PIAGGIO &C. s.p.a.

**IMMSI Group**

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

**Interim Report on Operations as of 31 March 2011**

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

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Management and Coordination

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## Introduction

This unaudited Interim Report on Operations as of 31 March 2011 has been prepared in compliance with Legislative Decree no. 58/1998 as amended, as well as with Consob Regulation on Issuers.

The Condensed Interim Financial Statements have been prepared in compliance with International Financial Reporting Standards (« IFRS ») issued by the International Accounting Standards Board (« IASB ») and approved by the European Union and in accordance with IAS 34 – Interim Financial Reporting, applying the same accounting standards as those adopted for the Consolidated Financial Statements as of 31 December 2010, with the exception of items described in the Notes - in the section on Accounting standards, amendments and interpretations applied as from 1 January 2011.

# Interim Directors' Report

## KEY OPERATING AND FINANCIAL DATA

| *In millions of Euro* | 1st Quarter | | 2010 |
|---|---|---|---|
| | 2011 | 2010 | statutory |
| **Data on financial position** | | | |
| Net revenues | 351.7 | 340.6 | 1,485.4 |
| Gross industrial margin | 102.6 | 102.5 | 462.3 |
| Operating income | 12.2 | 11.3 | 111.1 |
| Earnings before tax | 5.6 | 5.4 | 83.8 |
| Net income | 3.0 | 2.9 | 42.8 |
| . Minority interest | | | |
| . Group | 3.0 | 2.9 | 42.8 |
| **Data on financial performance** | | | |
| Net employed capital (NEC) | 845.8 | 855.7 | 792.8 |
| Consolidated net debt | (406.4) | (422.6) | (349.9) |
| Shareholders’ equity | 439.4 | 433.2 | 442.9 |
| **Balance sheet figures and financial ratios** | | | |
| Gross margin as a percentage of net revenues (%) | 29.2% | 30.1% | 31.1% |
| Net income as a percentage of net revenues (%) | 0.8% | 0.9% | 2.9% |
| ROE (Net income/shareholders' equity) (%) | 0.7% | 0.7% | 9.7% |
| ROI (Operating income/NEC) (%) | 1.4% | 1.3% | 14.0% |
| ROS (Operating income/net revenues) (%) | 3.5% | 3.3% | 7.5% |
| EBITDA | 33.7 | 31.8 | 197.1 |
| EBITDA/net revenues (%) | 9.6% | 9.3% | 13.3% |
| **Other information** | | | |
| Sales volumes (unit/000) | 149.0 | 143.7 | 628.4 |
| Investments in property, plant and equipment and intangible assets | 21.9 | 14.7 | 96.2 |
| Research and Development [1] | 18.2 | 17.9 | 62.9 |
| Employees at the end of the period (number) | 7,493 | 7,499 | 7,529 |

[1] The item Research and Development includes investments recognised in the statement of financial position and costs recognised in profit or loss.

**Revenues and sales volumes by business segment**

| BUSINESS SEGMENT | | Two-Wheeler Vehicles | | | Commercial Vehicles | | | TOTAL |
|---|---|---|---|---|---|---|---|---|
| | | Western Countries | Asia Pacific | **Total** | Europe | India | **Total** | |
| **Volumes** | 1st Quarter 11 | 66.3 | 17.4 | **83.7** | 3.6 | 61.7 | **65.3** | **149.0** |
| (units/000) | 1st Quarter 10 | 72.5 | 15.1 | **87.6** | 3.9 | 52.2 | **56.2** | **143.7** |
| | Change | (6.2) | 2.3 | **(3.9)** | (0.3) | 9.4 | **9.2** | **5.2** |
| | Change % | -8.5% | 15.1% | **-4.5%** | -7.1% | 18.1% | **16.3%** | **3.7%** |
| **Net revenues** | 1st Quarter 11 | 183.0 | 32.2 | **215.2** | 26.5 | 110.0 | **136.5** | **351.7** |
| (ML €) | 1st Quarter 10 | 186.3 | 33.9 | **220.2** | 33.4 | 86.9 | **120.4** | **340.6** |
| | Change | (3.3) | (1.7) | **(5.0)** | (6.9) | 23.1 | **16.2** | **11.1** |
| | Change % | -1.8% | -5.0% | **-2.3%** | -20.8% | 26.6% | **13.4%** | **3.3%** |

**Revenues and sales volumes by geographical segment**

| GEOGRAPHICAL SEGMENT | | EMEA | of which Italy | AMERICA | INDIA | ASIA PACIFIC | TOTAL |
|---|---|---|---|---|---|---|---|
| | 1st Quarter 11 | 67.7 | *20.5* | 2.2 | 61.7 | 17.4 | **149.0** |
| **Volumes** | 1st Quarter 10 | 75.2 | *28.2* | 1.1 | 52.2 | 15.1 | **143.7** |
| (units/000) | Change | (7.5) | *(7.7)* | 1.0 | 9.4 | 2.3 | **5.2** |
| | Change % | -10.0% | *-27.3%* | 89.9% | 18.1% | 15.0% | **3.7%** |
| | 1st Quarter 11 | 202.4 | *74.7* | 7.1 | 110.0 | 32.2 | **351.7** |
| **Net revenues** | 1st Quarter 10 | 214.8 | *91.6* | 5.0 | 86.9 | 33.9 | **340.6** |
| (ML €) | Change | (12.4) | *(16.9)* | 2.1 | 23.1 | (1.7) | **11.1** |
| | Change % | -5.8% | *-18.4%* | 41.9% | 26.6% | -5.0% | **3.3%** |

## 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 |
| **Substitute Auditors** | Mauro Girelli |
| | Elena Fornara |
| **Supervisory Board** | Antonino Parisi |
| | Giovanni Barbara |
| | Ulisse Spada |
| **General Manager Finance** | Michele Pallottini |
| **Financial Reporting Manager** | Alessandra Simonotto |
| **Independent Auditors** | Deloitte & Touche S.p.A. |

(1) Director in charge of internal audit

(2) Lead Independent Director

(3) Member of the Appointment Proposal Committee

(4) Member of the Remuneration Committee

(5) Member of the Internal Control Committee

## SIGNIFICANT EVENTS IN THE FIRST QUARTER OF 2011

**13 January 2011** Davide Scotti became Manager of Piaggio Product Development and Strategies Management, 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.

## FINANCIAL POSITION AND PERFORMANCE OF THE GROUP

### Consolidated Income Statement

**Vehicles**

| *In thousands of units* | *1st Quarter 2011* | *1st Quarter 2010* | *Change* |
|---|---|---|---|
| Two-wheeler | 83.7 | 87.6 | (3.9) |
| Commercial Vehicles | 65.3 | 56.2 | 9.2 |
| ***TOTAL VEHICLES*** | **149.0** | **143.7** | **5.2** |

**Net revenues**

| *In millions of Euro* | *1st Quarter 2011* | *1st Quarter 2010* | *Change* |
|---|---|---|---|
| Two-wheeler | 215.2 | 220.2 | (5.0) |
| Commercial Vehicles | 136.5 | 120.4 | 16.2 |
| ***TOTAL REVENUES*** | **351.7** | **340.6** | **11.1** |

**EBITDA**

| *In millions of Euro* | *1st Quarter 2011* | *1st Quarter 2010* | *Change* |
|---|---|---|---|
| ***EBITDA*** | **33.7** | **31.8** | **1.9** |

**EBIT**

| *In millions of Euro* | *1st Quarter 2011* | *1st Quarter 2010* | *Change* |
|---|---|---|---|
| ***EBIT*** | **12.2** | **11.3** | **0.8** |

**Net income**

| *In millions of Euro* | *1st Quarter 2011* | *1st Quarter 2010* | *Change* |
|---|---|---|---|
| ***Net income*** | **3.0** | **2.9** | **0.1** |

In the first three months of 2011, the Piaggio Group sold a total of 149.0 vehicles worldwide, 83.7 of which in the Two-Wheeler business and 65.3 in the Commercial Vehicles business.

As regards the Two-Wheeler business, this performance was achieved in a particularly difficult market context in Europe and especially in Italy, the Group's main reference area, where demand for two-wheelers decreased compared to the same period of the previous year, in the scooter segment (-26.1%) and motorcycle segment (-6.3%).

An analysis of sales by geographical segment shows the growth recorded in the Asia Pacific area, where sales of the Vietnamese-manufactured Liberty commenced, and in America.

The Commercial Vehicles Division ended the first three months of 2011 with 65,300 units sold, up 16.3% compared to the same period in 2010, thanks to expansion on the Indian market (+ 18.1%).

In the first quarter of 2011 consolidated revenues stood at 351.7 ML €, up 3.3% compared to the same period in 2010. An analysis of revenues in reference subsegments shows that the increase is due to the success of commercial vehicles on the Indian market, which more than made up for the downturn on the Two-Wheeler European market.

The **gross industrial margin,** defined as the difference between "Revenues" and the corresponding "Cost to sell" for the period, was equal to 102.6 ML €, in line with figures for the first quarter of 2010. The decrease in the margin as a percentage is mainly due to a different mix of two-wheeler and commercial vehicles, as described above. The gross industrial margin included amortisation/depreciation amounting to 8.1 ML € (8.3 ML € in the first three months of 2010).
"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, amortisation/depreciation of property, plant, equipment and industrial equipment, external maintenance and cleaning costs net of sundry cost recovery recharged to suppliers.
**Operating expenses** as of 31 March 2011 were equal to 90.4 ML €, down 0.8 ML € compared to 91.2 ML € for the same period in 2010. This item comprises employee costs, costs for services and lease and rental costs, and operating costs next of operating income not included in the gross industrial margin. Operating expenses also include amortisation/depreciation amounting to 13.5 ML € (12.2 ML € in the first three months of 2010).

The above trend in revenues and costs led to a **consolidated EBITDA** equal to 33.7 ML € (1.9 ML €, % compared to the first three months of 2010). EBITDA is defined as "Operating income" before the amortisation of intangible assets and depreciation of plant, property and equipment as resulting from the consolidated income statement.
**Operating income** in the first quarter of 2011 was positive, amounting to 12.2 ML €, up 0.8 ML € compared to 11.3 ML € in the same period in 2010.
**Net borrowing costs** amounted to 6.5 ML €, against 5.9 ML € in the same period in 2010. The poorer performance is related to higher costs of Euribor index-linked loans, as well as a negative impact from currency management.
In the first three months of 2011, the Piaggio Group reported **earnings before tax** of 5.6 ML € (+0.2 ML € compared to the same period in 2010).
In accordance with IAS, taxes for the period account for a cost of 2.6 ML €, (in line with the first three months of 2010) and were determined based on the average tax rate expected for the entire period.
**Net income** as of 31 March 2011 was equal to 3.0 ML € (2.9 ML € in the same period in 2010).

**Employees**

The Group's **workforce** as of 31 March 2011 accounted for 7,493 employees/staff compared to 7,529 as of 31 December 2010.

Employee/staff numbers are in line with seasonal trends of the business, with production and sales focussed on spring and summer months and the use of staff on fixed-term contracts in these periods.

| | Average number | | Number as of | |
|---|---|---|---|---|
| *Employee/staff numbers* | *1st Quarter 2011* | *1st Quarter 2010* | *31-Mar-11* | *31-Dec-10* |
| Executives | 103 | 110 | 102 | 107 |
| Middle Management | 487 | 443 | 484 | 487 |
| White collars | 2,083 | 2,066 | 2,079 | 2,076 |
| Manual labour | 4,852 | 4,769 | 4,828 | 4,859 |
| **Total** | **7,525** | **7,388** | **7,493** | **7,529** |

**Consolidated Balance Sheet**

| *In millions of Euro* | **As of 31 March 2011** | **As of 31 December 2010** | **Change** |
|---|---|---|---|
| **Balance sheet** | | | |
| Net working capital | 66.5 | 8.8 | 57.7 |
| Net tangible assets | 250.9 | 256.8 | (5.9) |
| Net intangible assets | 650.4 | 652.6 | (2.2) |
| Financial assets | *0.5* | *0.5* | 0.0 |
| Provisions | (122.4) | (125.9) | 3.5 |
| **Net capital employed** | **845.8** | **792.8** | **53.0** |
| Consolidated net debt | 406.4 | 349.9 | 56.5 |
| Shareholders' equity | 439.4 | 442.9 | (3.5) |
| **Sources of funds** | **845.8** | **792.8** | **53.0** |
| Minority interest capital | 1.6 | 1.6 | 0.0 |

**Net working capital** – defined as the net sum of: Current and non-current trade receivables and other receivables, Inventories, Long-term trade payables and other payables and Current trade payables, Other receivables (Short- and long-term tax receivables, Deferred tax assets) and Other payables (Tax payables and Other short-term payables) amounted to 66.5 ML €. The growth of 57.7 ML € compared to figures as of 31 December 2010 is in line with seasonal trends of the business.

**Property, plant and equipment** consist of property, plant, machinery and industrial equipment, net of accumulated depreciation, and assets held for sale, as set out in more detail in the "Notes" to the Consolidated Financial Statement, in notes 17 and 28. As of 31 March 2011, property, plant and equipment totalled 250.9 ML €, down 5.9 ML € compared to 31 December 2010 and up 2.0 ML € compared to the same period of the previous year.

**Intangible assets** mainly consist of capitalised research and development costs and the goodwill arising from mergers and acquisitions undertaken within the Group since 2000 onwards, as set out in more detail in the "Notes" to the Consolidated Financial Statements in the specific note. As of 31 March 2011, this item amounted to 650.4 ML €, down 2.2 ML € compared to 31 December 2010.

**Financial assets**, defined by the directors as the total of equity investments and other non-current financial assets (refer to Notes 19 and 20), totalled 0.5 ML €, amounting to the same figure as of 31 December 2010.

**Provisions** consist of retirement funds and employee benefits (see "Notes" 34), other long-term provisions (see "Notes" 32), the current portion of other long-term provisions (see "Notes" 32), and deferred tax liabilities (see "Notes" 33), and totalled 122.4 ML €, a decrease of 3.5 ML € compared to 31 December 2010.

As described further in the section on the "Consolidated Cash Flow Statement", **net financial debt** as of 31 March 2011 was equal to 406.4 ML €, compared to 349.9 ML € as of 31 December 2010 and 422.6 ML € for the same period in 2010. The increase of 56.5 ML € compared to 31 December is mainly attributable to the seasonal nature of the Two-Wheeler business, which uses resources in the first half of the year, and produces resources in the second half. In the first three months of 2010 the change in net debt was negative, accounting for 70.6 ML €.

**Shareholders' equity** as of 31 March 2011 totalled 439.4 ML €, against 442.9 ML € as of 31 December 2010.
During the period, the Parent Company did not purchase any additional treasury shares. Therefore, as of 31 March 2011 the Parent Company held 4,882,711 treasury shares, equal to 1.31% of the share capital.

**Consolidated Cash Flow Statement**

| | 1st Quarter | | |
|---|---|---|---|
| *In millions of Euro* | 2011 | 2010 | Change |
| **Change in consolidated net debt** | | | |
| **Opening consolidated net debt** | **(349.9)** | **(352.0)** | **2.1** |
| Cash flow from operating activities (earnings+amortisation/depreciation) | 24.5 | 23.3 | 1.2 |
| (Increase)/reduction in working capital | (57.6) | (75.6) | 18.0 |
| (Increase)/reduction in net investments | (13.4) | (23.3) | 9.9 |
| Net change in retirement funds and other provisions | (3.5) | (1.6) | (1.9) |
| Change in shareholders' equity | (6.5) | 6.5 | (13.0) |
| ***Total change*** | **(56.5)** | **(70.6)** | **14.1** |
| **Closing consolidated net debt** | **(406.4)** | **(422.6)** | **16.2** |

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

**Financial resources absorbed** in the period were 56.5 ML €.

**Cash flow from operating activities**, i.e. net income plus amortisation/depreciation, was equal to 24.5 ML €. The positive effect of this flow was absorbed by the increase in working capital, which went up from 8.8 ML € as of 31 December 2010 to 66.5 ML € as of 31 March 2011 and by investment activities for 13.4 ML €.

## RESULTS BY BUSINESS SEGMENT

### Two-wheeler

| | 1st Quarter 2011 | | 1st Quarter 2010 | | Change % | | Change | |
|---|---|---|---|---|---|---|---|---|
| | Volumes Sell-in (units/000) | Turnover (ML €) | Volumes Sell-in (units/000) | Turnover (ML €) | Volumes | Turnover | Volumes | Turnover |
| Western Countries | 66.3 | 183.0 | 72.5 | 186.3 | -8.5% | -1.8% | (6.2) | (3.3) |
| *of which EMEA* | *64.3* | *176.3* | *71.3* | *181.6* | *-9.8%* | *-2.9%* | *(7.0)* | *(5.3)* |
| *- of which Italy* | *18.2* | *57.2* | *25.6* | *68.7* | *-28.8%* | *-16.8%* | *(7.4)* | *(11.5)* |
| *of which America* | *2.0* | *6.7* | *1.1* | *4.8* | *73.7%* | *40.1%* | *0.8* | *1.9* |
| Asia Pacific | 17.4 | 32.2 | 15.1 | 33.9 | 15.1% | -5.0% | 2.3 | (1.7) |
| **TOTAL** | **83.7** | **215.2** | **87.6** | **220.2** | **-4.5%** | **-2.3%** | **(3.9)** | **(5.0)** |
| Scooters | 73.4 | 142.0 | 77.8 | 153.2 | -5.6% | -7.3% | (4.4) | (11.2) |
| Motorcycles | 10.3 | 40.2 | 9.8 | 35.5 | 4.5% | 13.2% | 0.4 | 4.7 |
| Spare parts and Accessories | | 29.7 | | 29.9 | | -0.8% | | (0.2) |
| Other | | 3.3 | | 1.6 | | 108.3% | | 1.7 |
| **TOTAL** | **83.7** | **215.2** | **87.6** | **220.2** | **-4.5%** | **-2.3%** | **(3.9)** | **(5.0)** |

* Published data for the first three months of 2010 have been reprocessed for comparison with data for the first three months of 2011.

In the first quarter of 2011, the Piaggio Group sold a total of 83.7 thousand units in the Two-Wheeler segment (- 4.5% compared to the same period in 2010), with a net turnover of 215.2 ML € (- 2.3%) including spare parts and accessories. It should be noted that 'sold' means the number of vehicles sold to dealers (sell-in volumes), which differs from the number of new vehicles registered (sell-out volumes), due to stocks held by the sales network.

The decrease in turnover was more moderate than the fall in sales, due to higher sales in the motorcycle segment and the concurrent drop in sales in the scooter segment.

As regards distribution by geographical segment, the American market picked up after several years of decline.

Sales in Asia Pacific also increased (+ 15.1%), where the Vietnamese-manufactured Liberty was launched on the market in 2011

Sales in the EMEA area and particularly in Italy, the Group's main reference area fell, with demand decreasing in both the scooter segment (- 26.1%) and motorcycle segment (-6.3%).

## Commercial Vehicles

| | 1st Quarter 2011 | | 1st Quarter 2010 | | Change % | | Change | |
|---|---|---|---|---|---|---|---|---|
| | Volumes Sell-in (units/000) | Turnover (ML €) | Volumes Sell-in (units/000) | Turnover (ML €) | Volumes | Turnover | Volumes | Turnover |
| EMEA | 3.4 | 26.1 | 3.9 | 33.2 | -12.2% | -21.4% | (0.5) | (7.1) |
| *- of which Italy* | *2.3* | *17.6* | *2.6* | *22.9* | *-12.3%* | *-23.2%* | (0.3) | (5.3) |
| Americas | 0.2 | 0.4 | 0.0 | 0.2 | 1231.3% | 81.9% | 0.2 | 0.2 |
| India | 61.7 | 110.0 | 52.2 | 86.9 | 18.1% | 26.6% | 9.4 | 23.1 |
| **TOTAL** | **65.3** | **136.5** | **56.2** | **120.4** | **16.3%** | **13.4%** | **9.2** | **16.2** |
| Ape | 61.3 | 105.6 | 51.3 | 80.4 | 19.4% | 31.2% | 10.0 | 25.1 |
| Porter | 1.2 | 12.1 | 1.7 | 18.9 | -27.6% | -36.0% | (0.5) | (6.8) |
| Quargo | 2.8 | 7.9 | 3.1 | 10.8 | -10.6% | -26.5% | (0.3) | (2.9) |
| Atv | | | 0.0 | 0.0 | -100.0% | -100.0% | (0.0) | (0.0) |
| Spare parts and Accessories | | 10.9 | | 10.2 | | 6.9% | 0.0 | 0.7 |
| **TOTAL** | **65.3** | **136.5** | **56.2** | **120.4** | **16.3%** | **13.4%** | **9.2** | **16.2** |

The Commercial Vehicles Division ended the first quarter of 2011 with 65.3 thousand units sold, up 16.3% compared to the same period of 2010, while turnover increased from 120.4 ML € in the first three months of 2010 to 136.5 ML € in the same period in 2011 (+ 13.4%). Turnover generated in India reached 110.0 ML € while in Europe it stood at 26.1 ML €.

In the first quarter of 2011, the Indian market continued to grow at a steady pace. In overall terms, the Three-Wheeler segment increased by 20.3% in the period, while the Four-Wheeler segment, in which the Indian subsidiary operates, increased by 17.8%.

In the Three-Wheeler segment, sales of the Indian subsidiary Piaggio Vehicles Private Limited went up from 49.4 thousand units in the first three months of 2010 to 59.3 thousand units in the first three months of 2011, registering an increase of 20%.

In the Four-Wheeler segment, Piaggio Vehicles launched a new vehicle in 2010, the Apé Mini, while development of a new 1,000 cc diesel engine is being completed - for assembly in 2011 on the top-of-the-range Apé Truk and manufacture at the Baramati site. Sales of Piaggio Vehicles Private Limited in this segment went up from 2.9 thousand units in the first three months of 2010 to 2.4 thousand units in the first three months of 2011.

In the EMEA area, Piaggio sold 3.4 thousand units, registering a downturn compared to the same period in 2010 (-12.2%). This figure was affected a great deal by the end of the funding programme in Italy last year for purchasing environmentally friendly vehicles.

## SIGNIFICANT EVENTS AFTER 31 MARCH 2011

**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 m2 to approximately 50,000 m2).

## OPERATING OUTLOOK: PROSPECTS FOR THE CURRENT FINANCIAL YEAR

During 2011, the Piaggio Group will continue its strategy of developing its industrial and commercial presence on main Asian markets, consolidating its leadership position on the Indian market in the three- and four-wheeler light commercial vehicles segments and obtaining further market shares in the scooter business in Vietnam.

The Piaggio Group will begin a new and decisive stage of development for operations in Asia, involving a major expansion of industrial and business operations throughout the area, with the aim of achieving a turnover on Asian markets in the next four years equal to 1 billion euro.

At a central level, R&D activities will focus on renewing the Group's product ranges of scooters, motorcycles and commercial vehicles – with particular attention on the development of low consumption, environmentally friendly engines.

# TRANSACTIONS WITH RELATED PARTIES

Revenues, costs, payables and receivables as of 31 March 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.

Information on transactions with related parties, including disclosure required by Consob communication of 28 July 2006, is given in attachment E to the notes on the consolidated financial statements.

# OTHER INFORMATION

**Corporate**

During the period, the company structure of the Group changed following a new company, called PT Piaggio Indonesia, being established on 22 March 2011. The company will operate in Indonesia as a selling agency of Piaggio Vespa BV to promote sales of Group products on the Indonesian market.

**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") on 13 January 2011, 500,000 option rights expired.

As of 31 March 2011, 7,930,000 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.

| Rights | No. of options | Average exercise price (Euro) | Market price (Euro) |
|---|---|---|---|
| Rights existing as of 31/12/2010<br>of which exercisable in 2010 | 8,430,000 | | |
| New rights assigned in the 1st quarter of 2011 | | | |
| Rights exercised in the 1st quarter of 2011 | | | |
| Rights expired in the 1st quarter of 2011 | 500,000 | 1.892 | 2.004 |
| Rights existing as of 31/03/2011<br>° of which exercisable as of 31/03/2011 | 7,930,000 | | |

**Piaggio Group**

**Condensed Interim Financial Statements as of 31 March 2011**

**CONSOLIDATED INCOME STATEMENT**

In accordance with Consob resolution no. 15519 of 27 July 2006

| | | 1st Quarter 2011 | | 1st Quarter 2010 | |
|---|---|---|---|---|---|
| *In thousands of Euros* | Notes | Total | of which Related parties (Section E) | Total | of which Related parties (Section E) |
| **Net revenues** | 4 | **351,679** | **191** | **340,564** | |
| Cost for materials | 5 | 211,901 | 7,674 | 202,030 | 6,169 |
| Cost for services and leases and rental | 6 | 64,873 | 999 | 62,673 | 553 |
| Employee costs | 7 | 64,205 | | 62,200 | |
| Amortisation/depreciation of property, plant and equipment | 8 | 9,093 | | 9,168 | |
| Amortisation of intangible assets | 8 | 12,478 | | 11,295 | |
| Other operating income | 9 | 26,279 | 182 | 23,477 | 404 |
| Other operating costs | 10 | 3,255 | | 5,344 | 82 |
| **Operating income** | | **12,153** | | **11,331** | |
| Income/(loss) from equity investments | 11 | | | | |
| Financial income | 12 | 1,126 | | 679 | |
| Borrowing Costs | 12 | 7,209 | 28 | 7,262 | 12 |
| Net exchange gains/(losses) | 12 | (465) | | 669 | |
| **Earnings before tax** | | **5,605** | | **5,417** | |
| Taxation for the period | 13 | 2,635 | | **2,562** | |
| **Earnings from continuing activities** | | **2,970** | | **2,855** | |
| Assets held for disposal: | | | | | |
| Profits or losses arising from assets held for disposal | 14 | | | | |
| **Net Income (Loss) for the period** | | **2,970** | | **2,855** | |
| **Attributable to:** | | | | | |
| **Shareholders of the Parent Company** | | **2,995** | | **2,868** | |
| **Minority Shareholders** | | **(25)** | | **(13)** | |
| **Earnings per share (figures in €)** | 15 | **0.008** | | **0.008** | |
| **Diluted earnings per share (figures in €)** | 15 | **0.008** | | **0.008** | |

* Following the cancellation of 24,247,007 shares on 10 May 2010, the average number of shares in circulation in 2010 was recalculated, as indicated in IAS 33.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| *In thousands of Euros* | Notes | 1st Quarter 2011 | 1st Quarter 2010 | Change |
|---|---|---|---|---|
| **Profit (loss) for the period (A)** | | **2,970** | **2,855** | **115** |
| Effective part of profits (losses) on cash flow hedges | 29 | (1,440) | 693 | (2,133) |
| Profit (loss) deriving from the translation of financial statements of foreign companies denominated in foreign currency | | (5,421) | 5,315 | (10,736) |
| **Total Other Profits (and losses) for the period (B)** | | **(6,861)** | **6,008** | **(12,869)** |
| **Total Profit (loss) for the period (A + B)** | | **(3,891)** | **8,863** | **(12,754)** |
| **Attributable to:** | | | | |
| **Shareholders of the Parent Company** | | **(3,866)** | **8,933** | **(12,799)** |
| **Minority Shareholders** | | **(25)** | **(70)** | **45** |

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
In accordance with Consob resolution no. 15519 of 27 July 2006

| | | As of 31 March 2011 | | As of 31 December 2010 | |
|---|---|---|---|---|---|
| *In thousands of Euros* | Notes | Total | of which Related parties (Section E) | Total | of which Related parties (Section E) |
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Intangible assets | 16 | 650,365 | | 652,622 | |
| Property, plant and equipment | 17 | 250,853 | | 256,759 | |
| Investment property | 18 | | | | |
| Equity investments | 19 | 194 | | 194 | |
| Other financial assets | 20 | 334 | | 334 | |
| Long-term tax receivables | 21 | 1,013 | | 967 | |
| Deferred tax assets | 22 | 45,798 | | 46,294 | |
| Trade receivables | 23 | | | | |
| Other receivables | 24 | 12,222 | 444 | 12,655 | 443 |
| **Total non-current assets** | | **960,779** | | **969,825** | |
| **Assets held for sale** | 28 | | | | |
| **Current assets** | | | | | |
| Trade receivables | 23 | 137,274 | 2,304 | 90,421 | 2,210 |
| Other receivables | 24 | 30,773 | 5,826 | 23,300 | 5,983 |
| Short-term tax receivables | 21 | 37,577 | | 44,200 | |
| Inventories | 25 | 258,957 | | 240,066 | |
| Other financial assets | 26 | 14,608 | | 23,051 | |
| Cash and cash equivalents | 27 | 143,604 | | 154,859 | |
| **Total current assets** | | **622,793** | | **575,897** | |
| **TOTAL ASSETS** | | **1,583,572** | | **1,545,722** | |

| | | As of 31 March 2011 | | As of 31 December 2010 | |
|---|---|---|---|---|---|
| *In thousands of Euros* | Notes | Total | of which Related parties (Section E) | Total | of which Related parties (Section E) |
| **SHAREHOLDERS' EQUITY AND LIABILITIES** | | | | | |
| **Shareholders' equity** | | | | | |
| Share capital and reserves attributable to the shareholders of the Parent Company | 29 | 437,770 | | 441,277 | |
| Share capital and reserves attributable to minority interest | 29 | 1,588 | | 1,613 | |
| **Total shareholders' equity** | | **439,358** | | **442,890** | |
| **Non-current liabilities** | | | | | |
| Financial liabilities falling due after one year | 30 | 334,156 | 2,900 | 371,048 | 2,900 |
| Trade payables | 31 | 163 | | 88 | |
| Other long-term provisions | 32 | 16,966 | | 16,993 | |
| Deferred tax liabilities | 33 | 31,482 | | 32,338 | |
| Retirement funds and employee benefits | 34 | 57,327 | | 58,636 | |
| Tax payables | 35 | 3,462 | | 3,361 | |
| Other long-term payables | 36 | 4,198 | | 4,202 | |
| **Total non-current liabilities** | | **447,754** | | **486,666** | |
| **Current liabilities** | | | | | |
| Financial liabilities falling due within one year | 30 | 230,471 | | 156,800 | |
| Trade payables | 31 | 343,793 | 16,623 | 352,627 | 12,857 |
| Tax payables | 35 | 24,252 | | 19,290 | |
| Other short-term payables | 36 | 81,294 | 334 | 69,503 | 342 |
| Current portion of other long-term provisions | 32 | 16,650 | | 17,946 | |
| **Total current liabilities** | | **696,460** | | **616,166** | |
| **TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES** | | **1,583,572** | | **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.

| *In thousands of Euros* | 1st Quarter 2011 | 1st Quarter 2010 |
|---|---|---|
| *Operating activities* | | |
| Consolidated net income | 2,995 | 2,868 |
| Minority interest | (25) | (13) |
| Taxation for the period | 2,635 | 2,562 |
| Amortisation/depreciation of property, plant and equipment | 9,093 | 9,168 |
| Amortisation/depreciation of intangible assets | 12,478 | 11,295 |
| Non-monetary costs for stock options | 359 | 691 |
| Allocations for risks and retirement funds and employee benefits | 4,526 | 6,843 |
| Write-downs / (Reversals) | 123 | 669 |
| Losses / (Gains) on the disposal of property, plants and equipment | (13) | 6 |
| Losses / (Gains) on the disposal of intangible assets | | |
| Financial income | (1,126) | (679) |
| Borrowing Costs | 5,852 | 5,628 |
| Income from public grants | (718) | (598) |
| Portion of earnings of associated companies | | |
| *Change in working capital*: | | |
| (Increase)/Decrease in trade receivables | (46,853) | (55,370) |
| (Increase)/Decrease in other receivables | (7,039) | 918 |
| (Increase)/Decrease in inventories | 18,891 | (23,947) |
| Increase/(Decrease) in trade payables | (8,759) | 5,312 |
| Increase/(Decrease) in other payables | (11,787) | 12 |
| Increase/(Decrease) in provisions for risks | (3,060) | (3,483) |
| Increase/(Decrease) in retirement funds and employee benefits | (3,779) | (4,453) |
| Other changes | 9,053 | (11,613) |
| **Cash generated from operating activities** | (17,154) | (54,184) |
| Interest paid | (4,433) | (4,119) |
| Taxation paid | (11,286) | (2,603) |
| **Cash flow from operating activities (A)** | (32,873) | (60,906) |
| | | |
| *Investment activities* | | |
| Investment in property, plant and equipment | (8,314) | (2,272) |
| Sale price, or repayment value, of property, plant and equipment | 163 | (3) |
| Investment in intangible assets | (13,559) | (12,465) |
| Sale price, or repayment value, of intangible assets | 5 | |
| Purchase of financial assets | | (3,714) |
| Sale price of financial assets | 8,443 | |
| Collected interests | 1,021 | 96 |
| **Cash flow from investment activities (B)** | (12,241) | (18,358) |
| | | |
| *Financing activities* | | |
| Purchase of treasury shares | | (204) |
| Loans received | 53,811 | 8,286 |
| Outflow for repayment of loans | (20,397) | (18,590) |
| Financing received for leases | 227 | |
| Repayment of finance leases | (196) | (189) |
| **Cash flow from funding activities (C)** | 33,445 | (10,697) |
| | | |
| Increase / (Decrease) in cash and cash equivalents (A+B+C) | (11,669) | (89,961) |
| | | |
| **Opening balance** | 154,758 | 198,281 |
| Exchange differences | | 5,315 |
| ***Closing balance*** | 143,089 | 113,635 |

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

| *In thousands of Euros* | As of 31 March 2011 | As of 31 March 2010 | Change |
|---|---|---|---|
| Cash and cash equivalents | 143,604 | 115,776 | 27,828 |
| Current account overdrafts | (515) | (2,141) | 1,626 |
| **Final balance** | 143,089 | 113,635 | 29,454 |

**NET DEBT/(NET FINANCIAL DEBT)**

| *In thousands of Euros* | Notes | As of 31 March 2011 | As of 31 December 2010 | Change |
|---|---|---|---|---|
| **Liquidity** | 27 | **143,604** | **154,859** | **(11,255)** |
| Securities | 26 | 14,608 | 23,051 | (8,443) |
| **Current financial receivables** | | **14,608** | **23,051** | **(8,443)** |
| Payables due to banks | 30 | (99,094) | (45,505) | (53,589) |
| Current portion of bank financing | 30 | (107,980) | (82,929) | (25,051) |
| Amounts due to factoring companies | 30 | (18,338) | (23,255) | 4,917 |
| Amounts due under leases | 30 | (866) | (791) | (75) |
| Current portion of payables due to other financiers | 30 | (4,193) | (4,320) | 127 |
| **Current financial debt** | | **(230,471)** | **(156,800)** | **(73,671)** |
| **Net current financial debt** | | **(72,259)** | **21,110** | **(93,369)** |
| Payables due to banks and financing institutions | 30 | (178,621) | (214,785) | 36,164 |
| Debenture loan | 30 | (139,007) | (139,007) | 0 |
| Amounts due under leases | 30 | (7,427) | (7,471) | 44 |
| Amounts due to other lenders | 30 | (9,101) | (9,785) | 684 |
| **Non-current financial debt** | | **(334,156)** | **(371,048)** | **36,892** |
| **NET FINANCIAL DEBT** | | **(406,415)** | **(349,938)** | **(56,477)** |

***** Pursuant to Consob Communication of 28 July 2006 and in compliance with the recommendation of the CESR of 10 February 2005 "Recommendation for the consistent implementation of the European Commission's Regulation on Prospectuses".

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

| *In thousands of Euros* | |
|---|---|
| **Increase/decrease in cash and cash equivalents from the consolidated cash flow statement** | **(11,669)** |
| Outflow for repayment of loans | 20,397 |
| Repayment of finance leases | 196 |
| Loans received | (53,811) |
| Amortised cost on medium-/long-term financing | (208) |
| Loans on leases received | (227) |
| Sale of financial assets | (8,443) |
| Exchange differences | (2,712) |
| **Change in consolidated net debt** | **(56,477)** |

## CHANGES IN SHAREHOLDERS' EQUITY 1 January 2011 / 31 March 2011

| *In thousands of Euros* | Share capital | Share premium reserve | Legal reserve | Reserve for measurement of financial instruments | IAS transition reserve | Group consolidation reserve | Group conversion reserve | Stock option reserve | Performance reserve | ***Consolidated Group shareholders' equity*** | ***Minority interest capital and reserves*** | **TOTAL SHAREHOLDERS' EQUITY** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| As of 1 January 2010 | 203,348 | 3,493 | 11,299 | (227) | (5,859) | 993 | (1,850) | 11,929 | 218,151 | **441,277** | **1,613** | **442,890** |
| Charges for the period for stock option plans | | | | | | | | 359 | | **359** | | **359** |
| Allocation of profits | | | | | | | | | | **0** | | **0** |
| Distribution of dividends | | | | | | | | | | **0** | | **0** |
| Purchase of treasury shares | | | | | | | | | | | | |
| Total overall Profit (loss) | | | | (1,440) | | | (5,421) | | 2,995 | **(3,866)** | **(25)** | **(3,891)** |
| As of 31 March 2011 | 203,348 | 3,493 | 11,299 | (1,667) | (5,859) | 993 | (7,271) | 12,288 | 221,146 | **437,770** | **1,588** | **439,358** |

## CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY 1 January 2010 / 31 March 2010

| *In thousands of Euros* | Share capital | Share premium reserve | Legal reserve | Reserve for measurement of financial instruments | IAS transition reserve | Group consolidation reserve | Group conversion reserve | Stock option reserve | Performance reserve | ***Consolidated Group shareholders' equity*** | ***Minority interest capital and reserves*** | **TOTAL SHAREHOLDERS' EQUITY** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| As of 1 January 2010 | 191,616 | 3,493 | 8,996 | 127 | (5,859) | 993 | (5,468) | 9,279 | 218,484 | **421,661** | **2,141** | **423,802** |
| Charges for the period for stock option plans | | | | | | | | 691 | | **691** | | **691** |
| Allocation of profits | | | | | | | | | | **0** | | **0** |
| Distribution of dividends | | | | | | | | | | **0** | | **0** |
| Purchase of treasury shares | (45) | | | | | | | | (159) | **(204)** | | **(204)** |
| Total overall profit (loss) | | | | 693 | | | 5,372 | | 3,349 | **9,414** | **(551)** | **8,863** |
| As of 31 March 2010 | 191,571 | 3,493 | 8,996 | 820 | (5,859) | 993 | (96) | 9,970 | 221,674 | **431,562** | **1,590** | **433,152** |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**As of 31 March 2011**

## A) GENERAL ASPECTS

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

### 1. Scope of consolidation

The scope of consolidation has changed compared to the Consolidated Financial Statements as of 31 December 2010 and as of 31 March 2010, following the establishment of a new selling agency in Indonesia on 22 March 2011. As the change is of a limited extent, comparability with data from previous periods has not been affected.

### 2. Compliance with INTERNATIONAL ACCOUNTING STANDARDS

These Condensed Interim Financial Statements have been drafted in compliance with the International Accounting Standards (IAS/IFRS) in force at that date, issued by the International Accounting Standards Board and approved by the European Commission, as well as in compliance with the provisions established in Article 9 of Legislative Decree no. 38/2005 (Consob Resolution no. 15519 dated 27 July 2006 containing the "Provisions for the presentation of financial statements", Consob Resolution no. 15520 dated 27 July 2006 containing the "Changes and additions to the Regulation on Issuers adopted by Resolution no. 11971/99", Consob communication no. 6064293 dated 28 July 2006 containing the "Corporate reporting required in accordance with Article 114, paragraph 5 of Legislative Decree no. 58/98"). The interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously called the Standing Interpretations Committee ("SIC"), were also taken into account.
During the drafting of these Condensed Interim Financial statements, prepared in compliance with IAS 34 - *Interim Financial Reporting,* the same accounting standards adopted in the drafting of the Consolidated Financial Statements as of 31 December 2010 were applied, with the exception of items in section 2.1, "Accounting standards, amendments and interpretations applied as from 1 January 2011".

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

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

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

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

## 2.1. Accounting standards, amendments and interpretations applied as of 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 32 – *Financial instruments*: Presentation - Classification of rights issues, to regulate the accounting of rights issues (rights, options or warrants) in a currency other than the operating currency of the issuer. These rights were previously accounted for as liabilities

from derivative financial instruments. The amendment requires these rights, in certain conditions, to be classified as Shareholders' equity regardless of the currency in which the exercise price is denominated.

- 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.

**<u>2.2 Amendments and interpretations effective as from 1 January 2011 and not relevant for the Group</u>**

The following amendments 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 these Condensed Interim Financial Statements:

- a minor amendment to IFRIC 14 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* – which allows companies to prepay minimum funding contributions and recognise them as an asset.
- IFRIC 19 – *Extinguishing Financial Liabilities with Equity Instruments* – which provides guidelines on the recognition of the extinction of a financial liability through the issue of an equity instrument. The interpretation establishes that if a business renegotiates extinguishing conditions of a financial liability and the creditor accepts extinguishing through the issue of the company's shares, the shares issued by the company will become a part of the price paid for extinguishing the financial liability and shall be valued at fair value; the difference between the book value of the extinguished financial liability and opening value of equity instruments shall be recorded in the consolidated income statement of the period.

**<u>2.3 Accounting standards, amendments and interpretations which are not yet applicable and adopted in advance by the Group</u>**

On 12 November 2009 the IASB published IFRS 9 – *Financial instruments* - on the classification and measurement of financial assets as from 1 January 2013. This publication is the first part of a process to entirely phase out and replace IAS 39. The new standard will adopt a single method based on the procedure for managing financial instruments and characteristics of contractual cash flow of financial assets to determine impairment losses of financial assets.
At the date of issue of these Condensed Interim Financial Statements, the competent bodies of the European Union had not yet completed the process of approval necessary for its application.

On 7 October 2010 IASB published some amendments to IFRS 7 – *Financial instruments: disclosures*, applicable for accounting periods starting on or after 1 July 2011. The purpose is to

improve understanding of financial asset transfer transactions, including understanding of the possible effects arising from any risks remaining with the company transferring the asset. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.
At the date of issue of these Condensed Interim Financial Statements, the competent bodies of the European Union had not yet completed the approval process necessary for application of the amendments.

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 following a period of hyperinflation.
The amendment will be applicable as from 1 July 2011.
At the date of issue of these Condensed Interim Financial Statements, the competent bodies of the European Union had not yet completed the approval process necessary for application of the amendments.

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. Consequently SIC 21 *Income taxes – Recovery of Revalued Non-Depreciable Assets* – will no longer be applicable. The amendment will be applicable as from 1 January 2012.
At the date of issue of these Condensed Interim Financial Statements, the competent bodies of the European Union had not yet completed the approval process necessary for application of the amendments.

## 3. Other information

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

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

| *Currency* | *Spot exchange rate 31 March 2011* | *Average exchange rate 1-1/31-3-2011* | *Spot exchange rate 31 December 2010* | *Spot exchange rate 31 March 2010* | *Average exchange rate 1-1/31-3-2010* |
|---|---|---|---|---|---|
| US Dollar | 1.42070 | 1.36693 | 1.33620 | 1.34790 | 1.38421 |
| Pounds Sterling | 0.88370 | 0.85323 | 0.86075 | 0.88980 | 0.88690 |
| Indian Rupee | 63.34500 | 61.89432 | 59.75800 | 60.51400 | 63.56687 |
| Singapore Dollars | 1.79020 | 1.74572 | 1.71360 | 1.88620 | 1.94152 |
| Chinese Renminbi | 9.30360 | 8.99660 | 8.82200 | 9.20060 | 9.45071 |
| Croatian Kuna | 7.37780 | 7.40237 | 7.38300 | 7.26380 | 7.28611 |
| Japanese Yen | 117.61000 | 112.51545 | 108.65000 | 125.93000 | 125.60759 |
| Vietnamese Dong | 29,858.22 | 28,829.94238 | 26,050.10000 | 25,705.70000 | 25,946.72493 |
| Canadian Dollars | 1.37850 | 1.34778 | 1.33220 | 1.36870 | 1.44075 |
| Indonesian Rupiah | 12,366.8 | 12,168.87 | | | |

## B) INFORMATION BY OPERATING SEGMENTS

The information by operating segments below reflects the internal reports used by management to take strategic decisions and the organisational structure adopted by the Piaggio Group since 2008 to meet the need to focus the Group's resources on "functional areas" and "geographical areas".

The "Two-Wheeler" and "Commercial Vehicles" divisions are the two functional areas of the Group. They have been identified considering the types of products sold. The results of these functional areas are considered by management in order to assess attained performances.
The business figures and margins are in line with those used in internal reporting.

The functional areas - within the reports provided to management - are further broken down by geographical segment. In particular for the "Two-Wheeler" segment, figures are presented with reference to "Western Countries", and "Asia Pacific". With regards to "Commercial Vehicles" the identified geographical segments are "Europe" and "India".
The above geographical division was adopted by the Group on approval of the 2010-2013 Strategic Plan during the Board Directors' meeting of 22 September 2010. For the sake of comparison, published data from the first quarter of 2010 have been reprocessed based on this new organisational logic.

The following income statement analysis provides information on the contribution in relation to the consolidated values of the "Two-Wheeler" and "Commercial Vehicles" functional areas.

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

## Income statement by operating segments

| | | Two-wheeler | | | Commercial Vehicles | | | TOTAL |
|---|---|---|---|---|---|---|---|---|
| | | Western Countries | Asia Pacific | **Total** | Europe | India | **Total** | |
| Sales volumes (unit/000) | 1-1 / 31-3-2011 | 66.3 | 17.4 | **83.7** | 3.6 | 61.7 | **65.3** | **149.0** |
| | 1-1 / 31-3-2010 | 72.5 | 15.1 | **87.6** | 3.9 | 52.2 | **56.2** | **143.7** |
| | Change | (6.2) | 2.3 | **(3.9)** | (0.3) | 9.4 | **9.2** | **5.2** |
| | Change % | -8.5% | 15.1% | **-4.5%** | -7.1% | 18.1% | **16.3%** | **3.7%** |
| Net turnover (millions of €) | 1-1 / 31-3-2011 | 183.0 | 32.2 | **215.2** | 26.5 | 110.0 | **136.5** | **351.7** |
| | 1-1 / 31-3-2010 | 186.3 | 33.9 | **220.2** | 33.4 | 86.9 | **120.4** | **340.6** |
| | Change | (3.3) | (1.7) | **(5.0)** | (6.9) | 23.1 | **16.2** | **11.1** |
| | Change % | -1.8% | -5.0% | **-2.3%** | -20.8% | 26.6% | **13.4%** | **3.3%** |
| Gross margin (millions of €) | 1-1 / 31-3-2011 | 56.2 | 11.7 | **67.9** | 5.9 | 28.8 | **34.7** | **102.6** |
| | 1-1 / 31-3-2010 | 58.2 | 13.4 | **71.6** | 8.5 | 22.5 | **30.9** | **102.5** |
| | Change | (2.0) | (1.7) | **(3.7)** | (2.6) | 6.4 | **3.8** | **0.1** |
| | Change % | -3.4% | -12.7% | **-5.2%** | -30.2% | 28.3% | **12.3%** | **0.1%** |
| EBITDA (millions of €) | 1-1 / 31-3-2011 | | | | | | | **33.7** |
| | 1-1 / 31-3-2010 | | | | | | | **31.8** |
| | Change | | | | | | | **1.9** |
| | Change % | | | | | | | **6.0%** |
| EBIT (millions of €) | 1-1 / 31-3-2011 | | | | | | | **12.2** |
| | 1-1 / 31-3-2010 | | | | | | | **11.3** |
| | Change | | | | | | | **0.8** |
| | Change % | | | | | | | **7.3%** |
| Net income (millions of €) | 1-1 / 31-3-2011 | | | | | | | **3.0** |
| | 1-1 / 31-3-2010 | | | | | | | **2.9** |
| | Change | | | | | | | **0.1** |
| | Change % | | | | | | | **4.0%** |

* Published data for the first quarter of 2010 have been reprocessed for comparison with data for the first quarter of 2011.

## C) INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

### 4. Net revenues €/000 351,679

Revenues are shown net of premiums recognised to customers (dealers).
This item does not include transport costs, which are recharged to customers (€/000 5,536) and invoiced advertising cost recoveries (€/000 2,161), 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:

| *In thousands of Euros* | *1-1 /31-3-2011* | | *1-1 / 31-3-2010* | | *Changes* | |
|---|---|---|---|---|---|---|
| | *Amount* | *%* | *Amount* | *%* | *Amount* | *%* |
| Two-wheeler | 215,157 | 61.18 | 220,200 | 64.66 | (5,043) | -2.29 |
| Commercial Vehicles | 136,522 | 38.82 | 120,364 | 35.34 | 16,158 | 13.42 |
| **TOTAL** | **351,679** | **100.00** | **340,564** | **100.00** | **11,115** | **3.26** |

*Revenues by geographical segment*

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

| *In thousands of Euros* | *1-1 /31-3-2011* | | *1-1 / 31-3-2010* | | *Changes* | |
|---|---|---|---|---|---|---|
| | *Amount* | *%* | *Amount* | *%* | *Amount* | *%* |
| EMEA | 202,385 | 57.55 | 214,761 | 63.06 | (12,376) | -5.76 |
| Americas | 7,061 | 2.01 | 4,976 | 1.46 | 2,085 | 41.90 |
| India | 110,046 | 31.29 | 86,941 | 25.53 | 23,105 | 26.58 |
| Asia Pacific | 32,187 | 9.15 | 33,886 | 9.95 | (1,699) | -5.01 |
| **TOTAL** | **351,679** | **100.00** | **340,564** | **100.00** | **11,115** | **3.26** |

In the first quarter of 2011, net sales revenues increased by €/000 11,115 mainly attributable to growth on the Indian commercial vehicles market which offset the downturns on the European market.

**5. Costs for materials** **€/000 211,901**

This item amounts to €/000 211,901 compared to €/000 202,030 as of 31 March 2010. The growth trend is basically related to an increase in production volumes.
The percentage accounting for net revenues increased, from 59.3% in the first quarter of 2010 to 60.3% in the current period, following the greater impact of commercial vehicles on total production, and particularly of vehicles manufactured for the Indian market, for which the percentage accounting for turnover is higher compared to the Group average.
This item includes €/000 7,674 for costs relative to purchases of scooters from the Chinese subsidiary Zongshen Piaggio Foshan, which are sold on European and Asian markets.

**6. Costs for services and lease and rental costs** **€/000 64,873**

In the first three months of 2011, these totalled €/000 64,873, registering an increase of €/000 2,200 compared to figures as of 31 March 2010.

**7. Employee costs** **€/000 64,205**

Employee costs for the first quarter of 2011 totalled €/000 64,205, against €/000 62,200 for the same period in the previous year.
The increase in overall costs is mainly due to the increase in the average number of employees.
It should be noted that employee costs include €/000 359 relating to stock option costs which were recorded in accordance with international financial accounting standards.
Below is a breakdown of the headcount by actual number and average number:

| | *Average number* | | |
|---|---|---|---|
| *Level* | *1-1 /31-3-2011* | *1-1 / 31-03-2010* | *Change* |
| Executives | 103 | 110 | (7) |
| Middle Management | 487 | 443 | 44 |
| White collars | 2,083 | 2,066 | 17 |
| Manual labour | 4,852 | 4,769 | 83 |
| **Total** | **7,525** | **7,388** | **137** |

| | *Number as of* | | |
|---|---|---|---|
| *Level* | *31 March 2011* | *31 December 2010* | *Change* |
| Executives | 102 | 107 | (5) |
| Middle Management | 484 | 487 | (3) |
| White collars | 2,079 | 2,076 | 3 |
| Manual labour | 4,828 | 4,859 | (31) |
| **Total** | **7,493** | **7,529** | **(36)** |

**8. Amortisation, depreciation and impairment costs** **€/000 21,571**

As from 1 January 2004 goodwill is not amortised but tested annually for impairment.
The *impairment test* carried out as of 31 December 2010 confirmed the full recoverability of the amounts recorded in the financial statements.
Amortisation/depreciation under the item "Concessions, licences, trademarks and similar rights" includes €/000 1,497 of amortisation for the Aprilia brand and €/000 762 for the Guzzi brand.

**9. Other operating income** **€/000 26,279**

Other operating income went up by €/000 2,802 compared to figures for the first quarter of 2010. This increase is mainly connected with the recovery of costs incurred for a lot of faulty pumps, for which the supplier was charged.
The item includes some recovered expenses, and mainly costs for transport and commercial costs charged to customers, of which expenses are classified under "services".

**10. Other operating costs** **€/000 3,255**

Overall, other operating costs decreased by €/000 2,089 compared to figures for the first quarter of 2010.

**11. Net income from equity investments** **€/000 0**

At the end of the reporting period, no income or costs arising from investments were recorded.

**12. Net financial income (charges)** **€/000 (6,548)**

The balance of financial income (borrowing costs) for the first three months of 2011 was negative, by €/000 -6,548, registering an increase compared to €/000 -5,914 for the same period in 2010. The poorer performance is related to higher costs of Euribor index-linked loans, as well as a negative impact from currency management.

## 13. Taxes €/000 2,635

Income taxes calculated in accordance with IAS 34 are estimated as €/000 2,635, equivalent to 47% of earnings before tax, and are equal to the best estimate of the average weighted rate expected for the entire period.

## 14. Gain/(loss) from assets held for disposal or sale

At the end of the interim financial statements there were no gains or losses from assets held for disposal or disuse.

## 15. Earnings per share

Earnings per share are calculated as follows:

| | | *1-1 /31-3-2011* | *1-1 / 31-3-2010* | |
|---|---|---|---|---|
| Net income | €/000 | 2,970 | 2,855 | |
| Earnings attributable to ordinary shares | €/000 | 2,970 | 2,855 | |
| Average number of ordinary shares in circulation during the period | no. | 371,793,901 | 371,793,901 | * |
| Earnings per ordinary share | € | 0.008 | 0.008 | |
| Adjusted average number of ordinary shares | no. | 374,504,617 | 373,743,277 | * |
| Diluted earnings per ordinary share | € | 0.008 | 0.008 | |

* Following the cancellation of 24,247,007 shares on 10 May 2010, the average number of shares in circulation in the first three months of 2010 was recalculated as indicated in IAS 33.

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 €/000 650,365

The table below details the breakdown of intangible assets as of 31 March 2011 and as of 31 December 2010, as well as changes for the period.

| *In thousands of Euros* | Value as of 31 December 2010 | Increases | Depreciation | Disposals | Reclassifications | Exchange differences | Value as of 31 March 2011 |
|---|---|---|---|---|---|---|---|
| R&D costs | 87,654 | 12,429 | (6,339) | | (519) | (2,679) | 90,546 |
| Patent rights | 35,413 | 541 | (3,694) | | | (116) | 32,144 |
| Concessions, licences and trademarks | 81,374 | | (2,260) | | | | 79,114 |
| Goodwill | 446,940 | | | | | | 446,940 |
| Other | 1,241 | 589 | (185) | (5) | 192 | (211) | 1,621 |
| **Total** | **652,622** | **13,559** | **(12,478)** | **(5)** | **(327)** | **(3,006)** | **650,365** |

The increases for the period recorded under development and research costs and patent rights, respectively, relate to the capitalisation of costs incurred to develop new products and new engines, and for the purchase of software.

### 17. Property, plant and machinery €/000 250,853

The table below details the breakdown of property, plant and equipment as of 31 March 2011 and as of 31 December 2010, as well as changes for the period.

| *In thousands of Euros* | *Value as of 31 December 2010* | *Increases* | *Depreciation* | *Disposals* | *Impairments* | *Reclassifications* | *Exchange differences* | *Value as of 31 March 2011* |
|---|---|---|---|---|---|---|---|---|
| Land | 31,844 | | | | | | | 31,844 |
| Buildings | 89,488 | 1,727 | (1,018) | | | 3 | (1,395) | 88,805 |
| Plants and machinery | 84,644 | 3,231 | (3,626) | | | 551 | (3,350) | 81,450 |
| Equipment | 42,583 | 2,907 | (3,962) | | (36) | 17 | (6) | 41,503 |
| Other | 8,200 | 449 | (487) | (150) | | (470) | (291) | 7,251 |
| **Total** | **256,759** | **8,314** | **(9,093)** | **(150)** | **(36)** | **101** | **(5,042)** | **250,853** |

The increases mainly relate to the construction of moulds for new vehicles launched during the period.

Guarantees

As of 31 March 2011, the Group had land and buildings encumbered by mortgage liens or privileges in favour of banks to secure loans obtained in previous years.

**18. Investment Property** **€/000 0**

At the close of the interim financial statements, no investment properties were held.

**19. Equity investments** **€/000 194**

The item Equity investments, which remained the same compared to 31 December 2010, is broken down as follows:

| *In thousands of Euros* | *As of 31 March 2011* | *As of 31 December 2010* | *Change* |
|---|---|---|---|
| Equity investments in subsidiaries | | | |
| Interests in joint ventures | | | |
| Equity investments in affiliated companies | 194 | 194 | 0 |
| **Total** | **194** | **194** | **0** |

**20. Other non-current financial assets** **€/000 334**

This item comprises:

| *In thousands of Euros* | *As of 31 March 2011* | *As of 31 December 2010* | *Change* |
|---|---|---|---|
| Financial receivables due from third parties | 169 | 169 | 0 |
| Equity investments in other companies | 165 | 165 | 0 |
| **Total** | **334** | **334** | **0** |

**21. Current and non-current tax receivables** **€/000 38,590**

Receivables due from tax authorities consist of:

| *In thousands of Euros* | *As of 31 March 2011* | *As of 31 December 2010* | *Change* |
|---|---|---|---|
| VAT receivables | 28,494 | 40,255 | (11,761) |
| Income tax receivables | 7,561 | 1,942 | 5,619 |
| Other receivables due from the public authorities | 2,535 | 2,970 | (435) |
| **Total tax receivables** | **38,590** | **45,167** | **(6,577)** |

Non-current tax receivables totalled €/000 1,013, compared to €/000 967 as of 31 December 2010, while current tax receivables totalled €/000 37,577 compared to €/000 44,200 as of 31 December 2010.

**22. Deferred tax assets** **€/000 45,798**

These overall total €/ 000 45,798 compared to the €/ 000 46,924 of 31 December 2010. Deferred tax assets mainly consist of advance taxes regarding the reversal of unrealised inter-company gains with third parties, advance taxes on fiscal losses of the Parent company and Nacional Motor S.A., and advance taxes on temporary differences of the Parent company.

**23. Current and non-current trade receivables** **€/000 137,274**

In the two periods of reference, no trade receivables were recognised as long-term assets.
As of 31 March 2011, current trade receivables totalled €/000 137,274 against €/000 90,421 as of 31 December 2010. The item includes:

| *In thousands of Euros* | As of 31 March 2011 | As of 31 December 2010 | Change |
|---|---|---|---|
| Current trade receivables: | | | |
| - due from customers | 134,970 | 88,211 | 46,759 |
| - due from Group companies valued at equity | 2,281 | 2,198 | 83 |
| - due from affiliated companies | 23 | 12 | 11 |
| **Total** | **137,274** | **90,421** | **46,853** |

The item "Trade receivables" comprises receivables referring to normal sale transactions, recorded net of provisions for risks of €/000 25,917.
The €/000 46,853 increase is linked to the seasonal nature of sales, which are concentrated in the spring and summer months.
Trade receivables from Group companies valued at equity comprise receivables from Zongshen Piaggio Foshan for the sale of raw materials and semifinished goods.
Trade receivables due from affiliated companies are amounts due from the Fondazione Piaggio and Immsi Audit.

The Piaggio Group sells a large part of its trade receivables with and without recourse. The Piaggio Group has signed contracts with some of the most important Italian and foreign factoring companies as a move to optimise the monitoring and the management of its trade receivables, besides offering its customers an instrument for funding their own inventories. As of 31 March 2011, trade receivables still due, sold without recourse, totalled €/000 109,594, of which the Group received payment prior to the natural maturity of €/000 88,465. As of 31 March 2011, receivables sold with recourse by factoring companies and banks totalled €/000 18,688, with a counter entry in current liabilities.

**24. Other current and non-current receivables** **€/000 42,995**

Other non-current receivables totalled €/000 12,222 compared to €/000 12,655 as of 31 December 2010, whereas other current receivables were equal to €/000 30,773 against €/000 23,300 as of 31 December 2010. They comprise the following:

| *In thousands of Euros* | As of 31 March 2011 | As of 31 December 2010 | Change |
|---|---|---|---|
| Other non-current receivables: | | | |
| - due from Group companies valued at equity | 138 | 138 | 0 |
| - due from affiliated companies | 306 | 305 | 1 |
| - due from others | 11,778 | 12,212 | (434) |
| **Total non-current portion** | **12,222** | **12,655** | **(433)** |

Receivables due from Group companies valued at equity comprise amounts due from AWS do Brasil.

Receivables due from affiliated companies regard amounts due from the Fondazione Piaggio.

| *In thousands of Euros* | As of 31 March 2011 | As of 31 December 2010 | Change |
|---|---|---|---|
| Other current receivables: | | | |
| Receivables due from the Parent Company | 5,759 | 5,795 | (36) |
| Receivables due from Group companies valued at equity | 13 | 134 | (121) |
| Receivables due from affiliated companies | 54 | 54 | 0 |
| Receivables due from others | 24,947 | 17,317 | 7,630 |
| **Total current portion** | **30,773** | **23,300** | **7,473** |

Receivables due from the Parent Company regard the assignment of tax receivables that took place within the group consolidated tax procedure. Receivables due from Group companies valued at equity comprise amounts due from Zongshen Piaggio Foshan. Receivables due from affiliated companies are amounts due from the Fondazione Piaggio and Immsi Audit.

## 25. Inventories €/000 258,957

This item as of 31 March 2011, is broken down as follows:

| *In thousands of Euros* | *As of 31 March 2011* | *As of 31 December 2010* | *Change* |
|---|---|---|---|
| Raw materials and consumables | 130,722 | 97,315 | 33,407 |
| Provisions for write-downs | (12,658) | (12,705) | 47 |
| | *118,064* | *84,610* | 33,454 |
| Work in progress | 16,609 | 24,834 | (8,225) |
| Provisions for write-downs | (852) | (852) | 0 |
| | *15,757* | *23,982* | (8,225) |
| Finished products and goods | 150,650 | 156,644 | (5,994) |
| Provisions for write-downs | (25,514) | (25,170) | (344) |
| | *125,136* | *131,474* | (6,338) |
| **Total** | **258,957** | **240,066** | **18,891** |

The overall growth of €/000 18,891 is related to the seasonal nature of the production cycle.

## 26. Other current financial assets €/000 14,608

This item comprises:

| *In thousands of Euros* | *As of 31 March 2011* | *As of 31 December 2010* | *Change* |
|---|---|---|---|
| Securities | 14,608 | 23,051 | (8,443) |
| **Total** | **14,608** | **23,051** | **(8,443)** |

The item securities refers to €/000 13,029 for Italian government securities purchased by Piaggio & C. S.p.A., and €/000 1,579 for portions of a liquidity fund acquired by the subsidiary Piaggio Vehicles Private Ltd.

**27. Cash and cash equivalents** **€/000 143,604**

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

| *In thousands of Euros* | *As of 31 March 2011* | *As of 31 December 2010* | *Change* |
|---|---|---|---|
| Bank and post office deposits | 118,345 | 129,475 | (11,130) |
| Cash and assets in hand | 66 | 384 | (318) |
| Securities | 25,193 | 25,000 | 193 |
| **Total** | **143,604** | **154,859** | **(11,255)** |

The item Securities refers to a swap with securities of an Italian bank, undertaken by the Parent Company to effectively use temporary liquid funds.

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

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

**INFORMATION ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION - LIABILITIES**

## 29. Share capital and reserves €/000 439,358

Share capital €/000 203,348

As of 31 March 2011 capital, fully subscribed and paid up, was unchanged and equal to € 205,941,272.16, divided into 371,793,901 ordinary shares.
During the period, the Parent Company did not purchase any additional treasury shares. Therefore, as of 31 March 2011 the Parent Company held 4,882,711 treasury shares, equal to 1.31% of the share capital.

As of 31 March 2011, according to the shareholder ledger and notices received pursuant to article 120 of Legislative Decree no. 58/1998 and other information available, the following shareholders held voting rights, either directly or indirectly, exceeding 2% of the share capital:

| Declarer | Direct shareholder | % of ordinary share capital | % of shares with voting rights |
|---|---|---|---|
| **Omniaholding S.p.A.** | IMMSI S.p.A. | 53.048 | 53.048 |
| | Omniaholding S.p.A. | 0.027 | 0.027 |
| | **Total** | **53.075** | **53.075** |
| **Financiere de l'Echiquier** | Financiere de l'Echiquier | 5.014 | 5.014 |
| | **Total** | **5.014** | **5.014** |
| **Diego della Valle** | Diego della Valle & C. S.a.p.a. | 3.195 | 3.195 |
| | **Total** | **3.195** | **3.195** |
| **State of New Jersey Common Pension Fund D** | State of New Jersey Common Pension Fund D | 2.995 | 2.995 |
| | **Total** | **2.995** | **2.995** |
| **Fidelity International Limited** | Fidelity International Limited | 2.040 | 2.040 |
| | **Total** | **2.040** | **2.040** |

Share premium reserve €/000 3,493

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

Legal reserve €/000 11,299

The legal reserve was unchanged and equal to €/000 11,299.

Other provisions €/000 (1,516)

This item consists of:

| *In thousands of Euros* | *As of 31 March 2011* | *As of 31 December 2010* | *Change* |
|---|---|---|---|
| Conversion reserve | (7,271) | (1,850) | (5,421) |
| Stock option reserve | 12,288 | 11,929 | 359 |
| Financial instruments' fair value reserve | (1,667) | (227) | (1,440) |
| IFRS transition reserve | (5,859) | (5,859) | 0 |
| *Total other provisions* | *(2,509)* | *3,993* | *(6,502)* |
| Consolidation reserve | 993 | 993 | 0 |
| **Total** | (1,516) | 4,986 | (6,502) |

The financial instruments' fair value reserve, equal to €/000 -1,667, refers to the effect of recording the cash flow hedge.

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

Performance reserve €/000 221,146

Minority interest capital and reserves €/000 1,588

The end of period amount refers to minority interest in Piaggio Hrvatska Doo and Piaggio Vietnam.

Other net income (losses) €/000 (1,440)

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

| *In thousands of Euros* | *As of 31 March 2011* | *As of 31 March 2010* | *Change* |
|---|---|---|---|
| The effective part of net income (losses) on cash flow hedging instruments generated in the period | (1,339) | 738 | (2,077) |
| The effective part of net income (losses) on cash flow hedging instruments re-classified in the consolidated income statement | (101) | (45) | (56) |
| **Effective part of profits (losses) on cash flow hedges** | **(1,440)** | **693** | **(2,133)** |

## 30. Current and non-current financial liabilities €/000 564,627

In the first three months of 2011, the Group's overall debt went up by €/000 36,779, from €/000 527,848 to €/000 564,627. This increase is mainly attributable to the effect of the seasonal nature of the Two-Wheeler segment, which uses resources in the first half of the year, and produces resources in the second half.

The Group's net debt stood at €/000 406,415 as of 31 March 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.

Financial liabilities included in non-current liabilities totalled €/000 334,156 against €/000 371,048 as of 31 December 2010, whereas other payables included in current liabilities totalled €/000 230,471 compared to €/000 156,800 as of 31 December 2010.

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

| *In thousands of Euros* | *As of 31 December 2010* | *Repayments* | *New issues* | *Reclassifications to current portion* | *Other changes* | *As of 31 March 2011* |
|---|---|---|---|---|---|---|
| Non-current portion: | | | | | | |
| Medium-/long-term loans | 214,785 | | 3,074 | (39,436) | 198 | 178,621 |
| Bonds falling due over 12 months | 139,007 | | | | | 139,007 |
| Other medium-/long-term loans: | | | | | | |
| *- of which leases* | 7,471 | | 227 | (271) | | 7,427 |
| *- of which due to other lenders* | 9,785 | | 274 | (958) | | 9,101 |
| Total other loans over 12 months | *17,256* | *0* | *501* | *(1,229)* | *0* | *16,528* |
| **Total** | **371,048** | **0** | **3,575** | **(40,665)** | **198** | **334,156** |

| *In thousands of Euros* | *As of 31 December 2010* | *Repayments* | *New issues* | *Reclass. from non current portion* | *Exchange delta* | *Other changes* | *As of 31 March 2011* |
|---|---|---|---|---|---|---|---|
| Current portion: | | | | | | | |
| Current account overdrafts | 101 | | 414 | | | | 515 |
| Current account payables | 45,404 | | 50,463 | | 2,712 | | 98,579 |
| Payables due to factoring companies | 23,255 | (4,917) | | | | | 18,338 |
| Current portion of medium-/long-term loans: | | | | | | | |
| - of which leases | 791 | (196) | | 271 | | | 866 |
| - due to banks | 82,929 | (14,395) | | 39,436 | | 10 | 107,980 |
| - due to others | 4,320 | (1,085) | | 958 | | | 4,193 |
| Total current portion of medium-/long-term loans | *88,040* | *(15,676)* | *0* | *40,665* | | *10* | *113,039* |
| **Total** | **156,800** | **(20,593)** | **50,877** | **40,665** | **2,712** | **10** | **230,471** |

Medium and long-term bank debt amounts to €/000 286,601 (of which €/000 178,621 non-current and €/000 107,980 current) and consists of the following loans:

- a €/000 107,143 medium-term loan, granted by the European Investment Bank, to fund investments in Research & Development, planned for 2009-2012. The loan will fall due in February 2016 and has an amortisation quota of 14 six-monthly instalments at a variable rate linked to the six-month Euribor plus a spread of 1.323%. The contractual terms envisage loan covenants but exclude guarantees. It should be noted that, in reference to the 2010 period, these parameters were comfortably met;
- a €/000 89,585 (nominal value of €/000 90,000) medium-term loan granted in July 2009 to the Parent company from Banca Nazionale del Lavoro, acting in a capacity as agent bank, and disbursed in August 2009. This loan falls due in August 2012 with a grace period of a year and a half and three six-monthly instalments. The financial terms provide for a variable interest rate linked to the six-month Euribor plus an initial margin of 1.90%. This margin may vary from a minimum of 1.65% to a maximum of 2.20% in accordance with changes in the Net Financial Debt / Ebitda ratio. Guarantees are not issued. However in line with market practice, some financial parameters must be complied with. It should be noted that, in reference to the 2010 period, these parameters were comfortably met;
- €/000 55,250 (par value €/000 55,500) 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 *instalment* of €/000 150,000 which has been fully drawn on (as of 31 March 2011 €/000 55,500 was still due) and a second *instalment* of €/000 100,000 to be used as a credit line

(of which €/000 60,000 used as of 31 March 2011). 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 plus a variable spread between a maximum of 2.10% and a minimum of 0.65% depending on the Net Financial Debt/EBITDA ratio. As of 31 March 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 2010 period, these parameters were comfortably met;

- a €/000 15,625 five-year unsecured loan from Interbanca entered into in September 2008;
- a €/000 491 loan from Interbanca in accordance with Law 346/88 regarding subsidies for applied research, secured by a mortgage lien on property.
- €/000 2,691 as a non-interest bearing loan originally granted by Banca Antonveneta to a subsidiary of the Aprilia Group following the acquisition charged to the Parent Company; the lump sum due date is in December 2011;
- a €/000 1,145 subsidised loan from Banca Intesa San Paolo under Law 346/88 regarding applied research;
- a €/000 2,901 subsidised loan from Banca Intesa San Paolo under Law 346/88 regarding 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 equity investment in the Vietnamese company:
- €/000 10,270 (nominal amount USD/000 15,000) as the partial instalment of a medium-term loan for a total of USD/000 19,000 from 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 falls due on 15 January 2018 and will be paid back based on an amortisation quota of six-monthly instalments starting from January 2014. The contract terms require a guarantee provided by the Parent Company and, in line with market practice, compliance with financial parameters. It should be noted that, with reference to the 2010 period, these parameters were comfortably met;

The item Bonds amounting to €/000 139,007 (nominal amount of €/000 150,000) refers to the high-yield debenture loan issued on 4 December 2009 by the parent company Piaggio & C. S.p.A., 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 of BB and Ba2 in 2010, both revising their outlook from negative to stable.

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 and debenture loan). According to this criterion, the nominal amount of the liability is decreased by the amount of relative costs of issue and/or stipulation, in addition to any costs relating to refinancing of previous liabilities. The amortisation of these costs is determined on an effective interest rate basis, and namely the rate which discounts the future flows of interest payable and reimbursements of capital at the net carrying amount of the financial liability.

The items "Current account overdrafts" and "Current account payables" include €/000 3,300 for a Working Capital credit line loaned by a pool of banks with maturity in December 2011.

Medium-/long-term payables due to other lenders amount to €/000 21,587, of which €/000 16,528 due after twelve months; (€/000 5,059 is the current portion of other loans). These break down as follows:

- property lease of €/000 8,293 granted by Unicredit Leasing to the merged Moto Guzzi S.p.A. (non-current portion equal to €/000 7,427);
- subsidised loans for a total of €/000 13,294 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 9,101);

Advances from factoring operations with recourse relative to trade receivables are equal to €/000 18,338.

Financial instruments

Exchange Risk

In the first quarter of 2011, the exchange risk was managed in line with Group policy, which aims to neutralise the possible negative effects of exchange rate changes on company cash-flow, by hedging the business risk which concerns changes in company profitability compared to the annual business budget on the basis of a key change (the so-called "budget change") and of the transaction risk, which concerns the differences between the exchange rate recorded in the financial statements for receivables or payables in foreign currency and that recorded in the related receipt or payment.
The exposure to business risk consists of the envisaged payables and receivables in foreign currency, taken from the budget for sales and purchases reclassified by currency and accrued on a monthly basis.
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.

As regards contracts in place to hedge the exchange risk of foreign transactions (business risk), as of 31 March 2011 Piaggio & C. S.p.A. had in place the following forward purchase contracts (accounted for on a regulation date basis):

- for a value of CHF/000 530 corresponding to €/000 423 (valued at the forward exchange rate), with average maturity on 20 May 2011;
- for a value of GBP/000 3,485 corresponding to €/000 3,971 (valued at the forward exchange rate), with average maturity on 12 May 2011;
- for a value of JPY/000,000 296 corresponding to €/000 2,602 (valued at the forward exchange rate), with average maturity on 18 May 2011;
- for a value of SEK/000 40 corresponding to €/000 4 (valued at the forward exchange rate), with average maturity on 15 April 2011;
- for a value of USD/000 5,870 corresponding to €/000 4,202 (valued at the forward exchange rate), with average maturity on 15 April 2011;

and forward sales contracts:

- for a value of CAD/000 4,934 corresponding to €/000 3,594 (valued at the forward exchange rate), with average maturity on 30 April 2011;
- for a value of CHF/000 4,595 corresponding to €/000 3,560 (valued at the forward exchange rate), with average maturity on 5 June 2011;
- for a value of GHP/000 4,255 corresponding to €/000 4,916 (valued at the forward exchange rate), with average maturity on 1 June 2011;
- for a value of JPY/000,000 254 corresponding to €/000 2,192 (valued at the forward exchange rate), with average maturity on 15 April 2011;
- for a value of SEK/000 3,435 corresponding to €/000 389 (valued at the forward exchange rate), with average maturity on 1 June 2011;
- for a value of SGD/000 60 corresponding to €/000 34 (valued at the forward exchange rate), with average maturity on 15 April 2011;
- for a value of USD/000 6,850 corresponding to €/000 4,869 (valued at the forward exchange rate), with average maturity on 9 May 2011;

As regards contracts in place to hedge the exchange risk of forecast transactions (business risk), as of 31 March 2011 the Parent Company had in place forward purchase contracts for a value of CNY/000 300,000 corresponding to €/000 34,155 (valued at the forward exchange rate) with average maturity on 1 August 2011 and USD/000 7,200 corresponding to €/000 5,223 (valued at the forward exchange rate) with average maturity on 2 July 2011 and forward sales contracts for CHF/000 16,600 corresponding in total to €/000 12,518 (valued at the forward exchange rate) with average maturity on 16 July 2011 and GBP/000 9,600 corresponding in total to €/000 11,163 (valued at the forward exchange rate) with average maturity on 15 July 2011.

## 31. Current and non-current trade payables €/000 343,956

As of 31 March 2011, non-current trade receivables were equal to €/000 163, compared to €/000

88 at 31 December 2010, while current trade receivables were equal to €/000 343,793 compared to €/000 352,627.

| *In thousands of Euros* | *As of 31 March 2011* | *As of 31 December 2010* | *Change* |
|---|---|---|---|
| Amounts due to suppliers | 327,333 | 339,858 | (12,525) |
| Trade payables due to companies valued at equity | 15,851 | 11,914 | 3,937 |
| Amounts due to affiliated companies | 66 | 146 | (80) |
| Amounts due to parent companies | 706 | 797 | (91) |
| **Total** | **343,956** | **352,715** | **(8,759)** |

Trade receivables decreased by €/000 8,759 during the quarter.

## 32. Current and non-current portions of provisions — €/000 33,616

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

| *In thousands of Euros* | Balance as of 31 December 2010 | Provisions | Applications | Reclassification | Exchange differences | Balance as of 31 March 2011 |
|---|---|---|---|---|---|---|
| Product warranty provision | 17,012 | 1,030 | (2,236) | (22) | (141) | 15,643 |
| Risk provisions on equity investments | 195 | | | | | 195 |
| Provisions for contractual risks | 7,746 | 305 | | | | 8,051 |
| Provisions for guarantee risks | 76 | | | | | 76 |
| Provision for tax risks | 1,587 | | | | | 1,587 |
| Other provisions for risks | 8,323 | 721 | (802) | | (178) | 8,064 |
| **Total** | **34,939** | **2,056** | **(3,038)** | **(22)** | **(319)** | **33,616** |

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

| *In thousands of Euros* | *As of 31 March 2011* | *As of 31 December 2010* | *Change* |
|---|---|---|---|
| Non-current portion: | | | |
| Product warranty provision | 5,116 | 5,136 | (20) |
| Risk provisions on equity investments | 195 | 195 | 0 |
| Provisions for contractual risks | 6,797 | 6,797 | 0 |
| Provision for tax risks | 155 | 155 | 0 |
| Other provisions for risks | 4,703 | 4,710 | (7) |
| **Total non-current portion** | **16,966** | **16,993** | **(27)** |

| *In thousands of Euros* | *As of 31 March 2011* | *As of 31 December 2010* | *Change* |
|---|---|---|---|
| Current portion: | | | |
| Product warranty provision | 10,527 | 11,877 | (1,350) |
| Provisions for contractual risks | 1,254 | 948 | 306 |
| Provisions for guarantee risks | 76 | 76 | 0 |
| Provision for tax risks | 1,432 | 1,432 | 0 |
| Other provisions for risks | 3,361 | 3,613 | (252) |
| **Total current portion** | **16,650** | **17,946** | **(1,296)** |

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 1,030 and was used for €/000 2,236 in relation to charges incurred during the period.
Provisions for risks on equity investments includes the portion of negative shareholders' equity held in the subsidiary Piaggio China Co Ltd, as well as the charges that may arise from liquidations/mergers involving some foreign Group companies.
The provision of contractual risks refers mainly to charges which may arise from the ongoing negotiation of a supply contract.
"Other provisions" include provisions for legal risks for €/000 5,067.

## **33. Deferred tax liabilities** **€/000 31,482**

Deferred tax liabilities total €/000 31,482 compared to €/000 32,338 as of 31 December 2010. The change was mainly due to the reabsorption of temporary differences.

## **34. Retirement funds and employee benefits** **€/000 57,327**

| *In thousands of Euros* | *As of 31 March 2011* | *As of 31 December 2010* | *Change* |
|---|---|---|---|
| Retirement funds | 1,944 | 1,934 | 10 |
| Post-employment benefits | 55,383 | 56,702 | (1,319) |
| **Total** | **57,327** | **58,636** | **(1,309)** |

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.

**35. Current and non-current tax payables** **€/000 27,714**

Current tax payables amount to €/000 24,252, compared to €/000 19,290 as of 31 December 2010. Non-current tax payables amount to €/000 3,462 and mainly refer to the claim made by the Inland Revenue concerning withheld tax on a debenture loan paid back in 2009.

Their breakdown was as follows:

| *In thousands of Euros* | *As of 31 March 2011* | *As of 31 December 2010* | *Change* |
|---|---|---|---|
| Due for income taxes | 1,681 | 3,977 | (2,296) |
| Due for non-income tax | 27 | - | 27 |
| Tax payables for: | | | |
| - VAT | 9,933 | 5,713 | 4,220 |
| - withheld taxes made | 9,607 | 5,841 | 3,766 |
| - other | 6,466 | 7,120 | (654) |
| Total | 26,006 | 18,674 | 7,332 |
| **TOTAL** | **27,714** | **22,651** | **5,063** |

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

**36. Current and non-current other payables** **€/000 85,492**

| *In thousands of Euros* | *As of 31 March 2011* | *As of 31 December 2010* | *Change* |
|---|---|---|---|
| Non-current portion: | | | |
| Amounts due to employees | 33 | 31 | 2 |
| Amounts due to social security institutions | 1,003 | 1,003 | 0 |
| Other payables | 3,162 | 3,168 | (6) |
| **Total non-current portion** | **4,198** | **4,202** | **(4)** |

| *In thousands of Euros* | *As of 31 March 2011* | *As of 31 December 2010* | *Change* |
|---|---|---|---|
| Current portion: | | | |
| Amounts due to employees | 31,637 | 25,553 | 6,084 |
| Amounts due to social security institutions | 12,755 | 9,728 | 3,027 |
| Sundry payables due to affiliated companies | 30 | 58 | (28) |
| Sundry payables due to parent companies | 304 | 284 | 20 |
| Others | 36,568 | 33,880 | 2,688 |
| **Total current portion** | **81,294** | **69,503** | **11,791** |

Other payables included in non-current liabilities totalled €/000 4,198 against €/000 4,202 as of 31 December 2010, whereas other payables included in current liabilities totalled €/000 81,294 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 13,432 and other payments to be made for €/000 18,238.

Payables due to affiliated companies refer to various amounts due to the Fondazione Piaggio.

## E) <u>TRANSACTIONS WITH RELATED PARTIES</u>

Transactions between the Parent Company and its subsidiaries, which are parties related to the Parent Company, have been eliminated in the Condensed Interim Financial Statements and are not referred to in this note.

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 March 2011, as well as their contribution to the respective headings.

| *In thousands of Euros* | Fondazione Piaggio | Piaggio China | AWS do Brasil | Zongshen Piaggio Foshan | IMMSI Audit | Studio D'Urso | Omniaholding | IMMSI | **Total** | **% of accounting item** |
|---|---|---|---|---|---|---|---|---|---|---|
| Income statement | | | | | | | | | | |
| net sales | | | | 191 | | | | | **191** | **0.05%** |
| costs for materials | | | | 7,674 | | | | | **7,674** | **3.62%** |
| costs for services and lease and rental costs | | | | 21 | 200 | 35 | | 743 | **999** | **1.54%** |
| other operating income | | | | 156 | 11 | | | 15 | **182** | **0.69%** |
| borrowing Costs | | | | 28 | | | | | **28** | **0.39%** |
| Assets | | | | | | | | | | |
| other non-current receivables | 306 | | 138 | | | | | | **444** | **3.63%** |
| current trade receivables | 5 | | | 2,281 | 18 | | | | **2,304** | **1.68%** |
| other current receivables | 25 | | | 13 | 29 | | | 5,759 | **5,826** | **18.93%** |
| Liabilities | | | | | | | | | | |
| financial liabilities falling due after one year | | | | | | | 2,900 | | **2,900** | **0.87%** |
| current trade payables | | 7 | | 15,844 | 31 | 35 | | 706 | **16,623** | **4.84%** |
| other current payables | 30 | | | | | | | 304 | **334** | **0.41%** |

## F) <u>SUBSEQUENT EVENTS</u>

To date, no events have occurred after 31 March 2011 that make additional notes or adjustments to these interim financial statements necessary.

In this regard, reference is made to the Report on Operations for significant events after 31 March 2011.

In accordance with paragraph 2 of article 154-bis of the Consolidated Finance Act, the executive in charge of financial reporting, Alessandra Simonotto, states that the accounting information contained in this document is consistent with the accounts.

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Mantova, 29 April 2011

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