxes assets allocated in previous years.
- €/000 7,030 for the payment of deferred tax assets (corporate tax and regional production tax) allocated in previous years and attributable to temporary changes that were annulled in the year.
- €/000 122 for costs arising from the consolidated tax convention.
- €/000 930 from taxes referred to previous years.

Deferred tax liabilities and deferred tax assets of €/000 769 and €/000 16,673 respectively were recognised. 2011 taxes were negative amounting to €/000 2,705. In 2010, taxes were positive amounting to €/000 2,404.

Reconciliation in relation to the theoretical rate is shown below:

| In thousands of Euro | 2011 |
|---|---|
| **Revenue taxes on income** | |
| Earnings before tax | 44,323 |
| Theoretical rate | 27.50% |
| Theoretical tax | 12,189 |
| Tax effect arising from permanent changes | (19,092) |
| Tax effect arising from temporary changes | (1,506) |
| Reverse deferred corporate tax liabilities allocated in previous years for temporary changes | (1,780) |
| Reverse advanced corporate tax assets allocated in previous years for temporary changes | 6,255 |
| Tax effect arising from taxes on income produced abroad | 3,155 |
| Taxes relative to previous years | 930 |
| Expenses (income) from the Consolidated Tax Convention | 122 |
| Tax effect arising from deferred corporate tax liabilities for temporary changes | 742 |
| Tax effect arising from advanced corporate tax assets for temporary changes | (6,301) |
| Tax effect arising from advanced corporate tax assets allocated for the 2010 tax loss | (1,157) |
| | |
| **Regional production tax (irap)** | |
| Regional production tax on net revenues for the year | 3,953 |
| Reverse deferred regional production tax liabilities allocated in previous years for temporary changes | (211) |
| Reverse advanced regional production tax assets allocated in previous years for temporary changes | 775 |
| Tax effect arising from deferred regional production tax liabilities for temporary changes | 27 |
| Tax effect arising from advanced regional production tax assets for temporary changes | (806) |
| | |
| **Income taxes recognised in the financial statement** | **(2,705)** |

Theoretical tax rates were determined applying the corporate tax rate in effect in Italy (27.5%) to earnings before tax. The impact arising from the regional production tax rate was determined separately, as this tax is not calculated on the basis of earnings before tax.
As regards 2011, within the framework of the National Consolidated Tax Convention, in which Immsi is Consolidating company, Piaggio & C SpA transferred a negative taxable income for corporate tax (tax loss) of €/000 30,580 to the Consolidating company.

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

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

## C) Information on the Statement of Financial Position - Assets

### 14. Intangible Assets €/000 538,873

The table below shows the breakdown of intangible assets as of 31 December 2011 and 31 December 2010, as well as movements during the year.

| | Development costs | Patent rights | Concessions, licences and trademarks | Goodwill | Other | Total |
|---|---|---|---|---|---|---|
| In thousands of Euro | | | | | | |
| Historical cost | 123,360 | 166,014 | 227,105 | 463,926 | - | 980,405 |
| Provisions for impairment | (36) | - | - | - | - | (36) |
| Accumulated depreciation | (73,937) | (132,774) | (133,611) | (95,375) | - | (435,697) |
| | | | | | | |
| **Assets as of 31/12/2010** | **49,387** | **33,240** | **93,494** | **368,551** | **0** | **544,672** |
| | | | | | | |
| Investments | 25,765 | 22,516 | - | - | - | 48,281 |
| Depreciation | (22,679) | (20,540) | (9,719) | - | - | (52,938) |
| Disposals | (1,028) | (90) | - | - | - | (1,118) |
| Write-downs | - | - | - | - | - | 0 |
| Exchange differences | - | - | - | - | - | - |
| Other movements | (4,939) | 4,915 | - | - | - | (24) |
| | | | | | | |
| **Total changes** | **(2,881)** | **6,801** | **(9,719)** | **0** | **0** | **(5,799)** |
| | | | | | | |
| Historical cost | 98,916 | 193,659 | 227,105 | 463,926 | - | 982,849 |
| Provisions for impairment | - | - | - | - | - | - |
| Accumulated depreciation | (52,410) | (153,618) | (143,330) | (95,375) | - | (443,976) |
| | | | | | | |
| **Assets as of 31/12/2011** | **46,506** | **40,041** | **83,775** | **368,551** | **0** | **538,873** |

Property, plant and equipment decreased overall by €/000 5,799 following depreciation for the period net of investments for the year.
Increases mainly refer to the capitalisation of development costs for new products and new engines, as well as the purchase of software.

#### Development costs €/000 46,506

*Development costs* include costs for products and engines in projects for which there is an expectation, for the period of the useful life of the asset, to see net sales at such a level in order to allow the recovery of the costs incurred. This item also includes assets under construction for €/000 19,009 that represent costs for which the conditions for capitalisation exist, but in relation to products that will go into production in future years.
During 2011, and based on an overall analysis of capitalised development costs, to verify correct classification, the Company reclassified costs incurred in previous years but not yet fully amortised, relative to the projects listed in the table below, from "Development costs" to "Industrial Patent and Intellectual Property Rights":

| | | | |
|---|---|---|---|
| Tuono motorcycle | Porter Petrol | New 350 engine | New Vespa LX India |
| 1200 2C engine | Porter Diesel 1200 | New Fly | New John Deere |
| 1000 4C 4V engine | NEW APE "NT3" | New Liberty Electric | New RS DERBI |
| 125 RS engine | MP3 New version | MP3 hybrid engine | |
| 3V LEM engines | New Beverly | New 125/300 ie engines | |

These products and their development have made it necessary to adopt highly innovative technical solutions, develop new calculation methods and regulations, define ad hoc design and testing techniques, acquire technologically advanced measurement and test equipment, and have enabled Piaggio to diversify its technical expertise and the quality and functional standards of some of its vehicles compared to the competition. In this framework, the 2011 Financial Statements reflect the total costs incurred in the product development process to a better extent, because although complying with the capitalisation criteria of IAS 38, they did not lead to the Company obtaining specific patents or the acquisition of particular technical expertise not yet available to third parties.

As regards development costs, new projects capitalised during 2011 refer mainly to new engines for Aprilia and Moto Guzzi motorcycles, new low-emission 3V engines for new scooters, the new Tuono 1000, Dorsoenduro, New California and V7 Racer motorcycles, the new New Beverly, XGT and Vespa scooters and relative engines, the MP3 Hybrid and relative engines, as well as three- and four-wheeler vehicles such as the Porter Petrol and Diesel version and the New Ape NT3.
Development costs included under this item are amortised on a straight line basis over 3 years, in consideration of their remaining useful life.
During 2011, development costs of approximately 27.4 million Euro were recognised directly in profit or loss.
Pursuant to article 2426, section 5 of the Italian Civil Code, the value of research and development costs still to be amortised equal to €/000 46,506 is unavailable in shareholders' equity.

### Industrial Patent and Intellectual Property Rights €/000 40,041

This item comprises patents for €/000 79, know-how for €/000 29,446 and software for €/000 10,516.
As regards software, the increase in the period amounted to €/000 7,813 and was mainly attributable to the purchase of various licences, upgrades and the introduction of the new PLM system (Product Lifecycle Management) for the RD area, as well as the implementation of projects for sales, production, personnel and administration.

Investments in know-how totalled €/000 14,703.
Costs for industrial patent and intellectual property rights are amortised over three years, except for costs for the purchase of SAP licences which are amortised over 5 years.

### Trademarks, concessions and licences €/000 83,775

The item *Trademarks, concessions and licences*, equal to €/000 83,775 consists of:

| | As of 31 December 2011 | As of 31 December 2010 | Change |
|---|---|---|---|
| In thousands of Euro | | | |
| Derbi brand | 15,600 | 16,800 | (1,200) |
| Guzzi brand | 24,375 | 27,422 | (3,047) |
| Aprilia brand | 43,735 | 49,202 | (5,467) |
| Laverda brand | - | - | - |
| Suzuki licence | - | - | - |
| Minor brands | 65 | 70 | (5) |
| **Total Trademarks** | **83,775** | **93,494** | **(9,719)** |

During the period, the value of the Guzzi brand decreased due to amortisation of €/000 3,047 recorded in the income statement, and determined on the basis of the estimated useful life up until 2019.
During the period, the value of the Aprilia brand decreased due to amortisation of €/000 5,467 recorded in the income statement, and determined on the basis of the estimated useful life up until 2019.
During the period, the value of the Derbi brand decreased due to amortisation of €/000 1,200 recorded in the income statement, and determined on the basis of the estimated useful life up until 2024.
The value of other brands acquired with the Aprilia merger decreased during the year by €/000 5 following amortisation calculated on the basis of the estimated useful life.

### Goodwill €/000 368,551

The item *Goodwill* refers to €/000 265,135 for the portion of the merger deficit paid and originating from the merger of Piaggio & C. SpA (€/000 250,569) and Vipifin SpA (€/000 14,566) in Piaggio & C. SpA (formerly MOD SpA) which took place in 2000, to €/000 456 for goodwill generated in previous years from mergers undertaken by the merged company Aprilia, to €/000 79,705 for the amount recognised following the merger of Aprilia in 2005 and to €/000 23,255 for the amount recognised following the spin off of the technological, business and organisational branch of the subsidiary Nacional Motor in favour of Piaggio in 2009.

As specified in information on accounting standards, as from 1 January 2005 goodwill is no longer amortised, but is tested for impairment annually, or more frequently if specific events or changed circumstances indicate the possibility of impairment, in accordance with the provisions of IAS 36 *Impairment of Assets* (impairment test).

In compliance with IAS 36 the methodology adopted is based on the unlevered version of discounted cash flows.

The main hypotheses to determine future financial flows, relative to a four-year period, and the consequent recoverable value (value in use) refer to:

*a.* the use of figures from the Piaggio Group 2011-2014 Plan approved by the Board of Directors on 13 December 2011 for data relative to 2012 - 2014;
*b.* the use of the growth rate g to obtain figures for 2015, starting from data of the 2014 Plan;
*c.* the discount rate (WACC).

In particular, Piaggio adopted a discount rate (WACC) which reflects market valuations of the fair value of money and takes account of specific risks of areas where it operates this rate is equal to 9.1%.
In the future cash flows discounting model, a final value is entered at the end of the cash flow projection period, to reflect the residual value Piaggio should produce. The final value represents the current value, at the last year of the projection, of all subsequent cash flows calculated as perpetual income, and was determined using a growth rate (g rate) equal to 1.5%.

The impairment test carried out as of 31 December 2011 confirmed that there was no need to make any changes to the figures in the financial statements. The business plan prepared by the Group, which predicts a positive performance for companies over the next three years, provides reassurance on the appropriateness of the figures used.

Given that the recoverable value was estimated, the Company cannot guarantee the absence of goodwill impairment in future financial periods.

Given the current market crisis, the various factors utilised in the estimates could require revision; the Company will constantly monitor these factors as well as the existence of impairment losses.

### *15. Property, plant and equipment* *€/000 182,484*

The table below shows the breakdown of plant, property and equipment as of 31 December 2011 and 31 December 2010, as well as movements during the period.

| | Land | Buildings | Plants and machinery | Equipment | Other assets | Total |
|---|---|---|---|---|---|---|
| In thousands of Euro | | | | | | |
| Historical cost | 28,034 | 107,537 | 253,699 | 439,909 | 25,461 | 854,640 |
| Reversals | - | 4,816 | 2,368 | 6,253 | 199 | 13,636 |
| Provisions for impairment | - | - | - | (1,339) | - | (1,339) |
| Accumulated depreciation | - | (39,803) | (222,080) | (402,442) | (23,055) | (687,380) |
| | | | | | | |
| **Assets as of 31/12/2010** | **28,034** | **72,550** | **33,987** | **42,381** | **2,605** | **179,557** |
| | | | | | | |
| Investments | - | 9,546 | 7,536 | 12,036 | 465 | 29,583 |
| Depreciation | - | (3,332) | (7,557) | (14,992) | (688) | (26,569) |
| Disposals | - | - | (10) | (101) | - | (111) |
| Impairment | - | - | - | - | - | - |
| Other movements | - | - | - | - | 24 | 24 |
| | | | | | | |
| **Total changes** | **-** | **6,214** | **(31)** | **(3,057)** | **(199)** | **2,927** |
| | | | | | | |
| Historical cost | 28,034 | 117,083 | 257,141 | 449,642 | 25,941 | 877,841 |
| Reversals | - | 4,816 | 2,368 | 6,253 | 199 | 13,636 |
| Provisions for impairment | - | - | - | (1,339) | - | (1,339) |
| Accumulated depreciation | - | (43,135) | (225,553) | (415,232) | (23,734) | (707,654) |
| | | | | | | |
| **Assets as of 31/12/2011** | **28,034** | **78,764** | **33,956** | **39,324** | **2,406** | **182,484** |

Increases mainly refer to moulds for new vehicles and engines launched during the year, drive shaft processing lines, engine test benches and the experimental workshop.

#### Land €/000 28,034

#### Buildings €/000 78,764

Movements for this item during the period are due to increases for €/000 9,546 and depreciation for the period for €/000 3,332.
Capitalisation amounting to €/000 9,546 during the period concerned the following acquisitions:
› various works at the Pontedera site for €/000 1,296;
› renovation works at the Moto Guzzi site for €/000 950;
› various works at the Noale and Scorzé sites for €/000 600;
› the start of construction of the new Spare Parts Production Site for €/000 6,700.

## Plants and machinery €/000 33,956

Movements for this item during the period are due to increases of €/000 7,536, depreciation for the period of €/000 7,557 and disposals during the year of €/000 10.
Capitalisation amounting to €/000 7,536 during the period concerned the following acquisitions:
- Upgrading of equipment at the two- and three-wheeler workshops: €/000 523;
- Investments for engine assembly lines: €/000 882;
- Investments for the vehicle painting and assembly area: €/000 414;
- Purchase of machinery for mechanical processing: €/000 2,219;
- Investments for new engines and new vehicles:  €/000 2,364;
- Investments for the new Spare Parts Production Site: €/000 1,134.

## Equipment €/000 39,324

Movements for this item during the period are due to increases of €/000 12,036, and decreases of €/000 14,992 from depreciation for the period and to €/000 101 from disposals for the year. Capitalisation in the period equal to €/000 12,036 mainly refers to:
- The renewal of moulds due to wear and for safety purposes €/000 2,602;
- Laboratory equipment €/000 343;
- Equipment for assembly lines at the Pontedera site €/000 1,347;
- Equipment for assembly lines at the Scorzé site €/000 300;
- Equipment for assembly lines at the Mandello site €/000 40;
- Equipment for welding lines at the Pontedera site €/000 306;
- Equipment to improve vehicle quality standards €/000 331;
- Equipment for vehicle design changes €/000 320;
- The purchase of moulds for the Vespa PX €/000 409;
- The purchase of moulds for the Porter petrol/diesel version €/000 322;
- The purchase of moulds for the MP3 Light €/000 904;
- The purchase of moulds for RS 50 - 125 motorcycles €/000 418;
- The purchase of moulds for the Liberty Electric €/000 552;
- The purchase of moulds for the Moto Guzzi Stelvio €/000 205;
- The purchase of moulds for the Tuono motorcycle €/000 516;
- The purchase of moulds for the New Beverly €/000 465;
- The purchase of moulds for the Aprilia SRV 850 €/000 92;
- The purchase of moulds for the new XGT (X10) €/000 587;
- The purchase of equipment for the Moto Guzzi California €/000 240;
- The purchase of equipment for the Moto Guzzi V7 €/000 168;
- The purchase of moulds for the 850 John Deere engine €/000 163;
- The purchase of moulds for the 125-150 3V LEM engine €/000 500;
- The purchase of moulds for 350cc scooter engines €/000 700;
- The purchase of moulds for Piaggio vehicle engines €/000 107
- The purchase of moulds for Guzzi vehicle engines €/000 45
- The purchase of moulds for Aprilia vehicle engines €/000 54.

## Other plant, property and equipment €/000 2,406

As of 31 December 2011 the item *Other assets* comprised the following:

| In thousands of Euro | As of 31 December 2011 | As of 31 December 2010 | Change |
|---|---|---|---|
| EDP systems | 850 | 1,002 | (152) |
| Office furniture and equipment | 1,003 | 1,061 | (58) |
| Vehicles | 23 | - | 23 |
| Cars | 530 | 542 | (12) |
| **Total** | **2,406** | **2,605** | **(199)** |

## Impairment reversals of fixed assets

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

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

## Guarantees

As of 31 December 2011, the Company had land and buildings encumbered by mortgage liens in favour of banks to secure loans obtained in previous years. The related reimbursement of capital is €/000 368.

## *16. Investment Property* *€/000 0*

As of 31 December 2011 no investment property was held.

## *17. Investments* *€/000 38,896*

The Investments heading comprises:

| In thousands of Euro | As of 31 December 2011 | As of 31 December 2010 | Change |
|---|---|---|---|
| Investments in subsidiaries | 37,173 | 39,345 | (2,172) |
| Investments in affiliated companies | 1,723 | 191 | 1,532 |
| **Total** | **38,896** | **39,536** | **(640)** |

Movements for the period are shown below:

| | Carrying amount as of 31/12/2010 | Incr. | Value reinstatent | Write-downs | Disposals | Carrying amount as of 31/12/2011 |
|---|---|---|---|---|---|---|
| In thousands of Euro | | | | | | |
| **Subsidiaries** | | | | | | |
| Piaggio Vespa B.V. | 11,927 | | | | | 11,927 |
| Piaggio Vehicles Pvt Ltd | 15,793 | | | | | 15,793 |
| Nacional Motor | 5,653 | 2,600 | | (5,600) | | 2,653 |
| Piaggio Vietnam Co Ltd | 1,440 | 322 | | | | 1,762 |
| Piaggio Finance | 31 | | | | (31) | 0 |
| Piaggio China Ltd | 0 | | 589 | | | 589 |
| AWS B.V. | 0 | | | | | 0 |
| P&D SpA in liquidation | 284 | | | | | 284 |
| Aprilia Racing S.r.l. | 1,440 | | | | | 1,440 |
| Piaggio Espana SL | 2,721 | | | | | 2,721 |
| Piaggio Indonesia | | 4 | | | | 4 |
| Moto Laverda in liquidation | 56 | | | (13) | (43) | 0 |
| **Total subsidiaries** | **39,345** | **2,926** | **589** | **(5,613)** | **(74)** | **37,173** |
| **Affiliated companies** | | | | | | |
| Zongshen Piaggio Foshan | 0 | | 1,532 | | | 1,532 |
| Pontech Soc. Cons. a.r.l. | 181 | | | | | 181 |
| Immsi Audit S.c.a.r.l. | 10 | | | | | 10 |
| Fondazione Piaggio | 0 | | | | | 0 |
| **Total affiliated companies** | **191** | **0** | **1,532** | **0** | **0** | **1,723** |
| **Total investments** | **39,536** | **2,926** | **2,121** | **(5,613)** | **(74)** | **38,896** |

## Investments in subsidiaries €/000 37,173

Increases for the period refer to:
- €/000 2,600 for payment of a grant in favour of Nacional Motor;
- €/000 322 for the purchase of 12.5% of share capital in Piaggio Vietnam by Simest;
- €/000 4 for the payment of 1% of share capital of Piaggio Indonesia;
- €/000 589 to recover the portion of the value in the investment in Piaggio China, written down in previous years, following the positive economic trend of the Chinese affiliated company Zongshen Piaggio Foshan Motorcycle in relation to which Piaggio China holds 12.5% of the share capital.

Decreases refer to:
- the write-down of the investment in Nacional Motor for €/000 5,600, to adjust it to the value in use, determined based on discounted cash flows;
- the write-down of the investment in Moto Laverda for €/000 13, already in liquidation, following the loss from the period;
- the disposal of investments in Piaggio Finance and Moto Laverda for €/000 31 and €/000 43 respectively, following the finalisation of relative voluntary insolvency proceedings.

## Investments in Associates €/000 1,723

The increase of €/000 1,532 refers to the recovery of the portion of the value of the investment in the Chinese company Zongshen Piaggio Foshan Motorcycle, written down in previous years, following its positive economic trend.

The value reinstatement on investments in Zongshen Piaggio Foshan Motorcycle and Piaggio China was determined based on the estimated recoverable value, represented by the value in use. This was calculated discounting expected cash flows processed on the basis of approved plans; the discount rate used includes a specific risk consistent with the geographic segment where the company operates.

## *18. Other non-current financial assets* *€/000 21,012*

| | As of 31 December 2011 | As of 31 December 2010 | Change |
|---|---|---|---|
| In thousands of Euro | | | |
| Receivables due from subsidiaries | | 168 | (168) |
| Fair value of hedging derivatives | 9,094 | | 9,094 |
| Investments in other companies | 165 | 165 | 0 |
| Securities available for sale | 11,753 | 17,889 | (6,136) |
| **Total** | **21,012** | **18,222** | **2,790** |

The item Fair value of hedging derivatives refers to the fair value of the cross currency swap to hedge the private debenture loan. For details, see note 32 on Financial Liabilities and attachment H.
The decrease of €/000 6,136 relative to securities available for sale reflects the partial repayment of the value of securities in the year by the Issuer.

The table below shows the breakdown of investments in other companies:

| Other companies | Carrying amount as of 31 December 2011 |
|---|---|
| In thousands of Euro | |
| Accounted for using the cost method: | |
| Sviluppo Italia Liguria S.c.p.a. (formerly Bic Liguria SpA) | 5 |
| Consorzio Pisa Ricerche | 76 |
| A.N.C.M.A. – Rome | 2 |
| GEOFOR SpA | 47 |
| E.CO.FOR. Service SpA | 2 |
| Consorzio Fiat Media Center – Turin | 3 |
| IVM GMBH | 9 |
| Mitsuba FN Europe SpA | |
| S.C.P.S.T.V. | 21 |
| **Total other companies** | **165** |

No changes took place during 2011.

## *19. Current and non-current tax receivables* *€/000 10,603*

Tax receivables totalled €/000 10,603 as of 31 December 2011 and consist of the following:

| | As of 31 December 2011 | As of 31 December 2010 | Change |
|---|---|---|---|
| In thousands of Euro | | | |
| VAT receivables | 9,148 | 10,591 | (1,443) |
| Tax receivables for taxes to be reimbursed | 1,236 | 1,197 | 39 |
| Other tax receivables | 219 | 2,745 | (2,526) |
| **Total** | **10,603** | **14,533** | **(3,930)** |

Non-current tax receivables total €/000 976 compared to €/000 967 as of 31 December 2010. Refunds for €/000 51 and other positive variations for €/000 60 were recorded during the year.
Current tax receivables due from Tax authorities total €/000 9,627 compared to €/000 13,566 as of 31 December 2010. The decrease of €/000 3,939 is mainly due to the change in VAT receivables (€/000 1,443), regional production tax receivables (€/000 1,932) and receivables for stamp duty paid electronically (€/000 397).

### *20. Deferred tax assets* *€/000 41.088*

Deferred tax assets total €/000 41,088 compared to €/000 30,801 as of 31 December 2010, recording a positive change of €/000 10,287.
The balance as of 31 December 2011 includes deferred tax assets of €/000 2,815 from the merged company Moto Guzzi. The latter amount relates to the 2007 tax loss reported by the merged company and transferred to the parent company IMMSI under the consolidated tax convention and refers to the amount that IMMSI has to pay against the portion of the aforesaid tax loss still not used.
The balance as of 31 December 2011 includes deferred tax assets of €/000 4,282 and €/000 8,409 respectively relative to the 2010 and 2011 tax loss of Piaggio transferred or awaiting transfer to IMMSI under the consolidated tax convention that IMMSI will use in future years.
The positive change of €/000 10,287 was generated from: €/000 7,030 relative to deferred tax assets of previous years recorded in the income statement in relation to temporary changes, from €/000 178 from portions of deferred tax assets recognised as shareholders' equity, from €/000 7,929 due to the recognition of new deferred tax assets from temporary changes of which €/000 822 directly recognised as shareholders' equity and €/000 9,566 from the recognition of new deferred tax assets from the remainder of the 2010 tax loss (€/000 1,157) and tax loss expected for 2011 (€/000 8,409).

Additional deferred tax assets amounting to €/000 17,495 were recognised in light of forecast results of Piaggio & C. SpA, and the foreseeable use of relative tax benefits in future years.
Details of items affected by the allocation of deferred tax assets as well as the amount of deferred tax assets already recognised and not recognised are shown in the table below.

| | Amount | Tax effect 27.5% | Tax effect 3.9% |
|---|---|---|---|
| In thousands of Euro | | | |
| Nacional Motor goodwill | 20,671 | 5,685 | 806 |
| Provisions for risks | 6,364 | 1,750 | 218 |
| Provision for product warranties | 12,207 | 3,357 | 476 |
| Provision for quality-related events | 391 | 108 | 15 |
| Provisions for bad debts | 20,361 | 5,599 | |
| Provisions for obsolete stock | 28,345 | 7,794 | 1,106 |
| Other changes | 3,435 | 945 | 46 |
| **Total on provisions and other changes** | **91,774** | **25,238** | **2,667** |
| | | | |
| **IAS effects** | **14** | **4** | |
| | | | |
| 2006 tax loss including Moto Guzzi | 7,749 | 2,131 | |
| 2007 tax loss including Moto Guzzi transferred to IMMSI | 10,236 | 2,815 | |
| 2010 tax loss transferred to IMMSI | 15,570 | 4,282 | |
| 2011 tax loss to transfer to IMMSI | 30,580 | 8,409 | |
| **Total on tax losses** | **64,135** | **17,637** | **0** |
| | | | |
| **Losses from the fair value measurement of financial instruments** | **2,988** | **822** | **0** |
| **Deferred tax assets already recognised** | | **41,088** | |
| **Deferred tax assets not recognised for provisions and other changes** | | **5,280** | |

Overall, deferred tax assets can be summarised as follows:

| | Values as of 31 December 2010 | Portion to the income statement | Portion recognised in shareholders' equity | Portion to the income statement | Portion allocated to shareholders' equity | Values as of 31 December 2011 |
|---|---|---|---|---|---|---|
| In thousands of Euro | | | | | | |
| Deferred tax assets for: | | | | | | |
| Temporary changes | 22,730 | (7,030) | (178) | 7,107 | 822 | 23,451 |
| Previous tax losses | 2,131 | | | | | 2,131 |
| Losses transferred within the framework of tax consolidation | 5,940 | | | 9,566 | | 15,506 |
| **Total** | **30,801** | **(7,030)** | **(178)** | **16,673** | **822** | **41,088** |

### *21. Current trade receivables* *€/000 67,189*

Current trade receivables amounted to €/000 67,189 compared to €/000 91,273 as of 31 December 2010, registering a decrease of €/000 24,084.

No non-current trade receivables were recorded for either period.

| | As of 31 December 2011 | As of 31 December 2010 | Change |
|---|---|---|---|
| In thousands of Euro | | | |
| Trade receivables | 42,821 | 56,495 | (13,674) |
| Trade receivables due from subsidiaries | 22,903 | 33,005 | (10,102) |
| Trade receivables due from affiliated companies | 1,465 | 1,773 | (308) |
| Trade receivables due from parent companies | - | - | - |
| **Total** | **67,189** | **91,273** | **(24,084)** |

Trade receivables are recorded net of a provision for bad debts equal to €/000 16,247.
The item Trade receivables comprises receivables referred to normal sales transactions.
The item includes receivables in foreign currency, comprising CAD/000 876, CHF/000 644, GBP/000 1,466, INR/000 1,411,665, JPY/000 293,373, RMB/000 720, SEK/000 1,262, SGD/000 9, USD/000 6,813 and VND/000 565,150,000 for a total value, at the exchange rate in effect as of 31 December 2011, of €/000 52,324.
The item also includes invoices to issue amounting to €/000 1,163, referring to normal sales transactions and credit notes to issue amounting to €/000 14,416, mainly concerning premiums for the sales network in Italy and other countries reaching sales targets, as well as bills under reserve and cash orders presented to banks and still in effect for €/000 1,711.
Trade receivables due from national clients are usually sold to factoring companies and mainly on a without recourse and advance payment collection basis.
The Company sells a large part of its trade receivables with and without recourse. Piaggio has signed contracts with some of the most important Italian and foreign factoring companies as a move to optimise the monitoring and the management of its trade receivables, besides offering its customers an instrument for funding their own inventories. As of 31 December 2011 trade receivables still due, sold without recourse totalled €/000 64,353. Of these amounts, Piaggio received payment prior to natural expiry, of €/000 61,156.
As of 31 December 2011, advance payments received from factoring companies and banks, for trade receivables sold with recourse totalled €/000 20,085 with a counter entry recorded in current liabilities.

Movements for the provision for bad trade debts were as follows:

| In thousands of Euro | |
|---|---|
| **Opening balance as of 1 January 2011** | **16,418** |
| Decreases for use recognised in income statement | (361) |
| Decreases for direct item use | (291) |
| Reclassifications to the provision for miscellaneous bad debts | (83) |
| Reclassifications from the provision for bad debts relative to long-term receivables | 102 |
| Increases for allocations | 462 |
| **Closing balance as of 31 December 2011** | **16,247** |

During the period, €/000 652 of the provision for bad debts was used to cover losses.
Allocations to the provision were made against risks arising from the valuation of receivables as of 31 December 2011.
Trade receivables due from subsidiaries and affiliated companies refer to the supply of products undertaken in normal market conditions.

## *22. Other current and non-current receivables* *€/000 89.473*

Other non-current trade receivables totalled €/000 4,778 compared to €/000 4,405 as of 31 December 2010.

Their breakdown was as follows:

| Other non-current receivables | As of 31 December 2011 | As of 31 December 2010 | Change |
|---|---|---|---|
| In thousands of Euro | | | |
| - due from affiliated companies | 267 | 306 | (39) |
| - due from welfare institutes | 456 | | 456 |
| - due to others | 4,055 | 4,099 | (44) |
| **Total** | **4,778** | **4,405** | **373** |

Receivables due from welfare institutes refer to sums receivable from and payable by the Italian National Social Security Institute (INPS) for termination benefit accrued by employees on solidarity contracts.
The item "Other" includes guarantee deposits for €/000 380 and prepaid expenses for €/000 3,621, with the latter item registering a decrease compared to the previous year of €/000 170.
Current trade receivables amounted to €/000 84,695 compared to €/000 43,570 as of 31 December 2010, registering an increase of €/000 41,125.
Their breakdown is as follows:

| Other current receivables | As of 31 December 2011 | As of 31 December 2010 | Change |
|---|---|---|---|
| In thousands of Euro | | | |
| - due from third parties | 10,904 | 13,248 | (2,344) |
| - due from subsidiaries | 67,544 | 24,341 | 43,203 |
| - due from affiliated companies | 196 | 186 | 10 |
| - due from parent companies | 6,051 | 5,795 | 256 |
| **Total** | **84,695** | **43,570** | **41,125** |

The item other receivables due from third parties comprises the following:

| | As of 31 December 2011 | As of 31 December 2010 | Change |
|---|---|---|---|
| In thousands of Euro | | | |
| Receivables from employees | 364 | 683 | (319) |
| Sundry receivables from third parties: | | | |
| Advances on the provision of services | | 126 | (126) |
| Balances of receivables from suppliers and other parties | 1,447 | 3,478 | (2,031) |
| Invoices and credit to issue | 1,782 | 1,354 | 428 |
| Sundry receivables due from Italian and foreign third parties | 4,126 | 3,647 | 479 |
| Receivables for the sale of property | | 17 | (17) |
| Receivables for equipment grants | | 213 | (213) |
| Receivables for operating grants | | 694 | (694) |
| Other receivables | 3,185 | 3,036 | 149 |
| **Total** | **10,904** | **13,248** | **(2,344)** |

Receivables due from employees refer to advances paid for secondments, sick leave, contract advances, cash provisions, etc.
Sundry receivables of €/000 4,126 mainly refer to receivables from Italian and foreign parties, originating from transactions not related to typical activities. The item is recognised net of provisions for write-down of €/000 1,692.

Movements for the provision for bad debts relative to sundry receivables were as follows:

| | |
|---|---|
| In thousands of Euro | |
| **Opening balance as of 1 January 2011** | **1,808** |
| Decreases for use recognised in income statement | (199) |
| Reclassifications from the bad debt provision relative to trade receivables | 83 |
| **Closing balance as of 31 December 2011** | **1,692** |

During the period, €/000 199 of the provision for bad debts relative to sundry receivables was used to cover losses.
During the measurement of other receivables as of 31 December 2011, no requirement for further allocations to the provision was identified.

## *23. Inventories* *€/000 183,355*

As of 31 December 2011, this item totalled €/000 183,355, compared to €/000 178,462 at the end of 2010, and consisted of:

| | As of 31 December 2011 | As of 31 December 2010 | Change |
|---|---|---|---|
| In thousands of Euro | | | |
| Raw, ancillary materials and consumables | 75,340 | 73,071 | 2,269 |
| Provisions for write-down | (8,133) | (8,540) | 407 |
| **Net value** | **67,207** | **64,531** | **2,676** |
| Work in progress and semifinished products | 22,268 | 23,207 | (939) |
| Provisions for write-down | (852) | (852) | 0 |
| **Net value** | **21,416** | **22,355** | **(939)** |
| Finished products and goods | 114,146 | 110,449 | 3,697 |
| Provisions for write-down | (19,414) | (18,873) | (541) |
| **Net value** | **94,732** | **91,576** | **3,156** |
| Advances | | | 0 |
| **Total** | **183,355** | **178,462** | **4,893** |

Movements for the obsolescence fund are summarised in the table below:

| | As of 31/12/2010 | Use | Allocation | Reclassification | As of 31/12/2011 |
|---|---|---|---|---|---|
| In thousands of Euros | | | | | |
| Raw materials | 8,540 | (1,007) | 600 | | 8,133 |
| Work in progress and semifinished products | 852 | | | | 852 |
| Finished products and goods | 18,873 | (3,223) | 3,764 | | 19,414 |
| **Total** | **28,265** | **(4,230)** | **4,364** | **0** | **28,399** |

## *24. Other current financial assets* *€/000 16,946*

This item comprises:

| | As of 31 December 2011 | As of 31 December 2010 | Change |
|---|---|---|---|
| In thousands of Euro | | | |
| Financial receivables due from third parties | | | 0 |
| Financial receivables due from subsidiaries | 16,946 | 29,048 | (12,102) |
| Financial receivables due from affiliated companies | | | 0 |
| Government securities available for sale | | 23,051 | (23,051) |
| **Total** | **16,946** | **52,099** | **(35,153)** |

The item Financial receivables due from subsidiaries refers to loans in favour of Aprilia Racing for €/000 6, Aprilia World Service BV for €/000 5,862, Piaggio Vespa B.V for €/000 500 and Nacional Motor for €/000 10,578.

## *25. Cash and cash equivalents* *€/000 50,816*

This item mainly includes short-term or on demand bank deposits.
Cash and cash equivalents totalled €/000 50,816 against €/000 106,806 as of 31 December 2010, as detailed below:

| | As of 31 December 2011 | As of 31 December 2010 | Change |
|---|---|---|---|
| In thousands of Euro | | | |
| Bank and post office deposits | 50,793 | 81,761 | (30,968) |
| P/T on securities | | 25,000 | (25,000) |
| Cash and assets in hand | 23 | 45 | (22) |
| **Total** | **50,816** | **106,806** | **(55,990)** |

## *26. Assets held for sale* *€/000 0*

As of 31 December 2011, there were no assets held for sale.

## *27. Breakdown by geographic segment of receivables recognised as assets*

Receivables recognised as assets in the Statement of Financial Position as of 31 December 2011 are broken down by geographic segment as follows:

| | Asia | Europe | India | Italy | United States | Other countries | Total |
|---|---|---|---|---|---|---|---|
| In thousands of Euro | | | | | | | |
| Other non-current financial assets | | | | 9,094 | | | 9,094 |
| Medium-/long-term tax receivables | | 162 | | 814 | | | 976 |
| Other non-current receivables | 158 | 66 | 31 | 4,523 | | | 4,778 |
| *Total non-current assets* | *158* | *228* | *31* | *14,432* | *0* | *0* | *14,849* |
| | | | | | | | |
| Current trade receivables | 12,978 | 30,963 | (871) | 18,420 | 5,056 | 643 | 67,189 |
| Other current receivables | 29,597 | 1,889 | 39,266 | 13,501 | 439 | 3 | 84,695 |
| Short-term tax receivables | | | | 9,627 | | | 9,627 |
| Current financial assets | | 16,940 | | 6 | | | 16,946 |
| *Total current assets* | *42,575* | *49,792* | *38,395* | *41,554* | *5,495* | *646* | *178,457* |
| **Total** | **42,734** | **50,019** | **38,426** | **55,986** | **5,495** | **646** | **193,306** |

## *28. Receivables due after 5 years* *€/000 0*

As of 31 December 2011, there were no receivables due after 5 years.

# *Information on the Statement of Financial Position - Liabilities*

## *29. Share capital and reserves* *€/000 347,999*

### Share capital €/000 202,209

During the period, share capital changed as a result of the acquisition of 4,301,369 treasury shares and disposal of 2,340,000 treasury shares in order for stock option plan beneficiaries to exercise their stock options. This is broken down as follows:

| | |
|---|---|
| In thousands of Euro | |
| Subscribed and paid up capital | 205,941 |
| Treasury shares purchased as of 31 December 2010 | (2,593) |
| Share capital as of 1 January 2011 | 203,348 |
| Sale of treasury shares to exercise stock options | 1,243 |
| Purchase of treasury shares | (2,382) |
| **Share Capital as of 31 December 2011** | **202,209** |

Therefore, as of 31 December 2011 the Parent Company held 6,844,080 treasury shares, equal to 1.84% of the share capital.

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

### Share premium reserve €/000 3,493

The share premium reserve as of 31 December 2011 was unchanged and equal to €/000 3,493.

### Legal reserve €/000 12,241

The legal reserve increased by €/000 942 as a result of the allocation of earnings for the last period.

### Other provisions €/000 32,912

This item consists of:

| | As of 31 December 2011 | As of 31 December 2010 | Change |
|---|---|---|---|
| In thousands of Euro | | | |
| Stock option reserve | 12,700 | 11,929 | 771 |
| Financial instruments' fair value reserve | (1,510) | (227) | (1,283) |
| IFRS transition reserve | 11,435 | 11,435 | 0 |
| Reserve for the fair value adjustment of financial assets available for sale | 10,287 | 15,190 | (4,903) |
| **Total other provisions** | **32,912** | **38,327** | **(5,415)** |

The financial instruments fair value provision is negative and refers to the effects of cash flow hedge accounting in foreign currencies, interest and specific business transactions. These transactions are described in full in the note on financial instruments.
As of 31 December 2010, the same measurement, referred exclusively however to the cash flow hedge for foreign currencies was negative by €/000 227.
The fair value adjustment reserve for financial assets held for sale refers exclusively to the positive valuation of the portions received for the contribution of the industrial site at Pisa to the "Atlantic 12" closed property investment fund.

## Distributed dividends €/000 25,684

In May 2011, dividends totalling €/000 25,684 were paid. In May 2010, dividends totalling €/000 25,765 were paid.

## Performance reserve €/000 97,144

## Other net income (losses) €/000 (6,185)

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

| | As of 31 December 2011 | As of 31 December 2010 | Change |
|---|---|---|---|
| In thousands of Euro | | | |
| The effective portion of net income (losses) on cash flow hedging instruments generated in the period | (1,510) | (227) | (1,283) |
| The effective portion of net income (losses) on cash flow hedging instruments reclassified in the consolidated income statement | 227 | (126) | 353 |
| Total of profits (losses) on cash flow hedges | **(1,283)** | **(353)** | **(930)** |
| Profits (losses) generated in the period for the fair value adjustment of financial assets available for sale | | (2,069) | 2,069 |
| Profits (losses) reclassified in the income statement for the fair value adjustment of financial assets available for sale | (4,902) | | (4,902) |
| Total profits (losses) for the fair value adjustment of financial assets available for sale | (4,902) | (2,069) | (2,833) |
| **Total profits (losses) recognised in Shareholders' equity** | **(6,185)** | **(2,422)** | **(3,763)** |

Individual items of Shareholders' equity are analytically presented in the table below, based on origin, availability and use in the three previous years.

| Type/description | Amount | Possible use | Portion available | 2007 uses to cover losses |
|---|---|---|---|---|
| In thousands of Euro | | | | |
| Nominal value of capital | 205,941 | | | |
| Nominal value of acquired treasury shares | (3,732) | | | |
| Capital reserves: | | | | |
| Share premium | 3,493 | A,B,C(*) | 3,493 | 32,961 |
| Profit reserves: | | | | |
| Legal reserve | 12,241 | B | - | |
| IAS transition reserve | 11,435 | A,B,C | 11,435 | 1,746 |
| Stock option reserve | 12,700 | A,B,C | 12,700 | |
| Financial instruments' fair value reserve | (1,510) | | - | |
| Reserve for the fair value adjustment of financial assets available for sale | 10,287 | | - | |
| Total Reserves | 48,646 | | 27,628 | 34,707 |
| Retained profits (losses) | 66,004 | | | |
| Greater cost of acquired treasury shares | (15,889) | | | |
| | 50,115 | A,B,C | | |
| Profits (losses) for the period | 47,029 | | | |
| **Total shareholders' equity** | **347,999** | | | |

*Key:*
*A: to increase capital*
*B: to cover losses*
*C: to allocate to shareholders*
*(*) wholly available to increase capital and cover losses. For other uses the legal reserve must be previously adjusted to 20% of the Share Capital (even by transferring funds from the share premium reserve). As of 31 December 2011 this adjustment would be equal to €/000 28,947.*

Pursuant to article 2426 section 5 of the Italian Civil Code, shareholders' equity is not available for the value of development costs still to be amortised as of 31 December 2011 that amount to €/000 46,506.

### *30. Current and non-current financial liabilities* *€/000 449,456*

During 2011, the Group's overall debt decreased by €/000 51,617, falling from €/000 501,073 to €/449,456. Total financial debt of the Group in 2011, net of the fair value measurement of financial derivatives to hedge foreign exchange risk and interest rate risk of €/000 9,233, decreased by €/000 60,850.

| | Financial liabilities as of 31 December 2011 | | |
|---|---|---|---|
| | **Current** | **Non-current** | **Total** |
| In thousands of Euro | | | |
| Gross financial debt | 149,372 | 290,851 | 440,223 |
| Fair Value of hedging derivatives | | 9,233 | 9,233 |
| **Total** | **149,372** | **300,084** | **449,456** |

This reduction is attributable to the repayment, using available resources, of instalments of financial payables due, which was partially offset by new loans and the private placement of a debenture loan.

As indicated in the table on consolidated net debt in the financial statements, total net debt went up from €/000 342,169 as of 31 December 2010 to €/000 372,462 as of 31 December 2011, registering an increase of €/000 30,293.

The tables below show the composition of financial debt as of 31 December 2011 and 31 December 2010, as well as movements for the year.

| | **As of 31 December 2010** | **Repayments** | **New issues** | **Reclassifications to current portion** | **Other changes** | **As of 31 December 2011** |
|---|---|---|---|---|---|---|
| In thousands of Euro | | | | | | |
| **Non-current portion:** | | | | | | |
| Medium-/long-term bank loans | 207,607 | | 924 | (122,428) | (9) | 86,094 |
| Bonds | 139,007 | | 51,799 | | 1,053 | 191,859 |
| Other medium-/long-term loans | | | | | | |
| - of which amounts due other M.I.C.A. lenders | 9,785 | | 273 | (3,905) | | 6,153 |
| - of which amounts due under leases | 7,470 | | 194 | (894) | (25) | 6,745 |
| - of which amounts due to subsidiaries | 0 | | | | | 0 |
| *Total other loans over 12 months* | *17,255* | *0* | *467* | *(4,799)* | *(25)* | *12,898* |
| **Total** | **363,869** | **0** | **53,190** | **(127,227)** | **1,019** | **290,851** |

| | **As of 31 December 2010** | **Repayments** | **New issues** | **Reclassifications from current portion** | **Other changes** | **As of 31 December 2011** |
|---|---|---|---|---|---|---|
| **Current portion:** | | | | | | |
| Current account overdrafts | 1 | (1) | 85 | | | 85 |
| Current account payables | 15,946 | (15,946) | | | | 0 |
| Payables due to factoring companies | 23,254 | (3,169) | | | | 20,085 |
| Payables due to subsidiaries | 9,963 | (7,988) | | | | 1,975 |
| Current portion of medium-/long-term loans: | | | | | | 0 |
| - of which leasing | 791 | (824) | 33 | 894 | | 894 |
| - of which due to banks | 82,929 | (83,481) | | 122,428 | 552 | 122,428 |
| - of which due to other M.I.C.A. lenders | 4,320 | (4,353) | 33 | 3,905 | | 3,905 |
| *Total loans due within the year* | *88,040* | *(88,658)* | *66* | *127,227* | *552* | *127,227* |
| **Total** | **137,204** | **(115,762)** | **151** | **127,227** | **552** | **149,372** |

The breakdown of the debt is as follows:

| | Book value as of 31/12/2011 | Book value as of 31/12/2010 | Nominal value as of 31/12/2011 | Nominal value as of 31/12/2010 |
|---|---|---|---|---|
| In thousands of Euro | | | | |
| Bank financing | 208,607 | 306,483 | 208,920 | 307,339 |
| Bonds | 191,859 | 139,007 | 201,799 | 150,000 |
| Other medium-/long-term loans: | | | | |
| - of which leasing | 7,639 | 8,261 | 7,639 | 8,261 |
| - of which amounts due to other lenders | 30,143 | 37,359 | 30,143 | 37,359 |
| - of which amounts due to subsidiaries | 1,975 | 9,963 | 1,975 | 9,963 |
| Total other loans | 39,757 | 55,583 | 39,757 | 55,583 |
| **Total** | **440,223** | **501,073** | **450,476** | **512,922** |

The table below shows the debt servicing schedule as of 31 December 2011:

| | Nominal Value as of 31/12/2011 | Amounts falling due within 12 months | Amounts falling due after 12 months | Amounts falling due in | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | 2013 | 2014 | 2015 | 2016 | Beyond |
| In thousands of Euro | | | | | | | | |
| Bank financing | 208,920 | 122,825 | 86,095 | 29,120 | 22,291 | 22,294 | 11,583 | 807 |
| Bonds | 201,799 | 0 | 201,799 | | | | 150,000 | 51,799 |
| Other medium-/long-term loans: | | | | | | | | |
| - of which leasing | 7,639 | 894 | 6,745 | 936 | 5,809 | 0 | 0 | 0 |
| - of which amounts due to other lenders | 30,143 | 23,990 | 6,153 | 1,621 | 1,630 | 1,639 | 312 | 951 |
| - of which amounts due to subsidiaries | 1,975 | 1,975 | 0 | | | | | |
| Total other loans | 39,757 | 26,859 | 12,898 | 2,557 | 7,439 | 1,639 | 312 | 951 |
| | | | | | | | | |
| **Total** | **450,476** | **149,684** | **300,792** | **31,677** | **29,730** | **23,933** | **161,895** | **53,557** |

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

| | Book value as of 31/12/2010 | Book value | Notional value | Applicable interest rate |
|---|---|---|---|---|
| | | as of 31/12/2011 | | |
| In thousands of Euro | | | | |
| Euro | 485,128 | 440,223 | 450,476 | 4.66% |
| USD | 12,348 | | | |
| CHF | 3,597 | | | |
| *Total currencies other than Euro* | *15,945* | | | |
| **Total** | **501,073** | **440,223** | **450,476** | **4.66%** |

Medium and long-term bank debt amounts to €/000 449,457 (of which €/000 300,085 non-current and €/000 149,372 current) and consists of the following loans:

- a €/000 96,429 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 for this loan, to hedge the interest rate risk (for more details, see attachment H);
- a €/000 64,774 (nominal value €/000 65,000) medium-term loan from a pool of banks granted in July 2009 by

Banca Nazionale del Lavoro as banking agent and paid in August 2009. The loan will fall due in August 2012, with an initial grace period of 18 months and three six-monthly instalments. The economic terms provide for a variable interest rate linked to the six-month Euribor rate plus an initial margin of 1.90%. This margin may vary from a minimum of 1.65% to a maximum of 2.20% based on the Net financial debt / EBITDA ratio (as of 31 December 2011 this margin was equal to 1.65%). 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 2011 period, these parameters were comfortably met;

› €/000 28,415 (nominal value €/000 28,500) loan from Mediobanca and Banca Intesa San Paolo. In April 2006, this loan was syndicated to a restricted pool of banks and is part of a more articulated loan package. The loan package consisted of an *initial instalment* of €/000 150,000 (nominal value) which has been fully drawn on (as of 31 December 2011 €/000 28,500 was still due) and a *second instalment* of €/000 100,000 to be used as a credit line (as of 31 December 2011 still not used). The structure envisages a 7-year term, with a grace period of 18 months and 11 six-monthly instalments with the last maturity on 23 December 2012 for the loan instalment, a variable interest rate linked to the six-month Euribor to which a variable spread between a maximum of 2.10% and a minimum of 0.65% is added depending on the Net Financial Debt/EBITDA ratio (as of 31 December 2011 this margin was equal to 1.15%). For the instalment relating to the credit line there is a commitment fee of 0.25%. Guarantees are not issued. However in line with market practice, some financial parameters must be complied with. It should be noted that, in reference to the 2011 period, these parameters were comfortably met;
› a €/000 12,500 five-year unsecured loan from Interbanca entered into in September 2008;
› €/000 3,981 of loans from various banks pursuant to Law no. 346/88 on subsidised applied research;
› a €/000 1,500 eight-year subsidised loan from ICCREA in December 2008 granted under Law 100/90;
› €/000 924 of subsidised loans from Banca Intesa San Paolo under the Research Subsidy Fund, due between July 2017 and January 2018.

The item Bonds for €/000 191,859 (nominal value of €/000 201,799) refers to:
› €/000 140,465 (nominal value of €/000 150,000) relative to a high-yield debenture loan issued on 4 December 2009 by the Parent Company Piaggio & C. SpA, 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 51,394 (nominal value of €/000 51,799) relative to a private debenture loan *(US Private Placement)* issued on 25 July 2011 for $/000 75,000 wholly subscribed by an American institutional investor, payable in 5 annual portions from July 2017, with a semi-annual coupon with fixed annual nominal rate of 6.50%. As of 31 December 2011 the fair value measurement of the debenture loan was equal to €/000 (61,032). A cross currency swap was taken out for this debenture loan, to hedge the exchange risk and interest rate risk (for more details, see attachment H).

The items Medium-/long-term bank debt and Bonds include loans which, in accounting terms, have been recognised on an amortised cost basis (pooled loan BNL, pooled loan Mediobanca/Intesa, 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/depreciation 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 17,697 of which €/000 12,898 due after 1 year and €/000 4,799 as the current portion, detailed as follows:
› subsidised loans for a total of €/000 10,058 provided by the Ministry of Economic Development using regulations to encourage investments in research and development (non-current portion of €/000 6,153);
› finance leases of €/000 7,639 granted following the merger with Moto Guzzi SpA (non-current portion equal to €/000 6,745).

Financial advances received from factoring companies and banks, on the sale of trade receivables with recourse, total €/000 20,085.

### *31. Trade receivables (current)* *€/000 287,595*

Trade payables are wholly included under current liabilities and total €/000 287,595, compared to €/000 285,944 as of 31 December 2010.

| Current liabilities | As of 31 December 2011 | As of 31 December 2010 | Change |
|---|---|---|---|
| In thousands of Euro | | | |
| Amounts due to suppliers | 250,657 | 240,677 | 9,980 |
| Amounts due to subsidiaries | 18,902 | 33,661 | (14,759) |
| Amounts due to affiliated companies | 17,257 | 10,809 | 6,448 |
| Amounts due to parent companies | 779 | 797 | (18) |
| **Total** | **287,595** | **285,944** | **1,651** |

The item comprises trade payables of €/000 279,176 for the purchase of goods and services for business operations and €/000 8,419 for the purchase of assets.
The item includes payables in foreign currency, referring to CHF/000 125, GBP/000 1,001, HKD/000 57, INR/000 287, JPY/000 450, RMB/000 16, SEK/000 412, USD/000 9,393, SGD/000 290, for a total value of €/000 12,936.

As regards the amount of €/000 1,411, the payment of amounts due under this item is guaranteed by bank guarantees.

### *32. Reserves (current and non-current portion)* *€/000 25,495*

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

| | As of 31 Dec 2010 | Allocations | Applications | Adjustment | Reclassification | As of 31 Dec 2011 |
|---|---|---|---|---|---|---|
| In thousands of Euro | | | | | | |
| **Provisions for risks** | | | | | | |
| Risk provisions on investments | 6,692 | | | (195) | | 6,497 |
| Provisions for contractual risks | 7,745 | | (100) | (3,652) | | 3,993 |
| Provision for litigation risks | 3,181 | | (505) | (381) | | 2,295 |
| Provision for guarantee risks | 76 | | | | | 76 |
| Risk provision for taxes | 1,432 | | (1,396) | | | 36 |
| *Total provisions for risks* | *19,126* | *0* | *(2,001)* | *(4,228)* | *0* | *12,897* |
| **Provisions for expenses** | | | | | | |
| Provision for product warranties | 14,815 | 9,849 | (12,066) | | (391) | 12,207 |
| Provision for quality-related events | | | | | 391 | 391 |
| *Total provisions for expenses* | *14,815* | *9,849* | *(12,066)* | *0* | *0* | *12,598* |
| **Total provisions for risks and charges** | **33,941** | **9,849** | **(14,067)** | **(4,228)** | **0** | **25,495** |

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

| Non-current portion | As of 31 December 2011 | As of 31 December 2010 | Change |
|---|---|---|---|
| In thousands of Euro | | | |
| Risk provisions on investments | 6,497 | 6,692 | (195) |
| Provisions for contractual risks | 3,993 | 6,796 | (2,803) |
| Provision for litigation risks | 2,295 | 2,981 | (686) |
| Provision for guarantee risks | 76 | 76 | 0 |
| Provision for product warranties | 3,582 | 4,445 | (863) |
| Provision for quality-related events | 241 | | 241 |
| **Total non-current portion** | **16,684** | **20,990** | **(4,306)** |

| Current portion | As of 31 December 2011 | As of 31 December 2010 | Change |
|---|---|---|---|
| In thousands of Euro | | | |
| Provisions for contractual risks | | 949 | (949) |
| Provision for litigation risks | | 200 | (200) |
| Provisions for tax risks | 36 | 1,432 | (1,396) |
| Provision for product warranties | 8,625 | 10,370 | (1,745) |
| Provision for quality-related events | 150 | | 150 |
| **Total current portion** | **8,811** | **12,951** | **(4,140)** |

The provision for investment risk as of 31 December 2011 refers to the subsidiary Aprilia World Service B.V. in view of future expenses expected to be incurred for the investment. The adjustment of €/000 195 refers to Piaggio China and the recovery of the portion of the value in the investment, written down in previous years, following the positive economic trend of Zongshen Piaggio Foshan in relation to which Piaggio China holds 12.5% of the share capital.
The provision for contract risks refers exclusively to charges which could arise from the renegotiation of a supply contract. €/000 100 was used to balance costs concerning quality-related events. The adjustment of €/000 3,652 refers instead to the evaluation of correlated risks carried out at the end of the period.
The provision for litigation concerns €/000 695 for labour litigation and the difference of €/000 1,600 refers to other legal proceedings. €/000 505 was used, of which €/000 155 to settle employment claims and €/000 350 to settle other claims. The adjustment of €/000 381 reflects the evaluation of ongoing litigation, made at the end of the period.
The provision for guarantee risks refers to expenses expected to be incurred for guarantees issued for the sale of investments.
The provision for tax risks of €/000 36 concerns payment notices for council tax. €/000 1,396 of the provision was used in relation to the definition of tax liabilities arising in the period.
The provision for product warranties of €/000 12,207 refers to potential liabilities related to the sale of products. The provision refers to allocations for technical assistance on products covered by customer service which are estimated to be provided over the contractually envisaged warranty period. This period varies according to the type of goods sold to the sales market and to customer take-up to commit to a scheduled maintenance plan. A portion of this provision, equal to €/000 391 was reclassified under the provision for quality-related events, at the end of the period.
The provision increased in the year by €/000 9,849 for new allocations. €/000 12,065 was used, of which €/000 265 for costs for quality-related events and €/000 11,800 in relation to guarantee charges incurred in the year.

### *33. Deferred tax liabilities* *€/000 22,883*

Provisions for deferred tax liabilities recognised the Financial Statements refer to:
- €/000 4,302 for the surplus value recognised by the merged company Aprilia in 2005 for buildings already held through leases, and purchased back by Aprilia Leasing SpA.
- €/000 553 for dividends resolved on by subsidiaries, still to be collected.
- €/000 1,815 for accumulated depreciation minus tax-recognised goodwill values.

- €/000 2,839 for tax-deducted costs, off the accounts, in relation to the application of IAS/IFRS and €/000 34 for deferred taxes directly recognised as shareholders' equity.
- €/000 5,699 for allocation of the merger loss to the Aprilia brand, arising from its merger in 2005.
- €/000 7,641 for allocation of the merger loss to the Guzzi brand, arising from its merger in 2008.
-

Provisions for deferred taxes were reduced in the period by €/000 1,991 following issue of the relative portion and increased overall by €/000 803 due to new allocations of which €/000 34 directly recognised as shareholders' equity.

### *34. Retirement funds and employee benefits* — *€/000 44,851*

| | As of 31 December 2011 | As of 31 December 2010 | Change |
|---|---|---|---|
| In thousands of Euro | | | |
| Provision for retirement | 160 | 150 | 10 |
| Post-employment benefits | 44,691 | 55,779 | (11,088) |
| **Total** | **44,851** | **55,929** | **(11,078)** |

The provision for retirement mainly consists of supplementary client funds, representing the amounts payable to agents if agency agreements are terminated for reasons not attributable to them. During the period, €/000 1 of this provision was used to pay benefits already accrued in previous years, and the provision increased by €/000 11 for benefits accrued in the period.

Movements for post-employment benefits are as follows:

| | |
|---|---|
| In thousands of Euro | |
| **Opening balance as of 1 January 2011** | **55,779** |
| Cost for the period | 7,909 |
| Interest cost | 2,225 |
| Use and transfers of retirement funds | (21,252) |
| Other movements | 30 |
| **Closing balance as of 31 December 2011** | **44,691** |

| | | Options held at the start of the period | | | Options held during the period | | |
|---|---|---|---|---|---|---|---|
| | Position | No. of options | Average exercise price | Average maturity | No. of options | Average exercise price | Average maturity |
| Roman Maurizio[1] | General Director Operations | 500,000 | 1.892 | 1/03/2012 | | | |
| Pallottini Michele[2] | General Director Finance | 750,000 | 1.216 | 31/07/2013 | | | |
| | | 1,500,000 | 1.826 | 13/06/2012 | | | |
| **Total** | | **2,750,000** | | | | | |

## Economic/technical hypotheses

Technical valuations are based on the hypotheses outlined below:

| | |
|---|---|
| Technical annual discount rate | 4.60% |
| Annual rate of inflation | 2.00% |
| Annual rate of increase in post-employment benefits | 3.00% |

As regards the discount rate, the iBoxx Corporates AA rating with a 10+ duration as of 31 December 2011 was used as the valuation reference. This figure is the average residual permanence of the population evaluated.

With regard to the 2007-2009 incentive plan approved by the General Meeting of Shareholders on 7 May 2007 for executives of the Company or of its Italian and/or foreign subsidiaries, in compliance with article 2359 of the Italian Civil Code, as well as for directors having powers in the aforesaid subsidiaries ("2007-2009 plan") during the year 2,000,000 option rights expired and 2,340,000 option rights were exercised.

As of 31 December 2011, 4,090,000 option rights had been assigned for a corresponding number of shares.

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

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

As required by Consob regulations, the table below indicates the options assigned to members of the board, to general directors and senior management with strategic responsibility:

| Options exercised during the period | | | Options expired in the period | Options held at the end of the period | | |
|---|---|---|---|---|---|---|
| No. of options | Average exercise price | Average maturity | No. of options | No. of options | Average exercise price | Average maturity |
| | | | 500,000 | | | |
| 750,000 | | | | | | |
| | | | 1,500,000 | | | |
| **750,000** | | | **2,000,000** | | | |

*1_Left the Piaggio Group on 13 January 2011.*

*2_Left the Piaggio Group on 30 September 2011.*

### *35. Current and non-current tax payables* *€/000 15,009*

Tax payables totalled €/000 15,009 compared to €/000 15,035 as of 31 December 2010.

| | As of 31 December 2011 | As of 31 December 2010 | Change |
|---|---|---|---|
| In thousands of Euro | | | |
| **Non-current portion:** | | | |
| - Taxes withheld in a capacity as withholding agent | 2,369 | 3,361 | (992) |
| **Current portion:** | | | |
| Due for income taxes | 2,936 | 2,047 | 889 |
| Other tax payables for: | | | |
| - VAT | 3,178 | 3,363 | (185) |
| - Tax withheld at source | 4,131 | 4,332 | (201) |
| - Taxes withheld in a capacity as withholding agent | 2,386 | 1,921 | 465 |
| - Duty and tax records to pay | 9 | 11 | (2) |
| *Total other tax payables* | *9,704* | *9,627* | *77* |
| *Total current portion* | *12,640* | *11,674* | *966* |
| **Total** | **15,009** | **15,035** | **(26)** |

Current tax payables of €/000 2,936 refer to €/000 2,041 for taxes to pay abroad on income generated abroad (royalties, know how and income generated by the Spanish branch) and to €/000 895 for substitute income taxes due on the value of portions of the Atlantic 12" closed property investment fund.
Tax payables relative to income generated in Italy are offset against relative tax receivables. Regional production tax due for the year amounted to €/000 3,953. As regards corporate tax, the company reported a negative taxable income of €/000 30,580.
VAT to pay in EU member states refer to the amount due at the end of the year for VAT due in European states where direct identification was obtained with reference to this tax.
Payables for withheld taxes paid refer to the income of employee and outsourced work and commission.
The total amount payable of €/000 4,755, relative to taxes withheld in a capacity as withholding agent, refers to taxes withheld at source concerning the loan with the subsidiary Piaggio Finance, which stopped in 2009.

### *36. Other payables (current and non-current)* *€/000 47,447*

| Non-current portion | As of 31 December 2011 | As of 31 December 2010 | Change |
|---|---|---|---|
| In thousands of Euro | | | |
| Deferred income | 1,775 | 2,490 | (715) |
| Amounts due to social security institutions | | 1,002 | (1,002) |
| Payables from the fair value measurement of financial instruments | 2,324 | | 2,324 |
| Other payables | 400 | 600 | (200) |
| **Total** | **4,499** | **4,092** | **407** |

| Current portion | As of 31 December 2011 | As of 31 December 2010 | Change |
|---|---|---|---|
| In thousands of Euro | | | |
| Amounts due to subsidiaries | 409 | 55 | 354 |
| Amounts due to affiliated companies | 32 | 58 | (26) |
| Amounts due to parent companies | 43 | 284 | (241) |
| Amounts due to employees | 21,753 | 21,506 | 247 |
| Amounts due to social security institutions | 8,834 | 8,754 | 80 |
| Amounts due to company boards | 316 | 456 | (140) |
| Amounts due for temporary funding | 60 | 173 | (113) |
| Amounts due for financial statement assessments | 429 | 362 | 67 |
| Amounts due to customers | 2,678 | 4,368 | (1,690) |
| Payables from the fair value measurement of financial instruments | 961 | | 961 |
| Deferred liabilities | 4,502 | 3,543 | 959 |
| Deferred income | 1,011 | 2,469 | (1,458) |
| Other payables | 1,920 | 3,516 | (1,596) |
| **Total** | **42,948** | **45,544** | **(2,596)** |

Other payables included in non-current liabilities totalled €/000 4,499 against €/000 4,092 as of 31 December 2010, whereas other payables included in current liabilities totalled €/000 42,948 compared to €/000 45,544 as of 31 December 2010.

As regards the non-current portion:
› Deferred income comprises €/000 1,488 from capital grants to enter in the income statement in relation to amortisation/depreciation, €/000 287 for income cashed but relative to other years arising from licence agreements.
› Payables from the fair value measurement of financial instruments refer to transactions accounted for on a cash flow hedge basis.
› Other payables refer to €/000 400 for the guarantee deposit paid in 1997 by T.N.T. Automotive Logistics SpA to guarantee the payment of termination benefits accrued by employees of the sold company branch concerned with the receipt, packing, storage and distribution of spare parts and accessories.

As regards the current portion:
› Amounts due to employees include the amount for holidays accrued but not taken of €/000 11,064 and other remuneration to be paid for €/000 10,689.
› Contributions of €/000 60 refer to contributions relative to subsidies for research activities not yet acquired.

Amounts due to clients mainly refer to premiums for clients achieving sales targets that will be paid at the end of the reporting period and to credit notes for returns.
Deferred income refers to the short-term portion of licence agreements (€/000 201), equipment grants (€/000 775), payments for the following year (€/000 1), as well as interest receivable on deferred payments

to clients (€/000 34) of which income will be recorded in the income statement in the following year.

Deferred liabilities refer to €/000 2,052 for interest on loans, €/000 2,223 for interest on debenture loans, €/000 35 for interest on sundry payables and €/000 192 for sundry costs and expenses.

### *37. Breakdown by geographic segment of payables recognised as liabilities*

Payables recognised as liabilities in the Statement of Financial Position as of 31 December 2011 are broken down by geographic segment as follows:

| | **Asia** | **Europe** | **India** | **Italy** | **United States** | **Other countries** | **Total** |
|---|---|---|---|---|---|---|---|
| In thousands of Euro | | | | | | | |
| Non-current financial liabilities | | 75,000 | | 173,690 | 51,394 | | 300,084 |
| Other non-current payables | 200 | 87 | | 4,212 | | | 4,499 |
| Medium-/long-term tax payables | | | | 2,369 | | | 2,369 |
| *Total non-current liabilities* | *200* | *75,087* | *0* | *231,666* | *0* | *0* | *306,953* |
| | | | | | | | |
| Current financial liabilities | | 21,430 | | 127,942 | | | 149,372 |
| Current trade payables | 30,980 | 24,248 | 10,333 | 221,890 | (43) | 187 | 287,595 |
| Current tax payables | 469 | 3,215 | 1,535 | 7,421 | | | 12,640 |
| Other current payables | 575 | 1,863 | 1 | 40,509 | | | 42,948 |
| *Total current liabilities* | *32,024* | *50,756* | *11,869* | *397,762* | *(43)* | *187* | *492,555* |
| **Total** | **32,224** | **125,843** | **11,869** | **629,428** | **(43)** | **187** | **799,508** |

### *38. Payables due after 5 years*

The company has loans due after 5 years, which are referred to in detail in Note 30 Financial Liabilities.

## *D) Transactions with related parties*

The main business and financial relations of Group companies with related parties have already been described in the specific paragraph in the Report on Operations to which reference is made here. To supplement this information, the following table provides an indication by company of outstanding items as of 31 December 2011, as well as their contribution to the respective financial statement items.

| | | Figures in €/000 | % of accounting item |
|---|---|---|---|
| **Relations with subsidiaries** | | | |
| **Piaggio France S.A.** | | | |
| | other current receivables | 150 | 0.18% |
| | current trade payables | 2,041 | 0.71% |
| | costs for services and lease and rental costs | 8,082 | 3.31% |
| | other operating income | 297 | 0.23% |
| | other operating costs | 7 | 0.04% |
| | | | |
| **Piaggio España** | | | |
| | current trade receivables | 1,923 | 2.86% |
| | other current receivables | 2 | 0.00% |
| | current trade payables | 796 | 0.28% |
| | net revenues | 3 | 0.00% |
| | costs for services and lease and rental costs | 5,131 | 2.10% |
| | other operating income | 57 | 0.04% |
| | financial income | 7 | 0.26% |
| | | | |
| **Piaggio Deutschland GMBH** | | | |
| | other current receivables | 130 | 0.18% |
| | current trade payables | 654 | 0.23% |
| | costs for services and lease and rental costs | 5,905 | 2.41% |
| | other operating income | 213 | 0.16% |
| | other operating costs | 28 | 0.15% |
| | | | |
| **Piaggio Limited** | | | |
| | current trade receivables | 8 | 0.01% |
| | other current receivables | 32 | 0.04% |
| | current trade payables | 578 | 0.20% |
| | costs for services and lease and rental costs | 3,245 | 1.33% |
| | other operating income | 61 | 0.05% |
| | | | |
| **Piaggio Hrvatska** | | | |
| | current trade receivables | 38 | 0.06% |
| | other current receivables | 4 | 0.01% |
| | current trade payables | 12 | 0.00% |
| | net revenues | 3,197 | 0.34% |
| | costs for services and lease and rental costs | 12 | 0.00% |
| | other operating income | 16 | 0.01% |
| | | | |
| **Piaggio Hellas Epe** | | | |
| | current trade receivables | 4,463 | 6.64% |
| | other current receivables | 102 | 0.12% |
| | current trade payables | 96 | 0.03% |
| | net revenues | 25,625 | 2.70% |
| | costs for services and lease and rental costs | 788 | 0.32% |
| | other operating income | 126 | 0.10% |

| | | Figures in €/000 | % of accounting item |
|---|---|---|---|
| **Piaggio Group Americas** | | | |
| | current trade receivables | 5,036 | 7.49% |
| | other current receivables | 78 | 0.09% |
| | current trade payables | 60 | 0.02% |
| | net revenues | 16,467 | 1.74% |
| | costs for services and lease and rental costs | 737 | 0.30% |
| | other operating income | 434 | 0.33% |
| | financial income | 43 | 1.69% |
| | | | |
| **Atlantic 12** | | | |
| | current trade receivables | 20 | 0.03% |
| | costs for services and lease and rental costs | 1,313 | 0.54% |
| | other operating income | 46 | 0.03% |
| | other operating costs | 7 | 0.04% |
| | | | |
| **Piaggio Vietnam** | | | |
| | current trade receivables | 9,982 | 14.86% |
| | other current receivables | 27,662 | 32.66% |
| | current trade payables | 1,811 | 0.63% |
| | other current payables | 139 | 0.32% |
| | net revenues | 39,286 | 4.14% |
| | costs for materials | 56 | 0.01% |
| | costs for services and lease and rental costs | 325 | 0.13% |
| | other operating income | 14,436 | 11.00% |
| | other operating costs | 72 | 0.37% |
| | | | |
| **Piaggio Vehicles Pvt Ltd** | | | |
| | current trade receivables | -885 | -1.32% |
| | other current receivables | 37,096 | 43.80% |
| | current trade payables | 7,891 | 2.74% |
| | other current payables | 1 | 0.00% |
| | net revenues | 449 | 0.05% |
| | costs for materials | 20,646 | 3.81% |
| | costs for services and lease and rental costs | -87 | -0.04% |
| | other operating income | 20,429 | 15.57% |
| | other operating costs | -3 | -0.01% |
| | | | |
| **Nacional Motor** | | | |
| | current financial assets | 10,578 | 62.42% |
| | current trade receivables | 1,614 | 2.40% |
| | other current receivables | 110 | 0.13% |
| | current trade payables | 2,804 | 0.97% |
| | net revenues | 5,470 | 0.58% |
| | costs for materials | 29,151 | 5.38% |
| | costs for services and lease and rental costs | 764 | 0.31% |
| | other operating income | 243 | 0.19% |
| | other operating costs | 3 | 0.02% |
| | financial income | 228 | 9.06% |
| **Piaggio Vespa BV** | | | |
| | current financial assets | 500 | 2.95% |
| | current trade receivables | 26 | 0.04% |
| | other current receivables | 340 | 0.40% |
| | current trade payables | 967 | 0.34% |

| | | Figures in €/000 | % of accounting item |
|---|---|---|---|
| | costs for services and lease and rental costs | 2,792 | 1.14% |
| | other operating income | 365 | 0.28% |
| | borrowing costs | 45 | 0.15% |
| | | | |
| **P & D Spa** | | | |
| | other current receivables | 9 | 0.01% |
| | current financial liabilities | 225 | 0.15% |
| | other current payables | 31 | 0.07% |
| | other operating income | 4 | 0.00% |
| | borrowing costs | 2 | 0.01% |
| | | | |
| **Aprilia World Service** | | | |
| | current financial assets | 5,861 | 34.59% |
| | current trade receivables | -2 | 0.00% |
| | other current receivables | 79 | 0.09% |
| | current trade payables | 450 | 0.16% |
| | other current payables | 228 | 0.53% |
| | costs for services and lease and rental costs | 2,783 | 1.14% |
| | other operating income | 230 | 0.18% |
| | financial income | 261 | 10.35% |
| | | | |
| **Piaggio Group Japan** | | | |
| | current trade receivables | 370 | 0.55% |
| | other current receivables | 117 | 0.14% |
| | current trade payables | 75 | 0.03% |
| | other operating income | 246 | 0.19% |
| | | | |
| **Aprilia Racing Srl** | | | |
| | current financial assets | 6 | 0.04% |
| | current trade receivables | 184 | 0.27% |
| | other current receivables | 442 | 0.52% |
| | current financial liabilities | 1,750 | 1.17% |
| | current trade payables | 654 | 0.23% |
| | other current payables | 10 | 0.02% |
| | net revenues | 176 | 0.02% |
| | costs for materials | 313 | 0.06% |
| | costs for services and lease and rental costs | 11,781 | 4.82% |
| | other operating income | 1,201 | 0.92% |
| | financial income | 40 | 1.59% |
| | | | |
| **Piaggio Indonesia** | | | |
| | current trade receivables | 125 | 0.19% |
| | other current receivables | 1,105 | 1.30% |
| | other operating income | 1,229 | 0.94% |
| | | | |
| **Zongshen Piaggio Foshan** | | | |
| | current trade receivables | 1,452 | 2.16% |
| | other current receivables | 140 | 0.16% |
| | current trade payables | 17,257 | 6.00% |
| | net revenues | 872 | 0.09% |
| | costs for materials | 35,719 | 6.59% |
| | costs for services and lease and rental costs | 134 | 0.05% |

| | | Figures in €/000 | % of accounting item |
|---|---|---|---|
| | other operating income | 380 | 0.29% |
| | borrowing costs | 102 | 0.35% |
| | | | |
| **Piaggio China** | | | |
| | current trade payables | 6 | 0.00% |
| | | | |
| **Foshan Piaggio V.Tech. R&D** | | | |
| | other current receivables | 88 | 0.10% |
| | | | |
| **Aprilia Brasil Industria de Motociclos SA** | | | |
| | current trade receivables | 123 | 0.18% |
| | | | |
| **SAT S.A.** | | | |
| | current trade receivables | 186 | 0.28% |
| | | | |
| **Moto Laverda** | | | |
| | other operating income | 10 | 0.01% |
| | | | |
| **Relations with affiliated companies** | | | |
| **Fondazione Piaggio** | | | |
| | other non-current receivables | 267 | 5.59% |
| | current trade receivables | 5 | 0.01% |
| | other current receivables | 27 | 0.03% |
| | other current payables | 32 | 0.07% |
| | | | |
| **IMMSI Audit** | | | |
| | current trade receivables | 7 | 0.01% |
| | other current receivables | 30 | 0.04% |
| | costs for services and lease and rental costs | 784 | 0.32% |
| | other operating income | 49 | 0.04% |
| | | | |
| **Relations with parent companies** | | | |
| **IMMSI** | | | |
| | other current receivables | 6,259 | 7.39% |
| | current trade payables | 779 | 0.27% |
| | other current payables | 43 | 0.10% |
| | costs for services and lease and rental costs | 2,679 | 1.10% |
| | other operating income | 73 | 0.06% |
| | other operating costs | 14 | 0.07% |
| | | | |
| **Omniaholding** | | | |
| | non-current financial liabilities | 2,900 | 0.97% |
| | costs for services and lease and rental costs | 1 | 0.00% |
| | borrowing costs | 203 | 0.69% |
| | | | |
| **Other related parties** | | | |
| **Studio D'Urso** | | | |
| | costs for services and lease and rental costs | 224 | 0.09% |
| | | | |
| **Rodriquez Cantieri Navali** | | | |
| | current trade receivables | 33 | 0.05% |

### *E) Fees paid to board directors, members of the control committee, to general directors and senior management with strategic responsibilities*

The table below includes all persons that held the position of Board Member or General Director during the year, or for a part thereof.

*(1) This amount includes Euro 60,000 as an emolument for the office of Deputy Chairman.*
*(2) This amount includes Euro 20,000 as an emolument for the office of Chairman of the Internal Control Committee.*
*(3) This amount includes Euro 10,000 as an emolument for the office of Member of the Internal Control Committee.*
*(4) On 19 September 2011, Michele Pallottini stepped down from his position as General Manager Finance.*
*(5) This amount includes 2,338,000 EUR relative to the end of office benefit.*
*(6)Maurizio Roman left the company on 13 January 2011.*

| Name | Emoluments for the office | Non-monetary benefits | Bonuses and other incentives | Other fees | Total |
|---|---|---|---|---|---|
| In euro | | | | | |
| Roberto Colaninno | 1,290,000 | | | | 1,290,000 |
| Matteo Colaninno | 100,000 (1) | | | | 100,000 |
| Michele Colaninno | 40,000 | | | | 40,000 |
| Livio Corghi | 40,000 | | | | 40,000 |
| Franco Debenedetti | 40,000 | | | | 40,000 |
| Andrea Paroli | 40,000 | | | | 40,000 |
| Daniele Discepolo | 60,000 (2) | | | | 60,000 |
| Giorgio Magnoni | 40,000 | | | | 40,000 |
| Luca Paravicini Crespi | 50,000 (3) | | | | 50,000 |
| Riccardo Varaldo | 50,000 (3) | | | | 50,000 |
| Vito Varvaro | 40,000 | | | | 40,000 |
| Michele Pallottini(4) | | 9,684 | | 2,800,065(5) | 2,809,749 |
| Maurizio Roman(6) | | 4,569 | | 39,053 | 43,622 |

At the time this document was published, the Company had not identified senior managers with strategic responsibilities.
As concerns the Board of Statutory Auditors, the table below indicates the fees paid to auditors in the period, according to criteria set out in Attachment 3A to the Consob Regulation on Issuers.

| Name | Emoluments for the office | Non-monetary benefits | Bonuses and other incentives | Other fees | Total |
|---|---|---|---|---|---|
| In euro | | | | | |
| Giovanni Barbara | 131,596 | - | - | 26,000 | 157,596 |
| Attilio Francesco Arietti | 81,447 | - | - | - | 81,447 |
| Alessandro Lai | 80,758 | - | - | - | 80,758 |
| Mauro Girelli | - | - | - | - | - |
| Elena Fornara | - | - | - | - | - |

## *F) Commitments and risks*

### *39. Guarantees provided*

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

| Type | Amount €/000 |
|---|---|
| Guarantee of Banca Intesa San Paolo issued for the Group to the Customs Authorities of La Spezia | 300 |
| Guarantee of Banca Intesa San Paolo issued to the Ministry of the Interior of Algeria, to guarantee contract obligations for the supply of vehicles | 140 |
| Guarantee issued by Piaggio & C. for USD 19,680,000 to support the loan from I.F.C. to the subsidiary Piaggio Vietnam. The guarantee has been fully drawn on | 15,210 |
| Guarantee of Banca Intesa San Paolo issued to the Ministry of Defence of Algeria, to guarantee contract obligations for the supply of vehicles | 158 |
| Guarantee issued by Piaggio & C. for USD 19,000,000 to support the loan from I.F.C. to the subsidiary Piaggio Vehicles Private Limited. The guarantee has been fully drawn on | 14,684 |
| Warrant to grant credit of Piaggio & C. for USD 10,000,000 to guarantee the credit line of the same amount from CHASE to the subsidiary Piaggio Group Americas<br>of which drawn<br>of which undrawn | 7,729 |
| Warrant to grant credit of Piaggio & C. for USD 5,500,000 to guarantee the credit line of the same amount from ANZ to the subsidiary Piaggio Indonesia<br>of which drawn<br>of which undrawn | <br><br>1,620<br>2,631 |
| Warrant to grant credit of Piaggio & C. for USD 22,000,000 to guarantee the credit line of the same amount from ANZ to the subsidiary Piaggio Vietnam<br>of which drawn<br>of which undrawn | 17,003 |
| Warrant to grant credit of Piaggio & C. to guarantee the credit line from Banca Intesa San Paolo to the subsidiary Piaggio Group Americas for USD 23,000,000<br>of which drawn<br>of which undrawn | <br><br>17,003<br>773 |
| Warrant to grant credit of Piaggio & C. to guarantee the credit line from Banca Intesa San Paolo to the subsidiary Piaggio Group Japan for USD 7,000,000<br>of which drawn<br>of which undrawn | <br><br>4,241<br>1,168 |
| Guarantee of BCC-Fornacette to Livorno Customs Authorities | 200 |
| Guarantee of Banco di Brescia issued to the local authorities of Scorzé, to guarantee payment of urbanisation charges | 166 |
| Guarantee of Banca di Credito Cooperativo di Fornacette issued for the Group to Poste Italiane – Rome to guarantee contract obligations for the supply of vehicles | 356 |
| Guarantee of Banca di Credito Cooperativo di Fornacette issued for the Group to Poste Italiane – Rome to guarantee contract obligations for the supply of vehicles | 204 |
| Guarantee of Banca di Credito Cooperativo di Fornacette issued for the Group to AMA SpA – Rome to guarantee contract obligations for the supply of vehicles | 500 |
| Guarantee of Monte dei Paschi di Siena issued to Foshan Nanhai-China, for Euro 600,000 to guarantee contract obligations for the supply of vehicles<br>of which drawn<br>of which undrawn | <br><br>69<br>531 |
| Guarantee of Monte dei Paschi di Siena issued to Daihatsu for Yen 50,000,000, to guarantee contract obligations for the supply of vehicles<br>of which drawn<br>of which undrawn | <br><br>155<br>344 |
| Guarantee of Monte dei Paschi di Siena issued to Chen Shin Rubber for Euro 300,000, to guarantee contract obligations for the supply of vehicles<br>of which drawn<br>of which undrawn | <br><br>268<br>32 |
| Guarantee of Banca Intesa San Paolo issued to Hafei Motor/China for USD 1,500,000 to guarantee contract obligations for the supply of vehicles<br>of which drawn<br>of which undrawn | <br><br>881<br>278 |

## *G) Non-recurrent transactions*

During 2011 and 2010, the Company did not undertake significant non-recurrent transactions.

## *H) Information on financial instruments*

This attachment provides information about financial instruments, their risks, as well as the sensitivity analysis in accordance with the requirements of IFRS 7, effective as of 1 January 2007.

As of 31 December 2011 and 31 December 2010 financial instruments in force were allocated as follows within the Financial Statements of Piaggio & C. SpA:

| Notes | In thousands of Euro | As of 31 December 2011 | As of 31 December 2010 | Change |
|---|---|---|---|---|
| | **Assets** | | | |
| | **Non-current assets** | | | |
| 18 | Other financial assets | 20,846 | 17,888 | (6,136) |
| | *of which securities available for sale* | *11,752* | *17,888* | *(6,136)* |
| | *of which the fair value of hedging derivatives* | *9,094* | | *9,094* |
| | **Current assets** | | | |
| 24 | Other financial assets | 16,946 | 52,099 | (35,153) |
| | *of which securities* | | *23,051* | *(23,051)* |
| | *of which financial receivables* | *16,946* | *29,048* | *(12,102)* |
| | **Liabilities** | | | |
| | **Non-current liabilities** | | | |
| 30 | Financial liabilities falling due after one year | 300,084 | 363,869 | (63,785) |
| | *of which bonds* | *201,092* | *139,007* | *62,085* |
| | *of which bank financing* | *86,095* | *207,607* | *(121,512)* |
| | *of which leasing* | *6,744* | *7,470* | *(726)* |
| | *of which other lenders* | *6,153* | *9,785* | *(3,632)* |
| | **Current liabilities** | | | |
| 30 | Financial liabilities falling due within one year | 149,372 | 137,204 | 23,325 |
| | *of which bank financing* | *122,428* | *82,929* | *39,499* |
| | *of which leasing* | *894* | *791* | *103* |
| | *of which other lenders* | *3,905* | *4,320* | *(415)* |
| | *of which current account overdrafts* | *85* | *1* | *84* |
| | *of which current account payables* | *0* | *15,946* | *(15,946)* |
| | *of which factoring* | *20,085* | *23,254* | *(3,169)* |
| | *of which to subsidiaries* | *1,975* | *9,963* | *(7,988)* |

### *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 Company is exposed to are liquidity risk, exchange risk, interest rate risk and credit risk.

The management of these risks is centralised and treasury operations take place in accordance with formal policies and guidelines which are applicable to all Group companies.

### *Liquidity risk and capitals management*

The liquidity risk arises from the possibility that available financial resources are not sufficient to cover, in due times and procedures, future payments arising from financial and/or commercial obligations. To deal with this risks cash flows and the Company's credit line needs are monitored or managed centrally under the control of the Group's Treasury in order to guarantee an effective and efficient management of the financial resources as well as optimise the debt's maturity standpoint.
In addition, the Company finances the temporary cash requirements of Group companies by providing direct short-term loans regulated in market conditions or guarantees.
As of 31 December 2011 the most important sources of financing irrevocable until maturity granted to the Company were as follows:
› a €/000 128,500 credit line maturing on December 2012, consisting of a loan with amortisation/ depreciation and credit opening completely refundable at maturity;
› a debenture loan of €/000 150,000 maturing in December 2016;
› a debenture loan of €/000 75,000 maturing in July 2021;
› a pooled loan of €/000 65,000 maturing in August 2012;
› a loan of €/000 96,429 maturing in February 2016;
› a loan of €/000 12,500 maturing in September 2013.

As of 31 December 2011, the Company had a liquidity of €/000 50,816, €/000 104,100 of undrawn credit lines irrevocable to maturity and €/000 170,718 of revocable credit lines, as detailed below:

| | As of 31 December 2011 | As of 31 December 2010 |
|---|---|---|
| In thousands of Euro | | |
| Variable rate with maturity within one year - irrevocable until maturity | 100,000 | 0 |
| Variable rate with maturity beyond one year - irrevocable until maturity | 4,100 | 162,051 |
| Variable rate with maturity within one year - cash revocable | 150,718 | 85,034 |
| Variable rate with maturity within one year - with revocation for self-liquidating typologies | 20,000 | 23,602 |
| **Total undrawn credit lines** | **274,818** | **270,687** |

For this purpose, the Company signed an agreement on 29 December 2011 with a small pool of international banks for a medium-term revolving loan, for 130 million Euro. The operation concerns a basic amount of 130 million Euro, undersigned as mandated lead arranger and bookrunner by Bank of America, Banque Nationale de Paris Paribas-BNL and HSBC, which may be extended up to 200 million Euro, by syndication, with a maturity of 4 years.
The main aim of this operation is to refinance mid-term debt maturing in 2012 and provide financial support necessary for the international growth mapped in the 2012-2014 strategic plan. With this new credit facility, the financial debt quality profile of the Piaggio Group will improve, increasing average residual maturity and financial flexibility.

### *Exchange Risk*

The company operates in an international context where transactions are conducted in currencies different from the Euro. This exposes it to risks arising from exchange rates fluctuations. In 2005, the Company adopted an exchange rate risk management policy which aims to neutralise the possible negative effects of the changes in exchange rates on company cash-flows.

This policy analyses:
› The exchange risk: the policy wholly covers this risk which arises from differences between the recognition

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

As of 31 December 2011, Piaggio & C. SpA had forward purchase contracts (recognised on a regulation date basis):

- for a value of CAD/000 260 corresponding to €/000 197 (valued at the forward exchange rate), with average maturity on 31 January 2012;
- for a value of CHF/000 2,600 corresponding to €/000 2,139 (valued at the forward exchange rate), with average maturity on 3 February 2012;
- for a value of GBP/000 2,950 corresponding to €/000 3,584 (valued at the forward exchange rate), with average maturity on 30 January 2012;
- for a value of JPY/000 127,000 corresponding to €/000 1,233 (valued at the forward exchange rate), with average maturity on 17 January 2012;
- for a value of USD/000 4,780 corresponding to €/000 3,611 (valued at the forward exchange rate), with average maturity on 13 January 2012.

and forward sales contracts:

- for a value of CHF/000 1,080 corresponding to €/000 778 (valued at the forward exchange rate), with average maturity on 24 February 2012;
- for a value of CHF/000 3,200 corresponding to €/000 2,612 (valued at the forward exchange rate), with average maturity on 11 February 2012;
- for a value of GBP/000 3,005 corresponding to €/000 3,480 (valued at the forward exchange rate), with average maturity on 9 February 2012;
- for a value of JPY/000 195,000 corresponding to €/000 1,901 (valued at the forward exchange rate), with average maturity on 17 January 2012;
- for a value of SEK/000 1,000 corresponding to €/000 111 (valued at the forward exchange rate), with average maturity on 30 March 2012;
- for a value of SGD/000 60 corresponding to €/000 35 (valued at the forward exchange rate), with average maturity on 17 January 2012;
- for a value of USD/000 3,300 corresponding to €/000 2,461 (valued at the forward exchange rate), with average maturity on 10 February 2012.

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

As of 31 December 2011, the Company had the following transactions to hedge the business risk:

- for a value of CNY/000 131,500 corresponding to €/000 15,041 (valued at the forward exchange rate), with average maturity on 23 June 2012;
- sales for a value of GBP/000 9,300 corresponding to €/000 10,781 (valued at the forward exchange rate), with average maturity on 22 April 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 31 December 2011 the total fair value of hedging instruments for business risk recognised on a hedge accounting basis was equal to €/000 583. During 2011, gains under other components of the Statement of

Comprehensive Income were recognised amounting to €/000 583 and profits from other components of the Statement of Comprehensive Income were reclassified under profit/loss for the period amounting to €/000 227.

The net balance of cash flows during 2011 is shown below, divided by main currency:

| | Cash Flow 2011 |
|---|---|
| In millions of Euro | |
| Pound Sterling | 25.4 |
| US Dollar | (28.5) |
| Canadian Dollar | 4.9 |
| Swiss Franc | 15.6 |
| Chinese Yuan[1] | (35.9) |
| Japanese Yen | (8.1) |
| **Total cash flow in foreign currency** | **(26.6)** |

*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 in 2011, consolidated operating income would have increased by approximately €/000 259.

### *Interest rate risk*

This risk arises from fluctuating interest rates and the impact this may have on future cash flows arising from financial assets and liabilities. The Company regularly measures and controls its exposure to interest rates changes and manages such risks also resorting to derivative instruments, mainly Interest Rate Swaps and Cross Currency Swaps, as established by its own management policies.
As of 31 December 2011, the following hedging derivatives were in use:

- an interest rate swap to cover a variable rate loan for a nominal amount of €/000 117,857 (as of 31 December 2011 for €/000 96,429) granted by the European Investment Bank. The structure has fixed step-up rates, in order to stabilise financial flows associated with the loan; in accounting terms, the instrument is recognised on a cash flow hedge basis, with profits/losses arising from the fair value measurement allocated to a specific reserve in shareholders' equity; as of 31 December 2011 the fair value of the instrument was negative by €/000 2,988; sensitivity analysis of the instrument shows a potential impact on Equity, net of tax effect, equal to €/000 1,308, due to a 1% increase in the variable rates curve;
- a cross currency swap to hedge the private debenture loan issued for a nominal amount of $/000 75,000. The purpose of the instrument is to hedge both the exchange risk and interest rate risk, turning the loan from US dollars to Euro, and from a fixed rate to a variable rate; the instrument is accounted for on a fair value hedge basis, with effects arising from the measurement recognised as profit and loss. As of 31 December 2011 the fair value of the instrument was equal to €/000 9,094. The net economic effect arising from the recognition of the instrument and underlying private debenture loan was negative by €/000 139. Sensitivity analysis of the instrument shows a a no significant impact on Income Statement, net of tax effect, due to a 1% increase in the variable rates curve, assuming fixed exchange rate.

| | Fair Value |
|---|---|
| | |
| **Piaggio & C. SpA** | |
| Interest Rate Swap | (2,988) |
| Cross Currency Swap | 9,094 |

As of 31 December 2011, variable rate debt, net of financial assets, and considering hedging derivatives, was equal to €/000 94,880. Consequently a 1% increase or decrease in the Euribor above this net exposure would have generated higher or lower interest of €/000 949 per year.

### *Credit risk*

The Company considers that its exposure to credit risk is as follows:

| | As of 31 December 2011 | As of 31 December 2010 |
|---|---|---|
| In thousands of Euro | | |
| Liquid assets | 50,816 | 106,806 |
| Securities | | 23,051 |
| Financial receivables | | 29,048 |
| Trade receivables | 67,189 | 91,273 |
| **Total** | **118,005** | **250,178** |

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

### *Hierarchical fair value valuation levels*

As regards financial instruments recorded in the balance sheet at fair value, IFRS 7 requires these values to be classified on the basis of hierarchical levels which reflect the significance of the inputs used in determining fair value. These levels are as follows:
- level 1 – quoted prices for similar instruments;
- level 2 – directly and indirectly observable market inputs other than Level 1 inputs;
- level 3 – inputs not based on observable market data.

The table below shows the assets and liabilities valued at fair value as of 31 December 2011.

| | Level 1 | Level 2 | Level 3 |
|---|---|---|---|
| In thousands of Euro | | | |
| **Financial assets** | | | |
| Hedging financial derivatives | | 9,094 | |
| Other assets | | 880 | 11,752 |
| **Total** | | **9,974** | **11,752** |
| | | | |
| **Financial liabilities** | | | |
| Financial liabilities at fair value recognised as profit or loss | | (61,032) | |
| Other liabilities | | (3,285) | |
| **Total** | | **(64,317)** | |

During 2011, no transfers between levels took place.

The table below shows Level 2 changes occurring during 2011:

| In thousands of Euro | |
|---|---|
| **Balance As of 31 December 2010** | (227) |
| Profit (loss) recognised in the consolidated income statement | 227 |
| Increases/(Decreases) | (54,343) |
| **Balance as of 31 December 2011** | **(54,343)** |

## *I) Subsequent events*

To date, no events have occurred after 31 December 2011 that make additional notes or adjustments to these Financial Statements necessary.

In this regard, reference is made to the Report on Operations for significant events after 31 December 2011.

## *L) Subsidiaries*

Reference is made to attachments to the Consolidated Financial Statements.

## *M) Information pursuant to article 149 duodecies of the Consob Regulation on Issuers*

The following information, provided pursuant to article 149 duodecies of the Consob Regulation on Issuers, indicates the fees for 2011 for auditing services and other services provided by the Independent Auditors and members of its organisation.

| Type of service | Company providing the service | Receiver | Notes | Fees for 2011 |
|---|---|---|---|---|
| in euro | | | | |
| Auditing of accounts | Deloitte & Touche SpA | Parent Company - Piaggio & C. SpA | | 441,129 |
| Certification services | Deloitte & Touche SpA | Parent Company - Piaggio & C. SpA | | 14,378 |
| Tax Advisory Services | Deloitte network | Parent Company - Piaggio & C. SpA | | 79,000 |
| Other Services | Deloitte & Touche SpA | Parent Company - Piaggio & C. SpA | 1) | 12,108 |
| | Deloitte network | Parent Company - Piaggio & C. SpA | 2) | 70,000 |
| **Totale** | | | | **616,615** |

1. Services of agreed upon procedures.
2. Activities relating to the auditing of CSR Report.


7

# *Certification of the Financial Statements pursuant to article 154/bis of Legislative Decree 58/98*

1. The undersigned Roberto Colaninno (Chairman and Chief Executive Officer) and Alessandra Simonotto (Appointed Executive) of Piaggio & C. SpA certify, also in consideration of article 154-bis, sections 3 and 4, of Legislative Decree no. 58 of 24 February 1998:
› the appropriateness with regard to the company's characteristics and
› actual application of administrative and accounting procedures for the formation of the Financial Statements as of 31 December 2011.

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

3. Moreover
3.1 the financial statements:

a. have been prepared in compliance with the international accounting standards recognised by the European Community pursuant to regulation (EC) no. 1606/2002 of the European Parliament and Council of 19 July 2002;
b. correspond to accounting records;
c. give a true and fair view of the statement of financial position and results of operations of the Issuer;

3.2 The Report on Operations includes reliable analysis of the trend of operations and operating results, as well as the situation of the Issuer and a description of main risks and uncertainties to which they are exposed.

Date: 23 February 2012

/s/ Roberto Colaninno

Roberto Colaninno
**Chairman and Chief Executive Officer**

/s/ Alessandra Simonotto

Alessandra Simonotto
**Executive in charge**

# *Report of the Independent Auditors on the Separated Financial Statements*

Deloitte.

Deloitte & Touche S.p.A.
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**AUDITORS' REPORT PURSUANT TO ART. 14 AND 16 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010**

**To the Shareholders of**
**PIAGGIO & C. S.p.A.**

1. We have audited the financial statements of PIAGGIO & C. S.p.A. (the "Company"), which comprise the statement of financial position as of December 31, 2011, and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. These financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n. 38/2005 are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the Auditing Standards recommended by CONSOB, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the prior year's financial statements, whose data are presented for comparative purposes, reference should be made to our auditors' report issued on March 22, 2011.

3. In our opinion, the financial statements give a true and fair view of the financial position of PIAGGIO & C. S.p.A. as of December 31, 2011, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n. 38/2005.

4. The Directors of PIAGGIO & C. S.p.A. are responsible for the preparation of the report on operations and the annual report on corporate governance, published on the Company's site under section "Governance", in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the information reported in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the annual report on corporate

governance, with the financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the report on operations and the information reported in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998 paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) included in the annual report on corporate governance are consistent with the financial statements of PIAGGIO & C. S.p.A. as of December 31, 2011.

DELOITTE & TOUCHE S.p.A.
*Signed by*
Paolo Guglielmetti
Partner

Florence
March 12, 2012

*This report has been translated into the English language solely for the convenience of international readers.*

# *Statutory Auditors' Report to Shareholders*

**Piaggio & C. S.p.A.**

Registered and administrative office: Viale Rinaldo Piaggio, Pontedera (PI)

Tax code 04773200011

VAT no. 01551260506

**REPORT BY THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING**

**AS PER ARTICLE 153 OF LEGISLATIVE DECREE NO. 58/98 (THE "T.U.F.") AND ARTICLE 2429**

**OF THE CIVIL CODE**

To the Shareholders,

In the course of the financial year ending 31 December 2011 the Board of Statutory Auditors of Piaggio & C. S.p.A. (the "Company") carried out its statutory duties, also taking into account the CONSOB circulars about company checks and the activities of the Board of Statutory Auditors, and the *Principi di comportamento del Collegio Sindacale di società quotate nei mercati regolamentati* [Principles of Conduct for the Board of Statutory Auditors of Companies listed on Regulated Markets] recommended by the *Consiglio Nazionale dei Dottori Commercialisti e dei Ragionieri* [National Council of Professional Accountants].

In the course of the financial year ending 31 December 2011, the Board of Statutory Auditors therefore checked (i) that the law and the memorandum of association were observed, (ii) that the principles of sound management were respected, (iii) that those aspects of the Company's organisational structure that fall within its remit, as well as the internal audit system and the administrative and accounting system, were adequate, and that this last could be relied upon to give a true picture of operational items, (iv) how the rules on corporate governance specified in the *Codice di Autodisciplina del Comitato per la Corporate Governance delle società quotate* [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.

Moreover, the Board of Statutory Auditors, as the Internal Control and Audit Committee pursuant to Article 19 of Legislative Decree no. 39 of 27 January 2010, also checked (i) the financial information process, (ii) the efficacy of the internal control, internal audit and risk management systems, (iii) the legal audit of the annual accounts and consolidated accounts, and (iv) the independence of the external audit firm, with particular regard to the provision of non-audit services to the audited entity.

More particularly the Board can report as follows:

1. The Board verified that the Company operations having the greatest impact on its profits, cash flow and assets – which it learnt about by attending board of directors' meetings and shareholders' meetings and by talking to top management – were in compliance with the law and memorandum of association.

2. The Board did not discover, in the course of the financial year 2011, any atypical and/or unusual inter-company, third-party or related-party transactions.

The ordinary inter-company and related-party transactions, described in the Directors' Report and in the Notes to the Financial Statements, to which we refer you as appropriate, appear to be fair and in the interests of the Company.

3. With regard to the transactions indicated in point 2 above, the Board considers the information provided in the Directors' Report and Notes to the Financial Statements to be adequate.

4. The reports on the financial statements and consolidated financial statements by the audit firm Deloitte & Touche S.p.A. (hereinafter, also the "Audit Firm"), issued today 13 march 2012 pursuant to Articles 14 and 16 of Legislative Decree no. 39 of 27 January 2011, are unqualified and/or do not include any emphasis of matter paragraphs; and they certify that the financial statements and consolidated financial statements have been drawn up clearly and in compliance with the rules governing their preparation and give a true and fair view of the Company's profitability, assets and liabilities, financial position, and cash flow in the financial year ending 31 December 2011. These reports also certify that the directors' report and the information stated in paragraph 1 c), d), f), l), m) and paragraph 2 b) of Article 123 of the T.U.F. are consistent with the financial statements and consolidated financial statements.

The Board of Statutory Auditors, as the Internal Control and Audit Committee pursuant to article 19 of Legislative Decree no. 39 of 27 January 2010, also examined the report by the Audit Firm on the fundamental questions that emerged during its audit, a report that states that there are no shortcomings in the internal control system, in relation to the financial information process, important enough to be brought to the attention of the Internal Control and Audit Committee.

The Board of Statutory Auditors also examined the attestation that Deloitte & Touche S.p.A. issued, pursuant to Article 17 of Legislative Decree no. 39 of 27 January 2010, on 12 March 2012, in which (i) it declared that it was independent and that there were no grounds for incompatibility pursuant to Articles 10 and 17 of Legislative Decree no. 39/2010, (ii) it declared the non-audit services provided to the Company, also by its own network.

**5.** In the course of the financial year 2011 and to date the Board has not received any complaints from shareholders as per Article 2408 of the Civil Code.

**6.** The Board is not aware of any other complaints which it should report here.

**7.** During the financial year 2011 Deloitte & Touche S.p.A. received from the Company, for assignments additional to its audit work and, more specifically, for certification services, overall fees of €14,378, while the Deloitte Network received from its affiliates, for certification services, fees of €53,734.

**8.** During the financial year 2011 the Company paid, for audit services, fees of €441,129 to the Audit Firm, while Piaggio & C. S.p.A.'s affiliates paid, for audit services, fees of €40,416 to the Audit Firm and €471,318 to the Deloitte Network.

In the course of the same year, the Company and its affiliates paid the Deloitte Network a total amount of €81,800 for tax advisory services; for other services the Company also paid the Audit Firm €12,108 and the Deloitte Network €70,000.

Considering the above, the attestation of independence issued by Deloitte & Touche S.p.A. on 12 March 2012, and the fact that the Board of Statutory Auditors has held discussions with the Audit Firm pursuant to paragraph 9 (b), article 17 of Legislative Decree no. 39/2010, the Board of

Statutory Auditors believes that no critical aspects have emerged with regard to the independence of the Audit Firm.

**9.** During the financial year 2011 the Board of Statutory Auditors issued statutory opinions and attestations (an attestation that the terms and conditions of the long-term financing involving a private placement of bonds – approved by the Board of Directors on 13 July 2011 – comply with Article 2412 of the Italian Civil Code, an opinion on the proposed transaction with related parties, consisting in the conclusion with Omniaholding S.p.A. of a contract governing the leasing for commercial use of the premises located in Mantua at Corpo A1, Centro Direzionale Boma, Piazza Vilfredo Pareto 2, an opinion on the draft Audit Plan for the three-year period 2012-2014, and an attestation of research costs). The content of these opinions was not at variance with the resolutions subsequently adopted by the Board of Directors.

The Board of Statutory Auditors, in compliance with the Self-regulating Code, also verified:

a) that the criteria and procedures adopted by the Board of Directors when vetting the independence of its members had been correctly applied, in accordance with the criteria established by law and the Self-regulating Code;

b) that its own members – already vetted before their appointment – still met the independence requirements in accordance with the criteria established by law and the Self-regulating Code, it being understood that, should an auditor, on his own behalf or on behalf of third parties, have an interest in one of the Company's transactions, he must promptly give extensive information to the other members of the Board of Statutory Auditors and the Chairman of the Board about the nature, terms, origin and extent of his interest.

**10.** In the course of 2011 the Company's Board of Directors met 11 times and the Internal Audit Committee eight times; while neither the Remuneration Committee nor the Appointments Committee met (since there was no reason to call these committee meetings during the year). In this regard, however, the Remuneration Committee met on 23 February 2012 to define and discuss the remuneration policy for directors and executives with strategic responsibilities, as set out in the new wording of Article 6 of the "Directors' Remuneration Code", to be submitted to the Board of Directors, which approved it at its meeting on 23 February 2012. In the same year the Board of

Statutory Auditors met 10 times; it also attended all the meetings of the Board of Directors and shareholders' meetings held during the year.

The Chairman of the Board also attended seven of the Internal Audit Committee meetings.

**11**. The Board of Statutory Auditors, to the extent of its remit, gathered information and checked that the principles of sound management were observed and that the Company's administrative structure is adequate for the purposes of complying with these principles.

In particular, as regards the decision-making processes of the Board of Directors, the Board checked that the management decisions taken by the directors complied with the law and articles of association, and that their resolutions were not contrary to the interests of the Company.

The Board of Statutory Auditors therefore believes that the principles of sound management have been observed.

**12**. The Board of Statutory Auditors checked the Company's organisational structure; and believes, in light of these checks and to the extent of its own responsibility, that the structure as a whole is adequate.

**13**. The Board of Statutory Auditors – also by liaising and coordinating with the Internal Audit Committee, the Managing Director in his capacity as the director appointed to oversee that the internal audit system is functioning, and the Supervisory Body – checked the Company's internal audit system and the work of the *Soggetto Preposto al Controllo Interno* [person who oversees that the internal audit system is functioning].

In particular, following the enactment of Legislative Decree no. 39 of 27 January 2010, the Board of Statutory Auditors, as the Internal Control and Audit Committee, liaised and continually exchanged information with the Internal Audit Committee.

Moreover, also by liaising with the Internal Control Committee, the Board of Statutory Auditors monitored the Company's transactions with related parties, verifying the working and correct application of the Procedure for Transactions with Related Parties, approved on 30 November 2010 by the Board of Directors, following the issue of CONSOB Regulation no. 17221 of 12 March 2010 concerning transactions with related parties.

Lastly, the Board of Statutory Auditors attended the meetings of the Supervisory Board during the financial year, liaising with it about - among other things - the updating of the Organisational, Management and Control Model pursuant to Legislative Decree no. 231/2001.

In light of these checks and the evaluations made by the *Soggetto Preposto*, the Internal Audit Committee and the Board of Directors with regard to the adequacy, efficiency and actual functioning of the internal audit system, the Board of Statutory Auditors believes, to the extent of its own responsibility, that the system as a whole is adequate.

**14**. The Board of Statutory Auditors checked – by collecting information from the *Dirigente Preposto* [manager in charge of preparing the Company's financial reports] and the relevant department managers, examining company documentation, and analysing the results of the Audit Firm's work – the Company's administrative and accounting system and how reliable it is in giving a true picture of operational items.

In light of these checks and the evaluations made by the Board of Directors of the adequacy of the Company's organisational, administrative and accounting arrangements, the Board of Statutory Auditors believes, to the extent of its own responsibility, that the system is essentially adequate and reliable for the purpose of correctly representing the operational items.

**15**. The Board checked that the directives given by the Company to its subsidiaries as per Article 114, paragraph 2, of the T.U.F. were adequate, and that there was a proper flow of information between them, and it believes that the Company is able to fulfil the communication obligations laid down by law.

**16**. During the financial year the Board of Statutory Auditors met managers from the Audit Firm in order to exchange relevant data and information with them in accordance with Article 150, paragraph 3, of the T.U.F.

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

During the financial year the Board of Statutory Auditors met with the supervisory body of the subsidiary Aprilia Racing S.r.l. in order to exchange information pursuant to Article 151, paragraph 2, of the T.U.F.

The fact that the Auditor Alessandro Lai is also the Chairman of the Board of Statutory Auditors of the parent company IMMSI S.p.A. has also facilitated the exchange of information with that parent company's Board of Statutory Auditors.

**17.** The Company has adopted the Self-regulating Code of Practice for Listed Companies, approved in March 2006 by the Committee for Corporate Governance and promoted by Borsa Italiana S.p.A.

The system of corporate governance adopted by the Company is detailed in the Corporate Governance Report for 2011, approved by the Board of Directors on 23 February 2012.

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

**19.** The Board of Statutory Auditors remarks that, as far as it is aware, there has been no derogation from the law in the preparation of the consolidated financial statements and separate financial statements.

The Board, also in view of the results of the work carried out by the body responsible for accounting control, has found no reason – as far as its own remit goes – not to approve the financial statements as at 31 December 2011 as drafted and approved by the Board of Directors at its meeting of 23 February 2012, and agrees with the Board of Directors about the proposed allocation of the year's profits.

Milan, 13 March 2012

The Board of Statutory Auditors

Mr. Giovanni Barbara

Mr. Attilio Arietti

Mr. Alessandro Lai

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

*Published on 14 March, 2012*

PIAGGIO & C. s.p.a.

Management and Coordination
IMMSI SpA
Share capital EUR 205,941,272.16 fully paid up
Registered office: Viale R. Piaggio 25, Pontedera (Pisa)
Pisa Register of Companies and Tax Code 04773200011
Pisa Economic and Administrative Index no. 134077