

REMUNERATION REPORT

This remuneration report (“**Remuneration Report**”) has been prepared pursuant to art. 123-ter of Legislative Decree 58 of 24 February 1998 (“**Consolidated Law on Finance**”) and art. 84-quater of the CONSOB regulation, adopted with resolution 11971 of 14 May 1999 (“**Consob Regulation on Issuers**”) and has been prepared in accordance with Attachment 3A, Scheme 7-bis.

The Remuneration Report is divided into the following sections.

SECTION I

This section of the Remuneration Report describes the essential features of the remuneration policy adopted by the Company (hereinafter the “**Remuneration Policy**”), which defines the principles and guidelines to which the Piaggio Group adheres in determining and monitoring the application of remuneration practices for directors and key managers.

The Remuneration Policy has been approved by the Board of Directors on 23 February 2012 at the proposal of the Remuneration Committee and this Remuneration Report is submitted to the examination and advisory vote of the Shareholders. The Remuneration Policy defines the goals pursued and the principles that underlie the determination of retribution for governance bodies, general managers and key managers. During the year 2011, the Company has not adopted a remuneration policy.

Pursuant to the Articles of Association and the law, the Board of Directors currently in office will expire with the approval by the shareholders of the financial statements as at 31 December 2011. The Company does not intend to make substantial changes to the remuneration policy following the appointment of new directors by the shareholders' meeting to be convened in April 2012. In any case, any changes and variations to the Remuneration Policy that may be made in future by the Company will be appropriately highlighted and described in the remuneration reports of coming years.

As required by Consob Regulation 17221 of 12 March 2010 concerning transactions with related parties, as transposed in the internal procedure adopted by the company on 30 November 2010 and available on the group website www.piaggiogroup.com, approval of the Remuneration Policy by the Shareholders' Meeting exempts the Company from applying the above procedure for related party transactions in resolutions concerning the remuneration of directors and key managers, provided these are consistent with the Remuneration Policy.

1. Parties involved in the preparation and approval of the remuneration policy

The main parties and offices involved in preparation and approval of the Remuneration Policy are the Shareholders meeting, the Board of Directors, the Remuneration Committee and the Board of Statutory Auditors.

1.1 Board of Directors

The Board of Directors:

- constitutes among its members the Remuneration Committee;
- establishes the remuneration of directors vested with special offices, following the opinion of the Board of Statutory Auditors and at the proposal of the Remuneration Committee;
- establishes, at the proposal of the Remuneration Committee, the Remuneration Policy;
- approves the remuneration report in accordance with article 84-quater of the Consob Regulation on Issuers and article 6 of the Self-Regulatory Code;
- prepares remuneration plans based on shares or other securities for directors, employees and co-workers, including key managers, submits the same for approval by the shareholders meeting pursuant to article 114-bis of the Consolidated Law on Finance and ensures implementation.

1.2 Remuneration Committee

The Remuneration Committee of the Company, constituted within the Board of Directors in accordance with the Self-Regulatory Code, consists of all non-executive and independent directors.

The Remuneration Committee has the duty:

- to make proposals to the Board regarding the remuneration of the Chief Executive Officer and directors with special offices, monitoring the application of the decisions made;
- to make general recommendations to the Board regarding the remuneration of key managers in the Piaggio Group, taking into account information and indications given by the Chief Executive Officer, periodically checking the criteria adopted for the remuneration of said executives;
- supports the Board of Directors in preparing and implementing any remuneration plans based on shares or other financial instruments.

The Remuneration Policy has therefore been outlined and approved by the Remuneration Committee and the Board of Directors.

1.3 Shareholders' meeting

With regard to remuneration, the Shareholders meeting:

- establishes the remuneration of members of the Board of Directors and Statutory Auditors pursuant to article 2364, paragraph 1, no. 3);
- expresses an advisory opinion on the Remuneration Policy Report defined by the Board of Directors (at the proposal of the Remuneration Committee);
- decides on any remuneration plans based on shares or other financial instruments for directors, employees and co-workers, including key managers, pursuant to article 114-bis of the Consolidated Law on Finance.

1.4 Board of Statutory Auditors

The Board of Statutory Auditors expresses its opinion on proposals for the remuneration of executive directors and, more generally, of directors holding particular offices, verifying the consistency of said proposals with the Remuneration Policy.

2. Illustration of the objectives and general guidelines of the Remuneration Policy and description of policies regarding fixed and variable remuneration components

The remuneration of directors, general managers and key managers is defined so as to ensure an overall remuneration structure able to acknowledge the professional value of those involved and allow an appropriate balance between fixed and variable components with the aim of creating sustainable value in the medium and long term and ensure a direct relation between remuneration and specific performance objectives.

In particular, the guidelines which have inspired the remuneration policy are based on the criteria listed below:

- (i) the fixed component and variable component take into account the strategic objectives and associated business risks taken by the Company;
- (ii) the variable component has an upper limit;
- (iii) the fixed component is sufficient to remunerate the services of the person concerned should the variable component not be paid due to failure in achieving the assigned objectives;
- (iv) the performance objectives are:
 - priority, i.e. directly related to the medium to long term strategy of the company;
 - specific, i.e. clear and concrete in terms of expected results;
 - measurable, i.e. assessed with clear and predefined indicators;
 - realistic, i.e. deemed achievable although challenging and ambitious;
 - defined over time, i.e. referred to a specific time dimension.

The variable component will be paid only on achieving the expected result. The amount of the incentive to be paid to each person involved is determined based on the achievement of results effectively pursued.

In the event that the Company carries out particularly exceptional and strategically important transactions in terms of the impact on Company results, the Board of Directors,

at the proposal of the Remuneration Committee, has the power to allocate, at its discretion, specific bonuses to executive directors and key managers.

The Company may provide for incentive and loyalty plans based on shares or other financial instruments for directors, employees and co-workers, including key managers, pursuant to article 114-bis of the Consolidated Law on Finance. A share-based remuneration plan (stock options) is in place for Piaggio Group managers, approved by the Shareholders meeting of 7 May 2007 (“**2007-2009 Stock Option Plan**”). The options granted under the plan provide for a vesting period of three years from assignment, the last of which occurred on 19 December 2009. The 2007-2009 Stock Option Plan does not foresee assignment of options based on performance objectives.

The 2007-2009 Stock Option Plan does not currently concern directors and key managers and is deemed terminated with this latter assignment.

There are no clauses for keeping the financial instruments in portfolio after their acquisition.

There are no deferred remuneration payment systems.

The Remuneration Policy does not foresee stipulation with directors and key managers of agreements governing *a priori* economic aspects in the event of termination of office or concerning any advance termination of employment at the initiative of the Company or the interested party.

In defining the remuneration policy the Company has not used as a reference remuneration policies implemented by other companies and has not sought the cooperation of independent experts.

3. Remuneration of directors

Within the Board of Directors it is possible to distinguish between:

- (i) Non-executive directors: Directors.
- (ii) Executive directors: the Chairman and Chief Executive Officer, Roberto Colaninno.

Non-executive directors

All Non-executive directors are paid a fixed annual remuneration, as approved by the Shareholders meeting. Directors participating in the Internal Control Committee and the Remuneration Committee, both composed of all Independent Directors as required by the Self-Regulatory Code, are paid an additional fixed amount in consideration of the additional commitment required. The Deputy Chairman receives additional remuneration compared to the office of director. Independent directors do not receive specific remuneration, except for those who are called upon to participate in the committees listed above.

In addition, expenses incurred by Directors for performance of their duties are reimbursed by the Company.

All Directors also benefit from “Directors and Officers” insurance coverage for liability concerning acts committed in the exercise of their functions, except in cases of malice and gross negligence.

The Remuneration Policy does not provide for the payment of fringe benefits.

Executive directors

The remuneration of Executive Directors is determined in accordance with best practices of companies of comparable size and governance structure and comprises:

- i) a fixed annual component, determined to a significant extent, consistent with the position and commitment required and, in any case, such as to be sufficient to remunerate services rendered should the variable component not be paid due to failure in achieving the objectives of referred to below;
- ii) a variable component related to the objectives identified by the three-year Strategic Plan approved by the Company, a period considered consistent with the objective of creating value for shareholders over the medium to long term and with a correct risk management policy. The amount of the variable component is determined annually by the Board of Directors, at the recommendation of the Remuneration Committee, according to the concrete achievement of the established objectives.

The variable is therefore paid on an annual basis with reference to long-medium term objectives defined in the three-year Strategic Plan.

The variable component can reach up to a maximum of 30% of the amount established for fixed remuneration.

Also executive directors benefit from “Directors and Officers” insurance coverage for liability concerning acts committed in the exercise of their functions, except in cases of malice and gross negligence.

The Remuneration Policy does not provide for the payment of fringe benefits.

4. Remuneration of general managers and key managers

The remuneration of key managers is determined in accordance with the general principles set out in paragraph 2) and comprises:

- (i) a fixed annual component, determined to a significant extent, consistent with the position and commitment required and, in any case, such as to be sufficient to remunerate services rendered should the variable component not be paid due to failure in achieving the objectives of referred to below;
- (ii) a variable annual component payable on achievement of predetermined corporate objectives (so-called MBO), linked to expected results based on the Strategic Plan approved by the Company. The variable component is equal to a predetermined percentage of the gross fixed annual remuneration, generally at least 50 % of the latter;

- (iii) fringe benefits such as allocation of company vehicles, housing contributions and membership of pension and insurance plans that reflect normal pension and social security protection, as provided by the applicable National Collective Employment Contract. There are no other fringe benefits.

Key managers are reimbursed for expenses incurred for the performance of their duties and benefit from “Directors and Officers” insurance coverage for liability concerning acts committed in the exercise of their functions, except in cases of malice and gross negligence, in addition to the general protection provided by the applicable National Collective Employment Contract.

It should be noted that the Company currently has no key managers.

SECTION II

1. Remuneration for members of the Board of Directors and Statutory Auditors, to General Managers and Key Managers

All non-executive directors of the Company are paid the same annual remuneration of Euro 40,000, as approved by the Shareholders Meeting of 16 April 2009 and which has remained unchanged over the year. Directors called upon to participate in the Internal Control Committee are paid an additional amount of € 10,000 in consideration of the additional commitment required. The Chairman of the Internal Control Committee receives an additional amount of Euro 20,000.

The remuneration of the Chairman and Deputy Chairman were approved by the Board on 16 April 2009 and 18 December 2009, having obtained the opinion of the Board of Statutory Auditors and the Remuneration Committee.

The remuneration of the Chairman and Chief Executive Officer is Euro 1,290,000.

The Deputy Chairman of the Company receives additional remuneration compared to the office of director of Euro 60,000.

The table below lists the remuneration received by Directors and key managers during the financial year in accordance with the criteria set out in Attachment 3A to the Consob Regulation on Issuers.

Specifically, under emoluments for the office the following are shown: (i) specific remuneration approved by the Shareholders meeting, even if not paid; (ii) attendance fees; (iii) lump-sum expense reimbursement; (iv) remuneration received for performing special duties, pursuant to article 2389, paragraph 3 of the Italian Civil Code; the column non-monetary benefits includes fringe benefits (according to a criteria of taxability) including any insurance policies; bonuses and other incentives and portions of fees that are one-off payments; other remuneration includes (i) payments for offices held in other listed and unlisted subsidiaries, (ii) salaries as employees (gross of social security and taxes borne by the employee, excluding union fees borne by the company and termination benefit allocations), (iii) termination indemnities, and (iv) all possible additional payments deriving from other services rendered.

The table includes all the people who held office as a member of the Board of Directors or as General Manager at any time over the year, including for only a fraction of the year.

At the date of this Remuneration Report, the Company has no key managers.

Board of Directors and Key Managers

Full name	Position	Period in which the office was held	Expiry of office	Fixed remuneration	Remuneration for participation in committees	Non-equity variable remuneration		Non-monetary benefits	Other fees	Total	Fair Value of equity remuneration	Termination of office or employment indemnity
						Bonuses and other incentives	Share of profits					
Roberto Colaninno	Chairman/CEO	Since 16/04/2009	Approval of 2011 Financial Statements	1,290,000						1,290,000		
						Bonuses and other incentives	Share of profits					
(I) Remuneration in the company preparing accounts				1,290,000								
(II) Remuneration from subsidiaries and associates												
(III) Total				1,290,000						1,290,000		
Matteo Colaninno	Deputy Chairman	Since 16/04/2009	Approval of 2011 Financial Statements	100,000						100,000		
						Bonuses and other incentives	Share of profits					
(I) Remuneration in the company preparing accounts				100,000								
(II) Remuneration from subsidiaries and associates												
(III) Total				100,000						100,000		
Michele Colaninno	Director	Since 16/04/2009	Approval of 2011 Financial Statements	40,000						40,000		
						Bonuses and other incentives	Share of profits					
(I) Remuneration in the company preparing accounts				40,000								
(II) Remuneration from subsidiaries and associates												
(III) Total				40,000						40,000		
Vito Varvaro	Director	Since 16/04/2009	Approval of 2011 Financial Statements	40,000						40,000		
						Bonuses and other incentives	Share of profits					
(I) Remuneration in the company preparing accounts				40,000								
(II) Remuneration from subsidiaries and associates												
(III) Total				40,000						40,000		

Full name	Position	Period in which the office was held	Expiry of office	Fixed remuneration	Remuneration for participation in committees	Non-equity variable remuneration		Non-monetary benefits	Other fees	Total	Fair Value of equity remuneration	Termination of office or employment indemnity
Daniele Discepolo	Director	Since 16/04/2009	Approval of 2011 Financial Statements	40,000	20,000 (ICC Chairman)	Bonuses and other incentives	Share of profits			60,000		
(I) Remuneration in the company preparing accounts				40,000	20,000							
(II) Remuneration from subsidiaries and associates												
(III) Total				40,000	20,000					60,000		
Andrea Paroli	Director	Since 13/04/2011	Approval of 2011 Financial Statements	40,000		Bonuses and other incentives	Share of profits			40,000		
(I) Remuneration in the company preparing accounts				40,000								
(II) Remuneration from subsidiaries and associates												
(III) Total				40,000						40,000		
Franco Debenedetti	Director	Since 16/04/2009	Approval of 2011 Financial Statements	40,000		Bonuses and other incentives	Share of profits			40,000		
(I) Remuneration in the company preparing accounts				40,000								
(II) Remuneration from subsidiaries and associates												
(III) Total				40,000						40,000		
Giorgio Magnoni	Director	Since 16/04/2009	Approval of 2011 Financial Statements	40,000		Bonuses and other incentives	Share of profits			40,000		
(I) Remuneration in the company preparing accounts				40,000								
(II) Remuneration from subsidiaries and associates												
(III) Total				40,000						40,000		

Full name	Position	Period in which the office was held	Expiry of office	Fixed remuneration	Remuneration for participation in committees	Non-equity variable remuneration		Non-monetary benefits	Other fees	Total	Fair Value of equity remuneration	Termination of office or employment indemnity
						Bonuses and other incentives	Share of profits					
Luca Paravicini Crespi	Director	Since 16/04/2009	Approval of 2011 Financial Statements	40,000	10,000 (ICC Member)					50,000		
						Bonuses and other incentives	Share of profits					
(I) Remuneration in the company preparing accounts				40,000	10,000							
(II) Remuneration from subsidiaries and associates												
(III) Total				40,000	10,000					50,000		
Riccardo Varaldo	Director	Since 16/04/2009	Approval of 2011 Financial Statements	40,000	10,000 (ICC Member)					50,000		
						Bonuses and other incentives	Share of profits					
(I) Remuneration in the company preparing accounts				40,000	10,000							
(II) Remuneration from subsidiaries and associates												
(III) Total				40,000	10,000					50,000		
Livio Corghi	Director	Since 16/04/2010	Approval of 2011 Financial Statements	40,000						40,000		
						Bonuses and other incentives	Share of profits					
(I) Remuneration in the company preparing accounts				40,000								
(II) Remuneration from subsidiaries and associates												
(III) Total				40,000						40,000		
Michele Pallottini	General Manager Finance	Since 13/11/2006	19 September 2011	462,065.98				9,684.27		471,750.25		2,338,000
						Bonuses and other incentives	Share of profits					
(I) Remuneration in the company preparing accounts				462,065.98				9,684.27		471,750.25		2,338,000
(II) Remuneration from subsidiaries and associates												
(III) Total				462,065.98				9,684.27		471,750.25		2,338,000
Maurizio Roman	General Manager Prod. Dev.	Since 26/02/2010	13 January 2011	39,053.43				4,568.82		43,622.25		
						Bonuses and other incentives	Share of profits					
(I) Remuneration in the company preparing accounts				39,053.43				4,568.82		43,622.25		
(II) Remuneration from subsidiaries and associates												
(III) Total				39,053.43				4,568.82		43,622.25		

Board of Statutory Auditors

Full name	Position	Period in which the office was held	Expiry of office	Fixed remuneration	Remuneration for participation in committees	Non-equity variable remuneration		Non-monetary benefits	Other fees	Total	Fair Value of equity remuneration	Termination of office or employment indemnity
						Bonuses and other incentives	Share of profits					
Giovanni Barbara	Chairman	Since 16/04/2009	Approval of 2011 Financial Statements	126,535	25,000 (SB Member)		Share of profits			151,535		
						Bonuses and other incentives						
(I) Remuneration in the company preparing accounts				126,535	25,000							
(II) Remuneration from subsidiaries and associates												
(III) Total				126,535	25,000							
Attilio Arietti	Statutory Auditor	Since 16/04/2009	Approval of 2011 Financial Statements	78,314			Share of profits			78,314		
						Bonuses and other incentives						
(I) Remuneration in the company preparing accounts				78,314								
(II) Remuneration from subsidiaries and associates												
(III) Total				78,314								
Alessandro Lai	Statutory Auditor	Since 16/04/2009	Approval of 2011 Financial Statements	77,652			Share of profits			77,652		
						Bonuses and other incentives						
(I) Remuneration in the company preparing accounts				77,652								
(II) Remuneration from subsidiaries and associates												
(III) Total				77,652								
Mauro Girelli	Alternate Auditor	Since 16/04/2009	Approval of 2011 Financial Statements				Share of profits					
						Bonuses and other incentives						
(I) Remuneration in the company preparing accounts												
(II) Remuneration from subsidiaries and associates												
(III) Total												
Elena Fornara	Alternate Auditor	Since 16/04/2009	Approval of 2011 Financial Statements				Share of profits					
						Bonuses and other incentives						
(I) Remuneration in the company preparing accounts												
(II) Remuneration from subsidiaries and associates												
(III) Total												

2. Stock-options assigned to Board members, General Managers and Key Managers

The table below lists the stock options assigned to the General Manager Finance during the year, in accordance with the criteria set out in Attachment 3A to the Consob Regulation on Issuers.

Full name	Position	Plan	Options held at the beginning of the period			Options assigned during the period						Options exercised during the period			Options expired during the period	Options held at the end of the period	Options accruing in the period
			Number of options	Exercise price	Period of possible exercise (from-to)	Number of options	Exercise price	Period of possible exercise (from-to)	Fair value at the date of assignment	Date of assignment	Market price of underlying shares on option assignment	Number of options	Exercise price	Market price of underlying shares at exercise date			
Michele Pallottini	General Manager Finance	SOP 2007/2009	750,000	1.216	From 01/08/2011 To 29/09/2011							750,000	1.216	2.85			
		SOP 2007/2009	1,500,000	1.826	From 19/12/2012 To 16/02/2013										1,500,000		
(I) Total			2,250,000									750,000			1,500,000		
Maurizio Roman	General Manager Product Development And Strategies	SOP 2007/2009	500,000	1.892	From 05/01/2013 To 06/03/2013										500,000		
(II) Total			500,000												500,000		

3. Incentive plans for Board members, General Managers and Key Managers

The Company has no other incentive and loyalty schemes based on financial instruments, other than stock options, for Board members, General Managers and Key Managers.

4. Equity investments of members of the Board of Directors and Statutory Auditors, General Managers and Key Managers (diagram no. 7ter)

Members of the Board of Directors and Statutory Auditors, General Managers and Key Managers have no equity investments in the Company or its subsidiaries.